

THE CITY OF
Gulf Breeze, Florida



Gulf Breeze Community Center completed in 2013

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDING

SEPTEMBER 30, 2013

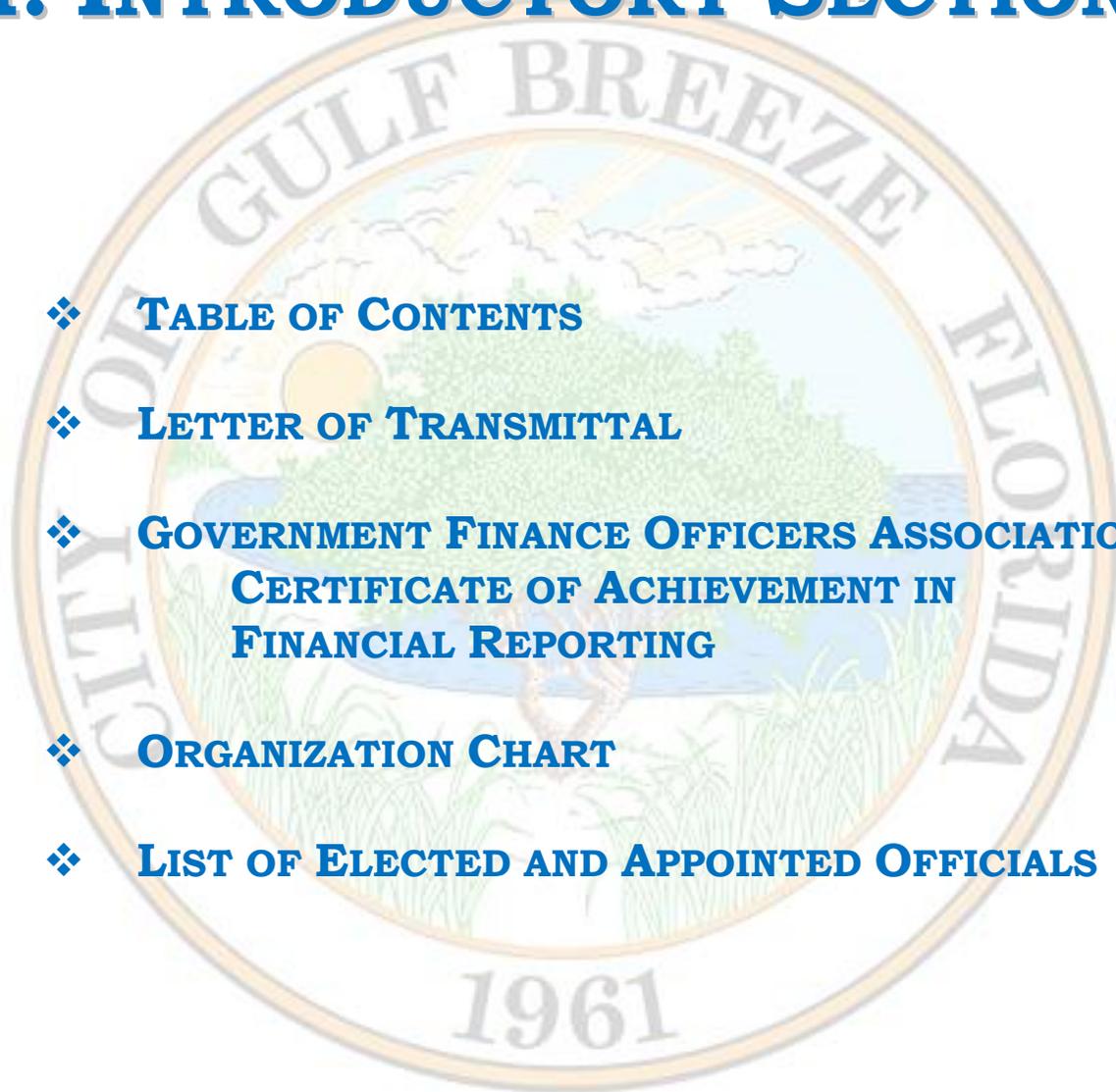


**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**THE CITY OF GULF BREEZE, FLORIDA
YEAR ENDED SEPTEMBER 30, 2013**

PREPARED BY THE FINANCE DEPARTMENT

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**CITY OF GULF BREEZE, FLORIDA
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 Year Ended September 30, 2013**

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City of Gulf Breeze

March 17, 2013

To the Honorable Mayor, City Council Members and Citizens of
the City of Gulf Breeze, Florida
1070 Shoreline Drive
Gulf Breeze, Florida 32561

The Comprehensive Annual Financial Report of the City of Gulf Breeze, Florida, for the fiscal year ended September 30, 2013, is submitted herewith, pursuant to Florida Statutes Chapter 218.32.

This report consists of management's representations concerning the finances of the City of Gulf Breeze. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Warren Averett, LLC, a firm of certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gulf Breeze financial statements for the fiscal year ended September 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented in Section II – Financial Section, as the first component of the Financial Section of this report.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Gulf Breeze's MD&A can be found immediately following the report of the independent auditor.

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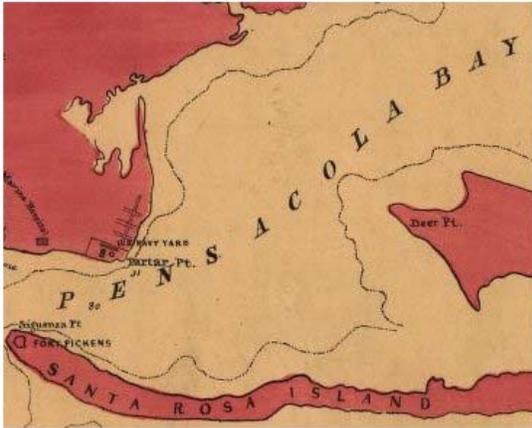
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HISTORY AND PROFILE OF THE GOVERNMENT

History

The City of Gulf Breeze, located in Florida's Panhandle, is a small, beautiful community, bounded on the north, west and south by water. The area now known as Navy Cove was used in the 1600's to careen wooden ships and make repairs. The first recorded land owner in Gulf Breeze was George Gauld, shown on a map dated 1766-1768. The Confederate forces maintained a camp, lookout tower, and a hospital here from 1862-1865. James Duncan came to Florida along with his three brothers from Kentucky and was granted land by the United States Government on November 22, 1888. The house built by Nelson Duncan between 1875 and 1882, is still standing and is the oldest house in Gulf Breeze.

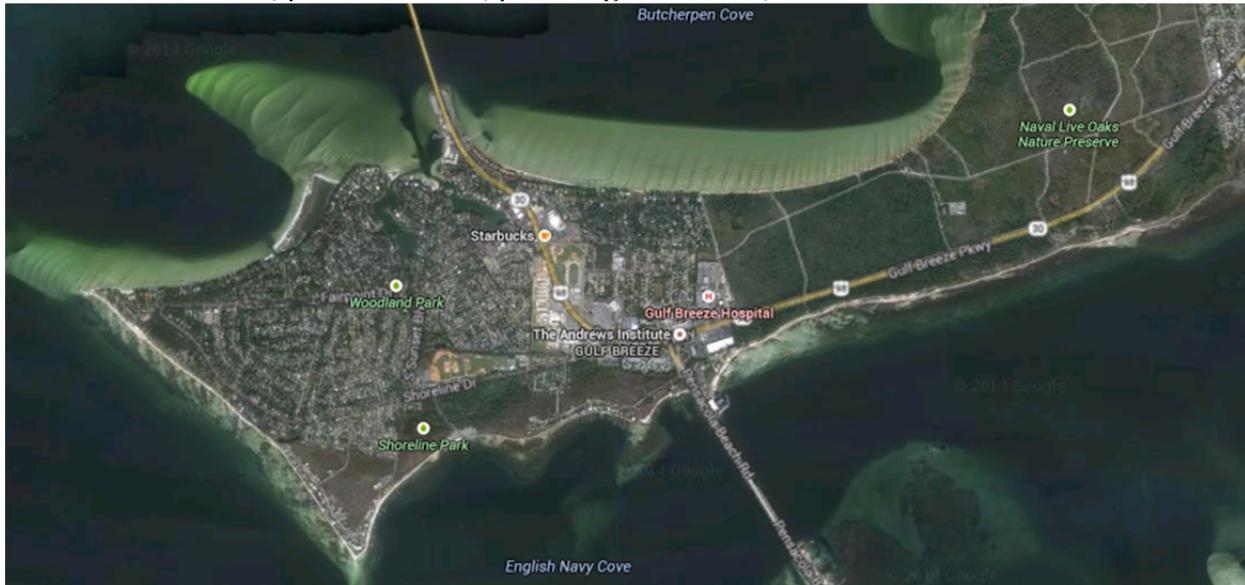


Library of Congress, 1861 map of Pensacola Bay showing Gulf Breeze (as Deer Pt)

The Gulf Breeze peninsula was first connected to the City of Pensacola by a three-mile bridge completed in 1931. The bridge increased interest in the area and the beginnings of a tourist attraction developed. A second, larger bridge was completed on August 10, 1962, and the original bridge was used as a fishing pier until severely damaged in 2004 by Hurricane Ivan and final deconstruction was completed in 2011.

The City of Gulf Breeze was incorporated on August 10, 1961 after a three year process.

An Act of Congress established the Gulf Islands National Seashore that is located within the City limits of Gulf Breeze in 1971. The National Seashore covers approximately 1,329 acres and includes nature trails, picnic facilities, park ranger facilities, and beach access.



Google Earth image of City of Gulf Breeze

Profile

Although Gulf Breeze covers less than a five square mile area and has approximately 5,780 residents, the City has 18 miles of waterfront and three protected bayous, where residents enjoy all sorts of water activities.

Mayors

Years in Office

C. J. Heinberg	1961-1962, 1968-1970
John Schilf	1963-1964, 1966-1968
Colin Renfroe	1964-1966
Colven Caudell	1970-1972
B. B. Jordan	1972-1974
Donald Elbert	1974-1976
Charles Wright	1976-1980
Joseph Reynes	1980-1984
Ed Gray III	1984-1992
Lane Gilchrist *	1992-2009
Beverly Zimmern	2009-Present

* Deceased while holding office

The first Mayor, Dr. C. J. Heinberg, and City Council members requested and received from Santa Rosa County, the ownership of land (more than 255 acres) that is now Shoreline Park. An outstanding range of recreational facilities is provided by the City, which includes 11 ball fields including basketball, baseball, softball, football and soccer fields, 6 children's parks, 10 tennis courts, several picnic areas, 2 public boat launches, a dog park, a skate park, a disc golf course, 2 nature reserves and beaches, various nature trails and bicycle paths. In 2013 the City acquired the Tiger Point Golf Course properties which are open to the public, as well.

Within the City there is a full-service hospital, a sports medicine and orthopedics center, a public library, a variety of churches, a community center that includes a small stage along with two large gymnasiums, and public elementary, middle, and high schools, each of which continues to receive high rankings.

The City provides public services, which include police, fire, parks and recreation, streets and drainage in addition to enterprise operations consisting of water, sewer, stormwater drainage and natural gas. The City contracts with a private firm to provide solid waste and recycling collection services within City limits. Public safety is provided through twenty-four hour police protection by the fully accredited Police Department along with a fully trained volunteer fire department. The City's Police Department has been the recipient of numerous awards for professionalism and innovation. The City's Fire Department has earned an ISO rating of 4 based on its professionalism, procedures and adequacy of water supply.

The City of Gulf Breeze has a stable, full-service, innovative, government recognized as a leader in financial programs. The City, as reported in the accompanying financial statements, includes all the funds of the primary government as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The City has a separately reported component unit, Capital Trust Agency (CTA), along with blended component units, Gulf Breeze Financial Services (GBFS) and the Community Redevelopment

Agency (CRA), as determined and reported in accordance with Government Accounting Standards Board (GASB) Pronouncement 14.

The Budget

The annual budget serves as the foundation of the City's financial planning and control. Development of the annual budget is the beginning of the financial transaction process. A town meeting is held, generally the first Monday of May, commencing the budget development process. All departments of the City submit requests for appropriation to the City Manager, to be finalized by mid-June. The City Manager then reviews the proposed budget, and when a balanced budget is achieved, it is ready for presentation to the City Council. Beginning in July, several public workshops are held, during which time the proposed budget is presented to the Mayor and City Council. A determination regarding the City millage rate is made and all public notices regarding the proposed budget and millage rate are posted. The final budget is adopted following the requisite public hearings no later than September 30, the close of the City's fiscal year.

Budgetary control is maintained by the City Manager, Finance Director and Department Directors through a continual review process. Expenditures are made within the budgetary guidelines. While Department directors may make transfers of appropriations within a department, they must receive approval by the City Manager. Unbudgeted purchases may be considered provided there are sufficient funds to cover the cost and proper approval for a budget adjustment has been made by the City Manager and/or the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Gulf Breeze operates.

Local Economy

The economic base of the City of Gulf Breeze is 79% residential with commercial areas accounting for 21% of the City. The City of Gulf Breeze consists of 4.5 square miles and has limited potential for expansion. Redevelopment continues to be the most viable alternative for economic improvements. In 1988, the City established the Community Redevelopment Agency to enable the City to utilize tax increment financing (TIF) to foster improvements and redevelopment in the City's commercial corridor.

During fiscal year 2013, the City was approached with an offer to acquire the Tiger Point Golf Course properties consisting of approximately 308 acres designed for two courses, 36 holes, of which 27 were operating, located outside of the City limits. The Tiger Point property is immediately adjacent to the City's waste water treatment facility and the golf course is the most important means of reintroducing the treated water from the treatment plant back into the local aquifer through the golf course's irrigation system, which is permitted for 1.3 million gallons per day. Permanent closure of the golf course would have required the treatment plant to find or acquire properties to accept equivalent volumes of treated water. Further, the City's utility department had been anticipating the need to expand treatment capacity for over a decade, but without the ability to expand in its current location, a site had been procured and permitted

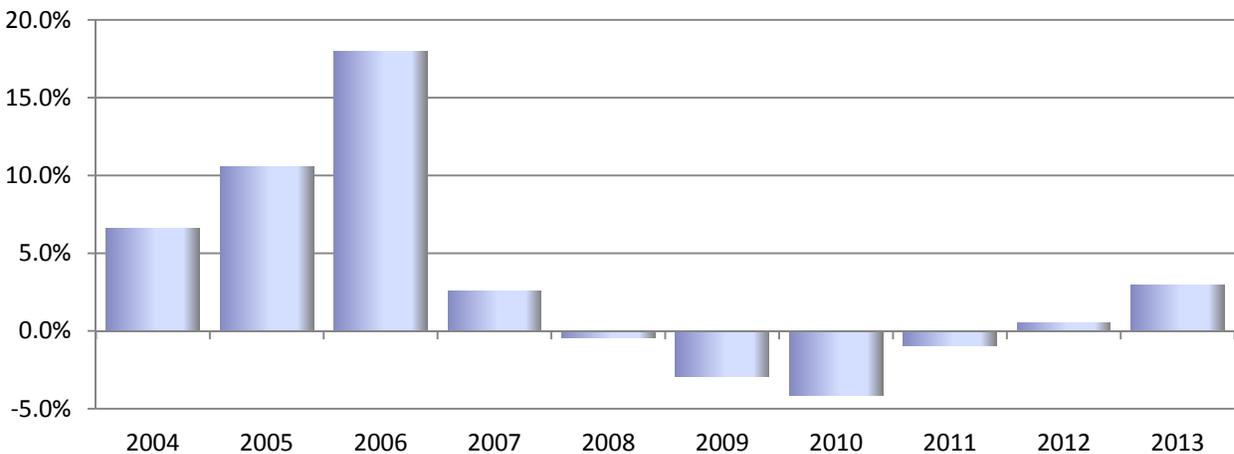
slightly less than nine miles east of its current location. Engineering estimates indicated that a building the required treatment capacity at the new site would require between \$20 and \$25 million in capital to develop. Analysis of the potential to expand capacity at the current location using a small portion of the Tiger Point property indicated that expanding to facilitate that same capacity would require an estimated \$10 to \$15 million to accomplish comparable treatment capacity. Staff recommended that the City Council consider the acquisition based on the following:

- Potential savings to utility ratepayers expanding existing treatment and irrigation capacity;
- Better coordination with and avoiding the loss of the primary treated water user; and,
- Support of a core element of the Tiger Point area property values.

After receiving comments and advice from a variety of consultants the City acquired the property through an asset purchase for the (then) appraised market value. Total purchase price was slightly in excess of \$3 million, which equates to slightly less than \$10,000 per acre excluding the value of buildings, with the expectation of making significant investments to rebuild and restore facilities that had been allowed to decline.

There was a 2.9% increase in assessed value of properties within the City in 2013, following a .5% increase in 2012, a 1% decrease in 2011, 4% decrease in 2010, and a 3% decline in 2009.

Change in Assessed Property Value



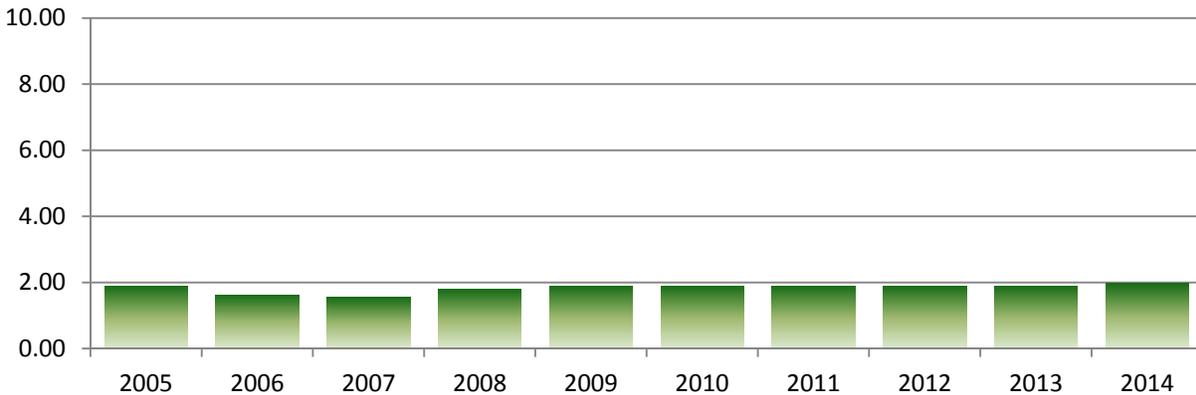
Long-term Financial Planning

Gulf Breeze sponsored its first loan pool in 1985. Since that time the loan pools have generated over \$17 million in fees, allowing the City to make significant capital improvements. Loan pool sponsorship fees have been used to fund a variety of Gulf Breeze projects over the years.

The City’s loan pool and bond sponsorship programs operated through CTA and GBFS have consistently provided significant revenues to help fund City needs. Historically, these revenue sources have been equivalent to over 80% of the City’s ad valorem tax revenues and allowed the City to maintain a low millage rate and approve a rate of 1.900 mills for tax years 2009 through 2013, increasing only slightly to 1.9723 for 2014.

Ad Valorem Millage

(Statutory maximum is 10 Mills)



While it is difficult to predict how the economy will change in the future, the City of Gulf Breeze believes it has developed a sound financial base to ensure a positive future financial position in the years to come.

The City of Gulf Breeze, by the direction of the Mayor and City Council, is committed to capital improvement projects that will continue to distinguish Gulf Breeze as a model community.

Major capital projects, this year and over the next five years, consist of:

- Continued re-paving of the more than 45 miles of streets within the City of Gulf Breeze. The City is in the eighth year of a fifteen-year program to re-pave all 45 miles of streets. Local Option gas tax revenues are used to fund part of this project. Improvement of McClure Drive area resurfacing and sidewalks was completed in 2013.
- Continued improvements to storm water management systems resulting from federal and state mandates, which began in fiscal year 2006. Funding through grants and service fees continues.
- The City has engaged a project manager to obtain grant funding and oversee the restoration of erosion to the Deadmans Island conservation area. Permitting and initial placement of structures for establishment of an oyster bed breakwater, as well as the submerged land lease, have been completed.
- The City has developed a Master Plan for parks to provide a guide for capital projects for the next 10 years, and a 50 year Master Plan for the City as a whole.
- In February 2010, the City obtained formal approval of the Alternative Projects from FEMA totaling slightly over \$15 million in capital projects. Federal reimbursements will cover 90% of actual incurred costs up to a maximum of approximately \$13.5 million, plus a 0.5% administrative cost allocation, and the state of Florida will reimburse an additional 7.5% of costs approved by FEMA. As of June 27, 2013, the City was granted an extension by FEMA on completion of the work related to these funds until September 30, 2014. The Alternative Projects approved by FEMA include:

- Extension of natural gas services pipeline (completed in 2013);
 - Expansion and mechanical upgrade of the Recreation Center (completed in 2013);
 - Compressed natural gas (CNG) compression equipment & storage facilities;
 - Upgrading Playground Equipment (completed in 2012);
 - Upgrading Fire and Rescue Equipment & Vehicles (completed);
 - Fleet vehicles replacements, including CNG vehicles.
- In fiscal year 2013, the City engaged BS&A Software to upgrade its utility billing, financial reporting, and government services software. As part of the purchase and installation contract the City will extend the payment of the initial purchase, installation and training over three years.
 - With the completion of the expanded Recreation Center, now called the Community Center, the City made significant expenditures to furnish and landscape the facility as approved by the City Council.
 - The City began a process of moving power and communications wiring underground along the Highway 98 corridor.
 - The City re-bid its solid waste services franchise for a new five year term in fiscal 2013. The agreement required the winner to directly bill non-residential services but also required the contractor to pay disposal costs of those routes, enabling the contractor to mix commercial loads from inside and outside City limits. The rebid services resulted in approximately a 10% decrease in typical residential rates and approximately a 40% decrease in typical commercial rates for 2013. As a result of this change in commercial revenue collection, reported revenues for the Solid Waste Fund decreased by 40%.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Breeze for its comprehensive annual financial report for the fiscal year ended September 30, 2012. That was the 11th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this year's report to the GFOA to determine its eligibility for a certificate for the 10th consecutive year.

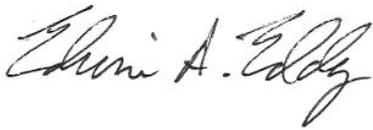
We would like to express our appreciation to the Mayor and the City Council for their direction and support in conducting the financial operations of the City in a responsible and progressive manner and maintaining the financial integrity of the City of Gulf Breeze. The preparation of this comprehensive annual financial report could not have been accomplished without the

dedicated services of the entire staff of the Finance Department, City Clerk, Assistant City Manager and the City's Department Directors.

Other City departments, while not extensively involved in the year-end audit activities, contribute significantly, ensuring the accuracy and integrity of accounting information throughout the year. Their diligence was essential in assisting the Finance Department in providing the citizens of Gulf Breeze with an outstanding, comprehensive report.

We would also like to acknowledge the accounting firm of Warren Averett, LLC for their continued, professional assistance. Their suggestions and attention to detail continue to greatly enhance the quality of this report.

Respectfully submitted,



Edwin A Eddy
City Manager



Stephen Milford
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Gulf Breeze
Florida**

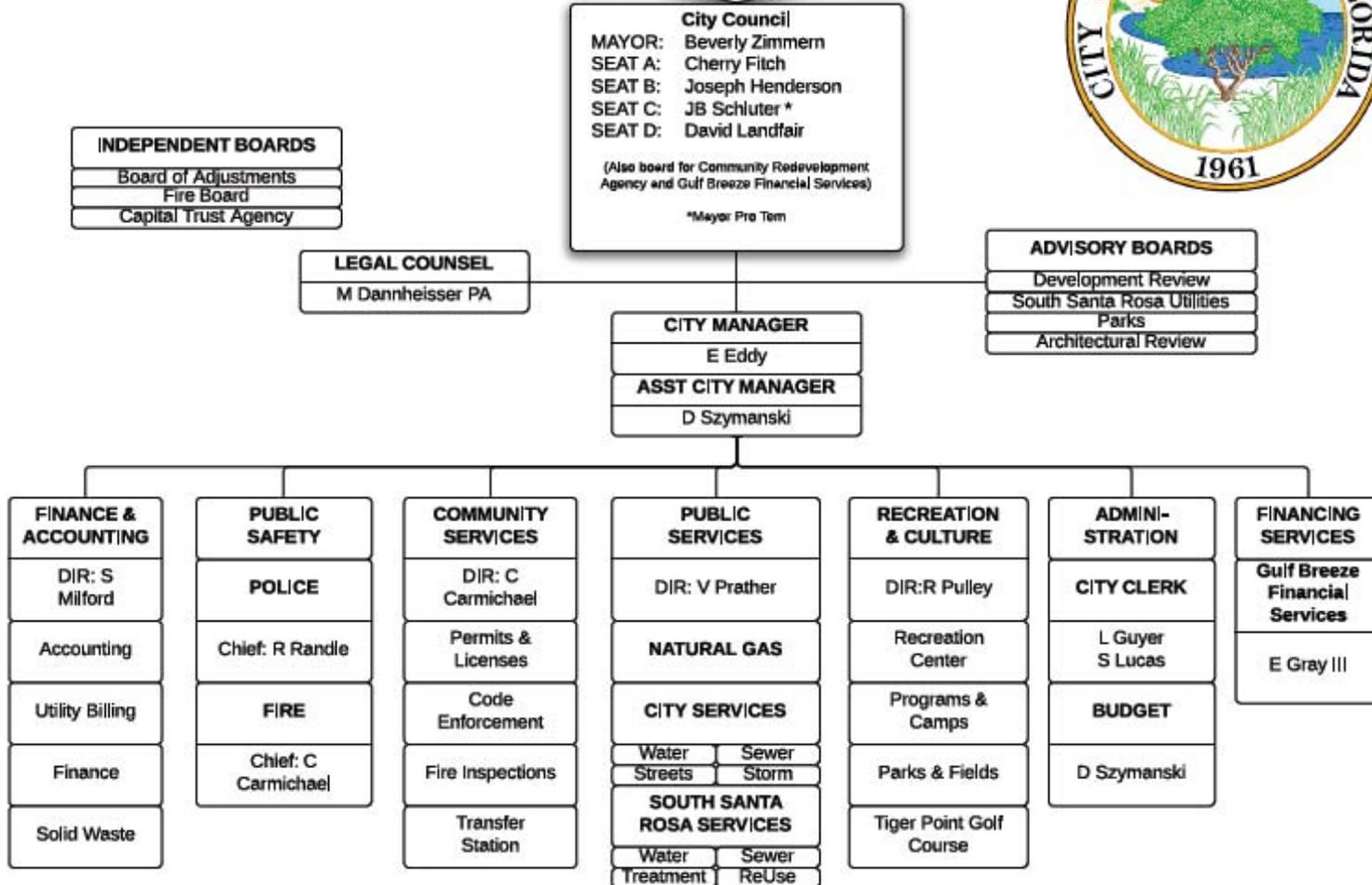
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

City of Gulf Breeze

Resident & Voters of
Gulf Breeze



City of Gulf Breeze

Elected Officials – City Council

Mayor: Beverly Zimmern

Seat A: Cherry Fitch

Seat B: Joseph Henderson

Seat C: J B Schluter *

Seat D: David G. Landfair

* Mayor Pro Tem

Appointed Officials

City Manager: Edwin A. Eddy

City Clerks: Leslie Guyer, Stephanie Lucas

City Council: Matt Dannheisser

Fire Marshall: Craig S. Carmichael

Director of Public Services: Vernon Prather

II. FINANCIAL SECTION

- ❖ **INDEPENDENT AUDITOR'S REPORT**
- ❖ **MANAGEMENT'S DISCUSSION AND ANALYSIS**
- ❖ **BASIS FINANCIAL STATEMENTS**
- ❖ **(GOVERNMENT-WIDE FINANCIAL STATEMENTS)**
- ❖ **(FUND FINANCIAL STATEMENTS)**
- ❖ **(NOTES TO THE FINANCIAL STATEMENTS)**
- ❖ **REQUIRED SUPPLEMENTARY INFORMATION**
- ❖ **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**



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Honorable Mayor, City Council
Members and the Citizens of
City of Gulf Breeze, Florida

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gulf Breeze, Florida as of and for the year ended September 30, 2013, which collectively comprise the City'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 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.

