

Gulf County, Florida
Annual Financial Statements
September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf County, Florida as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gulf County, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf County, Florida as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2009, on our consideration of Gulf County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's discussion and analysis on pages 3 through 15, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gulf County, Florida's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and the combining nonmajor fund financial statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caru, Riggs & Ingram, L.L.C.

March 31, 2009

Management's Discussion and Analysis

Management's Discussion and Analysis

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

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

General Information

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

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

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

Financial Highlights

- The County's total governmental net assets increased .5% or \$232,696 from September 30, 2007, to September 30, 2008. During the same time period, the County's total business-type activities decreased 81% or \$2,290,415 primarily due to the sale of some of the County's utilities.
- During the year ended September 30, 2008, the County's general fund expenditures exceeded revenues by \$1,397,412, however, note the favorable variance shown on page 21 of the attached financial statements. This may be compared to last year's results in which the County's general fund expenditures exceeded revenues by \$1,381,065, which was also favorable when compared to budget.
- The County's capital assets subject to depreciation increased by \$197,350, an increase of .4% for the year.
- The County's property base increased in value from 2004 to 2007 and decreased slightly in 2008. This is depicted later in a graph under the subheading Taxable Value of Property and Millage Rates. Accordingly, the County was able to assess lower millage rates for the years 2004-2007. In 2008 the County reduced its operating millage rate to the maximum tax levy allowed by a majority vote of the governing body. Chapter 2007-

321, Laws of Florida, established the procedure to calculate the maximum rate, limiting the ability of local governments to assess ad valorem taxes to meet the needs of its citizens.

- Gulf County, as well as the rest of Florida and the United States, is currently experiencing a slowdown in housing starts and real estate sales. This slowdown has attributed to a shrinking local economy, an increase in the amount of foreclosure cases filed and an increase in the unemployment rate. With certainty property values will decline due to the lack of real estate sales; the amount is currently unknown. The reduced property tax base and current state of the economy will unfavorably impact services provided by Gulf County.
- Tourism is still an important economic factor in the County. It has also been affected adversely by the downturn in the national economy.
- Jointly the State of Florida and certain real property owners in Gulf County funded a major beach re-nourishment project (\$22 million dollars) whereby approximately 7.3 miles of Gulf shoreline of St. Joseph Peninsula was restored. The project was completed in January 2009. It is anticipated the beach re-nourishment project will benefit citizens, visitors, and coastal wildlife.
- A new hospital, part of the Sacred Heart Health System, is currently under construction. The hospital is anticipated to be operational by 2010. Sacred Heart Hospital anticipates the new facility will provide jobs to as many as 150 people. The County adopted by ordinance in 2005 a discretionary ½ cent small county surtax to help fund the construction of the hospital. An inter-local agreement was entered into with the City of Wewahitchka and the City of Port St. Joe whereby the County will receive all funds generated from the small county surtax and such funds will be used as set forth in the agreement. The additional tax was effective January 1, 2006.
- During 2007-2008 the County expended most of its remaining proceeds of its Series 2006 Gas Tax Revenue Refunding Bonds on its planned paving projects throughout the County.
- The County transferred three of its five water systems to the City of Port St Joe. In exchange for the water systems the City of Port St. Joe paid off the existing County debt.
- The Five Points landfill's useful life was extended when the County purchased a wheeled compactor. The life extension provides the County with some budget relief as a reduction in the required yearly escrow contribution.
- The County is beginning to assess and evaluate its current economic situation for use in the 2009-2010 budget process.

Overview of the Financial Statements

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

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

In addition, this report presents certain required supplementary information.

Government-wide Financial Statements

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

- The *statement of net assets* provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the County.
- The *statement of activities* presents information showing how the County's net assets changed during the 2008 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the County's financial health is improving or deteriorating.

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

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

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the County's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the County's funds may be classified in the broad category of *governmental funds*, *proprietary funds*, and *fiduciary (agency) funds* as discussed below.

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

Infrastructure Assets

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

Government-wide Financial Analysis

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. County's assets exceeded liabilities (governmental and business-type activities) by approximately \$45 million at the close of the fiscal year ended September 30, 2008, and \$47 million at September 30, 2007.

Net Assets						
	Governmental Activities		Business-type Activities		Total	
<i>September 30,</i>	2008	2007	2008	2007	2008	2007
Current assets	\$29,987,008	\$33,628,095	\$ 114,796	\$ 246,127	\$30,101,804	\$33,874,222
Capital assets, net	48,482,925	45,739,545	425,559	2,971,589	48,908,484	48,711,134
Deferred charges & other restricted assets	2,349,083	1,215,673	-	175,023	2,349,083	1,390,696
Total assets	80,819,016	80,583,313	540,355	3,392,739	81,359,371	83,976,052
Current liabilities	9,541,024	4,435,013	-	91,244	9,541,024	4,526,257
Long-term liabilities	26,886,899	31,989,903	-	470,725	26,886,899	32,460,628
Total liabilities	36,427,923	36,424,916	-	561,969	36,427,923	36,986,885
Net assets invested in capital assets, net of related debt	25,601,868	20,619,597	425,559	2,500,864	26,027,427	23,120,461
Net assets – Restricted	9,687,892	17,477,681	-	160,414	9,687,892	17,638,095
Net assets – Unrestricted	9,101,333	6,061,119	114,796	169,492	9,216,129	6,230,611
Total net assets	\$44,391,093	\$44,158,397	\$ 540,355	\$2,830,770	\$44,931,448	\$46,989,167

Statement of Activities

The following schedule summarizes revenues and expenses for years ended September 30, 2008 and 2007:

Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
<i>Year Ended</i> <i>September 30,</i>	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$ 2,123,235	\$ 2,363,867	\$ 27,230	\$ 143,162	\$ 2,150,465	\$ 2,507,029
Operating grants/ contributions	885,769	311,963	-	-	885,769	311,963
Capital grants/ contributions	14,069,529	6,029,743	-	-	14,069,529	6,029,743
General revenues						
Property taxes	14,780,539	15,752,982	-	-	14,780,539	15,752,982
Sales taxes	3,894,887	3,948,533	-	-	3,894,887	3,948,533
State shared revenue	388,668	335,331	-	-	388,668	335,331
Investment earnings	800,916	1,655,152	6,621	10,044	807,537	1,665,196
Other	3,249,017	2,889,499	-	-	3,249,017	2,889,499
Total revenues	40,192,560	33,287,070	33,851	153,206	40,226,411	33,440,276
Expenses						
General government	4,762,579	5,818,817	-	-	4,762,579	5,818,817
Public safety	7,024,699	7,640,653	-	-	7,024,699	7,640,653
Physical environment	17,346,270	4,293,457	-	-	17,346,270	4,293,457
Transportation	5,446,508	5,830,989	-	-	5,446,508	5,830,989
Economic Environment	2,471,109	1,497,358	-	-	2,471,109	1,497,358
Human services	845,744	1,034,222	-	-	845,744	1,034,222
Culture and Recreation	359,931	431,998	-	-	359,931	431,998
Court related	586,551	639,931	-	-	586,551	639,931
Interest and other charges	1,116,473	1,072,046	-	-	1,116,473	1,072,046
Utilities	-	-	2,324,266	125,982	2,324,266	125,982
Total expenses	39,959,864	28,259,471	2,324,266	125,982	42,284,130	28,385,453
Change in net assets	\$ 232,696	\$ 5,027,599	\$(2,290,415)	\$ 27,224	\$(2,057,719)	\$ 5,054,823

Financial Analysis of Individual Funds

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

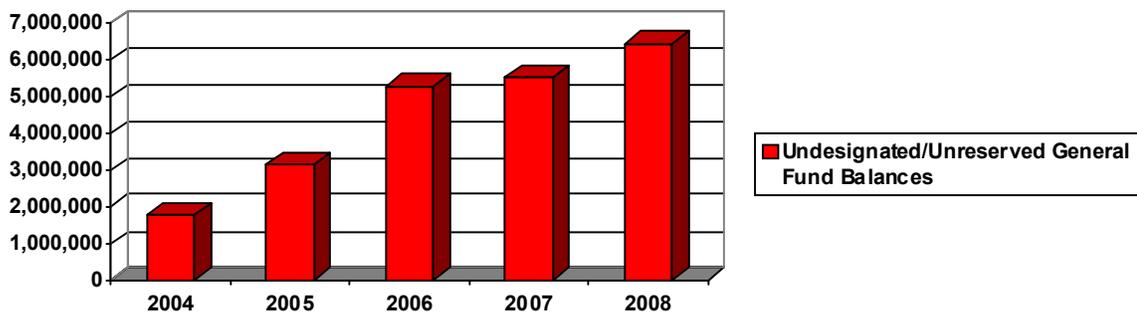
Governmental Funds

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

<i>September 30,</i>	2008	2007
Total fund balance	\$ 22,174,651	\$ 29,720,212
Less reserved fund balance for:		
Debt service	1,184,799	1,119,855
Landfill escrow	1,050,995	788,065
Capital projects	7,194,111	16,136,034
Other purposes	257,987	221,792
Less designated fund balance	60,829	64,325
Unreserved fund balance	\$ 12,425,930	\$ 11,390,141

