

**GULF COUNTY, FLORIDA**  
**Financial Statements**  
**September 30, 2003**  
**(With Independent Auditors' Reports)**

FILED FOR THE CLERK OF  
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GULF COUNTY, FLORIDA  
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**BLOUNTSTOWN, FLORIDA**  
**32424**

**GULF COUNTY, FLORIDA  
FINANCIAL STATEMENTS  
September 30, 2003**

**(With Independent Auditors' Reports)**

**BOARD OF COUNTY COMMISSIONERS**

**Carmen L. McLemore - District 1**

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**Carl W. Fox - District 3**

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**Shirley J. Jenkins**

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**Kesley Colbert**

**SUPERVISOR OF ELECTIONS**

**Linda Griffin**

**COUNTY ATTORNEY**

**Timothy J. McFarland**

**AUDITOR**

**T. Michael Tucker, C.P.A.**

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**GULF COUNTY, FLORIDA**  
**Financial Statements**  
**(With Independent Auditors' Reports)**  
**September 30, 2003**

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**GULF COUNTY, FLORIDA**  
**Financial Statements**  
**(With Independent Auditors' Reports)**  
**September 30, 2003**

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**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, 2003, 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated, June 10, 2004, on our consideration of Gulf County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**INDEPENDENT AUDITORS' REPORT, *continued***

As discussed in note 16 to the financial statements, Gulf County, Florida adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of October 1, 2002. This results in a change in the format and content of the financial statements.

Management's discussion and analysis on pages 3 through 14, is not a required part of the 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion 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 the U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and the combining nonmajor fund financial statements and schedules listed in the table of contents are presented for 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 presented in all material respects in relation to the basic financial statements taken as a whole.

June 10, 2004

*J. Michael Zucker, CPA, P. A.*

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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 found on pages \_\_\_\_.

### HIGHLIGHTS

- The County's total governmental net assets increased 7.3% or \$776,146 from September 30, 2002, to September 30, 2003. This was primarily attributable to the recording of infrastructure assets beginning in the 2002-03 fiscal year. The County's total business-type activities remained relatively constant with a slight decrease of \$42,343 (or -1.45%) for the same time period.
- During the current year, the County's General Fund expenditures exceeded revenues by \$3,416,740. This may be compared to last year's results in which the County's General Fund expenditures exceeded revenues by \$3,051,816. This is due in part to operating transfers that are made each year from the Fines and Forfeitures Funds to fund the Law Enforcement and Detention and Corrections annual budget.
- The County's capital assets that are being depreciated increased by \$3 million which represents an increase of 16% for the year.
- On September 30, 2003, the Board issued \$2 million in Capital Improvement Refunding Revenue Bonds Series 2003 to be repaid from ½ ¢ sales tax and County revenue sharing funds. These serial bonds mature on October 1, 2007. These funds were used to consolidate outstanding loans and purchase new equipment.
- In November 2002, the County began construction of a new Emergency Operations Center with construction and architectural design contracts totaling approximately \$904,000. This project was completed in May 2004.
- 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.
- Although the St. Joe Development of Regional Impact (DRI) process ended in 03/04, it formally started in 02/03. Multiple public hearings and much discussion by the planning board and county commission occurred in 02/03 concerning the DRI process. Although maybe not so notable in 02/03, change was in the making that eventually would change Gulf County forever.
- Gulf County was noted as having the number one beach in the nation during 02/03. This particular stretch of beach is located on St Joseph Peninsula which received approximately 200,000 visitors during the year. The county was obligated to provide clean beaches, ample public access and a thriving private sector provided lodging.
- Gulf County supported an economic development project in the Beacon Hill Community by acquiring grants for roadways, water and sewer for a retirement community. In addition to the creation of 25 jobs, infrastructure was provided to an area that otherwise did not have it and the retirement community was a needed attribute to the community.
- A stormwater project was completed in the Highland View community during the 02/03 fiscal year. This project paid for by CDBG funds and local in-kind services fixed a much needed problem and is now much more aesthetically pleasing than before the project. A drastic change in the drainage system now makes the community less vulnerable to long duration rain storms as well as storm event flooding.
- Gulf County acquired property for a community park (14 acres) for the Highland View community during the 02/03 fiscal year. The entire acreage was cleared and prepared for development in future phases. This resulted in the only park for one of the county's oldest communities.

# **Gulf Board of County Commissioners**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Gulf County completed Phase I of the Gaskin Park in 02/03. A wider boat ramp increased parking area and state of the art floating dock makes the park much more user friendly. Additional phases are planned.
- Gulf County adopted a habitat conservation plan during 02/03. For the first time, a definite plan is in place that requires the county, state and federal government to do certain things that will ultimately protect certain endangered species. Negotiations allowed the continued vehicular use of Eglin AFB beaches during day light hours of the turtle nesting season and 24 hour per day vehicular use of the beaches east of Eglin beaches during turtle nesting season. Further approval of the HCP and Incidental Take Permit by the USF&WS is anticipated within the following year.
- During the 02/03 fiscal year, the Gulf County Board of County Commissioners approved 28 new subdivisions. This is a trend that started two years ago and is a noted departure from the early to mid 1990's when the county had no new subdivisions to consider. Along the same line, the building department continued the past couple of year's trend by selling an unprecedented amount of building permits. A noted change from the not to distant past, the number of house permits exceed the number of mobile home permits.

# Gulf Board of County Commissioners

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW OF THE FINANCIAL STATEMENTS

In light of the fact that this is a very different presentation of the County's previous general-purpose financial statements, the following overview is presented to help the reader understand this new format. 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 which includes management's discussion and analysis.

### 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, for the first time, 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 2003 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

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types.

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

This section is used to present condensed financial information from the government-wide statements that compares the current year to the prior year. However, in the first year of implementation of GASB Statement 34, comparative data is not available and will not be presented. In subsequent years, this comparison will be provided.

#### 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 \$13.5 million at the close of the fiscal year ended September 30, 2003.

	Governmental Activities	Business-type Activities	Total
<i>Total Assets are comprised of the following elements:</i>			
Current and Other Assets	\$ 10,231,111.00	\$ 148,410.00	\$ 10,379,521.00
Capital Assets, Net	14,316,069.00	3,391,528.00	17,707,597.00
Deferred Charges and Other Restricted Assets		78,489.00	78,489.00
Total Assets	<u>\$ 24,547,180.00</u>	<u>\$ 3,618,427.00</u>	<u>\$ 28,165,607.00</u>
 <i>Total Liabilities are comprised of the following elements:</i>			
Current and Other Liabilities	\$ 3,385,619.00	\$ 192,985.00	\$ 3,578,604.00
Long-term Liabilities	10,540,264.00	553,135.00	11,093,399.00
Total Liabilities	<u>\$ 13,925,883.00</u>	<u>\$ 746,120.00</u>	<u>\$ 14,672,003.00</u>
 <i>Total Net Assets are comprised of the following elements:</i>			
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 4,660,202.00	\$ 2,804,784.00	\$ 7,464,986.00
Restricted	2,375,591.00	56,800.00	2,432,391.00
Unrestricted	3,585,504.00	10,723.00	3,596,227.00
Total Net Assets	<u>\$ 10,621,297.00</u>	<u>\$ 2,872,307.00</u>	<u>\$ 13,493,604.00</u>

# Gulf Board of County Commissioners

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### STATEMENT OF ACTIVITIES

*The following schedule summarizes revenues and expenses for the current year:*

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Program Revenues			
Charges for Services	\$ 1,741,700.00	\$ 158,689.00	\$ 1,900,389.00
Operating Grants and Contributions	356,251.00		356,251.00
Capital Grants and Contributions	3,898,658.00	4,500.00	3,903,158.00
General Revenues:			
Property Taxes	7,344,512.00		7,344,512.00
Local Option Taxes	642,646.00		642,646.00
Other Taxes	1,957,862.00		1,957,862.00
Investment Earnings	161,007.00	2,685.00	163,692.00
Other	535,241.00	10,000.00	545,241.00
<i>Total Revenues</i>	<u>16,637,877.00</u>	<u>175,874.00</u>	<u>16,813,751.00</u>
<b>EXPENSES</b>			
Program Activities			
General Government	\$ 3,866,299.00		\$ 3,866,299.00
Public Safety	4,495,191.00		4,495,191.00
Physical Environment	1,423,986.00		1,423,986.00
Transportation	3,196,824.00		3,196,824.00
Economic Environment	867,263.00		867,263.00
Human Services	553,902.00		553,902.00
Culture and Recreation	333,065.00		333,065.00
Court Related	562,640.00		562,640.00
Interest and Other Charges	562,561.00		562,561.00
Business-Type Activities		218,217.00	218,217.00
<i>Total Expense</i>	<u>15,861,731.00</u>	<u>218,217.00</u>	<u>16,079,948.00</u>
NET INCREASE (DECREASE)	776,146.00	(42,343.00)	733,803.00
Net Assets - Beginning	<u>9,845,151.00</u>	<u>2,914,650.00</u>	<u>12,759,801.00</u>
Net Assets - Ending	<u>\$ 10,621,297.00</u>	<u>\$ 2,872,307.00</u>	<u>\$ 13,493,604.00</u>

# 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.

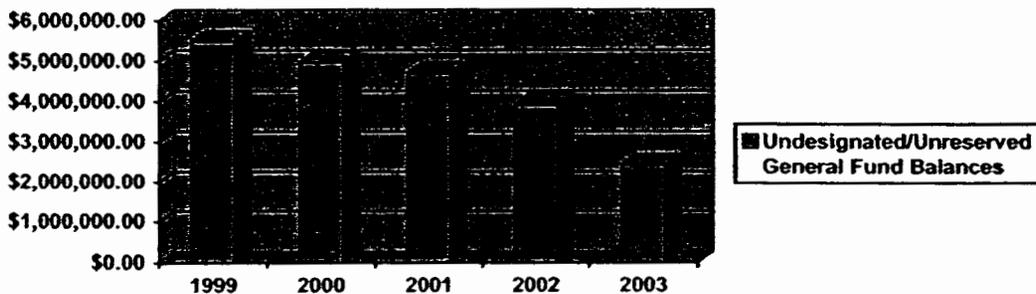
#### Governmental Funds

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 fiscal year.

Total Fund Balance	\$	7,624,977.00
Less Reserved Fund Balance For:		
Debt Service		2,329,100.00
Landfill Escrow		172,046.00
Capital Projects		501,149.00
Other Purposes		228,990.00
 Less Designated Fund Balance		 226,694.00
<hr style="width: 20%; margin: 0 auto;"/>		
Unreserved Fund Balance	\$	<u>4,166,998.00</u>

As of the end of fiscal year 2003, the County's governmental funds reported combined ending fund balances of \$7.625 million. Of this amount, *unreserved fund balance* is \$4.167 million 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.

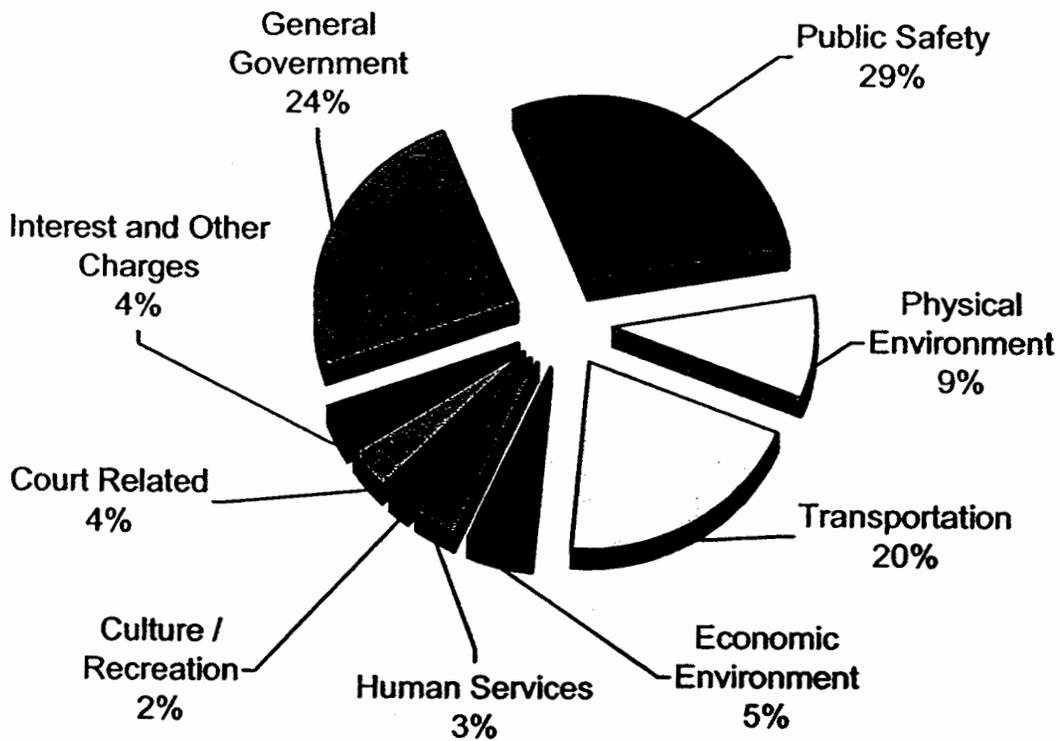


# Gulf Board of County Commissioners

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Governmental Funds Expenditures by Functions**

The following graph depicts the County's total governmental funds expenditures by function for the fiscal year ending September 30, 2003.



