

City of Gulf Breeze Florida



Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2008

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City of Gulf Breeze

February 18, 2009

To the Honorable Mayor, City Council Members,
and the Citizens of Gulf Breeze
City of Gulf Breeze, Florida
1070 Shoreline Drive
Gulf Breeze, Florida 32562-0640

The Comprehensive Annual Financial Report of the City of Gulf Breeze, Florida, for fiscal year ended September 30, 2008, 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, 2008, 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, 2008, 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, surrounded on three sides by water. The City of Gulf Breeze was incorporated on August 10, 1961. 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.

Profile

Although Gulf Breeze covers only 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 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 10 ball fields including basketball, softball, football and soccer stadiums, 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 various nature trails and bicycle paths.

Within the City you will find a full-service hospital, a Sports Medicine Center, a public library, six churches, a recreation center that includes a theater 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, stormwater drainage and natural gas. The City contracts with a private firm to provide solid waste collection services. 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 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 area's accounting for 21% of the City. The City of Gulf Breeze consists of 5 square miles and has limited potential for expansion. Redevelopment continues to be the most viable alternative for economic improvements.

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. Five or more corporations are components of the Institute: Multi-specialty Ambulatory Surgery Center, Outpatient Rehabilitation, Diagnostic Imaging Center, Athletic Performance Enhancement Center, and a Research and Education Foundation. The Institute may 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 Collections retail complex anchored by a Publix supermarket store at the intersection of Highway 98 and Daniel Drive was completed in May, 2008. 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.

Appraised value of property, according to the Florida Department of Revenue, declined throughout the county and was reflected in a 5.7% decline in assessed value of properties within the City as compared to 2007 values. In 2007 assessed property values reflected a 3.8% decline from 2006 valuations.

Long-term Financial Planning

Gulf Breeze sponsored its first loan pool in 1985. The City's Loan Pool and bond sponsorship programs operated through Capital Trust Agency (CTA) and Gulf Breeze Financial Services (GBFS) have generated over \$17 million in fees providing significant revenues to fund City operations and allowing the City to make significant improvements. The loan pools have also allowed the City to maintain a low millage rate and approve a rate of 1.800 for tax year 2008.

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 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.
- Restoration of the waterside parks was begun in fiscal year 2006 and was completed in 2007 at a cost of \$4 million dollars.
- The City has engaged a project manager to obtain grant funding and oversee the restoration of erosion to the Deadmans Island conservation area. Permitting for establishment of an oyster bed breakwater as well as the submerged land lease has 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 fiscal years 2004 and 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, 2008, 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.

Cash Management Policies and Practices

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

At fiscal year end, the City's investments were slightly over \$1,400,000. \$57,000 is invested with The Florida Municipal Investment Trust, while the remainder is in certificates of deposit.

City staff continues to review options regarding the distribution of investments.

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 9 in the notes to the financial statements.

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

Pensions

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

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

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

Full time, general employees become eligible after completing one year of service with the City.

The City also provides post-employment health insurance benefits for certain retirees and their dependents. These benefits are financed 100% by payment from retirees. Generally accepted accounting principles (GAAP) do not presently require the City to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. At the end of the fiscal year, there were no retired employees receiving these benefits.

Additional information regarding the City of Gulf Breeze's pension plans and post-employment health insurance may be found in Notes 6, 7, and 16 in the notes to the financial statements.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Breeze for its comprehensive annual financial report for the fiscal year ended September 30, 2007. (this was the 6th 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.

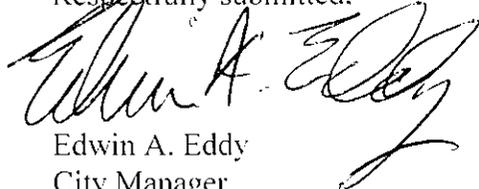
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

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

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

Respectfully submitted,



Edwin A. Eddy
City Manager



Nancy L. Millay
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, 2007

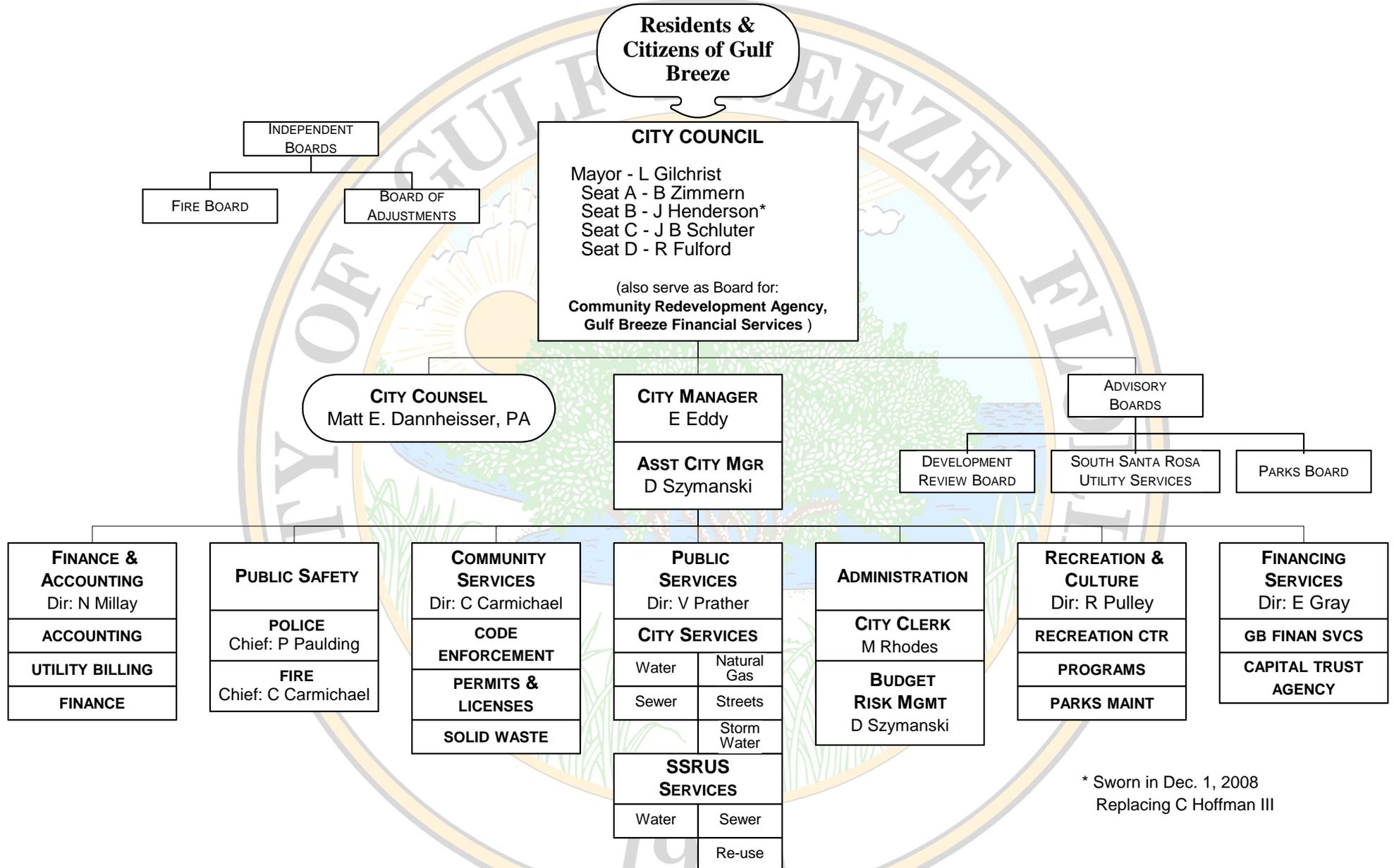
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Gulf Breeze



* Sworn in Dec. 1, 2008
Replacing C Hoffman III

CITY OF GULF BREEZE, FLORIDA
CITY OFFICIALS

City Council

MAYOR LANE GILCHRIST

BEVERLY ZIMMERN
JOSEPH HENDERSON

J. B. SCHLUTER
RICHARD C. FULFORD



CITY MANAGER
EDWIN EDDY

CITY CLERK
MARITA RHODES

FINANCE DIRECTOR
NANCY MILLAY

CITY ATTORNEY
MATT DANNHEISSER

II. Financial Section

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Government Wide Financial Statements**
- **Fund Financial Statements**
- **Notes to the Financial Statements**
- **Required Supplementary Information**
- **Combining and Individual Fund Statements**



36474C Emerald Coast Parkway, Suite 3301 • Destin, FL 32541 • (850) 837-0398

INDEPENDENT AUDITOR'S REPORT

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

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, 2008, 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's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 also 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 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary information for the General and Urban Core Redevelopment funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated February 18, 2009, on our consideration of the City of Gulf Breeze's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 on pages 3 through 13, the Schedule of Funding Progress on page 57, and the Schedule of Contributions from the Employer and other Contributing Entities on page 58 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

February 18, 2009

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, 2008. 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 v-xi of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Gulf Breeze exceeded its liabilities by \$28,468,237 (net assets). Of this amount \$8,007,095 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets decreased by \$102,486 or 0.4%. The governmental net assets increased by \$2,013,578 or 25.8% and the business-type net assets decreased by \$2,116,064 or 10.2%, net of the effect of the prior period adjustment, these amounts were \$786,578 and \$889,065, respectively.
- The City's governmental funds reported combined ending fund balances of \$6,446,239, an increase of \$1,250,397. Of the total ending fund balance, \$5,540,497 is available for spending at the City's discretion (unreserved and undesignated fund balance). The primary portion of the increase is due to an increase in funds due from other funds. A decrease in unrestricted cash and cash equivalents, and a small net increase in total liabilities, was offset by increases in investments and restricted cash, receivables and due from other governments (primarily FEMA). At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,606,053 or the equivalent of 77.4% 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 14-15 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 Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 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. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 16-21 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 22-26 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's fiduciary funds include the Police Pension Trust Fund and the Health Insurance and D.A.R.E. escrow agency funds. 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 27-28 of this report.

NOTES TO THE 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 29-56 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 57-58 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 59-66 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 \$28,468,237 at the close of the most recent fiscal year, as reported below in Table 1.

The largest portion of the City's net assets \$19,678,802 (69.1%) 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 (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$8,007,095 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
Statement of Net Assets at September 30

	Governmental Activities		Business -Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets \$	7,066,523	\$ 6,027,854	\$ 4,928,245	\$ 5,857,450	\$ 11,994,768	\$ 11,885,304
Capital assets	12,483,552	12,789,561	28,874,085	29,772,929	41,357,637	42,562,490
Total assets	<u>19,550,075</u>	<u>18,817,415</u>	<u>33,802,330</u>	<u>35,630,379</u>	<u>53,352,405</u>	<u>54,447,794</u>
Long term liabilities outstanding	9,322,023	10,453,818	14,494,227	14,015,851	23,816,250	24,469,669
Other liabilities	416,997	566,120	650,921	841,282	1,067,918	1,407,402
Total liabilities	<u>9,739,020</u>	<u>11,019,938</u>	<u>15,145,148</u>	<u>14,857,133</u>	<u>24,884,168</u>	<u>25,877,071</u>
Net assets						
Invested in capital assets net of related debt	3,849,347	1,849,245	15,829,455	16,536,085	19,678,802	18,385,330
Restricted	25,485	780,417	756,855	1,079,629	782,340	1,860,046
Unrestricted	5,936,223	5,167,815	2,070,872	3,157,532	8,007,095	8,325,347
Total net assets	<u>\$ 9,811,055</u>	<u>\$ 7,797,477</u>	<u>\$ 18,657,182</u>	<u>\$ 20,773,246</u>	<u>\$ 28,468,237</u>	<u>\$ 28,570,723</u>

Governmental Activities

Governmental activities before transfers decreased the City of Gulf Breeze's net assets by \$443,572. The key elements of this change are reported below in Table 2.

Charges for services declined 10.3% this year reflecting more typical levels of Business Licensing related revenues than in 2007, and operating grants declined by 39% reflecting the completion of the hurricane restoration projects completed in 2007, which received FEMA funding.

Investment earnings are down 19.6% due mainly to a decrease in funds invested during the year. 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.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 598,860	\$ 667,373	\$ 9,540,211	\$ 9,239,848	\$ 10,139,071	\$ 9,907,221
Operating grants and contributions	1,584,284	2,595,066	-	-	1,584,284	2,595,066
Capital grants and contributions	-	-	632,068	2,448,130	632,068	2,448,130
General Revenues:						
Property taxes	1,665,870	1,769,209	-	-	1,665,870	1,769,209
Other taxes	809,219	831,815	-	-	809,219	831,815
Intergovernmental revenues	567,629	498,649	-	-	567,629	498,649
Miscellaneous	665,631	597,342	364,517	70,820	1,030,148	668,162
Investment Earnings	119,922	149,068	92,802	133,904	212,724	282,972
Total Revenues	<u>6,011,414</u>	<u>7,108,522</u>	<u>10,629,599</u>	<u>11,892,702</u>	<u>16,641,014</u>	<u>19,001,224</u>
EXPENSES						
Governmental Activities:						
General government	1,646,593	1,483,562	-	-	1,646,593	1,483,562
Public safety	2,550,037	2,523,959	-	-	2,550,037	2,523,959
Transportation	401,763	470,013	-	-	401,763	470,013
Economic environment	197,622	203,332	-	-	197,622	203,332
Culture and recreation	1,280,020	4,532,538	-	-	1,280,020	4,532,538
Debt service interest	378,952	291,769	-	-	378,952	291,769
Business Type Activities:						
Water and sewer	-	-	1,345,242	1,411,855	1,345,242	1,411,855
Natural gas	-	-	2,069,606	1,943,119	2,069,606	1,943,119
SSRUS utilities	-	-	5,478,040	5,704,870	5,478,040	5,704,870
Solid waste control	-	-	287,197	145,145	287,197	145,145
Fishing bridge	-	-	-	461,058	-	461,058
Stormwater mgmt	-	-	927,121	901,297	927,121	901,297

