

The logo for the City of Gulf Breeze, Florida, is displayed in a stylized, blue, serif font with a white outline and a slight drop shadow. The text is arranged in two lines: "City of Gulf Breeze" on the top line and "Florida" on the bottom line. The background of the entire page is a photograph of a park-like setting with several tall palm trees and a large, oval-shaped wooden sign in the center. The sign has the words "Gulf Breeze" written on it in a gold, serif font. In front of the sign is a vibrant garden bed filled with various colorful flowers, including red, yellow, and pink blooms, along with some silver-leafed plants. The sky is clear and blue, and the overall scene is bright and sunny.

# *City of Gulf Breeze* *Florida*

A large, oval-shaped wooden sign with the words "Gulf Breeze" written in a gold, serif font. The sign is positioned in the center of the image, in front of a dense line of trees and palm trees. The sign is surrounded by a garden bed filled with various colorful flowers, including red, yellow, and pink blooms, along with some silver-leafed plants.

*Gulf Breeze*

**Comprehensive Annual Financial Report**  
**YEAR ENDING SEPTEMBER 30, 2010**

# Comprehensive Annual Financial Report



The City of Gulf Breeze, Florida  
Year Ended September 30, 2010

Prepared by the Finance Department

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 Year Ended September 30, 2010**

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# *City of Gulf Breeze*

March 9, 2011  
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, 2010, 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.

O'Sullivan Creel, LLP, 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, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gulf Breeze financial statements for the fiscal year ended September 30, 2010, 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 principals 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.

## **HISTORY AND PROFILE OF THE GOVERNMENT**

### **History**

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

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. In 2010 permits were issued for the permanent deconstruction of the damaged remnants of the fishing bridge, which will be 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.

As described in more detail in the accompanying Management Discussion and Analysis of the 2010 financial statements, a wellhead leak in the Gulf of Mexico by BP's Deep Water Horizon drilling rig resulted in the largest oil spill in US history. The resulting oil slick and derivatives contaminated and threatened to contaminate coastal sites from Louisiana to Florida and resulted in a four month long emergency declaration for the City. Through a combination of fortunate winds and tides in conjunction with aggressive reconnaissance and waterborne clean up capability, the City was able to avoid contamination of its shoreline.

Also, during 2010 the City received final approval from FEMA for a series of proposed capital projects as alternatives to reconstructing the damaged fishing pier. Under the Alternative Project funding, instead of the City funding an estimated \$20 million to reconstruct the fishing pier (of which FEMA would reimburse \$18 million) the City will undertake an approved set of capital expenditures totaling approximately \$15 million of which FEMA will reimburse up to \$13.5 million and the State of Florida will reimburse an additional \$1.125 million to acquire and construct expanded parks and recreation facilities as well as utility service resources. The specific items are described in more detail under the Major Capital Projects heading.

Toward the end of fiscal year 2010, Gulf Breeze Financial Services closed down its 1997A lending program trust resulting in the distribution to the program participants (borrowers and GBFS as administrator of the trust) of net investment and hedging gains that had accumulated over the 13 year life of the trust. This distribution represents a non-recurring gain distributed from the trust to GBFS toward the end of the 2010 fiscal year.

## Profile

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

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

\* Deceased while holding office

The first Mayor, Dr. C. J. Heinberg, and City Council members requested and received from Santa Rosa County, the ownership of land (more than 255 acres) that is now Shoreline Park. An outstanding range of recreational facilities is provided by the City, which includes 11 ball fields including basketball, baseball, softball, football and soccer fields, 6 children's parks, 10 tennis courts, several picnic areas, 2 public boat launches, a dog park, a skate park, a disc golf course, 2 nature reserves and beaches, various nature trails and bicycle paths. On December 7, 2010, the City dedicated its most recent children's park, Hodge's Park, sponsored in part by the Hodges family as a memorial to Gregory Hodges.

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

The City provides public services, which include police, fire, streets and drainage in addition to enterprise operations consisting of water, sewer, storm water drainage and natural gas. The City contracts with a private firm to provide solid waste and recycling collection services for its franchise area. Public safety is provided by twenty four-hour police protection by the fully accredited Police Department along with a fully trained volunteer fire department.

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 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, and is the starting point for developing the budget. 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 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 heads 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 area's 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.

Two major commercial projects were completed in recent years. A Sports Medicine Center, the Andrews Institute began operation in fiscal year 2007. This health sciences venture is a world class institute for orthopedics and sports medicine with the leadership and reputation of nationally and internationally renowned orthopedic surgeon James Andrews, MD. The Institute is planned to ultimately create an estimated 126 new jobs with nearly \$10 million in wages. The combined impact of the patient clientele and employment opportunities related to the Institute will further enhance Northwest Florida's ability to create an environment for positive growth while creating a reputation for world class medical care.

The development of a large scale retail center, the Sea Shell Collection anchored by a Publix supermarket store at the intersection of Highway 98 and Daniel Drive was completed in May, 2009. This development, which includes redevelopment of the site of one of the City's earliest commercial establishments the Allen Davis Sea Shell store demolished in 2006, provides the City's commercial area with approximately 87,000 feet of new commercial square footage.

As the City is not heavily dependent upon tourism for its revenues, it has not been able to identify specific impacts from the BP oil spill. Numerous businesses based within the City have filed claims with either BP or the Gulf Coast Claims Facility for spill related economic damages. It is not possible to forecast what, if any, medium to long term impact the spill may have on City revenues.

There was a 4.0% decrease in taxable value of properties within the City in 2010, following a 2.9% decrease in 2009 and a 3.8% decline in 2008.

### **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 improvements. Loan Pool sponsorship fees have been used to fund a variety of Gulf Breeze projects over the years. As mentioned earlier, in 2010 Gulf Breeze Financial Services (GBFS) took action to refinance loans in its 1995 and 1997A Loan Pool Program based on favorable market conditions. The closure of the 1995 and 1997A trust resulted in the distribution to borrowers and GBFS, as the trust administrator, of investment gains accumulated over the life of the trust as well as gains from a fixed rate swap contract, resulting in a one-time non-recurring gain of \$8.6 million dollars.

The City's Loan Pool and bond sponsorship programs operated through Capital Trust Agency (CTA) and Gulf Breeze Financial Services have consistently provided significant revenues to fund City operations. Historically these revenue sources have been equivalent to over 80% of the City's ad valorem tax revenues and allowed the City to keep ad valorem millage and other tax rates low. The loan pools have also allowed the City to maintain a low millage rate and approve a rate of 1.900 mills for tax year 2010 and 2011.

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 seventh 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.
- 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 structures for establishment of an oyster bed breakwater as well as the submerged land lease have been completed. The project manager is continuing to use plantings to protect the area from further erosion while permits and funding for replacing eroded fill are pursued. The BP oil spill resulted in delays in implementing further protective and re-nourishment efforts.
- The City has developed a Master Plan for parks to provide a guide for capital projects for the next 10 years.
- Widening and improvement of South Sunset Drive is planned to commence in 2011.
- The Gulf Breeze Fishing Bridge suffered severe hurricane damage in 2004/2005. In February 2008 the Federal Emergency Management Agency (FEMA) obligated funds relating to that damage for the City of Gulf Breeze. Under the provisions of the Stafford Act (the federal law under which FEMA operates) the City Council elected to utilize funds available from that obligation for numerous smaller projects and equipment (collectively the 'Alternative Projects') rather than to reconstruct the Fishing Bridge. An integral element of the Alternative Projects, although separately funded, is the deconstruction of the damaged Fishing Bridge to render it 'safe and secure'. Deconstruction commenced late in 2010, with completion anticipated in 2011.
- 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 February 21, 2011, the City has been granted an extension by FEMA on completion of the work related to these funds until September 30, 2013. The Alternative Projects approved by FEMA include:

- Extension of natural gas services pipeline;
- Expansion and mechanical upgrade of the Recreation Center;
- Phase I of Waste Water Treatment Plant construction;
- Compressed natural gas (CNG) compression equipment & storage facilities;
- Upgrading Playground Equipment;
- Upgrading Fire and Rescue Equipment & Vehicles;
- Fleet vehicles replacements, including CNG vehicles.

### **Cash Management Policies and Practices**

All City monies are placed in compliance with Section 218.415, Florida Statutes as well as Chapter 517, and Chapter 280, Florida Statutes. The City strictly adheres to the provisions of those cited statutes. The City maintains its deposits only with “Qualified Public Depositories” as defined in Chapter 280, Florida Statutes. Daily deposits are made into a pooled cash account. These funds are rolled nightly into an investment account, which pays an interest rate tied to the Federal Funds rate.

City staff continues to review options regarding the distribution of investments, based on projected liquidity needs, debt repayment provisions and potential investment yield.

### **Risk Management**

The City of Gulf Breeze maintains a fully funded insurance program for property, casualty and automobile insurance. All general and automobile liability and property insurance is obtained through the Florida League of Cities Municipal Insurance Trust. General liability and auto liability has a \$10,000 deductible, per claim. Other insurance coverage has deductibles varying from \$1,000 to \$10,000. The City is self insured for workers’ compensation and the program is administered through the Finance Department. Life insurance is provided through the City’s health insurance carrier. Additional information on the City’s risk management can be found in Note 11 in the notes to the financial statements.

The City Risk Management program takes a sure approach to eliminating any potential impacts to public safety and welfare and has an in-house safety program, which includes employee orientation, safety training exercises and monitoring for exposures.

## **Pensions**

The City currently has three (3) separate plans. One of which applies to employees hired prior to January 1, 1996, and two of which apply to employees hired January 1, 1996, and after. All permanent employees hired prior to January 1, 1996, participate in a defined benefit pension plan, Florida Retirement System, administered by the State of Florida Division of Retirement, Department of Management Services. Contribution requirements of the plan are established in Florida Statutes Chapters 121, 122 and 123 and may be amended only by legislative action. Compliance with the State Constitution and Florida Statutes require any increase in retirement benefits to be funded concurrently on an actuarially sound basis. Active plan members do not contribute to the plan.

All full-time Police Officers hired after January 1, 1996, participate in the Florida Municipal Pension Trust Fund. This is a cost-sharing, single-employer defined benefit pension plan, administered by a Police Pension Board. Florida Statute 185 provides the authority under which benefit provisions are established and may only be amended by legislative action.

All full-time general employees hired after January 1, 1996, participate in the Florida Municipal Trust Fund, a defined contribution pension plan, administered by the Florida League of Cities. The City is required to make contributions equal to 8% of the compensation for each eligible employee. Full time, general employees become eligible after completing one year of service with the City.

Additional information regarding the City of Gulf Breeze's pension plans may be found in Notes 6 and 7 in the notes to the financial statements.

## **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, 2009. (This was the 8th 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.

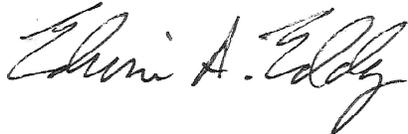
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to the Mayor and the City Council for their direction and support in conducting the financial operations of the City in a responsible and progressive manner and maintaining the financial integrity of the City of Gulf Breeze. The preparation of this comprehensive annual financial report could not have been accomplished without the dedicated services of the entire staff of the Finance Department, City Clerk, Assistant City Manager and the City's Department Directors.

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

We would also like to acknowledge the accounting firm of O'Sullivan, Creel, LLP for their continued, professional assistance. Their suggestions and attention to detail continue to greatly enhance the quality of this report.

Respectfully submitted,



Edwin A. Eddy  
City Manager



Stephen Milford  
Finance Director

# 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, 2009

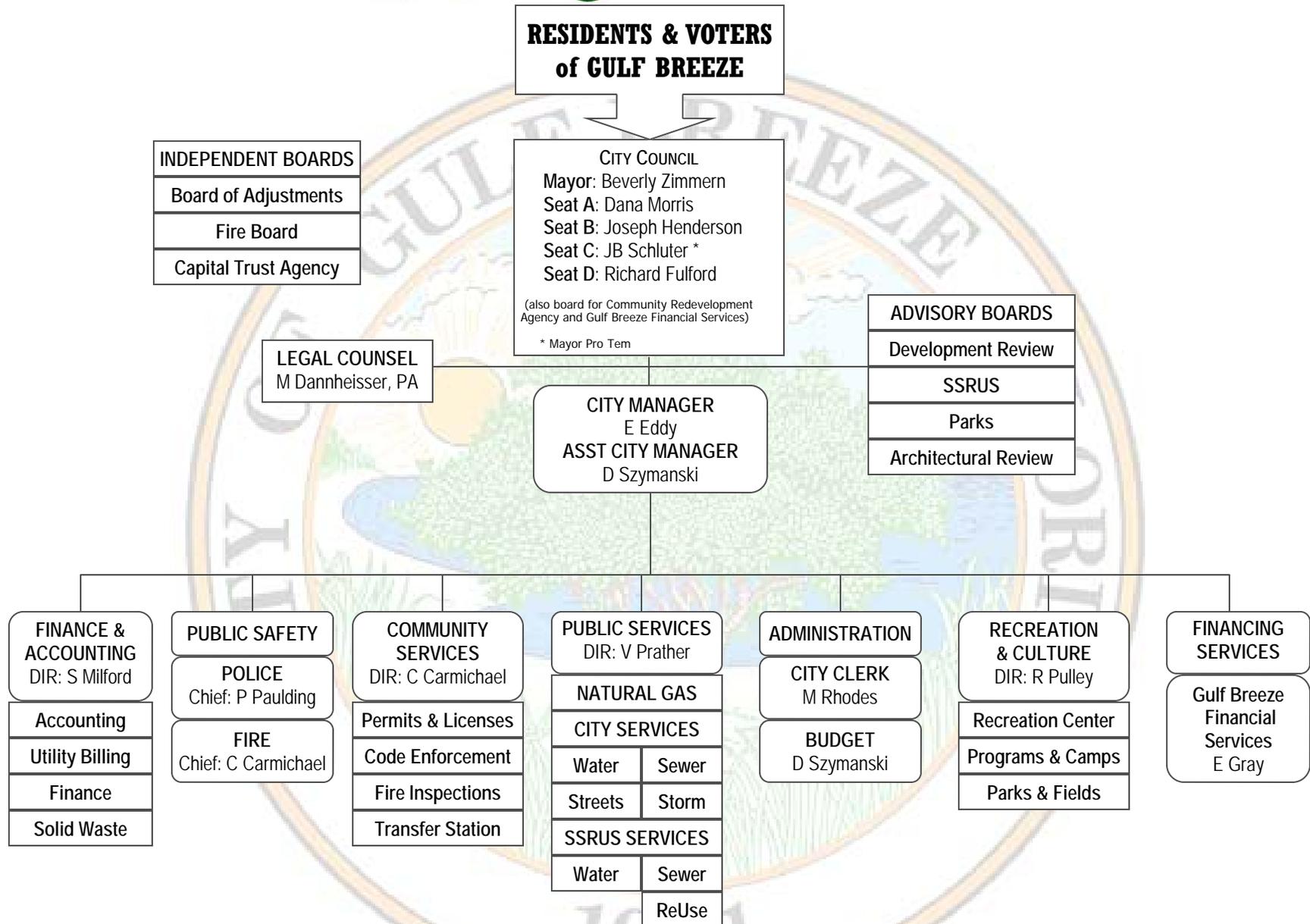
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# City of Gulf Breeze



# *City of Gulf Breeze*

## **ELECTED OFFICIALS — CITY COUNCIL**

**Mayor:** Beverly Zimmern  
**Seat A:** Dana Morris  
**Seat B:** Joseph Henderson  
**Seat C:** JB Schluter \*  
**Seat D:** Richard Fulford

\* Mayor Pro Tem



## **APPOINTED OFFICIALS**

**City Manager:** Edwin A. Eddy  
**City Clerk:** Marita Rhodes  
**City Counsel:** Matt Dannheisser  
**Fire Marshall:** Craig S. Carmichael  
**Director of Public Services:** Vernon Prather

# **II. Financial Section**



**Independent Auditor's Report**

**Management's Discussion and Analysis**

**Basis Financial Statements  
(Government-wide Financial Statements)  
(Fund Financial Statements)  
(Notes to the Financial Statements)**

**Required Supplementary Information**

**Combining and Individual Fund Statements and  
Schedules**



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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gulf Breeze, Florida's Management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary information for the General and Urban Core Redevelopment Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2011, on our consideration of the City of Gulf Breeze, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 23 through 24 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Breeze, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 also not a required part of the financial statements. The combining and individual nonmajor 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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.

*O'Sullivan Creel, LLP*

March 9, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gulf Breeze, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. 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 v of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Gulf Breeze exceeded its liabilities by \$37,766,557 (net assets). Of this amount \$20,943,714 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$10,188,291 or 37%. The governmental net assets increased by \$1,062,208 or 10.7% and the business-type net assets increased by \$9,126,083 or 52%. This increase is largely reflected in the decrease in trade payables and long term debt balances and a significant increase in cash balances primarily due to the distribution of a non-recurring gain in Gulf Breeze Financial Services.
- The City's governmental funds reported combined ending fund balances of \$7,521,343, an increase of \$555,826. Of the total ending fund balance, \$6,587,318 is available for spending at the City's discretion (unreserved and undesignated fund balance). Reductions in the balances in investments, receivables, due from other governments and funds, and an increase in payables, were more than offset by increases in cash and equivalents. At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$5,417,448 or the equivalent of 96% of total General Fund expenditures.

### 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 assets provides information on the entire City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the City include general government, public works, police, fire, parks and recreation and community services. The business-type activities of the City include water and sewer, natural gas, stormwater and solid waste.

The government-wide financial statements include not only the City of Gulf Breeze itself (the primary government), but also blended component units, Gulf Breeze Financial Services (GBFS), and the Community Redevelopment Agency (CRA). Blended component units, although legally separate entities, are, in substance, part of the primary government's operations. The government-wide financial statements are found on pages 17-18 of this report.

### **Fund Financial Statements**

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

## **FUNDS**

### **Governmental Funds**

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

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

The City maintains four individual governmental funds (General Fund, Urban Core Redevelopment Fund, Traffic Citation Fund, and Police Special Revenue Funds). 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 19-24 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, SSRUS Water & Sewer Fund, Natural Gas Fund, Solid Waste Fund, Stormwater Management and Gulf Breeze Financial Services. The City Water & Sewer Fund, SSRUS Water & Sewer Fund, Natural Gas Fund, Gulf Breeze Financial Services and the Solid Waste Control Fund are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 25-29 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 fund presented is the Police Pension Trust 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 30-31 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 32 - 63 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found on pages 64-65 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 66-70 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Gulf Breeze, assets exceeded liabilities by \$37,766,557 at the close of the most recent fiscal year, as reported in Table 1.

The largest portion of the City's net assets \$15,248,786 (40.4%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

An additional portion of the City's net assets (\$1,574,057 or 4.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$20,943,714 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 assets, both in the separate governmental and business-type activities and the City as a whole.

**Table 1**  
**City of Gulf Breeze**  
**STATEMENT OF NET ASSETS**  
**AS OF SEPTEMBER 30, 2010 AND 2009**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 10,367,337	\$ 7,904,761	\$ 17,179,181	\$ 5,036,488	\$ 27,546,518	\$ 12,941,249
Capital assets	10,103,599	12,075,281	22,702,101	26,976,623	32,805,700	39,051,904
<b>Total assets</b>	<b><u>20,470,936</u></b>	<b><u>19,980,042</u></b>	<b><u>39,881,282</u></b>	<b><u>32,013,111</u></b>	<b><u>60,352,218</u></b>	<b><u>51,993,153</u></b>
Long-term liabilities outstanding	9,034,363	9,265,829	12,630,329	13,499,647	21,664,692	22,765,476
Other liabilities	427,905	767,753	493,064	881,658	920,969	1,649,411
<b>Total liabilities</b>	<b><u>9,462,268</u></b>	<b><u>10,033,582</u></b>	<b><u>13,123,393</u></b>	<b><u>14,381,305</u></b>	<b><u>22,585,661</u></b>	<b><u>24,414,887</u></b>
Net assets						
Invested in capital assets net of related debt	1,460,655	3,275,527	13,788,131	14,451,915	15,248,786	17,727,442
Restricted	656,392	397,270	917,665	756,855	1,574,057	1,154,125
Unrestricted	8,891,621	6,273,663	12,052,093	2,423,036	20,943,714	8,696,699
<b>Total net assets</b>	<b><u>\$ 11,008,668</u></b>	<b><u>\$ 9,946,460</u></b>	<b><u>\$ 26,757,889</u></b>	<b><u>\$ 17,631,806</u></b>	<b><u>\$ 37,766,557</u></b>	<b><u>\$ 27,578,266</u></b>

### **Governmental Activities**

Governmental activities before transfers decreased the City of Gulf Breeze's net assets by \$148,488. The key elements of this change are reported in Table 2.

Charges for services decreased 39.3% this year reflecting primarily decreased citation revenue. Offsetting that decrease was a 140.4% increase in operating grants reflecting largely received reimbursements of hurricane restoration projects from FEMA and State. The expenditures associated with the increased grant revenue are primarily included in General Government and Culture and Recreation, and resulted in an increase in the total expenditures in those categories over the prior year.

Investment earnings are down 56.8% due mainly to the downturn in the financial markets that resulted in declining investment yields. 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 State of Florida statutes, governments such as Gulf Breeze are limited in the investment types they may select. This limitation is intended to reduce the riskiness of investments of smaller cities and municipal entities, but also tends to reduce the potential yield.

