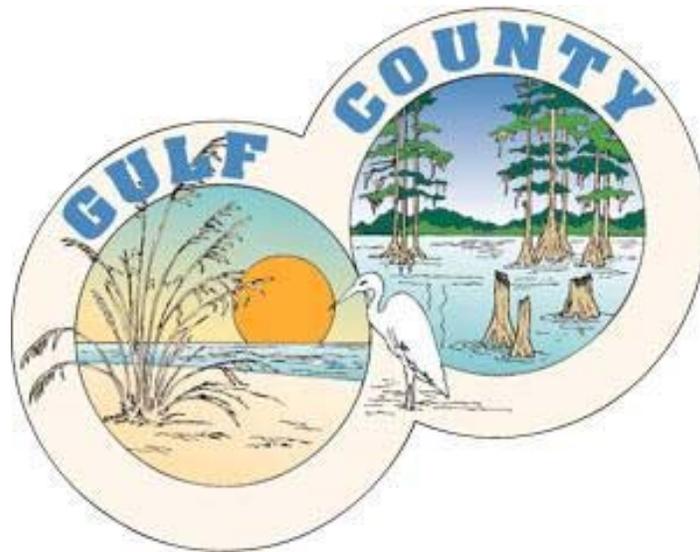


Gulf County, Florida



*Annual Financial Report
September 30, 2006*

Gulf County, Florida
Annual Financial Report

Year ended September 30, 2006

Board of County Commissioners

Carmen L. McLemore.....District 1
Billy E. Traylor.....District 2
Bill WilliamsDistrict 3
Nathan Peters, Jr.....District 4
Jerry W. BarnesDistrict 5

CLERK OF THE CIRCUIT COURT

Rebecca L. Norris

SHERIFF

Dalton Upchurch

TAX COLLECTOR

Shirley J. Jenkins

PROPERTY APPRAISER

Kesley Colbert

SUPERVISOR OF ELECTIONS

Linda Griffin

COUNTY ATTORNEY

Timothy J. McFarland

COUNTY ADMINISTRATOR

Don Butler

Gulf County, Florida

THIS REPORT CONTAINS THE FOLLOWING SECTIONS

GULF COUNTY, FLORIDA (COUNTYWIDE) GENERAL PURPOSE FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT AND REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL, AND FEDERAL AND STATE FINANCIAL ASSISTANCE AND AUDITORS' REQUIRED DISCLOSURES

CLERK OF THE CIRCUIT COURT'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

PROPERTY APPRAISER'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

SHERIFF'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

SUPERVISOR OF ELECTIONS' FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

TAX COLLECTOR'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

Gulf County, Florida
Annual Financial Report
Year ended September 30, 2006

Contents

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
A. Basic Financial Statements	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	18
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for Major Funds with Annually Appropriated Budgets:	
General Fund.....	22
Fine and Forfeitures	23
Gulf Construction and Acquisition.....	24
State Housing Initiative Program	25
Gulf County Public Improvements.....	26
County Road and Bridge	27
Proprietary Fund Financial Statements:	
Statement of Net Assets	28
Statement of Revenues, Expenses and Changes in Net Assets.....	29
Statement of Cash Flows.....	30
Fiduciary Fund Statements:	
Statement of Fiduciary Net Assets – Agency Funds	31
Notes to Financial Statements.....	32

Gulf County, Florida

Annual Financial Report

Year ended September 30, 2006

Table of Contents (continued)

B. Combining Financial Statements

Combining Balance Sheet - Nonmajor Governmental Funds 60
Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances - Nonmajor Governmental Funds 63
Combining Statement of Net Assets - Nonmajor Proprietary Funds 66
Combining Statement of Revenues, Expenses, and Changes in Fund
Net Assets - Nonmajor Proprietary Funds..... 67
Combining Statement of Cash Flows - Nonmajor Proprietary Funds 68
Combining Balance Sheet - Agency Funds 69

C. Internal Control and Compliance Reports

Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards* 71

Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor
General*..... 77

Schedule of Expenditures of Federal Awards and State Financial Assistance 79

Notes to Schedule of Expenditure of Federal Awards and State Financial
Assistance..... 81

Schedule of Findings and Questioned Costs 82

Summary Schedule of Audit Findings 84

Summary Schedule of Prior Audit Findings 88

D. Management Letter

Letter to the Gulf County Board of County Commissioners dated July 15, 2007 89

Summary Response to the Audit Findings..... 93

Independent Auditors' Report

Independent Auditors' Report

The Honorable Board of County Commissioners
Gulf County, Florida

We were engaged to audit 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 (the County) as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management.

Except as discussed in the following paragraph, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Included in the financial statements of the County are the account balances and results of operations of the Gulf County Sheriff, as of, and for the year ended September 30, 2006. As described in our report dated June 28, 2007, we were unable to express an opinion on the Sheriff's financial statements due to inadequate accounting records, lack of supporting documentation, and the absence of effective internal controls. We were unable to extend our auditing procedures to determine the extent to which the Sheriff's financial statements may have been affected by these conditions. The fund information and fixed assets of the Sheriff are reflected separately in the fund financial statements of the County, with the exception of the Sheriff's general fund, which has been combined with the general funds of the other constitutional officers and reported in the general fund of the County. The Sheriff's total assets, liabilities and fund balances included in the County's general fund at September 30, 2006, were \$0, \$105,965 and (\$105,965), respectively. The Sheriff's total revenues (including transfers) and expenditures included in the County's general fund for the year ended September 30, 2006, were \$3,273,315 and \$3,282,089, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary for a fair presentation of the Sheriff's financial statements, 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, 2006, and the respective changes in financial position and cash flows, where applicable, the respective budgetary comparison for the general fund and the major funds thereof 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 July 15, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements but is 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, except for information pertaining to the matters discussed in the third paragraph of this report on the preceding page. 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 combining and individual nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Gulf County, Florida. Additionally, the accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements of Gulf County, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects, if any, of the matters discussed in the third paragraph of this report on the preceding page, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Thomas Howell Ferguson B.A.

Keith L. Jones, CPA

July 15, 2007

Management's Discussion and Analysis

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Board of County Commissioners of Gulf County (the "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 approximately 16,000, Gulf County is by far a sparse, low density county. Gulf is a non-charter county governed by the Board of County Commissioners.

The Board of County Commissioners (the 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 other community and human services.

HIGHLIGHTS

- The County's total governmental net assets increased 20.48% or \$3,694,241 from September 30, 2005, to September 30, 2006. This was attributable to a combination of factors including the acquisition of capital assets through donation and capital acquisition grants, actual revenue exceeding budgeted revenue and actual expenditures being less than budgeted expenditures. As was reported in the previous year the County's total business-type activities remained relatively constant with a slight decrease of \$6,311 (or -.22%) for the same time period.
- During the current year, the County's General Fund expenditures exceeded revenues by \$326,770, however, note the favorable variance shown on page 22 of the financial statements. This may be compared to last year's results in which the County's General Fund expenditures exceeded revenues by \$97,324, also favorable when compared to the budget.
- The County's capital assets subject to depreciation increased by \$2.9 million, an increase of 12.16% for the year. The increase is largely due to major improvements at county parks, the purchase of heavy equipment and the purchase of emergency response vehicles and equipment.
- The County's property base continued to increase in value as depicted later in a graph under the subheading Taxable Value of Property and Millage Rates. As a result of the increase in property values, the County has been able to assess lower millage rates each year; this is also depicted in the graph described herein.
- Tourism is an important economic factor in the county. The combination of a favorable climate together with diverse recreational opportunities has allowed the county to capitalize on the tourism industry.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The county's property valuation has increased from 2.6 billion in 2005 to 2.8 billion in 2006 and is expected to decrease slightly in 2007. The expected decrease in property values are the result of a downturn in real estate sales. Major changes were made for the 2007-2008 fiscal year by the legislature limiting the ability of local governments to assess ad valorem taxes to meet the needs of its citizens. This will most definitely impact Gulf County unfavorably in the future as it strives to maintain and/or expand existing services.
- Ground breaking for a new hospital began subsequent to 09/30/06. The estimated completion for the hospital is January 2009. 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 beginning January 1, 2006.
- Subsequent to 09/30/06 the county issued bonds in excess of \$10 million to be used to re-nourish and reconstruct the beaches at Cape San Blas. The property owners inside the Gulfside and Interior MSTU voted for the county to issue the bonds and also for the county to levy ad valorem taxes to provide payment for all principal and interest on the bonds. The final debt service payment is scheduled for August 1, 2013. The county has recently awarded a contract in excess of \$20 million dollars for beach re-nourishment. The additional \$10 million dollars will be provided from the State of Florida through grants.
- All insurance is administered through the risk management department. The goal is to provide financial protection for accidental losses through a combination of commercial insurance companies.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The management 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. This statement, combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets (note: infrastructure will be added later) and long-term obligations. The statements 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 2006 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. The business-type activities of the County include five 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 non-financial factors, such as changes in the County's property tax base and the condition of the County's capital assets including infrastructure assets.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 enterprises 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 own 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

While the County has implemented the major model portions of GASB Statement #34, the County will defer implementing the infrastructure portion (related to general governmental activities until ready to address the modified approach (planned for fiscal year 2006-2007). Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes) have not been reported nor depreciated in government financial statements. This new statement requires that these assets be valued and reported within 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 develops the asset management system (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 cost of maintenance in lieu of depreciation.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities (governmental and business-type activities) by approximately \$24.5million at the close of the fiscal year ended September 30, 2006 and \$20.8 million at September 30, 2005.

	Governmental Activities		Business-type Activities		Total	
	2005-2006	2004-2005	2005 - 2006	2004-2005	2005 -2006	2004-2005
Current and Other Assets	\$ 25,878,140	12,073,917	253,798	304,364	26,131,938	12,378,281
Capital Assets, Net	21,063,174	18,847,093	3,071,707	3,172,018	24,134,881	21,659,111
Deferred Charges & Other Restricted Assets	924,460	27,900	108,066	48,057	1,032,526	75,957
Total Assets	\$ 47,865,774	30,588,910	3,433,571	3,524,439	51,299,345	34,113,349
Current and Other Liabilities	5,203,982	3,363,661	159,300	215,125	5,363,282	3,578,786
Long-term Liabilities	20,931,963	9,189,661	470,725	499,457	21,402,688	9,689,118
Total Liabilities	26,135,945	12,553,322	630,025	714,582	26,765,970	13,267,904
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,386,736	9,116,177	2,443,411	2,645,112	6,830,147	11,761,289
Restricted	235,713	3,325,149	91,688	14,633	327,401	3,339,782
Unrestricted	17,107,380	5,594,262	268,447	150,112	17,375,827	5,744,374
Total Net Assets	\$ 21,729,829	18,035,588	2,803,546	2,809,857	24,533,375	20,845,445

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF ACTIVITIES

The following schedule summarizes revenues and expenses for the current and prior years:

	Governmental Activities		Business-type Activities		Total	
	2005 - 2006	2004-2005	2005 - 2006	2004-2005	2005 -2006	2004-2005
REVENUES						
Program Revenues						
Charges for Services	\$ 2,019,487	1,806,241	112,762	114,448	2,132,249	1,920,689
Operating Grants and Contributions	1,962,579	2,082,510			1,962,579	2,082,510
Capital Grants and Contributions	4,135,178	1,116,543			4,135,178	1,116,543
General Revenues						
Property Taxes	14,188,962	11,202,740			14,188,962	11,202,740
Local Option Taxes	872,650	803,598			872,650	803,598
Other Taxes	3,012,728	2,921,851			3,012,728	2,921,851
Investment Earnings	635,429	404,049	8,559	3,385	643,988	407,434
Other	1,307,114	1,114,054			1,307,114	1,114,054
Total Revenues	\$ 28,134,127	21,451,586	121,321	117,833	28,255,448	21,569,419
EXPENSES						
Program Activities						
General Government	8,830,824	4,461,082			8,830,824	4,461,082
Public Safety	6,243,039	4,919,287			6,243,039	4,919,287
Physical Environment	3,134,522	2,420,903			3,134,522	2,420,903
Transportation	2,982,848	1,212,473			2,982,848	1,212,473
Economic Environment	1,195,149	1,069,388			1,195,149	1,069,388
Human Services	672,173	797,949			672,173	797,949
Culture and Recreation	369,440	357,570			369,440	357,570
Court Related	557,683	622,215			557,683	622,215
Interest and Other Charges	454,208	452,697			454,208	452,697
Business-Type Activities			127,632	128,431	127,632	128,431
Total Expense	24,439,886	16,313,564	127,632	128,431	24,567,518	16,441,995
NET INCREASE (DECREASE)	3,694,241	5,138,022	(6,311)	(10,598)	3,687,930	5,127,424
Net Assets - Beginning	18,035,588	12,897,566	2,809,857	2,820,455	20,845,445	15,718,021
Net Assets - Ending	\$ 21,729,829	18,035,588	2,803,546	2,809,857	24,533,375	20,845,445

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

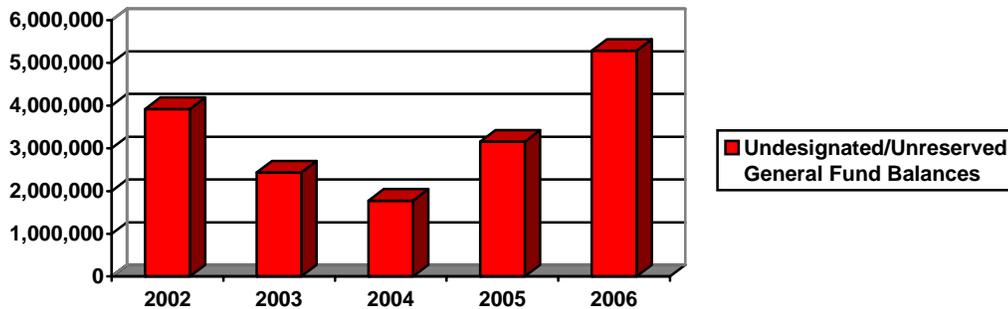
Governmental Funds

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.

		2005-2006	2004 – 2005
Total Fund Balance	\$	22,392,677	10,310,780
Less Reserved Fund Balance For:			
Debt Service		1,543,926	3,395,045
Landfill Escrow		523,630	283,430
Capital Projects		10,294,814	-0-
Other Purposes		275,095	155,698
Less Designated Fund Balance		-0-	-0-
		9,755,212	6,476,607
Unreserved (undesignated) Fund Balance	\$	9,755,212	6,476,607

As of the end of fiscal year 2006, the County's governmental funds reported combined ending fund balances of \$22.392 million (an increase of 217.17% from September 30, 2005). Of this amount, *unreserved fund balance* is \$9,755,212 million (an increase of 50.62% from September 30, 2005) and is not entirely available for spending (depending on fund restrictions) at the County's discretion.

- General Fund Unrestricted/Undesignated Fund Balance.** The following graph, of the unrestricted/undesignated fund balances of the Board's General Fund (the general operating fund of the County) shows the changes for the audit year and the previous four years.

