



Gulf County, Florida

**Annual Financial Statements
September 30, 2013**

Vance CPA, LLC

Certified Public Accountant

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GULF COUNTY, FLORIDA
SEPTEMBER 30, 2013

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GULF COUNTY, FLORIDA
SEPTEMBER 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, (the "County"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective

budgetary comparison for the general fund, SHIP fund, and the public improvement fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress and employees contribution for retiree's health insurance other post employment benefits plan on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, and Chapter 10.550 Rule of the Auditor General of the State of Florida*, and the combining nonmajor fund financial statements are presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, on our consideration of the Gulf County, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulf County, Florida's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC
June 9, 2014

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 just under 16,000, Gulf County is 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 employs the County Administrator to implement the policies of the Board, provide organizational leadership and direct business and administrative procedures.

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

Financial Highlights

- The County's total government-wide net position decreased 4% or \$1,798,257 from September 30, 2012, to September 30, 2013. The County's total business-type activity's net position decreased by \$21,011 from the balance at the end of the prior year and only comprise 1% of the County's total net position.
- During the year ended September 30, 2013, the County's general fund expenditures exceeded revenues by \$1,280,804, however, note the favorable variance when compared to budget as shown on page 19 of the attached financial statements. This may be compared to last year's results in which the County's general fund revenues exceeded expenditures by \$353,209, which was also favorable when compared to budget.
- For the year ended September 30, 2013, the County's capital assets net of accumulated depreciation decreased by \$2,848,036, or by 6%

- The County's property tax base peaked in 2006-2007 at \$2,876,550,737 with slight reductions in 2007-2008 and 2008-2009. The recently approved 2013 tax roll has a Total County Assessed Value of \$2,024,635,155, which is an increase over the 2012 Total County Assessed Value of \$2,017,307,707. This is depicted later in a graph under the subheading Assessed Value of Property and Millage Rates.
- Gulf County, as well as the rest of Florida and the United States, is continuing to experience a slowdown in housing starts and real estate sales. The declining local economy is marked with new foreclosures and high unemployment rates. Property values have continued to decrease through the 2012 tax roll, but have a slight increase, (less than 1%), with the 2013 tax roll.
- The County consolidated several departments at the beginning of the 2010-2011 fiscal year in an effort to conserve funds and operate more efficiently. The departments that are now included in the consolidation are: work crews, maintenance, mosquito control, landfill, public works, and road department.
- Tourism is still an important economic factor in the County. It continues to be affected adversely by the downturn in the national economy. However, Bed-Tax revenues have increased and this trend appears to be continuing into 2013-2014.
- Sacred Heart Hospital on the Gulf, the new hospital located in Gulf County, part of the Sacred Heart Health System, is now operational, opening in March 2010. 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.
- The County is beginning to assess and evaluate its current economic situation for use in the 2014-2015 budget process.
- To offset declining property values the County has the option of raising the millage rate up to the statutory maximum, 10 mills. This offset could be a combination of some increase to millage rates, further reductions in present funding levels to outside agencies, and elimination of non-essential services. The County voted to increase the countywide millage rate for the 2013-2014 budget. This increase was primarily due to the need for equipment replacement, retirement expense increases, and other factors necessary to continue the same level of service.

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. These statements combine and consolidate governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations. They include a *statement of net position* 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 position* 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 position, is a measure of the financial health of the County.
- The *statement of activities* presents information showing how the County's net position changed during the 2013 fiscal year. All changes in net position 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 position 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 three separate water and sewer systems.

Over a period of time, changes in the County's net position 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 has elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Position

Net position 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 \$49 million at the close of the fiscal year ended September 30, 2013, and \$51 million at September 30, 2012.

September 30,	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$18,387,548	\$21,694,957	\$ 26,064	\$ 26,039	\$18,413,612	\$ 21,720,996
Capital assets, net	45,721,906	48,548,906	320,379	341,415	46,042,285	48,890,321
Deferred charges & Other restricted assets	<u>2,640,210</u>	<u>1,897,763</u>	<u>—</u>	<u>—</u>	<u>2,640,210</u>	<u>1,897,763</u>
Total assets	<u>66,749,664</u>	<u>72,141,626</u>	<u>346,443</u>	<u>367,454</u>	<u>67,096,107</u>	<u>72,509,080</u>
Current liabilities	813,803	2,802,012	—	—	813,803	2,802,012
Long-term liabilities	<u>16,696,003</u>	<u>18,687,123</u>	<u>—</u>	<u>—</u>	<u>16,696,003</u>	<u>18,687,123</u>
Total liabilities	<u>17,509,806</u>	<u>21,489,135</u>	<u>—</u>	<u>—</u>	<u>17,509,806</u>	<u>21,489,135</u>
Deferred inflows	<u>385,624</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>385,624</u>	<u>—</u>
Net investment in capital assets	33,171,756	33,786,647	320,379	341,415	33,492,135	34,128,062
Net position - Restricted	10,048,296	10,097,411	—	—	10,048,296	10,097,411
Net position - Unrestricted	<u>5,634,182</u>	<u>6,768,433</u>	<u>26,064</u>	<u>26,039</u>	<u>5,660,246</u>	<u>6,794,472</u>
Total net position	<u>\$48,854,234</u>	<u>\$50,652,491</u>	<u>\$ 346,443</u>	<u>\$ 367,454</u>	<u>\$49,200,677</u>	<u>\$51,019,945</u>

Statement of Activities

The following schedule summarizes revenues and expenses for years ended September 30, 2013 and 2012:

Changes in Net Position						
Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues -						
Charges for services	\$ 2,314,369	\$ 3,012,856	\$ —	\$ —	\$ 2,314,369	\$ 3,012,856
Operating grants and contributions	2,180,585	3,256,222	—	—	2,180,585	3,256,222
Capital grants and contributions	95,543	2,280,826	—	—	95,543	2,280,826
General Revenues -						
Property taxes	9,182,957	10,694,808	—	—	9,182,957	10,694,808
Sales taxes	2,615,661	3,675,758	—	—	2,615,661	3,675,758
State shared revenue	2,614,789	1,530,972	—	—	2,614,789	1,530,972
Investment earnings	46,630	105,884	25	54	46,655	105,938
Other	144,519	1,168,573	—	—	144,519	1,168,573
Total revenues	<u>19,195,053</u>	<u>25,725,899</u>	<u>25</u>	<u>54</u>	<u>19,195,078</u>	<u>25,725,953</u>
Expenses						
General government	5,199,459	4,943,790	—	—	5,199,459	4,943,790
Public safety	7,093,154	7,200,188	—	—	7,093,154	7,200,188
Physical environment	1,409,584	1,887,786	—	—	1,409,584	1,887,786
Transportation	1,738,269	3,496,015	—	—	1,738,269	3,496,015
Economic environment	1,616,349	1,830,957	—	—	1,616,349	1,830,957
Human services	1,672,939	1,712,515	—	—	1,672,939	1,712,515
Culture and recreation	981,616	405,171	—	—	981,616	405,171
Court related	613,498	593,623	—	—	613,498	593,623
Interest and other charges	668,442	747,162	—	—	668,442	747,162
Utilities	—	—	21,036	21,036	21,036	21,036
Total expenditures	<u>20,993,310</u>	<u>22,817,207</u>	<u>21,036</u>	<u>21,036</u>	<u>21,014,346</u>	<u>22,838,243</u>
Change in net position	<u>\$ (1,798,257)</u>	<u>\$ 2,908,692</u>	<u>\$ (21,011)</u>	<u>\$ (20,982)</u>	<u>\$ (1,819,268)</u>	<u>\$ 2,887,710</u>

Financial Analysis of Individual Funds

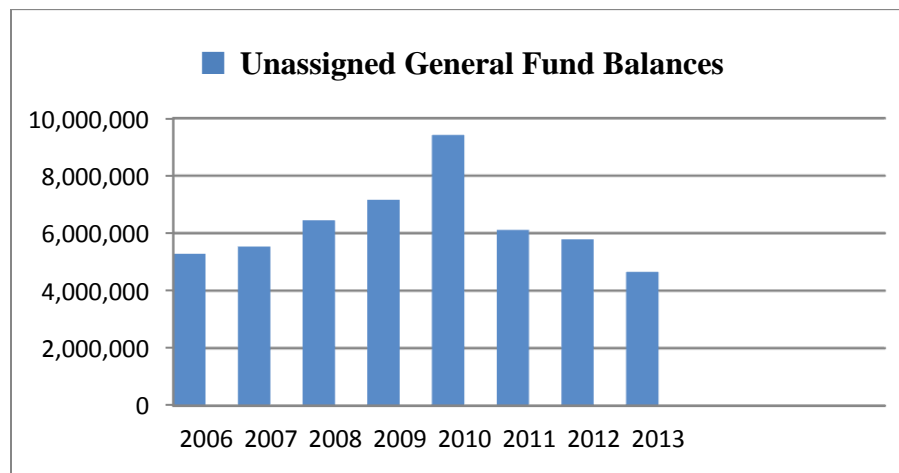
This section provides an analysis of the balances and transactions of individual funds. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

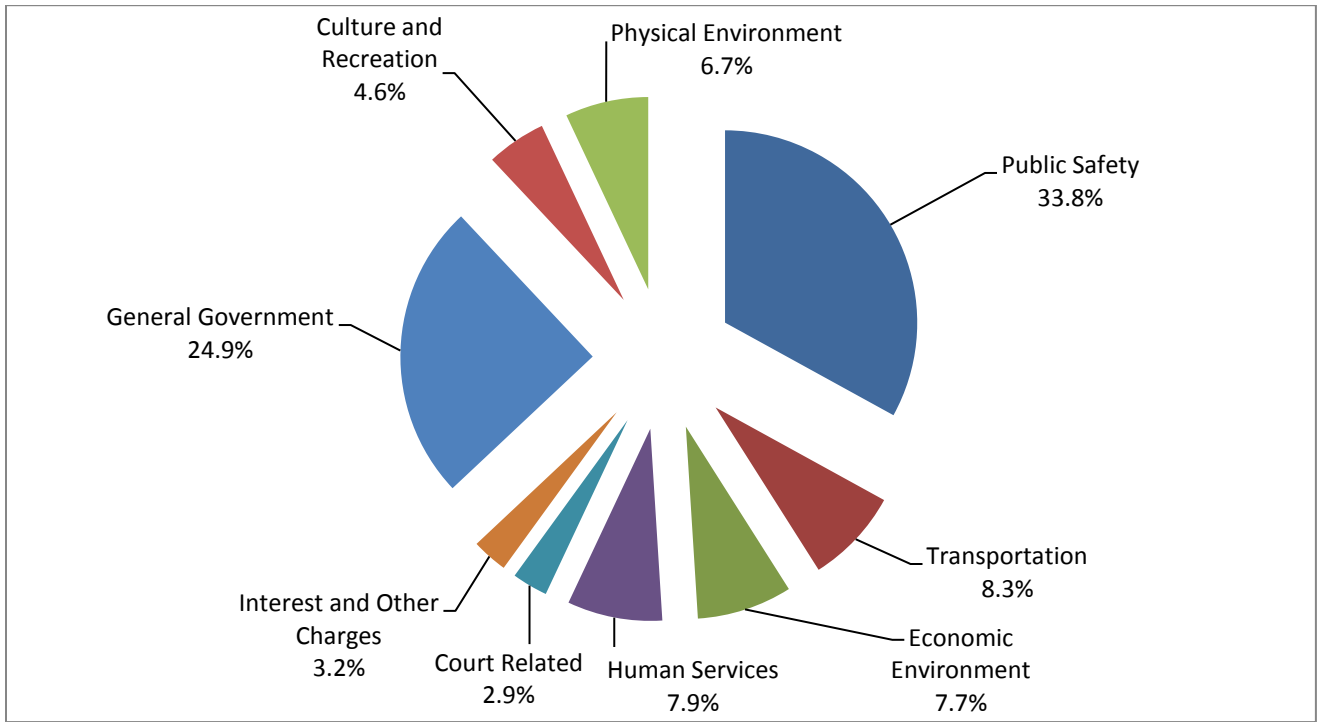
As of September 30, 2013 Gulf County governmental funds reported combined fund balances of \$18,647,800, a decrease of \$1,227,109 when compared to prior year combined fund balances. The governmental funds had non-spendable fund balances of \$57,921. The restricted fund balance was \$10,048,296 and consists of monies whose expenditure is externally constrained by grantors, creditors, binding law or enabling legislation. Of the remaining \$8,541,583 in fund balance, \$464,763 is classified as committed, \$3,419,874 is recorded as assigned and \$4,656,946 is recorded as unassigned.

