

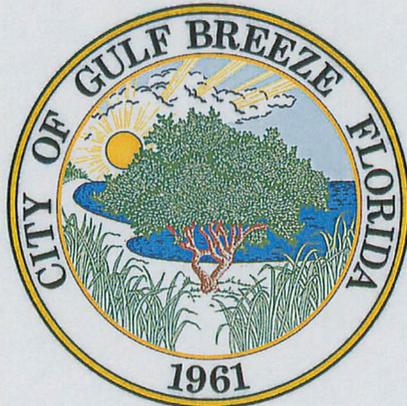
*City of Gulf Breeze
Florida*



*Comprehensive Annual
Financial Report*

Fiscal Year Ending September 30, 2009

Comprehensive Annual Financial Report



The City of Gulf Breeze, Florida
Year Ended September 30, 2009

Prepared by the Finance Department

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**CITY OF GULF BREEZE, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended September 30, 2009**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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City of Gulf Breeze

March 10, 2010
To the Honorable Mayor, Members of
the City Council and 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, 2009, 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. Consequently, 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, 2009, 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, 2009, 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 to 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 Confederates 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.

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.

In June of 2009, M. Lane Gilchrist passed away while serving as Mayor, ending 27 years of continuous service to the City, first as a Councilman, and the last 17 years as Mayor. The City Council elected Councilman and Mayor Pro-Tem Beverly Zimmern to succeed Mr. Gilchrist as Mayor and to serve out his term. The Council also named Councilman J.B. Schluter as the new Mayor Pro-Tem and appointed Dana Morris to serve in the Council seat vacated by Mayor Zimmern.

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.

The City of Gulf Breeze was incorporated on August 10, 1961. 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, 5 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.

Within the City there is a full-service hospital, a sports medicine 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 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 and account groups 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 areas accounting for 21% of the City. The City of Gulf Breeze consists of 4.5 square miles and has limited potential for expansion. Redevelopment continues to be the most viable alternative for economic improvements. In 1988, the City established the Community Redevelopment Agency to enable the City to utilize tax increment financing (TIF) to foster improvements and redevelopment in the City's commercial corridor.

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.

In 2009 the City was informed of plans to significantly expand office space for AppRiver, an award winning internet service business located within the City. The expansion will create 80,000 square feet of office space for AppRiver and an additional tenant, Avalex, through redevelopment of the Quietwater Office Park. This expansion is planned to entail the erection of the City's first multi-level parking deck, with development assistance from the Community Redevelopment Agency.

In 2009 there was a 2.7% decrease in the taxable values of properties within the City following 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. 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's Loan Pool and bond sponsorship programs operated through Capital Trust Agency (CTA) and Gulf Breeze Financial Services (GBFS) 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 1.800 for tax year 2009, and 1.900 mills for tax year 2010.

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 City is in the process of developing a new Master Plan for our parks to provide capital projects for the next 10 years.

➤ 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. In accordance with FEMA protocols, all component projects must be reviewed and approved before any single component project may begin. As of September 30, 2009, approval had not been obtained from FEMA, but the City believes that approval will be forthcoming. Currently, the City has been granted an extension by FEMA on completion of work related these funds until 2011. The proposed Alternative Projects submitted to FEMA include:

- Deconstruction of the remnants of the Gulf Breeze Fishing Bridge;
- 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.

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 10 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.

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, 2008. (This was the 7th 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.

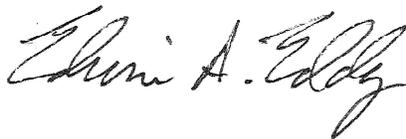
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to the Mayor and the City Council for their interest 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 report preparation process, 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, 2008

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.



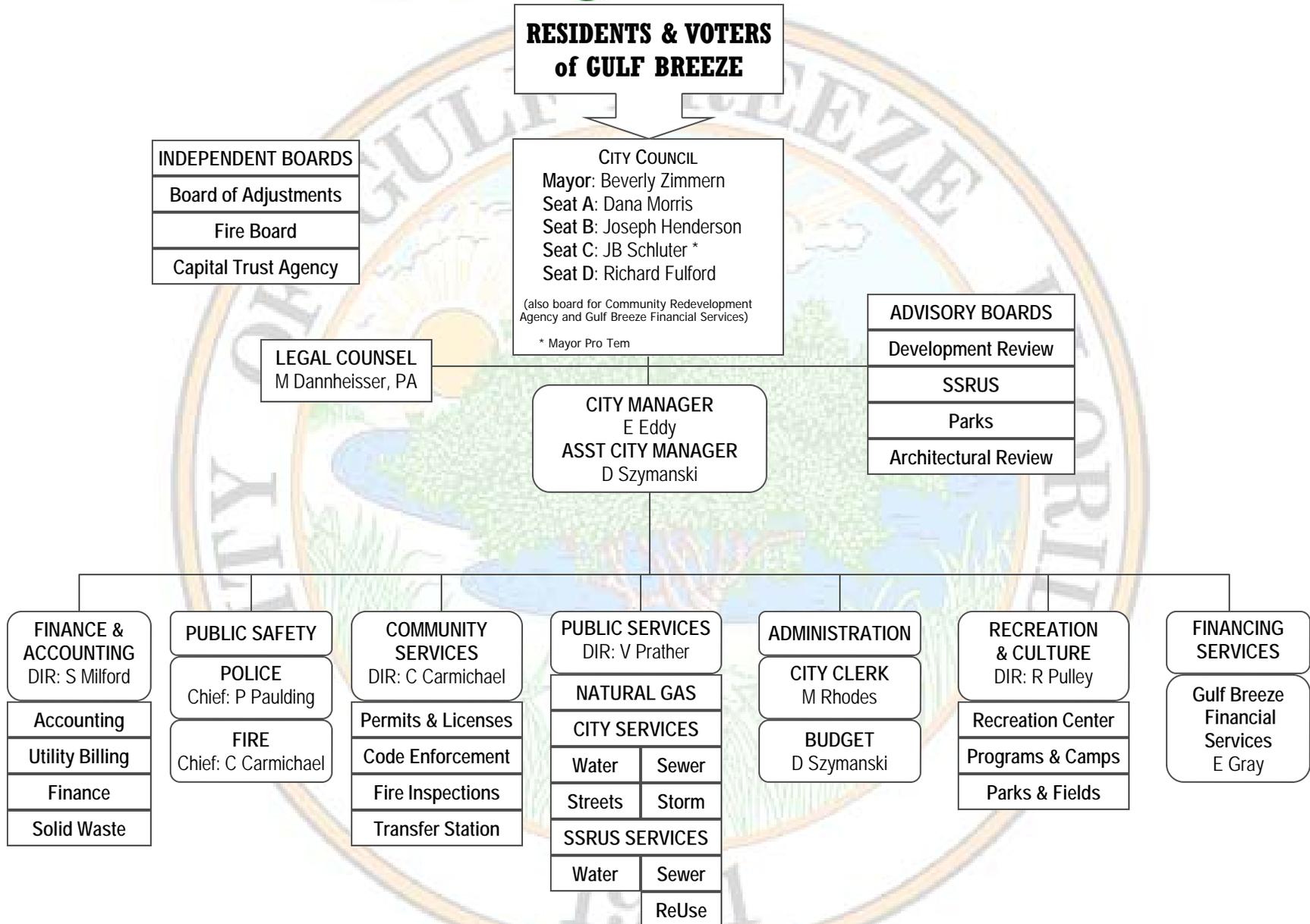
A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Enos".

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

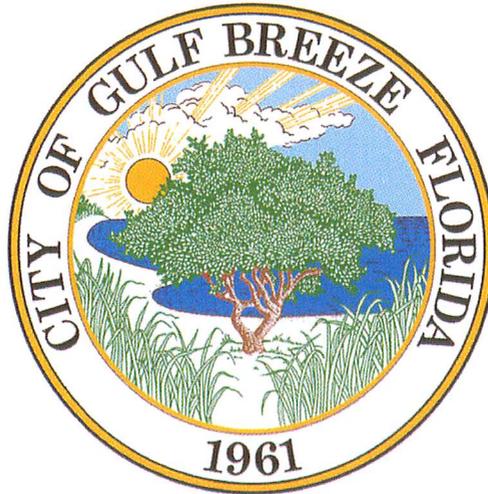
* Mayor Pro Tem



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, Members of the
City Council and 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, 2009, 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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 express no such opinion. An audit includes 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, as well as evaluating the overall basic 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, 2009, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2010, 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, grants 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.

The Management's Discussion and Analysis beginning on page 3, the Schedule of Funding Progress on page 63, and the Schedule of Contributions from the Employer and Other Contributing Entities on page 64 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Breeze, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

O'Sullivan Creel, LLP

March 10, 2010

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, 2009. 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 on pages iv - x of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Gulf Breeze exceeded its liabilities by \$27,578,266 (net assets). Of this amount \$8,696,699 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets decreased by \$889,971 or 3%. The governmental net assets increased by \$135,405 or 1.4% and the business-type net assets decreased by \$1,025,376 or 6%. This decrease is largely reflected in the decrease in the net value of depreciable fixed assets, reflecting deferred capital asset replacement.
- The City's governmental funds reported combined ending fund balances of \$6,965,517, an increase of \$519,278. Of the total ending fund balance, \$6,414,703 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 \$5,047,874 or the equivalent of 92% 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 16-17 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, which is considered a major fund. 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 18-23 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, and the Solid Waste Control Fund are considered to be major funds of the City. The Stormwater Management Fund and Gulf Breeze Financial Services are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 24-28 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 29-30 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 31 - 62 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 63-64 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 65-70 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 \$27,578,266 at the close of the most recent fiscal year, as reported in Table 1.

The largest portion of the City's net assets \$17,727,442 (64.3%) 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 (4.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$8,696,699 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, 2009 AND 2008

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|----------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Current and other assets | \$ 7,904,761 | \$ 7,066,523 | \$ 5,036,488 | \$ 4,928,245 | \$ 12,941,249 | \$ 11,994,768 |
| Capital assets | <u>12,075,281</u> | <u>12,483,552</u> | <u>26,976,623</u> | <u>28,874,085</u> | <u>39,051,904</u> | <u>41,357,637</u> |
| Total assets | <u>19,980,042</u> | <u>19,550,075</u> | <u>32,013,111</u> | <u>33,802,330</u> | <u>51,993,153</u> | <u>53,352,405</u> |
| Long-term liabilities outstanding | 9,265,829 | 9,322,023 | 13,499,647 | 14,494,227 | 22,765,476 | 23,816,250 |
| Other liabilities | <u>767,753</u> | <u>416,997</u> | <u>881,658</u> | <u>650,921</u> | <u>1,649,411</u> | <u>1,067,918</u> |
| Total liabilities | <u>10,033,582</u> | <u>9,739,020</u> | <u>14,381,305</u> | <u>15,145,148</u> | <u>24,414,887</u> | <u>24,884,168</u> |
| Net assets | | | | | | |
| Invested in capital assets net of related debt | 3,275,527 | 3,849,347 | 14,451,915 | 15,829,455 | 17,727,442 | 19,678,802 |
| Restricted | 397,270 | 25,485 | 756,855 | 756,855 | 1,154,125 | 782,340 |
| Unrestricted | <u>6,273,663</u> | <u>5,936,223</u> | <u>2,423,036</u> | <u>2,070,872</u> | <u>8,696,699</u> | <u>8,007,095</u> |
| Total net assets | <u>\$ 9,946,460</u> | <u>\$ 9,811,055</u> | <u>\$ 17,631,806</u> | <u>\$ 18,657,182</u> | <u>\$ 27,578,266</u> | <u>\$ 28,468,237</u> |

Governmental Activities

Governmental activities before transfers decreased the City of Gulf Breeze's net assets by \$937,684. The key elements of this change are reported in Table 2.

Charges for services increased 7.8% this year reflecting more revenue from Business Licensing and Plan Review fees relative to 2008, and operating grants declined by 70% reflecting the completion of the hurricane restoration projects funding completed in 2007 and earlier, which received FEMA funding.

Investment earnings are down 59% due mainly to a decrease in funds invested during the year and 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, smaller cities 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.

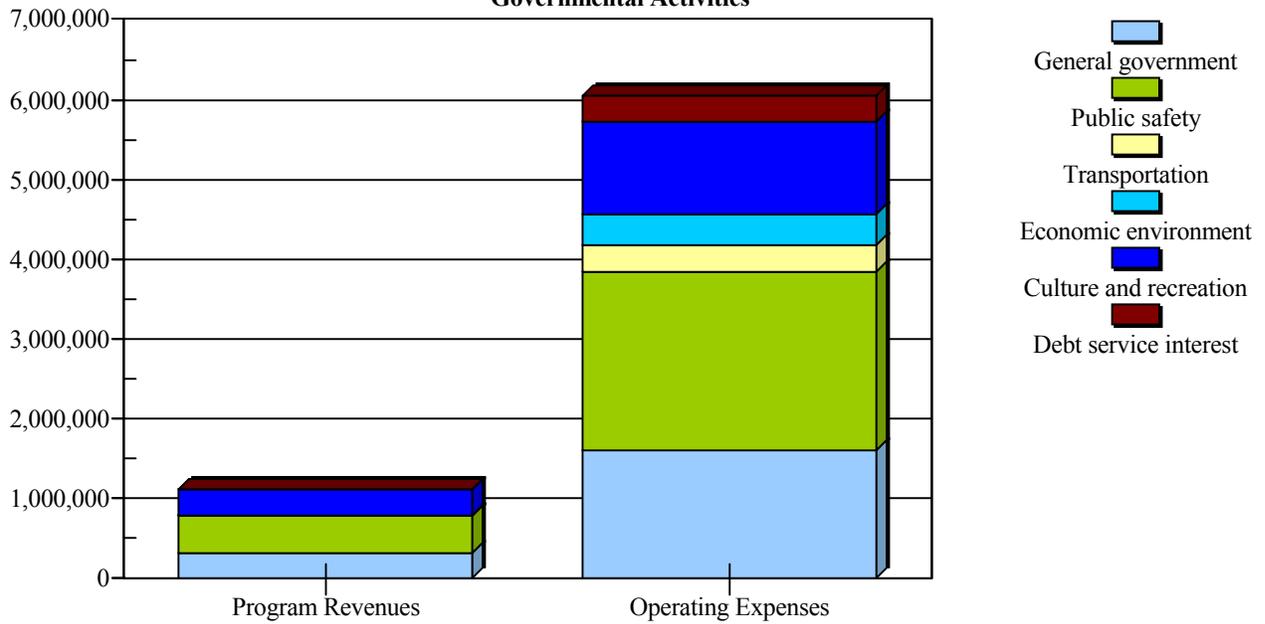
Property Tax revenue has increased by 8.4% due to the increased millage rate which offset the 2.7% decreased taxable value of properties within the City.

Increased expenditures in economic development, primarily the expansion of streets and drainage infrastructure in the Daniel Drive Area which were offset by savings in lower fuel costs and general conservation in all other departments resulting in approximately \$400,000 in expense reductions.

