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GULF COUNTY, FLORIDA

Financial Statements

September 30, 2004

(With Independent Auditors' Reports)

CLERK OF SUPERIOR COURT
GULF COUNTY, FLORIDA

2005 JUN 17 PM 4: 01

T. MICHAEL TUCKER, CPA, P.A.
Certified Public Accountants
BLOUNTSTOWN, FLORIDA
32424

**GULF COUNTY, FLORIDA
FINANCIAL STATEMENTS
September 30, 2004**

(With Independent Auditors' Reports)

BOARD OF COUNTY COMMISSIONERS

Carmen L. McLemore - District 1

Billy E. Traylor - District 2

Carl W. Fox - District 3

Nathan Peters, Jr. - District 4

Jerry W. Barnes - District 5

CLERK OF THE CIRCUIT COURT

Douglas C. Birmingham

SHERIFF

Michael Hammond

TAX COLLECTOR

Shirley J. Jenkins

PROPERTY APPRAISER

Kesley Colbert

SUPERVISOR OF ELECTIONS

Linda Griffin

COUNTY ATTORNEY

Timothy J. McFarland

AUDITOR

T. Michael Tucker, C.P.A.

GULF COUNTY, FLORIDA
Financial Statements
(With Independent Auditors' Reports)
September 30, 2004

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**Additional Elements of Report Prepared in Accordance with
*Government Auditing Standards, Issued by the Comptroller
General of the United States; and the Rules of the Auditor
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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 15,000, 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 21.43% or \$2,276,269 from September 30, 2003, to September 30, 2004. This was primarily attributable to the acquisition of capital assets through donation and capital acquisition grants. As was reported in the previous year the County's total business-type activities remained relatively constant with a slight decrease of \$51,855 (or - 1.81%) for the same time period.
- During the current year, the County's General Fund expenditures exceeded revenues by \$3,257,128, however, note the favorable variance shown on page 12 of the financial statements. This may be compared to last year's results in which the County's General Fund expenditures exceeded revenues by \$3,416,740, also favorable when compared to the budget.
- The County's capital assets subject to depreciation increased by \$3.7 million, an increase of 17.98% for the year. The increase is largely due to the completion of the Emergency Operations Center, the donation of the new Health Department by the State of Florida, 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.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The county is enjoying the development of a diverse and growing economy. There is a relatively low unemployment rate, thanks to a vibrant tourism industry, an active construction industry and many new small businesses that are emerging. The county's unemployment rate for September 2004 was 4.4%, while the State of Florida was 4.7%.
- 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.
- Building permits for residential construction, a measure of future construction activity, increased from 110 units in 2003 to 384 units in 2004. Although the county has plenty of suitable developable land, a redevelopment of older areas has begun. Redevelopment will certainly be a part of the county's development for the years to come.
- The county's property valuation has increased from 1.2 billion in 2004 to 1.7 billion in 2005 and is expected to increase by another billion in 2006. This trend has contributed to a growing revenue stream for the county while at the same time requiring additional investments to expand county services. The county's millage rate is already lower than most in the state and with the anticipated increase in property values will be easier to maintain.
- During the fiscal year 2003-2004, the county completed a new Emergency Operations Center at a cost of nearly a million dollars and helped fund a new library in the north part of the county as well as an addition to the library in the south end of the county. This library investment resulted in the square footage standard to be exceeded based upon population.
- The county placed heavy emphasis on attracting a hospital through numerous health care committee meetings and Memorandum of Understanding committee meetings. Unless something dramatic was to happen, a hospital is on the horizon for this county.
- The county started the process to determine the feasibility of beach nourishment along the St. Joseph Peninsula beaches. Outside of a sand berm project which is an immediate attempt to reclaim some beachfront, the county has contracted with a coastal engineer to determine the feasibility of nourishing the beach and has contracted with an economist to determine what we can expect if we do not nourish the beach.
- 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. The risk management department is accessing the need for prisoner health insurance to again provide financial protection for health related losses from the jail.

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 2004 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). Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, 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 \$15.7 million at the close of the fiscal year ended September 30, 2004 and \$13.5 million at September 30, 2003.

	Governmental Activities		Business-type Activities		Total	
	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004
Current and Other Assets	\$ 10,231,111	8,851,008	148,410	211,242	10,379,521	9,062,250
Capital Assets, Net	14,316,069	17,912,492	3,391,528	3,272,424	17,707,597	21,184,916
Deferred Charges & Other Restricted Assets	0	0	78,489	59,703	78,489	59,703
Total Assets	\$ 24,547,180	26,763,500	3,618,427	3,543,369	28,165,607	30,306,869
Current and Other Liabilities	3,385,619	3,575,011	192,985	196,011	3,578,604	3,771,022
Long-term Liabilities	10,540,264	10,290,923	553,135	526,906	11,093,399	10,817,829
Total Liabilities	13,925,883	13,865,934	746,120	722,917	14,672,003	14,588,851
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,660,202	7,501,987	2,804,784	2,714,110	7,464,986	10,216,097
Restricted	2,375,591	2,644,801	56,800	34,051	2,432,391	2,678,852
Unrestricted	3,585,504	2,750,778	10,723	72,291	3,596,227	2,823,069
Total Net Assets	\$ 10,621,297	12,897,566	2,872,307	2,820,452	13,493,604	15,718,018

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	
	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004	2002 - 2003	2003 - 2004
REVENUES						
Program Revenues						
Charges for Services	\$ 1,741,700	1,971,154	158,689	98,535	1,900,389	2,069,689
Operating Grants and Contributions	356,251	317,539			356,251	317,539
Capital Grants and Contributions	3,898,658	1,350,523	4,500		3,903,158	1,350,523
General Revenues						
Property Taxes	7,344,512	8,604,744			7,344,512	8,604,744
Local Option Taxes	642,646	734,054			642,646	734,054
Other Taxes	1,957,862	2,137,617			1,957,862	2,137,617
Investment Earnings	161,007	50,653	2,685	983	163,692	51,636
Other	535,241	2,144,176	10,000		545,241	2,144,176
Total Revenues	\$ 16,637,877	17,310,460	175,874	99,518	16,813,751	17,409,978
EXPENSES						
Program Activities						
General Government	3,866,299	4,463,361			3,866,299	4,463,361
Public Safety	4,495,191	4,744,301			4,495,191	4,744,301
Physical Environment	1,423,986	1,513,216			1,423,986	1,513,216
Transportation	3,196,824	1,578,584			3,196,824	1,578,584
Economic Environment	867,263	725,866			867,263	725,866
Human Services	553,902	647,647			553,902	647,647
Culture and Recreation	333,065	340,859			333,065	340,859
Court Related	562,640	564,901			562,640	564,901
Interest and Other Charges	562,561	455,456			562,561	455,456
Business-Type Activities			218,217	151,373	218,217	151,373
Total Expense	15,861,731	15,034,191	218,217	151,373	16,079,948	15,185,564
NET INCREASE (DECREASE)	776,146	2,276,269	(42,343)	(51,855)	733,803	2,224,414
Net Assets - Beginning	9,845,151	10,621,297	2,914,650	2,872,307	12,759,801	13,493,604
Net Assets - Ending	\$ 10,621,297	12,897,566	2,872,307	2,820,452	13,493,604	15,718,018

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.

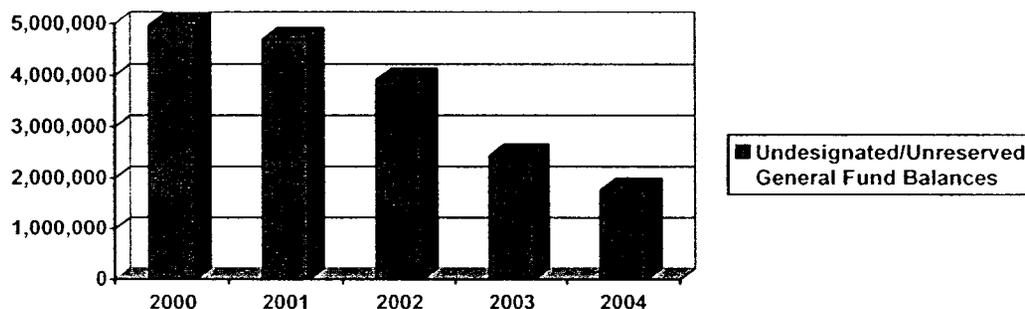
Governmental Funds

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.

	2002 - 2003	2003 - 2004
Total Fund Balance	\$ 7,624,977	6,783,761
Less Reserved Fund Balance For:		
Debt Service	2,329,100	2,743,199
Landfill Escrow	172,046	211,516
Capital Projects	501,149	
Other Purposes	228,990	98,317
Less Designated Fund Balance	226,694	115,096
Unreserved Fund Balance	\$ 4,166,998	3,615,633

As of the end of fiscal year 2004, the County's governmental funds reported combined ending fund balances of \$6.784 million (a decrease of 11.03% from September 30, 2003). Of this amount, *unreserved fund balance* is \$3.616 million (a decrease of 13.23% from September 30, 2003) and is not entirely available for spending (depending on fund restrictions) at the County's discretion.

- General Fund Unrestricted/Undesignated Fund Balance.** As depicted in the following graph, the unrestricted/undesignated fund balances of the Board's General Fund (the general operating fund of the County) have steadily decreased over the past five years. This trend is in part due to funding current operations with fund balance carry forwards to maintain a maximum level of services with minimum impact to the tax rates.

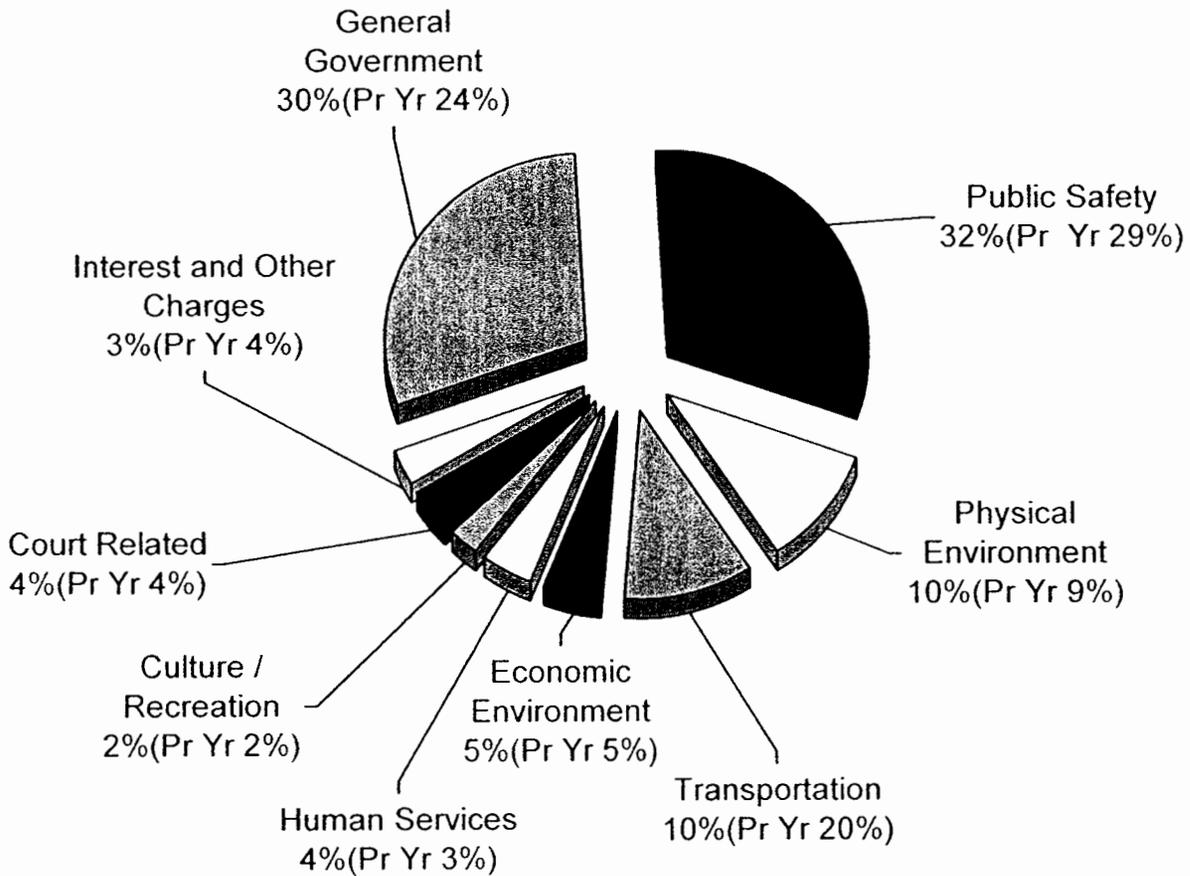


Gulf Board of County Commissioners

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, 2004, 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, Industrial Park EDA, Affordable Housing and Debt Service Public Improvement funds are reported as major governmental funds.

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

General operating funds of the Clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector, and Supervisor of Elections represent 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 Industrial Park EDA special revenue fund accumulates and reports lease activity resulting from the Industrial Park facility located in Wewahitchka, Florida.
- 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.

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 2003-2004 fiscal year.

- Tax revenue of the General Fund shows an unfavorable budget variance of \$170,703 because the 5% reserve for ad valorem taxes is shown separately as a deduction entitled "Less 5% of estimated revenue".
- The General Fund Intergovernmental revenues experienced a shortfall of \$287,754 from the anticipated budget during the fiscal year as a result of grant related activities.
- Expenditures for Public Health and Safety in the General Fund were anticipated to be \$4.14 million with actual expenditures being only \$4.03 million. Difference was not unusual for the County.
- The Transportation Department in the General Fund did not have an original budget because their expenditures were reflected as capital outlay expenditures which were reallocated for financial statement presentation.
- General Fund Court related expenditures were anticipated to be \$746,250 in the original budget as adopted by the Board; however, the actual expenditures were only \$463,169, due to Article V monies which have not been spent.
- Proceeds from installment purchase agreements and notes payable were not always budgeted for in the General Fund resulting in a positive variance of \$574,453.
- Expenditures in the Affordable Housing Fund were less than budgeted by 119,975. These unspent grant funds will be available in the 2004-2005 fiscal year.