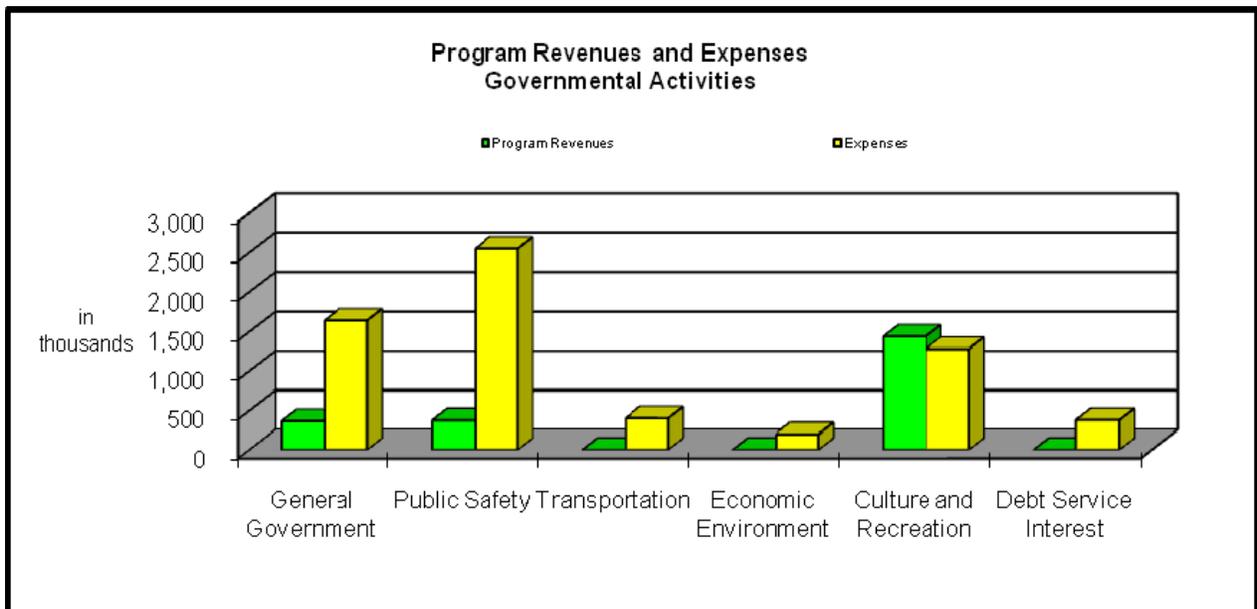
Gulf Breeze Financial Services	-	-	181,308	191,001	181,308	191,001
Total Expenses	<u>6,454,987</u>	<u>9,505,173</u>	<u>10,288,514</u>	<u>10,758,345</u>	<u>16,743,500</u>	<u>20,263,518</u>

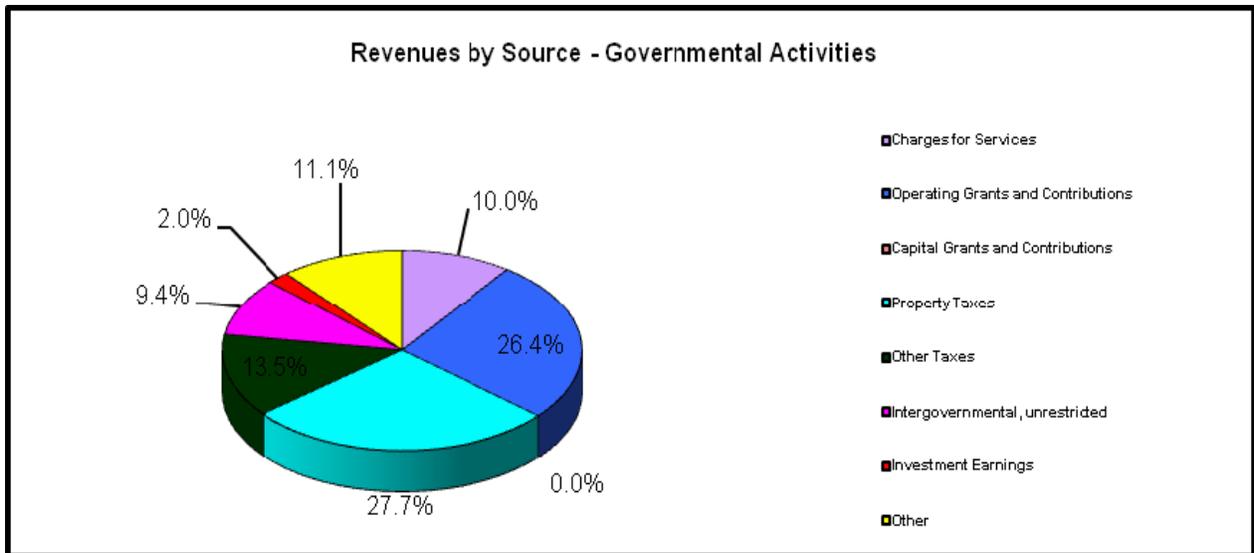
Table 2 (Continued)
Change in Net Assets (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Increase (decrease) in net assets						
Before transfers	<u>(443,572)</u>	<u>(2,396,651)</u>	<u>341,085</u>	<u>1,134,357</u>	<u>(102,487)</u>	<u>(1,262,294)</u>
Transfers	1,230,150	(313,870)	(1,230,150)	313,870	-	-
Increase (decrease) in Net Assets	786,578	(2,710,521)	(889,065)	1,448,227	(102,486)	(1,262,294)
Net assets – 10/1	7,797,477	10,507,998	20,773,246	19,325,019	28,570,723	29,833,017
Prior period adjustment	<u>1,227,000</u>	<u>-</u>	<u>(1,227,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - 9/30	<u>9,811,055</u>	<u>7,797,477</u>	<u>18,657,182</u>	<u>20,773,246</u>	<u>28,468,237</u>	<u>28,570,723</u>

Property Tax revenue has decreased by 5.9% due to the decreased value of properties within the City.

Culture and recreation expenses declined by 71.8% due to the completion, in 2007, of restoration projects in the City's parks which were damaged in Hurricane Ivan.





Business-Type Activities

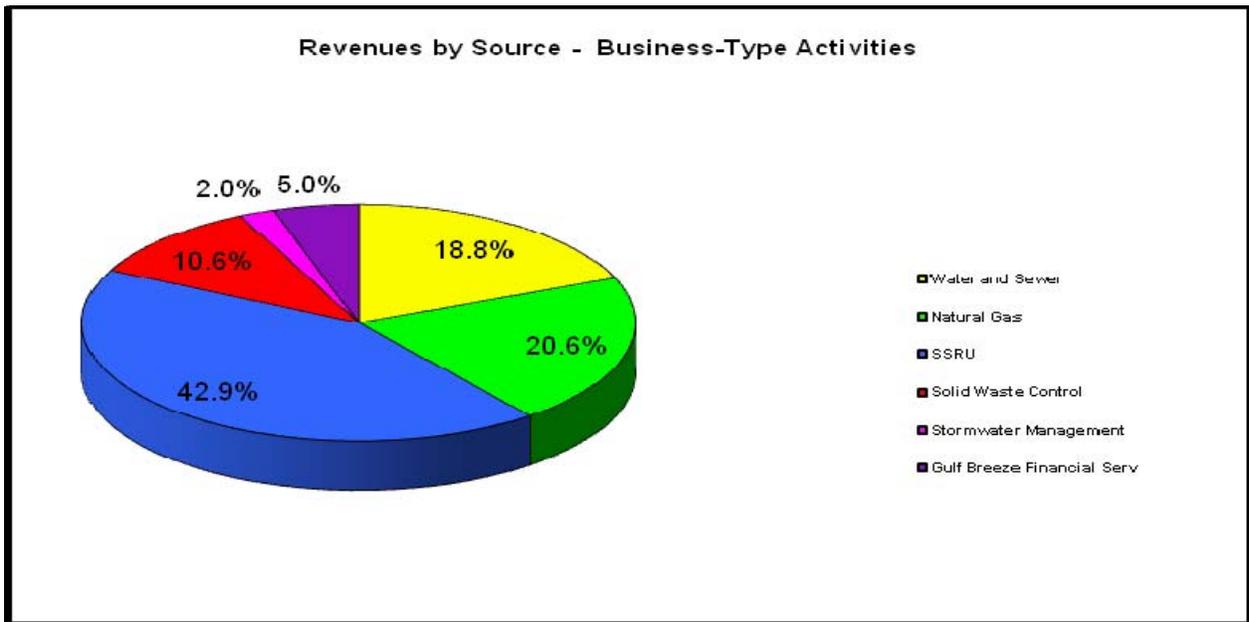
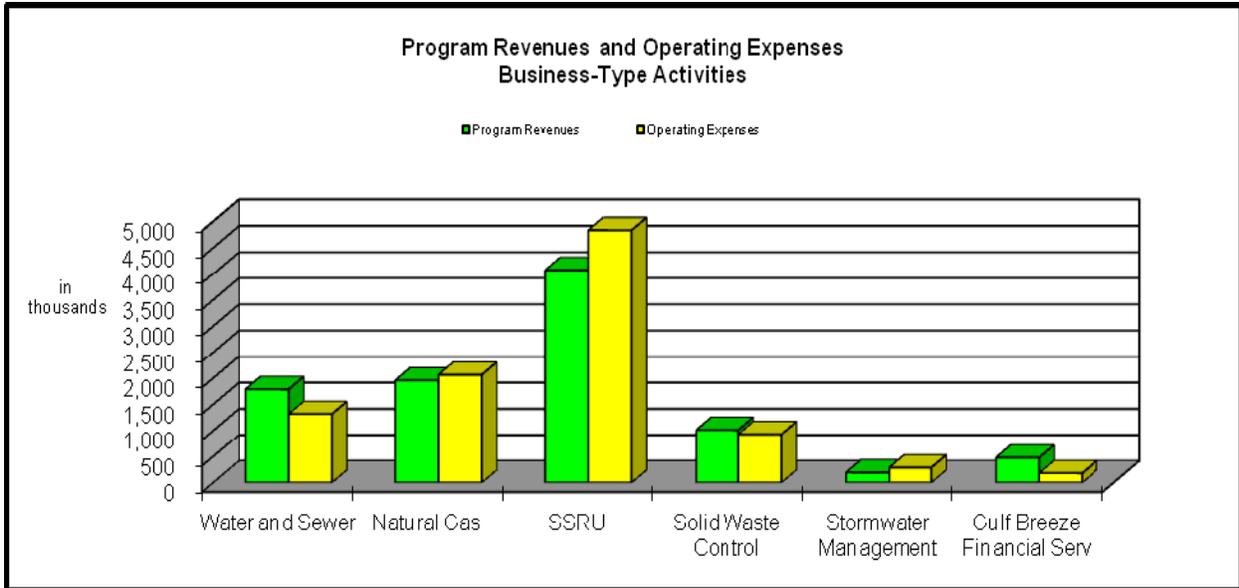
Business-type activities increased the City's net assets by \$341,085 before transfers.

There have been no significant changes in the number of water & sewer customers inside City limits and we have not yet returned to the pre-storm numbers. This is also true for the number of water customers outside the City limits as it has not yet reached its pre-storm count either. The number of sewer customers outside City limits has increased (1.6%) due to the ongoing construction of new subdivisions in that area.

Contributions of \$589,583 from developers this year (43% of 2007 levels) reflects the growth, though at a slower rate than in the past, in the area serviced by South Santa Rosa Utilities Service (SSRUS). This area is located outside of the City limits and it is expected to continue to be developed over the next several years. As 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 30.7% as a result of changing market conditions and distribution of investments.

The Natural Gas Utility shows an increase in revenues of 9.8% while expenses grew 6.5% resulting in a 29% decrease in its operating loss. Although there was a slight decrease in the consumption this year (1.9%) the revenue increase is seen primarily in the cost of natural gas, which is in turn sold to customers of the City of Gulf Breeze. Natural Gas revenues have increased according to the rates based on 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 \$6,446,239 an increase of \$1,250,398 in comparison with the prior year. Of this total amount, \$5,540,497 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; 2) to liquidate contracts and purchase orders of the prior period of \$177,080; or, 3) for several other designated purposes which include self-insurance escrow \$250,000, disaster recovery \$97,200, beautification \$95,938, park subdivisions \$78,596 and other restricted purposes of \$14,364.

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 \$4,606,053, while total fund balance reached \$5,329,968. 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 77.4% of the total General Fund expenditures, while total fund balance represents 89.6% of that same amount.

The General Fund's fund balance increased by \$552,983 during the current fiscal year. The key factor in this change is an increase in amounts due from other funds.

Proprietary Funds

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

Unrestricted net assets of the proprietary funds totaled \$2,070,872 at the end of the year, of that the Water and Sewer Fund amounted to \$620,358, the Natural Gas Fund totaled \$(243,769), South Santa Rosa Utility Fund was \$1,186,772, Solid Waste Control was (62,142), and the other proprietary funds totaled \$569,653. The net assets of the proprietary funds decreased by \$889,065.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budget increased from the original budget by \$1,292,871 and was offset by \$448,185 in revenues over original budget largely from additional FEMA reimbursements.

The highlights of the budgetary changes are as follows:

- \$452,700 increase in machinery and equipment;
- \$400,700 increase in parks improvements;
- \$167,000 increase in expenditures made due to hurricane Ivan; and,
- \$43,000 increase in fuel and utilities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Buildings	\$ 4,232,979	\$ 4,232,979	\$ 407,111	\$ 340,662	\$ 4,640,090	\$ 4,573,641
Improvements other than buildings	12,438,602	12,146,921	232,709	105,515	12,671,311	12,252,436
Infrastructure	119,992	119,992	42,087,194	39,362,596	42,207,186	39,482,588
Machinery and equipment	4,410,424	3,845,961	3,410,643	3,402,380	7,821,067	7,248,341
Accumulated depreciation	(9,905,784)	(8,743,631)	(19,927,400)	(17,835,731)	(29,833,184)	(26,579,362)
Construction in progress	-	-	-	1,733,679	-	1,733,679
Land	1,187,339	1,187,339	2,663,828	2,663,828	3,851,167	3,851,167
Total	<u>\$ 12,483,552</u>	<u>\$ 12,789,561</u>	<u>\$ 28,874,085</u>	<u>\$ 29,772,929</u>	<u>\$ 41,357,637</u>	<u>\$ 42,562,490</u>

The City of Gulf Breeze's investments in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$41,357,637 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, and machinery and equipment. The total decrease in the City of Gulf Breeze's investment in capital assets for the current fiscal year was \$1,204,853 or 2.8% overall as depreciation exceeded increases in capital assets (2.4% decrease for governmental activities and a 2.2% decrease for business-type activities). The major changes are summarized below:

- Fire Hydrant Upgrades Phase II
- Field Ops Master Plan
- Eastern Waste Water Treatment Facility Design

- **As of September 30, 2008 there were no construction projects in progress.**

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	
	2008	2007	2008	2007	2008	2007
Notes payable	\$ -	\$ -	\$ 5,623,846	\$ 6,133,241	\$ 5,623,846	\$ 6,133,241
Capital leases	-	-	170,930	223,145	170,930	223,145
Revenue bonds	8,952,164	10,177,575	7,723,577	6,880,458	16,675,741	17,058,033
Total	<u>\$ 8,952,164</u>	<u>\$ 10,177,575</u>	<u>\$ 13,518,353</u>	<u>\$ 13,236,844</u>	<u>\$ 22,470,517</u>	<u>\$ 23,414,419</u>

At the end of the current fiscal year, the City of Gulf Breeze had total bonded debt and outstanding loans of \$22,470,517. 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 prior period adjustment (see Note 2, C.) to reallocate \$1,227,000 of the 2007 Revenue Bonds to the Water and Sewer Fund, which also accounts for the increase in the Business-type activities Revenue Bond balance.