Auditors' 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 opinion.

Honorable Mayor, City Council
Members and the Citizens of
City of Gulf Breeze, Florida
Independent Auditors' Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gulf Breeze, Florida as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Urban Core Redevelopment Funds for the year then ended in conformity 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 on pages 4-17 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 statements, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Breeze, Florida's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

Honorable Mayor, City Council
Members and the Citizens of
City of Gulf Breeze, Florida
Independent Auditors' Report (Continued)

Other Information (Continued)

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2014, on our consideration of the City of Gulf Breeze's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Gulf Breeze's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
March 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gulf Breeze, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found beginning on page viii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Gulf Breeze exceeded its liabilities by \$47,276,682 (net position). Of this amount \$12,816,445 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$75,823. The governmental net assets increased by \$1,106,798 or 6% and the business-type net position decreased by \$1,030,975 or 3%. The governmental increase is most notably the result of the completion of the expanded Community Center, which was largely funded by Stafford Act (FEMA) grant monies. The decrease in business-type net position largely reflects the spending to repair and restore facilities of the Tiger Point Golf Course that South Santa Rosa Utilities acquired in December 2012, which was funded by an increase in debt.
- The City's governmental funds reported combined ending fund balances of \$7,980,507, a decrease of \$535,417 or 6%. Of the total ending unassigned fund balance, \$6,058,917, the equivalent of 64% of total General Fund expenditures, is available for spending at the City's discretion (unassigned fund balance). The decrease resulted primarily from increased levels of street and sidewalk repaving/repairs spending (in comparison to recent years).
- As discussed further below, the City has been fortunate to be the recipient of significant grants from the Florida Department of Transportation, and the State and Federal Government (notably the Stafford Act – FEMA) in fiscal year 2013 which were largely responsible for the increase in capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Gulf Breeze's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The City's government-wide financial statements are designed to provide its readers with a broad overview, similar to a private sector business.

The statement of net position provides information on the entire City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the City of Gulf Breeze's financial position is improving or deteriorating.

The statement of activities provides information showing how the City's net position changed during the most recent 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 the 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.

Both of the government-wide financial statements distinguish functions of the City 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 government activities of the City include general government, public works, police, fire, parks and recreation and community services. The business-type activities of the City include water and sewer, natural gas, stormwater and solid waste.

The government-wide financial statements include not only the City of Gulf Breeze itself (the primary government), but also blended component units, Gulf Breeze Financial Services (GBFS), and the Community Redevelopment Agency (CRA). Blended component units, although legally separate entities, are, in substance, part of the primary government's operations. The government-wide financial statements are found on pages 18-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gulf Breeze, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds (General Fund, Urban Core Redevelopment Fund, Traffic Citation Special Revenue Fund, and Police Special Revenue Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Urban Core Redevelopment Fund, which are considered major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of the combining statements elsewhere in this report.

The City of Gulf Breeze adopts an annual appropriated budget for its General Fund and Urban Core Redevelopment Fund. A budgetary comparison statement is provided for the General Fund and Urban Core Redevelopment Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

All proprietary funds of the City are maintained as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Gulf Breeze uses enterprise funds to account for its utilities operations (water operations and distribution, sewer collection and treatment and natural gas operations and distribution, stormwater services), solid waste control, and to account for the activities of the Gulf Breeze Local Government Loan Program.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the City Water & Sewer Fund, Natural Gas Fund, SSRUS (South Santa Rosa Utility Services) Water & Sewer Fund, Gulf Breeze Financial Services, Solid Waste Fund, and Stormwater Management. The City Water & Sewer Fund, Natural Gas Fund, SSRUS Water & Sewer Fund, and Gulf Breeze Financial Services are considered to be major funds of the City. Data from the other two proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of the combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 26-30 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's fiduciary funds include the Police Pension Trust Fund and the D.A.R.E. Escrow Agency Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 33 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found on pages 69-70 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 71-75 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Gulf Breeze, assets exceeded liabilities by \$47,276,682 at the close of the most recent fiscal year, as reported in Table 1.

The City's investment in capital assets (e.g. land, buildings, machinery and equipment), less any outstanding debt used to acquire those assets, totaled \$28,450,130 (or 60%) at September 30, 2013. The City of Gulf Breeze uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The additional portion of the City's net position of \$6,010,107 (or 13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$12,816,445 (or 27%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both in the separate governmental and business-type activities and the City as a whole.

Table 1
City of Gulf Breeze
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2013 AND 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 8,968,391	\$ 9,636,596	\$ 15,692,409	\$ 16,631,517	\$ 24,660,800	\$ 26,268,113
Capital assets	<u>19,438,564</u>	<u>17,964,394</u>	<u>27,555,118</u>	<u>24,906,887</u>	<u>46,993,682</u>	<u>42,871,281</u>
Total assets	<u>28,406,955</u>	<u>27,600,990</u>	<u>43,247,527</u>	<u>41,538,404</u>	<u>71,654,482</u>	<u>69,139,394</u>
Long-term liabilities outstanding	8,364,476	8,532,551	10,737,765	11,852,621	19,102,241	20,385,172
Other liabilities	<u>714,035</u>	<u>846,793</u>	<u>4,561,524</u>	<u>706,570</u>	<u>5,275,559</u>	<u>1,553,363</u>
Total liabilities	<u>9,078,511</u>	<u>9,379,344</u>	<u>15,299,289</u>	<u>12,559,191</u>	<u>24,377,800</u>	<u>21,938,535</u>
Net position						
Net investment in capital assets	11,302,841	9,652,675	17,147,289	14,049,602	28,450,130	23,702,277
Restricted	711,122	879,047	5,298,985	844,957	6,010,107	1,724,004
Unrestricted	<u>7,314,481</u>	<u>7,689,924</u>	<u>5,501,964</u>	<u>14,084,654</u>	<u>12,816,445</u>	<u>21,774,578</u>
Total net position	<u>\$ 19,328,444</u>	<u>\$ 18,221,646</u>	<u>\$ 27,948,238</u>	<u>\$ 28,979,213</u>	<u>\$ 47,276,682</u>	<u>\$ 47,200,859</u>

Governmental Activities

Governmental activities before transfers decreased the City of Gulf Breeze's net position by \$110,790. The key elements of this change are reported in Table 2.

Table 2
City of Gulf Breeze
CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

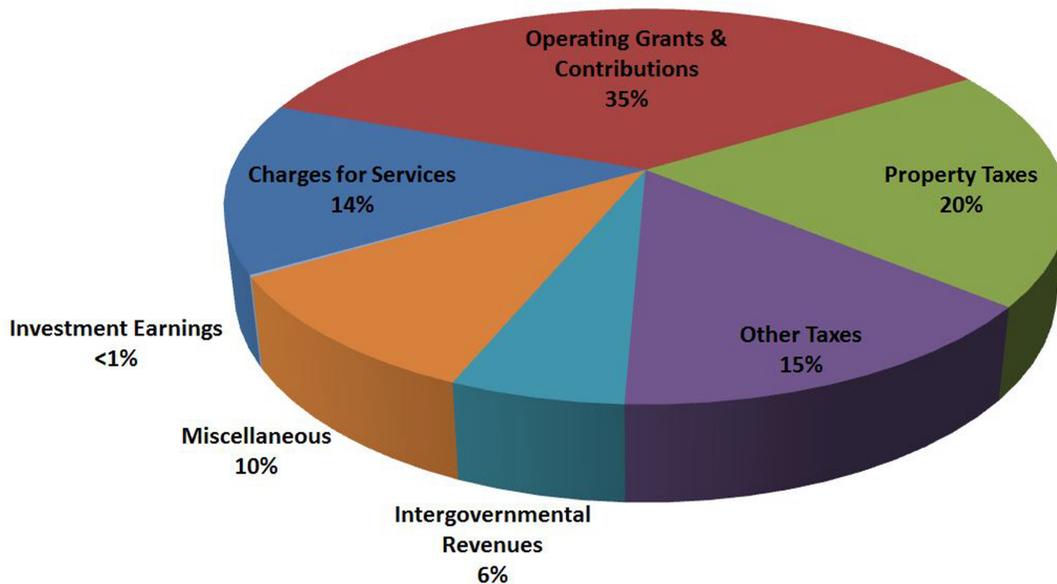
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues						
Charges for services	\$ 1,238,442	\$ 1,034,771	\$ 11,494,906	\$ 10,517,516	\$ 12,733,348	\$ 11,552,287
Operating grants and contributions	3,154,938	7,195,117	-	-	3,154,938	7,195,117
Capital grants and contributions	-	-	373,323	417,520	373,323	417,520
General revenues						
Property taxes	1,739,120	1,731,906	-	-	1,739,120	1,731,906
Other taxes	1,303,933	1,223,258	-	-	1,303,933	1,223,258
Intergovernmental revenues	499,149	1,070,901	-	-	499,149	1,070,901
Miscellaneous	796,089	608,104	329,682	268,959	1,125,771	877,063
Investment earnings	13,904	35,537	18,721	337,195	32,625	372,732
TOTAL REVENUES	<u>8,745,575</u>	<u>12,899,594</u>	<u>12,216,632</u>	<u>11,541,190</u>	<u>20,962,207</u>	<u>24,440,784</u>
EXPENSES						
Governmental activities						
General government	1,939,342	1,780,088	-	-	1,939,342	1,780,088
Public safety	3,259,673	2,848,296	-	-	3,259,673	2,848,296
Transportation	1,040,137	392,737	-	-	1,040,137	392,737
Economic environment	458,622	470,558	-	-	458,622	470,558
Culture and recreation	1,853,545	1,800,355	-	-	1,853,545	1,800,355
Debt service interest	305,046	310,536	-	-	305,046	310,536
Business-type activities						
Water and sewer	-	-	1,626,874	1,557,810	1,626,874	1,557,810
Natural gas	-	-	1,897,522	1,286,806	1,897,522	1,286,806
SSRUS utilities	-	-	7,298,787	4,918,789	7,298,787	4,918,789
Solid waste control	-	-	702,888	896,904	702,888	896,904
Stormwater management	-	-	258,411	259,933	258,411	259,933
Gulf Breeze Financial Services	-	-	245,537	240,070	245,537	240,070
TOTAL EXPENSES	<u>8,856,365</u>	<u>7,602,570</u>	<u>12,030,019</u>	<u>9,160,312</u>	<u>20,886,384</u>	<u>16,762,882</u>
Increase (decrease) in net position before transfers	(110,790)	5,297,024	186,613	2,380,878	75,823	7,677,902
Transfers	<u>1,217,588</u>	<u>1,181,650</u>	<u>(1,217,588)</u>	<u>(1,181,650)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,106,798	6,478,674	(1,030,975)	1,199,228	75,823	7,677,902
NET POSITION - OCTOBER 1	<u>18,221,646</u>	<u>11,742,972</u>	<u>28,979,213</u>	<u>27,779,985</u>	<u>47,200,859</u>	<u>39,522,957</u>
NET POSITION - SEPTEMBER 30	<u>\$19,328,444</u>	<u>\$18,221,646</u>	<u>\$ 27,948,238</u>	<u>\$ 28,979,213</u>	<u>\$ 47,276,682</u>	<u>\$ 47,200,859</u>

Charges for services increased 16% this year reflecting primarily increased citation revenue. The City experienced a 56% decrease in grants reflecting largely received reimbursements of hurricane restoration projects from FEMA and the state of Florida, specifically the completed expansion of the City’s recreation and community center, and grants for the continuing erosion control projects relating to Deadman's Island.

Investment earnings declined mainly due to decreased multi-year investments in the financial markets which have offered low short term yields and an increased desire for available liquid funds while the predictability of reimbursement timing from certain grants has been inconsistent. Funds have been invested in Florida League of Cities Investment Funds, the Florida State Investment Pool and Certificates of Deposit at Coastal Bank and Trust. Under Florida statutes, smaller cities such as Gulf Breeze are limited in the investment types they may select. This limitation is intended to reduce the risk associated with investments of smaller cities and municipal entities, but also tends to reduce the potential yield. During 2011, the City established an investment policy which is overseen by an investment committee comprised of the Mayor, City Manager, Finance Director, and Director of Gulf Breeze Financial Services. The policy’s primary goal is preservation of principal. Accordingly, it defines the maximum proportions of medium and longer term investments that may be invested in the various types of federal, state, municipal and commercial debt instruments and funds.

Tax revenues increased by 2.9% led by an improvement in revenues from communications services taxes, tourist development taxes and utility service taxes which were diminished somewhat by small declines in fuel taxes and franchise taxes.

**Fiscal Year 2013 Revenues by Source
Governmental Activities**



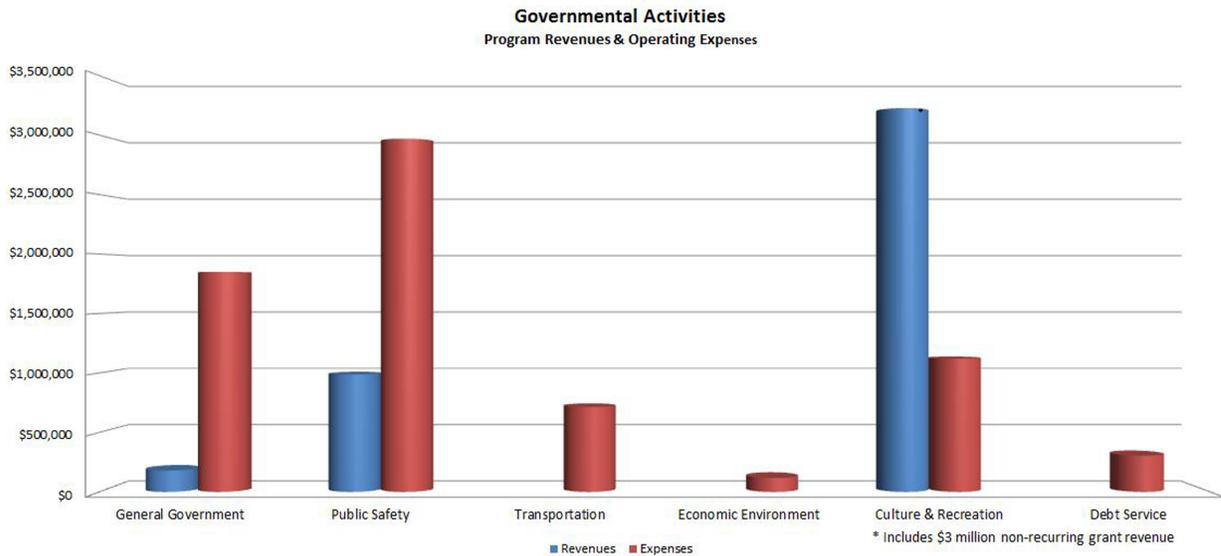
In 2013 the City Council approved a 3% bonus to staff in lieu of raises which was the primary driver of the 3% increase in General Government expenses.

Fiscal year 2013 Public Safety expenses increased in comparison to the prior fiscal year by \$345,886. This was the result of a \$141,243 increase in the cost to support the growth of the City's red light camera program, a program administered and processed by the City's police department instituted late in fiscal year 2011, as well as an increase in the City's required contribution to the Police Pension Plan, a defined benefit plan, of \$163,273.

The significant increase in Transportation expenses relates to resumption of the routine paving and street repair program with a \$531,858 increase in road materials expense fiscal 2013.

During 2011 the City completed the removal of a 1.5 mile long drive-on fishing pier that had been damaged by hurricane Ivan in 2004. The City Council's decision not to rebuild that structure using FEMA funding has enabled the City to pursue "alternative capital projects" under the FEMA grant program, including a \$6 million expansion of its recreation center which was completed in 2013 as well as other smaller projects which resulted in Culture and Recreation operating grants of approximately \$2.7 million.

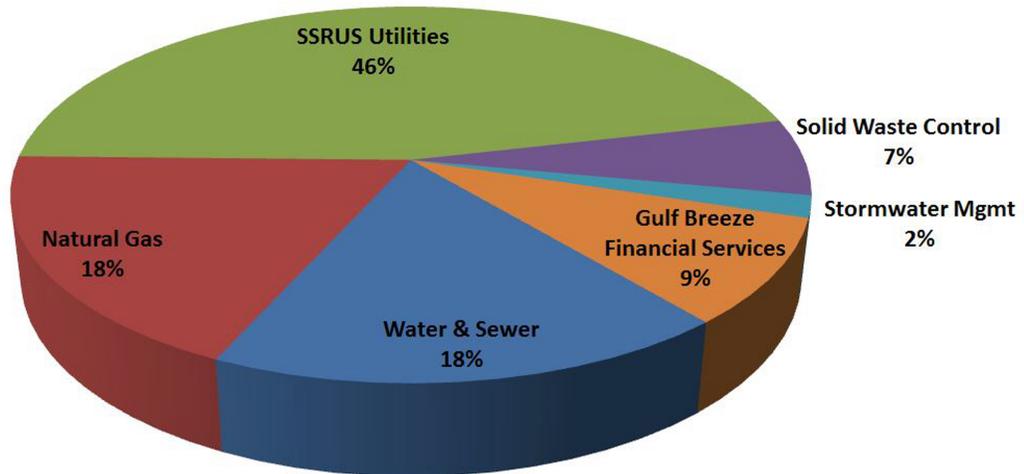
The decrease in Economic Environment expenses (\$16,494 or 12.4% under the prior year) primarily reflects decreased professional expenses relating to plan review costs in the Community Services department.



Business-Type Activities

Business-type activities increased the City's net position by \$186,613 before transfers, as indicated on Table 2.

**Fiscal Year 2013 Revenues by Source
Business-Type Activities**



There have been no significant changes in the number of water and sewer customers inside City limits. This is also true for the number of water customers outside the City limits. The minor increases in customer counts are often more than offset by overall decreasing usage volumes.

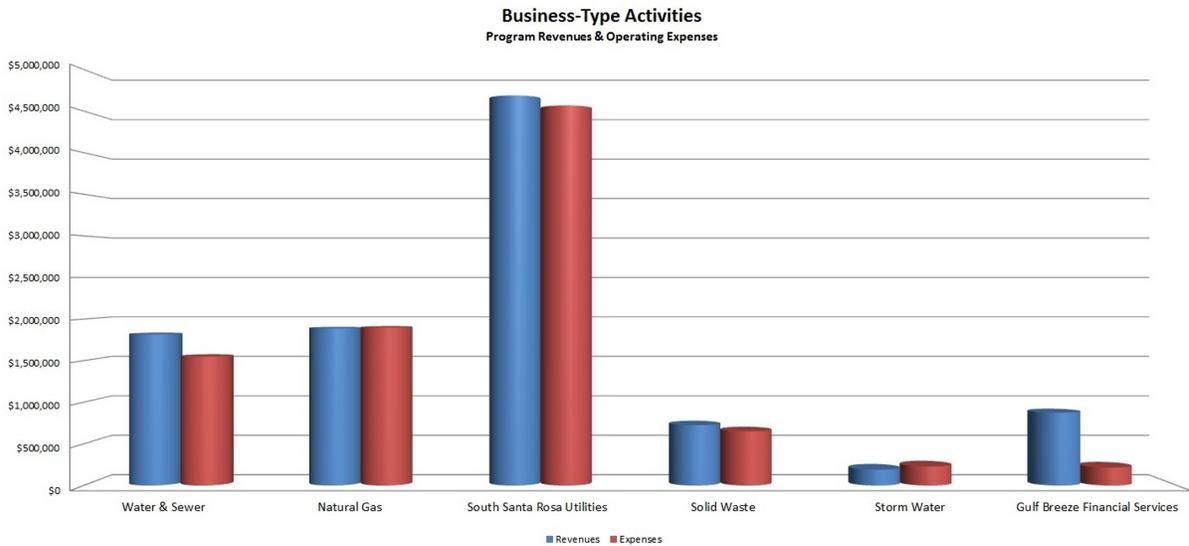
Contributions of \$358,338 from developers this year is a 10.5% decline over the prior year reflecting a minor decline in growth in the area serviced by South Santa Rosa Utilities Service (SSRUS). This area is located outside of the City limits and it is expected to continue to be developed over the next several years when the area economy recovers. As these new developments become complete the utility infrastructure must meet the standards set by SSRUS prior to acceptance by the Utility.

Investment earnings decreased by \$258,197 returning to more typical levels after they had increased by \$257,646 in fiscal year 2012 as a result of moving funds earned by Gulf Breeze Financial Services in the 2010 closeout of its 1997-A Loan Pool Program Trust Indenture from money market and non-interest bearing accounts to a professionally managed investment portfolio in accordance with the City's investment policies.

In 2012, Natural Gas completed a major extension of its service to Pensacola Beach and began to serve commercial properties in that area. The Natural Gas Utility shows an increase in revenues of 18.2% primarily due to a 22.4% increase in volume of gas sold due to that extension of service. Operating expenses (excluding depreciation) increased by 34.7% over the prior year as a result of installation costs and increases in other operating expenses related to the expanded market area. Natural Gas rates are adjusted according to the cost of natural gas which was unchanged in fiscal year 2013 relative to the prior year.

South Santa Rosa Utility (SSRU) experienced a 5% decline in revenues due to lower volume usage, while operating expenses (excluding depreciation) increased 0.7% primarily attributable to increased repair and maintenance costs relating to the waste water treatment plant and sewage lift stations.

The utility depends upon irrigation of the Tiger Point Golf Course for disposal of a great deal of effluent. Acquisition of the golf course allowed planning for expansion of the treatment plant in its current location, rather than requiring relocation of the facility. As a result, Golf Course operations are reported as non-operating revenues and expenses within the SSRU fund. Golf Course expenses exceeded revenues by \$894,013 partially due to transition costs and facility repairs.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Gulf Breeze's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Gulf Breeze's governmental funds reported combined ending fund balances of \$7,980,507, a decrease of \$535,417 in comparison with the prior year. Of this total amount, \$5,488 is reserved for inventory, as it is not available for appropriation (e.g., non-spendable), and \$6,058,917 is unassigned, and, as such, is available for spending at the City's discretion. The remainder of fund balance is designated for specific purposes: 1) \$762,430 is restricted for community redevelopment and public safety; 2) portions are committed for purposes including a self-insurance escrow \$250,000, beautification of \$296,352, park subdivisions of \$15,481, community funds of \$437; and 3) portions are assigned for disaster recovery \$100,000 and other purposes totaling \$491,402.

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,058,917, while total fund balance reached \$6,742,668. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 63% of the total General Fund expenditures, while total fund balance represents 71% of that same amount.

The General Fund's fund balance decreased by \$440,078 during the current fiscal year most notably due to a decrease in amounts due from other governments resulting from completion of FEMA related construction of an expansion of the City's recreation center.

The Urban Core Redevelopment Fund is used specifically for improvements within the City's defined commercial area. The revenues the fund receives are the result of City contributions as well as Tax Increment Financing (TIF) revenues. TIF revenues change proportionately with the defined commercial area's change in taxable value, which, due to the decrease in taxable parcels, resulted in a \$1,600 (0.2%) increase in tax revenues from 2012. Expenditures from this fund are used to support and enhance economic development within the defined commercial area. During the current fiscal year, the fund's expenditures supported traffic management, lighting and landscaping costs within the defined area and expanded and improved the sewer system.

Proprietary Funds

The City of Gulf Breeze's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds totaled \$5,501,964 at the end of the year, of that the Water and Sewer Fund amounted to \$1,640,147, the Natural Gas Fund totaled \$(1,924,755), South Santa Rosa Utility Fund was \$(151,960), Gulf Breeze Financial Services was \$6,224,043, and the non-major proprietary fund totaled \$(285,511). The net position of the proprietary funds decreased by \$1,030,975, reflecting increased debt and interfund liabilities relating to major capital projects, the acquisition of the assets of the Tiger Point Golf Course by South Santa Rosa Utilities, and substantial investment in repairing and restoring the golf course facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget expenditures increased from the original budget by \$9,516,211. This increase reflected numerous expenditures not contemplated in the original budget, primarily of which were: costs incurred in accordance with the alternative projects originally approved by FEMA in February 2010. The FEMA alternative projects provide the City with 98% reimbursement of some \$15 million of specifically approved projects and equipment procurement through fiscal year 2014. This program resulted in almost \$3 million increase in budgeted intergovernmental revenues. Actual revenues collected varied from final budgeted amounts due to miscellaneous revenues adjustments resulting in \$111,550 below final budget revenues.

The highlights of the budgetary changes are as follows:

- Final budget figures reflected an allocation of approximately \$8.45 million for capital expenditures (primarily related to FEMA reconstruction projects completed in 2013) which included in-process construction costs carried on the financial statements as Construction In Progress in fiscal 2012. Incurred incremental capital costs for 2013 were approximately \$3.28 million which resulted in a \$5.17 million positive variance compared to the final budget;
- \$3,000,000 increase in FEMA related intergovernmental revenues relating to the construction of the recreation center expansion; and, \$70,000 increase in culture and recreation expenditures reflecting Deadman’s Island preservation expenses, as well as increases in facilities operating costs related to the opening of the expanded Community Center.