- **General Fund Unrestricted/Undesignated Fund Balance.** As depicted in the following graph, the unassigned fund balance of the Board's general fund (the general operating fund of the County) decreased slightly over the past year.



- **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, 2013.



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.

- The State Housing Initiative Partnership (SHIP) is used to account for the county’s activity to produce and preserve affordable homeownership.
- Public Improvement Fund accounts for resources used to account for the accumulation of resources for and the payment of gas tax refunding and improvement revenue bonds.

Proprietary Funds

The County owns the two remaining water systems, Williamsburg/Methodist Hill and Oak Grove. The City of Wewahitchka operates the Williamsburg/Methodist Hill Water System. Although there is not an active inter-local agreement this water system continues to be operated by the City of Wewahitchka under the terms of the 1993 inter-local agreement which terminated in 1994. The City of Port St. Joe operates the Oak Grove Water System. Neither one of these water systems brings any revenue to the County. The only expense to the County for either of these two water systems is depreciation. There was a budgeted inter-fund transfer to the general fund from the Oak Grove Water System to pay for sidewalks in the Oak Grove area and a transfer from Highland View Water System to general fund to close out the fund.

Budget Variances in Major Funds

The following budget variances occurred in the major funds during the year ended September 30, 2013.

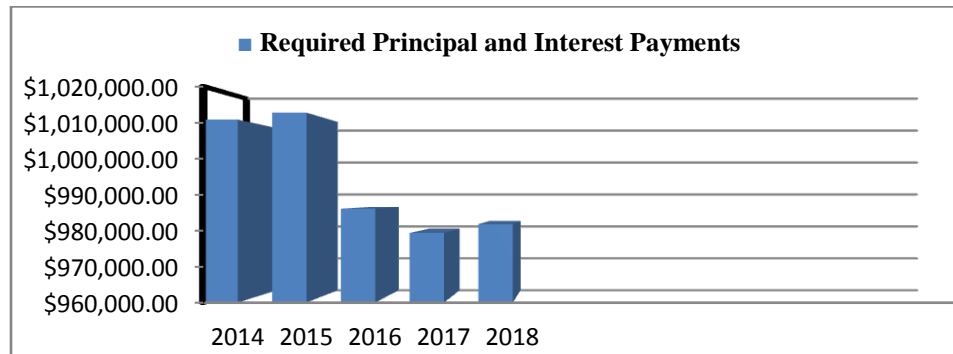
- Intergovernmental revenue (federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes) is \$634,160 less than budgeted in the general fund. Several grants were neither completed nor started in the 2012-2013 fiscal year as originally anticipated therefore actual revenues are less than budgeted.
- General fund charges for services include County officer fees, ambulance fees, and tipping fees. The positive variance of \$233,773 is partly because of the commission earned from tax certificates sold for 2012 taxes, and increased ambulance revenue.
- General fund miscellaneous revenue shows a positive variance of \$87,858. This positive variance is from a combination of rent, sales of fixed assets and surplus material scrap, and contributions not originally anticipated.
- All functionally categorized expenditures are less than budgeted.

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

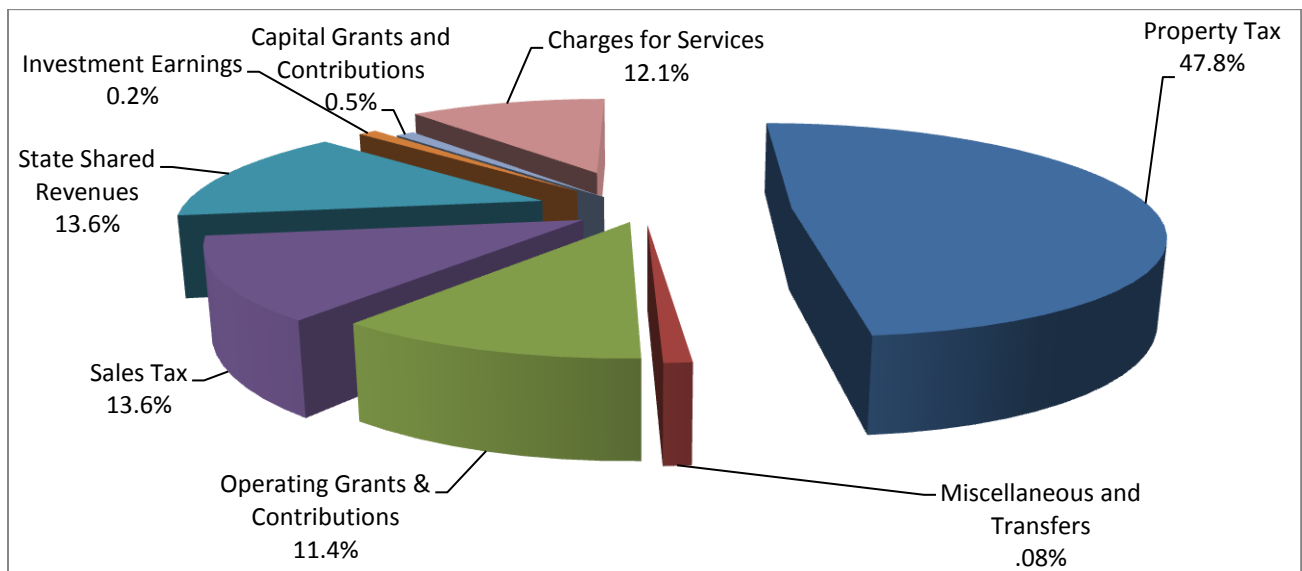
It should be noted that budget expenditure variances shown on the individual major funds are favorable in total.

Capital Assets and Long-Term Debt

- 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, 2013. *Not shown on this graph are existing scheduled debt repayments for years 2019 through 2032.*



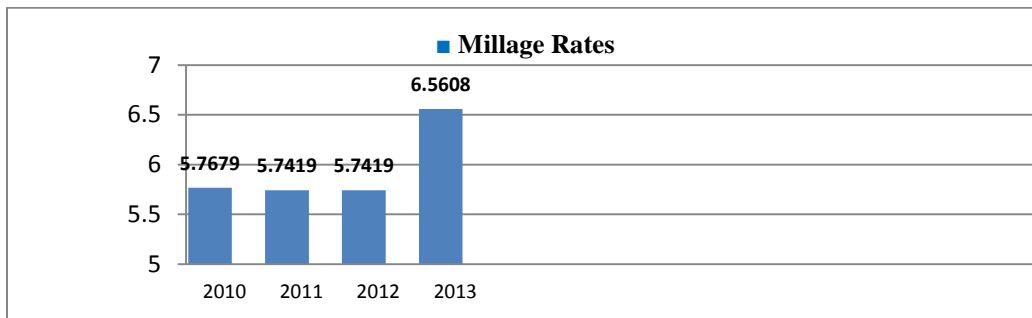
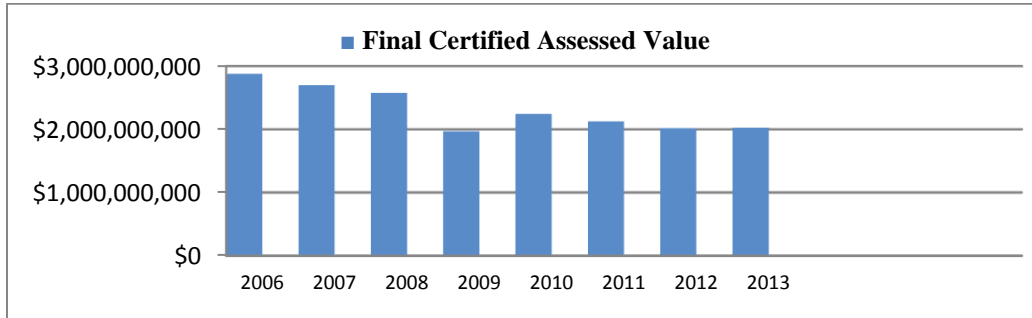
Governmental Activities Revenues by Source. The following graph depicts the County’s total governmental activities revenue by source for the fiscal year.



Significant Economic Factors

Assessed Value of Property and Millage Rates

Certified Assessed Value by Tax Year



Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**GULF COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 16,949,741	\$ 26,064	\$ 16,975,805
Receivables (net):			
Accounts	534,009	—	534,009
Notes receivable	55,866	—	55,866
Prepaid expense	55,239	—	55,239
Due from other governments	792,693	—	792,693
Total Current Assets	<u>18,387,548</u>	<u>26,064</u>	<u>18,413,612</u>
Noncurrent assets			
Restricted cash and cash equivalents	2,360,444	—	2,360,444
Capital assets: Nondepreciable	3,779,786	737	3,780,523
Depreciable (net)	41,942,120	319,642	42,261,762
Unamortized bond issue costs	279,766	—	279,766
Total Noncurrent Assets	<u>48,362,116</u>	<u>320,379</u>	<u>48,682,495</u>
Total Assets	<u>66,749,664</u>	<u>346,443</u>	<u>67,096,107</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	800,975	—	800,975
Due to other governments	12,828	—	12,828
Total Current Liabilities	<u>813,803</u>	<u>—</u>	<u>813,803</u>
Noncurrent liabilities			
Due in less than one year			
Compensated absences	315,798	—	315,798
Installment contracts and notes payable	29,645	—	29,645
Bonds payable	435,000	—	435,000
Due in more than one year			
Compensated absences	947,392	—	947,392
Installment contracts and notes payable	35,505	—	35,505
Bonds payable	12,050,000	—	12,050,000
Other postemployment benefits	353,321	—	353,321
Landfill closure liability	2,529,342	—	2,529,342
Total Noncurrent Liabilities	<u>16,696,003</u>	<u>—</u>	<u>16,696,003</u>
Total Liabilities	<u>17,509,806</u>	<u>—</u>	<u>17,509,806</u>
DEFERRED INFLOWS			
Unearned exchange transactions	315,005	—	315,005
Property taxes	70,619	—	70,619
Total Deferred Inflows	<u>385,624</u>	<u>—</u>	<u>385,624</u>
NET POSITION			
Net investment in capital assets	33,171,756	320,379	33,492,135
Restricted for: Debt service	2,222,403	—	2,222,403
Tourist Development	1,598,694	—	1,598,694
Conservation	2,499,790	—	2,499,790
Transportation	388,953	—	388,953
Public Safety	1,676,045	—	1,676,045
Public Health	853,805	—	853,805
Court Functions	443,811	—	443,811
Other purposes	364,795	—	364,795
Unrestricted	5,634,182	26,064	5,660,246
Total Net Position	<u>\$48,854,234</u>	<u>\$ 346,443</u>	<u>\$ 49,200,677</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