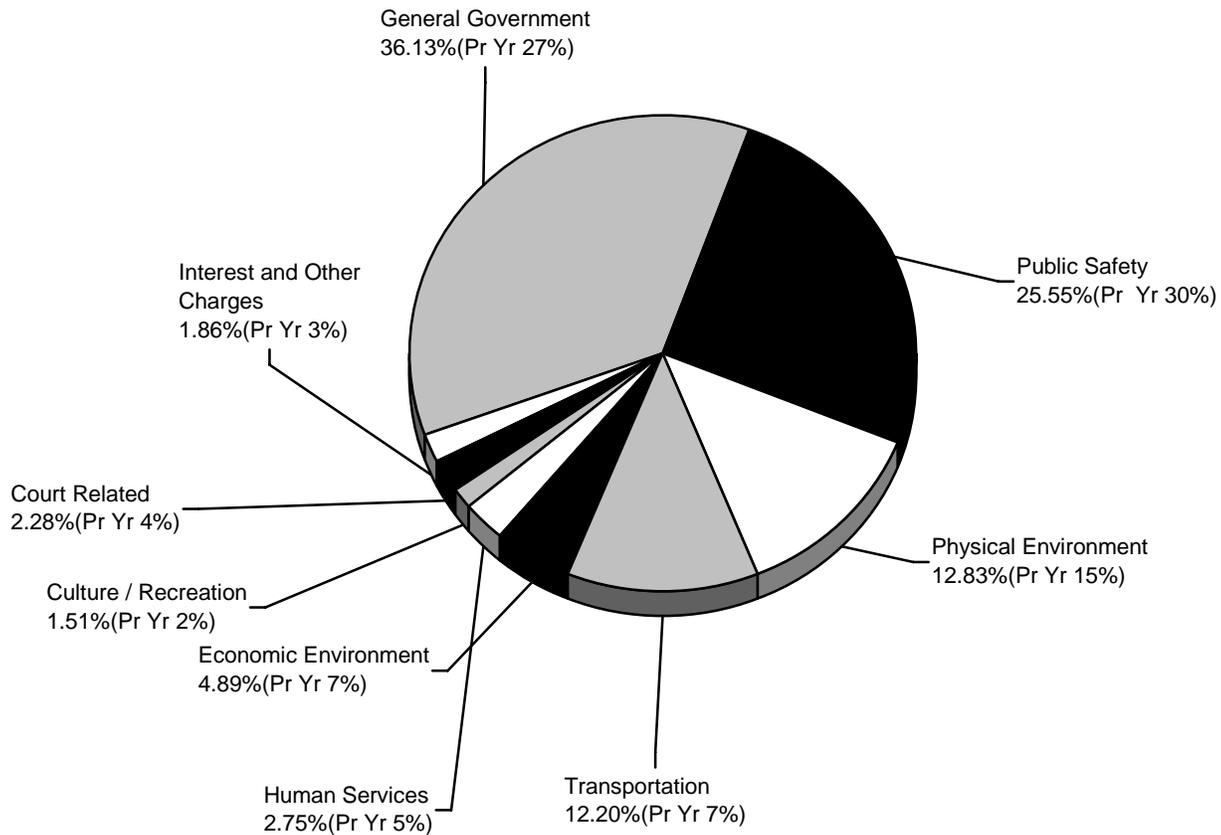


Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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, 2006, the prior year percentages are shown in parenthesis.



Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR FUNDS

Governmental Funds

The General, Fines and Forfeitures, Gulf Construction and Acquisition, Affordable Housing, Debt Service Public Improvement and County Road and Bridge 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 subfunds of 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 accounts for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- The Gulf Construction and Acquisition capital project fund accounts for road construction projects financed from the New Money Portion of the Gas Tax Revenue Refunding Bonds Series 2006.
- The Affordable Housing Fund is the fund that accounts for the activity in the County's State Housing Initiative Partnership Program (SHIP).
- The Gulf County Public Improvement Fund is used to account for the accumulation of resources for, and the payment of, Gas Tax Refunding and Improvement Revenue Bonds.
- The County Road and Bridge special revenue fund is used to account for road maintenance and repair.

Proprietary Funds

On December 17, 2002, the County and the City of Port St. Joe (the "City") entered into an agreement for the City to provide all operations and maintenance of the White City, Highland View, and Gulf County Beaches water systems. The agreement specified the terms by which the City will operate and maintain the water systems including billing customers, water rates, billing service fees, and tap fees. The City will retain all receipts and pay all expenses from the operation of the water system except for the required bond payments, which the City will remit to the County for payment by the County. The City commenced the operation and maintenance of these water systems in February 2003.

The Highland View Water System, Beaches Water System, and White City Water and Sewer Systems are reported as major business-type funds. These utility system funds account for a portion of the County's water utilities.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGET VARIANCES IN MAJOR FUNDS

The following budget variances occurred in the major funds during the 2005-2006 fiscal year.

- Tax revenues of the General and Fines and Forfeitures funds show unfavorable budget variances of \$398,095 and \$104,376 respectfully. Approximately 96% of budgeted ad valorem taxes were received which is considered within the normal range.
- The General Fund Intergovernmental revenues experienced a shortfall of \$489,282 from the anticipated budget during the fiscal year as a result of grant related activities. This caused no overall change to the fund balance as there were less expenditures in the same amount.
- Expenditures for the functions Public Health and Safety and Transportation in the General Fund show unfavorable variances however these functions were not overspent but are presented as such due to the fact that some of the budgeted expenditures were reallocated as capital outlay for financial statement presentation.
- Proceeds from installment purchase agreements and notes payable were not always budgeted for in the General Fund resulting in a positive variance of \$226,624.
- Gulf County Public Improvements Fund debt service fund reductions were from the redemption of the 1995 and 2001 Series Road Bonds prior to maturity in conjunction with the 2006 Series Road Bond Issue – Refund portion.
- Gulf Construction and Acquisition capital project fund provided the 25 % matching required for a federal grant. This was the only expenditure from the 2006 Gas Tax Revenue Refunding Bonds issued in 2005-2006. The majority of the bond proceeds (net of bond issue costs) will be spent in the 2006-2007 and 2007-2008 years. Total proceeds for paving projects were \$ 10,230,092.
- Expenditures in the Affordable Housing Fund were less than budgeted by \$72,397. These unspent grant funds will be available in the 2006-2007 fiscal year. Investment earnings and other were more than budgeted by \$165,213. These will also be available in the 2006-2007 fiscal. These earnings in excess of budget are the result of recapturing amounts previously loaned to recipients. These amounts can not be estimated.

Other variances disclosed on the major fund budget and actual statements and not noted herein are considered normal.

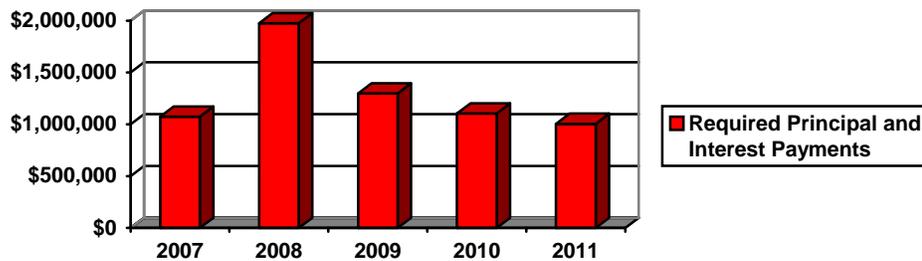
It should be noted that budget variances shown on the individual major funds; General, Fines and Forfeitures, Gulf Construction and Acquisition, Affordable Housing, Debt Service Public Improvement and County Road and Bridge are favorable in total.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND LONG-TERM DEBT

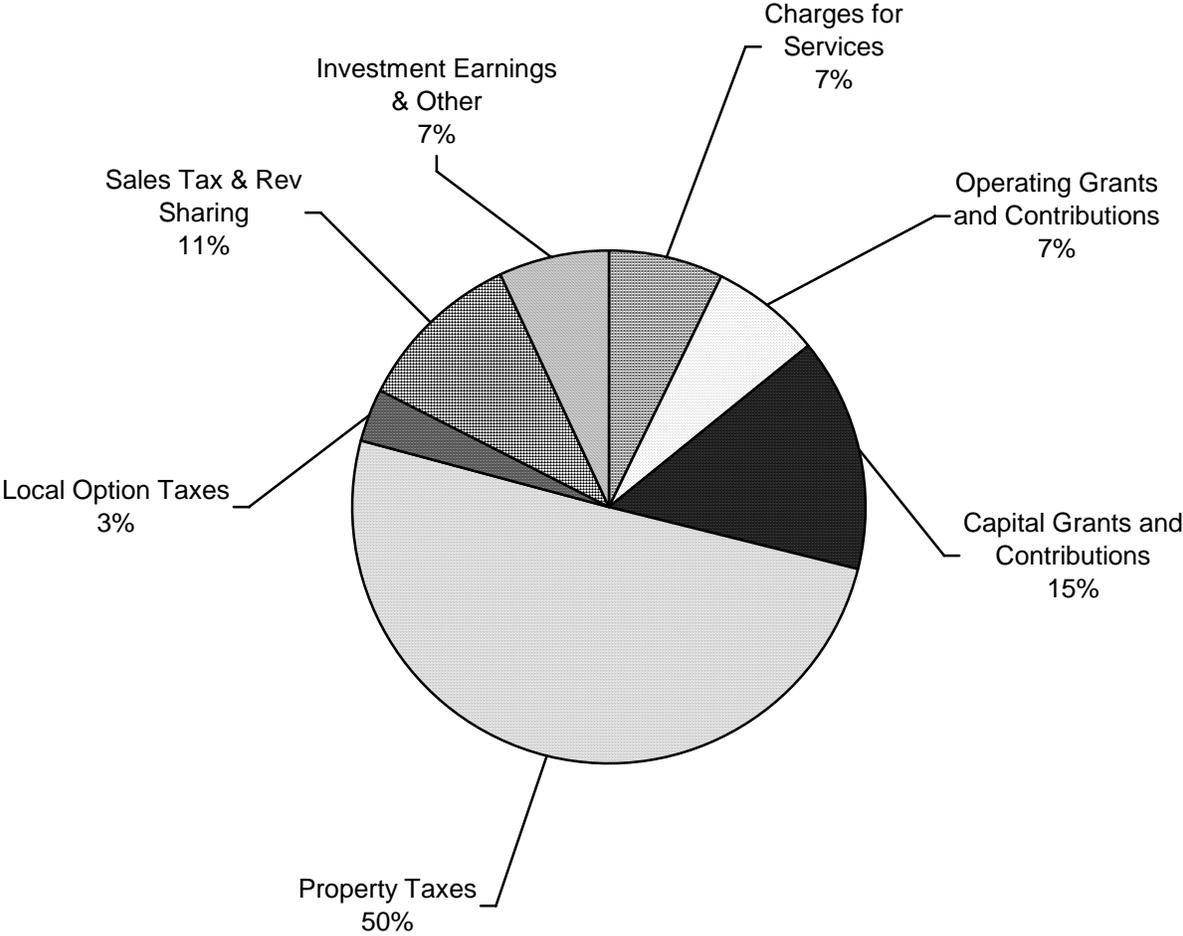
- Equipment items were purchased in 2006 totaling \$3.2 million dollars, installment contracts and notes of \$575,624 dollars were used to finance approximately 18% of the total equipment purchased.
- Asset additions of fiscal year 2005-2006 were funded through: installment contracts and loans (\$575,624), donations (\$356,940), grants (\$1,188,837), ad valorem or other (\$2,332,681). Major asset additions in 2005-2006 were for Parks & park improvements (majority funded with grants) and Emergency response vehicles and training equipment (grants, donations, installment contracts and notes, ad valorem taxes or other sources).
- **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, 2006. *Not shown on this graph are existing scheduled debt repayments for years 2010 through 2036.*



Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

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



Gulf Board of County Commissioners

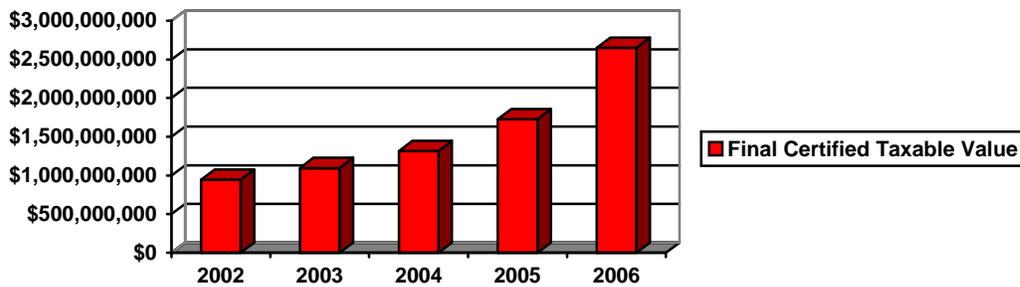
MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT ECONOMIC FACTORS

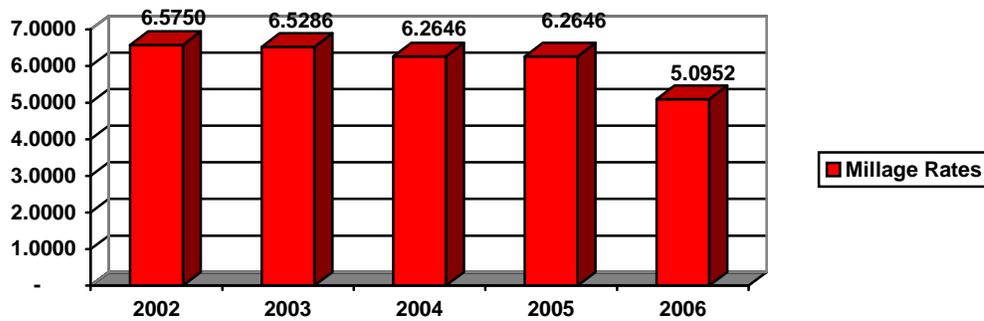
TAXABLE VALUE OF PROPERTY AND MILLAGE RATES

In 2005-2006 Gulf County received approximately \$14.2 million in property taxes based on the certified taxable value of property in Gulf County. As a result of the increase in property values, the County has been able to reduce its assessment of millage rates to citizens as depicted in the following graphs.

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, FL 32456

Basic Financial Statements

Gulf County, Florida

Statement of Net Assets

September 30, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 22,424,366	\$ 232,481	\$ 22,656,847
Receivables (net):			
Accounts Receivable	270,208	13,075	283,283
Notes and lease receivable	308,407	-	308,407
Due from other governments	2,875,159	8,242	2,883,401
Total current assets	<u>25,878,140</u>	<u>253,798</u>	<u>26,131,938</u>
Noncurrent assets:			
Restricted cash and cash equivalents	517,864	91,688	609,552
Deferred charges	599	16,378	16,977
Capital assets:			
Land	3,011,748	6,350	3,018,098
Buildings, improvements, and utility systems	11,539,875	4,003,459	15,543,334
Machinery and equipment	13,621,133	27,755	13,648,888
Infrastructure	1,546,317	-	1,546,317
Construction in progress	518,098	580,000	1,098,098
Less allowance for depreciation	(9,173,997)	(1,545,857)	(10,719,854)
Unamortized bond issue costs	405,997	-	405,997
Total noncurrent assets	<u>21,987,634</u>	<u>3,179,773</u>	<u>25,167,407</u>
Total assets	<u>\$ 47,865,774</u>	<u>\$ 3,433,571</u>	<u>\$ 51,299,345</u>

Gulf County, Florida

Statement of Net Assets (*continued*)

September 30, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 2,166,580	\$ 4,940	\$ 2,171,520
Due to other governments	55,283	-	55,283
Deferred revenue	1,695,196	125,628	1,820,824
Installment contracts and notes payable	489,887	-	489,887
Bonds payable	505,000	28,732	533,732
Compensated absences	292,036	-	292,036
Total current liabilities	<u>5,203,982</u>	<u>159,300</u>	<u>5,363,282</u>
Noncurrent liabilities:			
Compensated absences	669,423	-	669,423
Installment contracts and notes payable	822,548	-	822,548
Bonds payable	15,265,000	470,725	15,735,725
Landfill closure liability	4,174,992	-	4,174,992
Total noncurrent liabilities	<u>20,931,963</u>	<u>470,725</u>	<u>21,402,688</u>
Total liabilities	<u>26,135,945</u>	<u>630,025</u>	<u>26,765,970</u>
Net assets			
Invested in capital assets, net of related debt	4,386,736	2,443,411	6,830,147
Restricted for other purposes	235,713	91,688	327,401
Unrestricted	17,107,380	268,447	17,375,827
Total net assets	<u>21,729,829</u>	<u>2,803,546</u>	<u>24,533,375</u>
Total liabilities and net assets	<u>\$ 47,865,774</u>	<u>\$ 3,433,571</u>	<u>\$ 51,299,345</u>

Gulf County, Florida

Statement of Activities

Year ended September 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
General government	\$ 8,830,824	\$ 525,911	\$ 760,971	\$ (7,543,942)	\$ -	\$ (7,543,942)
Public safety	6,243,039	877,116	329,566	(4,352,004)	-	(4,352,004)
Physical environment	3,134,522	221,092	1,002,344	(1,719,910)	-	(1,719,910)
Transportation	2,982,848	-	1,596,584	(1,386,264)	-	(1,386,264)
Economic environment	1,195,149	14,795	575,917	(295,909)	-	(295,909)
Human services	672,173	1,474	31,617	(639,082)	-	(639,082)
Culture and recreation	369,440	6,093	73,332	160,575	-	160,575
Court related	557,683	373,006	92,779	(91,898)	-	(91,898)
Interest and other charges	454,208	-	-	(454,208)	-	(454,208)
Total governmental activities	<u>24,439,886</u>	<u>2,019,487</u>	<u>4,135,178</u>	<u>(16,322,642)</u>	<u>-</u>	<u>(16,322,642)</u>
Business-type activities						
Water	127,632	112,762	-	-	(14,870)	(14,870)
Total Business-type Activities	<u>127,632</u>	<u>112,762</u>	<u>-</u>	<u>-</u>	<u>(14,870)</u>	<u>(14,870)</u>
Total primary government	<u>\$ 24,567,518</u>	<u>\$ 2,132,249</u>	<u>\$ 4,135,178</u>	<u>(16,322,642)</u>	<u>(14,870)</u>	<u>(16,337,512)</u>
General revenues						
Taxes:						
Property taxes				14,188,962	-	14,188,962
Local option taxes				872,650	-	872,650
Sales tax and other shared revenues				3,012,728	-	3,012,728
Investment earnings				635,429	8,559	643,988
Miscellaneous				1,307,114	-	1,307,114
Total general revenues				<u>20,016,883</u>	<u>8,559</u>	<u>20,025,442</u>
Change in net assets				<u>3,694,241</u>	<u>(6,311)</u>	<u>3,687,930</u>
Net assets, beginning				<u>18,035,588</u>	<u>2,809,857</u>	<u>20,845,445</u>
Net assets, ending				<u>\$ 21,729,829</u>	<u>\$ 2,803,546</u>	<u>\$ 24,533,375</u>

See accompanying notes to financial statements.

