

# The City of Gulf Breeze



## **THE CITY OF GULF BREEZE FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDING SEPTEMBER 30, 2011**

*Celebrating 50 Years*

# Comprehensive Annual Financial Report



The City of Gulf Breeze, Florida  
Year Ended September 30, 2011

Prepared by the Finance Department

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# *City of Gulf Breeze*

March 27, 2012  
To the Honorable Mayor, City Council  
Members and the Citizens of  
City of Gulf Breeze, Florida  
1070 Shoreline Drive  
Gulf Breeze, Florida 32561

The Comprehensive Annual Financial Report of the City of Gulf Breeze, Florida, for the fiscal year ended September 30, 2011, is submitted herewith, pursuant to Florida Statutes Chapter 218.32.

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

Warren Averett, LLC, (previously 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, 2011, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gulf Breeze financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented in Section II – Financial Section, as the first component of the Financial Section of this report.

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

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

### **History**

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

The Gulf Breeze peninsula was first connected to the City of Pensacola by a three-mile bridge completed in 1931. The bridge increased interest in the area and the beginnings of a tourist attraction developed. A second, larger bridge was completed on August 10, 1962, and the original bridge was used as a fishing pier until severely damaged in 2004 by Hurricane Ivan. In 2010 permits were issued for the permanent deconstruction of the damaged remnants of the fishing bridge, which was completed in 2011.

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

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

## Profile

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

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

\* Deceased while holding office

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

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

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

The City of Gulf Breeze has a stable, full-service, innovative, government recognized as a leader in financial programs. The City, as reported in the accompanying financial statements, includes all the funds of the primary government as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The City has a separately reported component unit, Capital Trust Agency (CTA), along with blended component units, Gulf Breeze Financial Services (GBFS) and the Community Redevelopment Agency (CRA), as determined and reported in accordance with Government Accounting Standards Board (GASB) Pronouncement 14.

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

### **Local Economy**

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

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

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

A wellhead leak upon BP's Deep Water Horizon drilling rig stationed in the Gulf of Mexico in April 2010 resulted in the largest oil spill in United States history. The resulting oil slick and derivatives contaminated, and threatened to contaminate, coastal sites from Louisiana to Florida and resulted in a four month long emergency declaration for the City. Through a combination of fortunate winds and tides, in conjunction with aggressive reconnaissance and waterborne clean up capability, the City was able to avoid contamination of its shoreline. As the City is not heavily dependent upon tourism for its revenues, it has not been able to identify specific economic impacts from the BP oil spill aside from direct costs of protective measures (most of which were reimbursed by BP). Numerous businesses based within the City have filed claims with either BP or the Gulf Coast Claim Service center for spill related economic damages. It is not possible to forecast what, if any, medium to long term impact the spill may have on City revenues.

There was a 1% decrease in taxable value of properties within the City in 2011, following a 4% decrease in 2010, and a 3% decline in 2009.

### **Long-term Financial Planning**

Gulf Breeze sponsored its first loan pool in 1985. Since that time the loan pools have generated over \$17 million in fees, allowing the City to make significant improvements. Loan pool sponsorship fees have been used to fund a variety of Gulf Breeze projects over the years. As mentioned earlier, in 2010 Gulf Breeze Financial Services (GBFS) took action to refinance loans in its 1995 and 1997A Loan Pool Program based on favorable market conditions. The closure of the 1997A trust resulted in the distribution to borrowers and GBFS, as the trust administrator, of investment gains accumulated over the life of the trust as well as gains from a fixed rate swap contract, resulting in a one-time non-recurring gain of \$8.6 million dollars recognized in 2010. Remaining assets disbursed in 2011 resulted in an additional \$267,537 recorded as bond termination revenue all of which should be viewed as non-recurring revenues.

The City's loan pool and bond sponsorship programs operated through Capital Trust Agency (CTA) and GBFS have consistently provided significant revenues to fund City operations. Historically, these revenue sources have been equivalent to over 80% of the City's ad valorem tax revenues and allowed the City to keep ad valorem millage and other tax rates low. The loan pools have also allowed the City to maintain a low millage rate and approve a rate of 1.900 mills for tax years 2009 through 2012.

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

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

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

- Continued re-paving of the more than 45 miles of streets within the City of Gulf Breeze. The City is in the seventh year of a fifteen-year program to re-pave all 45 miles of streets. Local Option gas tax revenues are used to fund part of this project.
- Continued improvements to storm water management systems resulting from federal and state mandates, which began in fiscal year 2006. Funding through grants and service fees continues.
- The City has engaged a project manager to obtain grant funding and oversee the restoration of erosion to the Deadmans Island conservation area. Permitting and initial structures for establishment of an oyster bed breakwater, as well as the submerged land lease, have been completed.
- The City has developed a Master Plan for parks to provide a guide for capital projects for the next 10 years.
- Engineering for the widening and improvement of South Sunset Drive was completed in 2011, with construction commencing in 2012.
- The Gulf Breeze Fishing Bridge suffered severe hurricane damage in 2004/2005. In February 2008, the Federal Emergency Management Agency (FEMA) obligated funds relating to that damage for the City of Gulf Breeze. Under the provisions of the Stafford Act (the federal law under which FEMA operates), the City Council elected to utilize funds available from that obligation for numerous smaller projects and equipment (collectively the 'Alternative Projects') rather than to reconstruct the Fishing Bridge. An integral element of the Alternative Projects, although separately funded, is the deconstruction of the damaged Fishing Bridge to render it 'safe and secure'. Deconstruction commenced late in 2010, and was completed in 2011.
- In February 2010, the City obtained formal approval of the Alternative Projects from FEMA totaling slightly over \$15 million in capital projects. Federal reimbursements will cover 90% of actual incurred costs up to a maximum of approximately \$13.5 million, plus a 0.5% administrative cost allocation, and the state of Florida will reimburse an additional 7.5% of costs approved by FEMA. As of February 21, 2011, the City was granted an extension by FEMA on completion of the work related to these funds until September 30, 2013. The Alternative Projects approved by FEMA include:

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

### **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, 2010. That was the 9th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

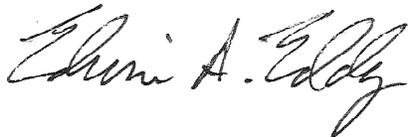
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this year's report to the GFOA to determine its eligibility for a certificate for the 10th consecutive year.

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

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

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

Respectfully submitted,



Edwin A. Eddy  
City Manager



Stephen Milford  
Finance Director

# 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, 2010

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.



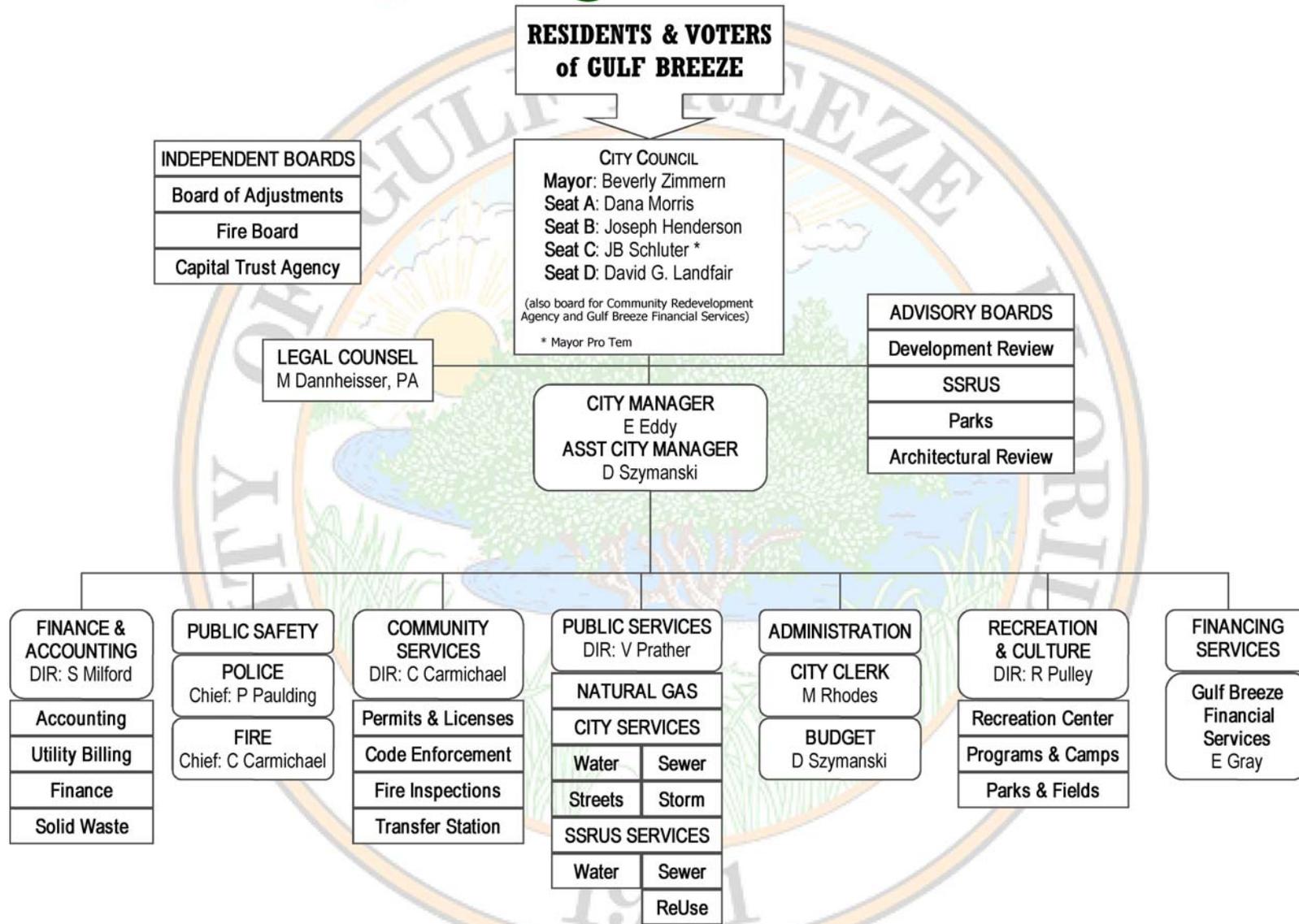
*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

# City of Gulf Breeze



# *City of Gulf Breeze*

## **Elected Officials – City Council**

Mayor: Beverly Zimmern

Seat A: Dana Morris

Seat B: Joseph Henderson

Seat C: J B Schluter \*

Seat D: David G. Landfair

\* Mayor Pro Tem



## **Appointed Officials**

City Manager: Edwin A. Eddy

City Clerk: Marita Rhodes

City Counsel: Matt Dannheisser

Fire Marshall: Craig S. Carmichael

Director of Public Services: Vernon Prather

# **II. Financial Section**



**Independent Auditor's Report**

**Management's Discussion and Analysis**

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

**Required Supplementary Information**

**Combining and Individual Fund Statements and  
Schedules**

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

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gulf Breeze, Florida's Management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary information for the General and Urban Core Redevelopment Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012, on our consideration of the City of Gulf Breeze, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 17 and 24 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Breeze, Florida's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Warren Averett, LLC*

March 27, 2012

## 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found beginning on page v of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Gulf Breeze exceeded its liabilities by \$39,522,957 (net assets). Of this amount \$20,419,122 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$1,747,369 or 5%. The governmental net assets increased by \$734,304 or 7% and the business-type net assets increased by \$1,013,065 or 4%. This increase is largely reflected in the decrease of long term debt balances and an increase in cash and investment balances in business-type net assets and an increase in receivables in governmental net assets that more than offset a decrease in cash and investments.
- The City's governmental funds reported combined ending fund balances of \$6,788,754, a decrease of \$732,589. Of the total ending unassigned fund balance, \$4,927,685, the equivalent of 49% of total General Fund expenditures, is available for spending at the City's discretion (unassigned fund balance). The decrease resulted from reductions in the balances due from other funds, an increase in payables, decreases in cash and equivalents and due from other governments.

### 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 18-19 of this report.

### **Fund Financial Statements**

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

## **FUNDS**

### **Governmental Funds**

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

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

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

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

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

### **Proprietary Funds**

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

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

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

### **Fiduciary Funds**

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

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

## **NOTES TO FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 64 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 65-66 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 67-71 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 \$39,522,957 at the close of the most recent fiscal year, as reported in Table 1.

The City's net assets invested in capital assets (e.g. land, buildings, machinery and equipment), less any outstanding debt used to acquire those assets, totaled \$17,264,215 (44%) at September 30, 2011. The City of Gulf Breeze uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The additional portion of the City's net assets of \$1,839,620 or 5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$20,419,122 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Table 1**  
**City of Gulf Breeze**  
**STATEMENT OF NET ASSETS**  
**AS OF SEPTEMBER 30, 2011 AND 2010**

|  | <u>Governmental Activities</u> |                             | <u>Business-Type Activities</u> |                             | <u>Total</u>                |                             |
|--|--------------------------------|-----------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <u>2011</u>                    | <u>2010</u>                 | <u>2011</u>                     | <u>2010</u>                 | <u>2011</u>                 | <u>2010</u>                 |
| Current and other assets                       | \$ 8,090,796                   | \$ 8,245,152                | \$ 16,980,949                   | \$ 14,424,160               | \$ 25,071,745               | \$ 22,669,312               |
| Capital assets                                 | 13,377,160                     | 12,225,784                  | 23,852,361                      | 25,466,153                  | 37,229,521                  | 37,691,937                  |
| <b>Total assets</b>                            | <b><u>21,467,956</u></b>       | <b><u>20,470,936</u></b>    | <b><u>40,833,310</u></b>        | <b><u>39,890,313</u></b>    | <b><u>62,301,266</u></b>    | <b><u>60,361,249</u></b>    |
| Long-term liabilities outstanding              | 8,707,818                      | 9,034,363                   | 12,488,171                      | 12,630,329                  | 21,195,989                  | 21,664,692                  |
| Other liabilities                              | 1,017,166                      | 427,905                     | 565,154                         | 493,064                     | 1,582,320                   | 920,969                     |
| <b>Total liabilities</b>                       | <b><u>9,724,984</u></b>        | <b><u>9,462,268</u></b>     | <b><u>13,053,325</u></b>        | <b><u>13,123,393</u></b>    | <b><u>22,778,309</u></b>    | <b><u>22,585,661</u></b>    |
| Net assets                                     |                                |                             |                                 |                             |                             |                             |
| Invested in capital assets net of related debt | 4,895,426                      | 1,460,655                   | 12,368,789                      | 13,788,131                  | 17,264,215                  | 15,248,786                  |
| Restricted                                     | 994,663                        | 656,392                     | 844,957                         | 917,665                     | 1,839,620                   | 1,574,057                   |
| Unrestricted                                   | 5,852,883                      | 8,891,621                   | 14,566,239                      | 12,061,124                  | 20,419,122                  | 20,952,745                  |
| <b>Total net assets</b>                        | <b><u>\$ 11,742,972</u></b>    | <b><u>\$ 11,008,668</u></b> | <b><u>\$ 27,779,985</u></b>     | <b><u>\$ 26,766,920</u></b> | <b><u>\$ 39,522,957</u></b> | <b><u>\$ 37,775,588</u></b> |

### **Governmental Activities**

Governmental activities before transfers decreased the City of Gulf Breeze's net assets by \$115,040. The key elements of this change are reported in Table 2.