# **Gulf Board of County Commissioners**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **MAJOR FUNDS**

#### **Governmental Funds**

The General, Fines and Forfeitures, Community Development Block Grants, Affordable Housing, and Gulf County 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 Community Development Block Grants Fund accumulates and reports information related to grants received to construct infrastructure in promotion of economic development.
- The Affordable Housing Fund is the fund that accounts for the activity in the County's State Housing Initiative Partnership Program (SHIP).
- 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 and Beaches Water System 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

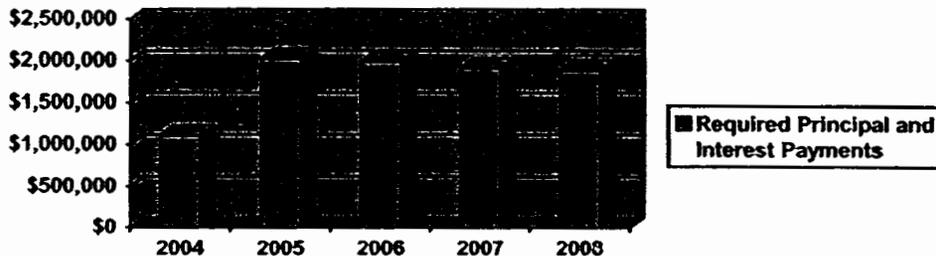
The following budget variances occurred in the major funds during the 2003 fiscal year.

- Tax revenue of the General Fund shows an unfavorable budget variance of \$177,405 because the 5% reserve for ad valorem taxes is shown as a separate line item under budget contingencies.
- The General Fund Intergovernmental revenues experienced a shortfall of \$772,767 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 \$3.72 million with actual expenditures being only \$3.58 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 \$687,360 in the original budget as adopted by the Board; however, the actual expenditures were only \$478,732, due to Article V monies which have not been spent.
- The Community Development Block Grant's original budget was expected to receive \$884,211 in intergovernmental revenues; however, the County only received \$615,646 due to grant activities.

It should be noted that all of these budget variances are considered normal activities of the Board.

### CAPITAL ASSETS AND LONG-TERM DEBT

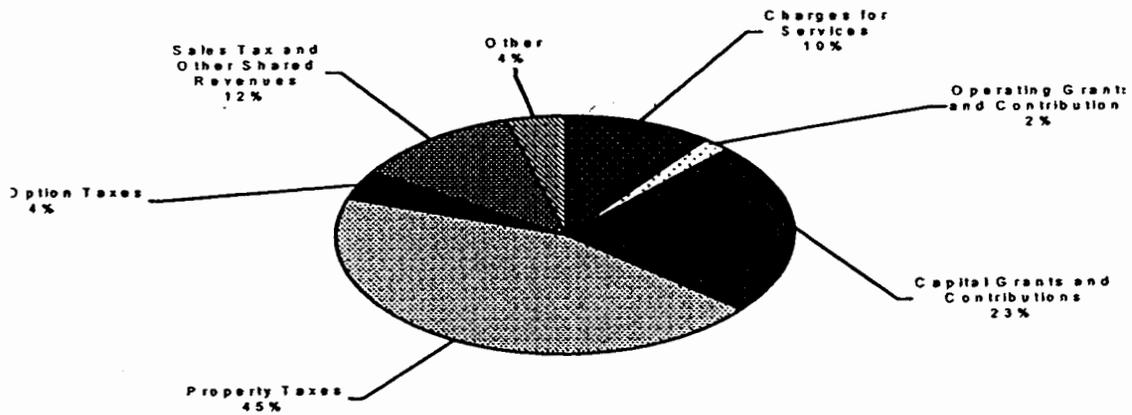
- On September 30, 2003, the Board issued \$2 million in Capital Improvement Refunding Revenue Bonds Series 2003 to be repaid from ½ ¢ sales tax and County revenue sharing funds. These serial bonds are scheduled to mature by October 2007. These funds were used to consolidate outstanding loans and purchase new equipment.
- During 2003, the County expended approximately \$2.2 million on major paving projects throughout Gulf County. These projects were completed prior to September 30, 2003.
- During the 2003 fiscal year, the County began construction of a new Emergency Operations Center Building with construction and architectural contracts totaling approximately \$904,000.
- **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, 2003.



# Gulf Board of County Commissioners

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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



# Gulf Board of County Commissioners

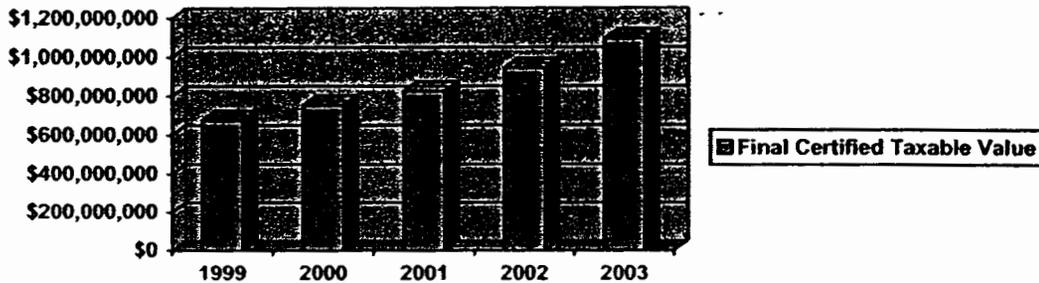
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### SIGNIFICANT ECONOMIC FACTORS

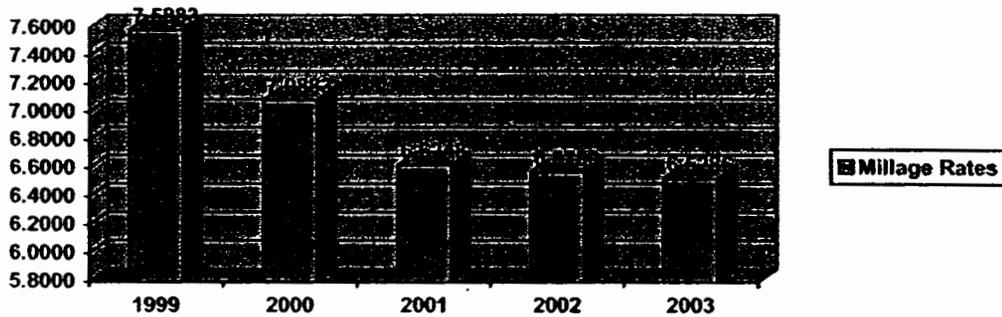
#### TAXABLE VALUE OF PROPERTY AND MILLAGE RATES

The County receives approximately \$7.344 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:

Douglas C. Birmingham, Clerk of Circuit Courts of Gulf County  
1000 Cecil G. Costin, Sr. Blvd., Room 148  
Port St. Joe, FL 32456

## **BASIC FINANCIAL STATEMENTS**

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**GULF COUNTY, FLORIDA**  
**Statement of Net Assets**  
**September 30, 2003**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
<b>Current assets</b>			
Cash and investments	\$ 8,458,059	115,695	8,573,754
Receivables (net):			
Accounts	159,880	0	159,880
Notes and lease receivable	370,006	0	370,006
Due from other funds	56,642	0	56,642
Due from other governments	1,186,524	32,715	1,219,239
<b>Total current assets</b>	<u>10,231,111</u>	<u>148,410</u>	<u>10,379,521</u>
<b>Noncurrent assets</b>			
Restricted cash and investments	0	56,800	56,800
Deferred charges	0	21,689	21,689
Capital assets:			
Land	2,509,729	6,350	2,516,079
Buildings, improvements, and utility systems	8,475,535	4,076,246	12,551,781
Machinery and equipment	10,136,432	0	10,136,432
Infrastructure	685,804	0	685,804
Construction in progress	1,519,084	580,000	2,099,084
Less allowance for depreciation	(9,066,315)	(1,271,068)	(10,337,383)
Unamortized bond issue costs	55,800	0	55,800
<b>Total noncurrent assets</b>	<u>14,316,069</u>	<u>3,470,017</u>	<u>17,786,086</u>
<b>Total assets</b>	<u>\$ 24,547,180</u>	<u>3,618,427</u>	<u>28,165,607</u>

**GULF COUNTY, FLORIDA**  
**Statement of Net Assets, (continued)**  
**September 30, 2003**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 1,253,153	7,036	1,260,189
Deferred revenue	1,182,449	158,840	1,341,289
Installment contracts and notes payable	260,148	0	260,148
Bonds payable	490,000	27,109	517,109
Accrued compensated absences	199,869	0	199,869
<b>Total current liabilities</b>	<b>3,385,619</b>	<b>192,985</b>	<b>3,578,604</b>
<b>Noncurrent liabilities</b>			
Accrued compensated absences	405,796	0	405,796
Installment contracts and notes payable	368,086	0	368,086
Bonds payable	9,038,782	553,135	9,591,917
Long-term landfill closure liability	727,600	0	727,600
<b>Total noncurrent liabilities</b>	<b>10,540,264</b>	<b>553,135</b>	<b>11,093,399</b>
<b>Total liabilities</b>	<b>13,925,883</b>	<b>746,120</b>	<b>14,672,003</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,660,202	2,804,784	7,464,986
Restricted for:			
Debt service	2,146,601	56,800	2,203,401
Other purposes	228,990	0	228,990
Unrestricted	3,585,504	10,723	3,596,227
<b>Total net assets</b>	<b>\$ 10,621,297</b>	<b>2,872,307</b>	<b>13,493,604</b>

**GULF COUNTY, FLORIDA**  
**Statement of Activities**  
**Year Ended September 30, 2003**

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
<b>Governmental activities</b>							
General government	\$ 3,866,299	477,249	90,830	0	(3,298,220)	0	(3,298,220)
Public safety	4,495,191	838,246	63,808	284,723	(3,308,414)	0	(3,308,414)
Physical environment	1,423,986	98,147	161,995	0	(1,163,844)	0	(1,163,844)
Transportation	3,196,824	0	0	1,397,600	(1,799,224)	0	(1,799,224)
Economic environment	867,263	0	0	2,071,697	1,204,434	0	1,204,434
Human services	553,902	75	39,618	0	(514,209)	0	(514,209)
Culture and recreation	333,065	0	0	144,638	(188,427)	0	(188,427)
Court related	562,640	327,983	0	0	(234,657)	0	(234,657)
Interest and other charges	562,561	0	0	0	(562,561)	0	(562,561)
<b>Total governmental activities</b>	<b>15,861,731</b>	<b>1,741,700</b>	<b>356,251</b>	<b>3,898,658</b>	<b>(9,865,122)</b>	<b>0</b>	<b>(9,865,122)</b>
<b>Business-type activities</b>							
Water	218,217	158,689	0	4,500	0	(55,028)	(55,028)
<b>Total primary government</b>	<b>\$ 16,079,948</b>	<b>1,900,389</b>	<b>356,251</b>	<b>3,903,158</b>	<b>(9,865,122)</b>	<b>(55,028)</b>	<b>(9,920,150)</b>
<b>General revenues</b>							
Taxes:							
Property taxes					7,344,512	0	7,344,512
Local option taxes					642,646	0	642,646
Sales tax and other shared revenues					1,957,862	0	1,957,862
Investment earnings					161,007	2,685	163,692
Miscellaneous					507,188	0	507,188
Sale of scrap/miscellaneous contributions					38,053	0	38,053
Transfers					(10,000)	10,000	0
<b>Total general revenues and transfers</b>					<b>10,641,268</b>	<b>12,685</b>	<b>10,653,953</b>
<b>Change in net assets</b>					<b>776,146</b>	<b>(42,343)</b>	<b>733,803</b>
<b>Net assets, beginning</b>					<b>9,845,151</b>	<b>2,914,650</b>	<b>12,759,801</b>
<b>Net assets, ending</b>					<b>\$ 10,621,297</b>	<b>2,872,307</b>	<b>13,493,604</b>

See accompanying notes to financial statements.