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 11 and 12 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 2009 budget. New revenue sources continue to be an issue especially since the populous of the State of Florida voted for the State Constitution to reduce Ad Valorem taxes further than FY2008. The overall revenue forecast for the General Fund is \$5,573,374. In FY 2009, ad valorem taxes were increased from 1.5552 mills to 1.8 mills, or 15%. Municipal Utility Service Taxes and Communication Service Tax were each increased by 1%. Debt Service expenses continue to be absorbed into the City's budget.

The budget for Fiscal Year 2009 is quite conservative. It is approximately 2.8% more than the budget for Fiscal Year 2008.

The Fiscal Year 2009 General Fund expense budget includes \$14,000 for Comprehensive Plan EAR updates and is the largest expense outside of salaries and operating expenses. The General Fund is expected to generate \$400,000 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. The Water & Sewer Proprietary Fund will provide \$35,000 of water main improvements, and \$25,000 for GIS mapping software support to the County. The Natural Gas Proprietary Fund will purchase a 1 ton truck for \$35,000, and \$20,000 of Gas main extension. The capital investment from the South Santa Rosa Proprietary Fund will include, \$200,000 for lime addition at the SSRUS Water Plant, \$100,000 for Blower improvements at the WWTP. Also included is \$40,000 for WWTP R&M, \$70,000 for lift station rehabilitation, and \$20,700 for required repayment on Vacuum Truck. The Community Redevelopment Agency Fund is projected to use \$571,000 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, 2008

ASSETS	Primary Government			Component Unit
	Governmental	Business-type	Total	Capital Trust
	Activities	Activities		Agency
Cash and cash equivalents	\$ 2,822,267	\$ 1,737,964	\$ 4,560,231	\$ 958,562
Receivables	327,073	1,256,171	1,583,244	37,799
Investments	700,000	707,155	1,407,155	422,564
Internal balances	2,356,116	(2,356,116)	--	--
Due from other governments	376,539	4,313	380,852	--
Inventory, at cost	10,227	152,477	162,704	--
Restricted assets				
Cash and cash equivalents	156,341	1,435,976	1,592,317	110,000
Capital assets				
Nondepreciable	1,187,339	2,663,828	3,851,167	--
Depreciable	11,296,213	26,210,257	37,506,470	--
Other assets				
Bond issue costs, net	317,959	302,793	620,752	--
Investment in joint venture	--	1,196,094	1,196,094	--
Other	--	491,419	491,419	--
Total assets	19,550,075	33,802,330	53,352,405	1,528,925
LIABILITIES				
Accounts payable	139,810	392,715	532,525	6,207
Contracts payable	37,345	--	37,345	--
Accrued liabilities	122,670	65,887	188,557	--
Due to other governments	--	6,623	6,623	4,313
Payable from restricted assets				
Accrued interest	117,172	185,696	302,868	--
Customer deposits	2,500	679,122	681,622	--
Non-current liabilities				
Due within one year				
Compensated absences	183,493	135,252	318,745	--
Capital leases payable	--	54,527	54,527	--
Revenue bonds payable	154,000	546,000	700,000	--
Notes payable	--	536,290	536,290	--
Due in more than one year				
Deferred revenue	--	156,863	156,863	--
Compensated absences	27,524	4,637	32,161	--
Capital leases payable	--	116,403	116,403	--
Revenue bonds payable	8,798,164	7,177,577	15,975,741	--
Notes payable	--	5,087,556	5,087,556	--
Other contractual obligations	156,341	--	156,341	--
Total liabilities	9,739,020	15,145,148	24,884,168	10,520
NET ASSETS				
Invested in capital assets, net of related debt	3,849,347	15,829,455	19,678,802	--
Restricted for:				
Scholarships	--	--	--	110,000
Debt service	--	756,855	756,855	--
Public safety	25,485	--	25,485	--
Unrestricted	5,936,223	2,070,872	8,007,095	1,408,405
Total net assets	\$ 9,811,055	\$ 18,657,182	\$ 28,468,237	\$ 1,518,405

City of Gulf Breeze, Florida
STATEMENT OF ACTIVITIES
Year Ended September 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Capital Trust Agency	
					Governmental Activities	Business-Type Activities	Total	
Function/Program Activities								
Governmental Activities								
General government	\$ 1,646,593	\$ 69,705	\$ 297,530	\$ --	\$ (1,279,358)	\$ --	\$ (1,279,358)	\$ --
Public safety	2,550,037	267,493	109,387	--	(2,173,157)	--	(2,173,157)	--
Transportation	401,763	--	--	--	(401,763)	--	(401,763)	--
Economic environment	197,622	--	--	--	(197,622)	--	(197,622)	--
Culture and recreation	1,280,020	261,662	1,177,367	--	159,009	--	159,009	--
Debt service interest	378,952	--	--	--	(378,952)	--	(378,952)	--
Total governmental activities	6,454,987	598,860	1,584,284	--	(4,271,843)	--	(4,271,843)	--
Business-Type Activities								
Water and sewer	1,345,242	1,787,244	--	42,485	--	484,487	484,487	--
Natural gas	2,069,606	1,955,968	--	--	--	(113,638)	(113,638)	--
South Santa Rosa Utility	5,478,040	4,116,191	--	589,583	--	(772,266)	(772,266)	--
Solid waste control	927,121	1,011,010	--	--	--	83,889	83,889	--
Stormwater management	287,197	194,183	--	--	--	(93,014)	(93,014)	--
Gulf Breeze Financial Services	181,307	475,615	--	--	--	294,308	294,308	--
Total business-type activities	10,288,513	9,540,211	--	632,068	--	(116,234)	(116,234)	--
Total primary government	\$ 16,743,500	\$ 10,139,071	\$ 1,584,284	\$ 632,068	\$ (4,271,843)	\$ (116,234)	\$ (4,388,077)	\$ --
Capital Trust Agency	\$ 1,112,944	\$ 1,080,667	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (32,277)
General Revenues:								
Taxes:								
Property taxes					\$ 1,665,870	\$ --	\$ 1,665,870	\$ --
Tourist development taxes					30,287	--	30,287	--
Fuel taxes					230,000	--	230,000	--
Franchise taxes					243,849	--	243,849	--
Communication service taxes					176,152	--	176,152	--
Utility service taxes					128,931	--	128,931	--
Intergovernmental, unrestricted					567,629	--	567,629	--
Miscellaneous					665,631	364,517	1,030,148	--
Unrestricted investment earnings					119,922	92,802	212,724	62,929
Transfers					1,230,150	(1,230,150)	--	--
Total general revenues and transfers					5,058,421	(772,831)	4,285,590	62,929
Change in net assets					786,578	(889,065)	(102,487)	30,652
Net assets - beginning of year					7,797,477	20,773,247	28,570,724	1,487,753
Prior period adjustment					1,227,000	(1,227,000)	--	--
Net assets - beginning of year, restated					9,024,477	19,546,247	28,570,724	1,487,753
Net assets - end of year					\$ 9,811,055	\$ 18,657,182	\$ 28,468,237	\$ 1,518,405

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

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2008

ASSETS	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,818,712	\$ 850,702	\$ 152,853	\$ 2,822,267
Investments	700,000			700,000
Receivables	327,073	--	--	327,073
Due from other governments	376,539	--	--	376,539
Inventory, at cost	10,227	--	--	10,227
Due from other funds	2,396,128	--	--	2,396,128
Restricted assets				
Cash and cash equivalents	--	--	156,341	156,341
Total assets	\$ 5,628,680	\$ 850,702	\$ 309,194	\$ 6,788,576
LIABILITIES				
Accounts payable	\$ 136,195	\$ 3,350	\$ 263	\$ 139,808
Contracts payable	37,345	--	--	37,345
Accrued liabilities	122,670	--	--	122,670
Customer deposits	2,500	--	--	2,500
Due to other funds			40,012	40,012
Total liabilities	298,712	3,350	40,275	342,336
FUND BALANCES				
Reserved				
Encumbrances	177,080	--	--	177,080
Inventory	10,737	--	--	10,737
Other contractual liabilities	--	--	156,342	156,342
Police trust	--	--	25,485	25,485
Unreserved				
Designated				
Community fund	437	--	--	437
Park subdivision	78,596	--	--	78,596
Self-insurance	250,000	--	--	250,000
Beautification	95,938	--	--	95,938
Disaster recovery	97,200	--	--	97,200
Police and fire department	13,927	--	--	13,927
Undesignated general fund	4,606,053	--	--	4,606,053
Undesignated special revenue	--	847,352	87,092	934,444
Total fund balances	5,329,968	847,352	268,919	6,446,239
Total liabilities and fund balances	\$ 5,628,680	\$ 850,702	\$ 309,194	\$ 6,788,576

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2008

Fund balances - total governmental funds (page 16) \$ 6,446,239

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	\$ 1,187,339	
Governmental depreciable assets	21,201,997	
Less accumulated depreciation	<u>(9,905,784)</u>	12,483,553

Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Bond issue costs	330,823	
Less accumulated amortization	<u>(12,865)</u>	<u>317,958</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	(8,998,000)	
Discount on bond issuance	47,690	
Less accumulated amortization	(1,855)	
Accrued interest	(117,172)	
Compensated absences	(211,017)	
Other contractual obligations	<u>(156,341)</u>	<u>(9,436,695)</u>

Net assets of governmental activities (page 14) \$ 9,811,055

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended September 30, 2008

	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,836,255	\$ 638,833	\$ --	\$ 2,475,088
Licenses and permits	69,705	--	--	69,705
Intergovernmental	2,151,913	--	--	2,151,913
Charges for services	261,662	--	--	261,662
Fines and forfeitures	143,427	--	124,066	267,493
Investment earnings	119,922	--	--	119,922
Miscellaneous	664,992	--	639	665,631
Total revenues	<u>5,247,876</u>	<u>638,833</u>	<u>124,705</u>	<u>6,011,414</u>
Expenditures				
Current				
General government	1,525,575	72,460	2,312	1,600,347
Public safety	2,076,749	--	7,266	2,084,015
Transportation	96,455	--	--	96,455
Economic environment	102,446	--	--	102,446
Culture and recreation	993,855	--	--	993,855
Capital outlay	829,255	26,889	--	856,144
Debt service				
Interest	327,402	--	--	327,402
Total expenditures	<u>5,951,738</u>	<u>99,349</u>	<u>9,578</u>	<u>6,060,665</u>
Excess (deficiency) of revenues over expenditures	(703,862)	539,484	115,127	(49,251)
Other financing sources (uses)				
Insurance proceeds	69,498	--	--	69,498
Transfers in	1,350,577	162,803	--	1,513,380
Transfers out	(163,230)	(120,000)	--	(283,230)
Total other financing sources (uses)	<u>1,256,845</u>	<u>42,803</u>	<u>--</u>	<u>1,299,648</u>
Net change in fund balances	552,983	582,287	115,127	1,250,397
Fund balances, beginning of year	<u>4,776,985</u>	<u>265,065</u>	<u>153,792</u>	<u>5,195,842</u>
Fund balances, end of year	<u>\$ 5,329,968</u>	<u>\$ 847,352</u>	<u>\$ 268,919</u>	<u>\$ 6,446,239</u>

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, 2008

Net change in fund balances - total governmental funds (page 18) \$ 1,250,397

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

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

Expenditures for capital assets	\$ 856,144	
Less current year depreciation	<u>(1,162,113)</u>	(305,969)

Expenses and revenues related to the issuance of bonds is amortized over the life of the bonds.

Amortization of bond discount	(2,659)	
Amortization of bond issue costs	<u>(11,027)</u>	(13,686)

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 accrued expenses	(79,726)	
Change in accrued interest on long-term debt	(51,550)	
Change in long-term compensated absences	<u>(12,889)</u>	<u>(144,165)</u>

Change in net assets of governmental activities (page 15) \$ 786,578

City of Gulf Breeze, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 1,913,110	\$ 1,835,935	\$ 1,836,255	\$ 320
Licenses and permits	76,500	69,855	69,705	(150)
Intergovernmental	927,740	2,066,701	2,151,913	85,212
Charges for services	199,000	239,554	261,662	22,108
Fines and forfeitures	136,500	142,314	143,427	1,113
Investment earnings	80,000	119,717	119,922	205
Miscellaneous	167,000	325,615	664,992	339,377
Total revenues	<u>3,499,850</u>	<u>4,799,691</u>	<u>5,247,876</u>	<u>448,185</u>
Expenditures				
Current				
General government	1,369,420	1,530,078	1,525,575	4,503
Public safety	2,065,100	2,071,260	2,076,749	(5,489)
Transportation	70,500	94,243	96,455	(2,212)
Economic environment	122,145	105,395	102,446	2,949
Culture and recreation	811,962	1,000,717	993,855	6,862
Capital outlay	92,000	1,018,305	829,255	189,050
Debt service	275,300	279,300	327,402	(48,102)
Total expenditures	<u>4,806,427</u>	<u>6,099,298</u>	<u>5,951,738</u>	<u>147,560</u>
Excess (deficiency) of revenues over expenditures	(1,306,577)	(1,299,607)	(703,862)	595,745
Other financing sources (uses)				
Insurance proceeds		--	69,498	69,498
Transfers in	1,776,800	1,776,800	1,350,577	(426,223)
Transfers out	(148,100)	(162,800)	(163,230)	(430)
Total other financing sources (uses)	<u>1,628,700</u>	<u>1,614,000</u>	<u>1,256,845</u>	<u>(357,155)</u>
Net change in fund balances	322,123	314,393	552,983	238,590
Fund balances, beginning of year	<u>4,776,985</u>	<u>4,776,985</u>	<u>4,776,985</u>	<u>--</u>
Fund balance, end of year	<u>\$ 5,099,108</u>	<u>\$ 5,091,378</u>	<u>\$ 5,329,968</u>	<u>\$ 238,590</u>