The combined impact of these budget variances resulted in a net decrease in the General Fund fund balance of \$440,078 as compared to a final budgeted decrease of \$5,300,071.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,403,909	\$ 1,403,909	\$ 3,816,825	\$ 2,663,827	\$ 5,220,734	\$ 4,067,736
Construction in progress	-	5,223,283	-	2,334,648	-	7,557,931
Buildings	12,218,112	5,325,541	2,584,568	414,021	14,802,680	5,739,562
Improvements other than buildings	14,555,453	14,083,472	1,187,706	1,089,423	15,743,159	15,172,895
Infrastructure	1,071,613	704,758	45,829,896	42,365,694	46,901,509	43,070,452
Machinery and equipment	5,816,975	5,067,744	4,085,810	3,688,044	9,902,785	8,755,788
Accumulated depreciation	(15,627,498)	(13,844,313)	(29,949,687)	(27,648,770)	(45,577,185)	(41,493,083)
Total	\$ 19,438,564	\$ 17,964,394	\$ 27,555,118	\$ 24,906,887	\$ 46,993,682	\$ 42,871,281

The total increase in the City of Gulf Breeze’s investment in capital assets for the current fiscal year was \$4,747,853 (or 20%), overall reflecting significant increases in capital assets (10% increase for governmental activities and a 9% increase for business-type activities). Major changes in capital assets are summarized below.

- Completion of the expanded recreation/community center;
- Landscaping for the community center;
- Development of a recreational walking trail throughout Shoreline Park areas;
- Installation of two sculptures funded from donations;
- Natural gas service extension to Pensacola Beach;
- Acquisition of the assets of Tiger Point golf course by South Santa Rosa Utility Systems;
- Acquisition of new utility and financial software;
- Continued waste water treatment plant improvements; and
- New vehicles and equipment.

Additional information on the City of Gulf Breeze’s capital assets can be found in Note 5 in the notes to the financial statements.

Long-term Debt and Other Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ 8,135,723	\$ 8,311,723	\$ 5,471,974	\$ 5,959,853	\$ 13,607,697	\$ 14,271,576
Notes payable	-	-	3,788,641	3,950,788	3,788,641	3,950,788
State revolving loan	-	-	971,323	946,645	971,323	946,645
Capital lease payable	-	-	262,557	-	262,557	-
Compensated absences	228,753	220,828	175,891	162,741	404,644	383,569
Total	\$ 8,364,476	\$ 8,532,551	\$ 10,670,386	\$ 11,020,027	\$ 19,034,862	\$ 19,552,578

At the end of the current fiscal year, the City of Gulf Breeze had total bonded debt and outstanding loans of \$18,630,218. Governmental Debt is to be repaid from General Government revenues. Business-type obligations are secured by specified revenue sources.

Governmental Revenue Bond balances decreased largely as a result of a principal repayment on debt.

There are no limitations placed upon the amount of debt the City may issue either by the City’s charter, code of ordinances or by Florida Statutes.

Additional information on the City of Gulf Breeze’s long-term obligations can be found in Note 13 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and City Council considered many factors when adopting the Fiscal Year 2014 budget. New revenue sources continue to be an issue, due to declines in property values and previous State Constitution amendments resulting in reduced ad valorem revenues. The overall revenue forecast (including transfers in) for the General Fund is \$6,006,729 a 7.2% increase from fiscal 2013 original budgeted revenues. In FY 2014, ad valorem taxes will increase slightly to 1.9723 mills from the current 1.9 mills. The largest single area of increase is the transfers from proprietary funds which accounts for \$118,000 of the \$229,700 projected revenue increase. Debt Service expenses continue to be absorbed into the City's budget. Note that expenditures and reimbursements under FEMA projects are excluded from initial budget figures.

The budget for Fiscal Year 2014 expenditures is approximately 14.79% more than budgeted for Fiscal Year 2013. The primary areas of increase are projected adjustments to wages as well as projected increases in rates for employee medical coverage.

The General Fund is expected to generate \$532,499 in savings throughout the year. As those budgeted savings are realized, the City Council will then determine which capital projects for infrastructure may be funded by the end of the fiscal year. Tentative capital expenditures include street repaving, vehicle and equipment replacements and information technology improvements.

The Proprietary Funds have planned \$705,200 in vehicle, equipment replacements and infrastructure replacement, in addition to debt service for fiscal year 2014.

The Community Redevelopment Agency Fund is projected to use \$745,202 on the Central Business District improvements. The diligence provided by the City Council has ensured that the City will continue to maintain the high level of service desired by this community.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Gulf Breeze's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1070 Shoreline Drive, Gulf Breeze, Florida 32561. The City of Gulf Breeze's website address is www.cityofgulfbreeze.com.

BASIC FINANCIAL STATEMENTS

City of Gulf Breeze, Florida
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Capital Trust Agency and Subsidiary
ASSETS				
Cash and cash equivalents	\$ 3,197,631	\$ 4,689,406	\$ 7,887,037	\$ 2,055,223
Investments	-	5,239,976	5,239,976	-
Receivables, net	429,474	793,071	1,222,545	87,868
Interfund receivables (payables)	4,151,400	(4,151,400)	-	-
Due from other governments	515,680	9,407	525,087	-
Inventory, at cost	5,488	221,087	226,575	-
Investment in limited liability company	-	26,391	26,391	7,401
Restricted assets				
Cash and cash equivalents	394,869	2,865,767	3,260,636	1,261,914
Investments	-	3,541,772	3,541,772	-
Other assets				
Bond issue costs, net	273,849	149,948	423,797	-
Investment in joint venture	-	1,815,565	1,815,565	-
Other	-	491,419	491,419	20,800
Capital assets				
Non-depreciable	1,403,909	3,816,825	5,220,734	-
Depreciable	18,034,655	23,738,293	41,772,948	-
TOTAL ASSETS	28,406,955	43,247,527	71,654,482	3,433,206
LIABILITIES				
Accounts payable	493,284	568,790	1,062,074	-
Accrued liabilities	220,751	102,527	323,278	9,408
Payable from restricted assets				
Accrued interest	-	123,937	123,937	-
Customer deposits	-	766,270	766,270	-
Line of credit	-	3,000,000	3,000,000	-
Non-current liabilities				
Due within one year				
State revolving loan payable	-	38,401	38,401	-
Compensated absences	197,121	152,513	349,634	-
Revenue bonds payable	184,800	645,200	830,000	-
Capital lease payable	-	101,367	101,367	-
Note payable	-	170,718	170,718	-
Due in more than one year				
Unearned revenue	-	67,379	67,379	-
Compensated absences	31,632	23,378	55,010	-
State revolving loan payable	-	932,922	932,922	-
Revenue bonds payable	7,950,923	4,826,774	12,777,697	-
Capital lease payable	-	161,190	161,190	-
Note payable	-	3,617,923	3,617,923	-
TOTAL LIABILITIES	9,078,511	15,299,289	24,377,800	9,408
NET POSITION				
Net investment in capital assets	11,302,841	17,147,289	28,450,130	-
Restricted for:				
Recapture indemnity agreement	-	-	-	1,261,914
Community redevelopment	711,122	-	711,122	-
Debt service	-	5,298,985	5,298,985	-
Unrestricted	7,314,481	5,501,964	12,816,445	2,161,884
TOTAL NET POSITION	\$ 19,328,444	\$ 27,948,238	\$ 47,276,682	\$ 3,423,798

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Capital Trust Agency and Subsidiary
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
General government	\$ 1,939,342	\$ 94,215	\$ 85,028	\$ -	\$ (1,760,099)	\$ -	\$ (1,760,099)	\$ -
Public safety	3,259,673	901,465	85,826	-	(2,272,382)	-	(2,272,382)	-
Transportation	1,040,137	-	-	-	(1,040,137)	-	(1,040,137)	-
Economic environment	458,622	-	-	-	(458,622)	-	(458,622)	-
Culture and recreation	1,853,545	242,762	2,984,084	-	1,373,301	-	1,373,301	-
Debt service interest	305,046	-	-	-	(305,046)	-	(305,046)	-
Total governmental activities	8,856,365	1,238,442	3,154,938	-	(4,462,985)	-	(4,462,985)	-
Business-Type Activities								
Water and sewer	1,626,874	1,816,720	-	14,985	-	204,831	204,831	-
Natural gas	1,897,522	1,888,721	-	-	-	(8,801)	(8,801)	-
South Santa Rosa Utility	7,298,787	5,998,798	-	358,338	-	(941,651)	(941,651)	-
Solid waste control	702,888	725,172	-	-	-	22,284	22,284	-
Stormwater management	258,411	190,324	-	-	-	(68,087)	(68,087)	-
Gulf Breeze Financial Services	245,537	875,171	-	-	-	629,634	629,634	-
Total business-type activities	12,030,019	11,494,906	-	373,323	-	(161,790)	(161,790)	-
Total primary government	\$ 20,886,384	\$ 12,733,348	\$ 3,154,938	\$ 373,323	\$ (4,462,985)	\$ (161,790)	\$ (4,624,775)	\$ -
Capital Trust Agency and subsidiary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (292,502)
General revenues								
Taxes								
Property taxes					\$ 1,739,120	\$ -	\$ 1,739,120	\$ -
Tourist development taxes					64,755	-	64,755	-
Fuel taxes					231,438	-	231,438	-
Franchise taxes					288,767	-	288,767	-
Communication service taxes					361,484	-	361,484	-
Utility service taxes					357,489	-	357,489	-
Intergovernmental, unrestricted					499,149	-	499,149	-
Miscellaneous					796,089	329,682	1,125,771	70,031
Unrestricted investment earnings					13,904	18,721	32,625	5,808
Transfers					1,217,588	(1,217,588)	-	-
Total general revenues and transfers					5,569,783	(869,185)	4,700,598	75,839
Change in net position					1,106,798	(1,030,975)	75,823	(216,663)
Net position - beginning of year					18,221,646	28,979,213	47,200,859	3,640,461
Net position - end of year					\$ 19,328,444	\$ 27,948,238	\$ 47,276,682	\$ 3,423,798

The accompanying notes are an integral part of these financial statements.

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2013

	<u>General</u>	<u>Urban Core Redevelopment</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,784,274	\$ 796,153	\$ 617,204	\$ 3,197,631
Receivables	429,474	-	-	429,474
Interfund receivables	4,201,186	-	-	4,201,186
Due from other governments	515,680	-	-	515,680
Inventory, at cost	5,488	-	-	5,488
Restricted assets				
Cash and cash equivalents	394,869	-	-	394,869
Total assets	<u>\$ 7,330,971</u>	<u>\$ 796,153</u>	<u>\$ 617,204</u>	<u>\$ 8,744,328</u>
LIABILITIES				
Accounts payable	\$ 367,940	\$ 85,031	\$ 40,313	\$ 493,284
Accrued liabilities	220,363	-	388	220,751
Interfund payables	-	-	49,786	49,786
Total liabilities	<u>588,303</u>	<u>85,031</u>	<u>90,487</u>	<u>763,821</u>
FUND BALANCE				
Non-spendable				
Inventory	5,488	-	-	5,488
Restricted				
Public safety	-	-	51,308	51,308
Community redevelopment	-	711,122	-	711,122
Committed				
Community funds	437	-	-	437
Self-insurance	250,000	-	-	250,000
Public safety	-	-	475,409	475,409
Beautification	296,352	-	-	296,352
Parks subdivision	15,481	-	-	15,481
Assigned				
Disaster recovery	100,000	-	-	100,000
Public safety	15,993	-	-	15,993
Unassigned	6,058,917	-	-	6,058,917
Total fund balance	<u>6,742,668</u>	<u>711,122</u>	<u>526,717</u>	<u>7,980,507</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,330,971</u>	<u>\$ 796,153</u>	<u>\$ 617,204</u>	<u>\$ 8,744,328</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2013

Fund balances - total governmental funds (page 20)	\$ 7,980,507
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 governmental funds.	
Governmental non-depreciable assets	1,403,909
Governmental depreciable assets	33,662,153
Less accumulated depreciation	<u>(15,627,498)</u> <u>19,438,564</u>
Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Bond issuance costs	330,824
Less accumulated amortization	<u>(56,975)</u> <u>273,849</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Revenue bonds payable	(8,135,723)
Compensated absences	<u>(228,753)</u> <u>(8,364,476)</u>
Net position of governmental activities (page 18)	<u>\$ 19,328,444</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended September 30, 2013

	<u>General</u>	<u>Urban Core Redevelopment</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,180,923	\$ 573,363	\$ -	\$ 2,754,286
Licenses and permits	382,850	-	-	382,850
Intergovernmental	3,624,993	-	-	3,624,993
Charges for services	232,418	-	-	232,418
Fines and forfeitures	102,046	-	777,679	879,725
Investment earnings	13,904	-	-	13,904
Miscellaneous	<u>820,407</u>	<u>-</u>	<u>36,992</u>	<u>857,399</u>
TOTAL REVENUES	<u>7,357,541</u>	<u>573,363</u>	<u>814,671</u>	<u>8,745,575</u>
EXPENDITURES				
Current				
General government	1,422,331	395,889	-	1,818,220
Public safety	2,335,032	-	634,514	2,969,546
Transportation	713,559	-	-	713,559
Economic environment	116,579	-	-	116,579
Culture and recreation	1,119,344	-	-	1,119,344
Capital outlay	3,280,636	-	-	3,280,636
Debt service				
Principal	175,650	-	-	175,650
Interest	<u>305,046</u>	<u>-</u>	<u>-</u>	<u>305,046</u>
TOTAL EXPENDITURES	<u>9,468,177</u>	<u>395,889</u>	<u>634,514</u>	<u>10,498,580</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(2,110,636)	177,474	180,157	(1,753,005)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,936,284	178,726	-	2,115,010
Transfers out	<u>(265,726)</u>	<u>(524,099)</u>	<u>(107,597)</u>	<u>(897,422)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,670,558</u>	<u>(345,373)</u>	<u>(107,597)</u>	<u>1,217,588</u>
NET CHANGE IN FUND BALANCE	(440,078)	(167,899)	72,560	(535,417)
FUND BALANCE - BEGINNING OF YEAR	<u>7,182,746</u>	<u>879,021</u>	<u>454,157</u>	<u>8,515,924</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,742,668</u>	<u>\$ 711,122</u>	<u>\$ 526,717</u>	<u>\$ 7,980,507</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Net change in fund balances - total governmental funds (page 22) \$ (535,417)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	3,280,636	
Disposals of capital assets	(22,961)	
Less current year depreciation	<u>(1,783,185)</u>	1,474,490

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt principal payments	<u>175,650</u>	175,650
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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.

Change in long-term compensated absences	<u>(7,925)</u>	<u>(7,925)</u>
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Change in net position of governmental activities (page 19) \$ 1,106,798

The accompanying notes are an integral part of these financial statements.

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended September 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 2,103,221	\$ 2,180,923	\$ 2,180,923	\$ -
Licenses and permits	403,500	382,850	382,850	-
Intergovernmental	647,213	3,624,993	3,624,993	-
Charges for services	283,800	232,418	232,418	-
Fines and forfeitures	119,000	102,046	102,046	-
Investment earnings	10,000	13,904	13,904	-
Miscellaneous	<u>501,264</u>	<u>931,957</u>	<u>820,407</u>	<u>(111,550)</u>
TOTAL REVENUES	<u>4,067,998</u>	<u>7,469,091</u>	<u>7,357,541</u>	<u>(111,550)</u>
EXPENDITURES				
Current				
General government	1,296,124	1,440,494	1,422,331	18,163
Public safety	2,164,764	2,335,032	2,335,032	-
Transportation	135,518	679,281	713,559	(34,278)
Economic environment	128,075	116,579	116,579	-
Culture and recreation	935,548	1,119,344	1,119,344	-
Capital outlay	5,000	8,453,916	3,280,636	5,173,280
Debt service				
Principal	139,800	175,650	175,650	-
Interest	<u>304,302</u>	<u>305,046</u>	<u>305,046</u>	<u>-</u>
TOTAL EXPENDITURES	<u>5,109,131</u>	<u>14,625,342</u>	<u>9,468,177</u>	<u>5,157,165</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,041,133)</u>	<u>(7,156,251)</u>	<u>(2,110,636)</u>	<u>5,045,615</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,543,737	2,121,906	1,936,284	(185,622)
Transfers out	<u>(178,726)</u>	<u>(265,726)</u>	<u>(265,726)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,365,011</u>	<u>1,856,180</u>	<u>1,670,558</u>	<u>(185,622)</u>
NET CHANGE IN FUND BALANCES	323,878	(5,300,071)	(440,078)	4,859,993
FUND BALANCE - BEGINNING OF YEAR	<u>(323,878)</u>	<u>5,300,071</u>	<u>7,182,746</u>	<u>1,882,675</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,742,668</u>	<u>\$ 6,742,668</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - URBAN CORE REDEVELOPMENT
SPECIAL REVENUE FUND
Year Ended September 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 573,363	\$ 573,363	\$ 573,363	\$ -
EXPENDITURES				
Current				
General government	354,400	395,889	395,889	-
Capital outlay	<u>168,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>523,352</u>	<u>395,889</u>	<u>395,889</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>50,011</u>	<u>177,474</u>	<u>177,474</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	178,726	178,726	178,726	-
Transfers out	<u>(193,737)</u>	<u>(725,839)</u>	<u>(524,099)</u>	<u>201,740</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,011)</u>	<u>(547,113)</u>	<u>(345,373)</u>	<u>201,740</u>
NET CHANGES IN FUND BALANCE	35,000	(369,639)	(167,899)	201,740
FUND BALANCES - BEGINNING OF YEAR	<u>(35,000)</u>	<u>369,639</u>	<u>879,021</u>	<u>509,382</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 711,122</u>	<u>\$ 711,122</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2013

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Gulf Breeze Financial Services</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
ASSETS						
Current assets						
Cash and cash equivalents	\$ 437,510	\$ 752,021	\$ 2,053,252	\$ 1,258,872	\$ 187,751	\$ 4,689,406
Investments	-	-	63,356	5,176,620	-	5,239,976
Receivables	242,447	131,364	347,449	17,466	54,345	793,071
Interfund receivable	-	-	-	2,755,450	-	2,755,450
Due from other governments - component units	-	-	-	9,407	-	9,407
Inventory, at cost	16,110	80,096	124,881	-	-	221,087
Investment in limited liability company	-	-	-	26,391	-	26,391
Restricted assets						
Cash and cash equivalents	240,052	208,758	1,404,574	1,000,358	12,025	2,865,767
Investments	-	-	-	<u>3,541,772</u>	-	<u>3,541,772</u>
Total current assets	<u>936,119</u>	<u>1,172,239</u>	<u>3,993,512</u>	<u>13,786,336</u>	<u>254,121</u>	<u>20,142,327</u>
Noncurrent assets						
Capital assets, net						
Land	-	-	3,816,825	-	-	3,816,825
Buildings	-	-	2,324,269	-	-	2,324,269
Improvements other than building	-	-	889,688	73,979	-	963,667
Infrastructure	1,985,311	3,367,097	13,557,959	-	844,854	19,755,221
Machinery and equipment	<u>105,196</u>	<u>176,951</u>	<u>386,837</u>	<u>3,570</u>	<u>22,582</u>	<u>695,136</u>
Total capital assets	<u>2,090,507</u>	<u>3,544,048</u>	<u>20,975,578</u>	<u>77,549</u>	<u>867,436</u>	<u>27,555,118</u>
Other assets						
Bond issue costs, net	-	-	149,948	-	-	149,948
Investment in joint venture	925,938	-	889,627	-	-	1,815,565
Other	<u>122,856</u>	-	<u>368,563</u>	-	-	<u>491,419</u>
Total other assets	<u>1,048,794</u>	-	<u>1,408,138</u>	-	-	<u>2,456,932</u>
Total non-current assets	<u>3,139,301</u>	<u>3,544,048</u>	<u>22,383,716</u>	<u>77,549</u>	<u>867,436</u>	<u>30,012,050</u>
TOTAL ASSETS	<u>\$ 4,075,420</u>	<u>\$ 4,716,287</u>	<u>\$ 26,377,228</u>	<u>\$13,863,885</u>	<u>\$ 1,121,557</u>	<u>\$50,154,377</u>

Continued...

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2013

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Gulf Breeze Financial Services</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 100,497	\$ 59,669	\$ 321,656	\$ 13,663	\$ 73,305	\$ 568,790
Accrued liabilities	5,152	23,567	63,156	6,500	4,152	102,527
Interfund balances	-	2,800,000	3,656,750	-	450,100	6,906,850
Payable from restricted assets						
Accrued interest	-	-	123,937	-	-	123,937
Customer deposits	171,738	213,758	368,699	-	12,075	766,270
Line of credit	-	-	-	3,000,000	-	3,000,000
Compensated absences	2,221	33,200	117,092	-	-	152,513
State revolving loan payable	-	-	38,401	-	-	38,401
Revenue bonds payable	25,200	-	620,000	-	-	645,200
Capital lease payable	-	-	101,367	-	-	101,367
Note payable	-	-	170,718	-	-	170,718
Total current liabilities	<u>304,808</u>	<u>3,130,194</u>	<u>5,581,776</u>	<u>3,020,163</u>	<u>539,632</u>	<u>12,576,573</u>
Non-current liabilities						
Unearned revenue	67,379	-	-	-	-	67,379
Compensated absences	340	5,089	17,949	-	-	23,378
State revolving loan payable	-	-	932,922	-	-	932,922
Revenue bonds payable	1,089,600	-	3,737,174	-	-	4,826,774
Capital lease payable	-	-	161,190	-	-	161,190
Note payable	-	-	3,617,923	-	-	3,617,923
Total non-current liabilities	<u>1,157,319</u>	<u>5,089</u>	<u>8,467,158</u>	<u>-</u>	<u>-</u>	<u>9,629,566</u>
TOTAL LIABILITIES	<u>1,462,127</u>	<u>3,135,283</u>	<u>14,048,934</u>	<u>3,020,163</u>	<u>539,632</u>	<u>22,206,139</u>
NET POSITION						
Net investment in capital assets	973,146	3,505,759	11,723,399	77,549	867,436	17,147,289
Restricted						
Debt service	-	-	756,855	4,542,130	-	5,298,985
Unrestricted	<u>1,640,147</u>	<u>(1,924,755)</u>	<u>(151,960)</u>	<u>6,224,043</u>	<u>(285,511)</u>	<u>5,501,964</u>
TOTAL NET POSITION	<u>\$ 2,613,293</u>	<u>\$ 1,581,004</u>	<u>\$ 12,328,294</u>	<u>\$ 10,843,722</u>	<u>\$ 581,925</u>	<u>\$ 27,948,238</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2013

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES						
Charges for services	<u>\$ 1,816,720</u>	<u>\$ 1,888,721</u>	<u>\$ 4,686,102</u>	<u>\$ 875,171</u>	<u>\$ 915,496</u>	<u>\$ 10,182,210</u>
OPERATING EXPENSES						
Personal services	274,357	521,081	1,245,467	106,114	204,277	2,351,296
Contractual services	799,888	693,541	628,753	-	551,581	2,673,763
Supplies	73,490	186,420	260,877	-	7,091	527,878
Professional services	1,626	24,542	32,854	62,736	-	121,758
Repairs and maintenance	95,467	35,824	316,069	-	11,080	458,440
Office and utilities	64,680	183,428	385,600	37,985	3,895	675,588
Depreciation and amortization	239,877	252,686	1,696,431	9,021	102,900	2,300,915
Total operating expenses	<u>1,549,385</u>	<u>1,897,522</u>	<u>4,566,051</u>	<u>215,856</u>	<u>880,824</u>	<u>9,109,638</u>
OPERATING INCOME	<u>267,335</u>	<u>(8,801)</u>	<u>120,051</u>	<u>659,315</u>	<u>34,672</u>	<u>1,072,572</u>
NON-OPERATING REVENUES (EXPENSES)						
Golf course revenues	-	-	1,312,696	-	-	1,312,696
Golf course expenses	-	-	(2,106,709)	-	-	(2,106,709)
Investment loss	-	-	-	(16,188)	-	(16,188)
Interest earnings	5,358	-	83	29,468	-	34,909
Rents and royalties	-	-	53,914	-	-	53,914
Loss from investment in limited liability company	-	-	-	(213)	-	(213)
Interest expense	(77,489)	-	(626,027)	(29,468)	(29,167)	(762,151)
Income (loss) from joint venture	77,851	-	74,798	-	-	152,649
Miscellaneous	19,117	94,588	9,414	-	(51,308)	71,811
Total non-operating revenues (expenses)	<u>24,837</u>	<u>94,588</u>	<u>(1,281,831)</u>	<u>(16,401)</u>	<u>(80,475)</u>	<u>(1,259,282)</u>
INCOME BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>292,172</u>	<u>85,787</u>	<u>(1,161,780)</u>	<u>642,914</u>	<u>(45,803)</u>	<u>(186,710)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in	-	-	227,325	-	87,000	314,325
Transfers out	(382,024)	(205,355)	(317,497)	(500,000)	(127,037)	(1,531,913)
Capital contributions	14,985	-	358,338	-	-	373,323
Total transfers and capital contributions	<u>(367,039)</u>	<u>(205,355)</u>	<u>268,166</u>	<u>(500,000)</u>	<u>(40,037)</u>	<u>(844,265)</u>
CHANGE IN NET POSITION	(74,867)	(119,568)	(893,614)	142,914	(85,840)	(1,030,975)
NET POSITION - BEGINNING OF YEAR	<u>2,688,160</u>	<u>1,700,572</u>	<u>13,221,908</u>	<u>10,700,808</u>	<u>667,765</u>	<u>28,979,213</u>
NET POSITION - END OF YEAR	<u>\$ 2,613,293</u>	<u>\$ 1,581,004</u>	<u>\$ 12,328,294</u>	<u>\$ 10,843,722</u>	<u>\$ 581,925</u>	<u>\$ 27,948,238</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2013

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,845,657	\$ 1,977,484	\$ 4,685,476	\$ 846,854	\$ 917,066	\$ 10,272,537
Payments from component units	-	-	-	9,122	-	9,122
Payments to suppliers	(981,968)	(1,374,591)	(1,479,004)	(92,999)	(512,772)	(4,441,334)
Payments to employees	(275,860)	(526,069)	(1,205,134)	(106,114)	(205,430)	(2,318,607)
Net cash provided by operating activities	<u>587,829</u>	<u>76,824</u>	<u>2,001,338</u>	<u>656,863</u>	<u>198,864</u>	<u>3,521,718</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES						
Payments between funds	-	1,018,906	656,750	-	33,215	1,708,871
Draws on line of credit	-	-	-	3,000,000	-	3,000,000
Interest payments on note payable	-	-	-	(29,468)	-	(29,468)
Due to primary government	-	-	-	244,550	-	244,550
Transfers in	-	-	227,326	-	87,000	314,326
Transfers out	(382,024)	(205,355)	(317,497)	(500,000)	(127,038)	(1,531,914)
Net cash used by non-capital financing activities	<u>(382,024)</u>	<u>813,551</u>	<u>566,579</u>	<u>2,715,082</u>	<u>(6,823)</u>	<u>3,706,365</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(314,896)	(886,439)	(344,495)	-	-	(1,545,830)
Principal paid on bonds payable	(24,000)	-	(595,000)	-	-	(619,000)
Proceeds from state revolving loan	-	-	43,001	-	-	43,001
Principal paid on state revolving loan	-	-	(18,323)	-	-	(18,323)
Principal paid on notes payable	-	-	(162,147)	-	-	(162,147)
Interest paid on long-term debt	(77,489)	-	(635,696)	-	(29,167)	(742,352)
Tap fees	14,985	-	358,338	-	-	373,323
Net cash used by capital and related financing activities	<u>(401,400)</u>	<u>(886,439)</u>	<u>(1,354,322)</u>	<u>-</u>	<u>(29,167)</u>	<u>(2,671,328)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	(1,975,535)	-	(1,975,535)
Proceeds from sale of investments	-	-	-	1,751,753	-	1,751,753
Due from primary government	-	-	-	(3,000,000)	-	(3,000,000)
Receipts from golf course	-	-	1,312,696	-	-	1,312,696
Payments related to golf course	-	-	(2,106,709)	-	-	(2,106,709)
Rents and royalties	-	-	53,914	-	-	53,914
Interest income received from primary government	-	-	-	29,468	-	29,468
Interest income	5,358	-	83	251,107	-	256,548
Net cash provided by investing activities	<u>5,358</u>	<u>-</u>	<u>(740,016)</u>	<u>(2,943,207)</u>	<u>-</u>	<u>(3,677,865)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(190,237)	3,936	473,579	428,738	162,874	878,890
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR						
	<u>867,799</u>	<u>956,843</u>	<u>2,984,247</u>	<u>1,830,492</u>	<u>36,902</u>	<u>6,676,283</u>
CASH AND CASH EQUIVALENTS - END OF YEAR						
	<u>\$ 677,562</u>	<u>\$ 960,779</u>	<u>\$ 3,457,826</u>	<u>\$ 2,259,230</u>	<u>\$ 199,776</u>	<u>\$ 7,555,173</u>
CASH AND CASH EQUIVALENTS - END OF YEAR CONSIST OF						
Current assets	\$ 437,510	\$ 752,021	\$ 2,053,252	\$ 1,258,872	\$ 187,751	\$ 4,689,406
Restricted assets	240,052	208,758	1,404,574	1,000,358	12,025	2,865,767
	<u>\$ 677,562</u>	<u>\$ 960,779</u>	<u>\$ 3,457,826</u>	<u>\$ 2,259,230</u>	<u>\$ 199,776</u>	<u>\$ 7,555,173</u>

Continued...

