

GULF COUNTY, FLORIDA

Financial Statements

September 30, 2002

(With Independent Auditors' Reports)

**GULF COUNTY, FLORIDA
FINANCIAL STATEMENTS
September 30, 2002**

(With Independent Auditors' Reports)

BOARD OF COUNTY COMMISSIONERS

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T. Michael Tucker, C.P.A.

GULF COUNTY, FLORIDA
Financial Statements
(With Independent Auditors' Reports)
September 30, 2002

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of Gulf County, Florida as of and for the year ended September 30, 2002, as listed in the table of contents. These combined financial statements are the responsibility of the management of Gulf County, Florida. 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Gulf County, Florida at September 30, 2002, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 23, 2003, 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.

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

INDEPENDENT AUDITORS' REPORT, *continued*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance projects 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*, and the combining funds listed in the table of contents as accompanying information are presented for purposes of additional analysis and are not a required part of the combined financial statements of Gulf County, Florida. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

April 23, 2003

J. Michael Juckey, CPA, P.A.

FINANCIAL STATEMENTS

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GULF COUNTY, FLORIDA
Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2002

	Governmental Fund Types				Proprietary Fund Types Enterprise	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Trust and Agency	General Fixed Assets	General Long-Term Debt	2002	2001
Assets										
Cash and cash investments	\$ 3,966,383	2,000,870	1,869,489	1,398,966	162,583	376,954			9,775,245	11,296,019
Restricted and escrowed cash:										
Bond debt service and reserve					53,535				53,535	20,173
Customer deposits					53,233				53,233	50,102
Landfill closure funds	178,529								178,529	174,883
Due from other funds	146,391	23,545	28,800		158,840				357,576	610,350
Due from other governmental units	855,689	264,403	156,871			2,793			1,279,756	940,279
Accounts receivable, net of allowance for doubtful accounts	87,312	17,207			16,109				120,628	145,619
Notes receivable		87,063							87,063	154,878
Lease receivable		306,731							306,731	0
Land					6,350		2,480,729		2,487,079	2,229,124
Buildings and improvements, net of accumulated depreciation					2,554,381		8,166,098		10,720,479	9,014,649
Construction in progress					898,577		67,224		965,801	616,070
Furniture and equipment							9,590,841		9,590,841	8,370,568
Prepaid and deferred charges					23,459				23,459	25,229
Amounts available in debt service fund and landfill escrow								2,233,689	2,233,689	2,204,607
Amount to be provided for retirement of general long-term debt								8,893,420	8,893,420	8,856,183
Total assets	<u>\$ 5,234,304</u>	<u>2,699,819</u>	<u>2,055,160</u>	<u>1,398,966</u>	<u>3,927,067</u>	<u>379,747</u>	<u>20,304,892</u>	<u>11,127,109</u>	<u>47,127,064</u>	<u>44,708,733</u>

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Combined Balance Sheet, *continued*
All Fund Types and Account Groups
September 30, 2002

	Governmental Fund Types				Proprietary Fund Types Enterprise	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Trust and Agency	General Fixed Assets	General Long-Term Debt	2002	2001
Liabilities										
Vouchers payable	\$ 349,888	204,478		359,755	26,311	107,746			1,048,178	712,359
Payable from restricted assets:										
Accrued interest					6,500				6,500	6,500
Revenue bonds					23,969				23,969	22,924
Deposits					49,752				49,752	46,532
Due to other governmental units	36,954					212,303			249,257	169,973
Due to other funds	29,732	103,340			168,840	55,664			357,576	610,350
Installment contracts							286,023		286,023	154,728
Bonds payable					578,205		7,983,403		8,561,608	9,118,449
Notes payable							1,587,075		1,587,075	1,221,200
Deferred revenue	599,476	779,062			158,840				1,537,378	1,088,329
Liability for uninsured claims									0	300,000
Liability for compensated absences								559,208	559,208	239,747
Long-term landfill closure liability								711,400	711,400	628,840
Total liabilities	<u>1,016,050</u>	<u>1,086,880</u>	<u>0</u>	<u>359,755</u>	<u>1,012,417</u>	<u>375,713</u>	<u>0</u>	<u>11,127,109</u>	<u>14,977,924</u>	<u>14,319,931</u>
Fund equity										
Investment in general fixed assets							20,304,892		20,304,892	17,145,904
Contributed capital					2,210,158				2,210,158	2,274,024
Fund balances:										
Reserved	299,706		2,055,160	1,039,211					3,394,077	4,346,911
Unreserved:										
Designated		185,436							185,436	162,718
Undesignated	3,918,548	1,427,503				4,034			5,350,085	6,097,400
Retained earnings:										
Reserved					23,065				23,065	16,423
Unreserved					681,427				681,427	345,422
Total fund equity	<u>4,218,254</u>	<u>1,612,939</u>	<u>2,055,160</u>	<u>1,039,211</u>	<u>2,914,650</u>	<u>4,034</u>	<u>20,304,892</u>	<u>0</u>	<u>32,149,140</u>	<u>30,388,802</u>
Total liabilities and fund equity	<u>\$ 5,234,304</u>	<u>2,699,819</u>	<u>2,055,160</u>	<u>1,398,966</u>	<u>3,927,067</u>	<u>379,747</u>	<u>20,304,892</u>	<u>11,127,109</u>	<u>47,127,064</u>	<u>44,708,733</u>

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
Year Ended September 30, 2002

	Governmental Fund Types				Fiduciary	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)	
						2002	2001
Revenues							
Taxes	\$ 4,102,794	2,358,868	337,636	0	0	6,799,298	6,039,322
Licenses and permits	514,837	736	0	0	0	515,573	303,496
Intergovernmental	3,001,843	1,372,457	562,380	0	0	4,936,680	3,579,325
Fines and forfeitures	31,092	259,031	0	0	0	290,123	227,654
Charges for services	934,117	71,044	0	0	0	1,005,161	1,042,160
Miscellaneous	365,726	127,151	28,923	38,285	14,458	574,543	778,683
Total revenues	<u>8,950,409</u>	<u>4,189,287</u>	<u>928,939</u>	<u>38,285</u>	<u>14,458</u>	<u>14,121,378</u>	<u>11,970,640</u>
Expenditures							
Current operating:							
General government	3,752,259	32,976	0	0	0	3,785,235	3,604,777
Public health and safety	3,340,438	250,653	0	0	13,364	3,604,455	3,441,163
Physical environment	987,187	0	0	0	0	987,187	868,122
Transportation	303,464	784,924	0	0	0	1,088,388	782,874
Economic environment	241,209	528,925	0	0	0	770,134	1,008,090
Human services	454,299	15,714	0	0	0	470,013	505,677
Culture/recreation	184,103	0	0	0	0	184,103	151,796
Capital outlay	2,387,596	964,087	0	1,070,404	0	4,422,087	2,222,054
Debt service	351,670	105,393	906,503	0	0	1,363,566	1,083,311
Total expenditures	<u>12,002,225</u>	<u>2,682,672</u>	<u>906,503</u>	<u>1,070,404</u>	<u>13,364</u>	<u>16,675,168</u>	<u>13,667,864</u>
Excess of revenues (under) over expenditures	<u>(3,051,816)</u>	<u>1,506,615</u>	<u>22,436</u>	<u>(1,032,119)</u>	<u>1,094</u>	<u>(2,553,790)</u>	<u>(1,697,224)</u>
Other financing sources (uses)							
Operating transfers in	1,936,997	0	0	0	0	1,936,997	3,106,146
Operating transfers out	0	(1,936,997)	0	0	0	(1,936,997)	(3,106,146)
Proceeds of installment notes	357,132	514,958	0	0	0	872,090	282,612
Lease of Industrial Park	0	4,269	0	0	0	4,269	0
Net proceeds of bond issuance	0	0	0	0	0	0	3,459,046
Total other financing sources (uses)	<u>2,294,129</u>	<u>(1,417,770)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>876,359</u>	<u>3,741,658</u>
Excess of revenues and other financing sources (under) over expenditures and other financing uses	<u>(757,687)</u>	<u>88,845</u>	<u>22,436</u>	<u>(1,032,119)</u>	<u>1,094</u>	<u>(1,677,431)</u>	<u>2,044,434</u>
Fund balances - beginning of year	4,975,941	1,524,094	2,032,724	2,071,330	2,940	10,607,029	8,562,595
Fund balances - end of year	<u>\$ 4,218,254</u>	<u>1,612,939</u>	<u>2,055,160</u>	<u>1,039,211</u>	<u>4,034</u>	<u>8,929,598</u>	<u>10,607,029</u>

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
All Governmental Fund Types (Budgetary Basis)
Year Ended September 30, 2002

	General			Special Revenue (1)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 4,334,033	4,102,794	(231,239)	2,419,207	2,358,868	(60,339)
Licenses and permits	262,500	514,837	252,337	2,000	736	(1,264)
Intergovernmental	5,387,618	3,001,843	(2,385,775)	1,481,261	1,372,457	(108,804)
Fines and forfeitures	22,560	31,092	8,532	212,800	259,031	6,462
Charges for services	936,356	934,117	(2,239)	64,582	71,044	56,431
Miscellaneous	326,617	365,726	39,109	38,587	95,018	6,462
Less 5% of estimated revenues	(359,540)	0	359,540	(178,773)	0	178,773
Total revenues	<u>10,910,144</u>	<u>8,950,409</u>	<u>(1,959,735)</u>	<u>4,039,664</u>	<u>4,157,154</u>	<u>117,490</u>
Expenditures						
Current operating:						
General government	3,979,653	3,752,259	227,394	55,613	32,976	22,637
Public health and safety	3,442,081	3,340,438	101,643	225,195	240,903	(15,708)
Physical environment	1,202,066	987,187	214,879	0	0	0
Transportation	395,346	303,464	91,882	909,445	784,924	124,521
Economic environment	267,761	241,209	26,552	726,863	528,925	197,938
Human services	630,346	454,299	176,047	37,890	15,714	22,176
Culture/recreation	215,126	184,103	31,023	0	0	0
Capital outlay	4,893,515	2,387,596	2,505,919	1,398,544	964,087	434,457
Debt service	325,812	351,670	(25,858)	126,064	105,393	20,671
Reserve for contingencies	425,322	0	425,322	44,200	0	44,200
Total expenditures	<u>15,777,028</u>	<u>12,002,225</u>	<u>3,774,803</u>	<u>3,523,814</u>	<u>2,672,922</u>	<u>850,892</u>
Excess of revenues (under)						
 over expenditures	<u>(4,866,884)</u>	<u>(3,051,816)</u>	<u>1,815,068</u>	<u>515,850</u>	<u>1,484,232</u>	<u>968,382</u>
Other financing sources (uses)						
Operating transfers in	1,947,466	1,936,997	(10,469)	0	0	0
Operating transfers out	0	0	0	(1,929,616)	(1,936,997)	(7,381)
Lease of Industrial Park	0	0	0	0	4,269	4,269
Proceeds of installment notes	132,942	357,132	224,190	514,958	514,958	0
Total other financing sources (uses)	<u>2,080,408</u>	<u>2,294,129</u>	<u>213,721</u>	<u>(1,414,658)</u>	<u>(1,417,770)</u>	<u>(3,112)</u>
Excess of revenues and other financing						
 sources (under) over expenditures and						
 other financing uses	<u>(2,786,476)</u>	<u>(757,687)</u>	<u>2,028,789</u>	<u>(898,808)</u>	<u>66,462</u>	<u>965,270</u>
Fund balances - beginning of year	2,786,476	4,975,941	2,189,465	898,808	1,524,094	625,286
Fund balances - end of year	<u>\$ 0</u>	<u>4,218,254</u>	<u>4,218,254</u>	<u>0</u>	<u>1,590,556</u>	<u>1,590,556</u>

(1) Excludes Sheriff's special revenue activity.