Charges for services increased 71% this year reflecting primarily increased citation revenue. Enhancing that increase was a 260% increase in operating grants reflecting largely received reimbursements of hurricane restoration projects from FEMA and the state of Florida, specifically the deconstruction of the 1.5 mile long fishing bridge, and grants for the continuing erosion control projects relating to Deadman's Island. The accompanying expenditures are reflected largely in the increase in Culture and Recreation.

Investment earnings rose 44% due mainly to the minor improvement in the financial markets that resulted in improved investment yields. Funds have been invested in Florida League of Cities Investment Funds, the Florida State Investment Pool and Certificates of Deposit at Coastal Bank and Trust. Under Florida statutes, smaller cities such as Gulf Breeze are limited in the investment types they may select. This limitation is intended to reduce the risk associated with investments of smaller cities and municipal entities, but also tends to reduce the potential yield. During 2011, the City established an investment policy which is overseen by an investment committee comprised of the Mayor, City Manager, Finance Director, and Director of Gulf Breeze Financial Services. The policy's primary goal is preservation of principal. Accordingly, it defines the maximum proportions of medium and longer term investments that may be invested in the various types of federal, state, municipal and commercial debt instruments and funds.

Property tax revenue has decreased by 5% due to the increase in total taxable exemptions, which enhanced the 0.9% decrease in average taxable value of properties within the City. Other taxes increased 8% primarily due to increased collections of local option gas taxes.

Two years of reduced or deferred expenses, increased repairs and maintenance costs, along with increasing fuel costs resulted in the increases in all areas of governmental activities.

The City Council awarded a special payment to virtually all City employees in recognition of performance while cutting costs and lack of wage increases, which approximated \$103,000 for the second year in a row which was reflected in the General Government expenditures. Additionally, expenses supporting the promotion and celebration of the City's 50th anniversary of its founding, some of which were offset by increases in donation revenues, contributed to the 17% increase in General Government expenses, along with a significant jump in professional fees for design and planning of the enhancement of the Highway 98 commercial corridor, which are primarily expenditures of the Community Redevelopment Agency. In 2011, that included replacing the rusting wire fencing in front of the Gulf Breeze schools with architectural columns and corrosion resistant sectional fencing, and enhanced landscaping of the medians along Highway 98.

The 14% increase in Public Safety expenditures (\$309,050 over the prior year) was due to the increased use of temporary officers to supplement empty positions on the police force and significant increases in vehicle repairs and fuel costs across all emergency services. The majority of the increase, however, reflects costs associated with the re-start of the City's red light camera program. This program accounts for the majority of the increase in citation revenue, and under state statute requires the remittance of over half of collected citation revenues to the state, which, in conjunction with other start-up and back office costs, accounted for over 66% percent of the year to year increase.

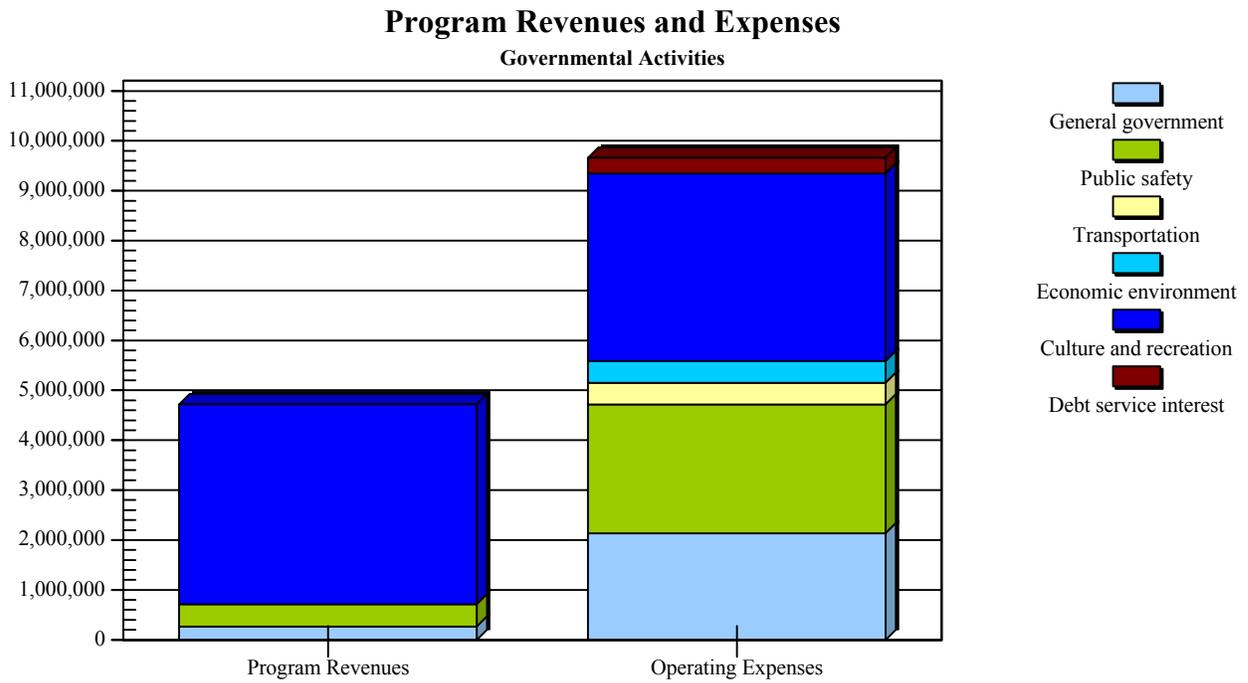
The 214% increase in Culture and Recreation expenditures primarily relates to contract costs for deconstruction of the 1.5 mile long fishing bridge rendered unusable by Hurricane Ivan in 2004, which was subject to reimbursement as a FEMA project. The City Council's decision not to rebuild that structure using FEMA funding has enabled the City to pursue alternative capital projects under the FEMA grant program.

The increase in Economic Environment expenditures (\$11,743 of 3% over the prior year) primarily reflects expenditures by the Community Services department largely for increased plan review costs reflecting modest increases in home and business redevelopment in the City.

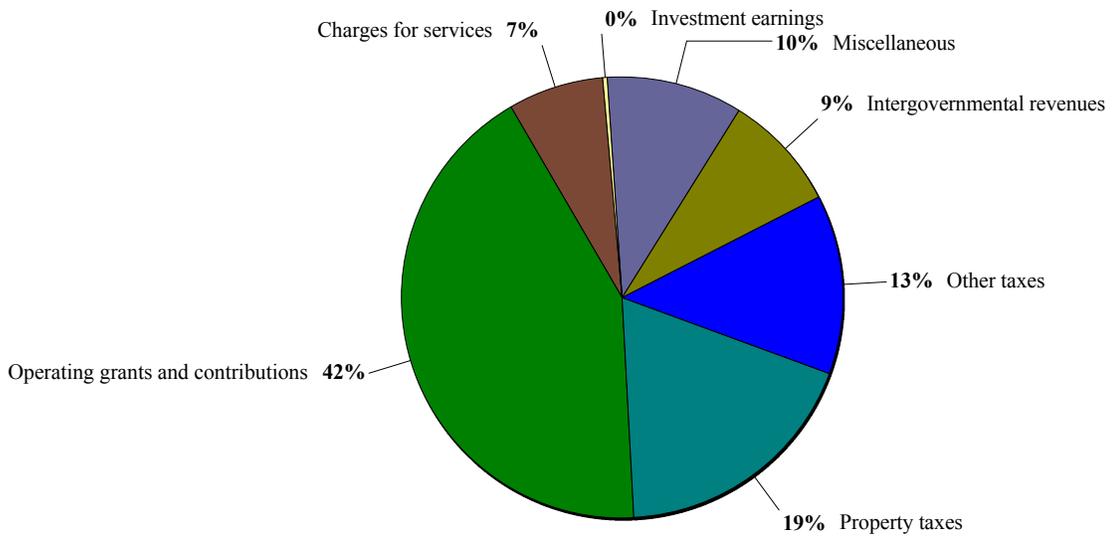
**Table 2**  
**City of Gulf Breeze**  
**CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

|  | <b>Governmental</b>        |                            | <b>Business-Type</b>        |                             | <b>Total</b>                |                             |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <b>Activities</b>          | <b>Activities</b>          | <b>Activities</b>           | <b>Activities</b>           | <b>Activities</b>           | <b>Activities</b>           |
|  | <b>2011</b>                | <b>2010</b>                | <b>2011</b>                 | <b>2010</b>                 | <b>2011</b>                 | <b>2010</b>                 |
| <b>REVENUES</b>                                    |                            |                            |                             |                             |                             |                             |
| <b>Program revenues</b>                            |                            |                            |                             |                             |                             |                             |
| Charges for services                               | \$ 669,642                 | \$ 392,083                 | \$ 10,618,086               | \$ 10,383,163               | \$ 11,287,728               | \$ 10,775,246               |
| Operating grants and contributions                 | 4,054,298                  | 1,125,551                  | -                           | -                           | 4,054,298                   | 1,125,551                   |
| Capital grants and contributions                   | -                          | -                          | 319,969                     | 95,171                      | 319,969                     | 95,171                      |
| <b>General revenues</b>                            |                            |                            |                             |                             |                             |                             |
| Property taxes                                     | 1,767,275                  | 1,861,874                  | -                           | -                           | 1,767,275                   | 1,861,874                   |
| Other taxes  | 1,254,362                  | 1,163,456                  | -                           | -                           | 1,254,362                   | 1,163,456                   |
| Intergovernmental revenues                         | 819,245                    | 510,832                    | -                           | -                           | 819,245                     | 510,832                     |
| Miscellaneous                                      | 953,952                    | 1,139,891                  | 547,198                     | 8,663,204                   | 1,501,150                   | 9,803,095                   |
| Investment earnings                                | 30,688                     | 21,304                     | 19,272                      | 26,021                      | 49,960                      | 47,325                      |
| <b>TOTAL REVENUES</b>                              | <b><u>9,549,462</u></b>    | <b><u>6,214,991</u></b>    | <b><u>11,504,525</u></b>    | <b><u>19,167,559</u></b>    | <b><u>21,053,987</u></b>    | <b><u>25,382,550</u></b>    |
| <b>EXPENSES</b>                                    |                            |                            |                             |                             |                             |                             |
| <b>Governmental activities</b>                     |                            |                            |                             |                             |                             |                             |
| General government                                 | 2,140,853                  | 1,832,961                  | -                           | -                           | 2,140,853                   | 1,832,961                   |
| Public safety                                      | 2,582,913                  | 2,273,863                  | -                           | -                           | 2,582,913                   | 2,273,863                   |
| Transportation                                     | 431,961                    | 317,802                    | -                           | -                           | 431,961                     | 317,802                     |
| Economic environment                               | 434,757                    | 423,014                    | -                           | -                           | 434,757                     | 423,014                     |
| Culture and recreation                             | 3,758,787                  | 1,195,503                  | -                           | -                           | 3,758,787                   | 1,195,503                   |
| Debt service interest                              | 315,231                    | 320,336                    | -                           | -                           | 315,231                     | 320,336                     |
| <b>Business-type activities</b>                    |                            |                            |                             |                             |                             |                             |
| Water and sewer                                    | -                          | -                          | 1,523,787                   | 1,610,416                   | 1,523,787                   | 1,610,416                   |
| Natural gas  | -                          | -                          | 1,388,342                   | 1,329,058                   | 1,388,342                   | 1,329,058                   |
| SSRUS utilities                                    | -                          | -                          | 4,887,012                   | 4,531,148                   | 4,887,012                   | 4,531,148                   |
| Solid waste control                                | -                          | -                          | 870,997                     | 886,868                     | 870,997                     | 886,868                     |
| Stormwater management                              | -                          | -                          | 246,276                     | 236,013                     | 246,276                     | 236,013                     |
| Gulf Breeze Financial Services                     | -                          | -                          | 725,702                     | 228,246                     | 725,702                     | 228,246                     |
| <b>TOTAL EXPENSES</b>                              | <b><u>9,664,502</u></b>    | <b><u>6,363,479</u></b>    | <b><u>9,642,116</u></b>     | <b><u>8,821,749</u></b>     | <b><u>19,306,618</u></b>    | <b><u>15,185,228</u></b>    |
| Excess (deficiency) in net assets before transfers | (115,040)                  | (148,488)                  | 1,862,409                   | 10,345,810                  | 1,747,369                   | 10,197,322                  |
| Transfers  | 849,344                    | 1,210,696                  | (849,344)                   | (1,210,696)                 | -                           | -                           |
| <b>Increase in net assets</b>                      | <b>734,304</b>             | <b>1,062,208</b>           | <b>1,013,065</b>            | <b>9,135,114</b>            | <b>1,747,369</b>            | <b>10,197,322</b>           |
| <b>NET ASSETS - OCTOBER 1</b>                      | <b><u>11,008,668</u></b>   | <b><u>9,946,460</u></b>    | <b><u>26,766,920</u></b>    | <b><u>17,631,806</u></b>    | <b><u>37,775,588</u></b>    | <b><u>27,578,266</u></b>    |
| <b>NET ASSETS - SEPTEMBER 30</b>                   | <b><u>\$11,742,972</u></b> | <b><u>\$11,008,668</u></b> | <b><u>\$ 27,779,985</u></b> | <b><u>\$ 26,766,920</u></b> | <b><u>\$ 39,522,957</u></b> | <b><u>\$ 37,775,588</u></b> |

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



### Revenues by Source - Governmental Activities



\* Zero Data, Capital grants and contributions

## **Business-Type Activities**

Business-type activities increased the City's net assets by \$1,862,409 before transfers, as indicated on Table 2.

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

Contributions of \$319,969 from developers this year is a 236% increase over the prior year reflecting the continued minor growth in the area serviced by South Santa Rosa Utilities Service (SSRUS). This area is located outside of the City limits and it is expected to continue to be developed over the next several years when the area economy recovers. As these new developments become complete the utility infrastructure must meet the standards set by SSRUS prior to acceptance by the Utility.

Investment earnings show a decrease of 26% as a result of changing market conditions, declining yields on short term investments and distribution of investments.