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2013

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Gulf Breeze Financial Services</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$ 267,335	\$ (8,801)	\$ 120,051	\$ 659,315	\$ 34,672	\$ 1,072,572
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization	239,877	252,686	1,696,431	9,021	102,900	2,300,915
Miscellaneous income	19,117	94,588	9,418	-	(51,308)	71,815
(Increase) decrease in assets						
Receivables	12,626	(13,023)	(15,734)	(17,466)	53,648	20,051
Inventory, at cost	7,142	25,628	(76,410)	-	-	(43,640)
Due from other component units	-	-	-	(2,878)	-	(2,878)
Increase (decrease) in liabilities						
Accounts payable	46,040	(276,464)	220,199	8,871	60,877	59,523
Accrued interest	-	-	(9,669)	-	-	(9,669)
Accrued liabilities	(1,244)	8,263	32,961	-	(1,155)	38,825
Deferred revenue	(10,635)	-	-	-	-	(10,635)
Customer deposits	7,830	(1,065)	5,695	-	(770)	11,690
Compensated absences payable	(259)	(4,988)	18,396	-	-	13,149
Net cash provided by operating activities	<u>\$ 587,829</u>	<u>\$ 76,824</u>	<u>\$ 2,001,338</u>	<u>\$ 656,863</u>	<u>\$ 198,864</u>	<u>\$ 3,521,718</u>

The accompanying notes are an integral
part of these financial statements.

City of Gulf Breeze, Florida
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2013

	Police Officers' Retirement Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 8,126
Investment in mutual funds, at fair value	<u>3,260,801</u>	<u>-</u>
TOTAL ASSETS	<u>3,260,801</u>	<u>8,126</u>
LIABILITIES		
Due to others	<u>-</u>	<u>8,126</u>
Total liabilities	<u>-</u>	<u>8,126</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>\$ 3,260,801</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

City of Gulf Breeze, Florida
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended September 30, 2013

	Police Officers' Retirement Fund
ADDITIONS	
Contributions	
Employer	\$ 268,765
Plan members	5,665
State of Florida	<u>56,576</u>
Total contributions	<u>331,006</u>
Investment income	326,283
Less investment expense	<u>(5,622)</u>
Net investment income	<u>320,661</u>
Total additions	<u>651,667</u>
DEDUCTIONS	
Distributions to retirees	39,355
Administrative expenses	<u>5,839</u>
Total deductions	<u>45,194</u>
NET INCREASE	606,473
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	<u>2,654,328</u>
END OF YEAR	<u>\$ 3,260,801</u>

The accompanying notes are an integral part of these financial statements.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gulf Breeze, Florida (the City) was chartered as a municipality by a Special Act of the Florida Legislature on May 1, 1961, under Chapter 61.2207, Laws of Florida, pursuant to House Bill number 557. On August 10, 1961 residents voted to adopt the charter and elected the first city officials. As authorized by its charter, the City provides the following services: public safety (police, fire, and inspection), highways and streets, water and sewer, natural gas, sanitation, stormwater drainage, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City:

A. The Reporting Entity

A four member City Council and a Mayor govern the City, each elected at-large for four-year terms for Council Members and a two-year term for the Mayor. The Council has no powers other than those expressly vested in it by State Statute and the City Charter, and their governmental powers cannot be delegated. Each Councilman and the Mayor receive \$1.00 per year in compensation for their service.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Gulf Breeze (the primary government) and its component units. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. Management utilized criteria set forth in GASB 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB 61, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

As of September 30, 2013, the City of Gulf Breeze had three component units, as defined by GASB 61, which have been presented in the financial statements of the primary government as either “discretely presented component units” or “blended component units.” The component units are: the Urban Core Redevelopment (Community Redevelopment Agency), Gulf Breeze Financial Services, Inc., and Capital Trust Agency, Inc. and Subsidiary.

The City established the Gulf Breeze Community Redevelopment Agency (CRA) on December 18, 1989, in accordance with Florida Statute 163.330 and City Resolution 18-89. The CRA is considered a dependent special district with substantively the same governing board as the City and as such has been combined with the City for financial statement reporting purposes. The financial activity of the CRA is being recorded and reported within a special revenue fund entitled Urban Core Redevelopment.

Gulf Breeze Financial Services, Inc. (GBFS) was incorporated as of March 6, 1997. The members of the City Council, including the Mayor, serve as directors of the Corporation. The Corporation was formed exclusively for the purposes of assisting the City of Gulf Breeze in administration, operation, marketing, organizing, and servicing of various financing programs such as the Gulf Breeze Local Government Loan Program through which the City is either a participant or a sponsor of such financing programs, usually involving the issuance of bonds. Gulf Breeze Financial Services, Inc. is being reported as an enterprise fund. GBFS issues separate financial statements which may be obtained by writing to Gulf Breeze Financial Services, Inc., 315 Fairpoint Drive, Gulf Breeze, FL 32561 or calling (850) 934-4046.

Capital Trust Agency, Inc. (CTA) was established by the City on May 19, 1999, with Resolution 14-99 and incorporated on June 30, 1999, with the directors appointed by the City Council. CTA was formed for the purposes of assisting in the financing, acquisition, construction, development, equipping, maintenance, operation, and/or promotion of certain facilities, intangibles, and capital projects. The City exclusively benefits from the activity of CTA and received \$325,000 in miscellaneous revenues during the fiscal year ending September 30, 2013. In 2007, CTA and GBFS formed Capital Trust Agency Community Development Entity, LLC (CTA-CDE) to attract tax credit fund incentives into financing projects to help renew Florida's distressed neighborhoods. CTA holds a 99% ownership interest in CTA-CDE and is the managing member. Accordingly, CTA presents its financial information consolidated with that of CTA-CDE (Subsidiary). CTA and Subsidiary is reported as a discretely presented enterprise fund. CTA and Subsidiary issues separate financial statements which may be obtained by writing to Capital Trust Agency, Inc., 315 Fairpoint Drive, Gulf Breeze, FL 32561 or calling (850) 934-4046.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Conduit Debt

The City has sponsored the following financing programs involving the issuance, by the City of Gulf Breeze, Florida, of the following bonds:

- \$302,335,000 Floating Rate Demand Revenue Bonds, Series 1985
\$302,335,000 outstanding (City collects an administrative fee).
- \$90,055,000 4.5% Revenue Bonds, Series 1997B, \$90,055,000
outstanding.
- \$20,500,000 Variable Rate Demand Revenue Bonds, Series 1999
\$20,500,000 outstanding.
- \$18,190,000 Variable Rate Demand Revenue Bonds, Series 2010A
\$18,190,000 outstanding.
- \$12,255,000 Variable Rate Demand Revenue Bonds, Series 2010B
\$12,255,000 outstanding.

These bonds were issued pursuant to a Trust Indenture by and between the City and SunTrust Bank, as Trustee, for the purpose of funding the Gulf Breeze Local Government Loan Pool Program, which makes loans to local government and not-for-profit entities. The bonds are payable solely from the Trust and the proceeds generated from loans to the borrowing entities. The City is not liable for repayment of the bonds under the terms of the Trust Agreement, and the sole remedy for any bondholder as set forth in the Trust Agreement is limited to the assets of the Trust. Accordingly, the activity of the trust is not included in these financial statements.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) 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 normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on charges and fees for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Some centralized expenses, to include an administrative overhead component, are included in fund direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) 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 fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

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 (agency funds do not have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Pension plans recognize revenue when contributions are due, as there is a statutory requirement to make the contribution. Property taxes are recorded as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds do not have a measurement focus, as they only report assets and liabilities; however, agency funds do use the accrual basis of accounting to recognize receivables and payables.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for certain grant revenues which are recognized as revenues in the same period in which the grant expenditures occurred. 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 and claims and judgments, are recorded only when payment is due.

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Santa Rosa County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2013
Levy Date	November 1, 2013
Due Date	November 1, 2013
Delinquent Date	April 1, 2014

Discounts of 1% for each month taxes are paid prior to March 2014 are granted.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2013 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

D. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including tap and impact fees intended to cover the impact of future additional infrastructure costs.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

The following three broad classifications are used to categorize the fund types used by the City:

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The City has the following major governmental funds.

General Fund - This is the City's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Urban Core Redevelopment Fund - This fund is used to account for the activities of the Gulf Breeze Community Redevelopment Agency.

Proprietary

Proprietary funds focus on the determination of net income, changes in net position, financial position, and cash flows. All of the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the major proprietary funds of the City.

Water and Sewer Fund - Used to account for the provision of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Natural Gas Fund - Used to account for the activity associated with providing gas service to the citizens of the City.

South Santa Rosa Utility Fund - Used to account for the operations of the water and sewer system for residents east of Gulf Breeze to Midway and sewage disposal for the residents of the City.

Gulf Breeze Financial Services - Used to account for the activities relating to the administration, operation, marketing, organizing, and servicing of various financing programs, such as the Gulf Breeze Local Government Loan Pool.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments. The City has two major fiduciary funds.

Pension Trust Fund - Used to report the resources that are required to be held in trust for the members and beneficiaries of the one defined benefit pension plan administered by the City; the Police Officers' Retirement Pension Fund.

Agency Funds - Used to account for assets held by the City on behalf of others. The City's agency funds include the Donations Fund, which accounts for contributions for various organizations with the City, and the D.A.R.E. fund, used to account for assets contributed to the Police Department for special projects.

E. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with a maturity of ninety days or less when purchased and investments with the State Board of Administration (SBA) to be cash equivalents. Additionally, each fund's equity in the City's investment pool (see Note 3) is considered to be a cash equivalent since the City can deposit or effectively withdraw cash at any time without prior notice or penalty.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund; direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government; collateralized interest-bearing time deposits or savings accounts in state or Federal banks or savings and loan associations; debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, and the Federal National Mortgage Association; and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to United States Government obligations or repurchase agreements fully collateralized by such obligations. The City adheres strictly to the provisions of those cited Statutes, as well as with Chapter 517, Florida Statutes, which established registration procedures for securities and dealers and Chapter 280, Florida Statutes, which requires the City to maintain deposits only with “Qualified Public Depositories.” The City maintains a cash and investment pool available for use by all funds. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. In addition, restricted cash accounts, certificates of deposit, and other investments are separately maintained by a few City funds in accordance with bond ordinances, retirement fund plan documents, and other contractual agreements. Investments are stated at fair value.

The City’s cash and investment pool and certain individual funds participate in the Local Government Surplus Funds Trust Fund, operated by Florida’s State Board of Administration (SBA). The SBA is governed by Chapter 19-3 of the Florida Administrative Code (FAC). The FAC provides guidance and establishes the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Florida Auditor General performs an operational audit of activities and investments of the SBA. In accordance with GASB Number 31, Local Government Surplus Funds Trust Fund is a “2a-7 like” pool, and thus, SBA investments are valued using the pooled share price. City investments with the SBA may be made or liquidated by wire on a same day basis. The City’s investments with the SBA are considered to be cash equivalents for reporting purposes.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Deposits and Investments (Continued)

Pension trust funds may invest in annuity and life insurance contracts of life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the participants in the municipal police officers' retirement trust fund shall be entitled under the provisions of this chapter, and pay the initial and subsequent premiums thereon; time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund; obligations of the United States or obligations guaranteed as to principal and interest by the United States; bonds issued by the State of Israel; bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided:

The corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service; and

The board of trustees shall not invest more than 5 percent of its assets in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5 percent of the outstanding capital stock of the company nor the aggregate of its investments at costs, under this subparagraph, exceed 50 percent of the fund's assets.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as "interfund balances" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables (Continued)

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

Based on the collection history of the proprietary fund receivables, the City does not have an allowance for uncollectible accounts.

Inventory

Inventory is valued at cost (first-in, first-out). The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. A portion of the General Fund balance equal to the inventory amount has been reserved in the fund financial statements to indicate that it is not available for appropriation.

Restricted Assets

Certain resources in the City's General Fund and proprietary funds have been set aside for repayment of debt, certain projects, and customer deposits and are classified as restricted assets because their use is limited by applicable bond covenants and project requirements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial cost more than the following:

Land		All
Buildings and improvement	\$	10,000
Infrastructure	\$	10,000
Improvements other than buildings	\$	10,000
Machinery and equipment	\$	1,000

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets (Continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City chose not to retroactively report infrastructure in accordance with Phase III implementation of GASB No. 34. The City's infrastructure consists of roads, bridges, curbs and sidewalks, drainage systems, lighting systems, and similar items constructed or improved after 2003.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until the completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	<u>Years</u>
Buildings	39
Infrastructure	20-40
Improvements other than buildings	15-27
Machinery and equipment	3-10

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay based on the length of service to the City. All vacation and sick pay is accrued when earned and/or incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in general fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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. The difference between the re-acquisition price (new debt) and the net carrying value of the old debt creates a deferred gain or loss from advance refunding of debt. This difference is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred account is offset against the new liability.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums from refundings received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Classification of Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

- Nonspendable – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government's highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- Assigned – includes amounts intended to be used by the government for specific purposes. The City Council or management designee (via action by the City Council) has the authority authorized to assign fund balance to a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Classification of Fund Balance (Continued)

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City does not have a formal minimum fund balance policy.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2013 and March 12, 2014, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by ordinance for all major governmental and all proprietary funds. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Budgetary data reflected in the financial statements are established by the following procedures:

Prior to September 1, of each year, proposed budgets are received by the City Council from the City Manager. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the City Council. The City Council requires such changes as deemed necessary, sets proposed millages, and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating.

Prior to October 1, the budget for all governmental (except for the Police and Traffic Citation Funds, which prepare no budget due to the uncertainty of annual revenues) and proprietary funds of the City is legally enacted through passage of an ordinance. Budget amendments are periodically passed through resolutions during the fiscal year. Appropriations lapse at year-end except for appropriations related to multi-year capital projects. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years' unassigned fund balance to the level required to accomplish current year objectives.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The City Manager and Finance Director are authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the City Council by revision of fund totals.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment management pool in which each fund (except the Pension Trust Fund) participates on a dollar equivalent and daily transaction basis. The City's cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit, and pooled investments of the Local Government Surplus Funds Trust Fund. Interest income (which includes unrealized gains and losses) is distributed based on average daily balances.

The City's cash and investment management pool is considered to be a cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty.

The City of Gulf Breeze has a formal investment policy to address various deposit and investment risks to include custodial credit risk, concentration risk, and interest rate risk.

Deposits

Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned. The City maintains its deposits only with Qualified Public Depositories (QPD) as defined in Chapter 280, Florida Statutes. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial collateral pool required by Chapter 280. Statutes provide that if a loss to public depositors is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other QPD's of the same type as the depository in default.

The City's deposits, including certificates of deposits, at September 30, 2013, were entirely covered by Federal depository insurance or the collateral pool described above.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The types of investments, which can be made by the City of Gulf Breeze, are restricted by State statutes, bond ordinances, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1-E.

The City invests in the Local Government Surplus Funds Trust Fund Investment Pool (LGSFTF), administered by the Florida State Board of Administration and the Florida Municipal Investment Trust (FMIT) for certain proprietary funds and for the Police Pension Fund Florida Municipal Pension Trust Fund (FMPTF). Both the FMIT and FMPTF are administered by the Florida League of Cities. In accordance with the regulations of “2a-7-like” pools, the method used to determine the participants’ shares sold and redeemed is the amortized cost method. As of September 30, 2013, the LGSFTF portfolio’s weighted average days to maturity was 44. The LGSFTF was rated AAAM by Standard and Poors.

The City's investment in the LGSFTF at September 30, 2013, including all component units, was \$2,876.

As of September 30, 2013, the proprietary funds were invested in: FMIT’s 1-3 Year High Quality Bond Fund; mutual funds; commercial paper; and municipal bonds. The FMIT’s 1-3 Year High Quality Bond Fund has a Fitch credit risk rating of AAA/V2 and an interest rate risk using the WAM of 1.59 with an effective duration of 1.52. The remaining investments held by the proprietary funds are rated in the highest categories of the S&P, Moody’s, and Fitch, thereby complying with the custody agreement and the investment policy of the City, as well as with FL Statutes under the exemption 280.03(f) as deposits made in accordance with 17.57(g). The fair market value of the proprietary fund’s investments, estimated using Level 1 inputs, was \$8,715,516 as of September 30, 2013.

As of September 30, 2013, the FMPTF funds were invested in the FMIT's 1-3 Year High Quality Bond Fund. The Fitch credit risk rating for this investment is AAA/V2 and the interest rate risk using the WAM was 1.59 with an effective duration of 1.52.

At September 30, 2013, the City’s FMIT balances, including all component units, were \$63,356.

The City minimizes credit risk for certificates of deposit with Qualified Public Depositories. The LGSTF, FMIT, and FMPTF credit risk is minimized by the ratings above. Additionally, credit risk for equity investments in the FMPTF is mitigated by limiting the percentages in cash, common stock and securities in any individual corporation, convertible issues by rating and in any issue, and stocks of corporations organized outside the United States.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 4 - RECEIVABLES

Receivables at September 30, 2013, were as follows:

	Governmental Activities	Business-Type Activities					Total Primary Government
	General	Water and Sewer	Natural Gas	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Fund	
Accounts	\$ 255,639	\$ -	\$ -	\$ -	\$ 17,466	\$ -	\$ 273,105
Utilities	1,151	240,678	128,027	345,395	-	54,345	769,596
Other	172,684	1,769	3,337	2,054	-	-	179,844
Total	\$ 429,474	\$ 242,447	\$ 131,364	\$ 347,449	\$ 17,466	\$ 54,345	\$ 1,222,545

The City's due from other governments for governmental activities was \$515,680 as of September 30, 2013, which consisted of amounts due from the State of Florida. The majority of which was for reimbursement of costs associated with the Alternative Projects grant approved by FEMA.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 5 - CHANGES IN CAPITAL ASSETS

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

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,403,909	\$ -	\$ -	\$ 1,403,909
Construction in progress	<u>5,223,283</u>	<u>-</u>	<u>(5,223,283)</u>	<u>-</u>
Total capital assets not being depreciated	<u>6,627,192</u>	<u>-</u>	<u>(5,223,283)</u>	<u>1,403,909</u>
Capital assets being depreciated				
Buildings	5,325,541	1,921,028	4,971,543	12,218,112
Improvements other than buildings	14,083,472	220,241	251,740	14,555,453
Infrastructure	704,758	390,136	(23,281)	1,071,613
Machinery and equipment	<u>5,067,744</u>	<u>749,231</u>	<u>-</u>	<u>5,816,975</u>
Total capital assets being depreciated	<u>25,181,515</u>	<u>3,280,636</u>	<u>5,200,002</u>	<u>33,662,153</u>
Less accumulated depreciation				
Buildings	(1,594,345)	(485,548)	-	(2,079,893)
Improvements other than buildings	(8,046,407)	(865,103)	-	(8,911,510)
Infrastructure	(77,259)	(52,212)	-	(129,471)
Machinery and equipment	<u>(4,126,302)</u>	<u>(380,322)</u>	<u>-</u>	<u>(4,506,624)</u>
Total accumulated depreciation	<u>(13,844,313)</u>	<u>(1,783,185)</u>	<u>-</u>	<u>(15,627,498)</u>
Total capital assets being depreciated, net	<u>11,337,202</u>	<u>1,497,451</u>	<u>5,200,002</u>	<u>18,034,655</u>
Governmental activities, net	<u>\$ 17,964,394</u>	<u>\$ 1,497,451</u>	<u>\$ (23,281)</u>	<u>\$ 19,438,564</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,663,827	\$ 1,152,998	\$ -	\$ 3,816,825
Construction in progress	<u>2,334,648</u>	<u>-</u>	<u>(2,334,648)</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,998,475</u>	<u>1,152,998</u>	<u>(2,334,648)</u>	<u>3,816,825</u>
Capital assets being depreciated				
Buildings	414,021	2,170,547	-	2,584,568
Improvements other than buildings	1,089,423	97,990	293	1,187,706
Infrastructure	42,365,694	1,129,847	2,334,355	45,829,896
Machinery and equipment	<u>3,688,044</u>	<u>397,766</u>	<u>-</u>	<u>4,085,810</u>
Total capital assets being depreciated	<u>47,557,182</u>	<u>3,796,150</u>	<u>2,334,648</u>	<u>53,687,980</u>
Less accumulated depreciation				
Buildings	(139,844)	(120,455)	-	(260,299)
Improvements other than buildings	(145,049)	(78,990)	-	(224,039)
Infrastructure	(24,263,553)	(1,811,122)	-	(26,074,675)
Machinery and equipment	<u>(3,100,324)</u>	<u>(290,350)</u>	<u>-</u>	<u>(3,390,674)</u>
Total accumulated depreciation	<u>(27,648,770)</u>	<u>(2,300,917)</u>	<u>-</u>	<u>(29,949,687)</u>
Total capital assets being depreciated, net	<u>19,908,412</u>	<u>1,495,233</u>	<u>2,334,648</u>	<u>23,738,293</u>
Business-type activities, net	<u>\$ 24,906,887</u>	<u>\$ 2,648,231</u>	<u>\$ -</u>	<u>\$ 27,555,118</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General government	\$ 90,235
Public safety	290,127
Transportation	326,578
Economic environment	342,043
Culture and recreation	<u>734,202</u>
Total depreciation expense - governmental activities	<u>\$ 1,783,185</u>
Business-Type Activities	
Water and sewer	\$ 239,877
Natural gas	252,686
South Santa Rosa Utility	1,696,431
Gulf Breeze Financial Services	9,021
Other proprietary funds	<u>102,900</u>
Total depreciation expense - business-type activities	<u>\$ 2,300,915</u>

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Florida Retirement System - General Employees

A. Plan Description

The City contributes to the Florida Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The Florida Retirement System provides retirement, disability, or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapters 121, 122, and 123 provide the authority under which benefit provisions are established. The provisions may only be amended by legislative action.

All permanent employees hired prior to January 1, 1996, participate in this plan. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Florida Division of Retirement, 2639-C North Monroe Street, Tallahassee, FL 32399-1560 or by calling (850) 488-5706.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida Retirement System - General Employees (Continued)

B. Contribution and Funding Policy

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 requiring all employee members to contribute 3% to the Plan. Formerly, only employers were required to contribute to the FRS Plan. The FRS funding policy now provides for monthly employer and employee contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

In July 2002, the Florida Legislature established a uniform contribution rate system for the FRS, which remained in effect with the passage of Senate Bill 2100. The uniform contribution system covers both the FRS Pension Plan and the FRS Investment Plan. Employers and employees contribute a percentage of the total payroll for each class of FRS membership.

Effective July 1, 2012, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 17.90% for police officer and firefighter (special risk) employees, 8.18% for regular employees, and 5.44% for the Deferred Retirement Option Program (DROP).

The City's contributions to the plan for fiscal years ended September 30, 2013, 2012, and 2011, listed below, were equal to the required contributions for the year.

	Years Ended September 30		
	2013	2012	2011
General employees	\$ 15,908	\$ 14,697	\$ 27,709
Special risk employees	24,121	16,936	38,155
Total contributions	\$ 40,029	\$ 31,633	\$ 65,864

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers

A. Plan Description

The City's Police Department, for police officers hired after January 1, 1996, participates in the Florida Municipal Pension Trust Fund, a single-employer defined benefit pension plan administered by a Police Pension Board. This plan provides retirement, disability, and death benefits to plan members or their designated beneficiaries. Florida Statute 185 provides the authority under which benefit provisions are established. These provisions may only be amended by legislative action.

B. Contributions, Funding Policy, and Annual Pension Costs

Contribution requirements of the plan are established in the actuarial cost study, which must comply with Article X, Section 14 of the State Constitution and with Part IV, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members are required to contribute 1% to the plan. All required employer contributions are made monthly at actuarially determined rates.

Under the aggregate cost valuation method, funding amounts are determined by computing future plan costs. The City is responsible for the non-employee actuarially determined annual required contribution; however, State contributions can be used when determining the City's actual contribution. As a result, State contributions are included when computing percentage contributions.

The City's contributions to the Police Pension Plan for the years ended September 30, 2013, 2012, and 2011, listed below were equal to the required contributions for the year.