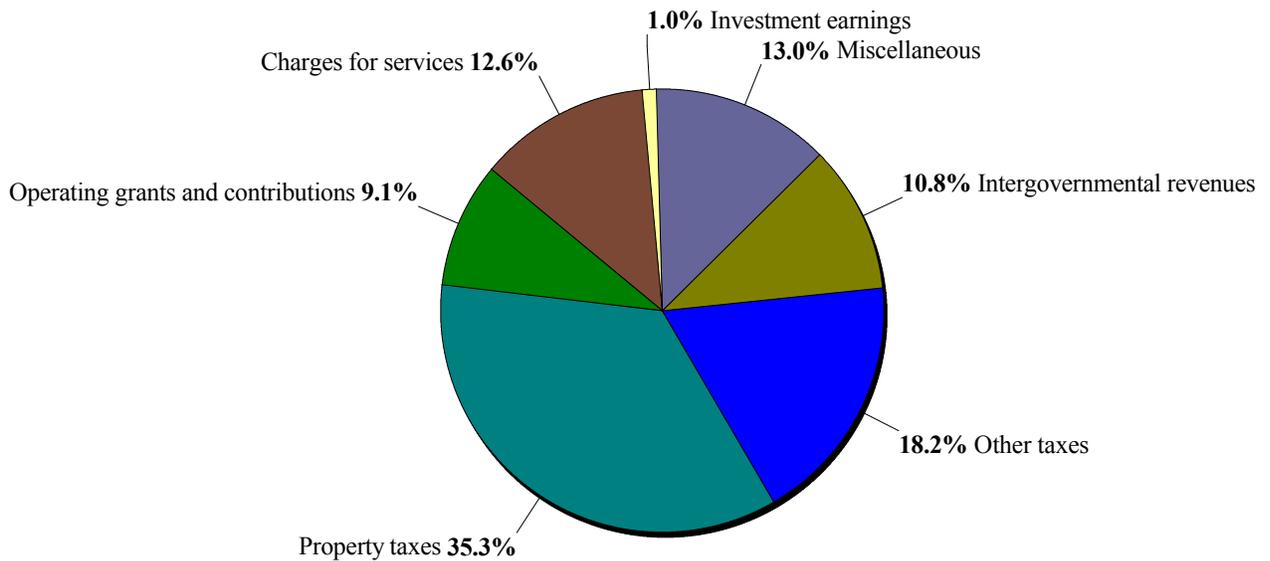
Table 2
City of Gulf Breeze
CHANGE IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| REVENUES | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 645,446 | \$ 598,860 | \$ 9,798,904 | \$ 9,540,211 | \$ 10,444,350 | \$ 10,139,071 |
| Operating grants and contributions | 468,212 | 1,584,284 | - | - | 468,212 | 1,584,284 |
| Capital grants and contributions | - | - | 127,267 | 632,068 | 127,267 | 632,068 |
| General revenues | | | | | | |
| Property taxes | 1,805,589 | 1,665,870 | - | - | 1,805,589 | 1,665,870 |
| Other taxes | 933,490 | 809,219 | - | - | 933,490 | 809,219 |
| Intergovernmental revenues | 552,449 | 567,629 | - | - | 552,449 | 567,629 |
| Miscellaneous | 666,013 | 665,631 | 233,593 | 364,517 | 899,606 | 1,030,148 |
| Investment earnings | 49,340 | 119,922 | 64,495 | 92,802 | 113,835 | 212,724 |
| TOTAL REVENUES | <u>5,120,539</u> | <u>6,011,415</u> | <u>10,224,259</u> | <u>10,629,598</u> | <u>15,344,798</u> | <u>16,641,013</u> |
| EXPENSES | | | | | | |
| Governmental activities | | | | | | |
| General government | 1,604,707 | 1,646,593 | - | - | 1,604,707 | 1,646,593 |
| Public safety | 2,242,994 | 2,550,037 | - | - | 2,242,994 | 2,550,037 |
| Transportation | 336,485 | 401,763 | - | - | 336,485 | 401,763 |
| Economic environment | 388,133 | 197,622 | - | - | 388,133 | 197,622 |
| Culture and recreation | 1,160,607 | 1,280,020 | - | - | 1,160,607 | 1,280,020 |
| Debt service interest | 325,297 | 378,952 | - | - | 325,297 | 378,952 |
| Business-type activities | | | | | | |
| Water and sewer | - | - | 1,576,201 | 1,345,242 | 1,576,201 | 1,345,242 |
| Natural gas | - | - | 1,699,027 | 2,069,606 | 1,699,027 | 2,069,606 |
| SSRUS utilities | - | - | 5,493,205 | 5,478,040 | 5,493,205 | 5,478,040 |
| Solid waste control | - | - | 890,827 | 287,197 | 890,827 | 287,197 |
| Stormwater management | - | - | 266,966 | 927,121 | 266,966 | 927,121 |
| Gulf Breeze Financial Services | - | - | 250,320 | 181,308 | 250,320 | 181,308 |
| TOTAL EXPENSES | <u>6,058,223</u> | <u>6,454,987</u> | <u>10,176,546</u> | <u>10,288,514</u> | <u>16,234,769</u> | <u>16,743,501</u> |
| Excess (deficiency) in net assets before transfers | (937,684) | (443,572) | 47,713 | 341,084 | (889,971) | (102,488) |
| Transfers | <u>1,073,089</u> | <u>1,230,150</u> | <u>(1,073,089)</u> | <u>(1,230,150)</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in net assets | 135,405 | 786,578 | (1,025,376) | (889,065) | (889,971) | (102,487) |
| NET ASSETS - OCTOBER 1 | <u>9,811,055</u> | <u>9,024,477</u> | <u>18,657,182</u> | <u>19,546,246</u> | <u>28,468,237</u> | <u>28,570,723</u> |
| NET ASSETS ENDING - SEPTEMBER 30 | <u>\$ 9,946,460</u> | <u>\$ 9,811,055</u> | <u>\$ 17,631,806</u> | <u>\$ 18,657,182</u> | <u>\$ 27,578,266</u> | <u>\$ 28,468,236</u> |

Program Revenues and Expenses Governmental Activities



Revenues by Source - Governmental Activities



* Zero Data, Capital grants and contributions

Business-Type Activities

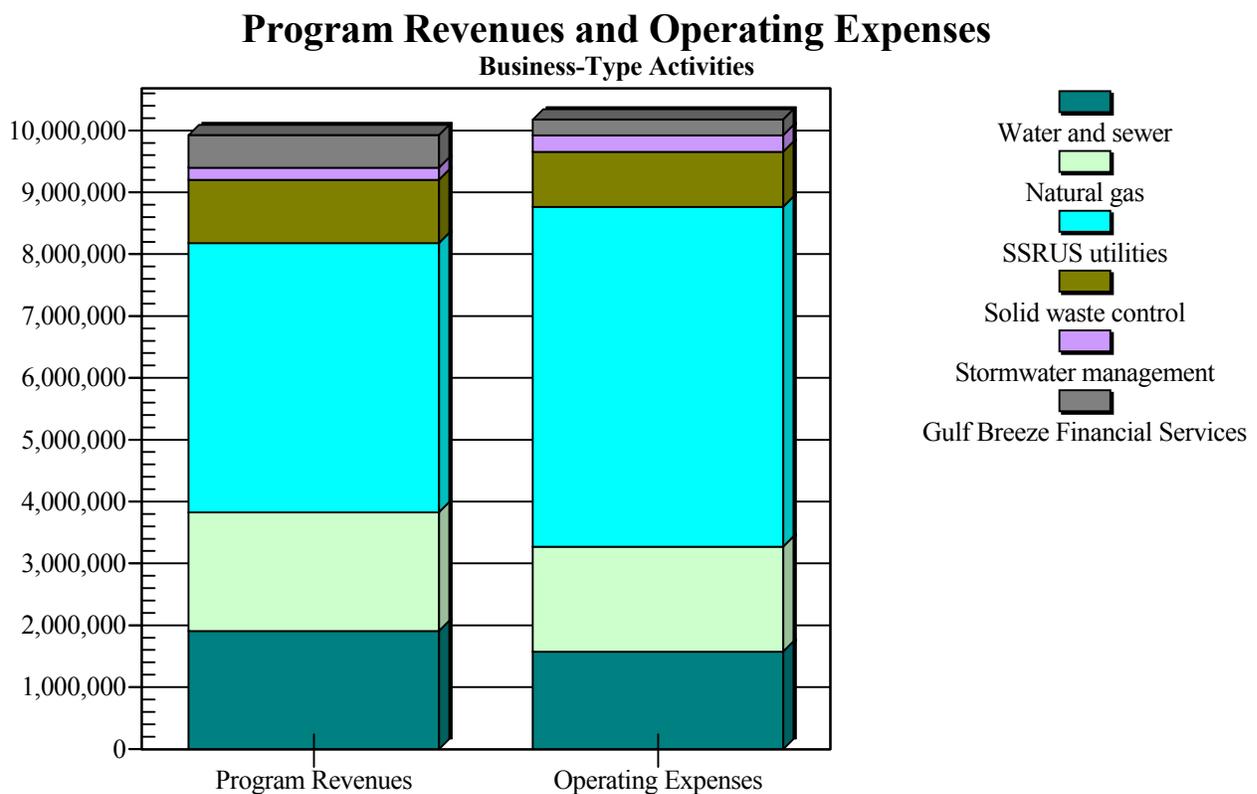
Business-type activities increased the City's net assets by \$47,713 before transfers, as indicated on Table 2.

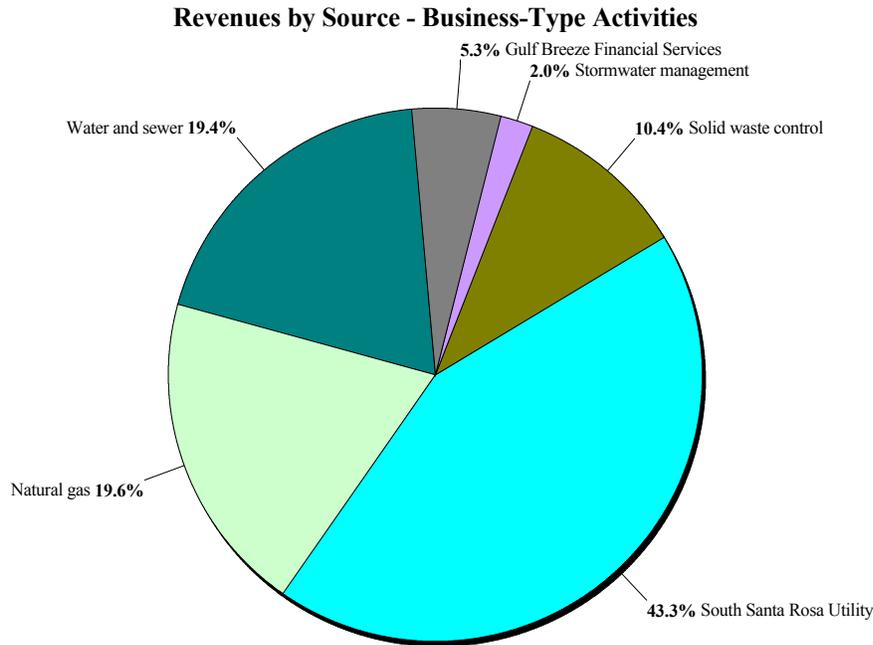
There have been no significant changes in the number of water and sewer customers inside City limits. This is also true for the number of water customers outside the City limits.

Contributions of \$127,267 from developers this year (21.6% of 2008 levels) reflects the 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 30.5% as a result of changing market conditions and distribution of investments.

The Natural Gas Utility shows a decrease in revenues of 1.9% while expenses decreased 18.2% resulting in an operating income of \$229,851 rather than the \$107,182 operating loss in 2008. Although there was a slight decrease in the consumption this year (0.8%) the revenue decrease is seen primarily in the cost of natural gas, which is in turn sold to customers of the City of Gulf Breeze. Natural Gas rates are adjusted according to the cost of natural gas.





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 \$6,965,517 an increase of \$519,278 in comparison with the prior year. Of this total amount, \$6,414,703 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 \$91,220, park subdivisions \$13,781 and other restricted purposes of \$14,714.

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 \$5,047,874, while total fund balance reached \$5,551,366. 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 92.2% of the total General Fund expenditures, while total fund balance represents 108% of that same amount.

The General Fund's fund balance increased by \$221,398 during the current fiscal year which is 40% of the prior year's increase due to an overall contraction of revenues and expenses in the current year compared to fiscal year 2008. A major factor in this contraction is the absence of FEMA funded hurricane recovery activities in the current fiscal year that have been a significant portion of revenues and expenses in each year since 2005.

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 general decline in property values, resulted in a 3.1% decrease in revenues from 2008. 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 \$2,423,036 at the end of the year, of that the Water and Sewer Fund amounted to \$1,844,099, the Natural Gas Fund totaled \$(121,717), South Santa Rosa Utility Fund was \$150,440, the Solid Waste Control Fund was \$4,034 and the other proprietary funds totaled \$546,180. The net assets of the proprietary funds decreased by \$1,025,376, reflecting the decrease in bonds and notes payable which resulted from normal debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budgeted expenditures increased from the original budget by \$45,876. Actual revenues fell short of both original and final budgeted expectations by 1.4% of actual revenues due primarily to \$59,123 in over budgeted combined tax revenues.

The highlights of the budgetary changes are as follows:

- \$212,400 increase in machinery and equipment;
- \$31,000 increase in transportation costs;
- \$43,000 decrease in estimated debt service costs;
- \$113,000 increase in grant revenues (largely in support of the equipment purchases);
- \$41,000 in expenditure reductions across all other departments.

Actual expenditures exceeded budget estimates by 2.3% of actual expenditures or \$118,521, due to an underestimate in total debt service costs and under estimate in budgeted costs related to capital outlays, specifically, construction in progress costs of engineering studies to qualify for construction grants. The combined impact of these budget variances resulted in a net change in the General Fund fund balance of \$221,398 as compared to a final budgeted increase of \$405,997.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Land | \$ 1,187,339 | \$ 1,187,339 | \$ 2,663,828 | \$ 2,663,828 | \$ 3,851,167 | \$ 3,851,167 |
| Construction in progress | 236,706 | - | 54,081 | - | 290,787 | - |
| Buildings | 4,232,810 | 4,232,979 | 414,021 | 407,111 | 4,646,831 | 4,640,090 |
| Improvements other than buildings | 12,803,618 | 12,438,602 | 339,447 | 232,709 | 13,143,065 | 12,671,311 |
| Infrastructure | 119,992 | 119,992 | 42,084,470 | 42,087,194 | 42,204,462 | 42,207,186 |
| Machinery and equipment | 4,392,244 | 4,410,424 | 3,442,089 | 3,410,643 | 7,834,333 | 7,821,067 |
| Accumulated depreciation | <u>(10,897,428)</u> | <u>(9,905,784)</u> | <u>(22,021,313)</u> | <u>(19,927,400)</u> | <u>(32,918,741)</u> | <u>(29,833,184)</u> |
| Total | <u>\$ 12,075,281</u> | <u>\$ 12,483,552</u> | <u>\$ 26,976,623</u> | <u>\$ 28,874,085</u> | <u>\$ 39,051,904</u> | <u>\$ 41,357,637</u> |

The City of Gulf Breeze's investments in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$39,051,904 (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 \$2,305,733 or 5.5% overall as depreciation exceeded increases in capital assets (3.2% decrease for governmental activities and a 6.6% decrease for business-type activities). The major changes are summarized below:

- Completed portions of Daniel Drive improvements;
- Disposal of three fully depreciated surplus vehicles;
- Waste water treatment plant improvements;
- As of September 30, 2009, construction in progress reflected construction projects not yet completed relating to expansion and improvement of Daniel Drive which was completed subsequent to fiscal year end, and improvements to the waste water treatment plant which was also 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 | |
|-------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenue bonds | \$ 8,799,754 | \$ 8,952,164 | \$ 7,308,696 | \$ 7,723,577 | \$ 16,108,450 | \$ 16,675,741 |
| Notes payable | - | - | 5,099,608 | 5,623,845 | 5,099,608 | 5,623,845 |
| Capital leases | - | - | 116,403 | 170,930 | 116,403 | 170,930 |
| Compensated absences | 212,182 | 211,017 | 161,214 | 139,889 | 373,396 | 350,906 |
| Other contractual obligations | 253,893 | 156,341 | - | - | 253,893 | 156,341 |
| Total | \$ 9,265,829 | \$ 9,319,522 | \$ 12,685,921 | \$ 13,658,241 | \$ 21,951,750 | \$ 22,977,763 |

At the end of the current fiscal year, the City of Gulf Breeze had total bonded debt and outstanding loans of \$21,324,461. 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 Notes 12 and 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 2010 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 \$5,286,052 a 4.7% decrease from fiscal 2009 revenues. In FY 2010, ad valorem taxes were increased from 1.8 mills to 1.9 mills, or 5.5%. Municipal Utility Service Taxes were increased by 1% and Communication Service Tax rates were each increased by 1.25%. Debt Service expenses continue to be absorbed into the City's budget.

The budget for Fiscal Year 2010 is quite conservative. It is approximately 2.4% less than the budget for Fiscal Year 2009.

The General Fund is expected to generate \$596,000 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, resurfacing of gym and tennis courts and replacement of parks equipment.

The City is planning on deferring proprietary fund non-operating expenditures except for required debt service for fiscal year 2010.