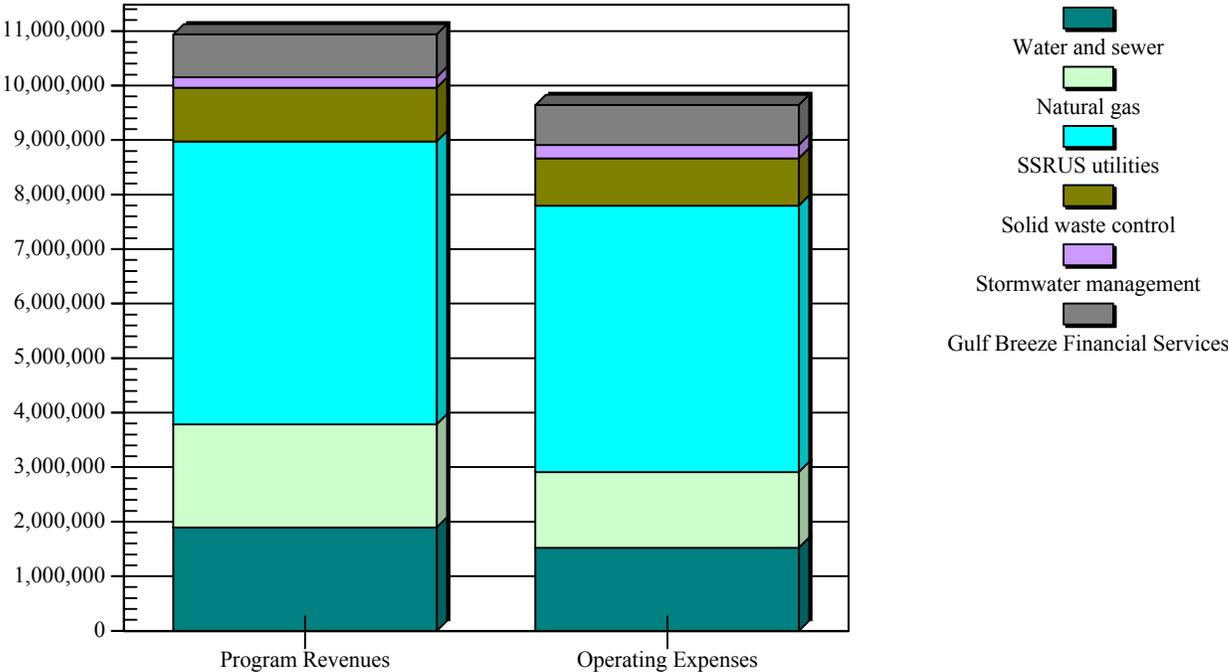
The Natural Gas Utility shows a decrease in revenues of 9% primarily due to a 7% decrease in volume of gas sold due to relatively warmer weather. Operating expenses increased by \$59,284 or 5% over the prior year primarily due to increased expenditures for repairs, fuels and supplies. Natural Gas rates are adjusted according to the cost of natural gas which was unchanged in fiscal year 2011 relative to the prior year. In 2012, Natural Gas expects to complete a major extension of its service to include commercial properties on Pensacola Beach.

South Santa Rosa Utility (SSRU) implemented rate increases in 2010 and 2011, which strengthened revenues by 9% while operating expenses increased 8%. These factors combined to provide an operating income of \$598,344 for the fiscal year compared to \$430,124 the prior year.

The closeout of the 1997-A Loan Pool Program Trust Indenture by GBFS in 2010 resulted in a one-time distribution of 13 years of accumulated investment and rate hedge proceeds to program borrowers and to GBFS as trust administrator upon dissolution of the trust. As a result, miscellaneous non-operating revenue from GBFS totaled \$8,606,888 in 2010. Remaining assets distributed in 2011 resulted in the recognition of \$267,537 of bond termination revenue. This source of revenue should be viewed as non-recurring. In 2011, GBFS made a large, non-recurring contribution of \$500,000 to the Andrew's Institute to foster the use of sports medicine rehabilitation techniques in the military rehabilitation of wounded service personnel.

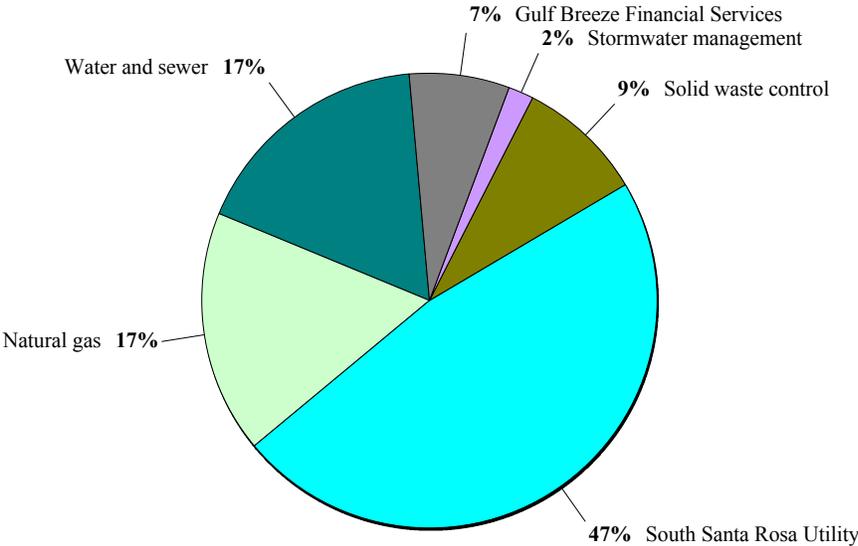
# Program Revenues and Operating Expenses

## Business-Type Activities



# Program Revenues by Source

## Business-Type Activities



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City of Gulf Breeze's governmental funds reported combined ending fund balances of \$6,788,754, a decrease of \$(732,589) in comparison with the prior year. Of this total amount, \$6,074 is reserved for inventory, as it is not available for appropriation (e.g., non-spendable), and \$4,927,685 is unassigned, and, as such, is available for spending at the City's discretion. The remainder of fund balance is designated for specific purposes: 1) \$994,663 is restricted for community redevelopment and public safety; 2) portions are committed for purposes including a self-insurance escrow \$250,000, beautification of \$94,259, park subdivisions of \$15,481, community funds of \$437; and 3) portions are assigned for disaster recovery \$100,000 and other purposes totaling \$400,155.

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,927,685, while total fund balance reached \$5,409,929. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 49% of the total General Fund expenditures, while total fund balance represents 54% of that same amount.

The General Fund's fund balance decreased by \$636,109 during the current fiscal year which is 89% of the prior year's increase due to a significant investment in construction in progress, most notably a \$6 million expansion of the City's recreation center which will predominately be reimbursed from the FEMA alternative project funding.

The Urban Core Redevelopment Fund is used specifically for improvements within the City's defined commercial area. The revenues the fund receives are the result of City contributions as well as Tax Increment Financing (TIF) revenues. TIF revenues change proportionately with the defined commercial area's change in taxable value, which, due to the increase in taxable parcels, despite a general decline in property values, resulted in a 7% decrease in tax revenues from 2010. Expenditures from this fund are used to support and enhance economic development within the defined commercial area. During the current fiscal year, the fund's expenditures supported traffic management, lighting and landscaping costs within the defined area and expanded and improved the roadway and storm drainage connected to the new Seashells Collection / Publix shopping center.

### **Proprietary Funds**

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

Unrestricted net assets of the proprietary funds totaled \$14,566,239 at the end of the year, of that the Water and Sewer Fund amounted to \$1,740,403, the Natural Gas Fund totaled \$666,979, South Santa Rosa Utility Fund was \$2,425,868, Gulf Breeze Financial Services was \$9,969,642, and the non-major proprietary fund totaled \$(236,653). The net assets of the proprietary funds increased by \$1,013,065, reflecting the generally improved operating performance of the proprietary funds as described earlier.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budget expenditures increased from the original budget by \$5,198,853. This increase reflected numerous expenditures not contemplated in the original budget, primarily of which were: costs incurred in accordance with the alternative projects originally approved by FEMA in February 2010. The FEMA alternative projects provide the City with 98% reimbursement of some \$15 million of specifically approved projects and equipment procurement through fiscal year 2013. This program resulted in the \$3.8 million increase in budgeted intergovernmental revenues. Actual revenues collected varied from final budgeted amounts by minor amounts with miscellaneous revenues accounting for \$391,326 in excess of final budget.

The highlights of the budgetary changes are as follows:

- \$ 2,800,000 in Parks and Recreation construction in progress;
- \$ 1,800,000 increase in culture and recreation expenditures due to Fishing Bridge deconstruction costs;
- \$ 300,000 decrease in estimated tax collections;
- \$ 113,000 decrease in estimated fines collected;
- \$ 125,000 increase due special pay to employees.

The combined impact of these budget variances resulted in a net decrease in the General Fund fund balance of \$636,109 as compared to a final budgeted decrease of \$652,658.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

|                                   | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                   | 2011                    | 2010                 | 2011                     | 2010                 | 2011                 | 2010                 |
| Land                              | \$ 1,403,909            | \$ 1,403,909         | \$ 2,663,827             | \$ 2,663,827         | \$ 4,067,736         | \$ 4,067,736         |
| Construction in progress          | 2,319,662               | 718,276              | 197,130                  | 100,225              | 2,516,792            | 818,501              |
| Buildings                         | 4,232,810               | 4,232,810            | 414,021                  | 414,021              | 4,646,831            | 4,646,831            |
| Improvements other than buildings | 13,360,854              | 12,939,759           | 517,742                  | 517,742              | 13,878,596           | 13,457,501           |
| Infrastructure                    | 180,777                 | 180,777              | 42,330,953               | 42,168,688           | 42,511,730           | 42,349,465           |
| Machinery and equipment           | 4,843,042               | 4,696,451            | 3,524,524                | 3,527,729            | 8,367,566            | 8,224,180            |
| Accumulated depreciation          | (12,963,894)            | (11,946,198)         | (25,795,836)             | (23,926,079)         | (38,759,730)         | (35,872,277)         |
| <b>Total</b>                      | <b>\$ 13,377,160</b>    | <b>\$ 12,225,784</b> | <b>\$ 23,852,361</b>     | <b>\$ 25,466,153</b> | <b>\$ 37,229,521</b> | <b>\$ 37,691,937</b> |

The total decrease in the City of Gulf Breeze’s investment in capital assets for the current fiscal year was \$462,416 or 1% overall as depreciation exceeded increases in capital assets (9% increase for governmental activities and a (6)% decrease for business-type activities). Major changes in capital assets are summarized below.

- Construction in progress on recreation facilities;
- Completion of decorative columns and sectional fencing along Highway 98;
- Completion of phase I of median landscaping along Highway 98;
- Sewer system extension within the City;
- Continued waste water treatment plant improvements; and
- New vehicles and equipment.

As of September 30, 2011, construction in progress related to construction of park rest rooms and concession buildings; natural gas line extension; and construction of a significant addition to the recreation center.

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                |                      |
|-------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|                               | 2011                    | 2010                | 2011                     | 2010                 | 2011                 | 2010                 |
| Revenue bonds                 | \$ 8,481,734            | \$ 8,642,944        | \$ 6,432,134             | \$ 7,391,115         | \$ 14,913,868        | \$ 16,034,059        |
| Notes payable                 | -                       | -                   | 4,104,793                | 4,251,071            | 4,104,793            | 4,251,071            |
| State revolving loan          | -                       | -                   | 946,645                  | -                    | 946,645              | -                    |
| Compensated absences          | 226,084                 | 233,006             | 154,795                  | 155,695              | 380,879              | 388,701              |
| Other contractual obligations | -                       | 158,413             | -                        | -                    | -                    | 158,413              |
| <b>Total</b>                  | <b>\$ 8,707,818</b>     | <b>\$ 9,034,363</b> | <b>\$ 11,638,367</b>     | <b>\$ 11,797,881</b> | <b>\$ 20,346,185</b> | <b>\$ 20,832,244</b> |

At the end of the current fiscal year, the City of Gulf Breeze had total bonded debt and outstanding loans of \$19,965,306. Governmental Debt is to be repaid from General Government revenues. Business-type obligations are secured by specified revenue sources.

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

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

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Mayor and City Council considered many factors when adopting the Fiscal Year 2012 budget. New revenue sources continue to be an issue, due to declines in property values and previous State Constitution amendments resulting in reduced ad valorem revenues. The overall revenue forecast for the General Fund is \$5,373,034 a 0.6% decrease from fiscal 2011 initial budgeted revenues. In FY 2012, ad valorem taxes remained at 1.9 mills, unchanged from the prior year. Municipal Utility Service Taxes were increased from 4% to 5% in 2012. Debt Service expenses continue to be absorbed into the City's budget. Note that expenditures and reimbursements under FEMA projects are excluded from initial budget figures.

The budget for Fiscal Year 2012 expenditures is quite conservative; approximately .8% less than budgeted for Fiscal Year 2011.

The General Fund is expected to generate \$461,000 in savings throughout the year. As those budgeted savings are realized, the City Council will then determine which capital projects for infrastructure may be funded by the end of the fiscal year. Tentative capital expenditures include street repaving, replacement of fire equipment, and information technology improvements.

The Proprietary Funds have planned \$35,000 in vehicle and equipment replacements and \$793,000 in infrastructure replacement, as well as debt service for fiscal year 2012.

The Community Redevelopment Agency Fund is projected to use \$811,825 on the Central Business District improvements. The diligence provided by the City Council has ensured that the City will continue to maintain the high level of service desired by this community.

## **REQUESTS FOR INFORMATION**

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

# **BASIC FINANCIAL STATEMENTS**

**City of Gulf Breeze, Florida**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

|   | Primary Government          |                             |                             | Component Unit                      |
|---|-----------------------------|-----------------------------|-----------------------------|-------------------------------------|
|   | Governmental Activities     | Business-Type Activities    | Total                       | Capital Trust Agency and Subsidiary |
| <b>ASSETS</b>                                   |                             |                             |                             |                                     |
| Cash and cash equivalents                       | \$ 4,183,256                | \$ 3,838,350                | \$ 8,021,606                | \$ 1,960,956                        |
| Investments                                     | 403,025                     | 8,432,677                   | 8,835,702                   | -                                   |
| Receivables, net                                | 487,037                     | 815,760                     | 1,302,797                   | 62,166                              |
| Internal balances                               | 310,000                     | (310,000)                   | -                           | -                                   |
| Due from other governments                      | 2,416,528                   | 11,092                      | 2,427,620                   | -                                   |
| Inventory, at cost                              | 6,074                       | 182,438                     | 188,512                     | -                                   |
| Investment in limited liability company         | -                           | 21,963                      | 21,963                      | 7,462                               |
| Restricted assets                               |                             |                             |                             |                                     |
| Cash and cash equivalents                       | -                           | 1,816,752                   | 1,816,752                   | 1,426,840                           |
| Capital assets                                  |                             |                             |                             |                                     |
| Non-depreciable                                 | 3,723,571                   | 2,860,957                   | 6,584,528                   | -                                   |
| Depreciable                                     | 9,653,589                   | 20,991,404                  | 30,644,993                  | -                                   |
| Other assets                                    |                             |                             |                             |                                     |
| Bond issue costs, net                           | 284,876                     | 168,691                     | 453,567                     | -                                   |
| Investment in joint venture                     | -                           | 1,511,807                   | 1,511,807                   | -                                   |
| Other   | -                           | 491,419                     | 491,419                     | -                                   |
| <b>TOTAL ASSETS</b>                             | <b><u>21,467,956</u></b>    | <b><u>40,833,310</u></b>    | <b><u>62,301,266</u></b>    | <b><u>3,457,424</u></b>             |
| <b>LIABILITIES</b>                              |                             |                             |                             |                                     |
| Accounts payable                                | 860,281                     | 349,771                     | 1,210,052                   | 69,570                              |
| Reservations fee payable                        | -                           | -                           | -                           | 85,000                              |
| Accrued liabilities                             | 156,885                     | 72,787                      | 229,672                     | -                                   |
| Due to other governments                        | -                           | -                           | -                           | 11,651                              |
| Payable from restricted assets                  |                             |                             |                             |                                     |
| Accrued interest                                | -                           | 142,596                     | 142,596                     | -                                   |
| Customer deposits                               | -                           | 731,445                     | 731,445                     | -                                   |
| Non-current liabilities                         |                             |                             |                             |                                     |
| Due within one year                             |                             |                             |                             |                                     |
| Compensated absences                            | 197,121                     | 134,220                     | 331,341                     | -                                   |
| Revenue bonds payable                           | 171,600                     | 603,400                     | 775,000                     | -                                   |
| Notes payable                                   | -                           | 154,006                     | 154,006                     | -                                   |
| Due in more than one year                       |                             |                             |                             |                                     |
| Deferred revenue                                | -                           | 118,359                     | 118,359                     | -                                   |
| Compensated absences                            | 28,963                      | 20,575                      | 49,538                      | -                                   |
| State revolving loan payable                    | -                           | 946,645                     | 946,645                     | -                                   |
| Revenue bonds payable                           | 8,310,134                   | 5,828,734                   | 14,138,868                  | -                                   |
| Notes payable                                   | -                           | 3,950,787                   | 3,950,787                   | -                                   |
| <b>TOTAL LIABILITIES</b>                        | <b><u>9,724,984</u></b>     | <b><u>13,053,325</u></b>    | <b><u>22,778,309</u></b>    | <b><u>166,221</u></b>               |
| <b>NET ASSETS</b>                               |                             |                             |                             |                                     |
| Invested in capital assets, net of related debt | 4,895,426                   | 12,368,789                  | 17,264,215                  | -                                   |
| Restricted for:                                 |                             |                             |                             |                                     |
| Recapture indemnity agreement                   | -                           | -                           | -                           | 1,426,840                           |
| Community redevelopment                         | 970,508                     | -                           | 970,508                     | -                                   |
| Debt service                                    | -                           | 844,957                     | 844,957                     | -                                   |
| Public safety                                   | 24,155                      | -                           | 24,155                      | -                                   |
| Unrestricted                                    | 5,852,883                   | 14,566,239                  | 20,419,122                  | 1,864,363                           |
| <b>TOTAL NET ASSETS</b>                         | <b><u>\$ 11,742,972</u></b> | <b><u>\$ 27,779,985</u></b> | <b><u>\$ 39,522,957</u></b> | <b><u>\$ 3,291,203</u></b>          |

