# The City of

# Gulf Breeze, Florida

*Tiger Point Golf Course – Clubhouse Repairs completed in 2014*

# Comprehensive Annual Financial Report

## Year Ending

# September 30, 2014

# Comprehensive Annual Financial Report

## The City of Gulf Breeze, Florida
## Year Ended September 30, 2014

### Prepared by the Finance Department

# I. Introductory Section

- Table of Contents
- Letter of Transmittal
- Government Finance Officers Association
  - Certificate of Achievement in Financial Reporting
- Organization Chart
- List of Elected and Appointed Officials

# CITY OF GULF BREEZE, FLORIDA

# GULF BREEZE, FLORIDA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# SEPTEMBER 30, 2014

## TABLE OF CONTENTS


| | Page | Exhibit |
|---|---|---|
| **TITLE PAGE** | | |
| **I. INTRODUCTORY SECTION** | | |
| Table of Contents | iv | |
| Letter of Transmittal | viii | |
| GFOA Certificate of Achievement | xvi | |
| Organizational Chart | xviii | |
| City Officials | xx | |
| **II. FINANCIAL SECTION** | | |
| **Independent Auditors' Report** | 1 | |
| **A . MANAGEMENT'S DISCUSSION AND ANALYSIS** | 5 | |
| **B . BASIC FINANCIAL STATEMENTS** | | |
| **Government-Wide Financial Statements** | | |
| Statement of Net Position | 18 | I |
| Statement of Activities | 19 | II |
| **Fund Financial Statements** | | |
| ***Governmental Fund Financial Statements*** | | |
| Balance Sheet | 20 | III - A |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 21 | III - B |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 22 | IV - A |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 23 | IV - B |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 24 | V |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Urban Core Redevelopment Special Revenue Fund | 25 | VI |
| ***Proprietary Fund Financial Statements*** | | |
| Statement of Net Position | 27 | VII |
| Statement of Revenues, Expenses and Changes in Net Position | 29 | VIII |
| Statement of Cash Flows | 31 | IX |
| ***Fiduciary Fund Financial Statements*** | | |
| Statement of Fiduciary Net Position | 33 | X |
| Statement of Changes in Fiduciary Net Position | 34 | XI |

**CITY OF GULF BREEZE, FLORIDA**

**GULF BREEZE, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2014**

## TABLE OF CONTENTS
## (Continued)


| | Page | Statement/ Schedule |
|---|---|---|
| **II. FINANCIAL SECTION (CONTINUED)** | | |
| **Notes to Financial Statements** | 36 | |
| **C. REQUIRED SUPPLEMENTARY INFORMATION** | | |
| **Pension Schedules** | | |
| Schedule of Funding Progress (unaudited) | 79 | A-1 |
| Schedule of Contributions from the Employer and Other Contributing Entities (unaudited) | 80 | A-2 |
| **D. COMBINING AND INDIVIDUAL FUND STATEMENTS** | | |
| ***Non-Major Governmental Funds*** | | |
| Combining Balance Sheet | 81 | B-1 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 82 | B-2 |
| ***Non-Major Proprietary Funds*** | | |
| Statement of Net Position | 83 | C-1 |
| Statement of Revenues, Expenses and Changes in Net Position | 84 | C-2 |
| Statement of Cash Flows | 86 | C-3 |

**CITY OF GULF BREEZE, FLORIDA**

**GULF BREEZE, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2014**

## TABLE OF CONTENTS
## (Continued)


| | Page | Table |
|---|---|---|
| **III. STATISTICAL SECTION (UNAUDITED)** | | |
| Components of Net Position | 89 | I |
| Changes in Net Position | 90 | II |
| Charges for Services by Function and Program | 92 | III |
| Components of Fund Balance | 93 | IV |
| Changes in Fund Balances - Governmental Funds | 94 | V |
| Property Tax Levies and Collections | 95 | VI |
| Assessed Value of Taxable Property | 96 | VII |
| Property Tax Rates Per $1,000 of Taxable Value - All Direct and Overlapping Governments | 97 | VIII |
| Principal Taxpayers | 98 | IX |
| Special Assessment Billings and Collections | 99 | X |
| Outstanding Debt | 100 | XI |
| Ratio of Total Debt to Assessed Value and Total Debt per Capita | 101 | XII |
| Computation of Legal Debt Margin | 102 | XIII |
| Ratio of Net General Bonded Debt To Assessed Value and Net Bonded Debt Per Capita | 103 | XIV |
| Computation of Direct and Overlapping Debt - General Obligations | 104 | XV |
| Revenue Bond Coverage - South Santa Rosa Utility Certificates | 105 | XVI |
| Miscellaneous Demographical Statistics | 106 | XVII |
| Schedule of Property Value, Construction, and Bank Deposits | 107 | XVIII |
| Principal Employers | 108 | XIX |
| Permits | 109 | XX |
| Water Service Rates | 110 | XXI |
| Sewer Service Rates | 111 | XXII |
| Solid Waste Service Rates | 112 | XXIII |
| Natural Gas Service Rates | 113 | XXIV |
| Insurance Coverage | 114 | XXV |
| Full-time Equivalent City Government Employees by Function | 115 | XXVI |
| Operating Indicators by Function | 116 | XXVII |
| Capital Asset Statistics by Function | 117 | XXVIII |

**CITY OF GULF BREEZE, FLORIDA**

**GULF BREEZE, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2014**

## TABLE OF CONTENTS
## (Continued)


| | Page |
|---|---|
| **IV. COMPLIANCE SECTION** | |
| Schedule of Expenditures of Federal Awards | 119 |
| Notes to Schedule of Expenditures of Federal Awards | 120 |
| 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* | 121 |
| Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by OMB Circular A-133 | 123 |
| Schedule of Findings and Questioned Costs | 125 |
| Summary Schedule of Prior Year Audit Findings | 130 |
| Management Letter | 133 |
| Independent Accountant's Report on Compliance with Section 218.45, Florida Statutes | 136 |

# City of Gulf Breeze

April 10, 2015

To the Honorable Mayor, City Council Members and the Citizens of
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, 2014, 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.

Saltmarsh Cleaveland & Gund, 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, 2014, 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 unmodified opinion that the City of Gulf Breeze financial statements for the fiscal year ended September 30, 2014, 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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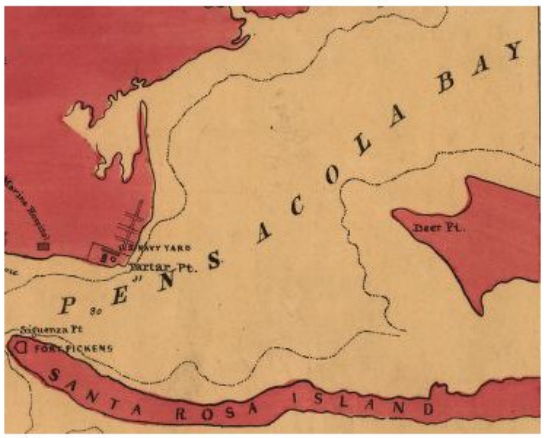
## HISTORY AND PROFILE OF THE GOVERNMENT

### 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, whose name was 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.

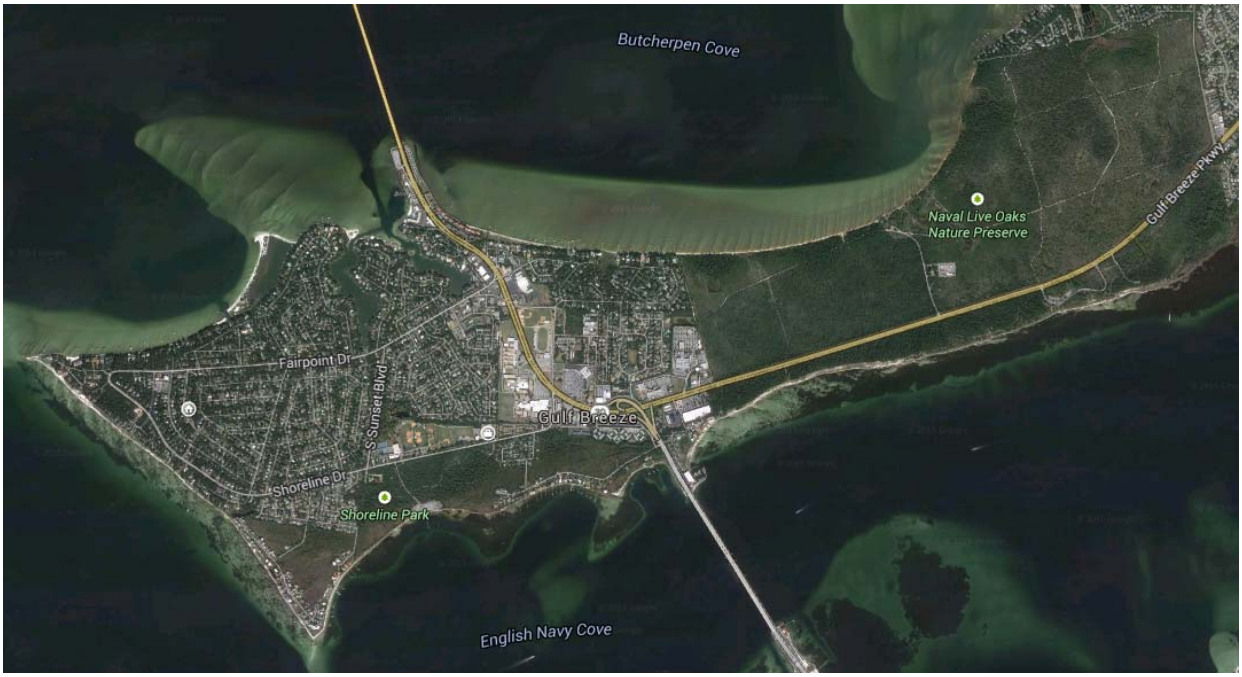



**Library of Congress, 1861 map of Pensacola Bay showing Gulf Breeze (as Deer Pt)**

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 5,805 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 | 2009-2014 |
| Matt Dannheisser | 2014-Present |

* Deceased while holding office

Mayoral and Council terms begin 30 days after the date of election.

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 was 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 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:

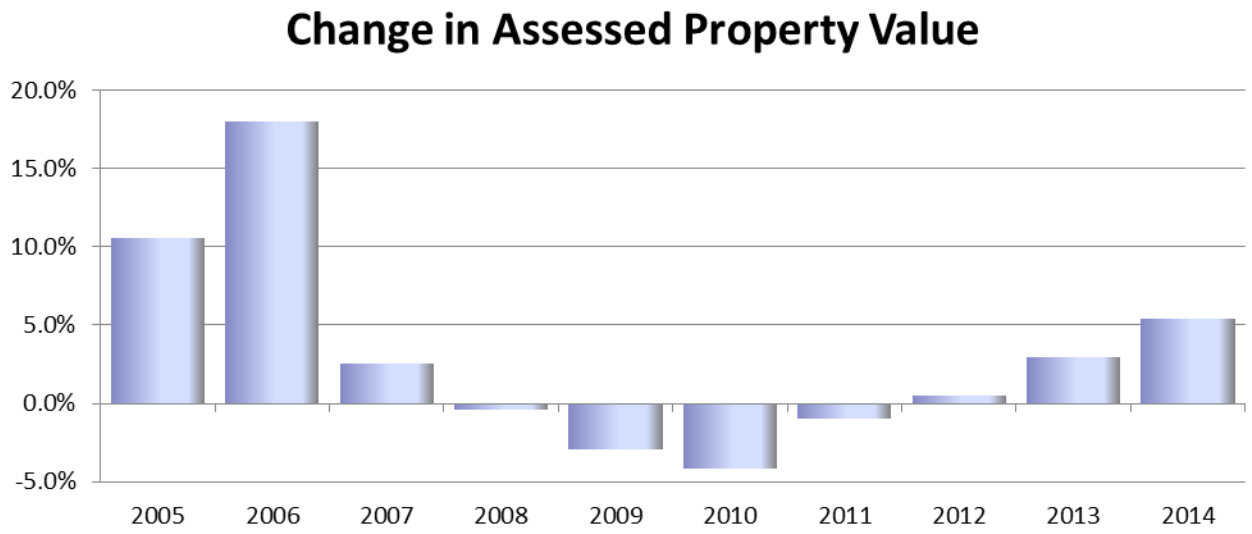
- Potential savings to utility ratepayers expanding existing treatment and irrigation capacity;
- Better coordination with and avoiding the loss of the primary treated water user; and,
- Support of a core element of the Tiger Point area property values.

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.

During 2014 the City experienced a historic rainstorm on the evening of April 29th, 2014 when approximately 24 inches of rain fell within a 12 hour period (weather predictions called for 5 inches). In combination with the City's relatively high water table due to higher than normal rains in previous months, flooding resulted throughout the City. Some 368 residences were impacted by the resulting standing water which represents about 18% of the City's single family residences. Calculations suggest that over 300 million gallons of water rained down on the City during the storm, resulting in a saturation of the ground that required over four weeks of continuous pumping to finally alleviate the standing water in the lowest spots of the City. Along with the flood damage to many of the City's residents and businesses, the City incurred a wide variety of recovery expenses as well as damage to its tennis courts, the Tiger Point golf course, its streets and utility infrastructure. As a result of a Federal declaration of emergency, a majority of the recovery, tennis court and infrastructure repair expenses are eligible for partial reimbursement from FEMA, and the City is continuing to work with FEMA to define the extent to which such restoration projects will be eligible for reimbursement.

Also during 2014 the City refinanced approximately $3.8 million with BBVA Compass Bank for a 15 year term at a fixed 2.85% from an annually adjustable rate which had been at 3.45%. A condition of the refinancing required the City to move its banking activity to Compass. The City's water and natural gas utilities commenced a system-wide upgrade of customer meters and other capital improvements (reflected as Construction in Progress) which is financed by a $4.59 million equipment financing from Suntrust Bank repayable annually through 2026 at an interest rate of 2.8%.

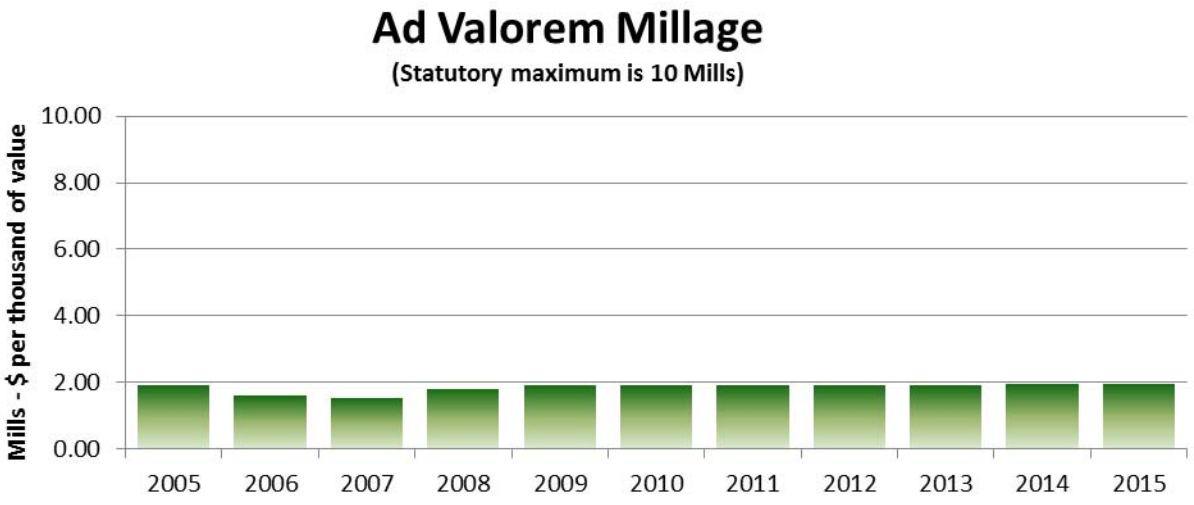
There was a 5.3% increase in assessed value for operation of properties within the City in 2014, following a 2.9 % increase in 2013, a .5% increase in 2012, a 1% decrease in 2011, 4% decrease in 2010, and a 3% decline in 2009. (Reference Table VII in the Statistical Section.)




**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 Capital Trust Agency (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 and 2015.



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.

- 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. Additionally as a result of the April 2014 flood event, a citizen stormwater taskforce was created to analyze and recommend enhancements to the City's stormwater infrastructure with the goal of making the City less vulnerable to flooding.

- 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 5 years, and a 25 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 included:

    - Extension of natural gas services pipeline (completed in 2013);
    - Expansion and mechanical upgrade of the Recreation Center (2013);
    - Compressed natural gas (CNG) compression equipment & storage facilities (2014);
    - Fleet vehicles replacements, including CNG vehicles (through 2014).

- 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.

- 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**

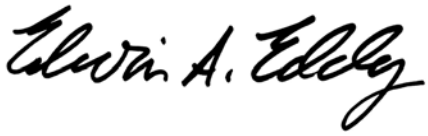
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Breeze for its comprehensive annual financial report for the fiscal year ended September 30, 2013. That was the 12th consecutive 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 13th 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, Deputy 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 Saltmarsh Cleaveland & Gund for their professional assistance. Their suggestions and attention to detail 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, 2013

Executive Director/CEO

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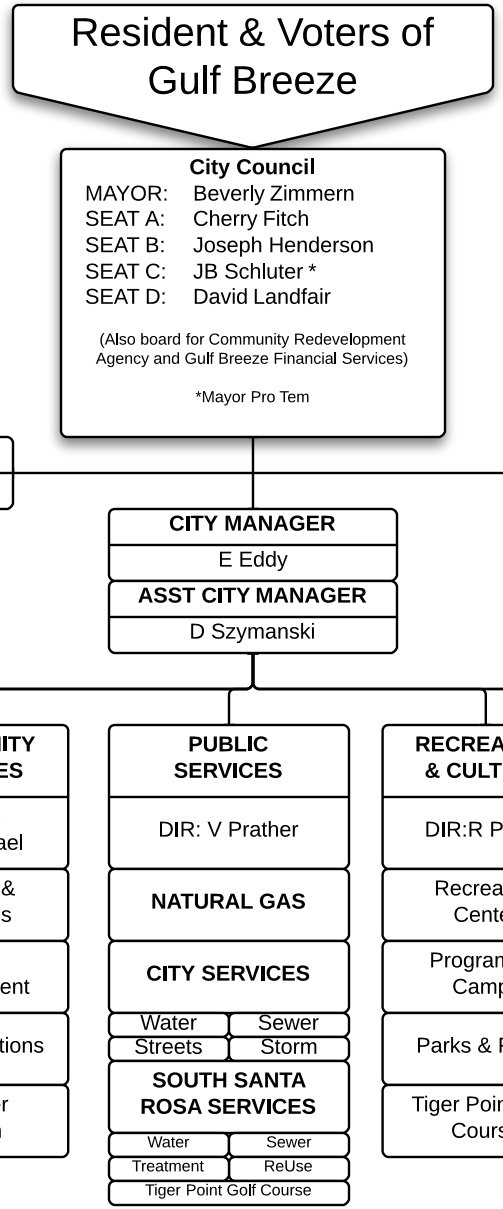
# City of Gulf Breeze



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# City of Gulf Breeze

As of September 20, 2014

## 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 Counsel: Matt Dannheisser

Fire Marshall: Craig S. Carmichael

Director of Public Services: Vernon Prather

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# 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

# INDEPENDENT AUDITOR'S REPORT

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

## 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 (the City) as of and for the year ended September 30, 2014, 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Capital Trust Agency Community Development Entity, LLC, a majority owned subsidiary of Capital Trust Agency, as of and for the year ended September 30, 2014, which statements reflected total assets of $1,817,604 as of September 30, 2014, and total revenues of $339,351 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Capital Trust Agency Community Development Entity, LLC, is based solely on the report of the other auditor. 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.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Urban Core Redevelopment Fund 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 5-17, the Schedule of Funding Progress on page 79, and the Schedule of Contributions from the Employer and Other Contributing Entities on page 80 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.

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

*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.

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 by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated April 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
April 10, 2015

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# CITY OF GULF BREEZE, FLORIDA
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# SEPTEMBER 30, 2014

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, 2014. 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 and deferred outflows of the City of Gulf Breeze exceeded its liabilities by $44,123,962 (net position). Of this amount $8,930,923 may be used to meet the City's ongoing obligations to its citizens and creditors.

- The City's total net position decreased by $2,516,348 or 5.4%. The governmental net position decreased by $121,652 or 0.6% and the business-type net position decreased by $2,394,696 or 8.6%. During fiscal year 2014, the City made several major expenditures to: 1) recover from flood damage resulting from a 24 inch deluge of rain within a 12 hour period on April 30, 2014; 2) upgrade utility meter systems; and, 3) repair and upgrade facilities and equipment at the Tiger Point golf course (acquired the previous fiscal year). Additionally, an infrastructure failure in the City's water supplier (in which the City is a one-third investor) in mid-April 2014 required the water utilities to obtain water from an alternative source at higher costs. These are reflected as small decreases in total current and capital assets, and an increase in long term debt which is largely the addition of financing of the utility system meter upgrades.

- The City's governmental funds reported combined ending fund balances of $8,569,511, an increase of $589,004 or 7.4%. Of the total ending unassigned fund balance, $6,650,378 the equivalent of 97% of total General Fund expenditures, is available for spending at the City's discretion (unassigned fund balance). The increase resulted from decreases in cash, the balances due from other funds, and an increase in payables, offset by increased amounts due from other governments.

- 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 2014.

## 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, solid waste, golf course activities, and Gulf Breeze Financial Services.

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**

*Government 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, Stormwater Management, and Innerarity Point. 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 three 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 27 - 32 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 33 - 34 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 on pages 36 - 78 of this report.

## OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found on pages 79 - 80 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 81 - 87 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 and deferred outflows exceeded liabilities by $44,123,962 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 $29,251,313 (66%) at September 30, 2014. 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 $5,941,726 or 13.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $8,930,923 (20.2%) 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, FLORIDA**
**NET POSITION**
**AS OF SEPTEMBER 30, 2014 AND 2013**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets and deferred outflows | $ 9,306,322 | $ 8,968,391 | $ 15,075,428 | $ 15,692,409 | $ 24,381,750 | $ 24,660,800 |
| Capital assets | 18,578,362 | 19,438,564 | 31,319,550 | 27,555,118 | 49,897,912 | 46,993,682 |
| Total assets and deferred outflows | $ 27,884,684 | $ 28,406,955 | $ 46,394,978 | $ 43,247,527 | $ 74,279,662 | $ 71,654,482 |
| Long-term liabilities outstanding | $ 8,217,394 | $ 8,364,476 | $ 18,570,396 | $ 10,737,765 | $ 26,787,790 | $ 19,102,241 |
| Other liabilities | 860,870 | 714,035 | 2,507,040 | 4,561,524 | 3,367,910 | 5,275,559 |
| Total liabilities | 9,078,264 | 9,078,511 | 21,077,436 | 15,299,289 | 30,155,700 | 24,377,800 |
| Net position: | | | | | | |
| Net investment in capital assets | 10,625,849 | 11,302,841 | 18,625,464 | 17,147,289 | 29,251,313 | 28,450,130 |
| Restricted | 485,597 | 711,122 | 5,456,129 | 5,298,985 | 5,941,726 | 6,010,107 |
| Unrestricted | 7,694,974 | 7,314,481 | 1,235,949 | 5,501,964 | 8,930,923 | 12,816,445 |
| Total net position | 18,806,420 | 19,328,444 | 25,317,542 | 27,948,238 | 44,123,962 | 47,276,682 |
| Total liabilities and net position | $ 27,884,684 | $ 28,406,955 | $ 46,394,978 | $ 43,247,527 | $ 74,279,662 | $ 71,654,482 |

**TABLE 2**
**CITY OF GULF BREEZE, FLORIDA**
**CHANGE IN NET POSITION**
**FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

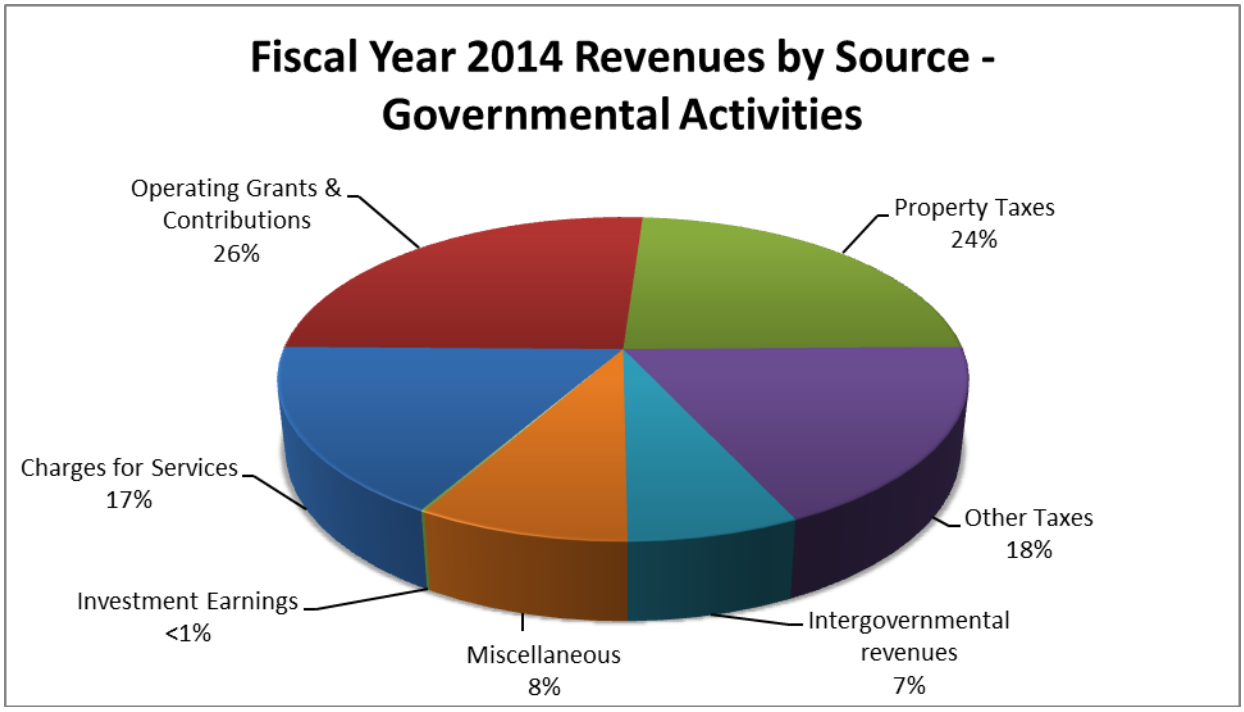
| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Revenues:** | | | | | | |
| **Program revenues:** | | | | | | |
| Charges for services | $ 1,295,159 | $ 1,238,442 | $ 12,954,888 | $ 11,494,906 | $ 14,250,047 | $ 12,733,348 |
| Operating grants and contributions | 1,984,125 | 3,154,938 | - | - | 1,984,125 | 3,154,938 |
| Capital grants and contributions | - | - | 507,249 | 373,323 | 507,249 | 373,323 |
| **General revenues:** | | | | | | |
| Property taxes | 1,817,161 | 1,739,120 | - | - | 1,817,161 | 1,739,120 |
| Other taxes | 1,401,394 | 1,303,933 | - | - | 1,401,394 | 1,303,933 |
| Intergovernmental revenues | 520,130 | 499,149 | - | - | 520,130 | 499,149 |
| Miscellaneous | 640,712 | 796,089 | 123,641 | 329,682 | 764,353 | 1,125,771 |
| Investment earnings | 11,844 | 13,904 | 204,509 | 18,721 | 216,353 | 32,625 |
| **Total revenues** | 7,670,525 | 8,745,575 | 13,790,287 | 12,216,632 | 21,460,812 | 20,962,207 |
| **Expenses:** | | | | | | |
| **Governmental activities:** | | | | | | |
| General government | 2,159,875 | 1,939,342 | - | - | 2,159,875 | 1,939,342 |
| Public safety | 3,389,678 | 3,259,673 | - | - | 3,389,678 | 3,259,673 |
| Transportation | 645,097 | 1,040,137 | - | - | 645,097 | 1,040,137 |
| Economic environment | 480,967 | 458,622 | - | - | 480,967 | 458,622 |
| Culture and recreation | 2,120,714 | 1,853,545 | - | - | 2,120,714 | 1,853,545 |
| Debt service interest | 395,462 | 305,046 | - | - | 395,462 | 305,046 |
| **Business-type activities:** | | | | | - | - |
| Water and sewer | - | - | 1,956,060 | 1,626,874 | 1,956,060 | 1,626,874 |
| Natural gas | - | - | 2,460,185 | 1,897,522 | 2,460,185 | 1,897,522 |
| SSRUS utilities | - | - | 9,020,191 | 7,298,787 | 9,020,191 | 7,298,787 |
| Solid waste control | - | - | 547,242 | 702,888 | 547,242 | 702,888 |
| Stormwater management | - | - | 566,526 | 258,411 | 566,526 | 258,411 |
| Gulf Breeze Financial Services | - | - | 235,163 | 245,537 | 235,163 | 245,537 |
| **Total expenses** | 9,191,793 | 8,856,365 | 14,785,367 | 12,030,019 | 23,977,160 | 20,886,384 |
| Change in net position before transfers | (1,521,268) | (110,790) | (995,080) | 186,613 | (2,516,348) | 75,823 |
| Transfers | 1,399,616 | 1,217,588 | (1,399,616) | (1,217,588) | - | - |
| **Change in net position** | (121,652) | 1,106,798 | (2,394,696) | (1,030,975) | (2,516,348) | 75,823 |
| Net position, beginning of year Unadjusted | 19,328,444 | 18,221,646 | 27,948,238 | 28,979,213 | 47,276,682 | 47,200,859 |
| Adjustments to net position, beginning of year | (400,372) | - | (236,000) | - | (636,372) | - |
| Net position, beginning of year Adjusted | 18,928,072 | 18,221,646 | 27,712,238 | 28,979,213 | 46,640,310 | 47,200,859 |
| Net Position, as of September 30 | $ 18,806,420 | $ 19,328,444 | $ 25,317,542 | $ 27,948,238 | $ 44,123,962 | $ 47,276,682 |

*Governmental Activities* - Governmental activities before transfers decreased the City of Gulf Breeze's net position by $1,521,268. The key elements of this change are reported in Table 2.

Charges for services increased 4.6% this year reflecting primarily increased parks and recreation revenue. The City experienced a 37.1% decrease in grants, reflecting largely decreased application for reimbursements of hurricane restoration projects from FEMA and the State of Florida and grants for the continuing erosion control projects relating to Deadman's Island. The accompanying expenses are reflected largely in Culture and Recreation. 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. This set of projects was completed in fiscal year 2014 and is reflected in the operating grants of approximately $1.6 million.

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 5.8% lead by an improvement in revenues from property taxes and utility service tax revenues which improved enough to more than offset decreased communication service tax revenues. Intergovernmental revenues increased 4.2% primarily due to increases in ½ cent sales tax revenues. Miscellaneous income decreased due to revenues from two bequests that were received in fiscal year 2013.



Program Revenues mostly reflects charges collected by the department. For example, boat launch fees help cover the cost of recreation facilities; and, traffic citation revenues help cover the cost of public safety costs.

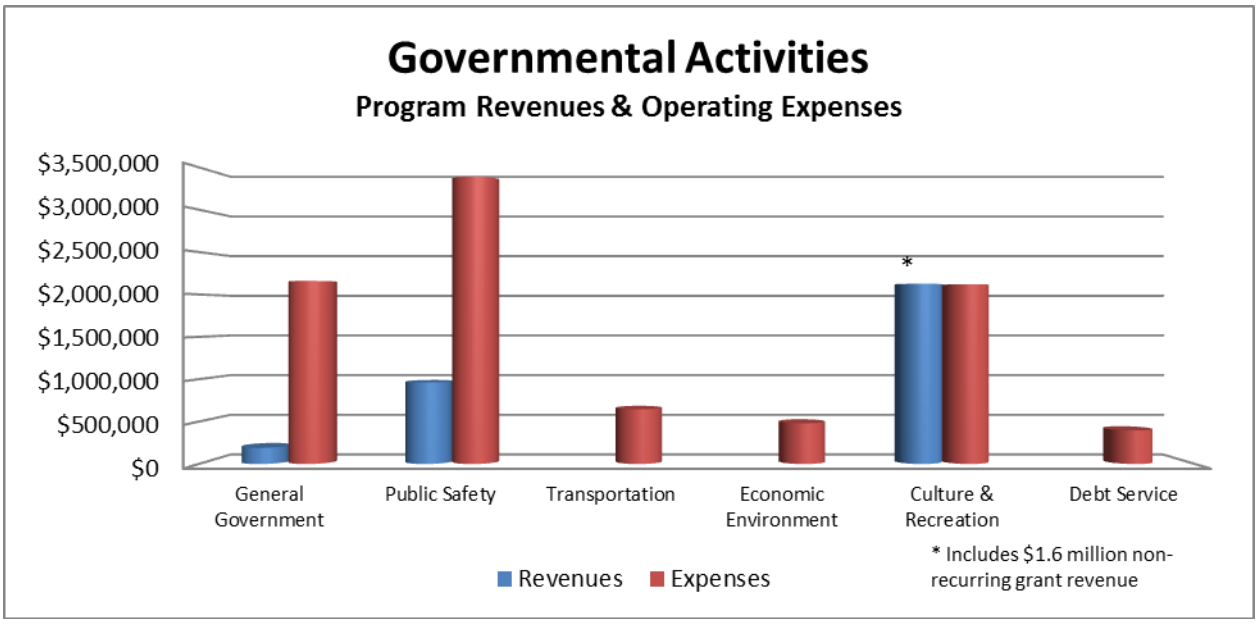
In 2014, HVAC upgrades to City Hall and initial clean-up costs from the April deluge resulted in the majority of the $220,533 (11.4%) increase in General Government expenses.

The 4.0% ($130,005) total increase in Public Safety expenses is primarily attributable to increases in Workmen's Compensation expenses and the deployment of mobile computing and communications systems to the City's police vehicles.

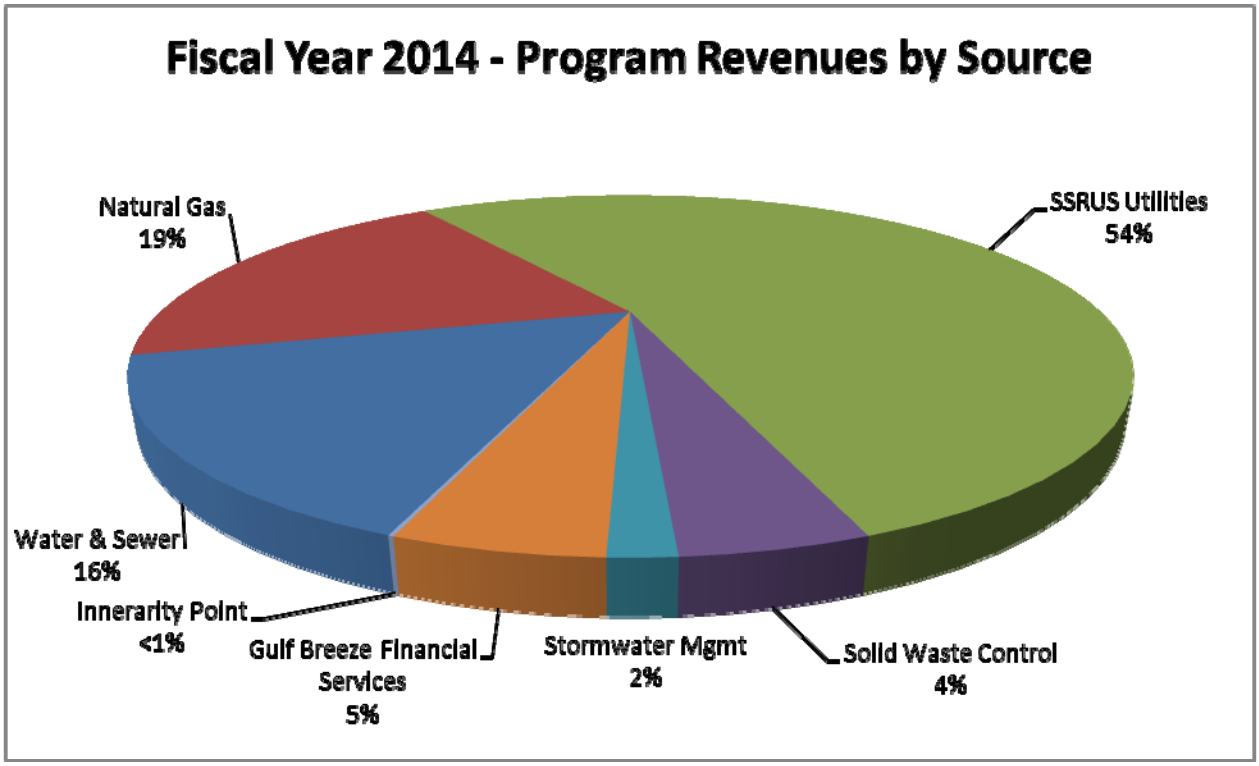
The significant 38% ($395,040) decrease in Transportation expenses relates to postponement of the routine paving and street repair program resulting from the April deluge and resultant flooding, which more than offset the increased costs of pumping out the flooded area and associated response costs.

The increase in Economic Environment expenses ($22,345 or 4.9% over the prior year) primarily reflects expenses of the Community Services department for the addition of a full time Code Enforcement officer.

The 14% increase ($267,169) in Culture and Recreation expenses is largely attributable to April deluge flooding repair and facilities restoration costs.



*Business-Type Activities* - Business-type activities decreased the City's net position by $995,080 before transfers, as indicated on Table 2.




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. In fiscal year 2014 the City began operation of the water and sewer utilities of Innerarity Point, an unincorporated community in Escambia County, Florida, under a contract with Escambia County. Under this agreement, the City receives a monthly fee for service and remits all revenues collected from those accounts to Escambia County. Direct operating costs for those accounts are paid directly by Escambia County, so the City's incremental costs to service these accounts is relatively small ($5,131 for fiscal year 2014 versus contractual revenues of $16,750).

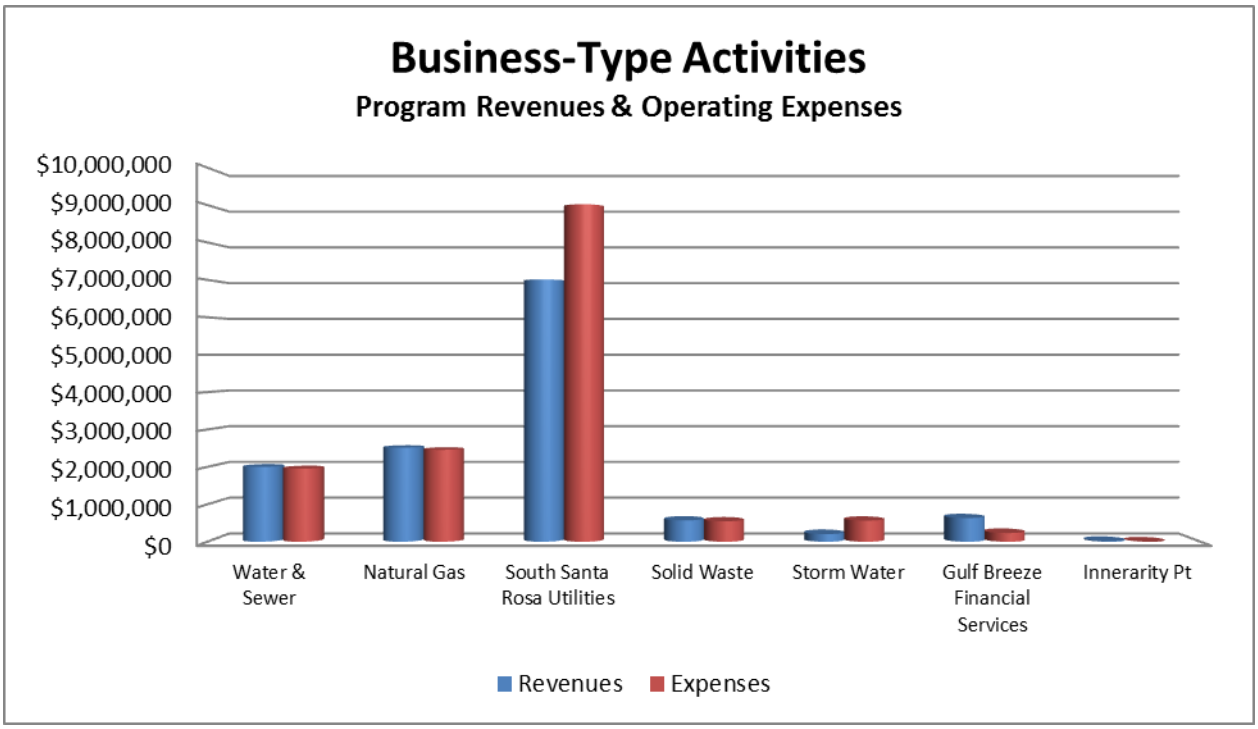
Contributions of $507,249 from developers this year is a 35.9% increase over the prior year reflecting a minor improvement in growth in the area serviced by South Santa Rosa Utilities Service (SSRUS). This area is located outside of the City limits and it is expected to continue to be developed over the next several years as economic recovery continues. As these new developments become complete, the utility infrastructure must meet the standards set by SSRUS prior to acceptance by the Utility.

Investment earnings increased by $185,788 due to reduced unrealized losses on invested funds of Gulf Breeze Financial Services relative to prior year, from the 2010 closeout of its 1997-A Loan Pool Program Trust Indenture held in a professionally managed investment portfolio in accordance with the City's investment policies. Miscellaneous revenues declined $206,041 (62%) due to the City recording its proportionate share of income from its investment in Fairpoint Regional Utility System (FRUS) in the prior year. Due to a collapse in FRUS main water supply line under Easy Bay, FRUS was unable to correct the problem until subsequent year end which resulted in a current year loss instead of the gain reported in miscellaneous revenues in prior year.

In 2012, Natural Gas completed a major extension of it service to Pensacola Beach and begin to serve commercial properties in that area. The Natural Gas Utility shows an increase in revenues of 33.2% primarily due to a 38.0% increase in volume of gas sold due to that extension of service. Operating expenses (excluding depreciation) increased by 25.3% 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.

South Santa Rosa Utility (SSRU) experienced an 11.1% ($519,275) increase in revenues due to a 7% increase in water volume usage in combination with a 5% price increase. A $164,500 increase in operating expenses (excluding depreciation) relates to April deluge/flood repair of facilities and infrastructure (excluding personnel costs). SSRU also incurred an 18.9% ($96,134) increase in its cost of water as a result of the FRUS pipeline failure mentioned earlier. SSRU also incurred a 22% ($283,157) increase in personal services costs due to a combination of flood response, meter system upgrades and Workman's Compensation costs.

Early in fiscal 2013 the City was presented with an opportunity to acquire the assets of the Tiger Point Golf Course which is adjacent to the SSRU treatment plant. The utility depends upon irrigation of the golf course for disposal of a great deal of effluent. Acquisition of the property allowed planning for expansion of the treatment plant in its current location, rather requiring relocation of the facility. As a result Golf Course operations are reported as operating revenues and expenses within the SSRU fund. While revenue from Tiger Point increased by 37% over the prior fiscal year to $1,805,228, Golf Course operating expenses exceeded revenues by $1,007,979 (exclusive of depreciation) as a result of increases in operating costs (due to owning the facility for a full year versus 9 months in fiscal 2013), especially increases in personnel costs of $505,539, and additional expenditures on repairs, fertilizer costs and similar areas to enhance the facility.




## 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 $8,569,511 an increase of $589,004 in comparison with the prior year. Of this total amount, $5,349 is reserved for inventory, as it is not available for appropriation (e.g., non-spendable), and $6,650,378 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) $264,827 is restricted for community redevelopment, $280,523 is restricted for debt service and $64,576 is restricted for public safety; 2) portions are committed for purposes including a self-insurance escrow of $250,000, beautification of $391,852, park subdivisions of $15,481, community funds of $437; and 3) portions are assigned for disaster recovery of $100,000 and public safety totaling $546,088.

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 $6,650,378, while total fund balance reached $7,710,013. 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 96.5% of the total General Fund expenditures, while total fund balance represents 112.5% of that same amount.

The General Fund's fund balance increased by $967,345 during the current fiscal year which is 220% of the prior year's decrease most notably due to increase in amounts due from other governments resulting from completion of FEMA related alternative projects previously mentioned.

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 $5,253 (0.9%) decrease in tax revenues from 2013. 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 acquisition of 1196 Gulf Breeze Parkway.

*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 $1,235,949 at the end of the year. Of that the Water and Sewer Fund amounted to $1,241,370, the Natural Gas Fund totaled $(3,123,431), South Santa Rosa Utility Fund was $(2,369,435), Gulf Breeze Financial Services was $6,291,692, and the non-major proprietary funds totaled $(804,247). The net positions of the proprietary funds decreased by $2,394,696, reflecting the operating deficits incurred for the proprietary funds as described earlier.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budget expenditures increased from the original budget by $1,462,539. 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 $1.6 million increase in budgeted intergovernmental revenues. Actual revenues collected varied from final budgeted amounts due to miscellaneous revenues resulting in $213,397 above final budget revenues.

The highlights of the budgetary changes are as follows:

- Final budget figures reflected an allocation of approximately $518,148 for capital expenditures primarily for public safety vehicles and replacement of the City Hall heating and cooling system. Virtually all departments incurred increased costs for response and repairs related to the April deluge and resulting flood impacts. A change in the methodology for accruing existing interest adopted during the year end audit resulted in debt service costs exceeding final budgeted amounts by $94,982.

The combined impact of these budget variances resulted in a net increase in the General Fund fund balance of $967,345 as compared to a final budgeted increase of $771,388.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | $ 1,772,795 | $ 1,403,909 | $ 3,820,325 | $ 3,816,825 | $ 5,593,120 | $ 5,220,734 |
| Construction in progress | 271,521 | - | 3,640,364 | - | 3,911,885 | - |
| Buildings | 12,317,366 | 12,218,112 | 2,847,352 | 2,584,568 | 15,164,718 | 14,802,680 |
| Improvements other than buildings | 14,591,811 | 14,555,453 | 1,915,036 | 1,187,706 | 16,506,847 | 15,743,159 |
| Infrastructure | 1,071,613 | 1,071,613 | 46,339,004 | 45,829,896 | 47,410,617 | 46,901,509 |
| Machinery and equipment | 5,069,591 | 5,816,975 | 5,280,950 | 4,085,810 | 10,350,541 | 9,902,785 |
| Accumulated depreciation | (16,516,335) | (15,627,498) | (32,523,481) | (29,949,687) | (49,039,816) | (45,577,185) |
| Total | $ 18,578,362 | $ 19,438,564 | $ 31,319,550 | $ 27,555,118 | $ 49,897,912 | $ 46,993,682 |

The total increase in the City of Gulf Breeze's investment in capital assets for the current fiscal year was $2,904,230 or 6% overall after the write off of fully depreciated outdated software, computers and other machinery and equipment which were scrapped or declared surplus and offered under auction in accordance with City ordinance. As a result government assets decreased by 4% while business-type assets increased 14%. Major changes in capital assets are summarized below.

- Acquisition of 1196 Gulf Breeze Parkway;
- New Heating and Cooling infrastructure for City Hall;
- Comprehensive Meter and Meter Systems upgrades;
- 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 | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue bonds | $ 7,952,513 | $ 8,135,723 | $ 9,687,627 | $ 5,471,974 | $ 17,640,140 | $ 13,607,697 |
| Notes payable | - | - | - | 3,788,641 | - | 3,788,641 |
| Line of credit | | | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| State revolving loan | - | - | 932,922 | 971,323 | 932,922 | 971,323 |
| Capital Lease obligation | - | - | 4,663,665 | 262,557 | 4,663,665 | 262,557 |
| Unearned revenue | - | - | 55,894 | 67,379 | 55,894 | 67,379 |
| Compensated Absences | 264,881 | 228,752 | 230,288 | 175,891 | 495,169 | 404,643 |
| Total | $ 8,217,394 | $ 8,364,475 | $ 18,570,396 | $ 13,737,765 | $ 26,787,790 | $ 22,102,240 |

At the end of the current fiscal year, the City of Gulf Breeze had total bonded debt and outstanding loans of $26,236,727. 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 2015 budget. New revenue sources continue to be an issue, due to unpredictable property values and previous State Constitution amendments resulting in reduced ad valorem revenues. The overall revenue forecast for the General Fund is $6,223,327 a 3.6% increase from fiscal 2014 initial budgeted revenues. In FY 2015, ad valorem taxes will be unchanged at 1.9723. The largest single area of increase is the transfers from proprietary funds which accounts for $158,458 of the $216,579 projected revenue increase. Debt Service expenses continue to be absorbed into the City's budget. Note that expenditures and reimbursements under FEMA projects related to the April deluge/flood are excluded from initial budget figures.