		Net (Expense) Revenue and Changes in Net Position						
		Program Revenues			Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 5,199,459	\$ 506,460	\$ 31,193	\$ —	\$ (4,661,806)	\$ —	\$ (4,661,806)	
Public safety	7,093,154	1,409,639	443,025	58,138	(5,182,352)	—	(5,182,352)	
Physical environment	1,409,584	119,003	559,323	11,100	(720,158)	—	(720,158)	
Transportation	1,738,269	—	111,149	26,305	(1,600,815)	—	(1,600,815)	
Economic environment	1,616,349	41,450	432,445	—	(1,142,454)	—	(1,142,454)	
Human services	1,672,939	—	18,500	—	(1,654,439)	—	(1,654,439)	
Culture and recreation	981,616	28,392	51,215	—	(902,009)	—	(902,009)	
Court related	613,498	209,425	533,735	—	129,662	—	129,662	
Interest & other charges	668,442	—	—	—	(668,442)	—	(668,442)	
Total Governmental Activities	<u>20,993,310</u>	<u>2,314,369</u>	<u>2,180,585</u>	<u>95,543</u>	<u>(16,402,813)</u>	<u>—</u>	<u>(16,402,813)</u>	
Business-Type Activities								
Water	21,036	—	—	—	—	(21,036)	(21,036)	
Total Primary Government	<u>\$21,014,346</u>	<u>\$2,314,369</u>	<u>\$ 2,180,585</u>	<u>\$ 95,543</u>	<u>(16,402,813)</u>	<u>(21,036)</u>	<u>(16,423,849)</u>	
General Revenues:								
Taxes:								
Property tax					9,182,957	—	9,182,957	
Sales tax					2,615,661	—	2,615,661	
State shared revenues					2,614,789	—	2,614,789	
Investment earnings					46,630	25	46,655	
Miscellaneous					144,519	—	144,519	
Total General Revenues					<u>14,604,556</u>	<u>25</u>	<u>14,604,581</u>	
Changes in Net Position					(1,798,257)	(21,011)	(1,819,268)	
Net Position – Beginning of Year					<u>50,652,491</u>	<u>367,454</u>	<u>51,019,945</u>	
Net Position – End of Year					<u>\$48,854,234</u>	<u>\$ 346,443</u>	<u>\$ 49,200,677</u>	

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	State Housing Initiative Partnership	Public Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,585,677	\$ 767,151	\$ 1,270,300	\$ 6,326,613	\$ 16,949,741
Due from other funds	122,718	—	—	10,163	132,881
Due from other governments	367,829	—	198,422	226,442	792,693
Accounts receivable (net)	269,291	—	—	199,225	468,516
Prepaid expense	52,974	—	—	2,265	55,239
Notes receivable	—	55,866	—	—	55,866
Restricted assets					
Cash and cash equivalents	<u>1,647,372</u>	<u>—</u>	<u>713,072</u>	<u>—</u>	<u>2,360,444</u>
Total Assets	<u>11,045,861</u>	<u>823,017</u>	<u>2,181,794</u>	<u>6,764,708</u>	<u>20,815,380</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Liabilities					
Vouchers payable	686,343	—	1,750	112,882	800,975
Due to other governments	12,828	—	—	—	12,828
Due to other funds	<u>59,823</u>	<u>82</u>	<u>—</u>	<u>7,483</u>	<u>67,388</u>
Total Liabilities	<u>758,994</u>	<u>82</u>	<u>1,750</u>	<u>120,365</u>	<u>881,191</u>
Deferred Inflows					
Unearned exchanged transactions	286,640	701,337	—	218,115	1,206,092
Property taxes	<u>80,297</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>80,297</u>
Total Deferred Inflows	<u>366,937</u>	<u>701,337</u>	<u>—</u>	<u>218,115</u>	<u>1,286,389</u>
Fund Balance					
Nonspendable	55,656	—	—	2,265	57,921
Restricted	1,776,752	121,598	2,180,044	5,969,902	10,048,296
Committed	54,642	—	—	410,121	464,763
Assigned	3,375,934	—	—	43,940	3,419,874
Unassigned	<u>4,656,946</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,656,946</u>
Total fund balance	<u>9,919,930</u>	<u>121,598</u>	<u>2,180,044</u>	<u>6,426,228</u>	<u>18,647,800</u>
Total Liabilities Deferred Inflows & Fund Balance	<u>\$ 11,045,861</u>	<u>\$ 823,017</u>	<u>\$ 2,181,794</u>	<u>\$ 6,764,708</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 45,721,906

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (16,696,003)

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 1,180,531

Net position of governmental activities **\$ 48,854,234**

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>State Housing Initiative Partnership</u>	<u>Public Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 8,070,801	\$ —	\$ 319,571	\$ 3,403,108	\$ 11,793,480
Licenses and permits	242,365	—	—	—	242,365
Intergovernmental	2,755,819	368,724	909,215	832,611	4,866,369
Fines and forfeitures	26,323	—	—	—	26,323
Charges for services	1,724,398	—	—	118,249	1,842,647
Investment earnings and other	143,245	23,822	1,670	19,510	188,247
Total Revenues	<u>12,962,951</u>	<u>392,546</u>	<u>1,230,456</u>	<u>4,373,478</u>	<u>18,959,431</u>
EXPENDITURES					
Current					
General government	4,757,582	—	—	—	4,757,582
Public safety	5,720,230	—	—	395,191	6,115,421
Physical environment	608,584	—	—	420,731	1,029,315
Transportation	835,949	—	—	82,175	918,124
Economic environment	269,324	368,846	—	920,591	1,558,761
Human services	790,472	—	—	710,104	1,500,576
Culture and recreation	227,669	—	—	—	227,669
Court related	574,678	—	—	23,417	598,095
Debt service	15,177	—	989,471	1,875,903	2,880,551
Capital outlay	444,090	—	—	156,356	600,446
Total Expenditures	<u>14,243,755</u>	<u>368,846</u>	<u>989,471</u>	<u>4,584,468</u>	<u>20,186,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,280,804)</u>	<u>23,700</u>	<u>240,985</u>	<u>(210,990)</u>	<u>(1,227,109)</u>
Other financing sources (uses)					
Transfers in	44,055	—	—	20,000	64,055
Transfers out	(20,000)	—	—	(44,055)	(64,055)
Total other financing sources (uses)	<u>24,055</u>	<u>—</u>	<u>—</u>	<u>(24,055)</u>	<u>—</u>
Net change in Fund Balance	(1,256,749)	23,700	240,985	(235,045)	(1,227,109)
Fund balance - beginning	11,176,679	97,898	1,939,059	6,661,273	19,874,909
Fund balance - ending	<u>\$ 9,919,930</u>	<u>\$ 121,598</u>	<u>\$ 2,180,044</u>	<u>\$ 6,426,228</u>	<u>\$ 18,647,800</u>

See accompanying notes to the basic financial statements

**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, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds (page 17)	\$(1,227,109)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities net of accumulated depreciation.	(2,835,753)
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 position.	2,212,109
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.	(220,989)
Amortization of bond issuance costs is recognized over the life of the bond on the statement of net position, but expenses in the governmental funds.	(68,130)
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.	8,753
Certain revenues not considered available are not recognized in the governmental funds but are included in the statement of activities.	<u>332,862</u>
Change in net position of governmental activities (page 15)	<u>\$(1,798,257)</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 8,260,534	\$ 8,254,895	\$ 8,070,801	\$ (184,094)
Licenses and permits	128,850	128,850	242,365	113,515
Intergovernmental	3,360,346	3,389,979	2,755,819	(634,160)
Fines and forfeitures	3,600	24,901	26,323	1,422
Charges for services	1,410,350	1,490,625	1,724,398	233,773
Miscellaneous revenues	<u>40,734</u>	<u>55,387</u>	<u>143,245</u>	<u>87,858</u>
Total revenues	<u>13,204,414</u>	<u>13,344,637</u>	<u>12,962,951</u>	<u>(381,686)</u>
Expenditures:				
Current				
General government	5,049,079	5,071,374	4,757,582	313,792
Public safety	5,749,966	5,840,652	5,720,230	120,422
Physical environment	696,195	710,699	608,584	102,115
Transportation	904,415	1,015,715	835,949	179,766
Economic environment	223,900	272,737	269,324	3,413
Human services	896,486	896,486	790,472	106,014
Culture and recreation	296,568	296,568	227,669	68,899
Court related	603,771	640,997	574,678	66,319
Debt service	4,870	15,177	15,177	—
Capital outlay	<u>923,436</u>	<u>1,080,978</u>	<u>444,090</u>	<u>636,888</u>
Total expenditures	<u>15,348,686</u>	<u>15,841,383</u>	<u>14,243,755</u>	<u>1,597,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,144,272)</u>	<u>(2,496,746)</u>	<u>(1,280,804)</u>	<u>1,215,942</u>
Other financing sources (uses)				
Transfers in	37,472	44,055	44,055	—
Transfers out	<u>—</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>—</u>
Total other financing Sources (uses)	<u>37,472</u>	<u>24,055</u>	<u>24,055</u>	<u>—</u>
Net change in fund balance	<u>(2,106,800)</u>	<u>(2,472,691)</u>	<u>(1,256,749)</u>	<u>1,215,942</u>
Fund balance - beginning	<u>11,176,679</u>	<u>11,176,679</u>	<u>11,176,679</u>	<u>—</u>
Fund balance - ending	<u>\$ 9,069,879</u>	<u>\$ 8,703,988</u>	<u>\$ 9,919,930</u>	<u>\$ 1,215,942</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – STATE HOUSING INITIATIVE PARTNERSHIP
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 368,724	\$ 18,724
Investment earnings and other	<u>—</u>	<u>—</u>	<u>23,822</u>	<u>23,822</u>
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>392,546</u>	<u>42,546</u>
Expenditures:				
Current				
Economic Environment	<u>446,244</u>	<u>446,244</u>	<u>368,846</u>	<u>77,398</u>
Total expenditures	<u>446,244</u>	<u>446,244</u>	<u>368,846</u>	<u>77,398</u>
Excess (deficit) of revenues over (under) expenditures	(96,244)	(96,244)	23,700	119,944
Fund balances - beginning	<u>97,898</u>	<u>97,898</u>	<u>97,898</u>	<u>—</u>
Fund balances - ending	<u>\$ 1,654</u>	<u>\$ 1,654</u>	<u>\$ 121,598</u>	<u>\$ 119,944</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – PUBLIC IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 924,938	\$ 924,938	\$ 909,215	\$ (15,723)
Taxes	353,867	353,867	319,571	(34,296)
Investment earnings	1,500	1,500	1,670	170
Total revenues	<u>1,280,305</u>	<u>1,280,305</u>	<u>1,230,456</u>	<u>(49,849)</u>
Expenditures:				
Current				
Debt Service	<u>989,809</u>	<u>989,809</u>	<u>989,471</u>	<u>338</u>
Total expenditures	<u>989,809</u>	<u>989,809</u>	<u>989,471</u>	<u>338</u>
Excess (deficit) of revenues over (under) expenditures	290,496	290,496	240,985	—
Fund balances - beginning	<u>1,939,059</u>	<u>1,939,059</u>	<u>1,939,059</u>	<u>—</u>
Fund balances - ending	<u>\$ 2,229,555</u>	<u>\$ 2,229,555</u>	<u>\$ 2,180,044</u>	<u>\$ (49,511)</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	<u>Business-type Activities/Enterprise Funds</u>		
	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>Total Business-type Funds</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 26,064	\$ —	\$ 26,064
Total current assets	<u>26,064</u>	<u>—</u>	<u>26,064</u>
Noncurrent assets			
Capital assets			
Land	737	—	737
Buildings and utility system	269,453	571,925	841,378
Less allowance for depreciation	<u>(235,762)</u>	<u>(285,974)</u>	<u>(521,736)</u>
Total noncurrent assets	<u>34,428</u>	<u>285,951</u>	<u>320,379</u>
Total assets	<u>60,492</u>	<u>285,951</u>	<u>346,443</u>
Liabilities			
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>
Net position			
Net investment in capital assets	34,428	285,951	320,379
Unrestricted	<u>26,064</u>	<u>—</u>	<u>26,064</u>
Total net position	<u>\$ 60,492</u>	<u>\$ 285,951</u>	<u>\$ 346,443</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Business-type Activities/Enterprise Funds</u>		
	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>Total Business-type Funds</u>
Operating revenues			
Charges for services	\$ —	\$ —	\$ —
Operating expenses			
Depreciation	6,736	14,300	21,036
Total operating expenses	<u>6,736</u>	<u>14,300</u>	<u>21,036</u>
Operating income (loss)	<u>(6,736)</u>	<u>(14,300)</u>	<u>(21,036)</u>
Nonoperating revenues (expenses)			
Interest income	25	—	25
Total nonoperating revenues (expenses)	<u>25</u>	<u>—</u>	<u>25</u>
Change in net position	(6,711)	(14,300)	(21,011)
Net position - beginning	<u>67,203</u>	<u>300,251</u>	<u>367,454</u>
Net position - ending	<u>\$ 60,492</u>	<u>\$ 285,951</u>	<u>\$ 346,443</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Business-type Activities/Enterprise Funds</u>		
	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>Total Business-type Funds</u>
Investing activities			
Interest earned	\$ 25	\$ —	\$ 25
Net increase in cash and cash equivalents	25	—	25
Cash and cash equivalents – beginning	<u>26,039</u>	<u>—</u>	<u>26,039</u>
Cash and cash equivalents – ending	<u>\$ 26,064</u>	<u>\$ —</u>	<u>\$ 26,064</u>