Gulf County, Florida
Balance Sheet
Governmental Funds

Year ended September 30, 2006

	General Funds	Fines and Forfeitures	Gulf Construction & Acquisition	State Housing Initiative Program	Gulf County Public Improvements	County Road and Bridge	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 6,433,238	\$ 135,485	\$ 10,262,345	\$ 849,234	\$ 276,066	\$ 209,378	\$ 4,258,620	\$ 22,424,366
Cash with fiscal agent	-	-	-	-	-	-	517,864	517,864
Due from other funds	151,016	6,222	-	-	38,596	3,758	143,129	342,721
Due from other governmental units	2,389,300	-	-	-	173,088	135,014	177,757	2,875,159
Accounts receivable	151,863	-	-	7,231	-	2,277	30,575	191,946
Prepaid Expenses	599	-	-	-	-	-	-	599
Notes receivable	-	-	-	55,866	-	-	-	55,866
Lease receivable	-	-	-	-	-	-	252,541	252,541
Total assets	\$ 9,126,016	\$ 141,707	\$ 10,262,345	\$ 912,331	\$ 487,750	\$ 350,427	\$ 5,380,486	\$ 26,661,062
Liabilities								
Accounts payable and accrued expense	\$ 1,999,154	\$ 6,242	\$ 11,453	\$ 23,040	\$ 7,750	\$ 81,914	\$ 37,027	\$ 2,166,580
Due to other governmental units	51,502	-	-	-	-	-	3,781	55,283
Due to other funds	156,206	370	106,078	-	-	-	1,805	264,459
Deferred revenue	873,951	-	-	427,573	-	-	480,539	1,782,063
Total liabilities	3,080,813	6,612	117,531	450,613	7,750	81,914	523,152	4,268,385
Fund equity								
Fund balances:								
Reserved for:								
Landfill escrow	523,630	-	-	-	-	-	-	523,630
Debt service	-	-	-	-	480,000	-	1,063,926	1,543,926
Capital projects	-	-	10,144,814	-	-	-	150,000	10,294,814
Other purposes	235,713	39,382	-	-	-	-	-	275,095
Unreserved fund balance	5,285,860	95,713	-	461,718	-	268,513	3,643,408	9,755,212
Total fund equity	6,045,203	135,095	10,144,814	461,718	480,000	268,513	4,857,334	22,392,677
Total liabilities and fund equity	\$ 9,126,016	\$ 141,707	\$ 10,262,345	\$ 912,331	\$ 487,750	\$ 350,427	\$ 5,380,486	\$ 26,661,062
Total fund equity								
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.								\$ 22,392,677
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.								21,063,174
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.								(22,218,886)
Net assets of governmental activities								492,864
								\$ 21,729,829

Gulf County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year ended September 30, 2006

	General Funds	Fines and Forfeitures	Gulf Construction & Acquisition	State Housing Initiative Program	Gulf County Public Improvements	County Road and Bridge	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 10,393,465	\$ 2,729,259	\$ -	\$ -	\$ 409,950	\$ 20,495	\$ 1,939,385	\$ 15,492,554
Licenses and permits	742,663	-	-	-	-	1,400	-	744,063
Intergovernmental	5,261,930	-	-	302,582	683,473	1,208,963	643,814	8,100,762
Fines and forfeitures	6,371	750	-	-	-	-	-	7,121
Charges for services	1,869,281	70,180	-	-	-	-	80,026	2,019,487
Investment earnings and other	690,633	1,376	22,801	240,613	76,814	2,605	735,298	1,770,140
Total revenues	18,964,343	2,801,565	22,801	543,195	1,170,237	1,233,463	3,398,523	28,134,127
Expenditures								
Current operating:								
General government	5,309,561	-	-	-	-	-	14,900	5,324,461
Public health and safety	4,980,796	109,972	-	-	-	-	338,988	5,429,756
Physical environment	3,038,611	-	-	-	-	-	-	3,038,611
Transportation	1,597,133	-	101,079	-	18	1,198,651	47,480	2,944,361
Economic environment	381,823	-	-	433,733	-	-	356,931	1,152,487
Human services	642,109	-	-	-	-	-	2,724	644,833
Culture and recreation	306,464	-	-	-	-	-	-	306,464
Court related	431,776	85,459	-	-	-	-	17,098	534,333
Capital outlay	2,458,295	-	7,000	-	-	109,209	642,930	3,217,434
Debt service	144,545	-	-	-	826,919	-	883,311	1,854,775
Total expenditures	19,291,113	195,431	108,079	433,733	826,937	1,307,860	2,284,362	24,447,515
Excess of revenues over (under) expenditures	(326,770)	2,606,134	(85,278)	109,462	343,300	(74,397)	1,114,161	3,686,612
Other financing sources (uses)								
Operating transfers in	2,629,448	-	-	-	-	28,503	-	2,657,951
Operating transfers out	(28,503)	(2,629,448)	-	-	-	-	-	(2,657,951)
Bond issue costs	-	-	(423,649)	-	-	-	-	(423,649)
Payments to bond escrow agent	-	-	(4,195,667)	-	(2,061,432)	-	-	(6,257,099)
Proceeds from installment notes	226,624	-	-	-	-	-	-	226,624
Proceeds of refunding bonds	-	-	14,849,408	-	-	-	-	14,849,408
Total other financing sources (uses)	2,827,569	(2,629,448)	10,230,092	-	(2,061,432)	28,503	-	8,395,284
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,500,799	(23,314)	10,144,814	109,462	(1,718,132)	(45,894)	1,114,161	12,081,896
Fund balances, beginning of year	3,544,404	158,409	-	352,256	2,198,132	314,407	3,743,173	10,310,781
Fund balances, end of year	\$ 6,045,203	\$ 135,095	\$ 10,144,814	\$ 461,718	\$ 480,000	\$ 268,513	\$ 4,857,334	\$ 22,392,677

Gulf County, Florida

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities

Year ended September 30, 2006

Net change in fund balances - total governmental funds.	\$ 12,081,896
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	4,454,082
Depreciation expense (\$1,878,001) on governmental capital assets and amortization of bond issuance costs (\$45,552) included in the governmental activities in the statement of activities as expenses is not reported in the governmental funds.	(1,923,553)
Repayment of long-term debt (bonds, installment contracts, and notes payable) is reported as an expenditure in governmental funds, but as a reduction of long-term liabilities in the statement of net assets.	7,597,263
The issuance of long-term debt (bonds, installment contracts and notes payable) provides current financial resources to governmental funds, but increases long-term liabilities in the statement of activities.	(15,280,882)
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.	(3,658,214)
Amortization of bond issuance costs and discounts is recognized over the life of the bond on the statement of net assets, but expensed in the governmental funds.	<u>423,649</u>
Change in net assets of governmental activities	<u>\$ 3,694,241</u>

Gulf County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
 General Fund
 Budget and Actual

Year ended September 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 10,791,560	\$ 10,791,560	\$ 10,393,465	\$ (398,095)
Licenses and permits	482,500	482,500	742,663	260,163
Intergovernmental	3,696,106	5,751,212	5,261,930	(489,282)
Fines and forfeitures	4,500	4,500	6,371	1,871
Charges for services	1,438,858	1,450,123	1,869,281	419,158
Investment earnings and other	159,848	235,319	690,633	455,314
Total revenues	<u>16,573,372</u>	<u>18,715,214</u>	<u>18,964,343</u>	<u>249,129</u>
Expenditures:				
Current operating:				
General government	5,754,492	6,034,674	5,309,561	725,113
Public health and safety	4,379,958	4,482,447	4,980,796	(498,349)
Physical environment	1,924,367	3,382,829	3,038,611	344,218
Transportation	1,200,000	1,200,000	1,597,133	(397,133)
Economic environment	380,405	387,374	381,823	5,551
Human services	659,978	754,398	642,109	112,289
Culture and recreation	351,587	369,373	306,464	62,909
Court related	466,561	466,561	431,776	34,785
Capital outlay	3,503,887	4,480,127	2,458,295	2,021,832
Debt service	194,194	194,194	144,545	49,649
Total expenditures	<u>18,815,429</u>	<u>21,751,977</u>	<u>19,291,113</u>	<u>2,460,864</u>
Excess of revenues over (under) expenditures	<u>(2,242,057)</u>	<u>(3,036,763)</u>	<u>(326,770)</u>	<u>2,709,993</u>
Other financing sources (uses):				
Operating transfers in	2,719,843	2,737,404	2,629,448	(107,956)
Proceeds from installment notes	-	-	226,624	226,624
Operating transfers out	(10,942)	(28,503)	(28,503)	-
Total other financing sources (uses)	<u>2,708,901</u>	<u>2,708,901</u>	<u>2,827,569</u>	<u>118,668</u>
Net change in fund balance	466,844	(327,862)	2,500,799	2,828,661
Fund balance, beginning of year	<u>3,544,404</u>	<u>3,544,404</u>	<u>3,544,404</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,011,248</u>	<u>\$ 3,216,542</u>	<u>\$ 6,045,203</u>	<u>\$ 2,828,661</u>

Gulf County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Fines and Forfeitures
 Budget and Actual

Year ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,833,635	\$ 2,833,635	\$ 2,729,259	\$ (104,376)
Fines and forfeitures	-	-	750	750
Charges for services	63,000	63,000	70,180	7,180
Investment earnings and other	-	1,250	1,376	126
Total revenues	<u>2,896,635</u>	<u>2,897,885</u>	<u>2,801,565</u>	<u>(96,320)</u>
Expenditures:				
Current operating:				
Public health and safety	141,312	141,312	109,972	31,340
Court related	85,847	87,097	85,459	1,638
Human Services	3,255	3,255	-	3,255
Total expenditures	<u>230,414</u>	<u>231,664</u>	<u>195,431</u>	<u>36,233</u>
Excess of revenues over (under) expenditures	<u>2,666,221</u>	<u>2,666,221</u>	<u>2,606,134</u>	<u>(60,087)</u>
Other financing sources (uses):				
Operating transfers out	<u>(2,629,488)</u>	<u>(2,629,488)</u>	<u>(2,629,448)</u>	<u>40</u>
Total other financing sources (uses)	<u>(2,629,488)</u>	<u>(2,629,488)</u>	<u>(2,629,448)</u>	<u>40</u>
Net change in fund balance	36,733	36,733	(23,314)	(60,047)
Fund balance, beginning of year	<u>158,409</u>	<u>158,409</u>	<u>158,409</u>	<u>-</u>
Fund balance, end of year	<u>\$ 195,142</u>	<u>\$ 195,142</u>	<u>\$ 135,095</u>	<u>\$ (60,047)</u>

Gulf County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Gulf Construction and Acquisition
 Budget and Actual

Year ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Investment earnings and other	\$ -	\$ -	\$ 22,801	\$ 22,801
Total revenues	-	-	22,801	22,801
Expenditures:				
Current operating:				
Transportation	-	-	101,079	(101,079)
Capital outlay	-	-	7,000	(7,000)
Total expenditures	-	-	108,079	(108,079)
Excess of revenues over (under) expenditures	-	-	(85,278)	(85,278)
Other financing sources (uses):				
Proceeds of Refunding Bonds	-	14,849,408	14,849,408	-
Bond issue costs	-	(442,960)	(423,649)	19,311
Payments to bond escrow agent	-	(4,195,668)	(4,195,667)	1
Total other financing sources (uses)	-	10,210,780	10,230,092	19,312
Net change in fund balance	-	10,210,780	10,144,814	(65,966)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ 10,210,780	\$ 10,144,814	\$ (65,966)

Gulf County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
 State Housing Initiative Program
 Budget and Actual

Year ended September 30, 2006

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 302,582	\$ (47,418)
Investment earnings and other	75,400	75,400	240,613	165,213
Total revenues	<u>425,400</u>	<u>425,400</u>	<u>543,195</u>	<u>117,795</u>
Expenditures :				
Current operating:				
Economic environment	<u>506,130</u>	<u>506,130</u>	<u>433,733</u>	<u>72,397</u>
Excess of revenues over (under) expenditures	<u>(80,730)</u>	<u>(80,730)</u>	<u>109,462</u>	<u>190,192</u>
Net change in fund balance	(80,730)	(80,730)	109,462	190,192
Fund balance, beginning of year	<u>352,256</u>	<u>352,256</u>	<u>352,256</u>	<u>-</u>
Fund balance, end of year	<u>\$ 271,526</u>	<u>\$ 271,526</u>	<u>\$ 461,718</u>	<u>\$ 190,192</u>

Gulf County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Gulf County Public Improvements
 Budget and Actual

Year ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 391,537	\$ 391,537	\$ 409,950	\$ 18,413
Intergovernmental	337,077	337,077	683,473	346,396
Investment earnings and other	40,000	40,000	76,814	36,814
Total revenues	<u>768,614</u>	<u>768,614</u>	<u>1,170,237</u>	<u>401,623</u>
Expenditures:				
Current operating:				
Transportation	-	-	18	(18)
Debt service	<u>827,079</u>	<u>827,079</u>	<u>826,919</u>	<u>160</u>
Total expenditures	<u>827,079</u>	<u>827,079</u>	<u>826,937</u>	<u>142</u>
Excess of revenues over (under) expenditures	<u>(58,465)</u>	<u>(58,465)</u>	<u>343,300</u>	<u>401,765</u>
Other financing sources (uses):				
Payments to bond escrow agent	-	(317,442)	(2,061,432)	(1,743,990)
Total other financing sources (uses)	<u>-</u>	<u>(317,442)</u>	<u>(2,061,432)</u>	<u>(1,743,990)</u>
Net change in fund balance	(58,465)	(375,907)	(1,718,132)	(1,342,225)
Fund balance, beginning of year	<u>2,198,132</u>	<u>2,198,132</u>	<u>2,198,132</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,139,667</u>	<u>\$ 1,822,225</u>	<u>\$ 480,000</u>	<u>\$ (1,342,225)</u>

Gulf County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
 County Road and Bridge
 Budget and Actual

Year ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 15,500	\$ 15,500	\$ 20,495	\$ 4,995
Licenses and permits	2,000	2,000	1,400	(600)
Intergovernmental	1,292,775	1,292,775	1,208,963	(83,812)
Investment earnings and other	-	2,000	2,605	605
Total revenues	<u>1,310,275</u>	<u>1,312,275</u>	<u>1,233,463</u>	<u>(78,812)</u>
Expenditures:				
Current operating:				
Transportation	1,224,343	1,275,167	1,198,651	76,516
Capital outlay	91,100	93,100	109,209	(16,109)
Debt service	19,500	19,500	-	19,500
Total expenditures	<u>1,334,943</u>	<u>1,387,767</u>	<u>1,307,860</u>	<u>79,907</u>
Excess of revenues over (under) expenditures	<u>(24,668)</u>	<u>(75,492)</u>	<u>(74,397)</u>	<u>1,095</u>
Other financing sources (uses):				
Operating transfers in	<u>28,503</u>	<u>28,503</u>	<u>28,503</u>	<u>-</u>
Total other financing sources (uses)	<u>28,503</u>	<u>28,503</u>	<u>28,503</u>	<u>-</u>
Net change in fund balance	3,835	(46,989)	(45,894)	1,095
Fund balance, beginning of year	<u>314,407</u>	<u>314,407</u>	<u>314,407</u>	<u>-</u>
Fund balance, end of year	<u>\$ 318,242</u>	<u>\$ 267,418</u>	<u>\$ 268,513</u>	<u>\$ 1,095</u>