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
All Governmental Fund Types (Budgetary Basis), *continued*
Year Ended September 30, 2002

	Debt Service			Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 353,544	337,636	(15,908)	0	0	0
Intergovernmental	456,792	562,380	105,588	0	0	0
Miscellaneous	66,000	28,923	(37,077)	84,000	38,285	(45,715)
Less 5% of estimated revenues	(43,817)	0	43,817	(4,200)	0	4,200
Total revenues	<u>832,519</u>	<u>928,939</u>	<u>96,420</u>	<u>79,800</u>	<u>38,285</u>	<u>(41,515)</u>
Expenditures						
Capital outlay	0	0	0	2,237,000	1,070,404	1,166,596
Debt service	2,680,370	906,503	1,773,867	0	0	0
Total expenditures	<u>2,680,370</u>	<u>906,503</u>	<u>1,773,867</u>	<u>2,237,000</u>	<u>1,070,404</u>	<u>1,166,596</u>
Excess of revenues over (under) expenditures	<u>(1,847,851)</u>	<u>22,436</u>	<u>1,870,287</u>	<u>(2,157,200)</u>	<u>(1,032,119)</u>	<u>1,125,081</u>
Other financing sources (uses)						
Transfers (out)	0	0	0	0	0	0
Proceeds of bond issuance	0	0	0	0	0	0
Bond issuance costs	0	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,847,851)</u>	<u>22,436</u>	<u>1,870,287</u>	<u>(2,157,200)</u>	<u>(1,032,119)</u>	<u>1,125,081</u>
Fund balances - beginning of year	<u>1,847,851</u>	<u>2,032,724</u>	<u>184,873</u>	<u>2,157,200</u>	<u>2,071,330</u>	<u>(85,870)</u>
Fund balances - end of year	<u>\$ 0</u>	<u>2,055,160</u>	<u>2,055,160</u>	<u>0</u>	<u>1,039,211</u>	<u>1,039,211</u>

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings -
Proprietary Fund Types - Enterprise
Year Ended September 30, 2002,
With Comparative Amounts for 2001

	Totals	
	(Memorandum Only)	
	<u>2002</u>	<u>2001</u>
Operating revenue		
Charges for services	\$ 299,579	295,349
Operating expenses		
Personal services	57,470	66,352
Purchase of water	109,270	111,051
Contractual services	1,583	2,212
Other operating expenses	29,372	40,351
Depreciation	102,927	94,879
Total operating expenses	<u>300,622</u>	<u>314,845</u>
Operating (loss)	<u>(1,043)</u>	<u>(19,496)</u>
Nonoperating revenue (expense)		
Interest income	7,838	8,306
Interest expense	(32,663)	(33,569)
Contributed capital	304,650	0
Net nonoperating revenue (expense)	<u>279,825</u>	<u>(25,263)</u>
Net income (loss)	278,872	(44,759)
Add depreciation on contributed assets		
acquired with capital grants	<u>63,865</u>	<u>59,148</u>
Increase in retained earnings	342,647	14,389
Retained earnings - beginning of year	<u>361,845</u>	<u>347,456</u>
Retained earnings - end of year	<u><u>\$ 704,492</u></u>	<u><u>361,845</u></u>

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Combined Statement of Cash Flows -
Proprietary Fund Types - Enterprise
Year Ended September 30, 2002,
With Comparative Amounts for 2001

	Totals	
	(Memorandum Only)	
	<u>2002</u>	<u>2001</u>
Cash provided by operating activities		
Operating (loss)	\$ (1,043)	(19,496)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	102,927	94,879
Cash provided by (used in) operating assets and liabilities:		
Accounts receivable	5,878	(661)
Due from other funds	(158,840)	0
Due from other governmental units	219,900	(219,900)
Vouchers payable and accrued expenses	(68,773)	85,580
Due to other funds	27,879	129,785
Deferred revenue	158,840	0
Customer deposits	3,220	520
Total adjustments	<u>291,031</u>	<u>90,203</u>
Net cash provided by operating activities	<u>289,988</u>	<u>70,707</u>
Cash (used for) capital and related financing activities		
Repayments of revenue bonds	(22,924)	(21,930)
Interest paid on long-term debt	(30,893)	(31,799)
Acquisition of fixed assets	<u>(477,727)</u>	<u>(421,791)</u>
Net cash (used for) capital and related financing activities	<u>(531,544)</u>	<u>(475,520)</u>
Cash provided by noncapital and related financing activities		
Contributed capital - grants and contributions	<u>304,650</u>	<u>420,850</u>
Cash provided by investing activities		
Interest received	<u>7,838</u>	<u>8,306</u>
Increase in cash and cash equivalents	70,932	24,343
Cash and cash equivalents, beginning of year	<u>198,419</u>	<u>174,076</u>
Cash and cash equivalents, end of year	<u>\$ 269,351</u>	<u>198,419</u>

See accompanying notes to financial statements.

GULF COUNTY, FLORIDA
Notes to Financial Statements
September 30, 2002

(1) Summary of Significant Accounting Policies

Reporting Entity

Gulf County, Florida (the "County") is located in northwest Florida. The County is governed by an elected five-member Board of County Commissioners (the "Board") which is governed by Florida Statutes and regulations, and is the oversight unit being reported upon. The County serves approximately 16,000 residents by providing human services, public health and safety, and economic development. 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.

In evaluating the County as a reporting entity, potential component units (traditionally separate reporting entities), which may or may not fall within the County's oversight and control and, as such, be included within the County's general purpose financial statements, have been addressed.

The specific criteria used by the County for establishing oversight responsibility are as follows:

- **Manifestations of oversight responsibility**—Selection of governing authority; designation of management; ability to significantly influence operations.
- **Accountability for fiscal matters**—Budgetary authority; surplus/deficit; responsibility for debt; fiscal management; revenue characteristics.

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 that required inclusion as a component unit within the County's financial statements. There were no entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the County's financial statements.

Gulf County was created pursuant to The Constitution of the State of Florida, Article VIII, Section 1.

Dependent special districts were created as follows: Highland View Water & 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*

(1) Summary of Significant Accounting Policies, *continued*

Basis of Presentation

The financial transactions of the County are recorded in individual funds and account groups. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The following fund types and account groups are used by the County:

■ **Governmental Funds:**

- **General Fund**—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 herein with the balance of the Board of County Commissioners' operating funds.

- **Special Revenue Funds**—used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Special revenue funds are used to account for activities in fines and forfeitures, road and bridge projects, grants received by the County, Sheriff, and fire control districts.
- **Debt Service Funds**—used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- **Capital Projects Fund**—used to account for the construction of certain capital facilities, including road construction projects.

■ **Fiduciary Funds**

- **Agency Funds**—are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations.
- **Expendable Trust Fund**—The expendable trust fund is used where legally mandated or where a formal legal trustee relationship exists. This fund is used to account for revenues, expenditures and assets applicable to the inmate welfare fund activities.

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

(1) Summary of Significant Accounting Policies, *continued*

Basis of Presentation, *continued*

■ **Proprietary Funds:**

- **Enterprise Funds**—the proprietary funds are the enterprise funds. Proprietary fund measurement focus is based upon determination of net income, financial position, and cash flows. The generally accepted accounting principles used are those applicable to similar businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. The County has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for the proprietary fund types as permitted under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20.

The enterprise funds include the following water and sewer systems of the County:

Highland View Water System
Beaches Water System
Oak Grove
Williamsburg and Methodist Hill
White City Water and Sewer System

■ **Account Groups:**

- **General Fixed Assets Account Group**—used to account for all property, plant and equipment owned by the County other than that acquired and accounted for by the enterprise funds.
- **General Long-Term Debt Account Group**—used to account for unmatured general long-term liabilities of the County including notes and bonds payable, capitalized lease obligations and employees' compensated absences other than those accounted for by the enterprise funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental fund types and expendable trust funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means the transaction amount can be determined and "available" means collectible within the current period or soon enough thereafter to pay for liabilities of the current period. The County considers most revenues as available if they are collected within sixty days after year end. Primary revenues, including taxes, intergovernmental revenues, charges for services, and

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

(1) Summary of Significant Accounting Policies, *continued*

Basis of Accounting, *continued*

interest are treated as susceptible to accrual under the modified accrual basis. Receivables, if not measurable and available, are offset by deferred revenues. Expenditures other than accrued interest on general long-term debt and accrued compensated absences are recorded at the time liabilities are incurred.

Property taxes for the fiscal year beginning October 1, 2002, are not considered measurable and available since neither a legally enforceable claim existed, nor were the related services provided or available before October 1, 2002.

Licenses and permits, charges for services, fines and forfeitures, and various other revenue sources are recorded as revenue when received in cash because they are not considered measurable until received. Investment earnings are recorded when earned since they are measurable and available at that time.

The enterprise funds are presented on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenditures are recorded when incurred.