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

**City of Gulf Breeze, Florida  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2011**

| Function/Program Activities                 | Program Revenues     |                         |                                       |                                     | Net (Expense) Revenue and Changes in Net Assets |                             |                       | Component Unit<br>Capital Trust<br>Agency and<br>Subsidiary |
|---|----------------------|-------------------------|---------------------------------------|-------------------------------------|---|-----------------------------|-----------------------|---|
|   | Expenses             | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants and<br>Contributions | Primary Government                              |                             | Total                 |   |
|   |                      |                         |                                       |                                     | Governmental<br>Activities                      | Business-Type<br>Activities |                       |   |
| <b>Governmental Activities</b>              |                      |                         |                                       |                                     |   |                             |                       |   |
| General government                          | \$ 2,140,853         | \$ 92,983               | \$ 179,716                            | \$ -                                | \$ (1,868,154)                                  | \$ -                        | \$ (1,868,154)        | \$ -  |
| Public safety                               | 2,582,913            | 345,228                 | 97,812                                | -                                   | (2,139,873)                                     | -                           | (2,139,873)           | -   |
| Transportation                              | 431,961              | -                       | -                                     | -                                   | (431,961)                                       | -                           | (431,961)             | -   |
| Economic environment                        | 434,757              | -                       | -                                     | -                                   | (434,757)                                       | -                           | (434,757)             | -   |
| Culture and recreation                      | 3,758,787            | 231,431                 | 3,776,770                             | -                                   | 249,414   | -                           | 249,414               | -   |
| Debt service interest                       | 315,231              | -                       | -                                     | -                                   | (315,231)                                       | -                           | (315,231)             | -   |
| <b>Total governmental activities</b>        | <b>9,664,502</b>     | <b>669,642</b>          | <b>4,054,298</b>                      | <b>-</b>                            | <b>(4,940,562)</b>                              | <b>-</b>                    | <b>(4,940,562)</b>    | <b>-</b>  |
| <b>Business-Type Activities</b>             |                      |                         |                                       |                                     |   |                             |                       |   |
| Water and sewer                             | 1,523,787            | 1,889,323               | -                                     | 10,406                              | -   | 375,942                     | 375,942               | -   |
| Natural gas                                 | 1,388,342            | 1,893,196               | -                                     | -                                   | -   | 504,854                     | 504,854               | -   |
| South Santa Rosa Utility                    | 4,887,012            | 4,876,402               | -                                     | 309,563                             | -   | 298,953                     | 298,953               | -   |
| Solid waste control                         | 870,997              | 986,019                 | -                                     | -                                   | -   | 115,022                     | 115,022               | -   |
| Stormwater management                       | 246,276              | 195,304                 | -                                     | -                                   | -   | (50,972)                    | (50,972)              | -   |
| Gulf Breeze Financial Services              | 725,702              | 777,842                 | -                                     | -                                   | -   | 52,140                      | 52,140                | -   |
| <b>Total business-type activities</b>       | <b>9,642,116</b>     | <b>10,618,086</b>       | <b>-</b>                              | <b>319,969</b>                      | <b>-</b>  | <b>1,295,939</b>            | <b>1,295,939</b>      | <b>-</b>  |
| <b>Total primary government</b>             | <b>\$ 19,306,618</b> | <b>\$ 11,287,728</b>    | <b>\$ 4,054,298</b>                   | <b>\$ 319,969</b>                   | <b>\$ (4,940,562)</b>                           | <b>\$ 1,295,939</b>         | <b>\$ (3,644,623)</b> | <b>\$ -</b>   |
| <b>Capital Trust Agency and subsidiary</b>  | <b>\$ 1,910,706</b>  | <b>\$ 3,070,674</b>     | <b>\$ -</b>                           | <b>\$ -</b>                         | <b>\$ -</b>                                     | <b>\$ -</b>                 | <b>\$ -</b>           | <b>\$ 1,159,968</b>   |
| <b>General revenues</b>                     |                      |                         |                                       |                                     |   |                             |                       |   |
| Taxes                                       |                      |                         |                                       |                                     |   |                             |                       |   |
| Property taxes                              |                      |                         |                                       |                                     | \$ 1,767,275                                    | \$ -                        | \$ 1,767,275          | \$ -  |
| Tourist development taxes                   |                      |                         |                                       |                                     | 36,060  | -                           | 36,060                | -   |
| Fuel taxes                                  |                      |                         |                                       |                                     | 228,653   | -                           | 228,653               | -   |
| Franchise taxes                             |                      |                         |                                       |                                     | 334,218   | -                           | 334,218               | -   |
| Communication service taxes                 |                      |                         |                                       |                                     | 312,900   | -                           | 312,900               | -   |
| Utility service taxes                       |                      |                         |                                       |                                     | 342,531   | -                           | 342,531               | -   |
| Intergovernmental, unrestricted             |                      |                         |                                       |                                     | 819,245   | -                           | 819,245               | -   |
| Miscellaneous                               |                      |                         |                                       |                                     | 953,952   | 547,198                     | 1,501,150             | 36,621  |
| Unrestricted investment earnings            |                      |                         |                                       |                                     | 30,688  | 19,272                      | 49,960                | 13,882  |
| Transfers                                   |                      |                         |                                       |                                     | 849,344   | (849,344)                   | -                     | -   |
| <b>Total general revenues and transfers</b> |                      |                         |                                       |                                     | <b>5,674,866</b>                                | <b>(282,874)</b>            | <b>5,391,992</b>      | <b>50,503</b>   |
| Change in net assets                        |                      |                         |                                       |                                     | 734,304   | 1,013,065                   | 1,747,369             | 1,210,471   |
| Net assets - beginning of year              |                      |                         |                                       |                                     | 11,008,668                                      | 26,766,920                  | 37,775,588            | 2,080,732   |
| Net assets - end of year                    |                      |                         |                                       |                                     | <b>\$ 11,742,972</b>                            | <b>\$ 27,779,985</b>        | <b>\$ 39,522,957</b>  | <b>\$ 3,291,203</b>   |

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**September 30, 2011**

|  | <u>General</u>      | <u>Urban Core<br/>Redevelopment</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|-------------------------------------|---|---|
| <b>ASSETS</b>                                  |                     |                                     |   |   |
| Cash and cash equivalents                      | \$ 2,807,844        | \$ 966,895                          | \$ 408,517                                  | \$ 4,183,256                            |
| Investments                                    | 403,025             | -                                   | -   | 403,025                                 |
| Receivables                                    | 487,037             | -                                   | -   | 487,037                                 |
| Interfund balances                             | 242,660             | 67,540                              | -   | 310,200                                 |
| Due from other governments                     | 2,416,528           | -                                   | -   | 2,416,528                               |
| Inventory, at cost                             | 6,074               | -                                   | -   | 6,074                                   |
| Total assets                                   | <u>\$ 6,363,168</u> | <u>\$ 1,034,435</u>                 | <u>\$ 408,517</u>                           | <u>\$ 7,806,120</u>                     |
| <b>LIABILITIES</b>                             |                     |                                     |   |   |
| Accounts payable                               | \$ 796,354          | \$ 63,927                           | \$ -  | \$ 860,281                              |
| Accrued liabilities                            | 156,885             | -                                   | -   | 156,885                                 |
| Due to other funds                             | -                   | -                                   | 200   | 200                                     |
| Total liabilities                              | <u>953,239</u>      | <u>63,927</u>                       | <u>200</u>                                  | <u>1,017,366</u>                        |
| <b>FUND BALANCES</b>                           |                     |                                     |   |   |
| Non-spendable                                  |                     |                                     |   |   |
| Inventory                                      | 6,074               | -                                   | -   | 6,074                                   |
| Restricted                                     |                     |                                     |   |   |
| Public safety                                  | -                   | -                                   | 24,155                                      | 24,155                                  |
| Community redevelopment                        | -                   | 970,508                             | -   | 970,508                                 |
| Committed                                      |                     |                                     |   |   |
| Community funds                                | 437                 | -                                   | -   | 437                                     |
| Self-insurance                                 | 250,000             | -                                   | -   | 250,000                                 |
| Beautification                                 | 94,259              | -                                   | -   | 94,259                                  |
| Parks subdivision                              | 15,481              | -                                   | -   | 15,481                                  |
| Assigned                                       |                     |                                     |   |   |
| Disaster recovery                              | 100,000             | -                                   | -   | 100,000                                 |
| Public safety                                  | 15,993              | -                                   | 384,162                                     | 400,155                                 |
| Unassigned                                     | 4,927,685           | -                                   | -   | 4,927,685                               |
| Total fund balances                            | <u>5,409,929</u>    | <u>970,508</u>                      | <u>408,317</u>                              | <u>6,788,754</u>                        |
| <b>TOTAL LIABILITIES AND FUND<br/>BALANCES</b> | <u>\$ 6,363,168</u> | <u>\$ 1,034,435</u>                 | <u>\$ 408,517</u>                           | <u>\$ 7,806,120</u>                     |

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

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|  |                                       |
|--|---------------------------------------|
| Fund balances - total governmental funds (page 20)   | \$ 6,788,754                          |
| 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  | 3,723,571                             |
| Governmental depreciable assets  | 22,617,483                            |
| Less accumulated depreciation  | <u>(12,963,894)</u> <u>13,377,160</u> |
| Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. |                                       |
| Bond issuance costs  | 330,824                               |
| Less current year amortization   | <u>(45,948)</u> <u>284,876</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  | (8,522,800)                           |
| Discount on bond issuance  | 47,690                                |
| Less accumulated amortization  | (6,624)                               |
| Compensated absences   | <u>(226,084)</u> <u>(8,707,818)</u>   |
| Net assets of governmental activities (page 18)  | <u>\$ 11,742,972</u>                  |

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2011**

|  | <u>General</u>      | <u>Urban Core<br/>Redevelopment</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|-------------------------------------|---|---|
| <b>REVENUES</b>                                      |                     |                                     |   |   |
| Taxes  | \$ 2,091,499        | \$ 595,920                          | \$ -  | \$ 2,687,419                            |
| Licenses and permits                                 | 427,201             | -                                   | -   | 427,201                                 |
| Intergovernmental                                    | 4,585,448           | 211,734                             | -   | 4,797,182                               |
| Charges for services                                 | 251,342             | -                                   | -   | 251,342                                 |
| Fines and forfeitures                                | 113,361             | -                                   | 227,054                                     | 340,415                                 |
| Investment earnings                                  | 30,688              | -                                   | -   | 30,688                                  |
| Miscellaneous  | <u>941,776</u>      | <u>-</u>                            | <u>7,877</u>                                | <u>949,653</u>                          |
| <b>TOTAL REVENUES</b>                                | <u>8,441,315</u>    | <u>807,654</u>                      | <u>234,931</u>                              | <u>9,483,900</u>                        |
| <b>EXPENDITURES</b>                                  |                     |                                     |   |   |
| Current  |                     |                                     |   |   |
| General government                                   | 1,479,536           | 603,414                             | -   | 2,082,950                               |
| Public safety  | 2,225,978           | -                                   | 136,494                                     | 2,362,472                               |
| Transportation                                       | 249,113             | -                                   | -   | 249,113                                 |
| Economic environment                                 | 122,413             | -                                   | -   | 122,413                                 |
| Culture and recreation                               | 3,462,148           | -                                   | -   | 3,462,148                               |
| Capital outlay                                       | 2,028,537           | 269,173                             | -   | 2,297,710                               |
| Debt service   |                     |                                     |   |   |
| Principal  | 129,357             | -                                   | 110,000                                     | 239,357                                 |
| Interest   | <u>315,231</u>      | <u>-</u>                            | <u>-</u>                                    | <u>315,231</u>                          |
| <b>TOTAL EXPENDITURES</b>                            | <u>10,012,313</u>   | <u>872,587</u>                      | <u>246,494</u>                              | <u>11,131,394</u>                       |
| <b>DEFICIENCY OF REVENUES UNDER<br/>EXPENDITURES</b> | (1,570,998)         | (64,933)                            | (11,563)                                    | (1,647,494)                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                                     |   |   |
| Insurance proceeds                                   | 65,561              | -                                   | -   | 65,561                                  |
| Transfers in   | 1,055,086           | 185,758                             | -   | 1,240,844                               |
| Transfers out  | <u>(185,758)</u>    | <u>(175,725)</u>                    | <u>(30,017)</u>                             | <u>(391,500)</u>                        |
| <b>TOTAL OTHER FINANCING SOURCES<br/>(USES)</b>      | <u>934,889</u>      | <u>10,033</u>                       | <u>(30,017)</u>                             | <u>914,905</u>                          |
| <b>NET CHANGE IN FUND BALANCE</b>                    | (636,109)           | (54,900)                            | (41,580)                                    | (732,589)                               |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>              | <u>6,046,038</u>    | <u>1,025,408</u>                    | <u>449,897</u>                              | <u>7,521,343</u>                        |
| <b>FUND BALANCE - END OF YEAR</b>                    | <u>\$ 5,409,929</u> | <u>\$ 970,508</u>                   | <u>\$ 408,317</u>                           | <u>\$ 6,788,754</u>                     |