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

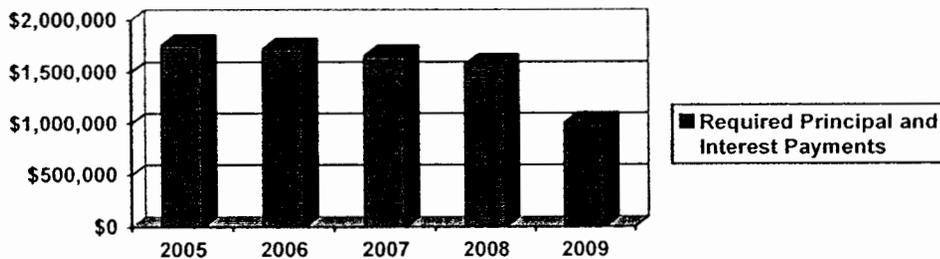
It should be noted that budget variances shown on the individual major funds; General, Fines & Forfeitures, Industrial Park EDA, Affordable Housing and Debt Service Public Improvement are favorable in total.

Gulf Board of County Commissioners

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND LONG-TERM DEBT

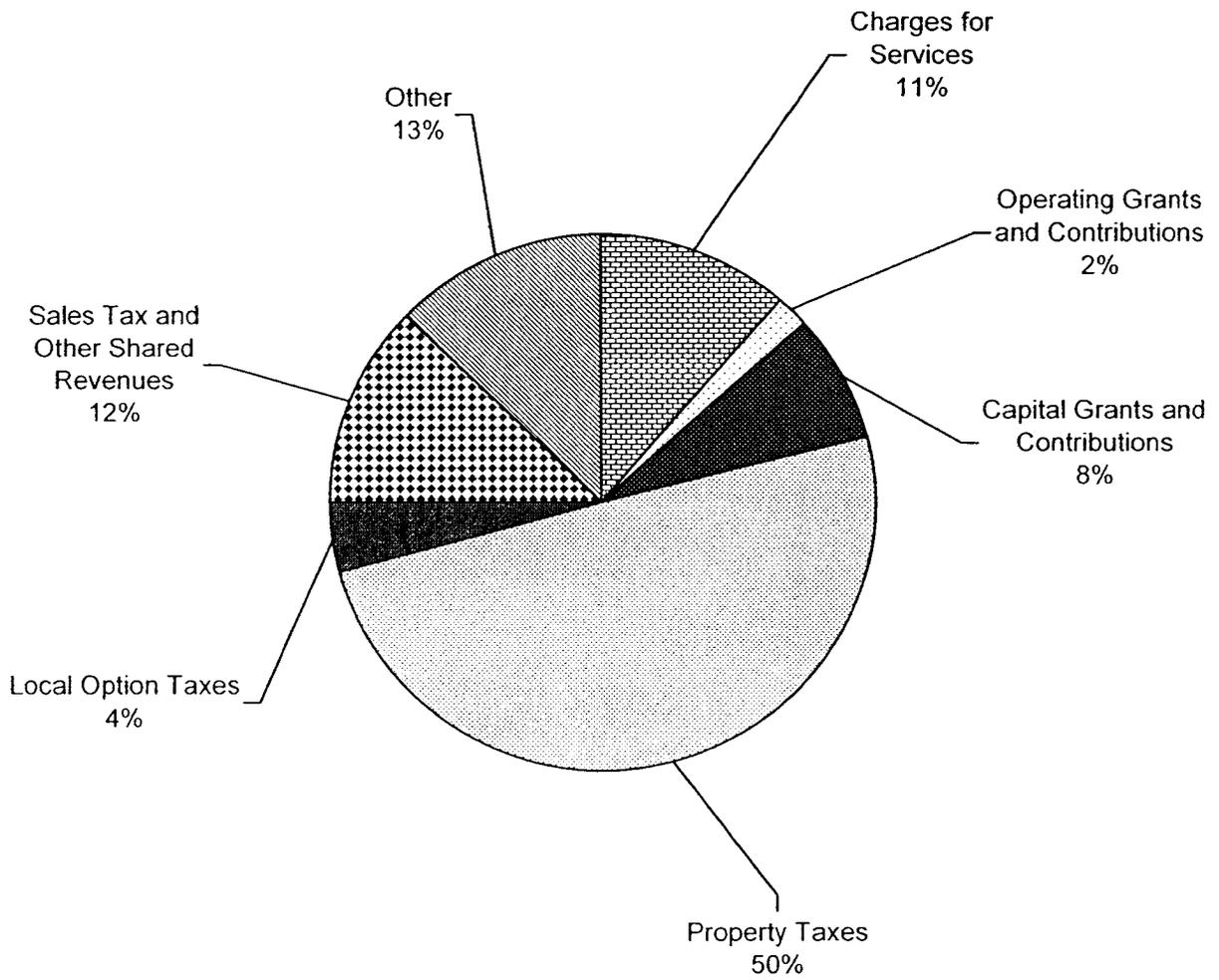
- During the 2003-2004 fiscal year, the County completed construction of a new Emergency Operations Center Building, the total cost of the project approximated \$1 million dollars.
- A new Port St. Joe health facility was completed in 2004. The County did not fund the construction; however, owns the facility, the value is \$1.4 million dollars.
- Equipment items were purchased in 2004 totaling \$2.5 million dollars, installment contracts and notes of \$1.13 million dollars were used to finance approximately 44% of the total equipment purchased.
- Major asset additions of fiscal year 2003-2004 were (Funding source): PSJ Health Department Facility (Donated), Emergency Operations Center (Grant Funds), Emergency response vehicles and landfill equipment (44% Debt proceeds).
- **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, 2004. *Not shown on this graph are existing scheduled debt repayments for years 2010 through 2018.*



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

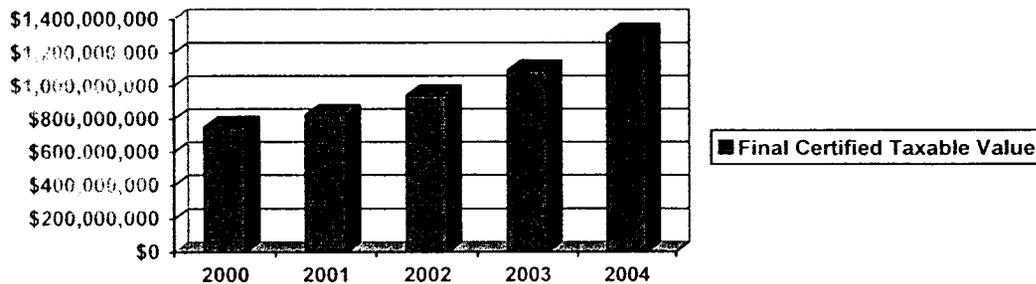
MANAGEMENT'S DISCUSSION AND ANALYSIS

SIGNIFICANT ECONOMIC FACTORS

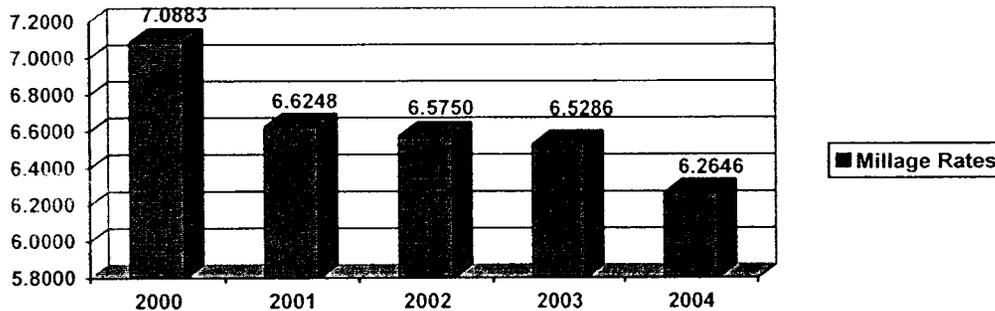
TAXABLE VALUE OF PROPERTY AND MILLAGE RATES

In 2003-2004 Gulf County received approximately \$8.605 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

T. MICHAEL TUCKER, CPA, P.A.

CERTIFIED PUBLIC ACCOUNTANT

16700 SOUTH PEAR STREET

POST OFFICE BOX 555

BLOUNTSTOWN, FLORIDA 32424

TELEPHONE
(850) 674-4531

TELECOPIER
(850) 674-3388

INDEPENDENT AUDITORS' REPORT

The Honorable Board of County Commissioners
and Constitutional Officers
Gulf County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf County, Florida as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gulf County, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf County, Florida as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated, April 26, 2005, on our consideration of Gulf County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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 Honorable Board of County Commissioners
and Constitutional Officers
Gulf County, Florida

INDEPENDENT AUDITORS' REPORT, *continued*

Management's discussion and analysis on pages i through xiii, 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gulf County, Florida's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and the combining nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April 26, 2005

J. Michael Jucker, CPA, P. A.

BASIC FINANCIAL STATEMENTS

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GULF COUNTY, FLORIDA
Statement of Net Assets
September 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and investments	\$ 7,489,894	185,913	7,675,807
Receivables (net):			
Accounts	313,560	0	313,560
Notes and lease receivable	347,153	0	347,153
Due from other funds	118,859	0	118,859
Due from other governments	581,542	25,329	606,871
Total current assets	<u>8,851,008</u>	<u>211,242</u>	<u>9,062,250</u>
Noncurrent assets			
Restricted cash and investments	0	39,784	39,784
Deferred charges	0	19,919	19,919
Capital assets:			
Land	2,568,167	6,350	2,574,517
Buildings, improvements, and utility systems	11,250,388	4,031,215	15,281,603
Machinery and equipment	11,919,770	0	11,919,770
Infrastructure	1,388,619	0	1,388,619
Construction in progress	0	580,000	580,000
Less allowance for depreciation	(9,256,302)	(1,345,141)	(10,601,443)
Unamortized bond issue costs	41,850	0	41,850
Total noncurrent assets	<u>17,912,492</u>	<u>3,332,127</u>	<u>21,244,619</u>
Total assets	<u>\$ 26,763,500</u>	<u>3,543,369</u>	<u>30,306,869</u>

GULF COUNTY, FLORIDA
Statement of Net Assets, *continued*
September 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 1,053,410	5,733	1,059,143
Due to other funds	0	30	30
Due to other governments	53,745	0	53,745
Deferred revenue	841,154	158,840	999,994
Installment contracts and notes payable	360,705	0	360,705
Bonds payable	990,000	31,408	1,021,408
Compensated absences	235,187	0	235,187
Landfill closure liability	40,810	0	40,810
Total current liabilities	<u>3,575,011</u>	<u>196,011</u>	<u>3,771,022</u>
Noncurrent liabilities			
Compensated absences	504,953	0	504,953
Installment contracts and notes payable	994,908	0	994,908
Bonds payable	8,064,892	526,906	8,591,798
Long-term landfill closure liability	726,170	0	726,170
Total noncurrent liabilities	<u>10,290,923</u>	<u>526,906</u>	<u>10,817,829</u>
Total liabilities	<u>13,865,934</u>	<u>722,917</u>	<u>14,588,851</u>
Net assets			
Invested in capital assets, net of related debt	7,501,987	2,714,110	10,216,097
Restricted for:			
Debt service	2,546,484	34,051	2,580,535
Other purposes	98,317	0	98,317
Unrestricted	2,750,778	72,291	2,823,069
Total net assets	<u>\$ 12,897,566</u>	<u>2,820,452</u>	<u>15,718,018</u>

GULF COUNTY, FLORIDA
Statement of Activities
Year Ended September 30, 2004

Functions/Programs	Expenses	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	\$ 4,463,361	462,028	27,748	91,087	(3,882,498)	0	(3,882,498)
Public safety	4,744,301	1,127,181	108,630	459,393	(3,049,097)	0	(3,049,097)
Physical environment	1,513,216	59,803	134,971	0	(1,318,442)	0	(1,318,442)
Transportation	1,578,584	0	0	79,389	(1,499,195)	0	(1,499,195)
Economic environment	725,866	0	0	646,121	(79,745)	0	(79,745)
Human services	647,647	1,650	46,190	0	(599,807)	0	(599,807)
Culture and recreation	340,859	0	0	74,533	(266,326)	0	(266,326)
Court related	564,901	320,492	0	0	(244,409)	0	(244,409)
Interest and other charges	455,456	0	0	0	(455,456)	0	(455,456)
Total governmental activities	15,034,191	1,971,154	317,539	1,350,523	(11,394,975)	0	(11,394,975)
Business-type activities							
Water	151,373	98,535	0	0	0	(52,838)	(52,838)
Total primary government	\$ 15,185,564	2,069,689	317,539	1,350,523	(11,394,975)	(52,838)	(11,447,813)
General revenues							
Taxes:							
Property taxes					8,604,744	0	8,604,744
Local option taxes					734,054	0	734,054
Sales tax and other shared revenues					2,137,617	0	2,137,617
Investment earnings					50,653	983	51,636
Miscellaneous					631,134	0	631,134
Contributions					1,513,042	0	1,513,042
Total general revenues					13,671,244	983	13,672,227
Change in net assets					2,276,269	(51,855)	2,224,414
Net assets, beginning of year					10,621,297	2,872,307	13,493,604
Net assets, end of year					\$ 12,897,566	2,820,452	15,718,018

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2004

	<u>General Funds</u>	<u>Fines and Forfeitures</u>	<u>Industrial Park EDA</u>	<u>Affordable Housing</u>	<u>Debt Service Public Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash investments	\$ 2,485,587	178,243	112,485	520,584	2,152,053	2,040,942	7,489,894
Due from other funds	105,141	7,370			27,401	207,449	347,361
Due from other governmental units	341,086	8,600			168,086	63,770	581,542
Accounts receivable	284,192					29,368	313,560
Notes receivable				66,686			66,686
Lease receivable			280,467				280,467
Total assets	<u>\$ 3,216,006</u>	<u>194,213</u>	<u>392,952</u>	<u>587,270</u>	<u>2,347,540</u>	<u>2,341,529</u>	<u>9,079,510</u>
Liabilities							
Vouchers payable	488,128	5,081	149	223		331,614	825,195
Due to other governmental units	53,745						53,745
Due to other funds	31,398				197,104		228,502
Deferred revenue	471,668		280,467	436,172			1,188,307
Total liabilities	<u>1,044,939</u>	<u>5,081</u>	<u>280,616</u>	<u>436,395</u>	<u>197,104</u>	<u>331,614</u>	<u>2,295,749</u>
Fund equity							
Fund balances:							
Reserved for debt service					2,150,436	592,763	2,743,199
Reserved for landfill escrow	211,516						211,516
Reserved for other purposes	68,495	29,822					98,317
Unreserved:							
Undesignated	1,775,960	159,310	112,336	150,875		1,417,152	3,615,633
Designated	115,096						115,096
Total fund equity	<u>2,171,067</u>	<u>189,132</u>	<u>112,336</u>	<u>150,875</u>	<u>2,150,436</u>	<u>2,009,915</u>	<u>6,783,761</u>
Total liabilities and fund equity	<u>\$ 3,216,006</u>	<u>194,213</u>	<u>392,952</u>	<u>587,270</u>	<u>2,347,540</u>	<u>2,341,529</u>	

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.