Property Tax revenue has increased by 3.1% due to the increase in total taxable parcels (due in part to the completion of the Sea Shell Collection commercial development) which offset the 4.0% decrease in average taxable value of properties within the City. Other taxes increased 24.6% to \$1,163,456 from \$933,490 the prior year reflecting primarily increases in revenues from electric franchise fees and electric utility services taxes.

Across all departments, recurring operational costs were reduced or deferred for the second year in a row. Offsetting these reductions are a number of grant (primarily FEMA) reimbursement projects and expenditures. Three elements comprise the primary components of the increase in General Government expenditures: 1) the FEMA eligible project expenditures which were mentioned above; 2) the City Council awarded a special payment to virtually all City employees in recognition of performance while cutting costs and lack of wage increases which approximated \$103,000, and 3) protective and administrative costs related to protecting the City's shoreline and citizens from impacts from the BP oil disaster described below.

On April 20, 2010, BP's Deepwater Horizon oil rig sank as a result of an explosion costing the lives of eleven crew and creating an ongoing undersea leak of crude oil that was not capped until July 15, 2010. During that 116 days, oil from the leak spewed at a rate estimated at 62,000 barrels per day, or 2.6 million gallons per day, becoming the largest oil spill in U.S. history. A state of emergency was declared by the Governor of the State of Florida, and the City Council empowered the City manager to take actions necessary to protect the City's shorelines, wetlands and citizens.

Ultimately, the City's active protective measures included: multiple daily coastal patrols by a volunteer "coastwatcher" reconnaissance team, and a temporary four person emergency response team supplied with absorbents, booms and skimmer systems to contain and collect oil sludge and tar balls found in the Sound and Bay. Passive protective measures included boom and turbidity curtains deployed across the mouths of the City's bayous and canal as well as a major deployment of almost 2 miles of piling-mounted turbidity curtain and filter fabric. As a result of favorable winds, weather and tides in combination with the protective measures there were no reports of oil sludge appearing on the City's shorelines.

Total costs, excluding any permanent staff wages, exceeded \$400,000. The City has pursued reimbursement for all direct costs from BP under the Oil Pollution Act of 1990, and reflected a receivable for unreimbursed claims in the amount of \$339,755 as of the fiscal year end. Subsequent to fiscal year end, (as of the report date of these statements) \$302,729 of that amount has been received.

The modest increase in Public Safety expenditures (\$30,869 or 1.4% over the prior year) includes the acquisition of two vehicles and a fire boat under the FEMA alternative projects grants (which are subject to 98% reimbursement from Federal and State sources) and a State grant reimbursing the acquisition of an automated license plate reader.

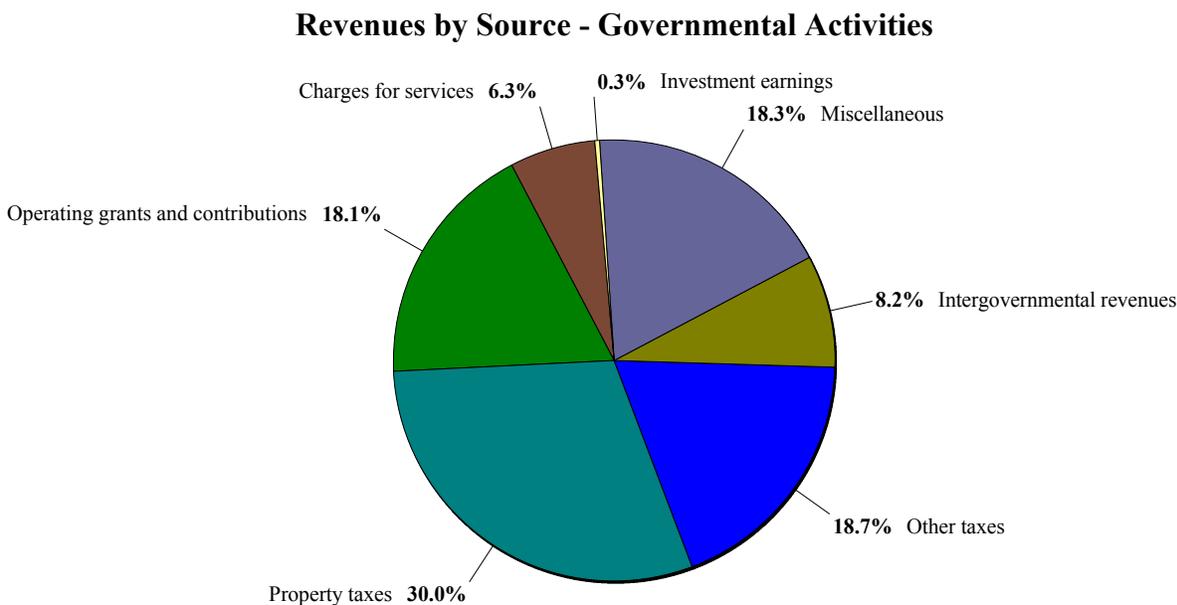
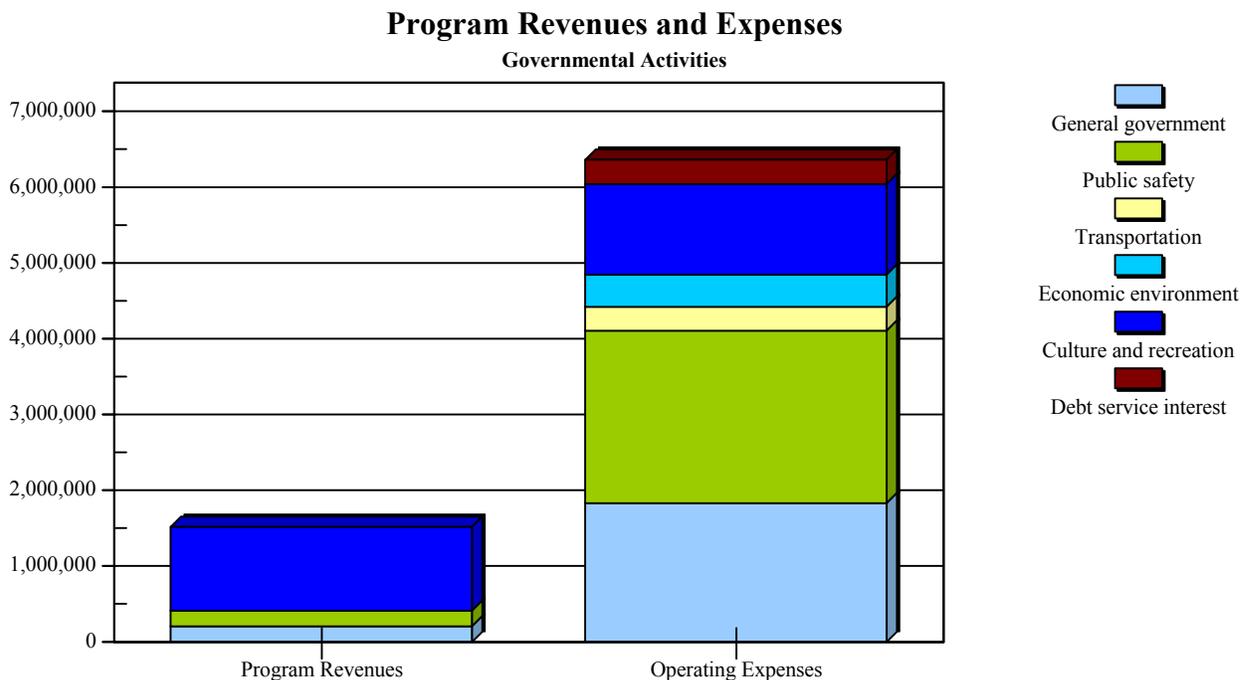
Similarly, the 3.0% increase in Culture and Recreational expenditures (\$34,896 or 3% over the prior year) includes construction in progress expenditures for new restroom and concession facilities at Shoreline Park North which are also subject to reimbursement as FEMA alternative projects.

The increase in Economic Environment expenditures (\$34,881 of 9% over the prior year) primarily reflects expenditures by the Community Redevelopment Agency to enhance the Highway 98 commercial corridor. In 2010 that included repainting and fencing the pedestrian overpass as well as replacing the rusting wire fencing in front of the Gulf Breeze schools with architectural columns and corrosion resistive sectional fencing.

**Table 2**  
**City of Gulf Breeze**  
**CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 392,083	\$ 645,446	\$ 10,383,163	\$ 9,798,904	\$ 10,775,246	\$ 10,444,350
Operating grants and contributions	1,125,551	468,212	-	-	1,125,551	468,212
Capital grants and contributions	-	-	95,171	127,267	95,171	127,267
<b>General revenues</b>						
Property taxes	1,861,874	1,805,589	-	-	1,861,874	1,805,589
Other taxes	1,163,456	933,490	-	-	1,163,456	933,490
Intergovernmental revenues	510,832	552,449	-	-	510,832	552,449
Miscellaneous	1,139,891	666,013	8,654,173	233,593	9,794,064	899,606
Investment earnings	21,304	49,340	26,021	64,495	47,325	113,835
<b>TOTAL REVENUES</b>	<b><u>6,214,991</u></b>	<b><u>5,120,539</u></b>	<b><u>19,158,528</u></b>	<b><u>10,224,259</u></b>	<b><u>25,373,519</u></b>	<b><u>15,344,798</u></b>
<b>EXPENSES</b>						
<b>Governmental activities</b>						
General government	1,832,961	1,604,707	-	-	1,832,961	1,604,707
Public safety	2,273,863	2,242,994	-	-	2,273,863	2,242,994
Transportation	317,802	336,485	-	-	317,802	336,485
Economic environment	423,014	388,133	-	-	423,014	388,133
Culture and recreation	1,195,503	1,160,607	-	-	1,195,503	1,160,607
Debt service interest	320,336	325,297	-	-	320,336	325,297
<b>Business-type activities</b>						
Water and sewer	-	-	1,610,416	1,576,201	1,610,416	1,576,201
Natural gas	-	-	1,329,058	1,699,027	1,329,058	1,699,027
SSRUS utilities	-	-	4,531,148	5,493,205	4,531,148	5,493,205
Solid waste control	-	-	886,868	890,827	886,868	890,827
Stormwater management	-	-	236,013	266,966	236,013	266,966
Gulf Breeze Financial Services	-	-	228,246	250,320	228,246	250,320
<b>TOTAL EXPENSES</b>	<b><u>6,363,479</u></b>	<b><u>6,058,223</u></b>	<b><u>8,821,749</u></b>	<b><u>10,176,546</u></b>	<b><u>15,185,228</u></b>	<b><u>16,234,769</u></b>
Excess (deficiency) in net assets before transfers	(148,488)	(937,684)	10,336,779	47,713	10,188,291	(889,971)
Transfers	<u>1,210,696</u>	<u>1,073,089</u>	<u>(1,210,696)</u>	<u>(1,073,089)</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	<b>1,062,208</b>	<b>135,405</b>	<b>9,126,083</b>	<b>(1,025,376)</b>	<b>10,188,291</b>	<b>(889,971)</b>
<b>NET ASSETS - OCTOBER 1</b>	<b><u>9,946,460</u></b>	<b><u>9,811,055</u></b>	<b><u>17,631,806</u></b>	<b><u>18,657,182</u></b>	<b><u>27,578,266</u></b>	<b><u>28,468,237</u></b>
<b>NET ASSETS ENDING - SEPTEMBER 30</b>	<b><u>\$11,008,668</u></b>	<b><u>\$ 9,946,460</u></b>	<b><u>\$ 26,757,889</u></b>	<b><u>\$ 17,631,806</u></b>	<b><u>\$ 37,766,557</u></b>	<b><u>\$ 27,578,266</u></b>

Program Revenues only reflect 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.



\* Zero Data, Capital grants and contributions

## **Business-Type Activities**

Business-type activities increased the City's net assets by \$10,336,779 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.

Contributions of \$83,315 from developers this year (65.5% of 2009 levels and only 14.1% of 2008 levels) reflects the continued minimal growth in the area serviced by South Santa Rosa Utilities Service (SSRUS). This area is located outside of the City limits and it is expected to continue to be developed over the next several years when the area economy recovers. As these new developments become complete the utility infrastructure must meet the standards set by SSRUS prior to acceptance by the Utility.

Investment earnings show a decrease of 59.7% as a result of changing market conditions, declining yields on short term investments and distribution of investments.

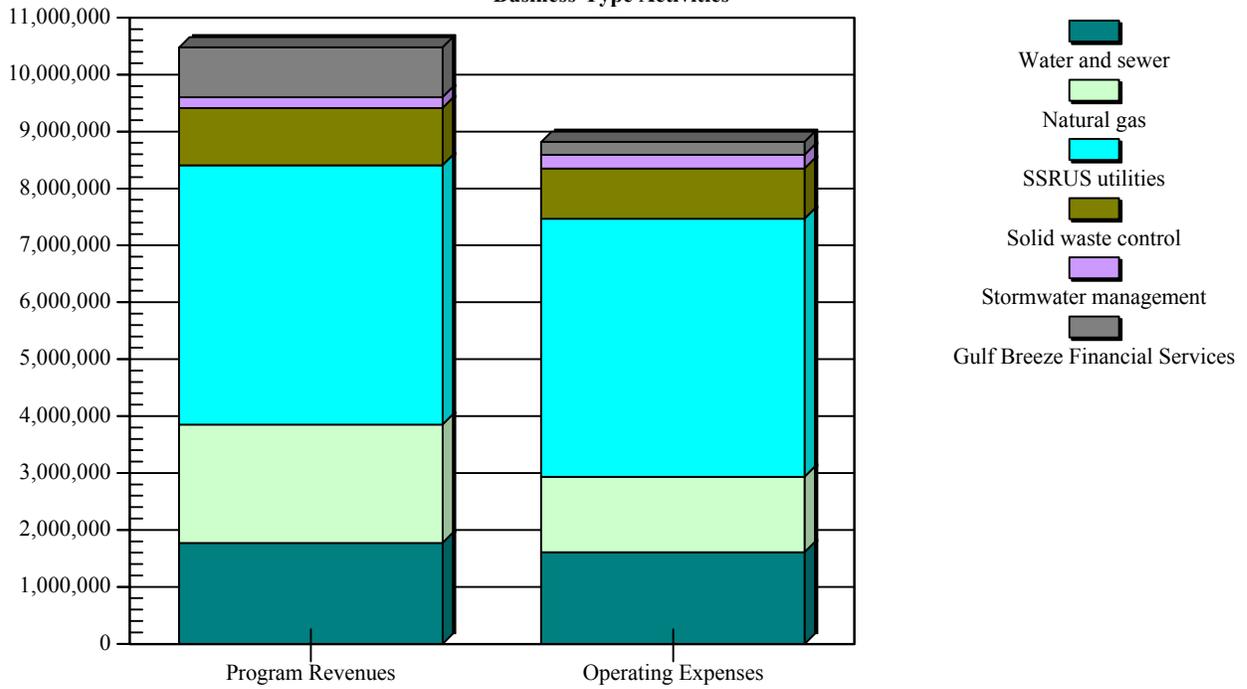
The Natural Gas Utility shows an increase in revenues of 8.3% primarily due to a 14.8% increase in volume of gas sold, while operating expenses decreased 21.5% resulting in operating income of \$750,886 compared to operating income of \$229,851 in 2009. Natural Gas rates are adjusted according to the cost of natural gas which declined in fiscal year 2010 relative to the prior year.

South Santa Rosa Utility (SSRU) implemented rate increases and aggressive expense containment, including the layoff of 3 employees (11% of fulltime employees) which resulted in a 7.3% increase in revenues and a 10.6% reduction in expenses. These factors combined to provide operating income of \$430,124 for the fiscal year compared to an operating loss of \$352,675 the prior year.

By far, the largest contribution to the increase in net assets from business-type activities resulted from the closeout of the 1997-A Loan Pool Program Trust Indenture by Gulf Breeze Financial Services (GBFS). This one time distribution of 13 years of accumulated investment and rate hedge proceeds was made from the trust to program borrowers and to GBFS as trust administrator upon dissolution of the trust. As a result, Miscellaneous Non-Operating Revenue from GBFS totaled \$8,606,320 compared to \$7,825 in the prior year.

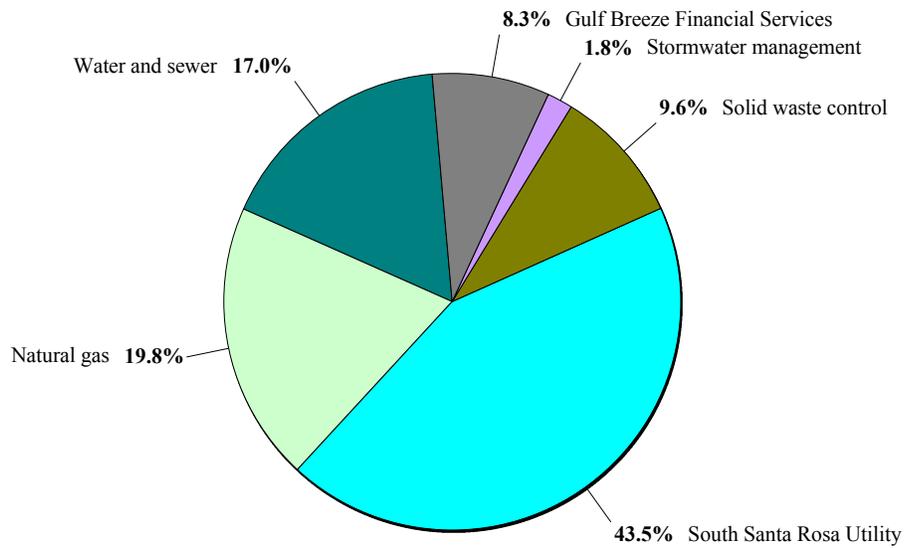
## Program Revenues and Operating Expenses

Business-Type Activities



## Program Revenues by Source

Business-Type Activities



## **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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Gulf Breeze's governmental funds reported combined ending fund balances of \$7,521,343, an increase of \$555,826 in comparison with the prior year. Of this total amount, \$6,587,318 constitutes unreserved/undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved and/or designated to indicate that it is not available for new spending because it has already been committed: 1) for certain capital improvements; and, 2) for several other designated purposes which include self- insurance escrow \$250,000, disaster recovery \$100,000, beautification \$92,165, park subdivisions \$13,781 and other restricted purposes of \$15,993.

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unreserved/undesignated fund balance of the General Fund was \$5,417,448, while total fund balance reached \$6,046,038. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the fund's total operational expenditures. Unreserved/undesignated fund balance represents 87.6% of the total General Fund expenditures, while total fund balance represents 97.7% of that same amount.

The General Fund's fund balance increased by \$494,672 during the current fiscal year which is 122% of the prior year's increase due to an expansion of revenues, especially FEMA and other grant revenues, and continuing curtailment of operating expenses in the current year compared to fiscal year 2009.

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 increase in taxable parcels, despite a general decline in property values, resulted in 2010 in a 3.8% increase in tax revenues from 2009. Expenditures from this fund are used to support and enhance economic development within the defined commercial area. During the current fiscal year, the fund's expenditures supported traffic management, lighting and landscaping costs within the defined area and expanded and improved the roadway and storm drainage connected to the new Seashells Collection / Publix shopping center.

### **Proprietary Funds**

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

Unrestricted net assets of the proprietary funds totaled \$12,052,093 at the end of the year, of that the Water and Sewer Fund amounted to \$1,567,618, the Natural Gas Fund totaled \$389,215, South Santa Rosa Utility Fund was \$710,467, the Solid Waste Control Fund was \$52,782, Gulf Breeze Financial Services was \$9,268,456, and the non-major proprietary fund totaled \$(296,445). The net assets of the proprietary funds increased by \$9,126,083, reflecting the generally improved operating performance of the proprietary fund and the non-recurring gain distributed to GBFS as described earlier.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budget expenditures increased from the original budget by \$1,399,938. This increase reflected numerous expenditures not contemplated in the original budget, primary of which were: 1) costs incurred to protect the City from the BP oil spill, and 2) costs incurred in accordance with the alternative projects approved by FEMA in February of 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 2013. Actual revenues collected exceeded both original and final budgeted expectations by 1.3% of final budget revenues due primarily to \$32,997 in tax collections above budget, intergovernmental transfers of \$19,118 and miscellaneous revenues of \$20,422 in excess of final budget.

The highlights of the budgetary changes are as follows:

- \$ 398,725 increase due to approved FY 2009 and FY 2010 capital projects initiated;
- \$ 460,500 increase due to BP oil spill related costs;
- \$ 575,900 increase due to FEMA project expenditures;
- \$ 125,000 increase due special pay to employees;
- \$ 174,000 in expenditure reductions from original budget across all departments.