City of Gulf Breeze, Florida
URBAN CORE REDEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 630,340	\$ 638,833	\$ 638,833	\$ --
Total revenues	<u>630,340</u>	<u>638,833</u>	<u>638,833</u>	<u>--</u>
Expenditures				
Current				
General government	45,100	72,632	72,460	172
Capital outlay	613,340	26,735	26,889	(154)
Total expenditures	<u>658,440</u>	<u>99,367</u>	<u>99,349</u>	<u>18</u>
Excess (deficiency) of revenues over expenditures	(28,100)	539,466	539,484	18
Other financing sources (uses)				
Transfers in	148,100	162,803	162,803	--
Transfers out	(120,000)	(120,000)	(120,000)	--
Total other financing sources (uses)	<u>28,100</u>	<u>42,803</u>	<u>42,803</u>	<u>--</u>
Net change in fund balances	--	582,269	582,287	18
Fund balances, beginning of year	<u>--</u>	<u>--</u>	<u>265,065</u>	<u>265,065</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ 582,269</u>	<u>\$ 847,352</u>	<u>\$ 265,083</u>

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2008

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Nonmajor Proprietary Funds	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 915,680	\$ 29,428	\$ 71,039	\$ 2,297	\$ 719,520	\$ 1,737,964
Receivables	399,314	187,784	528,514	117,238	23,321	1,256,171
Investments	--	--	57,294	--	649,861	707,155
Due from other governments	--	--	--	--	4,313	4,313
Inventory, at cost	27,394	54,596	70,487	--	--	152,477
Restricted assets						
Cash and cash equivalents	150,783	189,623	1,085,850	9,720	--	1,435,976
Total current assets	1,493,170	461,431	1,813,184	129,255	1,397,015	5,294,055
Noncurrent assets						
Capital assets, net						
Land	--	--	2,663,828	--	--	2,663,828
Buildings	--	--	328,948	--	--	328,948
Improvements other than building	--	--	131,395	--	86,304	217,699
Infrastructure	2,406,826	954,798	19,769,645	--	1,181,255	24,312,524
Machinery and equipment	101,788	43,782	1,192,516	--	13,000	1,351,086
Total capital assets	2,508,614	998,580	24,086,332	--	1,280,559	28,874,085
Other assets						
Bond issue costs, net	67	266	302,460	--	--	302,793
Investment in joint venture	605,461	--	590,633	--	--	1,196,094
Other	122,856	--	368,563	--	--	491,419
Total other assets	728,384	266	1,261,656	--	--	1,990,306
Total non-current assets	3,236,998	998,846	25,347,988	--	1,280,559	30,864,391
Total assets	4,730,168	1,460,277	27,161,172	129,255	2,677,574	36,158,446

Continued...

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2008

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Nonmajor Proprietary Funds	Total
LIABILITIES						
Current liabilities						
Accounts payable	\$ 58,671	\$ 67,182	\$ 123,102	\$ 130,387	\$ 13,373	\$ 392,715
Accrued liabilities	3,729	7,492	52,126	1,290	1,250	65,887
Compensated absences	3,833	39,219	92,200	--	--	135,252
Other current liabilities						
Due to other funds	--	400,000	1,100,000	50,000	806,116	2,356,116
Due to other governments	--	--	--	--	6,623	6,623
Payable from restricted assets						
Accrued interest	--	--	185,696	--	--	185,696
Customer deposits	150,783	189,623	328,996	9,720	--	679,122
Capital leases payable	--	--	54,527	--	--	54,527
Revenue bonds payable	21,000	--	525,000	--	--	546,000
Notes payable	13,386	53,542	469,362	--	--	536,290
Total current liabilities	<u>251,402</u>	<u>757,058</u>	<u>2,931,009</u>	<u>191,397</u>	<u>827,362</u>	<u>4,958,228</u>
Non-current liabilities						
Deferred revenue	156,863	--	--	--	--	156,863
Compensated absences	250	1,684	2,703	--	--	4,637
Capital leases payable	--	--	116,403	--	--	116,403
Revenue bonds payable	1,206,000	--	5,971,577	--	--	7,177,577
Notes payable	15,242	88,775	4,983,539	--	--	5,087,556
Total non-current liabilities	<u>1,378,355</u>	<u>90,459</u>	<u>11,074,222</u>	<u>--</u>	<u>--</u>	<u>12,543,036</u>
Total liabilities	<u>1,629,757</u>	<u>847,517</u>	<u>14,005,231</u>	<u>191,397</u>	<u>827,362</u>	<u>17,501,264</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,480,053	856,529	11,212,314	--	1,280,559	15,829,455
Restricted						
Debt service	--	--	756,855	--	--	756,855
Unrestricted	620,358	(243,769)	1,186,772	(62,142)	569,653	2,070,872
Total net assets	<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>

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year ended September 30, 2008

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Nonmajor Proprietary Funds	Total
Operating revenues						
Charges for services	\$ 1,787,244	\$ 1,955,968	\$ 4,071,263	\$ 1,011,010	\$ 669,798	\$ 9,495,283
Total operating revenues	<u>1,787,244</u>	<u>1,955,968</u>	<u>4,071,263</u>	<u>1,011,010</u>	<u>669,798</u>	<u>9,495,283</u>
Operating expenses						
Personal services	205,177	600,637	1,519,194	84,743	149,422	2,559,173
Contractual services	582,678	1,108,254	623,894	834,517	122,354	3,271,697
Supplies	149,770	139,106	305,056	3,962	6,496	604,390
Professional services	2,291	8,949	101,215	--	50,287	162,742
Repairs and maintenance	85,129	15,375	198,864	2,985	19,546	321,899
Office and utilities	70,544	89,447	371,379	914	18,035	550,319
Depreciation	219,841	101,382	1,713,578	--	102,303	2,137,104
Total operating expenses	<u>1,315,430</u>	<u>2,063,150</u>	<u>4,833,180</u>	<u>927,121</u>	<u>468,443</u>	<u>9,607,324</u>
Operating income (loss)	<u>471,814</u>	<u>(107,182)</u>	<u>(761,917)</u>	<u>83,889</u>	<u>201,355</u>	<u>(112,041)</u>
Non-operating revenues (expenses)						
Intergovernmental revenues	--	--	--	--	--	--
Interest earnings	28,617	--	6,587	--	57,598	92,802
Rents and royalties	--	--	44,928	--	--	44,928
Special assessments - capital improvement	281,753	--	--	--	--	281,753
Interest expense	(72,261)	(4,828)	(508,566)	--	--	(585,655)
Other debt service costs	(406)	(1,628)	(179,149)	--	--	(181,183)
Loss on disposal of assets	--	--	--	--	(61)	(61)
Income (loss) from joint venture	42,855	--	42,855	--	--	85,710
Miscellaneous	16,594	20,561	44,789	--	820	82,764
Total non-operating revenues (expenses)	<u>297,152</u>	<u>14,105</u>	<u>(548,556)</u>	<u>--</u>	<u>58,357</u>	<u>(178,942)</u>
Income (loss) before operating transfers and capital contributions	<u>768,966</u>	<u>(93,077)</u>	<u>(1,310,473)</u>	<u>83,889</u>	<u>259,712</u>	<u>(290,983)</u>
Transfers and capital contributions						
Transfers in	--	--	288,240	--	--	288,240
Transfers out	(521,627)	(201,864)	(291,736)	(81,737)	(421,426)	(1,518,390)
Developer capital contributions	42,485	--	589,583	--	--	632,068
Total transfers and capital contributions	<u>(479,142)</u>	<u>(201,864)</u>	<u>586,087</u>	<u>(81,737)</u>	<u>(421,426)</u>	<u>(598,082)</u>
Changes in net assets	289,824	(294,941)	(724,386)	2,152	(161,714)	(889,065)
Net assets, beginning of year	4,037,587	907,701	13,880,327	(64,294)	2,011,926	20,773,247
Prior period adjustment	(1,227,000)	--	--	--	--	(1,227,000)
Net assets - beginning of year, restated	<u>2,810,587</u>	<u>907,701</u>	<u>13,880,327</u>	<u>(64,294)</u>	<u>2,011,926</u>	<u>19,546,247</u>
Net assets, end 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>

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended September 30, 2008

	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	\$ 1,621,412	\$ 1,940,347	\$ 4,128,747	\$ 1,002,150	\$ 664,540	\$ 9,357,196
Payments to suppliers	(916,347)	(1,345,723)	(1,819,168)	(733,458)	(205,573)	(5,020,269)
Payments to employees	(73,948)	(591,781)	(1,571,363)	(84,386)	(142,380)	(2,463,858)
Net cash provided (used) by operating activities	<u>631,117</u>	<u>2,843</u>	<u>738,216</u>	<u>184,306</u>	<u>316,587</u>	<u>1,873,069</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Borrowings (repayments)						
Advances from other funds	--	300,000	947,703	(150,000)	84,681	1,182,384
Transfers in	--	--	288,240	--	--	288,240
Transfers out	(521,627)	(201,864)	(291,736)	(81,737)	(421,426)	(1,518,390)
Net cash provided (used) by non-capital financing activities	<u>(521,627)</u>	<u>98,136</u>	<u>944,207</u>	<u>(231,737)</u>	<u>(336,745)</u>	<u>(47,766)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(445,171)	(57,735)	(316,358)	-	(2,263)	(821,527)
Proceeds from sale of assets	--	--	--	--	4,102	4,102
Principal paid on bonds payable	--	--	(383,881)	--	--	(383,881)
Principal paid on notes and capital lease payable	(12,716)	(50,863)	(286,859)	--	--	(350,439)
Interest paid on long-term debt	(72,261)	(4,828)	(508,566)	--	--	(585,655)
Other debt service costs paid on bonds and notes payable	(318)	(1,273)	(149,401)	--	--	(150,992)
Net cash provided (used) by capital and related financing activities	<u>(248,713)</u>	<u>(114,699)</u>	<u>(1,645,065)</u>	<u>-</u>	<u>1,839</u>	<u>(2,006,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	--	--	--	--	(31,991)	(31,991)
Proceeds from sale of investments	--	--	(1,141)	--	--	(1,141)
Rents and royalties	--	--	44,928	--	--	44,928
Interest income	28,617	--	6,587	--	57,598	92,802
Net cash provided (used) by investing activities	<u>28,617</u>	<u>--</u>	<u>50,374</u>	<u>--</u>	<u>25,607</u>	<u>104,598</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(110,606)	(13,720)	87,732	(47,431)	7,288	(76,737)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,177,069</u>	<u>232,771</u>	<u>1,069,157</u>	<u>59,448</u>	<u>712,232</u>	<u>3,250,677</u>
CASH AND CASH EQUIVALENTS AT END 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 CONSIST OF						
Current assets	\$ 915,680	\$ 29,428	\$ 71,039	\$ 2,297	\$ 719,520	\$ 1,737,964
Restricted assets	150,783	189,623	1,085,850	9,720	--	1,435,976
	<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>

Continued...

City of Gulf Breeze, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended September 30, 2008

	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)	\$ 471,814	\$ (107,182)	\$ (761,917)	\$ 83,889	\$ 201,355	\$ (112,041)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	219,841	101,382	1,713,578	--	102,303	2,137,104
Miscellaneous income	16,594	20,561	44,789	--	820	82,764
(Increase) decrease in assets						
Receivables	(187,212)	(42,012)	1,332	(10,290)	(6,078)	(244,260)
Inventory, at cost	7,827	(15,579)	10,749	--	--	2,997
Increase (decrease) in liabilities						
Accounts payable	(33,761)	30,987	(34,091)	108,920	11,145	83,200
Contracts payable	--	--	(108,825)	--	--	(108,825)
Retainage payable	--	--	(86,593)	--	--	(86,593)
Accrued liabilities	(27,498)	5,131	(63,176)	357	419	(84,767)
Other current liabilities	156,863	--	--	--	--	156,863
Due to other governments	--	--	--	--	6,623	6,623
Customer deposits	4,785	5,830	11,363	1,430	--	23,408
Compensated absences payable	1,864	3,725	11,007	--	--	16,596
Net cash provided (used) by operating activities	<u>\$ 631,117</u>	<u>\$ 2,843</u>	<u>\$ 738,216</u>	<u>\$ 184,306</u>	<u>\$ 316,587</u>	<u>\$ 1,873,069</u>
SUPPLEMENTAL DISCLOSURES OF						
NONCASH TRANSACTIONS						
Capital assets contributed by developers	<u>\$ 42,485</u>	<u>\$ --</u>	<u>\$ 589,583</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 632,068</u>
Capital assets acquired with capital lease	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**City of Gulf Breeze, Florida
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2008**

	Police Officer's Retirement Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 63,805	\$ 5,670
Investment in mutual funds, at market	1,426,475	--
Total assets	1,490,280	5,670
LIABILITIES		
Other	--	5,670
Total liabilities	--	5,670
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 1,490,280	\$ --

**City of Gulf Breeze, Florida
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year ended September 30, 2008**

	Police Officer's Retirement Fund
Additions	
Contributions	
Employer	\$ 92,500
Plan members	5,707
State of Florida	62,954
Investment income, net	(200,968)
Total additions	(39,807)
Deductions	
Administrative expenses	7,178
Total deductions	7,178
Net increase	(46,985)
Net assets held in trust for pension benefits	
Beginning of year	1,537,265
End of year	\$ 1,490,280

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gulf Breeze, Florida (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, 2008, the City of Gulf Breeze had three component units, as defined by GASB 14, which have been presented in the financial statements of the primary government as either "discretely presented component units" or "blended component units." The component units are: the Urban Core Redevelopment (Community Redevelopment Agency), Gulf Breeze Financial Services, Inc., and Capital Trust Agency, Inc.

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Gulf Breeze Financial Services, Inc. (GBFS) was incorporated as of March 6, 1997. The members of the City Council, including the Mayor, serve as directors of the Corporation. The Corporation was formed exclusively for the purposes of assisting the City of Gulf Breeze in administration, operation, marketing, organizing, and servicing of various financing programs such as the Gulf Breeze Local Government Loan Program through which the City is either a participant or a sponsor of such financing programs, usually involving the issuance of bonds. Gulf Breeze Financial Services, Inc. is being reported as an Enterprise fund. GBFS issues separate financial statements which may be obtained by writing to Gulf Breeze Financial Services, Inc., 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, 2008. 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
\$262,380,000 outstanding
- \$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
- \$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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of 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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus and Basis of Accounting

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The following is the current property tax calendar.