The budget for Fiscal Year 2015 expenditures is approximately 10.1% more than budgeted for Fiscal Year 2014. The primary areas of increase are projected adjustments to wages as well as projected increases in rates for employee medical coverage as well as $470,000 for the resumption of street resurfacing.

The General Fund is expected to generate $193,278 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 anticipated are vehicle and equipment replacements and information technology improvements.

The Proprietary Funds have planned $966,795 in vehicle, equipment replacements and infrastructure replacements, in addition to debt service for fiscal year 2015.

The Community Redevelopment Agency Fund is projected to use $843,665 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, 2014

**Exhibit I**

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Capital Trust Agency and Subsidiary |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 2,686,793 | $ 1,978,219 | $ 4,665,012 | $ 2,182,809 |
| Investments | - | 5,353,763 | 5,353,763 | - |
| Receivables, net | 245,653 | 569,118 | 814,771 | 145,699 |
| Interfund receivables (payables) | 3,986,116 | (3,986,116) | - | - |
| Due from other governments | 1,764,548 | 8,446 | 1,772,994 | - |
| Inventory, at cost | 5,349 | 316,550 | 321,899 | - |
| Investment in limited liability company | - | 18,102 | 18,102 | 7,356 |
| Restricted assets | | | | |
| Cash and cash equivalents | 617,863 | 4,475,464 | 5,093,327 | 1,093,410 |
| Investments | - | 3,573,978 | 3,573,978 | - |
| Other assets | | | | |
| Bond issue costs, net | - | 131,205 | 131,205 | - |
| Investment in joint venture | - | 1,480,693 | 1,480,693 | - |
| Advance to joint venture | - | 226,272 | 226,272 | - |
| Other | - | - | - | 18,436 |
| Capital assets | | | | |
| Non-depreciable | 2,044,316 | 7,460,689 | 9,505,005 | - |
| Depreciable | 16,534,046 | 23,858,861 | 40,392,907 | - |
| **Total Assets** | 27,884,684 | 45,465,244 | 73,349,928 | 3,447,710 |
| **DEFERRED OUTLFOW OF RESOURCES** | | | | |
| Deferred loss on bond refunding | - | 929,734 | 929,734 | - |
| **Total Assets and Deferred Outflows** | $ 27,884,684 | $ 46,394,978 | $ 74,279,662 | $ 3,447,710 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 599,572 | $ 1,353,516 | $ 1,953,088 | $ 2,395 |
| Accrued liabilities | 137,239 | 126,463 | 263,702 | 8,446 |
| Accrued interest | - | 81,232 | 81,232 | - |
| Due to other governments | - | 23,896 | 23,896 | - |
| Payable from restricted assets | | | | |
| Accrued interest | 124,059 | 111,538 | 235,597 | - |
| Customer deposits | - | 810,395 | 810,395 | - |
| Non-current liabilities | | | | |
| Due within one year | | | | |
| Compensated absences | 63,530 | 71,542 | 135,072 | - |
| State revolving loan payable | - | 39,581 | 39,581 | - |
| Revenue bonds payable | 193,600 | 877,969 | 1,071,569 | - |
| Capital lease payable | - | 361,896 | 361,896 | - |
| Due in more than one year | | | | |
| Unearned revenue | - | 55,894 | 55,894 | - |
| Compensated absences | 201,351 | 158,746 | 360,097 | - |
| Line of credit | - | 3,000,000 | 3,000,000 | - |
| State revolving loan payable | - | 893,341 | 893,341 | - |
| Revenue bonds payable | 7,758,913 | 8,809,658 | 16,568,571 | - |
| Capital lease payable | - | 4,301,769 | 4,301,769 | - |
| **Total Liabilities** | 9,078,264 | 21,077,436 | 30,155,700 | 10,841 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 10,625,849 | 18,625,464 | 29,251,313 | - |
| Restricted for: | | | | |
| Recapture indemnity agreement | - | - | - | 1,093,410 |
| Public safety | 64,576 | - | 64,576 | - |
| Community redevelopment | 264,827 | - | 264,827 | - |
| Debt service and other debt requirements | 156,194 | 5,456,129 | 5,612,323 | - |
| Unrestricted | 7,694,974 | 1,235,949 | 8,930,923 | 2,343,459 |
| **Total Net Position** | 18,806,420 | 25,317,542 | 44,123,962 | 3,436,869 |
| **Total Liabilities and Net Position** | $ 27,884,684 | $ 46,394,978 | $ 74,279,662 | $ 3,447,710 |

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

# CITY OF GULF BREEZE, FLORIDA
# STATEMENT OF ACTIVITIES
# YEAR ENDED SEPTEMBER 30, 2014

**Exhibit II**

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | Component Unit |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Capital Trust Agency and Subsidiary |
| **Functions:** | | | | | | | | |
| **Governmental:** | | | | | | | | |
| General government | $ 2,159,875 | $ 64,546 | $ 125,909 | $ - | $ (1,969,420) | $ - | $ (1,969,420) | |
| Public safety | 3,389,678 | 845,318 | 116,915 | - | (2,427,445) | - | (2,427,445) | |
| Transportation | 645,097 | - | - | - | (645,097) | - | (645,097) | |
| Economic environment | 480,967 | - | - | - | (480,967) | - | (480,967) | |
| Culture and recreation | 2,120,714 | 385,295 | 1,741,301 | - | 5,882 | - | 5,882 | |
| Debt service interest | 395,462 | - | - | - | (395,462) | - | (395,462) | |
| Total governmental activities | 9,191,793 | 1,295,159 | 1,984,125 | - | (5,912,509) | - | (5,912,509) | |
| **Business-type:** | | | | | | | | |
| Water and sewer | 1,956,060 | 1,999,093 | - | 17,053 | - | 60,086 | 60,086 | |
| Natural gas | 2,460,185 | 2,515,805 | - | - | - | 55,620 | 55,620 | |
| South Santa Rosa Utility | 9,020,191 | 7,010,605 | - | 490,196 | - | (1,519,390) | (1,519,390) | |
| Solid waste control | 547,242 | 571,504 | - | - | - | 24,262 | 24,262 | |
| Stormwater management | 566,526 | 205,282 | - | - | - | (361,244) | (361,244) | |
| Gulf Breeze Financial Services | 235,163 | 635,849 | - | - | - | 400,686 | 400,686 | |
| Innerarity Point | - | 16,750 | - | - | - | 16,750 | 16,750 | |
| Total business-type activities | 14,785,367 | 12,954,888 | - | 507,249 | - | (1,323,230) | (1,323,230) | |
| Total primary government | $ 23,977,160 | $ 14,250,047 | $ 1,984,125 | $ 507,249 | (5,912,509) | (1,323,230) | (7,235,739) | |
| Capital Trust Agency and subsidiary | $ 1,233,989 | $ 1,072,832 | $ - | $ - | | | | $ (161,157) |
| **General Revenues:** | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes | | | | | 1,817,161 | - | 1,817,161 | - |
| Tourist development taxes | | | | | 113,541 | - | 113,541 | - |
| Fuel taxes | | | | | 230,880 | - | 230,880 | - |
| Franchise taxes | | | | | 327,992 | - | 327,992 | - |
| Communication service taxes | | | | | 278,448 | - | 278,448 | - |
| Utility service taxes | | | | | 450,533 | - | 450,533 | - |
| Intergovernmental, unrestricted | | | | | 520,130 | - | 520,130 | - |
| Miscellaneous | | | | | 640,712 | 123,641 | 764,353 | 66,012 |
| Unrestricted investment earnings | | | | | 11,844 | 204,509 | 216,353 | 4,716 |
| Transfers | | | | | 1,399,616 | (1,399,616) | - | |
| Total general revenues and transfers | | | | | 5,790,857 | (1,071,466) | 4,719,391 | 70,728 |
| Change in net position | | | | | (121,652) | (2,394,696) | (2,516,348) | (90,429) |
| Net position at beginning of year, as previously stated | | | | | 19,328,444 | 27,948,238 | 47,276,682 | 3,423,798 |
| Prior period adjustments | | | | | (400,372) | (236,000) | (636,372) | 103,500 |
| Net position at beginning of year, as restated | | | | | 18,928,072 | 27,712,238 | 46,640,310 | 3,527,298 |
| Net position at end of year | | | | | $ 18,806,420 | $ 25,317,542 | $ 44,123,962 | $ 3,436,869 |

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

# CITY OF GULF BREEZE, FLORIDA
## BALANCE SHEET - GOVERNMENTAL FUNDS
## SEPTEMBER 30, 2014

**Exhibit III - A**

| | General | Urban Core Redevelopment | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 2,080,276 | $ - | $ 606,517 | $ 2,686,793 |
| Receivables, net | 245,653 | - | - | 245,653 |
| Interfund receivables | 4,035,902 | - | - | 4,035,902 |
| Due from other governments | 1,764,548 | - | - | 1,764,548 |
| Inventory, at cost | 5,349 | - | - | 5,349 |
| Restricted assets | | | | |
| Cash and cash equivalents | 280,523 | 272,124 | 65,216 | 617,863 |
| **Total Assets** | $ 8,412,251 | $ 272,124 | $ 671,733 | $ 9,356,108 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 565,909 | $ 6,904 | $ 26,759 | $ 599,572 |
| Accrued liabilities | 136,329 | 393 | 517 | 137,239 |
| Interfund payables | - | - | 49,786 | 49,786 |
| Total Liabilities | 702,238 | 7,297 | 77,062 | 786,597 |
| **FUND BALANCES** | | | | |
| Non-spendable | | | | |
| Inventory | 5,349 | - | - | 5,349 |
| Restricted | | | | |
| Public safety | - | - | 64,576 | 64,576 |
| Community redevelopment | - | 264,827 | - | 264,827 |
| Debt service | 280,523 | - | - | 280,523 |
| Committed | | | | |
| Community funds | 437 | - | - | 437 |
| Self-insurance | 250,000 | - | - | 250,000 |
| Beautification | 391,852 | - | - | 391,852 |
| Parks subdivision | 15,481 | - | - | 15,481 |
| Assigned | | | | |
| Disaster recovery | 100,000 | - | - | 100,000 |
| Public safety | 15,993 | - | 530,095 | 546,088 |
| Unassigned | 6,650,378 | - | - | 6,650,378 |
| Total Fund Balance | 7,710,013 | 264,827 | 594,671 | 8,569,511 |
| **Total Liabilities and Fund Balances** | $ 8,412,251 | $ 272,124 | $ 671,733 | $ 9,356,108 |

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

Exhibit III - B

# CITY OF GULF BREEZE, FLORIDA
## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
## SEPTEMBER 30, 2014

| | | |
|---|---|---|
| **Fund Balances - Total Governmental Funds (page 20)** | | $ 8,569,511 |
| 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 | 2,044,316 | |
| Governmental depreciable assets | 33,050,381 | |
| Less accumulated depreciation | (16,516,335) | 18,578,362 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. | | |
| Revenue bonds payable | (7,952,513) | |
| Accrued interest | (124,059) | |
| Compensated absences | (264,881) | (8,341,453) |
| **Total Net Position - Governmental Activities (page 18)** | | $ 18,806,420 |

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

Exhibit IV - A

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | General | Urban Core Redevelopment | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 2,322,453 | $ 568,110 | $ - | $ 2,890,563 |
| Licenses and permits | 392,538 | - | - | 392,538 |
| Intergovernmental | 2,434,281 | - | - | 2,434,281 |
| Charges for services | 311,099 | - | - | 311,099 |
| Fines and forfeitures | 106,484 | - | 720,270 | 826,754 |
| Investment earnings | 11,844 | - | - | 11,844 |
| Miscellaneous | 772,665 | 1,350 | 29,431 | 803,446 |
| Total revenues | 6,351,364 | 569,460 | 749,701 | 7,670,525 |
| **Expenditures:** | | | | |
| Current | | | | |
| General government | 1,514,858 | 516,574 | - | 2,031,432 |
| Public safety | 2,393,081 | - | 679,217 | 3,072,298 |
| Transportation | 328,318 | - | - | 328,318 |
| Economic environment | 136,168 | - | - | 136,168 |
| Culture and recreation | 1,382,952 | - | - | 1,382,952 |
| Capital outlay | 518,148 | 430,685 | - | 948,833 |
| Debt service | | | | |
| Principal | 184,800 | - | - | 184,800 |
| Interest | 396,336 | - | - | 396,336 |
| Total expenditures | 6,854,661 | 947,259 | 679,217 | 8,481,137 |
| Excess (deficiency) revenues over (under) expenditures | (503,297) | (377,799) | 70,484 | (810,612) |
| **Other Financing Sources (Uses):** | | | | |
| Transfers in | 1,666,347 | 183,829 | - | 1,850,176 |
| Transfers out | (195,705) | (252,325) | (2,530) | (450,560) |
| Total other financing sources (uses) | 1,470,642 | (68,496) | (2,530) | 1,399,616 |
| Net change in fund balances | 967,345 | (446,295) | 67,954 | 589,004 |
| **Fund Balances:** | | | | |
| Beginning of year | 6,742,668 | 711,122 | 526,717 | 7,980,507 |
| End of year | $ 7,710,013 | $ 264,827 | $ 594,671 | $ 8,569,511 |

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

Exhibit IV - B

# CITY OF GULF BREEZE, FLORIDA
## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | | |
|---|---|---|
| **Net change in fund balances - governmental funds (page 22)** | | $ 589,004 |
| 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 lives. | | |
| Expenditures for capital assets | 948,833 | |
| Less current year depreciation | (1,809,034) | (860,201) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Debt principal payments | 184,800 | |
| Change in accrued interest expense | 2,464 | 187,264 |
| Amortization of bond discounts, reported in the statement of activities, does not require the use of current financial resources, therefore, it is not reported as an expenditure in governmental funds. | | (1,590) |
| 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 | | (36,129) |
| **Change in Net Position - Governmental Activities (page 19)** | | $ (121,652) |

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

Exhibit V

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
## YEAR ENDED SEPTEMBER 30, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 2,190,650 | $ 2,322,453 | $ 2,322,453 | $ - |
| Licenses and permits | 403,500 | 392,538 | 392,538 | - |
| Intergovernmental | 664,058 | 2,434,281 | 2,434,281 | - |
| Charges for services | 284,300 | 311,099 | 311,099 | - |
| Fines and forfeitures | 122,300 | 106,484 | 106,484 | - |
| Investment earnings | 30,000 | 11,844 | 11,844 | - |
| Miscellaneous | 501,300 | 559,268 | 772,665 | 213,397 |
| Total revenues | 4,196,108 | 6,137,967 | 6,351,364 | 213,397 |
| **Expenditures:** | | | | |
| Current | | | | |
| General government | 1,276,464 | 1,514,858 | 1,514,858 | - |
| Public safety | 2,220,353 | 2,393,081 | 2,393,081 | - |
| Transportation | 137,358 | 328,318 | 328,318 | - |
| Economic environment | 152,170 | 136,168 | 136,168 | - |
| Culture and recreation | 1,059,650 | 1,382,952 | 1,382,952 | - |
| Capital outlay | - | 518,148 | 518,148 | - |
| Debt service | | | | |
| Principal | 146,790 | 160,861 | 184,800 | (23,939) |
| Interest | 304,355 | 325,293 | 396,336 | (71,043) |
| Total expenditures | 5,297,140 | 6,759,679 | 6,854,661 | (94,982) |
| Excess (deficiency) of revenues over (under) expenditures | (1,101,032) | (621,712) | (503,297) | 118,415 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers in | 1,810,621 | 1,576,928 | 1,666,347 | 89,419 |
| Transfers out | (177,090) | (183,828) | (195,705) | (11,877) |
| Total other financing sources (uses) | 1,633,531 | 1,393,100 | 1,470,642 | 77,542 |
| Net change in fund balance | $ 532,499 | $ 771,388 | 967,345 | $ 195,957 |
| **Fund Balance:** | | | | |
| Beginning of year | | | 6,742,668 | |
| End of year | | | $ 7,710,013 | |

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

Exhibit VI

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - URBAN CORE REDEVELOPMENT SPECIAL REVENUE FUND
## YEAR ENDED SEPTEMBER 30, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | $ 568,112 | $ 568,110 | $ 568,110 | $ - |
| Miscellaneous | - | 1,350 | 1,350 | - |
| Total revenues | 568,112 | 569,460 | 569,460 | - |
| **Expenditures:** | | | | |
| Current | | | | |
| General government | 268,050 | 516,574 | 516,574 | - |
| Capital outlay | 224,827 | 430,685 | 430,685 | - |
| Total expenditures | 492,877 | 947,259 | 947,259 | - |
| Excess (deficiency) of revenues over (under) expenditures | 75,235 | (377,799) | (377,799) | - |
| **Other Financing Sources (Uses):** | | | | |
| Transfers in | 177,090 | 183,829 | 183,829 | - |
| Transfers out | 492,877 | (252,325) | (252,325) | - |
| Total other financing sources and (uses) | 669,967 | (68,496) | (68,496) | - |
| Net change in fund balance | $ 745,202 | $ (446,295) | (446,295) | $ - |
| **Fund Balance:** | | | | |
| Beginning of year | | | 711,122 | |
| End of year | | | $ 264,827 | |

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

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**Exhibit VII**

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF NET POSITION - PROPRIETARY FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | Water & Sewer Fund | Natural Gas Fund | South Santa Rosa Utility | Gulf Breeze Financial Services | Non-Major Proprietary Funds | Total Proprietary Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current Assets:** | | | | | | |
| Cash and cash equivalents | $ 473,837 | $ 71,346 | $ 181,433 | $ 1,217,811 | $ 33,792 | $ 1,978,219 |
| Investments | - | - | 63,729 | 5,290,034 | - | 5,353,763 |
| Receivables, net | 91,981 | 77,027 | 337,273 | 17,466 | 45,371 | 569,118 |
| Interfund receivable | - | - | - | 2,755,450 | - | 2,755,450 |
| Due from other governments - component units | - | - | - | 8,446 | - | 8,446 |
| Inventory, at cost | 11,052 | 147,694 | 157,804 | - | - | 316,550 |
| Investment in limited liability company | - | - | - | 18,102 | - | 18,102 |
| Advance to joint venture | 115,399 | - | 110,873 | - | - | 226,272 |
| Restricted assets | | | | | | |
| Cash and cash equivalents | 240,052 | 237,508 | 1,126,587 | - | 12,025 | 1,616,172 |
| Total current assets | 932,321 | 533,575 | 1,977,699 | 9,307,309 | 91,188 | 12,842,092 |
| **Non-Current Assets:** | | | | | | |
| Restricted assets | | | | | | |
| Cash and cash equivalents | - | - | 1,858,434 | 1,000,858 | - | 2,859,292 |
| Investments | - | - | - | 3,573,978 | - | 3,573,978 |
| Total restricted assets | - | - | 1,858,434 | 4,574,836 | - | 6,433,270 |
| Capital assets, net | | | | | | |
| Land | - | - | 3,816,825 | - | 3,500 | 3,820,325 |
| Construction in progress | - | 386,786 | 3,141,006 | - | 112,572 | 3,640,364 |
| Buildings | - | - | 2,454,052 | - | - | 2,454,052 |
| Improvements other than building | - | 423,812 | 1,046,836 | 68,431 | - | 1,539,079 |
| Infrastructure | 1,866,694 | 3,157,837 | 12,478,929 | - | 748,153 | 18,251,613 |
| Machinery and equipment | 95,587 | 526,661 | 958,065 | 742 | 33,062 | 1,614,117 |
| Total capital assets | 1,962,281 | 4,495,096 | 23,895,713 | 69,173 | 897,287 | 31,319,550 |
| Other assets: | | | | | | |
| Bond issue costs, net | - | - | 131,205 | - | - | 131,205 |
| Investment in joint venture | 755,153 | - | 725,540 | - | - | 1,480,693 |
| Total other assets | 755,153 | - | 856,745 | - | - | 1,611,898 |
| Total non-current assets | 2,717,434 | 4,495,096 | 26,610,892 | 4,644,009 | 897,287 | 39,364,718 |
| **DEFERRED OUTLFOW OF RESOURCES** | | | | | | |
| Deferred loss on bond refunding | - | - | 929,734 | - | - | 929,734 |
| **Total Assets and Deferred Outflows** | $ 3,649,755 | $ 5,028,671 | $ 29,518,325 | $ 13,951,318 | $ 988,475 | $ 53,136,544 |

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

| | Water & Sewer Fund | Natural Gas Fund | South Santa Rosa Utility | Gulf Breeze Financial Services | Non-Major Proprietary Funds | Total Proprietary Funds |
|---|---|---|---|---|---|---|
| **LIABILITIES AND NET POSITION** | | | | | | |
| **Current Liabilities:** | | | | | | |
| Accounts payable | $ 101,972 | $ 154,874 | $ 934,275 | $ 9,117 | $ 153,278 | $ 1,353,516 |
| Accrued liabilities | 11,585 | 30,211 | 72,081 | 6,500 | 6,086 | 126,463 |
| Accrued interest | - | - | 81,232 | - | - | 81,232 |
| Interfund payables | 43,058 | 3,191,531 | 2,806,877 | - | 700,100 | 6,741,566 |
| Due to other governments | - | - | - | - | 23,896 | 23,896 |
| Payable from restricted assets | | | | | | |
| Accrued interest | - | - | 111,538 | - | - | 111,538 |
| Customer deposits | 190,763 | 237,508 | 370,049 | - | 12,075 | 810,395 |
| Compensated absences | 1,156 | 22,385 | 48,001 | - | - | 71,542 |
| State revolving loan payable | - | - | 39,581 | - | - | 39,581 |
| Revenue bonds payable | 26,400 | - | 851,569 | - | - | 877,969 |
| Capital lease payable | - | - | 361,896 | - | - | 361,896 |
| Total current liabilities | 374,934 | 3,636,509 | 5,677,099 | 15,617 | 895,435 | 10,599,594 |
| **Non-Current Liabilities:** | | | | | | |
| Unearned revenue | 55,894 | - | - | - | - | 55,894 |
| Compensated absences | 3,423 | 20,497 | 134,826 | - | - | 158,746 |
| Line of credit | - | - | - | 3,000,000 | - | 3,000,000 |
| State revolving loan payable | - | - | 893,341 | - | - | 893,341 |
| Revenue bonds payable | 1,063,200 | - | 7,746,458 | - | - | 8,809,658 |
| Capital lease payable | - | - | 4,301,769 | - | - | 4,301,769 |
| Total non-current liabilities | 1,122,517 | 20,497 | 13,076,394 | 3,000,000 | - | 17,219,408 |
| Total Liabilities | 1,497,451 | 3,657,006 | 18,753,493 | 3,015,617 | 895,435 | 27,819,002 |
| **Net Position:** | | | | | | |
| Net investment in capital assets | 872,681 | 4,495,096 | 12,291,227 | 69,173 | 897,287 | 18,625,464 |
| Restricted | | | | | | |
| Debt service and other debt requirements | 38,253 | - | 843,040 | 4,574,836 | - | 5,456,129 |
| Unrestricted | 1,241,370 | (3,123,431) | (2,369,435) | 6,291,692 | (804,247) | 1,235,949 |
| Total net position | 2,152,304 | 1,371,665 | 10,764,832 | 10,935,701 | 93,040 | 25,317,542 |
| **Total Liabilities and Net Position** | $ 3,649,755 | $ 5,028,671 | $ 29,518,325 | $ 13,951,318 | $ 988,475 | $ 53,136,544 |