Actual expenditures exceeded budget estimates by 0.1% of actual expenditures or \$4,543, due to an underestimate in accrued expenses at year end. The combined impact of these budget variances resulted in a net increase in the General Fund fund balance of \$494,672 as compared to a final budgeted increase of \$425,576.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,403,909	\$ 1,187,339	\$ 2,663,827	\$ 2,663,828	\$ 4,067,736	\$ 3,851,167
Construction in progress	718,276	236,706	100,225	54,081	818,501	290,787
Buildings	4,232,810	4,232,810	414,021	414,021	4,646,831	4,646,831
Improvements other than buildings	12,939,759	12,803,618	517,742	339,447	13,457,501	13,143,065
Infrastructure	180,777	119,992	42,168,688	42,084,470	42,349,465	42,204,462
Machinery and equipment	4,696,451	4,392,243	3,527,729	3,442,088	8,224,180	7,834,331
Accumulated depreciation	(11,946,198)	(10,897,428)	(23,926,079)	(22,021,313)	(35,872,277)	(32,918,741)
<b>Total</b>	<b>\$ 12,225,784</b>	<b>\$ 12,075,280</b>	<b>\$ 25,466,153</b>	<b>\$ 26,976,622</b>	<b>\$ 37,691,937</b>	<b>\$ 39,051,902</b>

The City of Gulf Breeze's investments in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$37,691,937 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, and machinery and equipment. The total decrease in the City of Gulf Breeze's investment in capital assets for the current fiscal year was \$1,359,965 or 3.5% overall as depreciation exceeded increases in capital assets (1.2% increase for governmental activities and a 5.6% decrease for business-type activities). The major changes are summarized below:

- Completion of Daniel Drive improvements;
- Acquisition of a residential parcel and wetlands acreage
- Continued waste water treatment plant improvements
- Used and new vehicles and vessels, including a new fire boat and a used vacuum truck
- Pedestrian overpass repainting and fencing

As of September 30, 2010, construction in progress reflected construction projects not yet completed relating to deconstruction of the hurricane damaged fishing bridge; construction of park restrooms and concession buildings; sewer line extension; natural gas line extension, which are currently on-going projects, and improved Highway 98 fencing and median reconstruction which was completed subsequent to year end.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 8,642,944	\$ 8,799,754	\$ 6,878,215	\$ 7,308,696	\$ 15,521,159	\$ 16,108,450
Notes payable	-	-	4,493,501	5,099,608	4,493,501	5,099,608
State revolving loan	-	-	270,470	-	270,470	-
Capital leases	-	-	-	116,403	-	116,403
Compensated absences	233,006	212,182	155,695	161,214	388,701	373,396
Other contractual obligations	158,413	253,893	-	-	158,413	253,893
<b>Total</b>	<b>\$ 9,034,363</b>	<b>\$ 9,265,829</b>	<b>\$ 11,797,881</b>	<b>\$ 12,685,921</b>	<b>\$ 20,832,244</b>	<b>\$ 21,951,750</b>

At the end of the current fiscal year, the City of Gulf Breeze had total bonded debt and outstanding loans of \$20,285,130. 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 2011 budget. New revenue sources continue to be an issue, due to declines in property values and previous State Constitution amendments resulting in reduced Ad Valorem revenues. The overall revenue forecast for the General Fund is \$5,342,855 a 2.9% decrease from fiscal 2010 revenues. In FY 2011, ad valorem taxes remained at 1.9 mills, unchanged from the prior year. Municipal Utility Service Taxes were unchanged as well. Debt Service expenses continue to be absorbed into the City's budget.

The General Fund is expected to generate \$392,000 in savings throughout the year. As those budgeted savings are realized the City Council will then determine which capital projects for infrastructure may be funded by the end of the fiscal year. Tentative capital expenditures include street repaving, replacement of fire equipment and information technology improvements.

The Proprietary Funds have planned \$189,000 in vehicle and equipment replacements and \$210,000 in infrastructure replacement as well as debt service for fiscal year 2011.

The Community Redevelopment Agency Fund is projected to use \$811,825 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](http://www.cityofgulfbreeze.com).

## **BASIC FINANCIAL STATEMENTS**

**City of Gulf Breeze, Florida**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Capital Trust Agency
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,203,816	\$ 2,636,782	\$ 7,840,598	\$ 1,143,164
Investments	403,025	7,925,092	8,328,117	-
Receivables, net	454,134	1,480,333	1,934,467	103,700
Investment in limited liability company	-	-	-	3,001
Internal balances	1,581,107	(1,581,107)	-	-
Due from other governments	45,306	16,233	61,539	-
Inventory, at cost	5,895	149,875	155,770	-
Restricted assets				
Cash and cash equivalents	255,965	1,784,063	2,040,028	1,006,194
Capital assets				
Non-depreciable	2,122,185	2,764,052	4,886,237	-
Depreciable	10,103,599	22,702,101	32,805,700	-
Other assets				
Bond issue costs, net	295,904	187,434	483,338	-
Investment in joint venture	-	1,325,005	1,325,005	-
Other	-	491,419	491,419	-
<b>TOTAL ASSETS</b>	<b><u>20,470,936</u></b>	<b><u>39,881,282</u></b>	<b><u>60,352,218</u></b>	<b><u>2,256,059</u></b>
<b>LIABILITIES</b>				
Accounts payable	265,363	274,808	540,171	15,223
Reservations fee payable	-	-	-	145,000
Accrued liabilities	162,542	65,947	228,489	-
Due to other governments	-	-	-	15,104
Payable from restricted assets				
Accrued interest	-	152,309	152,309	-
Customer deposits	-	714,089	714,089	-
Non-current liabilities				
Due within one year				
Compensated absences	203,156	135,000	338,156	-
Revenue bonds payable	162,800	577,200	740,000	-
Notes payable	-	388,708	388,708	-
Due in more than one year				
Deferred revenue	-	118,359	118,359	-
Compensated absences	29,850	20,695	50,545	-
State revolving loan payable	-	270,470	270,470	-
Revenue bonds payable	8,480,144	6,301,015	14,781,159	-
Notes payable	-	4,104,793	4,104,793	-
Other contractual obligations	158,413	-	158,413	-
<b>TOTAL LIABILITIES</b>	<b><u>9,462,268</u></b>	<b><u>13,123,393</u></b>	<b><u>22,585,661</u></b>	<b><u>175,327</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,460,655	13,788,131	15,248,786	-
Restricted for:				
Scholarships	-	-	-	1,006,194
Debt service	-	917,665	917,665	-
Public safety	656,392	-	656,392	-
Unrestricted	8,891,621	12,052,093	20,943,714	1,074,538
<b>TOTAL NET ASSETS</b>	<b><u>\$ 11,008,668</u></b>	<b><u>\$ 26,757,889</u></b>	<b><u>\$ 37,766,557</u></b>	<b><u>\$ 2,080,732</u></b>

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

**City of Gulf Breeze, Florida**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2010**

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	Capital Trust Agency
<b>Governmental Activities</b>								
General government	\$ 1,832,961	\$ 47,546	\$ 158,488	\$ -	\$ (1,626,927)	\$ -	\$ (1,626,927)	\$ -
Public safety	2,273,863	113,966	91,796	-	(2,068,101)	-	(2,068,101)	-
Transportation	317,802	-	-	-	(317,802)	-	(317,802)	-
Economic environment	423,014	-	-	-	(423,014)	-	(423,014)	-
Culture and recreation	1,195,503	230,571	875,267	-	(89,665)	-	(89,665)	-
Debt service interest	320,336	-	-	-	(320,336)	-	(320,336)	-
<b>Total governmental activities</b>	<b>6,363,479</b>	<b>392,083</b>	<b>1,125,551</b>	<b>-</b>	<b>(4,845,845)</b>	<b>-</b>	<b>(4,845,845)</b>	<b>-</b>
<b>Business-Type Activities</b>								
Water and sewer	1,610,416	1,764,738	-	11,856	-	166,178	166,178	-
Natural gas	1,329,058	2,077,968	-	-	-	748,910	748,910	-
South Santa Rosa Utility	4,531,148	4,474,554	-	83,315	-	26,721	26,721	-
Solid waste control	886,868	1,004,145	-	-	-	117,277	117,277	-
Stormwater management	236,013	190,992	-	-	-	(45,021)	(45,021)	-
Gulf Breeze Financial Services	228,246	870,766	-	-	-	642,520	642,520	-
<b>Total business-type activities</b>	<b>8,821,749</b>	<b>10,383,163</b>	<b>-</b>	<b>95,171</b>	<b>-</b>	<b>1,656,585</b>	<b>1,656,585</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 15,185,228</b>	<b>\$ 10,775,246</b>	<b>\$ 1,125,551</b>	<b>\$ 95,171</b>	<b>\$ (4,845,845)</b>	<b>\$ 1,656,585</b>	<b>\$ (3,189,260)</b>	<b>\$ -</b>
<b>Capital Trust Agency</b>	<b>\$ 1,367,761</b>	<b>\$ 2,674,596</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,306,835</b>
General revenues								
Taxes								
Property taxes					\$ 1,861,874	\$ -	\$ 1,861,874	\$ -
Tourist development taxes					13,527	-	13,527	-
Fuel taxes					168,122	-	168,122	-
Franchise taxes					364,912	-	364,912	-
Communication service taxes					297,279	-	297,279	-
Utility service taxes					319,616	-	319,616	-
Intergovernmental, unrestricted					510,832	-	510,832	-
Miscellaneous					1,139,891	8,654,173	9,794,064	-
Unrestricted investment earnings					21,304	26,021	47,325	12,633
Transfers					1,210,696	(1,210,696)	-	(475,000)
Total general revenues and transfers					5,908,053	7,469,498	13,377,551	(462,367)
Change in net assets					1,062,208	9,126,083	10,188,291	844,468
Net assets - beginning of year					9,946,460	17,631,806	27,578,266	1,236,264
Net assets - end of year					\$ 11,008,668	\$ 26,757,889	\$ 37,766,557	\$ 2,080,732

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**September 30, 2010**

	<u>General</u>	<u>Urban Core Redevelopment</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,522,746	\$ 1,487,138	\$ 193,932	\$ 5,203,816
Investments	403,025	-	-	403,025
Receivables	454,134	-	-	454,134
Due from other governments	45,306	-	-	45,306
Inventory, at cost	5,895	-	-	5,895
Due from other funds	1,927,880	-	-	1,927,880
Restricted assets				
Cash and cash equivalents	-	-	255,965	255,965
Total assets	<u>\$ 6,358,986</u>	<u>\$ 1,487,138</u>	<u>\$ 449,897</u>	<u>\$ 8,296,021</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 150,406	\$ 114,957	\$ -	\$ 265,363
Accrued liabilities	162,542	-	-	162,542
Due to other funds	-	346,773	-	346,773
Total liabilities	<u>312,948</u>	<u>461,730</u>	<u>-</u>	<u>774,678</u>
<b>FUND BALANCES</b>				
Reserved				
Encumbrances	149,517	-	-	149,517
Inventory	6,697	-	-	6,697
Public safety	-	-	255,965	255,965
Police trust	-	-	49,470	49,470
Unreserved				
Designated				
Community fund	437	-	-	437
Park subdivision	13,781	-	-	13,781
Self-insurance	250,000	-	-	250,000
Beautification	92,165	-	-	92,165
Disaster recovery	100,000	-	-	100,000
Police and fire department	15,993	-	-	15,993
Undesignated general fund	5,417,448	-	-	5,417,448
Undesignated special revenue	-	1,025,408	144,462	1,169,870
Total fund balances	<u>6,046,038</u>	<u>1,025,408</u>	<u>449,897</u>	<u>7,521,343</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,358,986</u>	<u>\$ 1,487,138</u>	<u>\$ 449,897</u>	<u>\$ 8,296,021</u>

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

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Fund balances - total governmental funds (page 19)	\$ 7,521,343
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental non-depreciable assets	2,122,185
Governmental depreciable assets	22,049,797
Less accumulated depreciation	<u>(11,946,198)</u>
	<u>12,225,784</u>
Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Bond issuance costs	330,824
Less current year amortization	<u>(34,920)</u>
	<u>295,904</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Revenue bonds payable	(8,685,600)
Discount on bond issuance	47,690
Less accumulated amortization	(5,034)
Compensated absences	(233,006)
Other contractual obligations	<u>(158,413)</u>
	<u>(9,034,363)</u>
Net assets of governmental activities (page 17)	<u>\$ 11,008,668</u>

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2010**

	<u>General</u>	<u>Urban Core Redevelopment</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 2,017,688	\$ 642,730	\$ -	\$ 2,660,418
Licenses and permits	412,458	-	-	412,458
Intergovernmental	1,512,485	47,248	-	1,559,733
Charges for services	254,973	-	-	254,973
Fines and forfeitures	97,904	-	3,700	101,604
Investment earnings	21,304	-	-	21,304
Miscellaneous	<u>1,187,701</u>	<u>-</u>	<u>14,504</u>	<u>1,202,205</u>
<b>TOTAL REVENUES</b>	<u>5,504,513</u>	<u>689,978</u>	<u>18,204</u>	<u>6,212,695</u>
<b>EXPENDITURES</b>				
Current				
General government	1,718,838	232,255	-	1,951,093
Public safety	2,061,215	-	12,899	2,074,114
Transportation	139,370	-	-	139,370
Economic environment	118,498	-	-	118,498
Culture and recreation	908,776	-	-	908,776
Capital outlay	762,044	437,230	-	1,199,274
Debt service				
Principal	158,400	-	-	158,400
Interest	<u>320,336</u>	<u>-</u>	<u>-</u>	<u>320,336</u>
<b>TOTAL EXPENDITURES</b>	<u>6,187,477</u>	<u>669,485</u>	<u>12,899</u>	<u>6,869,861</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(682,964)	20,493	5,305	(657,166)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	2,295	-	-	2,295
Transfers in	1,375,696	200,355	-	1,576,051
Transfers out	<u>(200,355)</u>	<u>(165,000)</u>	<u>-</u>	<u>(365,355)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,177,636</u>	<u>35,355</u>	<u>-</u>	<u>1,212,991</u>
<b>NET CHANGE IN FUND BALANCE</b>	494,672	55,848	5,305	555,825
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>5,551,366</u>	<u>969,560</u>	<u>444,592</u>	<u>6,965,518</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,046,038</u>	<u>\$ 1,025,408</u>	<u>\$ 449,897</u>	<u>\$ 7,521,343</u>

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2010**

Net change in fund balances - total governmental funds (page 21) \$ 555,825

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

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

Expenditures for capital assets	1,199,274	
Less current year depreciation	<u>(1,048,770)</u>	150,504

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

Debt principal payments	158,400	
Amortization of bond discount	(1,590)	
Amortization of bond issue costs	<u>(11,027)</u>	145,783

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 other contractual obligation	95,480	
Change in accrued interest on long-term debt	135,440	
Change in long-term compensated absences	<u>(20,824)</u>	<u>210,096</u>

Change in net assets of governmental activities (page 18) \$ 1,062,208

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 2,038,933	\$ 1,984,691	\$ 2,017,688	\$ 32,997
Licenses and permits	366,500	413,356	412,458	(898)
Intergovernmental	789,468	1,493,367	1,512,485	19,118
Charges for services	271,800	254,973	254,973	-
Fines and forfeitures	168,000	97,904	97,904	-
Investment earnings	50,000	21,304	21,304	-
Miscellaneous	<u>642,664</u>	<u>1,167,279</u>	<u>1,187,701</u>	<u>20,422</u>
<b>TOTAL REVENUES</b>	<u>4,327,365</u>	<u>5,432,874</u>	<u>5,504,513</u>	<u>71,639</u>
<b>EXPENDITURES</b>				
Current				
General government	1,174,776	1,717,575	1,718,838	(1,263)
Public safety	1,993,395	2,061,215	2,061,215	-
Transportation	128,030	136,620	139,370	(2,750)
Economic environment	125,893	118,498	118,498	-
Culture and recreation	878,402	822,256	908,776	(86,520)
Capital outlay	15,000	848,034	762,044	85,990
Debt service				
Principal	127,300	158,400	158,400	-
Interest	<u>340,200</u>	<u>320,336</u>	<u>320,336</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>4,782,996</u>	<u>6,182,934</u>	<u>6,187,477</u>	<u>(4,543)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(455,631)</u>	<u>(750,060)</u>	<u>(682,964)</u>	<u>67,096</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	2,295	2,295
Transfers in	1,225,629	1,375,991	1,375,696	(295)
Transfers out	<u>(182,900)</u>	<u>(200,355)</u>	<u>(200,355)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,042,729</u>	<u>1,175,636</u>	<u>1,177,636</u>	<u>2,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	587,098	425,576	494,672	69,096
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>(587,098)</u>	<u>(425,576)</u>	<u>5,551,366</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,046,038</u>	<u>\$ 69,096</u>

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - URBAN CORE REDEVELOPMENT**  
**SPECIAL REVENUE FUND**  
**Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 642,750	\$ 642,730	\$ 642,730	\$ -
Intergovernmental	-	-	47,248	(47,248)
TOTAL REVENUES	<u>642,750</u>	<u>642,730</u>	<u>689,978</u>	<u>(47,248)</u>
EXPENDITURES				
Current				
General government	111,100	298,206	232,255	65,951
Capital outlay	<u>567,005</u>	<u>437,230</u>	<u>437,230</u>	-
TOTAL EXPENDITURES	<u>678,105</u>	<u>735,436</u>	<u>669,485</u>	<u>65,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(35,355)</u>	<u>(92,706)</u>	<u>20,493</u>	<u>113,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,355	217,631	200,355	17,276
Transfers out	<u>(165,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,355</u>	<u>52,631</u>	<u>35,355</u>	<u>17,276</u>
NET CHANGES IN FUND BALANCE	-	(40,075)	55,848	130,475
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>40,075</u>	<u>969,560</u>	<u>969,560</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,408</u>	<u>\$ 1,100,035</u>

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Solid Waste Control</u>	<u>Gulf Breeze Financial Services</u>	<u>Nonmajor Proprietary Fund</u>	<u>Total</u>
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 710,666	\$ 380,989	\$ 6,101	\$ 3,366	\$ 1,526,316	\$ 9,344	\$ 2,636,782
Investments	-	-	62,224	-	7,862,868	-	7,925,092
Receivables	295,895	110,410	243,326	78,745	733,525	18,432	1,480,333
Due from other governments - component units	-	-	-	-	16,233	-	16,233
Inventory, at cost	-	85,543	64,332	-	-	-	149,875
Restricted assets							
Cash and cash equivalents	<u>229,360</u>	<u>203,738</u>	<u>1,341,195</u>	<u>9,770</u>	<u>-</u>	<u>-</u>	<u>1,784,063</u>
Total current assets	<u>1,235,921</u>	<u>780,680</u>	<u>1,717,178</u>	<u>91,881</u>	<u>10,138,942</u>	<u>27,776</u>	<u>13,992,378</u>
Noncurrent assets							
Capital assets, net							
Land	-	-	2,663,827	-	-	-	2,663,827
Construction in progress	-	100,225	-	-	-	-	100,225
Buildings	-	-	302,017	-	-	-	302,017
Improvements other than building	-	-	334,552	-	78,800	-	413,352
Infrastructure	2,107,121	807,732	17,223,099	-	-	1,006,577	21,144,529
Machinery and equipment	<u>80,670</u>	<u>12,477</u>	<u>690,054</u>	<u>35,836</u>	<u>17,822</u>	<u>5,344</u>	<u>842,203</u>
Total capital assets	<u>2,187,791</u>	<u>920,434</u>	<u>21,213,549</u>	<u>35,836</u>	<u>96,622</u>	<u>1,011,921</u>	<u>25,466,153</u>
Other assets							
Bond issue costs, net	-	-	187,434	-	-	-	187,434
Investment in joint venture	669,911	-	655,094	-	-	-	1,325,005
Other	<u>122,856</u>	<u>-</u>	<u>368,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491,419</u>
Total other assets	<u>792,767</u>	<u>-</u>	<u>1,211,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,003,858</u>
Total non-current assets	<u>2,980,558</u>	<u>920,434</u>	<u>22,424,640</u>	<u>35,836</u>	<u>96,622</u>	<u>1,011,921</u>	<u>27,470,011</u>
<b>TOTAL ASSETS</b>	<u>4,216,479</u>	<u>1,701,114</u>	<u>24,141,818</u>	<u>127,717</u>	<u>10,235,564</u>	<u>1,039,697</u>	<u>41,462,389</u>

Continued...