Nonexchange transactions, in which the County receives value without directly giving equal value in exchange, include sales taxes, fuel taxes and similar items. These derived tax revenues are recognized as revenues in the accounting period when the underlying exchange transaction has occurred. Funds using the modified accrual basis, the resources should also be available.

Budgets and Budgetary Accounting

Annual budgets are legally adopted for the governmental funds of the Board and those of the elected Constitutional Officers. The budgets are prepared and adopted on the modified accrual basis of accounting.

Formal budgetary integration is employed as a management control device during the fiscal year for the governmental funds. All budget changes that affect the total of a fund's budget must be approved by the Board.

Budgetary data presented in the accompanying financial statements represents the final budget data for the year ended September 30, 2002. All budget appropriations lapse at the end of the fiscal year.

Inventories

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds. Inventory in the enterprise funds consists of utility supplies held for consumption or capital improvements. 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.

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

(1) Summary of Significant Accounting Policies, *continued*

Prepaid Expenses

General fund expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures in the period of acquisition.

General Fixed Assets

General fixed assets purchased in the governmental fund types are recorded as expenditures at the time purchased. General fixed assets include land, buildings, improvements other than buildings, and furniture and equipment. In accordance with governmental accounting principles, the County does not capitalize the cost of public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage and lighting systems. In addition, under governmental accounting principles, no depreciation is provided on general fixed assets.

General fixed assets are recorded at historical cost, or estimated historical cost, if the original cost was not available. Gifts and contributions of property are recorded at estimated fair market value at the time received. Asset dispositions are removed from the accounts at their recorded value. The cost of equipment acquired is increased by any applicable trade-in allowance.

Long-Term Debt

Debt recorded in the general long-term debt account group is paid from governmental fund assets. Debt recorded in the enterprise funds is paid from enterprise fund assets.

Totals (Memorandum Only) Columns

Total columns on the combined financial statements are captioned "Totals (Memorandum Only)" to indicate they are presented for analysis purposes only. The data in these columns does not present financial position or results of operations. Interfund eliminations have not been made in the aggregation of this data, neither is such data comparable to a consolidation.

Common Expenses

Certain expenses, which are common to the Board and all Constitutional Officers, are reported as expenses of the Board and, therefore, are not budgeted by or allocated to the other Constitutional Officers.

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 for participation in their investment pools. 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.

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

(1) Summary of Significant Accounting Policies, *continued*

Cash and Investments, *continued*

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.

Due From (To) Other Funds

During the course of operations, transactions occur between funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. Deferred revenue is reported as a liability on the balance sheet. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Budgetary Data

The annual budgets of the Board and those of the elected Constitutional Officers are under formal budgetary control. The budgets shown in the financial statements were prepared under the modified accrual basis of accounting, which is generally the basis of the legally adopted budget. Budget appropriations may not be legally exceeded on a fund basis. Such budget amounts include all Board authorized amendments to the original budget. Line item expenditures in excess of budgeted amounts are authorized to the extent that total fund expenditures did not exceed the total fund budgeted expenditures. Appropriations lapse at year end to the extent they have not been expended. Encumbrances were not recorded during fiscal year 2001-2002. The receipts portion of the budget includes 95% of all receipts reasonably anticipated from all sources, including taxes to be levied, and 100% of the cash and liquid securities estimated to be brought forward at the beginning of the fiscal year. Florida Statutes govern the preparation, adoption and administration of the annual budget.

Compensated Absences

It is the policy of the Board and elected Constitutional Officers to grant employees vacation and sick leave.

In the governmental fund types, compensated absences, i.e., paid absences for employee vacation and sick leave, are recorded as an expenditure when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. Compensated absences that exceed this amount at fiscal year-end are reported in the general long-term debt account group and recorded as expenditures when used in subsequent years.

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

(1) **Summary of Significant Accounting Policies, *continued***

Compensated Absences, *continued*

Upon retirement or resignation, employees of all County agencies, except the Property Appraiser and Supervisor of Elections, may be paid for unused vacation hours accrued up to a maximum amount.

Payment of up to 100% of unused sick leave is also provided, subject to various criteria, to employees of all County agencies, except the Property Appraiser and Supervisor of Elections.

Fund Equity

Contributed capital in the proprietary fund type represents contributions from other governments and other funds. Contributions are used for capital outlay projects and are recognized as increases in equity in the period they are earned or received. Contributed capital on assets acquired through grants is amortized over the useful lives of the assets.

Reserves indicate that portion of fund balance 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.

Property Taxes

■ **Procedure for Property Assessment**—Real and personal property valuations are reassessed each year as of January 1 by the Property Appraiser's office. Each assessment roll is submitted to the Florida Department of Revenue for review. Florida Statutes require that all property be assessed at 100% of just value and permit counties to levy property taxes at a rate up to 10 mills for general operations. The 2002 millage rate assessed by the County was 6.575 mills.

■ **Procedure for Tax Collection**—The County's tax calendar is as follows:

Tax Lien Date:	January 1
Tax Levy Date:	Not Later Than October 1
Tax Delinquent Date:	April 1 of Year Following Assessment
Discount Periods:	November Through February (up to 4%)
Tax Certificates Sold	May 31

The Tax Collector advertises, as required by Florida Statutes, and sells tax certificates on all real property for unpaid taxes prior to June 1 following the tax year. Certificates not sold are considered "County Held Certificates." Persons owning land upon which a tax certificate has been sold may redeem the land by paying the Tax Collector the face amount of the tax certificate plus interest and other costs. Application for a tax deed on unredeemed tax certificates may be made by the certificate holder after a period of two years.

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

(1) Summary of Significant Accounting Policies, *continued*

Cash Flow Information

For the statement of cash flows presentation, cash represents cash in banks subject to immediate withdrawal.

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.

New Governmental Accounting Standards Board (GASB) Pronouncements

Effective October 1, 2000, the County implemented accounting and reporting standards required in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and Statement No.36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. These statements provide guidance on the timing of recognition of nonexchange transactions involving financial resources such as taxes, grants, and similar items. The County has not elected early implementation of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*.

(2) Cash and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

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, 2002, the County's investments consisted of the following:

	Carrying Amount	Market Value
State Board of Administration		
Board of County Commissioners	\$ 4,454,222	4,454,222
Clerk of the Circuit Court	340,775	340,775
Tax Collector	50,215	50,215
Totals	4,845,212	4,845,212

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

(2) Cash and Investments, *continued*

	Carrying Amount	Market Value
Florida Local Government Investment Trust		
Board of County Commissioners	\$ 2,590,119	2,590,119
Total County Investments	\$ 7,435,331	7,435,331

(3) Fixed Assets

Changes in the general fixed assets account group during the year ended September 30, 2002, were as follows:

	Balance 9/30/01	Additions	(Retirements)	Balance 9/30/02
Board of County Commissioners				
Land	\$ 2,222,774	273,051	(15,096)	2,480,729
Buildings and improvements	6,357,342	2,146,350	(337,594)	8,166,098
Furniture and equipment	7,612,672	1,517,617	(401,706)	8,728,583
Construction in progress	195,220	67,224	(195,220)	67,224
Total Board of County Commissioners	16,388,008	4,004,242	(949,616)	19,442,634
Sheriff				
Furniture and equipment	757,896	168,562	(64,200)	862,258
Total	\$ 17,145,904	4,172,804	(1,013,816)	20,304,892

The amount and estimated useful lives of the major classifications of enterprise fund fixed assets at September 30, 2002, were as follows:

	Amount	Useful Life In Years
Land	\$ 6,350	
Buildings and utility systems	3,730,143	5-40
Construction in progress	898,577	
	4,635,070	
Less: Accumulated depreciation	(1,175,762)	
Total	\$ 3,459,308	

Depreciation of the enterprise fund fixed assets is computed using the straight-line method. Depreciation expense on enterprise fund buildings and equipment for 2002 was \$102,927.

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

(4) Employee Benefits

(A) Retirement Plan

The County participates in the Florida Retirement System (the FRS), a cost-sharing, multiple-employer defined benefit 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. That report may be obtained by contacting the State of Florida Department of Management Services, Division of Retirement, Bureau of Research, Education and Policy, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1650, or by calling (850) 488-5540.

Funding Policy

Effective January 1, 2001, benefits are fully vested on reaching six years of service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits. FRS also provides death benefits, disability benefits, and cost-of-living adjustments. Benefits are established by Florida Statute.

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

	10/1/01 Through 6/30/02	7/1/02 Through 9/30/02
Regular employees	7.3%	5.76%
Senior management	9.28%	6.06%
Elected County officials	15.14%	11.86%
Special risk employees	18.44%	16.01%
DROP plan participants	12.50%	9.11%

During the year ended September 30, 2002, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

County Agency	Payroll Expense	Retirement Contributions
Board of County Commissioners	\$ 2,281,394	181,708
Clerk of the Circuit Court	470,278	37,725
Sheriff	1,342,793	192,380
Property Appraiser	186,138	19,360
Tax Collector	234,897	20,694
Supervisor of Elections	91,347	11,049
Total	\$ 4,606,847	462,916

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

(4) Retirement Benefits, *continued*

(A) **Retirement Plan, *continued***

Retirement contributions represented 10.05% of total County covered payroll.

(B) **Other Postemployment Benefits**

Deferred Compensation

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County has no fiduciary responsibility for this plan.

(5) General Long-Term Debt and Enterprise Fund Bonds Payable

Long-term debt at September 30, 2002, is as follows:

	<u>Original Issue</u>	<u>Balance 9/30/01</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/02</u>
Bonds payable				
Board of County Commissioners				
3.75% to 5.25% Gas Tax Refunding and Improvement Revenue Bonds, Series 1995; proceeds used for road construction and refunding of Series 1990 tax bonds (note 5-A)	\$ 6,775,000	4,830,000	(445,000)	4,385,000
3.1% to 4.9% Gas Tax Revenue Bonds, Series 2001; proceeds used for road construction (note 5-B)	3,680,200	3,686,275	(95,000) 7,128 (1)	3,598,403
Total bonds payable	<u>\$ 10,455,200</u>	<u>8,516,275</u>	<u>(532,872)</u>	<u>7,983,403</u>

(1) Accreted interest, see note 5(B).