17,870,642

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(11,917,625)

Accrued interest payable is not due in the current period and, therefore, is not reported in the funds.

(228,215)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

389,003

Net assets of governmental activities

\$ 12,897,566

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2004

	<u>General Funds</u>	<u>Fines and Forfeitures</u>	<u>Industrial Park EDA</u>	<u>Affordable Housing</u>	<u>Debt Service Public Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes	\$ 6,146,659	1,951,125	0	0	374,479	866,495	9,338,758
Licenses and permits	439,605	0	0	0	0	12,060	451,665
Intergovernmental	1,680,143	0	0	330,459	455,545	1,235,386	3,701,533
Fines and forfeitures	3,821	111,732	0	0	0	0	115,553
Charges for services	1,155,777	92,276	0	0	0	72,169	1,320,222
Investment earnings and other	540,474	786	62,392	97,643	21,336	73,042	795,673
Total revenues	<u>9,966,479</u>	<u>2,155,919</u>	<u>62,392</u>	<u>428,102</u>	<u>851,360</u>	<u>2,259,152</u>	<u>15,723,404</u>
Expenditures							
Current operating:							
General government	4,312,359	0	0	0	0	2,900	4,315,259
Public health and safety	4,026,810	20,778	0	0	0	197,575	4,245,163
Physical environment	1,304,142	0	0	0	0	4,419	1,308,561
Transportation	131,269	0	0	0	0	1,300,865	1,432,134
Economic environment	138,686	0	0	350,329	0	218,139	707,154
Human services	540,403	0	0	0	0	27,880	568,283
Culture/recreation	295,680	0	0	0	0	0	295,680
Court related	463,169	71,725	0	0	0	22,845	557,739
Capital outlay	1,791,753	0	0	0	0	1,195,864	2,987,617
Debt service	219,336	0	0	0	830,024	240,497	1,289,857
Total expenditures	<u>13,223,607</u>	<u>92,503</u>	<u>0</u>	<u>350,329</u>	<u>830,024</u>	<u>3,210,984</u>	<u>17,707,447</u>
Excess of revenues over (under) expenditures	<u>(3,257,128)</u>	<u>2,063,416</u>	<u>62,392</u>	<u>77,773</u>	<u>21,336</u>	<u>(951,832)</u>	<u>(1,984,043)</u>
Other financing sources (uses)							
Operating transfers in	2,140,323	0	0	0	0	445,405	2,585,728
Operating transfers out	(446,439)	(2,139,289)	0	0	0	0	(2,585,728)
Lease of industrial park	0	0	12,246	0	0	0	12,246
Loan proceeds	700,656	0	0	0	0	429,925	1,130,581
Total other financing sources (uses)	<u>2,394,540</u>	<u>(2,139,289)</u>	<u>12,246</u>	<u>0</u>	<u>0</u>	<u>875,330</u>	<u>1,142,827</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(862,588)</u>	<u>(75,873)</u>	<u>74,638</u>	<u>77,773</u>	<u>21,336</u>	<u>(76,502)</u>	<u>(841,216)</u>
Fund balances, beginning of year	<u>3,033,655</u>	<u>265,005</u>	<u>37,698</u>	<u>73,102</u>	<u>2,129,100</u>	<u>2,086,417</u>	<u>7,624,977</u>
Fund balances, end of year	<u>\$ 2,171,067</u>	<u>189,132</u>	<u>112,336</u>	<u>150,875</u>	<u>2,150,436</u>	<u>2,009,915</u>	<u>6,783,761</u>

See accompanying notes to financial statements.

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, 2004

Differences in amounts reported for governmental activities in the statement of activities on page 5:

Net change in fund balances - total governmental funds.	\$ (841,216)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	2,987,617
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(974,907)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets.	893,202
The issuance of long-term debt (installment contracts and notes payable) provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(1,130,581)
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.	(232,656)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	77,740
The fair market value of donated assets is considered revenue in the statement of activities but do not provide current financial resources, therefore is not reported as revenue in the funds.	1,513,042
The net effect of various transactions involving the sale of capital assets is to decrease net assets.	<u>(15,972)</u>
Change in net assets of governmental activities	<u><u>\$ 2,276,269</u></u>

GULF COUNTY, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2004

	Business-type Activities - Enterprise Funds				Total Business-type Funds
	Highland View Water System	Beaches Water System	White City Water and Sewer System	Other Nonmajor Business-type Funds	
Assets					
Current assets					
Cash and cash investments	\$ 35,828	43,213	58,249	48,623	185,913
Due from other funds	0	158,840	0	0	158,840
Due from other governmental units	6,294	14,624	4,411	0	25,329
Total current assets	42,122	216,677	62,660	48,623	370,082
Noncurrent assets					
Restricted cash and investments	0	27,584	12,200	0	39,784
Deferred charges	0	19,919	0	0	19,919
Capital assets:					
Land	2,620	2,993	0	737	6,350
Buildings and utility systems	1,149,275	1,342,426	698,136	841,378	4,031,215
Construction in progress	0	580,000	0	0	580,000
Less allowance for depreciation	(246,227)	(586,420)	(180,078)	(332,416)	(1,345,141)
Total noncurrent assets	905,668	1,386,502	530,258	509,699	3,332,127
Total assets	\$ 947,790	1,603,179	592,918	558,322	3,702,209
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	0	4,983	750	0	5,733
Due to other funds	158,855	0	15	0	158,870
Deferred revenue	0	158,840	0	0	158,840
Bonds payable	0	28,408	3,000	0	31,408
Total current liabilities	158,855	192,231	3,765	0	354,851
Noncurrent liabilities					
Bonds payable	0	351,906	175,000	0	526,906
Total liabilities	158,855	544,137	178,765	0	881,757
Net assets					
Invested in capital assets, net of related debt	905,668	958,685	340,058	509,699	2,714,110
Restricted for:					
Debt service	0	22,601	11,450	0	34,051
Unrestricted	(116,733)	77,756	62,645	48,623	72,291
Total net assets	\$ 788,935	1,059,042	414,153	558,322	2,820,452

GULF COUNTY, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds				Total Business-type Funds
	Highland View Water System	Beaches Water System	White City Water and Sewer System	Other Nonmajor Business-type Funds	
Operating revenue					
Charges for services	\$ 24,762	56,067	17,706	0	98,535
Operating expenses					
Operating expenses	1,880	317	0	0	2,197
Depreciation	34,284	42,619	21,167	21,034	119,104
Total operating expenses	36,164	42,936	21,167	21,034	121,301
Operating income (loss)	(11,402)	13,131	(3,461)	(21,034)	(22,766)
Nonoperating revenues (expense)					
Interest income	0	54	204	725	983
Interest expense	0	(21,927)	(8,145)	0	(30,072)
Total nonoperating revenue (expense)	0	(21,873)	(7,941)	725	(29,089)
Change in net assets	(11,402)	(8,742)	(11,402)	(20,309)	(51,855)
Total net assets, beginning of year	800,337	1,067,784	425,555	578,631	2,872,307
Total net assets, end of year	\$ 788,935	1,059,042	414,153	558,322	2,820,452

GULF COUNTY, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds				Total Business-type Funds
	Highland View Water System	Beaches Water System	White City Water and Sewer System	Other Nonmajor Business-type Funds	
Cash flows from operating activities					
Receipts from customers	\$ 26,879	59,840	19,202	0	105,921
Payments to suppliers	(2,388)	(317)	0	0	(2,705)
Other payments	0	0	15	0	15
Net cash provided by operating activities	24,491	59,523	19,217	0	103,231
Cash flows from capital and related financing activities					
Repayment of revenue bonds	0	(18,930)	(3,000)	0	(21,930)
Interest paid on long-term debt	0	(20,924)	(8,158)	0	(29,082)
Net cash (used in) capital and related financing activities	0	(39,854)	(11,158)	0	(51,012)
Cash flows from investing activities					
Interest earned	0	54	204	725	983
Increase in cash and cash equivalents	24,491	19,723	8,263	725	53,202
Cash and cash equivalents, beginning of year	11,337	51,074	62,186	47,898	172,495
Cash and cash equivalents, end of year	\$ 35,828	70,797	70,449	48,623	225,697
Displayed as:					
Cash and cash investments	35,828	43,213	58,249	48,623	185,913
Restricted assets	0	27,584	12,200	0	39,784
	\$ 35,828	70,797	70,449	48,623	225,697
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	(11,402)	13,131	(3,461)	(21,034)	(22,766)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	34,284	42,619	21,167	21,034	119,104
Changes in assets and liabilities:					
Accounts and other payables	(508)	0	15	0	(493)
Due from other governmental units	2,117	3,773	1,496	0	7,386
Net cash provided by operating activities	\$ 24,491	59,523	19,217	0	103,231

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 6,317,362	6,317,362	6,146,659	(170,703)
Licenses and permits	353,200	353,200	439,605	86,405
Intergovernmental	1,477,457	1,967,897	1,680,143	(287,754)
Charges for services	1,175,928	1,195,136	1,155,777	(39,359)
Fines and forfeitures	4,200	4,200	3,821	(379)
Miscellaneous revenues	386,118	435,875	540,474	104,599
Less 5% of estimated revenues	(447,184)	(447,184)	0	447,184
Total revenues	9,267,081	9,826,486	9,966,479	139,993
Expenditures				
Current operating:				
General government	4,000,427	4,027,834	4,312,359	(284,525)
Public health and safety	4,093,631	4,140,510	4,026,810	113,700
Physical environment	1,321,973	1,330,162	1,304,142	26,020
Transportation	0	55,000	131,269	(76,269)
Economic environment	138,434	138,434	138,686	(252)
Human services	564,882	568,320	540,403	27,917
Culture and recreation	350,526	341,818	295,680	46,138
Court related	715,999	746,250	463,169	283,081
Capital outlay	1,565,960	2,107,943	1,791,753	316,190
Debt service	108,848	108,943	219,336	(110,393)
Reserve for contingencies	343,961	334,746	0	334,746
Total expenditures	13,204,641	13,899,960	13,223,607	676,353
Excess of revenues over (under) expenditures	(3,937,560)	(4,073,474)	(3,257,128)	816,346
Other financing sources (uses)				
Operating transfers in	2,279,879	2,289,590	2,140,323	(149,267)
Loan proceeds	0	126,203	700,656	574,453
Operating transfers out	(441,405)	(441,405)	(446,439)	(5,034)
Total other financing sources (uses)	1,838,474	1,974,388	2,394,540	420,152
Net change in fund balance	(2,099,086)	(2,099,086)	(862,588)	1,236,498
Fund balance, beginning of year	2,329,086	2,329,086	3,033,655	704,569
Fund balance, end of year	\$ 230,000	230,000	2,171,067	1,941,067

GULF COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Fines and Forfeitures
Budget and Actual
Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,002,699	2,002,699	1,951,125	(51,574)
Charges for services	92,247	92,247	92,276	29
Fines and forfeitures	113,400	113,400	111,732	(1,668)
Miscellaneous revenues	0	0	786	786
Less 5% of estimated revenues	(110,417)	(110,417)	0	110,417
Total revenues	<u>2,097,929</u>	<u>2,097,929</u>	<u>2,155,919</u>	<u>57,990</u>
Expenditures				
Current operating:				
Public safety	36,909	36,909	20,778	16,131
Court related	86,680	86,680	71,725	14,955
Capital outlay	27,000	27,000	0	27,000
Reserve for contingencies	7,381	7,381	0	7,381
Total expenditures	<u>157,970</u>	<u>157,970</u>	<u>92,503</u>	<u>65,467</u>
Excess of revenues over (under) expenditures	<u>1,939,959</u>	<u>1,939,959</u>	<u>2,063,416</u>	<u>123,457</u>
Other financing sources (uses)				
Operating transfers out	(2,132,940)	(2,132,940)	(2,139,289)	(6,349)
Net change in fund balance	(192,981)	(192,981)	(75,873)	117,108
Fund balance, beginning of year	<u>192,981</u>	<u>192,981</u>	<u>265,005</u>	<u>72,024</u>
Fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>189,132</u>	<u>189,132</u>