	Years Ended September 30		
	2013	2012	2011
City Police Pension Plan contributions	\$ 268,765	\$ 283,660	\$ 269,422

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers (Continued)

B. Contributions, Funding Policy, and Annual Pension Costs (Continued)

The City's annual pension cost for the current year and related plan information is as of the most recent actuarial valuation date and is as follows:

	Police Officer Retirement Fund
Contribution rates (percentage of covered payroll)	
City	44.3 %
Plan members	1.0 %
Annual pension cost	\$ 283,660
Contributions made	
Plan members	\$ 5,665
Employer	\$ 268,765
State of Florida	\$ 56,576
Net pension obligation (asset)	\$ (43,956)
Actuarial valuation date	10/1/2012
Actuarial cost method (1)	Aggregate
Amortization method	Level dollar, open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions	
Invested rate of return	7.5 %
Projected salary increases*	5.61 %
*Includes inflation at	3.8 %
Cost of living adjustments	3% (starting at age 58)

(1) The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Accordingly, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. The most recent actuarial report schedule of funding progress is as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL UAAL (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll (3) / (5)
10/1/2012	\$ 2,779,873	\$ 3,608,235	\$ 828,362	77.04%	\$ 563,728	146.94%

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers (Continued)

B. Contributions, Funding Policy, and Annual Pension Costs (Continued)

The schedule of funding progress, located in the Required Supplementary Information, for the post-employment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

(2) In years when the State and City contributions are more than the actuarially determined annual required contribution, excess contributions are placed in a surplus contribution account. When State and City contributions are less than the actuarially determined annual contribution, deficit contribution amounts are taken from the surplus contribution account. As a result, the actuarial report provided to the City reports 100% percent contributed on the Schedule of Employer Contributions and an NPO or NPA is not reported.

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
FMPT	9/30/2013	\$ 249,653	100 %	\$ -
	9/30/2012	\$ 283,660	100 %	\$ (43,956)
	9/30/2011	\$ 269,422	100 %	\$ (39,032)

The Florida Municipal Trust Fund (FMPT) issues a publicly available financial report that includes financial statements and required supplementary information of the defined benefit pension plan of the City's police employees. That report may be obtained by writing to the Florida League of Cities, Inc., 301 South Bronough Street, Suite 300, PO Box 1757, Tallahassee, FL 32302-1757 or by calling (850) 222-9684.

Membership in the plan consisted of the following at September 30, 2013:

Retirees and beneficiaries receiving benefits	2
Active plan members	13
Total	<u>15</u>

C. Required Supplementary Information

The Schedule of Funding Progress and Schedule of Employer Contributions can be found in the supplemental information of this comprehensive annual financial report.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

The City, for general employees hired after January 1, 1996, participates in the Florida Municipal Trust Fund, a defined contribution pension plan administered by the Florida League of Cities. This plan provides benefits at retirement to general employees of the City. Florida Statute 185 provides the authority under which benefit provisions are established. These provisions may only be amended by legislative action. Eligible employees must have completed one year of service before the City begins making contributions on their behalf. The City is required to make contributions equal to 8% of compensation for each eligible employee. Employees are not allowed to contribute to the plan. Contribution requirements are established and may be amended by City Council action.

Florida League of Cities financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period that the contributions are due. Annual valuations are required for all defined contribution plans. The Florida League of Cities, as administrator, will provide these valuations. The valuations provide allocation of employer contributions, earnings and losses, distributions, and forfeitures. The Florida League of Cities issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to Florida League of Cities, Inc., 201 West Park Avenue, Tallahassee, FL 32302-1757, or by calling (850) 222-9684.

The City's contributions to the plan for the years ended September 30, 2013, 2012, and 2011, listed below were equal to the required contributions for the year.

	Years Ended September 30		
	2013	2012	2011
General employees	\$ 143,452	\$ 128,120	\$ 126,773

NOTE 8 - DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salary before federal income taxes to a retirement account. The assets are held in trust for the employee's benefit. The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses. The City's fiduciary responsibility is to administer the plan properly and to assure the investment alternatives made available are reasonable.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 8 - DEFERRED COMPENSATION PLAN (CONTINUED)

In accordance with GASB Statement Number 32, the assets and liabilities of the plan are not reflected in the City's financial statements since the City has no fiduciary responsibilities, other than administrative, in connection with the Plan.

Assets of the plan had a fair value of \$1,185,187 at September 30, 2013. Contributions made by plan members during the year ended September 30, 2013, were \$52,625.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

All employee benefits terminate when employment with the City ends. Accordingly, the City has no post-employment benefit liability.

NOTE 10 - GOVERNMENTAL FUND BALANCES

On October 1, 2010, the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement clarifies governmental fund balance classifications and fund-type definitions. Fund balances are classified either as non-spendable or as spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. Non-spendable balances at year end consisted of \$5,488 for inventory.

Spendable fund balances are classified as follows depending on the City's ability to control the spending of these fund balances.

Restricted fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2013, the City had restricted fund balances in its Urban Core Redevelopment Fund totaling \$711,122, and the Police Special Revenue Fund totaling \$51,308.

Committed fund balances can only be used for specific purposes imposed internally by the City's formal action of highest level of decision making authority. As of September 30, 2013, the City's General Fund had \$562,270 of committed fund balance consisting of \$250,000 for insurance, \$296,352 for beautification, \$15,481 for park subdivision, and \$437 for community funds. The City's Traffic Citation Fund had \$475,409 of fund balance committed for public safety.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 10 - GOVERNMENTAL FUND BALANCES (CONTINUED)

Assigned fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. As of September 30, 2013, the City had assigned fund balances in the General Fund consisting of \$100,000 for disaster recovery and \$15,993 for the police and fire department.

Unassigned fund balances represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. As of September 30, 2013, the City had \$6,058,917 in unassigned fund balances.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee medical benefits; and natural disasters. The City of Gulf Breeze is insured for liability and casualty losses through the Florida League of Cities' Florida Municipal Insurance Program. Under this program the League assumes the full risk of loss on claims over \$10,000 for which insurance is purchased. There has been no significant reduction in insurance coverage from the prior year. The City retains some risk of loss in the form of deductibles and has designated a portion of fund equity/retained earnings as a reserve for these possible losses. Based on prior claims experience, management believes this reserve to be adequate. A self-insurance reserve has been established in the General Fund for \$250,000, Water and Sewer Fund for \$75,000, and the Natural Gas Fund for \$50,000.

The City remained self-insured for workers' compensation during the year ending September 30, 2013. These activities are recorded in the General Fund. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Changes in the estimated liability for self-insured losses for the past two years are as follows:

	2013	2012
Unpaid claims, beginning	\$ -	\$ -
Claims incurred and changes in estimates	47,351	93,270
Less: claims paid	(47,351)	(93,270)
Unpaid claims, ending	\$ -	\$ -

Incurred but not reported claims have not been determined by actuarial evaluation and are not reported in the accompanying financial statements. It is the opinion of management that such claims that may presently exist would not have a material effect on the City's financial position.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 12 - LINE OF CREDIT

In February 2013, GBFS was extended a line of credit for \$3,000,000 with a local financial institution. The line is secured by a depository account and an investment account held at the same financial institution. These accounts are reported as restricted assets on the statement of net position with balances as of September 30, 2013 of \$1,000,358 and \$3,541,772, respectively. The line accrues interest at a rate of LIBOR plus .950% (1.1875% at September 30, 2013), requires monthly interest only payments, with payment of principal due in full at maturity on April 25, 2014. The outstanding balance of this line of credit as of September 30, 2013 was \$3,000,000. Total interest paid on this line during fiscal year 2013 was \$29,468.

NOTE 13 - LONG-TERM DEBT AND OTHER LIABILITIES

Changes in Long-Term Debt and Other Liabilities

The following is a summary of changes in long-term debt and other liabilities of the City:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue Improvement Bonds, Series 2007	\$ 8,351,200	\$ -	\$ (176,000)	\$ 8,175,200	\$ 184,800
Less deferred amounts					
For issuance discount	(39,477)	-	-	(39,477)	-
Compensated absences	<u>220,828</u>	<u>103,328</u>	<u>(95,403)</u>	<u>228,753</u>	<u>197,121</u>
Total governmental activities, long term debt and other liabilities	<u>\$ 8,532,551</u>	<u>\$ 103,328</u>	<u>\$ (271,403)</u>	<u>\$ 8,364,476</u>	<u>\$ 381,921</u>
Business-Type Activities					
SSRUS Refunding Revenue Bonds, Series 2004	\$ 5,870,000	\$ -	\$ (595,000)	\$ 5,275,000	\$ 620,000
Less deferred amounts					
For issuance premium	190,698	-	(23,836)	166,862	-
For loss on refunding	(1,239,645)	-	154,957	(1,084,688)	-
Revenue Improvement Bonds, Series 2007	1,138,800	-	(24,000)	1,114,800	25,200
SSRU Refunding Revenue Note, 2009B	3,950,788	-	(162,147)	3,788,641	170,718
State revolving loan	946,645	43,001	(18,323)	971,323	38,401
Capital lease payable	-	262,557	-	262,557	101,367
Compensated absences	<u>162,741</u>	<u>101,164</u>	<u>(88,014)</u>	<u>175,891</u>	<u>152,513</u>
Total business-type activities, long term debt and other liabilities	<u>\$ 11,020,027</u>	<u>\$ 406,722</u>	<u>\$ (756,363)</u>	<u>\$ 10,670,386</u>	<u>\$ 1,108,199</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

Description of Long-Term Debt and Other Liabilities Outstanding

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES			
<i>Revenue Bonds</i>			
\$10,225,000, City of Gulf Breeze, Florida, Revenue Improvement Bonds, Series 2007; \$8,998,000 allocated to the General Fund; due in annual installments of \$175,000 to \$610,000 through 2038; interest payable at 4.0% to 5.0%. Secured by pledged non-ad valorem revenues of the City. Proceeds used to refund various City loans and to finance certain capital improvements.	\$ 184,800	\$ 7,990,400	\$ 8,175,200
Less unamortized bond discount	-	(39,477)	(39,477)
<i>Total Bonds</i>	184,800	7,950,923	8,135,723
<i>Accrued Compensated Absence</i>			
Total accumulated, vested annual and sick leave for governmental fund types.	197,121	31,632	228,753
TOTAL GOVERNMENTAL ACTIVITIES	\$ 381,921	\$ 7,982,555	\$ 8,364,476
	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Bonds</i>			
\$9,460,000, 2004 City of Gulf Breeze, Florida, South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004, due in annual installments of \$370,000 to \$815,000 through 2021; interest rate at 2.5% to 5.5%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund all of the City's Series 1994 South Santa Rosa Utility System Revenue Bonds.	\$ 620,000	\$ 4,655,000	\$ 5,275,000
Add unamortized bond premium	-	166,862	166,862
Less unamortized bond discount	-	(1,084,688)	(1,084,688)
	620,000	3,737,174	4,357,174
\$10,225,000, City of Gulf Breeze, Florida, Revenue Improvement Bonds, Series 2007; \$1,227,000 allocated to the Water and Sewer Fund; due in annual installments of \$175,000 to \$610,000 through 2038; interest payable at 4.0% to 5.0%. Secured by pledged non-ad valorem revenues of the City. Proceeds used to refund various City loans and to finance certain capital improvements.	25,200	1,089,600	1,114,800
<i>Total bonds</i>	645,200	4,826,774	5,471,974

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

Description of Long-Term Debt and Other Liabilities Outstanding (Continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES (CONTINUED)			
<i>Capital Lease</i>			
Capital lease with TCF Equipment Finance for golf equipment with an original cost of \$262,557, due in monthly payments of \$8,447 with no interest through May 2016, secured by golf equipment. Net book value at September 30, 2013 of \$218,798.	<u>101,367</u>	<u>161,190</u>	<u>262,557</u>
<i>Note Payable</i>			
\$4,434,755, Santa Rosa Utility System Refunding Revenue Note, Series 2009B, due in monthly installments ranging from \$11,186 to six final payments of \$414,146 each through 2020; effective rate of interest as of September 30, 2010, was 4.70%. Non-ad valorem revenues are pledged for payment. Proceeds used for the payment of the 1996 variable rate loan from the 1995A Gulf Breeze Local Government Loan Program.	<u>170,718</u>	<u>3,617,923</u>	<u>3,788,641</u>
<i>State Revolving Loan</i>			
State revolving loan payable of \$971,323, due in semi-annual payments of \$33,868, beginning March 15, 2013 and ending September 15, 2032, bearing an interest rate of 3.05%.	<u>38,401</u>	<u>932,922</u>	<u>971,323</u>
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual accrued compensation for enterprise funds.	<u>152,513</u>	<u>23,378</u>	<u>175,891</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 1,108,199</u>	<u>\$ 9,562,187</u>	<u>\$ 10,670,386</u>
GRAND TOTAL LONG-TERM DEBT AND OTHER ACCRUED LIABILITIES			<u>\$ 19,034,862</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except compensated absences and other contractual obligations as of September 30, 2013, are as follows:

Governmental Activities

<u>Year Ending September 30</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 184,800	\$ 375,873
2015	193,600	368,305
2016	202,400	360,385
2017	206,800	352,098
2018	215,600	343,331
2019-2023	1,232,000	1,565,925
2024-2028	1,535,600	1,254,162
2029-2033	1,940,400	836,990
2034-2038	<u>2,464,000</u>	<u>290,301</u>
Total	<u>\$ 8,175,200</u>	<u>\$ 5,747,370</u>

Business-Type Activities

<u>Year Ending September 30</u>	<u>2004 Revenue Improvement Bond</u>		<u>2007 Revenue Improvement Bond</u>		<u>TCF Equipment Finance Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 620,000	\$ 235,475	\$ 25,200	\$ 51,255	\$ 101,367	\$ -
2015	645,000	211,788	26,400	50,223	101,367	-
2016	660,000	184,000	27,600	49,143	59,823	-
2017	700,000	150,000	28,200	48,013	-	-
2018	740,000	114,000	29,400	46,818	-	-
2019-2023	1,910,000	120,500	168,000	213,535	-	-
2024-2028	-	-	209,400	171,022	-	-
2029-2033	-	-	264,600	114,135	-	-
2034-2038	<u>-</u>	<u>-</u>	<u>336,000</u>	<u>39,587</u>	<u>-</u>	<u>-</u>
Total	<u>\$5,275,000</u>	<u>\$1,015,763</u>	<u>\$1,114,800</u>	<u>\$ 783,731</u>	<u>\$ 262,557</u>	<u>\$ -</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

Year Ending September 30	2009B Revenue Note		State Revolving Loan	
	Principal	Interest	Principal	Interest
2014	\$ 170,718	\$ 128,032	\$ 38,401	\$ 29,335
2015	179,747	122,002	39,581	28,155
2016	189,256	115,651	40,798	26,938
2017	199,270	108,965	42,052	25,684
2018	209,818	101,925	43,344	24,392
2018-2022	2,839,832	171,070	237,538	101,141
2023-2027	-	-	276,353	62,327
2028-2032	-	-	253,256	17,687
Total	<u>\$ 3,788,641</u>	<u>\$ 747,645</u>	<u>\$ 971,323</u>	<u>\$ 315,659</u>

Compensated Absences

For the governmental activities, claims and judgments and compensated absences were generally liquidated by the General Fund.

NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at September 30, 2013, is as follows:

Interfund Balances

Receivable Fund	Payable Fund	Amount
General	Non-major governmental funds	\$ 49,786
General	Natural Gas	2,800,000
General	South Santa Rosa Utility	901,300
Gulf Breeze Financial Services	South Santa Rosa Utility	2,755,450
General	Non-major proprietary funds	450,100
		<u>\$ 6,956,636</u>

Interfund balances are comprised of a receivable from the Natural Gas fund to the General fund for providing funding for the pipeline extension project; receivables from the South Santa Rosa Utility to the General fund as reimbursement for capital asset expenditures; and a receivable from South Santa Rosa Utility to Gulf Breeze Financial Services for monies loaned for purchasing the Tiger Point Golf Course.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS
(CONTINUED)

Interfund Transfers

Transfers Out	Transfers In				Total
	General Fund	Urban Core Redevelopment	South Santa Rosa Utility	Non-major Proprietary Funds	
General	\$ -	\$ 178,726	\$ -	\$ 87,000	\$ 265,726
Urban Core					
Redevelopment	524,099	-	-	-	524,099
Water and Sewer	173,699	-	208,325	-	382,024
Natural Gas	205,355	-	-	-	205,355
South Santa Rosa Utility	317,497	-	-	-	317,497
Gulf Breeze Financial					
Services	500,000	-	-	-	500,000
Non-major					
Governmental Funds	107,597	-	-	-	107,597
Non-major Proprietary					
Funds	<u>108,037</u>	<u>-</u>	<u>19,000</u>	<u>-</u>	<u>127,037</u>
Totals	<u>\$1,936,284</u>	<u>\$ 178,726</u>	<u>\$ 227,325</u>	<u>\$ 87,000</u>	<u>\$2,429,335</u>

The interfund transfers to the General Fund reflect annually budgeted amounts of return of equity to the General Fund and transferring of repaving costs paid out of Urban Core Redevelopment. The transfer to the Urban Redevelopment Fund reflects the City's tax increment financing contribution to that fund. The transfer from Water and Sewer Fund to South Santa Rosa Utility Fund reflects estimated annual portion of waste water treatment costs incurred by South Santa Rosa Utility for Water and Sewer Fund customer waste water volumes.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 15 - JOINT VENTURE

As defined in GASB Statement No. 14, Accounting for Municipal Solid Waste landfill Closure and Postclosure Care Costs, a joint venture is a separate legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an ongoing financial responsibility. The City, Holley-Navarre Water System, Inc. and Mid-Way Water System, Inc. agreed to work together and pursue collective solutions to future water supply needs to residents of Santa Rosa County and the surrounding areas. As a result, they created the Fairpoint Regional Utility System (FRUS), which is owned one-third by each. The investment is accounted for under the equity method of accounting and is included with other assets on the Statement of Net Position. In the current year the City's investment value in the joint venture increased by \$152,650. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grant Receipts

Amounts received or receivable from grants are subject to audit and adjustment by the grantor. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

NOTE 17 - GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment to Statement No. 25*. This Statement enhances the financial reporting by state and local governmental pension plans. This Statement replaces the requirement of *Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and *No. 50, Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement enhances note disclosures and required supplemental information (RSI) for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10 year RSI schedules. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013, which requires the City to implement this statement in FY 2013-2014.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

**NOTE 17 - GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED
(CONTINUED)**

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment to Statement No. 27*. This Statement enhances the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new note disclosures and required supplementary information. Management believes GASB Statement No. 68 will have a significant impact on the financial position and changes in net position of the City; however, the amounts are not quantifiable as of the date of this report. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, which requires the City to implement this statement in FY 2014-2015.

NOTE 18 - SUBSEQUENT EVENTS

Anticipated Refinancing of Debt

In order to fund the acquisition of the Tiger Point golf course assets in fiscal year 2013 the City obtained financing through Gulf Breeze Financial Services, who secured a credit line with BB&T. The City has expressed the intention of refinancing this borrowing but as of this report date has not established a definitive refinancing plan.

Changed to Police Defined Benefit Pension Plan

Subsequent to year end the City amended the provisions of participation in the City's Police Pension Plan to increase employee participation from 1% to 4% contribution annually, modified the pension benefits to be limited to base pay, and reduced the years of service multiplier from 3.5% to 3%. These changes have the impact of significantly reducing the actuarially determined contribution required from the City.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION SCHEDULES

City of Gulf Breeze, Florida
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
Unaudited

Police Retirement Fund

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability * AAL	(3) Unfunded AAL UAAL (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
10/01/12	\$ 2,779,873	\$ 3,608,235	\$ 828,362	77.04%	\$ 563,728	146.94%
Not applicable	N/A	N/A	N/A	N/A	N/A	N/A
10/01/10	\$ 1,821,794	\$ 2,445,151	\$ 623,357	74.51%	\$ 514,615	121.13%
10/01/07	\$ 1,343,358	\$ 1,370,823	\$ 27,465	98%	\$ 416,493	6.59%
Not applicable	N/A	N/A	N/A	N/A	N/A	N/A
Not applicable	N/A	N/A	N/A	N/A	N/A	N/A
10/01/05	\$ 801,629	\$ 801,629	\$ 0	100%	\$ 451,758	0.0%

The AAL has been calculated under the entry age normal cost method.

The most recent actuarial valuation date is October 1, 2012.

City of Gulf Breeze, Florida
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER
CONTRIBUTING ENTITIES
Unaudited

Police Retirement Fund

	Annual (1) Required Contribution	Employer Contribution	State of Florida Contribution	Percentage Contributed
September 30, 2013	\$ 249,653	\$ 268,765	\$ 56,576	114.00 %
September 30, 2012	\$ 283,513	\$ 221,267	\$ 59,317	102.00 %
September 30, 2011	\$ 269,422	\$ 95,501	\$ 58,284	100.00 %
September 30, 2010	\$ 168,672	\$ 93,148	\$ 57,242	100.00 %
September 30, 2009	\$ 159,513	\$ 92,763	\$ 58,656	100.00 %
September 30, 2008	\$ 150,589	\$ 92,500	\$ 62,954	100.00 %
September 30, 2007	\$ 149,538	\$ 72,070	\$ 62,536	100.00 %
September 30, 2006	\$ 141,614	\$ 67,127	\$ 58,100	100.00 %
September 30, 2005	\$ 111,652	\$ 70,297	\$ 56,351	100.00 %

(1) Annual required contribution represents the actuarially determined employer contribution after taking into account expected participant contributions. The City is authorized by plan provisions to include State contributions to meet the annual required contribution. When contributions exceed the annual required contribution, the excess amounts are placed in a surplus contribution account. When contributions are less than the annual required contribution, amounts are drawn from the surplus contribution account.

Additional information as of the latest actuarial valuation can be found in Note 6 to the Financial Statements.

The most recent actuarial valuation date is October 1, 2012.

CITY OF GULF BREEZE, FLORIDA

COMBINING AND INDIVIDUAL FUND STATEMENTS

These financial statements provide a more detailed view of the "Basic Financial Statements" presented in the preceding subsection.

Combining statements are presented when there is more than one fund of a given fund type.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

Traffic Citation Special Revenue Fund

To account for funds received for traffic red-light citations.

Police Special Revenue Fund

To account for funds received for certain fines as well as other police related revenues.

City of Gulf Breeze, Florida
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	Traffic Citation Special Revenue	Police Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 565,657	\$ 51,547	\$ 617,204
Restricted assets			
Cash and cash equivalents	-	-	-
Total assets	<u>\$ 565,657</u>	<u>\$ 51,547</u>	<u>\$ 617,204</u>
LIABILITIES			
Accounts payable	\$ 40,074	\$ 239	\$ 40,313
Accrued liabilities	388	-	388
Interfund balances	<u>49,786</u>	<u>-</u>	<u>49,786</u>
Total liabilities	<u>90,248</u>	<u>239</u>	<u>90,487</u>
FUND BALANCES			
Restricted			
Police trust	-	51,308	51,308
Committed	<u>475,409</u>	<u>-</u>	<u>475,409</u>
Total fund balances	<u>475,409</u>	<u>51,308</u>	<u>526,717</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 565,657</u>	<u>\$ 51,547</u>	<u>\$ 617,204</u>

City of Gulf Breeze, Florida
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Year Ended September 30, 2013

	Traffic Citation Special Revenue	Police Special Revenue	Total
REVENUES			
Fines and forfeitures	\$ 777,679	\$ -	\$ 777,679
Miscellaneous	<u>12,012</u>	<u>24,980</u>	<u>36,992</u>
Total revenues	<u>789,691</u>	<u>24,980</u>	<u>814,671</u>
EXPENDITURES			
Current			
Public safety	<u>628,355</u>	<u>6,159</u>	<u>634,514</u>
Total expenditures	<u>628,355</u>	<u>6,159</u>	<u>634,514</u>
REVENUES OVER EXPENDITURES	161,336	18,821	180,157
Other financing sources (uses)			
Transfers out	<u>(102,781)</u>	<u>(4,816)</u>	<u>(107,597)</u>
Net change in fund balances	58,555	14,005	72,560
FUND BALANCE - BEGINNING OF YEAR	<u>416,854</u>	<u>37,303</u>	<u>454,157</u>
FUND BALANCE - END OF YEAR	<u>\$ 475,409</u>	<u>\$ 51,308</u>	<u>\$ 526,717</u>

NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government’s council has decided that periodic determination of net income is appropriate for accountability purposes.

Stormwater Management Fund

To account for activities associated with managing the City’s stormwater.

Solid Waste Control Fund

To account the activities associated with managing the City's solid waste.