**GULF COUNTY, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2003**

	<u>General Funds</u>	<u>Fines and Forfeitures</u>	<u>Community Development Block Grants</u>	<u>Affordable Housing</u>	<u>Debt Service Public Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Cash and cash investments	\$ 3,562,613	250,281		423,906	2,008,991	2,212,268	8,458,059
Due from other funds	339,697	13,765			30,349	61,864	445,675
Due from other governmental units	438,458	1,890	506,837		146,950	92,389	1,186,524
Accounts receivable	141,646					18,234	159,880
Notes receivable				76,516			76,516
Lease receivable						293,490	293,490
<b>Total assets</b>	<u>\$ 4,482,414</u>	<u>265,936</u>	<u>506,837</u>	<u>500,422</u>	<u>2,186,290</u>	<u>2,678,245</u>	<u>10,620,144</u>
<b>Liabilities</b>							
Vouchers payable	586,695	931	217,481	858		247,714	1,053,679
Due to other funds	30,349		289,356		57,190	12,138	389,033
Deferred revenue	831,715			426,462		294,278	1,552,455
<b>Total liabilities</b>	<u>1,448,759</u>	<u>931</u>	<u>506,837</u>	<u>427,320</u>	<u>57,190</u>	<u>554,130</u>	<u>2,995,167</u>
<b>Fund equity</b>							
Fund balances:							
Reserved for debt service					2,129,100	200,000	2,329,100
Reserved for landfill escrow	172,046						172,046
Reserved for capital projects						501,149	501,149
Reserved for other purposes	228,990						228,990
Unreserved:							
Undesignated	2,435,364	235,566		73,102		1,422,966	4,166,998
Designated	197,255	29,439					226,694
<b>Total fund equity</b>	<u>3,033,655</u>	<u>265,005</u>	<u>0</u>	<u>73,102</u>	<u>2,129,100</u>	<u>2,124,115</u>	<u>7,624,977</u>
<b>Total liabilities and fund equity</b>	<u>\$ 4,482,414</u>	<u>265,936</u>	<u>506,837</u>	<u>500,422</u>	<u>2,186,290</u>	<u>2,678,245</u>	
<b>Amounts reported for governmental activities in the statement of net assets are different because</b>							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							14,260,269
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.							(11,490,281)
Accrued interest payable is not due in the current period and, therefore, is not reported in the funds.							(199,474)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.							425,806
<b>Net assets of governmental activities</b>							<u>\$ 10,621,297</u>

See accompanying notes to financial statements.

**GULF COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2003**

	General Funds	Fines and Forfeitures	Community Development Block Grants	Affordable Housing	Debt Service Public Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 5,106,995	1,831,874	0	0	326,907	716,402	7,982,178
Licenses and permits	356,238	0	0	0	0	6,356	362,594
Intergovernmental	3,585,840	0	615,646	385,323	556,725	1,074,217	6,217,751
Fines and forfeitures	18,432	14,472	0	0	0	19,587	52,491
Charges for services	1,035,128	225,762	0	0	0	65,725	1,326,615
Investment earnings and other	274,947	0	0	53,547	22,106	69,768	420,368
<b>Total revenues</b>	<u>10,377,580</u>	<u>2,072,108</u>	<u>615,646</u>	<u>438,870</u>	<u>905,738</u>	<u>1,952,035</u>	<u>16,361,997</u>
<b>Expenditures</b>							
Current operating:							
General government	3,686,677	0	0	0	0	0	3,686,677
Public health and safety	3,580,252	0	0	0	0	231,388	3,811,640
Physical environment	1,172,773	0	0	0	0	0	1,172,773
Transportation	1,396,374	0	0	0	0	1,564,078	2,960,452
Economic environment	130,807	0	0	521,227	0	195,920	847,954
Human services	421,796	0	0	0	0	40,208	462,004
Culture/recreation	292,642	0	0	0	0	0	292,642
Court related	478,732	54,357	0	0	0	29,551	562,640
Capital outlay	2,116,335	0	615,646	0	0	771,900	3,503,881
Debt service	517,932	0	0	0	831,798	1,154,051	2,503,781
<b>Total expenditures</b>	<u>13,794,320</u>	<u>54,357</u>	<u>615,646</u>	<u>521,227</u>	<u>831,798</u>	<u>3,987,096</u>	<u>19,804,444</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(3,416,740)</u>	<u>2,017,751</u>	<u>0</u>	<u>(82,357)</u>	<u>73,940</u>	<u>(2,035,041)</u>	<u>(3,442,447)</u>
<b>Other financing sources (uses)</b>							
Bonds issued	0	0	0	0	0	2,000,000	2,000,000
Bonds issue cost	0	0	0	0	0	(55,800)	(55,800)
Operating transfers in	2,061,757	0	0	0	0	10,000	2,071,757
Operating transfers out	(20,000)	(2,061,757)	0	0	0	0	(2,081,757)
Lease of Industrial Park	0	0	0	0	0	13,241	13,241
Loan proceeds	190,384	0	0	0	0	0	190,384
<b>Total other financing sources (uses)</b>	<u>2,232,141</u>	<u>(2,061,757)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,967,441</u>	<u>2,137,825</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>(1,184,599)</u>	<u>(44,006)</u>	<u>0</u>	<u>(82,357)</u>	<u>73,940</u>	<u>(67,600)</u>	<u>(1,304,622)</u>
<b>Fund balances, beginning of year</b>	4,218,254	309,011	0	155,459	2,055,160	2,191,715	8,929,599
<b>Fund balances, end of year</b>	<u>\$ 3,033,655</u>	<u>265,005</u>	<u>0</u>	<u>73,102</u>	<u>2,129,100</u>	<u>2,124,115</u>	<u>7,624,977</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, 2003**

Differences in amounts reported for governmental activities in the statement of activities on page 17

Net change in fund balances - total governmental funds	\$	(1,304,622)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.		3,503,881
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(1,439,731)
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.		1,905,248
The issuance of long-term debt (bonds and installment notes) provides current financial resources to governmental funds, while it has no effect on the statement of activities.		(2,190,384)
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.		(26,685)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(23,788)
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.		296,427
Bonds issued have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		<u>55,800</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>776,146</u></b>

**GULF COUNTY, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2003**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Business-type Funds</b>
	<b>Highland View Water System</b>	<b>Beaches Water System</b>	<b>Other Nonmajor Business-type Funds</b>	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash investments	\$ 11,337	17,290	87,068	115,695
Due from other funds	0	158,840	0	158,840
Due from other governmental units	8,411	18,397	5,907	32,715
<b>Total current assets</b>	<u>19,748</u>	<u>194,527</u>	<u>92,975</u>	<u>307,250</u>
<b>Noncurrent assets</b>				
Restricted cash and investments	0	33,784	23,016	56,800
Deferred charges	0	21,689	0	21,689
Capital assets:				
Land	2,620	2,993	737	6,350
Buildings and utility systems	1,160,411	1,368,897	1,546,938	4,076,246
Construction in progress	0	580,000	0	580,000
Less allowance for depreciation	(223,079)	(570,272)	(477,717)	(1,271,068)
<b>Total noncurrent assets</b>	<u>939,952</u>	<u>1,437,091</u>	<u>1,092,974</u>	<u>3,470,017</u>
<b>Total assets</b>	<u>\$ 959,700</u>	<u>1,631,618</u>	<u>1,185,949</u>	<u>3,777,267</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	523	5,750	763	7,036
Due to other funds	158,840	0	0	158,840
Deferred revenue	0	158,840	0	158,840
Bonds payable	0	24,109	3,000	27,109
<b>Total current liabilities</b>	<u>159,363</u>	<u>188,699</u>	<u>3,763</u>	<u>351,825</u>
<b>Noncurrent liabilities</b>				
Bonds payable	0	375,135	178,000	553,135
<b>Total liabilities</b>	<u>159,363</u>	<u>563,834</u>	<u>181,763</u>	<u>904,960</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	939,952	976,624	888,208	2,804,784
Restricted for:				
Debt service	0	33,784	23,016	56,800
Unrestricted	(139,615)	57,376	92,962	10,723
<b>Total net assets</b>	<u>\$ 800,337</u>	<u>1,067,784</u>	<u>1,004,186</u>	<u>2,872,307</u>

**GULF COUNTY, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended September 30, 2003**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Business-type Funds</u>
	<u>Highland View Water System</u>	<u>Beaches Water System</u>	<u>Other Nonmajor Business-type Funds</u>	
<b>Operating revenue</b>				
Charges for services	\$ 33,975	93,825	30,889	158,689
<b>Operating expenses</b>				
Personal services	2,955	5,291	1,948	10,194
Purchase of water	8,486	22,238	6,051	36,775
Contractual services	0	3,441	3,929	7,370
Other operating expenses	16,970	12,279	7,709	36,958
Depreciation	21,354	35,212	38,739	95,305
<b>Total operating expenses</b>	<u>49,765</u>	<u>78,461</u>	<u>58,376</u>	<u>186,602</u>
<b>Operating income (loss)</b>	<u>(15,790)</u>	<u>15,364</u>	<u>(27,487)</u>	<u>(27,913)</u>
<b>Nonoperating revenues (expense)</b>				
Interest income	424	1,104	1,157	2,685
Interest expense	0	(23,335)	(8,280)	(31,615)
<b>Total nonoperating revenue (expense)</b>	<u>424</u>	<u>(22,231)</u>	<u>(7,123)</u>	<u>(28,930)</u>
<b>Income (loss) before transfers and contributions</b>	<u>(15,366)</u>	<u>(6,867)</u>	<u>(34,610)</u>	<u>(56,843)</u>
<b>Capital contributions</b>	0	4,500	0	4,500
<b>Transfers in</b>	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>
<b>Change in net assets</b>	<u>(5,366)</u>	<u>(2,367)</u>	<u>(34,610)</u>	<u>(42,343)</u>
<b>Total net assets, beginning</b>	<u>805,703</u>	<u>1,070,151</u>	<u>1,038,796</u>	<u>2,914,650</u>
<b>Total net assets, ending</b>	<u>\$ 800,337</u>	<u>1,067,784</u>	<u>1,004,186</u>	<u>2,872,307</u>

**GULF COUNTY, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2003**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Business-type Funds</b>
	<b>Highland View Water System</b>	<b>Beaches Water System</b>	<b>Other Nonmajor Business-type Funds</b>	
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 28,277	79,461	27,385	135,123
Payments to suppliers	(26,029)	(42,254)	(17,460)	(85,743)
Payments to employees	(2,955)	(5,291)	(1,948)	(10,194)
Other payments	(9,885)	(30,442)	(9,425)	(49,752)
<b>Net cash provided by (used in) operating activities</b>	<u>(10,592)</u>	<u>1,474</u>	<u>(1,448)</u>	<u>(10,566)</u>
<b>Cash flows from noncapital financing activities</b>				
Contributions	0	4,500	0	4,500
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(37,201)	(4,500)	0	(41,701)
Repayment of revenue bonds	0	(18,930)	(3,000)	(21,930)
Interest paid on long-term debt	0	(21,564)	(8,280)	(29,844)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(37,201)</u>	<u>(44,994)</u>	<u>(11,280)</u>	<u>(93,475)</u>
<b>Cash flows from investing activities</b>				
Interest earned	424	1,104	1,157	2,685
<b>Increase (decrease) in cash and cash equivalents</b>	(47,369)	(37,916)	(11,571)	(96,856)
<b>Cash and cash equivalents, beginning of year</b>	58,706	88,990	121,655	269,351
<b>Cash and cash equivalents, end of year</b>	<u>\$ 11,337</u>	<u>51,074</u>	<u>110,084</u>	<u>172,495</u>
<b>Displayed as:</b>				
Cash and cash investments	11,337	17,290	87,068	115,695
Restricted assets	0	33,784	23,016	56,800
	<u>\$ 11,337</u>	<u>51,074</u>	<u>110,084</u>	<u>172,495</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:</b>				
Operating income (loss)	(15,790)	15,364	(27,487)	(27,913)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	21,354	35,212	38,739	95,305
Changes in assets and liabilities:				
Receivables, net	4,239	7,418	4,452	16,109
Accounts and other payables	(2,099)	(7,681)	(1,820)	(11,600)
Due from other governmental units	(8,411)	(18,397)	(5,907)	(32,715)
Customer deposits	(9,885)	(30,442)	(9,425)	(49,752)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (10,592)</u>	<u>1,474</u>	<u>(1,448)</u>	<u>(10,566)</u>