Gulf County, Florida

Statement of Net Assets
Proprietary Funds

Year ended September 30, 2006

	Business-type Activities - Enterprise Funds		Total Business-type Funds
	Beaches Water System	Other Nonmajor Business-type Activities	
Assets:			
Current assets:			
Cash	\$ 58,696	\$ 173,785	\$ 232,481
Accounts Receivable	13,075	-	13,075
Due from other governments	-	8,242	8,242
Total current assets	71,771	182,027	253,798
Noncurrent assets:			
Restricted cash	72,736	18,952	91,688
Prepaid expenses	16,378	-	16,378
Advances to other funds	128,840	-	128,840
Capital assets:			
Land	2,993	3,357	6,350
Buildings and utility systems	1,318,090	1,542,928	2,861,018
Other improvements	-	1,142,441	1,142,441
Equipment	24,336	3,419	27,755
Construction in progress	580,000	-	580,000
Less allowance for depreciation	(652,759)	(893,098)	(1,545,857)
Total noncurrent assets	1,490,614	1,817,999	3,308,613
Total assets	1,562,385	2,000,026	3,562,411
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	4,297	643	4,940
Deferred revenue	125,628	-	125,628
Bonds payable	25,732	3,000	28,732
Total current liabilities	155,657	3,643	159,300
Noncurrent liabilities:			
Advances from other funds	-	128,840	128,840
Bonds payable	301,725	169,000	470,725
Total liabilities	457,382	301,483	758,865
Net assets			
Invested in capital assets, net of related debt	945,203	1,498,208	2,443,411
Reserved for debt service	72,736	18,952	91,688
Unrestricted	87,064	181,383	268,447
Total net assets	\$ 1,105,003	\$ 1,698,543	\$ 2,803,546

Gulf County, Florida

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended September 30, 2006

	Business-type Activities - Enterprise Funds		Total Business-type Funds
	Beaches Water System	Other Nonmajor Business-type Activities	
Operating revenue:			
Charges for services	\$ 75,536	\$ 37,226	\$ 112,762
Operating expenses:			
Personal services	-	-	-
Purchase of water	-	-	-
Contractual services	-	-	-
Other services and charges	-	175	175
Depreciation	33,121	67,190	100,311
Total operating expenses	33,121	67,365	100,486
Operating income (loss)	42,415	(30,139)	12,276
Nonoperating revenues (expense):			
Interest income	3,163	5,396	8,559
Interest expense	(19,282)	(7,864)	(27,146)
Total nonoperating revenue (expense)	(16,119)	(2,468)	(18,587)
Income (loss) before transfers and contributions	26,296	(32,607)	(6,311)
Capital contributions	-	-	-
Transfers in	-	-	-
Change in net assets	26,296	(32,607)	(6,311)
Net assets, beginning of year	1,078,707	1,731,150	2,809,857
Net assets, end of year	\$ 1,105,003	\$ 1,698,543	\$ 2,803,546

Gulf County, Florida

Statement of Cash Flows
Proprietary Funds

Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds		Total Business-type Funds
	Beaches Water System	Other Nonmajor Business-type Activities	
Cash flows from operating activities			
Receipts from customers	\$ 56,872	\$ 2,814	\$ 59,686
Payments to suppliers	1,449	(188)	1,261
Net cash provided by operating activities	<u>58,321</u>	<u>2,626</u>	<u>60,947</u>
Cash flows from capital and related financing activities			
Principal payments on bonds payable	(24,449)	(3,000)	(27,449)
Repayment of interfund loans	20,000	(20,000)	-
Interest paid on long-term debt	(19,282)	(7,864)	(27,146)
Net cash used in capital and related financing activities	<u>(23,731)</u>	<u>(30,864)</u>	<u>(54,595)</u>
Cash flows from investing activities			
Interest earned	3,163	5,396	8,559
Net cash provided by investing activities	<u>3,163</u>	<u>5,396</u>	<u>8,559</u>
Increase (decrease) in cash and restricted cash	37,753	(22,842)	14,911
Cash and restricted cash, beginning of year	93,679	215,579	309,258
Cash and restricted cash, end of year	<u>\$ 131,432</u>	<u>\$ 192,737</u>	<u>\$ 324,169</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 42,415	\$ (30,139)	\$ 12,276
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	33,121	67,190	100,311
Changes in assets and liabilities:			
Accounts receivable	(13,075)	-	(13,075)
Prepaid expenses	1,771	-	1,771
Due from other governmental units	14,627	2,145	16,772
Accounts payable and accrued expenses	(322)	(13)	(335)
Deferred revenue	(20,216)	(36,557)	(56,773)
Net cash provided by operating activities	<u>\$ 58,321</u>	<u>\$ 2,626</u>	<u>\$ 60,947</u>

Gulf County, Florida

Statement of Fiduciary Net Assets - Agency Funds

September 30, 2006

	Agency Funds
Assets	
Cash	\$ 676,203
Due from other governmental units	645
Due from other funds	101
Accounts receivable	54
	<hr/>
Total assets	\$ 677,003
	<hr/> <hr/>
Liabilities	
Due to individuals	531,034
Due to other governments	67,606
Due to other funds	78,363
	<hr/>
Total liabilities	\$ 677,003
	<hr/> <hr/>

Gulf County, Florida

Notes to Financial Statements

Year ended September 30, 2006

1. Summary of Significant Accounting Policies

Reporting Entity

Gulf County, Florida (the 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, culture, and recreation. It is governed by a five-member elected Board of County Commissioners (the Board), which derives its authority by 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 component units of the County, and 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 with unexpended funds 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 outlined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the financial reporting entity consists of the primary government, and its 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. Joseph 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 fund and the special revenue funds. There were 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.

Gulf County, Florida

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Reporting Entity (continued)

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. Joseph's Fire District, Laws of Florida Chapter 47-24541; and Tupelo Fire District, Laws of Florida Chapter 70-696.

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

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

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. The effect of most 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.

Gulf County, Florida

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

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.

In addition to its general fund, the County reports five major governmental funds as follows:

- General fund - The general fund is the County's primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.
- Fines and forfeitures - This fund accounts for the fines and ad valorem taxes earmarked for law enforcement and corrections.
- Gulf Construction and Acquisition – This is a capital projects fund used to account for road construction projects financed from the New Money Portion of the Gas Tax Revenue Refunding Bonds Series 2006.
- State Housing Initiative Program - This fund accounts for the activity in the County's State Housing Initiative Partnership Program (SHIP).
- Gulf County Public Improvements - Used to account for the accumulation of resources for, and the payment of, gas tax refunding and improvement revenue bonds.
- County Road and Bridge – This is a special revenue fund used to account for road maintenance and repair.

The County also reports one major enterprise fund, the Beaches Water System fund. This utility system fund accounts for a portion of the County's water utilities.

The County reports one type of fiduciary fund, agency funds which are used to account for the collection and disbursement of monies 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.

Gulf County, Florida

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 16.

Enterprise Activities

For enterprise activities, the County applies all applicable GASB pronouncements. Pursuant to GASB Statement No. 20, the County has elected not to apply all 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.

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.

Gulf County, Florida

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

All deposits in commercial banks are with qualified public depositories authorized by Chapter 280, Florida Statutes. The deposits are insured through the 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 invests 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.

Receivables

Receivables are shown at their net realizable value and reduced by an allowance for uncollectible accounts.

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."

Inventories

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds. No physical inventory was taken at year end; therefore, no inventory has been recorded on the combined balance sheet. The amount is considered to be immaterial.

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

Gulf County, Florida

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

GASB Statement No. 34 requires the County to report and depreciate new infrastructure assets effective October 1, 2002. These infrastructure assets are likely to be the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for the year ending September 30, 2007. The County elected to implement the general provisions of GASB Statement No. 34 as of October 1, 2002, and implement the retroactive infrastructure provisions in a subsequent year no later than the year ending September 30, 2007.

Property, plant and equipment are depreciated using the straight-line method generally over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements	50
Machinery and equipment	5-20
Infrastructure	15-25

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.

Gulf County, Florida

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

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 taxes at a rate of up to 10 mills for general operations. The 2006 millage rate assessed by the County was 5.0952 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 millages 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.

Gulf County, Florida

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

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 in the form of purchase orders which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. The County does not record encumbrances outstanding at year end.

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 issue 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.

Gulf County, Florida

Notes to Financial Statements

2. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$22,218,886 difference are as follows:

Bonds payable	\$ 15,770,000
Installment contracts and notes payable	1,312,435
Landfill closure liabilities	4,174,992
Compensated absences	<u>961,459</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 22,218,886</u>

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 \$21,063,174 difference are as follows:

Cost of capital assets	\$ 30,237,171
Less: Accumulated depreciation	<u>(9,173,997)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 21,063,174</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net 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, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$3,658,214 difference are as follows:

Compensated absences	\$ 230,892
Landfill liability	<u>3,427,322</u>
Net adjustment to increase <i>net change in fund balance – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 3,658,214</u>

Gulf County, Florida

Notes to Financial Statements

3. Deposits and Investments

Deposits Policies

All cash resources of the County are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required 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.

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 ins. 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.

Direct obligations of 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.

Gulf County, Florida

Notes to Financial Statements

3. Deposits and Investments

Investments Policies (continued)

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.

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 rated AAA/aaa.

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

The Florida State Board of Administration Local Government Surplus Funds Trust Fund (the Pool), is stated at amortized cost. The fair value of the County's position in the Pool is the same as the value of the Pool shares (account balance at amortized cost). The Pool is not a registrant with the Securities and Exchange Commission; regulatory oversight of the Pool is governed by Ch. 19-7 of the Florida Administrative Code which identifies the rules of the Pool, and the operating procedures adopted by the Pool which are consistent with the requirements for a 2a7-like fund. In addition, the Auditor General of the State of Florida performs the operational audit of the activities and investments of the Pool.

Gulf County, Florida

Notes to Financial Statements

3. Deposits and Investments

Investments Policies (continued)

As of September 30, 2006, the County's deposits consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Florida Local Government Investment Trust	\$ 524,241	Demand
Local Government Surplus Trust Fund Investment Pool	18,305,106	Demand
Total	<u>\$ 18,829,347</u>	

Interest Rate Risks

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

4. Interfund Receivables, Payables, and Transfers

Interfund balances at September 30, 2006, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 151,016	\$ 156,206
Special revenue funds:		
Fines and forfeitures	6,222	370
County Road and Bridge	3,758	-
Nonmajor governmental funds	70,758	1,805
Total special revenue funds	<u>80,738</u>	<u>2,175</u>
Capital Projects fund:		
Gulf Construction and Acquisition	-	106,078
Nonmajor governmental funds	72,371	-
Total capital projects funds	<u>72,371</u>	<u>106,078</u>
Debt service fund:		
Gulf County Public Improvements	<u>38,596</u>	-
Enterprise funds:		
Beaches Water System	128,840	-
Nonmajor proprietary funds	-	128,840
Total enterprise funds	<u>128,840</u>	<u>128,840</u>
Agency funds	101	78,363
Total	<u>\$ 471,662</u>	<u>\$ 471,662</u>

Gulf County, Florida

Notes to Financial Statements

4. Interfund Receivables, Payables, and Transfers (continued)

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

Interfund transfers for the year ended September 30, 2006, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,629,448	\$ 28,503
Special revenue funds:		
Fines and forfeitures	-	2,629,448
County Road and Bridge	28,503	-
	<hr/>	<hr/>
Total	\$ 2,657,951	\$ 2,657,951
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Gulf County, Florida

Notes to Financial Statements

5. Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

Governmental activities	September 30, 2005	Increases	Decreases	September 30, 2006
Capital assets, not being depreciated:				
Board of County Commissioners:				
Land	\$ 2,905,181	\$ 106,567	\$ -	\$ 3,011,748
Capital assets, being depreciated:				
Board of County Commissioners:				
Buildings and improvements	11,358,448	181,427	-	11,539,875
Machinery and equipment	10,682,585	3,224,075	1,027,359	12,879,301
Construction in progress	-	518,098	-	518,098
Infrastructure	1,461,304	85,013	-	1,546,317
Sheriff:				
Machinery and equipment	771,719	338,902	368,789	741,832
Total capital assets, being depreciated	<u>24,274,056</u>	<u>4,347,515</u>	<u>1,396,148</u>	<u>27,225,423</u>
Less accumulated depreciation:				
Board of County Commissioners:				
Infrastructure	56,812	56,647	-	113,459
Buildings and improvements	3,709,496	261,200	-	3,970,696
Machinery and equipment	4,358,686	1,439,034	1,027,359	4,770,361
Sheriff:				
Machinery and equipment	567,150	121,120	368,789	319,481
Total accumulated depreciation	<u>8,692,144</u>	<u>1,878,001</u>	<u>1,396,148</u>	<u>9,173,997</u>
Total capital assets, net of accumulated depreciation	<u>15,581,911</u>	<u>2,469,514</u>	<u>-</u>	<u>18,051,429</u>
Total governmental activities' capital assets (net of accumulated depreciation)	<u>\$ 18,487,093</u>	<u>\$ 2,576,081</u>	<u>\$ -</u>	<u>\$ 21,063,174</u>

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

General government	\$ 174,533
Public health and safety	806,513
Physical environment	353,546
Transportation	267,058
Economic environment	39,198
Human services	151,981
Culture and recreation	62,976
Court related	22,196
Total depreciation expense - governmental activities	<u>\$ 1,878,001</u>

Gulf County, Florida

Notes to Financial Statements

5. Capital Assets (continued)

Business activities	September 30, 2005	Increases	Decreases	September 30, 2006
Capital assets not being depreciated:				
Land	\$ 6,350	\$ -	\$ -	\$ 6,350
Construction in progress	580,000	-	-	580,000
Total capital assets not being depreciated	586,350	-	-	586,350
Capital assets being depreciated:				
Building and utility systems	2,861,018	-	-	2,861,018
Other improvements	1,142,441	-	-	1,142,441
Equipment	27,755	-	-	27,755
	4,031,214	-	-	4,031,214
Less accumulated depreciation	(1,445,546)	(100,311)	-	(1,545,857)
Net capital assets (net of accumulated Depreciation)	2,585,668	(100,311)	-	2,485,357
Total business activities' capital assets (net of accumulated depreciation)	\$ 3,172,018	\$ (100,311)	\$ -	\$ 3,071,708

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

Water	<u>\$ 100,311</u>
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Gulf County, Florida

Notes to Financial Statements

6. Long-term Debt and Enterprise Fund Bonds Payable

Long-term debt of the County at September 30, 2006, is as follows:

Bonds Payable	September 30, 2005	Additions	Deductions	September 30, 2006	Due within one year
Board of County Commissioners:					
3.75% to 5.25% Gas Tax Refunding and Improvement Revenue Bonds, Series 1995; proceeds used for road construction and refunding of Series 1990 tax bonds	\$ 2,930,000	\$ -	\$ (2,930,000)	\$ -	\$ -
3.10% to 4.90% Gas Tax Revenue Bonds, Series 2001; proceeds used for road construction	3,631,769	-	(3,631,769)	-	-
2.51% Capital Improvement Refunding Revenue Bonds, Series 2003; proceeds used for repayment of certain long-term debt obligations of the County and paying for capital improvements (Note 6A)	1,520,000	-	(495,000)	1,025,000	505,000
4.00% Gas Tax Revenue Bonds, Series 2006; proceeds used for capital improvements, refunding of Series 1995 gas tax refunding and improvement revenue bonds and Series 2001 gas tax revenue bonds (Note 6B)	-	14,745,000	-	14,745,000	-
Total governmental activities - bonds payable	\$ 8,081,769	\$ 14,745,000	\$ (7,056,769)	\$ 15,770,000	\$ 505,000