The Community Redevelopment Agency Fund is projected to use \$843,105 on the Central Business District improvements. The diligence provided by the City Council has ensured that the City will continue to maintain the high level of service desired by this community.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

City of Gulf Breeze, Florida
STATEMENT OF NET ASSETS
September 30, 2009

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|----------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | Capital Trust Agency |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,371,968 | \$ 2,140,359 | \$ 6,512,327 | \$ 971,996 |
| Investments | 500,000 | 210,575 | 710,575 | 150,000 |
| Receivables | 200,045 | 1,059,584 | 1,259,629 | 48,520 |
| Internal balances | 2,265,227 | (2,265,227) | - | - |
| Due from other governments | - | 8,770 | 8,770 | (8,770) |
| Inventory, at cost | 6,697 | 162,652 | 169,349 | - |
| Restricted assets | | | | |
| Cash and cash equivalents | 253,893 | 1,677,183 | 1,931,076 | 75,900 |
| Capital assets | | | | |
| Non-depreciable | 1,424,045 | 2,717,909 | 4,141,954 | - |
| Depreciable | 10,651,236 | 24,258,714 | 34,909,950 | - |
| Other assets | | | | |
| Bond issue costs, net | 306,931 | 206,178 | 513,109 | - |
| Investment in joint venture | - | 1,344,995 | 1,344,995 | - |
| Other | - | 491,419 | 491,419 | - |
| TOTAL ASSETS | 19,980,042 | 32,013,111 | 51,993,153 | 1,237,646 |
| LIABILITIES | | | | |
| Accounts payable | 466,335 | 665,223 | 1,131,558 | 1,384 |
| Contracts payable | 70,637 | - | 70,637 | - |
| Accrued liabilities | 95,341 | 49,047 | 144,388 | - |
| Due to other governments | - | 5,629 | 5,629 | - |
| Payable from restricted assets | | | | |
| Accrued interest | 135,440 | 161,759 | 297,199 | - |
| Customer deposits | - | 693,199 | 693,199 | - |
| Non-current liabilities | | | | |
| Due within one year | | | | |
| Compensated absences | 185,000 | 135,000 | 320,000 | - |
| Capital leases payable | - | 56,941 | 56,941 | - |
| Revenue bonds payable | 158,400 | 561,600 | 720,000 | - |
| Notes payable | - | 801,204 | 801,204 | - |
| Due in more than one year | | | | |
| Deferred revenue | - | 120,527 | 120,527 | - |
| Compensated absences | 27,182 | 26,214 | 53,396 | - |
| Capital leases payable | - | 59,462 | 59,462 | - |
| Revenue bonds payable | 8,641,354 | 6,747,096 | 15,388,450 | - |
| Notes payable | - | 4,298,404 | 4,298,404 | - |
| Other contractual obligations | 253,893 | - | 253,893 | - |
| TOTAL LIABILITIES | 10,033,582 | 14,381,305 | 24,414,887 | 1,384 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 3,275,527 | 14,451,915 | 17,727,442 | - |
| Restricted for: | | | | |
| Scholarships | - | - | - | 75,900 |
| Debt service | - | 756,855 | 756,855 | - |
| Public safety | 397,270 | - | 397,270 | - |
| Unrestricted | 6,273,663 | 2,423,036 | 8,696,699 | 1,160,362 |
| TOTAL NET ASSETS | \$ 9,946,460 | \$ 17,631,806 | \$ 27,578,266 | \$ 1,236,262 |

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

City of Gulf Breeze, Florida
STATEMENT OF ACTIVITIES
Year Ended September 30, 2009

| | 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 |
| Function/Program Activities | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 1,604,707 | \$ 101,657 | \$ 213,995 | \$ - | \$ (1,289,055) | \$ - | \$ (1,289,055) | \$ - |
| Public safety | 2,242,994 | 318,015 | 150,865 | - | (1,774,114) | - | (1,774,114) | - |
| Transportation | 336,485 | - | - | - | (336,485) | - | (336,485) | - |
| Economic environment | 388,133 | - | - | - | (388,133) | - | (388,133) | - |
| Culture and recreation | 1,160,607 | 225,774 | 103,352 | - | (831,481) | - | (831,481) | - |
| Debt service interest | 325,297 | - | - | - | (325,297) | - | (325,297) | - |
| Total governmental activities | 6,058,223 | 645,446 | 468,212 | - | (4,944,565) | - | (4,944,565) | - |
| Business-Type Activities | | | | | | | | |
| Water and sewer | 1,576,201 | 1,896,573 | - | 17,103 | - | 337,475 | 337,475 | - |
| Natural gas | 1,699,027 | 1,918,813 | - | - | - | 219,786 | 219,786 | - |
| South Santa Rosa Utility | 5,493,205 | 4,242,023 | - | 110,164 | - | (1,141,018) | - | - |
| Solid waste control | 890,827 | 1,023,845 | - | - | - | 133,018 | - | - |
| Stormwater management | 266,966 | 193,874 | - | - | - | (73,092) | (73,092) | - |
| Gulf Breeze Financial Services | 250,320 | 523,776 | - | - | - | 273,456 | 273,456 | - |
| Total business-type activities | 10,176,546 | 9,798,904 | - | 127,267 | - | (250,375) | 757,625 | - |
| Total primary government | \$ 16,234,769 | \$ 10,444,350 | \$ 468,212 | \$ 127,267 | \$ (4,944,565) | \$ (250,375) | \$ (4,186,940) | \$ - |
| Capital Trust Agency | \$ 1,291,931 | \$ 964,102 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (327,829) |
| General revenues | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes | | | | | \$ 1,805,589 | \$ - | \$ 1,805,589 | \$ - |
| Tourist development taxes | | | | | 7,120 | - | 7,120 | - |
| Fuel taxes | | | | | 213,988 | - | - | - |
| Franchise taxes | | | | | 293,431 | - | - | - |
| Communication service taxes | | | | | 212,177 | - | - | - |
| Utility service taxes | | | | | 206,774 | - | 206,774 | - |
| Intergovernmental, unrestricted | | | | | 552,449 | - | 552,449 | - |
| Miscellaneous | | | | | 666,013 | 233,593 | 899,606 | - |
| Unrestricted investment earnings | | | | | 49,340 | 64,495 | 113,835 | 45,687 |
| Transfers | | | | | 1,073,089 | (1,073,089) | - | - |
| Total general revenues and transfers | | | | | 5,079,970 | (775,001) | 4,304,969 | 45,687 |
| Change in net assets | | | | | 135,405 | (1,025,376) | (889,971) | (282,142) |
| Net assets - beginning of year | | | | | 9,811,055 | 18,657,182 | 28,468,237 | 1,518,404 |
| Net assets - end of year | | | | | \$ 9,946,460 | \$ 17,631,806 | \$ 27,578,266 | \$ 1,236,262 |

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

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2009

| | <u>General</u> | <u>Urban Core Redevelopment</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------------------|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,848,338 | \$ 1,332,687 | \$ 190,943 | \$ 4,371,968 |
| Investments | 500,000 | - | - | 500,000 |
| Receivables | 200,045 | - | - | 200,045 |
| Due from other governments | - | - | - | - |
| Inventory, at cost | 6,697 | - | - | 6,697 |
| Due from other funds | 2,265,227 | - | - | 2,265,227 |
| Restricted assets | | | | |
| Cash and cash equivalents | - | - | 253,893 | 253,893 |
| Total assets | <u>\$ 5,820,307</u> | <u>\$ 1,332,687</u> | <u>\$ 444,836</u> | <u>\$ 7,597,830</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 136,255 | \$ 329,836 | \$ 244 | \$ 466,335 |
| Contracts payable | 37,345 | 33,292 | - | 70,637 |
| Accrued liabilities | <u>95,341</u> | <u>-</u> | <u>-</u> | <u>95,341</u> |
| Total liabilities | <u>268,941</u> | <u>363,128</u> | <u>244</u> | <u>632,313</u> |
| FUND BALANCES | | | | |
| Reserved | | | | |
| Encumbrances | 27,080 | - | - | 27,080 |
| Inventory | 6,697 | - | - | 6,697 |
| Police trust | - | - | 47,322 | 47,322 |
| Unreserved | | | | |
| Designated | | | | |
| Community fund | 437 | - | - | 437 |
| Park subdivision | 13,781 | - | - | 13,781 |
| Self-insurance | 250,000 | - | - | 250,000 |
| Beautification | 91,220 | - | - | 91,220 |
| Disaster recovery | 100,000 | - | - | 100,000 |
| Police and fire department | 14,277 | - | - | 14,277 |
| Undesignated general fund | 5,047,874 | - | - | 5,047,874 |
| Undesignated special revenue | - | 969,559 | 397,270 | 1,366,829 |
| Total fund balances | <u>5,551,366</u> | <u>969,559</u> | <u>444,592</u> | <u>6,965,517</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 5,820,307</u> | <u>\$ 1,332,687</u> | <u>\$ 444,836</u> | <u>\$ 7,597,830</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, 2009

| | | |
|--|---------------------|---------------------|
| Fund balances - total governmental funds (page 18) | | \$ 6,965,517 |
| 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 | 1,424,045 | |
| Governmental depreciable assets | 21,548,664 | |
| Less accumulated depreciation | <u>(10,897,428)</u> | <u>12,075,281</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>(23,893)</u> | <u>306,931</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 | (8,844,000) | |
| Discount on bond issuance | 47,690 | |
| Less accumulated amortization | (3,444) | |
| Accrued interest | (135,440) | |
| Compensated absences | (212,182) | |
| Other contractual obligations | <u>(253,893)</u> | <u>(9,401,269)</u> |
| Net assets of governmental activities (page 16) | | <u>\$ 9,946,460</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, 2009

| | <u>General</u> | <u>Urban Core Redevelopment</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------------------|---|---|
| REVENUES | | | | |
| Taxes | \$ 2,119,727 | \$ 619,352 | \$ - | \$ 2,739,079 |
| Licenses and permits | 83,962 | - | - | 83,962 |
| Intergovernmental | 1,020,661 | - | - | 1,020,661 |
| Charges for services | 243,468 | - | - | 243,468 |
| Fines and forfeitures | 117,259 | - | 200,757 | 318,016 |
| Investment earnings | 49,340 | - | - | 49,340 |
| Miscellaneous | <u>647,133</u> | <u>-</u> | <u>1,379</u> | <u>648,512</u> |
| TOTAL REVENUES | <u>4,281,550</u> | <u>619,352</u> | <u>202,136</u> | <u>5,103,038</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,246,263 | 152,943 | 3,373 | 1,402,579 |
| Public safety | 1,957,434 | - | 6,090 | 1,963,524 |
| Transportation | 151,623 | - | - | 151,623 |
| Economic environment | 116,673 | - | - | 116,673 |
| Culture and recreation | 886,497 | - | - | 886,497 |
| Capital outlay | 302,054 | 372,102 | - | 674,156 |
| Debt service | | | | |
| Principal | 154,000 | - | - | 154,000 |
| Interest | <u>325,297</u> | <u>-</u> | <u>-</u> | <u>325,297</u> |
| TOTAL EXPENDITURES | <u>5,139,841</u> | <u>525,045</u> | <u>9,463</u> | <u>5,674,349</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (858,291) | 94,307 | 192,673 | (571,311) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance proceeds | 17,500 | - | - | 17,500 |
| Transfers in | 1,245,089 | 182,900 | - | 1,427,989 |
| Transfers out | <u>(182,900)</u> | <u>(155,000)</u> | <u>(17,000)</u> | <u>(354,900)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,079,689</u> | <u>27,900</u> | <u>(17,000)</u> | <u>1,090,589</u> |
| NET CHANGE IN FUND BALANCE | 221,398 | 122,207 | 175,673 | 519,278 |
| FUND BALANCE - BEGINNING OF YEAR | <u>5,329,968</u> | <u>847,352</u> | <u>268,919</u> | <u>6,446,239</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 5,551,366</u> | <u>\$ 969,559</u> | <u>\$ 444,592</u> | <u>\$ 6,965,517</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, 2009

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds (page 20) | \$ | 519,278 |
|--|----|---------|

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 | 674,156 | |
| Less current year depreciation | <u>(1,043,268)</u> | (369,112) |

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 | 154,000 | |
| Amortization of bond discount | (1,590) | |
| Amortization of bond issue costs | <u>(11,027)</u> | 141,383 |

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 | (136,710) | |
| Change in accrued interest on long-term debt | (18,268) | |
| Change in long-term compensated absences | <u>(1,166)</u> | <u>(156,144)</u> |

| | | |
|---|----|----------------|
| Change in net assets of governmental activities (page 17) | \$ | <u>135,405</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 - GENERAL FUND
Year Ended September 30, 2009

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 2,229,075 | \$ 2,178,850 | \$ 2,119,727 | \$ (59,123) |
| Licenses and permits | 68,300 | 83,963 | 83,962 | (1) |
| Intergovernmental | 907,499 | 1,020,664 | 1,020,661 | (3) |
| Charges for services | 219,000 | 238,326 | 243,468 | 5,142 |
| Fines and forfeitures | 148,200 | 117,258 | 117,259 | 1 |
| Investment earnings | 50,000 | 49,340 | 49,340 | - |
| Miscellaneous | <u>670,000</u> | <u>647,874</u> | <u>647,133</u> | <u>(741)</u> |
| TOTAL REVENUES | <u>4,292,074</u> | <u>4,336,275</u> | <u>4,281,550</u> | <u>(54,725)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,258,475 | 1,246,260 | 1,246,263 | (3) |
| Public safety | 2,080,862 | 1,957,210 | 1,957,434 | (224) |
| Transportation | 117,342 | 148,095 | 151,623 | (3,528) |
| Economic environment | 126,063 | 116,672 | 116,673 | (1) |
| Culture and recreation | 895,502 | 886,500 | 886,497 | 3 |
| Capital outlay | 6,500 | 218,924 | 302,054 | (83,130) |
| Debt service | | | | |
| Principal | 134,200 | 122,366 | 154,000 | (31,634) |
| Interest | <u>356,500</u> | <u>325,293</u> | <u>325,297</u> | <u>(4)</u> |
| TOTAL EXPENDITURES | <u>4,975,444</u> | <u>5,021,320</u> | <u>5,139,841</u> | <u>(118,521)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(683,370)</u> | <u>(685,045)</u> | <u>(858,291)</u> | <u>(173,246)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance proceeds | - | 17,500 | 17,500 | - |
| Transfers in | 1,281,300 | 1,256,442 | 1,245,089 | (11,353) |
| Transfers out | (182,900) | (182,900) | (182,900) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,098,400</u> | <u>1,091,042</u> | <u>1,079,689</u> | <u>(11,353)</u> |
| NET CHANGE IN FUND BALANCES | 415,030 | 405,997 | 221,398 | (184,599) |
| FUND BALANCE - BEGINNING OF YEAR | <u>(415,030)</u> | <u>(405,997)</u> | <u>5,329,968</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,551,366</u> | <u>\$ (184,599)</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, 2009