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

**Exhibit VIII**

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | Water & Sewer Fund | Natural Gas Fund | South Santa Rosa Utility | Gulf Breeze Financial Services | Non-Major Proprietary Funds | Total Proprietary Funds |
|---|---|---|---|---|---|---|
| **Operating Revenue:** | | | | | | |
| Charges for services | | | | | | |
| Utilities | $ 1,999,093 | $ 2,515,805 | $ 5,205,377 | $ 635,849 | $ 793,536 | $ 11,149,660 |
| Golf course | - | - | 1,805,228 | - | - | 1,805,228 |
| Total charges for services | 1,999,093 | 2,515,805 | 7,010,605 | 635,849 | 793,536 | 12,954,888 |
| **Operating Expenses:** | | | | | | |
| Personal services | 433,248 | 602,468 | 2,864,600 | 109,454 | 262,210 | 4,271,980 |
| Contractual services | 875,036 | 1,015,523 | 877,533 | - | 517,529 | 3,285,621 |
| Supplies | 67,954 | 312,105 | 1,161,566 | - | 110,649 | 1,652,274 |
| Professional services | 7,861 | 15,420 | 208,391 | 63,980 | 24,911 | 320,563 |
| Repairs and maintenance | 93,339 | 31,204 | 638,755 | - | 94,645 | 857,943 |
| Office and utilities | 72,344 | 83,628 | 539,299 | 19,165 | 5,060 | 719,496 |
| Depreciation and amortization | 291,498 | 399,837 | 1,943,458 | 8,376 | 107,069 | 2,750,238 |
| Total operating expenses | 1,841,280 | 2,460,185 | 8,233,602 | 200,975 | 1,122,073 | 13,858,115 |
| Operating income (loss) | 157,813 | 55,620 | (1,222,997) | 434,874 | (328,537) | (903,227) |
| **Non-Operating Revenue (Expenses):** | | | | | | |
| Interest earnings | 4,739 | - | 8,477 | 199,582 | - | 212,798 |
| Rents and royalties | - | - | 53,914 | - | - | 53,914 |
| Loss from investment in limited liability company | - | - | - | (8,289) | - | (8,289) |
| Interest expense | (51,089) | - | (733,376) | (34,188) | - | (818,653) |
| Loss from joint venture | (55,386) | - | (53,213) | - | - | (108,599) |
| Miscellaneous | 16,616 | 21,958 | 31,153 | - | - | 69,727 |
| Total non-operating revenue (expenses) | (85,120) | 21,958 | (693,045) | 157,105 | - | (599,102) |
| **Income Before Operating Transfers and Capital Contributions** | 72,693 | 77,578 | (1,916,042) | 591,979 | (328,537) | (1,502,329) |
| **Transfers and Capital Contributions:** | | | | | | |
| Transfers in | - | - | 337,816 | - | - | 337,816 |
| Transfers out | (518,095) | (258,951) | (300,038) | (500,000) | (160,348) | (1,737,432) |
| Capital contributions | 17,053 | - | 490,196 | - | - | 507,249 |
| Total transfers and capital contributions | (501,042) | (258,951) | 527,974 | (500,000) | (160,348) | (892,367) |
| Changes in net position | (428,349) | (181,373) | (1,388,068) | 91,979 | (488,885) | (2,394,696) |
| Net position at beginning of year, as previously stated | 2,613,293 | 1,581,004 | 12,328,294 | 10,843,722 | 581,925 | 27,948,238 |
| Prior period adjustments | (32,640) | (27,966) | (175,394) | - | - | (236,000) |
| Net position at beginning of year, as restated | 2,580,653 | 1,553,038 | 12,152,900 | 10,843,722 | 581,925 | 27,712,238 |
| Net position at end of year | $ 2,152,304 | $ 1,371,665 | $ 10,764,832 | $ 10,935,701 | $ 93,040 | $ 25,317,542 |

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

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**Exhibit IX**

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | Water & Sewer Fund | Natural Gas Fund | 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 | $ 2,105,434 | $ 2,542,145 | $ 6,049,406 | $ 636,810 | $ 802,564 | $ 12,136,359 |
| Payments to suppliers and providers | (1,047,918) | (1,016,278) | (2,775,665) | (87,691) | (398,924) | (5,326,476) |
| Payments to employees | (424,797) | (589,945) | (2,807,889) | (109,454) | (260,277) | (4,192,362) |
| Net cash provided by operating activities | 632,719 | 935,922 | 465,852 | 439,665 | 143,363 | 2,617,521 |
| **Cash Flows from Non-Capital Financing Activities:** | | | | | | |
| Interest payments on line of credit | - | - | - | (34,188) | - | (34,188) |
| Miscellaneous income | 16,616 | 21,958 | 31,153 | - | - | 69,727 |
| Transfers in | - | - | 337,816 | - | - | 337,816 |
| Transfers out | (518,095) | (258,951) | (300,038) | (500,000) | (160,348) | (1,737,432) |
| Net cash provided by (used in) non-capital financing activities | (501,479) | (236,993) | 68,931 | (534,188) | (160,348) | (1,364,077) |
| **Cash Flows from Capital and Related Financing Activities:** | | | | | | |
| Acquisition and construction of capital assets | (40,416) | (1,350,883) | (4,495,026) | - | (136,922) | (6,023,247) |
| Proceeds from bonds payable | | | 3,800,000 | - | - | 3,800,000 |
| Principal paid on bonds payable | - | - | (620,000) | - | - | (620,000) |
| Principal paid on state revolving loan | - | - | (38,401) | - | - | (38,401) |
| Proceeds from capital leases | - | - | 4,590,981 | - | - | 4,590,981 |
| Principal paid on capital leases | (25,200) | - | (4,033,732) | - | - | (4,058,932) |
| Interest paid on long-term debt | (51,089) | - | (528,300) | - | - | (579,389) |
| Capital contributions | 17,053 | - | 490,196 | - | - | 507,249 |
| Net cash used in capital and related financing activities | (99,652) | (1,350,883) | (834,282) | - | (136,922) | (2,421,739) |
| **Cash Flows from Investing Activities:** | | | | | | |
| Purchases of investments | - | - | - | (5,171,590) | - | (5,171,590) |
| Proceeds from sale of investments | - | - | - | 4,973,738 | - | 4,973,738 |
| Interest income received from primary government | 4,739 | - | 8,104 | 34,188 | - | 47,031 |
| Interest income | - | - | - | 217,626 | - | 217,626 |
| Net cash provided by investing activities | 4,739 | - | 8,104 | 53,962 | - | 66,805 |
| **Net Change in Cash and Cash Equivalents** | 36,327 | (651,954) | (291,395) | (40,561) | (153,907) | (1,101,490) |
| **Cash and Cash Equivalents - Beginning of the Year** | 677,562 | 960,808 | 3,457,849 | 2,259,230 | 199,724 | 7,555,173 |
| **Cash and Cash Equivalents - End of the Year** | $ 713,889 | $ 308,854 | $ 3,166,454 | $ 2,218,669 | $ 45,817 | $ 6,453,683 |
| **Displayed As:** | | | | | | |
| Cash and cash equivalents | $ 473,837 | $ 71,346 | $ 181,433 | $ 1,217,811 | $ 33,792 | $ 1,978,219 |
| Restricted cash | 240,052 | 237,508 | 2,985,021 | 1,000,858 | 12,025 | 4,475,464 |
| | $ 713,889 | $ 308,854 | $ 3,166,454 | $ 2,218,669 | $ 45,817 | $ 6,453,683 |

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

**Exhibit IX**

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
## YEAR ENDED SEPTEMBER 30, 2014
## (Continued)

| | Water & Sewer Fund | Natural Gas Fund | South Santa Rosa Utility | Gulf Breeze Financial Services | Non-Major Proprietary Funds | Total Proprietary Funds |
|---|---|---|---|---|---|---|
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:** | | | | | | |
| Operating income (loss) | $ 157,813 | $ 55,620 | $ (1,222,997) | $ 434,874 | $ (328,537) | $ (903,227) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities - | | | | | | |
| Depreciation and amortization expense | 291,498 | 399,837 | 1,943,458 | 8,376 | 107,069 | 2,750,238 |
| Provision for uncollectible accounts | 4,574 | 3,919 | 24,575 | - | - | 33,068 |
| Rents and royalties | - | - | 53,914 | - | - | 53,914 |
| Changes in operating assets and liabilities: | | | | | | |
| Receivables | 113,252 | 22,421 | (189,815) | - | 9,028 | (45,114) |
| Interfund receivable | - | - | (849,873) | - | - | (849,873) |
| Due from other governments - component units | - | - | - | 961 | - | 961 |
| Inventory, at cost | 5,058 | (67,598) | (32,923) | - | - | (95,463) |
| Accounts payable | 11,253 | 95,205 | 612,619 | (4,546) | 79,974 | 794,505 |
| Accrued liabilities | 6,433 | 6,644 | 77,758 | - | 25,829 | 116,664 |
| Interfund payables | 33,280 | 391,531 | - | - | 250,000 | 674,811 |
| Customer deposits | 19,025 | - | 1,350 | - | - | 20,375 |
| Unearned revenue | (11,485) | 23,750 | - | - | - | 12,265 |
| Compensated absences | 2,018 | 4,593 | 47,786 | - | - | 54,397 |
| Total adjustments | 474,906 | 880,302 | 1,688,849 | 4,791 | 471,900 | 3,520,748 |
| **Net Cash Provided By Operating Activities** | $ 632,719 | $ 935,922 | $ 465,852 | $ 439,665 | $ 143,363 | $ 2,617,521 |
| **Supplemental Schedule of Noncash Capital and Related Financing Activities** | | | | | | |
| Change in fair value of investment in joint venture | $ 55,386 | $ - | $ 53,213 | $ - | $ - | $ - |
| Change in fair value of investment in LLC | $ - | $ - | $ - | $ 8,289 | $ - | $ - |

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

Exhibit X

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
## SEPTEMBER 30, 2014

| | Police Officers' Retirement Fund | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ - | $ 8,127 |
| Investments | 3,763,566 | - |
| **Total Assets** | 3,763,566 | 8,127 |
| **LIABILITIES** | | |
| Due to others | - | 8,127 |
| **NET POSITION** | | |
| Restricted for pension benefits | $ 3,763,566 | $ - |

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

Exhibit XI

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | Police Officers' Retirement Fund |
|---|---|
| **ADDITIONS** | |
| Contributions | |
| Employer | $ 196,200 |
| Plan members | 19,603 |
| State of Florida | 63,583 |
| Total contributions | 279,386 |
| Investment income | 283,677 |
| Less investment expense | (7,962) |
| Net investment income | 275,715 |
| Total additions | 555,101 |
| **DEDUCTIONS** | |
| Benefits and refunds paid to plan members and beneficiaries | 42,661 |
| Administrative expenses | 9,675 |
| Total deductions | 52,336 |
| **NET INCREASE** | 502,765 |
| **NET POSITION RESTRICTED FOR PENSION BENEFITS** | |
| Beginning of year | 3,260,801 |
| End of year | $ 3,763,566 |

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

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## 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. 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.

As of September 30, 2014, 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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, 2014. 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.

***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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

***Conduit Debt (Continued)***

- $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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The following is the current property tax calendar:

| | |
|---|---|
| Lien Date | January 1, 2014 |
| Levy Date | November 1, 2014 |
| Due Date | November 1, 2014 |
| Delinquent Date | April 1, 2015 |

Discounts of 1% for each month taxes are paid prior to March 2015 are granted.

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 2014 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 uncollectability 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

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.

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 Santa Rosa 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.

## 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 Fund Balances

***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.

***Deposits and Investments***

The investment of surplus funds and restricted reserve funds is governed by the City's investment policy under the provisions of Section 218.415, Florida Statutes. Investments authorized by the City's investment policy and state statute include intergovernmental investment pools, money market funds, including money market mutual funds, interest bearing time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury and U.S. agencies and instrumentalities, and other investments authorized by law or by resolution for a municipality. All the City's investments are stated at fair value.

Chapter 280, Florida Statutes, provides that deposits must be placed in a depository designated under the provisions of Chapter 136 and the regulations of the Department of Banking and Finance as a qualified public depository. As such, these deposits are considered to be fully insured.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position or Fund Balances (Continued)

***Deposits and Investments (Continued)***

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.

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 shall the aggregate of its investments at cost, under this subparagraph, exceed 50 percent of the fund's assets.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position or Fund Balances (Continued)

***Interfund 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 interfund receivables (payables).

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position or Fund Balances (Continued)

***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 | $ > 0 |
| Buildings and improvements | $ 10,000 |
| Infrastructure | $ 10,000 |
| Improvements other than buildings | $ 10,000 |
| Machinery and equipment | $ 1,000 |

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position or Fund Balances (Continued)

***Capital Assets (Continued)***

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

| | Years |
|---|---|
| Buildings and improvements | 39 |
| Infrastructure | 20-40 |
| Improvements other than buildings | 15-27 |
| Machinery and equipment | 3-10 |

***Deferred Outflows of Resources***

The City has implemented the provisions of GASB Statements Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, Elements of Financial Statements, as an acquisition or consumption, respectively, of net assets applicable to a future reporting period. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 65, *Items Previously Reported As Assets and Liabilities*, reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of the four financial statement elements, (1) deferred outflows of resources, (2) outflows of resources, (3) deferred inflows of resources, and (4) inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement 65 provides that guidance.

The City reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of the statement of net position. The only deferred outflow of resources reported in the financial statements is a deferred amount arising from the refunding of bonds. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position or Fund Balances (Continued)

***Bond Issue Costs***

Bond issuance costs for proprietary funds are amortized over the estimated life of the issue using the straight-line method. The City follows GASB Statement No. 62 which allows matching the regulated rate recovery of the costs if certain criteria are met.

***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 and proprietary 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.

***Non-Current Liabilities***

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 reported in deferred outflows.

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position or Fund Balances (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 by formal vote (or management designee via Council action) 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Position or Fund Balances (Continued)

***Classification of Fund Balance (Continued)***

- *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.

  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.

***Classification of Net Position***

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* - is intended to reflect the portion of net position which are associated with non-liquid, capital assets, net of related debt.

- *Restricted Net Position* - are liquid assets, generated from revenues and net bond proceeds, which are not accessible for general use because of third-party (statutory, bond covenant or granting agency) limitations.

- *Unrestricted Net Position* – represents unrestricted liquid assets.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Classification of Net Position* (Continued)**

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, 2014 and April 10, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

H. New Accounting Pronouncement

*GASB Statement No. 67*

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. As such, implementation of Statement No. 67 occurred in the City's fiscal year ended September 30, 2014.

## 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:

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets (Continued)

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. 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 and amounts as amended by action of the City Council by revision of fund totals.

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

*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 manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" (QPDs), as defined in Chapter 280, Florida Statutes, which bear no custodial credit risk or are in institutions which meet the exemption requirements of Chapter 280. The exemptions qualify under the exemptions 280.03(e) or 280.03(f) as a deposit made in accordance with Chapter 17.57(g). The provisions of Chapter 280 allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all deposits are fully insured or collateralized with securities held by the State Treasurer in the City's name. At September 30, 2014, the carrying amounts of the City's deposits were $9,758,339.

*Investments:*

As of September 30, 2014, the City had the following investments:

| | Weighted Average Maturity (Years) | Amount |
|---|---|---|
| Local Government Investment Pools | 1.430 | $ 66,610 |
| Money Market Mutual Funds | N/A | 421,072 |
| Federal Instrumentalities | 3.494 | 4,853,530 |
| Corporate Notes | 3.005 | 1,665,463 |
| State and Local Government Debt | 3.674 | 1,921,066 |
| Total investments | | $ 8,927,741 |

*Interest Rate Risk:*

The City's investment policy sets limits to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds have same day liquidity. Investments of reserves, project funds, debt proceeds and other non-operating funds have a term appropriate to the needs for funds and in accordance with debt covenants, but shall not exceed ten (10) years.

## NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

*Interest Rate Risk (Continued):*

The City participates in the Local Government Surplus Funds Trust Fund Investment Pool (LGSFTF), administered by the Florida State Board of Administration. In accordance with the regulations of "2a-7-like" pools, the method used to determine the participants' shared sold and redeemed is the amortized cost method. As of September 30, 2014, the LGSFTF portfolio's weighted average days to maturity was 42. Credit risk of investments in the LGSFTF is minimized by the rating of AAAm by Standard and Poor's.

The City's deposits in the LGSFTF at September 30, 2014, were entirely covered by pooled collateral held by the State Treasurer and therefore had no custodial credit risk. At September 30, 2014, the City's investments in the LGSFTF were $2,881.

*Credit Risk:*

Unless otherwise authorized by law or by ordinance, the City is authorized under Section 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time-to-time, in:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating, from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280.02, Florida Statutes.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Rated or unrated bonds, notes, or instrument backed by the full faith and credit of the government of Israel.
- Other investments authorized by law or by ordinance for a county or a municipality.
- Other investments authorized by law or by resolution for a school district or a special district.
- Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time-to-time, provided the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

## NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

*Credit Risk (Continued):*

At September 30, 2014, the City's investments had the following credit quality:

| Security Type | Credit Rating | Portfolio Asset Allocation |
|---|---|---|
| Local Government Surplus Funds Trust | AAAm | 0.03% |
| Florida Municipal Investment Trust | AAA | 0.72% |
| Money Market Mutual Funds | AAAm | 4.72% |
| Federal Instrumentalities | AA+ | 54.36% |
| Corporate Notes | AAA | 1.71% |
| Corporate Notes | AA+ | 3.06% |
| Corporate Notes | AA | 3.08% |
| Corporate Notes | AA- | 2.10% |
| Corporate Notes | A+ | 2.82% |
| Corporate Notes | A | 1.14% |
| Corporate Notes | A- | 3.61% |
| Corporate Notes | BBB+ | 1.13% |
| State and Local Government Debt | AAA | 6.18% |
| State and Local Government Debt | AA+ | 4.18% |
| State and Local Government Debt | AA | 2.36% |
| State and Local Government Debt | AA- | 3.90% |
| State and Local Government Debt | A+ | 3.56% |
| State and Local Government Debt | A | 1.34% |

## NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

*Concentration of Credit Risk:*

The City's investment policy has established asset allocation and issuer limits on the following investments to reduce concentration of credit risk of the entity's investment portfolio.

| | Asset Allocation Maximum | Individual Issuer Limit |
|---|---|---|
| US Government Obligations | 100% | N/A |
| Local Government Investment Pools | 100% | N/A |
| Certificates of Deposit | 25% | 50% |
| Federal Agency & Instrumentality Obligations | 100% | 50% |
| Collateralized Repurchase Agreements | 15% | 50% |
| Other Investment Pools (Rated "A" or better) | 10% | 50% |
| State and/or Local Government Taxable and/or Tax-Exempt Debt | 30% | 50% |
| High Grade Corporate Debt and Commercial Paper | 15% | 50% |
| High Grade Equity Fund | 25% | 50% |

As of September 30, 2014, The City had the following issuer concentrations based on fair value:

| | Fair Value | Portfolio Asset Allocation |
|---|---|---|
| Local Government Surplus Funds Trust | $ 2,881 | 0.03% |
| Florida Municipal Investment Trust | 63,729 | 0.71% |
| Money Market Mutual Funds | 421,072 | 4.72% |
| Federal Instrumentalities: | | |
| Federal Farm Credit Bank Notes | 100,257 | 1.12% |
| Federal National Mortgage Association | 2,070,377 | 23.19% |
| Federal Home Loan Mortgage Corporation | 1,580,763 | 17.71% |
| Federal Home Loan Bank Notes | 1,102,133 | 12.35% |

## NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

*Concentration of Credit Risk (Continued):*

| | | |
|---|---|---|
| Corporate Notes: | | |
| BHP Billiton | 102,082 | 1.14% |
| BP Capital Market PLC | 101,540 | 1.14% |
| Cisco Systems, Inc. | 149,925 | 1.68% |
| The Coca-Cola Company | 101,115 | 1.13% |
| Comcast Corporation | 107,563 | 1.20% |
| European Investment Bank | 153,069 | 1.71% |
| General Electric | 273,094 | 3.06% |
| Government of Ontario | 187,494 | 2.10% |
| Hewlett-Packard | 106,465 | 1.19% |
| Morgan Stanley | 106,942 | 1.20% |
| Rio Tinto Finance USA PLC | 102,507 | 1.15% |
| Royal Bank of Canada | 173,667 | 1.95% |
| State and Local Government Debt: | | |
| County of Cook, Illinois General Obligation Bonds | 103,605 | 1.16% |
| County of San Diego, California | 113,437 | 1.27% |
| Dormitory Authority of the State of New York | 106,311 | 1.19% |
| Fresno County, California | 110,544 | 1.24% |
| Greater Orlando Aviation Authority | 107,904 | 1.21% |
| Guilford County, North Carolina Build America Bonds | 170,206 | 1.91% |
| Kentucky Finance and Administration Cabinet | 104,005 | 1.16% |
| Las Vegas Valley Nevada Water District | 106,388 | 1.19% |
| New York City, New York Transitional Finance Authority Revenue Bonds | 167,974 | 1.88% |
| Northern California Transmission Agency | 106,053 | 1.19% |
| Pennsylvania Commonwealth Financing Authority | 107,093 | 1.20% |
| Phoenix, Arizona Civic Impt Corp Excise Tax Revenue | 107,573 | 1.20% |
| Port Authority, New York | 115,023 | 1.29% |
| State of California | 119,190 | 1.34% |
| State of New York General Obligation Bonds | 153,321 | 1.72% |
| University of Oklahoma | 122,439 | 1.37% |
| | $ 8,927,741 | 100.00% |

## NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

*Foreign Currency Risk:*

As of September 30, 2014, the City's exposure to foreign currency risk was as follows:

| Investment | Currency | Maturity | Fair Value |
|---|---|---|---|
| Corporate Notes: | | | |
| European Investment Bank | Euro | 3/15/2017 | $ 153,069 |
| Government of Ontario | Canadian dollar | 9/21/2016 | 187,494 |
| Royal Bank of Canada | Canadian dollar | 9/19/2017 | 173,667 |
| Total | | | $ 514,230 |

The City's investments in foreign currency-denominated corporate notes were rated AAA by Moody's Investor Service. The City's investment policy permits it to invest up to 15% of total investments in high-grade corporate debt, including foreign corporations and foreign sovereignties.

## NOTE 4 - RECEIVABLES

Receivables at September 30, 2014, were as follows:

| | Governmental Activities | Business-Type Activities | | | | | |
|---|---|---|---|---|---|---|---|
| | General | Water and Sewer | Natural Gas | South Santa Rosa Utility | Gulf Breeze Financial Services | Non-Major Proprietary Fund | Total Primary Government |
| Accounts | $ 85,229 | $ - | $ - | $ - | $ 17,466 | $ - | $ 102,695 |
| Utilities | - | 127,426 | 105,575 | 534,822 | - | 45,371 | 813,194 |
| Notes | 155,138 | - | - | - | - | - | 155,138 |
| Other | 5,286 | 1,769 | 3,337 | 2,420 | - | - | 12,812 |
| | 245,653 | 129,195 | 108,912 | 537,242 | 17,466 | 45,371 | 1,083,839 |
| Less allowance for uncollectible accounts | - | 37,214 | 31,885 | 199,969 | - | - | 269,068 |
| Total | $ 245,653 | $ 91,981 | $ 77,027 | $ 337,273 | $ 17,466 | $ 45,371 | $ 814,771 |

The City's due from other governments for governmental activities was $1,764,548 as of September 30, 2014, which consisted of amounts due from the State of Florida, primarily for reimbursement of costs associated with the Alternative Projects grant approved by FEMA.

## NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

***Primary Government***

| | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 1,403,909 | $ 368,886 | $ - | $ 1,772,795 |
| Construction in progress | - | 271,521 | - | 271,521 |
| Total capital assets not being depreciated | 1,403,909 | 640,407 | - | 2,044,316 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 12,218,112 | 99,254 | - | 12,317,366 |
| Improvements other than buildings | 14,555,453 | 36,358 | - | 14,591,811 |
| Infrastructure | 1,071,613 | - | - | 1,071,613 |
| Machinery and equipment | 5,816,975 | 172,814 | 920,198 | 5,069,591 |
| Total capital assets being depreciated | 33,662,153 | 308,426 | 920,198 | 33,050,381 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (2,079,892) | (490,562) | - | (2,570,454) |
| Improvements other than buildings | (8,911,510) | (855,229) | - | (9,766,739) |
| Infrastructure | (129,471) | (52,212) | - | (181,683) |
| Machinery and equipment | (4,506,625) | (411,032) | (920,198) | (3,997,459) |
| Total accumulated depreciation | (15,627,498) | (1,809,035) | (920,198) | (16,516,335) |
| Total capital assets being depreciated, net | 18,034,655 | (1,500,609) | - | 16,534,046 |
| **Government activities, net** | $ 19,438,564 | $ (860,202) | $ - | $ 18,578,362 |
| **Business-Type Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 3,816,825 | $ 3,500 | $ - | $ 3,820,325 |
| Construction in progress | - | 3,640,364 | - | 3,640,364 |
| Total capital assets not being depreciated | 3,816,825 | 3,643,864 | - | 7,460,689 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 2,584,568 | 262,784 | - | 2,847,352 |
| Improvements other than buildings | 1,187,706 | 727,330 | - | 1,915,036 |
| Infrastructure | 45,829,896 | 509,108 | - | 46,339,004 |
| Machinery and equipment | 4,085,810 | 1,371,584 | 176,444 | 5,280,950 |
| Total capital assets being depreciated | 53,687,980 | 2,870,806 | 176,444 | 56,382,342 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (260,299) | (133,001) | - | (393,300) |
| Improvements other than buildings | (224,039) | (104,055) | - | (328,094) |
| Infrastructure | (26,074,675) | (2,060,579) | - | (28,135,254) |
| Machinery and equipment | (3,390,674) | (452,603) | (176,444) | (3,666,833) |
| Total accumulated depreciation | (29,949,687) | (2,750,238) | (176,444) | (32,523,481) |
| Total capital assets being depreciated, net | 23,738,293 | 120,568 | - | 23,858,861 |
| **Business-type activities, net** | $ 27,555,118 | $ 3,764,432 | $ - | $ 31,319,550 |

## NOTE 5 - CHANGES IN CAPITAL ASSETS (Continued)

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

| | |
|---|---|
| **Governmental Activities** | |
| General government | $ 92,315 |
| Public safety | 317,380 |
| Transportation | 316,779 |
| Economic environment | 344,799 |
| Culture and recreation | 737,762 |
| Total depreciation expense - governmental activities | $ 1,809,035 |
| **Business-Type Activities** | |
| Water and sewer | 291,498 |
| Natural gas | 399,837 |
| South Santa Rosa Utility | 1,943,458 |
| Gulf Breeze Financial Services | 8,376 |
| Other proprietary funds | 107,069 |
| Total depreciation expense - business-type activities | $ 2,750,238 |

## 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.

## 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, 2013, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 22.06% for police officer and firefighter (special risk) employees, 9.95% for regular employees, and 12.84% for the Deferred Retirement Option Program (DROP).