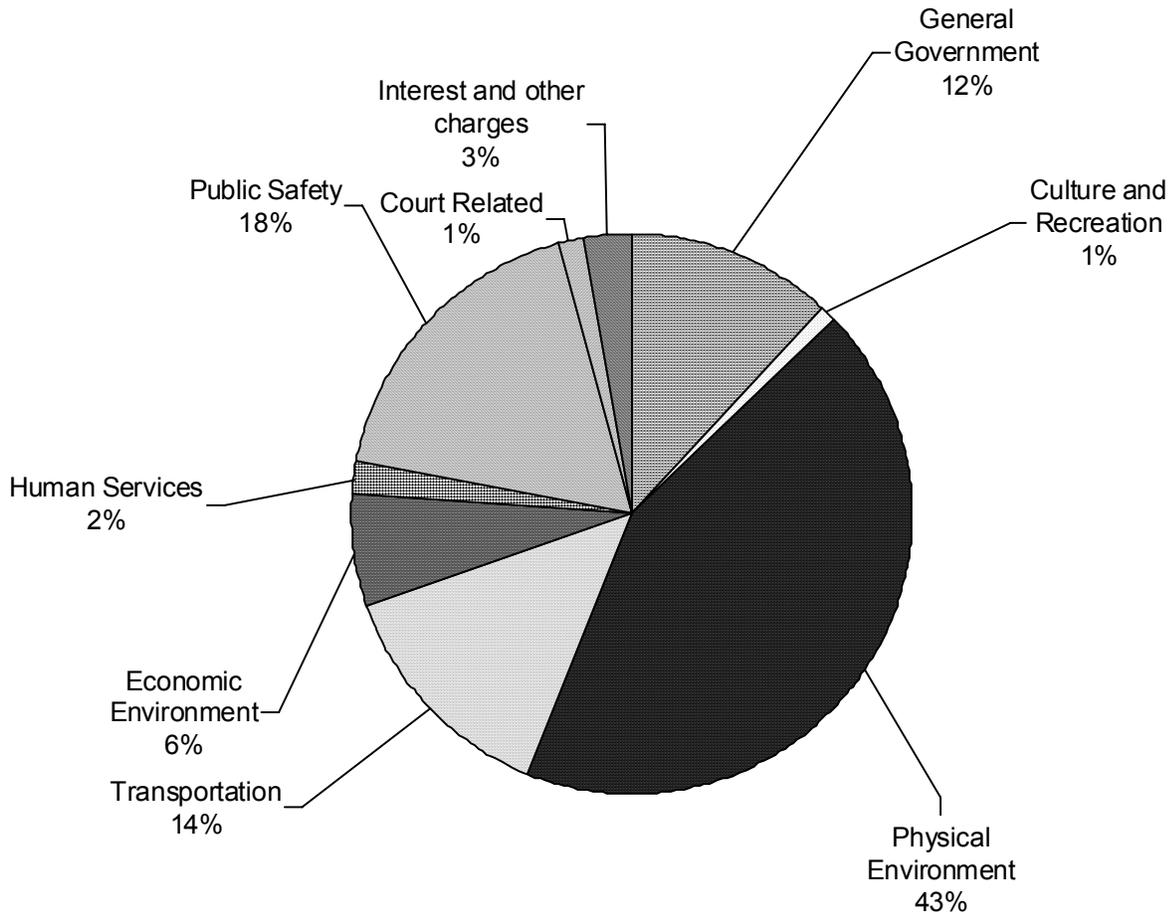
At September 30, 2008, the County's governmental funds reported a combined ending fund balance of \$22,174,651, representing a decrease of 25% over the September 30, 2007 balances. Of this amount, *unreserved fund balance* is \$12,425,930 which represents an increase of 9% over the September 30, 2007 balance.

- General Fund Unrestricted/Undesignated Fund Balance.** As depicted in the following graph, the unrestricted/undesignated fund balance of the Board's general fund (the general operating fund of the County) has increased over the past years. This trend has been in part due to the increase in the County's property values.



- **Governmental Activities Expenses by Functions**

The following graph depicts the County's total governmental activities expenses by function for the fiscal year ending September 30, 2008.



Major Funds

Governmental Funds

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

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

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

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

Proprietary Funds

On December 17, 2002, the County and the City of Port St. Joe (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, setting water rates, billing service fees, and tap fees. On June 21, 2008 the County conveyed to the City of Port St. Joe the St. Joe Beach Water System, the Highland View Water System, and the White City Water System in exchange for the City's assumption of and payment of the debt of the water systems.

Budget Variances in Major Funds

The following budget variances occurred in the major funds during the year ended September 30, 2008.

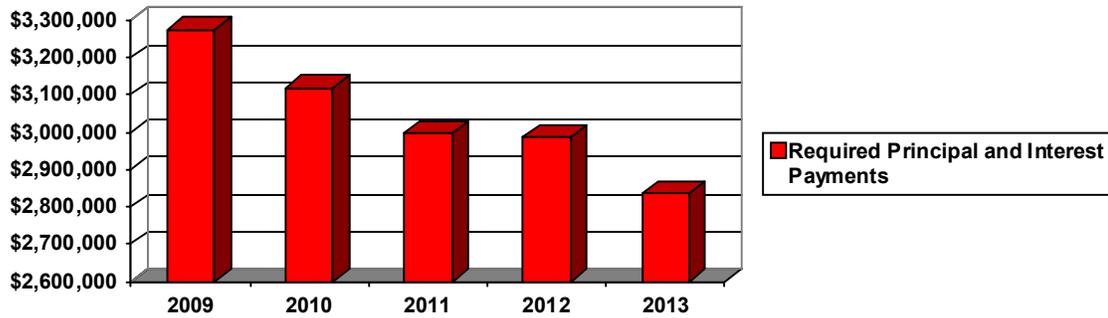
- General fund tax revenue has a negative budget variance of \$305,371 because ad valorem taxes were budgeted to be \$305,371 more than received. Approximately 96% of budgeted ad valorem taxes were received which is considered within the normal range.
- Intergovernmental revenue (federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes) was \$4,981,449 less than budgeted in the general fund. Several grants were neither completed nor started in the 2007-2008 fiscal year as originally anticipated therefore actual revenues are less than budgeted.
- General fund charges for services include County officer fees, ambulance fees, and tipping fees. The positive variance is the net effect of all of these revenues, some being positive and some negative. Two of the most significant negative variances netted are recording fees \$30,274 and tipping fees \$ 37,135.
- General fund miscellaneous revenue shows a positive variance of \$50,289. This positive variance is a combination of rent, sales of fixed assets and surplus materials and scrap, and contributions not originally anticipated.
- All functionally categorized expenditures were less than budgeted. As explained above (Intergovernmental revenue) several grant projects were neither completed nor started in the 2007-2008 fiscal year as originally anticipated therefore actual expenditures reported are less than intended.
- Fines and forfeitures fund tax revenue has a negative budget variance of \$120,171 because ad valorem taxes were budgeted to be \$120,171 more than received. Approximately 96% of budgeted ad valorem taxes were received which is considered within the normal range.
- A portion of the bond proceeds available at the end of 2006-2007 were expended in 2007-2008. Some of the expenditures in the construction and acquisition fund were budgeted as capital outlay, but correctly reported as transportation expenditures. A purchase of real property was made from beach re-nourishment funds. This purchase, vital to the success of the project, was not originally intended, therefore causing the \$568,426 negative budget variance in capital outlay. The remaining funds will be spent subsequent to September 30, 2008.
- The positive variance of \$944,762 in the debt service public improvement fund is intended for future debt service payments.

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

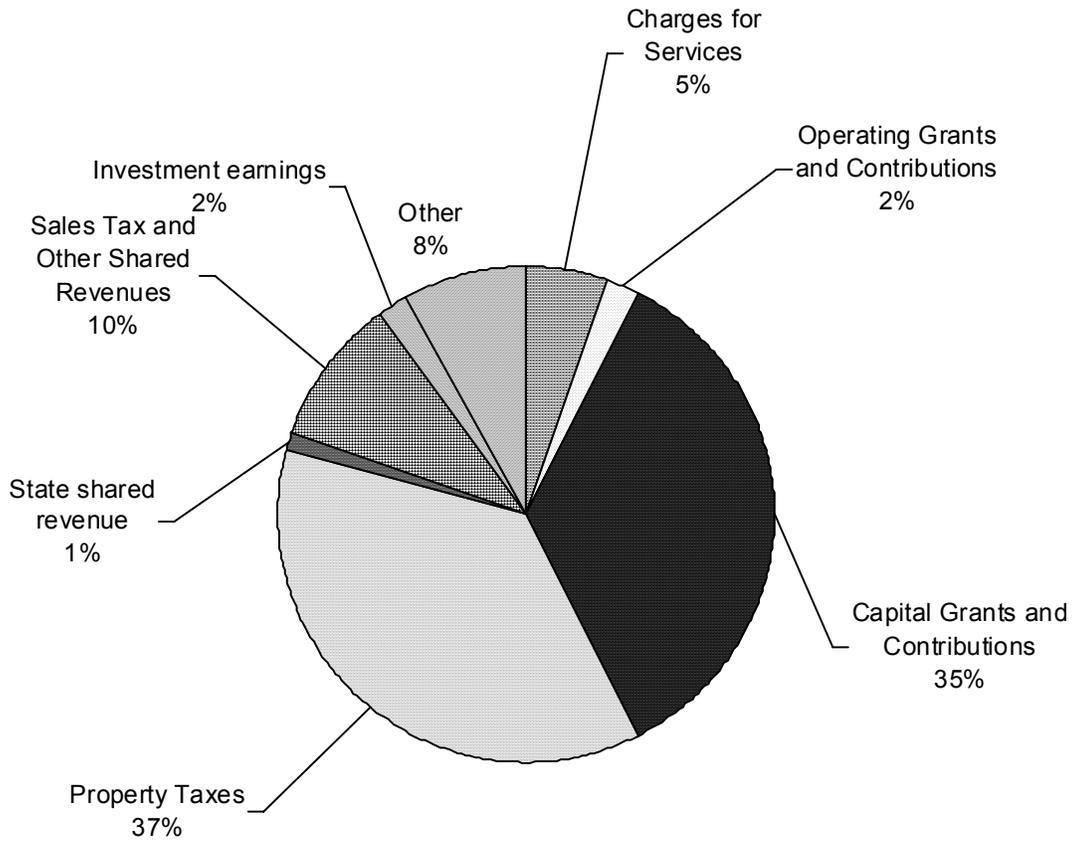
It should be noted that budget expenditure variances shown on the individual major funds are favorable in total.

Capital Assets and Long-Term Debt

- A wheeled compactor was purchased with a note payable for \$493,954. This was purchased to help extend the life of the Five Points Landfill.
- **Governmental Funds Outstanding Debt.** The following graph depicts future principal and interest payments required to be paid by the County from governmental fund resources on outstanding debt as of September 30, 2008. *Not shown on this graph are existing scheduled debt repayments for years 2014 through 2032.*



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

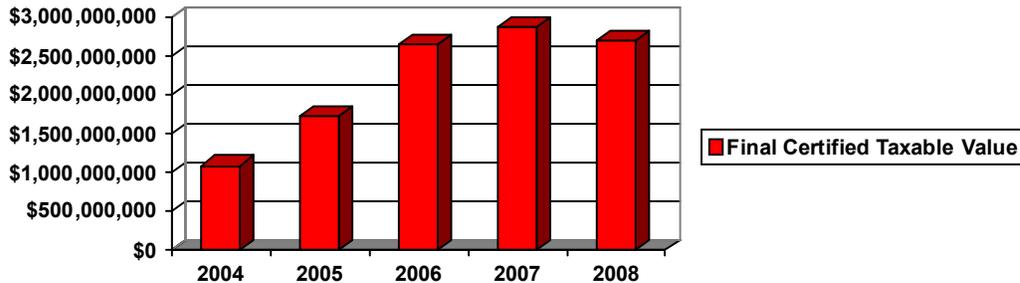


Significant Economic Factors

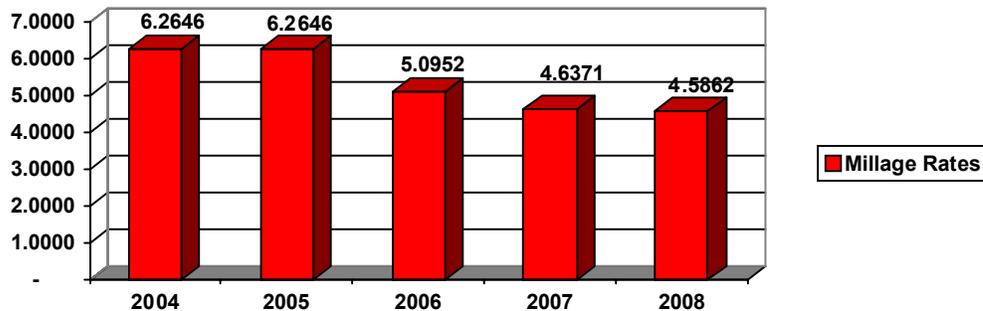
Taxable Value of Property and Millage Rates

During the year ended September 30, 2008 Gulf County received \$14,780,539 in property taxes based on the certified taxable value of property in Gulf County.