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Gulf Breeze Financial Services	Nonmajor Proprietary Fund	Total
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	99,802	31,038	80,364	59,000	4,604	-	274,808
Accrued liabilities	6,813	14,064	39,684	1,165	-	4,221	65,947
Compensated absences	5,841	36,764	92,395	-	-	-	135,000
Due to other funds	-	100,225	650,000	5,000	505,882	320,000	1,581,107
Payable from restricted assets							
Accrued interest	-	-	152,309	-	-	-	152,309
Customer deposits	156,652	203,738	343,929	9,770	-	-	714,089
Revenue bonds payable	22,200	-	555,000	-	-	-	577,200
Notes payable	8,374	31,749	348,585	-	-	-	388,708
Total current liabilities	<u>299,682</u>	<u>417,578</u>	<u>2,262,266</u>	<u>74,935</u>	<u>510,486</u>	<u>324,221</u>	<u>3,889,168</u>
Non-current liabilities							
Deferred revenue	118,359	-	-	-	-	-	118,359
Compensated absences	895	5,636	14,164	-	-	-	20,695
State revolving loan payable	-	-	270,470	-	-	-	270,470
Revenue bonds payable	1,162,200	-	5,138,815	-	-	-	6,301,015
Notes payable	-	-	4,104,793	-	-	-	4,104,793
Total non-current liabilities	<u>1,281,454</u>	<u>5,636</u>	<u>9,528,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,815,332</u>
<b>TOTAL LIABILITIES</b>	<u>1,581,136</u>	<u>423,214</u>	<u>11,790,508</u>	<u>74,935</u>	<u>510,486</u>	<u>324,221</u>	<u>14,704,500</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	995,017	888,685	10,795,886	-	96,622	1,011,921	13,788,131
Restricted							
Debt service	72,708	-	844,957	-	-	-	917,665
Unrestricted	<u>1,567,618</u>	<u>389,215</u>	<u>710,467</u>	<u>52,782</u>	<u>9,628,456</u>	<u>(296,445)</u>	<u>12,052,093</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,635,343</u>	<u>\$ 1,277,900</u>	<u>\$ 12,351,310</u>	<u>\$ 52,782</u>	<u>\$ 9,725,078</u>	<u>\$ 715,476</u>	<u>\$ 26,757,889</u>

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Year Ended September 30, 2010**

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Gulf Breeze Financial Services	Nonmajor Proprietary Fund	Total
<b>OPERATING REVENUES</b>							
Charges for services	<u>\$ 1,764,738</u>	<u>\$ 2,077,968</u>	<u>\$ 4,474,554</u>	<u>\$ 1,004,577</u>	<u>\$ 870,766</u>	<u>\$ 190,992</u>	<u>\$ 10,383,595</u>
<b>OPERATING EXPENSES</b>							
Personal services	345,058	474,532	1,175,857	96,270	119,922	109,675	2,321,314
Contractual services	723,330	645,716	561,466	779,808	1,786	947	2,713,053
Supplies	96,719	51,882	233,913	1,787	-	2,046	386,347
Professional services	18,104	1,486	40,685	-	52,278	-	112,553
Repairs and maintenance	77,504	10,852	147,202	9,003	-	5,002	249,563
Office and utilities	57,914	59,053	368,638	-	44,598	3,034	533,237
Depreciation and amortization	<u>209,612</u>	<u>83,561</u>	<u>1,516,669</u>	<u>432</u>	<u>9,662</u>	<u>84,830</u>	<u>1,904,766</u>
Total operating expenses	<u>1,528,241</u>	<u>1,327,082</u>	<u>4,044,430</u>	<u>887,300</u>	<u>228,246</u>	<u>205,534</u>	<u>8,220,833</u>
OPERATING INCOME (LOSS)	<u>236,497</u>	<u>750,886</u>	<u>430,124</u>	<u>117,277</u>	<u>642,520</u>	<u>(14,542)</u>	<u>2,162,762</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Bond termination revenue	-	-	-	-	8,606,320	-	8,606,320
Interest earnings	6,918	-	1,438	-	17,665	-	26,021
Rents and royalties	-	-	43,128	-	-	-	43,128
Interest expense	(82,175)	(1,978)	(335,766)	-	-	(30,479)	(450,398)
Other debt services costs	-	-	(150,952)	-	-	-	(150,952)
Income (loss) from joint venture	(9,995)	-	(9,995)	-	-	-	(19,990)
Miscellaneous	<u>7,955</u>	<u>5,860</u>	<u>10,645</u>	<u>-</u>	<u>-</u>	<u>257</u>	<u>24,717</u>
Total non-operating revenues (expenses)	<u>(77,297)</u>	<u>3,882</u>	<u>(441,502)</u>	<u>-</u>	<u>8,623,985</u>	<u>(30,222)</u>	<u>8,078,846</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>159,200</u>	<u>754,768</u>	<u>(11,378)</u>	<u>117,277</u>	<u>9,266,505</u>	<u>(44,764)</u>	<u>10,241,608</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>							
Transfers in	-	-	253,764	-	-	-	253,764
Transfers out	(464,673)	(165,879)	(246,722)	(68,529)	(475,153)	(43,504)	(1,464,460)
Developer capital contributions	<u>11,856</u>	<u>-</u>	<u>83,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,171</u>
Total transfers and capital contributions	<u>(452,817)</u>	<u>(165,879)</u>	<u>90,357</u>	<u>(68,529)</u>	<u>(475,153)</u>	<u>(43,504)</u>	<u>(1,115,525)</u>
<b>CHANGE IN NET ASSETS</b>	(293,617)	588,889	78,979	48,748	8,791,352	(88,268)	9,126,083
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,928,960</u>	<u>689,011</u>	<u>12,272,331</u>	<u>4,034</u>	<u>933,726</u>	<u>803,744</u>	<u>17,631,806</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,635,343</u>	<u>\$ 1,277,900</u>	<u>\$ 12,351,310</u>	<u>\$ 52,782</u>	<u>\$ 9,725,078</u>	<u>\$ 715,476</u>	<u>\$ 26,757,889</u>

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2010**

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Gulf Breeze Financial Services	Nonmajor Proprietary Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 1,846,011	\$ 2,158,327	\$ 4,649,510	\$ 1,027,249	\$ 863,311	\$ 196,183	\$ 10,740,591
Payments to component units	-	-	-	-	(10,760)	-	(10,760)
Payments to suppliers	(958,877)	(934,898)	(1,594,220)	(785,986)	(88,873)	(11,175)	(4,374,029)
Payments to employees	(342,626)	(477,178)	(1,176,234)	(95,613)	(119,922)	(108,704)	(2,320,277)
Net cash provided (used) by operating activities	<u>544,508</u>	<u>746,251</u>	<u>1,879,056</u>	<u>145,650</u>	<u>643,756</u>	<u>76,304</u>	<u>4,035,525</u>
<b>Borrowings (repayments) between funds</b>							
Borrowings (repayments) between funds	-	(34,775)	(600,000)	(45,000)	-	(1,000)	(680,775)
Transfers in	-	-	253,764	-	-	-	253,764
Transfers out	(464,673)	(165,879)	(246,722)	(68,529)	(475,153)	(43,504)	(1,464,460)
Net cash provided (used) by non-capital financing activities	<u>(464,673)</u>	<u>(200,654)</u>	<u>(592,958)</u>	<u>(113,529)</u>	<u>(475,153)</u>	<u>(44,504)</u>	<u>(1,891,471)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(82,845)	(100,225)	(271,376)	(36,267)	(11,745)	-	(502,458)
Principal paid on bonds payable	(21,600)	-	(540,000)	-	-	-	(561,600)
Proceeds from state revolving loan	-	-	270,470	-	-	-	270,470
Principal paid on notes payable and capital lease payable	(15,323)	(61,292)	(255,342)	-	-	-	(331,957)
Interest paid on long-term debt	(82,175)	(1,978)	(496,169)	-	-	(30,479)	(610,801)
Other debt service costs paid on bonds and notes payable	-	-	(124,726)	-	-	-	(124,726)
Tap fees	11,856	-	83,315	-	-	-	95,171
Net cash provided (used) by capital and related financing activities	<u>(190,087)</u>	<u>(163,495)</u>	<u>(1,333,828)</u>	<u>(36,267)</u>	<u>(11,745)</u>	<u>(30,479)</u>	<u>(1,765,901)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of investments	-	-	-	-	(7,866,796)	-	(7,866,796)
Proceeds from sale of investments	-	-	-	-	150,000	-	150,000
Rents and royalties	-	-	43,128	-	-	-	43,128
Proceeds from bond termination	-	-	-	-	7,872,795	-	7,872,795
Interest income	6,918	-	1,440	-	17,665	-	26,023
Net cash provided (used) by investing activities	<u>6,918</u>	<u>-</u>	<u>44,568</u>	<u>-</u>	<u>173,664</u>	<u>-</u>	<u>225,150</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	(103,334)	382,102	(3,162)	(4,146)	330,522	1,321	603,303
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>							
	<u>1,043,360</u>	<u>202,625</u>	<u>1,350,458</u>	<u>17,282</u>	<u>1,195,794</u>	<u>8,023</u>	<u>3,817,542</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>							
	<u>\$ 940,026</u>	<u>\$ 584,727</u>	<u>\$ 1,347,296</u>	<u>\$ 13,136</u>	<u>\$ 1,526,316</u>	<u>\$ 9,344</u>	<u>\$ 4,420,845</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>							
Current assets	\$ 710,666	\$ 380,989	\$ 6,101	\$ 3,366	\$ 1,526,316	\$ 9,344	\$ 2,636,782
Restricted assets	229,360	203,738	1,341,195	9,770	-	-	1,784,063
	<u>\$ 940,026</u>	<u>\$ 584,727</u>	<u>\$ 1,347,296</u>	<u>\$ 13,136</u>	<u>\$ 1,526,316</u>	<u>\$ 9,344</u>	<u>\$ 4,420,845</u>

Continued...

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2010**

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Solid Waste Control</u>	<u>Gulf Breeze Financial Services</u>	<u>Nonmajor Proprietary Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ 236,497	\$ 750,886	\$ 430,124	\$ 117,277	\$ 642,520	\$ (14,542)	\$ 2,162,762
Adjustments to reconcile operating income (loss) to net cash provided by operating activities							
Depreciation and amortization	209,612	83,561	1,516,669	432	9,662	84,830	1,904,766
Miscellaneous income	7,955	5,860	10,645	-	(3,905)	257	20,812
(Increase) decrease in assets							
Receivables	72,031	54,837	155,567	22,872	10,367	4,934	320,608
Inventory, at cost	16,814	(35,948)	31,911	-	-	-	12,777
Due from other component units	-	-	-	-	(7,463)	-	(7,463)
Increase (decrease) in liabilities							
Accounts payable	(2,119)	(129,961)	(264,784)	5,044	1,549	(146)	(390,417)
Accrued interest	-	-	(9,450)	-	-	-	(9,450)
Accrued liabilities	1,362	10,777	3,566	225	-	971	16,901
Deferred revenue	(2,168)	-	-	-	-	-	(2,168)
Due to primary government	-	-	-	-	(3,345)	-	(3,345)
Due to other governments	-	-	-	-	(5,629)	-	(5,629)
Customer deposits	3,455	8,885	8,750	(200)	-	-	20,890
Compensated absences payable	<u>1,069</u>	<u>(2,646)</u>	<u>(3,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,519)</u>
Net cash provided (used) by operating activities	<u>\$ 544,508</u>	<u>\$ 746,251</u>	<u>\$ 1,879,056</u>	<u>\$ 145,650</u>	<u>\$ 643,756</u>	<u>\$ 76,304</u>	<u>\$ 4,035,525</u>

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

**City of Gulf Breeze, Florida**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2010**

	Police Officers' Retirement Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,977
Investment in mutual funds, at market	1,986,213
<b>TOTAL ASSETS</b>	<b>1,994,190</b>
<b>NET ASSETS</b>	
Held in trust for pension benefits and other purposes	<b>\$ 1,994,190</b>

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

**City of Gulf Breeze, Florida**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended September 30, 2010**

	Police Officers' Retirement Fund
ADDITIONS	
Contributions	
Employer	\$ 93,148
Plan members	5,750
State of Florida	57,242
Investment income, net	154,822
Total additions	310,962
DEDUCTIONS	
Administrative expenses	2,465
NET INCREASE	308,497
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	1,685,693
END OF YEAR	\$ 1,994,190

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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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. The Reporting Entity**

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Gulf Breeze (the primary government) and its component units. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. Management utilized criteria set forth in GASB Number 14 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB Number 14, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. The Reporting Entity (Continued)

As of September 30, 2010, the City of Gulf Breeze had three component units, as defined by GASB 14, 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.

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

Gulf Breeze Financial Services, Inc. (GBFS) was incorporated as of March 6, 1997. The members of the City Council, including the Mayor, serve as directors of the Corporation. The Corporation was formed exclusively for the purposes of assisting the City of Gulf Breeze in administration, operation, marketing, organizing, and servicing of various financing programs such as the Gulf Breeze Local Government Loan Program through which the City is either a participant or a sponsor of such financing programs, usually involving the issuance of bonds. Gulf Breeze Financial Services, Inc. is being reported as an enterprise fund. GBFS issues separate financial statements which may be obtained by writing to Gulf Breeze Financial Services, Inc., 315 Fairpoint Dr, 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 \$475,000 in miscellaneous revenues during the fiscal year ending September 30, 2010. CTA is reported as a discretely presented enterprise fund. CTA issues separate financial statements which may be obtained by writing to Capital Trust Agency, Inc., 315 Fairpoint Dr, Gulf Breeze, FL 32561 or calling (850) 934-4046.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. The Reporting Entity (Continued)

Conduit Debt

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

- \$302,335,000 Floating Rate Demand Revenue Bonds, Series 1985 \$302,335,000 outstanding (City collects an administrative fee).
- Variable Rate Demand Revenue Bonds, Series 1995A, \$0 outstanding, (originally \$100,000,000 issued) this program was closed during 2010, see note 10 for further information.
- Variable Rate Demand Revenue Bonds, Series 1997A, \$0 outstanding, (originally \$81,500,000 issued) this program was closed during 2010, see note 10 for further information.
- \$90,055,000 4.5% Revenue Bonds, Series 1997B, \$90,055,000 outstanding.
- \$20,500,000 Variable Rate Demand Revenue Bonds, Series 1999 \$20,500,000 outstanding.
- \$18,190,000 Variable Rate Demand Revenue Bonds, Series 2010A \$18,190,000 outstanding.
- \$12,255,000 Variable Rate Demand Revenue Bonds, Series 2010B \$12,255,000 outstanding.

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Some centralized expenses, to include an administrative overhead component, are included in fund direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**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).

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**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, 2010
Levy Date	November 1, 2010
Due Date	November 1, 2010
Delinquent Date	April 1, 2011

Discounts of 1% for each month taxes are paid prior to March 2011 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 2010 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance.

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.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Basis of Presentation (Continued)

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

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

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 assets, financial position, and cash flows. All of the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the major proprietary funds of the City.

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Basis of Presentation (Continued)

**Proprietary (Continued)**

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.

Solid Waste Control Fund - Used to account for activities associated with managing the City's solid waste.

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.

**Fiduciary**

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

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.

E. Assets, Liabilities, and Net Assets or Equity

**Cash and Cash Equivalents**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Deposits and Investments**

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Deposits and Investments** (Continued)

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

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

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

**Receivables and Payables**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Receivables and Payables (Continued)**

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

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

**Inventory**

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

**Restricted Assets**

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

**Capital Assets**

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

Land		All
Buildings and improvement	\$	10,000
Infrastructure	\$	10,000
Improvements - other	\$	10,000
Equipment, vehicles, and computers	\$	1,000

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Capital Assets (Continued)**

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

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

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

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

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

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

**Compensated Absences**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Long-Term Obligations**

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

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The difference between the re-acquisition price (new debt) and the net carrying value of the old debt creates a deferred gain or loss from advance refunding of debt. This difference is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred account is offset against the new liability.

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

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

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.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2010, and March 9, 2011, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgets

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

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

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

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

A. Budgets (Continued)

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

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 reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

The City of Gulf Breeze does not have a formally adopted policy to address various deposit and investment risks to include custodial credit risk, concentration risk, and interest rate risk.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits**

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

The City's deposits, including certificates of deposits, at September 30, 2010, were entirely covered by Federal depository insurance or the collateral pool described above.

**Investments**

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

The City invests in the Local Government Surplus Funds Trust Fund Investment Pool (LGSFTF), administered by the Florida State Board of Administration and the Florida Municipal Investment Trust (FMIT) for certain proprietary funds and for the Police Pension Fund Florida Municipal Pension Trust Fund (FMPTF). Both the FMIT and FMPTF are administered by the Florida League of Cities. In accordance with the regulations of "2a-7-like" pools, the method used to determine the participants' shares sold and redeemed is the amortized cost method. As of September 30, 2010, the LGSFTF portfolio's weighted average days to maturity was 52. The LGSFTF was rated AAAsf/S1 by Standard and Poors.

As of September 30, 2010, the propriety funds were invested in the FMIT's 1-3 Year High Quality Bond Fund. The Fitch credit risk rating for this investment is AAA/V2 and the interest rate risk using the weighted average maturity (WAM) was 1.50 with an effective duration of 1.50.

As of September 30, 2010, the FMPTF funds were invested in the FMIT's 1-3 Year High Quality Bond Fund. The Fitch credit risk rating for this investment is AAA/V2 and the interest rate risk using the WAM was 1.50 with an effective duration of 1.50.

At September 30, 2010, the City's LGSFTF and FMIT balances, including all component units, were \$12,398 and \$62,224 respectively.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

***Investments (Continued)***

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

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2010, were as follows:

	Governmental Activities	Business-Type Activities						Total Primary Government
	General	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Gulf Breeze Financial Services	Non-Major Proprietary Fund	
Accounts	\$ 36,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,682
Utilities	11,723	295,540	107,073	241,355	78,745	-	18,432	752,868
Other	405,729	355	3,337	1,971	-	733,525	-	1,144,917
<b>Total</b>	<b>\$ 454,134</b>	<b>\$ 295,895</b>	<b>\$ 110,410</b>	<b>\$ 243,326</b>	<b>\$ 78,745</b>	<b>\$ 733,525</b>	<b>\$ 18,432</b>	<b>\$ 1,934,467</b>

In September 2010, GBFS assumed the remaining balance of a loan due from the Okaloosa County Gas District (the District), originally funded out of the 1997A bond pool program. The debt originated from the issuance of conduit debt, a capital funding revenue bond, to the District in 1997 (see Note 10 for further information on the conduit debt and subsequent termination of the debt in 2010). The amount of the debt being serviced by GBFS on behalf of the District was \$733,525, and is presented as a note receivable on the accompanying statement of net assets. The note accrues interest at a variable rate based on the weekly swap index from the Securities Industry and Financial Markets Association (SIFMA), requires monthly payments of principal and interest, and matures in September 2011. The balance of the note at September 30, 2010, was \$733,525.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010, was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,187,339	\$ 216,570	\$ -	\$ 1,403,909
Construction in progress	<u>236,706</u>	<u>481,570</u>	<u>-</u>	<u>718,276</u>
Total capital assets not being depreciated	<u>1,424,045</u>	<u>698,140</u>	<u>-</u>	<u>2,122,185</u>
Capital assets being depreciated				
Buildings	4,232,810	-	-	4,232,810
Improvements other than buildings	12,803,618	136,141	-	12,939,759
Infrastructure	119,992	60,785	-	180,777
Machinery and equipment	<u>4,392,243</u>	<u>304,208</u>	<u>-</u>	<u>4,696,451</u>
Total capital assets being depreciated	<u>21,548,663</u>	<u>501,134</u>	<u>-</u>	<u>22,049,797</u>
Less accumulated depreciation				
Buildings	(1,251,864)	(108,862)	-	(1,360,726)
Improvements other than buildings	(5,876,770)	(714,392)	-	(6,591,162)
Infrastructure	(62,267)	(9,700)	-	(71,967)
Machinery and equipment	<u>(3,706,527)</u>	<u>(215,816)</u>	<u>-</u>	<u>(3,922,343)</u>
Total accumulated depreciation	<u>(10,897,428)</u>	<u>(1,048,770)</u>	<u>-</u>	<u>(11,946,198)</u>
Total capital assets being depreciated, net	<u>10,651,235</u>	<u>(547,636)</u>	<u>-</u>	<u>10,103,599</u>
<b>Governmental activities, net</b>	<u>\$ 12,075,280</u>	<u>\$ 150,504</u>	<u>\$ -</u>	<u>\$ 12,225,784</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 2,663,827	\$ -	\$ -	\$ 2,663,827
Construction in progress	<u>54,081</u>	<u>100,225</u>	<u>(54,081)</u>	<u>100,225</u>
Total capital assets not being depreciated	<u>2,717,908</u>	<u>100,225</u>	<u>(54,081)</u>	<u>2,764,052</u>
Capital assets being depreciated				
Buildings	414,021	-	-	414,021
Improvements other than buildings	339,447	124,214	54,081	517,742
Infrastructure	42,084,470	84,218	-	42,168,688
Machinery and equipment	<u>3,442,089</u>	<u>85,640</u>	<u>-</u>	<u>3,527,729</u>
Total capital assets being depreciated	<u>46,280,027</u>	<u>294,072</u>	<u>54,081</u>	<u>46,628,180</u>
Less accumulated depreciation				
Buildings	(95,124)	(16,880)	-	(112,004)
Improvements other than buildings	(86,658)	(17,734)	-	(104,392)
Infrastructure	(19,403,965)	(1,620,154)	-	(21,024,119)
Machinery and equipment	<u>(2,435,566)</u>	<u>(249,998)</u>	<u>-</u>	<u>(2,685,564)</u>
Total accumulated depreciation	<u>(22,021,313)</u>	<u>(1,904,766)</u>	<u>-</u>	<u>(23,926,079)</u>
Total capital assets being depreciated, net	<u>24,258,714</u>	<u>(1,610,694)</u>	<u>54,081</u>	<u>22,702,101</u>
<b>Business-type activities, net</b>	<u>\$ 26,976,622</u>	<u>\$ (1,510,469)</u>	<u>\$ -</u>	<u>\$ 25,466,153</u>

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities</b>	
General government	\$ 79,347
Public safety	199,748
Transportation	178,432
Economic environment	304,516
Culture and recreation	286,727
Total depreciation expense - governmental activities	<u>\$ 1,048,770</u>
<b>Business-Type Activities</b>	
Water and sewer	\$ 209,612
Natural gas	83,561
South Santa Rosa Utility	1,516,669
Stormwater management	84,830
Gulf Breeze Financial Services	9,662
Other proprietary funds	432
Total depreciation expense - business-type activities	<u>\$ 1,904,766</u>

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

***Florida Retirement System - General Employees***

**A. Plan Description**

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**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 Chapters 121, 122, and 123 and may only be amended by legislative action. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, 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 do not contribute to the plan. All required contributions are made by monthly employer contributions at actuarially determined rates, which are currently 9.66% for general employees and 22.14% for special risk employees. The City's contributions to the plan for the years ended September 30, 2010, 2009, and 2008, listed below were equal to the required contributions for the year.