The City's contributions to the plan for fiscal years ended September 30, 2014, 2013, and 2012, listed below were equal to the required contributions for the year.

| | Years Ended September 30 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| General employees | $ 56,430 | $ 15,908 | $ 14,697 |
| Special risk employees | 25,227 | 24,121 | 16,936 |
| Total contributions | $ 81,657 | $ 40,029 | $ 31,633 |

## 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 (FMPTF), a single-employer defined benefit pension plan administered by the Florida League of Cities, Inc. This plan provides retirement, disability, and death benefits to plan members or their designated beneficiaries. Chapter 185, Florida Statutes provides the authority under which benefit provisions are established. An employee becomes fully vested after six years of credited service with normal retirement at age 55 or age 52 with 25 years of credited service. These provisions may only be amended by legislative action.

Membership in the plan consisted of the following at September 30, 2014:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 2 |
| Active plan members | 13 |
| Total | 15 |

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 4% 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, 2014, 2013, and 2012, are listed below were equal to the required contributions for the year.

| | Years Ended September 30 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| City Police Pension Plan contributions | $ 196,200 | $ 268,765 | $ 283,660 |

## 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 2013/2014 year and related plan information as of October 1, 2013, is as of the most recent actuarial valuation date and is as follows:

| | | Police Officer Retirement Fund |
|---|---|---|
| Contribution rates (percentage of covered payroll) | | |
| City | | 42.73% |
| Plan members | | 4.0% |
| Annual pension cost | $ | 264,244 |
| Contributions made | | |
| Plan members | $ | 5,665 |
| Employer | $ | 268,765 |
| State of Florida | $ | 56,576 |
| Net pension obligation (asset) | $ | (47,709) |
| Actuarial valuation date | | 10/1/2013 |
| Actuarial cost method (1) | | Aggregate |
| Amortization method | | Level dollar, open |
| Remaining amortization method | | 30 Years |
| Asset valuation method | | Market value |
| Actuarial assumptions | | |
| Invested rate of return | | 7.0% |
| Projected salary increases | | 4.00% |
| 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:

## NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

***Florida League of Cities - Police Officers (Continued)***

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

| 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) |
|---|---|---|---|---|---|---|
| 10/1/2013 | $ 3,314,601 | $ 4,156,871 | $ 842,270 | 79.74% | $ 617,823 | 136.33% |

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. All plan assets are invested using a 60/40 equities to bonds allocation which is administered by the FMPTF. The plan's actuarial return value is calculated using a 7.5% assumed return.

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.

The City's annual pension cost, percentage of cost contributed, and net obligation (asset) was as follows:

| | Year Ending | Annual Pension Cost (APC) | Percentage Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|---|
| FMPT | 9/30/2014 | $ 264,244 | 102% | $ (47,709) |
| | 9/30/2013 | $ 249,818 | 102% | $ (43,956) |
| | 9/30/2012 | $ 283,660 | 102% | $ (39,032) |

## NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

***Florida League of Cities - Police Officers (Continued)***

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

The FMPTF 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.

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.

## 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. Chapter 121, Florida Statutes 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.

## NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

The City's contributions to the plan for the years ended September 30, 2014, 2013, and 2012, listed below were equal to the required contributions for the year.

| | Years Ended September 30 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| General employees | $ 151,852 | $ 143,452 | $ 126,773 |

## NOTE 8 - DEFFERRED 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.

In accordance with GASB Statement No. 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 $1,298,473 at September 30, 2014. Contributions made by plan members during the year ended September 30, 2014, were $96,692.

## NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

All employee benefits terminate when employment with the City ends. Accordingly, the City has no material 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 $5,349 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, 2014, the City had restricted fund balances in its General Fund totaling $280,523, Urban Core Redevelopment Fund totaling $264,827, and the Police Special Revenue Fund totaling $64,576.

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, 2014, the City's General Fund had $657,770 of committed fund balance consisting of $250,000 for insurance, $391,852 for beautification, $15,481 for park subdivision, and $437 for community funds.

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, 2014, 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. The City's Traffic Citation Fund had $530,095 of fund balance assigned for public safety.

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, 2014, the City had $6,650,378 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, 2014. 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:

| | 2014 | 2013 |
|---|---|---|
| Unpaid claims, beginning | $ - | $ - |
| Claims incurred and changes in estimates | 131,349 | 47,351 |
| Less: claims paid | (131,349) | (47,351) |
| Unpaid claims, ending | $ - | $ - |

Incurred but not reported claims have not been determined by actuarial valuation 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.

## NOTE 12 - LINE OF CREDIT

In April 2014, GBFS renewed its 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, 2014, of $1,000,858 and $3,573,978, respectively. The line accrues interest at a rate of LIBOR plus .950% (1.125% at September 30, 2014), requires monthly interest only payments, with payment of principal due in full at maturity on April 23, 2016. The outstanding balance of this line of credit as of September 30, 2014 was $3,000,000. Total interest paid on this line during fiscal year 2014 was $34,188.

## NOTE 13 - NON-CURRENT LIABILITIES

### ***Changes in Non-Current Liabilities***

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Revenue Improvement Bonds, Series 2007 | $ 8,175,200 | $ - | $ (184,800) | $ 7,990,400 | $ 193,600 |
| Less deferred amounts For issuance discount | (39,477) | - | 1,590 | (37,887) | - |
| Compensated absences | 228,752 | 170,921 | (134,792) | 264,881 | 63,530 |
| Total governmental activities, long term debt and other liabilities | $ 8,364,475 | $ 170,921 | $ (318,002) | $ 8,217,394 | $ 257,130 |
| **Business-type activities:** | | | | | |
| SSRU Refunding Revenue Bonds, Series 2004 | $ 5,275,000 | $ - | $ (620,000) | $ 4,655,000 | $ 645,000 |
| Less deferred amounts For issuance premium | 166,864 | - | (23,837) | 143,027 | - |
| Revenue Improvement Bonds, Series 2007 | 1,114,800 | - | (25,200) | 1,089,600 | 26,400 |
| SSRU Refunding Revenue Note, 2009B | 3,788,641 | - | (3,788,641) | - | - |
| SSRU Refunding Revenue Bond | - | 3,800,000 | - | 3,800,000 | 206,569 |
| Capital lease payable, golf equipment | 262,557 | - | (101,367) | 161,190 | 101,367 |
| Capital lease payable, meters | - | 4,590,981 | (88,506) | 4,502,475 | 260,529 |
| State revolving loan | 971,323 | - | (38,401) | 932,922 | 39,581 |
| Line of credit | 3,000,000 | - | - | 3,000,000 | - |
| Unearned revenue | 67,379 | - | (11,485) | 55,894 | - |
| Compensated absences | 175,891 | 181,008 | (126,611) | 230,288 | 71,542 |
| Total business-type activities, long term debt and other liabilities | $ 14,822,455 | $ 8,571,989 | $ (4,824,048) | $ 18,570,396 | $ 1,350,988 |

## NOTE 13 - NON-CURRENT LIABILITIES (Continued)

### *Description of Long-Term Debt and Other Liabilities Outstanding*

| | Current | Long-Term | Total |
|---|---|---|---|
| **Governmental Activities** | | | |
| ***Revenue Bonds*** | | | |
| $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. | $ 193,600 | $ 7,796,800 | $ 7,990,400 |
| Less unamortized bond discount | - | (37,887) | (37,887) |
| **Total Governmental Activities** | $ 193,600 | $ 7,758,913 | $ 7,952,513 |

| **Business-Type Activities** | Current | Long-Term | Total |
|---|---|---|---|
| ***Revenue Bonds*** | | | |
| $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. | $ 645,000 | $ 4,010,000 | $ 4,655,000 |
| Add unamortized bond premium | - | 143,027 | 143,027 |
| | 645,000 | 4,153,027 | 4,798,027 |
| $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. | 26,400 | 1,063,200 | 1,089,600 |

## NOTE 13 - NON-CURRENT LIABILITIES (Continued)

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

| **Business-Type Activities (Continued)** | Current | Long-Term | Total |
|---|---|---|---|
| ***Revenue Bonds (Continued)*** | | | |
| $3,800,000, South Santa Rosa Utility System Refunding Revenue Note, 2013, due in annual installments ranging from $206,569 to $306,144 plus semi-annual interest payments through 2028; bearing an interest rate of 2.85%; Non-ad valorem revenues are pledged for payment; Proceeds used for the payment of the SSRU Refunding Revenue Note, 2009B. | 206,569 | 3,593,431 | 3,800,000 |
| ***Total Bonds*** | 877,969 | 8,809,658 | 9,687,627 |
| ***Capital Leases*** | | | |
| 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, 2014 of $145,071. | 101,367 | 59,823 | 161,190 |
| Capital lease with SunTrust for water and gas meters and other equipment; due in semi-annual installments ranging from $161,102 to $289,000; payments through 2026; bearing an interest rate of 2.8%; secured by meters and other financed equipment; net book value at September 30, 2014 of $2,930,547. | 260,529 | 4,241,946 | 4,502,475 |
| ***Total Capital Leases*** | 361,896 | 4,301,769 | 4,663,665 |
| ***State Revolving Loan*** | | | |
| State revolving loan payable of $971,323, due in semi-annual payments of $33,868, through September 15, 2032, bearing an interest rate of 3.05%. | 39,581 | 893,341 | 932,922 |
| ***Line of Credit*** | | | |
| Line of credit, monthly payments of interest only, accrues interest at rate of LIBOR plus .950%, matures in April 2016. | - | 3,000,000 | 3,000,000 |
| **Total Business-Type Activities** | $ 1,279,446 | $ 17,004,768 | $ 18,284,214 |
| **Grand Total Long-Term Debt** | | | $ 26,236,727 |

## NOTE 13 - NON-CURRENT LIABILITIES (Continued)

### *Annual Requirements to Amortize Debt Outstanding*

The annual requirements to amortize all debt outstanding except compensated absences as of September 30, 2014, are as follows:

***Governmental Activities***

| Years Ending September 30, | Revenue Bonds Principal | Revenue Bonds Interest |
|---|---|---|
| 2015 | $ 193,600 | $ 368,305 |
| 2016 | 202,400 | 360,385 |
| 2017 | 206,800 | 352,098 |
| 2018 | 215,600 | 343,331 |
| 2019 | 224,400 | 334,035 |
| 2020-2024 | 1,289,200 | 1,510,459 |
| 2025-2029 | 1,606,000 | 1,180,853 |
| 2030-2034 | 2,037,200 | 738,111 |
| 2035-2039 | 2,015,200 | 183,921 |
| | $ 7,990,400 | $ 5,371,498 |

***Business-Type Activities***

| Years Ending September 30, | 2004 Revenue Improvement Bond Principal | 2004 Revenue Improvement Bond Interest | 2007 Revenue Improvement Bond Principal | 2007 Revenue Improvement Bond Interest | 2013 Refunding Revenue Bond Principal | 2013 Refunding Revenue Bond Interest |
|---|---|---|---|---|---|---|
| 2015 | $ 645,000 | $ 200,500 | $ 26,400 | $ 50,223 | $ 206,569 | $ 103,835 |
| 2016 | 660,000 | 167,500 | 27,600 | 49,143 | 212,457 | 97,964 |
| 2017 | 700,000 | 132,500 | 28,200 | 48,013 | 218,512 | 91,382 |
| 2018 | 740,000 | 95,500 | 29,400 | 46,818 | 224,739 | 84,888 |
| 2019 | 775,000 | 56,750 | 30,600 | 45,550 | 231,144 | 78,209 |
| 2020-2024 | 1,135,000 | 16,000 | 175,800 | 205,972 | 1,258,372 | 284,312 |
| 2025-2029 | - | - | 219,000 | 161,026 | 1,448,207 | 86,070 |
| 2030-2034 | - | - | 277,800 | 100,652 | - | - |
| 2035-2039 | - | - | 274,800 | 25,080 | - | - |
| | $ 4,655,000 | $ 668,750 | $ 1,089,600 | $ 732,477 | $ 3,800,000 | $ 826,660 |

## NOTE 13 - NON-CURRENT LIABILITIES (Continued)

### *Annual Requirements to Amortize Debt Outstanding (Continued)*

### *Business-Type Activities (Continued)*

| Years Ending | TCF Equipment Lease | | SunTrust Equipment Lease | | State Revolving Loan | |
|---|---|---|---|---|---|---|
| September 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | $ 101,367 | $ - | $ 260,529 | $ 124,471 | $ 39,581 | $ 28,155 |
| 2016 | 59,823 | - | 300,092 | 116,908 | 40,798 | 26,938 |
| 2017 | - | - | 343,799 | 108,201 | 42,052 | 25,684 |
| 2018 | - | - | 382,753 | 98,247 | 43,344 | 24,392 |
| 2019 | - | - | 373,709 | 87,291 | 44,676 | 23,060 |
| 2020-2024 | - | - | 2,231,868 | 270,131 | 244,838 | 93,841 |
| 2025-2029 | - | - | 609,725 | 15,480 | 284,845 | 53,834 |
| 2030-2034 | - | - | - | | 192,788 | 10,420 |
| | $ 161,190 | $ - | $ 4,502,475 | $ 820,729 | $ 932,922 | $ 286,324 |

### *Debt Covenants*

There are a number of covenants in the debt agreements, including a rate covenant requiring net revenue of South Santa Rosa Utilities to be at least 125% of annual debt service requirements.

### *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, 2014 is as follows:

*Interfund Balances*

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | Traffic Citation Special Revenue Fund | $ 49,786 |
| General | Natural Gas | 2,591,531 |
| General | South Santa Rosa Utility | 901,300 |
| General | Solid Waste Fund | 100 |
| General | Stormwater Drainage Fund | 700,000 |
| South Santa Rosa Utility | General | 206,815 |
| South Santa Rosa Utility | Water & Sewer | 43,058 |
| South Santa Rosa Utility | Natural Gas | 600,000 |
| Gulf Breeze Financial Services | South Santa Rosa Utility | 2,755,450 |
| | | $ 7,848,040 |

Interfund balances are comprised primarily 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; a receivable from Stormwater Drainage fund to the General fund for providing funding for repairs after the April flood; a receivable from South Santa Rosa Utility to Gulf Breeze Financial Services for monies loaned for purchasing the Tiger Point Golf Course; a receivable from the General fund to South Santa Rosa Utility for certain debt service; and a receivable from Natural Gas fund to South Santa Rosa Utility for debt service for financing gas meters.

## NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

*Interfund Transfers*

| | Transfers In | | | |
|---|---|---|---|---|
| Transfers Out | General Fund | Urban Core Redevelopment | South Santa Rosa Utility | Total |
| General | $ | $ 183,829 | $ 11,876 | $ 195,705 |
| Urban Core Redevelopment | 252,325 | - | - | 252,325 |
| Water and Sewer | 248,155 | - | 269,940 | 518,095 |
| Natural Gas | 202,951 | - | 56,000 | 258,951 |
| South Santa Rosa Utility | 300,038 | - | - | 300,038 |
| Gulf Breeze Financial Services | 500,000 | - | - | 500,000 |
| Non-major Governmental Funds | 2,530 | - | - | 2,530 |
| Non-major Proprietary Funds | 160,348 | - | - | 160,348 |
| Totals | $ 1,666,347 | $ 183,829 | $ 337,816 | $ 2,187,992 |

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.

## 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 Midway 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. During 2014, the City's investment value in the joint venture decreased by $108,600 and as of September 30, 2014, was $1,706,965. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

## NOTE 16 - RELATED PARTY TRANSACTIONS

The City Council appoints the Directors of CTA. During the year ended September 30, 2014, CTA transferred $400,000 to the City. The transaction was reflected as an expense of CTA in the statement of activities. The purpose of the transfer was to subsidize the governmental operations of the City.

The CTA has an Independent Contractor Agreement with the consulting company, Municipal Advisory Services, Inc. (MAS). As part of the agreement, MAS agrees to remit to CTA a portion of the loan program issuance fees MAS receives each year. Income from this agreement, which is offset against personal service expenses in the CTA financial statements, totaled $18,750 for the year ended September 30, 2014. As of September 30, 2014, receivables due to CTA from MAS under this agreement totaled $47,250.

In August 2007, CTA-CDE was certified as a Community Development Entity (CDE) by the Community Development Financial Institutions (CDFI) Fund of the United States Department of the Treasury. Certification as a CDE allowed CTA-CDE to become eligible to apply to the CDFI Fund for the allocation of New Market Tax Credits (NMTCs). CTA-CDE was granted an allocation of $75 million of NMTC authority from the CDFI Fund under the American Recovery and Reinvestment Act of 2009 and pursuant to an Allocation Agreement dated June 18, 2009. Through this allocation, CTA-CDE is authorized to allocate the tax credits to private equity investors in CTA-CDE. The funds raised by CTA-CDE through the NMTCs are used to invest in or lend to projects in Florida meeting the low-income community eligibility requirements, as outlined by the CDFI Fund. Under CTA-CDE's Allocation Agreement with the CDFI Fund, the following entities have become approved Subsidiary Allocatees of CTA-CDE: CTA CDE Sub 1, LLC; CTA CDE Sub 2, LLC; CTA CDE Sub 3, LLC; CTA CDE Sub 4, LLC; and CTA CDE Sub 5, LLC.

Per the management and administration agreement between CTA-CDE and the Subsidiary Allocatees, CTA-CDE is to receive an annual asset management fee in the aggregate amount of $271,995 for its services in managing and administering the Subsidiary Allocatees. For the year ended September 30, 2014, $271,745 of the asset management fee had been earned and recognized. As of September 30, 2014, $60,166 had yet to be collected and was presented as a receivable on the accompanying statement of net position. In addition, in accordance with the terms of the Subsidiary Allocatees operating agreement, CTA-CDE is to be paid fees in connection with the assignment of a portion of CTA-CDE's NMTC allocation to the Subsidiary Allocatees. No such fees were earned during the year ended September 30, 2014.

Per the operating agreements of the Subsidiary Allocatees, CTA-CDE earns fees for its payment of operating expenses on the Subsidiary Allocatees' behalf. For the year ended September 30, 2014, such fees earned were $65,548 and are included in miscellaneous income on the statement of activities.

## NOTE 17 - 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.

*Construction Contracts*

The City has a $1,800,000 contract with a utilities services contractor to enhance the stormwater drainage throughout the City. As of September 30, 2014, the remaining contractual commitment was approximately $1,400,000.

The City has a $285,000 contract with a road construction company to repair the Shoreline Park tennis courts in 2015.

*Consulting Contracts*

On January 1, 2002, CTA entered into an Independent Contractor Agreement with the consulting company, MAS. In exchange for the independent contractor furnishing qualified, experienced and knowledgeable personnel as necessary to perform and assume the position and title of Executive Director of CTA, providing administrative, oversight, management, and marketing services with respect to CTA's loan programs, and performing other additional duties as outlined in the agreement, CTA pays a monthly base fee of $1,042, plus an amount equal to the sum of ten dollars per each one million dollars par amount of outstanding bonds for each bond issuance of CTA. The agreement automatically renews on an annual basis, unless either party provides written notice before 180 days prior to the expiration of the existing term. For the year ended September 30, 2014, CTA's fees paid to MAS totaled $133,699.

On March 1, 2005, CTA entered into an agreement with Capital Alliance Group, Inc. to receive assistance with concentrated government relations and lobbying programs. The agreement requires a monthly retainer of $3,000, renews indefinitely, and may be terminated by either party with 30 days' notice. The total expense per this agreement was $36,000 for the year ended September 30, 2014.

On May 1, 2005, CTA entered into an agreement with Southern Strategy Group, Inc. for governmental consulting services in which CTA is represented before the Florida legislature and executive branch. The agreement requires a monthly retainer of $5,000, is month to month, and may be terminated by either party with 30 days' written notice. The total expense per this agreement was $60,000 for the year ended September 30, 2014.

## NOTE 18 - GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

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 during the year ending September 30, 2015.

## NOTE 19 - PRIOR PERIOD ADJUSTMENTS

*Change in Accounting Principle*

As discussed in Note 1, the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires retrospective application, during the year ended September 30, 2014. As of October 1, 2013, the City carried certain bond issuance costs that must be removed under the new standards. Accordingly, beginning net position at October 1, 2013 has been restated by $273,849 to remove these bond issuance costs, net of accumulated amortization.

*Receivable from MAS*

The consulting agreement with MAS discussed in Note 17 requires MAS to remit to CTA the first $18,750 it receives each year for certain fees earned in connection with the issuance of new loans. During 2014, management determined that MAS was $122,500 in arrears on these payments going back to 2006, $103,500 of which was in arrears as of September 30, 2013. Accordingly, beginning net position at October 1, 2013 has been restated to recognize the $103,500. MAS remitted $75,000 of the arrearage in fiscal year 2014, leaving a receivable of $47,250 at September 30, 2014. This receivable was collected in October 2014.

*Allowance for Doubtful Accounts*

Accounts receivable recorded in proprietary funds as of September 30, 2013 included approximately $236,000 of inactive accounts that were deemed uncollectible. However, the 2013 financial statements did not include an allowance for doubtful accounts. Accordingly, beginning net position at October 1, 2013 has been reduced by $236,000 to recognize an allowance for doubtful accounts.

## NOTE 19 - PRIOR PERIOD ADJUSTMENTS (Continued)

*Accrued Interest Expense*

Interest expense of $126,523 for payments due October 1, 2013 was not accrued as of September 30, 2013. Accordingly, beginning net position at October 1, 2013 has been reduced by $126,523 to recognize this accrued interest.

# REQUIRED SUPPLEMENTARY INFORMATION

# PENSION SCHEDULES

# CITY OF GULF BREEZE, FLORIDA
## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF FUNDING PROGRESS
## UNAUDITED

***Police Retirement Fund***

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) 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) |
|---|---|---|---|---|---|---|
| October 1, 2013 | $ 3,314,601 | $ 4,156,871 | $ 842,270 | 79.74% | $ 617,823 | 136.33% |
| October 1, 2012 | $ 2,779,873 | $ 3,608,235 | $ 828,362 | 77.04% | $ 563,728 | 146.94% |
| October 1, 2011 | $ N/A | $ N/A | $ N/A | N/A | $ N/A | N/A |
| October 1, 2010 | $ 1,821,794 | $ 2,445,151 | $ 623,357 | 74.51% | $ 514,615 | 121.13% |
| October 1, 2009 | $ N/A | $ N/A | $ N/A | N/A | $ N/A | N/A |
| October 1, 2008 | $ N/A | $ N/A | $ N/A | N/A | $ N/A | N/A |
| October 1, 2007 | $ 1,343,358 | $ 1,370,823 | $ 27,465 | 98% | $ 416,493 | 6.59% |
| October 1, 2006 | $ N/A | $ N/A | $ N/A | N/A | $ N/A | N/A |
| October 1, 2005 | $ 801,629 | $ 801,629 | $ - | 100% | $ 451,758 | 0% |

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

The most recent actuarial valuation date is October 1, 2013.