**GULF COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,284,400	5,284,400	5,106,995	(177,405)
Licenses and permits	343,200	343,200	356,238	13,038
Intergovernmental	1,304,296	4,358,607	3,585,840	(772,767)
Charges for services	1,034,502	1,047,787	1,035,128	(12,659)
Fines and forfeitures	5,000	5,000	18,432	13,432
Miscellaneous revenues	349,344	415,422	274,947	(140,475)
Less 5% of estimated revenues	(382,584)	(382,584)	0	382,584
<b>Total revenues</b>	<u>7,938,158</u>	<u>11,071,832</u>	<u>10,377,580</u>	<u>(694,252)</u>
<b>Expenditures</b>				
Current operating:				
General government	3,606,322	3,753,853	3,686,677	67,176
Public health and safety	3,723,991	3,807,464	3,580,252	227,212
Physical environment	1,136,856	1,146,673	1,172,773	(26,100)
Transportation	0	75,000	1,396,374	(1,321,374)
Economic environment	105,993	137,993	130,807	7,186
Human services	501,238	521,238	421,796	99,442
Culture and recreation	301,209	346,494	292,642	53,852
Court related	687,360	687,360	478,732	208,628
Capital outlay	1,456,197	4,514,859	2,116,335	2,398,524
Debt service	412,156	412,156	517,932	(105,776)
Reserve for contingencies	657,260	369,400	0	369,400
<b>Total expenditures</b>	<u>12,588,582</u>	<u>15,772,490</u>	<u>13,794,320</u>	<u>1,978,170</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(4,650,424)</u>	<u>(4,700,658)</u>	<u>(3,416,740)</u>	<u>1,283,918</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	2,059,788	2,058,476	2,061,757	3,281
Loan proceeds	0	51,546	190,384	138,838
Operating transfers out	0	0	(20,000)	(20,000)
<b>Total other financing sources (uses)</b>	<u>2,059,788</u>	<u>2,110,022</u>	<u>2,232,141</u>	<u>122,119</u>
<b>Net change in fund balance</b>	<u>(2,590,636)</u>	<u>(2,590,636)</u>	<u>(1,184,599)</u>	<u>1,406,037</u>
<b>Fund balance, beginning of year</b>	<u>2,590,636</u>	<u>2,590,636</u>	<u>4,218,254</u>	<u>1,627,618</u>
<b>Fund balance, end of year</b>	<u>\$ 0</u>	<u>0</u>	<u>3,033,655</u>	<u>3,033,655</u>

**GULF COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Fines and Forfeitures**  
**Budget and Actual**  
**Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,898,740	1,898,740	1,831,874	(66,866)
Charges for services	221,897	221,897	225,762	3,865
Fines and forfeitures	10,855	10,855	14,472	3,617
Less 5% of estimated revenues	(106,575)	(106,575)	0	106,575
<b>Total revenues</b>	<u>2,024,917</u>	<u>2,024,917</u>	<u>2,072,108</u>	<u>47,191</u>
<b>Expenditures</b>				
Current operating:				
Public safety	17,279	17,279	0	17,279
Court related	69,206	69,206	54,357	14,849
Reserve for contingencies	7,381	7,381	0	7,381
<b>Total expenditures</b>	<u>93,866</u>	<u>93,866</u>	<u>54,357</u>	<u>39,509</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,931,051</u>	<u>1,931,051</u>	<u>2,017,751</u>	<u>86,700</u>
<b>Other financing sources (uses)</b>				
Operating transfers out	<u>(2,054,377)</u>	<u>(2,054,377)</u>	<u>(2,061,757)</u>	<u>(7,380)</u>
<b>Net change in fund balance</b>	(123,326)	(123,326)	(44,006)	79,320
<b>Fund balance, beginning of year</b>	<u>123,326</u>	<u>123,326</u>	<u>309,011</u>	<u>185,685</u>
<b>Fund balance, end of year</b>	<u>\$ 0</u>	<u>0</u>	<u>265,005</u>	<u>265,005</u>

**GULF COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Community Development Block Grants**  
**Budget and Actual**  
**Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 884,211	884,211	615,646	(268,565)
Less 5% of estimated revenues	(44,211)	(44,211)	0	44,211
<b>Total revenues</b>	<u>840,000</u>	<u>840,000</u>	<u>615,646</u>	<u>(224,354)</u>
<b>Expenditures</b>				
Current operating:				
Physical environment	33,600	33,600	0	33,600
Economic environment	84,000	84,000	0	84,000
Capital outlay	722,400	722,400	615,646	106,754
<b>Total expenditures</b>	<u>840,000</u>	<u>840,000</u>	<u>615,646</u>	<u>224,354</u>
<b>Excess of revenues over expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balance</b>	0	0	0	0
<b>Fund balance, beginning of year</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balance, end of year</b>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**GULF COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Affordable Housing**  
**Budget and Actual**  
**Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 350,000	350,000	385,323	35,323
Miscellaneous revenues	56,000	56,000	53,547	(2,453)
Less 5% of estimated revenues	(20,300)	(20,300)	0	20,300
<b>Total revenues</b>	<u>385,700</u>	<u>385,700</u>	<u>438,870</u>	<u>53,170</u>
<b>Expenditures</b>				
Current operating:				
Economic environment	587,723	587,723	521,227	66,496
Capital outlay	1,000	1,000	0	1,000
<b>Total expenditures</b>	<u>588,723</u>	<u>588,723</u>	<u>521,227</u>	<u>67,496</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(203,023)</u>	<u>(203,023)</u>	<u>(82,357)</u>	<u>120,666</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balance</b>	<u>(203,023)</u>	<u>(203,023)</u>	<u>(82,357)</u>	<u>120,666</u>
<b>Fund balance, beginning of year</b>	<u>203,023</u>	<u>203,023</u>	<u>155,459</u>	<u>(47,564)</u>
<b>Fund balance, end of year</b>	<u>\$ 0</u>	<u>0</u>	<u>73,102</u>	<u>73,102</u>

**GULF COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Debt Service Public Improvement**  
**Budget and Actual**  
**Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 347,109	347,109	326,907	(20,202)
Intergovernmental	504,606	504,606	556,725	52,119
Miscellaneous revenues	27,700	27,700	22,106	(5,594)
Less 5% of estimated revenues	(43,971)	(43,971)	0	43,971
<b>Total revenues</b>	<u>835,444</u>	<u>835,444</u>	<u>905,738</u>	<u>70,294</u>
<b>Expenditures</b>				
Debt service	<u>841,720</u>	<u>841,720</u>	<u>831,798</u>	<u>9,922</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(6,276)</u>	<u>(6,276)</u>	<u>73,940</u>	<u>80,216</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in fund balance</b>	(6,276)	(6,276)	73,940	80,216
<b>Fund balance, beginning of year</b>	<u>1,506,276</u>	<u>1,506,276</u>	<u>2,055,160</u>	<u>548,884</u>
<b>Fund balance, end of year</b>	<u>\$ 1,500,000</u>	<u>1,500,000</u>	<u>2,129,100</u>	<u>629,100</u>

**GULF COUNTY, FLORIDA**  
**Statement of Fiduciary Net Assets - Fiduciary Funds**  
**September 30, 2003**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 448,545
Due from other governmental units	<u>487</u>
<b>Total assets</b>	<u><u>\$ 449,032</u></u>
<b>Liabilities</b>	
Due to individuals	301,934
Due to other governments	90,456
Intragovernmental payables	<u>56,642</u>
<b>Total liabilities</b>	<u><u>\$ 449,032</u></u>

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**NOTES TO FINANCIAL STATEMENTS**

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**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.
- **Community Development Block Grants** - This fund accounts for grants received to construct infrastructure in promotion of economic development.
- **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 two major enterprise funds, the Highland View Water System fund and the Beaches Water System 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 principal operating revenues of the County's enterprise funds are charges to customers for water services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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***

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation, *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. Capital assets are defined by the County as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of 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***

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation, *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 has 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:

Assets	Years
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***

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation, *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 2003 millage rate assessed by the County was 6.52860 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***

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation, *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, 2003, the County's investments consisted of the following:

	<b>Carrying Amount</b>	<b>Market Value</b>
<b>State Board of Administration</b>		
Board of County Commissioners	\$ 3,399,123	3,399,123
Clerk of the Circuit Court	311,132	311,132
Tax Collector	95,206	95,206
<b>Totals</b>	<b>3,805,461</b>	<b>3,805,461</b>
<b>Florida Local Government Investment Trust</b>		
Board of County Commissioners	2,087,249	2,087,249
<b>Total County Investments</b>	<b>\$ 5,892,710</b>	<b>5,892,710</b>

**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, 2003, consist of the following:

	General Fund	Tourist Develop- ment Trust Fund	Industrial Park EDA	Affordable Housing	Other Govern- mental Funds	Total
<b>Receivables</b>						
Accounts receivable	\$ 141,646	15,765	2,360	0	109	159,880
Notes receivable	0	0	0	76,516	0	76,516
Lease receivable	0	0	293,490	0	0	293,490
<b>Total receivables</b>	<u>\$ 141,646</u>	<u>15,765</u>	<u>295,850</u>	<u>76,516</u>	<u>109</u>	<u>529,886</u>

**Note 5 - Interfund Receivables, Payables and Transfers**

Interfund balances at September 30, 2003, consisted of the following:

	Interfund Receivables	Interfund Payables
<b>General fund</b>	\$ 339,697	30,349
<b>Special revenue funds</b>		
Fines and forfeitures	13,765	0
Community development block grant	0	289,356
Nonmajor governmental funds	61,864	12,138
<b>Total special revenue funds</b>	<u>75,629</u>	<u>301,494</u>
<b>Debt service fund</b>		
Public improvement	30,349	57,190
<b>Agency funds</b>	0	56,642
<b>Total</b>	<u>\$ 445,675</u>	<u>445,675</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, 2003, consisted of the following:

	<u>Transfers in</u>	<u>Transfers out</u>
<b>General funds</b>	\$ 2,061,757	20,000
<b>Special revenue funds</b>		
Fines and forfeitures	0	2,061,757
Sheriff	10,000	0
<b>Business-type activities</b>	10,000	0
<b>Total</b>	<u>\$ 2,081,757</u>	<u>2,081,757</u>

**Note 6 - Capital Assets**

Capital asset activity for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,480,729	29,000	0	2,509,729
Capital assets being depreciated:				
Buildings and improvements	8,166,098	309,437	0	8,475,535
Machinery and equipment	9,590,841	1,324,207	(778,616)	10,136,432
Construction in progress	67,224	1,451,860	0	1,519,084
Infrastructure	0	685,804	0	685,804
Total capital assets being depreciated	<u>17,824,163</u>	<u>3,771,308</u>	<u>(778,616)</u>	<u>20,816,855</u>
Less accumulated depreciation for:				
Buildings and improvements	3,170,608	166,815	0	3,337,423
Machinery and equipment	5,234,592	1,272,916	(778,616)	5,728,892
Total accumulated depreciation	<u>8,405,200</u>	<u>1,439,731</u>	<u>(778,616)</u>	<u>9,066,315</u>
Total capital assets being depreciated, net	<u>9,418,963</u>	<u>2,331,577</u>	<u>0</u>	<u>11,750,540</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 11,899,692</u>	<u>2,360,577</u>	<u>(0)</u>	<u>14,260,269</u>

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

General government	\$ 164,250
Public safety	677,953
Physical environment	235,014
Transportation	210,883
Economic environment	19,309
Human services	91,898
Culture and recreation	40,424
<b>Total depreciation expense - governmental activities</b>	<u>\$ 1,439,731</u>