Certified Taxable Value by Fiscal Year



Millage Rates Levied by Fiscal Year



The 2008 millage rate reduction is attributed to a change by the legislature establishing a maximum millage rate.

Requests for Information

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

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

Basic Financial Statements

Gulf County, Florida
Statement of Net Assets
September 30, 2008

Primary Government

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 19,620,738	\$ 114,796	\$ 19,735,534
Receivables (net)			
Accounts	403,532	-	403,532
Notes and leases receivable	280,578	-	280,578
Due from other governments	9,682,160	-	9,682,160
Total current assets	29,987,008	114,796	30,101,804
Noncurrent assets			
Restricted cash and cash equivalents	1,728,067	-	1,728,067
Deferred charges	600	-	600
Capital assets			
Nondepreciable	5,821,736	737	5,822,473
Depreciable (net)	42,661,189	424,822	43,086,011
Unamortized bond issue costs	620,416	-	620,416
Total noncurrent assets	50,832,008	425,559	51,257,567
Total assets	80,819,016	540,355	81,359,371
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	8,362,212	-	8,362,212
Due to other governments	239,437	-	239,437
Deferred revenue	939,375	-	939,375
Total current liabilities	9,541,024	-	9,541,024
Noncurrent liabilities			
Due in less than one year			
Compensated absences	332,578	-	332,578
Installment contracts and notes payable	403,082	-	403,082
Bonds payable	1,855,000	-	1,855,000
Due in more than one year			
Compensated absences	762,354	-	762,354
Installment contracts and notes payable	538,391	-	538,391
Bonds payable	20,705,000	-	20,705,000
Landfill closure liability	2,290,494	-	2,290,494
Total noncurrent liabilities	26,886,899	-	26,886,899
Total liabilities	36,427,923	-	36,427,923
Net assets			
Invested in capital assets, net of related debt	25,601,868	425,559	26,027,427
Restricted for			
Debt service	1,184,799	-	1,184,799
Capital projects	7,194,111	-	7,194,111
Landfill	1,050,995	-	1,050,995
Other purposes	257,987	-	257,987
Unrestricted	9,101,333	114,796	9,216,129
Total net assets	\$ 44,391,093	\$ 540,355	\$ 44,931,448

See accompanying notes

Gulf County, Florida
Statement of Activities
Year Ended September 30, 2008

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions / Programs							
Primary government							
Governmental activities							
General government	\$ 4,762,579	\$ 491,970	\$ 214,275	\$ -	\$ (4,056,334)	\$ -	\$ (4,056,334)
Public safety	7,024,699	1,052,633	48,481	349,553	(5,574,032)	-	(5,574,032)
Physical environment	17,346,270	41,939	5,876	10,493,675	(6,804,780)	-	(6,804,780)
Transportation	5,446,508	2,350	-	2,441,963	(3,002,195)	-	(3,002,195)
Economic environment	2,471,109	516	432,530	271,634	(1,766,429)	-	(1,766,429)
Human services	845,744	-	101,835	-	(743,909)	-	(743,909)
Culture and recreation	359,931	11,966	-	365,153	17,188	-	17,188
Court related	586,551	512,693	82,772	147,551	156,465	-	156,465
Interest and other charges	1,116,473	-	-	-	(1,116,473)	-	(1,116,473)
Total governmental activities	39,959,864	2,114,067	885,769	14,069,529	(22,890,499)	-	(22,890,499)
Business-type activities							
Water	2,324,266	27,230	-	-	-	(2,297,036)	(2,297,036)
Total primary government	\$ 42,284,130	\$ 2,141,297	\$ 885,769	\$ 14,069,529	(22,890,499)	(2,297,036)	(25,187,535)
General revenues							
Taxes							
Property tax					14,780,539	-	14,780,539
Sales tax					3,894,887	-	3,894,887
State shared revenues					388,668	-	388,668
Investment earnings					810,084	6,621	816,705
Miscellaneous					3,249,017	-	3,249,017
Total general revenues					23,123,195	6,621	23,129,816
Change in net assets					232,696	(2,290,415)	(2,057,719)
Net assets - beginning					44,158,397	2,830,770	46,989,167
Net assets - ending					\$ 44,391,093	\$ 540,355	\$ 44,931,448

See accompanying notes

Gulf County, Florida
Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Fines and Forfeitures	Construction and Acquisition	Beach Renourishment	Debt Service Public Improvement	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 5,505,928	\$ 405,557	\$ 3,040,300	\$ 4,283,063	\$ 425,447	\$ 5,960,443	\$ 19,620,738
Due from other funds	263,022	5,819	17,604	-	27,037	82,635	396,117
Due from other governments	2,486,743	-	-	6,563,033	55,243	577,141	9,682,160
Accounts receivable (net)	285,674	-	-	-	-	24,796	310,470
Notes receivable	-	-	-	-	-	55,866	55,866
Leases receivable	-	-	-	-	-	224,712	224,712
Prepaid expenses	600	-	-	-	-	-	600
Restricted assets							
Cash and cash equivalents	1,050,995	-	-	-	677,072	-	1,728,067
Total assets	\$ 9,592,962	\$ 411,376	\$ 3,057,904	\$ 10,846,096	\$ 1,184,799	\$ 6,925,593	\$ 32,018,730
Liabilities and fund balances							
Liabilities							
Deficit in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,402	\$ 368,402
Vouchers payable	1,076,670	42,031	627,049	6,077,965	-	170,095	7,993,810
Due to other governments	239,283	-	-	-	-	154	239,437
Due to other funds	280,074	46	4,875	-	-	18,060	303,055
Deferred revenue	264,190	23,425	-	-	-	651,760	939,375
Total liabilities	1,860,217	65,502	631,924	6,077,965	-	1,208,471	9,844,079
Fund balances							
Reserved for							
Debt service	-	-	-	-	1,184,799	-	1,184,799
Landfill escrow	1,050,995	-	-	-	-	-	1,050,995
Capital projects	-	-	2,425,980	4,768,131	-	-	7,194,111
Other purposes	170,857	87,130	-	-	-	-	257,987
Unreserved							
Designated	60,829	-	-	-	-	-	60,829
Undesignated	6,450,064	258,744	-	-	-	5,717,122	12,425,930
Total fund balances	7,732,745	345,874	2,425,980	4,768,131	1,184,799	5,717,122	22,174,651
Total liabilities and fund balances	\$ 9,592,962	\$ 411,376	\$ 3,057,904	\$ 10,846,096	\$ 1,184,799	\$ 6,925,593	
Amounts reported for governmental activities in the statement of net assets are different because							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							48,482,925
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.							(26,886,899)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.							620,416
Net assets of governmental activities							\$ 44,391,093

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2008

	General Fund	Fines and Forfeitures	Construction and Acquisition	Beach Renourishment	Debt Service Public Improvement	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 8,580,084	\$ 3,399,267	\$ -	\$ -	\$ 378,472	\$ 3,966,860	\$ 16,324,683
Licenses and permits	217,181	-	-	-	-	2,350	219,531
Intergovernmental	6,257,960	2,350	-	8,181,397	624,761	2,343,776	17,410,244
Fines and forfeitures	159,804	-	-	-	-	-	159,804
Charges for services	1,623,533	83,025	-	-	-	38,707	1,745,265
Investment earnings and other	529,905	590	118,331	260,928	15,380	357,981	1,283,115
Total revenues	17,368,467	3,485,232	118,331	8,442,325	1,018,613	6,709,674	37,142,642
Expenditures							
Current							
General government	4,407,461	-	-	-	-	58,612	4,466,073
Public safety	4,171,489	1,288,649	-	-	-	534,718	5,994,856
Physical environment	3,264,632	-	-	13,635,047	-	27,749	16,927,428
Transportation	2,441,445	-	916,312	-	-	1,204,719	4,562,476
Economic environment	360,864	-	-	-	-	2,071,449	2,432,313
Human services	689,957	-	-	-	-	-	689,957
Culture and recreation	266,597	-	-	-	-	6,916	273,513
Court related	630,479	17,905	-	-	-	-	648,384
Debt service	482,024	-	-	-	953,669	2,493,755	3,929,448
Capital outlay	2,050,931	9,448	1,833,685	568,426	-	795,735	5,258,225
Total expenditures	18,765,879	1,316,002	2,749,997	14,203,473	953,669	7,193,653	45,182,673
Excess (deficiency) of revenues over (under) expenditures	(1,397,412)	2,169,230	(2,631,666)	(5,761,148)	64,944	(483,979)	(8,040,031)
Other financing sources (uses)							
Transfers in	3,562,447	-	-	-	-	87,095	3,649,542
Transfers out	(1,472,167)	(2,068,591)	-	-	-	(108,784)	(3,649,542)
Lease of industrial park	-	-	-	-	-	516	516
Debt issuance	493,954	-	-	-	-	-	493,954
Total other financing sources (uses)	2,584,234	(2,068,591)	-	-	-	(21,173)	494,470
Net change in fund balances	1,186,822	100,639	(2,631,666)	(5,761,148)	64,944	(505,152)	(7,545,561)
Fund balances - beginning	6,545,923	245,235	5,057,646	10,529,279	1,119,855	6,222,274	29,720,212
Fund balances - ending	\$ 7,732,745	\$ 345,874	\$ 2,425,980	\$ 4,768,131	\$ 1,184,799	\$ 5,717,122	\$ 22,174,651

See accompanying notes

Gulf County, Florida
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2008

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

Net change in fund balances - total governmental funds (page 19).	\$ (7,545,561)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities net of accumulated depreciation.	2,531,776
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets.	2,812,975
The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(493,954)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(41,811)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	2,837,793
Amortization of bond issuance costs is recognized over the life of the bond on the statement of net assets, but expensed in the governmental funds.	(68,131)
The fair market value of donated assets is considered revenue in the statement of activities but do not provide current financial resources, therefore is not reported as revenue in the funds.	200,264
The net effect of various transactions involving the disposition, donations and trades of capital assets is to decrease net assets.	(655)
<u>Change in net assets of governmental activities (page 17)</u>	<u>\$ 232,696</u>