Notes payable

Board of County Commissioners

Five notes payable to bank, payable in annual installments of \$124,567 plus interest at 6.05% - 6.13%, secured by heavy equipment

\$ 622,837	558,064	(124,567)	433,497
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Two notes payable to banks, payable in annual installments of \$54,143 including interest at 5.8% - 5.9%, secured by heavy equipment

260,383	203,512	(52,299)	151,213
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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	0	361,600 (24,312)	337,288
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GULF COUNTY, FLORIDA
Notes to Financial Statements, *continued*

(5) General Long-Term Debt and Enterprise Fund Bonds Payable, *continued*

	<u>Original Issue</u>	<u>Balance 9/30/01</u>	<u>Additions (Reductions)</u>	<u>Balance 9/30/02</u>
Notes payable, <i>continued</i>				
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	\$ 210,055	0	210,055	210,055
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	0	76,245	76,245
Note payable to bank under \$300,000 line of credit, repayable in fifteen annual payments of \$37,483 including interest at 8.99% (note 5-C)	300,000	246,312	(15,056)	231,256
Note payable to bank, payable in annual installments of \$6,114 including interest at 7%, secured by fire truck	25,000	10,997	(5,527)	5,470
Note payable to bank, payable in annual installments of \$30,207 including interest at 4.95%, secured by fire truck	130,491	81,065	(26,876)	54,189
Note payable to bank, payable in annual payments of \$6,000 plus interest at 5.45%, secured by real estate	30,000	18,000	(6,000)	12,000
Three notes payable to bank, payable in three annual installments of \$24,924 including interest at 6.05% and 6.09%, secured by three pickup trucks	66,425	66,425	(20,743)	45,682
Note payable to bank in five annual installments of \$8,542 including interest at 5.08%, secured by truck	36,825	36,825	(6,645)	30,180
Total notes payable - Board of County Commissioners	<u>\$ 2,119,861</u>	<u>1,221,200</u>	<u>365,875</u>	<u>1,587,075</u>
Installment contracts				
Board of County Commissioners				
Installment purchase agreement for fire pumper truck, payable in seven annual installments of \$15,423 including interest at 5.25%	\$ 88,350	88,350	(11,358)	76,992
Capitalized lease agreement for enhanced 911 telephone system, payable in monthly installments of \$588 including interest at 8.5% (note 5-E)	281,500	19,389	(11,463)	7,926

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

(5) General Long-Term Debt and Enterprise Fund Bonds Payable, *continued*

	Original Issue	Balance 9/30/01	Additions (Reductions)	Balance 9/30/02
Installment contracts, <i>continued</i>				
Board of County Commissioners, <i>continued</i>				
Installment purchase agreement for tractor, payable in four annual installments of \$34,860 including interest at 4.8%	\$ 124,190	0	124,190	124,190
Total installment contracts - Board of County Commissioners	494,040	107,739	101,369	209,108
Sheriff				
Installment purchase agreement for five vehicles, payable in monthly installments of \$2,312 including interest at 5.21%	100,000	0	100,000 (23,085)	76,915
Installment purchase agreement for three vehicles and computer equipment, payable in annual installments of \$26,073 including interest at 7.3%	73,062	46,989	(46,989)	0
Total installment contracts - Sheriff	173,062	46,989	29,926	76,915
Total installment contracts	\$ 667,102	154,728	131,295	286,023
Board of County Commissioners				
Long-term landfill closure and postclosure liability (note 10)		628,840	82,560	711,400
Liability for uninsured claims (note 18)		300,000	(300,000)	0
All County Agencies				
Liability for compensated absences		239,747	319,461	559,208
Total bonds, notes payable and other long-term debt		11,060,790	66,319	11,127,109
Enterprise fund bonds payable				
5.25% Beaches Water System Revenue Bonds, Series 1996; proceeds used to refund Series 1984 Revenue Bonds and finance improvements to Beaches Water System (note 5-C)	\$ 525,000	438,098	(19,924)	418,174
4.5% Gulf County Water System Revenue Bonds, Series 1994; used to construct a water system for the White City Community (note 5-D)	200,000	187,000	(3,000)	184,000
Total enterprise fund bonds payable	\$ 725,000	625,098	(22,924)	602,174

GULF COUNTY, FLORIDA
Notes to Financial Statements, continued

(5) General Long-Term Debt and Enterprise Fund Bonds Payable, continued

Future debt service requirements for the County's general long-term debt are summarized below:

9/30	Notes Payable		Installment Contracts		Series 1995 Gas Tax Refunding and Improvement Bonds		Series 2001 Gas Tax Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 380,130	93,253	70,239	13,950	465,000	205,098	5,000	154,551
2004	384,584	71,269	67,578	10,453	485,000	183,480	5,000	154,334
2005	336,652	49,937	71,044	6,987	505,000	160,458	5,000	154,116
2006	212,531	31,248	48,695	3,904	530,000	135,870	5,000	153,899
2007	132,325	19,655	13,851	1,572	555,000	109,275	5,000	153,681
2008-2012	140,853	33,490	14,616	807	1,845,000	180,000	818,403	911,375
2013-2017	0	0	0	0	0	0	2,755,000	344,515
Totals	\$1,587,075	298,852	286,023	37,673	4,385,000	974,181	3,598,403	2,026,471

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

Payment in Fiscal Year	Beaches Water System		White City		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 20,969	21,404	3,000	8,280	23,969	29,684
2004	22,070	20,274	3,000	8,145	25,070	28,419
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
2008-2012	150,400	60,270	20,000	36,225	170,400	96,495
2013-2017	151,325	16,397	24,000	31,455	175,325	47,852
2018-2022	0	0	31,000	25,425	31,000	25,425
2023-2027	0	0	37,000	17,955	37,000	17,955
2028-2032	0	0	47,000	8,730	47,000	8,730
2033	0	0	10,000	450	10,000	450
Totals	\$ 418,174	171,779	184,000	160,290	602,174	332,069

Synopsis of long-term debt covenants are as follows:

General Long-Term Debt

■ **Bonds Payable**

(A) 3.75% to 5.25% Gas Tax Refunding and Improvement Revenue Bonds Series 1995 - \$4,385,000 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.

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

(5) **General Long-Term Debt and Enterprise Fund Bonds Payable, *continued***

General Long-Term Debt, *continued*

■ **Bonds Payable, *continued***

(A) *continued*

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 - \$3,598,403 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.

The Series 2001 Gas Tax Revenue Bonds are comprised of \$3,235,000 in current interest serial bonds, \$40,000 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, 2002, at the amount of the initial proceeds received by the County of \$310,200 plus accreted interest of \$13,200. The Capital Appreciation Bonds' principal amount at maturity on October 1, 2010, is \$480,000.

■ **Notes Payable**

- (C) The County obtained a \$300,000 bank line of credit in July 1997, of which the proceeds were used for the purpose of acquiring an approximate fifteen acre site for an industrial park in 1997, and a portion of the construction costs incurred in 1998 for a commercial building thereon.

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

(5) **General Long-Term Debt and Enterprise Fund Bonds Payable, *continued***

Enterprise Funds

- (D) 5.25% Beaches Water System Revenue Bonds, Series 1996 - \$418,174 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 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 - \$184,000 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, a reserve account of \$12,000 is required. The amount in the reserve account at September 30, 2002, was \$17,935.

Capital Lease Agreement

- (F) In August 1994, the Board entered into a noncancelable lease agreement with GTCom (formerly St. Joseph Telecommunications) to provide "Enhanced 911 Emergency Reporting Service." Under the terms of the ten-year lease, which is accounted for as a capital lease, the Board is required to pay adjusted monthly lease payments of \$588, which includes imputed interest at 8.5%. In the event the Board cancels the lease, it will owe as liquidated damages to GTCom, the net book value of the equipment.

Prior Year Defeasance of Debt

- (G) 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, 2002, \$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 \$23,459 at September 30, 2002.

(6) **Stewardship, Compliance and Accountability**

The County's enterprise funds include five water systems, three of which are maintained and operated by the County. A fourth system, Oak Grove, is operated by the City of Port St. Joe, Florida.

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

(6) Stewardship, Compliance and Accountability, *continued*

The fifth water system, Williamsburg and Methodist Hill, is maintained and operated by the City of Wewahitchka, Florida. As consideration, the City of Wewahitchka, Florida receives all related net operating income.

The Highland View Water System received a \$150,000 donation from a major developer during fiscal year 2001-2002. Also, the Beaches Water System received a grant award of \$154,650 for engineering studies to plan and design a sewer system.

See note 19 for event subsequent to year end pertaining to transfer of operations of certain water systems to City of Port St. Joe, Florida.

Other Disclosures

Budget Overexpenditures

The following fund has total expenditures in excess of total appropriations:

<u>Special Revenue Funds</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>	<u>Expenditures in (Excess) of Budget</u>
Highland View drainage project	\$ 234,368	197,847	(36,521)

(7) Interfund and Interagency Balances

Interfund receivables and payables at September 30, 2002, were:

<u>Due From (To) Other Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 146,391	29,732
Special revenue funds		
Fines and forfeitures	18,356	0
Highland View drainage project	0	94,597
Local criminal justice trust fund	1,926	8,743
Modernization trust fund	1,126	0
Administrative Order 86-12	2,137	0
Debt service	28,800	0
Proprietary funds	158,840	168,840
Trust and agency	0	55,664
Total	\$ 357,576	357,576

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

(8) Leases

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

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

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

The County's share of 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, 2002, was \$306,731. 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*

(9) Grants and Other Proceeds

The County participates in several state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for, or including the year ended September 30, 2002, 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 amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined, although the County expects such amounts, if any, to be immaterial.

(10) Landfill Closure/Long-Term Care Escrow

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, 2002, was \$178,529.

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 2003. The \$711,400 amount reported as landfill closure and postclosure care liability at September 30, 2002 (see note 5), represents the portion of costs to be incurred and reported as a liability to-date. The liability is based on approximately twenty years of the required thirty years long-term care period on one of the closed landfills, approximately eleven years of the required twenty year's long-term care period on the other closed landfill, use of 82% 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 \$303,300 for postclosure care. The construction debris landfill costs are projected at \$14,200 for closure and \$12,000 for postclosure care. The above estimates are based on current prices, actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County follows GASB Statement No. 18 entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*.

(11) 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:

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

(11) **Fund Equity, *continued***

(A) **Reserved Fund Equity, *continued***

Funds	Purpose
Board of County Commissioners	
General	Funding for:
	Landfill escrow
	\$ 178,529
	Radio communications
	48,053
	Boating improvements
	12,345
	Emergency and wireless 911
	53,287
	Other programs
	7,492
	\$ 299,706
Debt service	Repayment of long-term debt
Capital projects	Infrastructure improvements
Enterprise	Renewal and replacement of water system and repayment of debt

(B) **Designated Fund Equity**

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

Funds	Purpose
Board of County Commissioners	
Special revenue	Specified for drug awareness and affordable housing

(12) **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
- Inmate Major Medical

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

(12) Risk Management, *continued*

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 Board's experience for this type of risk.