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

**Note 6 - Capital Assets, continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 6,350	0	0	6,350
Construction in progress	<u>898,577</u>	<u>4,500</u>	<u>(323,077)</u>	<u>580,000</u>
Total capital assets not being depreciated	<u>904,927</u>	<u>4,500</u>	<u>(323,077)</u>	<u>586,350</u>
Capital assets being depreciated:				
Buildings and utility systems	3,730,130	346,116	0	4,076,246
Less accumulated depreciation for:				
Buildings and utility systems	<u>(1,175,763)</u>	<u>(95,305)</u>	<u>0</u>	<u>(1,271,068)</u>
Total being depreciated, net	<u>2,554,367</u>	<u>250,811</u>	<u>0</u>	<u>2,805,178</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 3,459,294</u></b>	<b><u>255,311</u></b>	<b><u>(323,077)</u></b>	<b><u>3,391,528</u></b>

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

Water \$ 95,305

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

Long-term debt of the County at September 30, 2003, is as follows:

	<u>Original Amount</u>	<u>Balance 09/30/02</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/03</u>	<u>Due Within One Year</u>
<b>Bonds payable</b>					
<b>Board of County Commissioners</b>					
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 4,385,000 (465,000) 3,920,000 485,000					
3.1% to 4.9% Gas Tax Revenue Bonds, Series 2001; proceeds used for road construction (note 7-B) 3,680,200 3,598,403 15,379 <sup>(1)</sup> (5,000) 3,608,782 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) 2,000,000 0 2,000,000 2,000,000 0					
<b>Total bonds payable - Board of County Commissioners</b>	<b><u>\$ 12,455,200</u></b>	<b><u>7,983,403</u></b>	<b><u>1,545,379</u></b>	<b><u>9,528,782</u></b>	<b><u>490,000</u></b>

(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 09/30/02</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/03</u>	<u>Due Within One Year</u>
<b>Notes payable</b>					
<b>Board of County Commissioners</b>					
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	202,017	(62,264)	139,753	50,289
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	337,288	(96,301)	240,987	66,662
Note payable to bank payable in annual installments of \$30,207 including interest at 4.95%, secured by fire truck	130,491	54,189	(27,752)	26,437	26,437
Note payable to bank, payable in annual payments of \$6,000 plus interest at 5.45%, secured by real estate	30,000	12,000	(12,000)	0	0
Four notes payable to bank, payable in annual installments of \$33,466 including interest at 5.08% - 6.09%, secured by four pickup trucks	103,250	75,862	(75,862)	0	0
Five notes payable to bank, payable in annual installments of \$172,127 plus interest at 5.9% - 6.13%, secured by heavy equipment	707,750	488,056	(488,056)	0	0
Two notes payable to bank, payable in annual installments of \$48,006 including interest at 4.15% - 5.08%, secured by two ambulances and fire truck	129,692	110,162	(110,162)	0	0
Two notes payable to individual, payable in three annual installments of \$25,415 plus interest at 4.099% - 4.799%, proceeds used to purchase dump truck and chipper	76,245	76,245	(76,245)	0	0
Note payable to bank under \$300,000 line of credit, repayable in fifteen annual payments of \$37,483 including interest at 8.99%	300,000	231,256	(231,256)	0	0
<b>Total notes payable – Board of County Commissioners</b>	<b>\$ 2,119,861</b>	<b>1,587,075</b>	<b>(1,179,898)</b>	<b>407,177</b>	<b>143,388</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 09/30/02</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/03</u>	<u>Due Within One Year</u>
<b>Installment contracts</b>					
<b>Board of County Commissioners</b>					
Installment purchase agreement for fire pumper truck, balance paid November 2003, including interest at 5.25%	\$ 88,350	76,992	(18,251)	58,741	58,741
Capitalized lease agreement for enhanced 911 telephone system, payable in monthly installments of \$588 including interest at 8.5%	281,500	7,926	(7,926)	0	0
Installment purchase agreement for tractor, payable in four annual installments of \$34,860 including interest at 4.8%	<u>124,190</u>	<u>124,190</u>	<u>(124,190)</u>	<u>0</u>	<u>0</u>
<b>Total installment contracts – Board of County Commissioners</b>	<b><u>\$ 494,040</u></b>	<b><u>209,108</u></b>	<b><u>(150,367)</u></b>	<b><u>58,741</u></b>	<b><u>58,741</u></b>
<b>Sheriff</b>					
Installment purchase agreement for five vehicles, payable in monthly installments of \$2,312 including interest at 5.21%	\$ 100,000	76,915	(23,772)	53,143	23,429
Installment purchase agreement for six vehicles, payable in monthly installments of \$2,751 including interest at 4.5%	<u>123,318</u>	<u>0</u>	<u>123,318</u> <u>(25,675)</u>	<u>97,643</u>	<u>29,269</u>
<b>Total installment contracts – Sheriff</b>	<b><u>\$ 223,318</u></b>	<b><u>76,915</u></b>	<b><u>73,871</u></b>	<b><u>150,786</u></b>	<b><u>52,698</u></b>
<b>Clerk</b>					
Installment purchase agreement for copier, payable in monthly payments of \$443 interest is not stated in contract	<u>15,520</u>	<u>0</u>	<u>15,520</u> <u>(3,990)</u>	<u>11,530</u>	<u>5,321</u>
<b>Total installment contracts</b>	<b><u>\$ 732,878</u></b>	<b><u>286,023</u></b>	<b><u>(64,966)</u></b>	<b><u>221,057</u></b>	<b><u>116,760</u></b>
<b>Board of County Commissioners</b>					
Long-term landfill closure and postclosure liability (note 11)		\$ 711,400	16,200	727,600	0
<b>All County Agencies</b>					
Liability for compensated absences		<u>559,208</u>	<u>46,457</u>	<u>605,665</u>	<u>199,869</u>
<b>Total bonds, notes payable and Other long-term debt</b>		<b><u>\$ 11,127,109</u></b>	<b><u>363,172</u></b>	<b><u>11,490,291</u></b>	<b><u>950,017</u></b>

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

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

	Original Amount	Balance 09/30/02	Additions (Reductions)	Balance 9/30/03	Due Within One Year
<b>Installment contracts, <i>continued</i></b>					
<b>Enterprise fund bonds payable</b>					
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	418,174	(18,930)	399,244	24,109
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	184,000	(3,000)	181,000	3,000
<b>Total enterprise fund bonds payable</b>	<b>\$ 725,000</b>	<b>602,174</b>	<b>(21,930)</b>	<b>580,244</b>	<b>27,109</b>

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
2004	\$ 485,000	183,480	5,000	154,334	0	0
2005	505,000	160,458	5,000	154,116	480,000	534,383
2006	530,000	135,870	5,000	153,899	495,000	533,152
2007	555,000	109,275	5,000	153,681	505,000	530,728
2008	585,000	80,775	5,000	153,464	520,000	533,052
2009-2013	1,260,000	99,224	1,328,782	862,352	0	0
2014-2018	0	0	2,255,000	224,695	0	0
<b>Totals</b>	<b>\$ 3,920,000</b>	<b>769,083</b>	<b>3,608,782</b>	<b>1,856,541</b>	<b>2,000,000</b>	<b>2,131,315</b>

9/30	Notes Payable		Installment Contracts	
	Principal	Interest	Principal	Interest
2004	\$ 143,388	19,214	116,760	7,458
2005	113,765	12,396	60,223	3,111
2006	94,657	6,969	35,698	1,064
2007	45,344	2,730	8,376	31
2008	10,023	585	0	0
	<b>\$ 407,177</b>	<b>41,894</b>	<b>221,057</b>	<b>11,664</b>

**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	<u>Beaches Water System</u>		<u>White City</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2004	\$ 24,109	20,274	3,000	8,145	27,109
2005	23,229	19,085	3,000	8,010	26,229	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
2009-2013	158,296	52,167	20,000	35,325	178,296	87,492
2014-2018	116,346	9,371	26,000	30,375	142,346	39,746
2019-2023	0	0	32,000	24,030	32,000	24,030
2024-2028	0	0	39,000	16,290	39,000	16,290
2029-2033	0	0	48,000	6,615	48,000	6,615
<b>Totals</b>	<b>\$ 399,244</b>	<b>150,375</b>	<b>181,000</b>	<b>152,010</b>	<b>580,244</b>	<b>302,385</b>

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 - \$3,920,000 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 - \$3,608,782 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, \$35,000 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, 2003, at the amount of the initial proceeds received by the County of \$310,200 plus accreted interest of \$28,582. 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.

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 1<sup>st</sup> thereafter.

■ **Enterprise Funds**

- (D) 5.25% Beaches Water System Revenue Bonds, Series 1996 - \$399,244 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 fund is required to be maintained to accumulate amounts sufficient

**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*

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 - \$181,000 balance. The bonds were issued June 10, 1994, and are held by Farmers Home Administration. 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, 2003, was \$11,800.

■ **Prior Year Defeasance of Debt**

(F) In 1996, the County defeased a 1984 Series of water system bonds by placing the proceeds of new bonds (described in D above) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At September 30, 2003, \$389,000 of bonds outstanding are considered defeased.

The difference in the reacquisition price and the net carrying amount of the old debt was \$35,400. This difference is being charged to operations through the year 2016 using the straight-line method, resulting in an unamortized balance of \$21,689 at September 30, 2003.

**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](http://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.

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

**Note 8 - Employee Benefits, *continued***

**Retirement Plan, *continued***

**Plan Description, *continued***

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

**Funding Policy**

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

	<u>10/1/02 Through 6/30/03</u>	<u>7/1/03 Through 9/30/03</u>
Regular class	5.76%	7.39%
Senior management service class	6.06%	9.37%
Elected County officials' class	11.86%	15.23%
Special risk employees' class	16.01%	18.53%
DROP plan participants	9.11%	9.11%

Contribution rates equal actuarial determined rates. During the year ended September 30, 2003, 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	\$ 2,621,677	211,318
Clerk of the Circuit Court	521,536	36,571
Sheriff	1,444,423	185,028
Property Appraiser	211,537	18,702
Tax Collector	245,138	20,029
Supervisor of Elections	99,662	10,655
<b>Total</b>	<u>\$ 5,143,973</u>	<u>482,303</u>

Retirement contributions represent 9.38% of total County covered payroll, as required.

The County's contributions to the System for the years ended September 30, 2002 and 2001, were \$462,916 and \$502,955, 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 \$3,300,000 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.

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

**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	\$ <u>96,094</u>
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**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, 2003, was \$172,046.

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 2004. The \$727,600 amount reported as landfill closure and postclosure care liability at September 30, 2003 (see note 7), represents the portion of costs to be incurred and reported as a liability to-date. The liability is based on approximately nineteen years of the required thirty years long-term care period on one of the closed landfills, approximately ten years of the required twenty year's long-term care period on the other closed landfill, use of 89% 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 \$339,300 for postclosure care. The construction debris landfill costs are projected at \$7,100 for closure and \$9,600 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.

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

**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.

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, 2003, was \$293,490. 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.

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

**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, 2003, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the County's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the County expects such amounts, if any, to be immaterial.

**Note 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	\$ 172,046
	Radio communications	63,462
	Boating improvements	24,742
	Emergency and wireless 911	128,000
	Other programs	<u>12,786</u>
<b>Total</b>		<b><u>\$ 401,036</u></b>
Debt service	Repayment of long-term debt	
Capital projects	Infrastructure and other capital improvements	

**(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	\$ 197,255
Special revenue	Law enforcement and drug awareness	<u>29,439</u>
<b>Total</b>		<b><u>\$ 226,694</u></b>

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

**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.

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:

Fiscal Year Ended September 30,	Local Option Gas Tax Receipts	County Gas Tax Receipts	Constitutional Gas Tax Receipts	Total Gas Tax Receipts
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	<u>326,907</u>	<u>274,258</u>	<u>624,554</u>	<u>1,225,719</u>

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

**Number of Gallons**

State Fiscal Year Ended June 30,	Gasoline	Diesel Fuel	Total
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

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

**Note 18 - Water System Operations**

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.