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,885,455	\$ 8,885,455	\$ 8,580,084	\$ (305,371)
Licenses and permits	277,000	206,000	217,181	11,181
Intergovernmental	10,228,814	11,239,409	6,257,960	(4,981,449)
Fines and forfeitures	10,375	10,375	159,804	149,429
Charges for services	1,555,184	1,497,199	1,623,533	126,334
Miscellaneous revenues	389,872	479,616	529,905	50,289
Total revenues	21,346,700	22,318,054	17,368,467	(4,949,587)
Expenditures				
Current				
General government	4,530,649	4,691,845	4,407,461	284,384
Public safety	4,370,628	4,414,598	4,171,489	243,109
Physical environment	7,031,043	6,444,162	3,264,632	3,179,530
Transportation	3,960,718	4,886,103	2,441,445	2,444,658
Economic environment	371,937	372,217	360,864	11,353
Human services	842,606	835,626	689,957	145,669
Culture and recreation	335,559	357,384	266,597	90,787
Court related	551,274	551,274	630,479	(79,205)
Debt service	483,045	483,045	482,024	1,021
Capital outlay	1,854,647	2,139,335	2,050,931	88,404
Total expenditures	24,332,106	25,175,589	18,765,879	6,409,710
Excess (deficiency) of revenues over (under) expenditures	(2,985,406)	(2,857,535)	(1,397,412)	1,460,123
Other financing sources (uses)				
Transfers in	3,488,786	3,429,891	3,562,447	132,556
Transfers out	(1,338,610)	(1,363,610)	(1,472,167)	(108,557)
Debt issuance	550,000	493,954	493,954	-
Total other financing sources (uses)	2,700,176	2,560,235	2,584,234	23,999
Net change in fund balance	(285,230)	(297,300)	1,186,822	1,484,122
Fund balance - beginning	6,545,923	6,545,923	6,545,923	-
Fund balance - ending	\$ 6,260,693	\$ 6,248,623	\$ 7,732,745	\$ 1,484,122

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fines and Forfeitures
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,519,438	\$ 3,519,438	\$ 3,399,267	\$ (120,171)
Intergovernmental	-	-	2,350	2,350
Charges for services	87,184	87,184	83,025	(4,159)
Miscellaneous revenues	-	-	590	590
Total revenues	3,606,622	3,606,622	3,485,232	(121,390)
Expenditures				
Current				
Public safety	1,365,914	1,365,914	1,288,649	77,265
Court related	15,722	15,722	17,905	(2,183)
Capital outlay	18,722	18,722	9,448	9,274
Total expenditures	1,400,358	1,400,358	1,316,002	84,356
Excess of revenues over expenditures	2,206,264	2,206,264	2,169,230	(37,034)
Other financing sources (uses)				
Transfers out	(2,068,591)	(2,068,591)	(2,068,591)	-
Total other financing sources (uses)	(2,068,591)	(2,068,591)	(2,068,591)	-
Net change in fund balance	137,673	137,673	100,639	(37,034)
Fund balance - beginning	245,235	245,235	245,235	-
Fund balance - ending	\$ 382,908	\$ 382,908	\$ 345,874	\$ (37,034)

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Construction and Acquisition
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings and other	\$ -	\$ -	\$ 118,331	\$ 118,331
Total revenues	-	-	118,331	118,331
Expenditures				
Current				
Transportation	100,000	100,000	916,312	(816,312)
Capital outlay	3,000,000	3,000,000	1,833,685	1,166,315
Total expenditures	3,100,000	3,100,000	2,749,997	350,003
Excess (deficiency) of revenues over (under) expenditures	(3,100,000)	(3,100,000)	(2,631,666)	468,334
Fund balance - beginning	5,057,646	5,057,646	5,057,646	-
Fund balance - ending	\$ 1,957,646	\$ 1,957,646	\$ 2,425,980	\$ 468,334

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Beach Renourishment
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 6,860,131	\$ 6,860,131	\$ 8,181,397	\$ 1,321,266
Investment earnings and other	-	-	260,928	260,928
Total revenues	6,860,131	6,860,131	8,442,325	1,582,194
Expenditures				
Current				
Physical environment	17,404,083	17,404,083	13,635,047	3,769,036
Capital outlay	-	-	568,426	(568,426)
Total expenditures	17,404,083	17,404,083	14,203,473	3,200,610
Excess (deficiency) of revenues over (under) expenditures	(10,543,952)	(10,543,952)	(5,761,148)	4,782,804
Fund balance - beginning	10,529,279	10,529,279	10,529,279	-
Fund balance - ending	\$ (14,673)	\$ (14,673)	\$ 4,768,131	\$ 4,782,804

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Debt Service Public Improvement
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 471,950	\$ 471,950	\$ 378,472	\$ (93,478)
Intergovernmental	566,938	566,938	624,761	57,823
Investment earnings and other	10,000	10,000	15,380	5,380
Total revenues	1,048,888	1,048,888	1,018,613	(30,275)
Expenditures				
Current				
Transportation	947,762	944,762	-	944,762
Debt service	952,654	955,654	953,669	1,985
Total expenditures	1,900,416	1,900,416	953,669	946,747
Net change in fund balance	(851,528)	(851,528)	64,944	916,472
Fund balance - beginning	1,119,855	1,119,855	1,119,855	-
Fund balance - ending	\$ 268,327	\$ 268,327	\$ 1,184,799	\$ 916,472

See accompanying notes

Gulf County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2008

Business-type Activities / Enterprise Funds						
	Beaches Water System	Oak Grove	Highland View Water System	White City Water and Sewer System	Williamsburg and Methodist Hill	Total Business-type Funds
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 54,197	\$ 60,599	\$ -	\$ -	\$ 114,796
Total current assets	-	54,197	60,599	-	-	114,796
Noncurrent assets						
Capital assets						
Land	-	737	-	-	-	737
Buildings and utility system	-	269,453	-	-	571,925	841,378
Less allowance for depreciation	-	(202,082)	-	-	(214,474)	(416,556)
Total noncurrent assets	-	68,108	-	-	357,451	425,559
Total assets	-	122,305	60,599	-	357,451	540,355
Liabilities						
Total liabilities	-	-	-	-	-	-
Net assets						
Invested in capital assets, net of related debt	-	68,108	-	-	357,451	425,559
Unrestricted	-	54,197	60,599	-	-	114,796
Total net assets	\$ -	\$ 122,305	\$ 60,599	\$ -	\$ 357,451	\$ 540,355

See accompanying notes

Gulf County, Florida
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended September 30, 2008

Business-type Activities / Enterprise Funds						
	Beaches Water System	Oak Grove	Highland View Water System	White City Water and Sewer System	Williamsburg and Methodist Hill	Total Business-type Funds
Operating revenues						
Charges for services	\$ 17,400	\$ -	\$ 5,454	\$ 4,376	\$ -	\$ 27,230
Operating expenses						
Operating expenses	390	-	-	170	-	560
Depreciation	24,747	6,736	21,492	13,060	14,300	80,335
Total operating expenses	25,137	6,736	21,492	13,230	14,300	80,895
Operating income (loss)	(7,737)	(6,736)	(16,038)	(8,854)	(14,300)	(53,665)
Nonoperating revenues (expenses)						
Interest income	3,000	1,294	1,062	1,265	-	6,621
Interest expense	(14,838)	-	-	(5,916)	-	(20,754)
Loss on disposition of assets	(1,142,613)	-	(699,257)	(380,747)	-	(2,222,617)
Total nonoperating revenues (expenses)	(1,154,451)	1,294	(698,195)	(385,398)	-	(2,236,750)
Change in net assets	(1,162,188)	(5,442)	(714,233)	(394,252)	(14,300)	(2,290,415)
Net assets - beginning	1,162,188	127,747	774,832	394,252	371,751	2,830,770
Net assets - ending	\$ -	\$ 122,305	\$ 60,599	\$ -	\$ 357,451	\$ 540,355

See accompanying notes

Gulf County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2008

Business-type Activities / Enterprise Funds						
	Beaches Water System	Oak Grove	Highland View Water System	White City Water and Sewer System	Williamsburg and Methodist Hill	Total Business-type Funds
Operating activities						
Receipts from customers and others	\$ 175,175	\$ -	\$ 16,163	\$ 13,254	\$ -	\$ 204,592
Payments to suppliers for goods and services	(90,990)	-	(108,840)	(814)	-	(200,644)
Net cash provided by (used in) operating activities	84,185	-	(92,677)	12,440	-	3,948
Capital and related financing activities						
Repayment of revenue bonds	(301,725)	-	-	(169,000)	-	(470,725)
Proceeds from sale of assets	72,225	-	98,840	72,013	-	243,078
Interest paid on long-term debt	(14,838)	-	-	(5,916)	-	(20,754)
Net cash provided by (used in) capital and related financing activities	(244,338)	-	98,840	(102,903)	-	(248,401)
Investing activities						
Interest earned	3,000	1,294	1,062	1,265	-	6,621
Net increase (decrease) in cash and cash equivalents	(157,153)	1,294	7,225	(89,198)	-	(237,832)
Cash and cash equivalents - beginning	157,153	52,903	53,374	89,198	-	352,628
Cash and cash equivalents - ending	\$ -	\$ 54,197	\$ 60,599	\$ -	\$ -	\$ 114,796

(Continued)

Gulf County, Florida
Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended September 30, 2008

Business-type Activities / Enterprise Funds						
	Beaches Water System	Oak Grove	Highland View Water System	White City Water and Sewer System	Williamsburg and Methodist Hill	Total Business-type Funds
Reconciliation of operating income						
(loss) to net cash provided by (used in)						
operating activities						
Operating income (loss)	\$ (7,737)	\$ (6,736)	\$ (16,038)	\$ (8,854)	\$ (14,300)	\$ (53,665)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	24,747	6,736	21,492	13,060	14,300	80,335
(Increase) decrease in assets						
Accounts receivable	34,326	-	10,709	8,878	-	53,913
Prepaid expenses	14,609	-	-	-	-	14,609
Due from other funds	108,840	-	(108,840)	-	-	-
Increase (decrease) in liabilities						
Accounts and other payables	(3,960)	-	-	(644)	-	(4,604)
Deferred revenue	(86,640)	-	-	-	-	(86,640)
Total adjustments	91,922	6,736	(76,639)	21,294	14,300	57,613
Net cash provided by (used in) operating activities	\$ 84,185	\$ -	\$ (92,677)	\$ 12,440	\$ -	\$ 3,948

See accompanying notes

Gulf County, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	Agency Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 688,874
Accounts receivable (net)	130
Due from other funds	149
<hr/>	
Total assets	\$ 689,153
<hr/> <hr/>	
Liabilities	
Accounts payable	\$ 35,033
Due to individuals	468,706
Due to other funds	93,211
Due to other governments	92,203
<hr/>	
Total liabilities	\$ 689,153
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See accompanying notes

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The elected offices of the Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser, and Supervisor of Elections are 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 and unexpended funds are returned to the Board. The Clerk of the Circuit Court operates as a fee officer by retaining various fees collected by this office and billing the Board for certain services provided. Separate accounting records and budgets are maintained by each individual office.