# CITY OF GULF BREEZE, FLORIDA
## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES
## UNAUDITED

***Police Retirement Fund***

| | Annual (1) Required Contribution | Employer Contribution | Florida Contribution | Percentage Contributed |
|---|---|---|---|---|
| September 30, 2014 | $ 263,991 | $ 196,200 | $ 63,583 | 102.00% |
| September 30, 2013 | $ 249,653 | $ 268,765 | $ 56,576 | 102.00% |
| September 30, 2012 | $ 283,513 | $ 283,660 | $ 59,317 | 102.00% |
| September 30, 2011 | $ 269,422 | $ 95,501 | $ 58,284 | 114.00% |
| 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, 2013.

# 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 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.

Schedule B-1

# CITY OF GULF BREEZE, FLORIDA
## COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
## SEPTEMBER 30, 2014

| | Traffic Citation Special Revenue | Police Special Revenue | Total |
|---|---|---|---|
| **Assets:** | | | |
| Cash and cash equivalents | $ 606,517 | $ - | $ 606,517 |
| Restricted assets | | | |
| Cash and cash equivalents | - | 65,216 | 65,216 |
| **Total Assets** | $ 606,517 | $ 65,216 | $ 671,733 |
| **Liabilities:** | | | |
| Accounts payable | $ 26,119 | $ 640 | $ 26,759 |
| Accrued liabilities | 517 | - | 517 |
| Interfund payables | 49,786 | - | 49,786 |
| Total liabilities | 76,422 | 640 | 77,062 |
| **Fund Balances:** | | | |
| Restricted | | | |
| Public safety | - | 64,576 | 64,576 |
| Assigned | | | |
| Public safety | 530,095 | - | 530,095 |
| Total fund balances | 530,095 | 64,576 | 594,671 |
| **Total Liabilities and Fund Balances** | $ 606,517 | $ 65,216 | $ 671,733 |

Statement B-2

# CITY OF GULF BREEZE, FLORIDA
## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | Traffic Citation Special Revenue | Police Special Revenue | Total |
|---|---|---|---|
| **Revenues:** | | | |
| Fines and forfeitures | $ 720,270 | $ - | $ 720,270 |
| Miscellaneous | 10,867 | 18,564 | 29,431 |
| Total revenues | 731,137 | 18,564 | 749,701 |
| **Expenditures:** | | | |
| Public safety | 673,921 | 5,296 | 679,217 |
| **Revenues Over Expenditures** | 57,216 | 13,268 | 70,484 |
| Other financing sources (uses) | | | |
| Transfers out | (2,530) | - | (2,530) |
| Net change in fund balances | 54,686 | 13,268 | 67,954 |
| **Fund Balances:** | | | |
| Beginning of year | 475,409 | 51,308 | 526,717 |
| End of year | $ 530,095 | $ 64,576 | $ 594,671 |

## 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** **Statement C-1**

**STATEMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS**

**SEPTEMBER 30, 2014**

**ASSETS**

| | Stormwater Management | Solid Waste Control | Innerarity Point Utilities | Total |
|---|---|---|---|---|
| **Current Assets:** | | | | |
| Cash and cash equivalents | $ 13,580 | $ 3,560 | $ 16,652 | $ 33,792 |
| Receivables, net | 3,978 | 22,054 | 19,339 | 45,371 |
| Restricted cash | - | 12,025 | - | 12,025 |
| Total current assets | 17,558 | 37,639 | 35,991 | 91,188 |
| **Non-Current Assets:** | | | | |
| Capital assets, net | | | | |
| Land | 3,500 | - | - | 3,500 |
| Construction in progress | 112,572 | - | - | 112,572 |
| Infrastructure | 748,153 | - | - | 748,153 |
| Machinery and equipment | 17,951 | 15,111 | - | 33,062 |
| Total non-current assets | 882,176 | 15,111 | - | 897,287 |
| **Total Assets** | $ 899,734 | $ 52,750 | $ 35,991 | $ 988,475 |

**LIABILITIES AND NET POSITION**

| | | | | |
|---|---|---|---|---|
| **Current Liabilities:** | | | | |
| Accounts payable | $ 105,983 | $ 43,645 | $ 3,650 | $ 153,278 |
| Accrued liabilities | 4,595 | 1,491 | - | 6,086 |
| Interfund payables | 700,000 | 100 | - | 700,100 |
| Due to other governments | - | - | 23,896 | 23,896 |
| Payable from restricted assets | | | | |
| Customer deposits | - | 12,075 | - | 12,075 |
| Total current liabilities | 810,578 | 57,311 | 27,546 | 895,435 |
| **Total Liabilities** | 810,578 | 57,311 | 27,546 | 895,435 |
| **Net Position:** | | | | |
| Net investment in capital assets | 882,176 | 15,111 | - | 897,287 |
| Unrestricted | (793,020) | (19,672) | 8,445 | (804,247) |
| Total net position | 89,156 | (4,561) | 8,445 | 93,040 |
| **Total Liabilities and Net Position** | $ 899,734 | $ 52,750 | $ 35,991 | $ 988,475 |

**Statement C-2**

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - NON-MAJOR PROPRIETARY FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | Stormwater Management | Solid Waste Control | Innerarity Point Utilities | Total |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Charges for services | $ 205,282 | $ 571,504 | $ 16,750 | $ 793,536 |
| **Operating Expenses:** | | | | |
| Personal services | 143,101 | 119,109 | - | 262,210 |
| Contractual services | 101,198 | 412,561 | 3,770 | 517,529 |
| Supplies | 107,406 | 2,970 | 273 | 110,649 |
| Professional services | 20,824 | - | 4,087 | 24,911 |
| Repairs and maintenance | 87,288 | 7,357 | - | 94,645 |
| Office and utilities | 4,821 | 64 | 175 | 5,060 |
| Depreciation and amortization | 101,888 | 5,181 | - | 107,069 |
| Total operating expenses | 566,526 | 547,242 | 8,305 | 1,122,073 |
| Operating income (loss) | (361,244) | 24,262 | 8,445 | (328,537) |
| **Transfers:** | | | | |
| Transfers out | (77,178) | (83,170) | - | (160,348) |
| **Changes in Net Position** | (438,422) | (58,908) | 8,445 | (488,885) |
| **Net Position at Beginning of Year** | 527,578 | 54,347 | - | 581,925 |
| **Net Position at End of Year** | $ 89,156 | $ (4,561) | $ 8,445 | $ 93,040 |

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Statement C-3

# CITY OF GULF BREEZE, FLORIDA
## STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS
## YEAR ENDED SEPTEMBER 30, 2014

| | Stormwater Management | Solid Waste Control | Innerarity Point | Total |
|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | |
| Receipts from customers and users | $ 217,375 | $ 587,778 | $ (2,589) | $ 802,564 |
| Payments to suppliers | 33,780 | (451,945) | 19,241 | (398,924) |
| Payments to employees | (141,480) | (118,797) | - | (260,277) |
| Net cash provided by operating activities | 109,675 | 17,036 | 16,652 | 143,363 |
| **Cash Flows from Non-Capital Financing Activities:** | | | | |
| Transfers out | (77,178) | (83,170) | - | (160,348) |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Acquisition and construction of capital assets | (136,922) | - | - | (136,922) |
| **Net Change in Cash and Cash Equivalents** | (104,425) | (66,134) | 16,652 | (153,907) |
| **Cash and Cash Equivalents - Beginning of Year** | 118,005 | 81,719 | - | 199,724 |
| **Cash and Cash Equivalents - End of Year** | $ 13,580 | $ 15,585 | $ 16,652 | $ 45,817 |
| **Displayed As:** | | | | |
| Cash and cash equivalents | $ 13,580 | $ 3,560 | $ 16,652 | $ 33,792 |
| Restricted cash | - | 12,025 | - | 12,025 |
| Total cash and cash equivalents | $ 13,580 | $ 15,585 | $ 16,652 | $ 45,817 |

**CITY OF GULF BREEZE, FLORIDA** **Statement C-3**

**STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS**

**YEAR ENDED SEPTEMBER 30, 2014**

**(Continued)**

| | Stormwater Management | Solid Waste Control | Solid Waste Control | Total |
|---|---|---|---|---|
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | |
| Operating income (loss) | $ (361,244) | $ 24,262 | $ 8,445 | $ (328,537) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities - | | | | |
| Depreciation | 101,888 | 5,181 | - | 107,069 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 12,093 | 16,274 | (19,339) | 9,028 |
| Accounts payable | 105,317 | (28,993) | 3,650 | 79,974 |
| Accrued liabilities | 1,621 | 312 | 23,896 | 25,829 |
| Interfund payables | 250,000 | - | - | 250,000 |
| **Net Cash Provided By Operating Activities** | $ 109,675 | $ 17,036 | $ 16,652 | $ 143,363 |

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# 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.

**Table I**

# CITY OF GULF BREEZE, FLORIDA
## COMPONENTS OF NET POSITION
## LAST TEN FISCAL YEARS
## UNAUDITED

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Investment in Capital Assets:** | | | | | | | | | | |
| Governmental activities | $ 10,625,849 | $ 11,302,841 | $ 9,652,675 | $ 4,895,426 | $ $ 1,460,655 | $ 3,275,527 | $ 2,632,860 | $ 1,849,245 | $ 7,722,314 | $ 6,802,620 |
| Business-type activities | 18,625,464 | 17,147,289 | 14,049,602 | 12,368,789 | 13,788,131 | 14,451,915 | 16,299,600 | 16,536,085 | 12,759,746 | 10,918,455 |
| Total primary government | $ 29,251,313 | $ 28,450,130 | $ 23,702,277 | $ 17,264,215 | $ 15,248,786 | $ 17,727,442 | $ 18,932,460 | $ 18,385,330 | $ 20,482,060 | $ 17,721,075 |
| **Restricted Net Position:** | | | | | | | | | | |
| Governmental activities | $ 485,597 | $ 711,122 | $ 879,047 | $ 994,663 | $ 656,392 | $ 397,270 | $ 25,485 | $ 780,417 | $ 2,017,516 | $ 783,266 |
| Business-type activities | 5,456,129 | 5,298,985 | 844,957 | 844,957 | 917,665 | 756,855 | 756,855 | 1,079,629 | 771,202 | 640,827 |
| Total primary government | $ 5,941,726 | $ 6,010,107 | $ 1,724,004 | $ 1,839,620 | $ 1,574,057 | $ 1,154,125 | $ 782,340 | $ 1,860,046 | $ 2,788,718 | $ 1,424,093 |
| **Unrestricted Net Position:** | | | | | | | | | | |
| Governmental activities | $ 7,694,974 | $ 6,914,109 | $ 7,689,924 | $ 5,852,883 | $ 8,891,621 | $ 6,273,663 | $ 7,152,710 | $ 5,167,815 | $ 768,168 | $ 4,062,697 |
| Business-type activities | 1,235,949 | 5,265,964 | 14,084,654 | 14,566,239 | 12,061,124 | 2,423,036 | 1,600,727 | 3,157,532 | 5,794,071 | 6,626,981 |
| Total primary government | $ 8,930,923 | $ 12,180,073 | $ 21,774,578 | $ 20,419,122 | $ 20,952,745 | $ 8,696,699 | $ 8,753,437 | $ 8,325,347 | $ 6,562,239 | $ 10,689,678 |
| **Total Net Position:** | | | | | | | | | | |
| Governmental activities | $ 18,806,420 | $ 18,928,072 | $ 18,221,646 | $ 11,742,972 | $ 11,008,668 | $ 9,946,460 | $ 9,811,055 | $ 7,797,477 | $ 10,507,998 | $ 11,648,583 |
| Business-type activities | 25,317,542 | 27,712,238 | 28,979,213 | 27,779,985 | 26,766,920 | 17,631,806 | 18,657,182 | 20,773,246 | 19,325,019 | 18,186,263 |
| Total primary government | $ 44,123,962 | $ 46,640,310 | $ 47,200,859 | $ 39,522,957 | $ 37,775,588 | $ 27,578,266 | $ 28,468,237 | $ 28,570,723 | $ 29,833,017 | $ 29,834,846 |

SOURCE: City of Gulf Breeze Finance Department.

**Table II**

# CITY OF GULF BREEZE, FLORIDA
## CHANGES IN NET POSITION
## LAST TEN FISCAL YEARS
## UNAUDITED

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses:** | | | | | | | | | | |
| Governmental activities - | | | | | | | | | | |
| General government | $ 2,159,875 | $ 1,939,342 | $ 1,780,088 | $ 2,140,853 | $ 1,832,961 | $ 1,604,707 | $ 1,646,593 | $ 1,483,562 | $ 4,974,062 | $ 6,677,903 |
| Public safety | 3,389,678 | 3,259,673 | 2,848,296 | 2,582,913 | 2,273,863 | 2,242,994 | 2,550,037 | 2,523,959 | 2,200,265 | 2,151,503 |
| Transportation | 645,097 | 1,040,137 | 392,737 | 431,961 | 317,802 | 336,485 | 401,763 | 470,013 | 520,691 | 507,045 |
| Economic environment | 480,967 | 458,622 | 470,558 | 434,757 | 423,014 | 388,133 | 197,622 | 203,332 | 209,664 | 191,815 |
| Culture and recreation | 2,120,714 | 1,853,545 | 1,800,355 | 3,758,787 | 1,195,503 | 1,160,607 | 1,280,020 | 4,532,538 | 1,089,459 | 987,333 |
| Debt service interest | 395,462 | 305,046 | 310,536 | 315,231 | 320,336 | 325,297 | 378,952 | 291,769 | 167,473 | 97,215 |
| Total government activities | 9,191,793 | 8,856,365 | 7,602,570 | 9,664,502 | 6,363,479 | 6,058,223 | 6,454,987 | 9,505,173 | 9,161,614 | 10,612,814 |
| Business-type activities - | | | | | | | | | | |
| Water and sewer | 1,956,060 | 1,626,874 | 1,557,810 | 1,523,787 | 1,610,416 | 1,576,201 | 1,345,242 | 1,411,855 | 1,308,246 | 1,643,605 |
| Natural gas | 2,460,185 | 1,897,522 | 1,286,806 | 1,388,342 | 1,329,058 | 1,699,027 | 2,069,606 | 1,943,119 | 2,031,273 | 1,482,273 |
| South Santa Rosa Utility | 9,020,191 | 7,298,787 | 4,918,789 | 4,887,012 | 4,531,148 | 5,493,205 | 5,478,040 | 5,704,870 | 5,269,482 | 4,963,407 |
| Solid waste | 547,242 | 702,888 | 896,904 | 870,997 | 886,868 | 890,827 | 927,121 | 901,297 | 880,301 | 869,522 |
| Stormwater management | 566,526 | 258,411 | 259,933 | 246,276 | 236,013 | 266,966 | 287,197 | 145,145 | - | - |
| Fishing bridge | - | - | - | - | - | - | - | 461,058 | 10,682 | 17,105 |
| Gulf Breeze Financial Services | 235,163 | 245,537 | 240,070 | 725,702 | 228,246 | 250,320 | 181,307 | 191,001 | 189,021 | 445,598 |
| Total business-type activities | 14,785,367 | 12,030,019 | 9,160,312 | 9,642,116 | 8,821,749 | 10,176,546 | 10,288,513 | 10,758,345 | 9,689,005 | 9,421,510 |
| Total primary government expenses | $ 23,977,160 | $ 20,886,384 | $ 16,762,882 | $ 19,306,618 | $ 15,185,228 | $ 16,234,769 | $ 16,743,500 | $ 20,263,518 | $ 18,850,619 | $ 20,034,324 |
| **Program Revenues:** | | | | | | | | | | |
| Government activities - | | | | | | | | | | |
| Charges for services - | | | | | | | | | | |
| General government | $ 64,546 | $ 94,215 | $ 67,903 | $ 92,983 | $ 47,546 | $ 101,657 | $ 69,705 | $ 188,550 | $ 26,040 | $ 26,040 |
| Public safety | 845,318 | 901,465 | 749,597 | 345,228 | 113,966 | 318,015 | 267,493 | 295,201 | 197,998 | 224,688 |
| Transportation | - | - | - | - | - | - | - | - | 72,496 | 86,840 |
| Culture and recreation | 385,295 | 242,762 | 217,271 | 231,431 | 230,571 | 225,774 | 261,662 | 183,622 | 155,239 | 130,776 |
| Operating grants and contributions | 1,984,125 | 3,154,938 | 7,195,117 | 4,054,298 | 1,125,551 | 468,212 | 1,584,284 | 2,595,066 | 3,630,268 | 6,110,676 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | 129,238 | 350,510 |
| Total governmental activities program revenues | 3,279,284 | 4,393,380 | 8,229,888 | 4,723,940 | 1,517,634 | 1,113,658 | 2,183,144 | 3,262,439 | 4,211,279 | 6,929,530 |
| Business-type activities - | | | | | | | | | | |
| Charges for services - | | | | | | | | | | |
| Water and sewer | 2,015,843 | 1,816,720 | 1,850,835 | 1,889,323 | 1,764,738 | 1,896,573 | 1,787,244 | 1,545,320 | 1,542,876 | 1,423,554 |
| Natural gas | 2,515,805 | 1,888,721 | 1,596,774 | 1,893,196 | 2,077,968 | 1,918,813 | 1,955,968 | 1,781,957 | 2,060,168 | 1,681,768 |
| South Santa Rosa Utility | 5,205,377 | 4,686,102 | 4,933,717 | 4,876,402 | 4,474,554 | 4,242,023 | 4,116,191 | 3,935,152 | 3,440,755 | 3,173,648 |
| Tiger Point Golf Course | 1,805,228 | 1,312,696 | - | - | - | - | - | - | - | - |
| Solid waste | 571,504 | 725,172 | 1,012,054 | 986,019 | 1,004,145 | 1,023,845 | 1,011,010 | 901,297 | 927,550 | 902,379 |
| Stormwater management | 205,282 | 190,324 | 197,504 | 195,304 | 190,992 | 193,874 | 194,183 | 188,938 | - | - |
| Gulf Breeze Financial Services | 635,849 | 875,171 | 926,632 | 777,842 | 870,766 | 523,776 | 475,615 | 841,300 | 510,552 | 763,527 |
| Fishing bridge | - | - | - | - | - | - | - | 461,058 | - | - |
| Capital grants and contributions | 507,249 | 373,323 | 417,520 | 319,969 | 95,171 | 127,267 | 632,068 | 2,448,130 | 2,912,708 | 1,539,970 |
| Total business-type activities program revenues | 13,462,137 | 11,868,229 | 10,935,036 | 10,938,055 | 10,478,334 | 9,926,171 | 10,172,279 | 12,103,152 | 11,394,609 | 9,484,846 |
| Total primary government progam revenues | $ 16,741,421 | $ 16,261,609 | $ 19,164,924 | $ 15,661,995 | $ 11,995,968 | $ 11,039,829 | $ 12,355,423 | $ 15,365,591 | $ 15,605,888 | $ 16,414,376 |

**Table II**

# CITY OF GULF BREEZE, FLORIDA
## CHANGES IN NET POSITION
## LAST TEN FISCAL YEARS
## UNAUDITED
## (Continued)

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net (Expense)/Revenue:** | | | | | | | | | | |
| Governmental activities | $ (5,912,509) | $ (4,462,985) | $ 627,318 | $ (4,940,562) | $ (4,845,845) | $ (4,944,565) | $ (4,271,843) | $ (6,242,734) | $ (4,950,335) | $ (3,683,284) |
| Business-type activities | (1,323,230) | (161,790) | 1,774,724 | 1,295,939 | 1,656,585 | (250,375) | (116,234) | 929,633 | 1,705,604 | 145,543 |
| Total primary government net expense | $ (7,235,739) | $ (4,624,775) | $ 2,402,042 | $ (3,644,623) | $ (3,189,260) | $ (5,194,940) | $ (4,388,077) | $ (5,313,101) | $ (3,244,731) | $ (3,537,741) |
| **General Revenues and Other Changes in Net Position:** | | | | | | | | | | |
| Governmental activities - | | | | | | | | | | |
| Property taxes | $ 1,817,161 | $ 1,739,120 | $ 1,731,906 | $ 1,767,275 | $ 1,861,874 | $ 1,805,589 | $ 1,665,870 | $ 1,769,209 | $ 1,522,994 | $ 1,398,308 |
| Sales taxes | - | - | - | - | - | - | - | - | 512,865 | 518,613 |
| Tourist development taxes | 113,541 | 64,755 | 39,529 | 36,060 | 13,527 | 7,120 | 30,287 | 39,624 | - | - |
| Fuel taxes | 230,880 | 231,438 | 232,681 | 228,653 | 168,122 | 213,988 | 230,000 | 229,718 | - | - |
| Franchise taxes | 327,992 | 288,767 | 305,448 | 334,218 | 364,912 | 293,431 | 243,849 | 279,313 | - | - |
| Communication services taxes | 278,448 | 361,484 | 298,469 | 312,900 | 297,279 | 212,177 | 176,152 | 146,184 | - | - |
| Utilitity service taxes | 450,533 | 357,489 | 347,131 | 342,531 | 319,616 | 206,774 | 128,931 | 136,976 | 96,201 | 96,760 |
| Intergovernmental, unrestricted | 520,130 | 499,149 | 1,070,901 | 819,245 | 510,832 | 552,449 | 567,629 | 498,649 | 473,362 | 466,654 |
| Insurance proceeds | - | - | - | - | - | - | - | - | - | 173,609 |
| Miscellaneous | 640,712 | 796,089 | 608,104 | 953,952 | 1,139,891 | 666,013 | 665,631 | 597,342 | 634,908 | 460,142 |
| Investment earnings | 11,844 | 13,904 | 35,537 | 30,688 | 21,304 | 49,430 | 119,922 | 149,068 | 176,998 | 81,153 |
| Transfers | 1,399,616 | 1,217,588 | 1,181,650 | 849,344 | 1,210,696 | 1,073,089 | 1,230,150 | (313,870) | 870,849 | 840,508 |
| Total government activities | 5,790,857 | 5,569,783 | 5,851,356 | 5,674,866 | 5,908,053 | 5,080,060 | 5,058,421 | 3,532,213 | 4,288,177 | 4,035,747 |
| Business-type activities - | | | | | | | | | | |
| Miscellaneous | 123,641 | 329,682 | 268,959 | 547,198 | 8,663,204 | 233,593 | 364,517 | 70,820 | 112,181 | 705,214 |
| Investment earnings | 204,509 | 18,721 | 337,195 | 19,272 | 26,021 | 64,495 | 92,802 | 133,904 | 191,820 | 83,337 |
| Transfers | (1,399,616) | (1,217,588) | (1,181,650) | (849,344) | (1,210,696) | (1,073,089) | (1,230,150) | 313,870 | (870,849) | (840,508) |
| Loss from joint venture | - | - | - | - | - | - | - | - | - | (82,207) |
| Total business-type activities | (1,071,466) | (869,185) | (575,496) | (282,874) | 7,478,529 | (775,001) | (772,831) | 518,594 | (566,848) | (134,164) |
| Total primary government | $ 4,719,391 | $ 4,700,598 | $ 5,275,860 | $ 5,391,992 | $ 13,386,582 | $ 4,305,059 | $ 4,285,590 | $ 4,050,807 | $ 3,721,329 | $ 3,901,583 |
| **Change in Net Position:** | | | | | | | | | | |
| Government activities | $ (121,652) | $ 1,106,798 | $ 6,478,674 | $ 734,304 | $ 1,062,208 | $ 135,495 | $ 786,578 | $ (2,710,521) | $ (662,158) | $ 352,463 |
| Business-type activities | (2,394,696) | (1,030,975) | 1,199,228 | 1,013,065 | 9,135,114 | (1,025,376) | (889,065) | 1,448,227 | 1,138,756 | 11,379 |
| Total primary government | $ (2,516,348) | $ 75,823 | $ 7,677,902 | $ 1,747,369 | $ 10,197,322 | $ (889,881) | $ (102,487) | $ (1,262,294) | $ 476,598 | $ 363,842 |

SOURCE: City of Gulf Breeze Finance Department.