(continued)

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Business-type Activities/Enterprise Funds</u>		
	<u>Oak Grove</u>	<u>Williamsburg and Methodist Hill</u>	<u>Total Business-type Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ <u>(6,736)</u>	\$ <u>(14,300)</u>	\$ <u>(21,036)</u>
Adjustments to reconcile Operating income (loss) To net cash provided By (used in) operating			
Depreciation	<u>6,736</u>	<u>14,300</u>	<u>21,036</u>
Total adjustments	<u>6,736</u>	<u>14,300</u>	<u>21,036</u>
Net cash provided by (used in) operating activities	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>

See accompanying notes to the basic financial statements

**GULF COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013**

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 429,649
Accounts receivable (net)	4,442
Due from other funds	<u>67,957</u>
Total Assets	<u>502,048</u>
 Liabilities	
Accounts payable	5,012
Due to individuals	317,816
Due to other funds	133,450
Due to other governments	<u>45,770</u>
 Total Liabilities	 <u>\$ 502,048</u>

See accompanying notes to the basic financial statements

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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. The County 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 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 required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the financial reporting entity consists of the primary government (composed of the Board of County Commissioners and Constitutional Officers) and the County's 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's fiscal dependency on the primary government. The dependent special districts, Howard Creek Fire Control, Overstreet Fire Control, St. Joe 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 funds 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.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports three major governmental funds:

- General Fund – The general fund is the County’s primary operating fund. It is used to account for all resources traditionally associated with governmental activities except those required to be accounted for in other funds.
- State Housing Initiative Partnership – This fund is used to account for activity relating to the State Housing Initiative Partnership revenues and expenses.
- 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.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Enterprise Activities

For enterprise activities, the County applies all applicable GASB pronouncements.

E. Budgets and Budgetary Accounting

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

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

F. Cash and Cash Equivalents

Cash and cash equivalents consist of those deposits made locally in commercial banks and investments purchased through 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 Florida Local Government Investment Trust deposits are maintained in investment pools which invest 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.

G. Accounts Receivable

The County's and its component units accounts receivable, other than ambulance service accounts receivable as described in note 12, are deemed to be entirely collectible. Therefore, an allowance for uncollectible accounts receivable has not been recorded.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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” when applicable.

I. Inventories

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds. The balance of physical inventory on hand at fiscal year-end has not been recorded because the amount is not considered material.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, right of ways, stormwater system, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Machinery and equipment with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year are recorded as capital assets. Buildings, roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost 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 cost of normal maintenance and repairs that does not add to the value of an asset or materially extend its useful life is expenses 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.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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*.

M. 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 2012 tax year millage rate assessed by the County was 5.7419 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 millage rates into the total tax levy, which includes the various municipalities, the county school board, and other taxing authorities.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

N. Implementation of New GASB Pronouncements

The County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. This GASB statement clarifies governmental fund balance classifications and fund type definitions. The basis for the division of fund balances is the level of constraint limiting the use of the resources reported in the governmental funds. GASB Statement No. 54 became effective for financial statement periods beginning after June 15, 2010.

O. Use of Estimates

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

P. Use of Restricted Assets

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

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. 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.

R. Long-Term Obligations

In the government-wide financial statements and the proprietary funds in the fund financial statement, 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 position. 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.

S. Subsequent Events

The County evaluated subsequent events through June 9, 2014, the date which the financial statements were available to be issued. The County did not have any subsequent events requiring disclosure or recording in these financial statements.

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

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

The governmental funds balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. 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 \$16,696,003 difference are as follows:

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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

Bonds payable	\$12,485,000
Installment contracts and notes payable	65,150
Other Postemployment benefits	353,321
Landfill closure liabilities	2,529,342
Compensated absences	<u>1,263,190</u>
 Net adjustment to reduce <i>fund balance</i> – <i>total governmental funds</i> to arrive at <i>net position of governmental activities</i>	 <u>\$16,696,003</u>

Another element of that reconciliation states, “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of the \$45,721,906 difference are as follows:

Cost of capital assets	\$76,398,875
Less: accumulated depreciation	<u>(30,676,969)</u>
 Net adjustment to increase <i>fund balance</i> – <i>total governmental funds</i> to arrive at <i>net position of governmental activities</i>	 <u>\$45,721,906</u>

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

The governmental funds 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 position 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 (\$2,827,000) difference are as follows:

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

Capital outlay	\$ 600,446
Disposal of capital assets	(806,689)
Assets received by donation	8,753
Depreciation expense	<u>(2,629,510)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$(2,827,000)</u>

Another element of that reconciliation states, “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 (\$220,989) difference are as follows:

Increase in compensated absences	\$ (90,418)
Other Postemployment benefits	(88,291)
Landfill closure	<u>(42,280)</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (220,989)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits Policies

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:

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 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 full 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.

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.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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 position 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, 2013, the County’s deposits consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity (months)</u>
Florida Local Government Investment Trust	<u>\$622,070</u>	Demand
Total	<u>\$622,070</u>	

Custodial Credit Risk of Deposits

All cash resources of the County are placed in banks that are qualified 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.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

At September 30, 2013, the County did not hold any investments that were considered to be an interest rate risk.

Credit Risks

At September 30, 2013, the County did not hold any investments that were considered to be a credit risk.

Custodial Risk

For an investment, there is a risk that in the event of a failure of the counterparty to a transaction, the government will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The County's investments are excluded from the definition of custodial credit risk.

Concentration of Credit Risk

At September 30, 2013, 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, 2013, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 122,718	\$ 59,823
Special revenue funds	10,163	7,565
Agency funds	<u>67,957</u>	<u>133,450</u>
Total	<u>\$ 200,838</u>	<u>\$ 200,838</u>

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

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 44,055	\$ 20,000
Special revenue funds:		
Sheriff	20,000	—
Fire control	—	44,055
Total	<u>\$ 64,055</u>	<u>\$ 64,055</u>

The transfers were for budgeted operations.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>September 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2013</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,761,986	\$ —	\$ —	\$ 3,761,986
Construction in progress	<u>675,187</u>	<u>244,159</u>	<u>(901,546)</u>	<u>17,800</u>
Total capital assets, not being depreciated	<u>4,437,173</u>	<u>244,159</u>	<u>(901,546)</u>	<u>3,779,786</u>
Capital assets being depreciated:				
Buildings and improvements	16,492,790	195,433	(693,931)	15,994,292
Machinery and equipment	17,191,614	365,040	(431,270)	17,125,384
Infrastructure	<u>38,987,162</u>	<u>706,113</u>	<u>(193,862)</u>	<u>39,499,413</u>
Total capital assets being depreciated	<u>72,671,566</u>	<u>1,266,586</u>	<u>(1,319,063)</u>	<u>72,619,089</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,529,181)	(329,278)	78,430	(5,780,029)
Machinery	(11,190,692)	(1,487,822)	433,944	(12,244,570)
Infrastructure	<u>(11,839,960)</u>	<u>(812,410)</u>	<u>—</u>	<u>(12,652,370)</u>
Total accumulated depreciation	<u>(28,559,833)</u>	<u>(2,629,510)</u>	<u>512,374</u>	<u>(30,676,969)</u>
Total capital assets being depreciated, net	<u>44,111,733</u>	<u>(1,362,924)</u>	<u>(806,689)</u>	<u>41,942,120</u>
Total Governmental activities, capital assets, (net of accumulated depreciation)	<u>\$ 48,548,906</u>	<u>\$ (1,118,765)</u>	<u>\$ (1,708,235)</u>	<u>\$ 45,721,906</u>

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6 - CAPITAL ASSETS (continued)

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

General Government	\$ 205,180
Public safety	906,605
Physical environment	319,975
Transportation	835,772
Economic environment	45,695
Human services	162,434
Culture and recreation	138,446
Court related	<u>15,403</u>
Total depreciation expense – governmental activities	<u>\$ 2,629,510</u>

	<u>September 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2013</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 737	\$ —	\$ —	\$ 737
Total capital assets, not being depreciated	<u>737</u>	<u>—</u>	<u>—</u>	<u>737</u>
Capital assets being depreciated:				
Buildings and utility systems	<u>841,378</u>	<u>—</u>	<u>—</u>	<u>841,378</u>
Total capital assets being depreciated	<u>841,378</u>	<u>—</u>	<u>—</u>	<u>841,378</u>
Less accumulated depreciation	<u>(500,700)</u>	<u>(21,036)</u>	<u>—</u>	<u>(521,736)</u>
Total capital assets being depreciated, net	<u>340,678</u>	<u>(21,036)</u>	<u>—</u>	<u>319,642</u>
Total business-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 341,415</u>	<u>\$ (21,036)</u>	<u>\$ —</u>	<u>\$ 320,379</u>

Depreciation expense for the water fund for the year ended September 30, 2013 was \$21,036.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7 - LONG - TERM DEBT

Long-term debt of the County at September 30, 2013, is as follows:

<u>Bonds Payable</u>	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
<u>Board of County Commissioners</u>					
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-A).	\$ 12,905,000	\$ —	\$ (420,000)	\$12,485,000	\$ 435,000
Ad Valorem Tax Bonds, Series 2006; proceeds used for capital improvements (note 7-B)	<u>1,755,000</u>	<u>—</u>	<u>(1,755,000)</u>	<u>—</u>	<u>—</u>
Total governmental activities bonds payable	<u>\$ 14,660,000</u>	<u>\$ —</u>	<u>\$(2,175,000)</u>	<u>\$12,485,000</u>	<u>\$ 435,000</u>
<u>Notes Payable</u>					
<u>Board of County Commissioners</u>					
Note payable to bank in annual payments of \$28,326 including interest at 4.25%, unsecured	\$ 77,996	\$ —	\$ (25,010)	\$ 52,986	\$ 26,073
Total governmental activities notes payable	<u>\$ 77,996</u>	<u>\$ —</u>	<u>\$(25,010)</u>	<u>\$ 52,986</u>	<u>\$ 26,073</u>
<u>Installment Contracts Sheriff</u>					
Installment purchase agreement for One vehicle, payable in 48 monthly Installments of \$506 including Interest at 6.00%	\$ 8,884	\$ —	\$ (8,884)	\$ —	\$ —
Total installment contracts Sheriff	<u>\$ 8,884</u>	<u>\$ —</u>	<u>\$(8,884)</u>	<u>\$ —</u>	<u>\$ —</u>

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 7 - LONG - TERM DEBT (continued)