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

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

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

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

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

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

The County reports five major governmental funds:

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's enterprise activities are operated and maintained by local cities. The County receives the amounts billed to customers for the required debt service and bond payments. The terms of these interlocal agreements are described in note 17.

Enterprise Activities

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

Budgets and Budgetary Accounting

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents

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

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

Accounts Receivable

Accounts receivable, including those for the component units, are deemed to be entirely collectible. Therefore, an allowance for uncollectible accounts receivable has not been recorded.

Due from (to) Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories

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

Capital Assets

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Deferred Revenues

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

Compensated Absences

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

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations. The 2008 millage rate assessed by the County was 4.5862 mills.

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

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

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

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

Reserves and Designations of Fund Equity

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Assets

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

Encumbrances

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

Long-Term Obligations

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$26,886,899 difference are as follows:

Bonds payable	\$	22,560,000
Installment contracts and notes payable		941,473
Landfill closure liabilities		2,290,494
Compensated absences		1,094,932
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	26,886,899

Notes to Financial Statements

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

Another element of that reconciliation states, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$48,482,925 difference are as follows:

Cost of capital assets	\$	69,203,279
Less: Accumulated depreciation		(20,720,354)
<hr/>		
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	48,482,925

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,531,776 difference are as follows:

Capital outlay	\$	5,258,100
Depreciation expense		(2,726,324)
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	2,531,776

Other elements of that reconciliation state, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds" and "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$2,795,982 difference are as follows:

Compensated absences	\$	(41,811)
Decrease in landfill liability		2,837,793
<hr/>		
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	2,795,982

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits Policies

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

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

Investments Policies

Florida Statutes, Section 218.415, authorizes the County to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest – bearing time deposits or savings accounts in state-certified qualified public depositories as defined in s. 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

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

Auction Rate Securities rate AAA/aaa.

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

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

As of September 30, 2008, the County's deposits consisted of the following:

	Fair Value	Weighted Average Maturity (months)
Florida Local Government Investment Trust	\$ 564,409	Demand
Total	\$ 564,409	

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risks

At September 30, 2008, the County did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2008, the County did not hold any investments that were considered to be a credit risk.

Custodial Risks

At September 30, 2008, the County did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2008, the County did not hold any investments that were considered to be a concentration of credit risk.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

Internal balances at September 30, 2008, consisted of the following:

	Interfund Receivables	Interfund Payables
General fund	\$ 263,022	\$ 280,074
Special revenue funds		
Nonmajor governmental funds	82,635	18,060
Debt service public improvement	27,037	-
Fines and forfeitures	5,819	46
Construction and acquisition	17,604	4,875
Total special revenue funds	133,095	22,981
Agency funds	-	93,062
Total	\$ 396,117	\$ 396,117

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

Notes to Financial Statements

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

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

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2008, consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 3,562,447	\$ 1,472,167
Special revenue funds		
Fines and forfeitures	-	2,068,591
County road and bridge	-	-
Emergency 911	86,095	
Wireless 911	-	86,095
Sheriff	1,000	-
Capital projects	-	22,689
Total	\$ 3,649,542	\$ 3,649,542

The transfers were for budgeted operations.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

Governmental activities	September 30, 2007	Increases	Decreases	September 30, 2008
Capital assets, not being depreciated				
Land	\$ 3,011,748	\$ 627,661	\$ -	\$ 3,639,409
Construction in progress	6,249,659	2,987,844	(7,055,176)	2,182,327
Total capital assets, not being depreciated	9,261,407	3,615,505	(7,055,176)	5,821,736
Capital assets, being depreciated				
Buildings and improvements	11,761,424	1,535,487	-	13,296,911
Machinery and equipment	15,097,696	1,492,908	(369,829)	16,220,775
Infrastructure	27,981,877	5,881,980	-	33,863,857
Total capital assets, being depreciated	54,840,997	8,910,375	(369,829)	63,381,543
Less accumulated depreciation				
Infrastructure	7,806,819	695,262	-	8,502,081
Buildings and improvements	4,214,569	250,884	-	4,465,453
Machinery and equipment	6,341,471	1,780,178	(368,829)	7,752,820

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Governmental activities	September 30, 2007	Increases	Decreases	September 30, 2008
Total accumulated depreciation	\$ 18,362,859	\$ 2,726,324	\$ (368,829)	\$ 20,720,354
Total capital assets, being depreciated (net)	36,478,138	6,184,051	(1,000)	42,661,189
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 45,739,545	\$ 9,799,556	\$ (7,056,176)	\$ 48,482,925

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

General government	\$ 190,398
Public safety	999,353
Physical environment	381,602
Transportation	864,915
Economic environment	39,060
Human services	145,497
Culture and recreation	86,418
Court related	19,081
Total depreciation expense - governmental activities	\$ 2,726,324

Business activities	September 30, 2007	Increases	Decreases	September 30, 2008
Capital assets, not being depreciated				
Land	\$ 6,350	\$ -	\$ 5,613	\$ 737
Construction in progress	580,000	-	580,000	-
Total capital assets, not being depreciated	586,350	-	585,613	737
Capital assets, being depreciated				
Buildings and utility systems	2,861,019	-	2,019,641	841,378
Other improvements	1,142,441	-	1,142,441	-
Equipment	27,755	-	27,755	-
Total capital assets, being depreciated	4,031,215	-	3,189,837	841,378
Less accumulated depreciation	(1,645,976)	(80,335)	1,309,755	(416,556)
Total capital assets, being depreciated (net)	2,385,239	(80,335)	1,880,082	424,822
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 2,971,589	\$ (80,335)	\$ 2,465,695	\$ 425,559

Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the water fund for the year ended September 30, 2008 was \$80,335.

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

Long-term debt of the County at September 30, 2008, is as follows:

Bonds Payable	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Board of County Commissioners					
Capital Improvement Refunding Revenue Bonds, Series 2003; proceeds used for repayment of certain long-term debt obligations of the County and paying for capital improvements (note 7-A).	\$ 520,000	\$ -	\$ (520,000)	\$ -	\$ -
Gas Tax Revenue Bonds, Series 2006; proceeds used for capital improvements, refunding of 1995 gas tax refunding and improvement revenue bonds and Series 2001 gas tax revenue bonds (note 7-B).	14,745,000	-	(310,000)	14,435,000	360,000
Ad Valorem Tax Bonds, Series 2006; proceeds used for capital improvements (note 7-C).	9,565,000	-	(1,440,000)	8,125,000	1,495,000
Total governmental activities bonds payable	\$ 24,830,000	\$ -	\$ (2,270,000)	\$ 22,560,000	\$ 1,855,000

Notes to Financial Statements

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

Notes Payable	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Board of County Commissioners					
Note payable to bank, payable in annual installments of \$77,187 including interest at 4.27% - 4.43%, secured by three fire trucks.	\$ 10,023	\$ -	\$ (10,023)	\$ -	\$ -
Note payable to bank, payable in annual payments of \$28,599 including interest at 4.25%, secured by ambulance.	53,701	-	(26,283)	27,418	27,418
Note payable to bank, payable in annual payments of \$23,361 including interest at 3.35%, secured by excavator.	22,594	-	(22,594)	-	-
Note payable to bank, payable in annual payments of \$22,486 including interest at 3.98%, secured by land.	61,992	-	(19,970)	42,022	20,776
Note payable to bank, payable in annual payments of \$54,946 including interest at 3.37%, secured by fire department truck.	154,321	-	(49,745)	104,576	51,422
Note payable to bank in annual payments of \$9,804 including interest at 4.22%, unsecured.	35,403	-	(8,310)	27,093	8,660
Note payable to bank, payable in annual payments of \$33,983 including interest at 4.3%.	150,000	-	(27,533)	122,467	28,717
Note payable to bank in annual payments of \$27,583 including interest at 4.95%, secured by equipment.	75,082	-	(23,811)	51,271	25,007

Notes to Financial Statements

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

Notes Payable (Continued)	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Note payable to bank in annual payments of \$109,003 including interest at 3.63%, secured by equipment, maturing in 2012.	\$ -	\$ 493,954	\$ (94,808)	\$ 399,146	\$ 94,514
Total governmental activities notes payable	\$ 563,116	\$ 493,954	\$ (283,077)	\$ 773,993	\$ 256,514
Installment Contracts	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Board of County Commissioners					
Installment purchase agreement for tub grinder, payable in five annual installments of \$60,098 including interest at 3.52%.	\$ 114,143	\$ -	\$ (56,086)	\$ 58,057	\$ 58,057
Installment purchase agreement for a tractor, payable in annual installments of \$62,715 including interest at 5.2%.	59,616	-	(59,616)	-	-
Installment purchase agreement for a tractor, payable in annual installments of \$24,681 including interest at 5.2%.	45,763	-	(22,302)	23,461	23,461
Total installment contracts Board of County Commissioners	219,522	-	(138,004)	81,518	81,518
Sheriff					
Installment purchase agreement for four vehicles and refinance of old debt, payable in monthly installments of \$4,807 including interest at 4.375%.	15,053	-	(15,053)	-	-
Installment purchase agreement for communication equipment, payable in annual installments of \$21,053 including interest at 4%.	59,017	-	(18,673)	40,344	19,432

Notes to Financial Statements

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

Installment Contracts (Continued)	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Installment purchase agreement for nine vehicles, payable in monthly installments of \$6,450 including interest at 5%.	\$ 121,787	\$ -	\$ (76,169)	\$ 45,618	\$ 45,618
Total installment contracts Sheriff	195,857	-	(109,895)	85,962	65,050
Total governmental activities installment contracts	\$ 415,379	\$ -	\$ (247,899)	\$ 167,480	\$ 146,568
	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Other long-term debt					
Long-term landfill closure and postclosure liability (note 11).	\$ 5,128,287	\$ -	\$ (2,837,793)	\$ 2,290,494	\$ -
Liability for compensated absences	1,053,121	79,618	(37,807)	1,094,932	332,578
Total governmental activities bonds, notes payable and other long-term debt	\$ 31,989,903	\$ 573,572	\$ (5,676,576)	\$ 26,886,899	\$ 2,590,660
	Balance September 30, 2007	Additions	Deductions	Balance September 30, 2008	Due Within One Year
Bonds Payable					
Enterprise fund					
Beaches Water System Revenue Bonds, Series 1996; proceeds used to refund Series 1984 Revenue Bonds and finance improvements to Beaches Water system (note 7-D).	\$ 301,725	\$ -	\$ (301,725)	\$ -	\$ -
Gulf County Water system Revenue Bonds, Series 1994; used to construct a water system for the White City community (note 7-E).	169,000	-	(169,000)	-	-
Total enterprise fund bonds payable	\$ 470,725	\$ -	\$ (470,725)	\$ -	\$ -