In prior years, the County purchased workers' compensation insurance during a period of time from Government Risk Insurance Trust (GRIT). The entity became insolvent several years ago and the County is liable for payment of its own workers' compensation claims pending through the GRIT entity. In prior years' financial statements, the County had recorded a liability for the estimated amount of future claims to be paid in connection with its obligation under the GRIT insolvency. During the fiscal year ended September 30, 2003, the County determined sufficient criteria were not present to accurately estimate future liabilities, if any, under this obligation. Accordingly, as of October 1, 2002, the County reduced to zero the carrying amount of the above described obligation.

The Gulf County Sheriff participates in the Florida Sheriff's Self-Insurance Fund, which is a public entity risk pool that permits the Gulf County Sheriff to cover the following types of risk:

- Professional Liability
- Public Officials' Liability
- Money and Securities Coverage
- Public Employees' Blanket Bond

The funding agreements provide that the self-insurance funds will be self-sustaining through member premiums and that the Gulf County Sheriff's liability fund will reinsure through commercial companies.

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 judgements 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.

(13) 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	\$ 413,251
Less allowance for uncollectible accounts	(340,083)
Accounts receivable, net	<u><u>\$ 73,168</u></u>

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

(14) Florida Coast Paper Company, L.L.P. Personal Property Taxes

The owner of a local paper mill has ceased operations and has dismantled the equipment and structures. For the tax year 2000, the owner has protested the County's share of tax assessments of approximately \$735,000 by making a good faith payment. In July 2002, the County received \$768,700 in payment of the 2000 protested taxes. The County then reimbursed the State of Florida local government half-cent sales tax fund for the \$635,019 special distribution provided to the County in September 2001 through special legislation as a result of the contested ad valorem property tax assessment.

(15) 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 \$31,667 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.

(16) Contributed Capital

Changes during fiscal year 2001-2002 in the contributed capital account of the enterprise fund are as follows:

Enterprise Fund	
Balance, September 30, 2001	\$ 2,274,023
Depreciation of assets acquired by capital grant	(63,865)
Balance, September 30, 2002	<u><u>\$ 2,210,158</u></u>

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

(17) 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.

(18) 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
1996	\$ 376,193	182,549	546,624	1,105,366
1997	332,553	209,488	526,294	1,068,335
1998	312,141	211,423	560,678	1,084,242
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

(19) Subsequent Event

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.

ACCOMPANYING INFORMATION

GULF COUNTY, FLORIDA
Combining Balance Sheet
All Special Revenue Funds
September 30, 2002

(Page 1 of 2 Pages)

	Fines and Forfeitures	County Road and Bridge	Secondary Road and Bridge	HUD CDBG	State Housing Initiative Program	Fire Control Districts	Hazard Mitigation Buy-Out Program	Industrial Park EDA
Assets								
Cash and investments	\$ 291,668	217,228	375,733	106,221	540,965	32,063	500	7,230
Due from other governmental units	52	55,547						
Accounts receivable						1,712		2,510
Due from other funds	18,356							
Notes receivable					87,063			
Lease receivable								306,731
Total assets	<u>\$ 310,076</u>	<u>272,775</u>	<u>375,733</u>	<u>106,221</u>	<u>628,028</u>	<u>33,775</u>	<u>500</u>	<u>316,471</u>
Liabilities and fund equity								
Liabilities								
Vouchers payable	1,065	63,510		166	238	28,197		322
Due to other funds								
Deferred revenue					472,331			306,731
Total liabilities	<u>1,065</u>	<u>63,510</u>	<u>0</u>	<u>166</u>	<u>472,569</u>	<u>28,197</u>	<u>0</u>	<u>307,053</u>
Fund equity								
Unreserved:								
Designated	29,977				155,459			
Undesignated	279,034	209,265	375,733	106,055		5,578	500	9,418
Total fund equity	<u>309,011</u>	<u>209,265</u>	<u>375,733</u>	<u>106,055</u>	<u>155,459</u>	<u>5,578</u>	<u>500</u>	<u>9,418</u>
Total liabilities and fund equity	<u>\$ 310,076</u>	<u>272,775</u>	<u>375,733</u>	<u>106,221</u>	<u>628,028</u>	<u>33,775</u>	<u>500</u>	<u>316,471</u>

GULF COUNTY, FLORIDA
Combining Balance Sheet
All Special Revenue Funds
September 30, 2002

(Page 2 of 2 Pages)

	Highland View Drainage Project	Tourist Development Trust Fund	Various - Other	Sheriff's Special Revenue Funds	Modernization Trust Fund	Administrative Order 86-12	Total
Assets							
Cash and investments	\$	187,186	34,908	22,383	89,681	95,104	2,000,870
Due from other governmental units	197,068		11,736				264,403
Accounts receivable		12,985					17,207
Due from other funds			1,926		1,126	2,137	23,545
Notes receivable							87,063
Lease receivable							306,731
Total assets	<u>\$ 197,068</u>	<u>200,171</u>	<u>48,570</u>	<u>22,383</u>	<u>90,807</u>	<u>97,241</u>	<u>2,699,819</u>
Liabilities and fund equity							
Liabilities							
Vouchers payable	102,471	8,509					204,478
Due to other funds	94,597		8,743				103,340
Deferred revenue							779,062
Total liabilities	<u>197,068</u>	<u>8,509</u>	<u>8,743</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,086,880</u>
Fund equity							
Unreserved:							
Designated							185,436
Undesignated		191,662	39,827	22,383	90,807	97,241	1,427,503
Total fund equity	<u>0</u>	<u>191,662</u>	<u>39,827</u>	<u>22,383</u>	<u>90,807</u>	<u>97,241</u>	<u>1,612,939</u>
Total liabilities and fund equity	<u>\$ 197,068</u>	<u>200,171</u>	<u>48,570</u>	<u>22,383</u>	<u>90,807</u>	<u>97,241</u>	<u>2,699,819</u>

GULF COUNTY, FLORIDA
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
All Special Revenue Funds
Year Ended September 30, 2002

(Page 1 of 2 Pages)

	Fines and Forfeitures	County Road and Bridge	Secondary Road and Bridge	HUD CDBG	State Housing Initiative Program	Fire Control Districts	Hazard Mitigation Buy-Out Program	Industrial Park EDA
Revenues								
Taxes	\$ 1,776,496	11,690	0	0	0	340,118	0	0
Licenses and permits	0	736	0	0	0	0	0	0
Intergovernmental	0	729,131	0	0	337,485	0	0	0
Charges for services	56,763	0	0	0	0	0	0	0
Fines and forfeitures	202,357	0	0	0	0	0	0	0
Miscellaneous revenue	888	0	0	25,843	56,115	0	0	5,149
Total revenues	<u>2,036,504</u>	<u>741,557</u>	<u>0</u>	<u>25,843</u>	<u>393,600</u>	<u>340,118</u>	<u>0</u>	<u>5,149</u>
Expenditures								
Current operating:								
General government	0	0	0	0	0	0	0	0
Public safety	70,134	0	0	0	0	109,048	21,804	0
Transportation	0	784,924	0	0	0	0	0	0
Economic environment	0	0	0	12,039	337,572	0	0	0
Human services	0	0	0	0	0	0	0	0
Capital outlay	0	100,338	0	0	0	619,881	0	0
Debt service	0	0	0	0	0	105,393	0	0
Total expenditures	<u>70,134</u>	<u>885,262</u>	<u>0</u>	<u>12,039</u>	<u>337,572</u>	<u>834,322</u>	<u>21,804</u>	<u>0</u>
Excess of revenues over (under) expenditures	<u>1,966,370</u>	<u>(143,705)</u>	<u>0</u>	<u>13,804</u>	<u>56,028</u>	<u>(494,204)</u>	<u>(21,804)</u>	<u>5,149</u>
Other financing sources (uses)								
Operating transfers out	(1,936,997)	0	0	0	0	0	0	0
Proceeds of installment notes	0	47,995	0	0	0	466,963	0	0
Lease of Industrial Park	0	0	0	0	0	0	0	4,269
Total other financing sources (uses)	<u>(1,936,997)</u>	<u>47,995</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>466,963</u>	<u>0</u>	<u>4,269</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>29,373</u>	<u>(95,710)</u>	<u>0</u>	<u>13,804</u>	<u>56,028</u>	<u>(27,241)</u>	<u>(21,804)</u>	<u>9,418</u>
Fund balances - beginning of year	<u>279,638</u>	<u>304,975</u>	<u>375,733</u>	<u>92,251</u>	<u>99,431</u>	<u>32,819</u>	<u>22,304</u>	<u>0</u>
Fund balances - end of year	<u>\$ 309,011</u>	<u>209,265</u>	<u>375,733</u>	<u>106,055</u>	<u>155,459</u>	<u>5,578</u>	<u>500</u>	<u>9,418</u>

GULF COUNTY, FLORIDA
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
All Special Revenue Funds
Year Ended September 30, 2002

(Page 2 of 2 Pages)