	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
<u>Installment Contracts Clerk of Court</u>					
Installment purchase agreement for Two copiers, payable in 63 monthly Installments of \$366 including Interest at 8.443%	\$ 15,379	\$ —	\$ (3,215)	\$ 12,164	\$ 3,572
Total governmental activities installments contracts	<u>\$ 24,263</u>	<u>\$ —</u>	<u>\$ (12,099)</u>	<u>\$ 12,164</u>	<u>\$ 3,572</u>
Long-term landfill closure and postclosure liability (note 12)	\$ 2,487,062	\$ 42,280	\$ —	\$ 2,529,342	\$ —
Other postemployment benefits	265,030	88,291	—	353,321	—
Liability for compensated absences	<u>1,172,772</u>	<u>406,440</u>	<u>(316,023)</u>	<u>1,263,190</u>	<u>315,798</u>
Total governmental activities bonds, notes, payable and other long-term debt	<u>\$18,687,123</u>	<u>\$ 537,012</u>	<u>\$ (2,528,132)</u>	<u>\$16,696,003</u>	<u>\$ 780,443</u>

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

<u>Year Ending September 30,</u>	Series 2006 Capital Improvement Refunding Bonds	
	<u>Principal</u>	<u>Interest</u>
	2014	\$ 435,000
2015	455,000	529,644
2016	475,000	511,044
2017	490,000	489,294
2018	515,000	466,744
2019 -2023	2,905,000	1,997,034
2024-2028	3,640,000	1,231,188
2029-2032	<u>3,570,000</u>	<u>320,686</u>
Total	<u>\$ 12,485,000</u>	<u>\$ 6,093,078</u>

<u>Year Ending September 30,</u>	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
	2014	\$ 26,073
2015	26,913	1,144
Total	<u>\$ 52,986</u>	<u>\$ 3,396</u>

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 7 - LONG - TERM DEBT (continued)

■ **Bonds Payable and Pledged Revenues**

- (A) 4% \$14,745,000 Gas Tax Refunding and Improvement Revenue Bonds Series 2006-\$12,485,000 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 Series 2006 bonds, mature serially beginning October 1, 2007 and are subject to redemption prior to maturity. 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 remaining principal and interest payments on this debt as of September 30, 2013 was \$18,578,079. Annual principal and interest payments on the bond required 76% of pledged revenues. Principal and interest payments paid for the current year and pledged revenues for the year were \$984,544 and \$1,290,416 respectively.

A portion of the proceeds from 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.

- (B) 3.625% to 5.0% \$10,790,000 Ad Valorem Tax Revenue Bonds, Series 2006-\$3,455,000 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 Bonds mature serially beginning on August 1, 2007 and are not subject to redemption prior to their stated maturities. The principle 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 remaining principal and interest payments on this debt was zero as of September 30, 2013.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 - EMPLOYEE BENEFITS

Retirement Plan

Plan Description

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

Employees hired prior to July 1, 2011 participating in the Pension Plan who retire at or after age 62 with 6 years of credited service for regular risk or with 30 years of service regardless of age, are entitled to a retirement benefit, payable monthly for life, equal to 1.6% for regular employees, 2.0% for senior management, and 3.0% for county elected officials of their final average compensation for each year of credited service; and for special risk, after age 55 with 6 years or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, up to 3.0% for each year of credited service times their final average compensation. Final average compensation is the employee's average of the five highest years of salary earned during credited service. Vested employees may retire before age 62 for regular risk and 55 for special risk, and receive retirement benefits that are reduced 5.0% for each year prior to normal retirement age.

Employees hired on July 1, 2011 or later participating in the Pension Plan who retire at or after age 65 with 8 years of credited service for regular risk or with 33 years of service regardless of age, are entitled to a retirement benefit, payable monthly for life, equal to 1.6% for regular employees, 2.0% for senior management, and 3.0% for county elected officials of their final average compensation for each year of credited service; and for special risk, after age 60 with 8 years or with 30 years of service and age 57 or after 30 years of special risk service regardless of age, or after 33 years of any creditable service are entitled to a retirement benefit payable monthly for life. Vested employees may retire before age 65 for regular risk and 60 for special risk and receive retirement benefits that are reduced 5.0% for each year prior to normal retirement age.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8 - EMPLOYEE BENEFITS (continued)

FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is employee contributory. The employees contribute 3.0%.

Funding Policy

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

	10/1/2012 through 6/30/2013	7/1/2013 through 9/30/2013
Regular class	5.18%	6.95%
Senior management service class	6.30%	18.31%
Elected County officials' class	10.23%	33.03%
Special risk employees' class	14.90%	19.06%
DROP plan participants	5.44%	12.84%

Contribution rates equal actuarial determined rates. During the year ended September 30, 2013, 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	\$ 3,713,539	\$ 329,537
Clerk of the Circuit Court	651,776	49,929
Sheriff	1,492,705	177,579
Property Appraiser	235,483	25,776
Tax Collector	283,622	25,720
Supervisor of Elections	95,848	13,373
Total	<u>\$ 6,472,973</u>	<u>\$ 621,914</u>

The County's contributions to the Plan for the years ended September 30, 2013 and 2012 and 2011 were \$621,914, \$644,271 and \$839,488 respectively, which equal the required contributions. For the year ended September 30, 2013 retirement contributions represent 16.7% of County's total covered payroll.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 - EMPLOYEE BENEFITS (continued)

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.

Employees enrolled in DROP prior to July 1, 2011 earn interest on accumulated benefits in the Trust Fund at 6.5%; those enrolling on or after July 1, 2011 earn interest at 1.30%. The act of participating in the program does not change the individual employee's employment conditions.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Effective for the 2009-2010 fiscal year, the County has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for retiree health insurance. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits \$813,585 at transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation.

Plan Description

The County has established the Retiree's Health Insurance Other Post Employment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the County and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County currently has approximately 164 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the Gulf County Board of County Commissioners. Currently, members receiving benefits pay the full costs (total premium) for medical coverage.

The contribution rates effective for other eligible County plan members during the year are shown below:

<u>Coverage</u>	<u>United Healthcare</u>	<u>HSA #1</u>	<u>HSA #2</u>	<u>HSA #3</u>
Retiree	\$ 495	\$ 561	\$ 440	\$ 416
Retiree and Spouse	845	957	750	710

The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the County provided contributions of \$14,944 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

<u>Description</u>	
Normal cost (service cost for one year)	\$ 58,965
Amortization of unfunded actuarial accrued liability	<u>45,847</u>
Annual required contribution	104,812
Interest on net OPEB obligation	3,538
Adjustment to annual required contribution	<u>(5,115)</u>
Annual OPEB cost (expense)	103,235
Contribution toward the OPEB cost	<u>(14,944)</u>
Increase in net OPEB obligation	88,291
Net OPEB obligation, beginning of year	<u>265,030</u>
Net OPEB obligation, end of year	<u><u>\$ 353,321</u></u>

The County's estimated annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2013 was as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 103,325	14.5%	\$ 176,739
2012	103,325	14.5%	265,030
2013	103,325	14.5%	353,321

Funding Status and Funding Progress

The funding status and funding progress information can be found in the Schedule of Funding Progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions

The County had an actuarial valuation completed for the fiscal year ended September 30, 2011. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB actuarial valuation method used for the County was the unit credit actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the County employees. The actuarial assumptions include a 4% rate of return on investments for the County. The actuarial assumptions also include an annual healthcare cost trend rate. For the County, this rate begins with an initial rate for 2009-10 fiscal year of 6.10%. It fluctuates in the first four years reaching a future year's rate of 5.9%. The unfunded actuarial accrued liability is being amortized with a level dollar method. The remaining open amortization period at September 30, 2013 is 29 years.

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:

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 10 - RISK MANAGEMENT (continued)

- 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 \$10,000,000 for professional liability and \$10,000,000 for public officials' coverage.

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

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 statement. Accounts receivable for the ambulance service for the year ended September 30, 2013 was \$1,600,147 which is net of \$1,362,115 allowance for uncollectible accounts.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 \$2,529,342 reported as landfill closure and postclosure care liability at September 30, 2013, 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 \$1,821,126 as the remaining estimated capacity is filled (approximately 10 years). These amounts are based on what it would cost to perform closure and post-closure care in 2013 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, 2013, the Board held deposits with a fair value of \$1,647,372 for these purposes that are reported as restricted assets on the balance sheet. This amount includes \$1,647,372 that is restricted for closing Five Points 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.

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.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 14 – NOTES RECEIVABLE

In July 2011 the County sold real estate to the Gulf Rifle and Pistol Club Inc. The County received a promissory note in the amount of \$30,000 to be repaid over a ten year period. Payment is due annually with principal of \$3,000 and zero interest. The first payment is due August 2012 with the last payment due August 2021. The mortgage is secured by the real estate transferred in the sale.

In May 2011 the County entered into a second mortgage agreement with the Port St. Joe Port Authority whereby the County made a loan in the amount of \$199,000 which is secured by real estate. The loan is to be repaid over a ten year period and has an annual interest rate of 3%. No payments will be made for the first two years. Thereafter a sum of \$10,000 per year will be paid on the outstanding balance. The note will balloon on April 1, 2021 at which time all accrued interest and remaining balance will be due. The balloon balance at that time will be \$178,516.

At September 30, 2013, notes receivable consisted of the following

	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</u>
Gulf Rifle Note	\$ 27,000	\$ —	\$ (3,000)	\$ 24,000
Port Authority	199,000	—	—	199,000
	<u>\$ 226,000</u>	<u>\$ —</u>	<u>\$ (3,000)</u>	<u>\$ 223,000</u>

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, 2013, 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 - NET POSITION/FUND BALANCE CLASSIFICATION

Net position represent the difference between total assets and liabilities and are categorized as follows:

Net investment in capital assets: Total capital assets, net of debt issued in the acquisition of these assets and net of depreciation is reported separately in the net position section.

Restricted for growth related capital expansion: Impact fee and system development charges restricted for growth related capital expansion.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 16 - NET POSITION/FUND BALANCE CLASSIFICATION (continued)

Restricted for transportation projects: Gas taxes and other revenues restricted for transportation improvements.

Restricted for tourist development: Tourist development tax proceeds are restricted for tourist related activities.

Restricted for Conservation: Various impact and other fees restricted to conservation projects and expenses.

Restricted for Public Safety: Grants and fees restricted for use in various areas of public safety.

Restricted for Court functions: Balances are restricted for use in the County Court System.

Restricted for debt service: Balances are restricted in conjunction with the issuance of bonds and have been funded by operating transfers from the appropriate funds. The use of monies in the sinking fund is restricted to the payment of principal and interest on long-term debt.

Restricted for Public Health: Restricted for use to Hospital and EMS function.

Unrestricted: Balances are not restricted for specific purposes.

Governmental funds report fund balances as either spendable or non-spendable. Spendable fund balances are further classified as restricted, committed, assigned or unassigned depending upon the extent to which there are external or internal constraints on the spending of these fund balances.

Non-spendable fund balance: Amounts that are not in spendable form or that are legally or contractually required to be maintained intact. Items that are not spendable also include inventories, prepaid amounts and long term portions of loans and notes receivable, as well as property held for resale.

Spendable fund balance:

Restricted fund balance – Amounts that can be spent only for specific purposes through restrictions placed upon them by external resource providers such as creditors, grantors or contributors; or imposed by law through constitutional provisions or enabling legislation.

GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 16 - NET POSITION/FUND BALANCE CLASSIFICATION (continued)

Committed fund balance – Amounts that can be spent only for specific purposes determined by the County’s highest decision making authority, the Board of County Commissioners. Commitments may be modified or removed only by the Board of County Commissioners through the same formal action that created the original commitment.

Assigned fund balance – Amounts that are intended to be spent for specific purposes as determined by the Board of County Commissioners, but that are neither restricted nor committed to the specific purpose.

Unassigned fund balance – Unassigned fund balance is the residual classification for the County’s general fund. Amounts in this classification are spendable but have not been deemed restricted, committed or assigned. Unassigned fund balance may also include negative balances for any governmental fund whose expenditures have exceeded the amounts restricted, committed or assigned for those specific purposes.