**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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Local Government Half-Cent					
Sales Tax	\$ 277,018	258,301	279,346	308,567	329,754
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>
<b>Totals</b>	<b><u>\$ 581,472</u></b>	<b><u>562,755</u></b>	<b><u>583,800</u></b>	<b><u>613,021</u></b>	<b><u>634,208</u></b>

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**ACCOMPANYING INFORMATION**

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**GULF COUNTY, FLORIDA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2003**

	Special Revenue						
	County Road and Bridge	Secondary Road and Bridge	Tourist Development Trust Fund	Industrial Park EDA	Sheriff's Special Revenue Funds	Criminal Justice Trust	Clerk Modernization Trust Fund
<b>Assets</b>							
Cash and investments	\$ 130,467	375,733	227,137	35,683	19,865	10,082	106,148
Due from other funds	57,190					2,056	1,450
Due from other governmental units	92,389						
Accounts receivable			15,765	2,360			
Lease receivable				293,490			
<b>Total assets</b>	<b>\$ 280,046</b>	<b>375,733</b>	<b>242,902</b>	<b>331,533</b>	<b>19,865</b>	<b>12,138</b>	<b>107,598</b>
<b>Liabilities</b>							
Vouchers payable	28,953		1,707	345			
Due to other funds						12,138	
Deferred revenue				293,490			
<b>Total liabilities</b>	<b>28,953</b>	<b>0</b>	<b>1,707</b>	<b>293,835</b>	<b>0</b>	<b>12,138</b>	<b>0</b>
<b>Fund equity</b>							
<b>Fund balances:</b>							
Reserved for debt service							
Reserved for capital projects							
<b>Unreserved:</b>							
Undesignated	251,093	375,733	241,195	37,698	19,865	0	107,598
<b>Total fund equity</b>	<b>251,093</b>	<b>375,733</b>	<b>241,195</b>	<b>37,698</b>	<b>19,865</b>	<b>0</b>	<b>107,598</b>
<b>Total liabilities and fund equity</b>	<b>\$ 280,046</b>	<b>375,733</b>	<b>242,902</b>	<b>331,533</b>	<b>19,865</b>	<b>12,138</b>	<b>107,598</b>

**GULF COUNTY, FLORIDA**  
**Combining Balance Sheet, *continued***  
**Nonmajor Governmental Funds**  
**September 30, 2003**

	Special Revenue						
	Administrative Order 86-12	HUD CDBG	Mosquito Control	St. Joe Fire Control	Tupelo Fire Control	Overstreet Fire Control	Howard Creek Fire Control
<b>Assets</b>							
Cash and investments	\$ 115,456	119,936	46,372	67,198	3,083	2,573	1,208
Due from other funds	1,168						
Due from other governmental units							
Accounts receivable				89			20
Lease receivable							
<b>Total assets</b>	<u>\$ 116,624</u>	<u>119,936</u>	<u>46,372</u>	<u>67,287</u>	<u>3,083</u>	<u>2,573</u>	<u>1,228</u>
<b>Liabilities</b>							
Vouchers payable		166	13,864	49,383	1,421	1,477	
Due to other funds							
Deferred revenue							
<b>Total liabilities</b>	<u>0</u>	<u>166</u>	<u>13,864</u>	<u>49,383</u>	<u>1,421</u>	<u>1,477</u>	<u>0</u>
<b>Fund equity</b>							
Fund balances:							
Reserved for debt service							
Reserved for capital projects							
Unreserved:							
Undesignated	116,624	119,770	32,508	17,904	1,662	1,096	1,228
<b>Total fund equity</b>	<u>116,624</u>	<u>119,770</u>	<u>32,508</u>	<u>17,904</u>	<u>1,662</u>	<u>1,096</u>	<u>1,228</u>
<b>Total liabilities and fund equity</b>	<u>\$ 116,624</u>	<u>119,936</u>	<u>46,372</u>	<u>67,287</u>	<u>3,083</u>	<u>2,573</u>	<u>1,228</u>

**GULF COUNTY, FLORIDA**  
**Combining Balance Sheet, *continued***  
**Nonmajor Governmental Funds**  
**September 30, 2003**

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Emergency Medical Services	Hazard Mitigation Buy-Out Program	Construction and Acquisition	Capital Projects	
<b>Assets</b>					
Cash and investments	\$ 788		223,936	726,603	2,212,268
Due from other funds					61,864
Due from other governmental units					92,389
Accounts receivable					18,234
Lease receivable					293,490
<b>Total assets</b>	<u>\$ 788</u>	<u>0</u>	<u>223,936</u>	<u>726,603</u>	<u>2,678,245</u>
<b>Liabilities</b>					
Vouchers payable			124,944	25,454	247,714
Due to other funds					12,138
Deferred revenue	788				294,278
<b>Total liabilities</b>	<u>788</u>	<u>0</u>	<u>124,944</u>	<u>25,454</u>	<u>554,130</u>
<b>Fund equity</b>					
Fund balances:					
Reserved for debt service				200,000	200,000
Reserved for capital projects				501,149	501,149
Unreserved:					
Undesignated			98,992		1,422,966
<b>Total fund equity</b>	<u>0</u>	<u>0</u>	<u>98,992</u>	<u>701,149</u>	<u>2,124,115</u>
<b>Total liabilities and fund equity</b>	<u>\$ 788</u>	<u>0</u>	<u>223,936</u>	<u>726,603</u>	<u>2,678,245</u>

**GULF COUNTY, FLORIDA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2003**

	Special Revenue						
	County Road and Bridge	Secondary Road and Bridge	Tourist Development Trust Fund	Industrial Park EDA	Sheriff's Special Revenue Funds	Criminal Justice Trust	Clerk Modernization Trust Fund
<b>Revenues</b>							
Taxes	\$ 11,362	0	275,905	0	0	0	0
Licenses and permits	6,356	0	0	0	0	0	0
Intergovernmental	996,271	0	0	0	40,580	0	0
Fines and forfeitures	0	0	0	0	19,587	0	0
Charges for services	0	0	0	0	0	29,551	16,791
Investment earnings and other	12,612	0	5,616	15,039	0	0	0
<b>Total revenues</b>	<b>1,026,601</b>	<b>0</b>	<b>281,521</b>	<b>15,039</b>	<b>60,167</b>	<b>29,551</b>	<b>16,791</b>
<b>Expenditures</b>							
Current operating:							
Public health and safety	0	0	0	0	76,720	0	0
Economic environment	0	0	183,881	0	0	0	0
Transportation	939,334	0	0	0	0	0	0
Human services	0	0	0	0	0	0	0
Court related	0	0	0	0	0	29,551	0
Capital outlay	45,439	0	48,107	0	0	0	0
Debt service	0	0	0	0	0	0	0
<b>Total expenditures</b>	<b>984,773</b>	<b>0</b>	<b>231,988</b>	<b>0</b>	<b>76,720</b>	<b>29,551</b>	<b>0</b>
<b>Excess of revenues over (under) expenditures</b>	<b>41,828</b>	<b>0</b>	<b>49,533</b>	<b>15,039</b>	<b>(16,553)</b>	<b>0</b>	<b>16,791</b>
<b>Other financing sources (uses)</b>							
Bonds issued	0	0	0	0	0	0	0
Bonds issue cost	0	0	0	0	0	0	0
Operating transfers in	0	0	0	0	10,000	0	0
Lease of Industrial Park	0	0	0	13,241	0	0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,241</b>	<b>10,000</b>	<b>0</b>	<b>0</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>41,828</b>	<b>0</b>	<b>49,533</b>	<b>28,280</b>	<b>(6,553)</b>	<b>0</b>	<b>16,791</b>
<b>Fund balances, beginning of year</b>	<b>209,265</b>	<b>375,733</b>	<b>191,662</b>	<b>9,418</b>	<b>26,418</b>	<b>0</b>	<b>90,807</b>
<b>Fund balances, end of year</b>	<b>\$ 251,093</b>	<b>375,733</b>	<b>241,195</b>	<b>37,698</b>	<b>19,865</b>	<b>0</b>	<b>107,598</b>

**GULF COUNTY, FLORIDA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2003**

	Special Revenue						
	Administrative Order 86-12	HUD CDBG	Mosquito Control	St. Joe Fire Control	Tupelo Fire Control	Overstreet Fire Control	Howard Creek Fire Control
<b>Revenues</b>							
Taxes	\$ 0	0	0	382,511	29,417	7,999	9,208
Licenses and permits	0	0	0	0	0	0	0
Intergovernmental	0	0	34,618	0	0	0	0
Fines and forfeitures	0	0	0	0	0	0	0
Charges for services	19,383	0	0	0	0	0	0
Investment earnings and other	0	25,754	0	20	0	17	12
<b>Total revenues</b>	<u>19,383</u>	<u>25,754</u>	<u>34,618</u>	<u>382,531</u>	<u>29,417</u>	<u>8,016</u>	<u>9,220</u>
<b>Expenditures</b>							
Current operating:							
Public health and safety	0	0	0	127,984	13,974	6,456	3,573
Economic environment	0	12,039	0	0	0	0	0
Transportation	0	0	0	0	0	0	0
Human services	0	0	40,208	0	0	0	0
Court related	0	0	0	0	0	0	0
Capital outlay	0	0	0	33,666	1,108	990	2,758
Debt service	0	0	0	205,837	13,812	0	2,714
<b>Total expenditures</b>	<u>0</u>	<u>12,039</u>	<u>40,208</u>	<u>367,487</u>	<u>28,894</u>	<u>7,446</u>	<u>9,045</u>
<b>Excess of revenues over (under) expenditures</b>	<u>19,383</u>	<u>13,715</u>	<u>(5,590)</u>	<u>15,044</u>	<u>523</u>	<u>570</u>	<u>175</u>
<b>Other financing sources (uses)</b>							
Bonds issued	0	0	0	0	0	0	0
Bonds issue cost	0	0	0	0	0	0	0
Operating transfers in	0	0	0	0	0	0	0
Lease of Industrial Park	0	0	0	0	0	0	0
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>19,383</u>	<u>13,715</u>	<u>(5,590)</u>	<u>15,044</u>	<u>523</u>	<u>570</u>	<u>175</u>
<b>Fund balances, beginning of year</b>	97,241	106,055	38,098	2,860	1,139	526	1,053
<b>Fund balances, end of year</b>	<u>\$ 116,624</u>	<u>119,770</u>	<u>32,508</u>	<u>17,904</u>	<u>1,662</u>	<u>1,096</u>	<u>1,228</u>

**GULF COUNTY, FLORIDA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, *continued***  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2003**

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Emergency Medical Services	Hazard Mitigation Buy-Out Program	Construction and Acquisition	Capital Projects	
<b>Revenues</b>					
Taxes	\$ 0	0	0	0	716,402
Licenses and permits	0	0	0	0	6,356
Intergovernmental	2,748	0	0	0	1,074,217
Fines and forfeitures	0	0	0	0	19,587
Charges for services	0	0	0	0	65,725
Investment earnings and other	36	0	10,662	0	69,768
<b>Total revenues</b>	<u>2,784</u>	<u>0</u>	<u>10,662</u>	<u>0</u>	<u>1,952,055</u>
<b>Expenditures</b>					
Current operating:					
Public health and safety	2,181	500	0	0	231,388
Economic environment	0	0	0	0	195,920
Transportation	0	0	624,744	0	1,564,078
Human services	0	0	0	0	40,208
Court related	0	0	0	0	29,551
Capital outlay	2,332	0	326,137	311,363	771,900
Debt service	0	0	0	931,688	1,154,051
<b>Total expenditures</b>	<u>4,513</u>	<u>500</u>	<u>950,881</u>	<u>1,243,051</u>	<u>3,987,096</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(1,729)</u>	<u>(500)</u>	<u>(940,219)</u>	<u>(1,243,051)</u>	<u>(2,035,041)</u>
<b>Other financing sources (uses)</b>					
Bonds issued	0	0	0	2,000,000	2,000,000
Bonds issue cost	0	0	0	(55,800)	(55,800)
Operating transfers in	0	0	0	0	10,000
Lease of Industrial Park	0	0	0	0	13,241
<b>Total other financing sources (uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,944,200</u>	<u>1,967,441</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>(1,729)</u>	<u>(500)</u>	<u>(940,219)</u>	<u>701,149</u>	<u>(67,600)</u>
<b>Fund balances, beginning of year</b>	1,729	500	1,039,211	0	2,191,715
<b>Fund balances, end of year</b>	<u>\$ 0</u>	<u>0</u>	<u>98,992</u>	<u>701,149</u>	<u>2,124,115</u>