Lien Date	January 1, 2008
Levy Date	November 1, 2008
Due Date	November 1, 2008
Delinquent Date	April 1, 2009

Discounts of 1% for each month taxes are paid prior to March 2009 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 2008 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

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

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

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

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

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Proprietary

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

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

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

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 two types of fiduciary funds.

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

Agency Funds - Used to account for assets held by the City on behalf of others. The City's agency funds include the Health Insurance Fund, which accounts for employee contributions used to offset the cost of health insurance premiums, and the D.A.R.E. fund, used to account for assets contributed to the Police Department for special projects.

E. Assets, Liabilities, and Net 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, 2008

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.

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:

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

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."

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

Land	All
Building 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.

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:

<u>Assets</u>	<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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-Term Obligations

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

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

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

Fund Equity

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

F. Estimates

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

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets (Continued)

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.

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.

C. Restatement of Prior Year Net Assets to Correct an Accounting Error

In 2007, the City issued the City of Gulf Breeze, Florida Revenue Improvement Bonds Series 2007, totaling \$10,225,000. The beginning net assets on Statement of Activities and the Water and Sewer fund Statement of Revenues and Expenses and Changes in Net Assets were restated to reflect the correction in the current year to put \$1,227,000 of the 2007 bonds debt in the Water and Sewer fund.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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.

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, 2008, were entirely covered by federal depository insurance or the collateral pool described above. At September 30, 2008, the banks reported deposits before outstanding checks for the City and all of its component units of \$9,412,418.

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, the Florida Municipal Investment Trust 1-3 Year High Quality Bond Fund (FMIT), and the Florida Municipal Pension Trust Fund (FMPTF) for the Police Pension Fund. Both the FMIT and FMPTF are administered by the Florida League of Cities. In accordance with the regulations of "2a7-like" pools, the method used to determine the participants' shares sold and redeemed is the amortized cost method. As of September 30, 2008, the LGSTF portfolio's weighted average days to maturity was 8.5. The LGSFTF was rated AAAM by Standards and Poors. As of September 30, 2008, the FMIT average maturity was 1.88 years, and was rated AAA by Fitch Credit Rating and the FMPTF bonds were rated AA (Fitch). At September 30, 2008, the City's LGSFTF and FMIT balances, including all component units, were \$396,853 and \$56,153 respectively.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

NOTE 4 - RECEIVABLES

Receivables at September 30, 2008, were as follows:

	Governmental		Business-Type					Total
	Activites		Activities					
	General	Water and Sewer	Natural Gas	South Santa Rosa Utility	Solid Waste Control	Nonmajor Proprietary Funds	Primary Government	
Accounts	\$ 7,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,483	
Utilities	4,512	399,289	183,533	528,514	117,238	23,321	1,256,407	
Other	315,078	25	4,251		-	-	319,354	
Total	\$ 327,073	\$ 399,314	\$ 187,784	\$ 528,514	\$ 117,238	\$ 23,321	\$ 1,583,244	

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,187,339	\$ -	\$ -	\$ 1,187,339
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,187,339</u>	<u>-</u>	<u>-</u>	<u>1,187,339</u>
Capital assets being depreciated				
Buildings	4,232,979	-	-	4,232,979
Improvements other than buildings	12,146,921	291,681	-	12,438,602
Infrastructure	119,992	-	-	119,992
Machinery and equipment	3,845,961	564,463	-	4,410,424
Total capital assets being depreciated	<u>20,345,853</u>	<u>856,144</u>	<u>-</u>	<u>21,201,997</u>
Less accumulated depreciation				
Buildings	(1,033,301)	(109,580)	-	(1,142,881)
Improvements other than buildings	(4,379,275)	(785,215)	-	(5,164,490)
Infrastructure	(56,975)	(2,646)	-	(59,621)
Machinery and equipment	(3,274,080)	(264,712)	-	(3,538,792)
Total accumulated depreciation	<u>(8,743,631)</u>	<u>(1,162,153)</u>	<u>-</u>	<u>(9,905,784)</u>
Total capital assets being depreciated, net	<u>11,602,222</u>	<u>(306,009)</u>	<u>-</u>	<u>11,296,213</u>
Governmental activities, net	<u>\$ 12,789,561</u>	<u>\$ (306,009)</u>	<u>\$ -</u>	<u>\$ 12,483,552</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Business Type Activities				
Capital assets not being depreciated				
Land	\$ 2,663,828	\$ -	\$ -	\$ 2,663,828
Construction in progress	1,733,679	-	(1,733,679)	-
Total capital assets not being depreciated	<u>4,397,507</u>	<u>-</u>	<u>(1,733,679)</u>	<u>2,663,828</u>
Capital assets being depreciated				
Buildings	340,662	18,213	48,236	407,111
Improvements other than buildings	105,515	1,093,780	(966,586)	232,709
Infrastructure	39,362,596	310,194	2,414,404	42,087,194
Machinery and equipment	3,402,380	1,850	6,413	3,410,643
Total capital assets being depreciated	<u>43,211,153</u>	<u>1,424,037</u>	<u>1,502,467</u>	<u>46,137,657</u>
Less accumulated depreciation				
Buildings	(61,968)	(16,195)	-	(78,163)
Improvements other than buildings	(15,458)	(9,427)	9,875	(15,010)
Infrastructure	(15,993,946)	(1,776,522)	(4,200)	(17,774,668)
Machinery and equipment	(1,764,363)	(293,330)	(1,866)	(2,059,559)
Total accumulated depreciation	<u>(17,835,735)</u>	<u>(2,095,474)</u>	<u>3,809</u>	<u>(19,927,400)</u>
Total capital assets being depreciated, net	<u>25,375,418</u>	<u>(671,437)</u>	<u>1,506,276</u>	<u>26,210,257</u>
Business type activities, net	<u>\$ 29,772,925</u>	<u>\$ (671,437)</u>	<u>\$ (227,403)</u>	<u>\$ 28,874,085</u>

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

Governmental Activities

General government	\$ 37,662
Public safety	264,411
Transportation	249,572
Economic environment	282,067
Culture and recreation	328,441
Total depreciation expense - governmental activities	<u>\$ 1,162,153</u>

Business-Type Activities

Water and sewer	\$ 219,752
Natural gas	101,028
South Santa Rosa Utility	1,683,829
Stormwater management	90,865
Other proprietary funds	-
Total depreciation expense - business-type activities	<u>\$ 2,095,474</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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, 2008, 2007, and 2006 listed below were equal to the required contributions for the year.

	Years Ended September 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
General employees	\$ 44,590	\$ 49,303	\$ 46,716
Special risk employees	<u>77,396</u>	<u>77,396</u>	<u>71,358</u>
Total contributions	<u>\$ 121,986</u>	<u>\$ 126,699</u>	<u>\$ 118,074</u>

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers (Continued)

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, 2008, 2007, and 2006 listed below were equal to the required contributions for the year.

	Years Ended September 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
City Police Pension Plan contributions	<u>\$ 92,500</u>	<u>\$ 72,070</u>	<u>\$ 61,127</u>

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

	<u>Police Officer Retirement Fund</u>
Contributions rates (percentage of covered payroll)	
City	36.22%
Plan members	1.00%
Annual pension cost	\$ 162,173
Contributions made	
Plan members	\$ 5,707
Employer	\$ 92,500
State of Florida	\$ 62,954
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	7.50%
Projected salary increases *	5.00%
* Includes inflation at	3.75%
Cost of living adjustments	3% (starting at age 58)

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Florida League of Cities - Police Officers (Continued)

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

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

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
FMPT	9/30/2006	\$ 141,614	100%	-
	9/30/2007	\$ 129,663	100%	-
	9/30/2008	\$ 162,173	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, 2008:

Retirees and beneficiaries receiving benefits	0
Active plan members	<u>13</u>
Total	<u>13</u>

C. Required Supplementary Information

The schedule of funding progress and schedule of employer contributions can be found in the supplemental information of this comprehensive annual financial report.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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, 2008, 2007, and 2006 listed below were equal to the required contributions for the year.

	Years Ended September 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
General employees	\$ <u>122,968</u>	\$ <u>101,780</u>	\$ <u>68,908</u>

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 \$761,252 at September 30, 2008. Contributions made by plan members during the year ended September 30, 2008, were \$37,450.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 9 - RISK MANAGEMENT

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

The City remained self-insured for worker's compensation and for its dental and vision employee reimbursement program during the year ending September 30, 2008. 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:

	2008	2007
Unpaid claims, beginning	\$ -	\$ -
Claims incurred and changes in estimates	81,510	141,398
Less: claims paid	(81,510)	(141,398)
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 10 - 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, 2008, was \$73,248 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, 2008.

Lease income under these cancelable agreements is as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities South Santa Rosa Utility
2009	\$ 50,088	\$ 70,566
2010	50,088	67,656
2011	50,088	67,656
2012	26,664	33,048
Total minimum lease payments	\$ 176,928	\$ 238,926

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 11 - 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	\$ 10,225,000	\$ (1,227,000)	\$ 1,589	\$ 8,998,000	\$ 154,000
Less deferred amounts					
For issuance discount	(47,425)	-	1,855	(45,836)	-
Compensated absences	198,128	206,004	(193,115)	211,017	183,493
Other contractual obligations	<u>76,615</u>	<u>156,341</u>	<u>(76,615)</u>	<u>156,341</u>	<u>-</u>
Total governmental activities, long term liabilities	<u>\$ 10,452,318</u>	<u>\$ 362,345</u>	<u>\$ (1,540,807)</u>	<u>\$ 9,319,522</u>	<u>\$ 337,493</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction s</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Improvement Bonds, Series 2007	\$ -	\$ 1,227,000	\$ -	\$ 1,227,000	\$ 21,000
SSRUS Refunding Revenue Bonds, Series 2004	8,585,000	-	(515,000)	8,070,000	525,000
Less deferred amounts					
For issuance premium	309,884	-	(23,837)	286,047	-
For loss on refunding	(2,014,426)	-	154,956	(1,859,470)	-
Local government loan program, 1996	1,448,570	-	(387,674)	1,060,897	408,096
Local government loan program, 1995A	4,684,671	-	(121,722)	4,562,949	128,194
Capital leases payable	223,145	-	(52,215)	170,930	54,527
Compensated absences	<u>123,293</u>	<u>144,618</u>	<u>(128,022)</u>	<u>139,889</u>	<u>135,252</u>
Total business-type activities, long term liabilities	<u>\$ 13,360,137</u>	<u>\$ 1,371,618</u>	<u>\$ (1,073,514)</u>	<u>\$ 13,658,242</u>	<u>\$ 1,272,069</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES			
<i>Revenue Bonds</i>			
\$10,225,000, City of Gulf Breeze, Florida, Revenue Improvement Bonds, Series 2007; \$8,998,000 allocated to the General fund; due in annual installments of \$175,000 to \$610,000 through 2038; interest payable at 4.0% to 5.0%. Secured by pledged non-ad valorem revenues of the City. Proceeds used to refund various City loans and to finance certain capital improvements.	\$ 154,000	\$ 8,844,000	\$ 8,998,000
Less unamortized bond discount	-	(45,836)	(45,836)
Total Bonds	154,000	8,798,164	8,952,164
<i>Accrued Compensated Absence</i>			
Total accumulated, vested annual and sick leave for governmental fund types.	183,493	27,524	211,017
<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.	-	156,341	156,341
TOTAL GOVERNMENTAL ACTIVITIES	\$ 337,493	\$ 8,982,029	\$ 9,319,522

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding (Continued)

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Bonds</i>			
\$9,460,000, 2004 City of Gulf Breeze, Florida, South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004, due in annual installments of \$370,000 to \$815,000 through 2021; interest rate at 2.5% to 5.5%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund all of the City's Series 1994 South Santa Rosa Utility System Revenue Bonds.	\$ 525,000	\$ 7,545,000	\$ 8,070,000
Add unamortized bond premium	-	286,047	286,047
Less unamortized bond discount	-	(1,859,470)	(1,859,470)
	525,000	5,971,577	6,496,577
\$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.	21,000	1,206,000	1,227,000
Total Bonds	546,000	7,177,577	7,723,577
\$4,730,000, 1996, variable rate loan (TBMA plus .0034%) from 1995A Gulf Breeze Local Government Loan Program, due in semi-annual installments ranging from \$191,350 to \$223,209 through 2011; effective rate of interest as of September 30, 2008, was 4.05%. Available net utility revenues are pledged for payment. Proceeds used for utility system improvements.	408,095	652,801	1,060,896
\$5,500,000, 1998, variable rate loan (TBMA plus .0034%) from 1995A Gulf Breeze Local Government Loan Program, due in semi-annual installments ranging from \$63,267 to \$114,815 through 2020 with a balloon payment of \$2,484,391 in 2021; effective rate of interest as of September 30, 2008, was 4.05%. Available net utility revenues are pledged for payment. Proceeds used for utility system improvements.	128,195	4,434,755	4,562,950
Total Notes	536,290	5,087,556	5,623,846

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding (Continued)

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES (CONTINUED)			
<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.	\$ 54,527	\$ 116,403	\$ 170,930
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual accrued compensation for Enterprise Funds.	135,252	4,637	139,889
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,272,069	\$ 12,386,173	\$ 13,658,242
GRAND TOTAL ALL LONG-TERM DEBT			\$ 22,977,764

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, 2008, are as follows:

Governmental Activities

Year Ending September 30	Revenue Bonds	
	Principal	Interest
2009	\$ 154,000	\$ 409,401
2010	158,400	403,153
2011	162,800	396,729
2012	171,600	390,041
2013	176,000	383,089
2014-2018	1,003,200	1,799,993
2019-2023	1,232,000	1,565,925
2024-2028	1,535,600	1,254,162
2029-2033	1,940,400	836,990
2034-2038	2,464,000	303,050
Total	\$ 8,998,000	\$ 7,742,534

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Annual Requirements to Amortize Debt Outstanding (Continued)

Business-Type Activities

Year Ending September 30	2007 Revenue Improvement Bond		2004 Refunding Revenue Bond		Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 21,000	\$ 55,827	\$ 525,000	\$ 330,080	\$ 536,289	\$ 208,642
2010	21,600	54,975	540,000	314,068	564,605	185,913
2011	22,200	54,099	555,000	294,905	365,402	171,260
2012	23,400	53,187	580,000	276,202	149,757	165,348
2013	24,000	52,239	595,000	257,544	157,724	159,122
2014-2018	136,800	245,454	3,365,000	895,263	923,739	689,983
2019-2023	168,000	213,535	1,910,000	120,500	2,926,329	272,000
2024-2028	209,400	171,022	-	-	-	-
2029-2033	264,600	114,135	-	-	-	-
2034-2038	336,000	41,325	-	-	-	-
Total	\$ <u>1,227,000</u>	\$ <u>1,055,798</u>	\$ <u>8,070,000</u>	\$ <u>2,488,562</u>	\$ <u>5,623,845</u>	\$ <u>1,852,268</u>

Compensated Absences

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

NOTE 12 - 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, 2008, the leased asset had a cost of \$273,146 and accumulated amortization of approximately \$54,000. 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, 2008, are as follows:

Year ending <u>September 30, 2008</u>	
2009	\$ 62,095
2010	62,095
2011	<u>62,095</u>
Total minimum payments	186,285
Less interest	<u>(15,355)</u>
Present value of minimum lease payments	<u>\$170,930</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 13 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at September 30, 2008, is as follows:

Due To/From Other Funds

Receivable fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 40,012
General	Natural Gas	400,000
General	South Santa Rosa Utility	1,100,000
General	Solid Waste Control	50,000
General	Nonmajor Proprietary Funds	806,117
		<u>\$ 2,396,129</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.