When both restricted and unrestricted amounts are available the County spends the restricted amounts first, unless prohibited by law, grant agreements or other contractual arrangement. Further, when committed fund balance is available the County will use it first, followed by assigned fund balance and then unassigned fund balance for purposes in which any of the unrestricted fund balance classifications could be used.

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 16 - NET POSITION/FUND BALANCE CLASSIFICATION (continued)

A detailed schedule of fund balances at September 30, 2013 is as follows:

	<u>General Fund</u>	<u>State Housing Initiative Partnership</u>	<u>Public Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepays/deposits	\$ 55,656	\$ —	\$ —	\$ 2,265	\$ 57,921
Total nonspendable fund balance	<u>55,656</u>	<u>—</u>	<u>—</u>	<u>2,265</u>	<u>57,921</u>
Restricted for:					
Community redevelopment	—	121,598	—	—	121,598
Transportation	—	—	—	388,953	388,953
Bond covenants or debt service	—	—	2,180,044	42,359	2,222,403
Growth related capital expansion	—	—	—	217,346	217,346
Capital projects	—	—	—	25,677	25,677
Tourist development	—	—	—	1,598,694	1,598,694
Conservation	1,647,372	—	—	852,418	2,499,790
Public Safety	56,640	—	—	1,619,405	1,676,045
Court functions	49,289	—	—	394,524	443,813
Health	23,451	—	—	830,354	853,805
Other purposes	—	—	—	174	174
Total restricted fund balance	<u>1,776,752</u>	<u>121,598</u>	<u>2,180,044</u>	<u>5,969,902</u>	<u>10,048,296</u>
Committed for:					
Public Safety	—	—	—	216,728	216,728
Conservation	54,642	—	—	193,393	248,035
Total committed fund balance	<u>54,642</u>	<u>—</u>	<u>—</u>	<u>410,121</u>	<u>464,763</u>
Assigned for:					
Infrastructure	313,837	—	—	—	313,837
Public Safety	—	—	—	43,940	43,940
Federal and state grants	12,082	—	—	—	12,082
Other purposes	3,050,015	—	—	—	3,050,015
Total assigned fund balance	<u>3,375,934</u>	<u>—</u>	<u>—</u>	<u>43,940</u>	<u>3,419,874</u>
Unassigned:	<u>4,656,946</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,656,946</u>
Total Fund Balances	<u>\$ 9,919,930</u>	<u>\$ 121,598</u>	<u>\$ 2,180,044</u>	<u>\$ 6,426,228</u>	<u>\$ 18,647,800</u>

**GULF COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 17 – COMMITMENTS

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 \$33,600 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 \$16,500 per quarter, in consideration for these services.

NOTE 18 - WATER SYSTEM OPERATIONS

The County owns the two remaining water systems, Williamsburg/Methodist Hill and Oak Grove. The City of Wewahitchka operates the Williamsburg/Methodist Hill Water System. Although there is not an active inter-local agreement this water system continues to be operated by the City of Wewahitchka under the terms of the 1993 inter-local agreement which terminated in 1994. The City of Port St. Joe operates the Oak Grove Water System. Neither one of these water systems brings any revenue to the County. The only expense to the County for either of these two water systems is depreciation.

REQUIRED SUPPLEMENTARY INFORMATION

**GULF COUNTY, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SEPTEMBER 30, 2013**

**Schedule of Funding Progress for the Retiree's Health Insurance
 Other Post Employment Benefits Plan**

Actuarial Valuation Date As of Oct 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
2008	\$ —	\$ 813,585	\$ 813,585	0.0%	N/A	N/A
2009	—	—	—	0.0%	N/A	N/A
2010	—	792,791	792,791	0.0%	N/A	N/A

**Schedule of Employer Contributions for the Retiree's Health Insurance
 Other Post Employment Benefits Plan**

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2011	\$ 14,944	\$103,325	14.5%
2012	\$ 14,944	\$103,325	14.5%
2013	\$ 14,944	\$103,325	14.5%

COMBINING FINANCIAL STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

SECONDARY ROAD AND BRIDGE – To account for fuel taxes, not obligated for debt repayment, and certain expenditures for road and bridge construction and maintenance.

FINES AND FORFEITURES – To account for fines earmarked for law enforcement and corrections.

TOURIST DEVELOPMENT TRUST – To account for a 4% local option tourist development tax levied for tourist promotion and beach and shoreline maintenance.

SHERIFF’ SPECIAL REVENUE

Forfeiture fund – To account for revenues and expenditures relating to various forfeitures.

DRI/EAR IMPACT – To account for funds received associated with the development of regional impact for the Gulf County community, WindMark Beach.

CLERK MODERNIZATION TRUST – To account for the statutory surcharge on recording documents paid to the Clerk of the Circuit Court for the modernization of the Clerk’s official records management system and for funding court-related technology needs of the Clerk.

ADMINISTRATIVE ORDER 86-12 – To account for additional court costs of traffic infractions used for administering traffic violations.

HUD CDBG – The Community Development Block Grant program provides resources to aid in affordable housing and create jobs through the expansion and retention of businesses.

FIRE CONTROL DISTRICTS – To account for property taxes levied within the following dependent special districts for fire prevention and control:

Howard Creek
Tupelo

St. Joe
Overstreet

DISASTER CONTINGENCY – To account for cash committed to pay overtime during disasters.

HOSPITAL – To account for local option discretionary sales surtax levied and expenditures that help fund operations at the local hospital.

WIRELESS 911 – To account for grants awarded from the State of Florida E911 Board for enhancement of the E911 system.

CORRECTIONAL FACILITY IMPACT FEE – To account for the receipt and expenditure of the correctional facilities impact fees collected from all qualifying new construction. The impact fee must be used for the acquisition/construction of correctional facilities.

Nonmajor Governmental Funds

Special Revenue Funds (continued)

EMS IMPACT FEE – To account for the receipt and expenditure of emergency medical service impact fees collected from all qualifying new construction. The impact fees must be used for acquisition/construction of emergency service facilities.

PARKS AND RECREATION IMPACT FEE – To account for the receipt and expenditure of parks impact fees collected from all qualifying new construction. The impact fees must be used for the acquisition/construction of park facilities.

E911 – To account for fees levied on each communications service subscriber for funding certain costs of the County associated with the E911 system.

MOSQUITO CONTROL – To account for the receipt and expenditure of state grant funds used for mosquito control.

BEACH RENOVATION – To account for activity relating to the Cape San Blas beach re-nourishment and reconstruction project funded with bond proceeds.

EMERGENCY MEDICAL SERVICES – To account for the receipt and expenditure of grants awarded by the Florida Department of Health. The funds must be used to improve and expand emergency medical services.

INDUSTRIAL PARK EDA – To account for the receipt and expenditure of Economic Development Administration Funds. The funds are to be used to develop working programs that benefit the economy of the County.

CONSTRUCTION AND ACQUISITION – To account for activity relating to the construction and acquisition of assets.

COMMUNITY DEVELOPMENT BLOCK GRANT – To account for community development grant activity.

Debt Service

M.S.T.U. DEBT SERVICE – To account for pledged ad valorem taxes and repayment of bonds issued for re-nourishment and reconstruction of the beachfront at Cape San Blas.

**GULF COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Special Revenue					
	Fines and Forfeitures	Secondary Road and Bridge	Tourist Development Trust	Sheriff's Special Revenue	DRI/EAR Impact	Clerk Modernization Trust
Assets						
Cash and cash equivalents	\$ 315,179	\$ 388,953	\$ 1,588,387	\$ 18,215	\$ 193,393	\$ 243,591
Due from other funds	—	—	—	—	—	—
Due from other governments	—	—	89,877	—	—	—
Prepaid expense	—	—	2,265	—	—	—
Accounts receivable (net)	—	—	225	—	—	—
Total assets	<u>315,179</u>	<u>388,953</u>	<u>1,680,754</u>	<u>18,215</u>	<u>193,393</u>	<u>243,591</u>
Liabilities and fund balances						
Liabilities						
Vouchers payable	5,091	—	67,730	—	—	—
Due to other funds	—	—	10	—	—	—
Deferred revenue	—	—	12,056	—	—	—
Total liabilities	<u>5,091</u>	<u>—</u>	<u>79,796</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances						
Nonspendable	—	—	2,265	—	—	—
Restricted	266,148	388,953	1,598,693	215	—	243,591
Committed	—	—	—	18,000	193,393	—
Assigned	43,940	—	—	—	—	—
Total fund balances	<u>310,088</u>	<u>388,953</u>	<u>1,600,958</u>	<u>18,215</u>	<u>193,393</u>	<u>243,591</u>
Total liabilities and Fund balances	<u>\$ 315,179</u>	<u>\$ 388,953</u>	<u>\$ 1,680,754</u>	<u>\$ 18,215</u>	<u>\$ 193,393</u>	<u>\$ 243,591</u>

(Continued)

**GULF COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
SEPTEMBER 30, 2013**

	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	\$ 150,933	\$ 172	\$ 5,939	\$ 937,599	\$ 87,989	\$ 15,451
Due from other funds	—	—	—	—	—	—
Due from other governments	—	—	—	6,700	—	—
Prepaid expense	—	—	—	—	—	—
Accounts receivable (net)	—	<u>199,000</u>	—	—	—	—
Total assets	<u>150,933</u>	<u>199,172</u>	<u>5,939</u>	<u>944,299</u>	<u>87,989</u>	<u>15,451</u>
Liabilities and fund balances						
Liabilities						
Vouchers payable	—	—	130	30,255	832	188
Due to other funds	—	—	—	—	—	—
Deferred revenue	—	<u>199,000</u>	<u>50</u>	<u>3,045</u>	<u>226</u>	<u>36</u>
Total liabilities	<u>—</u>	<u>199,000</u>	<u>180</u>	<u>33,300</u>	<u>1,058</u>	<u>224</u>
Fund balances						
Nonspendable	—	—	—	—	—	—
Restricted	150,933	172	5,759	910,999	86,931	15,227
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Total fund balances	<u>150,933</u>	<u>172</u>	<u>5,759</u>	<u>910,999</u>	<u>86,931</u>	<u>15,227</u>
Total liabilities and Fund balances	<u>\$ 150,933</u>	<u>\$ 199,172</u>	<u>\$ 5,939</u>	<u>\$ 944,299</u>	<u>\$ 87,989</u>	<u>\$ 15,451</u>

(Continued)

**GULF COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
SEPTEMBER 30, 2013**

	<u>Special Revenue</u>					
	<u>Disaster Contingency</u>	<u>Hospital</u>	<u>Wireless 911</u>	<u>Construction and Acquisition</u>	<u>Correctional Facility Impact Fee</u>	<u>EMS Impact Fee</u>
Assets						
Cash and cash equivalents	\$ 198,728	\$ 708,314	\$ 594	\$ 282	\$ —	\$ —
Due from other funds	—	—	—	—	—	—
Due from other governments	—	122,040	—	—	—	—
Prepaid expense	—	—	—	—	—	—
Accounts receivable (net)	—	—	—	—	—	—
Total assets	<u>198,728</u>	<u>830,354</u>	<u>594</u>	<u>282</u>	<u>—</u>	<u>—</u>
Liabilities and fund balances						
Liabilities						
Vouchers payable	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Deferred revenue	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances						
Nonspendable	—	—	—	—	—	—
Restricted	—	830,354	594	282	—	—
Committed	198,728	—	—	—	—	—
Assigned	—	—	—	—	—	—
Total fund balances	<u>198,728</u>	<u>830,354</u>	<u>594</u>	<u>282</u>	<u>—</u>	<u>—</u>
Total liabilities and Fund balances	<u>\$ 198,728</u>	<u>\$ 830,354</u>	<u>\$ 594</u>	<u>\$ 282</u>	<u>\$ —</u>	<u>\$ —</u>

(Continued)