Gulf County, Florida

Notes to Financial Statements

6. Long-term Debt and Enterprise Fund Bonds Payable (continued)

Notes Payable	September 30, 2005	Additions	Deductions	September 30, 2006	Due within one year
Board of County Commissioners:					
Note payable to a bank in the amount of \$105,363 at a rate of 5.08%, payable in annual installments of \$24,440, secured by a fire rescue truck.	\$ 45,225	\$ -	\$ (22,143)	\$ 23,082	\$ 23,082
Note payable to a bank in the amount of \$126,203 at rate of 4.25% payable in five annual installments of \$28,599, secured by an ambulance.	103,050	-	(24,153)	78,897	25,196
Note payable to a bank in the amount of \$81,600 at rate of 4.43%, payable in annual installments of \$13,812, secured by a fire truck.	34,816	-	(12,128)	22,688	12,665
Note payable to a bank in the amount of \$280,000 at rate of 4.27%, payable in annual installments of \$63,374, secured by equipment.	57,438	-	(57,438)	-	-
Note payable to a bank in the amount of \$162,676 at rate of 3.75%, payable in annual installments of \$36,340, secured by a fire truck.	132,523	-	(31,300)	101,223	32,490
Note payable to a bank in the amount of \$164,275 at rate of 2.90%, payable in annual installments of \$35,809, secured by equipment.	133,296	-	(133,296)	-	-
Note payable to a bank in the amount of \$100,000 at rate of 3.98% payable in annual payments of \$22,486, secured by land in Gulf County.	100,000	-	(18,451)	81,549	19,196

Gulf County, Florida

Notes to Financial Statements

6. Long-term Debt and Enterprise Fund Bonds Payable (continued)

Notes Payable (continued)	September 30, 2005	Additions	Deductions	September 30, 2006	Due within one year
Note payable to a bank in the amount of \$249,000 at rate of 3.37% payable in five annual installments of \$54,946, secured by equipment	249,000	–	(46,555)	202,445	48,124
Note payable to a bank in the amount of \$65,579 at rate of 3.35% payable in annual payments of \$23,361, secured by equipment.	65,579	–	(21,134)	44,445	21,851
Note payable to a bank in the amount of \$69,981 at rate of 2.98% payable in annual installments of \$24,752, secured by equipment.	47,345	–	(23,320)	24,025	24,025
Note payable to a bank in the amount of \$43,376 at rate of 4.22% payable in annual installments of \$9,804, secured by equipment.	–	43,376	–	43,376	7,973
Total governmental activities - notes payable	\$ 968,272	\$ 43,376	\$ (389,918)	\$ 621,730	\$ 214,602

Gulf County, Florida

Notes to Financial Statements

6. Long-term Debt and Enterprise Fund Bonds Payable (continued)

Installment Contracts	September 30, 2005	Additions	Deductions	September 30, 2006	Due within one year
Board of County Commissioners:					
Installment purchase agreement for a tub grinder in the amount of \$271,278, at an interest rate of 3.52%, payable in annual installments of \$60,098.	220,664	-	(52,340)	168,324	54,181
Installment purchase agreement for a tractor, in the amount of \$116,285, at an interest rate of 5.2%, payable in annual installments of \$62,715.	-	116,285	-	116,285	56,669
Installment purchase agreement for a tractor in the amount of \$116,285, at an interest rate of 5.2%, payable in annual installments of \$24,681.	-	66,963	-	66,963	21,200
Total installments contracts – Board of County Commissioners	220,664	183,248	(52,340)	351,572	132,050
Sheriff:					
Installment purchase agreement for ten vehicles, in the amount of \$211,050, payable in monthly installments of \$4,807 including interest.	127,447	-	(53,162)	74,285	55,535
Installment purchase agreement for communication equipment in the amount of \$105,264, payable in monthly installments of \$21,053 including interest.	-	93,748	(17,312)	76,436	18,003
Installment purchase agreement for nine vehicles in the amount of \$232,208, payable in monthly installments \$6,450 including interest.	-	215,510	(27,098)	188,412	69,697
Total installments contracts – Sheriff	127,447	309,258	(97,572)	339,133	143,235
Clerk:					
Installment purchase agreement for copier, payable in monthly payments of \$443, interest is not stated in contract.	664	-	(664)	-	-
Total governmental activities' installment contracts	\$ 348,775	\$ 492,506	\$ (150,576)	\$ 690,705	\$ 275,285

Gulf County, Florida

Notes to Financial Statements

6. Long-term Debt and Enterprise Fund Bonds Payable (continued)

Other long-term debt	September 30, 2005	Additions	Deductions	September 30, 2006	Due within one year
Long-term landfill closure and postclosure liability (Note 11)	\$ 747,670	\$ 3,427,322	\$ -	\$ 4,174,992	\$ -
Liability for compensated absences	730,567	442,739	(191,847)	961,459	292,036
Grand total governmental activities bonds, notes payable, and other long-term debt	\$ 10,877,053	\$ 19,150,943	\$ 7,789,110	\$ 22,218,886	\$ 1,286,923
Enterprise fund bonds payable 5.25% Beaches Water System revenue bonds, Series 1996; proceeds used to refund Series 1984 revenue bonds and finance improvements to Beaches Water system (Note 6C)	\$ 351,906	\$ -	\$ (24,229)	\$ 327,457	\$ 25,732
4.25% Gulf County Water system revenue bonds, Series 1994; used to construct a water system for the White City community (Note 6D)	175,000	-	(3,000)	172,000	3,000
Total enterprise fund bonds payable	\$ 526,906	\$ -	\$ (27,229)	\$ 499,457	\$ 28,732

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

Year Ending September 30,	Series 2003 Capital Improvement Refunding Bonds		Series 2006 Gas Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 505,000	\$ 25,728	\$ -	\$ -
2008	520,000	13,052	310,000	680,667
2009	-	-	360,000	634,144
2010	-	-	375,000	619,744
2011	-	-	390,000	604,744
2012-2016	-	-	2,190,000	2,777,519
2017-2021	-	-	2,675,000	2,282,922
2022-2026	-	-	3,310,000	1,653,394
2027-2031	-	-	4,185,000	777,844
2032-2036	-	-	950,000	41,563
Totals	\$ 1,025,000	\$ 38,780	\$14,745,000	\$10,072,541

Gulf County, Florida

Notes to Financial Statements

6. Long-term Debt and Enterprise Fund Bonds Payable (continued)

September 30,	Notes Payable		Installment Contracts	
	Principal	Interest	Principal	Interest
2007	\$ 214,602	\$ 23,756	\$ 275,285	\$ 28,348
2008	170,651	15,496	248,978	16,202
2009	143,283	8,892	146,197	5,641
2010	83,787	3,448	20,245	808
2011	9,407	397	-	-
Totals	<u>\$ 621,730</u>	<u>\$ 51,989</u>	<u>\$ 690,705</u>	<u>\$ 50,999</u>

Future debt service requirements for the enterprise funds long-term debt are summarized below:

Payment in Fiscal Year	Series 1996 Enterprise Funds Bonds		Series 1994 Gulf County Water Revenue System Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 25,732	\$ 16,516	\$ 3,000	\$ 7,740
2008	27,083	15,129	4,000	7,605
2009	28,505	13,670	4,000	7,425
2010	30,001	12,135	4,000	7,245
2011	31,577	10,519	4,000	7,065
2012-2016	184,559	35,732	23,000	32,490
2017-2021	-	-	29,000	26,730
2022-2026	-	-	36,000	19,575
2027-2031	-	-	45,000	10,755
2032-2036	-	-	20,000	1,350
Totals	<u>\$ 327,457</u>	<u>\$ 103,701</u>	<u>\$ 172,000</u>	<u>\$ 127,980</u>

Total interest expense for the year ended September 30, 2006, was \$348,855.

Synopsis of long-term debt covenants are as follows:

Long-Term Debt

Bonds Payable

(A) \$2,000,000 Capital Improvement Refunding Revenue Bonds, Series 2003 to (i) refund certain outstanding obligations, (ii) paying the cost of certain capital improvements within the County, (iii) funding the reserve fund and (iv) paying certain costs incidental to the issuance of the Series 2003 bonds. The bonds, dated September 1, 2003, are in denominations of \$5,000 each and bear interest of 2.51% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2004. The bond principal matures serially on October 1 of each beginning October 1, 2004.

Gulf County, Florida

Notes to Financial Statements

6. Long-term Debt and Enterprise Fund Bonds Payable (continued)

Long-Term Debt (continued)

Bonds Payable (continued)

(B) \$14,745,000 Gas Tax Revenue Refunding Bonds, Series 2006 to (i) finance the cost of the acquisition, construction, paving enlargement or other improvements of certain roads and transportation systems within the County, (ii) refunding 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 a 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 bonds, dated August 31, 2006, are in denominations of \$5,000 each and bear interest of 4.0% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2007. The bond principal matures serially on October 1 of each beginning October 1, 2007.

Enterprise Funds

(C) \$525,000 Beaches Water System Revenue Bonds, Series 1996 issued for the purpose of advance refunding the Series 1984 water system bonds and for improvements to the Beaches water system. The bonds are secured by a pledge of the gross revenues of the water system. The bonds bear interest at 5.25% which is payable on January 1 and July 1 of each year beginning in 1996. The bonds mature in varying amounts annually each January, commencing in 1997, with final payment in the year 2016.

(D) \$200,000 Water System Revenue Bonds, Series 1994 issued for the purpose of constructing a water system for the White City service area. The bonds are held by U.S. Department of Agriculture – Rural Development. The bonds are secured by a pledge of the net revenues derived from the operation of the water system. The bonds bear interest at 4.25% with principal and interest payments due annually on September 1, beginning September 1, 1994.

For governmental activities, compensated absences are generally liquidated by the General Fund.

7. Defeased Debt

In the current year, the County defeased in substance various debt issues by placing a portion of the proceeds of the Series 2006 bonds in an irrevocable trust to provide for all future debt service payments on refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the County's financial statements.

The detail of the current year in-substance defeased debt as of September 30, 2006 are as follows:

<u>Bond Issue</u>	<u>Defeased Amount</u>
Series 1995 Tax Bonds	\$ 2,400,000
Series 2001 Gas Tax Revenue Bonds	3,626,769
Total	<u>\$ 6,026,769</u>

Gulf County, Florida

Notes to Financial Statements

8. Employee Benefits

Defined Benefit Plan. All regular employees of the County are covered by the Florida Retirement System (FRS). The FRS is primarily a state-administered, cost sharing, multiple-employer, defined benefit retirement plan (the Plan). The Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement Systems Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. 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. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan also includes an early retirement provision but imposes a penalty for each year a member retires before his or her normal retirement date. The defined benefit plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with the Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participating, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

Funding Policy. The contribution rates for Plan members are established, and may be amended, by the state of Florida. During the fiscal year ended September 30, 2006, contribution rates were as follows:

	October 1, 2005 through June 30, 2006	July 1, 2006 through September 30, 2006
Florida Retirement System, regular class	7.83%	9.85%
Florida Retirement System, senior management service class	10.45%	13.12%
Florida Retirement System, county elected officials	15.23%	16.53%
Florida Retirement System, special risk employees' class	18.53%	20.92%
DROP from Florida Retirement System	9.53%	10.91%

Gulf County, Florida

Notes to Financial Statements

8. Employee Benefits (continued)

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (regular class, special risk class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

The County's liability for any unfunded pension benefit obligation of the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the County. The County's contributions to the Plan for the fiscal year ended September 30, 2004, 2005, and 2006 totaled \$586,688, \$628,951, and \$719,633, respectively, which were equal to the required contributions for each fiscal year.

9. 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 Sheriffs Self-Insurance Fund Program, administered by the Florida Sheriffs 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 Sheriffs 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.

Gulf County, Florida

Notes to Financial Statements

9. 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.

There has been no significant reduction in insurance coverage from the prior year and there have been no settlements in excess of insurance coverage in the most recent three years.

10. 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, ambulance services, net	<u>\$98,507</u>
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11. 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 approximately thirty years after closure. Currently, the County monitors two closed landfills, 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 post-closure 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 \$4,174,992 reported as landfill closure and post-closure care liability at September 30, 2006, represents the cumulative amount reported to date based on the use of 59.12% of the estimated capacity of the landfill cells placed in use. The Board will recognize the remaining estimated cost of closure and post-closure care of \$8,905,923 as the remaining estimated capacity is filled (approximately 10 years). These amounts are based on what it would cost to perform closure and post-closure care in 2006 on those cells placed in use. Actual costs may be higher 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, 2006, the Board held investments with a fair value of \$523,630 for these purposes that are reported as restricted assets on the balance sheet. 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 post-closure care requirements are determined, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Gulf County, Florida

Notes to Financial Statements

12. 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.

13. Lease

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 the governmental activities.

Accumulated excess rental proceeds are maintained in a special revenue 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 specified numbers 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, 2006, was \$252,541. Rental payments are recorded as revenue when received, that is when measurable and available. The minimum lease payments to be received over the next five years are \$28,277 annually.

Gulf County, Florida

Notes to Financial Statements

14. 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, 2006, 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.

15. 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:

<u>Funds</u>	<u>Purpose</u>	<u>Amount</u>
Board of County Commissioners General Fund for:		
	Landfill escrow	\$ 523,630
	Radio communications	2,943
	Boating improvements	52,392
	Emergency and wireless 911	55,525
	Court technology	65,018
	Courthouse interest	44,178
	Other programs	15,657
		<hr/>
Total		\$ 759,343

16. Commitments

The County has inter-local 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 (the "Gas Tax Revenues"). Pursuant to the inter-local 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. This waiver of entitlement to receipt of such 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 Gas Tax Revenues, the County shall provide paving, resurfacing and maintenance of city roads as designated between the parties. The total transportation improvements to be provided by the County to Port St. Joe and Wewahitchka are estimated to approximate \$ 2,250,000 and \$ 960,000, respectively.

Gulf County, Florida

Notes to Financial Statements

17. Water System Operations

The County and the Cities of Port St. Joe and Wewahitchka (the Cities) have entered into agreements for the Cities to provide all operations and maintenance of the County's water systems. The agreements specify the terms by which the Cities will operate and maintain the water systems including billing customers, water rates, billing service fees, and tap fees. The Cities retain all receipts and pay all expenses from the operation of the water system except for the required bond payments, which are remitted to the County. The County is responsible for the debt service payments.

18. Series 2003 Capital Improvement Refunding Revenue Bonds Continuing Disclosure

The following table sets forth historical data for the Pledged Revenues for the Series 2003 Bonds:

	Historical Pledged Revenues				
	Year ended September 30,				
	2002	2003	2004	2005	2006
Local government half-cent sales tax	\$ 308,567	\$ 329,754	\$ 364,996	\$ 386,188	\$ 419,069
Guaranteed entitlement	68,034	68,034	68,034	68,034	68,034
Second guaranteed entitlement	19,920	19,920	19,920	19,920	19,920
Sales tax revenue	216,500	216,500	216,500	216,500	216,500
Totals	\$ 613,021	\$ 634,208	\$ 669,450	\$ 690,642	\$ 723,523

19. Subsequent Event

On December 13, 2006, the County issued Ad Valorem Tax Bonds Series 2006 in the amount of \$10,790,000. The bonds were issued primarily to provide funds for beachfront renourishment and reconstruction of the beach at Cape San Blas. The Board adopted the resolution to issue the bonds on December 5, 2006. Future debt service requirements associated with this bond issuance are as follows:

September 30,	Principal	Interest	Total
2007	\$ 1,225,000	\$ 271,560	\$ 1,496,560
2008	1,440,000	490,975	1,849,975
2009	1,495,000	352,375	1,847,375
2010	1,555,000	292,575	1,847,575
2011	1,620,000	230,375	1,850,375
2012-2013	3,455,000	237,125	3,692,125
	\$ 10,790,000	\$ 1,793,985	\$ 12,583,985

Combining Financial Statements

Gulf County, Florida
 Combining Balance Sheet
 Nonmajor Governmental Funds

September 30, 2006

	Special Revenue						
	Sheriff's Special Revenue Funds	Clerk Modernization Trust Fund	Administrative Order 86-12	Secondary County Road and Bridge	Mosquito Control St. I & II	St. Joe Fire Control District	
Assets							
Cash and investments	\$ 25,396	\$ 251,238	\$ 137,937	\$ 302,105	\$ 72,714	\$ 624,686	
Cash with fiscal agent	-	-	-	-	-	-	
Due from other funds	-	5,018	-	-	-	304	
Due from other governmental units	-	-	-	-	-	-	
Accounts receivable	4,037	-	-	-	-	-	
Lease receivable	-	-	-	-	-	-	
Total assets	\$ 29,433	\$ 256,256	\$ 137,937	\$ 302,105	\$ 72,714	\$ 624,990	
Liabilities							
Accounts payable and accrued expenses	192	768	-	-	-	13,255	
Due to other funds	-	-	-	-	-	-	
Due to other governmental units	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	
Total liabilities	192	768	-	-	-	13,255	
Fund equity							
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	-	
Capital projects	-	-	-	-	-	-	
Unreserved fund balance	29,241	255,488	137,937	302,105	72,714	611,735	
Total fund equity	29,241	255,488	137,937	302,105	72,714	611,735	
Total liabilities and fund equity	\$ 29,433	\$ 256,256	\$ 137,937	\$ 302,105	\$ 72,714	\$ 624,990	