	Highland View Drainage Project	Tourist Development Trust Fund	Various - Other	Sheriff's Special Revenue Funds	Modernization Trust Fund	Administrative Order 86-12	Total
Revenues							
Taxes	\$ 0	230,564	0	0	0	0	2,358,868
Licenses and permits	0	0	0	0	0	0	736
Intergovernmental	234,368	0	32,960	38,513	0	0	1,372,457
Charges for services	0	0	0	0	14,281	0	71,044
Fines and forfeitures	0	0	32,976	0	0	23,698	259,031
Miscellaneous revenue	0	6,979	44	32,133	0	0	127,151
Total revenues	<u>234,368</u>	<u>237,543</u>	<u>65,980</u>	<u>70,646</u>	<u>14,281</u>	<u>23,698</u>	<u>4,189,287</u>
Expenditures							
Current operating:							
General government	0	0	32,976	0	0	0	32,976
Public safety	0	0	1,404	48,263	0	0	250,653
Transportation	0	0	0	0	0	0	784,924
Economic environment	0	179,314	0	0	0	0	528,925
Human services	0	0	15,714	0	0	0	15,714
Capital outlay	234,368	0	9,500	0	0	0	964,087
Debt service	0	0	0	0	0	0	105,393
Total expenditures	<u>234,368</u>	<u>179,314</u>	<u>59,594</u>	<u>48,263</u>	<u>0</u>	<u>0</u>	<u>2,682,672</u>
Excess of revenues over (under) expenditures	<u>0</u>	<u>58,229</u>	<u>6,386</u>	<u>22,383</u>	<u>14,281</u>	<u>23,698</u>	<u>1,506,615</u>
Other financing sources (uses)							
Operating transfers out	0	0	0	0	0	0	(1,936,997)
Proceeds of installment notes	0	0	0	0	0	0	514,958
Lease of industrial Park	0	0	0	0	0	0	4,269
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,417,770)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>0</u>	<u>58,229</u>	<u>6,386</u>	<u>22,383</u>	<u>14,281</u>	<u>23,698</u>	<u>88,845</u>
Fund balances - beginning of year	<u>0</u>	<u>133,433</u>	<u>33,441</u>	<u>0</u>	<u>76,526</u>	<u>73,543</u>	<u>1,524,094</u>
Fund balances - end of year	<u>\$ 0</u>	<u>191,662</u>	<u>39,827</u>	<u>22,383</u>	<u>90,807</u>	<u>97,241</u>	<u>1,612,939</u>

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GULF COUNTY, FLORIDA
Combining Balance Sheet
All Proprietary Fund Types
September 30, 2002

	Highland View Water System	Beaches Water System	Oak Grove	Williamsburg and Methodist Hill	White City Water and Sewer System	Total 9/30/02
Assets						
Current assets						
Cash and cash investments	\$ 45,319	26,723	47,289		43,252	162,583
Accounts receivable, net of allowance for doubtful accounts	4,239	7,418			4,452	16,109
Due from other funds		158,840				158,840
Due from other governmental units						0
Total current assets	<u>49,558</u>	<u>192,981</u>	<u>47,289</u>	<u>0</u>	<u>47,704</u>	<u>337,532</u>
Restricted assets						
Bond debt service and reserve accounts		31,850			21,685	53,535
Customer deposits	13,387	30,417			9,429	53,233
Total restricted assets	<u>13,387</u>	<u>62,267</u>	<u>0</u>	<u>0</u>	<u>31,114</u>	<u>106,768</u>
Property, plant and equipment						
Land	2,620	2,993	737			6,350
Buildings and utility systems	814,308	1,368,897	269,453	571,925	705,560	3,730,143
Accumulated depreciation	(201,725)	(535,059)	(161,666)	(128,682)	(148,630)	(1,175,762)
Construction in progress	323,077	575,500				898,577
Net property, plant and equipment	<u>938,280</u>	<u>1,412,331</u>	<u>108,524</u>	<u>443,243</u>	<u>556,930</u>	<u>3,459,308</u>
Deferred charges	<u>0</u>	<u>23,459</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,459</u>
Total assets	<u>\$ 1,001,225</u>	<u>1,691,038</u>	<u>155,813</u>	<u>443,243</u>	<u>635,748</u>	<u>3,927,067</u>

GULF COUNTY, FLORIDA
Combining Balance Sheet, *continued*
All Proprietary Fund Types
September 30, 2002

	Highland View Water System	Beaches Water System	Oak Grove	Williamsburg and Methodist Hill	White City Water and Sewer System	Total 9/30/02
Liabilities						
Current liabilities payable from current assets						
Vouchers payable	\$ 16,797	7,681			1,833	26,311
Due to other funds	168,840					168,840
Deferred Revenue		158,840				158,840
Total current liabilities payable from current assets	<u>185,637</u>	<u>166,521</u>	<u>0</u>	<u>0</u>	<u>1,833</u>	<u>353,991</u>
Current liabilities payable from restricted assets						
Accrued interest		5,750			750	6,500
Revenue bonds payable		20,969			3,000	23,969
Customers' deposits	9,885	30,442			9,425	49,752
Total current liabilities payable from restricted assets	<u>9,885</u>	<u>57,161</u>	<u>0</u>	<u>0</u>	<u>13,175</u>	<u>80,221</u>
Total current liabilities	<u>195,522</u>	<u>223,682</u>	<u>0</u>	<u>0</u>	<u>15,008</u>	<u>434,212</u>
Noncurrent liabilities						
Bonds payable - due after one year	0	397,205	0	0	181,000	578,205
Total liabilities	<u>195,522</u>	<u>620,887</u>	<u>0</u>	<u>0</u>	<u>196,008</u>	<u>1,012,417</u>
Fund equity						
Contributed capital	511,508	805,998	52,847	443,243	396,562	2,210,158
Retained earnings:						
Reserved for debt service		5,130			17,935	23,065
Unreserved	294,195	259,023	102,966		25,243	681,427
Total fund equity	<u>805,703</u>	<u>1,070,151</u>	<u>155,813</u>	<u>443,243</u>	<u>439,740</u>	<u>2,914,650</u>
Total liabilities and fund equity	<u>\$ 1,001,225</u>	<u>1,691,038</u>	<u>155,813</u>	<u>443,243</u>	<u>635,748</u>	<u>3,927,067</u>

GULF COUNTY, FLORIDA
Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
All Proprietary Fund Types
Year Ended September 30, 2002

	<u>Highland View Water System</u>	<u>Beaches Water System</u>	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>White City Water and Sewer System</u>	<u>Total 9/30/02</u>
Operating revenue						
Charges for services	\$ 66,963	174,206	0	0	58,410	299,579
Operating expenses						
Personal services	16,972	29,133	0	0	11,365	57,470
Purchase of water	24,598	68,342	0	0	16,330	109,270
Contractual services	498	673	0	0	412	1,583
Other operating expenses	11,724	11,382	2	0	6,264	29,372
Depreciation	21,407	41,856	6,736	14,298	18,630	102,927
Total operating expenses	<u>75,199</u>	<u>151,386</u>	<u>6,738</u>	<u>14,298</u>	<u>53,001</u>	<u>300,622</u>
Operating (loss) income	<u>(8,236)</u>	<u>22,820</u>	<u>(6,738)</u>	<u>(14,298)</u>	<u>5,409</u>	<u>(1,043)</u>
Nonoperating revenue (expense)						
Interest income	1,474	3,722	780	0	1,862	7,838
Interest expense	0	(24,248)	0	0	(8,415)	(32,663)
Capital contributions	150,000	154,650	0	0	0	304,650
Total nonoperating revenue (expense)	<u>151,474</u>	<u>134,124</u>	<u>780</u>	<u>0</u>	<u>(6,553)</u>	<u>279,825</u>
Net income (loss)	143,238	156,944	(5,958)	(14,298)	(1,144)	278,782
Add depreciation on contributed assets acquired with capital grants	<u>14,412</u>	<u>14,532</u>	<u>3,368</u>	<u>14,298</u>	<u>17,255</u>	<u>63,865</u>
Increase (decrease) in retained earnings	157,650	171,476	(2,590)	0	16,111	342,647
Retained earnings - beginning of year	<u>136,545</u>	<u>92,677</u>	<u>105,556</u>	<u>0</u>	<u>27,067</u>	<u>361,845</u>
Retained earnings - end of year	<u>\$ 294,195</u>	<u>264,153</u>	<u>102,966</u>	<u>0</u>	<u>43,178</u>	<u>704,492</u>

GULF COUNTY, FLORIDA
Combining Statement of Cash Flows
All Proprietary Fund Types
Year Ended September 30, 2002

	Highland View Water System	Beaches Water System	Oak Grove	Williamsburg and Methodist Hill	White City Water and Sewer System	Total 9/30/02
Cash provided by operating activities						
Operating (loss) income	\$ (8,236)	22,820	(6,738)	(14,298)	5,409	(1,043)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	21,407	41,856	6,736	14,298	18,630	102,927
Changes in operating assets and liabilities:						
Accounts receivable	(153)	6,136	0	0	(105)	5,878
Due from other funds	0	(158,840)	0	0	0	(158,840)
Due from other governmental units	0	219,900	0	0	0	219,900
Vouchers payable and accrued expenses	13,266	(81,697)	0	0	(342)	(68,773)
Due to other funds	168,502	(140,491)	0	0	(132)	27,879
Deferred revenue	0	158,840	0	0	0	158,840
Customer deposits	720	2,275	0	0	225	3,220
Total adjustments	203,742	47,979	6,736	14,298	18,276	291,031
Net cash provided by operating activities	<u>195,506</u>	<u>70,799</u>	<u>(2)</u>	<u>0</u>	<u>23,685</u>	<u>289,988</u>
Cash (used for) capital and related financing activities						
Repayments of revenue bonds	0	(19,924)	0	0	(3,000)	(22,924)
Interest paid on long-term debt	0	(22,478)	0	0	(8,415)	(30,893)
Acquisition of fixed assets	(323,077)	(154,650)	0	0	0	(477,727)
Net cash (used for) capital and related financing activities	<u>(323,077)</u>	<u>(197,052)</u>	<u>0</u>	<u>0</u>	<u>(11,415)</u>	<u>(531,544)</u>
Cash provided by noncapital and related financing activities						
Contributed capital	150,000	154,650	0	0	0	304,650
Cash provided by investing activities						
Interest earned	1,474	3,722	780	0	1,862	7,838
Increase in cash and cash equivalents	23,903	32,119	778	0	14,132	70,932
Cash and cash equivalents, beginning of year	34,803	56,871	46,511	0	60,234	198,419
Cash and cash equivalents, end of year	<u>\$ 58,706</u>	<u>88,990</u>	<u>47,289</u>	<u>0</u>	<u>74,366</u>	<u>269,351</u>

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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***

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 year ended September 30, 2002, and have issued our report thereon dated April 23, 2003. 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*.

The results of our tests also disclosed certain immaterial instances of noncompliance that we have reported to the management of Gulf County, Florida in a separate letter dated April 23, 2003.

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.

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, 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 described above are not material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of Gulf County, Florida in a separate management letter dated April 23, 2003.