GULF COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Industrial Park EDA
Budget and Actual
Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings and other	\$ 14,432	14,432	62,392	47,960
Less 5% of estimated revenues	(1,418)	(1,418)	0	1,418
Total revenues	<u>13,014</u>	<u>13,014</u>	<u>62,392</u>	<u>49,378</u>
Expenditures				
Current operating:				
Economic environment	62,312	62,312	0	62,312
Excess of revenues over (under) expenditures	<u>(49,298)</u>	<u>(49,298)</u>	<u>62,392</u>	<u>111,690</u>
Other financing sources (uses)				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
Lease of industrial park	13,918	13,918	12,246	(1,672)
Total other financing sources (uses)	<u>13,918</u>	<u>13,918</u>	<u>12,246</u>	<u>(1,672)</u>
Net change in fund balance	(35,380)	(35,380)	74,638	110,018
Fund balance, beginning of year	35,380	35,380	37,698	2,318
Fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>112,336</u>	<u>112,336</u>

GULF COUNTY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Affordable Housing
Budget and Actual
Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 350,000	350,000	330,459	(19,541)
Miscellaneous revenues	42,200	42,200	97,643	55,443
Less 5% of estimated revenues	(19,610)	(19,610)	0	19,610
Total revenues	<u>372,590</u>	<u>372,590</u>	<u>428,102</u>	<u>55,512</u>
Expenditures				
Current operating:				
Economic environment	<u>470,304</u>	<u>470,304</u>	<u>350,329</u>	<u>119,975</u>
Excess of revenues over (under) expenditures	<u>(97,714)</u>	<u>(97,714)</u>	<u>77,773</u>	<u>175,487</u>
Other financing sources (uses)				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(97,714)	(97,714)	77,773	175,487
Fund balance, beginning of year	<u>97,714</u>	<u>97,714</u>	<u>73,102</u>	<u>(24,612)</u>
Fund balance, end of year	<u>\$ 0</u>	<u>0</u>	<u>150,875</u>	<u>150,875</u>

GULF COUNTY, FLORIDA
Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2004

	<u>Agency Funds</u>
Assets	
Cash	\$ 806,764
Total assets	<u>\$ 806,764</u>
Liabilities	
Due to individuals	361,442
Due to other governments	326,493
Intragovernmental payables	<u>118,829</u>
Total liabilities	<u>\$ 806,764</u>

GULF COUNTY, FLORIDA
Notes to Financial Statements

Note 1 - 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, and 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.

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 re-established by County Ordinance #1996-12.

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 2 - Summary of Significant Accounting Policies

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

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

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

The County reports five major governmental funds:

- **General Fund** - The general fund is the County's primary operating fund. It 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.
- **Industrial Park EDA** - This fund accounts for activity relating to the Gulf County Industrial Park.
- **Affordable Housing** - This fund accounts for the activity in the County's State Housing Initiative Partnership Program (SHIP).
- **Debt Service Public Improvement** - Used to account for the accumulation of resources for, and the payment of, Gas Tax Refunding and Improvement Revenue Bonds.

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 2 - Summary of Significant Accounting Policies, *continued*

The County also reports three major enterprise funds, the Highland View Water System fund, the Beaches Water System fund, and the White City Water and Sewer fund. These utility system funds account 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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's enterprise activities are operated and maintained by local cities. The County receives the amounts billed to customers for the required debt service and bond payments. The terms of these interlocal agreements are described in note 18.

Enterprise Activities

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

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 2 - Summary of Significant Accounting Policies, *continued*

Budgets and Budgetary Accounting, *continued*

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

Cash and Investments

Cash and investments consist of those deposits made locally in commercial banks and investments purchased through the State Board of Administration and the Florida Local Government Investment Trust. All deposits in commercial banks are with qualified public depositories authorized by Chapter 280, Florida Statutes. The deposits are insured through FDIC and multiple financial institution collateral pools. The State Board of Administration and the Florida Local Government Investment Trust deposits are maintained in investment pools which invests primarily in 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 estimated 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 \$500 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, *continued*

Note 2 - 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	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 construction is not capitalized.

Deferred Revenues

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

Compensated Absences

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

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

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 2 - Summary of Significant Accounting Policies, *continued*

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 2004 millage rate assessed by the County was 6.26460 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.

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 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.

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 2 - Summary of Significant Accounting Policies, continued

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.

Note 3 - Cash and Investments

All County depositories are banks or savings institutions designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities.

Florida Statutes authorize the County to invest in certificates of deposit, repurchase agreements and the State Treasurer's Investment Pool. In addition, the statutes allow the County to invest in bonds, notes or other obligations of the United States Government, certain bonds of any state or local government unit, and bonds issued by certain government agencies.

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the County investments are not evidenced by specific, identifiable investment securities.

At September 30, 2004, the County's investments consisted of the following:

	Carrying Amount	Market Value
State Board of Administration		
Board of County Commissioners	\$ 3,409,998	3,409,998
Clerk of the Circuit Court	316,872	316,872
Tax Collector	119,477	119,477
Totals	3,846,347	3,846,347
Florida Local Government Investment Trust		
Board of County Commissioners	499,817	499,817
Total County Investments	\$ 4,346,164	4,346,164

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 3 - Cash and Investments, continued

For the purposes of the statement of cash flows, the County considers, cash and cash equivalents to include cash and investments with an original maturity of three months or less.

Note 4 - Receivables

Receivables at September 30, 2004, consist of the following:

	<u>General Fund</u>	<u>County Road and Bridge</u>	<u>Tourist Develop- ment Trust Fund</u>	<u>Industrial Park EDA</u>	<u>Affordable Housing</u>	<u>Total</u>
Receivables						
Accounts receivable	\$ 284,192	9,118	20,250	0	0	313,560
Notes receivable	0	0	0	0	66,686	66,686
Lease receivable	0	0	0	280,467	0	280,467
Total receivables	<u>\$ 284,192</u>	<u>9,118</u>	<u>20,250</u>	<u>280,467</u>	<u>66,686</u>	<u>660,713</u>

Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2004, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 105,141	31,398
Special revenue funds		
Fines and forfeitures	7,370	0
Nonmajor governmental funds	207,449	0
Total special revenue funds	<u>214,819</u>	<u>0</u>
Debt service fund		
Public improvement	27,401	197,104
Enterprise funds		
Highland View water system	0	158,855
Beaches water system	158,840	0
White City water and sewer system	0	15
Total enterprise funds	<u>158,840</u>	<u>158,870</u>
Agency funds	0	118,829
Total	<u>\$ 506,201</u>	<u>506,201</u>

The general fund has amounts due to and from constitutional officers, which represent the return of excess 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.

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 5 - Interfund Receivables, Payables and Transfers, continued

Interfund transfers for the year ended September 30, 2004, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
General funds	\$ 2,140,323	446,439
Special revenue funds		
Fines and forfeitures	0	2,139,289
Sheriff	4,000	0
Capital projects	<u>441,405</u>	<u>0</u>
Total	<u>\$ 2,585,728</u>	<u>2,585,728</u>

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,509,729	74,410	(15,972)	2,568,167
Capital assets being depreciated:				
Buildings and improvements	8,475,535	2,774,853	0	11,250,388
Machinery and equipment	10,136,432	2,568,807	(785,469)	11,919,770
Construction in progress	1,519,084	308,382	(1,827,466)	0
Infrastructure	685,804	702,815	0	1,388,619
Total capital assets being depreciated	<u>20,816,855</u>	<u>6,354,857</u>	<u>(2,612,935)</u>	<u>24,558,777</u>
Less accumulated depreciation for:				
Infrastructure	0	27,432	0	27,432
Buildings and improvements	3,337,423	183,375	0	3,520,798
Machinery and equipment	5,728,892	764,100	(784,920)	5,708,072
Total accumulated depreciation	<u>9,066,315</u>	<u>974,907</u>	<u>(784,920)</u>	<u>9,256,302</u>
Total capital assets being depreciated, net	<u>11,750,540</u>	<u>5,379,950</u>	<u>(1,828,015)</u>	<u>15,302,475</u>
Governmental activities capital assets, net	<u>\$ 14,260,269</u>	<u>5,454,360</u>	<u>(1,843,987)</u>	<u>17,870,642</u>

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

General government	\$ 117,874
Public safety	440,207
Physical environment	146,120
Transportation	128,207
Economic environment	16,888
Human services	75,715
Culture and recreation	45,179
Court related	<u>4,717</u>
Total depreciation expense - governmental activities	<u>\$ 974,907</u>

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 6 - Capital Assets, continued

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u> <u>Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 6,350	0	0	6,350
Construction in progress	<u>580,000</u>	<u>0</u>	<u>0</u>	<u>580,000</u>
Total capital assets not being depreciated	<u>586,350</u>	<u>0</u>	<u>0</u>	<u>586,350</u>
Capital assets being depreciated:				
Buildings and utility systems	4,076,246	0	(45,031)	4,031,215
Less accumulated depreciation for:				
Buildings and utility systems	<u>(1,271,068)</u>	<u>(119,104)</u>	<u>45,031</u>	<u>(1,345,141)</u>
Total being depreciated, net	<u>2,805,178</u>	<u>(119,104)</u>	<u>0</u>	<u>2,686,074</u>
Business-type activities capital assets, net	<u>\$ 3,391,528</u>	<u>(119,104)</u>	<u>0</u>	<u>3,272,424</u>

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

Water \$ 119,104

Note 7 - Long-Term Debt and Enterprise Fund Bonds Payable

Long-term debt of the County at September 30, 2004, is as follows:

	<u>Original</u> <u>Amount</u>	<u>Balance</u> <u>09/30/03</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>9/30/04</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Bonds payable					
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 (note 7-A)	\$ 6,775,000	3,920,000	(485,000)	3,435,000	505,000
3.1% to 4.9% Gas Tax Revenue Bonds, Series 2001; proceeds used for road construction (note 7-B)	3,680,200	3,608,782	(5,000) 16,110 ⁽¹⁾	3,619,892	5,000
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 7-C)	<u>2,000,000</u>	<u>2,000,000</u>	<u>0</u>	<u>2,000,000</u>	<u>480,000</u>
Total bonds payable - Board of County Commissioners	<u>\$ 12,455,200</u>	<u>9,528,782</u>	<u>(473,890)</u>	<u>9,054,892</u>	<u>990,000</u>

(1) Accreted interest, see note 7-B

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 7 - Long-Term Debt and Enterprise Fund Bonds Payable, *continued*

	<u>Original Amount</u>	<u>Balance 09/30/03</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/04</u>	<u>Due Within One Year</u>
Notes payable					
Board of County Commissioners					
Three notes payable to banks, payable in annual installments of \$58,408 including interest at 5.08% - 6.05% secured by three fire trucks	\$ 280,833	139,753	(50,289)	89,464	44,239
Two notes payable to bank, payable in annual installments of \$77,187 including interest at 4.27% - 4.43%, secured by three fire trucks	361,600	240,987	(78,693)	162,294	70,040
Note payable to bank payable in annual installments of \$30,207 including interest at 4.95%, secured by fire truck	130,491	26,437	(26,437)	0	0
Two notes payable to bank, payable in annual installments of \$72,150 including interest at 2.9% - 3.75%, secured by two fire trucks	326,951	0	326,951	326,951	61,132
Note payable to bank, payable in annual payments of \$28,599 including interest at 4.25%, secured by ambulance	126,203	0	126,203	126,203	23,153
Note payable to bank, payable in annual payments of \$7,338 including interest at 3.6%, secured by vehicle	32,993	0	32,993	32,993	6,134
Notes payable to bank, payable in annual installments of \$24,752 including interest at 2.98%, unsecured; proceeds used for fire station building renovation	<u>69,981</u>	<u>0</u>	<u>69,981</u>	<u>69,981</u>	<u>22,636</u>
Total notes payable - Board of County Commissioners	<u>\$ 1,329,052</u>	<u>407,177</u>	<u>400,709</u>	<u>807,886</u>	<u>227,334</u>

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 7 - Long-Term Debt and Enterprise Fund Bonds Payable, continued

	<u>Original Amount</u>	<u>Balance 09/30/03</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/04</u>	<u>Due Within One Year</u>
Installment contracts					
Board of County Commissioners					
Installment purchase agreement for tub grinder, payable in five annual installments of \$60,098 including interest at 3.52%	\$ 271,278	0	271,278	271,278	50,614
Installment purchase agreement for excavator, originally due December 2004; balance of \$65,579 refinanced with bank in January 2005, payable in three annual installments of \$23,361 including interest at 3.35%	92,125	0	92,125	92,125	26,546
Installment purchase agreement for fire pumper truck, balance paid November 2003, including interest at 5.25%	<u>88,350</u>	<u>58,741</u>	<u>(58,741)</u>	<u>0</u>	<u>0</u>
Total installment contracts - Board of County Commissioners	<u>\$ 451,753</u>	<u>58,741</u>	<u>304,662</u>	<u>363,403</u>	<u>77,160</u>
Sheriff					
Installment purchase agreement for four vehicles and refinance of old debt, payable in monthly installments of \$4,807 including interest at 4.375%	\$ 211,050	0	211,050 (32,713)	178,337	50,890
Installment purchase agreement for five vehicles, payable in monthly installments of \$2,312 including interest at 5.21%	100,000	53,143	(53,143)	0	0
Installment purchase agreement for five vehicles, payable in monthly installments of \$2,751 including interest at 4.5%	<u>123,318</u>	<u>97,643</u>	<u>(97,643)</u>	<u>0</u>	<u>0</u>
Total installment contracts - Sheriff	<u>\$ 434,368</u>	<u>150,786</u>	<u>27,551</u>	<u>178,337</u>	<u>50,890</u>
Clerk					
Installment purchase agreement for copier, payable in monthly payments of \$443 interest is not stated in contract	<u>15,520</u>	<u>11,530</u>	<u>(5,543)</u>	<u>5,987</u>	<u>5,321</u>
Total installment contracts	<u>\$ 901,641</u>	<u>221,057</u>	<u>326,670</u>	<u>547,727</u>	<u>133,371</u>