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2013

	Stormwater Management	Solid Waste Control	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 118,005	\$ 69,746	\$ 187,751
Receivables	16,071	38,274	54,345
Restricted cash	-	12,025	12,025
Total current assets	<u>134,076</u>	<u>120,045</u>	<u>254,121</u>
Non-current assets			
Capital assets, net			
Infrastructure	844,854	-	844,854
Machinery and equipment	2,290	20,292	22,582
Total non-current assets	<u>847,144</u>	<u>20,292</u>	<u>867,436</u>
TOTAL ASSETS	<u>\$ 981,220</u>	<u>\$ 140,337</u>	<u>\$ 1,121,557</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 666	\$ 72,639	\$ 73,305
Accrued liabilities	2,973	1,179	4,152
Interfund balances	450,000	100	450,100
Payable from restricted assets			
Customer deposits	-	12,075	12,075
Total current liabilities	<u>453,639</u>	<u>85,993</u>	<u>539,632</u>
TOTAL LIABILITIES	<u>453,639</u>	<u>85,993</u>	<u>539,632</u>
NET POSITION			
Invested in capital assets, net of related debt	847,144	20,292	867,436
Unrestricted	<u>(319,563)</u>	<u>34,052</u>	<u>(285,511)</u>
TOTAL NET POSITION	<u>\$ 527,581</u>	<u>\$ 54,344</u>	<u>\$ 581,925</u>

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
Year Ended September 30, 2013

	<u>Stormwater Management</u>	<u>Solid Waste Control</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 190,324	\$ 725,172	\$ 915,496
OPERATING EXPENSES			
Personal services	101,501	102,776	204,277
Contractual services	18,688	532,893	551,581
Supplies	3,197	3,894	7,091
Repairs and maintenance	5,624	5,456	11,080
Office and utilities	2,915	980	3,895
Depreciation and amortization	97,719	5,181	102,900
Total operating expenses	<u>229,644</u>	<u>651,180</u>	<u>880,824</u>
OPERATING INCOME	<u>(39,320)</u>	<u>73,992</u>	<u>34,672</u>
NON-OPERATING REVENUES (EXPENSES)			
Miscellaneous	400	(51,708)	(51,308)
Debt service			
Interest	(29,167)	-	(29,167)
Total non-operating revenues (expenses)	<u>(28,767)</u>	<u>(51,708)</u>	<u>(80,475)</u>
INCOME (LOSS) BEFORE TRANSFERS	(68,087)	22,284	(45,803)
TRANSFERS			
Transfers in	87,000	-	87,000
Transfer out	(36,216)	(90,821)	(127,037)
Total transfers	<u>50,784</u>	<u>(90,821)</u>	<u>(40,037)</u>
CHANGES IN NET POSITION	(17,303)	(68,537)	(85,840)
NET POSITION - BEGINNING OF YEAR	<u>544,884</u>	<u>122,881</u>	<u>667,765</u>
NET POSITION - END OF YEAR	<u>\$ 527,581</u>	<u>\$ 54,344</u>	<u>\$ 581,925</u>

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2013

	Stormwater Management	Solid Waste Control	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 194,419	\$ 722,647	\$ 917,066
Payments to suppliers	(29,758)	(483,014)	(512,772)
Payments to employees	(102,387)	(103,043)	(205,430)
Net cash provided by operating activities	<u>62,274</u>	<u>136,590</u>	<u>198,864</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Repayments	33,115	100	33,215
Transfers in	87,000	-	87,000
Transfers out	(36,217)	(90,821)	(127,038)
Net cash used by non-capital financing activities	<u>83,898</u>	<u>(90,721)</u>	<u>(6,823)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(29,167)	-	(29,167)
Acquisition and construction of capital assets	-	-	-
Net cash used by capital and related financing activities	<u>(29,167)</u>	<u>-</u>	<u>(29,167)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	117,005	45,869	162,874
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,000</u>	<u>35,902</u>	<u>36,902</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 118,005</u>	<u>\$ 81,771</u>	<u>\$ 199,776</u>
CASH AND CASH EQUIVALENTS - END OF YEAR CONSIST OF			
Current assets	\$ 118,005	\$ 69,746	\$ 187,751
Restricted assets	-	12,025	12,025
Total cash and cash equivalents	<u>\$ 118,005</u>	<u>\$ 81,771</u>	<u>\$ 199,776</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (39,320)	\$ 73,992	\$ 34,672
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	97,719	5,181	102,900
Miscellaneous income (expense)	400	(51,708)	(51,308)
Decrease (increase) in assets			
Accounts receivable	3,695	49,953	53,648
Increase (decrease) in liabilities			
Accounts payable	667	60,210	60,877
Accrued liabilities	(887)	(268)	(1,155)
Customer deposits	-	(770)	(770)
Net cash provided by operating activities	<u>\$ 62,274</u>	<u>\$ 136,590</u>	<u>\$ 198,864</u>

III. STATISTICAL SECTION

STATISTICAL TABLES DIFFER FROM FINANCIAL STATEMENTS AS THEY USUALLY COVER MORE THAN ONE FISCAL YEAR AND MAY PRESENT NON-ACCOUNTING DATA, FINANCIAL TRENDS AND THE FISCAL CAPACITY OF THE GOVERNMENT. THESE TABLES HAVE BEEN INCLUDED AS PART OF THIS REPORT FOR INFORMATION PURPOSES ONLY, AND THEREFORE, HAVE NOT BEEN SUBJECTED TO AUDIT BY THE CITY'S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.

THERE ARE NO LIMITATIONS PLACED UPON THE AMOUNT OF DEBT THE CITY OF GULF BREEZE MAY ISSUE BY EITHER THE CITY'S CODE OF ORDINANCES OR BY FLORIDA STATUTES.

City of Gulf Breeze, Florida
TABLE I
COMPONENTS OF NET POSITION ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Net Investment in Capital Assets			Restricted Net Position			Unrestricted Net Position			Total Net Position		
	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.
2013	\$ 11,302,841	\$ 17,147,289	\$ 28,450,130	\$ 711,122	\$ 5,298,985	\$ 6,010,107	\$ 7,314,481	\$ 5,501,964	\$ 12,816,445	\$ 19,328,444	\$ 27,948,238	\$ 47,276,682
2012	\$ 9,652,675	\$ 14,049,602	\$ 23,702,277	\$ 879,047	\$ 844,957	\$ 1,724,004	\$ 7,689,924	\$ 14,084,654	\$ 21,774,578	\$ 18,221,646	\$ 28,979,213	\$ 47,200,859
2011	\$ 4,895,426	\$ 12,368,789	\$ 17,264,215	\$ 994,663	\$ 844,957	\$ 1,839,620	\$ 5,852,883	\$ 14,566,239	\$ 20,419,122	\$ 11,742,972	\$ 27,779,985	\$ 39,522,957
2010	\$ 1,460,655	\$ 13,788,131	\$ 15,248,786	\$ 656,392	\$ 917,665	\$ 1,574,057	\$ 8,891,621	\$ 12,061,124	\$ 20,943,714	\$ 11,008,668	\$ 26,766,920	\$ 37,775,588
2009	\$ 3,275,527	\$ 14,451,915	\$ 17,727,442	\$ 397,270	\$ 756,855	\$ 1,154,125	\$ 6,273,663	\$ 2,423,036	\$ 8,696,699	\$ 9,946,460	\$ 17,631,806	\$ 27,578,266
2008	\$ 2,632,860	\$ 16,299,600	\$ 18,932,460	\$ 25,485	\$ 756,855	\$ 782,340	\$ 7,152,710	\$ 1,600,727	\$ 8,753,437	\$ 9,811,055	\$ 18,657,182	\$ 28,468,237
2007	\$ 1,849,245	\$ 16,536,085	\$ 18,385,330	\$ 780,417	\$ 1,079,629	\$ 1,860,046	\$ 5,167,815	\$ 3,157,532	\$ 8,325,347	\$ 7,797,477	\$ 20,773,246	\$ 28,570,723
2006	\$ 7,722,314	\$ 12,759,746	\$ 20,482,060	\$ 2,017,516	\$ 771,202	\$ 2,788,718	\$ 768,168	\$ 5,794,071	\$ 6,562,239	\$ 10,507,998	\$ 19,325,019	\$ 29,833,017
2005	\$ 6,802,620	\$ 10,918,455	\$ 17,721,075	\$ 783,266	\$ 640,827	\$ 1,424,093	\$ 4,062,697	\$ 6,626,981	\$ 10,689,678	\$ 11,648,583	\$ 18,186,263	\$ 29,834,846
2004	\$ 7,007,577	\$ 9,606,570	\$ 16,614,147	\$ 1,354,090	\$ 1,863,500	\$ 3,217,590	\$ 3,107,762	\$ 5,619,990	\$ 8,727,752	\$ 11,469,429	\$ 17,090,060	\$ 28,559,489

SOURCE: City of Gulf Breeze Finance Department.

⁽¹⁾ GASB Statement No. 34 was first implemented for the year ended September 30, 2003.

City of Gulf Breeze, Florida
TABLE II
CHANGES IN NET POSITION ⁽¹⁾
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
General government	\$ 1,951,555	\$ 6,677,903	\$ 4,974,062	\$ 1,483,562	\$ 1,646,593	\$ 1,604,707	\$ 1,832,961	\$ 2,140,853	\$ 1,780,088	\$ 1,939,342
Public safety	1,955,658	2,151,503	2,200,265	2,523,959	2,550,037	2,242,994	2,273,863	2,582,913	2,848,296	3,259,673
Transportation	484,196	507,045	520,691	470,013	401,763	336,485	317,802	431,961	392,737	1,040,137
Economic environment	168,023	191,815	209,664	203,332	197,622	388,133	423,014	434,757	470,558	458,622
Culture and recreation	954,933	987,333	1,089,459	4,532,538	1,280,020	1,160,607	1,195,503	3,758,787	1,800,355	1,853,545
Debt service interest	134,571	97,215	167,473	291,769	378,952	325,297	320,336	315,231	310,536	305,046
Total government activities	<u>5,648,936</u>	<u>10,612,814</u>	<u>9,161,614</u>	<u>9,505,173</u>	<u>6,454,987</u>	<u>6,058,223</u>	<u>6,363,479</u>	<u>9,664,502</u>	<u>7,602,570</u>	<u>8,856,365</u>
Business-type activities										
Water and sewer	1,281,717	1,643,605	1,308,246	1,411,855	1,345,242	1,576,201	1,610,416	1,523,787	1,557,810	1,626,874
Natural gas	1,352,419	1,482,273	2,031,273	1,943,119	2,069,606	1,699,027	1,329,058	1,388,342	1,286,806	1,897,522
South Santa Rosa Utility	4,503,775	4,963,407	5,269,482	5,704,870	5,478,040	5,493,205	4,531,148	4,887,012	4,918,789	7,298,787
Solid waste	774,328	869,522	880,301	901,297	927,121	890,827	886,868	870,997	896,904	702,888
Stormwater management	-	-	-	145,145	287,197	266,966	236,013	246,276	259,933	258,411
Capital Trust Agency	-	-	-	-	-	-	-	-	-	-
Fishing bridge	104,308	17,105	10,682	461,058	-	-	-	-	-	-
Gulf Breeze Financial Services	214,227	445,598	189,021	191,001	181,307	250,320	228,246	725,702	240,070	245,537
Total business-type activities	<u>8,230,774</u>	<u>9,421,510</u>	<u>9,689,005</u>	<u>10,758,345</u>	<u>10,288,513</u>	<u>10,176,546</u>	<u>8,821,749</u>	<u>9,642,116</u>	<u>9,160,312</u>	<u>12,030,019</u>
Total primary government expenses	<u>\$13,879,710</u>	<u>\$20,034,324</u>	<u>\$18,850,619</u>	<u>\$20,263,518</u>	<u>\$16,743,500</u>	<u>\$16,234,769</u>	<u>\$15,185,228</u>	<u>\$19,306,618</u>	<u>\$16,762,882</u>	<u>\$20,886,384</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 316,116	\$ 26,040	\$ 26,040	\$ 188,550	\$ 69,705	\$ 101,657	\$ 47,546	\$ 92,983	\$ 67,903	\$ 94,215
Public safety	180,391	224,688	197,998	295,201	267,493	318,015	113,966	345,228	749,597	901,465
Transportation	45,219	86,840	72,496	-	-	-	-	-	-	-
Culture and recreation	123,123	130,776	155,239	183,622	261,662	225,774	230,571	231,431	217,271	242,762
Debt service interest	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	927,774	6,110,676	3,630,268	2,595,066	1,584,284	468,212	1,125,551	4,054,298	7,195,117	3,154,938
Capital grants and contributions	671,424	350,510	129,238	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>2,264,047</u>	<u>6,929,530</u>	<u>4,211,279</u>	<u>3,262,439</u>	<u>2,183,144</u>	<u>1,113,658</u>	<u>1,517,634</u>	<u>4,723,940</u>	<u>8,229,888</u>	<u>4,393,380</u>
Business-type activities										
Charges for services										
Water and sewer	1,368,238	1,423,554	1,542,876	1,545,320	1,787,244	1,896,573	1,764,738	1,889,323	1,850,835	1,816,720
Natural gas	1,676,024	1,681,768	2,060,168	1,781,957	1,955,968	1,918,813	2,077,968	1,893,196	1,596,774	1,888,721
South Santa Rosa Utility	3,241,172	3,173,648	3,440,755	3,935,152	4,116,191	4,242,023	4,474,554	4,876,402	4,933,717	5,998,798
Solid waste	817,628	902,379	927,550	901,297	1,011,010	1,023,845	1,004,145	986,019	1,012,054	725,172
Stormwater management	-	-	-	188,938	194,183	193,874	190,992	195,304	197,504	190,324
Capital Trust Agency	-	-	-	-	-	-	-	-	-	-
Gulf Breeze Financial Services	494,169	763,527	510,552	841,300	475,615	523,776	870,766	777,842	926,632	875,171
Fishing bridge	147,147	-	-	461,058	-	-	-	-	-	-
Capital grants and contributions	2,868,146	1,539,970	2,912,708	2,448,130	632,068	127,267	95,171	319,969	417,520	373,323
Total business-type activities program revenues	<u>10,612,524</u>	<u>9,484,846</u>	<u>11,394,609</u>	<u>12,103,152</u>	<u>10,172,279</u>	<u>9,926,171</u>	<u>10,478,334</u>	<u>10,938,055</u>	<u>10,935,036</u>	<u>11,868,229</u>
Total primary government program revenues	<u>\$12,876,571</u>	<u>\$16,414,376</u>	<u>\$15,605,888</u>	<u>\$15,365,591</u>	<u>\$12,355,423</u>	<u>\$11,039,829</u>	<u>\$11,995,968</u>	<u>\$15,661,995</u>	<u>\$19,164,924</u>	<u>\$16,261,609</u>

Continued...

City of Gulf Breeze, Florida
TABLE II (Continued)
CHANGES IN NET POSITION ⁽¹⁾
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$ (3,384,889)	\$ (3,683,284)	\$ (4,950,335)	\$ (6,242,734)	\$ (4,271,843)	\$ (4,944,565)	\$ (4,845,845)	\$ (4,940,562)	\$ 627,318	\$ (4,462,985)
Business-type activities	<u>2,381,750</u>	<u>145,543</u>	<u>1,705,604</u>	<u>929,633</u>	<u>(116,234)</u>	<u>(250,375)</u>	<u>1,656,585</u>	<u>1,295,939</u>	<u>1,774,724</u>	<u>(161,790)</u>
Total primary government net expense	<u>\$ (1,003,139)</u>	<u>\$ (3,537,741)</u>	<u>\$ (3,244,731)</u>	<u>\$ (5,313,101)</u>	<u>\$ (4,388,077)</u>	<u>\$ (5,194,940)</u>	<u>\$ (3,189,260)</u>	<u>\$ (3,644,623)</u>	<u>\$ 2,402,042</u>	<u>\$ (4,624,775)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Property taxes	\$ 1,186,725	\$ 1,398,308	\$ 1,522,994	\$ 1,769,209	\$ 1,665,870	\$ 1,805,589	\$ 1,861,874	\$ 1,767,275	\$ 1,731,906	\$ 1,739,120
Sales taxes	495,505	518,613	512,865	-	-	-	-	-	-	-
Tourist development taxes	-	-	-	39,624	30,287	7,120	13,527	36,060	39,529	64,755
Fuel taxes	-	-	-	229,718	230,000	213,988	168,122	228,653	232,681	231,438
Franchise taxes	-	-	-	279,313	243,849	293,431	364,912	334,218	305,448	288,767
Communication services taxes	-	-	-	146,184	176,152	212,177	297,279	312,900	298,469	361,484
Utility service taxes	99,211	96,760	96,201	136,976	128,931	206,774	319,616	342,531	347,131	357,489
Intergovernmental, unrestricted	168,649	466,654	473,362	498,649	567,629	552,449	510,832	819,245	1,070,901	499,149
Insurance proceeds	-	173,609	-	-	-	-	-	-	-	-
Miscellaneous	569,583	460,142	634,908	597,342	665,631	666,013	1,139,891	953,952	608,104	796,089
Investment earnings	129,222	81,153	176,998	149,068	119,922	49,430	21,304	30,688	35,537	13,904
Transfers	<u>846,604</u>	<u>840,508</u>	<u>870,849</u>	<u>(313,870)</u>	<u>1,230,150</u>	<u>1,073,089</u>	<u>1,210,696</u>	<u>849,344</u>	<u>1,181,650</u>	<u>1,217,588</u>
Total governmental activities	<u>3,495,499</u>	<u>4,035,747</u>	<u>4,288,177</u>	<u>3,532,213</u>	<u>5,058,421</u>	<u>5,080,060</u>	<u>5,908,053</u>	<u>5,674,866</u>	<u>5,851,356</u>	<u>5,569,783</u>
Business-type activities										
Miscellaneous	49,142	705,214	112,181	70,820	364,517	233,593	8,663,204	547,198	268,959	329,682
Investment earnings	58,832	83,337	191,820	133,904	92,802	64,495	26,021	19,272	337,195	18,721
Transfers	(846,604)	(840,508)	(870,849)	313,870	(1,230,150)	(1,073,089)	(1,210,696)	(849,344)	(1,181,650)	(1,217,588)
Loss from joint venture	-	(82,207)	-	-	-	-	-	-	-	-
Total business-type activities	<u>(738,630)</u>	<u>(134,164)</u>	<u>(566,848)</u>	<u>518,594</u>	<u>(772,831)</u>	<u>(775,001)</u>	<u>7,478,529</u>	<u>(282,874)</u>	<u>(575,496)</u>	<u>(869,185)</u>
Total primary government	<u>\$ 2,756,869</u>	<u>\$ 3,901,583</u>	<u>\$ 3,721,329</u>	<u>\$ 4,050,807</u>	<u>\$ 4,285,590</u>	<u>\$ 4,305,059</u>	<u>\$ 13,386,582</u>	<u>\$ 5,391,992</u>	<u>\$ 5,275,860</u>	<u>\$ 4,700,598</u>
Change in Net Position										
Governmental activities	\$ 110,610	\$ 352,463	\$ (662,158)	\$ (2,710,521)	\$ 786,578	\$ 135,495	\$ 1,062,208	\$ 734,304	\$ 6,478,674	\$ 1,106,798
Business-type activities	<u>1,643,120</u>	<u>11,379</u>	<u>1,138,756</u>	<u>1,448,227</u>	<u>(889,065)</u>	<u>(1,025,376)</u>	<u>9,135,114</u>	<u>1,013,065</u>	<u>1,199,228</u>	<u>(1,030,975)</u>
Total primary government	<u>\$ 1,753,730</u>	<u>\$ 363,842</u>	<u>\$ 476,598</u>	<u>\$ (1,262,294)</u>	<u>\$ (102,487)</u>	<u>\$ (889,881)</u>	<u>\$ 10,197,322</u>	<u>\$ 1,747,369</u>	<u>\$ 7,677,902</u>	<u>\$ 75,823</u>

SOURCE: City of Gulf Breeze Finance Department.

⁽¹⁾ GASB Statement No. 34 was first implemented for the year ended September 30, 2003.

City of Gulf Breeze, Florida
TABLE III
CHARGES FOR SERVICES BY FUNCTION AND PROGRAM ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Governmental Activities						Business-Type Activities						Gulf Breeze Financial Services	Total Business-Type	Total Primary Government
	General Government	Public Safety	Transportation	Economic Environment	Culture & Recreation	Total Govt Charges	Water & Sewer	Natural Gas	South Santa Rosa Utility	Stormwater Management	Fishing Bridge	Solid Waste			
2013	\$ 94,215	\$ 901,465	\$ -	\$ -	\$ 242,762	\$1,238,442	\$ 1,816,720	\$ 1,888,721	\$ 5,998,798	\$ 190,324	\$ -	\$ 725,172	\$ 875,171	\$ 11,494,906	\$ 12,733,348
2012	67,903	749,597	-	-	217,271	1,034,771	1,850,835	1,596,774	4,933,717	197,504	-	1,012,054	926,632	10,517,516	11,552,287
2011	\$ 92,983	\$ 345,228	\$ -	\$ -	\$ 231,431	\$ 669,642	\$ 1,889,323	\$ 1,893,196	\$ 4,876,402	\$ 195,304	\$ -	\$ 986,019	\$ 777,842	\$ 10,618,086	\$ 11,287,728
2010	\$ 47,546	\$ 113,966	\$ -	\$ -	\$ 230,571	\$ 392,083	\$ 1,764,738	\$ 2,077,968	\$ 4,474,554	\$ 190,992	\$ -	\$ 1,004,577	\$ 870,766	\$ 10,383,595	\$ 10,775,246
2009	\$ 101,657	\$ 318,015	\$ -	\$ -	\$ 225,774	\$ 645,446	\$ 1,896,573	\$ 1,918,813	\$ 4,242,023	\$ 193,874	\$ -	\$ 1,023,845	\$ 523,776	\$ 9,798,904	\$ 10,444,350
2008	\$ 69,705	\$ 267,493	\$ -	\$ -	\$ 261,662	\$ 598,860	\$ 1,787,244	\$ 1,955,968	\$ 4,116,191	\$ 194,183	\$ -	\$ 1,011,010	\$ 475,615	\$ 9,540,211	\$ 10,139,071
2007	\$ 188,550	\$ 295,201	\$ -	\$ -	\$ 183,622	\$ 667,373	\$ 1,545,320	\$ 1,781,957	\$ 3,935,152	\$ 188,938	\$ -	\$ 947,181	\$ 841,300	\$ 9,239,848	\$ 9,907,221
2006	\$ 26,040	\$ 197,998	\$ 72,496	\$ -	\$ 155,239	\$ 451,773	\$ 1,542,876	\$ 2,060,168	\$ 3,440,755	\$ -	\$ -	\$ 927,550	\$ 510,552	\$ 8,481,901	\$ 8,933,674
2005	\$ 26,040	\$ 224,688	\$ 86,840	\$ -	\$ 130,776	\$ 468,344	\$ 1,423,554	\$ 1,681,768	\$ 3,173,648	\$ -	\$ -	\$ 902,379	\$ 763,527	\$ 7,944,876	\$ 8,413,220
2004	\$ 316,116	\$ 180,391	\$ 45,219	\$ -	\$ 123,123	\$ 664,849	\$ 1,368,238	\$ 1,676,024	\$ 3,241,172	\$ -	\$ 147,147	\$ 817,628	\$ 494,169	\$ 7,744,378	\$ 8,409,227

SOURCE: City of Gulf Breeze Finance Department

⁽¹⁾ GASB Statement No. 34 was first implemented for the year ended September 30, 2003.

City of Gulf Breeze, Florida
TABLE IV
COMPONENTS OF FUND BALANCE ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Non-spendable Fund Balance			Restricted Fund Balance			Committed Fund Balance			Assigned Fund Balance			Unassigned Fund Balance			Total Fund Balance		
	General Fund	Aggregate Special Revenue Funds	Total	General Fund	Aggregate Special Revenue Funds	Total	General Fund	Aggregate Special Revenue Funds	Total	General Fund	Aggregate Special Revenue Funds	Total	General Fund	Aggregate Special Revenue Funds	Total	General Fund	Aggregate Special Revenue Funds	Total
2013	\$ 5,488	\$ -	\$ 5,488	\$ -	\$ 762,430	\$ 762,430	\$ 562,270	\$ 475,409	\$ 1,037,679	\$ 115,993	\$ -	\$ 115,993	\$ 6,058,917	\$ -	\$ 6,058,917	\$ 6,742,668	\$ 1,237,839	\$ 7,980,507
2012	\$ 5,980	\$ -	\$ 5,980	\$ -	\$ 916,350	\$ 916,350	\$ 362,270	\$ -	\$ 362,270	\$ 115,993	\$ 416,854	\$ 532,847	\$ 6,698,503	\$ -	\$ 6,698,503	\$ 7,182,746	\$ 1,333,204	\$ 8,515,950
2011	\$ 6,074	\$ -	\$ 6,074	\$ -	\$ 994,663	\$ 994,663	\$ 360,177	\$ -	\$ 360,177	\$ 115,993	\$ 384,162	\$ 500,155	\$ 4,927,685	\$ -	\$ 4,927,685	\$ 5,409,929	\$ 1,378,825	\$ 6,788,754
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department

⁽¹⁾ GASB Statement No. 54 was first implemented for the year ended September 30, 2011.

City of Gulf Breeze, Florida
TABLE V
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 1,712,442	\$ 1,951,893	\$ 2,067,873	\$ 2,601,025	\$ 2,475,088	\$ 2,739,079	\$ 2,660,418	\$ 2,687,419	\$ 2,649,716	\$ 2,754,286
Licenses and permits	69,085	61,788	64,187	96,644	69,705	83,962	412,458	427,201	373,351	382,850
Intergovernmental	2,078,960	6,841,071	4,231,538	3,093,715	2,151,913	1,020,661	1,559,733	4,797,182	8,202,214	3,624,993
Charges for services	147,218	130,776	155,239	275,527	261,662	243,468	254,973	251,342	243,576	232,418
Fines and forfeitures	180,391	224,688	197,998	295,201	267,493	318,016	101,604	340,415	742,280	879,725
Miscellaneous	724,846	567,335	837,946	746,410	785,553	697,852	1,223,509	980,341	688,458	871,303
Total Revenues	4,912,942	9,777,551	7,554,781	7,108,522	6,011,414	5,103,038	6,212,695	9,483,900	12,899,595	8,745,575
Expenditures										
General government	1,765,047	6,708,807	4,882,687	1,377,411	1,600,347	1,402,579	1,951,093	2,082,950	1,729,301	1,818,220
Public safety	1,647,056	1,813,964	1,859,355	2,050,760	2,084,015	1,963,524	2,074,114	2,362,472	2,596,140	2,969,546
Transportation	172,810	243,260	241,410	152,329	96,455	151,623	139,370	249,113	204,519	713,559
Economic environment	95,252	109,397	123,298	104,597	102,446	116,673	118,498	122,413	133,073	116,579
Culture and recreation	727,324	739,305	831,588	4,236,487	993,855	886,497	908,776	3,462,148	1,251,795	1,119,344
Capital outlay	2,206,017	1,610,747	1,674,036	2,210,764	856,144	674,156	1,199,274	2,297,710	5,957,086	3,280,636
Debt service										
Principal	55,300	186,594	192,462	183,554	-	154,000	158,400	239,357	171,600	175,650
Interest	46,672	97,215	156,930	226,147	327,402	325,297	320,336	315,231	310,536	305,046
Costs of issuance	-	-	-	330,824	-	-	-	-	-	-
Total expenditures	6,715,478	11,509,289	9,961,766	10,872,873	6,060,664	5,674,349	6,869,861	11,131,394	12,354,050	10,498,580
Excess of revenue over (under) expenditures	(1,802,536)	(1,731,738)	(2,406,985)	(3,764,351)	(49,250)	(571,311)	(657,166)	(1,647,494)	545,545	(1,753,005)
Other Financing Sources (Uses)										
Transfers in	931,512	964,272	1,004,330	1,137,462	959,946	1,427,989	1,576,051	1,240,844	1,815,781	2,115,010
Transfers out	(84,908)	(123,764)	(133,481)	(1,451,332)	(1,451,332)	(354,900)	(365,355)	(391,500)	(634,130)	(897,422)
Insurance recoveries	-	173,609	73,826	-	69,498	17,500	2,295	-	-	-
Principal payment to refund debt	-	-	-	(7,908,980)	-	-	-	-	-	-
Debt proceeds	-	1,000,000	-	14,225,000	-	-	-	-	-	-
Total other financing sources (uses)	846,604	2,014,117	944,675	6,002,150	(421,888)	1,090,589	1,212,991	849,344	1,181,651	1,217,588
Net change in fund balance	\$ (955,932)	\$ 282,379	\$ (1,462,310)	\$ 2,237,799	\$ (471,138)	\$ 519,278	\$ 555,825	\$ (798,150)	\$ 1,727,196	\$ (535,417)
Debt service as a percentage of noncapital expenditures	2.00%	3.00%	4.00%	5.00%	6.00%	10.00%	8.00%	6.00%	8.00%	7.00%

City of Gulf Breeze, Florida
TABLE VI
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Total Tax Levy⁽¹⁾</u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for the Year</u>	<u>Ratio of Total Taxes Collected to Current Levy</u>	<u>Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Current Levy</u>
2013								
			This levy will be collected during Fiscal Year 2014.					
2012	\$ 1,200,632	\$ 1,163,879	96.9 %	\$ 3,864	\$ 1,167,743	97.3 %	\$ 704	0.1 %
2011	\$ 1,194,763	\$ 1,158,863	97.0 %	\$ 3,973	\$ 1,162,836	97.3 %	\$ 2,857	0.2 %
2010	\$ 1,206,357	\$ 1,168,019	96.8 %	\$ 3,674	\$ 1,171,963	97.1 %	\$ 2,685	0.2 %
2009	\$ 1,258,989	\$ 1,217,346	96.7 %	\$ 3,752	\$ 1,221,098	97.0 %	\$ 5,644	0.4 %
2008	\$ 1,221,189	\$ 1,174,803	96.2 %	\$ 3,175	\$ 1,178,518	96.5 %	\$ 10,636	0.9 %
2007	\$ 1,063,428	\$ 1,027,774	96.6 %	\$ 2,945	\$ 1,030,719	96.9 %	\$ 1,565	0.1 %
2006	\$ 1,086,162	\$ 1,081,722	99.6 %	\$ 2,500	\$ 1,084,222	99.8 %	\$ 1,769	0.2 %
2005	\$ 1,075,841	\$ 1,039,183	96.6 %	\$ 3,245	\$ 1,042,428	96.9 %	\$ 1,347	0.1 %
2004	\$ 999,824	\$ 967,773	96.8 %	\$ 2,754	\$ 970,527	97.1 %	\$ 8,495	0.8 %

SOURCE: Santa Rosa County Tax Collector Office

⁽¹⁾ Includes Discounts Taken for Early Payment (maximum of 4%)

City of Gulf Breeze, Florida
TABLE VII
ASSESSED VALUE OF TAXABLE PROPERTY ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Year ⁽²⁾	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value for Operations	Total Direct Tax Rate
2013	\$ 903,420,497	\$ 33,761,170	\$ 937,181,667	\$ 287,072,951	\$ 650,108,716	1.9000
2012	\$ 883,720,244	\$ 35,023,885	\$ 918,774,129	\$ 287,168,164	\$ 631,605,965	1.9000
2011	\$ 879,382,858	\$ 35,300,296	\$ 914,683,154	\$ 286,262,042	\$ 628,421,112	1.9000
2010	\$ 957,414,901	\$ 39,883,882	\$ 997,298,783	\$ 362,784,783	\$ 634,514,000	1.9000
2009	\$ 843,459,341	\$ 41,919,426	\$ 885,378,767	\$ 223,488,747	\$ 661,890,020	1.9000
2008	\$ 1,057,198,119	\$ 36,087,891	\$1,093,286,010	\$ 411,456,015	\$ 681,829,995	1.8000
2007	\$ 1,112,840,126	\$ 31,427,047	\$1,144,267,173	\$ 459,490,041	\$ 684,777,132	1.5520
2006	\$ 1,133,658,192	\$ 33,232,222	\$1,166,890,414	\$ 499,240,156	\$ 667,650,258	1.6283
2005	\$ 960,727,282	\$ 28,162,900	\$ 988,890,182	\$ 423,084,878	\$ 565,805,304	1.9000
2004	\$ 819,535,885	\$ 31,872,976	\$ 851,408,861	\$ 339,659,012	\$ 511,749,849	1.9000

SOURCE: City of Gulf Breeze Finance Department

(1) Florida State Law requires all property to be assessed at current fair market value.