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

April 23, 2003

J. Michael Zucker, CPA, P.A.

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GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects
Year Ended September 30, 2002

<u>Federal Awards</u>	<u>Contract/ Grant Number</u>	<u>CFDA</u>	<u>Cash Receipts</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development				
Passed through Department of Community Affairs				
Highland View Stormwater Drainage	01DB-27-02-33-01-G28	14.228	\$ 37,300	208,806
Total Department of Housing and Urban Development			<u>37,300</u>	<u>208,806</u>
Federal Emergency Management Agency				
Passed through Department of Community Affairs				
Emergency Management Performance Grant	02CP-04-02-33-01-023	83.552	0	22,990
Hazard Mitigation:982 Buy-Out	98RM-5P-02-33-01-013	83.519	0	22,304
Critical Facilities Retrofit:FEMA-1069- FL Hurricane Opal/State	99HM-8B-02-33-15-020	83.544	158,985	107,828
Total Federal Emergency Management Agency			<u>158,985</u>	<u>153,122</u>
U.S. Department of Justice				
Passed through Department of Community Affairs				
Drug Awareness and Reduction Education	02CJ-2H-02-33-01-094	16.579	26,344	38,513
Drug Awareness and Reduction Education	01CJ-J1-02-33-01-164	16.579	14,629	0
Law Enforcement Equipment Grant	2001-LB-BX-4104	16.592	11,014	11,014
Passed through Office of Criminal Justice				
Florida Department of Law Enforcement				
Florida Association of Court Clerks/OBTS				
Installation and Implementation	01CJ-J1-02-33-01-224	16.579	16,875	22,500
Total U.S. Department of Justice			<u>68,862</u>	<u>72,027</u>
U.S. Department Commerce				
Coastal Impact Assistance Program				
Dead Lakes Boat Ramp - Project ID#22	NOAA#NA170Z2101	11.419	0	62,332
Total U.S. Department of Commerce			<u>0</u>	<u>62,332</u>
U.S. Department of Health and Human Services				
Passed through Florida Department of Revenue				
Child Support Enforcement Title IV-D Service of Process	BZF81	93.563	3,340	3,340
Child Support Enforcement Title IV-D Service of Process	T0223	93.563	396	1,452
Child Support Enforcement Title IV-D Services Reimbursement	CC323	93.563	15,054	19,750
Total U.S. Department of Health and Human Services			<u>18,790</u>	<u>24,542</u>

GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects, *continued*
Year Ended September 30, 2002

<u>Federal Awards</u>	<u>Contract/ Grant Number</u>	<u>CFDA</u>	<u>Cash Receipts</u>	<u>Expenditures</u>
U.S. Department of Agriculture				
Passed through Florida Department of Agriculture and Consumer Services				
Bureau of Food Distribution Program	94016-6624	10.568	7,500	7,500
Total U.S. Department of Agriculture			<u>7,500</u>	<u>7,500</u>
Total federal awards			<u>291,437</u>	<u>528,329</u>
<u>State Financial Assistance Projects</u>		<u>CSFA</u>		
Florida Department of Transportation				
Small County Outreach Program:C382 Industrial Road	408980-1-58-01	55.009	388,125	385,125
County Incentive Grant Program				
Stone Mill Creek Road (CR 05)	410406-1-54-01	55.008	259,973	244,967
Overstreet Road (CR 386)	413202-1-54-01	55.008	112,000	112,000
Lake Grove Road Bridge Replacement (CR 22A)	413016-1-54-01	55.008	0	8,500
Roadside Beautification/Gateways to Gulf	411074-1-58-14	N/A	82,045	82,045
JPA/Hwy 98 Underpass Right of Way	410915-1-58-01	N/A	29,313	44,858
Total Florida Department of Transportation			<u>871,456</u>	<u>877,495</u>
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Grant-Beacon Hill Park	F1292	37.017	90,000	70,436
Florida Recreation Development Assistance Grant-Gaskin Park	F02126	37.017	10,125	92,314
Gulf Beaches Sewer System	SP697010	37.039	374,550	154,650
Small County Solid Waste Grant	SC01-12	37.012	7,971	0
Small County Solid Waste Grant	SC02-12	37.012	37,108	50,000
Solid Waste Recycling and Education Grant	RE01-21	37.011	20,652	0
Solid Waste Recycling and Education Grant	RE02-10	37.011	42,314	59,290
Litter Control and Prevention Grant	LC01-21	37.009	6,049	0
Litter Control and Prevention Grant	LC02-10	37.009	4,493	12,714
Waste Tire Solid Waste Grant	WT02-12	37.015	10,774	13,759
Total Florida Department of Environmental Protection			<u>604,036</u>	<u>453,163</u>

GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects, continued
Year Ended September 30, 2002

<u>State Financial Assistance Projects</u>	<u>Contract/ Grant Number</u>	<u>CSFA</u>	<u>Cash Receipts</u>	<u>Expenditures</u>
Office of Tourism, Trade, and Economic Development				
Gulf County Shipbuilding, Inc.	99/0023B	31.002	113,500	387,366
Florida Housing and Finance Agency				
State Housing Initiative Program	00/01	52.901	0	38,676
State Housing Initiative Program	01/02	52.901	0	279,528
State Housing Initiative Program	02/03	52.901	350,000	19,369
Total Florida Housing and Finance Agency			<u>350,000</u>	<u>337,573</u>
Florida Department of Community Affairs				
Emergency Management Preparedness and Assistance Grant	02CP-04-02-33-01-023	52.008	171,008	131,283
Emergency Management Performance	01CP-04-02-33-01-023	52.008	39,725	0
Highland View Stormwater Drainage	01DB-27-02-33-01-G28	N/A	0	25,562
Hazard Mitigation:Buy-Out 982	98RM-5P-02-33-01-013	N/A	45,635	5,447
Hazard Materials Plan	01CP-11-02-33-22-015	N/A	5,936	2,285
Critical Facilities Retrofit	99HM-8B-02-33-15-020	N/A	50,580	34,070
FEMA #1195/Flood of '98	98-RM-M9-02-33-01-141	N/A	64,921	0
Total Florida Department of Community Affairs			<u>377,805</u>	<u>198,647</u>
Florida Department of State				
State Aid to Libraries	01-ST-40	45.030	48,004	48,004
Division of Elections				
Voting Systems Assistance	2898B Gen. Approp.	45.029	52,500	105,000
Voter Education/Poll Workers Training	2898B Gen. Approp.	N/A	6,745	5,241
Total Florida Department of State			<u>107,249</u>	<u>158,245</u>
Florida Department of Health				
Primary Care Challenge Grant		64.004	48,251	81,104
EMS County Award	C1023	64.005	3,089	1,404
EMS Matching Grant	R8115	64.003	0	50
EMS Matching Grant	R1002	64.003	93,780	4,448
Total Florida Department of Health			<u>145,120</u>	<u>87,006</u>

GULF COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects, *continued*
Year Ended September 30, 2002

<u>State Financial Assistance Projects</u>	<u>Contract/ Grant Number</u>	<u>CSFA</u>	<u>Cash Receipts</u>	<u>Expenditures</u>
Office of the State Courts Administrator				
Article V Trust Fund	Approp 2219	22.003	0	24,580
Small County Courthouse Facilities	Approp 2200	22.004	100,000	0
Justice Administration Commission-Dependency Cases		21.001	625	625
Total Office of the State Courts Administrator			<u>100,625</u>	<u>25,205</u>
Florida Department of Agriculture and Consumer Services				
Mosquito Control/Waste Tire Abatement Grant		42.003	24,161	25,214
Florida Fish and Wildlife Conservation Commission				
Florida Boating Improvement Program Grant	FWCC00140	77.007	47,840	42,458
Florida Division of Emergency Management				
Wireless 911 Rural Grant			26,000	26,000
Total State Financial Assistance Projects			<u>2,767,792</u>	<u>2,618,372</u>
Total Federal Awards and State Financial Assistance Projects			<u><u>\$ 3,059,229</u></u>	<u><u>3,146,701</u></u>

GULF COUNTY, FLORIDA

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Projects
Year Ended September 30, 2002**

1. Basis of Accounting

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

4. State Matching Funds

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

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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**

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, 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, 2002. 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 are 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 the 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, 2002.

Honorable Board of County Commissioners
Gulf County, Florida
Port St. Joe, 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 program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

April 23, 2003

J. Michael Tucker, CPA, P.A.

GULF COUNTY, FLORIDA
Schedule of Findings and Questioned Costs -
Federal Award Programs and State Financial Assistance Projects
For the Year Ended September 30, 2002

PART A - SUMMARY OF AUDITORS' 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*.**"
3. Two instances of noncompliance material to the financial statements of Gulf County, Florida was 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. No reportable conditions relating to internal control and compliance over major federal programs and state projects were disclosed.
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. No audit findings were disclosed relative to the major federal award programs and state financial assistance projects for Gulf County, Florida.
7. The programs/projects tested as major programs/projects included the following:
 - **Federal Programs**
 - Federal Emergency Management Agency Passed through Department of Community Affairs:
Critical Facilities Retrofit: FEMA-1069, CFDA No. 83.544
 - U.S. Department of Housing and Urban Development Passed through Department of Community Affairs:
Highland View Stormwater Drainage, CFDA No. 14.228
 - **State Projects**
 - Department of Environmental Protection: CSFA No. 37.017
Beacon Hill Park Grant
Gaskin Park Grant
 - Department of State Division of Elections: CSFA No. 45.029
Voting Systems Assistance
 - Florida Department of Transportation: CSFA No. 55.008
CIGP/CR05 Stone Mill Creek Road
CIGP/CR386 Overstreet Road
CIGP/CR22A Lake Grove Road Bridge Replacement

GULF COUNTY, FLORIDA
Schedule of Findings and Questioned Costs -
Federal Award Programs and State Financial Assistance Projects, *continued*
For the Year Ended September 30, 2002

PART A - SUMMARY OF AUDITORS' RESULTS, *continued*

7. *continued*

■ **State Projects, *continued***

- Florida Department of Transportation: CSFA No. 55.009
Small County Outreach Program: C382 Industrial Road
- Office of Tourism, Trade, and Economic Development: CSFA No. 31.002
Gulf County Shipbuilding, Inc.

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**

Internal Control

Findings

B.1 Supervisor of Elections, Property Appraiser 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 considered feasible because of size and limited number of employees. While we recognize the small size of these offices make it impractical to provide total separation of incompatible duties, we do feel it is important that the County is aware of this condition.