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 619,352 | \$ 619,352 | \$ 619,352 | \$ - |
| TOTAL REVENUES | <u>619,352</u> | <u>619,352</u> | <u>619,352</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 106,100 | 136,100 | 152,943 | (16,843) |
| Capital outlay | <u>541,152</u> | <u>511,152</u> | <u>372,102</u> | <u>139,050</u> |
| TOTAL EXPENDITURES | <u>647,252</u> | <u>647,252</u> | <u>525,045</u> | <u>122,207</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (27,900) | (27,900) | 94,307 | 122,207 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 182,900 | 182,900 | 182,900 | - |
| Transfers out | <u>(155,000)</u> | <u>(155,000)</u> | <u>(155,000)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>27,900</u> | <u>27,900</u> | <u>27,900</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCE | - | - | 122,207 | 122,207 |
| FUND BALANCES, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>847,352</u> | <u>847,352</u> |
| FUND BALANCES, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 969,559</u> | <u>\$ 969,559</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, 2009

| | <u>Water and Sewer</u> | <u>Natural Gas</u> | <u>South Santa Rosa Utility</u> | <u>Solid Waste Control</u> | <u>Nonmajor Proprietary Funds</u> | <u>Total</u> |
|----------------------------------|----------------------------|--------------------|-------------------------------------|--------------------------------|---|-------------------|
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 892,312 | \$ 7,772 | \$ 29,146 | \$ 7,312 | \$ 1,203,817 | \$ 2,140,359 |
| Investments | - | - | 60,575 | - | 150,000 | 210,575 |
| Receivables | 367,926 | 165,247 | 398,893 | 101,617 | 25,901 | 1,059,584 |
| Due from other governments | - | - | - | - | 8,770 | 8,770 |
| Inventory, at cost | 16,814 | 49,595 | 96,243 | - | - | 162,652 |
| Restricted assets | | | | | | |
| Cash and cash equivalents | <u>151,048</u> | <u>194,853</u> | <u>1,321,312</u> | <u>9,970</u> | <u>-</u> | <u>1,677,183</u> |
| Total current assets | <u>1,428,100</u> | <u>417,467</u> | <u>1,906,169</u> | <u>118,899</u> | <u>1,388,488</u> | <u>5,259,123</u> |
| Noncurrent assets | | | | | | |
| Capital assets, net | | | | | | |
| Land | - | - | 2,663,827 | - | - | 2,663,827 |
| Construction in progress | - | - | 54,081 | - | - | 54,081 |
| Buildings | - | - | 318,897 | - | - | 318,897 |
| Improvements other than building | - | - | 170,238 | - | 82,552 | 252,790 |
| Infrastructure | 2,217,416 | 878,310 | 18,494,387 | - | 1,090,389 | 22,680,502 |
| Machinery and equipment | <u>97,142</u> | <u>25,460</u> | <u>865,574</u> | <u>-</u> | <u>18,349</u> | <u>1,006,525</u> |
| Total capital assets | <u>2,314,558</u> | <u>903,770</u> | <u>22,567,004</u> | <u>-</u> | <u>1,191,290</u> | <u>26,976,622</u> |
| Other assets | | | | | | |
| Bond issue costs, net | - | - | 206,178 | - | - | 206,178 |
| Investment in joint venture | 679,906 | - | 665,089 | - | - | 1,344,995 |
| Other | <u>122,856</u> | <u>-</u> | <u>368,563</u> | <u>-</u> | <u>-</u> | <u>491,419</u> |
| Total other assets | <u>802,762</u> | <u>-</u> | <u>1,239,830</u> | <u>-</u> | <u>-</u> | <u>2,042,592</u> |
| Total non-current assets | <u>3,117,320</u> | <u>903,770</u> | <u>23,806,834</u> | <u>-</u> | <u>1,191,290</u> | <u>29,019,214</u> |
| TOTAL ASSETS | <u>4,545,420</u> | <u>1,321,237</u> | <u>25,713,003</u> | <u>118,899</u> | <u>2,579,778</u> | <u>34,278,337</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, 2009

| | <u>Water and Sewer</u> | <u>Natural Gas</u> | <u>South Santa Rosa Utility</u> | <u>Solid Waste Control</u> | <u>Nonmajor Proprietary Funds</u> | <u>Total</u> |
|--|----------------------------|--------------------|-------------------------------------|--------------------------------|---|----------------------|
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | 101,922 | 160,997 | 345,147 | 53,956 | 3,200 | 665,222 |
| Accrued liabilities | 5,450 | 3,288 | 36,118 | 939 | 3,252 | 49,047 |
| Compensated absences | 4,745 | 37,721 | 92,534 | - | - | 135,000 |
| Due to other funds | - | 135,000 | 1,250,000 | 50,000 | 830,227 | 2,265,227 |
| Due to other governments | - | - | - | - | 5,629 | 5,629 |
| Payable from restricted assets | | | | | | |
| Accrued interest | - | - | 161,759 | - | - | 161,759 |
| Customer deposits | 153,197 | 194,853 | 335,179 | 9,970 | - | 693,199 |
| Capital leases payable | - | - | 56,941 | - | - | 56,941 |
| Revenue bonds payable | 21,600 | - | 540,000 | - | - | 561,600 |
| Notes payable | <u>15,323</u> | <u>61,292</u> | <u>724,589</u> | <u>-</u> | <u>-</u> | <u>801,204</u> |
| Total current liabilities | <u>302,237</u> | <u>593,151</u> | <u>3,542,267</u> | <u>114,865</u> | <u>842,308</u> | <u>5,394,828</u> |
| Non-current liabilities | | | | | | |
| Deferred revenue | 120,527 | - | - | - | - | 120,527 |
| Compensated absences | 922 | 7,325 | 17,967 | - | - | 26,214 |
| Capital leases payable | - | - | 59,462 | - | - | 59,462 |
| Revenue bonds payable | 1,184,400 | - | 5,562,696 | - | - | 6,747,096 |
| Notes payable | <u>8,374</u> | <u>31,750</u> | <u>4,258,280</u> | <u>-</u> | <u>-</u> | <u>4,298,404</u> |
| Total non-current liabilities | <u>1,314,223</u> | <u>39,075</u> | <u>9,898,405</u> | <u>-</u> | <u>-</u> | <u>11,251,703</u> |
| TOTAL LIABILITIES | <u>1,616,460</u> | <u>632,226</u> | <u>13,440,672</u> | <u>114,865</u> | <u>842,308</u> | <u>16,646,531</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 1,084,861 | 810,728 | 11,365,036 | - | 1,191,290 | 14,451,915 |
| Restricted | | | | | | |
| Debt service | - | - | 756,855 | - | - | 756,855 |
| Unrestricted | <u>1,844,099</u> | <u>(121,717)</u> | <u>150,440</u> | <u>4,034</u> | <u>546,180</u> | <u>2,423,036</u> |
| TOTAL NET ASSETS | <u>\$ 2,928,960</u> | <u>\$ 689,011</u> | <u>\$ 12,272,331</u> | <u>\$ 4,034</u> | <u>\$ 1,737,470</u> | <u>\$ 17,631,806</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, 2009

| | Water and Sewer | Natural Gas | South Santa Rosa Utility | Solid Waste Control | Nonmajor Proprietary Funds | Total |
|---|---------------------|---------------------|-----------------------------|------------------------|----------------------------------|----------------------|
| OPERATING REVENUES | | | | | | |
| Charges for services | <u>\$ 1,822,128</u> | <u>\$ 1,918,813</u> | <u>\$ 4,167,567</u> | <u>\$ 1,023,845</u> | <u>\$ 712,163</u> | <u>\$ 9,644,516</u> |
| Total operating revenue | <u>1,822,128</u> | <u>1,918,813</u> | <u>4,167,567</u> | <u>1,023,845</u> | <u>712,163</u> | <u>9,644,516</u> |
| OPERATING EXPENSES | | | | | | |
| Personal services | 333,626 | 514,008 | 1,385,299 | 82,206 | 202,496 | 2,517,635 |
| Contractual services | 703,847 | 911,132 | 589,837 | 796,825 | 87,678 | 3,089,319 |
| Supplies | 61,395 | 104,250 | 192,040 | 2,155 | 300 | 360,140 |
| Professional services | 11,725 | 3,227 | 70,986 | - | 49,797 | 135,735 |
| Repairs and maintenance | 92,496 | 12,122 | 198,623 | 9,643 | 1,030 | 313,914 |
| Office and utilities | 58,380 | 49,246 | 401,983 | - | 26,347 | 535,956 |
| Depreciation | <u>222,647</u> | <u>94,977</u> | <u>1,681,474</u> | <u>-</u> | <u>100,108</u> | <u>2,099,206</u> |
| Total operating expenses | <u>1,484,116</u> | <u>1,688,962</u> | <u>4,520,242</u> | <u>890,829</u> | <u>467,756</u> | <u>9,051,905</u> |
| OPERATING INCOME (LOSS) | | | | | | |
| | <u>338,012</u> | <u>229,851</u> | <u>(352,675)</u> | <u>133,016</u> | <u>244,407</u> | <u>592,611</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Interest earnings | 11,108 | - | 5,066 | - | 48,321 | 64,495 |
| Rents and royalties | - | - | 44,928 | - | - | 44,928 |
| Special assessments - capital improvement | 36,337 | - | - | - | - | 36,337 |
| Interest expense | (90,467) | (3,580) | (640,404) | - | (30,952) | (765,403) |
| Other debt services costs | (1,621) | (6,484) | (332,559) | - | - | (340,664) |
| Income (loss) from joint venture | 74,446 | - | 74,456 | - | - | 148,902 |
| Miscellaneous | <u>20,973</u> | <u>18,224</u> | <u>92,218</u> | <u>-</u> | <u>7,825</u> | <u>139,240</u> |
| Total non-operating revenues (expenses) | <u>50,776</u> | <u>8,160</u> | <u>(756,295)</u> | <u>-</u> | <u>25,194</u> | <u>(672,165)</u> |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS | | | | | | |
| | <u>388,788</u> | <u>238,011</u> | <u>(1,108,970)</u> | <u>133,016</u> | <u>269,601</u> | <u>(79,554)</u> |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | | | | |
| Transfers in | - | - | 367,620 | - | - | 367,620 |
| Transfers out | (577,342) | (161,760) | (252,424) | (66,840) | (382,343) | (1,440,709) |
| Developer capital contributions | <u>17,103</u> | <u>-</u> | <u>110,164</u> | <u>-</u> | <u>-</u> | <u>127,267</u> |
| Total transfers and capital contributions | <u>(560,239)</u> | <u>(161,760)</u> | <u>225,360</u> | <u>(66,840)</u> | <u>(382,343)</u> | <u>(945,822)</u> |
| CHANGE IN NET ASSETS | | | | | | |
| | (171,451) | 76,251 | (883,610) | 66,176 | (112,742) | (1,025,376) |
| NET ASSETS - BEGINNING OF YEAR | | | | | | |
| | <u>3,100,411</u> | <u>612,760</u> | <u>13,155,941</u> | <u>(62,142)</u> | <u>1,850,212</u> | <u>18,657,182</u> |
| NET ASSETS - END OF YEAR | | | | | | |
| | <u>\$ 2,928,960</u> | <u>\$ 689,011</u> | <u>\$ 12,272,331</u> | <u>\$ 4,034</u> | <u>\$ 1,737,470</u> | <u>\$ 17,631,806</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, 2009

| | Water and Sewer | Natural Gas | South Santa Rosa Utility | Solid Waste Control | Nonmajor Proprietary Funds | Total |
|--|---------------------|-------------------|-----------------------------|------------------------|----------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers and users | \$ 1,875,103 | \$ 1,964,805 | \$ 4,395,585 | \$ 1,039,715 | \$ 717,409 | \$ 9,992,617 |
| Payments to suppliers | (874,012) | (981,162) | (1,257,182) | (885,054) | (176,318) | (4,173,728) |
| Payments to employees | (328,521) | (514,070) | (1,370,290) | (82,556) | (200,493) | (2,495,930) |
| Net cash provided (used) by operating activities | <u>672,570</u> | <u>469,573</u> | <u>1,768,113</u> | <u>72,105</u> | <u>340,598</u> | <u>3,322,959</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | |
| Borrowings (repayments) | | | | | | |
| Due to other funds | - | (265,000) | 150,000 | - | 19,652 | (95,348) |
| Transfers in | - | - | 367,620 | - | - | 367,620 |
| Transfers out | (577,342) | (161,760) | (252,424) | (66,840) | (382,343) | (1,440,709) |
| Net cash provided (used) by non-capital financing activities | <u>(577,342)</u> | <u>(426,760)</u> | <u>265,196</u> | <u>(66,840)</u> | <u>(362,691)</u> | <u>(1,168,437)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition and construction of capital assets | (24,392) | - | (167,729) | - | (10,840) | (202,961) |
| Principal paid on bonds payable | (21,000) | - | (525,000) | - | - | (546,000) |
| Proceeds from notes payable | 28,190 | 112,761 | 5,153,269 | - | - | 5,294,220 |
| Principal paid on notes payable and capital lease payable | (33,121) | (162,037) | (5,677,827) | - | - | (5,872,985) |
| Interest paid on long-term debt | (90,467) | (3,580) | (664,341) | - | (30,952) | (789,340) |
| Other debt service costs paid on bonds and notes payable | (5,752) | (6,383) | (114,990) | - | - | (127,125) |
| Tap fees | 17,103 | - | 110,164 | - | - | 127,267 |
| Net cash provided (used) by capital and related financing activities | <u>(129,439)</u> | <u>(59,239)</u> | <u>(1,886,454)</u> | <u>-</u> | <u>(41,792)</u> | <u>(2,116,924)</u> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of investments | - | - | (3,280) | - | (181,783) | (185,063) |
| Proceeds from sale of investments | - | - | - | - | 681,644 | 681,644 |
| Rents and royalties | - | - | 44,928 | - | - | 44,928 |
| Interest income | 11,108 | - | 5,066 | - | 48,321 | 64,495 |
| Net cash provided (used) by investing activities | <u>11,108</u> | <u>-</u> | <u>46,714</u> | <u>-</u> | <u>548,182</u> | <u>606,004</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (23,103) | (16,426) | 193,569 | 5,265 | 484,297 | 643,602 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>1,066,463</u> | <u>219,051</u> | <u>1,156,889</u> | <u>12,017</u> | <u>719,520</u> | <u>3,173,940</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,043,360</u> | <u>\$ 202,625</u> | <u>\$ 1,350,458</u> | <u>\$ 17,282</u> | <u>\$ 1,203,817</u> | <u>\$ 3,817,542</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF | | | | | | |
| Current assets | \$ 892,312 | \$ 7,772 | \$ 29,146 | \$ 7,312 | \$ 1,203,817 | \$ 2,140,359 |
| Restricted assets | 151,048 | 194,853 | 1,321,312 | 9,970 | - | 1,677,183 |
| | <u>\$ 1,043,360</u> | <u>\$ 202,625</u> | <u>\$ 1,350,458</u> | <u>\$ 17,282</u> | <u>\$ 1,203,817</u> | <u>\$ 3,817,542</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, 2009

| | Water and Sewer | Natural Gas | South Santa Rosa Utility | Solid Waste Control | Nonmajor Proprietary Funds | Total |
|---|--------------------|-------------------|-----------------------------|------------------------|----------------------------------|---------------------|
| RECONCILIATION OF OPERATING | | | | | | |
| INCOME (LOSS) TO NET CASH | | | | | | |
| PROVIDED (USED) BY | | | | | | |
| OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | \$ 338,012 | \$ 229,851 | \$ (352,675) | \$ 133,016 | \$ 244,407 | \$ 592,611 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | | | |
| Depreciation | 222,647 | 94,977 | 1,681,474 | - | 100,108 | 2,099,206 |
| Miscellaneous income | 20,973 | 18,225 | 92,214 | - | 7,826 | 139,238 |
| (Increase) decrease in assets | | | | | | |
| Receivables | 31,388 | 22,537 | 129,621 | 15,620 | (2,580) | 196,586 |
| Inventory, at cost | 10,580 | 5,001 | (25,756) | - | - | (10,175) |
| Increase (decrease) in liabilities | | | | | | |
| Accounts payable | 43,251 | 93,815 | 222,043 | (76,430) | (10,172) | 272,507 |
| Accrued liabilities | 8,266 | 33,516 | 91,945 | (351) | 2,002 | 135,378 |
| Due to other governments | - | - | - | - | (993) | (993) |
| Customer deposits | 614 | 5,230 | 6,183 | 250 | - | 12,277 |
| Compensated absences payable | (3,161) | (33,579) | (76,936) | - | - | (113,676) |
| Net cash provided (used) by operating activities | <u>\$ 672,570</u> | <u>\$ 469,573</u> | <u>\$ 1,768,113</u> | <u>\$ 72,105</u> | <u>\$ 340,598</u> | <u>\$ 3,322,959</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, 2009

| | Police Officer's Retirement Fund |
|---|--|
| ASSETS | |
| Cash and cash equivalents | \$ - |
| Investment in mutual funds, at market | 1,685,693 |
| TOTAL ASSETS | 1,685,693 |
| LIABILITIES | |
| Other | - |
| Total liabilities | - |
| NET ASSETS | |
| Held in trust for pension benefits and other purposes | \$ 1,685,693 |

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, 2009

| | Police Officer's Retirement Fund |
|---|--|
| ADDITIONS | |
| Contributions | |
| Employer | \$ 93,419 |
| Plan members | 5,066 |
| State of Florida | 58,656 |
| Investment income, net | 41,182 |
| Total additions | 198,323 |
| DEDUCTIONS | |
| Administrative expenses | 2,910 |
| Total deductions | 2,910 |
| NET INCREASE | 195,413 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| BEGINNING OF YEAR | 1,490,280 |
| END OF YEAR | \$ 1,685,693 |

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gulf Breeze, Florida (the City) was created 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. 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.