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 7 - Long-Term Debt and Enterprise Fund Bonds Payable, continued

	<u>Original Amount</u>	<u>Balance 09/30/03</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/04</u>	<u>Due Within One Year</u>
Board of County Commissioners					
Long-term landfill closure and postclosure liability (note 11)		\$ 727,600	39,380	766,980	40,810
All County Agencies					
Liability for compensated absences		605,665	134,475	740,140	235,187
Total bonds, notes payable and other long-term debt		<u>\$ 11,490,281</u>	<u>427,344</u>	<u>11,917,625</u>	<u>1,626,702</u>
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 7-D)					
	\$ 525,000	399,244	(18,930)	380,314	28,408
4.5% Gulf County Water System Revenue Bonds, Series 1994; used to construct a water system for the White City community (note 7-E)					
	200,000	181,000	(3,000)	178,000	3,000
Total enterprise fund bonds payable	<u>\$ 725,000</u>	<u>580,244</u>	<u>(21,930)</u>	<u>558,314</u>	<u>31,408</u>

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

9/30	Series 1995 Gas Tax Refunding and Improvement Bonds		Series 2001 Gas Tax Revenue Bonds		Series 2003 Capital Improvement Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 505,000	160,458	5,000	154,116	480,000	44,176
2006	530,000	135,870	5,000	153,899	495,000	31,940
2007	555,000	109,275	5,000	153,682	505,000	19,390
2008	585,000	80,775	5,000	153,464	520,000	6,526
2009	615,000	66,150	5,000	153,247	0	0
2010-2014	645,000	33,075	1,864,892	788,980	0	0
2015-2018	0	0	1,730,000	128,713	0	0
Totals	<u>\$ 3,435,000</u>	<u>585,603</u>	<u>3,619,892</u>	<u>1,686,101</u>	<u>2,000,000</u>	<u>102,032</u>

9/30	Notes Payable		Installment Contracts	
	Principal	Interest	Principal	Interest
2005	\$ 227,334	31,670	133,371	19,729
2006	208,730	22,255	127,302	14,503
2007	156,875	14,033	131,567	9,573
2008	110,656	8,043	97,430	4,950
2009	104,291	3,795	58,057	2,041
	<u>\$ 807,886</u>	<u>79,796</u>	<u>547,727</u>	<u>50,796</u>

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 7 - Long-Term Debt and Enterprise Fund Bonds Payable, continued

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

Payment in Fiscal Year	Beaches Water System		White City		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 28,408	19,085	3,000	8,010	31,408	27,095
2006	24,449	17,833	3,000	7,875	27,449	25,708
2007	25,732	16,516	3,000	7,740	28,732	24,256
2008	27,083	15,129	4,000	7,605	31,083	22,734
2009	28,505	13,670	4,000	7,425	32,505	21,095
2010-2014	166,606	43,638	21,000	34,425	187,606	78,063
2015-2019	79,531	4,229	27,000	29,205	106,531	33,434
2020-2024	0	0	33,000	22,590	33,000	22,590
2025-2029	0	0	41,000	14,535	41,000	14,535
2030-2033	0	0	39,000	4,455	39,000	4,455
Totals	\$ 380,314	130,100	178,000	143,865	558,314	273,965

Synopsis of long-term debt covenants are as follows:

Long-Term Debt

■ **Bonds Payable**

- (A) 3.75% to 5.25% Gas Tax Refunding and Improvement Revenue Bonds Series 1995 - \$3,435,000 balance. These bonds were issued in September 1995, for the purpose of advance refunding \$2,995,000 principal plus interest of Series 1990 bonds. In addition, remaining proceeds of \$3,005,000 were used for road construction. The bonds are secured by gas tax revenues of the County. A debt service reserve account of \$677,500 is required to be maintained. In addition, a debt service fund is required to be maintained to provide for monthly deposits thereto equal to specified percentages of current year semiannual interest and annual principal.

The Series 1995 Bonds maturing on or prior to October 1, 2005, are not subject to redemption prior to maturity. Bonds maturing on October 1, 2006 or thereafter, can be redeemed prior to maturity at any time after September 30, 2005, at redemption prices of 100% to 102% of face value. Bonds maturing October 1, 2009, are subject to mandatory redemption of \$615,000 on October 1, 2008, and \$645,000 on October 1, 2009, at face value.

- (B) 3.1% to 4.9% Gas Tax Revenue Bonds, Series 2001 - \$3,619,892 balance. These bonds were issued in May 2001, to be used for road construction. The bonds are secured by gas tax revenues of the County. The Series 2001 Bonds are secured by the pledged revenues on parity with the County's Gas Tax Refunding and Improvement Revenue Bonds, Series 1995. A debt service reserve account of \$368,020 is required to be maintained. In addition, a debt service fund is required to be maintained to provide for monthly deposits thereto equal to specified percentages of current year semiannual interest and annual principal.

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 7 - Long-Term Debt and Enterprise Fund Bonds Payable, *continued*

Long-Term Debt, *continued*

■ **Bonds Payable, *continued***

(B) *continued*

The Series 2001 Gas Tax Revenue Bonds are comprised of \$3,235,000 in current interest serial bonds, \$30,000 in 4.35% term bonds due October 1, 2009, and \$310,200 original principal amount in capital appreciation bonds maturing October 2010. The Series 2001 Bonds maturing on or prior to October 1, 2011, are not subject to redemption prior to maturity. Bonds maturing on October 1, 2012, and thereafter, can be redeemed prior to maturity at any time after September 30, 2011, at redemption prices of 100% to 101% of face value. The Capital Appreciation Bonds are not subject to optional redemption prior to their maturities. The Series 2001 Bonds maturing on October 1, 2009, shall be subject to mandatory redemption in part prior to maturity by lot from October 2002 through October 2009.

The Capital Appreciation Bonds are reported at September 30, 2004, at the amount of the initial proceeds received by the County of \$310,200 plus accreted interest of \$44,692. The Capital Appreciation Bonds' principal amount at maturity on October 1, 2010, is \$480,000.

- (C) 2.510% Capital Improvement Refunding Revenue Bonds, Series 2003 - \$2,000,000 balance. These bonds were issued in September 2003, to be used for refunding certain outstanding long-term debt obligations of the County, paying the cost of certain capital improvements within the County, funding the Reserve Fund, and paying certain costs incidental to the issuance of the Series 2003 bonds. The Series 2003 Capital Improvement Refunding Revenue Bonds are paid solely from and secured by a pledge of and lien upon the proceeds of the local government half-cent sales tax, the guaranteed entitlement revenues, the second guaranteed entitlement revenues, and sales tax revenues. A reserve fund of \$200,000 is required to be maintained. In addition, a debt service fund is required to be maintained to accumulate amounts sufficient to pay principal and interest coming due.

Various County notes and installment contracts were paid in full, with a portion of the bond proceeds.

The Series 2003 Bonds shall not be subject to optional redemption prior to their maturity. The Series 2003 Bonds that mature on October 1, 2007 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, on October 1, 2004, and on each October 1st thereafter.

■ **Enterprise Funds**

- (D) 5.25% Beaches Water System Revenue Bonds, Series 1996 - \$380,314 balance. These bonds were issued in January 1996, for the purpose of advance refunding \$426,000 principal plus interest of Series 1984 water system bonds. Remaining proceeds from this issuance were used for improvements to the Beaches water system. The bonds are secured by a pledge of the gross revenues of the water system. In addition, a sinking

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 7 - Long-Term Debt and Enterprise Fund Bonds Payable, *continued*

Long-Term Debt, *continued*

■ **Enterprise Funds, *continued***

(D) *continued*

fund is required to be maintained to accumulate amounts sufficient to pay principal and interest coming due. The bonds mature in varying amounts annually each January, commencing in 1997, with final payment in the year 2016. They may be called at face amount at any time by the County.

(E) 4.5% Water System Revenue Bonds - \$178,000 balance. The bonds were issued June 10, 1994, and are held by U.S. Department of Agriculture - Rural Development. They are secured by a pledge of gross revenues from the White City water system. A sinking fund is required to be maintained for the current year debt service payment. In addition, monthly transfers of \$100 to a reserve account are required until a balance of \$12,000 is attained. The amount in the reserve account at September 30, 2004, was \$11,200.

Note 8 - Employee Benefits

Retirement Plan

Plan Description

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

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

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

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 8 - Employee Benefits, *continued*

Retirement Plan, *continued*

Funding Policy

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

	10/1/03 Through 9/30/04
Regular class	7.39%
Senior management service class	9.37%
Elected County officials' class	15.23%
Special risk employees' class	18.53%
DROP plan participants	9.11%

Contribution rates equal actuarial determined rates. During the year ended September 30, 2004, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

<u>County Agency</u>	<u>Payroll Expense</u>	<u>Retirement Contributions</u>
Board of County Commissioners	\$ 2,927,522	244,065
Clerk of the Circuit Court	559,762	44,815
Sheriff	1,587,693	239,102
Property Appraiser	224,061	20,153
Tax Collector	262,845	24,763
Supervisor of Elections	111,554	13,790
Total	\$ 5,673,437	586,688

Retirement contributions represent 10.34% of total County covered payroll, as required.

The County's contributions to the System for the years ended September 30, 2004 and 2003, were \$586,688 and \$482,303, respectively, equal to the required contributions for each year.

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

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

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

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

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.

Note 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 \$ 106,316

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 11 - Landfill Closure and Postclosure Care Costs

The County maintains a landfill management escrow account, as required by law, to ensure the availability of financial resources for closing the landfill. The County records the landfill closure/long-term care escrow as a reserved portion of the general fund's balance. The escrow balance at September 30, 2004, was \$211,516.

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 in 2005. The \$766,980 amount reported as landfill closure and postclosure care liability at September 30, 2004 (see note 7), represents the portion of costs to be incurred and reported as a liability to-date. The liability is based on approximately eighteen years of the required thirty years long-term care period on one of the closed landfills, approximately nine years of the required twenty year's long-term care period on the other closed landfill, use of 94% of the estimated capacity of the Class III landfill and use of 35% of the estimated capacity of the construction debris landfill. The Class III landfill estimated costs are projected at \$160,000 for closure and \$357,300 for postclosure care. The construction debris landfill costs are projected at \$7,100 for closure and \$12,000 for postclosure care. The above estimates are based on current prices, actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County follows GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

Note 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.

Note 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 general fixed assets.

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 13 - Lease, *continued*

The County's share of all rental proceeds or proceeds from any disposal of the property described above is restricted in a revolving loan fund.

Industrial Park Lease

The County owns an industrial park located on Highway 71, south of Wewahitchka, Florida, which includes fifteen acres of land and a commercial building. The land and building were acquired through a grant from the U.S. Department of Commerce, Economic Development Administration and County funding.

In May 2002, the Board entered into a commercial lease/purchase agreement with Taunton Truss, Inc. ("Taunton"), whereby Taunton leased 1.91 acres of land and the commercial building at the industrial park from the County for a period of sixteen years. Monthly rentals of \$2,356 are payable to the County for the term of the lease. Taunton is also required to create and maintain specified numbers of jobs throughout the lease.

Upon expiration of the lease, Taunton has the option to purchase the leased land and 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, 2004, was \$280,467. 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.

The carrying value of the property exceeded the \$311,000 option purchase price by \$41,690.

In addition, in June 2004, the Board sold 2.02 acres of land in the industrial park for \$50,000 in cash. The Board paid the closing costs of \$1,384 on the sell.

Note 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, 2004, 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.

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 15 - Fund Equity

(A) 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	Funding for:	
	Landfill escrow	\$ 211,516
	Radio communications	10,594
	Boating improvements	28,939
	Emergency and wireless 911	15,814
	Other programs	13,148
Special revenue	Law enforcement and drug awareness	<u>29,822</u>
Total		<u>\$ 309,833</u>
Debt service	Repayment of long-term debt	

(B) Designated Fund Equity

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity is intended for the following purposes:

<u>Funds</u>	<u>Purpose</u>	<u>Amount</u>
Board of County Commissioners		
General	Emergency management	<u>\$ 115,096</u>

Note 16 - Commitments

The County has interlocal agreements with the Cities of Port St. Joe and Wewahitchka, Florida, whereby the County assumes responsibility through September 2010 for paving, resurfacing and maintenance of all roads within the city limits of these two cities. As consideration to the County, the two cities waived their rights to receive the six-cents local option gas taxes for a period of fifteen years from September 1995. The total transportation improvements to be provided by the County to Port St. Joe and Wewahitchka are estimated to approximate \$600,000 and \$400,000, respectively.

The County has an interlocal agreement with the City of Wewahitchka, whereby personnel from the Gulf County Sheriff's office provides law enforcement services to the City of Wewahitchka. As consideration therefore, the County receives payments of \$34,167 annually from the City.

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

Note 16 - Commitments, continued

The Gulf County Sheriff entered into a service agreement in October 2000, with the City of Port St. Joe Police Department, whereby the Gulf County Sheriff provides all dispatching services required within the City of Port St. Joe. The City of Port St. Joe pays the Gulf County Sheriff the sum of \$10,915 per quarter, in consideration of these services.