Notes to Financial Statements

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

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

Year Ending September 30,	Series 2006 Capital Improvement Refunding Bonds		Series 2006 Capital Improvement Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 360,000	\$ 634,144	\$ 1,495,000	\$ 352,375
2010	375,000	619,744	1,555,000	292,575
2011	390,000	604,744	1,620,000	230,375
2012	405,000	589,144	1,700,000	149,375
2013	420,000	572,944	1,755,000	87,750
2014-2018	2,370,000	2,594,020	-	-
2019-2023	2,905,000	2,058,664	-	-
2024-2028	3,640,000	1,319,690	-	-
2029-2032	3,570,000	398,782	-	-
Total	\$ 14,435,000	\$9,391,876	\$ 8,125,000	\$ 1,112,450

Year Ending September 30,	Notes Payable		Installment Contracts	
	Principal	Interest	Principal	Interest
2009	\$ 256,514	\$ 24,626	\$ 146,568	\$ 5,642
2010	237,587	15,828	20,912	808
2011	142,148	7,900	-	-
2012	137,744	3,818	-	-
Total	\$ 773,993	\$ 52,172	\$ 167,480	\$ 6,450

Notes to Financial Statements

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

Synopsis of long-term debt covenants are as follows:

Long-Term Debt**■ Bonds Payable**

- (A) 2.51% \$2,000,000 Capital Improvement Refunding Revenue Bonds, Series 2003. These bonds were issued in September 2003, to be used for refunding certain outstanding long-term debt obligations of the County, paying the cost of certain capital improvements within the County, funding the Reserve Fund, and paying certain costs incidental to the issuance of the Series 2003 bonds. The Series 2003 Capital Improvement Refunding Revenue Bonds are paid solely from and secured by a pledge of and lien upon the proceeds of the local government half-cent sales tax, the guaranteed entitlement revenues, the second guaranteed entitlement revenues, and sales tax revenues. A reserve fund of \$200,000 is required to be maintained. In addition, a debt service fund is required to be maintained to accumulate amounts sufficient to pay principal and interest coming due.
- (B) 4% \$14,745,000 Gas Tax Refunding and Improvement Revenue Bonds Series 2006 - \$14,435,000 balance. These bonds were issued in September 2006, for the purpose of (i) financing the cost of the acquisition, construction, paving enlargement or other improvements of certain roads and transportation systems within the County; (ii) refund all of the County's Outstanding Gas Tax Refunding and Improvement Revenue Bonds, Series 1995 and all of the County's Outstanding Gas Tax Revenue Bonds, Series 2001; (iii) paying the cost of the premium of a Surety Bond to fund the Reserve Account; and (iv) paying certain costs incurred in connection with the issuance of the Series 2006 Bonds. The bonds are payable from and secured by a lien upon and pledge of (i) the Local Option Gas Tax, (ii) the Constitutional Gas Tax, (iii) the County Gas Tax., and (iv) interest earnings on certain funds. The Series 2006 bonds, mature serially beginning October 1, 2007 and are subject to redemption prior to maturity.

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

- (C) 3.625% to 5.0% \$10,790,000 Ad Valorem Tax Revenue Bonds, Series 2006 - \$8,125,000 balance. These bonds were issued in December 2006, to be used for (i) beachfront renourishment and reconstruction in Cape San Blas (ii) fund a Debt Service Reserve Fund and (iii) pay certain costs and expenses related to the issuance of the bond. The principle of, redemption premium, if any, and interest on the bonds are payable from and secured by a limited pledge of the ad valorem taxing power of the County within its Cape San Blas Gulfside Municipal Taxing Unit and its Cape San Blas Gulfside Interior Municipal Services Taxing Unit and shall not exceed 6 mills and 4 mills, respectively. The Bonds mature serially beginning on August 1, 2007 and are not subject to redemption prior to their stated maturities.

Notes to Financial Statements

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

■ **Enterprise Funds**

- (D) 5.25% \$525,000 Beaches Water System Revenue Bonds, Series 1996. 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.

- (E) 4.5% \$200,000 Water System Revenue Bonds. The bonds were issued June 10, 1994, and are held by U.S. Department of Agriculture – Rural Development. They are secured by a pledge of gross revenues from the White City water system. A sinking fund is required to be maintained for the current year debt service payment.

NOTE 8 – NET ASSET RESTRICTIONS

The government-wide statement of net assets reports \$9,687,892 of restricted net assets, of which \$1,308,982 is restricted by enabling legislation at September 30, 2008.

NOTE 9 – EMPLOYEE BENEFITS

Retirement Plan

Plan Description

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

Notes to Financial Statement

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

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

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

Funding Policy

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

	October 1, 2007 Through June 30, 2008	July 1, 2008 Through September 30, 2008
Regular class	9.85%	9.85%
Senior management service class	13.12%	13.12%
Elected County officials' class	16.53%	16.53%
Special risk employees' class	20.92%	20.92%
DROP plan participants	10.91%	10.91%

Contribution rates equal actuarial determined rates. During the year ended September 30, 2008, total payroll for all employees and the retirement contributions for all employees covered by FRS were as follows:

	Payroll Expense	Retirement Contributions
Board of County Commissioners	\$ 3,842,702	\$ 478,299
Clerk of the Circuit Court	680,407	76,504
Sheriff	1,303,172	247,553
Property Appraiser	264,961	28,267
Tax Collector	283,819	33,818
Supervisor of Elections	123,071	15,485
Total	\$ 6,498,132	\$ 879,926

Notes to Financial Statements

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

The County's contributions to the Plan for the years ended September 30, 2008, 2007 and 2006 were \$879,926, \$932,682 and \$719,633 respectively, which equal the required contributions. For the year ended September 30, 2008 retirement contributions represent 14% of County's total covered payroll.

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

NOTE 10 – RISK MANAGEMENT

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

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

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

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

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

Notes to Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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

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

NOTE 11 – AMBULANCE SERVICES

The County has financial responsibility for providing ambulance services throughout the County. Ambulance accounts receivable, and revenues and expenditures are included in the general fund of the accompanying financial statements. Accounts receivable for the ambulance service for the year ended September 30, 2008 was \$215,984 which is net of \$127,800 allowance for uncollectible accounts.

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,290,494 reported as landfill closure and postclosure care liability at September 30, 2008, represents the cumulative amount reported to date based on the use of 72% of the estimated capacity of the landfill cells placed in use. The Board will recognize the remaining estimated cost of closure and postclosure care of \$1,820,222 as the remaining estimated capacity is filled (approximately 9 years). These amounts are based on what it would cost to perform closure and post-closure care in 2008 on those cells placed in use. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs. At September 30, 2008, the Board held deposits with a fair value of \$1,050,995 for these purposes that are reported as restricted assets on the balance sheet. This amount includes \$1,048,545 that is restricted for closing Five Points Landfill and \$2,450 that is restricted for long term care of Buckhorn Landfill. The Board expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care costs are determined to be required, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Notes to Financial Statements

NOTE 13 – LEGAL PROCEEDINGS

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

NOTE 14 – LEASES

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

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

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

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

Industrial Park Lease

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

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

The County accounts for this activity as a sales type lease in the Industrial Park special revenue fund. The total stream of future principal payments to be received is recorded as a lease receivable and deferred revenue. The remaining balance at September 30, 2008, was \$224,712. Rental payments are recorded as revenue when received, which is when measurable and available. The minimum lease payments to be received over the next five years are \$28,277 annually.

Notes to Financial Statements

NOTE 15 – GRANTS

The County participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2008, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the County's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the County expects such amounts, if any, to be immaterial.

NOTE 16 – FUND EQUITY**Reserved Fund Equity**

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

Fund	Purpose	Amount
Board of County Commissioners		
General fund	Landfill escrow	\$ 1,050,995
	Court technology	73,772
	Boating improvements	58,131
	Other programs	38,954
Special revenue funds	Law enforcement and drug awareness	87,130
	Capital projects	7,194,111
Debt service fund	Repayment of long-term debt	1,184,799
Total		\$ 9,687,892

NOTE 17 – COMMITMENTS

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

Notes to Financial Statements

NOTE 17 – COMMITMENTS (CONTINUED)

The Gulf County Sheriff has an interlocal agreement with the City of Wewahitchka, whereby personnel from the Sheriff's office provide law enforcement services to the City of Wewahitchka. As consideration therefore, the Sheriff receives payments of \$18,000 annually from the City.

The Gulf County Sheriff entered into a service agreement with the City of Port St. Joe Police Department, whereby the Sheriff provides all dispatching services required within the City of Port St. Joe. The City of Port St. Joe pays the Gulf County Sheriff the sum of \$13,250 per quarter, in consideration for these services.

NOTE 18 – WATER SYSTEM OPERATIONS

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

NOTE 19 – SALE OF UTILITIES

On June 21, 2008, the County discontinued operations of the St. Joe Beaches, Highland View and White City Water systems. The City of Port St. Joe, Florida agreed to assume ownership by assuming the related assets (utility systems, easements and escrow accounts) and debt. The County recorded a loss on disposal of the utility systems of \$1,142,613, \$699,257 and \$380,747 for the St. Joe Beaches, Highland View and White City Water Systems, respectively.