**GULF COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
SEPTEMBER 30, 2013**

	<u>Special Revenue</u>					
	<u>Parks and Recreation</u>	<u>E911</u>	<u>Mosquito Control</u>	<u>Beach Renovation</u>	<u>Emergency Medical Services</u>	<u>Industrial Park EDA</u>
Assets						
Cash and cash equivalents	\$ 25,396	\$ 227,223	\$ 98,809	\$ 852,418	\$ 4,999	\$ 217,289
Due from other funds	—	10,163	—	—	—	—
Due from other governments	—	—	—	—	—	—
Prepaid expense	—	—	—	—	—	—
Accounts receivable (net)	—	—	—	—	—	—
Total assets	<u>25,396</u>	<u>237,386</u>	<u>98,809</u>	<u>852,418</u>	<u>4,999</u>	<u>217,289</u>
Liabilities and fund balances						
Liabilities						
Vouchers payable	—	1,256	2,700	—	—	—
Due to other funds	—	3	—	—	—	—
Deferred revenue	—	—	—	—	3,702	—
Total liabilities	<u>—</u>	<u>1,259</u>	<u>2,700</u>	<u>—</u>	<u>3,702</u>	<u>—</u>
Fund balances						
Nonspendable	—	—	—	—	—	—
Restricted	25,396	236,127	96,109	852,418	1,297	217,289
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Total fund balances	<u>25,396</u>	<u>236,127</u>	<u>96,109</u>	<u>852,418</u>	<u>1,297</u>	<u>217,289</u>
Total liabilities and Fund balances	<u>\$ 25,396</u>	<u>\$ 237,386</u>	<u>\$ 98,809</u>	<u>\$ 852,418</u>	<u>\$ 4,999</u>	<u>\$ 217,289</u>

(Continued)

**GULF COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
SEPTEMBER 30, 2013**

	<u>Special Revenue Debt Service</u>		Total
		M.S.T.U. Debt Service	Nonmajor Governmental Funds
	<u>CDBG</u>		<u>Funds</u>
Assets			
Cash and cash equivalents	\$ (3,068)	\$ 49,828	\$ 6,326,613
Due from other funds	—	—	10,163
Due from other governments	7,825	—	226,442
Prepaid expense	—	—	2,265
Accounts receivable (net)	—	—	199,225
Total Assets	<u>4,757</u>	<u>49,828</u>	<u>6,764,708</u>
Liabilities and fund balances			
Liabilities			
Vouchers payable	4,700	—	112,882
Due to other funds	—	7,470	7,483
Deferred revenue	—	—	218,115
Total Liabilities	<u>4,700</u>	<u>7,470</u>	<u>338,480</u>
Fund balances			
Nonspendable	—	—	2,265
Restricted	57	42,358	5,969,902
Committed	—	—	410,121
Assigned	—	—	43,940
Total fund balances	<u>57</u>	<u>42,358</u>	<u>6,426,228</u>
Total liabilities and fund balances	<u>\$ 4,757</u>	<u>\$ 49,828</u>	<u>\$ 6,764,708</u>

**GULF COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue					
	Fines and Forfeitures	Secondary Road and Bridge	Tourist Development Trust	Sheriff's Special Revenue	DRI/EAR Impact	Clerk Modernization Trust
Revenues						
Taxes	\$ —	\$ 58,010	\$ 1,086,216	\$ —	\$ —	\$ —
Intergovernmental	—	—	—	—	—	—
Charges for services	36,620	—	33,950	—	—	47,679
Investment earnings and other	<u>2,000</u>	<u>—</u>	<u>1,501</u>	<u>—</u>	<u>—</u>	<u>399</u>
Total revenues	<u>38,620</u>	<u>58,010</u>	<u>1,121,667</u>	<u>—</u>	<u>—</u>	<u>48,078</u>
Expenditures						
Current						
General government	—	—	—	—	—	—
Public safety	2,493	—	—	7,500	—	—
Physical environment	—	—	107,887	—	—	—
Economic environment	—	—	855,034	—	—	—
Transportation	—	78,355	—	—	—	—
Court related	4,982	—	—	—	—	18,435
Human services	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—
Capital outlay	—	—	27,821	—	—	—
Debt service	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>7,475</u>	<u>78,355</u>	<u>990,742</u>	<u>7,500</u>	<u>—</u>	<u>18,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,145</u>	<u>(20,345)</u>	<u>130,925</u>	<u>(7,500)</u>	<u>—</u>	<u>29,643</u>
Other financing sources (uses)						
Transfers out	—	—	—	—	—	—
Transfers in	—	—	—	20,000	—	—
Debt proceeds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing Sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,000</u>	<u>—</u>	<u>—</u>
Net change in fund balances	31,145	(20,345)	130,925	12,500	—	29,643
Fund balances - beginning	<u>278,943</u>	<u>409,298</u>	<u>1,470,033</u>	<u>5,715</u>	<u>193,393</u>	<u>213,948</u>
Fund balances - ending	<u>\$ 310,088</u>	<u>\$ 388,953</u>	<u>\$ 1,600,958</u>	<u>\$ 18,215</u>	<u>\$ 193,393</u>	<u>\$ 243,591</u>

(Continued)

GULF COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue					
	Administrative Order 86-12	HUD CDBG	Howard Creek Fire Control	St. Joe Fire Control	Tupelo Fire Control	Overstreet Fire Control
Revenues						
Taxes	\$ —	\$ —	\$ 15,379	\$ 323,925	\$ 50,254	\$ 22,133
Intergovernmental	—	—	581	14,200	3,757	1,178
Charges for services	—	—	—	—	—	—
Investment earnings and other	<u>265</u>	<u>—</u>	<u>—</u>	<u>3,125</u>	<u>—</u>	<u>—</u>
Total revenues	<u>265</u>	<u>—</u>	<u>15,960</u>	<u>341,250</u>	<u>54,011</u>	<u>23,311</u>
Expenditures						
Current						
General government	—	—	—	—	—	—
Public safety	—	—	11,472	178,430	37,260	23,554
Physical environment	—	—	—	—	—	—
Economic environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Court related	—	—	—	—	—	—
Human services	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—
Capital outlay	—	—	—	27,927	3,010	1,365
Debt service	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,325</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>—</u>	<u>—</u>	<u>11,472</u>	<u>234,682</u>	<u>40,270</u>	<u>24,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>265</u>	<u>—</u>	<u>4,488</u>	<u>106,568</u>	<u>13,741</u>	<u>(1,608)</u>
Other financing sources (uses)						
Transfers out	—	—	(1,361)	(34,202)	(6,158)	(2,334)
Transfers in	—	—	—	—	—	—
Debt proceeds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing Sources (uses)	<u>—</u>	<u>—</u>	<u>(1,361)</u>	<u>(34,202)</u>	<u>(6,158)</u>	<u>(2,334)</u>
Net change in fund balances	265	—	3,127	72,366	7,583	(3,942)
Fund balances - beginning	<u>150,668</u>	<u>172</u>	<u>2,632</u>	<u>838,633</u>	<u>79,348</u>	<u>19,169</u>
Fund balances - ending	<u>\$ 150,933</u>	<u>\$ 172</u>	<u>\$ 5,759</u>	<u>\$ 910,999</u>	<u>\$ 86,931</u>	<u>\$ 15,227</u>

(Continued)

**GULF COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Special Revenue</u>					
	<u>Disaster Contingency</u>	<u>Hospital</u>	<u>Wireless 911</u>	<u>Construction and Acquisition</u>	<u>Correctional Facility Impact Fee</u>	<u>EMS Impact Fee</u>
Revenues						
Taxes	\$ —	\$ 672,845	\$ —	\$ —	\$ —	\$ —
Intergovernmental	198,728	—	29,108	—	—	—
Charges for services	—	—	—	—	—	—
Investment earnings and other	—	767	21	5	—	—
Total revenues	<u>198,728</u>	<u>673,612</u>	<u>29,129</u>	<u>5</u>	<u>—</u>	<u>—</u>
Expenditures						
Current						
General government	—	—	—	—	—	—
Public safety	—	—	29,108	—	—	—
Physical environment	—	—	—	—	—	—
Economic environment	—	—	—	—	—	—
Transportation	—	—	—	3,820	—	—
Court related	—	—	—	—	—	—
Human services	—	706,363	—	—	—	—
Culture and recreation	—	—	—	—	—	—
Capital outlay	—	—	—	—	7,671	19,772
Debt service	—	—	—	—	—	—
Total expenditures	<u>—</u>	<u>706,363</u>	<u>29,108</u>	<u>3,820</u>	<u>7,671</u>	<u>19,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>198,728</u>	<u>(32,751)</u>	<u>21</u>	<u>(3,815)</u>	<u>(7,671)</u>	<u>(19,772)</u>
Other financing sources (uses)						
Transfers out	—	—	—	—	—	—
Transfers in	—	—	—	—	—	—
Debt proceeds	—	—	—	—	—	—
Total other financing Sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	198,728	(32,751)	21	(3,815)	(7,671)	(19,772)
Fund balances - beginning	<u>—</u>	<u>863,105</u>	<u>573</u>	<u>4,097</u>	<u>7,671</u>	<u>19,772</u>
Fund balances - ending	<u>\$ 198,728</u>	<u>\$ 830,354</u>	<u>\$ 594</u>	<u>\$ 282</u>	<u>\$ —</u>	<u>\$ —</u>

(Continued)

GULF COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue					
	Parks and Recreation	E911	Mosquito Control	Beach Renovation	Emergency Medical Services	Industrial Park EDA
Revenues						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	132,347	18,500	—	49,183	—
Charges for services	—	—	—	—	—	—
Investment earnings and other	—	359	169	1,366	33	7,725
Total revenues	<u>—</u>	<u>132,706</u>	<u>18,669</u>	<u>1,366</u>	<u>49,216</u>	<u>7,725</u>
Expenditures						
Current						
General government	—	—	—	—	—	—
Public safety	—	105,374	—	—	—	—
Physical environment	—	—	—	—	—	—
Economic environment	—	—	—	—	—	1,836
Transportation	—	—	—	—	—	—
Court related	—	—	—	—	—	—
Human services	—	—	3,741	—	—	—
Culture and recreation	—	—	—	—	—	—
Capital outlay	1,412	1,846	17,542	—	47,990	—
Debt service	—	—	—	—	—	—
Total expenditures	<u>1,412</u>	<u>107,220</u>	<u>21,283</u>	<u>—</u>	<u>47,990</u>	<u>1,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,412)</u>	<u>25,486</u>	<u>(2,614)</u>	<u>1,366</u>	<u>1,226</u>	<u>5,889</u>
Other financing sources (uses)						
Transfers out	—	—	—	—	—	—
Transfers in	—	—	—	—	—	—
Debt proceeds	—	—	—	—	—	—
Total other financing Sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	(1,412)	25,486	(2,614)	1,366	1,226	5,889
Fund balances - beginning	<u>26,808</u>	<u>210,641</u>	<u>98,723</u>	<u>851,052</u>	<u>71</u>	<u>211,400</u>
Fund balances - ending	<u>\$ 25,396</u>	<u>\$ 236,127</u>	<u>\$ 96,109</u>	<u>\$ 852,418</u>	<u>\$ 1,297</u>	<u>\$ 217,289</u>