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2011**

Net change in fund balances - total governmental funds (page 22) \$ (732,589)

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

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

|                                 |             |           |
|---------------------------------|-------------|-----------|
| Expenditures for capital assets | 2,297,710   |           |
| Disposals of capital assets     | (10,069)    |           |
| Less current year depreciation  | (1,054,411) | 1,233,230 |

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

|                                  |          |         |
|----------------------------------|----------|---------|
| Debt principal payments          | 239,357  |         |
| Amortization of bond discount    | (1,590)  |         |
| Amortization of bond issue costs | (11,027) | 226,740 |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|  |       |       |
|--|-------|-------|
| Change in long-term compensated absences | 6,923 | 6,923 |
|--|-------|-------|

Change in net assets of governmental activities (page 19) \$ 734,304

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended September 30, 2011**

|  | <u>Budgeted Amounts</u>   |                           |                            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|---------------------------|---------------------------|----------------------------|---|
|  | <u>Original</u>           | <u>Final</u>              | <u>Actual</u>              |   |
| <b>REVENUES</b>  |                           |                           |                            |   |
| Taxes  | \$ 2,361,644              | \$ 2,091,500              | \$ 2,091,499               | \$ (1)  |
| Licenses and permits   | 12,500                    | 427,000                   | 427,201                    | 201   |
| Intergovernmental  | 1,179,544                 | 4,585,000                 | 4,585,448                  | 448   |
| Charges for services   | 256,800                   | 251,000                   | 251,342                    | 342   |
| Fines and forfeitures  | 226,900                   | 113,500                   | 113,361                    | (139)   |
| Investment earnings  | 10,000                    | 30,000                    | 30,688                     | 688   |
| Miscellaneous  | <u>187,664</u>            | <u>550,450</u>            | <u>941,776</u>             | <u>391,326</u>  |
| <b>TOTAL REVENUES</b>  | <u><b>4,235,052</b></u>   | <u><b>8,048,450</b></u>   | <u><b>8,441,315</b></u>    | <u><b>392,865</b></u>                                     |
| <b>EXPENDITURES</b>  |                           |                           |                            |   |
| Current  |                           |                           |                            |   |
| General government   | 1,194,169                 | 1,480,517                 | 1,479,536                  | 981   |
| Public safety  | 2,145,236                 | 2,225,978                 | 2,225,978                  | -   |
| Transportation   | 129,625                   | 305,115                   | 249,113                    | 56,002  |
| Economic environment   | 187,100                   | 122,413                   | 122,413                    | -   |
| Culture and recreation   | 822,700                   | 3,652,512                 | 3,462,148                  | 190,364   |
| Capital outlay   | 599,580                   | 2,480,939                 | 2,028,537                  | 452,402   |
| Debt service   |                           |                           |                            |   |
| Principal  | 128,058                   | 162,800                   | 129,357                    | 33,443  |
| Interest   | <u>340,197</u>            | <u>315,244</u>            | <u>315,231</u>             | <u>13</u>   |
| <b>TOTAL EXPENDITURES</b>  | <u><b>5,546,665</b></u>   | <u><b>10,745,518</b></u>  | <u><b>10,012,313</b></u>   | <u><b>733,205</b></u>                                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u><b>(1,311,613)</b></u> | <u><b>(2,697,068)</b></u> | <u><b>(1,570,998)</b></u>  | <u><b>1,126,070</b></u>                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                           |                           |                            |   |
| Insurance proceeds   | -                         | 65,561                    | 65,561                     | -   |
| Transfers in   | 1,889,483                 | 2,164,607                 | 1,055,086                  | (1,109,521)   |
| Transfers out  | <u>(185,758)</u>          | <u>(185,758)</u>          | <u>(185,758)</u>           | <u>-</u>  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <u><b>1,703,725</b></u>   | <u><b>2,044,410</b></u>   | <u><b>934,889</b></u>      | <u><b>(1,109,521)</b></u>                                 |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 392,112                   | (652,658)                 | (636,109)                  | 16,549  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                              | <u><b>(392,112)</b></u>   | <u><b>652,658</b></u>     | <u><b>6,046,038</b></u>    | <u><b>-</b></u>   |
| <b>FUND BALANCE - END OF YEAR</b>                                    | <u><b>\$ -</b></u>        | <u><b>\$ -</b></u>        | <u><b>\$ 5,409,929</b></u> | <u><b>\$ -</b></u>  |

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

**City of Gulf Breeze, Florida**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - URBAN CORE REDEVELOPMENT**  
**SPECIAL REVENUE FUND**  
**Year Ended September 30, 2011**

|  | <u>Budgeted Amounts</u> |                  |                   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-------------------------|------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>     |   |
| REVENUES   |                         |                  |                   |   |
| Taxes  | \$ 595,922              | \$ 595,920       | \$ 595,920        | \$ -  |
| Intergovernmental                                    | -                       | 77,256           | 211,734           | 134,478   |
| TOTAL REVENUES                                       | <u>595,922</u>          | <u>673,176</u>   | <u>807,654</u>    | <u>134,478</u>  |
| EXPENDITURES   |                         |                  |                   |   |
| Current  |                         |                  |                   |   |
| General government                                   | 187,100                 | 603,414          | 603,414           | -   |
| Capital outlay                                       | <u>418,855</u>          | <u>411,620</u>   | <u>269,173</u>    | <u>142,447</u>  |
| TOTAL EXPENDITURES                                   | <u>605,955</u>          | <u>1,015,034</u> | <u>872,587</u>    | <u>142,447</u>  |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>(10,033)</u>         | <u>(341,858)</u> | <u>(64,933)</u>   | <u>276,925</u>  |
| OTHER FINANCING SOURCES (USES)                       |                         |                  |                   |   |
| Transfers in   | 185,758                 | -                | 185,758           | 185,758   |
| Transfers out  | <u>(175,725)</u>        | <u>(175,725)</u> | <u>(175,725)</u>  | <u>-</u>  |
| TOTAL OTHER FINANCING SOURCES (USES)                 | <u>10,033</u>           | <u>(175,725)</u> | <u>10,033</u>     | <u>185,758</u>  |
| NET CHANGES IN FUND BALANCE                          | -                       | (517,583)        | (54,900)          | 462,683   |
| FUND BALANCES, BEGINNING OF YEAR                     | <u>-</u>                | <u>517,583</u>   | <u>1,025,408</u>  | <u>-</u>  |
| FUND BALANCES, END OF YEAR                           | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 970,508</u> | <u>\$ -</u>   |

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

|   | <u>Water and<br/>Sewer</u> | <u>Natural Gas</u> | <u>South Santa<br/>Rosa Utility</u> | <u>Gulf Breeze<br/>Financial<br/>Services</u> | <u>Non-Major<br/>Proprietary<br/>Funds</u> | <u>Total</u>      |
|---|----------------------------|--------------------|-------------------------------------|---|--|-------------------|
| <b>ASSETS</b>                                   |                            |                    |                                     |   |  |                   |
| Current assets                                  |                            |                    |                                     |   |  |                   |
| Cash and cash equivalents                       | \$ 690,958                 | \$ 561,721         | \$ 957,946                          | \$ 1,586,280                                  | \$ 41,445                                  | \$ 3,838,350      |
| Investments                                     | -                          | -                  | 62,780                              | 8,369,897                                     | -  | 8,432,677         |
| Receivables                                     | 285,878                    | 118,148            | 309,906                             | -   | 101,828                                    | 815,760           |
| Due from other governments -<br>component units | -                          | -                  | -                                   | 11,092  | -  | 11,092            |
| Inventory, at cost                              | 26,190                     | 73,902             | 82,346                              | -   | -  | 182,438           |
| Investment in limited liability company         | -                          | -                  | -                                   | 21,963  | -  | 21,963            |
| Restricted assets                               |                            |                    |                                     |   |  |                   |
| Cash and cash equivalents                       | <u>232,762</u>             | <u>210,583</u>     | <u>1,363,462</u>                    | <u>-</u>                                      | <u>9,945</u>                               | <u>1,816,752</u>  |
| Total current assets                            | <u>1,235,788</u>           | <u>964,354</u>     | <u>2,776,440</u>                    | <u>9,989,232</u>                              | <u>153,218</u>                             | <u>15,119,032</u> |
| Noncurrent assets                               |                            |                    |                                     |   |  |                   |
| Capital assets, net                             |                            |                    |                                     |   |  |                   |
| Land  | -                          | -                  | 2,663,827                           | -   | -  | 2,663,827         |
| Construction in progress                        | -                          | 170,772            | 16,107                              | -   | 10,251                                     | 197,130           |
| Buildings                                       | -                          | -                  | 285,137                             | -   | -  | 285,137           |
| Improvements other than building                | -                          | -                  | 316,417                             | 75,047  | -  | 391,464           |
| Infrastructure                                  | 2,025,274                  | 742,495            | 16,005,670                          | -   | 915,711                                    | 19,689,150        |
| Machinery and equipment                         | <u>68,927</u>              | <u>8,384</u>       | <u>501,112</u>                      | <u>12,249</u>                                 | <u>34,981</u>                              | <u>625,653</u>    |
| Total capital assets                            | <u>2,094,201</u>           | <u>921,651</u>     | <u>19,788,270</u>                   | <u>87,296</u>                                 | <u>960,943</u>                             | <u>23,852,361</u> |
| Other assets                                    |                            |                    |                                     |   |  |                   |
| Bond issue costs, net                           | -                          | -                  | 168,691                             | -   | -  | 168,691           |
| Investment in joint venture                     | 771,022                    | -                  | 740,785                             | -   | -  | 1,511,807         |
| Other   | <u>122,856</u>             | <u>-</u>           | <u>368,563</u>                      | <u>-</u>                                      | <u>-</u>                                   | <u>491,419</u>    |
| Total other assets                              | <u>893,878</u>             | <u>-</u>           | <u>1,278,039</u>                    | <u>-</u>                                      | <u>-</u>                                   | <u>2,171,917</u>  |
| Total non-current assets                        | <u>2,988,079</u>           | <u>921,651</u>     | <u>21,066,309</u>                   | <u>87,296</u>                                 | <u>960,943</u>                             | <u>26,024,278</u> |
| <b>TOTAL ASSETS</b>                             | <u>4,223,867</u>           | <u>1,886,005</u>   | <u>23,842,749</u>                   | <u>10,076,528</u>                             | <u>1,114,161</u>                           | <u>41,143,310</u> |

Continued...

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

|   | <u>Water and<br/>Sewer</u> | <u>Natural Gas</u>  | <u>South Santa<br/>Rosa Utility</u> | <u>Gulf Breeze<br/>Financial<br/>Services</u> | <u>Non-Major<br/>Proprietary<br/>Funds</u> | <u>Total</u>         |
|---|----------------------------|---------------------|-------------------------------------|---|--|----------------------|
| <b>LIABILITIES</b>                              |                            |                     |                                     |   |  |                      |
| Current liabilities                             |                            |                     |                                     |   |  |                      |
| Accounts payable                                | 101,281                    | 30,573              | 133,815                             | 19,590  | 64,512                                     | 349,771              |
| Accrued liabilities                             | 7,324                      | 14,274              | 45,775                              | -   | 5,414                                      | 72,787               |
| Compensated absences                            | 2,283                      | 36,370              | 95,567                              | -   | -  | 134,220              |
| Interfund balances                              | -                          | -                   | -                                   | -   | 310,000                                    | 310,000              |
| Payable from restricted assets                  |                            |                     |                                     |   |  |                      |
| Accrued interest                                | -                          | -                   | 142,596                             | -   | -  | 142,596              |
| Customer deposits                               | 159,666                    | 210,583             | 351,251                             | -   | 9,945                                      | 731,445              |
| Revenue bonds payable                           | 23,400                     | -                   | 580,000                             | -   | -  | 603,400              |
| Notes payable                                   | <u>-</u>                   | <u>-</u>            | <u>154,006</u>                      | <u>-</u>                                      | <u>-</u>                                   | <u>154,006</u>       |
| Total current liabilities                       | <u>293,954</u>             | <u>291,800</u>      | <u>1,503,010</u>                    | <u>19,590</u>                                 | <u>389,871</u>                             | <u>2,498,225</u>     |
| Non-current liabilities                         |                            |                     |                                     |   |  |                      |
| Deferred revenue                                | 118,359                    | -                   | -                                   | -   | -  | 118,359              |
| Compensated absences                            | 350                        | 5,575               | 14,650                              | -   | -  | 20,575               |
| State revolving loan payable                    | -                          | -                   | 946,645                             | -   | -  | 946,645              |
| Revenue bonds payable                           | 1,138,800                  | -                   | 4,689,934                           | -   | -  | 5,828,734            |
| Notes payable                                   | <u>-</u>                   | <u>-</u>            | <u>3,950,787</u>                    | <u>-</u>                                      | <u>-</u>                                   | <u>3,950,787</u>     |
| Total non-current liabilities                   | <u>1,257,509</u>           | <u>5,575</u>        | <u>9,602,016</u>                    | <u>-</u>                                      | <u>-</u>                                   | <u>10,865,100</u>    |
| <b>TOTAL LIABILITIES</b>                        | <u>1,551,463</u>           | <u>297,375</u>      | <u>11,105,026</u>                   | <u>19,590</u>                                 | <u>389,871</u>                             | <u>13,363,325</u>    |
| <b>NET ASSETS</b>                               |                            |                     |                                     |   |  |                      |
| Invested in capital assets, net of related debt |                            |                     |                                     |   |  |                      |
| Restricted                                      | 932,001                    | 921,651             | 9,466,898                           | 87,296  | 960,943                                    | 12,368,789           |
| Debt service                                    | -                          | -                   | 844,957                             | -   | -  | 844,957              |
| Unrestricted                                    | <u>1,740,403</u>           | <u>666,979</u>      | <u>2,425,868</u>                    | <u>9,969,642</u>                              | <u>(236,653)</u>                           | <u>14,566,239</u>    |
| <b>TOTAL NET ASSETS</b>                         | <u>\$ 2,672,404</u>        | <u>\$ 1,588,630</u> | <u>\$ 12,737,723</u>                | <u>\$ 10,056,938</u>                          | <u>\$ 724,290</u>                          | <u>\$ 27,779,985</u> |