Combining Financial Statements

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

Special Revenue						
	County Road and Bridge	Secondary Road and Bridge	Tourist Development Trust Fund	Sheriff's Special Revenue Funds	DRI/EAR Impact Fund	Clerk Modernization Trust Fund
Assets						
Cash and cash equivalents	\$ 167,643	\$ 262,638	\$ 444,835	\$ 17,604	\$ 207,101	\$ 282,819
Due from other funds	-	-	5,901	-	-	2,515
Due from other governments	104,736	-	-	-	-	-
Accounts receivable (net)	-	-	24,796	-	-	-
Notes receivable	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-
Total assets	\$ 272,379	\$ 262,638	\$ 475,532	\$ 17,604	\$ 207,101	\$ 285,334
Liabilities and fund balances						
Liabilities						
Deficit in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	54,440	5,711	40,034	-	-	24,334
Due to other funds	-	-	17,809	-	-	154
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	10,662	-	-
Total liabilities	54,440	5,711	57,843	10,662	-	24,488
Fund balances						
Unreserved	217,939	256,927	417,689	6,942	207,101	260,846
Total fund balances	217,939	256,927	417,689	6,942	207,101	260,846
Total liabilities and fund balances	\$ 272,379	\$ 262,638	\$ 475,532	\$ 17,604	\$ 207,101	\$ 285,334

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2008

Special Revenue							
	Administrative Order 86-12	HUD CDBG	Howard Creek Fire Control	St. Joe Fire Control	Tupelo Fire Control	Overstreet Fire Control	
Assets							
Cash and cash equivalents	\$ 150,296	\$ 200,873	\$ 11,871	\$ 1,123,975	\$ 25,826	\$ 11,092	
Due from other funds	-	-	-	2,093	31	-	
Due from other governments	-	-	-	-	-	-	
Accounts receivable (net)	-	-	-	-	-	-	
Notes receivable	-	-	-	-	-	-	
Leases receivable	-	-	-	-	-	-	
Total assets	\$ 150,296	\$ 200,873	\$ 11,871	\$ 1,126,068	\$ 25,857	\$ 11,092	
Liabilities and fund balances							
Liabilities							
Deficit in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Vouchers payable	-	137	1,560	10,281	14,169	2,175	
Due to other funds	-	-	-	-	-	-	
Due to other governments	-	-	-	-	-	-	
Deferred revenue	-	-	48	7,200	258	107	
Total liabilities	-	137	1,608	17,481	14,427	2,282	
Fund balances							
Unreserved	150,296	200,736	10,263	1,108,587	11,430	8,810	
Total fund balances	150,296	200,736	10,263	1,108,587	11,430	8,810	
Total liabilities and fund balances	\$ 150,296	\$ 200,873	\$ 11,871	\$ 1,126,068	\$ 25,857	\$ 11,092	

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2008

Special Revenue

	St. Joe Fire Impact Fee	Tupelo Fire Impact Fee	Overstreet Fire impact Fee	Howard Creek Fire Impact Fee	Hospital	Wireless 911
Assets						
Cash and cash equivalents	\$ 7,622	\$ 5,662	\$ 1,840	\$ 549	\$ 1,459,808	\$ 2,803
Due from other funds	-	-	-	-	51,805	-
Due from other governments	-	-	-	-	89,864	-
Accounts receivable (net)	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-
Total assets	\$ 7,622	\$ 5,662	\$ 1,840	\$ 549	\$ 1,601,477	\$ 2,803
Liabilities and fund balances						
Liabilities						
Deficit in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	-	-	-	-	-	2,325
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	2,325
Fund balances						
Unreserved	7,622	5,662	1,840	549	1,601,477	478
Total fund balances	7,622	5,662	1,840	549	1,601,477	478
Total liabilities and fund balances	\$ 7,622	\$ 5,662	\$ 1,840	\$ 549	\$ 1,601,477	\$ 2,803

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2008

Special Revenue						
	M.S.T.U. Debt Service	Correctional Facility Impact Fee	EMS Impact Fee	Parks and Recreation Impact Fee	E911	Mosquito Control
Assets						
Cash and cash equivalents	\$ 617,607	\$ 21,038	\$ 39,645	\$ 89,200	\$ 153,893	\$ 73,708
Due from other funds	7,350	-	-	-	12,940	-
Due from other governments	-	-	-	-	14,082	-
Accounts receivable (net)	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-
Total assets	\$ 624,957	\$ 21,038	\$ 39,645	\$ 89,200	\$ 180,915	\$ 73,708
Liabilities and fund balances						
Liabilities						
Deficit in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	-	-	-	-	2,701	-
Due to other funds	-	-	-	-	97	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	6,660	-	-	-	-	-
Total liabilities	6,660	-	-	-	2,798	-
Fund balances						
Unreserved	618,297	21,038	39,645	89,200	178,117	73,708
Total fund balances	618,297	21,038	39,645	89,200	178,117	73,708
Total liabilities and fund balances	\$ 624,957	\$ 21,038	\$ 39,645	\$ 89,200	\$ 180,915	\$ 73,708

(Continued)

Gulf County, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
September 30, 2008

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Emergency Medical Services	CDBG	Industrial Park EDA	State Housing Initiative Partnership	Capital Projects	
Assets						
Cash and cash equivalents	\$ 4,147	\$ -	\$ 220,904	\$ 355,444	\$ -	\$ 5,960,443
Due from other funds	-	-	-	-	-	82,635
Due from other governments	-	368,459	-	-	-	577,141
Accounts receivable (net)	-	-	-	-	-	24,796
Notes receivable	-	-	-	55,866	-	55,866
Leases receivable	-	-	224,712	-	-	224,712
Total assets	\$ 4,147	\$ 368,459	\$ 445,616	\$ 411,310	\$ -	\$ 6,925,593
Liabilities and fund balances						
Liabilities						
Deficit in pooled cash	\$ -	\$ 368,402	\$ -	\$ -	\$ -	\$ 368,402
Vouchers payable	-	-	1,128	11,100	-	170,095
Due to other funds	-	-	-	-	-	18,060
Due to other governments	154	-	-	-	-	154
Deferred revenue	3,993	-	224,712	398,120	-	651,760
Total liabilities	4,147	368,402	225,840	409,220	-	1,208,471
Fund balances						
Unreserved	-	57	219,776	2,090	-	5,717,122
Total fund balances	-	57	219,776	2,090	-	5,717,122
Total liabilities and fund balances	\$ 4,147	\$ 368,459	\$ 445,616	\$ 411,310	\$ -	\$ 6,925,593

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2008

Special Revenue						
	County Road and Bridge	Secondary Road and Bridge	Tourist Development Trust Fund	Sheriff's Special Revenue Funds	DRIVEAR Impact Fund	Clerk Modernization Trust Fund
Revenues						
Taxes	\$ 57,349	\$ -	\$ 594,558	\$ -	\$ -	\$ -
Licenses and permits	2,350	-	-	-	-	-
Intergovernmental	1,171,183	-	-	-	-	-
Charges for services	-	-	-	-	-	38,707
Investment earnings and other	129	-	15,066	5,378	7,881	9,168
Total revenues	1,231,011	-	609,624	5,378	7,881	47,875
Expenditures						
Current						
General government	-	-	-	-	-	58,612
Public safety	-	-	-	5,859	-	-
Physical environment	-	-	27,749	-	-	-
Economic environment	-	-	926,344	-	1,815	-
Transportation	1,204,059	660	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	33,648	33,341	-	121,502	2,124
Debt service	-	-	37,061	-	-	-
Total expenditures	1,204,059	34,308	1,024,495	5,859	123,317	60,736
Excess (deficiency) of revenues over (under) expenditures	26,952	(34,308)	(414,871)	(481)	(115,436)	(12,861)
Other financing sources (uses)						
Transfers in	-	-	-	1,000	-	-
Transfers out	-	-	-	-	-	-
Lease of industrial park	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,000	-	-
Net change in fund balances	26,952	(34,308)	(414,871)	519	(115,436)	(12,861)
Fund balances - beginning	190,987	291,235	832,560	6,423	322,537	273,707
Fund balances - ending	\$ 217,939	\$ 256,927	\$ 417,689	\$ 6,942	\$ 207,101	\$ 260,846

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2008

Special Revenue						
	Administrative Order 86-12	HUD CDBG	Howard Creek Fire Control	St. Joe Fire Control	Tupelo Fire Control	Overstreet Fire Control
Revenues						
Taxes	\$ -	\$ -	\$ 17,648	\$ 943,370	\$ 56,705	\$ 33,836
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	1,972	62,791	4,082	2,275
Charges for services	-	-	-	-	-	-
Investment earnings and other	4,665	28,810	12,495	-	1,747	13,000
Total revenues	4,665	28,810	32,115	1,006,161	62,534	49,111
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	22,740	233,851	49,258	31,251
Physical environment	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	510,471	-	11,000
Debt service	-	12,000	-	54,946	13,247	-
Total expenditures	-	12,000	22,740	799,268	62,505	42,251
Excess (deficiency) of revenues over (under) expenditures	4,665	16,810	9,375	206,893	29	6,860
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Lease of industrial park	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	4,665	16,810	9,375	206,893	29	6,860
Fund balances - beginning	145,631	183,926	888	901,694	11,401	1,950
Fund balances - ending	\$ 150,296	\$ 200,736	\$ 10,263	\$ 1,108,587	\$ 11,430	\$ 8,810

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2008

Special Revenue

	St. Joe Fire Impact Fee	Tupelo Fire Impact Fee	Overstreet Fire impact Fee	Howard Creek Fire Impact Fee	Hospital	Wireless 911
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 542,934	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	83,707
Charges for services	-	-	-	-	-	-
Investment earnings and other	4,787	1,297	579	189	46,711	448
Total revenues	4,787	1,297	579	189	589,645	84,155
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	93,740
Physical environment	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	2,764
Debt service	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	96,504
Excess (deficiency) of revenues over (under) expenditures	4,787	1,297	579	189	589,645	(12,349)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(86,095)
Lease of industrial park	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(86,095)
Net change in fund balances	4,787	1,297	579	189	589,645	(98,444)
Fund balances - beginning	2,835	4,365	1,261	360	1,011,832	98,922
Fund balances - ending	\$ 7,622	\$ 5,662	\$ 1,840	\$ 549	\$ 1,601,477	\$ 478

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2008

Special Revenue						
	M.S.T.U. Debt Service	Correctional Facility Impact Fee	EMS Impact Fee	Parks and Recreation Impact Fee	E911	Mosquito Control
Revenues						
Taxes	\$ 1,720,460	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	125,661	37,488
Charges for services	-	-	-	-	-	-
Investment earnings and other	36,219	7,710	20,238	37,216	480	50
Total revenues	1,756,679	7,710	20,238	37,216	126,141	37,538
Expenditures						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	98,019	-
Physical environment	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Culture and recreation	-	-	-	6,916	-	-
Capital outlay	-	123	-	-	10,303	11,224
Debt service	1,849,975	-	-	-	-	-
Total expenditures	1,849,975	123	-	6,916	108,322	11,224
Excess (deficiency) of revenues over (under) expenditures	(93,296)	7,587	20,238	30,300	17,819	26,314
Other financing sources (uses)						
Transfers in	-	-	-	-	86,095	-
Transfers out	-	-	-	-	-	-
Lease of industrial park	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	86,095	-
Net change in fund balances	(93,296)	7,587	20,238	30,300	103,914	26,314
Fund balances - beginning	711,593	13,451	19,407	58,900	74,203	47,394
Fund balances - ending	\$ 618,297	\$ 21,038	\$ 39,645	\$ 89,200	\$ 178,117	\$ 73,708

(Continued)