Interfund Transfers

	Transfers In			Total
	General Fund	Urban Core Redevelopment	South Santa Rosa Utility	
Transfers out				
General	\$	\$ 162,803	\$ 427	\$ 163,230
Urban Core Redevelopment	120,000			120,000
Water and Sewer	233,815	-	287,812	521,627
Natural Gas	201,864	-	-	201,864
South Santa Rosa Utility	291,736	-	-	291,736
Solid Waste	81,737			81,737
Nonmajor Proprietary Funds	421,426	-	-	421,426
	<u>\$ 1,350,578</u>	<u>\$ 162,803</u>	<u>\$ 288,239</u>	<u>\$ 1,801,620</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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 14 - 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 \$85,710. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

NOTE 15 - 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 \$40,680, \$41,900, and \$43,157 for the years ending September 30, 2009, 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, 2008

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENT

Effective October 1, 2008, the Board of County Commissioners will adopt the provisions of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. The effect of this Statement is to establish uniform reporting standards for other postemployment benefit (OPEB) plans, and to change the measurement, recognition, and display of OPEB expense and related liabilities (assets), note disclosures, and required supplementary information (RSI) in annual financial reports of governmental entities. GASB Statement 45 improves the relevance and usefulness of financial reporting by: (a) requiring systematic, accrual-basis measurement and recognition of Other Postemployment Benefit (OPEB) cost (expense) over a period that approximates employee’s years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

NOTE 17 – SUBSEQUENT EVENTS

Impact of Economic Crisis

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the City’s pension investments have likely incurred a significant decline in fair value since September 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION FUNDING

Plans that use the aggregate actuarial cost method are not required to present a schedule of funding progress but should disclose that the aggregate method is used. The Police Pension Plan of the City of Gulf Breeze uses the aggregate cost method.

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

<u>Actuarial Valuation Date</u>	(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 % of Covered Payroll (3)/(5)
10/1/2007	\$ 1,343,358	\$ 1,343,358	\$ --	100.00%	\$ 416,493	0.0%
10/1/2006	\$ 1,049,545	\$ 1,049,545	\$ --	100.00%	\$ 476,695	0.0%
10/1/2005	\$ 805,094	\$ 805,094	\$ --	100.00%	\$ 451,758	0.0%
10/1/2004	\$ 610,262	\$ 610,262	\$ --	100.00%	\$ 417,346	0.0%
10/1/2003	\$ 460,326	\$ 460,326	\$ --	100.00%	\$ 338,940	0.0%
10/1/2002	\$ 304,045	\$ 304,045	\$ --	100.00%	\$ 362,750	0.0%

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
9/30/2008	\$ 162,173	\$ 92,500	\$ 62,954	100%
9/30/2007	\$ 149,538	\$ 72,070	\$ 62,536	100%
9/30/2006	\$ 141,614	\$ 67,127	\$ 58,100	100%
9/30/2005	\$ 111,652	\$ 70,297	\$ 56,351	100%
9/30/2004	\$ 106,334	\$ 63,942	\$ 61,164	100%
9/30/2003	\$ 101,271	\$ 62,917	\$ 69,889	100%
9/30/2002	\$ 87,888	\$ 58,152	\$ 59,879	100%
9/30/2001	\$ 66,282	\$ 49,270	\$ 55,787	100%
9/30/2000	\$ 57,159	\$ 32,816	--	100%
9/30/1999	\$ 22,840	\$ 25,642	\$ 59,929	100%
9/30/1998	\$ 19,236	\$ 1,544	--	100%

(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, 2008, the surplus contribution account total was approximately \$188,280.

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

CITY OF GULF BREEZE, FLORIDA

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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 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 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
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2008

ASSETS	Traffic Citation	Police	Total
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 127,105	\$ 25,748	\$ 152,853
Restricted assets			
Cash and cash equivalents	156,341	--	156,341
Total assets	<u>\$ 283,446</u>	<u>\$ 25,748</u>	<u>\$ 309,194</u>
LIABILITIES			
Accounts payable	\$ --	\$ 263	\$ 263
Due to other funds	40,012	--	40,012
Total liabilities	<u>40,012</u>	<u>263</u>	<u>40,275</u>
FUND BALANCES			
Reserved			
Other contractual liabilities	156,342	--	156,342
Police trust	--	25,485	25,485
Unreserved			
Undesignated special revenue	87,092	--	87,092
Total fund balances	<u>243,434</u>	<u>25,485</u>	<u>268,919</u>
Total liabilities and fund balances	<u>\$ 283,446</u>	<u>\$ 25,748</u>	<u>\$ 309,194</u>

City of Gulf Breeze, Florida
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended September 30, 2008

	Traffic Citation	Police	Total
Revenues			
Fines and forfeitures	\$ 108,991	\$ 15,075	\$ 124,066
Miscellaneous	639	--	639
Total revenues	<u>109,630</u>	<u>15,075</u>	<u>124,705</u>
Expenditures			
Current			
General government	2,312	--	2,312
Public safety	--	7,266	7,266
Total expenditures	<u>2,312</u>	<u>7,266</u>	<u>9,578</u>
Excess (deficiency) of revenues over expenditures	107,318	7,809	115,127
Fund balances, beginning of year	<u>136,116</u>	<u>17,676</u>	<u>153,792</u>
Fund balances, end of year	<u>\$ 243,434</u>	<u>\$ 25,485</u>	<u>\$ 268,919</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
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008

ASSETS	Stormwater Management	Gulf Breeze Financial Services	Total
Current assets			
Cash and cash equivalents	\$ 8,648	\$ 710,872	\$ 719,520
Receivables	23,321	--	23,321
Investments	--	649,861	649,861
Due from other governments	--	4,313	4,313
Total current assets	31,969	1,365,046	1,397,015
Noncurrent assets			
Capital assets, net			
Improvements other than building	--	86,304	86,304
Infrastructure	1,181,255	--	1,181,255
Machinery and equipment	--	13,000	13,000
Total noncurrent assets	1,181,255	99,304	1,280,559
Total assets	1,213,224	1,464,350	2,677,574
LIABILITIES			
Current liabilities			
Accounts payable	2,796	10,577	13,373
Accrued liabilities	1,250	--	1,250
Due to other funds	300,000	506,116	806,116
Due to other governments	--	6,623	6,623
Total current liabilities	304,046	523,316	827,362
Total liabilities	304,046	523,316	827,362
NET ASSETS			
Invested in capital assets, net of related debt	1,181,255	99,304	1,280,559
Unrestricted	(272,077)	841,730	569,653
Total net assets	\$ 909,178	\$ 941,034	\$ 1,850,212

City of Gulf Breeze, Florida
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year ended September 30, 2008

	Stormwater Management	Gulf Breeze Financial Services	Total
Operating revenues			
Charges for services	\$ 194,183	\$ 475,615	\$ 669,798
Total operating revenues	<u>194,183</u>	<u>475,615</u>	<u>669,798</u>
Operating expenses			
Personal services	47,935	101,487	149,422
Contractual services	122,354	--	122,354
Supplies	6,496	--	6,496
Professional services	--	50,287	50,287
Repairs and maintenance	19,546	--	19,546
Office and utilities	--	18,035	18,035
Depreciation and amortization	90,866	11,437	102,303
Total operating expenses	<u>287,197</u>	<u>181,246</u>	<u>468,443</u>
Operating income (loss)	<u>(93,014)</u>	<u>294,369</u>	<u>201,355</u>
Non-operating revenues (expenses)			
Intergovernmental revenues	--	--	--
Interest earnings	--	57,598	57,598
Gain (loss) on disposal of assets	--	(61)	(61)
Miscellaneous	(947)	1,767	820
Debt service			
Principal	--	--	--
Interest	--	--	--
Total non-operating revenues (expenses)	<u>(947)</u>	<u>59,304</u>	<u>58,357</u>
Income (loss) before transfers and capital contributions	<u>(93,961)</u>	<u>353,673</u>	<u>259,712</u>
Transfers and capital contributions			
Transfer in	--	--	--
Transfers out	(71,426)	(350,000)	(421,426)
Total transfers and capital contributions	<u>(71,426)</u>	<u>(350,000)</u>	<u>(421,426)</u>
Changes in net assets	(165,387)	3,673	(161,714)
Net assets, beginning of year	<u>1,074,565</u>	<u>937,361</u>	<u>2,011,926</u>
Net assets, end of year	<u>\$ 909,178</u>	<u>\$ 941,034</u>	<u>\$ 1,850,212</u>

City of Gulf Breeze, Florida
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended September 30, 2008

	Stormwater Management	Gulf Breeze Financial Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 187,158	\$ 477,382	\$ 664,540
Payments to suppliers	(147,141)	(58,432)	(205,573)
Payments to employees	(47,516)	(94,864)	(142,380)
Net cash provided (used) by operating activities	<u>(7,499)</u>	<u>324,086</u>	<u>316,587</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Borrowings (repayments):			
Advances from other funds	87,573	(2,892)	84,681
Transfers out	(71,426)	(350,000)	(421,426)
Net cash provided (used) by non-capital financing activities	<u>16,147</u>	<u>(352,892)</u>	<u>(336,745)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisitions of fixed assets	--	(2,263)	(2,263)
Proceeds from sale of assets	--	4,102	4,102
Net cash provided (used) by capital and related financing activities	<u>--</u>	<u>1,839</u>	<u>1,839</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	--	(31,991)	(31,991)
Proceeds from sale of investments	--	--	--
Miscellaneous	--	--	--
Interest income	--	57,598	57,598
Net cash provided (used) by investing activities	<u>--</u>	<u>25,607</u>	<u>25,607</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,648	(1,360)	7,288
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>--</u>	<u>712,232</u>	<u>712,232</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,648</u>	<u>\$ 710,872</u>	<u>\$ 719,520</u>

Continued...

City of Gulf Breeze, Florida
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended September 30, 2008

	Stormwater Management	Gulf Breeze Financial Services	Total
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF			
Current assets	\$ 8,648	\$ 710,872	\$ 719,520
Restricted assets	--	--	--
	<u>\$ 8,648</u>	<u>\$ 710,872</u>	<u>\$ 719,520</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (93,014)	\$ 294,369	\$ 201,355
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	90,866	11,437	102,303
Miscellaneous income (expense)	(947)	1,767	820
Decrease (increase) in assets			
Accounts receivable	(6,078)	--	(6,078)
Due from other governments	--	--	--
Increase (decrease) in liabilities			
Accounts payable	1,255	9,890	11,145
Due to other governments	--	6,623	6,623
Accrued liabilities	419	--	419
Customer deposits	--	--	--
Net cash provided (used) by operating activities	<u>\$ (7,499)</u>	<u>\$ 324,086</u>	<u>\$ 316,587</u>

FIDUCIARY FUNDS

AGENCY FUNDS

Agency funds are used to account for assets held by the government unit in a trustee capacity or as an agent for individuals of other entities.

AGENCY FUNDS

Health Insurance Agency Fund

The Health Insurance Agency Fund is used to account for assets contributed by employees on behalf of employees to offset the costs of employee medical premiums.

D.A.R.E Agency Fund

The D.A.R.E Agency Fund is used to account for assets contributed on behalf of the Police Department to be used for special projects.

City of Gulf Breeze, Florida
AGENCY FUNDS
COMBINING BALANCE SHEET
September 30, 2008

	Health Insurance	D.A.R.E	Total
ASSETS			
Cash	\$ 5,313	\$ 357	\$ 5,670
Total assets	<u>5,313</u>	<u>357</u>	<u>5,670</u>
LIABILITIES			
Other	<u>5,313</u>	<u>357</u>	<u>5,670</u>
Total liabilities	<u>5,313</u>	<u>357</u>	<u>5,670</u>
NET ASSETS	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>

City of Gulf Breeze, Florida
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended September 30, 2008

	Balance 9/30/2007	Additions	Deductions	Balance 9/30/2008
HEALTH INSURANCE				
ASSETS				
Cash	\$ 10,429	\$ (5,116)	\$ --	\$ 5,313
LIABILITIES				
Other	10,429	(5,116)	--	5,313
NET ASSETS	\$ --	\$ --	\$ --	\$ --
D.A.R.E				
ASSETS				
Cash	\$ 1,035	\$ (678)	\$ --	\$ 357
LIABILITIES				
Other	1,035	(678)	--	357
NET ASSETS	\$ --	\$ --	\$ --	\$ --
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 11,464	\$ (5,794)	\$ --	\$ 5,670
LIABILITIES				
Other	11,464	(5,794)	--	5,670
NET ASSETS	\$ --	\$ --	\$ --	\$ --

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 a 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 Statute.

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
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) GASB Statement No. 34 was first implemented for the year ended September 30, 2003. Net Assets are not applicable to years prior to this date.

SOURCE: City of Gulf Breeze Finance Department

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	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Program Revenues		Taxes	Inter-governmental unrestricted	Misc	Investment Earnings	Total General Revenues		Transfers	
2008	\$ 1,646,593	\$ 2,550,037	\$ 401,763	\$ 197,622	\$ 1,280,020	\$ 378,952	\$ 6,454,988	\$ 598,860	\$ 1,584,284	\$ -	\$ 2,183,144	\$ (4,271,844)	\$ 2,475,089	\$ 567,629	\$ 665,631	\$ 119,922	\$ 3,828,271	\$ 1,230,150	\$ 786,577	
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) GASB Statement No. 34 was first implemented for the year ended September 30, 2003. Net Assets are not applicable to years prior to this date.