**GULF COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Special Revenue Debt Service</u>		Total Nonmajor Governmental Funds
	<u>CDBG</u>	<u>M.S.T.U. Debt Service</u>	
Revenues			
Taxes	\$ —	\$ 1,174,346	\$ 3,403,108
Intergovernmental	376,565	8,464	832,611
Charges for services	—	—	118,249
Investment earnings and other	—	1,775	19,510
Total Revenues	<u>376,565</u>	<u>1,184,585</u>	<u>4,373,478</u>
Expenditures			
Current			
General government	—	—	—
Public safety	—	—	395,191
Physical environment	312,844	—	420,731
Economic environment	63,721	—	920,591
Transportation	—	—	82,175
Court related	—	—	23,417
Human services	—	—	710,104
Culture and recreation	—	—	—
Capital outlay	—	—	156,356
Debt service	—	1,847,578	1,875,903
Total expenditures	<u>376,565</u>	<u>1,847,578</u>	<u>4,584,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>(662,993)</u>	<u>(210,990)</u>
Other financing sources (uses)			
Transfers out	—	—	(44,055)
Transfers in	—	—	20,000
Debt proceeds	—	—	—
Total other financing Sources (uses)	<u>—</u>	<u>—</u>	<u>(24,055)</u>
Net change in Fund balance	<u>—</u>	<u>(662,993)</u>	<u>(235,045)</u>
Fund balances – beginning	<u>57</u>	<u>705,351</u>	<u>6,661,273</u>
Fund balances – ending	<u>\$ 57</u>	<u>\$ 42,358</u>	<u>\$ 6,426,228</u>

**GULF COUNTY, FLORIDA
COMBINING BALANCE SHEET
AGENCY FUNDS
SEPTEMBER 30, 2013**

	<u>Agency Funds - Clerk</u>						<u>Agency Funds Sheriff</u>
	<u>Fee Trust</u>	<u>Article V Trust</u>	<u>Registry of Court</u>	<u>Child Support</u>	<u>Jury and Witness</u>	<u>Bonds</u>	<u>Individual Depository</u>
Assets							
Cash and cash equivalents	\$ 21,681	\$ 114,356	\$ 35,449	\$ 2,164	\$ 4,223	\$ 24,500	\$ 430
Accounts receivable (net)	476	—	—	—	—	—	3,966
Due from other funds	—	190	67,767	—	—	—	—
Total Assets	<u>22,157</u>	<u>114,546</u>	<u>103,216</u>	<u>2,164</u>	<u>4,223</u>	<u>24,500</u>	<u>4,396</u>
Liabilities							
Accounts payable	111	10	—	—	—	—	—
Due to individuals	4,080	2,716	98,985	—	—	24,500	430
Due to other funds	11,560	91,157	4,231	1,838	1,501	—	3,966
Due to other governments	6,406	20,663	—	326	2,722	—	—
Total Liabilities	<u>\$ 22,157</u>	<u>\$ 114,546</u>	<u>\$ 103,216</u>	<u>\$ 2,164</u>	<u>\$ 4,223</u>	<u>\$ 24,500</u>	<u>\$ 4,396</u>

**GULF COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 SEPTEMBER 30, 2013**

	Agency Funds – Tax Collector				
	Tourist Development	Hunt/ Fish	Tax	Tag Agency	Totals
Assets					
Cash and cash equivalents	\$ 2	\$ 74	\$ 218,396	\$ 8,374	\$ 429,649
Accounts receivable (net)	—	—	—	—	4,442
Due from other funds	—	—	—	—	67,957
Total Assets	2	74	218,396	8,374	502,048
Liabilities					
Accounts payable	—	—	4,891	—	5,012
Due to individuals	—	—	187,105	—	317,816
Due to other funds	2	74	19,121	—	133,450
Due to other governments	—	—	7,279	8,374	45,770
Total Liabilities	2	74	218,396	8,374	502,048

COMPLIANCE SECTION

Vance CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the Gulf County, Florida, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 9, 2014.

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 Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements that could have a direct and material effect on each Major Federal Program and State Project and on Internal Control over Compliance, with OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 9, 2014, 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 report.

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not 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 findings and 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 provisions of contracts, grant agreements, or abuse, that have an effect on the financial statements 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, 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 Constituion 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 the financial statements.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other state granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Vance CPA LLC

Vance CPA LLC

June 9, 2014

Vance CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf County, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Gulf County Florida's basic financial statements and have issued our report thereon dated June 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gulf County Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gulf County Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Gulf County Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2013-1, 2013-2 and 2013-3).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulf County Florida's financial statements are free from 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*.

Gulf County Florida's Response to Findings

Gulf County Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Gulf County Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC
June 9, 2014

Vance CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Gulf County Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Gulf County Florida's major federal programs for the year ended September 30, 2013. Gulf County Florida's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gulf County, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Gulf County, Florida's compliance.

Opinion on Each Major Federal Program

In our opinion, Gulf County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Gulf County, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gulf County, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify all deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vance CPA LLC

Vance CPA LLC
June 9, 2014

**GULF COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2013**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
U.S. Department Of Agriculture			
Passed through Florida Department of Agriculture/Forestry			
VFA 50/50 Grants – South Gulf Co. 2012-2013	10.664	2012-13	<u>6,700</u>
Total Department of Agriculture			<u>6,700</u>
U.S. Department of Homeland Security			
State of Florida Homeland Security Grant Program (SHSGP)	97.067	12-DS-9Z-02-33-01-274	49,798
State and Local Asst (SLA) 12-13	97.042	13-FG-86-02-33-01-090	41,281
State and Local Asst (SLA) 13-14	97.042	14-FG-1M-02-33-01-090	<u>14,285</u>
Total CFDA			<u>55,566</u>
Total Department of Homeland Security			<u>105,364</u>
U.S. Department Of Housing and Urban Planning			
Passed through Florida Department of Community Affairs			
FFY 2011 Federally Funded Sub Grant (CDBG-Housing)	14.228	12DB-OH-02-33-01-H04	12,325
FFY 2008 Supplemental Disaster Recovery (DREF)	14.228	12DB-P5-02-33-01-K46	<u>364,240</u>
Total CFDA			<u>376,565</u>
Total Department of Housing and Urban Development			<u>376,565</u>
U.S. Department of Health and Human Services			
Passed through Florida Department of Revenue			
2012-2013 Child Support Enforcement Title IV-D	93.563	CSS23	1,366
2012-2013 Child Support Enforcement Title IV-D	93.563	CD323	79,717
2010-2011 Child Support Enforcement Title IV-D	93.563	CD323	<u>213</u>
Total CFDA			<u>81,296</u>
Total Department of Human and Health Services			<u>81,296</u>

**GULF COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2013**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
U.S. Department Of Justice			
Passed through Florida Department of Law Enforcement DARE and Community Services Deputy	16.738	2012-JAGC-GULF-1-D7-050	<u>20,470</u>
Total Department of Justice			<u>20,470</u>
Federal Highway Administration			
Passed through Florida Department of Transportation Design of CR386 Overstreet Road Sign & Pavement Markings	20.205	413202-2-38-01	<u>11,800</u>
Total Federal Highway Administration			<u>11,800</u>
U.S. Fish and Wildlife Services			
Passed through Florida Fish & Wildlife Conservation Sport Fish Restoration – Boat Access (Lands Landing)	15.605	11146	<u>6,000</u>
Total Department of Fish and Wildlife Services			<u>6,000</u>
Total Federal			<u>\$ 608,195</u>

**GULF COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2013**

State Financial Assistance Projects	CFDA #	Contract/Grant Number	Expenditures
Florida Department of Environmental Protection			
Small County Solid Waste Grant	37.012	312 SC	<u>58,851</u>
Total Department of Environmental Protection			<u>58,851</u>
Florida Department of Transportation			
Small County Outreach – CR30A	55.009	SCOP 429975-1-58-01	26,305
Roadside Beautification – White City Bridge	55.023	416533-8-58-17	<u>99,349</u>
Total CFSA			<u>125,654</u>
Total Department of Transportation			<u>125,654</u>
Florida Department of Community Affairs – Emergency Management Programs			
Emergency Management Preparedness and Assistance	52.008	13-BG-83-02-33-01-023	79,478
Emergency Management Preparedness and Assistance	52.008	14-BG-83-02-33-01-023	<u>30,464</u>
Total CFSA			<u>109,942</u>
Total Department of Community Affairs			<u>109,942</u>
Florida Department of State			
Operation of Equalization State Aid Grants	45.030	13-ST-43	<u>45,215</u>
Total Department of State			<u>45,215</u>
Florida E911 Board			
2012-13 Rural County Grant Program	72.001	12-10-10	4,167
2012-13 Rural County Grant Program	72.001	13-4-9	16,360
2010-11 Rural County Grant Program	72.001	11-04-36	<u>8,581</u>
Total Florida E911 Board			<u>29,108</u>

**GULF COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED SEPTEMBER 30, 2013**

State Financial Assistance Projects	CFDA #	Contract/Grant Number	Expenditures
Florida Department of Health			
Bureau of Emergency Medical Services	64.003	C0023	1,193
Bureau of Emergency Medical Services	64.003	M1074	<u>47,990</u>
Total CFSA			<u>49,183</u>
Total Department of Health			<u>49,183</u>
Florida Housing Finance Authority			
2009-2010 State Housing Initiative Program	52.901	2009/2010	289,195
2011-2012 State Housing Initiative Program	52.901	2011/2012	<u>79,529</u>
Total Department of Finance Authority			<u>368,724</u>
Florida Department of Agriculture and Consumer Services			
Mosquito Control/Waste Tire Abatement Grant	42.003	2009-2010	<u>21,283</u>
Total Department of Agriculture and Consumer Services			<u>21,283</u>
Florida Department of Economic Opportunity			
Technical Assistance Grant – Growth Management	40.024	2012-13	<u>30,000</u>
Total Department of Agriculture and Consumer Services			<u>30,000</u>
Total State			<u>\$ 837,961</u>

**GULF COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2013**

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. This method is consistent with the preparation of the County's financial statements.

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 RESPONSES
YEAR ENDED SEPTEMBER 30, 2013**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" 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
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Identification of major federal awards/state financial assistance projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
14.228	Community Development Block Grant
52.901	State Housing Initiative Program

(continued)

**GULF COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES (continued)
YEAR ENDED SEPTEMBER 30, 2013**

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

Auditee qualified as low-risk auditee? X yes none

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.

**GULF COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
SEPTEMBER 30, 2013**

12-01 Segregation of Duties

Status: See current year findings.

12-02 Significant Adjustments to Financial Records

Status: See current year findings.

12-03 Preparation of Financial Statements

Status: See current year findings.

12-04 Ambulance Billing

Status: Resolved.

**GULF COUNTY, FLORIDA
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
SEPTEMBER 30, 2013**

13-01 Segregation of Duties (Prior Year 12-01, 11-08 and 10-01)

The following Constitutional Officers were considered to lack proper segregation of duties necessary for proper internal controls: the Sheriff's Office, 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.

RECOMMENDATION – Mitigating procedures including additional oversight with regard to certain duties should be performed regularly in the absence of hiring additional employees

RESPONSE – Due to the limited number of employees, it is virtually impossible to maintain complete segregation of accounting and administrative duties among employees. However, every effort is being made to accomplish effective internal controls.

13-02 (Prior Year 12-02)

The Following constitutional officers were considered to lack the proper internal controls: Sheriff's Office, and Tax Collector. Significant adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

RECOMMENDATION – Resources should be acquired or made available to provide expertise necessary to adjust financial statements during the year to comply with generally accepted accounting principles.

RESPONSE – We realize that ideally our internal control system should be designed in a manner that ensures the accuracy of the financial statements and that the Auditors should not have to recommend journal entries to see that they conform to generally accepted accounting principles. We do not feel that in the near future the benefits derived from investing in the resources necessary for us to implement an effective internal control system would outweigh the cost of those resources.

GULF COUNTY, FLORIDA
SUMMARY SCHEDULE OF CURRENT YEAR AUDIT FINDINGS (continued)
SEPTEMBER 30, 2013

12-03 (Prior Year 12-03)

The following constitutional officers were considered to lack the proper internal controls: Sheriff's Office, and Tax Collector. Inadequate design of internal control over the preparation of the financial statements being audited gives rise to a significant deficiency in internal control.

RECOMMENDATION – Resources should be obtained or made available to provide expertise necessary to prepare financial statements that comply with generally accepted accounting principles.

RESPONSE – Our Auditors assist us with the preparation of our financial statements. We do not feel that in the near future the benefits derived from investing in the resources necessary for us to prepare our own financial statements would outweigh the cost of those resources.