Gulf County, Florida

Combining Balance Sheet, *continued*
Nonmajor Governmental Funds

September 30, 2006

	Special Revenue						
	Tupelo Fire Control District	Overstreet Fire Control District	Howard Creek Fire Control District	EMS Grant Fund	Community Development Block	HUD CDBG Fund	Industrial Park EDA Fund
Assets							
Cash and investments	\$ 9,452	\$ 899	\$ 880	\$ 3,693	\$ 5,057	\$ 166,266	\$ 175,631
Cash with fiscal agent	-	-	-	-	-	-	-
Due from other funds	2	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-
Accounts receivable	-	538	-	-	-	-	-
Lease receivable	-	-	-	-	-	-	252,541
	<u>\$ 9,454</u>	<u>\$ 1,437</u>	<u>\$ 880</u>	<u>\$ 3,693</u>	<u>\$ 5,057</u>	<u>\$ 166,266</u>	<u>\$ 428,172</u>
Liabilities							
Accounts payable and accrued expenses	2,117	1,554	353	-	-	137	161
Due to other funds	9	-	-	-	-	-	-
Due to other governmental units	-	-	-	3,693	-	41	47
Deferred revenue	-	-	-	-	5,000	-	252,541
Total liabilities	<u>2,126</u>	<u>1,554</u>	<u>353</u>	<u>3,693</u>	<u>5,000</u>	<u>178</u>	<u>252,749</u>
Fund equity							
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Unreserved fund balance	7,328	(117)	527	-	57	166,088	175,423
Total fund equity	<u>7,328</u>	<u>(117)</u>	<u>527</u>	<u>-</u>	<u>57</u>	<u>166,088</u>	<u>175,423</u>
Total liabilities and fund equity	<u>\$ 9,454</u>	<u>\$ 1,437</u>	<u>\$ 880</u>	<u>\$ 3,693</u>	<u>\$ 5,057</u>	<u>\$ 166,266</u>	<u>\$ 428,172</u>

Gulf County, Florida

Combining Balance Sheet, *continued*
Nonmajor Governmental Funds

September 30, 2006

	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	DRI/EAR Fund	Hospital Fund	Wireless 911 Fund	Tourist Development Fund	Capital Projects Fund		
Assets							
Cash and investments	\$ 922,805	\$ 300,588	\$ 275,707	\$ 423,886	\$ 559,680	\$ 4,258,620	
Cash with fiscal agent	-	-	-	-	517,864	517,864	
Due from other funds	-	65,434	-	-	72,371	143,129	
Due from other governmental units	-	98,746	15,000	-	64,011	177,757	
Accounts receivable	-	-	-	26,000	-	30,575	
Lease receivable	-	-	-	-	-	252,541	
Total assets	\$ 922,805	\$ 464,768	\$ 290,707	\$ 449,886	\$ 1,213,926	\$ 5,380,486	
Liabilities							
Accounts payable and accrued expenses	-	-	-	18,490	-	37,027	
Due to other funds	-	-	2	1,794	-	1,805	
Due to other governmental units	-	-	-	-	-	3,781	
Deferred revenue	-	-	222,998	-	-	480,539	
Total liabilities	-	-	223,000	20,284	-	523,152	
Fund equity							
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	1,063,926	1,063,926	
Capital projects	-	-	-	-	150,000	150,000	
Unreserved fund balance	922,805	464,768	67,707	429,602	-	3,643,408	
Total fund equity	922,805	464,768	67,707	429,602	1,213,926	4,857,334	
Total liabilities and fund equity	\$ 922,805	\$ 464,768	\$ 290,707	\$ 449,886	\$ 1,213,926	\$ 5,380,486	

Gulf County, Florida

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended September 30, 2006

	Special Revenue						
	Sheriff's Special Revenue Funds	Clerk Modernization Trust Fund	Administrative Order 86-12	Secondary County Road and Bridge	Mosquito Control St. I & II	St. Joe Fire Control District	
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,013,698
Intergovernmental	-	-	-	-	37,822	-	-
Charges for services	-	65,231	-	-	-	-	-
Miscellaneous	40,562	-	-	-	-	-	200,000
Investment earnings and other	-	11,357	6,363	-	-	-	-
Total revenues	<u>40,562</u>	<u>76,588</u>	<u>6,363</u>	<u>-</u>	<u>37,822</u>	<u>-</u>	<u>1,213,698</u>
Expenditures							
Current operating:							
General government	-	14,900	-	-	-	-	-
Public health and safety	49,336	-	-	-	-	-	186,071
Economic environment	-	-	-	-	-	-	-
Transportation	-	-	-	47,480	-	-	-
Human services	-	-	-	-	2,684	-	-
Court related	-	17,098	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	568,074
Debt service	-	-	-	-	-	-	329,499
Total expenditures	<u>49,336</u>	<u>31,998</u>	<u>-</u>	<u>47,480</u>	<u>2,684</u>	<u>-</u>	<u>1,083,644</u>
Excess of revenues over (under) expenditures	<u>(8,774)</u>	<u>44,590</u>	<u>6,363</u>	<u>(47,480)</u>	<u>35,138</u>	<u>-</u>	<u>130,054</u>
Other financing sources (uses)							
Operating transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(8,774)</u>	<u>44,590</u>	<u>6,363</u>	<u>(47,480)</u>	<u>35,138</u>	<u>-</u>	<u>130,054</u>
Fund balances, beginning of year	<u>38,015</u>	<u>210,898</u>	<u>131,574</u>	<u>349,585</u>	<u>37,576</u>	<u>481,681</u>	<u>481,681</u>
Fund balances, end of year	<u>\$ 29,241</u>	<u>\$ 255,488</u>	<u>\$ 137,937</u>	<u>\$ 302,105</u>	<u>\$ 72,714</u>	<u>\$ 611,735</u>	<u>\$ 611,735</u>

Gulf County, Florida

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
 Nonmajor Governmental Funds

Year ended September 30, 2006

	Special Revenue						
	Tupelo Fire Control District	Overstreet Fire Control District	Howard Creek Fire Control District	EMS Grant Fund	Community Development Block	HUD CDBG Fund	Industrial Park EDA Fund
Revenues							
Taxes	\$ 45,253	\$ 23,681	\$ 13,241	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	8,394	-	-	-
Charges for services	-	-	-	-	-	-	14,795
Miscellaneous	5,000	-	-	-	-	24,000	-
Investment earnings and other	-	-	-	(73)	-	5,193	19,173
Total revenues	50,253	23,681	13,241	8,321	-	29,193	33,968
Expenditures							
Current operating:							
General government	-	-	-	-	-	-	-
Public health and safety	20,385	23,733	13,665	8,394	-	-	-
Economic environment	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-
Court related	-	-	-	-	-	-	-
Capital outlay	27,522	1,864	-	-	-	-	-
Debt service	13,812	-	-	-	-	12,000	-
Total expenditures	61,719	25,597	13,665	8,394	-	12,000	-
Excess of revenues over (under) expenditures	(11,466)	(1,916)	(424)	(73)	-	17,193	33,968
Other financing sources (uses)							
Operating transfers in	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(11,466)	(1,916)	(424)	(73)	-	17,193	33,968
Fund balances, beginning of year	18,794	1,799	951	73	57	148,895	141,455
Fund balances, end of year	7,328	(117)	527	-	57	166,088	175,423

Gulf County, Florida

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Nonmajor Governmental Funds

Year ended September 30, 2006

	Special Revenue					Capital Projects		Total Nonmajor Governmental Funds
	DR/EAR Fund	Hospital Fund	Wireless 911 Fund	Tourist Development Fund	Capital Projects Fund	Total		
Revenues								
Taxes	\$ -	\$ 462,701	\$ -	\$ 380,811	\$ -	\$ -	\$ 1,939,385	
Intergovernmental	-	-	82,025	-	515,573	-	643,814	
Charges for services	-	-	-	-	-	-	80,026	
Miscellaneous	350,000	-	-	-	-	-	619,562	
Investment earnings and other	22,435	2,107	9,562	10,179	29,440	-	115,736	
Total revenues	<u>372,435</u>	<u>464,808</u>	<u>91,587</u>	<u>390,990</u>	<u>545,013</u>		<u>3,398,523</u>	
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	14,900	
Public health and safety	-	-	37,404	-	-	-	338,988	
Economic environment	55,390	-	-	281,541	-	-	336,931	
Transportation	-	-	-	-	-	-	47,480	
Human services	-	40	-	-	-	-	2,724	
Court related	-	-	-	-	-	-	17,098	
Capital outlay	45,470	-	-	-	-	-	642,930	
Debt service	-	-	-	-	528,000	-	883,311	
Total expenditures	<u>100,860</u>	<u>40</u>	<u>37,404</u>	<u>281,541</u>	<u>528,000</u>	<u>528,000</u>	<u>2,284,362</u>	
Excess of revenues over (under) expenditures	<u>271,575</u>	<u>464,768</u>	<u>54,183</u>	<u>109,449</u>	<u>17,013</u>		<u>1,114,161</u>	
Other financing sources (uses)								
Operating transfers in	-	-	-	-	-	-	-	
Total other financing sources (uses)								
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>271,575</u>	<u>464,768</u>	<u>54,183</u>	<u>109,449</u>	<u>17,013</u>		<u>1,114,161</u>	
Fund balances, beginning of year	<u>651,230</u>	<u>-</u>	<u>13,524</u>	<u>320,153</u>	<u>1,196,913</u>		<u>3,743,173</u>	
Fund balances, end of year	<u>\$ 922,805</u>	<u>\$ 464,768</u>	<u>\$ 67,707</u>	<u>\$ 429,602</u>	<u>\$ 1,213,926</u>	<u>\$ -</u>	<u>\$ 4,857,334</u>	

Gulf County, Florida

Combining Statement of Net Assets
Nonmajor Proprietary Funds

September 30, 2006

	Oak Grove Water System	Highland View Water System	White City Water System	Williamsburg and Methodist Hill	Total Nonmajor Business-type Activities
Assets:					
Current assets:					
Cash	\$ 51,189	\$ 56,030	\$ 66,566	\$ -	\$ 173,785
Due from other governments	-	4,999	3,243	-	8,242
Total current assets	<u>51,189</u>	<u>61,029</u>	<u>69,809</u>	<u>-</u>	<u>182,027</u>
Noncurrent assets:					
Restricted cash	-	-	18,952	-	18,952
Capital assets					
Land	737	2,620	-	-	3,357
Buildings and utility systems	269,453	5,000	696,550	571,925	1,542,928
Other Improvements	-	1,142,441	-	-	1,142,441
Equipment	-	1,834	1,585	-	3,419
Less allowance for depreciation	(188,610)	(303,709)	(214,905)	(185,874)	(893,098)
Total noncurrent assets	<u>81,580</u>	<u>848,186</u>	<u>502,182</u>	<u>386,051</u>	<u>1,817,999</u>
Total assets	<u>132,769</u>	<u>909,215</u>	<u>571,991</u>	<u>386,051</u>	<u>2,000,026</u>
Liabilities:					
Current liabilities :					
Accounts payable and accrued expenses	-	-	643	-	643
Bonds payable	-	-	3,000	-	3,000
Total current liabilities	<u>-</u>	<u>-</u>	<u>3,643</u>	<u>-</u>	<u>3,643</u>
Noncurrent liabilities:					
Advances from other funds	-	128,840	-	-	128,840
Bonds payable	-	-	169,000	-	169,000
Total liabilities	<u>-</u>	<u>128,840</u>	<u>172,643</u>	<u>-</u>	<u>301,483</u>
Net assets:					
Invested in capital assets, net of related debt	81,580	719,346	311,231	386,051	1,498,208
Reserved for debt service	-	-	18,952	-	18,952
Unrestricted	51,189	61,029	69,165	-	181,383
Total net assets	<u>\$ 132,769</u>	<u>\$ 780,375</u>	<u>\$ 399,348</u>	<u>\$ 386,051</u>	<u>\$ 1,698,543</u>

Gulf County, Florida

Combining Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Nonmajor Proprietary Funds

Year ended September 30, 2006

	Oak Grove Water System	Highland View Water System	White City Water System	Williamsburg Methodist Hill	Total Nonmajor Business-type Activities
Operating revenue:					
Charges for services	\$ -	\$ 21,792	\$ 15,434	\$ -	\$ 37,226
Operating expenses:					
Other services and charges	-	175	-	-	175
Depreciation	6,736	28,741	17,415	14,298	67,190
Total operating expenses	6,736	28,916	17,415	14,298	67,365
Operating loss	(6,736)	(7,124)	(1,981)	(14,298)	(30,139)
Nonoperating revenues (expense):					
Interest income	1,563	1,975	1,858	-	5,396
Interest expense	-	-	(7,864)	-	(7,864)
Total nonoperating revenue (expense)	1,563	1,975	(6,006)	-	(2,468)
Change in net assets	(5,173)	(5,149)	(7,987)	(14,298)	(32,607)
Net assets, beginning of year	137,942	785,524	407,335	400,349	1,731,150
Net assets, end of year	\$ 132,769	\$ 780,375	\$ 399,348	\$ 386,051	\$ 1,698,543

Gulf County, Florida

Combining Statement of Cash Flows
Nonmajor Proprietary Funds

Year ended September 30, 2006

	Oak Grove	Highland View Water System	White City Water System	Williamsburg and Methodist Hill	Total Nonmajor Business-type Activities
Cash flows from operating activities					
Receipts from customers	\$ -	\$ (13,734)	\$ 16,548	\$ -	\$ 2,814
Payments to suppliers	-	(175)	(13)	-	(188)
Net cash provided by (used in) operating activities	-	(13,909)	16,535	-	2,626
Cash flows from capital and related financing activities					
Principal payments on bonds payable	-	-	(3,000)	-	(3,000)
Payments on interfund loans	-	(20,000)	-	-	(20,000)
Interest paid on long-term debt obligations	-	-	(7,864)	-	(7,864)
Net cash used in capital and related financing activities	-	(20,000)	(10,864)	-	(30,864)
Cash flows from investing activities					
Interest received	1,563	1,975	1,858	-	5,396
Increase (decrease) in cash and restricted cash	1,563	(31,934)	7,529	-	(22,842)
Cash and restricted cash, October 1	49,626	87,964	77,989	-	215,579
Cash and restricted cash, September 30	\$ 51,189	\$ 56,030	\$ 85,518	\$ -	\$ 192,737
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating loss	(6,736)	(7,124)	(1,981)	(14,298)	(30,139)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	6,736	28,741	17,415	14,298	67,190
Changes in assets and liabilities:					
Accounts payable and accrued expenses	-	-	(13)	-	(13)
Due from other governmental units	-	1,031	1,114	-	2,145
Deferred revenue	-	(36,557)	-	-	(36,557)
Net cash provided by (used in) operating activities	\$ -	\$ (13,909)	\$ 16,535	\$ -	\$ 2,626

Gulf County, Florida

Combining Balance Sheets
Agency Funds

September 30, 2006

Agency Funds - Clerk						
	Fee Trust	Article V Trust	Registry of Court	Child Support	Bond Account	Jury and Witness
Assets						
Cash	\$ 70,850	\$ 56,965	\$ 60,710	\$ 241	\$ 41,801	\$ 978
Due from other governments	-	-	-	-	-	645
Due from other funds	48	53	-	-	-	-
Accounts Receivable	-	54	-	-	-	-
Total assets	<u>\$ 70,898</u>	<u>\$ 57,072</u>	<u>\$ 60,710</u>	<u>\$ 241</u>	<u>\$ 41,801</u>	<u>\$ 1,623</u>
Liabilities						
Due to individuals	\$ 293	\$ 2,934	\$ 60,710	-	\$ 41,801	-
Due to other funds	20,818	40,678	-	191	-	1,506
Due to other governments	49,787	13,460	-	50	-	117
Total liabilities	<u>\$ 70,898</u>	<u>\$ 57,072</u>	<u>\$ 60,710</u>	<u>\$ 241</u>	<u>\$ 41,801</u>	<u>\$ 1,623</u>

Gulf County, Florida

Combining Balance Sheets
Agency Funds (continued)

September 30, 2006

Agency Funds - Sheriff				Agency Funds - Tax Collector		
Bonds	2.5 Account	Individual Depository	Inmate Trust	Tax	Tag Agency	Totals
\$ 19	\$ 1,468	\$ 41	\$ 11,184	\$ 420,899	\$ 11,047	\$ 676,203
-	-	-	-	-	-	645
-	-	-	-	-	-	101
-	-	-	-	-	-	54
<u>\$ 19</u>	<u>\$ 1,468</u>	<u>\$ 41</u>	<u>\$ 11,184</u>	<u>\$ 420,899</u>	<u>\$ 11,047</u>	<u>\$ 677,003</u>
\$ 19	\$ 1,468	-	\$ 11,184	\$ 412,384	\$ 241	\$ 531,034
-	-	-	-	4,364	10,806	78,363
-	-	41	-	4,151	-	67,606
<u>\$ 19</u>	<u>\$ 1,468</u>	<u>\$ 41</u>	<u>\$ 11,184</u>	<u>\$ 420,899</u>	<u>\$ 11,047</u>	<u>\$ 677,003</u>

Compliance Section

Internal Control
and
Compliance Reports

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Board of County Commissioners
Gulf County, Florida

We were engaged to audit the financial statements of Gulf County, Florida, as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated July 15, 2007. Our report is qualified with respect to the account balances and transactions of the Gulf County Sheriff, as of and for the year ended September 30, 2006. Except for the matter discussed in the third paragraph of our report, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Gulf County, Florida's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions identified are listed below.