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Year Ended September 30, 2011**

|  | Water and<br>Sewer  | Natural Gas         | South Santa<br>Rosa Utility | Gulf Breeze<br>Financial<br>Services | Non-Major<br>Proprietary<br>Funds | Total                |
|--|---------------------|---------------------|-----------------------------|--------------------------------------|-----------------------------------|----------------------|
| <b>OPERATING REVENUES</b>  |                     |                     |                             |                                      |                                   |                      |
| Charges for services   | <u>\$ 1,889,323</u> | <u>\$ 1,893,196</u> | <u>\$ 4,876,402</u>         | <u>\$ 777,842</u>                    | <u>\$ 1,181,323</u>               | <u>\$ 10,618,086</u> |
| <b>OPERATING EXPENSES</b>  |                     |                     |                             |                                      |                                   |                      |
| Personal services  | 300,422             | 458,331             | 1,317,666                   | 113,506                              | 210,842                           | 2,400,767            |
| Contractual services   | 759,606             | 651,105             | 594,489                     | -                                    | 769,430                           | 2,774,630            |
| Supplies   | 38,349              | 104,901             | 207,432                     | -                                    | 4,798                             | 355,480              |
| Professional services  | 2,335               | 3,417               | 9,114                       | 66,046                               | -                                 | 80,912               |
| Repairs and maintenance  | 69,544              | 18,613              | 240,408                     | -                                    | 2,456                             | 331,021              |
| Office and utilities   | 67,157              | 76,863              | 412,765                     | 32,896                               | 2,692                             | 592,373              |
| Depreciation and amortization  | <u>206,352</u>      | <u>74,830</u>       | <u>1,496,184</u>            | <u>9,326</u>                         | <u>97,065</u>                     | <u>1,883,757</u>     |
| Total operating expenses   | <u>1,443,765</u>    | <u>1,388,060</u>    | <u>4,278,058</u>            | <u>221,774</u>                       | <u>1,087,283</u>                  | <u>8,418,940</u>     |
| <b>OPERATING INCOME</b>  | <u>445,558</u>      | <u>505,136</u>      | <u>598,344</u>              | <u>556,068</u>                       | <u>94,040</u>                     | <u>2,199,146</u>     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                               |                     |                     |                             |                                      |                                   |                      |
| Bond termination revenue   | -                   | -                   | -                           | 267,537                              | -                                 | 267,537              |
| Interest earnings  | -                   | -                   | 564                         | 18,703                               | -                                 | 19,267               |
| Rents and royalties  | -                   | -                   | 46,728                      | -                                    | -                                 | 46,728               |
| Gain from investment in limited liability company                      | -                   | -                   | -                           | 12,931                               | -                                 | 12,931               |
| Interest expense   | (80,021)            | (281)               | (458,002)                   | -                                    | (29,993)                          | (568,297)            |
| Other debt services costs  | -                   | -                   | (150,952)                   | -                                    | -                                 | (150,952)            |
| Contribution   | -                   | -                   | -                           | (500,000)                            | -                                 | (500,000)            |
| Income (loss) from joint venture                                       | 101,110             | -                   | 85,691                      | -                                    | -                                 | 186,801              |
| Miscellaneous  | <u>13,085</u>       | <u>7,554</u>        | <u>8,052</u>                | <u>588</u>                           | <u>-</u>                          | <u>29,279</u>        |
| Total non-operating revenues (expenses)                                | <u>34,174</u>       | <u>7,273</u>        | <u>(467,919)</u>            | <u>(200,241)</u>                     | <u>(29,993)</u>                   | <u>(656,706)</u>     |
| <b>INCOME BEFORE OPERATING TRANSFERS<br/>AND CAPITAL CONTRIBUTIONS</b> | <u>479,732</u>      | <u>512,409</u>      | <u>130,425</u>              | <u>355,827</u>                       | <u>64,047</u>                     | <u>1,542,440</u>     |
| <b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>                             |                     |                     |                             |                                      |                                   |                      |
| Transfers in   | -                   | -                   | 227,326                     | -                                    | -                                 | 227,326              |
| Transfers out  | (453,077)           | (201,679)           | (280,901)                   | (32,998)                             | (108,015)                         | (1,076,670)          |
| Developer capital contributions  | <u>10,406</u>       | <u>-</u>            | <u>309,563</u>              | <u>-</u>                             | <u>-</u>                          | <u>319,969</u>       |
| Total transfers and capital contributions                              | <u>(442,671)</u>    | <u>(201,679)</u>    | <u>255,988</u>              | <u>(32,998)</u>                      | <u>(108,015)</u>                  | <u>(529,375)</u>     |
| <b>CHANGE IN NET ASSETS</b>  | 37,061              | 310,730             | 386,413                     | 322,829                              | (43,968)                          | 1,013,065            |
| <b>NET ASSETS - BEGINNING OF YEAR</b>                                  | <u>2,635,343</u>    | <u>1,277,900</u>    | <u>12,351,310</u>           | <u>9,734,109</u>                     | <u>768,258</u>                    | <u>26,766,920</u>    |
| <b>NET ASSETS - END OF YEAR</b>  | <u>\$ 2,672,404</u> | <u>\$ 1,588,630</u> | <u>\$ 12,737,723</u>        | <u>\$10,056,938</u>                  | <u>\$ 724,290</u>                 | <u>\$ 27,779,985</u> |

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2011**

|   | Water and<br>Sewer | Natural Gas       | South Santa<br>Rosa Utility | Gulf Breeze<br>Financial<br>Services | Non-Major<br>Proprietary<br>Funds | Total               |
|---|--------------------|-------------------|-----------------------------|--------------------------------------|-----------------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |                    |                   |                             |                                      |                                   |                     |
| Receipts from customers and users                                     | \$ 1,915,439       | \$ 1,900,068      | \$ 4,825,190                | \$ 766,431                           | \$ 1,176,846                      | \$ 10,583,974       |
| Payments to primary government  | -                  | -                 | -                           | (505,882)                            | -                                 | (505,882)           |
| Payments to component units   | -                  | -                 | -                           | 5,141                                | -                                 | 5,141               |
| Payments to suppliers   | (961,702)          | (843,723)         | (1,438,480)                 | (71,957)                             | (773,864)                         | (4,089,726)         |
| Payments to employees   | (304,015)          | (458,783)         | (1,307,917)                 | (113,506)                            | (210,813)                         | (2,395,034)         |
| Net cash provided by operating activities                             | <u>649,722</u>     | <u>597,562</u>    | <u>2,078,793</u>            | <u>80,227</u>                        | <u>192,169</u>                    | <u>3,598,473</u>    |
| <b>CASH FLOWS FROM NON - CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                    |                   |                             |                                      |                                   |                     |
| Repayments between funds  | -                  | (100,225)         | (650,000)                   | -                                    | (15,000)                          | (765,225)           |
| Contributions   | -                  | -                 | -                           | (500,000)                            | -                                 | (500,000)           |
| Transfers in  | -                  | -                 | 227,326                     | -                                    | -                                 | 227,326             |
| Transfers out   | (453,077)          | (201,679)         | (280,901)                   | (32,998)                             | (108,016)                         | (1,076,671)         |
| Net cash used by non-capital financing activities                     | <u>(453,077)</u>   | <u>(301,904)</u>  | <u>(703,575)</u>            | <u>(532,998)</u>                     | <u>(123,016)</u>                  | <u>(2,114,570)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>       |                    |                   |                             |                                      |                                   |                     |
| Acquisition and construction of capital assets                        | (112,762)          | (76,051)          | (70,904)                    | -                                    | (10,250)                          | (269,967)           |
| Principal paid on bonds payable                                       | (22,200)           | -                 | (395,982)                   | -                                    | -                                 | (418,182)           |
| Proceeds from state revolving loan                                    | -                  | -                 | 676,175                     | -                                    | -                                 | 676,175             |
| Principal paid on notes payable and capital lease payable             | (8,374)            | (31,749)          | (348,585)                   | -                                    | -                                 | (388,708)           |
| Interest paid on long-term debt                                       | (80,021)           | (281)             | (618,667)                   | -                                    | (29,993)                          | (728,962)           |
| Tap fees  | 10,406             | -                 | 309,563                     | -                                    | -                                 | 319,969             |
| Net cash used by capital and related financing activities             | <u>(212,951)</u>   | <u>(108,081)</u>  | <u>(448,400)</u>            | <u>-</u>                             | <u>(40,243)</u>                   | <u>(809,675)</u>    |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |                    |                   |                             |                                      |                                   |                     |
| Purchase of investments   | -                  | -                 | -                           | (4,980,545)                          | -                                 | (4,980,545)         |
| Proceeds from sale of investments                                     | -                  | -                 | -                           | 4,493,075                            | -                                 | 4,493,075           |
| Proceeds from note receivable   | -                  | -                 | -                           | 733,525                              | -                                 | 733,525             |
| Rents and royalties   | -                  | -                 | 46,728                      | -                                    | -                                 | 46,728              |
| Proceeds from bond termination  | -                  | -                 | -                           | 267,537                              | -                                 | 267,537             |
| Interest income   | -                  | -                 | 566                         | 1,997                                | -                                 | 2,563               |
| Net cash provided by investing activities                             | <u>-</u>           | <u>-</u>          | <u>47,294</u>               | <u>515,589</u>                       | <u>-</u>                          | <u>562,883</u>      |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>           |                    |                   |                             |                                      |                                   |                     |
|   | (16,306)           | 187,577           | 974,112                     | 62,818                               | 28,910                            | 1,237,111           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                 |                    |                   |                             |                                      |                                   |                     |
|   | <u>940,026</u>     | <u>584,727</u>    | <u>1,347,296</u>            | <u>1,523,462</u>                     | <u>22,480</u>                     | <u>4,417,991</u>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                       |                    |                   |                             |                                      |                                   |                     |
|   | <u>\$ 923,720</u>  | <u>\$ 772,304</u> | <u>\$ 2,321,408</u>         | <u>\$ 1,586,280</u>                  | <u>\$ 51,390</u>                  | <u>\$ 5,655,102</u> |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>            |                    |                   |                             |                                      |                                   |                     |
| Current assets  | \$ 690,958         | \$ 561,721        | \$ 957,946                  | \$ 1,586,280                         | \$ 41,445                         | \$ 3,838,350        |
| Restricted assets   | 232,762            | 210,583           | 1,363,462                   | -                                    | 9,945                             | 1,816,752           |
|   | <u>\$ 923,720</u>  | <u>\$ 772,304</u> | <u>\$ 2,321,408</u>         | <u>\$ 1,586,280</u>                  | <u>\$ 51,390</u>                  | <u>\$ 5,655,102</u> |

Continued...

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

**City of Gulf Breeze, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2011**

|  | <u>Water and<br/>Sewer</u> | <u>Natural Gas</u> | <u>South Santa<br/>Rosa Utility</u> | <u>Gulf Breeze<br/>Financial<br/>Services</u> | <u>Non-Major<br/>Proprietary<br/>Funds</u> | <u>Total</u>        |
|--|----------------------------|--------------------|-------------------------------------|---|--|---------------------|
| <b>RECONCILIATION OF OPERATING INCOME TO NET<br/>CASH PROVIDED BY OPERATING ACTIVITIES</b> |                            |                    |                                     |   |  |                     |
| Operating income   | \$ 445,558                 | \$ 505,136         | \$ 598,344                          | \$ 556,068                                    | \$ 94,040                                  | \$ 2,199,146        |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities  |                            |                    |                                     |   |  |                     |
| Depreciation and amortization  | 206,352                    | 74,830             | 1,496,184                           | 9,326   | 97,065                                     | 1,883,757           |
| Miscellaneous income   | 13,085                     | 7,554              | 8,052                               | -   | -  | 28,691              |
| (Increase) decrease in assets  |                            |                    |                                     |   |  |                     |
| Receivables  | 10,017                     | (7,739)            | (66,580)                            | -   | (4,651)                                    | (68,953)            |
| Inventory, at cost   | (26,190)                   | 11,642             | (18,013)                            | -   | -  | (32,561)            |
| Due from other component units   | -                          | -                  | -                                   | 5,141   | -  | 5,141               |
| Increase (decrease) in liabilities   |                            |                    |                                     |   |  |                     |
| Accounts payable   | 1,478                      | (464)              | 53,448                              | 15,574  | 5,512                                      | 75,548              |
| Accrued interest   | -                          | -                  | (9,713)                             | -   | -  | (9,713)             |
| Accrued liabilities  | 512                        | 212                | 6,091                               | -   | 28   | 6,843               |
| Due to primary government  | -                          | -                  | -                                   | (505,882)                                     | -  | (505,882)           |
| Customer deposits  | 3,014                      | 6,845              | 7,322                               | -   | 175  | 17,356              |
| Compensated absences payable   | (4,104)                    | (454)              | 3,658                               | -   | -  | (900)               |
| Net cash provided by operating activities  | <u>\$ 649,722</u>          | <u>\$ 597,562</u>  | <u>\$ 2,078,793</u>                 | <u>\$ 80,227</u>                              | <u>\$ 192,169</u>                          | <u>\$ 3,598,473</u> |

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

**City of Gulf Breeze, Florida**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**September 30, 2011**

|   | Police Officers'<br>Retirement<br>Fund | Agency Funds   |
|---|--|----------------|
| <b>ASSETS</b>   |  |                |
| Cash and cash equivalents                             | \$ -                                   | \$ 207,093     |
| Investment in mutual funds, at market                 | <u>2,155,712</u>                       | <u>-</u>       |
| <b>TOTAL ASSETS</b>                                   | <u>2,155,712</u>                       | <u>207,093</u> |
| <b>LIABILITIES</b>                                    |  |                |
| Due to others   | <u>-</u>                               | <u>207,093</u> |
| Total liabilities                                     | <u>-</u>                               | <u>207,093</u> |
| <b>NET ASSETS</b>                                     |  |                |
| Held in trust for pension benefits and other purposes | <u>\$ 2,155,712</u>                    | <u>\$ -</u>    |

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

**City of Gulf Breeze, Florida**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended September 30, 2011**

|   | <u>Police Officers'<br/>Retirement<br/>Fund</u> |
|---|---|
| ADDITIONS                                     |   |
| Contributions                                 |   |
| Employer                                      | \$ 92,478                                       |
| Plan members                                  | 5,706   |
| State of Florida                              | <u>58,284</u>                                   |
| Total contributions                           | <u>156,468</u>                                  |
| Investment income                             | 16,661  |
| Less investment expense                       | <u>(5,323)</u>                                  |
| Net investment income                         | <u>11,338</u>                                   |
| Total additions                               | <u>167,806</u>                                  |
| DEDUCTIONS                                    |   |
| Administrative expenses                       | <u>6,284</u>                                    |
| NET INCREASE                                  | 161,522   |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS |   |
| BEGINNING OF YEAR                             | <u>1,994,190</u>                                |
| END OF YEAR                                   | <u>\$ 2,155,712</u>                             |

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. The Reporting Entity**

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

A. The Reporting Entity (Continued)

As of September 30, 2011, 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. and Subsidiary.

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

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

Capital Trust Agency, Inc. (CTA) was established by the City on May 19, 1999, with Resolution 14-99 and incorporated on June 30, 1999, with the directors appointed by the City Council. CTA was formed for the purposes of assisting in the financing, acquisition, construction, development, equipping, maintenance, operation, and/or promotion of certain facilities, intangibles, and capital projects. The City exclusively benefits from the activity of CTA and received \$550,000 in miscellaneous revenues during the fiscal year ending September 30, 2011. In 2007, CTA and GBFS formed Capital Trust Agency Community Development Entity, LLC (CTA-CDE) to attract tax credit fund incentives into financing projects to help renew Florida's distressed neighborhoods. CTA holds a 99% ownership interest in CTA-CDE and is the managing member. Accordingly, CTA presents its financial information consolidated with that of CTA-CDE (Subsidiary). CTA and Subsidiary is reported as a discretely presented enterprise fund. CTA and Subsidiary issues separate financial statements which may be obtained by writing to Capital Trust Agency, Inc., 315 Fairpoint Drive, Gulf Breeze, FL 32561 or calling (850) 934-4046.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

A. The Reporting Entity (Continued)

Conduit Debt

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

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

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

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on charges and fees for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Some centralized expenses, to include an administrative overhead component, are included in fund direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus and Basis of Accounting

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for certain grant revenues which are recognized as revenues in the same period in which the grant expenditures occurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The following is the current property tax calendar:

|                 |                  |
|-----------------|------------------|
| Lien Date       | January 1, 2011  |
| Levy Date       | November 1, 2011 |
| Due Date        | November 1, 2011 |
| Delinquent Date | April 1, 2012    |

Discounts of 1% for each month taxes are paid prior to March 2012 are granted.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

C. Measurement Focus and Basis of Accounting (Continued)

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2011 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

D. Basis of Presentation

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

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

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

D. Basis of Presentation (Continued)

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

**Governmental**

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

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

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

**Proprietary**

Proprietary funds focus on the determination of net income, changes in net 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.