Note 17 - Series 2001 Gas Tax Revenue Bonds Continuing Disclosure

The County has received the following annual gas tax receipts for the years indicated:

<u>Fiscal Year Ended September 30,</u>	<u>Local Option Gas Tax Receipts</u>	<u>County Gas Tax Receipts</u>	<u>Constitutional Gas Tax Receipts</u>	<u>Total Gas Tax Receipts</u>
1999	\$ 306,851	245,036	572,887	1,124,774
2000	301,893	260,923	590,552	1,153,368
2001	323,056	259,308	595,161	1,177,525
2002	337,636	268,395	608,914	1,214,945
2003	326,907	274,258	624,554	1,225,719
2004	374,479	288,293	653,803	1,316,575

The volume of gasoline and diesel fuel sold in the County is presented below for the years indicated:

Number of Gallons

<u>State Fiscal Year Ended June 30,</u>	<u>Gasoline</u>	<u>Diesel Fuel</u>	<u>Total</u>
1999	\$ 4,934,561	924,930	5,859,491
2000	4,753,958	1,024,283	5,778,241
2001	4,898,484	1,055,224	5,953,708
2002	4,851,465	998,837	5,850,302
2003	4,791,673	1,085,956	5,877,629
2004	5,394,529	1,237,188	6,631,717

Note 18 - 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.

GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

Note 19 - 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:

<u>Historical Pledged Revenues</u>					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Local Government Half-Cent					
Sales Tax	\$ 258,301	279,346	308,567	329,754	364,996
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 Revenues	<u>216,500</u>	<u>216,500</u>	<u>216,500</u>	<u>216,500</u>	<u>216,500</u>
Totals	<u>\$ 562,755</u>	<u>583,800</u>	<u>613,021</u>	<u>634,208</u>	<u>669,450</u>

Note 20 - Other Matters

In fiscal year 2003-04, the Gulf County Board of County Commissioners negotiated a development order with the St. Joe Company for a future large upscale housing community. The order provided the St. Joe Company to assist various county agencies (i.e. Sheriff, Emergency Management, Emergency 911) with a portion of the increased cost of providing public services to the housing community.

ACCOMPANYING INFORMATION

GULF COUNTY, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue					
	County Road and Bridge	Secondary Road and Bridge	Tourist Development Trust Fund	Sheriff's Special Revenue Funds	Criminal Justice Trust	Clerk Modernization Trust Fund
Assets						
Cash and investments	\$ 16,844	373,173	354,597	25,579		134,862
Due from other funds	129,838	67,267				7,381
Due from other governmental units	63,770					
Accounts receivable	9,118		20,250			
Total assets	\$ 219,570	440,440	374,847	25,579	0	142,243
Liabilities						
Vouchers payable	50,106	192,495	17,604			
Total liabilities	50,106	192,495	17,604	0	0	0
Fund equity						
Fund balances:						
Reserved for debt service						
Unreserved:						
Undesignated	169,464	247,945	357,243	25,579		142,243
Total fund equity	169,464	247,945	357,243	25,579	0	142,243
Total liabilities and fund equity	\$ 219,570	440,440	374,847	25,579	0	142,243

GULF COUNTY, FLORIDA
Combining Balance Sheet, *continued*
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue						
	Administrative Order 86-12	HUD CDBG	Mosquito Control	St. Joe Fire Control	Tupelo Fire Control	Overstreet Fire Control	Howard Creek Fire Control
Assets							
Cash and investments	\$ 128,705	133,863	60,270	197,993	11,604	3,122	2,446
Due from other funds							
Due from other governmental units							
Accounts receivable							
Total assets	<u>\$ 128,705</u>	<u>133,863</u>	<u>60,270</u>	<u>197,993</u>	<u>11,604</u>	<u>3,122</u>	<u>2,446</u>
Liabilities							
Vouchers payable	302	127	10,450	53,220	1,703	1,077	611
Total liabilities	<u>302</u>	<u>127</u>	<u>10,450</u>	<u>53,220</u>	<u>1,703</u>	<u>1,077</u>	<u>611</u>
Fund equity							
Fund balances:							
Reserved for debt service							
Unreserved:							
Undesignated	128,403	133,736	49,820	144,773	9,901	2,045	1,835
Total fund equity	<u>128,403</u>	<u>133,736</u>	<u>49,820</u>	<u>144,773</u>	<u>9,901</u>	<u>2,045</u>	<u>1,835</u>
Total liabilities and fund equity	<u>\$ 128,705</u>	<u>133,863</u>	<u>60,270</u>	<u>197,993</u>	<u>11,604</u>	<u>3,122</u>	<u>2,446</u>

GULF COUNTY, FLORIDA
Combining Balance Sheet, *continued*
Nonmajor Governmental Funds
September 30, 2004

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Emergency Medical Services</u>	<u>Integras CDBG</u>	<u>Construction and Acquisition</u>	<u>Capital Projects</u>	
Assets					
Cash and investments		57	4,108	593,719	2,040,942
Due from other funds				2,963	207,449
Due from other governmental units					63,770
Accounts receivable					29,368
Total assets	<u>\$ 0</u>	<u>57</u>	<u>4,108</u>	<u>596,682</u>	<u>2,341,529</u>
Liabilities					
Vouchers payable				3,919	331,614
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,919</u>	<u>331,614</u>
Fund equity					
Fund balances:					
Reserved for debt service				592,763	592,763
Unreserved:					
Undesignated		57	4,108		1,417,152
Total fund equity	<u>0</u>	<u>57</u>	<u>4,108</u>	<u>592,763</u>	<u>2,009,915</u>
Total liabilities and fund equity	<u>\$ 0</u>	<u>57</u>	<u>4,108</u>	<u>596,682</u>	<u>2,341,529</u>

GULF COUNTY, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2004

	Special Revenue					
	County Road and Bridge	Secondary Road and Bridge	Tourist Development Trust Fund	Sheriff's Special Revenue Funds	Criminal Justice Trust	Clerk Modernization Trust Fund
Revenues						
Taxes	\$ 12,474	0	324,423	0	0	0
Licenses and permits	12,060	0	0	0	0	0
Intergovernmental	1,074,849	67,266	0	0	0	0
Charges for services	0	0	0	0	22,845	37,545
Investment earnings and other	264	0	234	33,480	0	0
Total revenues	<u>1,099,647</u>	<u>67,266</u>	<u>324,657</u>	<u>33,480</u>	<u>22,845</u>	<u>37,545</u>
Expenditures						
Current operating:						
General government	0	0	0	0	0	2,900
Public health and safety	0	0	0	31,766	0	0
Physical environment	0	0	0	0	0	0
Economic environment	0	0	206,139	0	0	0
Transportation	1,023,345	182,165	0	0	0	0
Human services	0	0	0	0	0	0
Court related	0	0	0	0	22,845	0
Capital outlay	157,931	12,889	2,470	0	0	0
Debt service	0	0	0	0	0	0
Total expenditures	<u>1,181,276</u>	<u>195,054</u>	<u>208,609</u>	<u>31,766</u>	<u>22,845</u>	<u>2,900</u>
Excess of revenues over (under) expenditures	<u>(81,629)</u>	<u>(127,788)</u>	<u>116,048</u>	<u>1,714</u>	<u>0</u>	<u>34,645</u>
Other financing sources (uses)						
Operating transfers in	0	0	0	4,000	0	0
Loan proceeds	0	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(81,629)</u>	<u>(127,788)</u>	<u>116,048</u>	<u>5,714</u>	<u>0</u>	<u>34,645</u>
Fund balances, beginning of year	251,093	375,733	241,195	19,865	0	107,598
Fund balances, end of year	<u>\$ 169,464</u>	<u>247,945</u>	<u>357,243</u>	<u>25,579</u>	<u>0</u>	<u>142,243</u>

GULF COUNTY, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, *continued*
Nonmajor Governmental Funds
Year Ended September 30, 2004

	Special Revenue						
	Administrative Order 86-12	HUD CDBG	Mosquito Control	St. Joe Fire Control	Tupelo Fire Control	Overstreet Fire Control	Howard Creek Fire Control
Revenues							
Taxes	\$ 0	0	0	478,403	31,773	9,376	10,046
Licenses and permits	0	0	0	0	0	0	0
Intergovernmental	0	0	45,192	0	789	0	1,358
Charges for services	11,779	0	0	0	0	0	0
Investment earnings and other	0	25,966	0	0	0	0	12,009
Total revenues	<u>11,779</u>	<u>25,966</u>	<u>45,192</u>	<u>478,403</u>	<u>32,562</u>	<u>9,376</u>	<u>23,413</u>
Expenditures							
Current operating:							
General government	0	0	0	0	0	0	0
Public health and safety	0	0	0	123,136	10,511	8,427	10,000
Physical environment	0	0	0	0	0	0	0
Economic environment	0	12,000	0	0	0	0	0
Transportation	0	0	0	0	0	0	0
Human services	0	0	27,880	0	0	0	0
Court related	0	0	0	0	0	0	0
Capital outlay	0	0	0	457,952	0	0	12,806
Debt service	0	0	0	200,371	13,812	0	0
Total expenditures	<u>0</u>	<u>12,000</u>	<u>27,880</u>	<u>781,459</u>	<u>24,323</u>	<u>8,427</u>	<u>22,806</u>
Excess of revenues over (under) expenditures	<u>11,779</u>	<u>13,966</u>	<u>17,312</u>	<u>(303,056)</u>	<u>8,239</u>	<u>949</u>	<u>607</u>
Other financing sources (uses)							
Operating transfers in	0	0	0	0	0	0	0
Loan proceeds	0	0	0	429,925	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>429,925</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>11,779</u>	<u>13,966</u>	<u>17,312</u>	<u>126,869</u>	<u>8,239</u>	<u>949</u>	<u>607</u>
Fund balances, beginning of year	116,624	119,770	32,508	17,904	1,662	1,096	1,228
Fund balances, end of year	<u>\$ 128,403</u>	<u>133,736</u>	<u>49,820</u>	<u>144,773</u>	<u>9,901</u>	<u>2,045</u>	<u>1,835</u>

GULF COUNTY, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, *continued*
Nonmajor Governmental Funds
Year Ended September 30, 2004

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Emergency Medical Services</u>	<u>Integras CDBG</u>	<u>Construction and Acquisition</u>	<u>Capital Projects</u>	
Revenues					
Taxes	\$ 0	0	0	0	866,495
Licenses and permits	0	0	0	0	12,060
Intergovernmental	7,403	38,529	0	0	1,235,386
Charges for services	0	0	0	0	72,169
Investment earnings and other	4	0	471	614	73,042
Total revenues	<u>7,407</u>	<u>38,529</u>	<u>471</u>	<u>614</u>	<u>2,259,152</u>
Expenditures					
Current operating:					
General government	0	0	0	0	2,900
Public health and safety	7,407	0	0	6,328	197,575
Physical environment	0	0	0	4,419	4,419
Economic environment	0	0	0	0	218,139
Transportation	0	0	95,355	0	1,300,865
Human services	0	0	0	0	27,880
Court related	0	0	0	0	22,845
Capital outlay	0	38,472	0	513,344	1,195,864
Debt service	0	0	0	26,314	240,497
Total expenditures	<u>7,407</u>	<u>38,472</u>	<u>95,355</u>	<u>550,405</u>	<u>3,210,984</u>
Excess of revenues over (under) expenditures	<u>0</u>	<u>57</u>	<u>(94,884)</u>	<u>(549,791)</u>	<u>(951,832)</u>
Other financing sources (uses)					
Operating transfers in	0	0	0	441,405	445,405
Loan proceeds	0	0	0	0	429,925
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>441,405</u>	<u>875,330</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>0</u>	<u>57</u>	<u>(94,884)</u>	<u>(108,386)</u>	<u>(76,502)</u>
Fund balances, beginning of year	<u>0</u>	<u>0</u>	<u>98,992</u>	<u>701,149</u>	<u>2,086,417</u>
Fund balances, end of year	<u>\$ 0</u>	<u>57</u>	<u>4,108</u>	<u>592,763</u>	<u>2,009,915</u>

GULF COUNTY, FLORIDA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
September 30, 2004

	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>Total Nonmajor Business-type Activities</u>
Assets			
Current assets			
Cash and cash investments	\$ 48,623	0	48,623
Due from other governmental units	0	0	0
Total current assets	<u>48,623</u>	<u>0</u>	<u>48,623</u>
Noncurrent assets			
Restricted cash and investments	0	0	0
Capital assets:			
Land	737	0	737
Buildings and utility systems	269,453	571,925	841,378
Less allowance for depreciation	<u>(175,138)</u>	<u>(157,278)</u>	<u>(332,416)</u>
Total noncurrent assets	<u>95,052</u>	<u>414,647</u>	<u>509,699</u>
Total assets	<u>\$ 143,675</u>	<u>414,647</u>	<u>558,322</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	0	0	0
Due to other funds	0	0	0
Bonds payable	0	0	0
Total current liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Noncurrent liabilities			
Bonds payable	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Net assets			
Invested in capital assets, net of related debt	95,052	414,647	509,699
Restricted for:			
Debt service	0	0	0
Unrestricted	48,623	0	48,623
Total net assets	<u>\$ 143,675</u>	<u>414,647</u>	<u>558,322</u>

GULF COUNTY, FLORIDA
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Nonmajor Proprietary Funds
Year Ended September 30, 2004

	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>Total Nonmajor Business-type Activities</u>
Operating revenue			
Charges for services	\$ 0	0	0
Operating expenses			
Operating expenses	0	0	0
Depreciation	6,736	14,298	21,034
Total operating expenses	<u>6,736</u>	<u>14,298</u>	<u>21,034</u>
Operating income (loss)	<u>(6,736)</u>	<u>(14,298)</u>	<u>(21,034)</u>
Nonoperating revenues (expense)			
Interest income	725	0	725
Interest expense	0	0	0
Total nonoperating revenue (expense)	<u>725</u>	<u>0</u>	<u>725</u>
Change in net assets	(6,011)	(14,298)	(20,309)
Total net assets, beginning of year	<u>149,686</u>	<u>428,945</u>	<u>578,631</u>
Total net assets, end of year	<u>\$ 143,675</u>	<u>414,647</u>	<u>558,322</u>