Gulf County Sheriff

2006-01 – Lack of Segregation of Duties

The size of the Sheriff's accounting administrative staff precludes certain internal controls that would be preferred if the office staff was large enough to provide basic segregation of duties. Effective internal control requires appropriate segregation of duties for those personnel charged with accounting for the Sheriff's assets from those charged with custody over those assets. The Sheriff's Accounting Director has access to blank checks and the Sheriff's signature stamp, determines invoices to be paid, prepares checks for signatures, signs the operating and payroll checks utilizing the signature stamp, receives and opens the bank statements, prepares all bank reconciliations, and is responsible for recording all transactions. In addition, there is no independent review of the bank reconciliations or monthly posting journals prepared by the Accounting Director. There is also no evidence that available budget authority is considered prior to authorizing expenditures.

The lack of segregation of duties results in ineffective controls to prevent or detect material misstatements in account balances that are due to fraud or human error. Consideration should be given to hiring additional accounting staff to allow for proper segregation of duties. If this is not possible due to limited financial resources, alternative procedures should be implemented to mitigate risks caused by the lack of segregation of duties. Examples of alternative procedures include the following:

- Bank statements should be received and opened by someone other than the Accounting Director. Transactions clearing on the bank statement should be reviewed and any unusual or unexpected transactions should be investigated.
- Bank reconciliations prepared by the Accounting Director should be reviewed by another employee for agreement to the general ledger, mathematical correctness, and unusual reconciling items such as stale checks, journal entries, or miscellaneous adjustments.
- Whenever possible, checks should be signed by the Sheriff or his designee. Supporting documentation for all disbursements should be reviewed prior to signing checks.
- The signature stamp should be maintained by someone other than the Accounting Director.
- Someone other than the Accounting Director should review and approve the monthly payroll register prior to the distribution of checks.

2006-02 – Written Accounting Policies and Procedures Manual

A written policy and procedures manual does not exist. If the Accounting Director were to terminate employment with the Sheriff's office, significant time and effort would be needed to maintain accounting procedures. A written accounting policies and procedures manual should be maintained and used as a basis for recording and processing transactions. The manual should include a chart of accounts, adequate explanation of account content, month end and year end closing procedures, appropriate descriptions of all accounting procedures and routines, and all matters that bear directly or indirectly on the functioning of the system internal accounting control.

We recommend that a written policy and procedures manual be developed as quickly as possible. Although such a manual will take time to develop initially, it will take much less time if the current experienced employees prepares it than if subsequent employees have to reconstruct procedures each time there is turnover in personnel.

Gulf County Sheriff (Continued)

2006-03 – Fixed Assets

Sufficient records were not available for the auditors to determine the completeness and accuracy of the fixed asset listing maintained by the Sheriff, nor could we determine the extent to which the financial statements might be affected as a result of these conditions. We recommend that written policies and procedures be created regarding the capitalization, depreciation, and reconciliation of fixed assets. A detail property inventory should be maintained that includes acquisition date, acquisition cost, funding source, current year depreciation, accumulated depreciation, and disposal date for each asset. In addition, we recommend that a complete physical inventory of fixed assets be performed annually and reconciled to the detail property inventory listing.

2006-04 – Unrecorded Transactions, Special and Agency Funds

The Sheriff does not maintain a general ledger for special revenue and agency funds. Instead, the activity for these funds is tracked using an Excel spreadsheet. The activity of the general fund is recorded in a general ledger system; however, only cash transactions are recorded. Vendor invoices and accounts receivable are tracked on Excel spreadsheets that are not recorded in the general ledger system. As a result, errors on the spreadsheets can occur and not be detected in a timely manner.

We recommend that a chart of accounts be established for all funds maintained by the Sheriff and that the chart of accounts conform to the uniform chart of accounts prescribed by the Florida Department of Financial Services. For each fund, payables and receivables should be recorded as incurred or as earned. Appropriate month end and year end reconciliations should be performed for all balance sheet accounts. The reconciliation procedures should be documented in the written accounting policies and procedures manual.

Gulf County Board of County Commissioners

2006-05 – Unrecorded Transactions, Dependent Fire Districts

Each of the dependent fire districts of Gulf County (refer to Note 1 of the financial statements) maintains a bank account for purpose of recording community contributions and other funds derived through fundraising efforts. Although not material to the County as a whole, the activity associated with these bank accounts are not captured in the County's general ledger, nor are the monthly bank reconciliation's submitted to the County's finance department for review and approval. We recommend written policies and procedures be established to ensure that all transactions associated with the bank accounts of the dependent fire districts are included in the general ledger of the County and that immediately upon completion, the monthly bank statements and reconciliations are submitted to the Finance department for review and approval.

Gulf County Supervisor of Elections

2006-06 – Lack of Segregation of Duties

Internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept in an adequate system of internal control is the segregation of duties. Because the Supervisor of Elections performs all accounting functions for her office, the optimum level of segregation of duties does not exist. We recommend that the responsibility for performing accounting functions, including reconciliation of the bank statements, be reassigned to another qualified employee within the Supervisor of Elections' Office. If a person with the appropriate credentials is not available, consideration should be given to hiring a person with the necessary credentials. The Supervisor of Elections should continue to receive and open monthly bank statements, review check copies and other transactions listed in the monthly bank statements for unusual or unexpected activity, review monthly bank reconciliations, approve invoices for payment, and sign checks prior to mailing.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-1, 2006-3, 2006-4 and 2006-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulf County, Florida's basic 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below:

Gulf County Sheriff

2006-07 – Use of the Uniform Chart of Accounts

Florida Statute 30.49(2)(a) requires the Sheriff to submit his proposed budget to the Board of County Commissioners along with his sworn certificate stating that the proposed expenditures are reasonable and necessary for the proper and efficient operation of the office for the ensuing year. Florida Statute 30.49(2)(b) requires that the expenditures on the proposed budget be organized within the appropriate fund and functional category and itemized in accordance with the uniform chart of accounts prescribed by the Florida Department of Financial Services. Although a proposed budget was submitted to the Board of County Commissioners for approval, we were unable to obtain evidence of the Sheriff's sworn certificate required to accompany the proposed budget. Further, the proposed budget was not prepared in a format consistent with the uniform chart of accounts prescribed by the Florida Department of Financial Services. The chart of accounts utilized by the Sheriff to record daily transactions is also not consistent with the uniform chart of accounts.

We recommend that the proposed budget prepared by the Sheriff follow the uniform chart of accounts as prescribed by the Florida Department of Financial Services and that the uniform chart of accounts be utilized to record daily transactions of the Sheriff's department.

2006-08 – Expenditures in Excess of Budget

The Sheriff exceeded his approved budgetary expenditures by \$497,746, which resulted in a deficit fund balance in the general fund at September 30, 2006 of \$105,965. A portion of the excess expenditures over budget is attributable to unbudgeted grant revenue received during the fiscal year. In addition, the Sheriff's reconciled cash balance for the operating account is a negative balance in the amount of \$55,302, which has been reported as accounts payable in the general fund. The Sheriff's office is relying on subsequent appropriation installments from the Board of County Commissioners to pay for obligations of the current period and sustain positive cash flow.

Written policies and procedures should be established regarding the budgeting process and should include procedures to verify sufficient budget authority exists prior to authorizing the payment of vendor invoices. In the event sufficient budget authority does not exist, a formal budget amendment should be submitted to the Board of County Commissioners for consideration and approval. Policies and procedures with respect to the budgeting process should be included in the written accounting policies and procedures manual.

Gulf County Board of County Commissioners

2006-09 – Landfill Escrow Report

Florida Administrative Code Section 62-701.630(1)(5)(c) requires the County to file an audit of the landfill escrow account with the State of Florida Department of Environmental Protection by March 31, 2007. As of the date of this report, the audit of the landfill escrow account has not been submitted.

We have noted other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of the Gulf County, Florida in a separate letter dated July 15, 2007.

This report is intended solely for the information and use of the Board of County Commissioners of Gulf County, Florida, the Auditor General, State of Florida, management, and 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.

Thomas Howell Ferguson, C.A.

Keith L. Jones, CPA

July 15, 2007

Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

Honorable 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 requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2006. Gulf County, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedules 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 the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. 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 on Gulf County, Florida's compliance with those requirements.

As described in findings 2006-11, 2006-12 and 2006-14 in the accompanying Schedule of Findings and Questioned Costs, Gulf County, Florida did not comply with requirements regarding subrecipient monitoring that are applicable to the State Housing Initiative Program or with requirements regarding procurement that are applicable to its Storm Emergency Watershed Protection Project and Assistance to Firefighters grant. Compliance with such requirements is necessary, in our opinion, for Gulf County, Florida to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2006.

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 requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Gulf County, Florida's ability to administer a major federal program or state project in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 2006-10, 2006-11, 2006-12 and 2006-14.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all of the reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider findings 2006-11 and 2006-14 to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners of Gulf County, Florida, the Auditor General, State of Florida, management, 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.

Thomas Howell Ferguson C.A.

Keith L. Jones, CPA

Gulf County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2006

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Storm Emergency Watershed Protection Project	Not available	69-4209-5-1754	330,000
<u>U.S. Department of Health and Human Services</u>			
Pass through Florida Department of Revenue			
Child Support Enforcement Title IV-D Service of Process	93.563	CO523	2,006
Child Support Enforcement Title IV-D Services Reimbursement	93.563	CC323	26,927
Total U.S. Department of Health and Human Services			<u>28,933</u>
<u>U.S. Department of Homeland Security</u>			
Direct Programs			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-11901	408,500
Assistance to Firefighters Grant	97.044	EMW-2005-FG-18685	150,100
Assistance to Firefighters Grant	97.044	N/A	4,500
Pass through Florida Department of Community Affairs			
Sand Berm Construction	97.036	05-PA-G-02-33-01-552	292,756
Disaster Relief-Hurricane Dennis FEMA 1595-DR-FL	97.036	06-DN-@G-02-33-01-540	232,283
Disaster Relief-Hurricane Katrina FEMA 1602	97.036	06-KT-B&-02-33-23-508	12,832
State of Florida Homeland Security Grant Program	97.004	05DS-02-33-01	13,415
State of Florida Homeland Security Grant Program	97.004	06DS-3W-02-32-01	15,613
State and Local Assistance	97.042	06-DS-3W-02-32-01	23,230
Total U.S. Department of Homeland Security			<u>1,153,229</u>
<u>U.S. Department of Justice</u>			
Pass through FL Department of Law Enforcement			
Drug Awareness and Reduction Grant	14.228	05-CG-K3-02-33-01-209	15,052
Criminal History Record Improvement	14.228	06-CJ-J3-02-33-01-276	38,431
Byrne-JAG Highway 98 Taskforce	16738	2006-JAGC-GULF-2-M8-008	68,542
Byrne-JAG K-9 Unit	Not available	2006-JAGD-GULF-1M9-021	2,588
Total U.S. Department of Justice			<u>124,613</u>
<u>U.S. Department of Transportation</u>			
Pass through FL Department of Transportation			
DUI Enforcement	20.601	AO677	60,924
<u>U.S. Election Assistance Commission</u>			
Pass through FL Department of State			
Pollworker Training	90.401	Approp. 2939	2,804
Voting Systems Assistance Grant	39.011	Approp. 3198	58,700
Voter Education	39.011	Approp. 1539	2,804
			<u>64,308</u>
Total Expenditures of Federal Awards			<u>\$ 1,762,007</u>

Gulf County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2006

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Agriculture & Consumer Services</u>			
Direct Project			
Mosquito Control/Waste Tire Abatement Grant	42.003	2004-2005	2,684
<u>Florida Department of Community Affairs</u>			
Direct Projects			
Emergency Management Preparedness and Assistance Grant	52.008	06BG-04-02-33-01-077	102,959
Sand Berm Construction - P-CSBCH FEMA 11551	52.600	05-PA-G-02-33-01-552	15,772
Disaster Relief-Hurricane Dennis FEMA 1595-DR-FL	52.600	06-DN-G-02-33-01-540	28,221
Florida Hazardous Materials Planning and Prevention Program	52.023	06CP-11-02-33-01	2,257
School Interlocal Agreement Grant	52.033	06-DR-73-02-33-01-021	13,943
Technical Assistance for Implementation of Growth Management Initiations	52.033	06-DR-73-02-33-01-107	15,000
Total Department of Community Affairs			178,152
<u>Office of the State Courts Administrator</u>			
Direct Projects			
County Article V Trust Fund	22.003	Approp. 2219	12,741
Courthouse Facility Appropriation	22.004	Approp. 2200	80,038
Total State Courts Administrator			92,779
<u>Florida Department of Environmental Protection</u>			
Direct Projects			
St. Joseph Peninsula Dune Restoration	37.065	H5GUI	940,481
St. Joseph Peninsula Dune Restoration	37.065	06GUI	61,863
Small County Solid Waste Grant	37.012	SC612	191,176
FRDAP Park Grants - Gaskin Park, Phase II	37.017	F3589	88,683
FRDAP Park Grants - Honeyville Community Center	37.017	F6183	179,528
FRDAP Park Grants - Dead Lakes Park	37.017	F6208	181,925
Total Department of Environmental Protection			1,643,656
<u>Florida Department of Health</u>			
Direct Projects			
Emergency Medical Services County Grant Program	64.005	C4023	3,717
Emergency Medical Services County Grant Program	64.005	C5023	4,677
Emergency Medical Services Matching Grant	64.003	M6100	37,108
Emergency Medical Services Matching Grant	64.003	M6101	45,714
Total Department of Health			91,216
<u>Florida Housing Finance Authority</u>			
Direct Project			
2005-2006 State Housing Initiative Program	52.901	2005/2006	287,581
2006-2007 State Housing Initiative Program	52.901	2006/2007	15,000
Total Housing Finance Authority			302,581
<u>Florida Department of State</u>			
Direct Projects			
Cape San Blas Lighthouse Keeper's Quarters	45.031	SC442	453
Operating and Equalization State Aid Grants	45.030	06-ST-46	73,332
Total Department of State			73,785
<u>Florida Department of Transportation</u>			
Direct Projects			
Small County Outreach Program - Willis Landing	55.009	SCOP 41865445801/AN225	1,059,459
Small County Outreach Program - Stone Mill Creek	55.009	SCOP 42009715801	207,125
Total Department of Transportation			1,266,584
<u>Division of Emergency Management</u>			
Direct Projects			
Wireless 911 Rural Grant	72.001	A 05-06	16,592
Total Expenditures of State Financial Assistance			\$ 3,668,029

Board of County Commissioners
Gulf County, Florida

Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance

Year ended September 30, 2006

1. Basis of Accounting

The supplementary schedule of expenditures of federal award programs and state financial assistance projects includes the grant activity of the County. Federal and state expenditures are presented on the modified accrual basis of accounting and receipts are presented on the cash basis of accounting.

2. Reporting Entity

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

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.

4. State Matching Funds

State matching funds provided for federal programs are excluded from the schedule of expenditures of federal award programs and state financial assistance projects on the basis that the requirements pertaining to these funds are subject to audit under the Federal Single Audit Act.