SOURCE: City of Gulf Breeze Finance Department

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			Net (Expense) Revenue	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		Misc	Investment Earnings	Total General Revenues		Transfers
2008	\$ 1,345,242	\$ 2,069,606	\$ 5,478,040	\$ 927,121	\$ -	\$ 287,197	\$ 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) GASB Statement No. 34 was first implemented for the year ended September 30, 2003. Net Assets are not applicable to years prior to this date.

SOURCE: City of Gulf Breeze Finance Department

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							Total Business-Type	Total Primary Govt
	General Government	Public Safety	Transportation	Economic Environment	Culture & Recreation	Total Gov't Expenses	Water & Sewer	Natural Gas	South Santa Rosa Utility	Stormwater Management	Fishing Bridge	Solid Waste	Gulf Breeze Financial Services		
2008	\$ 69,705	\$ 267,493	\$ -	\$ -	\$ 261,662	\$ 598,860	\$ 1,787,244	\$ 1,955,968	\$ 4,116,191	\$ 1,011,010	\$ -	\$ 194,183	\$ 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) GASB Statement No. 34 was first implemented for the year ended September 30, 2003. Charges for Services by Function or Program are not applicable to years prior to this date.

SOURCE: City of Gulf Breeze Finance Department

City of Gulf Breeze, Florida
TABLE V
COMPONENTS OF FUND BALANCE
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 Revenue Funds		General Fund	Aggregate Special Revenue Funds		General Fund	Aggregate Special Revenue Funds		General Fund	Aggregate Special Revenue Funds	
		Total	Total		Total	Total		Total	Total			
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 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) GASB Statement No. 34 was first implemented for the year ended September 30, 2003. This table was not required until such time.

SOURCE: City of Gulf Breeze Finance Department

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	Community Service	Culture/ Recreation	Capital Outlay	(2) Debt Service Principal	Debt Service Interest	Costs of Issuance	Other Financing Uses	Total	(3) Debt Service to Noncapital Expenditures
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	\$ 5,148,373	3%
1999	\$ 979,114	\$ 1,240,622	\$ 143,001	\$ 27,529	\$ -	\$ 451,952	\$ 917,651	\$ 55,046	\$ -	\$ -	\$ 551,213	\$ 4,366,128	2%

(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.

SOURCE: City of Gulf Breeze Finance Department

City of Gulf Breeze, Florida
Table VII
GENERAL GOVERNMENT REVENUES AND OTHER FINANCING SOURCES BY SOURCE⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Taxes	Licenses and Permits	Inter-Governmental Revenues	Charges for Services	Fines and Forfeitures	Miscellaneous Revenues	Other Financing Sources	Total Revenue and Other Sources	(2)	Total Change in Fund Balance
									Total Expenditures and Other Uses	
2008	\$ 2,475,088	\$ 69,705	\$ 2,151,913	\$ 261,662	\$ 267,493	\$ 785,553	\$ 1,582,878	\$ 7,594,292	\$ 6,343,895	\$ 1,250,397
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
1999	\$ 1,163,000	\$ 56,712	\$ 908,327	\$ 104,049	\$ 221,727	\$ 1,312,600	\$ 1,359,617	\$ 5,126,032	\$ 4,366,128	\$ 759,904

(1) Includes General Fund and Special Revenue Funds.

(2) From Table VI.

SOURCE: City of Gulf Breeze Finance Department

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

Fiscal Year	Total Tax Levy⁽¹⁾	Amount of Current Taxes Collected	Percent of Current Taxes Collected	Amount of Delinquent Taxes Collected	Total Collected for the Year	Ratio of Total Taxes Collected To Current Levy	Delinquent Taxes	Ratio of Delinquent Taxes to Current Levy
2008	This levy will be collected during Fiscal Year 2009							
2007	\$ 1,063,428	\$ 1,027,774	96.6%	\$ 2,945	\$ 1,030,719	96.9%	\$ 1,565	0.2%
2006	\$ 1,086,162	\$ 1,081,722	96.6%	\$ 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%
1998	\$ 633,828	\$ 612,651	96.7%	\$ 1,221	\$ 613,872	96.9%	\$ 946	0.1%

(1) Includes discount taken for early payment of taxes (maximum 4%).

SOURCE: Santa Rosa County Tax Collector Office

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

Year ⁽²⁾	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value for Operations
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
1999	\$ 601,290,829	\$ 23,624,562	\$ 624,915,391	\$ 256,681,253	\$ 368,234,138
1998	\$ 524,746,936	\$ 22,578,356	\$ 547,325,292	\$ 200,957,339	\$ 346,367,953

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

(2) As of January 1 of each year listed.

SOURCE: Santa Rosa County Property Appraiser

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

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

<u>Taxpayer</u>	<u>Total Assessed Valuation</u>	<u>Percentage</u>
<u>FY 2007-08</u>		
Andrews Institute Medical Park	\$ 16,616,408	2.44%
Mullet, Willis J.	8,930,027	1.31%
East End Company, LLC	8,059,815	1.18%
Sea Shell Collections	6,630,339	0.97%
Gulf Power	6,134,087	0.90%
Andrews Institute ASC LLC	5,901,040	0.87%
Falzone, Timothy D.	5,783,351	0.85%
Bellsouth Telecom	5,486,992	0.81%
Quietwater LLC	5,296,683	0.78%
Bay Beach Hotel, LLC	5,264,885	0.77%
Total Taxable Assessed Value Principle Taxpayers	74,103,627	10.89%
Total Taxable Assessed Value Other Taxpayers	<u>606,381,514</u>	<u>89.11%</u>
Total Taxable Value	<u>\$ 680,485,141</u>	<u>100.00%</u>

FY 1995-96

SOURCE: Santa Rosa County Property Appraiser

Information for 9 years prior (FY 1995-1996) not available.

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 Assessment
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
1999	\$ 154,292	\$ 108,912	70.59%	\$ 45,636

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
2008	\$ 8,952,164	\$ 7,723,577	\$ 16,675,741	\$ -	\$ 5,623,845	\$ 5,623,845	\$ -	\$ 170,930	\$ 170,930	\$ 156,431	\$ -	\$ 156,431	\$ 9,108,595	\$ 13,518,352	\$ 22,626,947
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) GASB Statement No. 34 was first implemented for the year ended September 30, 2003. Debt has not been shown for years prior to this date.

SOURCE: City of Gulf Breeze Finance Department

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⁽³⁾	Assessed Value for Operations⁽²⁾	Total Outstanding Debt	Ratio of Total Outstanding Debt to Assessed Value	Amount of Total Outstanding Debt Per Capita
2008	5,780	\$ 680,485,141	\$ 22,626,947	3%	\$ 3,915
2007	5,805	\$ 684,777,132	\$ 23,491,034	3%	\$ 4,047
2006	5,774	\$ 667,650,258	\$ 18,940,670	3%	\$ 3,280
2005	5,765	\$ 565,805,304	\$ 19,909,496	4%	\$ 3,454
2004	5,790	\$ 511,749,849	\$ 20,801,537	4%	\$ 3,593
2003	5,764	\$ 480,162,079	\$ 21,602,258	4%	\$ 3,748
2002	5,736	\$ 448,573,257	\$ -	0%	\$ -
2001	5,736	\$ 424,006,571	\$ -	0%	\$ -
2000	5,665	\$ 403,670,615	\$ -	0%	\$ -
1999	6,189	\$ 368,234,138	\$ -	0%	\$ -

(1) GASB Statement No. 34 was first implemented for the year ended September 30, 2003. Debt has not been shown for years prior to this date.

(2) From Table IX

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

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

Fiscal Year	Estimated Population ⁽²⁾	Assessed Value for Operations ⁽¹⁾	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Gross Bonded Debt
2008	5,780	\$ 680,485,141	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -
1999	6,189	\$ 368,234,138	\$ -	\$ -	\$ -	\$ -	\$ -

(1) From Table IX

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

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 (excluding depreciation)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
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
1999	\$ 2,970,308	\$ 1,911,753	\$ 1,254,612	\$ 3,627,449	\$ 320,000	\$ 653,358	\$ 973,358	3.73

SOURCE: City of Gulf Breeze Finance Department

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

Section One - Population

<u>Fiscal Year</u>	<u>Gulf Breeze Population</u>	<u>Santa Rosa County Population</u>	<u>GB as a % of the County</u>
2008	5,780	144,136	4.01%
2007	5,805	142,144	4.08%
2006	5,774	141,428	4.08%
2005	5,765	141,750	4.07%
2004	5,790	133,721	4.33%
2003	5,764	128,889	4.47%
2002	5,736	124,956	4.59%
2001	5,736	121,370	4.73%
2000	5,665	117,743	4.81%
1999	6,189	112,631	5.49%

Section Two - Age Distribution

<u>Date of Census</u>	<u>Under 20</u>	<u>20-44</u>	<u>45-59</u>	<u>60-74</u>	<u>Over 75</u>
2000	1,381	1,418	1,361	973	532
2008	1,479	1,083	1,475	1,003	740

Section Three - Miscellaneous

<u>Incomes:</u>		<u>Unemployment:</u>	
Per Capita Income	\$ 44,687	2.26%	
Median Household Income	\$ 70,093		
Less than \$15,000	7.09%		
\$15,000 - \$50,000	27.34%		
Over \$50,000	65.57%		
<u>Race:</u>		<u>Labor Force:</u>	
White	96.6%	Male	1,600
Black	0.03%	Female	1,245
Other	3.37%	Total	<u><u>2,845</u></u>

SOURCES: US Bureau of the Census, Bureau of Economic and Business Research, UF

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

Fiscal Year	Total Assessed Value ⁽²⁾	Commercial Construction		Residential Construction		Bank Deposits ⁽³⁾
		# of Units ⁽¹⁾	Value	# of Units ⁽¹⁾	Value	
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	\$ 2,634,482	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
1999	\$ 368,234,138	6	\$ 487,620	23	\$ 4,544,840	\$ 141,146,000
1998	\$ 346,367,953	5	\$ 2,831,000	32	\$ 7,378,587	\$ 133,907,000

SOURCE:

- (1) Santa Rosa County Inspection Department
- (2) Santa Rosa County Property Appraiser from Table IX
- (3) Florida Banker's Association, FDIC Website - Summary of Deposits as of June 30, 2008

City of Gulf Breeze, Florida
TABLE XXI
PRINCIPAL EMPLOYERS
Unaudited

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
<u>FY 2007-08</u>		
Gulf Breeze Hospital	349	12.27%
AppRiver	120	4.22%
Gulf Breeze High School	115	4.04%
City of Gulf Breeze	85	2.99%
Gulf Breeze Middle School	67	2.36%
Gulf Breeze Elementary School	52	1.83%
Publix	51	1.79%
Listener	44	1.55%
Studer Group	35	1.23%
Bruno's Grocery Store	27	0.95%
Coastal Courier	19	0.67%
Total Labor Force (Table XIX)	2,845	

Information for 9 years prior (FY 1995-1996) not available.

Source: Haas Center for Business Research and Economic Development

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

		SANTA ROSA COUNTY	
		<u>FY 07-08</u>	<u>FY 06-07</u>
EDUCATION:			
Schools:	Pre K	1	1
	Primary K-2	2	2
	Intermediate 3-5	2	2
	Grades K - 5	11	11
	Grades 6 - 8	7	7
	Grades 9 - 12	7	7
	Santa Rosa Community	1	1
	Vocational Technical	1	1
	Santa Rosa Adult	1	1
	Department of Juvenile Justice	2	2
	ESE Centers, Alternative Education, etc.	4	7
Students:	Pre K	605	562
	Primary K-2	1,691	1,709
	Intermediate 3-5	2,402	2,558
	Grades K - 5	6,300	6,428
	Grades 6 - 8	5,950	6,083
	Grades 9 - 12	7,919	7,837
	Santa Rosa Community	N/A	N/A
	Vocational Technical/Santa Rosa Adult	450	583
	Rader (Charter)	80	91
			25,397
	Instructional (Classroom) Personnel	1,754	1,689
	Non-Instructional Personnel	877	832

CITY OF GULF BREEZE			
	<u>FY 07-08</u>	<u>FY 06-07</u>	<u>FY 05-06</u>
Police Protection - number of sworn officers FT	18	18	18
Police Protection - number of sworn officers PT	5	5	5
Fire Protection -Volunteers	28	28	28
City Employees	85	87	82 full time
	30	30	30 part time
Water Lines (Miles)	45	45	45
Sewer Lines (Miles)	21	21	21
Paved Streets (Miles)	44.7	44.7	44.70
Unpaved Streets (Miles)	0	0	0
Design pumping capacity of water wells	900,000 gallons per day		
Area of City	4.5 sq. miles	4.5 sq. miles	4.5 sq. miles
Storage Capacity of Elevated Tanks	2 tanks 100,000 gallons each		
Storage Capacity of Ground Storage	1 tank 1,000,000 gal		
	1 tank 1,500,000 gal		

SOURCE: Santa Rosa County School Board, City of Gulf Breeze Departments

City of Gulf Breeze, Florida
TABLE XXIII
PERMITS
Unaudited

Year	Residential Additions/ Renovations	Residential New Construction	Residential Pool Permits	Miscellaneous Residential Permits	Commercial Additions/ Renovations	Commercial New Construction	Commercial Sign Permits	Miscellaneous Commercial Permits
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
1999	24	14	17	19	4	0	23	7

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

SOURCE: City of Gulf Breeze Departments

City of Gulf Breeze, Florida
TABLE XXIV
WATER SERVICE RATES
Unaudited

Inside City Limits - Residential and Commercial
Outside City Limits - Residential Only

<u>Meter size</u>	<u>Minimum Monthly Charge</u>
3/4"	\$ 9.14
1"	\$ 16.95
1 1/2"	\$ 44.34
2"	\$ 72.22
3"	\$ 146.93
4"	\$ 221.63
6"	\$ 441.43

Per 1,000 gallons monthly - \$2.57

Outside City Limits - Commercial Only

<u>Meter size</u>	<u>Minimum Monthly Charge</u>
3/4"	\$ 20.76
1"	\$ 30.56
1 1/2"	\$ 67.23
2"	\$ 102.59
3"	\$ 199.16
4"	\$ 301.35
6"	\$ 595.18

Minimum rates include the first 3,000 gallons. For usage above 3,000 gallons, the charge is \$2.57 per 1,000 gallons.