	Years Ended September 30,		
	2010	2009	2008
General employees	\$ 43,421	\$ 50,946	\$ 49,303
Special risk employees	63,079	60,450	77,396
Total contributions	\$ 106,500	\$ 111,396	\$ 126,699

***Florida League of Cities - Police Officers***

**A. Plan Description**

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

**B. Contributions, Funding Policy, and Annual Pension Costs**

Contribution requirements of the plan are established in the actuarial cost study, which must comply with Article X, Section 14 of the State Constitution and with Part IV, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active plan members are required to contribute 1% to the plan. All required employer contributions are made monthly at actuarially determined rates. The current actuarially determined contribution rate expressed as a percentage of covered payroll for special risk employees is 36.22%.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

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, 2010, 2009, and 2008, listed below were equal to the required contributions for the year.

	Years Ended September 30,		
	2010	2009	2008
City Police Pension Plan contributions	\$ 93,148	\$ 93,419	\$ 92,500

The City's annual pension cost for the current year and related plan information is as follows:

	Police Officer Retirement Fund
Contribution rates (percentage of covered payroll)	
City	36.2 %
Plan members	1.0 %
Annual pension cost	\$ 168,672
Contributions made	
Plan members	\$ 5,750
Employer	\$ 93,148
State of Florida	\$ 57,242
Net pension obligation (asset)	\$ -
Actuarial valuation date	10/1/2010
Actuarial cost method (1)	Aggregate
Amortization method	Level dollar, open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions	
Invested rate of return	7.5 %
Projected salary increases*	5.31 %
*Includes inflation at	3.8 %
Cost of living adjustments	3% (starting at age 58)

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

(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:

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)
10/1/2010	\$ 1,821,794	\$ 2,445,151	\$ 623,357	75	\$ 514,615	121

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

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

	Year Ending	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation (Asset)
FMPT	9/30/2010	\$ 168,672	100 %	\$ -
	9/30/2009	\$ 159,513	100 %	\$ -
	9/29/2008	\$ 150,589	100 %	\$ -

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

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

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

Membership in the plan consisted of the following at September 30, 2010:

Retirees and beneficiaries receiving benefits	0
Active plan members	13
Total	13

**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. Florida Statute 185 provides the authority under which benefit provisions are established. These provisions may only be amended by legislative action. Eligible employees must have completed one year of service before the City begins making contributions on their behalf. The City is required to make contributions equal to 8% of compensation for each eligible employee. Employees are not allowed to contribute to the plan. Contribution requirements are established and may be amended by City Council action.

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)**

The City's contributions to the plan for the years ended September 30, 2010, September 30, 2009, and September 30, 2008, listed below were equal to the required contributions for the year.

	Years Ended September 30,		
	2010	2009	2008
General employees	\$ 131,836	\$ 122,968	\$ 101,780

**NOTE 8 - DEFERRED COMPENSATION PLAN**

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

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

Assets of the plan had a fair value of \$832,493 at September 30, 2010. Contributions made by plan members during the year ended September 30, 2010, were \$46,613.

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 10 - BOND TERMINATION REVENUE**

During the year ended September 30, 2010, the City terminated the 1995 and 1997A bond pool programs due to payoffs by the borrowers and program expiration. These programs were developed for the express purpose of providing capital financing to two governmental entities. In connection with the conduit debt transactions, the City entered into a swap agreement in 1997 to fix the interest rate on the 1995 and 1997A bond pools. As a result of the termination of both bond pools, the related swap agreement also terminated, resulting in the return of the fair market value of the swap contract as of the date of termination, in addition to additional unused bond pool proceeds. GBFS recognized bond termination revenue totaling \$8,606,320 for the year ended September 30, 2010, which was the net amount after termination expenses paid by the trustee. Of the total amount recognized, \$733,525 is in the form of a note receivable from Okaloosa County Gas District (see Note 4 for further information on this note receivable).

**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 worker's compensation and for its dental and vision employee reimbursement program during the year ending September 30, 2010. These activities are recorded in the General Fund. Changes in the estimated liability for self-insured losses for the past two years are as follows:

	2010	2009
Unpaid claims, beginning	\$ -	\$ -
Claims incurred and changes in estimates	62,043	37,180
Less: claims paid	(62,043)	(37,180)
Unpaid claims, ending	\$ -	\$ -

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 12 - OPERATING LEASES**

The City receives rental income from leasing space on water towers under cancelable operating agreements with lease periods from four to five years, with the final year being 2012. Income for the year ended September 30, 2010, was \$52,248 in the General Fund and \$43,128 in the South Santa Rosa Utility Fund. Capital assets associated with these leases are recorded at a historical cost of \$2,558,157 with accumulated depreciation of \$2,424,094, resulting in a net historical cost of \$134,063 at September 30, 2010.

Lease income under these cancelable agreements is as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities South Santa Rosa Utility
2011	\$ 52,248	\$ 44,928
2012	50,498	31,464
Total future lease income	<u>\$ 102,746</u>	<u>\$ 76,392</u>

**NOTE 13 - LONG-TERM DEBT AND OTHER LIABILITIES**

**Changes in Long-Term Debt and Other Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Revenue Improvement Bonds, Series 2007	\$ 8,844,000	\$ -	\$ (158,400)	\$ 8,685,600	\$ 162,800
Less deferred amounts					
For issuance discount	(44,246)	1,590	-	(42,656)	-
Compensated absences	212,182	173,455	(152,631)	233,006	203,156
Other contractual obligations	<u>253,893</u>	<u>-</u>	<u>(95,480)</u>	<u>158,413</u>	<u>-</u>
Total governmental activities, long term debt and other liabilities	<u>\$ 9,265,829</u>	<u>\$ 175,045</u>	<u>\$ (406,511)</u>	<u>\$ 9,034,363</u>	<u>\$ 365,956</u>

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 13 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)**

***Changes in Long-Term Debt and Other Liabilities (Continued)***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
SSRUS Refunding Revenue Bonds, Series 2004	\$ 7,545,000	\$ -	\$ (540,000)	\$ 7,005,000	\$ 555,000
Less deferred amounts					
For issuance premium	262,210	-	(23,839)	238,371	-
For loss on refunding	(1,704,514)	-	154,958	(1,549,556)	-
Revenue Improvement Bonds, Series 2007	1,206,000	-	(21,600)	1,184,400	22,200
SSRU Refunding Revenue Note, 2009A	709,598	-	(467,168)	242,430	242,431
SSRU Refunding Revenue Note, 2009B	4,390,010	-	(138,939)	4,251,071	146,277
State revolving loan	-	270,470	-	270,470	-
Capital leases payable	116,403	-	(116,403)	-	-
Compensated absences	<u>161,214</u>	<u>150,530</u>	<u>(156,049)</u>	<u>155,695</u>	<u>135,000</u>
Total business-type activities, long term debt and other liabilities	<u>\$12,685,921</u>	<u>\$ 421,000</u>	<u>\$(1,309,040)</u>	<u>\$11,797,881</u>	<u>\$1,100,908</u>

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

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b><i>Revenue Bonds</i></b>			
\$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.	\$ 162,800	\$ 8,522,800	\$ 8,685,600
Less unamortized bond discount	-	(42,656)	(42,656)
<b><i>Total Bonds</i></b>	<u>162,800</u>	<u>8,480,144</u>	<u>8,642,944</u>
<b><i>Accrued Compensated Absence</i></b>			
Total accumulated, vested annual and sick leave for governmental fund types.	203,156	29,850	233,006
<b><i>Other Contractual Obligations</i></b>			
Amounts payable under a long-term contract with a third-party for collections of traffic related fines. Payable four years after the services have been performed. Secured by cash placed in an escrow account.	-	158,413	158,413
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 365,956</u>	<u>\$ 8,668,407</u>	<u>\$ 9,034,363</u>

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 13 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)**

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

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b><i>Revenue Bonds</i></b>			
\$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.	\$ 555,000	\$ 6,450,000	\$ 7,005,000
Add unamortized bond premium	-	238,371	238,371
Less unamortized bond discount	<u>-</u>	<u>(1,549,556)</u>	<u>(1,549,556)</u>
	555,000	5,138,815	5,693,815
 \$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.	 <u>22,200</u>	 <u>1,162,200</u>	 <u>1,184,400</u>
<b><i>Total bonds</i></b>	<u>577,200</u>	<u>6,301,015</u>	<u>6,878,215</u>
 <b><i>Notes Payable</i></b>			
\$859,467, Santa Rosa Utility System Refunding Revenue Note, Series 2009A, due in monthly installments ranging from \$37,576 to \$40,333 through 2011; effective rate of interest as of September 30, 2010, was 4.70%. Non-ad valorem revenues are pledged for payment. Proceeds used for the payment of the 1996 variable rate loan from the 1995A Gulf Breeze Local Government Loan Program.	242,430	-	242,430
 \$4,434,755, Santa Rosa Utility System Refunding Revenue Note, Series 2009B, due in monthly installments ranging from \$11,186 to six final payments of \$414,146 each through through 2020; effective rate of interest as of September 30, 2010, was 4.70%. Non-ad valorem revenues are pledged for payment. Proceeds used for the payment of the 1996 variable rate loan from the 1995A Gulf Breeze Local Government Loan Program.	 <u>146,277</u>	 <u>4,104,794</u>	 <u>4,251,071</u>
<b><i>Total notes payable</i></b>	<u>388,707</u>	<u>4,104,794</u>	<u>4,493,501</u>

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 13 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)**

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

	Current	Long-Term	Total
<b>BUSINESS-TYPE ACTIVITIES (CONTINUED)</b>			
<b><i>State Revolving Loan</i></b>			
State revolving loan payable \$270,470 drawn of \$1,352,350 available, due in semi-annual payments of \$48,311, beginning March 15, 2013, bearing an interest rate of 1.525%.	-	270,470	270,470
<b><i>Accrued Compensated Absences</i></b>			
Accumulated, vested annual accrued compensation for enterprise funds.	135,000	20,695	155,695
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 1,100,907</b>	<b>\$ 10,696,974</b>	<b>\$ 11,797,881</b>
<b>GRAND TOTAL LONG-TERM DEBT AND OTHER ACCRUED LIABILITIES</b>			<b>\$ 20,832,244</b>

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except compensated absences and other contractual obligations as of September 30, 2010, are as follows:

**Governmental Activities**

Year Ending September 30	Revenue Bonds	
	Principal	Interest
2011	\$ 162,800	\$ 396,729
2012	171,600	390,041
2013	176,000	383,089
2014	184,800	375,873
2015	193,600	368,305
2016-2020	1,086,800	1,714,066
2021-2025	1,342,000	1,451,584
2026-2030	1,685,200	1,102,731
2031-2035	2,138,400	635,432
2036-2040	1,544,400	99,380
Total	<b>\$ 8,685,600</b>	<b>\$ 6,917,230</b>

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 13 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)**

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

**Business-Type Activities**

Year Ending September 30	2004 Revenue Improvement Bond		2007 Revenue Improvement Bond		2009A and 2009B Revenue Notes		State Revolving Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 555,000	\$ 294,905	\$ 22,200	\$ 54,099	\$ 388,708	\$ 146,466	\$ -	\$ -
2012	580,000	276,202	23,400	53,188	154,006	139,202	-	-
2013	595,000	257,544	24,000	52,239	162,146	133,761	84,521	12,102
2014	620,000	235,475	25,200	52,255	170,718	128,033	94,136	2,486
2015	645,000	211,788	26,400	50,233	179,747	122,002	91,813	1,041
2016-2020	3,690,000	560,500	148,200	233,736	3,024,030	496,421	-	-
2021-2025	320,000	197,943	183,000	197,943	414,146	-	-	-
2026-2030	-	-	229,800	150,372	-	-	-	-
2031-2035	-	-	291,600	86,650	-	-	-	-
2036-2040	-	-	210,600	13,552	-	-	-	-
Total	<u>\$7,005,000</u>	<u>\$2,034,357</u>	<u>\$1,184,400</u>	<u>\$ 944,267</u>	<u>\$4,493,501</u>	<u>\$1,165,885</u>	<u>\$ 270,470</u>	<u>\$ 15,629</u>

**Compensated Absences**

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

**NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances at September 30, 2010, is as follows:

**Due To/From Other Funds**

Receivable Fund	Payable Fund	Amount
General	Natural Gas	\$ 100,225
General	South Santa Rosa Utility	650,000
General	Solid Waste Control	5,000
General	Gulf Breeze Financial Services	505,882
General	Nonmajor Proprietary Funds	320,000
		<u>\$ 1,581,107</u>

The General Fund receivable for South Santa Rosa Utility Fund, Natural Gas Fund and Solid Waste Control Fund is for cash flow assistance. Cash flow assistance is typically required on a temporary or seasonal basis, or while grant or other funding resource applications are pending, and therefore is not considered as long term.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

*Interfund Transfers*

<b>Transfers Out</b>	<b>Transfers In</b>			<b>Total</b>
	<b>General Fund</b>	<b>Urban Core Redevelopment</b>	<b>South Santa Rosa Utility</b>	
General	\$ -	\$ 200,355	\$ -	\$ 200,355
Urban Core Redevelopment	165,000	-	-	165,000
Water and Sewer	242,772	-	221,901	464,673
Natural Gas	144,846	-	21,033	165,879
South Santa Rosa Utility	246,722	-	-	246,722
Solid Waste	68,529	-	-	68,529
Gulf Breeze Financial Services	475,153	-	-	475,153
Non-Major Proprietary Funds	32,674	-	10,830	43,504
<b>Totals</b>	<b><u>\$ 1,375,696</u></b>	<b><u>\$ 200,355</u></b>	<b><u>\$ 253,764</u></b>	<b><u>\$ 1,829,815</u></b>

The interfund transfers to the General Fund reflect annually budgeted amounts of return of equity to the General Fund. 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**

The City of Gulf Breeze, Florida, Holley-Navarre Water System, Inc., and Mid-Way Water System, Inc. agreed to work together and pursue collective solutions to future water supply needs to residents of Santa Rosa County and the surrounding areas. The resulting organization is the Fairpoint Regional Utility System (FRUS). The City of Gulf Breeze, Florida, Holley-Navarre Water System, Inc., and Mid-Way Water System, Inc. each own a one-third share in FRUS. The investment is accounted for under the equity method of accounting and included with other assets on the Statement of Net Assets. In the current year the City's investment value in the joint venture decreased by \$19,990. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

**Contractual Commitments**

The City entered into a five year, non-cancelable computer software applications service provider agreement during the year ended September 30, 2007. Remaining payments due under the agreement total \$43,157 for the year ending September 30, 2011.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Contractual Commitments (Continued)**

Under the terms of a lawsuit settlement agreement, the City was required to pay \$100,000 during 2007. The agreement allows for the irrigation of a golf course using the City's effluent, and extends through October 2058. In addition, both parties may be held liable for failure to meet certain compliance requirements at specified daily rates. As of September 30, 2010, the City is unaware of any failures in its obligations under this agreement and has not pursued any further action against the golf course.

**Grant Receipts**

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

**NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this statement are effective for fiscal periods beginning after June 15, 2010.

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009. The City does not currently have any derivative instruments, and therefore had not adopted this Statement as of September 30, 2010.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PENSION FUNDING**

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

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability AAL	(3) Unfunded AAL UAAL (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3) / (5)
10/01/10	\$ 1,821,794	\$ 2,445,151	\$ 623,357	74.51%	\$ 514,615	121.13%
10/01/07	\$ 1,343,358	\$ 1,370,823	\$ 27,465	98	\$ 416,493	6.59%
10/01/05	\$ 801,629	\$ 801,629	\$ 0	100%	\$ 451,758	0.0%

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 valuation date is October 1, 2010.

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

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***Police Retirement Fund***

	Annual (1) Required Contribution	Employer Contribution	State of Florida Contribution	Percentage Contributed
September 30, 2010	\$ 168,672	\$ 93,148	\$ 57,242	100.00 %
September 30, 2009	\$ 159,513	\$ 93,419	\$ 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. As a result, the actuarial report provided to the City presents percent contributed as 100%. At September 30, 2010, the surplus contribution account total was approximately \$178,183.

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, 2010.

# **CITY OF GULF BREEZE, FLORIDA**

## **COMBINING AND INDIVIDUAL FUND STATEMENTS**

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

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

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

#### Traffic Citation Special Revenue Fund

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

#### Police Special Revenue Fund

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

**City of Gulf Breeze, Florida**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2010**

	Traffic Citation Special Revenue	Police Special Revenue	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 144,462	\$ 49,470	\$ 193,932
Restricted assets			
Cash and cash equivalents	<u>255,965</u>	<u>-</u>	<u>255,965</u>
Total assets	<u>\$ 400,427</u>	<u>\$ 49,470</u>	<u>\$ 449,897</u>
<b>FUND BALANCES</b>			
Reserved			
Public safety	255,965	-	255,965
Police trust	-	49,470	49,470
Unreserved			
Undesignated special revenue	<u>144,462</u>	<u>-</u>	<u>144,462</u>
Total fund balances	<u>400,427</u>	<u>49,470</u>	<u>449,897</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 400,427</u>	<u>\$ 49,470</u>	<u>\$ 449,897</u>

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

**City of Gulf Breeze, Florida**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2010**

	Traffic Citation Special Revenue	Police Special Revenue	Total
REVENUES			
Fines and forfeitures	\$ 3,700	\$ -	\$ 3,700
Miscellaneous	<u>2,192</u>	<u>12,312</u>	<u>14,504</u>
Total revenues	<u>5,892</u>	<u>12,312</u>	<u>18,204</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	<u>2,735</u>	<u>10,164</u>	<u>12,899</u>
Total expenditures	<u>2,735</u>	<u>10,164</u>	<u>12,899</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,157	2,148	5,305
FUND BALANCE - BEGINNING OF YEAR	<u>397,270</u>	<u>47,322</u>	<u>444,592</u>
FUND BALANCE - END OF YEAR	<u>\$ 400,427</u>	<u>\$ 49,470</u>	<u>\$ 449,897</u>

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

## **NON-MAJOR PROPRIETARY FUND**

### **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.

**City of Gulf Breeze, Florida**  
**NON-MAJOR PROPRIETARY FUND**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	<u>Stormwater Management</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 9,344
Receivables	<u>18,432</u>
Total current assets	<u>27,776</u>
Non-current assets	
Capital assets, net	
Infrastructure	1,006,577
Machinery and equipment	<u>5,344</u>
Total non-current assets	<u>1,011,921</u>
<b>TOTAL ASSETS</b>	<u>1,039,697</u>
<b>LIABILITIES</b>	
Current liabilities	
Accrued liabilities	4,221
Due to other funds	<u>320,000</u>
Total current liabilities	<u>324,221</u>
<b>TOTAL LIABILITIES</b>	<u>324,221</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,011,921
Unrestricted	<u>(296,445)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 715,476</u>

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

**City of Gulf Breeze, Florida**  
**NON-MAJOR PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**Year Ended September 30, 2010**

	<u>Stormwater Management</u>
OPERATING REVENUES	
Charges for services	\$ 190,992
OPERATING EXPENSES	
Personal services	109,675
Contractual services	947
Supplies	2,046
Professional services	-
Repairs and maintenance	5,002
Office and utilities	3,034
Depreciation and amortization	<u>84,830</u>
Total operating expenses	<u>205,534</u>
OPERATING LOSS	<u>(14,542)</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous	257
Debt service	
Interest	<u>(30,479)</u>
Total non-operating revenues (expenses)	<u>(30,222)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(44,764)
TRANSFERS AND CAPITAL CONTRIBUTIONS	
Transfer out	<u>(43,504)</u>
Total transfers and capital contributions	<u>(43,504)</u>
CHANGES IN NET ASSETS	(88,268)
NET ASSETS - BEGINNING OF YEAR	<u>803,744</u>
NET ASSETS - END OF YEAR	<u>\$ 715,476</u>

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

**City of Gulf Breeze, Florida**  
**NON-MAJOR PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2010**

	<u>Stormwater Management</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 196,183
Cash received from bond terminations	-
Payments to suppliers	(11,175)
Payments to employees	<u>(108,704)</u>
Net cash provided (used) by operating activities	<u>76,304</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Borrowings (repayments)	(1,000)
Transfers out	<u>(43,504)</u>
Net cash provided (used) by non-capital financing activities	<u>(44,504)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest expense	(30,479)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,321
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>8,023</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 9,344</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>	
Current assets	<u>\$ 9,344</u>
Total cash and cash equivalents	<u>\$ 9,344</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (14,542)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	84,830
Miscellaneous income (expense)	257
Decrease (increase) in assets	
Accounts receivable	4,934
Due from other governments	-
Increase (decrease) in liabilities	
Accounts payable	(146)
Due to other governments	-
Accrued liabilities	971
Customer deposits	-
Net cash provided (used) by operating activities	<u>\$ 76,304</u>

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

## **III. Statistical Section**



Statistical tables differ from financial statements as they usually cover more than one fiscal year and may present non-accounting data, financial trends and the fiscal capacity of the government. These tables have been included as part of this report for information purposes only, and therefore, have not been subjected to audit by the City's independent certified public accountants.