**GULF COUNTY, FLORIDA**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**  
**September 30, 2003**

	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>White City Water and Sewer System</u>	<u>Total Nonmajor Business-type Activities</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash investments	\$ 47,898	0	39,170	87,068
Due from other governmental units	0	0	5,907	5,907
<b>Total current assets</b>	<u>47,898</u>	<u>0</u>	<u>45,077</u>	<u>92,975</u>
<b>Noncurrent assets</b>				
Restricted cash and investments	0	0	23,016	23,016
<b>Capital assets</b>				
Land	737	0	0	737
Buildings and utility systems	269,453	571,925	705,560	1,546,938
Less allowance for depreciation	(168,402)	(142,980)	(166,335)	(477,717)
<b>Total noncurrent assets</b>	<u>101,788</u>	<u>428,945</u>	<u>562,241</u>	<u>1,092,974</u>
<b>Total assets</b>	<u>\$ 149,686</u>	<u>428,945</u>	<u>607,318</u>	<u>1,185,949</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	0	0	763	763
Bonds payable	0	0	3,000	3,000
<b>Total current liabilities</b>	<u>0</u>	<u>0</u>	<u>3,763</u>	<u>3,763</u>
<b>Noncurrent liabilities</b>				
Bonds payable	0	0	178,000	178,000
<b>Total liabilities</b>	<u>0</u>	<u>0</u>	<u>181,763</u>	<u>181,763</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	101,788	428,945	357,475	888,208
Restricted for:				
Debt service	0	0	23,016	23,016
Unrestricted	47,898	0	45,064	92,962
<b>Total net assets</b>	<u>\$ 149,686</u>	<u>428,945</u>	<u>425,555</u>	<u>1,004,186</u>

**GULF COUNTY, FLORIDA**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**Nonmajor Proprietary Funds**  
**Year Ended September 30, 2003**

	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>White City Water and Sewer System</u>	<u>Total Nonmajor Business-type Activities</u>
<b>Operating revenue</b>				
Charges for services	\$ 0	0	30,889	30,889
<b>Operating expenses</b>				
Personal services	0	0	1,948	1,948
Purchase of water	0	0	6,051	6,051
Contractual services	0	0	3,929	3,929
Other operating expenses	105	0	7,604	7,709
Depreciation	6,736	14,298	17,705	38,739
<b>Total operating expenses</b>	<u>6,841</u>	<u>14,298</u>	<u>37,237</u>	<u>58,376</u>
<b>Operating income (loss)</b>	<u>(6,841)</u>	<u>(14,298)</u>	<u>(6,348)</u>	<u>(27,487)</u>
<b>Nonoperating revenues (expense)</b>				
Interest income	714	0	443	1,157
Interest expense	0	0	(8,280)	(8,280)
<b>Total nonoperating revenue (expense)</b>	<u>714</u>	<u>0</u>	<u>(7,837)</u>	<u>(7,123)</u>
<b>Income (loss) before transfers and contributions</b>	<u>(6,127)</u>	<u>(14,298)</u>	<u>(14,185)</u>	<u>(34,610)</u>
<b>Capital contributions</b>	0	0	0	0
<b>Transfers in</b>	0	0	0	0
<b>Change in net assets</b>	<u>(6,127)</u>	<u>(14,298)</u>	<u>(14,185)</u>	<u>(34,610)</u>
<b>Total net assets, beginning</b>	<u>155,813</u>	<u>443,243</u>	<u>439,740</u>	<u>1,038,796</u>
<b>Total net assets, ending</b>	<u>\$ 149,686</u>	<u>428,945</u>	<u>425,555</u>	<u>1,004,186</u>

**GULF COUNTY, FLORIDA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended September 30, 2003**

	Oak Grove	Williamsburg and Methodist Hill	White City Water and Sewer System	Total Nonmajor Business-type Activities
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 0	0	27,385	27,385
Payments to suppliers	(105)	0	(17,355)	(17,460)
Payments to employees	0	0	(1,948)	(1,948)
Other payments	0	0	(9,425)	(9,425)
<b>Net cash provided by (used in) operating activities</b>	<u>(105)</u>	<u>0</u>	<u>(1,343)</u>	<u>(1,448)</u>
<b>Cash flows from noncapital financing activities</b>				
Contributions	0	0	0	0
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	0	0	0	0
Repayment of revenue bonds	0	0	(3,000)	(3,000)
Interest paid on long-term debt	0	0	(8,280)	(8,280)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>0</u>	<u>0</u>	<u>(11,280)</u>	<u>(11,280)</u>
<b>Cash flows from investing activities</b>				
Interest earned	714	0	443	1,157
<b>Increase (decrease) in cash and cash equivalents</b>	609	0	(12,180)	(11,571)
<b>Cash and cash equivalents, beginning of year</b>	47,289	0	74,366	121,655
<b>Cash and cash equivalents, end of year</b>	<u>\$ 47,898</u>	<u>0</u>	<u>62,186</u>	<u>110,084</u>
<b>Displayed as:</b>				
Cash and cash investments	47,898	0	39,170	87,068
Restricted assets	0	0	23,016	23,016
	<u>\$ 47,898</u>	<u>0</u>	<u>62,186</u>	<u>110,084</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	(6,841)	(14,298)	(6,348)	(27,487)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	6,736	14,298	17,705	38,739
Changes in assets and liabilities:				
Receivables, net	0	0	4,452	4,452
Accounts and other payables	0	0	(1,820)	(1,820)
Due from other governmental units	0	0	(5,907)	(5,907)
Customer deposits	0	0	(9,425)	(9,425)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (105)</u>	<u>0</u>	<u>(1,343)</u>	<u>(1,448)</u>

**GULF COUNTY, FLORIDA**  
**Combining Balance Sheets**  
**Agency Funds**  
**September 30, 2003**

	<b>Agency Funds - Clerk</b>			
	<b>Trust Funds</b>	<b>Fine and Forfeiture Trust</b>	<b>Registry of Court</b>	<b>Child Support</b>
<b>Assets</b>				
Cash	\$ 53,895	30,140	47,511	2,263
Due from other governmental units				
<b>Total assets</b>	<b>\$ 53,895</b>	<b>30,140</b>	<b>47,511</b>	<b>2,263</b>
<b>Liabilities</b>				
Due to individuals			47,511	
Due to other funds	22,585	18,722		2,237
Due to other governments	31,310	11,418		26
<b>Total liabilities</b>	<b>\$ 53,895</b>	<b>30,140</b>	<b>47,511</b>	<b>2,263</b>

**Agency Funds - Sheriff**

<b>Jury and Witness</b>	<b>Bonds</b>	<b>Individual Depository</b>	<b>Inmate Trust</b>	<b>Inmate Trust</b>
1,015 487	55,723			2,187
<u>1,502</u>	<u>55,723</u>	<u>0</u>	<u>0</u>	<u>2,187</u>
1,502	55,723			2,187
<u>1,502</u>	<u>55,723</u>	<u>0</u>	<u>0</u>	<u>2,187</u>

**GULF COUNTY, FLORIDA**  
**Combining Balance Sheets, *continued***  
**Agency Funds**  
**September 30, 2003**

	<b>Agency Funds - Tax Collector</b>			<b>Totals</b>
	<b>Tax</b>	<b>Tourist Development Tax</b>	<b>Tag Agency</b>	
<b>Assets</b>				
Cash	199,223		56,588	448,545
Due from other governmental units				487
<b>Total assets</b>	<b>199,223</b>	<b>0</b>	<b>56,588</b>	<b>449,032</b>
<b>Liabilities</b>				
Due to individuals	196,513			301,934
Due to other funds	1,295		10,301	56,642
Due to other governments	1,415		46,287	90,456
<b>Total liabilities</b>	<b>199,223</b>	<b>0</b>	<b>56,588</b>	<b>449,032</b>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED  
STATES; THE PROVISIONS OF OFFICE OF MANAGEMENT  
AND BUDGET (OMB) CIRCULAR A-133; AND THE *RULES  
OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA**

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**GULF COUNTY, FLORIDA**  
**Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects**  
**Year Ended September 30, 2003**

Federal Award Programs	Contract / Grant Number	CFDA/ CSFA	Cash Receipts	Expenditures
<b>U.S. Department of Housing and Urban Development</b>				
<b>Passed through Department of Community Affairs</b>				
Integras Wellness and Therapy	03DB-89-02-33-01-E62	14.228	\$ 89,713	476,290
Highland View Stormwater Drainage	01DB-27-02-33-01-G28	14.228	151,016	0
<b>Total Department of Housing and Urban Development</b>			<u>240,729</u>	<u>476,290</u>
<b>Federal Emergency Management Agency</b>				
<b>Passed through Department of Community Affairs</b>				
Emergency Management Performance Grant	02CP-04-02-33-01-023	83.552	22,990	0
Emergency Management Performance Grant	03BG-04-02-33-01-023	83.552	0	23,228
New EOC Alternate Project	98RM-M9-02-33-01-141	83.552	139,453	173,226
Tropical Storm Helene	01RM-M3-02-33-01-014	83.552	4,218	4,218
Emergency Operations Center HMGP	01UN-6P-02-33-15-017	83.548	544,047	352,895
New EOC Generator Grant	03HM-Q0-02-33-15-009	83.548	0	43,144
Continuity of Operations Plan (COOP) Terrorism Grant	03FT-1B-02-33-01-465	83.562	2,000	2,000
<b>Total Federal Emergency Management Agency</b>			<u>712,708</u>	<u>598,711</u>
<b>U.S. Department of Justice</b>				
<b>Passed through Florida Department of Law Enforcement</b>				
Drug Awareness and Reduction Education	02CJ-2H-02-33-01-094	16.579	12,169	0
Drug Awareness and Reduction Education	03CJ-5A-02-33-01-082	16.579	26,044	40,564
Law Enforcement Equipment Grant	2002-LB-BX-1077	16.592	11,146	11,146
Law Enforcement Equipment Grant	NA	16.592	0	5,445
<b>Total U.S. Department of Justice</b>			<u>49,359</u>	<u>57,155</u>
<b>U.S. Department Commerce</b>				
<b>Coastal Impact Assistance Program</b>				
Dead Lakes Boat Ramp - Project ID#22	NOAA#NA170Z2101	11.419	72,397	17,230
<b>U.S. Department of Health and Human Services</b>				
<b>Passed through Florida Department of Revenue</b>				
Child Support Enforcement Title IV-D Service of Process	T0223	93.563	6,518	5,872
Child Support Enforcement Title IV-D Services Reimbursement	CC323	93.563	28,715	26,328
<b>Total U.S. Department of Health and Human Services</b>			<u>35,233</u>	<u>32,200</u>

**GULF COUNTY, FLORIDA**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance Projects, *continued***  
**Year Ended September 30, 2003**

<u>Federal Award Programs</u>	<u>Contract/ Grant Number</u>	<u>CFDA/ CSFA</u>	<u>Cash Receipts</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed through Florida Department of Agriculture and Consumer Services</b>				
Bureau of Food Distribution Program	94016-7751	10.568	5,000	5,000
<b>Total federal award programs</b>			<u>1,115,426</u>	<u>1,186,586</u>
<b>State Financial Assistance Projects</b>				
<b>Florida Department of Transportation</b>				
<b>County Incentive Grant Program</b>				
Overstreet Road (CR 386)	413202-1-54-01	55.008	1,325,704	1,325,704
Lake Grove Road Bridge Replacement (CR 22A)	413016-1-54-01	55.008	46,226	38,426
JPA/Hwy 98 Underpass Right of Way	410915-1-58-01	N/A	17,766	2,221
<b>Local Agency Program (LAP)</b>				
Cape San Blas Shared Bike Path	412681-1-38-01 & 412681-1-58-01	N/A	0	31,250
<b>Total Florida Department of Transportation</b>			<u>1,389,696</u>	<u>1,397,601</u>
<b>Florida Department of Environmental Protection</b>				
Florida Recreation Development Assistance Grant - Beacon Hill Park	F1292	37.017	8,913	0
Florida Recreation Development Assistance Grant - Gaskin Park, Phase I	F02126	37.017	91,125	20,186
Florida Recreation Development Assistance Grant - Gaskin Park, Phase II	F3589	37.017	0	730
Gulf Beaches Sewer System	SP697010	37.039	4,500	4,500
Small County Solid Waste Grant	SC312	37.012	37,031	49,999
Small County Solid Waste Grant	SC02-12	37.012	12,892	0
Solid Waste Recycling and Education Grant	RE310	37.011	38,304	58,890
Solid Waste Recycling and Education Grant	RE02-10	37.011	16,976	0
Litter Control and Prevention Grant	LC310	37.009	5,184	11,549
Litter Control and Prevention Grant	LC02-10	37.009	8,221	0
Waste Tire Solid Waste Grant	WT322	37.015	9,774	15,007
Waste Tire Solid Waste Grant	WT02-12	37.015	2,985	0
<b>Total Florida Department of Environmental Protection</b>			<u>235,905</u>	<u>160,861</u>