(2) As of January 1 of each year listed

City of Gulf Breeze, Florida
TABLE VIII
PROPERTY TAX RATES PER \$1,000 OF TAXABLE VALUE - ALL DIRECT AND
OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Millage</u>
2013	1.9000
2012	1.9000
2011	1.9000
2010	1.9000
2009	1.9000
2008	1.8000
2007	1.5520
2006	1.6283
2005	1.9000
2004	1.9000

SOURCE: Santa Rosa County Property Appraiser

The base rate and the total rate are identical for the City of Gulf Breeze.

City of Gulf Breeze, Florida
TABLE IX
PRINCIPAL TAXPAYERS
Unaudited

Taxpayer	2013		2004	
	Total Taxable Value	Percentage	Total Taxable Value	Percentage
Andrews Institute Medical Park	\$ 16,548,828	2.55 %		
Sea Shell Collections LLC	14,367,865	2.21 %		
Gulf Power Company	7,904,283	1.22 %	6,252,472	1.18 %
Mullet, Willis J.	7,354,282	1.13 %	3,119,027	0.59 %
East End Company, LLC & Gulf	6,585,755	1.01 %		
Quietwater LLC	5,148,495	0.79 %	3,982,941	0.75 %
Falzone, Timothy D.	4,957,763	0.76 %		
Exposition Properties	4,526,015	0.70 %	4,302,623	0.81 %
Andrews Institute ASC LLC	3,645,093	0.56 %		
Belleau, George and Ann	4,259,402	0.66 %		
Bell South Communications	4,152,513		8,112,352	1.53 %
Simoni Trust	3,913,906			
Villas at Gulf Breeze	3,763,628			
Gulf Breeze 98 LLC	3,431,413			
Papantonio, James	3,031,168			
Jenkins, Robert B			8,176,111	1.54 %
Bay Beach Hotel LLC			4,678,702	0.88 %
Remainder of Ten Highest Assessed Properties			<u>15,725,902</u>	<u>2.96 %</u>
Total of Principal Taxpayers	93,590,409	14.40 %	54,350,130	10.24 %
Total All Other Taxpayers	<u>556,486,227</u>	<u>85.60 %</u>	<u>476,196,099</u>	<u>89.76 %</u>
Total Taxable Value	<u>\$ 650,076,636</u>	<u>100.00 %</u>	<u>\$ 530,546,229</u>	<u>100.00 %</u>

SOURCE: Santa Rosa County Property Appraiser

City of Gulf Breeze, Florida
TABLE X
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Assessments	Assessments Collected	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessments
2013	\$ -	\$ 10,635	0.00 %	\$ 94,034
2012	\$ -	\$ 24,774	0.00 %	\$ 104,669
2011	\$ -	\$ 12,322	0.00 %	\$ 129,443
2010	\$ 58,790	\$ 43,191	73.50 %	\$ 141,765
2009	\$ -	\$ 30,697	0.00 %	\$ 126,166
2008	\$ 438,618 (1)	\$ 281,754	64.24 %	\$ 156,863
2007	\$ 57,403	\$ 51,025	88.89 %	\$ 6,378
2006	\$ -	\$ -	0.00 %	\$ -
2005	\$ -	\$ -	0.00 %	\$ -
2004	\$ -	\$ -	0.00 %	\$ -

SOURCE: City of Gulf Breeze Finance Department

(1) Septic abatement assessment provided up to 10 years for payment

City of Gulf Breeze, Florida
TABLE XI
OUTSTANDING DEBT ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Revenue Bonds Payable			Notes Payable			Capital Leases Payable			Other Contractual Obligations			Total Debt		
	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt
2013	\$ 8,135,723	\$ 5,471,974	\$ 13,607,697	\$ -	\$ 4,759,964	\$ 4,759,964	\$ -	\$ 262,557	\$ 262,557	\$ 228,753	\$ 175,891	\$ 404,644	\$ 8,364,476	\$ 10,670,386	\$ 19,034,862
2012	8,311,723	5,959,853	14,271,576	-	4,897,432	4,897,432	-	-	-	220,828	162,741	383,569	8,532,551	11,020,026	19,552,577
2011	\$ 8,481,734	\$ 6,432,134	\$ 14,913,868	\$ -	\$ 5,051,438	\$ 5,051,438	\$ -	\$ -	\$ -	\$ 226,084	\$ 154,795	\$ 380,879	\$ 8,707,818	\$ 11,638,367	\$ 20,346,185
2010	\$ 8,642,944	\$ 6,878,215	\$ 15,521,159	\$ -	\$ 4,763,971	\$ 4,763,971	\$ -	\$ -	\$ -	\$ 391,419	\$ 155,695	\$ 547,114	\$ 9,034,363	\$ 11,797,881	\$ 20,832,244
2009	\$ 8,799,754	\$ 7,308,696	\$ 16,108,450	\$ -	\$ 5,099,608	\$ 5,099,608	\$ -	\$ 116,403	\$ 116,403	\$ 253,893	\$ -	\$ 253,893	\$ 9,053,647	\$ 12,524,707	\$ 21,578,354
2008	\$ 8,952,164	\$ 7,723,577	\$ 16,675,741	\$ -	\$ 5,623,846	\$ 5,623,846	\$ -	\$ 170,930	\$ 170,930	\$ 156,341	\$ -	\$ 156,431	\$ 9,108,595	\$ 13,518,353	\$ 22,626,948
2007	\$ 10,177,575	\$ 6,880,458	\$ 17,058,033	\$ -	\$ 6,133,241	\$ 6,133,241	\$ -	\$ 223,145	\$ 223,145	\$ 76,615	\$ -	\$ 76,615	\$ 10,254,190	\$ 13,236,844	\$ 23,491,034
2006	\$ -	\$ 7,254,339	\$ 7,254,339	\$ 4,044,844	\$ 7,641,487	\$ 11,686,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,044,844	\$ 14,895,826	\$ 18,940,670
2005	\$ -	\$ 7,493,220	\$ 7,493,220	\$ 4,237,306	\$ 8,178,970	\$ 12,416,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,237,306	\$ 15,672,190	\$ 19,909,496
2004	\$ -	\$ 8,688,333	\$ 8,688,333	\$ 3,423,900	\$ 8,689,304	\$ 12,113,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,423,900	\$ 17,377,637	\$ 20,801,537

SOURCE: City of Gulf Breeze Finance Department

⁽¹⁾ GASB Statement No. 34 was first implemented for the fiscal year ended September 30, 2003.

City of Gulf Breeze, Florida
TABLE XII
RATIO OF TOTAL DEBT TO ASSESSED VALUE AND TOTAL DEBT PER CAPITA ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Estimated Population ⁽²⁾	Assessed Value for Operations ⁽³⁾	Total Outstanding Debt ⁽⁴⁾	Ratio of Total Outstanding Debt to Assessed Value	Amount of Total Outstanding Debt Per Capita	Percentage of Personal Income ⁽⁵⁾
2013	5,763	\$ 650,108,716	\$ 19,034,862	2.9 %	\$ 3,303	7.62 %
2012	5,790	\$ 631,605,965	\$ 19,552,577	3.1 %	\$ 3,377	7.83 %
2011	5,765	\$ 628,421,112	\$ 20,346,185	3.2 %	\$ 3,529	8.15 %
2010	5,751	\$ 634,514,000	\$ 20,443,543	3.2 %	\$ 3,555	8.19 %
2009	5,791	\$ 661,890,020	\$ 21,578,354	3.3 %	\$ 3,726	8.55 %
2008	5,780	\$ 681,829,995	\$ 22,626,948	3.3 %	\$ 3,915	8.76 %
2007	5,805	\$ 684,777,132	\$ 23,491,034	3.5 %	\$ 4,047	8.32 %
2006	5,774	\$ 667,650,258	\$ 18,940,670	2.8 %	\$ 3,280	6.88 %
2005	5,765	\$ 565,805,304	\$ 19,909,496	3.5 %	\$ 3,454	7.45 %
2004	5,790	\$ 511,749,849	\$ 20,801,537	4.1 %	\$ 3,593	7.94 %

⁽¹⁾ GASB Statement No. 34 was first implemented for the fiscal year ended September 30, 2003.

⁽²⁾ SOURCE: Bureau of Economic and Business Research, University of Florida

⁽³⁾ From Table VII

⁽⁴⁾ From Table XI

⁽⁵⁾ From Table XVII

City of Gulf Breeze, Florida
TABLE XIII
COMPUTATION OF LEGAL DEBT MARGIN
Unaudited

The Constitution of the State of Florida, Florida Statute 200.181, and the Charter of the City of Gulf Breeze, Florida set no legal debt margin.

City of Gulf Breeze, Florida
TABLE XIV
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET
BONDED DEBT PER CAPITA
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Estimated Population⁽¹⁾</u>	<u>Assessed Value for Operations⁽²⁾</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2013	5,763	\$ 650,108,716	\$ -	\$ -	\$ -	- %	\$ -
2012	5,790	\$ 631,605,965	\$ -	\$ -	\$ -	- %	\$ -
2011	5,765	\$ 628,421,112	\$ -	\$ -	\$ -	- %	\$ -
2010	5,751	\$ 634,514,000	\$ -	\$ -	\$ -	- %	\$ -
2009	5,791	\$ 661,890,020	\$ -	\$ -	\$ -	- %	\$ -
2008	5,780	\$ 681,829,995	\$ -	\$ -	\$ -	- %	\$ -
2007	5,805	\$ 684,777,132	\$ -	\$ -	\$ -	- %	\$ -
2006	5,774	\$ 667,650,258	\$ -	\$ -	\$ -	- %	\$ -
2005	5,765	\$ 565,805,304	\$ -	\$ -	\$ -	- %	\$ -
2004	5,790	\$ 511,749,849	\$ -	\$ -	\$ -	- %	\$ -

⁽¹⁾ SOURCE: Bureau of Economic and Business Research, University of Florida.

⁽²⁾ From Table VII

City of Gulf Breeze, Florida
TABLE XV
COMPUTATION OF DIRECT AND OVERLAPPING DEBT - GENERAL
OBLIGATIONS
Unaudited

The City of Gulf Breeze, Florida, does not have any overlapping debt.

City of Gulf Breeze, Florida
TABLE XVI
REVENUE BOND COVERAGE - SOUTH SANTA ROSA UTILITY CERTIFICATES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Operating Revenue	Tap Fees	Direct Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2013	\$ 4,686,102	\$ 358,338	\$ 2,869,620	\$ 2,174,820	\$ 620,000	\$ 257,544	\$ 877,544	2.48
2012	\$ 4,933,717	\$ 389,166	\$ 2,848,490	\$ 2,474,393	\$ 595,000	\$ 267,213	\$ 862,213	2.87
2011	\$ 4,876,402	\$ 309,563	\$ 2,781,874	\$ 2,404,091	\$ 580,000	\$ 276,202	\$ 856,202	2.81
2010	\$ 4,474,554	\$ 83,315	\$ 2,527,761	\$ 2,030,108	\$ 555,000	\$ 294,905	\$ 849,905	2.39
2009	\$ 4,167,567	\$ 110,164	\$ 2,838,768	\$ 1,438,963	\$ 540,000	\$ 314,068	\$ 854,068	1.68
2008	\$ 4,071,263	\$ 297,607	\$ 3,119,602	\$ 1,249,268	\$ 525,000	\$ 330,080	\$ 855,080	1.46
2007	\$ 3,843,182	\$ 1,011,461	\$ 3,377,900	\$ 1,476,743	\$ 515,000	\$ 343,080	\$ 858,080	1.72
2006	\$ 3,362,140	\$ 1,674,431	\$ 3,133,753	\$ 1,902,818	\$ 505,000	\$ 355,830	\$ 860,830	2.21
2005	\$ 3,076,688	\$ 1,238,896	\$ 2,891,333	\$ 1,424,251	\$ 370,000	\$ 366,767	\$ 736,767	1.93
2004	\$ 3,170,682	\$ 2,260,893	\$ 2,395,033	\$ 3,036,542	\$ 405,000	\$ 555,996	\$ 960,996	3.16

SOURCE: City of Gulf Breeze Finance Department

(1) Excluding Depreciation

City of Gulf Breeze, Florida
TABLE XVII
MISCELLANEOUS DEMOGRAPHICAL STATISTICS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Population		City as a % of County	County Population Growth	Total Personal Income	Per Capita Income	Unemployment Rate	Median Household Income
	Gulf Breeze City	Santa Rosa County						
2013	5,763	158,512	3.64 %	2.01 %	\$250,475,196	\$ 43,463	2.65 %	\$ 73,012
2012	5,790	155,390	3.73 %	0.32 %	\$249,926,200	\$ 43,165	2.50 %	\$ 67,214
2011	5,765	154,901	3.72 %	6.09 %	\$251,008,100	\$ 43,540	2.95 %	\$ 70,575
2010	5,751	146,008	3.94 %	1.04 %	\$249,756,026	\$ 43,428	3.20 %	\$ 67,214
2009	5,791	144,508	4.01 %	0.26 %	\$252,389,153	\$ 43,583	2.50 %	\$ 65,980
2008	5,780	144,136	4.01 %	1.40 %	\$258,290,860	\$ 44,687	2.26 %	\$ 70,093
2007	5,805	142,144	4.08 %	0.51 %	\$282,390,030	\$ 48,646	2.26 %	\$ 66,699
2006	5,774	141,428	4.08 %	(0.23)%	\$275,131,100	\$ 47,650	2.56 %	\$ 65,750
2005	5,765	141,750	4.07 %	6.00 %	\$267,357,640	\$ 46,376	2.30 %	\$ 63,323
2004	5,790	133,721	4.33 %	3.75 %	\$261,945,390	\$ 45,241	2.90 %	\$ 61,635

SOURCE: US Department of Census; Bureau of Economic and Business Research, University of Florida

City of Gulf Breeze, Florida
TABLE XVIII
SCHEDULE OF PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Assessed Value for Operations ⁽¹⁾	Commercial Construction		Residential Construction		Bank Deposits ⁽³⁾
		# of Units ⁽²⁾	Value	# of Units ⁽²⁾	Value	
2013	\$ 650,108,716	(4)	(4)	(4)	(4)	(4)
2012	\$ 631,605,965	4	\$ 8,011,500	10	\$ 4,193,000	\$ 292,221,000
2011	\$ 628,421,112	4	\$ 602,500	13	\$ 6,297,000	\$ 247,182,000
2010	\$ 634,514,000	0	\$ -	9	\$ 501,500	\$ 283,202,000
2009	\$ 661,890,020	1	\$ 1,121,596	3	\$ 204,500	\$ 297,216,000
2008	\$ 681,829,995	11	\$ 430,033	14	\$ 1,491,560	\$ 309,810,000
2007	\$ 684,777,132	24	\$ 5,794,633	14	\$ 3,849,400	\$ 317,633,000
2006	\$ 667,650,258	12	\$ 9,046,301	11	\$ 9,022,840	\$ 308,860,000
2005	\$ 565,805,304	8	\$ 7,814,249	18	\$ 4,545,760	\$ 302,040,000
2004	\$ 511,749,849	6	\$ 2,634,842	14	\$ 5,542,241	\$ 212,625,000

⁽¹⁾ Source: Table VII

⁽²⁾ Santa Rosa County Inspection Department

⁽³⁾ Florida Bankers Association, FDIC Website - Summary Deposits as of June 30 of respective years

⁽⁴⁾ Comparable values not available from county offices for 2013 as of publication date.

City of Gulf Breeze, Florida
TABLE XIX
PRINCIPAL EMPLOYERS
(Over 50 Employees Reported)
Unaudited

Fiscal Year 2013 ⁽¹⁾ ⁽²⁾	Employees	Percentage of Labor Force
Gulf Breeze Hospital	219	7.6 %
AppRiver	183	5.4 %
Andrews Institute	158	5.4 %
Studer Group	142	5.1 %
Publix	94	3.3 %
City of Gulf Breeze	105	3.0 %
Gulf Breeze High School	82	2.8 %
Gulf Breeze Middle School	67	2.4 %
Gulf Breeze Elementary School	52	1.9 %
Total Labor Force ⁽¹⁾	2,894	

⁽¹⁾ SOURCE: Haas Center for Business Research and Economic Development, TEAM Santa Rosa

⁽²⁾ Information wasn't maintained for fiscal year 2004.

City of Gulf Breeze, Florida
TABLE XX
PERMITS
Last Ten Fiscal Years
Unaudited

Year	Residential				Commercial			
	Additions / Renovations	New Construction	Pool Permits	Miscellaneous Permits	Additions / Renovations	New Construction	Sign Permits	Miscellaneous Permits
2013	23	17	8	67	8	1	17	17
2012	12	11	12	67	4	6	30	16
2011	14	14	9	53	19	1	22	16
2010	25	13	14	37	10	5	19	4
2009	24	5	3	20	11	0	26	11
2008	19	9	4	18	21	3	33	4
2007	25	22	22	14	4	3	37	5
2006	30	25	18	1	7	2	8	0
2005	144	36	36	11	22	14	38	5
2004	53	17	20	10	16	9	28	4

SOURCE: City of Gulf Breeze Community Services Department

City of Gulf Breeze, Florida
TABLE XXI
WATER SERVICE RATES
Unaudited
As of September 30, 2013

Meter Size	Inside City Limits				Outside City Limits						
	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional			
0.75"	\$ 9.41	\$ 10.41	-	\$ 2.75	\$ 13.90		-	\$ 2.75	\$ 23.82	3.0	\$ 2.75
1.00"	\$ 17.46	\$ 18.79	-	\$ 2.75	\$ 25.27		-	\$ 2.75	\$ 37.23	3.0	\$ 2.75
1.50"	\$ 45.67	\$ 47.67	-	\$ 2.75	\$ 64.62		-	\$ 2.75	\$ 82.57	3.0	\$ 2.75
2.00"	\$ 74.39	\$ 77.06	-	\$ 2.75	\$ 104.67		-	\$ 2.75	\$ 126.67	3.0	\$ 2.75
3.00"	\$ 151.33	\$ 155.33	-	\$ 2.75	\$ 211.52		-	\$ 2.75	\$ 246.28	3.0	\$ 2.75
4.00"	\$ 228.28	\$ 233.61	-	\$ 2.75	\$ 318.37		-	\$ 2.75	\$ 317.77	3.0	\$ 2.75
6.00"	\$ 454.67	\$ 462.67	-	\$ 2.75	\$ 631.48		-	\$ 2.75	\$ 732.56	3.0	\$ 2.75

SOURCE: City Water & Sewer Department and South Santa Rosa Utility

City of Gulf Breeze, Florida
TABLE XXII
SEWER SERVICE RATES
Unaudited
As of September 30, 2013

Meter Size	Inside City Limits				Outside City Limits						
	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional			
0.75"	\$ 13.09	\$ 14.60	-	\$ 3.90	\$ 16.11		-	\$ 4.02	\$ 33.17	3.0	\$ 4.02
1.00"	\$ 24.27	\$ 26.28	-	\$ 3.90	\$ 29.91		-	\$ 4.02	\$ 45.92	3.0	\$ 4.02
1.50"	\$ 58.74	\$ 61.76	-	\$ 3.90	\$ 72.52		-	\$ 4.02	\$ 92.59	3.0	\$ 4.02
2.00"	\$ 94.33	\$ 98.35	-	\$ 3.90	\$ 116.93		-	\$ 4.02	\$ 138.60	3.0	\$ 4.02
3.00"	\$ 188.99	\$ 195.03	-	\$ 3.90	\$ 235.25		-	\$ 4.02	\$ 263.97	3.0	\$ 4.02
4.00"	\$ 281.23	\$ 289.28	-	\$ 3.90	\$ 353.47		-	\$ 4.02	\$ 398.14	3.0	\$ 4.02
6.00"	\$ 549.33	\$ 561.41	-	\$ 3.90	\$ 697.17		-	\$ 4.02	\$ 779.03	3.0	\$ 4.02

SOURCE: City Water & Sewer Department and South Santa Rosa Utility

City of Gulf Breeze, Florida
TABLE XXIII
SOLID WASTE SERVICE RATES
Unaudited
As of September 30, 2013

Residential Collection						
	Curbside		Sideyard			
Regular	\$	16.90	\$	21.10		
Senior Rate	\$	15.20	\$	15.20		
Disabled Rate			\$	15.20		
Extra Kart	\$	6.50	\$	8.00		

Commercial Collection						
Container Size (Waste)	Collection Frequency (Per Week)					Per Extra Call
	1	2	3	4	5	
Kart (96 Gal)	\$ 22.45	\$ 34.95				
2 Cubic Yards	\$ 48.80	\$ 63.40	\$ 98.35	\$ 126.00	\$ 157.25	\$ -
4 Cubic Yards	\$ 71.50	\$ 113.85	\$ 166.10	\$ 221.40	\$ 271.85	\$ -
6 Cubic Yards	\$ 96.10	\$ 162.95	\$ 234.20	\$ 306.00	\$ 380.50	\$ -
8 Cubic Yards	\$ 121.32	\$ 208.35	\$ 302.40	\$ 395.55	\$ 490.05	\$ -
30 Cubic Yard Roll Off						\$ 191.75
<u>Container Size (Recycling)</u>						
Kart (96 Gal)	\$ 9.50					
2 Cubic Yards	\$ 30.45					
4 Cubic Yards	\$ 42.63					
6 Cubic Yards	\$ 54.33					

City of Gulf Breeze, Florida
TABLE XXIV
NATURAL GAS SERVICE RATES
Unaudited
As of September 30, 2013

Inside City Limits - Residential and Commercial

Minimum monthly service charge: \$7.00 / \$10.00 if usage is under 3 therms per month

<u>Monthly Usage (Therms)</u>	<u>Rate per Therm</u>
0 - 3	\$ 0.8621
4 - 8	\$ 0.8229
9 - 166	\$ 0.7837
167 - 4,166	\$ 0.6662
over 4,167	\$ 0.5486

Outside City Limits - Residential and Commercial

Minimum monthly service charge: \$9.00 / \$10.00 if usage is under 3 therms per month

<u>Monthly Usage (Therms)</u>	<u>Rate per Therm</u>
0 - 3	\$ 0.9483
4 - 8	\$ 0.9052
9 - 166	\$ 0.8621
167 - 4,166	\$ 0.7328
over 4,167	\$ 0.6035

Gross Receipts Tax - All residential and commercial accounts: .025% of service and consumption charges

Florida State Sales Tax - Commercial accounts only: .075% of service and consumption and gross receipts tax

Therm: 100 cubic feet of natural gas

SOURCE: Gulf Breeze Natural Gas Department

City of Gulf Breeze, Florida
TABLE XXV
INSURANCE COVERAGE
Unaudited
As of September 30, 2013

<u>Type</u>	<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Amount</u>
Auto (Person)	10/1/13 to 9/30/14	Florida Municipal Insurance Trust	FMIT # 0224	\$ 100,000
Auto (Occurrence)				\$ 200,000
General Liability	10/1/13 to 9/30/14	Florida Municipal Insurance Trust	FMIT # 0224	\$ 500,000
Extra Contractual Legal Liability				\$ 25,000
Fire Legal Liability				\$ 250,000
Medical Malpractice Liability				\$ 500,000
Errors & Omissions Liability				\$ 500,000
Law Enforcement Liability				\$ 500,000
Real Property	10/1/13 to 9/30/14	Florida Municipal Insurance Trust	FMIT # 0224	\$ 28,926,235
Personal Property	10/1/13 to 9/30/14	Florida Municipal Insurance Trust	FMIT # 0224	\$ 1,080,503
Island Marine	10/1/13 to 9/30/14	Florida Municipal Insurance Trust	FMIT # 0224	\$ 210,280
Wind Storm	10/1/13 to 9/30/14	Citizens Property Insurance	728652	\$ 4,528,000
Worker's Compensation	10/1/13 to 9/30/14	City of Gulf Breeze	N/A	\$ 250,000
Petroleum Storage Tank	10/1/13 to 9/30/14	Policy Managers	7509065	\$ 1,000,000
				\$ 2,000,000

SOURCE: City of Gulf Breeze Departments

City of Gulf Breeze, Florida
TABLE XXVI
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
Unaudited

Full-time employees on City Payroll as of September 30, ⁽¹⁾	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
City Manager and City Clerk	4	4	4	4	4	4	4	4	4	4
Community Services	2	2	2	2	2	2	2	2	2	2
Finance and Accounting	5	5	5	5	5	5	7	6	5	7
Parks and Recreation Center	8	8	8	9	8	8	8	8	8	9
Special Projects	-	-	-	-	-	1	1	1	-	-
Sworn Officers	17	15	15	18	17	19	19	19	19	18
Civilian Employees	8	7	7	7	8	8	8	8	8	7
Police	<u>25</u>	<u>22</u>	<u>22</u>	<u>25</u>	<u>25</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>25</u>
General Government - Total	<u>44</u>	<u>41</u>	<u>41</u>	<u>45</u>	<u>44</u>	<u>47</u>	<u>49</u>	<u>48</u>	<u>46</u>	<u>47</u>
Enterprises ⁽²⁾										
GBFS	2	2	3	2	1	1	1	2	-	1
Gas, Water and Sewer	13	12	12	13	11	12	13	9	11	11
South Santa Rosa Utility	27	26	26	23	27	29	29	28	25	19
Tiger Point Golf Course	19	-	-	-	-	-	-	-	-	-

(1) Personnel figures may reflect instances of temporary vacancies or transition period staffing that existed at fiscal year-end.