**Table III**

# CITY OF GULF BREEZE, FLORIDA
## CHARGES FOR SERVICES BY FUNCTION AND PROGRAM
## LAST TEN FISCAL YEARS
## UNAUDITED

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Governmental Ativities:** | | | | | | | | | | |
| General government | $ 64,546 | $ 94,215 | $ 67,903 | $ 92,983 | $ 47,546 | $ 101,657 | $ 69,705 | $ 188,550 | $ 26,040 | $ 26,040 |
| Public safety | 845,318 | 901,465 | 749,597 | 345,228 | 113,966 | 318,015 | 267,493 | 295,201 | 197,998 | 224,688 |
| Transportation | - | - | - | - | - | - | - | - | 72,496 | 86,840 |
| Culture and recreation | 385,295 | 242,762 | 217,271 | 231,431 | 230,571 | 225,774 | 261,662 | 183,622 | 155,239 | 130,776 |
| Total government charges | 1,295,159 | 1,238,442 | 1,034,771 | 669,642 | 392,083 | 645,446 | 598,860 | 667,373 | 451,773 | 468,344 |
| **Business-Type Activities:** | | | | | | | | | | |
| Water and sewer | 1,999,093 | 1,816,720 | 1,850,835 | 1,889,323 | 1,764,738 | 1,896,573 | 1,787,244 | 1,545,320 | 1,542,876 | 1,423,554 |
| Natural gas | 2,515,805 | 1,888,721 | 1,596,774 | 1,893,196 | 2,077,968 | 1,918,813 | 1,955,968 | 1,781,957 | 2,060,168 | 1,681,768 |
| South Santa Rosa Utility | 7,010,605 | 5,998,798 | 4,933,717 | 4,876,402 | 4,474,554 | 4,242,023 | 4,116,191 | 3,935,152 | 3,440,755 | 3,173,648 |
| Stormwater management | 205,282 | 190,324 | 197,504 | 195,304 | 190,992 | 193,874 | 194,183 | 188,938 | - | - |
| Innerarity Point | 16,750 | - | - | - | - | - | - | - | - | - |
| Solid waste | 571,504 | 725,172 | 1,012,054 | 986,019 | 1,004,577 | 1,023,845 | 1,011,010 | 947,181 | 927,550 | 902,379 |
| Gulf Breeze Financial Services | 635,849 | 875,171 | 926,632 | 777,842 | 870,766 | 523,776 | 475,615 | 841,300 | 510,552 | 763,527 |
| Total business-type | 12,954,888 | 11,494,906 | 10,517,516 | 10,618,086 | 10,383,595 | 9,798,904 | 9,540,211 | 9,239,848 | 8,481,901 | 7,944,876 |
| Total primary government | $ 14,250,047 | $ 12,733,348 | $ 11,552,287 | $ 11,287,728 | $ 10,775,678 | $ 10,444,350 | $ 10,139,071 | $ 9,907,221 | $ 8,933,674 | $ 8,413,220 |

SOURCE: City of Gulf Breeze Finance Department.

**Table IV**

# CITY OF GULF BREEZE, FLORIDA
## COMPONENTS OF FUND BALANCE (1)
## LAST TEN FISCAL YEARS
## UNAUDITED

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-spendable Fund Balance:** | | | | | | | | | | |
| General fund | $ 5,349 | $ 5,488 | $ 5,980 | $ 6,074 | $ - | $ - | $ - | $ - | $ - | $ - |
| Aggregate special revenue funds | - | - | - | - | - | - | - | - | - | - |
| Total | $ 5,349 | $ 5,488 | $ 5,980 | $ 6,074 | $ - | $ - | $ - | $ - | $ - | $ - |
| **Restricted Fund Balance:** | | | | | | | | | | |
| General fund | $ 280,523 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Aggregate special revenue funds | 329,403 | 762,430 | 916,350 | 994,663 | - | - | - | - | - | - |
| Total | $ 609,926 | $ 762,430 | $ 916,350 | $ 994,663 | $ - | $ - | $ - | $ - | $ - | $ - |
| **Committed Fund Balance:** | | | | | | | | | | |
| General fund | $ 657,770 | $ 562,270 | $ 362,270 | $ 360,177 | $ - | $ - | $ - | $ - | $ - | $ - |
| Aggregate special revenue funds | - | 475,409 | - | - | - | - | - | - | - | - |
| Total | $ 657,770 | $ 1,037,679 | $ 362,270 | $ 360,177 | $ - | $ - | $ - | $ - | $ - | $ - |
| **Assigned Fund Balance:** | | | | | | | | | | |
| General fund | $ 115,993 | $ 115,993 | $ 115,993 | $ 115,993 | $ - | $ - | $ - | $ - | $ - | $ - |
| Aggregate special revenue funds | 530,095 | - | 416,854 | 384,162 | - | - | - | - | - | - |
| Total | $ 646,088 | $ 115,993 | $ 532,847 | $ 500,155 | $ - | $ - | $ - | $ - | $ - | $ - |
| **Unassigned Fund Balance:** | | | | | | | | | | |
| General fund | $ 6,650,378 | $ 6,058,917 | $ 6,698,503 | $ 4,927,685 | $ - | $ - | $ - | $ - | $ - | $ - |
| Aggregate special revenue funds | - | - | - | - | - | - | - | - | - | - |
| Total | $ 6,650,378 | $ 6,058,917 | $ 6,698,503 | $ 4,927,685 | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total Fund Balance:** | | | | | | | | | | |
| General fund | $ 7,710,013 | $ 6,742,668 | $ 7,182,746 | $ 5,409,929 | $ - | $ - | $ - | $ - | $ - | $ - |
| Aggregate special revenue funds | 859,498 | 1,237,839 | 1,333,204 | 1,378,825 | - | - | - | - | - | - |
| Total | $ 8,569,511 | $ 7,980,507 | $ 8,515,950 | $ 6,788,754 | $ - | $ - | $ - | $ - | $ - | $ - |

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
## CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
## LAST TEN FISCAL YEARS
## UNAUDITED

**Table V**

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | |
| Taxes | $ 2,890,563 | $ 2,754,286 | $ 2,649,716 | $ 2,687,419 | $ 2,660,418 | $ 2,739,079 | $ 2,475,088 | $ 2,601,025 | $ 2,067,873 | $ 1,951,893 |
| Licenses and permits | 392,538 | 382,850 | 373,351 | 427,201 | 412,458 | 83,962 | 69,705 | 96,644 | 64,187 | 61,788 |
| Intergovernmental | 2,434,281 | 3,624,993 | 8,202,214 | 4,797,182 | 1,559,733 | 1,020,661 | 2,151,913 | 3,093,715 | 4,231,538 | 6,841,071 |
| Charges for services | 311,099 | 232,418 | 243,576 | 251,342 | 254,973 | 243,468 | 261,662 | 275,527 | 155,239 | 130,776 |
| Fines and forfeitures | 826,754 | 879,725 | 742,280 | 340,415 | 101,604 | 318,016 | 267,493 | 295,201 | 197,998 | 224,688 |
| Miscellaneous | 815,290 | 871,303 | 688,458 | 980,341 | 1,223,509 | 697,852 | 785,553 | 746,410 | 837,946 | 567,335 |
| Total revenues | 7,670,525 | 8,745,575 | 12,899,595 | 9,483,900 | 6,212,695 | 5,103,038 | 6,011,414 | 7,108,522 | 7,554,781 | 9,777,551 |
| **Expenditures:** | | | | | | | | | | |
| General government | 2,031,432 | 1,818,220 | 1,729,301 | 2,082,950 | 1,951,093 | 1,402,579 | 1,600,347 | 1,377,411 | 4,882,687 | 6,708,807 |
| Public safety | 3,072,298 | 2,969,546 | 2,596,140 | 2,362,472 | 2,074,114 | 1,963,524 | 2,084,015 | 2,050,760 | 1,859,355 | 1,813,964 |
| Transportation | 328,318 | 713,559 | 204,519 | 249,113 | 139,370 | 151,623 | 96,455 | 152,329 | 241,410 | 243,260 |
| Economic environment | 136,168 | 116,579 | 133,073 | 122,413 | 118,498 | 116,673 | 102,446 | 104,597 | 123,298 | 109,397 |
| Culture and recreation | 1,382,952 | 1,119,344 | 1,251,795 | 3,462,148 | 908,776 | 886,497 | 993,855 | 4,236,487 | 831,588 | 739,305 |
| Capital outlay | 948,833 | 3,280,636 | 5,957,086 | 2,297,710 | 1,199,274 | 674,156 | 856,144 | 2,210,764 | 1,674,036 | 1,610,747 |
| Debt service - | | | | | | | | | | |
| Principal | 184,800 | 175,650 | 171,600 | 239,357 | 158,400 | 154,000 | - | 183,554 | 192,462 | 186,594 |
| Interest | 396,336 | 305,046 | 310,536 | 315,231 | 320,336 | 325,297 | 327,402 | 226,147 | 156,930 | 97,215 |
| Cost of issuance | - | - | - | - | - | - | - | 330,824 | - | - |
| Total expenditures | 8,481,137 | 10,498,580 | 12,354,050 | 11,131,394 | 6,869,861 | 5,674,349 | 6,060,664 | 10,872,873 | 9,961,766 | 11,509,289 |
| Excess of revenue over (under) expenditures | (810,612) | (1,753,005) | 545,545 | (1,647,494) | (657,166) | (571,311) | (49,250) | (3,764,351) | (2,406,985) | (1,731,738) |
| **Other Financing Sources (Uses):** | | | | | | | | | | |
| Transfers in | 1,850,176 | 2,115,010 | 1,815,781 | 1,240,844 | 1,576,051 | 1,427,989 | 959,946 | 1,137,462 | 1,004,330 | 964,272 |
| Transfers out | (450,560) | (897,422) | (634,130) | (391,500) | (365,355) | (354,900) | (1,451,332) | (1,451,332) | (133,481) | (123,764) |
| Insurance recoveries | - | - | - | - | 2,295 | 17,500 | 69,498 | - | 73,826 | 173,609 |
| Principal payment to refund debt | - | - | - | - | - | - | - | (7,908,890) | - | - |
| Debt proceeds | - | - | - | - | - | - | - | 14,225,000 | - | 1,000,000 |
| Total other financing sources (uses) | 1,399,616 | 1,217,588 | 1,181,651 | 849,344 | 1,212,991 | 1,090,589 | (421,888) | 6,002,240 | 944,675 | 2,014,117 |
| Net change in fund balance | $ 589,004 | $ (535,417) | $ 1,727,196 | $ (798,150) | $ 555,825 | $ 519,278 | $ (471,138) | $ 2,237,889 | $ (1,462,310) | $ 282,379 |
| Debt service as a percentage of noncapital expenditures | 7.72% | 6.66% | 7.54% | 6.28% | 8.44% | 9.59% | 6.29% | 4.73% | 4.22% | 2.87% |

**Table VI**

# CITY OF GULF BREEZE, FLORIDA
## PROPERTY TAX LEVIES AND COLLECTIONS
## LAST TEN FISCAL YEARS
## UNAUDITED

| Year | Total Tax Levy (1) | Amount of Current Taxes Collected | Percent of Current Taxes Collected | Amount of Delinquent Taxes Collected | Total Collected for the Year | Ratio of Total Taxes Collected to Current Levy | Deliquent Taxes | Ratio of Deliquent Taxes to Current Levy |
|---|---|---|---|---|---|---|---|---|
| 2014 | This levy will be collected during Fiscal Year 2015 | | | | | | | |
| 2013 | $ 1,282,755 | $ 1,247,678 | 97.3% | $ 1,373 | $ 1,247,678 | 97.3% | $ 919 | 0.1% |
| 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 | $ 1,171,693 | 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 | $ 1,177,978 | 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% |

SOURCE: Santa Rosa County Tax Collector Office

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

Table VII

# CITY OF GULF BREEZE, FLORIDA
## ASSESSED VALUE OF TAXABLE PROPERTY (1)
## LAST TEN FISCAL YEARS
## UNAUDITED

| Year (2) | Real Property | Personal Property | Total Assessed Value | Exemptions | Assessed Value of Operations | Total Direct Tax Rate |
|---|---|---|---|---|---|---|
| 2014 | $ 944,207,937 | $ 36,927,142 | $ 981,135,079 | $ 296,777,679 | $ 684,357,400 | 1.9723 |
| 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 | $ 918,744,129 | $ 287,168,164 | $ 631,575,965 | 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 |

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

Table VIII

# CITY OF GULF BREEZE, FLORIDA
## PROPERTY TAX RATES PER $1,000 OF TAXABLE VALUE - ALL DIRECT AND OVERLAPPING GOVERNMENTS
## LAST TEN FISCAL YEARS
## UNAUDITED

| Fiscal Year | Millage |
|---|---|
| 2014 | 1.9723 |
| 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 |

SOURCE: Santa Rosa County Property Appraiser

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

Table IX

# CITY OF GULF BREEZE, FLORIDA
## PRINCIPAL TAXPAYERS
## 2014 AND NINE YEARS AGO
## UNAUDITED

| | 2014 | | 2005 | |
|---|---|---|---|---|
| Taxpayer | Total Taxable Value | Percentage | Total Taxable Value | Percentage |
| Andrews Institute Medical Park | $ 16,741,118 | 2.45% | $ | |
| Sea Shell Collections LLC | 15,072,516 | 2.20% | | |
| Gulf Power Company | 8,582,235 | 1.25% | 6,727,659 | 1.19% |
| Mullet, Willis J. | 7,463,275 | 1.09% | 3,356,073 | 0.59% |
| Quietwater, LLC | 5,379,349 | 0.79% | 4,285,644 | 0.76% |
| Gulf Breeze 98 LLC | 5,061,221 | 0.74% | | |
| Falzone, Timothy D. | 5,032,879 | 0.74% | | |
| Exposition Properties | 4,661,588 | 0.68% | 4,629,622 | 0.82% |
| Belleau, George and Ann | 4,324,051 | 0.63% | 4,125,519 | 0.73% |
| Simoni Trust | 3,991,635 | 0.58% | | |
| Bell South Communications | | | 8,728,890 | 1.54% |
| Jenkins, Robert B. | | | 8,797,495 | 1.55% |
| Bay Beach Hotel, LLC | | | 5,034,283 | 0.89% |
| Villas at Gulf Breeze, Inc. | | | 4,416,567 | 0.78% |
| Levin, Frederick G. | | | 3,344,699 | 0.59% |
| Total of Principal Taxpayers | 76,309,867 | 11.15% | 53,446,451 | 9.44% |
| Total All Other Taxpayers | 608,047,533 | 88.85% | 512,358,853 | 90.56% |
| Total Taxable Value | $ 684,357,400 | 100.00% | $ 565,805,304 | 100.00% |

SOURCE: Santa Rosa County Property Appraiser

Table X

# CITY OF GULF BREEZE, FLORIDA
## SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
## LAST TEN FISCAL YEARS
## UNAUDITED

| Fiscal Year | Assessment | Assessments Collected | Ratio of Collections to Amount Assessed | Total Outstanding Current and Delinquent Assessments |
|---|---|---|---|---|
| 2014 | $ - | 11,485 | $ | $ 88,928 |
| 2013 | $ - | 10,635 | $ | $ 100,413 |
| 2012 | $ - | 24,774 | $ | $ 111,048 |
| 2011 | $ - | 12,322 | $ | $ 135,822 |
| 2010 | $ 58,790 | 43,191 | $ 73.5% | $ 148,144 |
| 2009 | $ - | 30,697 | $ | $ 132,545 |
| 2008 | $ 438,618 (1) | 281,754 | $ 64.2% | $ 163,242 |
| 2007 | $ 57,403 | 51,025 | $ 88.9% | $ 6,378 |
| 2006 | $ - | - | $ | $ - |
| 2005 | $ - | - | $ | $ - |

SOURCE: City of Gulf Breeze Finance Department

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

# CITY OF GULF BREEZE, FLORIDA
## OUTSTANDING DEBT
## LAST TEN FISCAL YEARS
## UNAUDITED

**Table XI**

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue Bonds Payable:** | | | | | | | | | | |
| Governmental activities | $ 7,952,513 | $ 8,135,723 | $ 8,311,723 | $ 8,481,734 | $ 8,642,944 | $ 8,799,754 | $ 8,952,164 | $ 10,177,575 | $ - | $ - |
| Business-type activities | 9,687,627 | 5,471,974 | 5,959,853 | 6,432,134 | 6,878,215 | 7,308,696 | 7,723,577 | 6,880,458 | 7,254,339 | 7,493,220 |
| Total primary government | $ 17,640,140 | $ 13,607,697 | $ 14,271,576 | $ 14,913,868 | $ 15,521,159 | $ 16,108,450 | $ 16,675,741 | $ 17,058,033 | $ 7,254,339 | $ 7,493,220 |
| **Notes Payable:** | | | | | | | | | | |
| Governmental activities | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 4,044,844 | $ 4,237,306 |
| Business-type activities | 932,922 | 4,759,964 | 4,897,432 | 5,051,438 | 4,763,971 | 5,099,608 | 5,623,846 | 6,133,241 | 7,641,487 | 8,178,970 |
| Total primary government | $ 932,922 | $ 4,759,964 | $ 4,897,432 | $ 5,051,438 | $ 4,763,971 | $ 5,099,608 | $ 5,623,846 | $ 6,133,241 | $ 11,686,331 | $ 12,416,276 |
| **Line of credit:** | | | | | | | | | | |
| Governmental activities | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business-type activities | 3,000,000 | 3,000,000 | - | - | - | - | - | - | - | - |
| Total primary government | $ 3,000,000 | $ 3,000,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Capital Leases Payable:** | | | | | | | | | | |
| Governmental activities | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Business-type activities | 4,663,665 | 262,557 | - | - | - | 116,403 | 170,930 | 223,145 | - | - |
| Total primary government | $ 4,663,665 | $ 262,557 | $ - | $ - | $ - | $ 116,403 | $ 170,930 | $ 223,145 | $ - | $ - |
| **Compensated Absences:** | | | | | | | | | | |
| Governmental activities | $ 264,881 | $ 228,753 | $ 220,828 | $ 226,084 | $ 391,419 | $ 253,893 | $ 156,341 | $ 76,615 | $ - | $ - |
| Business-type activities | 230,288 | 175,891 | 162,741 | 154,795 | 155,695 | - | - | - | - | - |
| Total primary government | $ 495,169 | $ 404,644 | $ 383,569 | $ 380,879 | $ 547,114 | $ 253,893 | $ 156,341 | $ 76,615 | $ - | $ - |
| **Total Debt:** | | | | | | | | | | |
| Governmental activities | $ 8,217,394 | $ 8,364,476 | $ 8,532,551 | $ 8,707,818 | $ 9,034,363 | $ 9,053,647 | $ 9,108,505 | $ 10,254,190 | $ 4,044,844 | $ 4,237,306 |
| Business-type activities | 18,514,502 | 13,670,386 | 11,020,026 | 11,638,367 | 11,797,881 | 12,524,707 | 13,518,353 | 13,236,844 | 14,895,826 | 15,672,190 |
| Total primary government | $ 26,731,896 | $ 22,034,862 | $ 19,552,577 | $ 20,346,185 | $ 20,832,244 | $ 21,578,354 | $ 22,626,858 | $ 23,491,034 | $ 18,940,670 | $ 19,909,496 |

SOURCE: City of Gulf Breeze Finance Department.

Table XII

# CITY OF GULF BREEZE, FLORIDA
## RATIO OF TOTAL DEBT TO ASSESSED VALUE AND TOTAL DEBT PER CAPITA
## LAST TEN FISCAL YEARS
## UNAUDITED

| Fiscal Year | Estimated Population (1) | Assessed Value for Operations (2) | Total Outstanding Debt (3) | Ratio of Total Outstanding Debt to Assessed Value | Amount of Total Outstanding Debt Per Capita | Percentage of Personal Income (4) |
|---|---|---|---|---|---|---|
| 2014 | 5,805 | $ 684,357,400 | $ 26,731,896 | 3.9% | $ 4,605 | 9.74% |
| 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 | 3.4% | $ 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% |

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

(2) From Table VII

(3) From Table XI

(4) From Table XVII

**Table XIII**

## CITY OF GULF BREEZE, FLORIDA
## COMPUTATION OF LEGAL DEBT MARGIN
## (UNAUDITED)

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

**Table XIV**

# CITY OF GULF BREEZE, FLORIDA
## RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
## LAST TEN FISCAL YEARS
## UNAUDITED

| Fiscal Year | Estimated Population (1) | Assessed Value for Operations (2) | Gross Bonded Debt | Debt Service Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|---|---|---|---|---|---|---|---|
| 2014 | 5,805 | $ 684,357,400 | $ - | $ - | $ - | - % | $ - |
| | | | | | | - % | |
| 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 | $ - | $ - | $ - | - % | $ - |

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

(2) From Table VII

**Table XV**

## CITY OF GULF BREEZE, FLORIDA
## COMPUTATION OF DIRECT AND OVERLAPPING DEBT - GENERAL OBLIGATIONS
## LAST TEN FISCAL YEARS
## (UNAUDITED)

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

**Table XVI**

# CITY OF GULF BREEZE, FLORIDA
## REVENUE BOND COVERAGE -
## SOUTH SANTA ROSA UTILITY CERTIFICATES
## LAST TEN FISCAL YEARS
## UNAUDITED

| | | | | | Debt Service Requirements | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Operating Revenue | Tap Fees | Direct Operating Expenses (1) | Net Revenue Available for Debt Service | Principal | Interest | Total | Coverage |
| 2014 | $ 5,205,377 | $ 490,196 | $ 3,477,099 | $ 2,218,474 | $ 645,000 | $ 223,075 | $ 868,075 | 2.56 |
| 2013 | $ 4,686,102 | $ 358,338 | $ 2,869,620 | $ 2,174,820 | $ 620,000 | $ 247,875 | $ 867,875 | 2.51 |
| 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 | $ 285,192 | $ 865,192 | 2.78 |
| 2010 | $ 4,474,554 | $ 83,315 | $ 2,527,761 | $ 2,030,108 | $ 555,000 | $ 304,617 | $ 859,617 | 2.36 |
| 2009 | $ 4,167,567 | $ 110,164 | $ 2,838,768 | $ 1,438,963 | $ 540,000 | $ 323,517 | $ 863,517 | 1.67 |
| 2008 | $ 4,071,263 | $ 297,607 | $ 3,119,602 | $ 1,249,268 | $ 525,000 | $ 336,642 | $ 861,642 | 1.45 |
| 2007 | $ 3,843,182 | $ 1,011,461 | $ 3,377,900 | $ 1,476,743 | $ 515,000 | $ 349,517 | $ 864,517 | 1.71 |
| 2006 | $ 3,362,140 | $ 1,674,431 | $ 3,133,753 | $ 1,902,818 | $ 505,000 | $ 362,142 | $ 867,142 | 2.19 |
| 2005 | $ 3,076,688 | $ 1,238,896 | $ 2,891,333 | $ 1,424,251 | $ 370,000 | $ 340,443 | $ 710,443 | 2.00 |

SOURCE: City of Gulf Breeze Finance Department

(1) Excluding Depreciation

# CITY OF GULF BREEZE, FLORIDA
## MISCELLANEOUS DEMOGRAPHICAL STATISTICS
## LAST TEN FISCAL YEARS
## UNAUDITED

**Table XVII**

| Fiscal Year | Population: Gulf Breeze City | Population: Santa Rosa County | City as a Percentage of County | County Population Growth | Total Personal Income | Per Capita Income | Unemployment Rate | Median Household Income |
|---|---|---|---|---|---|---|---|---|
| 2014 | 5,805 | 161,096 | 3.60% | 1.63% | $ 243,606,828 | $ 41,965 | 2.65% | $ 80,433 |
| 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 |

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

Table XVIII

# CITY OF GULF BREEZE, FLORIDA
## SCHEDULE OF PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
## LAST TEN FISCAL YEARS
## UNAUDITED

| | | Commercial Construction | | Residential Construction | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Assessed Value for Operations (1) | Number of Units (2) | Value | Number of Units (2) | Value | Bank Deposits (3) |
| 2014 | $ 684,357,400 | 0 | $ - | 15 | $ 7,552,000 | $ 398,443,000 |
| 2013 | $ 650,108,716 | 1 | $ 80,000 | 18 | $ 10,737,000 | $ 347,134,000 |
| 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 |

(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

Table XIX

# CITY OF GULF BREEZE, FLORIDA
## PRINCIPAL EMPLOYERS
## (OVER 50 EMPLOYEES REPORTED)
## UNAUDITED

| Fiscal Year 2014 (1) | Employees | Percentage of Labor Force |
|---|---|---|
| Gulf Breeze Hospital | 310 | 10.2% |
| AppRiver | 212 | 6.9% |
| Andrews Institute | 162 | 5.3% |
| Studer Group | 138 | 4.5% |
| City of Gulf Breeze | 109 | 3.6% |
| Gulf Breeze High School | 110 | 3.6% |
| Gulf Breeze Middle School | 75 | 2.5% |
| Gulf Breeze Elementary School | 70 | 2.3% |
| Publix | 67 | 2.2% |
| Total Labor Force (1) | 3,053 | |