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

D. Basis of Presentation (Continued)

**Fiduciary**

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

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

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

E. Assets, Liabilities, and Net 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, 2011**

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

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

**Deposits and Investments**

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

**Deposits and Investments** (Continued)

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

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

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

**Receivables and Payables**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

**Receivables and Payables (Continued)**

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

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

**Inventory**

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

**Restricted Assets**

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

**Capital Assets**

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

**Capital Assets (Continued)**

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

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

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

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

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

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

**Compensated Absences**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

**Long-Term Obligations**

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

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

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

**Fund Equity**

In the fund financial statements, governmental funds report restrictions or commitments of fund balances for amounts that are not available for appropriation, non-spendable, or are restricted by outside parties for use for a specific purpose. Assignments of fund balances represent tentative management plans that are subject to change, or encumbered expenses.

F. Estimates

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2011 and March 27, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

H. New Accounting Pronouncement

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This GASB Statement clarifies governmental fund balance classifications and fund-type definitions and requires fund balances to be reported as either spendable or non-spendable. Amounts classified as spendable must further be classified as restricted, committed, assigned, or unassigned depending upon the nature of external or internal constraints in how the resources may be spent. See Note 10 for more information.

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

A. Budgets

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

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

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

A. Budgets (Continued)

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

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

B. Encumbrances

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

In 2011, the City of Gulf Breeze adopted a formal investment policy to address various deposit and investment risks to include custodial credit risk, concentration risk, and interest rate risk.

**Deposits**

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

The City's deposits, including certificates of deposits, at September 30, 2011, were entirely covered by Federal depository insurance or the collateral pool described above.

**Investments**

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

The City invests in the Local Government Surplus Funds Trust Fund Investment Pool (LGSFTF), administered by the Florida State Board of Administration and the Florida Municipal Investment Trust (FMIT) for certain proprietary funds and for the Police Pension Fund Florida Municipal Pension Trust Fund (FMPTF). Both the FMIT and FMPTF are administered by the Florida League of Cities. In accordance with the regulations of "2a-7-like" pools, the method used to determine the participants' shares sold and redeemed is the amortized cost method. As of September 30, 2011, the LGSFTF portfolio's weighted average days to maturity was 38. The LGSFTF was rated AAAM by Standard and Poors.

As of September 30, 2011, the proprietary funds were invested in: FMIT's 1-3 Year High Quality Bond Fund; mutual funds; commercial paper; and municipal bonds. The FMIT's 1-3 Year High Quality Bond Fund has a Fitch credit risk rating of AAA/V2 and an interest rate risk using the WAM of 1.64 with an effective duration of 1.57. The remaining investments held by the proprietary funds are rated in the highest categories of the S&P, Moody's, and Fitch, thereby complying with the custody agreement and the investment policy of the City, as well as with FL Statutes under the exemption 280.03(f) as deposits made in accordance with 17.57(g). The fair market value of the proprietary fund's investments, estimated using Level 1 inputs, was \$8,432,677 as of September 30, 2011.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

***Investments (Continued)***

As of September 30, 2011, the FMPTF funds were invested in the FMIT's 1-3 Year High Quality Bond Fund. The Fitch credit risk rating for this investment is AAA/V2 and the interest rate risk using the WAM was 1.64 with an effective duration of 1.57.

At September 30, 2011, the City's LGSFTF and FMIT balances, including all component units, were \$9,838 and \$62,780 respectively.

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

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2011, were as follows:

|           | Governmental<br>Activities | Business-Type Activities |                   |                             | Non-Major<br>Proprietary<br>Fund | Total<br>Primary<br>Government |
|-----------|----------------------------|--------------------------|-------------------|-----------------------------|----------------------------------|--------------------------------|
|           | General                    | Water and<br>Sewer       | Natural Gas       | South Santa<br>Rosa Utility |                                  |                                |
| Accounts  | \$ 12,845                  | \$ -                     | \$ -              | \$ -                        | \$ -                             | \$ 12,845                      |
| Utilities | 12,249                     | 284,896                  | 114,812           | 307,675                     | 101,828                          | 821,460                        |
| Other     | 461,943                    | 982                      | 3,336             | 2,231                       | -                                | 468,492                        |
| Total     | <u>\$ 487,037</u>          | <u>\$ 285,878</u>        | <u>\$ 118,148</u> | <u>\$ 309,906</u>           | <u>\$ 101,828</u>                | <u>\$ 1,302,797</u>            |

The City's due from other governments for governmental activities was \$2,416,528 as of September 30, 2011, which consisted of amounts due from the State of Florida. The majority of which was for reimbursement of costs associated with the Alternative Projects grant approved by FEMA.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011, was as follows:

**Primary Government**

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>      | <u>Decreases/<br/>Transfers</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|---------------------------------|-----------------------|
| <b>Governmental Activities</b>              |                              |                       |                                 |                       |
| Capital assets not being depreciated        |                              |                       |                                 |                       |
| Land  | \$ 1,403,909                 | \$ -                  | \$ -                            | \$ 1,403,909          |
| Construction in progress                    | <u>718,276</u>               | <u>2,101,429</u>      | <u>(500,043)</u>                | <u>2,319,662</u>      |
| Total capital assets not being depreciated  | <u>2,122,185</u>             | <u>2,101,429</u>      | <u>(500,043)</u>                | <u>3,723,571</u>      |
| Capital assets being depreciated            |                              |                       |                                 |                       |
| Buildings                                   | 4,232,810                    | -                     | -                               | 4,232,810             |
| Improvements other than buildings           | 12,939,759                   | 12,975                | 408,120                         | 13,360,854            |
| Infrastructure                              | 180,777                      | -                     | -                               | 180,777               |
| Machinery and equipment                     | <u>4,696,451</u>             | <u>183,306</u>        | <u>(36,715)</u>                 | <u>4,843,042</u>      |
| Total capital assets being depreciated      | <u>22,049,797</u>            | <u>196,281</u>        | <u>371,405</u>                  | <u>22,617,483</u>     |
| Less accumulated depreciation               |                              |                       |                                 |                       |
| Buildings                                   | (1,360,726)                  | (108,862)             | -                               | (1,469,588)           |
| Improvements other than buildings           | (6,591,162)                  | (721,393)             | -                               | (7,312,555)           |
| Infrastructure                              | (71,967)                     | (2,646)               | -                               | (74,613)              |
| Machinery and equipment                     | <u>(3,922,343)</u>           | <u>(221,510)</u>      | <u>36,715</u>                   | <u>(4,107,138)</u>    |
| Total accumulated depreciation              | <u>(11,946,198)</u>          | <u>(1,054,411)</u>    | <u>36,715</u>                   | <u>(12,963,894)</u>   |
| Total capital assets being depreciated, net | <u>10,103,599</u>            | <u>(858,130)</u>      | <u>408,120</u>                  | <u>9,653,589</u>      |
| <b>Governmental activities, net</b>         | <u>\$ 12,225,784</u>         | <u>\$ 1,243,299</u>   | <u>\$ (91,923)</u>              | <u>\$ 13,377,160</u>  |
| <b>Business-Type Activities</b>             |                              |                       |                                 |                       |
| Capital assets not being depreciated        |                              |                       |                                 |                       |
| Land  | \$ 2,663,827                 | \$ -                  | \$ -                            | \$ 2,663,827          |
| Construction in progress                    | <u>100,225</u>               | <u>96,905</u>         | <u>-</u>                        | <u>197,130</u>        |
| Total capital assets not being depreciated  | <u>2,764,052</u>             | <u>96,905</u>         | <u>-</u>                        | <u>2,860,957</u>      |
| Capital assets being depreciated            |                              |                       |                                 |                       |
| Buildings                                   | 414,021                      | -                     | -                               | 414,021               |
| Improvements other than buildings           | 517,742                      | -                     | -                               | 517,742               |
| Infrastructure                              | 42,168,688                   | 162,265               | -                               | 42,330,953            |
| Machinery and equipment                     | <u>3,527,729</u>             | <u>10,795</u>         | <u>(14,000)</u>                 | <u>3,524,524</u>      |
| Total capital assets being depreciated      | <u>46,628,180</u>            | <u>173,060</u>        | <u>(14,000)</u>                 | <u>46,787,240</u>     |
| Less accumulated depreciation               |                              |                       |                                 |                       |
| Buildings                                   | (112,004)                    | (16,880)              | -                               | (128,884)             |
| Improvements other than buildings           | (104,392)                    | (21,887)              | -                               | (126,279)             |
| Infrastructure                              | (21,024,119)                 | (1,617,684)           | -                               | (22,641,803)          |
| Machinery and equipment                     | <u>(2,685,563)</u>           | <u>(227,307)</u>      | <u>14,000</u>                   | <u>(2,898,870)</u>    |
| Total accumulated depreciation              | <u>(23,926,078)</u>          | <u>(1,883,758)</u>    | <u>14,000</u>                   | <u>(25,795,836)</u>   |
| Total capital assets being depreciated, net | <u>22,702,102</u>            | <u>(1,710,698)</u>    | <u>-</u>                        | <u>20,991,404</u>     |
| <b>Business-type activities, net</b>        | <u>\$ 25,466,154</u>         | <u>\$ (1,613,793)</u> | <u>\$ -</u>                     | <u>\$ 23,852,361</u>  |

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

|   |                     |
|---|---------------------|
| <b>Governmental Activities</b>                        |                     |
| General government                                    | \$ 42,140           |
| Public safety   | 220,441             |
| Transportation  | 182,847             |
| Economic environment                                  | 312,344             |
| Culture and recreation                                | 296,639             |
| Total depreciation expense - governmental activities  | <u>\$ 1,054,411</u> |
| <br>  |                     |
| <b>Business-Type Activities</b>                       |                     |
| Water and sewer                                       | \$ 206,352          |
| Natural gas   | 74,830              |
| South Santa Rosa Utility                              | 1,496,184           |
| Stormwater management                                 | 91,884              |
| Gulf Breeze Financial Services                        | 9,326               |
| Other proprietary funds                               | 5,181               |
| Total depreciation expense - business-type activities | <u>\$ 1,883,757</u> |

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

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

**A. Plan Description**

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

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

*Florida Retirement System - General Employees (Continued)*

**B. Contribution and Funding Policy**

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

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

Effective July 1, 2011, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 15.99% for police officer and firefighter (special risk) employees, 6.80% for regular employees, and 3.31% for the Deferred Retirement Option Program (DROP).

The City's contributions to the plan for fiscal years ended September 30, 2011, 2010, and 2009, listed below, were equal to the required contributions for the year.

|                        | Years Ended September 30, |            |            |
|------------------------|---------------------------|------------|------------|
|                        | 2011                      | 2010       | 2009       |
| General employees      | \$ 39,347                 | \$ 43,421  | \$ 50,946  |
| Special risk employees | 57,049                    | 63,079     | 60,450     |
| Total contributions    | \$ 96,396                 | \$ 106,500 | \$ 111,396 |

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

*Florida League of Cities - Police Officers*

A. Plan Description

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

B. Contributions, Funding Policy, and Annual Pension Costs

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

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

The City's contributions to the Police Pension Plan for the years ended September 30, 2011, 2010, and 2009, listed below were equal to the required contributions for the year.

|  | Years Ended September 30, |           |           |
|--|---------------------------|-----------|-----------|
|  | 2011                      | 2010      | 2009      |
| City Police Pension Plan contributions | \$ 92,478                 | \$ 93,148 | \$ 93,419 |

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

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

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

|   | Police Officer<br>Retirement Fund |
|---|-----------------------------------|
| Contribution rates<br>(percentage of covered payroll) |                                   |
| City  | 36.2 %                            |
| Plan members  | 1.0 %                             |
| Annual pension cost                                   | \$ 168,672                        |
| Contributions made                                    |                                   |
| Plan members  | \$ 5,706                          |
| Employer  | \$ 92,478                         |
| State of Florida                                      | \$ 58,284                         |
| Net pension obligation (asset)                        | \$ -                              |
| Actuarial valuation date                              | 10/1/2010                         |
| Actuarial cost method (1)                             | Aggregate                         |
| Amortization method                                   | Level dollar, open                |
| Remaining amortization period                         | 30 Years                          |
| Asset valuation method                                | Market value                      |
| Actuarial assumptions                                 |                                   |
| Invested rate of return                               | 7.5 %                             |
| Projected salary increases*                           | 5.31 %                            |
| *Includes inflation at                                | 3.8 %                             |
| Cost of living adjustments                            | 3% (starting at age 58)           |

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

|                          | (1)                       | (2)                             | (3)               | (4)          | (5)             | (6)                            |
|--------------------------|---------------------------|---------------------------------|-------------------|--------------|-----------------|--------------------------------|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability AAL | Unfunded AAL UAAL | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|                          |                           |                                 | (2) - (1)         | (1) / (2)    |                 | (3) / (5)                      |
| 10/1/2010                | \$ 1,821,794              | \$ 2,445,151                    | \$ 623,357        | 75           | \$ 514,615      | 121                            |

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

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

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

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

|      | <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage Contributed</u> | <u>Net Pension Obligation (Asset)</u> |
|------|--------------------|----------------------------------|-------------------------------|---------------------------------------|
| FMPT | 9/30/2011          | \$ 156,468                       | 100 %                         | \$ -                                  |
|      | 9/30/2010          | \$ 168,672                       | 100 %                         | \$ -                                  |
|      | 9/30/2009          | \$ 159,513                       | 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, 2011:

|   |           |
|---|-----------|
| Retirees and beneficiaries receiving benefits | 0         |
| Active plan members                           | 13        |
| 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, 2011**

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**NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN**

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

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

The City's contributions to the plan for the years ended September 30, 2011, September 30, 2010, and September 30, 2009, listed below were equal to the required contributions for the year.

|                   | Years Ended September 30, |            |            |
|-------------------|---------------------------|------------|------------|
|                   | 9/30/2011                 | 9/30/2010  | 9/30/2009  |
| General employees | \$ 126,773                | \$ 131,836 | \$ 122,968 |

**NOTE 8 - DEFERRED COMPENSATION PLAN**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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**NOTE 8 - DEFERRED COMPENSATION PLAN (CONTINUED)**

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

Assets of the plan had a fair value of \$858,912 at September 30, 2011. Contributions made by plan members during the year ended September 30, 2011, were \$40,935.