There are no limitations placed upon the amount of debt the City of Gulf Breeze may issue by either the City's Code of Ordinances or by Florida Statutes.

**City of Gulf Breeze, Florida**  
**TABLE I**  
**COMPONENTS OF NET ASSETS <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Invested in Capital Assets, Net of Related Debt			Restricted Net Assets			Unrestricted Net Assets			Total Net Assets		
	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.
2010	\$ 1,460,655	\$ 13,788,131	\$ 15,248,786	\$ 656,392	\$ 917,665	\$ 1,574,057	\$ 8,891,621	\$ 12,052,093	\$ 20,943,714	\$ 11,008,668	\$ 26,757,889	\$ 37,766,557
2009	\$ 3,275,527	\$ 14,451,915	\$ 17,727,442	\$ 397,270	\$ 756,855	\$ 1,154,125	\$ 6,273,663	\$ 2,423,036	\$ 8,696,699	\$ 9,946,460	\$ 17,631,806	\$ 27,578,266
2008	\$ 2,632,860	\$ 16,299,600	\$ 18,932,460	\$ 25,485	\$ 756,855	\$ 782,340	\$ 7,152,710	\$ 1,600,727	\$ 8,753,437	\$ 9,811,055	\$ 18,657,182	\$ 28,468,237
2007	\$ 1,849,245	\$ 16,536,085	\$ 18,385,330	\$ 780,417	\$ 1,079,629	\$ 1,860,046	\$ 5,167,815	\$ 3,157,532	\$ 8,325,347	\$ 7,797,477	\$ 20,773,246	\$ 28,570,723
2006	\$ 7,722,314	\$ 12,759,746	\$ 20,482,060	\$ 2,017,516	\$ 771,202	\$ 2,788,718	\$ 768,168	\$ 5,794,071	\$ 6,562,239	\$ 10,507,998	\$ 19,325,019	\$ 29,833,017
2005	\$ 6,802,620	\$ 10,918,455	\$ 17,721,075	\$ 783,266	\$ 640,827	\$ 1,424,093	\$ 4,062,697	\$ 6,626,981	\$ 10,689,678	\$ 11,648,583	\$ 18,186,263	\$ 29,834,846
2004	\$ 7,007,577	\$ 9,606,570	\$ 16,614,147	\$ 1,354,090	\$ 1,863,500	\$ 3,217,590	\$ 3,107,762	\$ 5,619,990	\$ 8,727,752	\$ 11,469,429	\$ 17,090,060	\$ 28,559,489
2003	\$ 5,964,365	\$ 8,704,729	\$ 14,669,094	\$ 1,556,892	\$ 1,835,048	\$ 3,391,940	\$ 3,873,152	\$ 5,781,486	\$ 9,654,638	\$ 11,394,409	\$ 16,321,263	\$ 27,715,672
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department.

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

**City of Gulf Breeze, Florida**  
**TABLE II**  
**GOVERNMENTAL ACTIVITIES - CHANGES IN NET ASSETS <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Expenses by Function							Program Revenues				Net (Expense) Revenue	General Revenues					Change in Net Assets	
	General Government	Public Safety	Transportation	Economic Environment	Culture & Recreation	Debt Service Interest	Total Gov't Expenses	Charge for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Program Revenues		Taxes	Inter-governmental Unrestricted	Misc.	Investment Earnings	Total General Revenues		Transfers
2010	\$ 1,832,961	\$ 2,273,863	\$ 317,802	\$ 423,014	\$ 1,195,503	\$ 320,336	\$ 6,363,479	\$ 392,083	\$ 1,125,551	\$ -	\$ 1,517,634	\$ (4,845,845)	\$ 3,025,330	\$ 510,832	\$1,139,891	\$ 21,304	\$ 4,697,357	\$ 1,210,696	\$ 1,062,208
2009	\$ 1,604,707	\$ 2,242,994	\$ 336,485	\$ 388,133	\$ 1,160,607	\$ 325,297	\$ 6,058,223	\$ 645,446	\$ 468,212	\$ -	\$ 1,113,658	\$ (4,944,565)	\$ 2,739,079	\$ 552,449	\$ 666,013	\$ 49,430	\$ 4,006,971	\$ 1,073,089	\$ 135,495
2008	\$ 1,646,593	\$ 2,550,037	\$ 401,763	\$ 197,622	\$ 1,280,020	\$ 378,952	\$ 6,454,987	\$ 598,860	\$ 1,584,284	\$ -	\$ 2,183,144	\$ (4,271,843)	\$ 2,475,089	\$ 567,629	\$ 665,631	\$ 119,922	\$ 3,828,271	\$ 1,230,150	\$ 786,578
2007	\$ 1,483,562	\$ 2,523,959	\$ 470,013	\$ 203,332	\$ 4,532,538	\$ 291,769	\$ 9,505,173	\$ 667,373	\$ 2,595,066	\$ -	\$ 3,262,439	\$ (6,242,734)	\$ 2,601,024	\$ 498,649	\$ 597,342	\$ 149,068	\$ 3,846,083	\$ (313,870)	\$ (2,710,521)
2006	\$ 4,974,062	\$ 2,200,265	\$ 520,691	\$ 209,664	\$ 1,089,459	\$ 167,473	\$ 9,161,614	\$ 451,773	\$ 3,630,268	\$ 129,238	\$ 4,211,279	\$ (4,950,335)	\$ 2,113,063	\$ 528,262	\$ 599,005	\$ 176,998	\$ 3,417,328	\$ 870,849	\$ (662,158)
2005	\$ 6,677,903	\$ 2,151,503	\$ 507,045	\$ 191,815	\$ 987,333	\$ 97,215	\$10,612,814	\$ 468,344	\$ 6,110,676	\$ 350,510	\$ 6,929,530	\$ (3,683,284)	\$ 1,995,221	\$ 600,271	\$ 344,985	\$ 81,153	\$ 3,021,630	\$ 840,508	\$ 178,854
2004	\$ 1,951,555	\$ 1,955,658	\$ 484,196	\$ 168,023	\$ 954,933	\$ 170,161	\$ 5,684,526	\$ 664,849	\$ 927,774	\$ 671,424	\$ 2,264,047	\$ (3,420,479)	\$ 1,742,490	\$ 434,544	\$ 342,639	\$ 129,222	\$ 2,648,895	\$ 846,604	\$ 75,020
2003	\$ 1,054,369	\$ 1,984,781	\$ 405,322	\$ 318,298	\$ 858,384	\$ 134,571	\$ 4,755,725	\$ 656,918	\$ 628,643	\$ 330,931	\$ 1,616,492	\$ (3,139,233)	\$ 1,647,655	\$ 447,143	\$ 907,972	\$ 61,973	\$ 3,064,743	\$ 1,496,100	\$ 1,421,610
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department.

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

**City of Gulf Breeze, Florida**  
**TABLE III**  
**BUSINESS-TYPE ACTIVITIES - CHANGES IN NET ASSETS <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Expenses by Program							Program Revenues				General Revenues				Change in Net Assets	
	Water & Sewer	Natural Gas	South Santa Rosa Utility	Stormwater Management	Fishing Bridge	Solid Waste	Gulf Breeze Financial Services	Total Business-Type Expenses	Charges for Services	Capital Grants & Contributions	Total Program Revenues	Net (Expense) Revenue	Misc.	Investment Earnings	Total General Revenues		Transfers
2010	\$ 1,610,416	\$ 1,329,058	\$ 4,531,148	\$ 236,013	\$ -	\$ 886,868	\$ 228,246	\$ 8,821,749	\$ 10,383,163	\$ 95,171	\$ 10,478,334	\$ 1,656,585	\$ 8,654,173	\$ 26,021	\$ 8,680,194	\$ (1,210,696)	\$ 9,126,083
2009	\$ 1,576,201	\$ 1,699,027	\$ 5,493,205	\$ 266,966	\$ -	\$ 890,827	\$ 250,320	\$ 10,176,546	\$ 9,798,904	\$ 127,267	\$ 9,926,171	\$ (250,375)	\$ 233,593	\$ 64,495	\$ 298,088	\$ (1,073,089)	\$ (1,025,376)
2008	\$ 1,345,242	\$ 2,069,606	\$ 5,478,040	\$ 287,197	\$ -	\$ 927,121	\$ 181,307	\$ 10,288,513	\$ 9,540,211	\$ 632,068	\$ 10,172,279	\$ (116,234)	\$ 364,517	\$ 92,802	\$ 457,319	\$ (1,230,150)	\$ (889,065)
2007	\$ 1,411,855	\$ 1,943,119	\$ 5,704,870	\$ 145,145	\$ 461,058	\$ 901,297	\$ 191,001	\$ 10,758,345	\$ 9,239,848	\$ 2,448,130	\$ 11,687,978	\$ 929,633	\$ 70,820	\$ 133,904	\$ 204,724	\$ 313,870	\$ 1,448,227
2006	\$ 1,308,246	\$ 2,031,273	\$ 5,269,482	\$ -	\$ 10,682	\$ 880,301	\$ 189,021	\$ 9,689,005	\$ 8,481,901	\$ 2,912,708	\$ 11,394,609	\$ 1,705,604	\$ 112,181	\$ 191,820	\$ 304,001	\$ (870,849)	\$ 1,138,756
2005	\$ 1,643,605	\$ 1,482,273	\$ 4,963,407	\$ -	\$ 17,105	\$ 869,522	\$ 445,598	\$ 9,421,510	\$ 7,944,876	\$ 1,539,970	\$ 9,484,846	\$ 63,336	\$ 705,214	\$ 83,337	\$ 788,551	\$ (840,508)	\$ 11,379
2004	\$ 1,281,717	\$ 1,352,419	\$ 4,503,775	\$ -	\$ 104,308	\$ 774,328	\$ 214,227	\$ 8,230,774	\$ 7,744,378	\$ 2,868,146	\$ 10,612,524	\$ 2,381,750	\$ 49,142	\$ 58,832	\$ 107,974	\$ (846,604)	\$ 1,643,120
2003	\$ 1,218,267	\$ 1,257,860	\$ 4,323,126	\$ -	\$ 104,636	\$ 738,716	\$ 225,320	\$ 7,867,925	\$ 7,620,441	\$ 2,383,069	\$ 10,003,510	\$ 2,135,585	\$ 49,513	\$ 68,845	\$ 118,358	\$ (1,496,100)	\$ 757,843
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department

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

**City of Gulf Breeze, Florida**  
**TABLE IV**  
**CHARGES FOR SERVICES BY FUNCTION AND PROGRAM <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Governmental Activities						Business-Type Activities						Gulf Breeze Financial Services	Total Business-Type	Total Primary Government
	General Government	Public Safety	Transportation	Economic Environment	Culture & Recreation	Total Gov't Charges	Water & Sewer	Natural Gas	South Santa Rosa Utility	Stormwater Management	Fishing Bridge	Solid Waste			
2010	\$ 47,546	\$ 113,966	\$ -	\$ -	\$ 230,571	\$ 392,083	\$ 1,764,738	\$ 2,077,968	\$ 4,474,554	\$ 190,992	\$ -	\$ 1,004,145	\$ 870,766	\$ 10,383,163	\$ 10,775,246
2009	\$ 101,657	\$ 318,015	\$ -	\$ -	\$ 225,774	\$ 645,446	\$ 1,896,573	\$ 1,918,813	\$ 4,242,023	\$ 193,874	\$ -	\$ 1,023,845	\$ 523,776	\$ 9,798,904	\$ 10,444,350
2008	\$ 69,705	\$ 267,493	\$ -	\$ -	\$ 261,662	\$ 598,860	\$ 1,787,244	\$ 1,955,968	\$ 4,116,191	\$ 194,183	\$ -	\$ 1,011,010	\$ 475,615	\$ 9,540,211	\$ 10,139,071
2007	\$ 188,550	\$ 295,201	\$ -	\$ -	\$ 183,622	\$ 667,373	\$ 1,545,320	\$ 1,781,957	\$ 3,935,152	\$ 188,938	\$ -	\$ 947,181	\$ 841,300	\$ 9,239,848	\$ 9,907,221
2006	\$ 26,040	\$ 197,998	\$ 72,496	\$ -	\$ 155,239	\$ 451,773	\$ 1,542,876	\$ 2,060,168	\$ 3,440,755	\$ -	\$ -	\$ 927,550	\$ 510,552	\$ 8,481,901	\$ 8,933,674
2005	\$ 26,040	\$ 224,688	\$ 86,840	\$ -	\$ 130,776	\$ 468,344	\$ 1,423,554	\$ 1,681,768	\$ 3,173,648	\$ -	\$ -	\$ 902,379	\$ 763,527	\$ 7,944,876	\$ 8,413,220
2004	\$ 316,116	\$ 180,391	\$ 45,219	\$ -	\$ 123,123	\$ 664,849	\$ 1,368,238	\$ 1,676,024	\$ 3,241,172	\$ -	\$ 147,147	\$ 817,628	\$ 494,169	\$ 7,744,378	\$ 8,409,227
2003	\$ 328,883	\$ 191,449	\$ 19,145	\$ -	\$ 117,441	\$ 656,918	\$ 1,363,053	\$ 1,509,490	\$ 3,275,513	\$ -	\$ 154,812	\$ 769,831	\$ 547,742	\$ 7,620,441	\$ 8,277,359
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department

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

**City of Gulf Breeze, Florida**  
**TABLE V**  
**COMPONENTS OF FUND BALANCE <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Reserved Fund Balance			Unreserved, Designated Fund Balance			Unreserved, Undesignated Fund Balance			Total Fund Balance		
	General Fund	Aggregate Special		General Fund	Aggregate Special		General Fund	Aggregate Special		General Fund	Aggregate Special	
		Revenue Funds	Total		Revenue Funds	Total		Revenue Funds	Total		Revenue Funds	Total
2010	\$ 156,214	\$ 305,435	\$ 461,649	\$ 472,376	\$ -	\$ 472,376	\$ 5,417,448	\$ 1,169,870	\$ 6,587,318	\$ 6,046,038	\$ 1,475,305	\$ 7,521,343
2009	\$ 33,777	\$ 47,322	\$ 81,099	\$ 469,715	\$ -	\$ 469,715	\$ 5,047,874	\$ 1,366,829	\$ 6,414,703	\$ 5,551,366	\$ 1,414,151	\$ 6,965,517
2008	\$ 187,817	\$ 181,827	\$ 369,644	\$ 536,098	\$ -	\$ 536,098	\$ 4,606,053	\$ 934,444	\$ 5,540,497	\$ 5,329,968	\$ 1,116,271	\$ 6,446,239
2007	\$ 1,661,094	\$ 94,291	\$ 1,755,385	\$ 539,022	\$ -	\$ 539,022	\$ 2,576,869	\$ 324,566	\$ 2,901,435	\$ 4,776,985	\$ 418,857	\$ 5,195,842
2006	\$ 1,618,928	\$ 24,850	\$ 1,643,778	\$ 520,392	\$ -	\$ 520,392	\$ 575,567	\$ 218,306	\$ 793,873	\$ 2,714,887	\$ 243,156	\$ 2,958,043
2005	\$ 226,043	\$ 35,210	\$ 261,253	\$ 520,392	\$ -	\$ 520,392	\$ 3,680,089	\$ 553,659	\$ 4,233,748	\$ 4,426,524	\$ 588,869	\$ 5,015,393
2004	\$ 25,258	\$ 37,671	\$ 62,929	\$ 511,809	\$ -	\$ 511,809	\$ 3,595,720	\$ 562,556	\$ 4,158,276	\$ 4,132,787	\$ 600,227	\$ 4,733,014
2003	\$ 1,525,195	\$ 37,503	\$ 1,562,698	\$ 506,409	\$ -	\$ 506,409	\$ 3,027,011	\$ 589,828	\$ 3,616,839	\$ 5,058,615	\$ 627,331	\$ 5,685,946
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department

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

**City of Gulf Breeze, Florida**  
**TABLE VI**  
**GENERAL GOVERNMENT EXPENDITURES AND OTHER USES BY FUNCTION <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	General Government	Public Safety	Transportation	Economic Environment	Community Service	Culture / Recreation	Capital Outlay	Debt Service Principal <sup>(2)</sup>	Debt Service Interest <sup>(2)</sup>	Costs of Issuance	Other Financing Uses	Total	Debt Service to Noncapital Expenditures <sup>(3)</sup>
2010	\$ 1,951,093	\$ 2,074,114	\$ 139,370	\$ 118,498	\$ -	\$ 908,776	\$ 1,199,274	\$ 158,400	\$ 320,336	\$ -	\$ 365,355	\$ 7,235,216	8 %
2009	\$ 1,402,579	\$ 1,963,524	\$ 151,623	\$ 116,673	\$ -	\$ 886,497	\$ 674,156	\$ 154,000	\$ 325,297	\$ -	\$ 354,900	\$ 6,029,249	10 %
2008	\$ 1,600,347	\$ 2,084,015	\$ 96,455	\$ 102,446	\$ -	\$ 993,855	\$ 856,144	\$ -	\$ 327,402	\$ -	\$ 283,230	\$ 6,343,894	6 %
2007	\$ 1,377,411	\$ 2,050,760	\$ 152,329	\$ 104,597	\$ -	\$ 4,236,487	\$ 2,210,764	\$ 183,554	\$ 226,147	\$ 330,824	\$ 9,360,312	\$ 20,233,185	5 %
2006	\$ 4,882,687	\$ 1,859,355	\$ 241,410	\$ 123,298	\$ -	\$ 831,588	\$ 1,674,036	\$ 192,462	\$ 156,930	\$ -	\$ 133,481	\$ 10,095,247	4 %
2005	\$ 6,708,807	\$ 1,813,964	\$ 243,260	\$ 109,397	\$ -	\$ 739,305	\$ 1,610,747	\$ 186,594	\$ 97,215	\$ -	\$ 123,764	\$ 11,633,053	3 %
2004	\$ 1,765,047	\$ 1,647,056	\$ 172,810	\$ 95,252	\$ -	\$ 727,324	\$ 2,206,017	\$ 55,300	\$ 46,672	\$ -	\$ 84,908	\$ 6,800,386	2 %
2003	\$ 977,379	\$ 1,698,658	\$ 181,397	\$ 248,140	\$ -	\$ 647,466	\$ 2,374,337	\$ 106,471	\$ -	\$ -	\$ 76,820	\$ 6,310,668	3 %
2002	\$ 963,450	\$ 1,421,983	\$ 201,269	\$ -	\$ 158,888	\$ 632,877	\$ 1,506,488	\$ 69,899	\$ -	\$ -	\$ 72,949	\$ 5,027,803	2 %
2001	\$ 903,313	\$ 1,364,641	\$ 179,703	\$ -	\$ 70,857	\$ 599,318	\$ 900,755	\$ 80,122	\$ -	\$ -	\$ 68,589	\$ 4,167,298	3 %

SOURCE: City of Gulf Breeze Finance Department

(1) Includes General Fund and Special Revenue Funds.

(2) Debt Service division between principal and interest not available for 2003 and prior years.

(3) Noncapital Expenditures includes all of the above except Capital Outlay and Other Financing Uses.

**City of Gulf Breeze, Florida**  
**TABLE VII**  
**GENERAL GOVERNMENT REVENUES AND OTHER FINANCING SOURCES BY SOURCE <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Taxes	Licenses and Permits	Inter-Governmental Revenues	Charges for Services	Fines and Forfeitures	Miscellaneous Revenues	Other Financing Sources	Total Revenue and Other Sources	Total Expenditures and Other Uses <sup>(2)</sup>	Total Change in Fund Balance
2010	\$ 2,660,418	\$ 412,458	\$ 1,559,733	\$ 254,973	\$ 101,604	\$ 1,223,509	\$ 1,578,346	\$ 7,791,041	\$ 7,235,216	\$ 553,909
2009	\$ 2,739,079	\$ 83,962	\$ 1,020,661	\$ 243,468	\$ 318,016	\$ 697,852	\$ 1,445,489	\$ 6,548,527	\$ 6,029,249	\$ 519,278
2008	\$ 2,475,088	\$ 69,705	\$ 2,151,913	\$ 261,662	\$ 267,493	\$ 785,553	\$ 1,582,878	\$ 7,594,292	\$ 6,343,894	\$ 1,250,398
2007	\$ 2,601,025	\$ 96,644	\$ 3,093,715	\$ 275,527	\$ 295,201	\$ 746,410	\$ 15,362,462	\$ 22,470,984	\$ 20,233,185	\$ 2,237,799
2006	\$ 2,067,873	\$ 64,187	\$ 4,231,538	\$ 155,239	\$ 197,998	\$ 837,946	\$ 1,078,156	\$ 8,632,937	\$ 10,095,247	\$ (1,462,310)
2005	\$ 1,951,893	\$ 61,788	\$ 6,841,071	\$ 130,776	\$ 224,688	\$ 567,335	\$ 2,137,881	\$ 11,915,432	\$ 11,633,053	\$ 282,379
2004	\$ 1,712,442	\$ 69,085	\$ 2,078,960	\$ 147,218	\$ 180,391	\$ 724,846	\$ 846,604	\$ 5,759,546	\$ 6,800,386	\$ (1,040,840)
2003	\$ 1,616,583	\$ 86,060	\$ 1,383,234	\$ 143,466	\$ 191,450	\$ 1,315,343	\$ 4,572,920	\$ 9,309,056	\$ 6,310,668	\$ 2,998,388
2002	\$ 1,617,221	\$ 84,750	\$ 747,045	\$ 136,840	\$ 256,989	\$ 421,468	\$ 1,538,505	\$ 4,802,818	\$ 5,027,803	\$ (224,985)
2001	\$ 1,437,157	\$ 79,747	\$ 724,530	\$ 115,211	\$ 170,066	\$ 508,553	\$ 1,086,197	\$ 4,121,461	\$ 4,167,298	\$ (45,837)

SOURCE: City of Gulf Breeze Finance Department

(1) Includes General Fund and special revenue funds.