**GULF COUNTY, FLORIDA**  
**Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects, *continued***  
**Year Ended September 30, 2003**

State Financial Assistance Projects	Contract/ Grant Number	CFDA/ CSFA	Cash Receipts	Expenditures
<b>Office of Tourism, Trade, and Economic Development</b>				
Integras Wellness & Therapy - Rural Infrastructure Grant	OT03-067	31.030	42,641	139,357
River Sand Project - Rural Infrastructure Grant	OT03-120	31.030	12,831	17,831
Gulf County Shipbuilding, Inc.	99/0023B	31.002	724,383	359,667
<b>Total Office of Tourism, Trade, and Economic Development</b>			<u>779,855</u>	<u>516,855</u>
<b>Florida Housing and Finance Agency</b>				
State Housing Initiative Program	00/01	52.901	0	3,345
State Housing Initiative Program	01/02	52.901	0	51,204
State Housing Initiative Program	02/03	52.901	0	330,631
State Housing Initiative Program	03/04	52.901	350,000	142
<b>Total Florida Housing and Finance Agency</b>			<u>350,000</u>	<u>385,322</u>
<b>Florida Department of Community Affairs</b>				
Emergency Management Preparedness and Assistance Grant	02CP-04-02-33-01-023	52.008	46,122	0
Emergency Management Preparedness and Assistance Grant	03BG-04-02-33-01-023	52.008	83,236	103,196
Tropical Storm Helene	01RM-M3-02-33-01-014	N/A	676	676
Highland View Stormwater Drainage	01DB-27-02-33-01-G28	N/A	22,508	0
Hazard Materials Plan	03-CP-11-03-33-01-159	52.023	1,822	2,277
Hazard Materials Plan	04CP-11-02-33-01-030	52.023	316	948
Emergency Operations Center HMGP	01UN-6P-02-33-15-017	N/A	90,674	58,816
EOC Generator Grant	03HM-Q9-02-33-15-009	N/A	0	7,191
FEMA #1195/Flood of '98	98-RM-M9-02-33-01-141	N/A	68,896	68,896
Technology Assistance Planning Program	03DR-37-02-33-01-008	52.004	25,000	2,000
<b>Total Florida Department of Community Affairs</b>			<u>339,250</u>	<u>244,000</u>
<b>Florida Department of State</b>				
State Aid to Libraries	03-ST-39	45.030	42,217	42,217
Cape San Blas Lighthouse Keepers Quarters	S3009	15.904/45.031	0	33,704
Division of Elections				
Voter Education/Poll Workers Training	2898B Gen. Approp.	N/A	0	1,449
<b>Total Florida Department of State</b>			<u>42,217</u>	<u>77,370</u>
<b>Florida Department of Health</b>				
EMS County Award	C2023	64.005	3,572	4,514
EMS Matching Grant	R1002	64.003	0	89,332
<b>Total Florida Department of Health</b>			<u>3,572</u>	<u>93,846</u>

**GULF COUNTY, FLORIDA**  
**Schedule of Expenditures of Federal Award Programs and State Financial Assistance Projects, *continued***  
**Year Ended September 30, 2003**

<u>State Financial Assistance Projects</u>	<u>Contract/ Grant Number</u>	<u>CFDA/ CSFA</u>	<u>Cash Receipts</u>	<u>Expenditures</u>
<b>Office of the State Courts Administrator</b>				
Article V Trust Fund	Approp 2219	22.003	0	62,788
Small County Courthouse Facilities	Approp 2200	22.004	100,000	0
Justice Administration Commission-Dependency Cases		21.001	266	266
<b>Total Office of the State Courts Administrator</b>			<u>100,266</u>	<u>63,054</u>
<b>Florida Department of Agriculture and Consumer Services</b>				
Mosquito Control/Waste Tire Abatement Grant		42.003	46,354	40,208
<b>Florida Fish and Wildlife Conservation Commission</b>				
Florida Boating Improvement Program Grant	FWCC01240	77.007	0	46,505
<b>Florida Division of Emergency Management</b>				
Wireless 911 Rural Grant	Approp. 2453	N/A	42,000	1,202
<b>Florida Counties Foundation</b>				
Small County Technical Assistance Services				
Solid Waste Study		N/A	8,360	8,360
Technology Assessment Strategy Report		N/A	0	2,400
Computer Classes		N/A	2,000	2,000
<b>Total Florida Counties Foundation</b>			<u>10,360</u>	<u>12,760</u>
<b>Rural Fire Grants</b>		N/A	0	2,147
<b>Total State Financial Assistance Projects</b>			<u>3,339,475</u>	<u>3,041,731</u>
<b>Total Federal Award Programs and State Financial Assistance Projects</b>			<u>\$ 4,454,901</u>	<u>4,228,317</u>

**GULF COUNTY, FLORIDA**  
**Notes to Schedule of Expenditures of Federal Award Programs and**  
**State Financial Assistance Projects**  
**Year Ended September 30, 2003**

**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.

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**T. MICHAEL TUCKER, CPA, P.A.**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of Gulf County, Florida as of and for the year ended September 30, 2003, and have issued our report thereon dated June 10, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether Gulf County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Gulf County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 and B.2.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS, continued***

A material weakness is a 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 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 the reportable conditions referred to above are not material weaknesses.

We also noted another matter involving the internal control over financial reporting that we have reported to the management of Gulf County, Florida in a separate management letter dated June 10, 2004.

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.

June 10, 2004

*J. Michael Tucker, CPA, P.A.*

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**T. MICHAEL TUCKER, CPA, P.A.**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE  
TO EACH MAJOR FEDERAL AWARD PROGRAM AND  
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 U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003. Gulf County, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of Gulf County, Florida's management. Our responsibility is to express an opinion on Gulf County, Florida's compliance based on our audit.

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

In our opinion, Gulf County, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2003.

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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 FEDERAL AWARD PROGRAM AND  
STATE FINANCIAL ASSISTANCE PROJECT, *continued***

**Internal Control Over Compliance**

The management of Gulf County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Gulf County, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

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 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 that would be material in relation to a major federal awards program or 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.

June 10, 2004

*J. Michael Tucker, CPA, P.A.*

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**GULF COUNTY, FLORIDA**  
**Schedule of Findings and Questioned Costs –**  
**Federal Award Programs and State Financial Assistance Projects**  
**Year Ended September 30, 2003**

**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 Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with 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 Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*"
4. The audit disclosed no instances of reportable conditions in internal control over major federal awards or state projects or reportable conditions which were material weaknesses in internal control over major awards or projects.
5. The auditors' report on compliance for the major federal award programs and state financial assistance projects for Gulf County, Florida expresses an unqualified opinion.
6. The audit disclosed no findings required to be reported under OMB Circular A-133.
7. The programs/projects tested as major programs/projects included the following:
  - **Federal Programs**
    - Federal Emergency Management Agency, Hazard Mitigation Grant (HMGP), CFDA No. 83.548
    - U.S. Department of Housing and Urban Development, Community Development Block Grant, CFDA No. 14.228
  - **State Projects**
    - State of Florida Department of Transportation:  
County Incentive Grant Programs, CSFA No. 55.008
    - Office of Tourism, Trade, and Economic Development  
Rural Infrastructure Grants, CSFA No. 31.030  
Economic Development Transportation Fund, CSFA No. 31.002

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**GULF COUNTY, FLORIDA**  
**Schedule of Findings and Questioned Costs –**  
**Federal Award Programs and State Financial Assistance Projects, *continued***  
**Year Ended September 30, 2003**

**PART A - SUMMARY OF AUDIT RESULTS, *continued***

8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major federal award programs and major state financial assistance projects.
9. Gulf County, Florida did not qualify as a low-risk auditee pursuant to OMB Circular A-133.

**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.

**PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**

1. No matters were noted.

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**GULF COUNTY, FLORIDA**  
**Schedule of Findings and Questioned Costs –**  
**Federal Award Programs and State Financial Assistance Projects, *continued***  
**Year Ended September 30, 2003**

**PART D - FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE PROJECTS**

1. No matters were noted.

**PART E - 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 federal or Florida Single Audit Acts.

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T. MICHAEL TUCKER, CPA, P.A.  
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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, 2003, as listed in the accompanying table of contents, and have issued our report thereon dated June 10, 2004.

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.

June 10, 2004

*T. Michael Tucker, CPA, P.A.*

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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, 2003, and have issued our report thereon dated June 10, 2004.

We have also issued our independent auditors' report on compliance and on internal control over financial reporting, independent auditors' report on compliance and internal control over compliance applicable to each major federal awards program and state financial assistance project, and schedule of findings and questioned costs dated June 10, 2004. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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)(g)1.(a)] require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud and violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such items disclosed in the preceding audit report.

The *Rules of the Auditor General* [Section 10.554(1)(g)1.(b)] require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding audit report have been satisfactorily addressed by Gulf County, Florida, except as noted herein.

The *Rules of the Auditor General* [Section 10.554(1)(g)2.] require that we determine whether Gulf County, Florida 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.

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

**INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued***

The *Rules of the Auditor General* [Section 10.554(1)(g)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. Gulf County, Florida was established by the Constitution of the State of Florida, Article VIII, Section 1(e).

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)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)(g)6.(b)], we determined that the annual financial report for Gulf County, Florida for the fiscal year ended September 30, 2003, was filed with the Department of Banking and Finance 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, 2003.

As required by the *Rules of the Auditor General* [Section 10.554(1)(g)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.

The *Rules of the Auditor General* [Sections 10.554(1)(g)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 compliance and internal control over financial reporting: 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:

**Current Year Recommendations**

■ **Board of County Commissioners**

**Need to Monitor Commercial Lease Terms**

The County did not have adequate control procedures in place to monitor lessee compliance with the requirements of two commercial leases. The County's leases of the Industrial Park and a commercial freezer building have various insurance coverage requirements and/or job creation requirements. The County does not timely obtain information from the lessee to ensure the insurance coverage or lease term requirements are met. We recommend the County establish control procedures to timely monitor compliance with lease terms.

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

**INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued***

**Current Year Recommendations, *continued***

■ **Sheriff**

**Need to Reconcile Inmate Welfare Trust Account**

As noted in the prior year, the Inmate Welfare Trust bank account was not reconciled to the Inmate Resident Balance Report during the fiscal year. The September 30, 2003, bank account balance of \$11,535 exceeds the amounts shown owed to inmates by \$8,100. A portion of the difference results from fees assessed for providing various services to inmates were not properly accounted for. We also noted a discrepancy of \$350 between cash received for inmates' personal use and the amount deposited. This amount was recovered by the Sheriff's department and the inmates' accounts were properly credited. In the event of a loss of cash, failure to timely reconcile bank accounts could result in a failure to detect and recover the loss. The Gulf County Sheriff should implement internal control procedures to ascertain segregation of duties is maximized. Included in these controls should be a procedure for the return of inmate monies upon that inmate's release from custody. We also recommend all bank statements be reconciled monthly to the Inmate Resident Balance Report. We also recommend management properly account for fees earned for services provided to inmates and that funds be transferred to the appropriate accounts monthly.

**Need to Reconcile Bond Account**

The cash bond account was not reconciled with the monthly listing of cash bonds outstanding. In the event of a loss of cash, failure to reconcile bank accounts could result in a failure to detect and recover the loss. We recommend management reconcile the bond account with the detail of outstanding bonds monthly.

The above recommendations relate to conditions observed during the year ended September 30, 2003, 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.

June 10, 2004

*J. Michael Tucker, CPA, P.A.*

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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) 229-6111/229-6106 • FAX (850) 229-9252  
EMAIL: gulfcoadm@gtcom.net

June 15, 2004

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 2002/2003 (October 1, 2002 through September 30, 2003). The following is the corrective action taken by Gulf County, Florida.

- **NEED TO MONITOR COMMERCIAL LEASE TERMS**

The county did not have adequate control procedures in place to monitor leasee compliance with the requirements of two commercial leases. The county leases of the Industrial Park and a commercial freezer building have various insurance coverage requirements and/or job creation requirements. The county does not timely obtain information from the lessee to ensure the insurance coverage or lease term requirements are met. We recommend the county establish control procedures to timely monitor compliance with lease terms.

**Comment so noted by the county commission. Deadlines will be established to obtain required information from leasees.**

As always, if you have any questions or comments, please do not hesitate to contact this office.

Sincerely Yours,

GULF COUNTY BOARD OF COUNTY COMMISSIONERS



Donald Butler  
Chief Administrator

DHB/ls

cc: T. Michael Tucker

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