Gulf County, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2008

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Emergency Medical Services	CDBG	Industrial Park EDA	State Housing Initiative Partnership	Capital Projects	
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,966,860
Licenses and permits	-	-	-	-	-	2,350
Intergovernmental	-	582,983	-	271,634	-	2,343,776
Charges for services	-	-	-	-	-	38,707
Investment earnings and other	-	-	8,333	95,279	106	357,981
Total revenues	-	582,983	8,333	366,913	106	6,709,674
Expenditures						
Current						
General government	-	-	-	-	-	58,612
Public safety	-	-	-	-	-	534,718
Physical environment	-	-	-	-	-	27,749
Economic environment	-	582,983	1,023	559,284	-	2,071,449
Transportation	-	-	-	-	-	1,204,719
Culture and recreation	-	-	-	-	-	6,916
Capital outlay	-	-	-	59,235	-	795,735
Debt service	-	-	-	-	526,526	2,493,755
Total expenditures	-	582,983	1,023	618,519	526,526	7,193,653
Excess (deficiency) of revenues over (under) expenditures	-	-	7,310	(251,606)	(526,420)	(483,979)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	87,095
Transfers out	-	-	-	-	(22,689)	(108,784)
Lease of industrial park	-	-	516	-	-	516
Total other financing sources (uses)	-	-	516	-	(22,689)	(21,173)
Net change in fund balances	-	-	7,826	(251,606)	(549,109)	(505,152)
Fund balances - beginning	-	57	211,950	253,696	549,109	6,222,274
Fund balances - ending	\$ -	\$ 57	\$ 219,776	\$ 2,090	\$ -	\$ 5,717,122

Gulf County, Florida
Combining Balance Sheet
Agency Funds
September 30, 2008

	Agency Funds - Clerk						Agency Funds - Sheriff	
	Fee Trust	Article V Trust	Registry of Court	Child Support	Jury and Witness	Bonds	Individual Depository	
Assets								
Cash and cash equivalents	\$ 20,822	\$ 91,435	\$ 69,263	\$ 297	\$ 3,762	\$ 6,535	\$ 5,885	
Accounts receivable (net)	130	-	-	-	-	-	-	
Due from other funds	-	-	-	-	149	-	-	
Total assets	\$ 20,952	\$ 91,435	\$ 69,263	\$ 297	\$ 3,911	\$ 6,535	\$ 5,885	
Liabilities								
Accounts payable	\$ -	\$ 35,033	\$ -	\$ -	\$ -	\$ -	\$ -	
Due to individuals	968	-	69,263	-	-	6,535	-	
Due to other funds	10,412	38,471	-	268	186	-	-	
Due to other governments	9,572	17,931	-	29	3,725	-	5,885	
Total liabilities	\$ 20,952	\$ 91,435	\$ 69,263	\$ 297	\$ 3,911	\$ 6,535	\$ 5,885	

Gulf County, Florida
Combining Balance Sheet
Agency Funds (Continued)
September 30, 2008

Agency Funds - Tax Collector

	Tax	Tag Agency	Totals
Assets			
Cash and cash equivalents	\$ 480,839	\$ 10,036	\$ 688,874
Accounts receivable (net)	-	-	130
Due from other funds	-	-	149
Total assets	\$ 480,839	\$ 10,036	\$ 689,153
Liabilities			
Accounts payable	\$ -	\$ -	\$ 35,033
Due to individuals	391,921	19	468,706
Due to other funds	33,857	10,017	93,211
Due to other governments	55,061	-	92,203
Total liabilities	\$ 480,839	\$ 10,036	\$ 689,153

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the basic financial statements of Gulf County, Florida as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 31, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated March 31, 2009, should be considered in conjunction with this management letter.

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Gulf County, Florida complied with Section 218.415, Florida Statutes.

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

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosure from the financial statements); (b) failures to properly record financial transactions; or (c) inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor. In connection with our audit, we did not have any such findings.

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

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Gulf County, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Gulf County, Florida for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

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

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

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

March 31, 2009

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf County, Florida as of and for the year ended September 30, 2008, which collectively comprise Gulf County, Florida's basic financial statements and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gulf County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gulf County, Florida's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Gulf County, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Gulf County, Florida's financial statements that is more than inconsequential will not be prevented or detected by Gulf County, Florida's internal control. We consider the following findings to be significant deficiencies in internal control over financial reporting.

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

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

See our summary schedule of current year audit findings. We consider 08-02 and 08-03 to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by Gulf County, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and other matters

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

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

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

Carri Riggs & Ingram, L.L.C.

March 31, 2009

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

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

Compliance

We have audited the compliance of Gulf County, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the 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, 2008. Gulf County, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Gulf County, Florida's management. Our responsibility is to express an opinion on Gulf County, Florida's compliance based on our audit.

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

In our opinion, Gulf County, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gulf County, Florida's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

March 31, 2009

Gulf County, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

Federal Awards Programs	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Agriculture			
Forest Service			
Pass through Florida Department of Agriculture/ Forestry			
VFA 50/50 Grants	10.664	N/A	\$ 23,912
Total U.S. Department of Agriculture			23,912
U.S. Department of Homeland Security			
Pass through Florida Department of Community Affairs			
State of Florida Homeland Security Grant Program	97.067	07DS-5N-01-27-01-434	12,132
State of Florida Homeland Security Grant Program	97.067	06-DS-3W-02-32-01-403	31,226
State & Local Assistance (SLA) 07-08	97.042	08-BG-24-02-33-01-357	23,226
Total U.S. Department of Homeland Security			66,584
U.S. Department of Housing and Urban Planning			
Pass through Florida Department of Community Affairs			
Neighborhood Revitalization	14.228	06DB-89-09-33-01-N35	582,983
Total U.S. Department of Housing and Urban Planning			582,983
U.S. Department of Health and Human Services			
Pass through Florida Department of Health			
Health and Human Services Access for Individuals with Disabilities	93.617	5-25-20061	3,681
Pass through Florida Department of Revenue			
Child Support Enforcement Title IV-D Service of Process	93.563	CO523	2,350
Child Support Enforcement Title IV-D Services Reimbursement	93.563	CC323	58,865
Total U.S. Department of Health and Human Services			64,896
U.S. Department of the Interior			
Pass through Fish and Wildlife Service			
Sea Turtle Friendly Lighting	15.632	401816G073	5,876
Total U.S. Department of the Interior			5,876
Federal Highway Administration			
Pass through Florida Department of Transportation			
Highway Planning and Construction			
Cape San Blas Shared Path - Phase II	20.205	412681-1-38-01	772,425
Cape San Blas Shared Path - Phase III	20.205	412681-2-38-01	162,520
Total Federal Highway Administration			934,945
U.S. Department of Justice			
Pass through Florida Department of Law Enforcement			
Local Law Enforcement Block Grant - Equipment	16.738	2008-JACG-GULF-2-QO-101	2,932
Sheriff K-9 Interdiction	16.738	2008-JACG-GULF-1-Q9-071	44,246
Total U.S. Department of Justice			47,178
U.S. Department of Transportation			
Pass through Florida Department of Transportation			
Sheriff - DUI Enforcement	20.601	K8-08-06-07	18,187
Total U.S. Department of Transportation			18,187
Total Expenditures of Federal Awards			\$ 1,744,561

Gulf County, Florida
Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2008

State Financial Assistance Projects	CSFA Number	Contract/Grant Number	Expenditures
Division of Emergency Management			
Wireless 911 Rural Grant	72.001	SB 620	\$ 72,607
Wireless 911 Rural Grant	72.001	2006/2007	11,100
Total Division of Emergency Management			83,707
Department of Environmental Protection			
Small County Solid Waste Grant	37.012	SC812	277,316
Florida Recreation Development Assistance Program			
Highland View (Donnie Brake Park)	37.017	F08074	188,340
Statewide Surface Water Restoration & Wastewater Project			
Gulf Beaches Sewer Grant	37.039	LP6033	418,379
Gulf Beaches Sewer Grant	37.039	LP6033 PH2	110,071
2004 Hurricane Recovery Plan Grant Program			
St. Joseph Peninsula Dune Restoration:DEP	37.065	06GU1	2,531,856
St. Joseph Peninsula Dune Restoration:DEP	37.065	06GU2	6,563,033
Total Department of Environmental Protection			10,088,995
Florida Housing Finance Authority			
2006-2007 State Housing Initiative Program	52.901	2006/2007	88,888
2007-2008 State Housing Initiative Program	52.901	2007/2008	182,746
Total State Housing Initiative Program			271,634
Office of the State Courts Administrator			
Couthouse Facility Appropriation-Repair & refurbish courthouse interior	22.004	Approp. 3333A	76,983
Couthouse Facility Appropriation-Courthouse HVAC	22.004	Approp. 2998A	70,568
Total Office of the State Courts Administrator			147,551
Department of Community Affairs			
Emergency Management Preparedness and Assistance Base Grants	52.008	08BG-24-02-33-01-357	102,959
Hurricane Shelter Retrofit Project	54.024	08-SR-39-02-33-01-361	84,263
Total Department of Community Affairs			187,222
Department of Transportation			
Small County Outreach Program - CR22A	55.009	SCOP42232615801	1,315,968
Transportation Regional Incentive Program	55.026	TRIP42245715801	190,532
Total Department of Transportation			1,506,500
Department of Agriculture & Consumer Services			
Mosquito Control/Waste Tire Abatement Grant	42.003	2005-2006	10,395
Mosquito Control/Waste Tire Abatement Grant	42.003	2006-2007	829
Total Department of Agriculture & Consumer Services			11,224
Department of State			
Historic Preservation Grants			
Operating and Equalization State Aid Grants	45.031	08-ST-46	74,013
Cape San Blas Lighthouse Keeper's Quarters	45.031	SC706	349,952
Total Department of State			423,965
Northwest Florida Water Management District			
Statewide Surface Water Restoration & Wastewater Project	37.039	07-025	17,169
Total Northwest Florida Water Management District			17,169
Total Expenditures of State Financial Assistance			\$ 12,737,967

Gulf County, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
Year Ended September 30, 2008

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - REPORTING ENTITY

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

NOTE 3 - PASS-THROUGH AWARDS

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

Gulf County, Florida
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards and State Financial Assistance

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

Identification of major state projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
14.228	Neighborhood Revitalization
20.205	Highway Planning and Construction
37.065	2004 Hurricane Recovery Plan Grant Program
45.031	Historic Preservation Grants

(Continued)

Gulf County, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

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

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

See Summary Schedule of Current Year Findings

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

No findings or questioned costs in the current year.

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

No findings or questioned costs in the current year.

Section V - Other Issues

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

07-02 Sheriff Fund Balance Deficit

Status: See current year findings.

07-03 Segregation of Duties

Status: See current year findings.

07-04 Sheriff's Office Fixed Assets

Status: See current year findings.

Gulf County, Florida
Summary Schedule of
Current Year Audit Findings
September 30, 2008

08-02 Sheriff Fund Balance Deficit (Prior Year 07-02)

The Sheriff's general fund has a deficit fund balance at September 30, 2008 in the amount of \$10,283.

Management's response – The Sheriff's office is in the process of restructuring and reducing expenditures to the extent possible in order to reduce the deficit.

08-03 Segregation of Duties (Prior Year 07-03)

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

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

08-04 Sheriff's Office Fixed Assets (Prior Year 07-04)

The fixed assets schedule was not reconciled to the general ledger and asset tags are not being utilized. A detailed inventory schedule should be maintained that is easily traceable to assets on hand and is regularly reconciled to the general ledger.

Management's response – The Sheriff's office is in the process of updating their fixed asset reconciliation and tracking procedures.