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

**Table XX**

# CITY OF GULF BREEZE, FLORIDA
## PERMITS
## LAST TEN FISCAL YEARS
## UNAUDITED

| | Residential | | | | Commercial | | | |
|---|---|---|---|---|---|---|---|---|
| Year | Additions/ Renovations | New Construction | Pool Permits | Miscellaneous/ Permits | Additions/ Renovations | New Construction | Sign Permits | Miscellaneous/ Permits |
| 2014 | 5 | 1 | 1 | 60 | 0 | 0 | 3 | 10 |
| 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 |

SOURCE: City of Gulf Breeze Community Services Department

**Table XXI**

# CITY OF GULF BREEZE, FLORIDA
## WATER SERVICE RATES
## UNAUDITED
## AS OF SEPTEMBER 30, 2014

| | Inside City Limits | | | | Outside City Limits | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Meter Size | Residential | Commercial | Usage Included (000's Gallons) | Rate per 000's Gallons Additional | Residential | Usage Included (000's Gallons) | Rate per 000's Gallons Additional | Commercial | Usage Included (000's Gallons) | Rate per 000's Gallons Additional |
| 0.75" | $ 11.41 | $ 11.41 | - | $ 2.90 | $ 13.90 | - | $ 2.90 | $ 13.90 | - | $ 2.90 |
| 1.00" | $ 20.13 | $ 20.13 | - | $ 2.90 | $ 25.27 | - | $ 2.90 | $ 25.27 | - | $ 2.90 |
| 1.50" | $ 49.67 | $ 49.67 | - | $ 2.90 | $ 64.62 | - | $ 2.90 | $ 64.62 | - | $ 2.90 |
| 2.00" | $ 79.72 | $ 79.72 | - | $ 2.90 | $ 104.67 | - | $ 2.90 | $ 104.67 | - | $ 2.90 |
| 3.00" | $ 159.33 | $ 159.33 | - | $ 2.90 | $ 211.52 | - | $ 2.90 | $ 211.52 | - | $ 2.90 |
| 4.00" | $ 238.64 | $ 238.64 | - | $ 2.90 | $ 318.37 | - | $ 2.90 | $ 318.37 | - | $ 2.90 |
| 6.00" | $ 470.67 | $ 470.67 | - | $ 2.90 | $ 631.48 | - | $ 2.90 | $ 631.48 | - | $ 2.90 |

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

**Table XXII**

# CITY OF GULF BREEZE, FLORIDA
## SEWER SERVICE RATES
## UNAUDITED
## AS OF SEPTEMBER 30, 2014

| | Inside City Limits | | | | Outside City Limits | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Meter Size | Residential | Commercial | Usage Included (000's Gallons) | Rate per 000's Gallons Additional | Residential | Usage Included (000's Gallons) | Rate per 000's Gallons Additional | Commercial | Usage Included (000's Gallons) | Rate per 000's Gallons Additional |
| 0.75" | $ 16.00 | $ 16.00 | - | $ 4.10 | $ 17.46 | - | $ 4.22 | $ 17.46 | - | $ 4.22 |
| 1.00" | $ 28.15 | $ 28.15 | - | $ 4.10 | $ 31.71 | - | $ 4.22 | $ 31.71 | - | $ 4.22 |
| 1.50" | $ 64.56 | $ 64.56 | - | $ 4.10 | $ 75.22 | - | $ 4.22 | $ 75.22 | - | $ 4.22 |
| 2.00" | $ 102.09 | $ 102.09 | - | $ 4.10 | $ 120.53 | - | $ 4.22 | $ 120.53 | - | $ 4.22 |
| 3.00" | $ 200.63 | $ 200.63 | - | $ 4.10 | $ 240.65 | - | $ 4.22 | $ 240.65 | - | $ 4.22 |
| 4.00" | $ 296.75 | $ 296.75 | - | $ 4.10 | $ 360.67 | - | $ 4.22 | $ 360.67 | - | $ 4.22 |
| 6.00" | $ 572.61 | $ 572.61 | - | $ 4.10 | $ 707.97 | - | $ 4.22 | $ 707.97 | - | $ 4.22 |

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

Table XXIII

# CITY OF GULF BREEZE, FLORIDA
# SOLID WASTE SERVICE RATES
# AS OF SEPTEMBER 30, 2014
# UNAUDITED

## Residential Collection

| | Curbside | Sideyard |
|---|---|---|
| Regular | $ 17.15 | $ 21.42 |
| Senior Rate | $ 15.43 | $ 15.43 |
| Disable Rate | $ 15.43 | $ 15.43 |
| Extra Kart | $ 8.12 | $ 11.17 |

## Commercial Collection

| | Collection Frequency (Per Week) | | | | | |
|---|---|---|---|---|---|---|
| Container Size (Waste) | 1 | 2 | 3 | 4 | 5 | Per Extra Call |
| Kart (96 Gal) | $ 22.79 | $ 35.47 | | | | |
| 2 Cubic Yards | $ 49.87 | $ 65.47 | $ 100.16 | $ 128.28 | $ 160.10 | $ 20.49 |
| 4 Cubic Yards | $ 72.90 | $ 115.79 | $ 168.87 | $ 225.10 | $ 276.28 | $ 40.98 |
| 6 Cubic Yards | $ 97.85 | $ 165.63 | $ 237.96 | $ 310.82 | $ 386.46 | $ 61.48 |
| 8 Cubic Yards | $ 123.47 | $ 211.69 | $ 307.10 | $ 401.63 | $ 497.52 | $ 81.97 |
| 30 Cubic Yard Roll Off | | | | | | $ 197.16 |

| Container Size (Recycling) | |
|---|---|
| Kart (96 Gal) | $ 9.64 |
| 2 Cubic Yards | $ 30.91 |
| 4 Cubic Yards | $ 43.27 |
| 6 Cubic Yards | $ 55.14 |

Table XXIV

# CITY OF GULF BREEZE, FLORIDA
# NATURAL GAS SERVICE RATES
# YEAR ENDED SEPTEMBER 30, 2014
# UNAUDITED

**Inside City Limits - Residential and Commercial**

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

| Monthly Usage (Therms) | Rate per Therm |
|---|---|
| 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

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

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

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

SOURCE: Gulf Breeze Natural Gas Department

Table XXV

# CITY OF GULF BREEZE, FLORIDA
## INSURANCE COVERAGE
## AS OF SEPTEMBER 30, 2014
## UNAUDITED

| Type | Effective Dates | Company | Policy Number | Amount |
|---|---|---|---|---|
| Auto (Person) | 10/1/14 to 9/30/15 | Florida Municipal Insurance Trust | FMIT # 0224 | $ 200,000 |
| Auto (Occurrence) | | | | $ 300,000 |
| General liability | 10/1/14 to 9/30/15 | 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 and omissions liability | | | | $ 500,000 |
| Law enforement liability | | | | $ 500,000 |
| Real property | 10/1/14 to 9/30/15 | Florida Municipal Insurance Trust | FMIT # 0224 | $ 28,934,302 |
| Personal property | 10/1/14 to 9/30/15 | Florida Municipal Insurance Trust | FMIT # 0224 | $ 1,930,503 |
| Island marine | 10/1/14 to 9/30/15 | Florida Municipal Insurance Trust | FMIT # 0224 | $ 193,380 |
| Wind storm | 10/1/14 to 9/30/15 | Citizens Property Insurance | 728652 | $ 4,257,600 |
| Petroleum storage tank | 10/1/14 to 9/30/15 | Policy Managers | 7509065 | $ 1,000,000 |
| | | | | $ 2,000,000 |

SOURCE: City of Gulf Breeze Departments

Table XXVI

# CITY OF GULF BREEZE, FLORIDA
## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
## LAST TEN FISCAL YEARS
## UNAUDITED

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Full-time employees on City Payroll as of September 30, (1)** | | | | | | | | | | |
| **General Government:** | | | | | | | | | | |
| City manager and city clerk | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Community services | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Finance and accounting | 3 | 5 | 5 | 5 | 5 | 5 | 5 | 7 | 6 | 5 |
| Parks and recreation center | 10 | 8 | 8 | 8 | 9 | 8 | 8 | 8 | 8 | 8 |
| Special projects | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 0 |
| Sworn officers | 18 | 17 | 15 | 15 | 18 | 17 | 19 | 19 | 19 | 19 |
| Civilian employees | 8 | 8 | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| Police | 26 | 25 | 22 | 22 | 25 | 25 | 27 | 27 | 27 | 27 |
| Total general government | 47 | 44 | 41 | 41 | 45 | 44 | 47 | 49 | 48 | 46 |
| **Enterprises (2):** | | | | | | | | | | |
| Gulf Breeze Financial Services | 2 | 2 | 2 | 3 | 2 | 1 | 1 | 1 | 2 | 0 |
| Gas, water and sewer | 13 | 13 | 12 | 12 | 13 | 11 | 12 | 13 | 9 | 11 |
| South Santa Rosa Utility | 28 | 27 | 26 | 26 | 23 | 27 | 29 | 29 | 28 | 25 |
| Tiger Point Golf Course | 19 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total enterprises | 62 | 61 | 40 | 41 | 38 | 39 | 42 | 43 | 39 | 36 |

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

(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
## OPERATING INDICATORS BY FUNCTION
## LAST TEN FISCAL YEARS
## UNAUDITED

**Table XXVII**

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fire Department:** | | | | | | | | | | |
| Emergency medical calls | 439 | 495 | 449 | 511 | 562 | 500 | 471 | 527 | 486 | 500 |
| Fire and other calls | 401 | 361 | 300 | 289 | 322 | 325 | 315 | 375 | 455 | 341 |
| Total calls | 840 | 856 | 749 | 800 | 884 | 825 | 786 | 902 | 941 | 841 |
| **Police Department:** | | | | | | | | | | |
| Arrests | 304 | 415 | 466 | 245 | 161 | 195 | 142 | 206 | 258 | 189 |
| Citations | 5,455 | 6,734 | 5,462 | 5,748 | 4,968 | 4,451 | 4,451 | 5,330 | 5,047 | 3,707 |
| **Parks and Recreation:** | | | | | | | | | | |
| League registrations | 1,640 | 1,745 | 1,566 | 1,777 | 1,802 | 1,918 | 1,596 | 1,617 | 1,784 | 1,659 |
| **Water:** | | | | | | | | | | |
| Customers at year end | 2,591 | 2,579 | 2,580 | 2,558 | 2,565 | 2,575 | 2,576 | 2,572 | 2,582 | 2,608 |
| Treatment (000's gallons) | 227,259 | 217,800 * | 233,565 | 244,322 | 244,322 | 256,115 | 247,620 | 266,146 | 274,237 | 256,311 |
| **Sewer:** | | | | | | | | | | |
| Customers at year end | 1,528 | 1,517 | 1,514 | 1,463 | 1,471 | 1,479 | 1,450 | 1,407 | 1,389 | 1,390 |
| Treatment (000's gallons) | 172,157 | 134,652 * | 147,327 | 157,743 | 150,468 | 164,167 | 155,865 | 168,066 | 167,414 | 157,577 |
| **Natural Gas:** | | | | | | | | | | |
| Customers at year end | 3,591 | 3,460 | 3,371 | 3,311 | 3,248 | 3,237 | 3,204 | 3,104 | 2,947 | 2,730 |
| Therms (000's 100's ft3) | 1,754,132 | 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 |
| **SSRUS - Water:** | | | | | | | | | | |
| Customers at year end | 4,300 | 4,145 | 4,196 | 4,178 | 4,200 | 4,220 | 4,229 | 4,224 | 4,205 | 4,164 |
| Usage (000's gallons) | 289,186 | 270,288 * | 286,027 | 296,911 | 293,962 | 299,967 | 292,892 | 309,617 | 324,474 | 309,116 |
| **SSRUS - Sewer:** | | | | | | | | | | |
| Customers at year end | 6,160 | 5,966 | 5,958 | 5,850 | 5,837 | 5,824 | 5,819 | 5,744 | 5,556 | 5,338 |
| Treatment (000's gallons) | 422,883 | 373,787 * | 395,337 | 412,452 | 385,532 | 387,549 | 389,835 | 407,189 | 427,657 | 389,021 |
| **Wastewater Treatment:** | | | | | | | | | | |
| Treatment (Millions of Gallons) | 614.9 | 558.6 | 519.2 | 487.7 | 562.5 | 509.2 | 501.9 | 499.7 | 469.8 | 532.9 |
| **Tiger Point Golf Course:** | | | | | | | | | | |
| Annual rounds played | 37,248 | 32,159 (1) | 25,828 (1) | 24,724 (1) | 22,436 | - | - | - | - | - |

SOURCE: Department 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 Gulf Course was acquired by the City of Gulf Breeze in December 2012. Amounts reported prior to that time are based on prior owner's activity.

# CITY OF GULF BREEZE, FLORIDA
## CAPITAL ASSET STATISTICS BY FUNCTION
## LAST TEN FISCAL YEARS
## UNAUDITED

**Table XXVIII**

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 | 10.5 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Signs installed | 172 | 172 | 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 | 43.5 | 43.3 | 43 |
| Elevated storage tanks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Elevated storage capacity (000's) | 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 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water pump facilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Sewer:** | | | | | | | | | | |
| Sewer line (miles) | 34.7 | 34.7 | 16.4 | 16.0 | 16.0 | 16.0 | 15.3 | 15.3 | 15.1 | 14.8 |
| Lift stations | 10 | 10 | 25 | 25 | 25 | 25 | 24 | 23 | 23 | 23 |
| **Natural Gas:** | | | | | | | | | | |
| Gas main (miles) | 141.3 | 141.3 | 129.5 | 119.3 | 119.3 | 119.3 | 119.3 | 118.6 | 117.6 | 116 |
| **South Santa Rosa Utility System:** | | | | | | | | | | |
| Water | | | | | | | | | | |
| Water line (miles) | 62.9 | 62.5 | 62.3 | 62.3 | 62.3 | 62.3 | 62.3 | 61.3 | 58.3 | 57.3 |
| Elevated storage tanks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Elevated storage capacity (000's) | 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 |
| Sewer | | | | | | | | | | |
| Sewer line (miles) | 59.4 | 59.0 | 57.8 | 57.0 | 57.0 | 57.0 | 56.8 | 54.8 | 52.8 | 50.8 |
| Lift stations | 61 | 61 | 60 | 60 | 60 | 60 | 57 | 57 | 56 | 53 |
| Treatment Facilities | | | | | | | | | | |
| Facilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Capacity (000,000 gallons per day | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Stormwater Utility:** | | | | | | | | | | |
| Stormwater pipe (miles) | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.0 | 7.0 | 7.0 | 7.0 |
| Inlets | 186 | 186 | 186 | 186 | 186 | 186 | 180 | 88 | 88 | 88 |
| Pump stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **Police Department:** | | | | | | | | | | |
| Patrol units | 18 | 17 | 17 | 17 | 17 | 17 | 19 | 19 | 19 | 18 |
| **Fire Department:** | | | | | | | | | | |
| Response and support vehicles | 10 | 10 | 10 | 10 | 10 | 9 | 10 | 10 | 9 | 8 |

SOURCE: Department Records

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# 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, 2014

| Federal Agency<br>Pass-Through Entity<br>Federal Program | CFDA<br>Number | Contract/Grant<br>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 | $ 618,411 |
| Disaster Grants - Public Assistance (April Flood) | 97.036 | 13-IS-3S-01-67-01-549 | 1,432 |
| ***Total U.S. Department of Homeland Security*** | | | 619,843 |
| **U.S. Department of Interior** | | | |
| Pass-Through From: | | | |
| U.S. Fish and Wildlife Service | | | |
| The Restoration of Deadman's Island | 15.630 | 401817G095 | 5,000 |
| **U.S. Department of Transportation** | | | |
| Pass-Through From: | | | |
| Florida Department of Transportation | | | |
| State and Community Highway Safety Program | | | |
| Aggressive Driving and Speed Control | 20.600 | ARD73/SC-14-13-07 | 20,000 |
| State and Highway Safety Program | 20.600 | AQX76-OP-13-02-09 | 15,000 |
| Total CFDA # 20.600 | | | 35,000 |
| State and Highway Safety Program | 20.205 | AQS94-421644-3-58-01 | 24,588 |
| ***Total U.S. Department of Transportation*** | | | 59,588 |
| **U.S. Department of Justice** | | | |
| Pass-Through From: | | | |
| State Office of Attorney General | | | |
| Victims of Crime Act | 16.575 | V10127 | 17,887 |
| **U.S. Army Corp of Engineers** | | | |
| Pass-Through From: | | | |
| U.S. Department of Army | | | |
| The Restoration of Deadman's Island | N/A | W91278-H-0001 | 86,904 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 789,222 |

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

# CITY OF GULF BREEZE, FLORIDA
# NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# YEAR ENDED SEPTEMBER 30, 2014

## 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.

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

To the Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

We have audited, in accordance with the auditing standards generally accepted in the Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gulf Breeze, Florida, (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 10, 2015.

## Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2014-002, 2014-003, and 2014-004 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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.*

We noted certain matters that we reported to management of the City in a separate letter dated April 10, 2015.

**City of Gulf Breeze, Florida's Responses 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 them.

**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.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
April 10, 2015

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

## Report on Compliance for the 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 program for the year ended September 30, 2014. The City's major federal program is 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 the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

**Report on Internal Control Over Compliance**

Management of the City 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
April 10, 2015

# CITY OF GULF BREEZE, FLORIDA
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# YEAR ENDED SEPTEMBER 30, 2014

## A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the City of Gulf Breeze, Florida (the City).

2. We noted four significant deficiencies relating to the audit of the financial statements that are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Finding 2014-001 was determined to be a material weakness.

3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.

5. The auditor's report on compliance for the major federal program for the City expresses an unmodified opinion.

6. There are no audit findings relative to the major federal program for the City which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program was:

| **Federal Program** | **CFDA No.** |
|---|---|
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 |

8. The threshold for distinguishing Types A and B programs was $300,000 for major federal programs.

9. The City did not qualify as a low-risk auditee.

## B. FINANCIAL STATEMENT FINDINGS

**Financial Reporting**

**Finding: 2014-001**

During our audit procedures we identified certain audit adjustments that should have been recorded during the annual close out for financial reporting purposes. Also, throughout the audit process management identified and made significant adjustments to the trial balance that had been provided to us at the start of the audit. Additionally, during the audit we noted beginning and ending balances for accumulated depreciation in the capital asset subsidiary ledger did not agree to the prior year general ledger balances and classifications of capital assets listed in the subsidiary ledger did not agree with the classifications in the general ledger.

We recommend the City establish year-end closeout procedures to ensure that all transactions, year-end adjustments, and accruals are recorded in a timely manner. Additionally, we recommend that the City evaluate whether the finance department has the necessary staff and resources to perform annual closeouts in addition to the routine duties of maintaining the accounting records.

*Management's Response:*

We agree with the finding. Subject to resource and budget limitations we will continue efforts to improve the prospect of completing closeout of the annual financial records prior to the beginning of the audit process. We appreciate the recognition of the resource requirements of the annual closeout process.

## B. FINANCIAL STATEMENT FINDINGS (Continued)

### Fraud Prevention and Detection Program

**Finding: 2014-002**

Although management of the City assesses and manages the risk of fraud informally, the City has not developed a formal fraud risk assessment policy that is designed to identify, measure, and manage fraud risks associated with the City's operations, including controls over financial reporting. Management has indicated that the City recognizes the need for a formal policy and intends to develop such a policy as time and resources allow.

We recommend a formal fraud risk prevention and detection plan be adopted, implemented and subsequently reviewed on at least an annual basis.

*Management's Response:*

We do not dispute the finding, however we note that the operational procedures and policies established by management include internal controls to accomplish, among other things, minimization of the prospect of fraud. Subject to resource and budget limitations we will continue efforts to develop a formal stand-alone fraud risk prevention and detection plan.

### Utility Accounts Receivable

**Finding: 2014-003**

During our testing of utility accounts receivable, we identified certain inactive accounts that have accumulated over several years. The City has not written off these inactive accounts and had not recorded an allowance for doubtful accounts. As a result, an audit adjustment was necessary to record an allowance for doubtful accounts as of September 30, 2014 for $269,000, representing 36% of the balance in utility accounts receivable. Of this $269,000, a prior period adjustment for $236,000 was necessary to recognize doubtful account balances prior to 2014.

We recommend the City evaluate the balances in inactive accounts on a periodic basis and adjust the allowance for doubtful accounts as necessary. The City should also establish a policy to write off accounts that have been inactive for a certain period of time, such as over one or two years.

*Management's Response:*

We agree with the finding and are in the process of developing procedures to ensure that inactive accounts and uncollectible accounts are appropriately recorded in a timely manner.

## B. FINANCIAL STATEMENT FINDINGS (Continued)

**Independent Contractor**

**Finding: 2014-004**

Capital Trust Agency and Gulf Breeze Financial Services have separately contracted with a third party to provide Executive Director services as well as certain other services. Our procedures indicated that certain amounts paid to the third party for compensation may not be compliant with the terms of the contracts. Also, during 2014, management determined that $122,500 was owed to CTA under the terms of its contract.

The $122,500 owed to CTA by the third party has been repaid, and the previous contracts for both CTA and GBFS have been replaced by new contracts with clear terms for compensation to be paid, including base pay and a bonus based on financial results.

We recommend that calculations of any bonuses earned under the new contracts be reviewed by the Finance Director and then submitted to the City Manager and CTA board, as applicable for approval.

*Management's Response:*

We do not dispute this finding. As of publication date of this CAFR a newly executed contract provides a direct employment relationship with the Executive Director for both CTA and GBFS. This employment agreement clearly spells out the annual base compensation for the position, as well as duties and other responsibilities. It provides for an annual performance bonus based on achieving stated objectives and financial performance tied directly to audited results. Any bonus calculations will be subject to the review and approval of the city's management and Council.

## C. FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS

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

# CITY OF GULF BREEZE, FLORIDA
# SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
# YEAR ENDED SEPTEMBER 30, 2014

## Finding 2008-1 - Capital Asset Balances

**Prior Year Finding Summarized**

In the prior year 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, it was noted that 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 were not permanently marked with their assigned identification number and were not consistently marked as belonging to the City of Gulf Breeze.

*Current Status:*

Although this condition improved with the installation of the new accounting software, this condition still exists and our recommendations are continued in Finding 2014-001.

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

**Prior Year Finding Summarized**

In the prior year instances were noted where balance sheet accounts were not properly adjusted as part of the City's year-end closing. It was recommended that 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.

*Current Status:*

This condition still exists and our recommendations are continued in Finding 2014-001.

# CITY OF GULF BREEZE, FLORIDA
# SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
# YEAR ENDED SEPTEMBER 30, 2014

**Finding 2013-1 - Interfund Transfers**

Upon starting year-end audit fieldwork in the prior year, it was 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 the auditor 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, it was noted that interfund transfers remained out of balance by a material amount of $532,100. The entry to record road repair and maintenance was not recorded correctly to complete the entire transfer between the Urban Core Redevelopment (UCR) and General funds

*Current Status:*

This condition no longer exists and is considered corrected by management.

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# MANAGEMENT LETTER

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

## Report on the Financial Statements

We have audited the financial statements of the City of Gulf Breeze, Florida, (the City) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 10, 2015.

## Auditor's Responsibility

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 Auditor General.

## Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's report on an examination conducted in Accordance with *AICPA Professional Standards,* Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 10, 2015, should be considered in conjunction with this management letter.

## Prior Audit Findings

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:

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

**Tabulation of Uncorrected Audit Findings**

| Current Year Finding # | 2012-13 FY Finding # |
|---|---|
| 2014-001 | 2008-1 |
| 2014-001 | 2008-3 |
| 2014-002 | 2013-ML-01 |

**Official Title and Legal Authority**

Section 10.554(1)(i)4., 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 and each component unit of the City has been disclosed in Note 1 to the financial statements.

**Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

Section 10.554(1)(i)2., 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 in the Schedule for Findings and Questioned Costs.

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

**Other Matters (Continued)**

Section 10.554(1)(i)3., 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.

**Purpose of this Letter**

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.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
April 10, 2015

Saltmarsh
Saltmarsh, Cleaveland & Gund
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

# INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.45, FLORIDA STATUTES

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

We have examined the City of Gulf Breeze, Florida's (the City's) compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such procedures as we considered necessary in the circumstances. We believe that our examination provided a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In connection with our testing of the City's compliance with Section 218.415, Florida Statutes, we noted that the City's investment policy places limits on certain types of investments. In particular, the investment policy limits high grade corporate debt to 15% of total investments. At September 30, 2014, the City's investments in this category, as defined in the investment policy, was 18.7%. This matter was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 financial statements, and this report does not affect our report dated April 10, 2015 on those financial statements.

In our opinion, except for the matter discussed in the preceding paragraph, the City of Gulf Breeze, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the City of Gulf Breeze, Florida, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
April 10, 2015



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