(2) From Table VI.

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

<u>Fiscal Year</u>	<u>Total Tax Levy<sup>(1)</sup></u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for the Year</u>	<u>Ratio of Total Taxes Collected to Current Levy</u>	<u>Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Current Levy</u>
2010	This levy will be collected during Fiscal Year 2011.							
2009	\$ 1,258,989	\$ 1,217,346	96.7 %	\$ 3,752	\$ 1,221,098	97.0 %	\$ 5,644	0.4 %
2008	\$ 1,221,189	\$ 1,174,803	96.2 %	\$ 3,175	\$ 1,178,518	96.5 %	\$ 10,636	0.9 %
2007	\$ 1,063,428	\$ 1,027,774	96.6 %	\$ 2,945	\$ 1,030,719	96.9 %	\$ 1,565	0.1 %
2006	\$ 1,086,162	\$ 1,081,722	99.6 %	\$ 2,500	\$ 1,084,222	99.8 %	\$ 1,769	0.2 %
2005	\$ 1,075,841	\$ 1,039,183	96.6 %	\$ 3,245	\$ 1,042,428	96.9 %	\$ 1,347	0.1 %
2004	\$ 999,824	\$ 967,773	96.8 %	\$ 2,754	\$ 970,527	97.1 %	\$ 8,495	0.8 %
2003	\$ 913,208	\$ 879,300	96.3 %	\$ 2,354	\$ 881,654	96.5 %	\$ 2,202	0.2 %
2002	\$ 822,024	\$ 793,816	96.6 %	\$ 1,081	\$ 794,897	96.7 %	\$ 972	0.1 %
2001	\$ 782,978	\$ 752,087	96.1 %	\$ 3,421	\$ 755,508	96.5 %	\$ 2,563	0.3 %
2000	\$ 739,760	\$ 711,831	96.2 %	\$ 2,003	\$ 713,834	96.5 %	\$ 3,804	0.5 %

SOURCE: Santa Rosa County Tax Collector Office

<sup>(1)</sup> Includes Discounts Taken for Early Payment (maximum of 4%)

**City of Gulf Breeze, Florida**  
**TABLE IX**  
**ASSESSED VALUE OF TAXABLE PROPERTY <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

<u>Year <sup>(2)</sup></u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Assessed Value</u>	<u>Exemptions</u>	<u>Assessed Value for Operations</u>
2010	\$ 957,414,901	\$ 39,883,882	\$ 997,298,783	\$ 362,784,783	\$ 634,514,000
2009	\$ 843,459,341	\$ 41,919,426	\$ 885,378,767	\$ 223,488,747	\$ 661,890,020
2008	\$ 1,057,198,119	\$ 36,087,891	\$1,093,286,010	\$ 411,456,015	\$ 681,829,995
2007	\$ 1,112,840,126	\$ 31,427,047	\$1,144,267,173	\$ 459,490,041	\$ 684,777,132
2006	\$ 1,133,658,192	\$ 33,232,222	\$1,166,890,414	\$ 499,240,156	\$ 667,650,258
2005	\$ 960,727,282	\$ 28,162,900	\$ 988,890,182	\$ 423,084,878	\$ 565,805,304
2004	\$ 819,535,885	\$ 31,872,976	\$ 851,408,861	\$ 339,659,012	\$ 511,749,849
2003	\$ 756,517,941	\$ 29,781,148	\$ 786,299,089	\$ 306,137,010	\$ 480,162,079
2002	\$ 693,497,553	\$ 27,689,218	\$ 721,186,771	\$ 272,613,514	\$ 448,573,257
2001	\$ 655,231,301	\$ 23,521,500	\$ 678,752,801	\$ 254,746,230	\$ 424,006,571

SOURCE: City of Gulf Breeze Finance Department

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

(2) As of January 1 of each year listed

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

<u>Fiscal Year</u>	<u>Millage</u>
2010	1.9000
2009	1.9000
2008	1.8000
2007	1.5520
2006	1.6283
2005	1.9000
2004	1.9000
2003	1.9000
2002	1.8300
2001	1.8300

SOURCE: Santa Rosa County Property Appraiser

**City of Gulf Breeze, Florida**  
**TABLE XI**  
**PRINCIPAL TAXPAYERS**  
**Unaudited**

Fiscal Year 2010 Taxpayer	Total Taxable Value	Percentage
Andrews Institute Medical Park	\$ 15,872,461	2.55 %
Sea Shell Collections LLC	13,982,825	2.25 %
Mullet, Willis J.	7,608,474	1.22 %
Gulf Power Company	6,749,887	1.09 %
Andrews Institute ASC LLC	5,277,144	0.85 %
Quietwater LLC	5,202,590	0.84 %
Falzone, Timothy D.	4,908,535	0.79 %
Exposition Properties	4,725,648	0.76 %
East End Company, LLC & Gulf	4,716,523	0.76 %
Bellsouth Telecomm	<u>4,713,059</u>	<u>0.76 %</u>
 Total of Principal Taxpayers	 \$ 73,757,146	 11.86 %
 Total All Other Taxpayers	 <u>547,953,613</u>	 <u>88.14 %</u>
 Total Taxable Value	 <u>\$ 621,710,759</u>	 <u>100.00 %</u>

SOURCE: Santa Rosa County Property Appraiser

\*Information related to 2001 was not maintained.

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

Fiscal Year	Assessments	Assessments Collected	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessments
2010	\$ 58,790	\$ 43,191	73.50 %	\$ 141,765
2009	\$ -	\$ 30,697	0.00 %	\$ 126,166
2008	\$ 438,618 <sup>(1)</sup>	\$ 281,754	64.24 %	\$ 156,863
2007	\$ 57,403	\$ 51,025	88.89 %	\$ 6,378
2006	\$ -	\$ -	0.00 %	\$ -
2005	\$ -	\$ -	0.00 %	\$ -
2004	\$ -	\$ -	0.00 %	\$ -
2003	\$ -	\$ 1,512	0.00 %	\$ -
2002	\$ -	\$ -	0.00 %	\$ 1,512
2001	\$ -	\$ 10,589	0.00 %	\$ 1,512

SOURCE: City of Gulf Breeze Finance Department

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

**City of Gulf Breeze, Florida**  
**TABLE XIII**  
**OUTSTANDING DEBT <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Revenue Bonds Payable			Notes Payable			Capital Leases Payable			Other Contractual Obligations			Total Debt		
	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt
2010	\$ 8,642,944	\$ 6,878,215	\$ 15,521,159	\$ -	\$ 4,763,971	\$ 4,763,971	\$ -	\$ -	\$ -	\$ 158,413	\$ -	\$ 158,413	\$ 8,801,357	\$ 11,642,186	\$ 20,443,543
2009	\$ 8,799,754	\$ 7,308,696	\$ 16,108,450	\$ -	\$ 5,099,608	\$ 5,099,608	\$ -	\$ 116,403	\$ 116,403	\$ 253,893	\$ -	\$ 253,893	\$ 9,053,647	\$ 12,524,707	\$ 21,578,354
2008	\$ 8,952,164	\$ 7,723,577	\$ 16,675,741	\$ -	\$ 5,623,846	\$ 5,623,846	\$ -	\$ 170,930	\$ 170,930	\$ 156,341	\$ -	\$ 156,431	\$ 9,108,595	\$ 13,518,353	\$ 22,626,948
2007	\$ 10,177,575	\$ 6,880,458	\$ 17,058,033	\$ -	\$ 6,133,241	\$ 6,133,241	\$ -	\$ 223,145	\$ 223,145	\$ 76,615	\$ -	\$ 76,615	\$ 10,254,190	\$ 13,236,844	\$ 23,491,034
2006	\$ -	\$ 7,254,339	\$ 7,254,339	\$ 4,044,844	\$ 7,641,487	\$ 11,686,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,044,844	\$ 14,895,826	\$ 18,940,670
2005	\$ -	\$ 7,493,220	\$ 7,493,220	\$ 4,237,306	\$ 8,178,970	\$ 12,416,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,237,306	\$ 15,672,190	\$ 19,909,496
2004	\$ -	\$ 8,688,333	\$ 8,688,333	\$ 3,423,900	\$ 8,689,304	\$ 12,113,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,423,900	\$ 17,377,637	\$ 20,801,537
2003	\$ -	\$ 8,949,412	\$ 8,949,412	\$ 3,479,200	\$ 9,173,646	\$ 12,652,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,479,200	\$ 18,123,058	\$ 21,602,258
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department

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

**City of Gulf Breeze, Florida**  
**TABLE XIV**  
**RATIO OF TOTAL DEBT TO ASSESSED VALUE AND TOTAL DEBT PER CAPITA <sup>(1)</sup>**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year	Estimated Population <sup>(2)</sup>	Assessed Value for Operations <sup>(3)</sup>	Total Outstanding Debt <sup>(4)</sup>	Ratio of Total Outstanding Debt to Assessed Value	Amount of Total Outstanding Debt Per Capita
2010	5,751	\$ 634,514,000	\$ 20,443,543	3.2 %	\$ 3,555
2009	5,791	\$ 661,890,020	\$ 21,578,354	3.3 %	\$ 3,726
2008	5,780	\$ 681,829,995	\$ 22,626,948	3.3 %	\$ 3,915
2007	5,805	\$ 684,777,132	\$ 23,491,034	3.5 %	\$ 4,047
2006	5,774	\$ 667,650,258	\$ 18,940,670	2.8 %	\$ 3,280
2005	5,765	\$ 565,805,304	\$ 19,909,496	3.5 %	\$ 3,454
2004	5,790	\$ 511,749,849	\$ 20,801,537	4.1 %	\$ 3,593
2003	5,764	\$ 480,162,079	\$ 21,602,258	4.5 %	\$ 3,748
2002	5,736	\$ 448,573,257	-	-	-
2001	5,736	\$ 424,006,571	-	-	-

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

<sup>(2)</sup> SOURCE: Bureau of Economic and Business Research, University of Florida

<sup>(3)</sup> From Table IX

<sup>(4)</sup> From Table XIII

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

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

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

<u>Fiscal Year</u>	<u>Estimated Population<sup>(1)</sup></u>	<u>Assessed Value for Operations<sup>(2)</sup></u>	<u>Gross Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2010	5,751	\$ 634,514,000	\$ -	\$ -	\$ -	- %	\$ -
2009	5,791	\$ 661,890,020	\$ -	\$ -	\$ -	- %	\$ -
2008	5,780	\$ 681,829,995	\$ -	\$ -	\$ -	- %	\$ -
2007	5,805	\$ 684,777,132	\$ -	\$ -	\$ -	- %	\$ -
2006	5,774	\$ 667,650,258	\$ -	\$ -	\$ -	- %	\$ -
2005	5,765	\$ 565,805,304	\$ -	\$ -	\$ -	- %	\$ -
2004	5,790	\$ 511,749,849	\$ -	\$ -	\$ -	- %	\$ -
2003	5,764	\$ 480,162,079	\$ -	\$ -	\$ -	- %	\$ -
2002	5,736	\$ 448,573,257	\$ -	\$ -	\$ -	- %	\$ -
2001	5,736	\$ 424,006,571	\$ -	\$ -	\$ -	- %	\$ -

<sup>(1)</sup> SOURCE: Bureau of Economic and Business Research, University of Florida.

<sup>(2)</sup> From Table IX

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

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

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

Fiscal Year	Operating Revenue	Tap Fees	Direct Operating Expenses <sup>(1)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2010	\$ 4,474,554	\$ 83,315	\$ 2,527,761	\$ 2,030,108	\$ 555,000	\$ 294,905	\$ 849,905	2.39
2009	\$ 4,167,567	\$ 110,164	\$ 2,838,768	\$ 1,438,963	\$ 540,000	\$ 314,068	\$ 854,068	1.68
2008	\$ 4,071,263	\$ 297,607	\$ 3,119,602	\$ 1,249,268	\$ 525,000	\$ 330,080	\$ 855,080	1.46
2007	\$ 3,843,182	\$ 1,011,461	\$ 3,377,900	\$ 1,476,743	\$ 515,000	\$ 343,080	\$ 858,080	1.72
2006	\$ 3,362,140	\$ 1,674,431	\$ 3,133,753	\$ 1,902,818	\$ 505,000	\$ 355,830	\$ 860,830	2.21
2005	\$ 3,076,688	\$ 1,238,896	\$ 2,891,333	\$ 1,424,251	\$ 370,000	\$ 366,767	\$ 736,767	1.93
2004	\$ 3,170,682	\$ 2,260,893	\$ 2,395,033	\$ 3,036,542	\$ 405,000	\$ 555,996	\$ 960,996	3.16
2003	\$ 3,231,897	\$ 1,921,567	\$ 2,165,706	\$ 2,987,758	\$ 375,000	\$ 590,706	\$ 965,706	3.09
2002	\$ 3,082,596	\$ 1,225,392	\$ 2,178,377	\$ 2,129,611	\$ 355,000	\$ 614,222	\$ 969,222	2.20
2001	\$ 3,178,055	\$ 843,570	\$ 2,193,761	\$ 1,827,864	\$ 340,000	\$ 628,164	\$ 968,164	1.89

SOURCE: City of Gulf Breeze Finance Department

(1) Excluding Depreciation

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

Fiscal Year	Population		City as a % of County	County Population Growth	Total Personal Income	Per Capita Income	Unemployment Rate	Median Household Income
	Gulf Breeze City	Santa Rosa County						
2010	5,751	146,008	3.94 %	1.04 %	\$249,756,026	\$ 43,428	3.20 %	\$ 67,214
2009	5,791	144,508	4.01 %	0.26 %	\$252,389,153	\$ 43,583	2.50 %	\$ 65,980
2008	5,780	144,136	4.01 %	1.40 %	\$258,290,860	\$ 44,687	2.26 %	\$ 70,093
2007	5,805	142,144	4.08 %	0.51 %	\$282,390,030	\$ 48,646	2.26 %	\$ 66,699
2006	5,774	141,428	4.08 %	(0.23)%	\$275,131,100	\$ 47,650	2.56 %	\$ 65,750
2005	5,765	141,750	4.07 %	6.00 %	\$267,357,640	\$ 46,376	2.30 %	\$ 63,323
2004	5,790	133,721	4.33 %	3.75 %	\$261,945,390	\$ 45,241	2.90 %	\$ 61,635
2003	5,764	128,889	4.47 %	3.15 %	\$199,941,632	\$ 34,688	2.90 %	\$ 52,522
2002	5,736	124,956	4.59 %	2.95 %	\$ -	\$ -	- %	\$ -
2001	5,736	121,370	4.73 %	3.08 %	\$ -	\$ -	- %	\$ -

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

Comparable Statistical Information Prior to 2003 cannot be presented

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

Fiscal Year	Assessed Value for Operations <sup>(1)</sup>	Commercial Construction		Residential Construction		Bank Deposits <sup>(3)</sup>
		# of Units <sup>(2)</sup>	Value	# of Units <sup>(2)</sup>	Value	
2010	\$ 634,514,000	(4)	(4)	(4)	(4)	\$ 283,202,000
2009	\$ 661,890,020	0	0	9	\$ 5,015,000	\$ 297,216,000
2008	\$ 681,829,995	11	\$ 430,033	14	\$ 1,491,560	\$ 309,810,000
2007	\$ 684,777,132	24	\$ 5,794,633	14	\$ 3,849,400	\$ 317,633,000
2006	\$ 667,650,258	12	\$ 9,046,301	11	\$ 9,022,840	\$ 308,860,000
2005	\$ 565,805,304	8	\$ 7,814,249	18	\$ 4,545,760	\$ 302,040,000
2004	\$ 511,749,849	6	\$ 2,634,842	14	\$ 5,542,241	\$ 212,625,000
2003	\$ 480,162,079	4	\$ 3,200,044	22	\$10,988,027	\$ 189,295,000
2002	\$ 448,573,257	2	\$ 2,250,000	20	\$12,772,925	\$ 162,007,000
2001	\$ 424,006,571	1	\$ -	22	\$ 5,274,500	\$ 144,862,000

<sup>(1)</sup> Source: Table IX

<sup>(2)</sup> Santa Rosa County Inspection Department

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

<sup>(4)</sup> Comparable values not available from county offices for 2010 as of publication date.

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

Fiscal Year 2010 <sup>(1)</sup>	Employees	Percentage of Labor Force
Gulf Breeze Hospital	210	7.6 %
Andrews Institute	150	5.4 %
Studer Group	142	5.2 %
AppRiver	132	4.8 %
Publix	94	3.4 %
Gulf Breeze High School	88	3.2 %
City of Gulf Breeze	83	3.0 %
Gulf Breeze Middle School	67	2.4 %
Gulf Breeze Elementary School	52	1.9 %
Total Labor Force <sup>(1)</sup>	2,755	

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

\*Information related to 2001 was not maintained.

**City of Gulf Breeze, Florida**  
**TABLE XXII**  
**MISCELLANEOUS STATISTICAL DATA**  
**Unaudited**

EDUCATION	SANTA ROSA COUNTY		
	FY 09-10	FY 08-09	FY 07-08
<b>Schools:</b>			
Pre K	1	1	1
Primary K-2	3	2	2
Intermediate 3-5	2	2	2
Grades K-5	12	12	11
Grades 6-8	7	7	7
Grades 9-12	7	7	7
Santa Rosa Community	1	1	1
Vocational Technical	1	1	1
Santa Rosa Adult	1	1	1
Department of Juvenile Justice	1	1	2
ESE Centers, Alternative Education, etc.	2	2	4
<b>Students:</b>			
Pre K	585	625	605
Primary K-2	1,999	2,105	1,691
Intermediate 3-5	2,250	2,275	2,402
Grades K-5	6,295	6,350	6,300
Grades 6-8	5,828	5,868	5,950
Grades 9-12	8,025	8,063	7,919
Vocational Technical/ Santa Rosa Adult	415	425	450
Rader (Charter)	Closed	Closed	80
Instructional (Classroom) Personnel	1,769	1,649	1,754
Non-Instructional Personnel	933	658	877

SOURCE: Santa Rosa County School Board, Florida Department of Education

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

Year	Residential				Commercial			
	Additions / Renovations	New Construction	Pool Permits	Miscellaneous Permits	Additions / Renovations	New Construction	Sign Permits	Miscellaneous Permits
2010	25	13	14	37	10	5	19	4
2009	24	5	3	20	11	0	26	11
2008	19	9	4	18	21	3	33	4
2007	25	22	22	14	4	3	37	5
2006	30	25	18	1	7	2	8	0
2005	144	36	36	11	22	14	38	5
2004	53	17	20	10	16	9	28	4
2003	21	11	7	21	5	4	36	7
2002	31	21	18	6	6	0	52	3
2001	23	19	13	7	1	2	15	0

SOURCE: City of Gulf Breeze Community Services Department

**City of Gulf Breeze, Florida**  
**TABLE XXIV**  
**WATER SERVICE RATES**  
**Unaudited**  
**As of September 30, 2010**

Meter Size	Inside City Limits				Outside City Limits						
	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional			
.75"	\$ 9.14	\$ 9.14	-	\$ 2.57	\$ 12.90		-	\$ 2.70	\$ 23.82	3.0	\$ 2.70
1.00"	\$ 16.95	\$ 16.95	-	\$ 2.57	\$ 23.94		-	\$ 2.70	\$ 35.89	3.0	\$ 2.70
1.50"	\$ 44.34	\$ 44.34	-	\$ 2.57	\$ 62.62		-	\$ 2.70	\$ 80.57	3.0	\$ 2.70
2.00"	\$ 72.22	\$ 72.22	-	\$ 2.57	\$ 102.01		-	\$ 2.70	\$ 124.00	3.0	\$ 2.70
3.00"	\$ 146.93	\$ 146.93	-	\$ 2.57	\$ 207.52		-	\$ 2.70	\$ 242.28	3.0	\$ 2.70
4.00"	\$ 221.63	\$ 221.63	-	\$ 2.57	\$ 313.03		-	\$ 2.70	\$ 366.43	3.0	\$ 2.70
6.00"	\$ 441.43	\$ 441.43	-	\$ 2.57	\$ 623.48		-	\$ 2.70	\$ 724.58	3.0	\$ 2.70

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

**City of Gulf Breeze, Florida**  
**TABLE XXV**  
**SEWER SERVICE RATES**  
**Unaudited**  
**As of September 30, 2010**