B.2 Sheriff

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. The Gulf County Sheriff recognizes that the cost of its internal control structure should not exceed

GULF COUNTY, FLORIDA
Schedule of Findings and Questioned Costs -
Federal Award Programs and State Financial Assistance Projects, *continued*
For the Year Ended September 30, 2002

PART B - FINDINGS - FINANCIAL STATEMENTS, *continued*

**Finding
Number**

Internal Control, *continued*

B.2 **Sheriff, *continued***

Need for Segregation of Duties, *continued*

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 reported.

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

1. No matters were reported.

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.

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, 2002, as listed in the accompanying table of contents, and have issued our report thereon dated April 23, 2003.

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

Enterprise Funds

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

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

April 23, 2003

T. Michael Tucker, CPA, P.A.

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, 2002, and have issued our report thereon dated April 23, 2003.

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 April 23, 2003. 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 under the heading "Prior Year Recommendations."

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.

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, 2002, 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, 2002.

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:

Prior Year Recommendations

■ **Board of County Commissioners**

1. **Ambulance Billings**

Although improvements were made in timely preparation of ambulance billings, additional procedures should be implemented including the follow-up and review of long outstanding receivables, implementation of additional collection methods, determination of collectivity of receivables, and authorization to adjust or write-off receivables.

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

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Prior Year Recommendations, *continued*

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

2. **Water System**

A comparison of the gallons of water purchased from the City of Port St. Joe by the Gulf County Water System to the gallons billed to customers for fiscal year 2001-2002 indicated a total water line loss of 29%, compared to 25% fiscal year 2000-2001. The line loss continued above the 15% maximum acceptable line loss for this system. We recommend the County advise the new operator of these water systems, the City of Port St. Joe, Florida, that maintenance efforts in the distribution system to further reduce water line loss are necessary.

3. **Primary Care Challenge Grant**

Corrective action has been taken by the County in coordinating with the Gulf County Health Department to ascertain that documentation of match requirements for grant expenditures was accomplished.

4. **Need to Improve Controls Over Credit Card Usage**

The prior year audit examination indicated inadequate controls existed over the use of County credit cards. An overall lack of adequate documentation existed, and, County credit cards were used on occasion for personal charges, notwithstanding the subsequent reimbursement by employees. During the current fiscal year, the Board and the Clerk of the Court implemented a number of additional procedures and clarified existing procedures for purchases made with County credit cards. In July 2002, the Credit Card Policy was amended to prohibit any personal charges to County credit cards. In addition, the policy now requires signed receipts be attached to all expense reimbursement requests. The results of our tests of credit card expenditures indicated the new procedures are being adhered to.

5. **Water System**

Recommendations in the prior year relating to authorization of the terms of payment of residents' tap fees to the County's Water Systems were adopted through implementation of a new policy which addressed these concerns.

6. **Special Projects**

During the current fiscal year, the Clerk of the Circuit Court and the Board implemented a number of additional procedures governing the expenditures of "special projects" funds. Board approval prior to incurring an expenditure is now required for all "special projects" expenditures. Also, additional documentation is now required to substantiate the public purpose and the benefit derived by the general public from the proposed expenditure. In addition, budget and spending oversight responsibility has been strengthened over the types of expenditures generally described as "special projects" through budgeting and recording all expenditures under the Florida Uniform

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

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Prior Year Recommendations, *continued*

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

6. **Special Projects, *continued***

Accounting System. Furthermore, the procedures adopted now require the County Attorney be consulted before the Board incurs any expenditures for which a question exists as to its meeting or not meeting the requirements of being necessary and for public purposes.

7. **Need to Monitor Grant Terms**

In the prior year, the County failed to request an extension of time on a grant before the deadline date. There were other grant contracts for which extensions were not requested until less than thirty days from expiration. This matter was corrected during the current year.

8. **Tourist Development Council (TDC)**

Findings disclosed in the prior year relating to TDC travel and promotional expenses were corrected in the current year.

9. **Landfill Tipping Fees**

The County has amended its tipping fee policy and now charges all contractors for solid waste disposal; however, the County still does not charge individuals tipping fees for solid waste disposal. Florida Statutes 403.7049 states that each County providing solid waste collections services is encouraged to charge fees to each residential and nonresidential user of the solid waste collection service.

10. **Procurement**

No deficiency findings were noted in the current year over the procurement of goods and services.

11. **Government Accounting Standards Board (GASB) Statement No. 34**

GASB Statement No. 34 will significantly change the financial reporting for the County and will be effective for the fiscal year ending 2003. Accordingly, we recommend management continue efforts to prepare for the new reporting requirements.

Current Year Recommendations

No other matters came to our attention in the current year requiring disclosure in the management letter.

■ **Sheriff**

1. **Payroll Reporting**

The matters relating to payroll have been corrected during the current year.

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

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Current Year Recommendations, *continued*

■ **Sheriff, *continued***

2. Need to Improve Tangible Personal Property Records

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

- a. The Sheriff did not have a complete detailed listing of its general fixed assets. Also, the current listing was not descriptive enough to readily identify the specific assets. The cost was not included for some of the assets.

Response:

2a. So noted. Action addressed and taken.

- b. The records were not updated for additions and deletions.

Response:

2b. So noted. Action addressed and taken.

- c. Management performed a partial inventory inspection during the current year; however, this information was not compared to the master asset listing.

The Sheriff should implement internal control procedures to assure property is safeguarded. We recommend personnel reconstruct its general fixed assets detail records, that all assets be permanently tagged with the identification number corresponding to the detail listing, and a physical inventory of these assets be taken annually by an individual not otherwise responsible for their custody.

Response:

2c. Action being taken.

3. Need to Improve Controls Over Expenditures

Documentation was not always adequate to support payments to vendors. Also some payments were made from statements rather than the original invoice which resulted in a duplicate payment to a vendor.

This matter was corrected during the current year.

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

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Current Year Recommendations, *continued*

■ **Sheriff, *continued***

4. 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. The Sheriff recognizes 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. We recommend the Gulf County Sheriff review each employee job description and minimize the incompatible duties performed by the same employees.

Response:

This is due to a limited number of employees. Action being taken. This response is also applicable to item B.2 referenced in the independent auditors' report on compliance and on internal control.

5. Drug Awareness and Education (DARE) Grant

Instances were noted in which expenditures did not appear to serve the purpose outlined in the DARE grant contract.

This matter was corrected in the current year.

6. Annual Budget Needs to Include All Sources and Uses of Funds

Grants and other revenues received by the Sheriff were not included in the Sheriff's budget.

This matter was corrected in the current year.

7. Need to Reconcile Bank Account

The inmate welfare trust bank account was not reconciled to the general ledger or to monthly financial statements during the year. 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 all bank statements be reconciled monthly in the month following receipt.

Response:

Bank accounts will be done on a monthly basis and have been reconciled at this time. Action taken.

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

INDEPENDENT AUDITORS' MANAGEMENT LETTER, *continued*

Current Year Recommendations, *continued*

■ **Sheriff, *continued***

8. **Need to Disburse Fees in Trust Funds Timely**

Fees earned on services performed by the Sheriff's Department were not disbursed to the Board of County Commissioners timely. We recommend fees collected be remitted monthly and all trust accounts reconciled monthly.

This matter was corrected in the current year.

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

April 23, 2003

J. Michael Tucker, CPA, P. A.

**BOARD OF COUNTY COMMISSIONERS
GULF COUNTY, FLORIDA**

1000 CECIL G. COSTIN, SR. BLVD., ROOM 302, PORT ST. JOE, FLORIDA 32456 • PHONE (850) 229-6106 • FAX (850) 229-9252
DATE AND TIME OF MEETINGS • SECOND AND FOURTH TUESDAYS AT 6:00 P.M., E.T.
www.gulfcountygovernment.com

May 20, 2003

T. Michael Tucker, C.P.A.
P.O. Box 555
Blountstown, Florida 32424

Re: Response to prior year recommendations pursuant to annual audit.

Dear Mr. Tucker,

After meeting with Carla Hand and Becky Norris today and discussing the recommendations that you made during the previous year audit, I offer the following for items 1, 2, 9 and 11.

Recommendation

1. Ambulance Billing

Although improvements were made in timely preparation of ambulance billings, additional procedures should be implemented including the follow-up and review of long outstanding receivables, implementation of additional collection methods, determination of collectivity of receivables, and authorization to adjust or write-off receivables.

Response

Our goal is to determine which past due bills should and can be legally written off through consultation with the county attorney. Authorization will be sought from the county commission on when and how to determine what past due bills are to be written off.

Recommendation

2. Water System

A comparison of the gallons of water purchased from the City of Port St. Joe by the Gulf County Water System to the gallons billed to customers for fiscal year 2001-2002 indicated a total water line loss 29%, compared to 25% for fiscal year 2000-2001. The line loss continued above the 15% maximum acceptable line loss for this system. We recommend the County advise the new operator of these water systems, the City of Port St. Joe, that maintenance efforts in the distribution system to further reduce water line loss are necessary.

Response

Gulf County shall notify the City of Port St. Joe that the audit indicates an

CARMEN L. MCLEMORE
District 1

BILLY E. TRAYLOR
District 2

CARL W. FOX
District 3

NATHAN PETERS, JR.
District 4

JERRY W. BARNES
District 5

T. Michael Tucker
May 20, 2003
Page Two

unacceptable line loss for the water system. Although progress has been made in prior years, the loss is still above the acceptable limit of 15%.

Recommendation

9. Landfill Tipping Fees

The County has amended its tipping fee policy and now charges all contractors for solid waste disposal; however, the County still does not charge individuals tipping fees for solid waste disposal. Florida Statute 403.7049 states that each County providing solid waste collections services is encouraged to charge fees to each residential and nonresidential user of the solid waste collection service.

Response

Gulf County has long considered that residential customers pay a price for utilization of landfills through ad-valorem taxes. However, the county is currently having landfill tipping fees studied which may indicate the need for residential participation.

Recommendation

11. Government Accounting Standards Board Statement No. 34 (GASB 34)

GASB 34 will significantly change the financial reporting for the County and will be effective for the fiscal year ending 2003. Accordingly, we recommend management continue efforts to prepare for the new reporting requirements.

Response

The Clerk of the Circuit Court has implemented GASB 34 for current Fixed Assets and Infrastructure, as well as, procedures to ensure compliance of prior year fixed assets by 9/30/03. The County and the Clerk of Court are in the planning stages to retroactively report on the value of infrastructure built or improved in the Fiscal years ending after 6/30/80.

Sincerely yours,

GULF COUNTY BOARD OF COUNTY COMMISSIONERS



Donald Butler
Chief Administrator

DHB/ls