GULF COUNTY, FLORIDA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended September 30, 2004

	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>Total Nonmajor Business-type Activities</u>
Cash flows from operating activities			
Receipts from customers	\$ 0	0	0
Payments to suppliers	0	0	0
Other payments	0	0	0
Net cash provided by operating activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash flows from capital and related financing activities			
Repayment of revenue bonds	0	0	0
Interest paid on long-term debt	0	0	0
Net cash provided by capital and related financing activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash flows from investing activities			
Interest earned	725	0	725
Increase in cash and cash equivalents	725	0	725
Cash and cash equivalents, beginning of year	47,898	0	47,898
Cash and cash equivalents, end of year	<u>\$ 48,623</u>	<u>0</u>	<u>48,623</u>
Displayed as:			
Cash and cash investments	48,623	0	48,623
Restricted assets	0	0	0
	<u>\$ 48,623</u>	<u>0</u>	<u>48,623</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(6,736)	(14,298)	(21,034)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	6,736	14,298	21,034
Changes in assets and liabilities:			
Accounts and other payables	0	0	0
Due from other governmental units	0	0	0
Net cash provided by operating activities	<u>\$ 0</u>	<u>0</u>	<u>0</u>

GULF COUNTY, FLORIDA
Combining Balance Sheet
Agency Funds
September 30, 2004

	Agency Funds - Clerk			
	Fee Trust	Article V Trust	Registry of Court	Child Support
Assets				
Cash	\$ 303,804	76,836	54,231	2,293
 Liabilities				
Due to individuals			54,231	
Due to other funds	37,758	64,901		2,264
Due to other governments	266,046	11,935		29
Total liabilities	\$ 303,804	76,836	54,231	2,293

Agency Funds - Sheriff

<u>Jury and Witness</u>	<u>Bonds</u>	<u>Individual Depository</u>	<u>Suspense</u>	<u>Inmate Trust</u>	<u>Other Trust</u>
\$ 2,487	33,552	681	587	7,957	490
	32,445	41		4,088	490
1,500		640	120	2,632	
987	1,107		467	1,237	
\$ 2,487	33,552	681	587	7,957	490

GULF COUNTY, FLORIDA
Combining Balance Sheet, *continued*
Agency Funds
September 30, 2004

	Agency Funds - Tax Collector			Totals
	Tax	Tourist Development Tax	Tag Agency	
Assets				
Cash	\$ 271,367	0	52,479	806,764
 Liabilities				
Due to individuals	269,922		225	361,442
Due to other funds	344		8,670	118,829
Due to other governments	1,101		43,584	326,493
Total liabilities	\$ 271,367	0	52,479	806,764

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES; AND THE *RULES OF THE AUDITOR GENERAL*
OF THE STATE OF FLORIDA**

GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects
Year Ended September 30, 2004

Federal Award Programs	Contract/Grant Number	CFDA/ CSFA	Cash Receipts	Expenditures
Federal Emergency Management Agency				
Passed through Department of Community Affairs				
Emergency Operations Center HMGP	01UN-6P-02-33-15-017	83.548	\$ 0	191,152
Emergency Management Performance Grant	03BG-04-02-33-01-023	83.552	23,228	0
Emergency Management Performance Grant	04BG-04-02-33-01-023	83.552	0	23,229
New EOC Generator Grant	03HM-Q0-02-33-15-009	83.548	44,968	1,824
Continuity of Operations Plan (COOP) Terrorism Grant	03FT-1B-02-33-01-465	83.562	23,000	23,000
Hurricane Frances - FEMA 1545	05PA-G%-02-33-23-054	83.544	0	11,798
Hurricane Ivan - FEMA 1551	05PA-G=-02-33-23-646	83.544	0	23,060
Total Federal Emergency Management Agency			91,196	274,063
Federal Highway Administration				
Passed through Florida Department of Transportation				
Local Agency Program - Cape San Blas Shared Bike Path	412681-1-38-01	20.205	25,000	48,750
U.S. Department of Justice				
Passed through Florida Department of Law Enforcement				
Drug Awareness and Reduction Education	03CJ-5A-02-33-01-082	16.579	14,520	0
Drug Awareness and Reduction Education	04CJ-J3-02-33-01-084	16.579	35,912	41,813
Law Enforcement Equipment Grant	04-CJ-7N-02-33-01-002	16.592	5,607	5,607
Law Enforcement Equipment Grant	NA	16.592	5,445	0
Total U.S. Department of Justice			61,484	47,420
U.S. Department of Housing and Urban Development				
Passed through Department of Community Affairs				
Integras Wellness and Therapy	03DB-89-02-33-01-E62	14.228	411,725	25,148
Highland View Stormwater Drainage	01DB-27-02-33-01-G28	14.228	20,490	0
Total Department of Housing and Urban Development			432,215	25,148
U.S. Department of Health and Human Services				
Passed through Florida Department of Revenue				
Child Support Enforcement Title IV-D Service of Process	T0223	93.563	3,409	3,409
Child Support Enforcement Title IV-D Services Reimbursement	CC323	93.563	18,884	22,034
Total U.S. Department of Health and Human Services			22,293	25,443

GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects, *continued*
Year Ended September 30, 2004

Federal Award Programs	Contract/Grant Number	CFDA/ CSFA	Cash Receipts	Expenditures
U.S. Department Commerce				
Coastal Impact Assistance Program				
Dead Lakes Boat Ramp - Project ID#22	NOAA#NA170Z2101	11.419	\$ 13,845	8,004
U.S. Department of Agriculture				
Passed through Florida Department of Agriculture and Consumer Services				
Bureau of Food Distribution Program	94016-7751	10.568	998	998
Total federal award programs			647,031	429,826
State Financial Assistance Projects				
Florida Housing and Finance Agency				
State Housing Initiative Program	03/04	52.901	0	322,271
State Housing Initiative Program	04/05	52.901	350,000	8,100
Total Florida Housing and Finance Agency			350,000	330,371
Florida Department of Community Affairs				
Emergency Management Preparedness and Assistance Grant	04BG-04-02-33-01-023	52.008	95,354	102,959
Emergency Management Preparedness and Assistance Grant	03BG-04-02-33-01-023	52.008	19,960	0
Highland View Stormwater Drainage	01DB-27-02-33-01-G28	N/A	3,054	0
Hazard Materials Plan	03-CP-11-03-33-01-159	52.023	455	0
Hazard Materials Plan	04CP-11-02-33-01-030	52.023	1,791	1,159
Emergency Operations Center HMGP	01UN-6P-02-33-15-017	N/A	0	31,858
EOC Generator Grant	03HM-Q9-02-33-15-009	N/A	7,191	0
School Planning Technical Assistance Program	03DR-36-02-33-01-058	52.004	6,080	0
Technology Assistance Planning Program	03DR-37-02-33-01-008	52.004	0	22,000
Total Florida Department of Community Affairs			133,885	157,976
Florida Department of Environmental Protection				
Small County Solid Waste Grant	SC412	37.012	62,792	117,647
Small County Solid Waste Grant	SC312	37.012	12,968	0
Solid Waste Recycling and Education Grant	RE310	37.011	20,586	0
Litter Control and Prevention Grant	LC310	37.009	6,365	0
Waste Tire Solid Waste Grant	WT322	37.015	5,233	0
Florida Recreation Development Assistance Grant - Gaskin Park, Phase I	F02126	37.017	11,250	0
Total Florida Department of Environmental Protection			119,194	117,647

GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects, *continued*
Year Ended September 30, 2004

State Financial Assistance Projects	Contract/ Grant Number	CFDA/ CSFA	Cash Receipts	Expenditures
Florida Division of Emergency Management				
Wireless 911 Rural Grant		N/A	\$ 121,900	121,900
Wireless 911 Rural Grant	Approp. 2453	N/A	0	33,072
Total Florida Division of Emergency Management			<u>121,900</u>	<u>154,972</u>
Office of the State Courts Administrator				
Article V Trust Fund	Approp. 2219	22.003	0	91,088
Justice Administration Commission-Dependency Cases		21.001	3,663	3,663
Total Office of the State Courts Administrator			<u>3,663</u>	<u>94,751</u>
Office of Tourism, Trade, and Economic Development				
Integras Wellness and Therapy - Rural Infrastructure Grant	OT03-067	31.030	110,038	13,322
Florida Department of Transportation				
County Incentive Grant Program				
Lake Grove Road Bridge Replacement (CR 22A)	413016-1-54-01	55.008	31,339	30,639
Florida Department of State				
State Aid to Libraries	04-ST-45	45.030	36,109	36,109
Cape San Blas Lighthouse Keepers Quarters	S3009	45.031	35,000	1,296
Cape San Blas Lighthouse Keepers Quarters	SC442	45.032	0	3,263
Division of Elections:				
Voter Education/Poll Workers Training	2898A Gen. Approp.	N/A	2,907	2,907
Voter Education/Poll Workers Training	2898B Gen. Approp.	N/A	0	55
Total Florida Department of State			<u>74,016</u>	<u>43,630</u>
Florida Department of Health				
EMS County Award	C2023	64.005	0	743
EMS County Award	C3023	64.005	6,615	6,615
Total Florida Department of Health			<u>6,615</u>	<u>7,358</u>

GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects, *continued*
Year Ended September 30, 2004

<u>State Financial Assistance Projects</u>	<u>Contract/ Grant Number</u>	<u>CFDA/ CSFA</u>	<u>Cash Receipts</u>	<u>Expenditures</u>
Florida Department of Agriculture and Consumer Services				
Mosquito Control/Waste Tire Abatement Grant		42.003	\$ 45,191	45,191
Florida Fish and Wildlife Conservation Commission				
Florida Boating Improvement Program Grant	FWCC01240	77.007	81,666	35,161
Rural Fire Grants		N/A	2,147	0
Total State Financial Assistance Projects			<u>1,079,654</u>	<u>1,031,018</u>
Total Federal Award Programs and State Financial Assistance Projects			<u>\$ 1,726,685</u>	<u>1,460,844</u>

GULF COUNTY, FLORIDA
Notes to Schedule of Expenditures of Federal Award Programs and
State Financial Assistance Projects
Year Ended September 30, 2004

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 had the following Federal bonds payable outstanding at September 30, 2004.

U.S. Department of Agriculture - Rural Development	
Bonds payable, September 30, 2003	\$ 181,000
Bonds repaid during year	<u>(3,000)</u>
Bonds payable, September 30, 2004	<u>\$ 178,000</u>

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

The Honorable Board of County Commissioners
and Constitutional Officers
Gulf County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf County, Florida as of and for the year ended September 30, 2004, which collectively comprise Gulf County, Florida's basic financial statements and have issued our report thereon dated April 26, 2005. 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 opinions on the 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 record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items B.1, B.2 and B.3.

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, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Gulf County, Florida in a separate letter dated April 26, 2005.

The Honorable Board of County Commissioners
and Constitutional Officers
Gulf County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS, continued***

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance that we have reported to the management of Gulf County, Florida in a separate letter dated April 26, 2005.

This report is intended solely for the information and use of the Gulf County Board of County Commissioners, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

April 26, 2005

J. Michael Zucker, CPA, P.A.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR STATE FINANCIAL ASSISTANCE PROJECT**

The Honorable Board of County Commissioners
and Constitutional Officers
Gulf County, Florida

Compliance

We have audited the compliance of Gulf County, Florida with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major state projects for the year ended September 30, 2004. Gulf County, Florida's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of Gulf County, Florida's management. Our responsibility is to express an opinion on Gulf County, Florida's compliance based on our audit.

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

In our opinion, Gulf County, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended September 30, 2004.

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 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 state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*.

The Honorable Board of County Commissioners
and Constitutional Officers
Gulf County, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE
TO EACH MAJOR STATE FINANCIAL ASSISTANCE PROJECT, *continued***

Internal Control Over Compliance, continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Gulf County Board of County Commissioners, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

April 26, 2005

J. Michael Zucker, CPA, P.A.

GULF COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
State Financial Assistance Projects
Year Ended September 30, 2004

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements of Gulf County, Florida.
2. Reportable conditions disclosed during the audit of the financial statements are reported in the "**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*.**" We believe the reportable conditions are not material weaknesses.
3. No instances of noncompliance material to the financial statements of Gulf County, Florida were disclosed in the "**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*.**"
4. The audit disclosed no instances of reportable conditions in internal control over major state projects or reportable conditions which were material weaknesses in internal control over major projects.
5. The auditors' report on compliance for the major state financial assistance projects for Gulf County, Florida expresses an unqualified opinion.
6. The audit disclosed no findings required to be reported under Chapter 10.557, *Rules of the Auditor General* of the State of Florida.
7. The programs/projects tested as major projects included the following:
 - **State Projects**
 - Florida Housing and Finance Agency
State Housing Initiative Program, CSFA No. 52.901
 - Florida Department of Community Affairs
Emergency Management Preparedness and Assistance Grant, CSFA No. 52.008
 - Florida Division of Emergency Management
Wireless 911 Rural Grant
8. The threshold for distinguishing Type A and Type B projects was \$300,000 for major state financial assistance projects.

GULF COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
State Financial Assistance Projects, *continued*
Year Ended September 30, 2004

PART B - FINDINGS - FINANCIAL STATEMENTS

**Finding
Number**

Findings

B.1 Supervisor of Elections and Property Appraiser

Need for Segregation of Duties

Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not considered feasible because of size and limited number of employees. While we recognize the small size of these offices makes it impractical to provide total separation of incompatible duties, we do feel it is important that these offices are aware of this condition.