Meter Size	Inside City Limits				Outside City Limits						
	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional	Residential	Commercial	Usage Included (000's gallons)	Rate per 000's gallons additional			
.75"	\$ 11.25	\$ 11.25	-	\$ 3.64	\$ 13.70		-	\$ 3.90	\$ 30.28	3.0	\$ 3.90
1.00"	\$ 21.62	\$ 21.62	-	\$ 3.64	\$ 26.45		-	\$ 3.90	\$ 42.00	3.0	\$ 3.90
1.50"	\$ 54.12	\$ 54.12	-	\$ 3.64	\$ 68.53		-	\$ 3.90	\$ 86.01	3.0	\$ 3.90
2.00"	\$ 87.69	\$ 87.69	-	\$ 3.64	\$ 108.35		-	\$ 3.90	\$ 129.39	3.0	\$ 3.90
3.00"	\$ 177.66	\$ 177.66	-	\$ 3.64	\$ 220.63		-	\$ 3.90	\$ 248.51	3.0	\$ 3.90
4.00"	\$ 265.27	\$ 265.27	-	\$ 3.64	\$ 332.82		-	\$ 3.90	\$ 376.19	3.0	\$ 3.90
6.00"	\$ 521.68	\$ 521.68	-	\$ 3.64	\$ 661.33		-	\$ 3.90	\$ 740.81	3.0	\$ 3.90

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

**City of Gulf Breeze, Florida**  
**TABLE XXVI**  
**SOLID WASTE SERVICE RATES**  
**Unaudited**  
**As of September 30, 2010**

Residential Collection						
	Curbside		Sideyard			
Regular	\$	17.00	\$	20.92		
Senior Rate	\$	15.91	\$	18.83		
Disabled Rate			\$	15.91		
Extra Kart	\$	6.18	\$	10.10		
Commercial Collection						
Container Size (Waste)	Collection Frequency (Per Week)					Per Extra Call
	1	2	3	4	5	
Kart (96 Gal)	\$ 40.87	\$ 58.55				
2 Cubic Yards	\$ 104.94	\$ 125.93	\$ 194.42	\$ 247.45	\$ 309.31	\$ 44.19
4 Cubic Yards	\$ 145.82	\$ 217.62	\$ 314.83	\$ 420.88	\$ 512.57	\$ 88.37
6 Cubic Yards	\$ 188.90	\$ 307.10	\$ 437.45	\$ 566.70	\$ 702.49	\$ 132.56
8 Cubic Yards	\$ 235.29	\$ 388.85	\$ 557.86	\$ 724.67	\$ 895.89	\$ 176.75
30 Cubic Yard Roll Off						\$ 254.08
Container Size (Recycling)						
Kart (96 Gal)	\$	19.88				
2 Cubic Yards	\$	71.80				
4 Cubic Yards	\$	100.53				
6 Cubic Yards	\$	128.14				

**City of Gulf Breeze, Florida**  
**TABLE XXVII**  
**NATURAL GAS SERVICE RATES**  
**Unaudited**  
**As of September 30, 2010**

**Inside City Limits - Residential and Commercial**

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

<u>Monthly Usage (Therms)</u>	<u>Rate per Therm</u>
0 - 3	\$ 0.8261
4 - 8	\$ 0.8229
9 - 166	\$ 0.7837
167 - 4,166	\$ 0.6662
over 4,167	\$ 0.5486

**Outside City Limits - Residential and Commercial**

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

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

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

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

Therm : 100 cubic feet of natural gas

SOURCE: Gulf Breeze Natural Gas Department

**City of Gulf Breeze, Florida**  
**TABLE XXVIII**  
**INSURANCE COVERAGE**  
**Unaudited**  
**As of September 30, 2010**

<u>Type</u>	<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Amount</u>
Auto (Person)	10/1/10 to 9/30/11	Florida Municipal Insurance Trust	FMIT # 0224	\$ 100,000
Auto (Occurrence)				\$ 200,000
General Liability	10/1/10 to 9/30/11	Florida Municipal Insurance Trust	FMIT # 0224	\$ 500,000
Extra Contractual Legal Liability				\$ 25,000
Fire Legal Liability				\$ 250,000
Medical Malpractice Liability				\$ 500,000
Errors & Omissions Liability				\$ 500,000
Law Enforcement Liability				\$ 500,000
Real Property	10/1/10 to 9/30/11	Florida Municipal Insurance Trust	FMIT # 0224	\$ 20,739,606
Personal Property	10/1/10 to 9/30/11	Florida Municipal Insurance Trust	FMIT # 0224	\$ 1,080,503
Island Marine	10/1/10 to 9/30/11	Florida Municipal Insurance Trust	FMIT # 0224	\$ 210,503
Wind Storm	10/1/10 to 9/30/11	Citizens Property Insurance	728652	\$ 4,528,000
Worker's Compensation	10/1/10 to 9/30/11	City of Gulf Breeze	N/A	\$ 250,000
Petroleum Storage Tank	10/1/10 to 9/30/11	Policy Managers	7509065	\$ 1,000,000
				\$ 2,000,000

SOURCE: City of Gulf Breeze Departments

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

Fulltime employees on City Payroll as of September 30, <sup>(1)</sup>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>General Government</b>										
City Manager and City Clerk	4	4	4	4	4	4	4	4	4	4
Community Services	2	2	2	2	2	2	2	2	2	1
Finance and Accounting	5	5	5	7	6	5	7	5	6	6
Parks and Recreation Center	9	8	8	8	8	8	9	8	9	9
Special Projects	-	-	1	1	1	-	-	-	-	-
Sworn Officers	18	17	19	19	19	19	18	18	18	18
Civilian Employees	7	8	8	8	8	8	7	7	7	7
Police	<u>25</u>	<u>25</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>
<b>General Government - Total</b>	<b><u>45</u></b>	<b><u>44</u></b>	<b><u>47</u></b>	<b><u>49</u></b>	<b><u>48</u></b>	<b><u>46</u></b>	<b><u>47</u></b>	<b><u>44</u></b>	<b><u>46</u></b>	<b><u>45</u></b>
<b>Enterprises <sup>(2)</sup></b>										
GBFS	2	1	1	1	2	-	1	1	-	-
Gas, Water and Sewer	13	11	12	13	9	11	11	11	14	14
South Santa Rosa Utility	23	27	29	29	28	25	19	20	19	21

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

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

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

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

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Fire Department</b>										
Emergency Medical Calls	562	500	471	527	486	500	442	479	436	N/A
Fire and Other Calls	<u>322</u>	<u>325</u>	<u>315</u>	<u>375</u>	<u>455</u>	<u>341</u>	(*) 238	<u>237</u>	<u>195</u>	<u>N/A</u>
Total Calls	<u>884</u>	<u>825</u>	<u>786</u>	<u>902</u>	<u>941</u>	<u>841</u>	<u>680</u>	<u>716</u>	<u>631</u>	<u>N/A</u>
(*) During and immediately after hurricane Ivan the fire department responded to an estimated 100 calls which were not recorded due to power and system failures.										
<b>Police Department</b>										
Arrests	161	195	142	206	258	189	234	266	334	447
Citations	4,968	4,451	4,451	5,330	5,047	3,707	3,800	4,303	3,985	3,538
<b>Parks and Recreation</b>										
League Registrations	1,802	1,918	1,596	1,617	1,784	1,659	1,664	1,630	1,807	N/A
<b>Water</b>										
Customers at year end	2,565	2,575	2,576	2,572	2,582	2,608	2,613	2,594	2,582	2,559
Treatment (000's gallons)	244,322	256,115	247,620	266,146	274,237	256,311	247,962	246,881	261,711	261,385
<b>Sewer</b>										
Customers at year end	1,471	1,479	1,450	1,407	1,389	1,390	1,412	1,390	1,382	1,352
Treatment (000's gallons)	150,468	164,167	155,865	168,066	167,414	157,577	150,430	151,419	158,402	150,974
<b>Natural Gas</b>										
Customers at year end	3,248	3,237	3,204	3,104	2,947	2,730	2,871	2,727	2,632	2,519
Therms (000's 100's ft3)	1,286,640	1,120,347	1,129,450	1,154,080	1,073,628	1,148,731	1,296,972	1,261,617	1,136,478	1,252,612
<b>SSRUS - Water</b>										
Customers at year end	4,200	4,220	4,229	4,224	4,205	4,164	4,382	4,300	4,225	4,094
Usage (000's gallons)	293,962	299,967	292,892	309,617	324,474	309,116	337,340	330,948	N/A	N/A
<b>SSRUS - Sewer</b>										
Customers at year end	5,837	5,824	5,819	5,744	5,556	5,338	5,402	4,948	1,698	4,451
Treatment (000's gallons)	385,532	387,549	389,835	407,189	427,657	389,021	401,388	369,631	381,198	362,859
<b>Wastewater Treatment</b>										
Treatment (000's gallons)	562.5	509.2	501.9	499.7	469.8	532.9	517.9	511.7	496.0	452.6

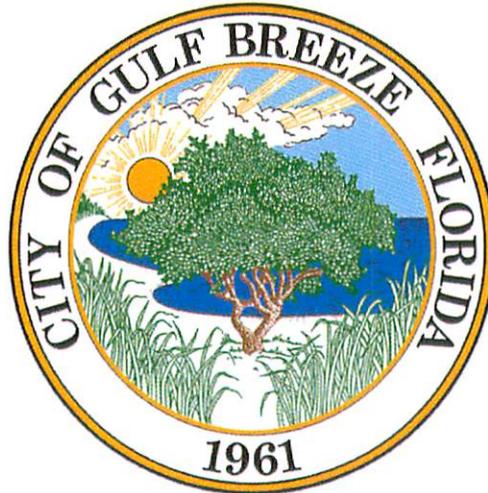
SOURCE: Departmental Records and Gulf Breeze Sports Association

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Streets</b>										
Miles of roads	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7
Miles of sidewalks	10.0	10.0	10.0	10.0	10.0	10.0	9.0	9.0	7.0	7.0
Signs Installed	171	171	171	171	171	171	171	171	170	170
Traffic Signal (City Owned)	1	1	1	1	1	1	1	-	-	-
<b>Water</b>										
Water Line (miles)	43.5	43.5	43.5	43.5	43.3	43.0	42.5	42.3	42.0	41.8
Elevated Storage Tanks	1	1	1	1	1	1	1	1	1	1
Elevated Storage Capacity (000's gallons)	100	100	100	100	100	100	100	100	100	100
Ground Storage Tanks	1	1	1	1	1	1	1	1	1	1
Ground Storage Capacity (000,000's gallons)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Water Pump Facilities	1	1	1	1	1	1	1	1	1	1
<b>Sewer</b>										
Sewer Line (miles)	16.0	16.0	15.3	15.3	15.1	14.8	14.3	14.1	13.8	13.6
Lift Stations	25	25	24	23	23	23	23	23	22	22
<b>Natural Gas</b>										
Gas Main (miles)	119.3	119.3	119.3	118.6	117.6	116.0	115.0	114.0	110.0	107.0
<b>South Santa Rosa Utility System</b>										
<u>Water</u>										
Water Line (miles)	62.3	62.3	62.3	61.3	58.3	57.3	55.3	54.3	52.3	51.3
Elevated Storage Tanks	1	1	1	1	1	1	1	1	1	1
Elevated Storage Capacity (000's gallons)	150	150	150	150	150	150	150	150	150	150
Ground Storage Tanks	1	1	1	1	1	1	1	1	1	1
Ground Storage Capacity (000,000's gallons)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Water Pump Facilities	1	1	1	1	1	1	1	1	1	1
<u>Sewer</u>										
Sewer Line (miles)	57.0	57.0	56.8	54.8	52.8	50.8	49.8	47.8	46.8	45.8
Lift Stations	60	60	57	57	56	53	53	52	51	48
<u>Treatment Facilities</u>										
Facilities	1	1	1	1	1	1	1	1	1	1
Capacity (000,000 gallons per day)	20.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Stormwater Utility</b>										
Stormwater pipe (miles)	9.1	9.1	9.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Inlets	186	186	180	88	88	88	88	88	88	88
Pump Stations	5	5	5	5	5	5	5	5	5	5
<b>Police Department</b>										
Patrol Units	17	17	19	19	19	18	18	18	18	18
<b>Fire Department</b>										
Response and Support Vehicles	10	9	10	10	9	8	7	7	7	7

SOURCE: Departmental Records

# **IV. Compliance Section**



**Compliance Matters**

**Management Letter**

**Responses to the Management Letter**

**City of Gulf Breeze, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2010**

<b>Federal Agency Pass-Through Entity Federal Program</b>	<b>CFDA Number</b>	<b>Contract/Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Interior</b>			
Indirect Program			
Pass-Through from			
US Fish and Wildlife Service			
Deadman's Island Restoration	15.630	401817G095	\$ 142,078
<b>Total U.S. Department of Interior</b>			<b><u>142,078</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
Indirect Program			
Pass-Through from			
Florida Department of Community Affairs			
ARRA - Small Cities Community Development Block Grant	14.255	10-DB-C4-01-67-02-R07	69,295
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>69,295</u></b>
<b>U.S. Department of Homeland Security</b>			
Indirect Programs			
Pass-Through From			
Florida Department of Community Affairs			
Disaster Funding Agreement - Hurricane Ivan	97.036	05-PA-G-01-67-02-621	749,148
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 749,148</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 960,521</u></b>

The accompanying notes are an integral part of this schedule.

**City of Gulf Breeze, Florida**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS**  
**Year Ended September 30, 2010**

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**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.



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

**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**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City of Gulf Breeze, Florida's basic financial statements and have issued our report thereon dated March 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Gulf Breeze's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gulf Breeze's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gulf Breeze's internal control over financial reporting.

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.

The Honorable Mayor, Members  
of City Council and Citizens of  
Gulf Breeze, Florida  
Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards* (Continued)

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (2008-1, 2008-2, 2008-3, 2009-1, 2009-2, and 2010-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Gulf Breeze's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2009-3.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 9, 2011, which should be considered in assessing the results of our audit.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Audit Committee, management, others within the organization, City Council, and the State of Florida, Office of the Auditor General, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*O'Sullivan Creel, LLP*

March 9, 2011

The Honorable Mayor, Members  
of City Council and Citizens of  
Gulf Breeze, Florida  
Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards* (Continued)



Honorable Mayor and City Council Members  
Gulf Breeze, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

**Compliance**

We have audited the City of Gulf Breeze, Florida's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Gulf Breeze, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program and state projects for the year ended September 30, 2010.

Honorable Mayor and City Council Members  
Gulf Breeze, Florida  
Independent Auditor's Report on Compliance with  
Requirements that Could Have a Direct and Material  
Effect on Each Major Program and on Internal  
Control over Compliance in Accordance with OMB  
Circular A-133 and Chapter 10.550, *Rules of the  
Auditor General* (Continued)

**Internal Control over Compliance**

The management of the City of Gulf Breeze, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Gulf Breeze'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 or state project 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 non-compliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, management, others within the organization, City Council, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*O'Sullivan Creel, LLP*

March 9, 2011

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2010**

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**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

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

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*? \_\_\_\_\_ Yes       X       No

Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
97.036	Public Assistance Grant - Disaster Relief Funding - Hurricane Ivan

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

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2010**

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**II. FINANCIAL STATEMENT FINDINGS**

*Prior Year Financial Statements Findings:*

**Finding 2008-1 - Capital Asset Balances**

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

**Recommendation**

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

**Status**

At the beginning of the current audit the findings noted in 2008 remained. As the audit progressed, the City adjusted the capital asset subsidiary to more correctly match the adjusted general ledger capital asset control accounts. Accordingly, our recommendation remains the same.

**Managements’ Response:** We agree with the finding. We have arranged for additional training of newer staff, and will engage in more frequent reviews and reconciliations of supporting capital asset subledger reports to the general ledger. These recommendations will be incorporated in our development of a comprehensive set of procedures to improve our end-of-year review and close out preparation.

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2010**

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*Prior Year Financial Statements Findings (Continued):*

**Finding 2008-2 - Allowance for Doubtful Accounts**

The City does not have a formal policy for calculating the allowance for doubtful utility accounts receivable and has not recorded an allowance for uncollectible receivables.

**Recommendation**

We recommended the City establish and implement a policy related to recording an allowance for doubtful accounts receivable. The adequacy of the allowance should be reviewed throughout the year and adjusted based on the success of the City's collection efforts, accounts aging, and an overall evaluation of the accounts. This will minimize the need for a year-end adjustment and improve the accuracy of interim financial statements.

**Status**

At September 30, 2010, the City's accounts receivable aged over 90 days was approximately 15% of billed utility accounts receivable. The City has deemed an allowance not necessary, and therefore, has not recorded an allowance for doubtful accounts as of year end. The City will continue to monitor the status of its utility accounts receivable balances and will determine if an allowance is necessary at a later point in time.

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

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

**Recommendation**

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

**Status**

In addition to the items noted in the prior year, we identified current year adjustments that had not been properly made as part of the year-end close out procedures. These current year adjustments included entries to: pooled cash, certain other assets, property and equipment, equity, and debt. Accordingly, our recommendation remains the same.

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

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2010**

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*Prior Year Financial Statements Findings (Continued):*

**Finding 2009-1 - Controls Over Cash Balances**

For the fiscal year ending September 30, 2009, we noted the City had an unreconciled difference of approximately \$40,000 between cash bank balances and general ledger balances. Of that difference, \$27,905 was identified during the audit as being the result of not recording an entry relating to the new debt issued by the City. However, the remaining difference remained unresolved at year-end. Failure to properly reconcile cash between the bank accounts and the general ledger control accounts prevents the City from obtaining accurate cash positions at the end of each period and could result in inappropriate decisions made by Governance. In addition, the situation could prevent the City from making timely corrections or adjustments that are necessary for an accurate reflection of cash in the financial statements.

**Recommendation**

We recommended the City review the current process for reconciling cash balances and assigning amounts in pooled cash to the various funds. This review should include the capabilities of the existing software and the City's continued use of "out of the software system" spreadsheets used to assist in daily and monthly reconciliations. The ultimate goal is to ensure the proper monthly reconciliation of bank account balances to the general ledger and the proper allocation of available pooled amounts to City funds.

**Status**

At September 30, 2010, the pooled cash accounts were reconciled properly.

**2009-2 - Encumbrances**

For the fiscal year ending September 30, 2010, we noted the City had not reviewed or adjusted year-end encumbrances. By not properly adjusting encumbrances at year-end, the City increases the risk of overstating the unreserved fund balance and could potentially impact the resources available in the succeeding year's budget.

**Recommendation**

We recommended the City establish a policy for encumbrances to include its approach to encumbrances outstanding at year-end and the effect of encumbrances on the subsequent year's appropriation. Additionally, we recommended the City increase its understanding of accounting for encumbrances with the current in-place accounting software program and include year-end encumbrance balances as part of the year-end close out procedures.

**Status**

At September 30, 2010, Management has reviewed procedures and policies for establishment of encumbrances, and the encumbrances were properly adjusted at year end.

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2010**

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*Prior Year Financial Statements Findings (Continued):*

**2009-3 - Budget Over-Expenditures**

For the fiscal year ending September 30, 2010, the City's General Fund actual expenditures exceeded appropriations by approximately \$118,000. The legal level of control for appropriations is exercised at the fund level by the City. In fiscal year 2009 the City adjusted the budget before the allowable post year-end 60 day budgetary period amendment period to closely mirror actual expenditures to the pre-audited general fund revenues and expenditures. However, adjustments proposed and approved as a result of the year-end audit resulted in an over expenditure.

**Recommendation**

We recommended the City adopt and complete year-end closing procedures that will ensure a properly adjusted trial balance. Completing this process within the post year-end 60 day budgetary period should allow for a properly adjusted budget.

**Status**

In fiscal year 2010 the City adjusted the budget before the allowable post year-end 60 day budgetary period amendment period to closely mirror actual expenditures to the pre-audited general fund revenues and expenditures. However, the General Fund actual expenditures exceeded appropriations resulting in an over expenditure of approximately \$4,500.

**Managements' Response:** We agree with the finding. These recommendations will be incorporated in our development of a comprehensive set of procedures to improve our end-of-year review and close out preparation.

*Current Year Financial Statements Findings:*

**2010-1 - Grant Financial Reporting**

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

**Recommendation**

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

**Managements' Response:** We agree with the finding. These recommendations will be incorporated in our review of our policies and procedures over our grant reporting.



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

### MANAGEMENT LETTER

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2010, and have issued our report thereon dated March 9, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-144, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance with Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 9, 2011, should be considered in conjunction with this management letter.

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

The *Rules of the Auditor General* (Section 10.554(1)(i)(1.)), require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no findings in the preceding annual financial report.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)(2.)), we determined that the City is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

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

The *Rules of the Auditor General* (Section 10.554(1)(i)(3.)), require that we comment as to whether or not there were any recommendations made to improve financial management, accounting procedures, and internal controls. In connection with our audit we had no such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)(4.)), require disclosure in the management letter of violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. No items were identified which are required to be disclosed.

The *Rules of the Auditor General* (Section 10.554(1)(i)(5.)), provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: 1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, and 2) deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)(6.)), 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. This information can be found in Note 1 of the financial statements.

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

The *Rules of the Auditor General* (Section 10.554(1)(i)(7.b.)), requires that we determine whether the annual financial report for the City of Gulf Breeze for the fiscal year ended September 30, 2009, 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 current audit period. In connection with our audit, we determined that these two reports were in agreement.

The *Rules of the Auditor General* (Sections 10.554(1)(i)(7.c.1), and 10.556(7)), require that we apply 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. In accordance with the *Rules of the Auditor General* (Section 10.556(7)), a financial condition assessment was performed, which did not indicate a deteriorating financial condition.

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

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

*O'Sullivan Creel, LLP*

March 9, 2011