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.

As of September 30, 2009, 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

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., 10 Camelia Street, Gulf Breeze, FL 32561 or calling (850) 916-5420.

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, 2009. 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., 10 Camelia Street, Gulf Breeze, FL 32561 or calling (850) 916-5420.

Conduit Debt

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

- \$500,000,000 Floating Rate Demand Revenue Bonds, Series 1985 \$0 outstanding (City collects an administrative fee)
- \$100,000,000 Variable Rate Demand Revenue Bonds, Series 1995A \$12,060,000 outstanding
- \$81,500,000 Variable Rate Demand Revenue Bonds, Series 1997A \$81,500,000 outstanding

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Conduit Debt (Continued)

- \$90,055,000 4.5% Revenue Bonds, Series 1997B, \$90,055,000 outstanding
- \$230,000,000 Variable Rate Demand Revenue Bonds, Series 1999 \$20,500,000 outstanding

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

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund (agency funds do not have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Pension plans recognize revenue when contributions are due, as there is a statutory requirement to make the contribution. Property taxes are recorded as revenues 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

The following is the current property tax calendar:

| | |
|-----------------|------------------|
| Lien Date | January 1, 2009 |
| Levy Date | November 1, 2009 |
| Due Date | November 1, 2009 |
| Delinquent Date | April 1, 2010 |

Discounts of 1% for each month taxes are paid prior to March 2010, 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 2009 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

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

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

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

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Proprietary (Continued)

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

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

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

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

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments. The City has one type of 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, 2009

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, 2009

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 or the aggregate of its investments under this subparagraph at cost 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, 2009

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 |

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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 | 15-20 |
| 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 incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-Term Obligations (Continued)

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.

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2009, and March 10, 2010, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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.

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as 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.

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, 2009, were entirely covered by federal depository insurance or the collateral pool described above. At September 30, 2009, the banks reported deposits before outstanding checks for the City and all of its component units of \$9,412,418.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

The City invests in the Local Government Surplus Funds Trust Fund Investment Pool (LGSFTF), administered by the Florida State Board of Administration and the Florida Municipal Investment Trust (FMIT) for certain proprietary funds and for the Police Pension Fund Florida Municipal Pension Trust Fund (FMPTF). Both the FMIT and FMPTF are administered by the Florida League of Cities. In accordance with the regulations of “2a-7-like” pools, the method used to determine the participants’ shares sold and redeemed is the amortized cost method. As of September 30, 2009, the LGSFTF portfolio’s weighted average days to maturity was 8.5. The LGSFTF was rated AAAM by Standard and Poors.

As of September 30, 2009, 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 1.58 with an effective duration of 1.27.

As of September 30, 2009, 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 weighted average maturity (WAM) was 1.58 with an effective duration of 1.27.

At September 30, 2009, the City’s LGSFTF and FMIT balances, including all component units, were \$396,853 and \$56,153 respectively.

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 4 - RECEIVABLES

Receivables at September 30, 2009, were as follows:

| | Governmental Activities | Business-Type Activities | | | | | Non-Major Proprietary Funds | Total Primary Government |
|--------------|----------------------------|--------------------------|-------------------|-----------------------------|------------------------|------------------|-----------------------------------|--------------------------------|
| | General | Water and Sewer | Natural Gas | South Santa Rosa Utility | Solid Waste Control | | | |
| Accounts | \$ 11,864 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,864 | |
| Utilities | 6,070 | 367,901 | 161,146 | 398,893 | 101,617 | 23,367 | 1,058,994 | |
| Other | 182,111 | 25 | 4,101 | - | - | 2,534 | 188,771 | |
| Total | \$ 200,045 | \$ 367,926 | \$ 165,247 | \$ 398,893 | \$ 101,617 | \$ 25,901 | \$ 1,259,629 | |

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

Primary Government

| | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|---|----------------------|---------------------|-------------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,187,339 | \$ - | \$ - | \$ 1,187,339 |
| Construction in progress | - | 236,706 | - | 236,706 |
| Total capital assets not being depreciated | <u>1,187,339</u> | <u>236,706</u> | <u>-</u> | <u>1,424,045</u> |
| Capital assets being depreciated | | | | |
| Buildings | 4,232,979 | - | (169) | 4,232,810 |
| Improvements other than buildings | 12,438,602 | 372,102 | (7,086) | 12,803,618 |
| Infrastructure | 119,992 | - | - | 119,992 |
| Machinery and equipment | <u>4,410,424</u> | <u>65,348</u> | <u>(83,528)</u> | <u>4,392,244</u> |
| Total capital assets being depreciated | <u>21,201,997</u> | <u>437,450</u> | <u>(90,783)</u> | <u>21,548,664</u> |
| Less accumulated depreciation | | | | |
| Buildings | (1,142,881) | (108,983) | - | (1,251,864) |
| Improvements other than buildings | (5,164,490) | (712,280) | - | (5,876,770) |
| Infrastructure | (59,621) | (2,646) | - | (62,267) |
| Machinery and equipment | <u>(3,538,792)</u> | <u>(219,359)</u> | <u>51,624</u> | <u>(3,706,527)</u> |
| Total accumulated depreciation | <u>(9,905,784)</u> | <u>(1,043,268)</u> | <u>51,624</u> | <u>(10,897,428)</u> |
| Total capital assets being depreciated, net | <u>11,296,213</u> | <u>(605,818)</u> | <u>-</u> | <u>10,651,236</u> |
| Governmental activities, net | \$ 12,483,552 | \$ (369,112) | \$ (90,783) | \$ 12,075,281 |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases/ Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|---------------------------------|---------------------------|
| <i>Primary Government (Continued)</i> | | | | |
| Business-Type Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,663,828 | \$ - | \$ - | \$ 2,663,828 |
| Construction in progress | <u>-</u> | <u>54,081</u> | <u>-</u> | <u>54,081</u> |
| Total capital assets not being depreciated | <u>2,663,828</u> | <u>54,081</u> | <u>-</u> | <u>2,717,909</u> |
| Capital assets being depreciated | | | | |
| Buildings | 407,111 | 6,910 | - | 414,021 |
| Improvements other than buildings | 232,709 | 106,738 | - | 339,447 |
| Infrastructure | 42,082,708 | 7,345 | (5,583) | 42,084,470 |
| Machinery and equipment | <u>3,415,129</u> | <u>27,974</u> | <u>(1,014)</u> | <u>3,442,089</u> |
| Total capital assets being depreciated | <u>46,137,657</u> | <u>148,967</u> | <u>(6,597)</u> | <u>46,280,027</u> |
| Less accumulated depreciation | | | | |
| Buildings | (78,163) | (16,961) | - | (95,124) |
| Improvements other than buildings | (15,010) | (62,220) | (9,428) | (86,658) |
| Infrastructure | (17,774,668) | (1,635,982) | 6,685 | (19,403,965) |
| Machinery and equipment | <u>(2,059,559)</u> | <u>(384,043)</u> | <u>8,036</u> | <u>(2,435,566)</u> |
| Total accumulated depreciation | <u>(19,927,400)</u> | <u>(2,099,206)</u> | <u>5,293</u> | <u>(22,021,313)</u> |
| Total capital assets being depreciated, net | <u>26,210,257</u> | <u>(1,950,239)</u> | <u>(1,304)</u> | <u>24,258,714</u> |
| Business-type activities, net | <u>\$ 28,874,085</u> | <u>\$ (1,896,158)</u> | <u>\$ (1,304)</u> | <u>\$ 26,976,623</u> |

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

Governmental Activities

| | |
|--|---------------------|
| General government | \$ 75,901 |
| Public safety | 236,935 |
| Transportation | 184,862 |
| Economic environment | 271,460 |
| Culture and recreation | <u>274,110</u> |
| Total depreciation expense - governmental activities | <u>\$ 1,043,268</u> |

Business-Type Activities

| | |
|---|---------------------|
| Water and sewer | \$ 222,647 |
| Natural gas | 94,977 |
| South Santa Rosa Utility | 1,681,474 |
| Stormwater management | 91,629 |
| Other proprietary funds | <u>8,479</u> |
| Total depreciation expense - business-type activities | <u>\$ 2,099,206</u> |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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.

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 9.85% for general employees and 20.92% for special risk employees. The City's contributions to the plan for the years ended September 30, 2009, 2008, and 2007, listed below were equal to the required contributions for the year.

| | Years Ended September 30, | | |
|------------------------|---------------------------|------------|------------|
| | 2009 | 2008 | 2007 |
| General employees | \$ 50,946 | \$ 49,303 | \$ 46,716 |
| Special risk employees | 60,450 | 77,396 | 71,358 |
| Total contributions | \$ 111,396 | \$ 126,699 | \$ 118,074 |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers

A. Plan Description

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

B. Contributions, Funding Policy, and Annual Pension Costs

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

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, 2009, 2008, and 2007, listed below were equal to the required contributions for the year.

| | Years Ended September 30, | | |
|--|---------------------------|-----------|-----------|
| | 2009 | 2008 | 2007 |
| City Police Pension Plan contributions | \$ 93,419 | \$ 92,500 | \$ 72,707 |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers (Continued)

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

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

| | Police Officer Retirement Fund |
|---|-----------------------------------|
| Contribution rates (percentage of covered payroll) | |
| City | 36.2 % |
| Plan members | 1.0 % |
| Annual pension cost | \$ 162,173 |
| Contributions made | |
| Plan members | \$ 5,066 |
| Employer | \$ 93,419 |
| State of Florida | \$ 58,656 |
| Net pension obligation (asset) | \$ - |
| Actuarial valuation date | 10/1/2007 |
| Actuarial cost method (1) | Aggregate |
| Amortization method | Not applicable |
| Remaining amortization period | Not applicable |
| Asset valuation method | Market value |
| Actuarial assumptions | |
| Invested rate of return | 7.5 % |
| Projected salary increases* | 5 - 8% |
| *Includes inflation at | 3.8 % |
| Cost of living adjustments | 3% (starting at age 58) |

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

| | (1) | (2) | (3) | (4) | (5) | (6) |
|--------------------------|---------------------------|---------------------------------|-------------------|--------------|-----------------|--------------------------------|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability AAL | Unfunded AAL UAAL | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
| | | | (2) - (1) | (1) / (2) | | (3) / (5) |
| 10/1/2007 | \$ 1,343,358 | \$ 1,343,358 | \$ 0 | 100% | \$ 416,493 | 0.0% |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers (Continued)

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

The schedule of funding progress, located in the Required Supplementary Information, for the 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 a NPO or NPA is not reported.

| | Year Ending | Annual Pension Cost (APC) | Percentage Contributed | Net Pension Obligation (Asset) |
|------|-------------|---------------------------|------------------------|--------------------------------|
| FMPT | 9/30/2008 | \$ 162,173 | 100 % | \$ - |
| | 9/30/2007 | \$ 129,663 | 100 % | \$ - |

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, 2009:

| | |
|---|----|
| 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - DEFINED CONTRIBUTION PENSION PLANS

Florida Municipal Trust Fund - General Employees

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

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

The City's contributions to the plan for the years ended September 30, 2009, September 30, 2008, and September 30, 2007, listed below were equal to the required contributions for the year.

| | Years Ended September 30, | | |
|-------------------|---------------------------|-------------------|-------------------|
| | 2009 | 2008 | 2007 |
| General employees | <u>\$ 127,043</u> | <u>\$ 122,968</u> | <u>\$ 101,780</u> |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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 \$731,929 at September 30, 2009. Contributions made by plan members during the year ended September 30, 2009, were \$37,424.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 10 - 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - RISK MANAGEMENT (CONTINUED)

The City remained self-insured for worker’s compensation and for its dental and vision employee reimbursement program during the year ending September 30, 2009. These activities are recorded in the General Fund. Settlements have not exceeded coverage in the last three years. Changes in the estimated liability for self-insured losses for the past two years are as follows:

| | 2009 | 2008 |
|--|----------|----------|
| Unpaid claims, beginning | \$ - | \$ - |
| Claims incurred and changes in estimates | 37,180 | 81,510 |
| Less: claims paid | (37,180) | (81,510) |
| 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.

NOTE 11 - 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. Income for the year ended September 30, 2009, was \$52,248 in the General Fund and \$44,928 in the South Santa Rosa Utility Fund. Capitalized investments in assets associated with these leases are \$2,558,157 with accumulated depreciation of \$2,424,094 at September 30, 2009.

Lease income under these cancelable agreements is as follows:

| | Governmental Activities | Business-Type Activities South Santa Rosa Utility |
|------------------------------|----------------------------|--|
| Year Ending September 30, | | |
| 2010 | \$ 52,248 | \$ 44,928 |
| 2011 | 52,248 | 44,928 |
| 2012 | 47,894 | 31,464 |
| Total minimum lease payments | \$ 152,390 | \$ 121,320 |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 12 - LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|--------------------|----------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Revenue Improvement Bonds, Series 2007 | \$ 8,998,000 | \$ 158,400 | \$ (312,400) | \$ 8,844,000 | \$ 158,400 |
| Less deferred amounts | | | | | |
| For issuance discount | (45,836) | 1,590 | - | (44,246) | - |
| Compensated absences | 211,017 | 188,086 | (186,921) | 212,182 | 185,000 |
| Other contractual obligations | <u>156,341</u> | <u>97,552</u> | <u>-</u> | <u>253,893</u> | <u>-</u> |
| Total governmental activities, long term liabilities | <u>\$ 9,319,522</u> | <u>\$ 445,628</u> | <u>\$ (499,321)</u> | <u>\$ 9,265,829</u> | <u>\$ 343,400</u> |
| Business-Type Activities | | | | | |
| SSRUS Refunding Revenue Bonds, Series 2004 | \$ 8,070,000 | \$ - | \$ (525,000) | \$ 7,545,000 | \$ 540,000 |
| Less deferred amounts | | | | | |
| For issuance premium | 286,047 | - | (23,839) | 262,208 | - |
| For loss on refunding | (1,859,470) | - | 154,958 | (1,704,512) | - |
| Revenue Improvement Bonds, Series 2007 | 1,227,000 | - | (21,000) | 1,206,000 | 21,600 |
| Local government loan program, 1996 | 1,060,896 | - | (1,060,896) | - | - |
| Local government loan program, 1995A | 4,562,949 | - | (4,562,949) | - | - |
| SSRU Refunding Revenue Note, 2009A | - | 859,467 | (149,869) | 709,598 | 467,167 |
| SSRU Refunding Revenue Note, 2009B | - | 4,434,755 | (44,745) | 4,390,010 | 334,037 |
| Capital leases payable | 170,930 | - | (54,527) | 116,403 | 56,941 |
| Compensated absences | <u>139,889</u> | <u>159,640</u> | <u>(138,315)</u> | <u>161,214</u> | <u>135,000</u> |
| Total business-type activities, long term liabilities | <u>\$13,658,241</u> | <u>\$5,453,862</u> | <u>\$(6,426,182)</u> | <u>\$12,685,921</u> | <u>\$1,554,745</u> |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 12 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding

| | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| GOVERNMENTAL ACTIVITIES | | | |
| <i>Revenue Bonds</i> | | | |
| \$10,225,000, City of Gulf Breeze, Florida, Revenue Improvement Bonds, Series 2007; \$8,998,000 allocated to the General Fund; due in annual installments of \$175,000 to \$610,000 through 2038; interest payable at 4.0% to 5.0%. Secured by pledged non-ad valorem revenues of the City. Proceeds used to refund various City loans and to finance certain capital improvements. | \$ 158,400 | \$ 8,685,600 | \$ 8,844,000 |
| Less unamortized bond discount | <u>-</u> | <u>(44,246)</u> | <u>(44,246)</u> |
| <i>Total Bonds</i> | <u>158,400</u> | <u>8,641,354</u> | <u>8,799,754</u> |
| <i>Accrued Compensated Absence</i> | | | |
| Total accumulated, vested annual and sick leave for governmental fund types. | 185,000 | 27,182 | 212,182 |
| <i>Other Contractual Obligations</i> | | | |
| 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. | <u>-</u> | <u>253,893</u> | <u>253,893</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 343,400</u> | <u>\$ 8,922,429</u> | <u>\$ 9,265,829</u> |
| | | | |
| | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
| BUSINESS-TYPE ACTIVITIES | | | |
| <i>Revenue Bonds</i> | | | |
| \$9,460,000, 2004 City of Gulf Breeze, Florida, South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004, due in annual installments of \$370,000 to \$815,000 through 2021; interest rate at 2.5% to 5.5%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund all of the City's Series 1994 South Santa Rosa Utility System Revenue Bonds. | \$ 540,000 | \$ 7,005,000 | \$ 7,545,000 |
| Add unamortized bond premium | - | 262,208 | 262,208 |
| Less unamortized bond discount | <u>-</u> | <u>(1,704,512)</u> | <u>(1,704,512)</u> |
| | 540,000 | 5,562,696 | 6,102,696 |
| \$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>21,600</u> | <u>1,184,400</u> | <u>1,206,000</u> |
| Total bonds | <u>561,600</u> | <u>6,747,096</u> | <u>7,308,696</u> |