(2) Employees in enterprise operations are often used to support multiple Fund operations so exclusive attribution to a particular program as of year-end may not accurately reflect typical allocation throughout the year. City's utility staffing typically ranges 400 to 425 utility accounts per employee. Tiger Point Golf Course was acquired by the City in fiscal year 2013.

The City benefits from efforts of volunteer and use of inmate labor in a variety of areas for which full time equivalents cannot be calculated for this schedule.

The City uses an outside temporary labor agency for up to three part-time staff at its transfer station and for other requirements on an as needed basis.

City of Gulf Breeze, Florida
TABLE XXVII
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
Unaudited

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Fire Department										
Emergency Medical Calls	495	449	511	562	500	471	527	486	500	442
Fire and Other Calls	361	300	289	322	325	315	375	455	341	(*) 238
Total Calls	856	749	800	884	825	786	902	941	841	680
(*) During and immediately after hurricane Ivan the fire department responded to an estimated 100 calls which were not recorded due to power and system failures.										
Police Department										
Arrests	415	466	245	161	195	142	206	258	189	234
Citations	6,734	5,462	5,748	4,968	4,451	4,451	5,330	5,047	3,707	3,800
Parks and Recreation										
League Registrations	1,745	1,566	1,777	1,802	1,918	1,596	1,617	1,784	1,659	1,664
Water										
Customers at year end	2,579	2,580	2,558	2,565	2,575	2,576	2,572	2,582	2,608	2,613
Treatment (000's gallons)	217,800*	233,565	244,322	244,322	256,115	247,620	266,146	274,237	256,311	247,962
Sewer										
Customers at year end	1,517	1,514	1,463	1,471	1,479	1,450	1,407	1,389	1,390	1,412
Treatment (000's gallons)	134,652*	147,327	157,743	150,468	164,167	155,865	168,066	167,414	157,577	150,430
Natural Gas										
Customers at year end	3,460	3,371	3,311	3,248	3,237	3,204	3,104	2,947	2,730	2,871
Therms (000's 100's ft ³)	1,270,690	1,037,415	1,195,192	1,286,640	1,120,347	1,129,450	1,154,080	1,073,628	1,148,731	1,296,972
SSRUS - Water										
Customers at year end	4,145	4,196	4,178	4,200	4,220	4,229	4,224	4,205	4,164	4,382
Usage (000's gallons)	270,288*	286,027	296,911	293,962	299,967	292,892	309,617	324,474	309,116	337,340
SSRUS - Sewer										
Customers at year end	5,966	5,958	5,850	5,837	5,824	5,819	5,744	5,556	5,338	5,402
Treatment (000's gallons)	373,787*	395,337	412,452	385,532	387,549	389,835	407,189	427,657	389,021	401,388
Wastewater Treatment										
Treatment (Millions of Gallons)	558.6	519.2	487.7	562.5	509.2	501.9	499.7	469.8	532.9	517.9
Tiger Point Golf Course										
Annual Rounds Played	32,159 (1)	25,828 (1)	24,724 (1)	22,436 (1)	-	-	-	-	-	-

SOURCE: Departmental Records and Gulf Breeze Sports Association

*Billing delays due to major software transition resulted in 1 month's activity being billed in the following (FY 2014) fiscal year.

(1) Tiger Point Golf Course was acquired by the City of Gulf Breeze in December, 2012. Amounts reported prior to that time are based on prior owner's reported activity.

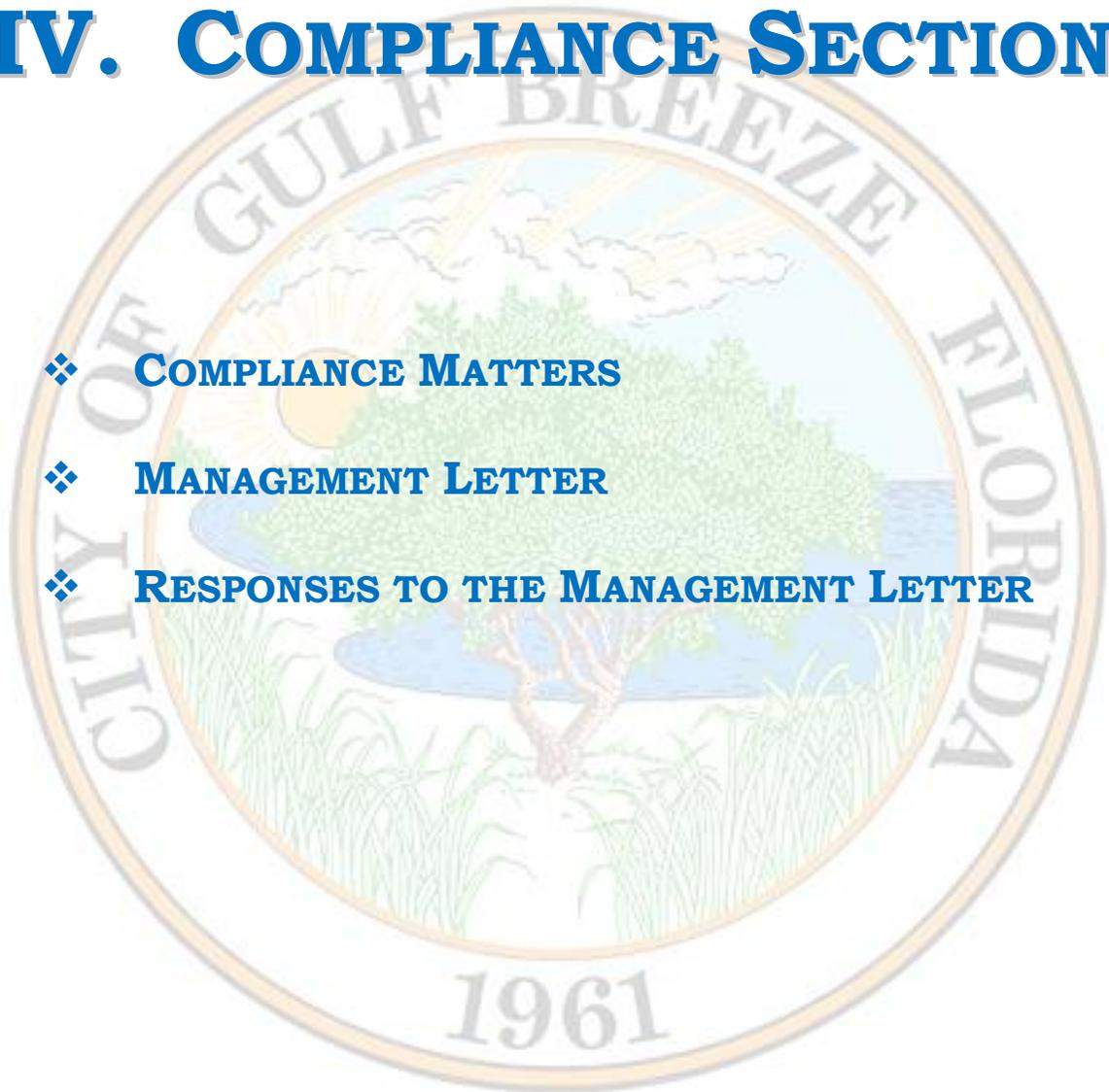
City of Gulf Breeze, Florida
TABLE XXVIII
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Streets										
Miles of roads	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7
Miles of sidewalks	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.0
Signs Installed	172	171	171	171	171	171	171	171	171	171
Traffic Signal (City Owned)	1	1	1	1	1	1	1	1	1	1
Water										
Water Line (miles)	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.3	43.0	42.5
Elevated Storage Tanks	1	1	1	1	1	1	1	1	1	1
Elevated Storage Capacity (000's gallons)	100	100	100	100	100	100	100	100	100	100
Ground Storage Tanks	1	1	1	1	1	1	1	1	1	1
Ground Storage Capacity (000,000's gallons)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Water Pump Facilities	1	1	1	1	1	1	1	1	1	1
Sewer										
Sewer Line (miles)	16.7	16.4	16.0	16.0	16.0	15.3	15.3	15.1	14.8	14.3
Lift Stations	26	25	25	25	25	24	23	23	23	23
Natural Gas										
Gas Main (miles)	141.3	129.5	119.3	119.3	119.3	119.3	118.6	117.6	116.0	115.0
South Santa Rosa Utility System										
<u>Water</u>										
Water Line (miles)	62.5	62.3	62.3	62.3	62.3	62.3	61.3	58.3	57.3	55.3
Elevated Storage Tanks	1	1	1	1	1	1	1	1	1	1
Elevated Storage Capacity (000's gallons)	150	150	150	150	150	150	150	150	150	150
Ground Storage Tanks	1	1	1	1	1	1	1	1	1	1
Ground Storage Capacity (000,000's gallons)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Water Pump Facilities	1	1	1	1	1	1	1	1	1	1
<u>Sewer</u>										
Sewer Line (miles)	59.0	57.8	57.0	57.0	57.0	56.8	54.8	52.8	50.8	49.8
Lift Stations	61	60	60	60	60	57	57	56	53	53
<u>Treatment Facilities</u>										
Facilities	1	1	1	1	1	1	1	1	1	1
Capacity (000,000 gallons per day)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Stormwater Utility										
Stormwater pipe (miles)	9.1	9.1	9.1	9.1	9.1	9.0	7.0	7.0	7.0	7.0
Inlets	186	186	186	186	186	180	88	88	88	88
Pump Stations	5	5	5	5	5	5	5	5	5	5
Police Department										
Patrol Units	17	17	17	17	17	19	19	19	18	18
Fire Department										
Response and Support Vehicles	10	10	10	10	9	10	10	9	8	7

SOURCE: Departmental Records

IV. COMPLIANCE SECTION

- ❖ **COMPLIANCE MATTERS**
- ❖ **MANAGEMENT LETTER**
- ❖ **RESPONSES TO THE MANAGEMENT LETTER**



City of Gulf Breeze, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

Federal Agency Pass-Through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Homeland Security			
Pass-Through From:			
Florida Department of Community Affairs			
Disaster Grants - Public Assistance (Hurricane Ivan)	97.036	05-PA-G-01-67-02-621	\$ 3,036,494
Disaster Grants - Public Assistance (Hurricane Isaac)	97.036	13-IS-3S-01-67-01-549	<u>12,982</u>
Total U.S. Department of Homeland Security			<u>3,049,476</u>
U.S. Department of Interior			
Pass-Through From:			
U.S. Fish and Wildlife Service			
The Restoration of Deadman's Island	15.630	401817G095	<u>5,000</u>
Total U.S. Department of Interior			<u>5,000</u>
U.S. Department of Justice			
Pass-Through From:			
State Office of Attorney General			
Crime Victim Assistance	16.575	V10127	<u>25,960</u>
Total U.S. Department of Justice			<u>25,960</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 3,080,436</u>

The accompanying notes are an integral
part of this schedule.

City of Gulf Breeze, Florida
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS
Year Ended September 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gulf Breeze, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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Honorable Mayor and City Council Members
Gulf Breeze, Florida

INDEPENDENT AUDITORS' 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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2013, which collectively comprise the City of Gulf Breeze, Florida's basic financial statements and have issued our report thereon dated March 12, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gulf Breeze's internal control over financial reporting (internal control) in order 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 the City of Gulf Breeze's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gulf Breeze's internal control over financial reporting.

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 questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 questioned costs to be material weaknesses.

Honorable Mayor and City Council Members
Gulf Breeze, Florida
Independent Auditors' 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* (Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 12, 2014, which should be considered in assessing the results of our audit.

City of Gulf Breeze, Florida's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses 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.

Warren Averett, LLC

Destin, Florida
March 12, 2014



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Honorable Mayor and City Council Members
Gulf Breeze, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited the City of Gulf Breeze, Florida's (the City) 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 the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the City'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 the City'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 the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Gulf Breeze, 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.

Honorable Mayor and City Council Members
Gulf Breeze, Florida
Independent Auditors' Report on Compliance for Each
Major Program and on Internal Control over
Compliance Required by OMB Circular A-133
(Continued)

Report on Internal Control Over Compliance

Management of the City of Gulf Breeze, 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 the City'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 the City'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 any 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.

Warren Averett, LLC

Destin, Florida
March 12, 2014

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that is/are not considered to be material weaknesses? Yes X No
- Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weaknesses? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance (Hurricane Ivan)

Dollar threshold used to distinguish between type A and type B programs for federal awards? \$300,000

- Auditee qualified as low-risk auditee for federal awards? Yes X No

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

II. FINANCIAL STATEMENT FINDINGS

Uncorrected Prior Year Financial Statement Findings

Finding 2008-1 - Capital Asset Balances

Prior Year Finding Summarized

In our testing of the comparison of the general ledger capital asset control accounts and the subsidiary capital asset balances and other City controls over capital assets, we noted the beginning balances in the subsidiary ledger for business-type activities did not agree to the prior year ending balances. Capital assets were not consistently classified in the general ledger or in the capital asset system, certain assets included in the capital asset subsidiary that had been disposed of or sold, and assets are not permanently marked with their assigned identification number and are not consistently marked as belonging to the City of Gulf Breeze.

Recommendation

We recommended the City perform a review and update of the City's purchasing manual to ensure that it meets the City's needs, perform a physical inspection and inventory of capital assets, make adjustments to the capital asset subsidiary ledger based on a physical inventory, mark appropriate capital assets, perform a review of the capital asset subsidiary ledger to ensure propriety of estimated useful lives based on the City's policy and proper classification, verify all capital asset additions to the general ledger and subsidiary are supported by properly coded and approved invoices in accordance with City policy and dollar thresholds, and perform a quarterly reconciliation of capital asset additions between the general ledger and the capital asset subsidiary ledger.

Status

As in fiscal years 2010 through 2012, the Finance Director worked to improve the processes and procedures for maintaining and updating the capital assets subsidiary ledger during fiscal year 2013. This effort coincided with the City's transition to a new accounting software and capital asset module in the summer of 2013. At the beginning of the current year audit, the Finance Director was able to provide us with capital asset schedules that rolled forward the audited balances from the prior year report and summarized the capital asset activity for the current fiscal year. In addition, the Finance Director provided us with adjustments to reflect this activity in the general ledger. However, upon recording these adjustments, we noted the following issues:

- The current year capital asset activity as summarized in the governmental activities roll-forward schedule did not agree to the balances, after adjustment, in the general ledger capital asset control accounts. The use of a capital projects fund over the past four years as opposed to the maintenance of a general fund fixed asset account group has resulted in the reconciliation issues experienced in the past. The capital projects fund was discontinued effective October 1, 2013.

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2008-1 - Capital Asset Balances (Continued)

Status (Continued)

- Capital outlay for the fiscal year included transfers from construction in progress, and, therefore, did not agree to capital asset additions per the governmental activities roll-forward schedule.

- Capital assets and accumulated depreciation per the detailed asset activity listing maintained within the accounting software did not agree to the ending balances of capital assets and accumulated depreciation on the government-wide presentation by \$135,675.

As a result, an extensive amount of time was required by both the Finance Director and the audit team to resolve these issues. We recommend the following:

- Establish internal controls to insure that capital asset transactions during the year are properly and promptly recorded in the general ledger and capital asset subledger.

- The governmental fund fixed assets should be maintained in a general fixed assets account group using the modified accrual basis of accounting, while the proprietary fund fixed assets should be maintained on the full accrual basis of accounting.

- Perform monthly reconciliations to include:
 - * Individual capital asset records to general ledger asset accounts;

 - * Cost per capital asset activity listing (subledger) to general ledger capital asset accounts.

 - * Capital outlay expenditures in the governmental funds to total additions of capital assets for governmental activities on the government-wide basis of reporting.

 - * Significant capital grants shown on the grant inventory with increases to the capital asset accounts; and

 - * Capital assets transferred to other locations, custody or funds with capital assets transferred from other locations, custody or funds.

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2008-1 - Capital Asset Balances (Continued)

Management's Response

Management will continue to make efforts to improve staff training and procedures toward resolving and eliminating these issues. The discontinuance of the capital projects fund and the use of a 901 General Fixed Assets grouping in the capital assets module of the City's accounting software should assist in correcting these issues in fiscal year 2014.

Finding 2008-3 - Annual Close-Out and General Ledger Maintenance

Prior Year Finding Summarized

We noted instances where balance sheet accounts were not properly adjusted as part of the City's year-end closing.

Recommendation

We recommended the City establish year-end close-out procedures to include; a review of all balance sheet accounts for proper support and propriety, a review of all intercompany loans and transfer for propriety and properly balance to zero, a review of post year-end expenditures and revenues to ensure recording in the correct period, and timely coordination between the City Manager's office and the finance office to ensure that the final budget is timely and complete.

Status

As in the prior year audits, we identified current year adjustments that had not been properly made as part of the year-end close out procedures. These current year adjustments included entries to: pooled cash, certain other assets, capital assets, accounts payable, net position/fund balance, and debt. Additionally, the City's finance office provided us with several material adjustments that were required to be made to the preliminary trial balance provided to us for the current year audit. Some of these adjustments we later found were drafted in error, duplicated, or canceled adjustments out within the same entry.

Management's Response

We agree with the finding. Subject to resources and budget limitations, we will arrange for additional training of staff, and will engage in more frequent reviews and reconciliations of subledger and supporting reports and schedules with the general ledger. These recommendations will be incorporated in our development of a comprehensive set of procedures to improve our end-of-year review and close out preparation.

Finding 2010-1 - Grant Financial Reporting

Prior Year Finding Summarized

For the fiscal year ending September 30, 2010, the City was unable to produce the Schedule of Expenditures of Federal Awards (SEFA).

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2010-1 - Grant Financial Reporting (Continued)

Recommendation

We recommended the City review its policies and procedures over grant reporting of receipts and expenditures. These procedures should include reference to the limited capabilities of the existing software, which does not allow for the preparation of the SEFA. The City should utilize alternative reporting mechanisms to capture grant activity. The ultimate goal is to ensure the proper presentation of grant revenues and expenditures for financial reporting.

Status

Management prepared and provided the SEFA for fiscal year 2013 and properly excluded amounts unrelated to the federal and state programs or required matching. As a result, this prior year comment has been corrected.

Current Year Financial Statement Finding

Finding 2013-1 - Interfund Transfers

Observation

Upon starting year-end audit fieldwork, we noted that interfund transfers were out of balance by a material amount. The Finance Director was aware that they were out of balance but felt that the additional adjustments that would be provided to us for posting to the preliminary trial balance would resolve the issue. However, nearing completion of the audit, and having posted all adjustments provided by the City's finance office, we noted that interfund transfers remained out of balance by a material amount of \$532,100. The entry to record road repair and maintenance were not recorded correctly to complete the entire transfer between the Urban Core Redevelopment (UCR) and General funds.

Recommendation

We recommend that the City incorporate a formal reconciliation of interfund transfers into its monthly close-out procedures to insure that all interfund activity is correctly accounted for and properly eliminate at year-end except for any transactions between the City and its discretely presented component units.

Management's Response

We agree with the findings which are more broadly discussed in the comment on Annual Close Out procedures and will continue to pursue corrective actions and resources to establish a more comprehensive closure before the audit process begins.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL PROGRAMS

We noted no matters involving noncompliance that are required to be reported in accordance with OMB Circular A-133.



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Honorable Mayor and City Council Members
Gulf Breeze, Florida

MANAGEMENT LETTER

We have audited the financial statements of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated March 12, 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, 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 and Chapter 10.550 Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 12, 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 reports or schedule:

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 except as noted below under the heading Prior Year Findings and Recommendations.

Tabulation of Uncorrected Audit Findings

Current Year Finding #	2011-12 FY Finding #
2013-ML-01	2012-ML-01
2013-ML-02	2012-ML-03

The Honorable Mayor and City Council Members
Gulf Breeze, Florida
Management Letter (Continued)

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 the City of Gulf Breeze, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, our findings and recommendations are reported under the heading Current Year Finding and Recommendation.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. 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 official title and legal authority for the City of Gulf Breeze, Florida has been disclosed in Note 1 to the financial statements.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Gulf Breeze, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Gulf Breeze, Florida for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Gulf Breeze, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2013-ML-01 WRITTEN CONTROL RISK ASSESSMENT

Prior Year Comment 2012-ML-01 Summarized

In the prior year, we noted that the City of Gulf Breeze, Florida had not formally documented management's control risk assessment regarding significant transaction cycles. The City assesses risk routinely but the risk assessment process was not formalized.

We recommended that the City of Gulf Breeze, Florida formally document their control risk assessment process.

Status

In the course of transitioning to new accounting software in the current fiscal year, management began to review and document its processes and procedures to assist in providing a basis for such written assessment. However, as of the date of this letter, the City had not yet formally documented its control risk assessment process.

Management Response

The comment recognizes that the City 'assesses risk routinely' but is missing a comprehensive formal document of such assessments. Subject to available resources and budget constraints, compliance with the recommendation to document control risk assessment processes will be pursued,

2013-ML-02 COMPLIANCE WITH FLORIDA STATUTE 218.74(2)

Prior Year Comment 2012-ML-03 Summarized

Of the ten (10) disbursements tested for compliance with Florida Statute 218.74(2) during fiscal year 2012, one (1) of the vendor invoices was not paid by the payment due date as defined by Florida Statute 218.74(2), which is forty-five (45) days after the date which the invoice was received. As a result, the City was not in compliance with Florida Statute 218.74(2).

We recommended that the City establish procedures to ensure payment due dates are effectively monitored and adhered to, thereby ensuring that invoices are timely paid in accordance with Florida Statute 218.74(2).

Status

Of the ten (10) disbursements tested for compliance with Florida Statute 218.74(2) during fiscal year 2013, two (2) of the vendor invoices were not paid within forty-five (45) days after the date which the invoice was received. As a result, the City was not in compliance with Florida Statute 218.74(2) for the second consecutive year.

2013-ML-02 COMPLIANCE WITH FLORIDA STATUTE 218.74(2) (CONTINUED)

Prior Year Comment 2012-ML-03 Summarized (Continued)

Management Response

We do not dispute the finding. The Finance department complies with internal controls to ensure that departments approve invoices before payment and that departments comply with policies requiring the use of purchase orders. We have regularly reminded departmental directors and staff of the 'prompt payment statutes'. We inform vendors that all invoices should be submitted directly to the accounting department, however some vendors continue to submit invoices directly to departmental staff. We note that with some vendors that serve multiple departments, it can be time consuming to determine which products and services should be approved by each department which circumstance may contribute to a delay in processing. We also note that many suppliers to the City's golf course retail operation typically offer 90 to 120 day terms for payment, which the Statute clearly does not anticipate. Overall, we believe that our vendor relations are satisfactory to superior, however we will continue to urge refining of and adherence to policies and procedures to enhance compliance.

CURRENT YEAR FINDING AND RECOMMENDATION

2013-ML-03 PRESENTATION OF CAPITAL OUTLAY IN THE GENERAL FUND BUDGET

Observation

The originally adopted budget in the General fund included \$5,000 of capital outlay. The City Council, within sixty (60) days after the fiscal year end as allowed by Florida Statute, approved a year-end budget adjustment to budget for an additional \$8,453,916 in capital outlay. However, total actual capital outlay expended in the General fund was \$3,280,636.

Recommendation

We recommend that the City prepare and adopt a formal capital budget as part of their annual budget process. The capital presentation in the operating budget should focus on both sources and uses. The City should indicate the total dollar amount of capital expenditures for the budget year and for the multi-year plan. Capital projects should be broken out between recurring and non-recurring. Recurring projects are those that (1) are included in almost every budget and (2) have a regular replacement cycle. Budgeted capital expenditures based on a formal capital projects budget enhances the transparency and accountability to the City's citizens.

The Honorable Mayor and City Council Members
Gulf Breeze, Florida
Management Letter (Continued)

CURRENT YEAR FINDING AND RECOMMENDATION (CONTINUED)

2013-ML-03 PRESENTATION OF CAPITAL OUTLAY IN THE GENERAL FUND BUDGET (CONTINUED)

Management Response

As a result of the vagaries and unreliability of general government revenues in past years, as well as grant based FEMA revenues which often dwarfed normal capital spending, the City Council has adopted a practice of specifically withholding approval of capital items in any budget until revenues exceed operating expenses sufficiently to fund capital expenditures or the Council deems the capital expenditure appropriate to fund from reserves on a case by case basis. This practice results in significant discussion of potential capital expenditures during the budget process, and increased Council control over capital spending, but results in minimal capital actually authorized and budgeted, due to the dual purpose of the budget document as a formal authorization to spend as well as a forecast of activity. Staff will continue to work with elected officials to improve budget estimates in the preliminary budget document.

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 granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the City of Gulf Breeze, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

Warren Averett, LLC

Destin, Florida
March 12, 2014