SOURCE: City Water Customer Service Division

City of Gulf Breeze, Florida
TABLE XXV
SEWER SERVICE RATES
Unaudited

Inside City Limits - Residential and Commercial

<u>Meter size</u>	<u>Minimum Monthly Charge</u>
3/4"	\$ 10.13
1"	\$ 19.56
1 1/2"	\$ 49.20
2"	\$ 80.13
3"	\$ 163.17
4"	\$ 246.14
6"	\$ 489.11

Per 1,000 gallons monthly - \$3.57

Outside City Limits - Commercial Only

<u>Meter size</u>	<u>Minimum Monthly Charge</u>
3/4"	\$ 27.27
1"	\$ 37.86
1 1/2"	\$ 77.53
2"	\$ 116.63
3"	\$ 224.01
4"	\$ 339.09
6"	\$ 667.76

Outside City Limits - Residential Only

<u>Meter size</u>	<u>Minimum Monthly Charge</u>
3/4"	\$ 11.13
1"	\$ 21.50
1 1/2"	\$ 54.07
2"	\$ 88.07
3"	\$ 179.33
4"	\$ 270.51
6"	\$ 537.53

Minimum rates include the first 3,000 gallons. For usage above 3,000 gallons, the charge is \$3.57 per 1,000 gallons.

SOURCE: City Water Customer Service Division

City of Gulf Breeze, Florida
TABLE XXVI
GARBAGE AND TRASH RATES
Unaudited

Residential

Regular curbside	\$ 16.50
Regular side door	\$ 20.31
Regular disabled	\$ 15.45
Senior curbside	\$ 14.85
Senior side door	\$ 18.28
Senior disabled	\$ 15.45
Extra kart - curbside	\$ 6.00
Extra kart - side door	\$ 9.81

Commercial

Container Size	<i>Frequency Per Week</i>					
	1	2	3	4	5	Call
Kart	\$ 39.68	\$ 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
Toll Off 30 yd.						\$ 246.68
Recycle - Kart	\$ 19.31					
Recycle - 2 yd.	\$ 69.71					
Recycle - 4 yd.	\$ 97.60					
Recycle - 6 yd.	\$ 124.41					

SOURCE: City of Gulf Breeze Finance Department

City of Gulf Breeze, Florida
TABLE XXVII
NATURAL GAS SERVICE RATES
Unaudited

Inside City Limits - Residential and Commercial

Minimum monthly service charge \$6.00

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 \$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, 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 Departments

City of Gulf Breeze, Florida
TABLE XXVIII
INSURANCE COVERAGE
September 30, 2008
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Type</u>	<u>Amount</u>
10/01/08 to 9/30/09	Florida Municipal Insurance Trust	FMIT # 0224	Auto (Person)	\$ 100,000
			Auto (Occurrence)	\$ 200,000
10/01/08 to 9/30/09	Florida Municipal Insurance Trust	FMIT # 0224	General Liability	\$ 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
10/01/08 to 9/30/09	Florida Municipal Insurance Trust	FMIT # 0224	Real Property	\$ 20,739,606
10/01/08 to 9/30/09	Florida Municipal Insurance Trust	FMIT # 0224	Personal Property	\$ 1,080,503
10/01/08 to 9/30/09	Florida Municipal Insurance Trust	FMIT # 0224	Island Marine	\$ 210,280
10/01/08 to 9/30/09	Citizens Property Insurance Company	728652	Wind Storm	\$ 4,528,000
10/01/08 to 9/30/09	City of Gulf Breeze	N/A	Worker's Compensation	\$ 250,000
10/01/08 to 9/30/09	Policy Managers	7509065	Petroleum Storage Tank	\$ 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
September 30, 2008
Unaudited

*Full time employees on City Payroll
as of September 30, (*)*

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>General Government</u>										
City Manager and City Clerk	4	4	4	4	4	4	4	4	4	4
Community Services	2	2	2	2	2	2	2	1	1	1
Finance and Accounting	5	7	6	5	7	5	6	6	6	6
Parks and Recreation Center	8	8	8	8	9	8	9	9	8	7
Special Projects	1	1	1							
Sworn Officers	19	19	19	19	18	18	18	18	17	17
Civilian Employees	8	8	8	8	7	7	7	7	7	6
Police	<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>	<u>23</u>
General Government - Total	<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>	<u>41</u>
<u>Enterprises</u>										
GBFS	1	1	2	0	1	1	n/a	n/a	n/a	n/a
Gas, Water and Sewer	(1)	12	13	9	11	11	14	14	11	11
SSRUS	(1)	29	29	28	25	19	19	21	17	16

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

(1) 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 of throughout the year. City's utility staffing typically ranges 400 to 425 utility accounts per employee.

The City benefits from the efforts of volunteers 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
September 30, 2008
Unaudited

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Fire Department										
Emergency medical calls	471	527	486	500	442	479	436	N/A	N/A	N/A
Fire and other calls	315	375	455	341	(*) 238	237	195	N/A	N/A	N/A
Total calls	786	902	941	841	680	716	631	N/A	N/A	N/A
(*) During and immediately after hurricane Ivan the fire department responded to an estimated 100 calls which were not recorded due to power and systems failure.										
Police Department										
Arrests	433	459	447	335	262	245	216	291	201	162
Citations	5224	5097	3538	3984	4303	3800	3707	5047	5330	4451
Parks & Rec										
League Registrations	1,596	1,617	1,784	1,659	1,664	1,630	1,807	N/A	N/A	N/A
Water										
Customers (at year end)	2,576	2,572	2,582	2,608	2,613	2,594	2,582	2,559	2,529	2,507
Usage (gallons)	247,620	266,146	274,237	256,311	247,962	246,881	261,711	261,385	298,124	288,170
Sewer										
Customers (at year end)	1,450	1,407	1,389	1,390	1,412	1,390	1,382	1,352	1,331	1,317
Amount treated (gallons)	155,865	168,066	167,414	157,577	150,430	151,419	158,402	150,974	151,365	148,829
Natural Gas										
Customers (at year end)	3,204	3,104	2,947	2,730	2,871	2,727	2,632	2,519	2,396	2,253
Usage (Therms - 100's Ft ³)	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	982,166
SSRUS - Water										
Customers (at year end)	4,229	4,224	4,205	4,164	4,382	4,300	4,225	4,094	3,897	3,838
Usage (gallons)	292,892	309,617	324,474	309,116	337,340	330,948	N/A	N/A	N/A	N/A
SSRUS - Sewer										
Customers (at year end)	5,819	5,744	5,556	5,338	5,402	4,948	4,698	4,451	4,198	4,073
Amount treated (gallons)	389,835	407,189	427,657	389,021	401,388	369,631	381,198	362,859	389,582	344,491
Wastewater Treatment										
Annual vol (millions of gallons)	501.9	499.7	469.8	532.9	517.9	511.7	496	452.6	453.7	447.1

Source: Departmental Records and Gulf Breeze Sports Association

City of Gulf Breeze, Florida
TABLE XXXI
CAPITAL ASSET STATISTICS BY FUNCTION
September 30, 2008
Unaudited

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Streets										
Miles of roads	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.6	44.6
Miles of sidewalks	10.0	10.0	10.0	10.0	9.0	9.0	7.0	7.0	7.0	6.0
Signs installed	171	171	171	171	171	171	170	170	170	170
Traffic signals (City owned)	1	1	1	1	1	0	0	0	0	0
Water										
Water line (miles)	43.5	43.5	43.3	43.0	42.5	42.3	42.0	41.8	41.5	41.3
Elevated storage tanks	1	1	1	1	1	1	1	1	1	1
Elevated storage capacity (thousand 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 (million 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)	15.3	15.3	15.1	14.8	14.3	14.1	13.8	13.6	13.3	13.1
Lift stations	24	23	23	23	23	23	22	22	22	22
Natural Gas										
Miles of gas main	119.3	118.6	117.6	116.0	115.0	114.0	110.0	107.0	104.0	102.0
South Santa Rosa Utility System										
Water										
Water line (miles)	62.3	61.3	58.3	57.3	55.3	54.3	52.3	51.3	50.3	48.3
Elevated storage tanks	1	1	1	1	1	1	1	1	1	1
Elevated storage capacity (thousand 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 (million gallons)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Water pump facilities										
Sewer										
Sewer line (miles)	56.8	54.8	52.8	50.8	49.8	47.8	46.8	45.8	44.8	43.8
Lift stations	57	57	56	53	53	52	51	48	43	43
Treatment Facility										
Treatment facilities	1	1	1	1	1	1	1	1	1	1
Treatment capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Stormwater Utility										
Miles of stormwater pipe	9.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Inlets	180	88	88	88	88	88	88	88	88	88
Pump stations	5	5	5	5	5	5	5	5	5	5
Police Department										
Patrol units	19	19	19	18	18	18	18	18	17	17
Fire Department										
Response and support vehicles	10	10	9	8	7	7	7	7	7	7

Source: Departmental Records

IV. Compliance section

- **Compliance Matters**
- **Management Letter**
- **Responses to the Management Letter**

**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***

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

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, 2008, which collectively comprise the City of Gulf Breeze, Florida's basic financial statements and have issued our report thereon dated February 18, 2009. 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.

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, and 2008-3, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated February 18, 2009, which should be considered in assessing the results of our audit.

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

This report is intended 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

February 18, 2009

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2008

Prior Year Financial Statement Findings:

Finding 2006-1 – Tap Fee Receipts (originally reported in 2006, and continuing in 2007)

During testing of tap fee receipts, we noted several large checks from customers were accepted by a City employee but were not recorded or deposited in a timely manner. We recommended the City implement procedures to ensure tap fees are recorded immediately and deposited in a timely manner. Receipts should be given to every customer and the receipt book should be reconciled to the amounts deposited during the monthly bank reconciliation to ensure that no checks are lost or misappropriated.

Status: Corrected.

Finding 2007-1 – Recording of Grant Revenues

The City's revenue recognition policy requires that grant revenues be recorded in the same period in which the grant expenditure occurred. However, we noted during the audit that the City currently records grant revenues upon receipt of cash (the cash basis of accounting). By matching in the same accounting period the recording of grant revenue and grant expenditure, the City will have more meaningful financial information throughout the year. We recommended the City record grant revenues in the same period in which eligible grant expenditures occurred.

Status: Corrected.

2007-2 – Budget Over-Expenditures

For the fiscal year ending September 30, 2007, the City's general fund actual expenditures exceeded the appropriations by approximately \$1.4 million. In the fiscal year ending September 30, 2008, general fund actual expenditures exceeded the appropriations by approximately \$50 thousand. The legal level of control for appropriations is exercised at the fund level by the City. In fiscal year 2007 and 2008 the overexpenditure was a result of adjustments to the trial balance posted after the allowable post year-end 60 day budgetary period amendment period. We recommended the City monitor and review actual versus budgeted expenditures, and adopt budget amendments as appropriate to ensure that future expenditures do not exceed budgetary authority.

Status: Corrected.

Current Year Financial Statement 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 following:

- a. The October 1, 2007, beginning balances in the subsidiary ledger for business – type activities did not agree to the September 30, 2007, balances reported in the City’s financial statements, the reason for the difference was not posting all prior year adjustments and performing a year-end confirmation between subsidiary ledger and the general ledger.
- b. Capital assets are not classified consistently in the general ledger or in the capital assets system. The estimated useful lives used to depreciate capital assets and dollar thresholds are not always consistent with the City’s policies. For example, eight capital asset additions, with values ranging from \$154 to \$9,980 classified as improvements other than buildings. The City’s dollar threshold for this category is \$10,000.
- c. During our audit, we noted a total of thirteen vehicles included in the capital asset subsidiary that had been disposed of or sold, indicating that controls are not in place to remove assets from the subsidiary ledger.
- d. Capital assets are not permanently marked with their assigned identification number and are not consistently marked as belonging to the City of Gulf Breeze. Although the City had a limited number of equipment additions in the current year, an \$8,000 mower purchased by the City had no such markings.

Recommendation

We recommend the City do the following in the next year;

- a. Perform a review and update of the City’s purchasing manual to ensure that it meets the City’s needs.
- b. Perform a physical inspection and inventory of capital assets.
- c. Make adjustments to the capital asset subsidiary based on the physical inventory.
- d. Mark appropriate capital assets.
- e. 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.

Additionally, we recommend that the City ensure that:

- a. 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.
- b. Perform a quarterly reconciliation of capital asset additions between the general ledger and the capital asset subsidiary ledger.

Managements’ Response: We agree with the finding and plan on implementing the recommendation.

Finding 2008-2 – Allowance for Doubtful Accounts

Currently, 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. Total A/R on the GW statement is almost 29% greater than prior year. At year-end approximately 9% of billed utility accounts receivable were over 90 days old representing a 3% increase over the prior year and potentially an overstatement of receivables at year-end.

Recommendation

We recommend 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.

Managements' Response: We agree with the finding and plan on implementing the recommendation.

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. Contracts payable, retainage payable, deferred revenue, and inter-fund loans required significant adjustment at year end. The cause was a result of not accounting for prior year adjustments and ensuring the propriety of account balances as part of the annual close-out process.

Recommendation

The City's current purchasing manual was most recently updated in 2002. We recommend the City update this manual to include annual close out procedures. Annual close-out procedures should include:

- a. A review and verification of support for all balance sheet accounts.
- b. All intercompany loans and transfers are appropriate and that they net to zero.
- c. A review of post year-end expenditures and revenues to ensure recording in the correct period.
- d. Coordination between the City Manager's office and the finance office to ensure that the final budget is timely and complete.

Managements' Response: We agree with the finding and plan on implementing the recommendation.



36474C Emerald Coast Parkway, Suite 3301 • Destin, FL 32541 • (850) 837-0398

MANAGEMENT LETTER

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

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, 2008, and have issued our report thereon dated February 18, 2009.

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 February 18, 2009, 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. The recommendations made in the preceding annual financial audit report have been implemented.

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 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 for the year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period. In connection with our audit, we determined that these two reports were in agreement.

The Rules of the Auditor General (Sections 10.554(1)(i)7.c.1. and 10.556(7)) require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures.

PRIOR YEARS FINDINGS AND RECOMMENDATIONS

1. BOND COVENANTS

Observation

Bond covenants related to the South Santa Rosa Utility bonds, refunded in 2005, require transferring monthly amounts to a restricted cash account to fund upcoming debt service requirements. While the City had funds to make the required payments, the monthly transfers to restricted cash were not sufficient to liquidate a future debt service payment. We recommended the City evaluate the amount of its monthly sinking fund allocations and test its compliance with bond covenants on at least on a quarterly basis.

Status

Corrected.

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

February 18, 2009