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 12 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding (Continued)

| | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|--|----------------------------|-----------------------------|-----------------------------|
| BUSINESS-TYPE ACTIVITIES (CONTINUED) | | | |
| <i>Notes</i> | | | |
| \$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, 2009, 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. | 467,167 | 242,431 | 709,598 |
| \$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, 2009, 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>334,037</u> | <u>4,055,973</u> | <u>4,390,010</u> |
| <i>Total notes</i> | <u>801,204</u> | <u>4,298,404</u> | <u>5,099,608</u> |
| <i>Capital Lease Payable</i> | | | |
| Capital lease with BancorpSouth Equipment Finance for a sewer vacuum truck, due in annual payments ranging from \$54,527 to \$59,461 through 2011. | 56,941 | 59,462 | 116,403 |
| <i>Accrued Compensated Absences</i> | | | |
| Accumulated, vested annual accrued compensation for enterprise funds. | <u>135,000</u> | <u>26,214</u> | <u>161,214</u> |
| TOTAL BUSINESS-TYPE ACTIVITIES | <u>\$ 1,554,745</u> | <u>\$ 11,131,176</u> | <u>\$ 12,685,921</u> |
| GRAND TOTAL LONG-TERM DEBT | | | <u>\$ 21,951,750</u> |

Current Refunding

In May 2009, the City obtained the Santa Rosa Utility System Refunding Revenue Note Series 2009A and 2009B for \$859,467 and \$4,434,775 respectively. The note proceeds were used to refund the 1996 and 1998 variable rate loans from the 1995A Gulf Breeze Local Government Loan Program with corresponding balances. The transaction resulted in an economic gain of \$602,070 and cash flow savings of \$681,198.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 12 - LONG-TERM DEBT (CONTINUED)

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued annual leave and advances from other funds as of September 30, 2009, are as follows:

Governmental Activities

| <u>Year Ending September 30</u> | <u>Revenue Bonds</u> | |
|---------------------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 158,400 | \$ 403,153 |
| 2011 | 162,800 | 396,729 |
| 2012 | 171,600 | 390,041 |
| 2013 | 176,000 | 383,089 |
| 2014 | 184,800 | 375,873 |
| 2015-2019 | 1,042,800 | 1,758,154 |
| 2020-2024 | 1,289,200 | 1,510,460 |
| 2025-2029 | 1,606,000 | 1,180,853 |
| 2030-2034 | 2,037,200 | 738,111 |
| 2035-2039 | <u>2,015,200</u> | <u>183,920</u> |
| Total | <u>\$ 8,844,000</u> | <u>\$ 7,320,383</u> |

Business-Type Activities

| <u>Year Ending September 30</u> | <u>2004 Revenue Improvement Bond</u> | | <u>2007 Revenue Improvement Bond</u> | | <u>2009A and 2009B Revenue Notes</u> | |
|-------------------------------------|--|---------------------|--|-------------------|--|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 540,000 | \$ 314,068 | \$ 21,600 | \$ 54,975 | \$ 801,204 | \$ 140,006 |
| 2011 | 555,000 | 294,905 | 22,200 | 54,099 | 583,299 | 117,137 |
| 2012 | 580,000 | 276,202 | 23,400 | 53,188 | 354,666 | 104,571 |
| 2013 | 595,000 | 257,544 | 24,000 | 52,239 | 365,454 | 93,784 |
| 2014 | 620,000 | 235,475 | 25,200 | 52,255 | 376,454 | 82,668 |
| 2015-2019 | 3,520,000 | 735,913 | 142,200 | 239,748 | 2,061,782 | 234,406 |
| 2020-2024 | 1,135,000 | 44,375 | 175,800 | 205,972 | 556,749 | 8,598 |
| 2025-2029 | - | - | 219,000 | 161,025 | - | - |
| 2030-2034 | - | - | 277,800 | 100,653 | - | - |
| 2035-2039 | - | - | <u>274,800</u> | <u>25,080</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 7,545,000</u> | <u>\$ 2,158,482</u> | <u>\$ 1,206,000</u> | <u>\$ 999,234</u> | <u>\$ 5,099,608</u> | <u>\$ 781,170</u> |

Compensated Absences

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 13 - CAPITAL LEASE PAYABLE

The City is obligated under a lease-purchase agreement for a sewer vacuum vehicle. This lease qualifies as a capital lease for accounting purposes and is recorded at the present value of the future minimum lease payments at the inception of the lease. At September 30, 2009, the leased asset had a cost of \$273,146 and accumulated amortization of approximately \$163,888. Amortization of the leased asset is included in depreciation expense. Future minimum lease payments together with the present value of the minimum lease payments as of September 30, 2009, are as follows:

| <u>Year Ending September 30,</u> | |
|---|-------------------|
| 2010 | \$ 62,094 |
| 2011 | <u>62,094</u> |
| Total minimum payments | 124,188 |
| Less interest | <u>(7,785)</u> |
| Present value of minimum lease payments | <u>\$ 116,403</u> |

NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at September 30, 2009, is as follows:

Due To/From Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------------|---------------------|
| General | Natural Gas | \$ 135,000 |
| General | South Santa Rosa Utility | 1,250,000 |
| General | Solid Waste Control | 50,000 |
| General | Nonmajor Proprietary Funds | <u>830,227</u> |
| | | <u>\$ 2,265,227</u> |

The General Fund receivable from Nonmajor Governmental and Nonmajor Proprietary Funds is for cash flow assistance and accrued payroll expenses. 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, 2009

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

Interfund Transfers

| Transfers Out | Transfers In | | | Total |
|------------------------------|----------------------------|-------------------------------------|-------------------------------------|----------------------------|
| | General Fund | Urban Core Redevelopment | South Santa Rosa Utility | |
| General | \$ - | \$ 182,900 | \$ - | \$ 182,900 |
| Urban Core Redevelopment | 155,000 | - | - | 155,000 |
| Water and Sewer | 230,422 | - | 346,920 | 577,342 |
| Natural Gas | 161,760 | - | - | 161,760 |
| South Santa Rosa Utility | 252,424 | - | - | 252,424 |
| Solid Waste | 66,840 | - | - | 66,840 |
| Non-Major Governmental Funds | 17,000 | - | - | 17,000 |
| Non-Major Proprietary Funds | 361,643 | - | 20,700 | 382,343 |
| Totals | <u>\$ 1,245,089</u> | <u>\$ 182,900</u> | <u>\$ 367,620</u> | <u>\$ 1,795,609</u> |

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 increased by \$148,901. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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 are \$41,900 and \$43,157 for the years ending September 30, 2010 and 2011, respectively.

Under the terms of a lawsuit settlement agreement, the City was required to pay \$100,000 during 2007, and will be required to pay up to an additional \$525,000 over the next two years, contingent on the third party's completion of specific events as outlined in the agreement. 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.

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.

Hurricanes Ivan and Dennis

The City, along with most of Northwest Florida, sustained significant damage and incurred substantial costs due to Hurricanes Ivan and Dennis which struck in September 2004 and July 2005, respectively. The City was subsequently identified to be included in a major disaster declaration, issued by the U.S. Department of Homeland Security. In addition, the State of Florida Office of the Governor issued Executive Orders to declare a state of emergency for the areas affected by these hurricanes. These Federal and State declarations provide for the reimbursement of the majority of the costs associated with recovery from Federal and State funding sources with the remaining amount to be paid by the City.

As part of the recovery process, the City converted five baseball fields to a site for debris collection and reduction. Use of this area enabled the City to collect and centrally process debris, not only from hurricane Ivan in 2004, but also from hurricanes Dennis and Katrina which impacted the City in 2005, including destroying the baseball fields. When the City rebuilt the baseball fields in 2006/2007, its designs were based on current industry standards and included updated infrastructure and lighting. FEMA declined to provide funds for the updated infrastructure, lighting and portions of the current design elements. The City subsequently applied for reimbursement of those costs as an "Improved Project" as part of alternative projects and received reimbursements totaling \$1,054,504.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENT

Effective for the fiscal year ending September 30, 2010, the City will adopt, as appropriate, the provisions of GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish consistent accounting and financial reporting requirements for intangible assets.

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.

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) |
|--------------------------------|--|---|---|-------------------------------------|---------------------------|---|
| 10/01/07 | \$ 1,343,358 | \$ 1,343,358 | \$ 0 | 100% | \$ 416,493 | 0.0% |
| 10/01/06 | \$ 1,049,545 | \$ 1,049,545 | \$ 0 | 100% | \$ 476,695 | 0.0% |
| 10/01/05 | \$ 805,094 | \$ 805,094 | \$ 0 | 100% | \$ 451,758 | 0.0% |
| 10/01/04 | \$ 610,262 | \$ 610,262 | \$ 0 | 100% | \$ 417,346 | 0.0% |
| 10/01/03 | \$ 460,326 | \$ 460,326 | \$ 0 | 100% | \$ 338,940 | 0.0% |
| 10/01/02 | \$ 304,045 | \$ 304,045 | \$ 0 | 100% | \$ 362,750 | 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, 2007.

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

Police Retirement Fund

| | Annual (1) Required Contribution | Employer Contribution | State of Florida Contribution | Percentage Contributed |
|--------------------|--|--------------------------|----------------------------------|---------------------------|
| September 30, 2008 | \$ 162,173 | \$ 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 % |
| September 30, 2004 | \$ 106,334 | \$ 63,942 | \$ 61,164 | 100.00 % |
| September 30, 2003 | \$ 101,271 | \$ 62,917 | \$ 69,889 | 100.00 % |
| September 30, 2002 | \$ 87,888 | \$ 58,152 | \$ 59,879 | 100.00 % |
| September 30, 2001 | \$ 66,282 | \$ 49,270 | \$ 55,787 | 100.00 % |
| September 30, 2000 | \$ 57,159 | \$ 32,816 | \$ - | 100.00 % |
| September 30, 1999 | \$ 22,840 | \$ 25,642 | \$ 59,929 | 100.00 % |
| September 30, 1998 | \$ 19,236 | \$ 1,544 | \$ - | 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, 2009, 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, 2007.

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.

NONMAJOR 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, 2009

| | Traffic Citation Special Revenue | Police Special Revenue | Total |
|-------------------------------------|--|------------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 143,377 | \$ 47,566 | \$ 190,943 |
| Restricted assets | | | |
| Cash and cash equivalents | <u>253,893</u> | <u>-</u> | <u>253,893</u> |
| Total assets | <u>\$ 397,270</u> | <u>\$ 47,566</u> | <u>\$ 444,836</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 244 | \$ 244 |
| Total liabilities | <u>-</u> | <u>244</u> | <u>244</u> |
| FUND BALANCES | | | |
| Reserved | | | |
| Police trust | - | 47,322 | 47,322 |
| Unreserved | | | |
| Undesignated special revenue | <u>397,270</u> | <u>-</u> | <u>397,270</u> |
| Total fund balances | <u>397,270</u> | <u>47,322</u> | <u>444,592</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 397,270</u> | <u>\$ 47,566</u> | <u>\$ 444,836</u> |

City of Gulf Breeze, Florida
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Year Ended September 30, 2009

| | Traffic Citation Special Revenue | Police Special Revenue | Total |
|--|--|------------------------------|-------------------|
| REVENUES | | | |
| Fines and forfeitures | \$ 172,930 | \$ 27,827 | \$ 200,757 |
| Miscellaneous | <u>1,279</u> | <u>100</u> | <u>1,379</u> |
| Total revenues | <u>174,209</u> | <u>27,927</u> | <u>202,136</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 3,373 | - | 3,373 |
| Public safety | <u>-</u> | <u>6,090</u> | <u>6,090</u> |
| Total expenditures | <u>3,373</u> | <u>6,090</u> | <u>9,463</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 170,836 | 21,837 | 192,673 |
| Other financing sources (uses) | | | |
| Transfers out | <u>(17,000)</u> | <u>-</u> | <u>(17,000)</u> |
| Net change in fund balances | 153,836 | 21,837 | 175,673 |
| FUND BALANCE - BEGINNING OF YEAR | <u>243,434</u> | <u>25,485</u> | <u>268,919</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 397,270</u> | <u>\$ 47,322</u> | <u>\$ 444,592</u> |

NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

Stormwater Management Fund

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

Gulf Breeze Financial Services

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

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUND
COMBINING STATEMENT OF NET ASSETS
September 30, 2009

| ASSETS | <u>Stormwater Management</u> | <u>Gulf Breeze Financial Services</u> | <u>Total</u> |
|---|----------------------------------|---|---------------------|
| Current assets | | | |
| Cash and cash equivalents | \$ 8,023 | \$ 1,195,794 | \$ 1,203,817 |
| Investments | - | 150,000 | 150,000 |
| Receivables | 23,367 | 2,534 | 25,901 |
| Due from other governments | - | 8,770 | 8,770 |
| Total current assets | <u>31,390</u> | <u>1,357,098</u> | <u>1,388,488</u> |
| Non-current assets | | | |
| Capital assets, net | | | |
| Improvements other than building | - | 82,552 | 82,552 |
| Infrastructure | 1,090,389 | - | 1,090,389 |
| Machinery and equipment | <u>6,362</u> | <u>11,987</u> | <u>18,349</u> |
| Total non-current assets | <u>1,096,751</u> | <u>94,539</u> | <u>1,191,290</u> |
| TOTAL ASSETS | <u>1,128,141</u> | <u>1,451,637</u> | <u>2,579,778</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 145 | 3,055 | 3,200 |
| Accrued liabilities | 3,252 | - | 3,252 |
| Due to other funds | 321,000 | 509,227 | 830,227 |
| Due to other governments | - | 5,629 | 5,629 |
| Total current liabilities | <u>324,397</u> | <u>517,911</u> | <u>842,308</u> |
| TOTAL LIABILITIES | <u>324,397</u> | <u>517,911</u> | <u>842,308</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 1,096,751 | 94,539 | 1,191,290 |
| Unrestricted | <u>(293,007)</u> | <u>839,187</u> | <u>546,180</u> |
| TOTAL NET ASSETS | <u>\$ 803,744</u> | <u>\$ 933,726</u> | <u>\$ 1,737,470</u> |

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUND
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Year Ended September 30, 2009

| | Stormwater Management | Gulf Breeze Financial Services | Total |
|---|--------------------------|--------------------------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 193,874 | \$ 518,289 | \$ 712,163 |
| Total operating revenue | <u>193,874</u> | <u>518,289</u> | <u>712,163</u> |
| OPERATING EXPENSES | | | |
| Personal services | 100,170 | 102,326 | 202,496 |
| Contractual services | 41,727 | 45,951 | 87,678 |
| Supplies | 300 | - | 300 |
| Professional services | - | 49,797 | 49,797 |
| Repairs and maintenance | 1,030 | - | 1,030 |
| Office and utilities | 1,157 | 25,190 | 26,347 |
| Depreciation and amortization | 91,629 | 8,479 | 100,108 |
| Total operating expenses | <u>236,013</u> | <u>231,743</u> | <u>467,756</u> |
| OPERATING INCOME (LOSS) | <u>(42,139)</u> | <u>286,546</u> | <u>244,407</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest earnings | - | 48,321 | 48,321 |
| Miscellaneous | - | 7,825 | 7,825 |
| Debt service | | | |
| Interest | (30,952) | - | (30,952) |
| Total non-operating revenues (expenses) | <u>(30,952)</u> | <u>56,146</u> | <u>25,194</u> |
| INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | (73,091) | 342,692 | 269,601 |
| TRANSFERS AND CAPITAL CONTRIBUTIONS | | | |
| Transfer out | (32,343) | (350,000) | (382,343) |
| Total transfers and capital contributions | <u>(32,343)</u> | <u>(350,000)</u> | <u>(382,343)</u> |
| CHANGES IN NET ASSETS | (105,434) | (7,308) | (112,742) |
| NET ASSETS - BEGINNING OF YEAR | <u>909,178</u> | <u>941,034</u> | <u>1,850,212</u> |
| NET ASSETS - END OF YEAR | <u>\$ 803,744</u> | <u>\$ 933,726</u> | <u>\$ 1,737,470</u> |