B.2 Sheriff, Clerk of the Circuit Court, and Tax Collector

Need for Segregation of Duties

Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedure, was not adequate. This is due to the limited number of employees, and certain incompatible duties being performed by the same employee. These offices recognize that the cost of its internal control structure should not exceed the benefits expected to be derived and the inherent limitations of any internal control structure. Mistakes and irregularities may occur in any event with or without an adequate internal control structure. Furthermore, adequate segregation of duties can be circumvented by collusion among persons. Nevertheless, internal control is strengthened when incompatible duties are separated and review procedures are established and adhered to.

B.3 Sheriff

Need to Limit Access to Signature Stamp

Access to the Sheriff's signature stamp is not limited. We noted the finance officer has access to the signature stamp. This bypasses the internal control feature as the finance officer post checks and also performs monthly bank reconciliations. The use of a signature stamp also circumvents internal auditing of checks if the stamp is not controlled by the Sheriff. We recommend the Sheriff or a third party designee review and sign all checks.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

1. No matters were noted.

GULF COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
State Financial Assistance Projects, *continued*
Year Ended September 30, 2004

PART D - OTHER ISSUES

1. No summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state projects.
2. No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH AUTHORIZING BOND RESOLUTIONS**

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Gulf County, Florida as of and for the year ended September 30, 2004, as listed in the accompanying table of contents, and have issued our report thereon dated April 26, 2005.

In connection with our audit, nothing came to our attention that caused us to believe that Gulf County, Florida failed to comply with the terms, covenants, provisions, or conditions of the authorizing bond resolutions for the following bond issues insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Special Obligation Bonds

Gas Tax Refunding and Improvement Revenue Bonds, Series 1995
Gas Tax Revenue Bonds, Series 2001
Capital Improvement Refunding Revenue Bonds, Series 2003

Enterprise Funds

Water System Revenue Bonds, Series 1996
Water System Revenue Bonds, Series 1994

This report is intended solely for the information and use of management and the Board of County Commissioners of Gulf County, Florida, and Municipal Bond Investors Assurance Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

April 26, 2005

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, Florida

We have audited the financial statements of Gulf County, Florida as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated April 26, 2005.

We have also issued our independent auditors' report on internal control over financial reporting and on compliance and other matters, independent auditors' report on compliance and internal control over compliance applicable to each major state financial assistance project, and schedule of findings and questioned costs dated April 26, 2005. Disclosures in those reports and schedule, if any, should be considered in conjunction with this management letter.

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

The *Rules of the Auditor General* [Section 10.554(1)(h)1.] require that we comment as to whether or not corrective actions have been made to address significant findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been satisfactorily addressed by the County, except as noted under the heading "Prior Year Recommendations."

The *Rules of the Auditor General* [Section 10.554(1)(h)2.] require that we determine whether the County complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

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. The County was established by the Constitution of the State of Florida, Article VIII, Section 1(e).

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, Florida

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(a)], the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statute, "Determination of Financial Emergency." In connection with our audit, we determined that the County is not in a state of financial emergency as a consequence of the 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 determined that the annual financial report for the County for the fiscal year ended September 30, 2004, was filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2004.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(c)], we applied financial condition assessment procedures in detecting deteriorating financial conditions, pursuant to Section 218.39(5), Florida Statutes. No deteriorating financial conditions were noted.

As required by the *Rules of the Auditor General* [Section 10.544(1)(h)7.(a) and (b)], we determined that the Gulf County Clerk of the Court complied with the budget certified by the Florida Clerk of Courts Operations Corporation pursuant to Section 28.35, Florida Statutes. In addition, the Gulf County Clerk of Court complied with the performance standards developed and certified pursuant to Section 28.35, Florida Statutes.

The *Rules of the Auditor General* [Sections 10.554(1)(h)3. and 4.(a), (b), and (c)] require disclosure in the management letter of the following matters if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations, and contractual provisions which may or may not materially affect the financial statements; illegal or improper expenditures that may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed the following matters which are brought to your attention:

Status of Prior Year Audit Recommendations

■ Board of County Commissioners

Need to Monitor Commercial Lease Terms

As noted in the prior year, the County did not have adequate control procedures in place to monitor lessee compliance with insurance requirements of a commercial lease. The County did not timely obtain information from the lessee to ensure the insurance coverage requirements were met. We recommend the County establish control procedures to timely monitor compliance with lease terms.

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, Florida

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Status of Prior Year Audit Recommendations, *continued*

■ Sheriff

Need to Reconcile Inmate Welfare Account

As discussed in prior years, the Inmate Welfare Trust bank account was not reconciled to the Inmate Resident Balance Report during the fiscal year. The September 30, 2004, bank account balance of \$7,957 exceeds amounts owed to inmates by \$3,869. In addition, a misappropriation of \$2,200 appears to have occurred during the year from inmate welfare monies. These monies were on the person of an inmate upon his being booked into the jail; however, this money was not turned over to Sheriff personnel and deposited into the bank. The Florida Department of Law Enforcement is investigating this matter and the money was repaid to the inmate from another account. We also noted amounts collected from inmates for medical and other charges for services were not disbursed timely. We recommend the Sheriff implement internal control procedures to ascertain segregation of duties is maximized and that all inmate cash is properly safeguarded and timely deposited. We also recommend bank statements be reconciled monthly to the Inmate Resident Balance Report. Finally, management should properly account for fees earned for services provided to inmates and the fees be remitted to appropriate accounts monthly.

Current Year Recommendations

■ Board of County Commissioners

Emergency Medical Services (EMS)

The EMS Department did not maintain adequate accounting records during the fiscal year to effectively control ambulance billings, receivables and collections. The EMS Department failed to print monthly aged accounts receivable reports during the year. Computerized reports supporting billings and collections were also not printed and maintained during the year. Accounts receivable was not reconciled to the general ledger during the year and EMS fees were recorded on a cash basis since reports were not available monthly. We recommend the EMS Department print and maintain various reports and ledgers to support billings, collections, and accounts receivable. We also recommend summary reports be submitted to the Board monthly for review and inclusion in the County's financial statements.

Landfill Tipping Fees

The County's landfills are open only to both Gulf County residents and contractors. Currently, the County charges contractors a tipping fee but does not charge individuals for solid waste disposal. Florida Statute 403.7049 states that each County which provides solid waste collections services is encouraged to charge fees to each residential and nonresidential user of the solid waste collection service which vary based upon the volume and weight of solid waste collected from each user. Nonresidents are also using the County's landfill. We recommend the County review its tipping fee policies and consider charging tipping fees to all users of the landfill.

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, Florida

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Current Year Recommendations, *continued*

■ **Board of County Commissioners, *continued***

Insurance Coverage

We noted the following matters relating to insurance

1. Currently the County does not have any major medical coverage for inmates housed in the County jail. Without proper insurance coverage, the County could be exposed to potential liabilities if any inmate required extensive medical care. We recommend the County review this issue and determine the feasibility of coverage.
2. The County's policy is not to insure for property damage any equipment unless required in financing agreements. Without adequate property insurance coverage, the County will sustain a loss if an asset is damaged, stolen, etc. We recommend the County review its policy on insurance coverage of equipment and consider the economic value, useful life, and replacement cost of expensive equipment.
3. The County does not have a policy on personal use of County vehicles, as employees are not permitted to drive them home, with the exception of law enforcement and emergency personnel. Some employees are driving County vehicles home. It is unclear whether insurance coverage extends to personal use of County vehicles. We recommend the County review this issue and ascertain adequacy of insurance coverage if employees are allowed to continue to use County vehicles for personal use. In addition, the County should include any personal use of the County vehicle as additional compensation in the employees Form W-2 at year-end.

■ **Sheriff**

Need to Improve Tangible Personal Property Records

We noted deficiencies in the Sheriff's maintenance of its tangible personal property records for fixed assets which are not in compliance with Florida Statutes and *Rules of the Auditor General*. Failure to maintain adequate records could result in the loss or unauthorized misuse of County property.

- (a) The listing of fixed assets was incomplete and the cost was not included for some of the assets.
- (b) The records were not accurately nor completely updated for additions and deletions.
- (c) A complete annual property inspection was not performed and reconciled with the detail property records.
- (d) GASB Statement No. 34 requires depreciation be calculated on all assets that exceed a minimum threshold established by the Board of County Commissioners. Depreciation was not calculated on assets that exceeded the threshold.

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, Florida

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Current Year Recommendations, *continued*

■ **Sheriff, *continued***

Need to Improve Tangible Personal Property Records, *continued*

(d) *continued*

We recommend Sheriff personnel address internal control procedures to assure property is safeguarded. We recommend personnel update the fixed asset records for additions and deletions, that all fixed assets be assigned a dollar value, and that a physical inventory of all assets be taken annually by an individual not otherwise responsible for custody. We also recommend Sheriff personnel calculate depreciation annually on applicable assets in accordance with GASB Statement No. 34 requirements.

Need to Update Leave Records Timely

Annual, sick, and compensatory leave records were not accurately updated. Records were not complete with total leave available for each employee. Failure to accurately post leave records could result in employees receiving incorrect absence time than allowable or incorrect compensation upon termination. We recommend leave records be updated timely and employees provided their leave balances at least annually.

Annual Budget Needs to Include All Sources and Uses of Funds

Loan proceeds received and expended by the Gulf County Sheriff were not included in the Sheriff's annual budget. We recommend budgets be adopted for all funds in accordance with Section 129, Florida Statutes.

The above recommendations relate to conditions observed during the year ended September 30, 2004, when the previous Sheriff was in office.

This management letter is intended solely for the information and use of the Gulf County Board of County Commissioners, management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

April 26, 2005

J. Michael Tucker, CPA, P.A.

BOARD OF COUNTY COMMISSIONERS
GULF COUNTY, FLORIDA
CHIEF ADMINISTRATOR'S OFFICE

Donald Butler, Chief Administrator
1000 CECIL G. COSTIN SR. BLVD., ROOM 302 , PORT ST. JOE, FLORIDA 32456
PHONE (850)229-6106/639-6700 • FAX (850) 229-9252 • EMAIL: gulfcoadm@gtcom.net

June 2, 2005

William O. Monroe
Auditor General Office
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

Pursuant to Florida Statutes, this letter is in response to the financial report as determined by Gulf County Auditor, T. Michael Tucker, CPA for Fiscal Year 2003/2004 (October 1, 2003 through September 30, 2004). The following is the corrective action taken by Gulf County, Florida.

Status of Prior Year Audit Recommendations

• **Need to Monitor Commercial Lease Terms**

As noted in the prior year, the County did not have adequate control procedures in place to monitor lessee compliance with insurance requirements of a commercial lease. The County did not timely obtain information from the lessee to ensure the insurance coverage requirements were met. We recommend the County establish control procedures to timely monitor compliance with lease terms.

Response:

Gulf County has now delegated to the Risk Management department, the responsibility to ensure timely receipt of proof of insurance coverage for those leased properties.

Current Year Recommendations

- **Board of County Commissioners**

Emergency Medical Services

The EMS Department did not maintain adequate accounting records during the fiscal year to effectively control ambulance billings, receivables and collections. The EMS Department failed to print monthly aged accounts receivable reports during the year. Computerized reports supporting billings and collections were also not printed and maintained during the year. Accounts receivable was not reconciled to the general ledger during the year and EMS fees were recorded on a cash basis since reports were not available monthly. We recommend the EMS Department print and maintain various reports and ledgers to support billings, collections, and accounts receivable. We also recommend summary reports be submitted to the Board monthly for review and inclusion in the County's financial statements.

Response:

The county commission has already advertised for bids for software that will provide all of the above. It is the intent for the board to receive summary reports monthly.

Landfill Tipping Fees

The County's landfills are open only to both Gulf County residents and contractors. Currently, the County charges contractors a tipping fee but does not charge individuals for solid waste disposal. Florida Statute 403.7049 states that each County which provides solid waste collection services is encouraged to charge fees to each residential and nonresidential user of the solid waste collection service which vary based upon the volume and weight of solid waste collected from each user. Non-residents are also using the County's landfill. We recommend the County review its tipping fee policies and consider charging tipping fees to all users of the landfill.

Response:

Recommendation so noted.

The board policy is not to accept material from outside the county. If we have accepted outside county debris, it will be noted and employees will again be briefed to policy.

The county commission will be alerted to the encouragement of the FS.

Insurance Coverage

We noted the following matters relating to insurance

1. Currently the County does not have any major medical coverage for inmates housed in the County jail. Without proper insurance coverage, the County could be exposed to potential liabilities if any inmate required extensive medical care.

We recommend the County review this issue and determine the feasibility of coverage.

2. The County's policy is not to insure for property damage any equipment unless required in financing agreements. Without adequate property insurance coverage, the County will sustain a loss if an asset is damaged, stolen, etc. We recommend the County review its policy on insurance coverage of equipment and consider the economic value, useful life, and replacement cost of expensive equipment.
3. The County does not have a policy on personal use of County vehicles, as employee are not permitted to drive them home, with the exception of law enforcement and emergency personnel. Some employees are driving County vehicles home. It is unclear whether insurance coverage extends to personal use of County vehicles. We recommend the County review this issue and ascertain adequacy of insurance coverage if employees are allowed to continue to use County vehicles for personal use. In addition, the County should include any personal use of the County vehicle as additional compensation in the employees Form W-2 at year-end.

Response:

Recommendation so noted.

The county will review the insurance coverage and make a determination to acquire or not to acquire.

The county will review its policy on insurance coverage for equipment.

The county will review its insurance coverage on vehicles driven home by employees.



**Donald Butler
County Administrator
Gulf County, Florida**