5. Loans Outstanding

The County has the following federal bonds payable outstanding at September 30, 2006:

U.S. Department of Agriculture – Rural Development	
Bonds payable, September 30, 2005	\$ 175,000
Bonds repaid during year	<u>(3,000)</u>
Bonds payable, September 30, 2006	<u>\$ 172,000</u>

Board of County Commissioners
Gulf County, Florida
Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs?	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	
	Yes

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
	97.044	U.S. Department of Homeland Security Assistance to Firefighters Grant
	Not available	U.S. Department of Agriculture Storm Emergency Watershed Protection Project

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II -- Financial Statement Findings

Findings 2006-2 and 2006-6 have been reported on the independent auditor's report on internal control over financial reporting and on compliance and other matters, dated July 15, 2007, as reportable conditions, and findings 2006-1, 2006-3, 2006-4 and 2006-5 have been reported as material weaknesses.

Section III -- Federal Award Findings and Questioned Costs

See attached summary schedule of audit findings. Finding numbers 2006-10, and 2006-12 are considered to be reportable conditions. Finding number 2006-11 is considered to be a material weakness.

Board of County Commissioners
Gulf County, Florida
Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over major projects:

Reportable condition(s) identified? Yes

Reportable condition(s) identified considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

State Financial Assistance Awards

Internal control over major projects:

Reportable condition(s) identified? Yes

Reportable condition(s) identified considered to be material weaknesses? Yes

Type of auditors' report issued on compliance for major projects? Qualified with respect to CSFA #52.901, unqualified with respect to CSFA #37.017 and #55.009.

Any audit findings disclosed that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.554(1)(k)(4)? Yes

Findings required to be reported in a management letter pursuant to *Rules of the Auditor General*, Chapter 10.554(1)(h)? Yes

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
	55.009	Florida Department of Transportation Small County Outreach Program - Willis Landing
	37.017	Florida Department of Environmental Protection Florida Recreation Development Assistance Program (FRDAP) Park Grants
	52.901	Florida Housing Finance Authority State Housing Initiative Program

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

Section II -- Financial Statement Findings

Findings 2006-2 and 2006-6 have been reported on the independent auditor's report on internal control over financial reporting and on compliance and other matters, dated July 15, 2007, as reportable conditions, and findings 2006-1, 2006-3, 2006-4 and 2006-5 have been reported as material weaknesses.

Section III -- State Financial Assistance Findings and Questioned Costs

See attached summary schedule of audit findings. Finding number 2006-13 is considered to be a material weakness.

Board of County Commissioners
Gulf County, Florida

Summary Schedule of Audit Findings

Year ended September 30, 2006

The findings and recommendations related to internal control and compliance over major federal programs and state projects for the year ended September 30, 2006 are presented below. Findings 2006-01 through 2006-09 relate to financial reporting matters and have been listed in the independent auditors' report on internal control over financial reporting and on compliance and other matters dated July 15, 2007. Findings 2006-14 and 2006-15 relate to recommendations to improve operational efficiency and have been included in the management letter dated July 15, 2007.

2006-10 – Grant Application Process

Grant Identification: Not applicable

Criteria: County policies and procedures

Condition: It is possible that various departments, including dependent fire districts, can apply for and receive grant funding without the knowledge of the finance department or grant coordinator.

Cause: Written policies and procedures specifically regarding the grant application, approval and monitoring process do not exist.

Effect: County management and finance personnel may not be aware of all active grants within the County which limits their ability to determine appropriate compliance and financial reporting associated with grant activity.

Questioned Costs: Not applicable

Recommendation: A policy should be developed that requires all grant applications to be approved by the Finance Director and Grant Coordinator prior to approval by the Board of County Commissioners. In addition, all grant proceeds pertaining to the Gulf County Board of County Commissioners, should be received directly by the finance department.

Board of County Commissioners
Gulf County, Florida

Summary Schedule of Audit Findings

Year ended September 30, 2006

2006-11 – Grant Procurement Procedures for Paving Projects

Grant Identification: Storm Emergency Watershed Protection Project, contract number 69-4209-5-1754 (CFDA# not available); Small County Outreach Program, contract number SCOP 41865115801 (CSFA #55.009); Small County Outreach Program, contract number SCOP 42009715801 (CSFA #55.009)

Criteria: 29CFR 95.40-48 and County policies regarding procurement procedures

Condition: The County received several grants during the year ended September 30, 2006 for the purpose of road improvements. Procurement procedures for paving projects funded by the Small County Outreach Program (SCOP) were properly performed, however, additional paving projects unrelated to the SCOP grant and funded through the Storm Emergency Watershed Protection Project grant were added by issuing change orders to the contract procured through the SCOP grant. In addition, engineering and architect services related to road projects was last bid in 1993 and the current contract has no specified term.

Cause: The County does not have a centralized purchasing system or purchasing director knowledgeable of procurement requirements for contracts funded by state and federal grants. Additionally, the County's existing procurement policies and procedures do not address required processes and documentation for purchases made with state or federal funds.

Effect: Noncompliance with the provisions of 29CFR 95.40-48

Questioned Costs: Not readily determinable

Recommendation: We recommend that the county consider the establishment of purchasing director position. The responsibilities of the purchasing director would include management of the bid process, and monitoring of compliance with county, state and federal procurement policies, standards and laws. If creating such a position is not economically feasible, the responsibility of monitoring compliance with the procurement standards applicable to federal and state awards should rest with the grant coordinator or a knowledgeable member of the County's finance department.

In addition, we recommend that the procurement of services for multiple unrelated projects in excess of the County's dollar threshold requiring written proposals, be advertised and procured separately unless prior approval is obtained from the applicable grant agency.

Board of County Commissioners
Gulf County, Florida

Summary Schedule of Audit Findings

Year ended September 30, 2006

2006-12 – Grant Procurement Procedures for Equipment

Grant Identification: Assistance to Firefighters Grant (CFDA number 97.044)

Criteria: 29CFR 95.40-48 and County policies regarding procurement procedures

Condition: The County purchased an ambulance and fire training equipment with the use of Federal funds. Based on inquiries and review of limited documentation available, the County solicited proposals from two qualified vendors for these purchases. Additional vendors were not solicited due to the unique nature of the equipment. However, the County was unable to provide bid files associated with the purchases that formally documented the bid process and purchasing decisions.

Cause: These grants were procured and administered by the County's Emergency Medical Services department without coordination of the County's grant coordinator or finance department.

Effect: Noncompliance with 29CFR 95.40-48 regarding procurement standards

Questioned Costs: Not applicable

Recommendation: We recommend that written policies and procedures be developed for the procurement of equipment using federal or state funds. The written policies and procedures should include evidence for all purchasing decisions including advertising notices, requests for proposals, proposals received, conflict of interest certifications, pricing analysis, award decisions, and justification for contracts awarded on a sole source basis. The purchasing process should be centrally controlled within the County by either a purchasing director, or the grants coordinator, with assistance from applicable department supervisors.

2006-13 – Subrecipient Monitoring

Grant Identification: State Housing Initiative Program (CSFA number 52.901)

Criteria: Section I of the State Projects Compliance Supplement regarding subrecipient monitoring.

Condition: Gulf County passed through grant funds received for the State Housing Initiative Program to the Gulf County Community Development Corporation (GCCDC), a Florida not-for-profit corporation, for purposes of determining eligibility. During the fiscal year ended September 30, 2006, the County did not perform any monitoring procedures to determine GCCDC's compliance with the eligibility requirements of the grant. However, certain monitoring procedures were performed during the 2006/07 fiscal year.

Board of County Commissioners
Gulf County, Florida

Summary Schedule of Audit Findings

Year ended September 30, 2006

2006-13 – Subrecipient Monitoring (continued)

Cause: Written procedures regarding subrecipient monitoring do not exist.

Effect: Noncompliance with Section I of the State Projects Compliance Supplement regarding subrecipient monitoring.

Questioned Costs: \$35,000, the amount of the contract.

Recommendation: We recommend that written subrecipient monitoring procedures be developed and that a county employee knowledgeable of the SHIP grant select a sample of cases processed by the contracted entity to test for compliance with grant requirements. This monitoring should be performed on a semiannual or quarterly basis. Findings identified should be communicated timely and in writing. Additionally, within 30 days of receiving the subrecipient monitoring findings, the contracted entity should submit a corrective action plan to the County documenting its plan to address the findings. The status of the subrecipient's corrective action plan should be assessed during subsequent monitoring procedures.

Board of County Commissioners
Gulf County, Florida

Summary Schedule of Prior Audit Findings

Year ended September 30, 2006

Federal Programs – None

State Financial Assistance Projects – None

Financial Statement Findings – See Management Letter dated July 15, 2007

Management Letter

Management Letter

To the Honorable Board of County Commissioners
Gulf County, Florida

We were engaged to audit the financial statements of Gulf County, Florida, as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated July 15, 2007. Our report is qualified with respect to the account balances and transactions of the Gulf County Sheriff, as of and for the year ended September 30, 2006.

Except for the matter discussed in the third paragraph of our report, 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 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our independent auditor's report on compliance and Internal Control over financial reporting, independent auditor's report on compliance and internal control over compliance applicable to each major federal program and state project, and schedule of findings and questioned costs. Disclosures in those reports, which are dated July 15, 2007, 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 and require that certain items be addressed in this letter.

The *Rules of the Auditor General* (Section 10.544(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The status of recommendations made in the preceding annual financial audit report is listed below:

Prior Year's Findings and Recommendations

- 05-01 Emergency Medical Services (EMS) – corrective action taken
- 05-02 Insurance Coverage – corrective action taken
- 05-03 Sheriff – corrective action not taken. See current year findings 2006-01 through 2006-04, 2006-07 and 2006-08 in the independent auditors' report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated July 15, 2007.
- 05-04 Purchase Orders – corrective action not taken. The County has considered the use of purchase orders and has determined that current internal control over cash disbursements is sufficient and that the efficiencies gained by instituting the use of purchase orders would not exceed the cost and effort necessary to do so.
- 05-05 Missing Vehicle – corrective action in process. The Clerk's office is developing procedures related to documentation of disposed assets.
- 05-06 Asset Tags – corrective action taken.
- 05-07 Employee Theft – this item was reported in order to comply with the Rules of the Auditor General. The matter was resolved in the prior year and no corrective action was required

The Rules of the Auditor General (Section 10.554(1)(h)3) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we identified the following findings and recommendations:

Current Year Findings and Recommendations

2006-14 - Establish a Written Job Description for the Grant Coordinator

The County has recently established a Grant Coordinator position to assist with processing, tracking and accounting for grants received. A written description of the duties and responsibilities of this position do not exist. As a result, there is not a clear understanding as to which position/department is responsible for determining and tracking compliance with existing grants. We recommend that the duties and responsibilities of the Grant Coordinator position be established in writing and clearly communicated to all applicable departments. The written duties and responsibilities should include processes and procedures for grant application and approval, report tracking, compliance monitoring and documentation, and accounting associated with all County grants. Provisions should also be made for appropriate training and education with respect to the internal control and compliance requirements of the Federal and state single audit acts.

2006-15 - Consider the Establishment of a “Whistleblower” Program

We noted that the County does not currently have a mechanism in place that allows employees or vendors to anonymously report inappropriate behavior or suspected fraud. Typically, the most common method in which fraud is detected is through an anonymous tip. The existence of the process alone serves as a deterrent to committing fraud or violating the County’s code of conduct. We recommend that the County consider the creation and adoption of a whistleblower program. If such a process is developed, procedures for reporting an anonymous tip should be clearly and periodically communicated to the County’s employees and vendors.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the County complied with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors’ report on compliance and internal control or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit we identified the following matters that are required to be reported:

Violations of Laws, Rules and Regulations

Findings 2006-07, 2006-08 and 2006-09 included in the independent auditors report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated July 15, 2007, represent violations of Laws, Rules, and Regulations.

Failures to properly record financial transactions

Findings 2006-04 and 2006-05 included in the independent auditors report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated July 15, 2007, represent failures to properly record financial transactions.

The *Rules of the Auditor General* (Section 10.554(1)(h)5) also require 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 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 Notes to the Financial Statements.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.a), a statement must be included as to whether or not the County has one or more of the conditions described Section 218.503(1), Florida Statutes. In connection with our audit, we determined that County did not meet any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.b), we are required to determine if the annual financial report for the County for the fiscal year ended September 30, 2006, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006. As of the date of this report, the County has not yet filed its report with the Department of Financial Services.

As required by the *Rules of the Auditor General* (Section 10.554(1)(h)6.c and 10.566(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Page Four

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

Thomas Howell Ferguson P.A.

Keith L. Jones, CPA

July 15, 2007

Board of County Commissioners
Gulf County, Florida

Summary Response to Audit Findings

Year ended September 30, 2006

2006-01 – Lack of Segregation of Duties

This administration has implemented and realigned duties within our department. Budget constraints do not allow for additional personnel, so the accounting department has incorporated the manpower of the Captain and Receptionist in opening of all mail, signing/approving all invoices to be paid, reviewing and signing off all bank statements and reconciliation's. The signature stamp is no longer used, as the Sheriff (no designee) signs all payables and payroll checks with all approved supporting documents attached and/or approval prior to checks being written. We have diversified all duties in question with approval(s) and signature(s) of qualified staff members. We have also outsourced (QuickBooks) the major part of payroll, which includes reporting 941 and FUTA taxes. This resource helps to diversify the duties at a low cost to our department since budget did not allow additional personnel.

2006-02 – Written Accounting Policies and Procedures Manual

A typed manual will be completed in the near future to allow someone to come in and take over this position. Although it may seem antiquated, there are notepads with written instructions that would help get someone with an accounting background. QuickBooks Pro 2007 financial software does have a complete users manual.

2006-03 – Fixed Assets

A detailed inventory list was provided to the auditors in complete listing. Although our depreciation is not currently utilized, the former auditors calculated depreciations for us; Sheriff Nugent is looking into program(s) with minimal costs to our department.

2006-04 – Unrecorded Transactions, Special and Agency Funds

There are no unrecorded transactions. In previous years special revenues (Bond Acct, IDA, Suspense, etc) have been maintained manually on a general ledger sheet. This administration used Excel spreadsheets that minimized errors from manual use.

2006-05 – Unrecorded Transactions, Dependent Fire Districts

The Gulf County Board of County Commissioners will develop policy and procedures to insure transactions associated with the dependent district bank accounts are included in the general ledger of the county.

Board of County Commissioners
Gulf County, Florida

Summary Response to Audit Findings

2006-06 – Lack of Segregation of Duties

Additional procedures will be implemented as suggested in order to mitigate the segregation of duties issues noted by the auditors.

2006-07 – Use of the Uniform Chart of Accounts

The Board of County Commissioners did not require a sworn statement from the Sheriff. He presents the budget to the BOCC along with the other Constitutional officers, but a sworn statement was not required. The sheriff's office prepared the budget for 06-07 in the format prepared on a CD disc by the BOCC. This year, the 07-08 budget is being prepared in the uniform chart of accounts as requested by the BOCC.

2006-08 – Expenditures in Excess of Budget

The Operating negative account of \$55,302 is being absorbed through the 06-07 budget. No additional funding has been received from the BOCC to repay this deficit. The deficit was largely in part from the jail facility being under funded by the BOCC. The jail was given over to the BOCC January 1, 2007 due to lack of proper funding.

2006-09 – Landfill Escrow Report

Gulf County will file an audit of the landfill escrow account with the Florida Department of Environmental Protection.

2006-10 – Grant Application Process

The Gulf County Board of County Commissioners will develop a policy requiring that all grant applications be approved by the Grant Coordinator before submission, and also require all grant proceeds to be received by the Gulf County Clerk's Office.

2006-11 – Grant Procurement Procedures for Paving Projects

Gulf County will require that the management of the bid process and monitoring of compliance with county, state and federal procurement policies, standards and laws be handled by the Grant Coordinator.

Board of County Commissioners
Gulf County, Florida

Summary Response to Audit Findings

2006-12 – Grant Procurement Procedures for Equipment

The Gulf County Board of County Commissioners will require that the Grant Coordinator be responsible for adherence to federal and state funds procurement policy(s).

2006-13 – Subrecipient Monitoring

The Gulf County Board of County Commissioners will place the sub-recipient monitoring for the SHIP program with the Grants Department.

2006-14 – Establish a Written Job Description for the Grant Coordinator

Gulf County will develop a job description for the Grant Coordinator.

2006-15 – Consider the Establishment of a “Whistleblower” Program

The concept of establishment of a “whistleblower” program will be placed before the Board for consideration.