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
Year Ended September 30, 2009

| | Stormwater Management | Gulf Breeze Financial Services | Total |
|--|--------------------------|--------------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 193,828 | \$ 523,581 | \$ 717,409 |
| Payments to suppliers | (46,865) | (129,453) | (176,318) |
| Payments to employees | (98,167) | (102,326) | (200,493) |
| Net cash provided (used) by operating activities | <u>48,796</u> | <u>291,802</u> | <u>340,598</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Borrowings (repayments) | | | |
| Advances to other funds | 21,000 | (1,348) | 19,652 |
| Transfers out | (32,343) | (350,000) | (382,343) |
| Net cash provided (used) by non-capital financing activities | <u>(11,343)</u> | <u>(351,348)</u> | <u>(362,691)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Interest expense | (30,952) | - | (30,952) |
| Acquisitions of fixed assets | (7,126) | (3,714) | (10,840) |
| Proceeds from disposal of fixed assets | - | - | - |
| Net cash provided (used) by capital and related financing activities | <u>(38,078)</u> | <u>(3,714)</u> | <u>(41,792)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of investments | - | (181,783) | (181,783) |
| Proceeds from sale/maturity of investments | - | 681,644 | 681,644 |
| Miscellaneous | | | |
| Interest income | - | 48,321 | 48,321 |
| Net cash provided (used) by investing activities | <u>-</u> | <u>548,182</u> | <u>548,182</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (625) | 484,922 | 484,297 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>8,648</u> | <u>710,872</u> | <u>719,520</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 8,023</u> | <u>\$ 1,195,794</u> | <u>\$ 1,203,817</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF | | | |
| Current assets | \$ 8,023 | \$ 1,195,794 | \$ 1,203,817 |
| Restricted assets | - | - | - |
| Total cash and cash equivalents | <u>\$ 8,023</u> | <u>\$ 1,195,794</u> | <u>\$ 1,203,817</u> |

Continued...

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
Year Ended September 30, 2009

| | <u>Stormwater Management</u> | <u>Gulf Breeze Financial Services</u> | <u>Total</u> |
|---|----------------------------------|---|-------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (42,139) | \$ 286,546 | \$ 244,407 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | |
| Depreciation | 91,629 | 8,479 | 100,108 |
| Miscellaneous income (expense) | - | 7,826 | 7,826 |
| Decrease (increase) in assets | | | |
| Accounts receivable | (46) | (2,534) | (2,580) |
| Due from other governments | - | - | - |
| Increase (decrease) in liabilities | | | |
| Accounts payable | (2,650) | (7,522) | (10,172) |
| Due to other governments | - | (993) | (993) |
| Accrued liabilities | 2,002 | - | 2,002 |
| Customer deposits | - | - | - |
| Net cash provided (used) by operating activities | <u>\$ 48,796</u> | <u>\$ 291,802</u> | <u>\$ 340,598</u> |

III. Statistical Section



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

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

City of Gulf Breeze, Florida
TABLE I
COMPONENTS OF NET ASSETS ⁽¹⁾
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. |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

SOURCE: City of Gulf Breeze Finance Department.

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

City of Gulf Breeze, Florida
TABLE II
GOVERNMENTAL ACTIVITIES - CHANGES IN NET ASSETS ⁽¹⁾
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 |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

SOURCE: City of Gulf Breeze Finance Department.

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

City of Gulf Breeze, Florida
TABLE III
BUSINESS-TYPE ACTIVITIES - CHANGES IN NET ASSETS ⁽¹⁾
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 | |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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 ⁽¹⁾
Last Ten Fiscal Years
Unaudited

| Fiscal Year | Governmental Activities | | | | | | Business-Type Activities | | | | | | Gulf Breeze Financial Services | Total Business-Type | Total Primary Government |
|-------------|-------------------------|---------------|----------------|----------------------|----------------------|---------------------|--------------------------|--------------|--------------------------|-----------------------|----------------|--------------|--------------------------------|---------------------|--------------------------|
| | General Government | Public Safety | Transportation | Economic Environment | Culture & Recreation | Total Gov't Charges | Water & Sewer | Natural Gas | South Santa Rosa Utility | Stormwater Management | Fishing Bridge | Solid Waste | | | |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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 V
COMPONENTS OF FUND BALANCE ⁽¹⁾
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 |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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 VI
GENERAL GOVERNMENT EXPENDITURES AND OTHER USES BY FUNCTION ⁽¹⁾
Last Ten Fiscal Years
Unaudited

| Fiscal Year | General Government Services | Public Safety | Transportation | Economic Environment | Human Services | Culture / Recreation | Capital Outlay | Debt Service Principal ⁽²⁾ | Debt Service Interest ⁽²⁾ | Costs of Issuance | Other Financing Uses | Total | Debt Service to Noncapital Expenditures ⁽³⁾ |
|-------------|-----------------------------|---------------|----------------|----------------------|----------------|----------------------|----------------|---------------------------------------|--------------------------------------|-------------------|----------------------|---------------|--|
| 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 % |
| 2000 | \$ 918,603 | \$ 1,305,296 | \$ 182,719 | \$ 39,707 | \$ - | \$ 537,960 | \$ 1,152,494 | \$ 80,853 | \$ - | \$ - | \$ 930,741 | \$ 5,148,737 | 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 ⁽¹⁾
Last Ten Fiscal Years
Unaudited

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Inter-Governmental Revenues</u> | <u>Charges for Services</u> | <u>Fines and Forfeitures</u> | <u>Miscellaneous Revenues</u> | <u>Other Financing Sources</u> | <u>Total Revenue and Other Sources</u> | <u>Total Expenditures and Other Uses⁽²⁾</u> | <u>Total Change in Fund Balance</u> |
|--------------------|--------------|-----------------------------|------------------------------------|-----------------------------|------------------------------|-------------------------------|--------------------------------|--|--|-------------------------------------|
| 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) |
| 2000 | \$ 1,287,439 | \$ 72,774 | \$ 778,446 | \$ 93,213 | \$ 251,484 | \$ 1,638,801 | \$ 1,436,937 | \$ 5,559,094 | \$ 5,148,373 | \$ 410,721 |

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⁽¹⁾</u> | <u>Amount of Current Taxes Collected</u> | <u>Percent of Current Taxes Collected</u> | <u>Amount of Delinquent Taxes Collected</u> | <u>Total Collected for the Year</u> | <u>Ratio of Total Taxes Collected to Current Levy</u> | <u>Delinquent Taxes</u> | <u>Ratio of Delinquent Taxes to Current Levy</u> |
|--------------------|--|--|---|---|-------------------------------------|---|-------------------------|--|
| 2009 | This levy will be collected during Fiscal Year 2010. | | | | | | | |
| 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 % |
| 1999 | \$ 673,869 | \$ 650,432 | 96.5 % | \$ 2,231 | \$ 652,663 | 96.9 % | \$ 1,637 | 0.2 % |

SOURCE: Santa Rosa County Tax Collector Office

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

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

| <u>Year ⁽²⁾</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Total Assessed Value</u> | <u>Exemptions</u> | <u>Assessed Value for Operations</u> |
|----------------------------|----------------------|--------------------------|-----------------------------|-------------------|--------------------------------------|
| 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 |
| 2000 | \$ 639,135,302 | \$ 23,666,792 | \$ 662,802,094 | \$ 259,131,479 | \$ 403,670,615 |

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> |
|--------------------|----------------|
| 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 |
| 2000 | 1.8300 |

SOURCE: Santa Rosa County Property Appraiser

City of Gulf Breeze, Florida
TABLE XI
PRINCIPAL TAXPAYERS
Unaudited

| Fiscal Year 2009 Taxpayer | Total Taxable Value | Percentage |
|----------------------------------|---------------------------|---------------------|
| Andrews Institute Medical Park | \$ 16,624,427 | 2.51 % |
| Sea Shell Collections LLC | 12,711,668 | 1.92 % |
| Mullet, Willis J. | 8,159,912 | 1.23 % |
| Gulf Power Company | 6,668,772 | 1.01 % |
| East End Company, LLC & Gulf | 6,540,740 | 0.99 % |
| Andrews Institute ASC LLC | 5,771,041 | 0.87 % |
| Falzone, Timothy D. | 5,499,127 | 0.83 % |
| Quietwater LLC | 5,241,430 | 0.79 % |
| Bay Beach Hotel, LLC | 4,931,961 | 0.75 % |
| Bellsouth Telecomm | <u>4,866,397</u> | <u>0.74 %</u> |
| Total of Principal Taxpayers | \$ 77,015,475 | 11.64 % |
| Total All Other Taxpayers | <u>584,874,845</u> | <u>88.36 %</u> |
| Total Taxable Value | <u>\$ 661,890,320</u> | <u>100.00 %</u> |

SOURCE: Santa Rosa County Property Appraiser

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 |
|-------------|-------------|--------------------------|---|--|
| 2009 | \$ - | \$ 30,697 | 0.00 % | \$ 126,166 |
| 2008 | \$ 438,618 | \$ 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 |
| 2000 | \$ - | \$ 33,535 | 0.00 % | \$ 12,101 |

SOURCE: City of Gulf Breeze Finance Department

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

| Fiscal Year | Revenue Bonds Payable | | | Notes Payable | | | Capital Leases Payable | | | Other Contractual Obligations | | | Total Debt | | |
|-------------|-------------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|-------------------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Govt | Governmental Activities | Business-Type Activities | Total Primary Govt | Governmental Activities | Business-Type Activities | Total Primary Govt | Governmental Activities | Business-Type Activities | Total Primary Govt | Governmental Activities | Business-Type Activities | Total Primary Govt |
| 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

SOURCE: City of Gulf Breeze Finance Department

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

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

| Fiscal Year | Estimated Population ⁽²⁾ | Assessed Value for Operations ⁽³⁾ | Total Outstanding Debt ⁽⁴⁾ | Ratio of Total Outstanding Debt to Assessed Value | Amount of Total Outstanding Debt Per Capita |
|-------------|--|---|---|---|---|
| 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 | - | - % | - |
| 2000 | 5,665 | \$ 403,670,615 | - | - % | - |

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

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

⁽³⁾ From Table IX

⁽⁴⁾ From Table XIII

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

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

City of Gulf Breeze, Florida
TABLE 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⁽¹⁾</u> | <u>Assessed Value for Operations⁽²⁾</u> | <u>Gross Bonded Debt</u> | <u>Debt Service Monies Available</u> | <u>Net Bonded Debt</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|--------------------|---|--|--------------------------|--------------------------------------|------------------------|---|-----------------------------------|
| 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 | \$ - | \$ - | \$ - | - % | \$ - |
| 2000 | 5,665 | \$ 403,670,615 | \$ - | \$ - | \$ - | - % | \$ - |

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

⁽²⁾ From Table IX

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

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

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

| Fiscal Year | Operating Revenue | Tap Fees | Direct Operating Expenses ⁽¹⁾ | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|-------------|-------------------|--------------|--|--|---------------------------|------------|------------|----------|
| | | | | | Principal | Interest | Total | |
| 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 |
| 2000 | \$ 2,854,903 | \$ 1,275,764 | \$ 1,399,470 | \$ 2,731,197 | \$ 330,000 | \$ 641,198 | \$ 971,198 | 2.81 |

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 | | | | | | |
| 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 % | \$ - | \$ - | - % | \$ - |
| 2000 | 5,665 | 117,743 | 4.81 % | 4.54 % | \$ - | \$ - | - % | \$ - |

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 ⁽¹⁾ | Commercial Construction | | Residential Construction | | Bank Deposits ⁽³⁾ |
|-------------|---|---------------------------|--------------|---------------------------|--------------|------------------------------|
| | | # of Units ⁽²⁾ | Value | # of Units ⁽²⁾ | Value | |
| 2009 | \$ 661,890,020 | (4) | (4) | (4) | (4) | \$ 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 |
| 2000 | \$ 403,670,615 | 5 | \$ 18,498 | 24 | \$ 9,297,957 | \$ 140,058,000 |

⁽¹⁾ Source: Table IX

⁽²⁾ Santa Rosa County Inspection Department

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

⁽⁴⁾ Comparable values not available from county offices for 2009 as of publication date.

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

| Fiscal Year 2009 ⁽¹⁾ | Employees | Percentage of Labor Force |
|--------------------------------------|-----------|------------------------------|
| Gulf Breeze Hospital | 199 | 7.1 % |
| Andrews Institute | 150 | 5.4 % |
| Studer Group | 142 | 5.1 % |
| AppRiver | 120 | 4.3 % |
| Gulf Breeze High School | 115 | 4.1 % |
| City of Gulf Breeze | 85 | 3.0 % |
| Gulf Breeze Middle School | 67 | 2.4 % |
| Publix | 62 | 2.2 % |
| Gulf Breeze Elementary School | 52 | 1.9 % |
| Total Labor Force ⁽¹⁾ | 2,795 | |

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

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

| EDUCATION | SANTA ROSA COUNTY | | |
|--|-------------------|----------|----------|
| | FY 08-09 | FY 07-08 | FY 06-07 |
| Schools: | | | |
| Pre K | 1 | 1 | 1 |
| Primary K-2 | 2 | 2 | 2 |
| Intermediate 3-5 | 2 | 2 | 2 |
| Grades K-5 | 12 | 11 | 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 | 2 | 2 |
| ESE Centers, Alternative Education, etc. | 2 | 4 | 7 |
| Students: | | | |
| Pre K | 625 | 605 | 562 |
| Primary K-2 | 2,105 | 1,691 | 1,709 |
| Intermediate 3-5 | 2,275 | 2,402 | 2,558 |
| Grades K-5 | 6,350 | 6,300 | 6,428 |
| Grades 6-8 | 5,868 | 5,950 | 6,083 |
| Grades 9-12 | 8,063 | 7,919 | 7,837 |
| Vocational Technical/ Santa Rosa Adult | 425 | 450 | 583 |
| Rader (Charter) | Closed | 80 | 91 |
| Instructional (Classroom) Personnel | 1,649 | 1,754 | 1,689 |
| Non-Instructional Personnel | 658 | 877 | 832 |

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 |
| 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 |
| 2000 | 26 | 25 | 11 | 4 | 15 | 1 | 16 | 6 |

SOURCE: City of Gulf Breeze Community Services Department

NOTE : Information dating back ten years is unable to be accurately presented.

City of Gulf Breeze, Florida
TABLE XXIV
WATER SERVICE RATES
Unaudited
As of September 30, 2009

| 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 | \$ 9.14 | | - | \$ 2.57 | \$ 20.76 | 3.0 | \$ 2.57 |
| 1.00" | \$ 16.95 | \$ 16.95 | - | \$ 2.57 | \$ 16.95 | | - | \$ 2.57 | \$ 30.56 | 3.0 | \$ 2.57 |
| 1.50" | \$ 44.34 | \$ 44.34 | - | \$ 2.57 | \$ 44.34 | | - | \$ 2.57 | \$ 67.23 | 3.0 | \$ 2.57 |
| 2.00" | \$ 72.22 | \$ 72.22 | - | \$ 2.57 | \$ 72.22 | | - | \$ 2.57 | \$ 102.59 | 3.0 | \$ 2.57 |
| 3.00" | \$ 146.93 | \$ 146.93 | - | \$ 2.57 | \$ 146.93 | | - | \$ 2.57 | \$ 199.16 | 3.0 | \$ 2.57 |
| 4.00" | \$ 221.63 | \$ 221.63 | - | \$ 2.57 | \$ 221.63 | | - | \$ 2.57 | \$ 301.35 | 3.0 | \$ 2.57 |
| 6.00" | \$ 441.43 | \$ 441.43 | - | \$ 2.57 | \$ 441.43 | | - | \$ 2.57 | \$ 595.18 | 3.0 | \$ 2.57 |

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, 2009

| 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" | \$ 10.13 | \$ 10.13 | - | \$ 3.57 | \$ 11.13 | | - | \$ 3.57 | \$ 27.27 | 3.0 | \$ 3.57 |
| 1.00" | \$ 19.56 | \$ 19.56 | - | \$ 3.57 | \$ 21.50 | | - | \$ 3.57 | \$ 37.86 | 3.0 | \$ 3.57 |
| 1.50" | \$ 49.20 | \$ 49.20 | - | \$ 3.57 | \$ 54.07 | | - | \$ 3.57 | \$ 77.53 | 3.0 | \$ 3.57 |
| 2.00" | \$ 80.13 | \$ 80.13 | - | \$ 3.57 | \$ 88.07 | | - | \$ 3.57 | \$ 116.63 | 3.0 | \$ 3.57 |
| 3.00" | \$ 163.17 | \$ 163.17 | - | \$ 3.57 | \$ 179.33 | | - | \$ 3.57 | \$ 224.01 | 3.0 | \$ 3.57 |
| 4.00" | \$ 246.17 | \$ 246.17 | - | \$ 3.57 | \$ 270.51 | | - | \$ 3.57 | \$ 339.09 | 3.0 | \$ 3.57 |
| 6.00" | \$ 489.11 | \$ 489.11 | - | \$ 3.57 | \$ 537.53 | | - | \$ 3.57 | \$ 667.76 | 3.0 | \$ 3.57 |

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

City of Gulf Breeze, Florida
TABLE XXVI
GARBAGE AND TRASH RATES
Unaudited
As of September 30, 2009

| Residential Collection | | | | | | |
|------------------------|----------|-------|----------|-------|--|--|
| | Curbside | | Sideyard | | | |
| Regular | \$ | 16.50 | \$ | 20.31 | | |
| Senior Rate | \$ | 14.85 | \$ | 18.28 | | |
| Disabled Rate | | | \$ | 15.45 | | |
| Extra Kart | \$ | 6.00 | \$ | 9.81 | | |

| Commercial Collection | | | | | | |
|-----------------------------------|---------------------------------|-----------|-----------|-----------|-----------|----------------|
| Container Size (Waste) | Collection Frequency (Per Week) | | | | | Per Extra Call |
| | 1 | 2 | 3 | 4 | 5 | |
| Kart (96 Gal) | \$ 36.98 | \$ 56.84 | | | | |
| 2 Cubic Yards | \$ 101.89 | \$ 122.27 | \$ 188.76 | \$ 240.24 | \$ 300.30 | \$ 42.90 |
| 4 Cubic Yards | \$ 141.57 | \$ 211.28 | \$ 305.66 | \$ 408.62 | \$ 497.64 | \$ 85.80 |
| 6 Cubic Yards | \$ 183.40 | \$ 298.16 | \$ 424.71 | \$ 550.19 | \$ 682.11 | \$ 128.70 |
| 8 Cubic Yards | \$ 228.44 | \$ 377.52 | \$ 541.61 | \$ 703.56 | \$ 869.80 | \$ 171.60 |
| 30 Cubic Yard Roll Off | | | | | | \$ 246.68 |
| <u>Container Size (Recycling)</u> | | | | | | |
| Kart (96 Gal) | \$ 19.31 | | | | | |
| 2 Cubic Yards | \$ 69.71 | | | | | |
| 4 Cubic Yards | \$ 97.60 | | | | | |
| 6 Cubic Yards | \$ 124.41 | | | | | |

SOURCE: City of Gulf Breeze Finance Department

City of Gulf Breeze, Florida
TABLE XXVII
NATURAL GAS SERVICE RATES
Unaudited
As of September 30, 2009

Inside City Limits - Residential and Commercial

Minimum monthly service charge \$7.00

Monthly rate for consumption up to 50,000 cubic feet: the cost of gas as determined by the City monthly per 1,000 cubic feet, plus \$3.00 per 1,000 cubic feet (overhead), plus 4% surcharge

Monthly rate for consumption over 50,000 cubic feet: the cost of gas as determined by the City monthly per 1,000 cubic feet, plus \$2.60 per 1,000 cubic feet (overhead), plus 4% surcharge

Outside City Limits - Residential and Commercial

Minimum monthly service charge \$9.00

Monthly rate for consumption up to 50,000 cubic feet: the cost of gas as determined by the City monthly per 1,000 cubic feet, plus \$3.00 per 1,000 cubic feet (overhead), plus 4% surcharge, plus 20%

Monthly rate for consumption over 50,000 cubic feet: the cost of gas as determined by the City monthly per 1,000 cubic feet, plus \$2.60 per 1,000 cubic feet (overhead), plus 4% surcharge, plus 20%

Gross Receipts Tax - All residential and commercial accounts - .025% of total minimum monthly service charge and consumption charge

Florida State Sales Tax - Commercial accounts only - .075% of total minimum monthly service charge, consumption charge and gross receipts tax

SOURCE: City of Gulf Breeze Natural Gas Departments

City of Gulf Breeze, Florida
TABLE XXVIII
INSURANCE COVERAGE
Unaudited
As of September 30, 2009

| <u>Type</u> | <u>Effective Dates</u> | <u>Company</u> | <u>Policy Number</u> | <u>Amount</u> |
|-----------------------------------|------------------------|-------------------------------------|----------------------|---------------|
| Auto (Person) | 9/30/10 to 9/30/10 | Florida Municipal Insurance Trust | FMIT # 0224 | \$ 100,000 |
| Auto (Occurrence) | | | | \$ 200,000 |
| General Liability | 9/30/10 to 9/30/10 | 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 | 9/30/10 to 9/30/10 | Florida Municipal Insurance Trust | FMIT # 0224 | \$ 20,739,606 |
| Personal Property | 9/30/10 to 9/30/10 | Florida Municipal Insurance Trust | FMIT # 0224 | \$ 1,080,503 |
| Island Marine | 9/30/10 to 9/30/10 | Florida Municipal Insurance Trust | FMIT # 0224 | \$ 210,503 |
| Wind Storm | 9/30/10 to 9/30/10 | Citizens Property Insurance Company | 728652 | \$ 4,528,000 |
| Worker's Compensation | 9/30/10 to 9/30/10 | City of Gulf Breeze | N/A | \$ 250,000 |
| Petroleum Storage Tank | 9/30/10 to 9/30/10 | 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, ⁽¹⁾ | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| General Government | | | | | | | | | | |
| City Manager and City Clerk | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Community Services | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Finance and Accounting | 5 | 5 | 7 | 6 | 5 | 7 | 5 | 6 | 6 | 6 |
| Parks and Recreation Center | 8 | 8 | 8 | 8 | 8 | 9 | 8 | 9 | 9 | 8 |
| Special Projects | - | 1 | 1 | 1 | - | - | - | - | - | - |
| Sworn Officers | 17 | 19 | 19 | 19 | 19 | 18 | 18 | 18 | 18 | 17 |
| Civilian Employees | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 |
| Police | <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> | <u>24</u> |
| General Government - Total | <u>44</u> | <u>47</u> | <u>49</u> | <u>48</u> | <u>46</u> | <u>47</u> | <u>44</u> | <u>46</u> | <u>45</u> | <u>43</u> |
| Enterprises ⁽²⁾ | | | | | | | | | | |
| GBFS | 1 | 1 | 1 | 2 | - | 1 | 1 | - | - | - |
| Gas, Water and Sewer | 11 | 12 | 13 | 9 | 11 | 11 | 11 | 14 | 14 | 11 |
| South Santa Rosa Utility | 27 | 29 | 29 | 28 | 25 | 19 | 20 | 19 | 21 | 17 |

(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

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|------------|------------|------------|------------|------------|----------------|------------|------------|------------|------------|
| Fire Department | | | | | | | | | | |
| Emergency Medical Calls | 500 | 471 | 527 | 486 | 500 | 442 | 479 | 436 | N/A | N/A |
| Fire and Other Calls | <u>325</u> | <u>315</u> | <u>375</u> | <u>455</u> | <u>341</u> | <u>(*) 238</u> | <u>237</u> | <u>195</u> | <u>N/A</u> | <u>N/A</u> |
| Total Calls | <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> | <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. | | | | | | | | | | |
| Police Department | | | | | | | | | | |
| Arrests | 195 | 142 | 206 | 258 | 189 | 234 | 266 | 334 | 447 | 459 |
| Citations | 4,451 | 4,451 | 5,330 | 5,047 | 3,707 | 3,800 | 4,303 | 3,985 | 3,538 | 5,097 |
| Parks and Recreation | | | | | | | | | | |
| League Registrations | 1,918 | 1,596 | 1,617 | 1,784 | 1,659 | 1,664 | 1,630 | 1,807 | N/A | N/A |
| Water | | | | | | | | | | |
| Customers at year end | 2,575 | 2,576 | 2,572 | 2,582 | 2,608 | 2,613 | 2,594 | 2,582 | 2,559 | 2,529 |
| Treatment (000's gallons) | 256,115 | 247,620 | 266,146 | 274,237 | 256,311 | 247,962 | 246,881 | 261,711 | 261,385 | 298,124 |
| Sewer | | | | | | | | | | |
| Customers at year end | 1,479 | 1,450 | 1,407 | 1,389 | 1,390 | 1,412 | 1,390 | 1,382 | 1,352 | 1,331 |
| Treatment (000's gallons) | 164,167 | 155,865 | 168,066 | 167,414 | 157,577 | 150,430 | 151,419 | 158,402 | 150,974 | 151,365 |
| Natural Gas | | | | | | | | | | |
| Customers at year end | 3,237 | 3,204 | 3,104 | 2,947 | 2,730 | 2,871 | 2,727 | 2,632 | 2,519 | 2,396 |
| Therms (000's 100's ft3) | 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 | 1,101,419 |
| SSRUS - Water | | | | | | | | | | |
| Customers at year end | 4,220 | 4,229 | 4,224 | 4,205 | 4,164 | 4,382 | 4,300 | 4,225 | 4,094 | 3,897 |
| Usage (000's gallons) | 299,967 | 292,892 | 309,617 | 324,474 | 309,116 | 337,340 | 330,948 | N/A | N/A | N/A |
| SSRUS - Sewer | | | | | | | | | | |
| Customers at year end | 5,824 | 5,819 | 5,744 | 5,556 | 5,338 | 5,402 | 4,948 | 1,698 | 4,451 | 4,198 |
| Treatment (000's gallons) | 387,549 | 389,835 | 407,189 | 427,657 | 389,021 | 401,388 | 369,631 | 381,198 | 362,859 | 389,582 |
| Wastewater Treatment | | | | | | | | | | |
| Treatment (000's gallons) | 509.2 | 501.9 | 499.7 | 469.8 | 532.9 | 517.9 | 511.7 | 496.0 | 452.6 | 453.7 |

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 | | | | | | | | | |
|---|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
| Streets | | | | | | | | | | |
| Miles of roads | 44.7 | 44.7 | 44.7 | 44.7 | 44.7 | 44.7 | 44.7 | 44.7 | 44.7 | 44.6 |
| Miles of sidewalks | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 9.0 | 9.0 | 7.0 | 7.0 | 7.0 |
| Signs Installed | 171 | 171 | 171 | 171 | 171 | 171 | 171 | 170 | 170 | 170 |
| Traffic Signal (City Owned) | 1 | 1 | 1 | 1 | 1 | 1 | - | - | - | - |
| Water | | | | | | | | | | |
| Water Line (miles) | 43.5 | 43.5 | 43.5 | 43.3 | 43.0 | 42.5 | 42.3 | 42.0 | 41.8 | 41.5 |
| Elevated Storage Tanks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Elevated Storage Capacity (000's gallons) | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Ground Storage Tanks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ground Storage Capacity (000,000's gallons) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Water Pump Facilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sewer | | | | | | | | | | |
| Sewer Line (miles) | 16.0 | 15.3 | 15.3 | 15.1 | 14.8 | 14.3 | 14.1 | 13.8 | 13.6 | 13.3 |
| Lift Stations | 25 | 24 | 23 | 23 | 23 | 23 | 23 | 22 | 22 | 22 |
| Natural Gas | | | | | | | | | | |
| Gas Main (miles) | 119.3 | 119.3 | 118.6 | 117.6 | 116.0 | 115.0 | 114.0 | 110.0 | 107.0 | 104.0 |
| South Santa Rosa Utility System | | | | | | | | | | |
| <u>Water</u> | | | | | | | | | | |
| Water Line (miles) | 62.3 | 62.3 | 61.3 | 58.3 | 57.3 | 55.3 | 54.3 | 52.3 | 51.3 | 50.3 |
| 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 | - | - | - | - | - | - | - | - | - | - |
| <u>Sewer</u> | | | | | | | | | | |
| Sewer Line (miles) | 57.0 | 56.8 | 54.8 | 52.8 | 50.8 | 49.8 | 47.8 | 46.8 | 45.8 | 44.8 |
| Lift Stations | 60 | 57 | 57 | 56 | 53 | 53 | 52 | 51 | 48 | 43 |
| <u>Treatment Facilities</u> | | | | | | | | | | |
| Facilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Capacity (000,000 gallons per day) | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Stormwater Utility | | | | | | | | | | |
| Stormwater pipe (miles) | 9.1 | 9.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Inlets | 186 | 180 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 |
| Pump Stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Police Department | | | | | | | | | | |
| Patrol Units | 17 | 19 | 19 | 19 | 18 | 18 | 18 | 18 | 18 | 17 |
| Fire Department | | | | | | | | | | |
| Response and Support Vehicles | 9 | 10 | 10 | 9 | 8 | 7 | 7 | 7 | 7 | 7 |

SOURCE: Departmental Records

IV. Compliance Section



Compliance Matters

Management Letter

Responses to the Management Letter



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***

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, 2009, which collectively comprise the City of Gulf Breeze, Florida's basic financial statements and have issued our report thereon dated March 10, 2010. 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.

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

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)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Gulf Breeze's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Gulf Breeze's financial statements that is more than inconsequential will not be prevented or detected by the City of Gulf Breeze's internal control. We consider the deficiencies, listed as 2008-1, 2008-2, 2008-3, 2009-1, and 2009-2 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 10, 2010, 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.

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)

This report is intended for the information and use of management, others within the organization, city council, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

March 10, 2010

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2009

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.

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.

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2009

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, 2008, approximately 9% of billed utility accounts receivable were over 90 days old on the City's accounts receivable aging and at September 30, 2009, approximately 15% of billed utility accounts receivable were over 90 days. Accordingly, our recommendation remains the same.

Managements' Response: The City's exposure to doubtful accounts is managed through its deposit policies and relatively short payment terms provided to utility customers. The City reviews and amends those policies as necessary to keep uncollectible write-offs low. The City will examine and evaluate the potential benefits of moving to an Allowance account during the coming year.

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 subledger and supporting reports and schedules 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.

Continued...

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2009

Current Year Financial Statements Findings:

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 recommend 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.

Managements' Response: We agree with the finding. We are continuing to review to identify the remaining error in posting in pooled cash. 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.

2009-2 – Encumbrances

For the fiscal year ending September 30, 2009, 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 recommend the City establish a policy for encumbrances to include it's approach to encumbrances outstanding at year-end and the effect of encumbrances on the subsequent year's appropriation. Additionally, we recommend the City increase it's 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.

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.

Continued...

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2009

2009-3 – Budget Over-Expenditures

For the fiscal year ending September 30, 2009, 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 recommend 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.

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.



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, 2009, and have issued our report thereon dated March 10, 2010.

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. We have also issued our 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*, including our Schedule of Findings and Responses. Disclosures in those reports and schedule, which are dated March 10, 2010, 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 govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

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.) permit disclosure in the management letter based on professional judgment of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors, including the following: violation of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; improper expenditures or illegal acts that would have an immaterial effect on the financial statements; control deficiencies that are not significant deficiencies, including, but not limited to: improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); failures to properly record financial transactions, and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit we had no 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, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period. In connection with our audit, we determined that these two reports were in agreement.

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

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. In connection with our audit, we applied financial condition assessment procedures.

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 10, 2010