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

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

**NOTE 10 - GOVERNMENTAL FUND BALANCES**

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

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. Non-spendable balances at year end consisted of \$6,074 for inventory.

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

Restricted fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2011, the City had restricted fund balances in its Urban Core Redevelopment Fund totaling \$970,508, and the Police Special Revenue Fund totaling \$24,155.

Committed fund balances can only be used for specific purposes imposed internally by the City's formal action of highest level of decision making authority. As of September 30, 2011, the City's General Fund had \$360,177 of committed fund balance consisting of \$250,000 for insurance, \$94,259 for beautification, \$15,481 for park subdivision, and \$437 for community funds.

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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**NOTE 10 - GOVERNMENTAL FUND BALANCES (CONTINUED)**

Assigned fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. As of September 30, 2011, the City had assigned fund balances in the General Fund consisting of \$100,000 for disaster recovery, \$15,993 for the police and fire department; and in the Traffic Citation Fund totaling \$384,162.

Unassigned fund balances represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. As of September 30, 2011, the City had \$4,927,685 in unassigned fund balances.

**NOTE 11 - RISK MANAGEMENT**

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

The City remained self-insured for worker's compensation and for its dental and vision employee reimbursement program during the year ending September 30, 2011. These activities are recorded in the General Fund. Changes in the estimated liability for self-insured losses for the past two years are as follows:

|  | 2011      | 2010     |
|--|-----------|----------|
| Unpaid claims, beginning                 | \$ -      | \$ -     |
| Claims incurred and changes in estimates | 137,231   | 62,043   |
| Less: claims paid                        | (137,231) | (62,043) |
| Unpaid claims, ending                    | \$ -      | \$ -     |

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

**NOTE 12 - OPERATING LEASES**

The City receives rental income from leasing space on water towers under cancelable operating agreements with lease periods from four to five years, with the final year being 2016. Income for the year ended September 30, 2011, was \$56,448 in the General Fund and \$46,728 in the South Santa Rosa Utility Fund. Capital assets associated with these leases are recorded at a historical cost of \$2,558,157 with accumulated depreciation of \$2,470,822, resulting in a net historical cost of \$87,335 at September 30, 2011.

Lease income under these cancelable agreements is as follows:

| Year Ending September 30, | Governmental<br>Activities | Business-Type<br>Activities South<br>Santa Rosa<br>Utility |
|---------------------------|----------------------------|--|
| 2012                      | \$ 56,448                  | \$ 35,064  |
| 2013                      | 25,200                     | -  |
| 2014                      | 25,200                     | -  |
| 2015                      | 25,200                     | -  |
| 2016                      | 25,200                     | -  |
| Total future lease income | <u>\$ 157,248</u>          | <u>\$ 35,064</u>   |

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

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

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

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental Activities</b>   |                              |                   |                     |                           |                                |
| Revenue Improvement Bonds,<br>Series 2007                              | \$ 8,685,600                 | \$ -              | \$ (162,800)        | \$ 8,522,800              | \$ 171,600                     |
| Less deferred amounts  |                              |                   |                     |                           |                                |
| For issuance discount  | (42,656)                     | 1,590             | -                   | (41,066)                  | -                              |
| Compensated absences   | 233,006                      | 157,836           | (164,758)           | 226,084                   | 197,121                        |
| Other contractual obligations  | <u>158,413</u>               | <u>-</u>          | <u>(158,413)</u>    | <u>-</u>                  | <u>-</u>                       |
| Total governmental activities, long<br>term debt and other liabilities | <u>\$ 9,034,363</u>          | <u>\$ 159,426</u> | <u>\$ (485,971)</u> | <u>\$ 8,707,818</u>       | <u>\$ 368,721</u>              |

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| <b>Business-Type Activities</b>   |                              |                   |                     |                           |                                |
| SSRUS Refunding Revenue Bonds,<br>Series 2004                           | \$ 7,005,000                 | \$ -              | \$ (555,000)        | \$ 6,450,000              | \$ 580,000                     |
| Less deferred amounts   |                              |                   |                     |                           |                                |
| For issuance premium  | 238,371                      | -                 | (23,837)            | 214,534                   | -                              |
| For loss on refunding   | (1,549,556)                  | -                 | 154,956             | (1,394,600)               | -                              |
| Revenue Improvement Bonds,<br>Series 2007                               | 1,184,400                    | -                 | (22,200)            | 1,162,200                 | 23,400                         |
| SSRU Refunding Revenue Note,<br>2009A                                   | 242,430                      | -                 | (242,430)           | -                         | -                              |
| SSRU Refunding Revenue Note,<br>2009B                                   | 4,251,071                    | -                 | (146,278)           | 4,104,793                 | 154,006                        |
| State revolving loan  | 270,470                      | 676,175           | -                   | 946,645                   | -                              |
| Compensated absences  | <u>155,695</u>               | <u>147,904</u>    | <u>(148,804)</u>    | <u>154,795</u>            | <u>134,220</u>                 |
| Total business-type activities, long<br>term debt and other liabilities | <u>\$ 11,797,881</u>         | <u>\$ 824,079</u> | <u>\$ (983,593)</u> | <u>\$ 11,638,367</u>      | <u>\$ 891,626</u>              |

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

|   | <u>Current</u>    | <u>Long-Term</u>    | <u>Total</u>        |
|---|-------------------|---------------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>  |                   |                     |                     |
| <b><i>Revenue Bonds</i></b>   |                   |                     |                     |
| \$10,225,000, City of Gulf Breeze, Florida, Revenue Improvement Bonds, Series 2007; \$8,998,000 allocated to the General Fund; due in annual installments of \$175,000 to \$610,000 through 2038; interest payable at 4.0% to 5.0%. Secured by pledged non-ad valorem revenues of the City. Proceeds used to refund various City loans and to finance certain capital improvements. | \$ 171,600        | \$ 8,351,200        | \$ 8,522,800        |
| Less unamortized bond discount  | <u>-</u>          | <u>(41,066)</u>     | <u>(41,066)</u>     |
| <b><i>Total Bonds</i></b>   | <u>171,600</u>    | <u>8,310,134</u>    | <u>8,481,734</u>    |
| <b><i>Accrued Compensated Absence</i></b>   |                   |                     |                     |
| Total accumulated, vested annual and sick leave for governmental fund types.  | 197,121           | 28,963              | 226,084             |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>  | <u>\$ 368,721</u> | <u>\$ 8,339,097</u> | <u>\$ 8,707,818</u> |

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

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

|  | Current           | Long-Term            | Total                |
|--|-------------------|----------------------|----------------------|
| <b>BUSINESS-TYPE ACTIVITIES</b>  |                   |                      |                      |
| <b><i>Revenue Bonds</i></b>  |                   |                      |                      |
| \$9,460,000, 2004 City of Gulf Breeze, Florida, South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004, due in annual installments of \$370,000 to \$815,000 through 2021; interest rate at 2.5% to 5.5%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund all of the City's Series 1994 South Santa Rosa Utility System Revenue Bonds.                                      | \$ 580,000        | \$ 5,870,000         | \$ 6,450,000         |
| Add unamortized bond premium   | -                 | 214,534              | 214,534              |
| Less unamortized bond discount   | -                 | (1,394,600)          | (1,394,600)          |
|  | 580,000           | 4,689,934            | 5,269,934            |
| \$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.                                  | 23,400            | 1,138,800            | 1,162,200            |
| <b><i>Total bonds</i></b>  | <b>603,400</b>    | <b>5,828,734</b>     | <b>6,432,134</b>     |
| <b><i>Notes Payable</i></b>  |                   |                      |                      |
| \$4,434,755, Santa Rosa Utility System Refunding Revenue Note, Series 2009B, due in monthly installments ranging from \$11,186 to six final payments of \$414,146 each through 2020; effective rate of interest as of September 30, 2010, was 4.70%. Non-ad valorem revenues are pledged for payment. Proceeds used for the payment of the 1996 variable rate loan from the 1995A Gulf Breeze Local Government Loan Program. | 154,006           | 3,950,787            | 4,104,793            |
| <b><i>State Revolving Loan</i></b>   |                   |                      |                      |
| State revolving loan payable \$946,645 drawn of \$1,352,350 available, due in semi-annual payments of \$48,311, beginning March 15, 2013, bearing an interest rate of 3.05%.   | -                 | 946,645              | 946,645              |
| <b><i>Accrued Compensated Absences</i></b>   |                   |                      |                      |
| Accumulated, vested annual accrued compensation for enterprise funds.  | 134,220           | 20,575               | 154,795              |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>  | <b>\$ 891,626</b> | <b>\$ 10,746,741</b> | <b>\$ 11,638,367</b> |
| <b>GRAND TOTAL LONG-TERM DEBT AND OTHER ACCRUED LIABILITIES</b>  |                   |                      | <b>\$ 20,346,185</b> |

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except compensated absences and other contractual obligations as of September 30, 2011, are as follows:

**Governmental Activities**

| <u>Year Ending September 30</u> | <u>Revenue Bonds</u> |                     |
|---------------------------------|----------------------|---------------------|
|                                 | <u>Principal</u>     | <u>Interest</u>     |
| 2012                            | \$ 171,600           | \$ 390,041          |
| 2013                            | 176,000              | 383,089             |
| 2014                            | 184,800              | 375,873             |
| 2015                            | 193,600              | 368,305             |
| 2016                            | 202,400              | 360,385             |
| 2017-2021                       | 1,130,800            | 1,667,459           |
| 2022-2026                       | 1,403,600            | 1,389,310           |
| 2027-2031                       | 1,764,400            | 1,019,527           |
| 2032-2036                       | 2,244,000            | 528,787             |
| 2037-2041                       | 1,051,600            | 37,724              |
| Total                           | <u>\$ 8,522,800</u>  | <u>\$ 6,520,500</u> |

**Business-Type Activities**

| Year<br>Ending<br>September<br>30 | <u>2004 Revenue<br/>Improvement Bond</u> |                    | <u>2007 Revenue<br/>Improvement Bond</u> |                   | <u>2009B<br/>Revenue Note</u> |                    | <u>State Revolving Loan</u> |                  |
|-----------------------------------|--|--------------------|--|-------------------|-------------------------------|--------------------|-----------------------------|------------------|
|                                   | <u>Principal</u>                         | <u>Interest</u>    | <u>Principal</u>                         | <u>Interest</u>   | <u>Principal</u>              | <u>Interest</u>    | <u>Principal</u>            | <u>Interest</u>  |
| 2012                              | \$ 580,000                               | \$ 276,202         | \$ 23,400                                | \$ 53,187         | \$ 154,006                    | \$ 139,202         | \$ -                        | \$ -             |
| 2013                              | 595,000                                  | 267,544            | 24,000                                   | 52,239            | 162,146                       | 133,761            | 23,625                      | 66,261           |
| 2014                              | 620,000                                  | 235,475            | 25,200                                   | 51,255            | 170,718                       | 128,033            | 68,814                      | 27,808           |
| 2015                              | 645,000                                  | 211,787            | 26,400                                   | 50,223            | 179,747                       | 122,002            | 70,943                      | 25,679           |
| 2016                              | 660,000                                  | 184,000            | 27,600                                   | 49,143            | 189,256                       | 115,651            | 73,137                      | 23,485           |
| 2017-2021                         | 3,350,000                                | 384,500            | 154,200                                  | 227,381           | 3,248,920                     | 381,960            | 401,050                     | 82,060           |
| 2022-2026                         | -  | -                  | 191,400                                  | 189,451           | -                             | -                  | 309,076                     | 18,798           |
| 2027-2031                         | -  | -                  | 240,600                                  | 139,026           | -                             | -                  | -                           | -                |
| 2032-2036                         | -  | -                  | 306,000                                  | 72,107            | -                             | -                  | -                           | -                |
| 2037-2041                         | -  | -                  | 143,400                                  | 5,144             | -                             | -                  | -                           | -                |
| Total                             | <u>\$6,450,000</u>                       | <u>\$1,559,508</u> | <u>\$1,162,200</u>                       | <u>\$ 889,156</u> | <u>\$ 4,104,793</u>           | <u>\$1,020,609</u> | <u>\$946,645</u>            | <u>\$244,091</u> |

**Compensated Absences**

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

**City of Gulf Breeze, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011**

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

The composition of interfund balances at September 30, 2011, is as follows:

*Interfund Balances*

| Receivable Fund          | Payable Fund                 | Amount     |
|--------------------------|------------------------------|------------|
| General                  | Non-major governmental funds | \$ 200     |
| Urban Core Redevelopment | General                      | \$ 67,540  |
| General                  | Non-major proprietary funds  | \$ 310,000 |

Interfund balances are comprised of \$310,000 receivable from the Stormwater Management fund to the General fund for providing cash flow assistance, and \$67,540 payable to the Urban Core Redevelopment fund from the General fund as reimbursement for capital asset expenditures incurred by the Urban Core Redevelopment fund on behalf of the General fund.

*Interfund Transfers*

|                                | Transfers In        |                          |                          | Total               |
|--------------------------------|---------------------|--------------------------|--------------------------|---------------------|
|                                | General Fund        | Urban Core Redevelopment | South Santa Rosa Utility |                     |
| Transfers Out                  |                     |                          |                          |                     |
| General                        | \$ -                | \$ 185,758               | \$ -                     | \$ 185,758          |
| Urban Core Redevelopment       | 175,725             | -                        | -                        | 175,725             |
| Water and Sewer                | 225,751             | -                        | 227,326                  | 453,077             |
| Natural Gas                    | 201,679             | -                        | -                        | 201,679             |
| South Santa Rosa Utility       | 280,901             | -                        | -                        | 280,901             |
| Gulf Breeze Financial Services | 32,998              | -                        | -                        | 32,998              |
| Non-major Governmental Funds   | 30,017              | -                        | -                        | 30,017              |
| Non-major Proprietary Funds    | 108,015             | -                        | -                        | 108,015             |
| Totals                         | <u>\$ 1,055,086</u> | <u>\$ 185,758</u>        | <u>\$ 227,326</u>        | <u>\$ 1,468,170</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, 2011**

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**NOTE 15 - JOINT VENTURE**

The City of Gulf Breeze, Florida, Holley-Navarre Water System, Inc., and Mid-Way Water System, Inc. agreed to work together and pursue collective solutions to future water supply needs to residents of Santa Rosa County and the surrounding areas. The resulting organization is the Fairpoint Regional Utility System (FRUS). The City of Gulf Breeze, Florida, Holley-Navarre Water System, Inc., and Mid-Way Water System, Inc. each own an 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 \$186,803. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

Grant Receipts

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**PENSION FUNDING**

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

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

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

The most recent actuarial valuation date is October 1, 2010.

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

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***Police Retirement Fund***

|                    | Annual (1)<br>Required<br>Contribution | Employer<br>Contribution | State of Florida<br>Contribution | Percentage<br>Contributed |
|--------------------|--|--------------------------|----------------------------------|---------------------------|
| September 30, 2010 | \$ 168,672                             | \$ 93,148                | \$ 57,242                        | 100.00 %                  |
| September 30, 2009 | \$ 159,513                             | \$ 93,419                | \$ 58,656                        | 100.00 %                  |
| September 30, 2008 | \$ 150,589                             | \$ 92,500                | \$ 62,954                        | 100.00 %                  |
| September 30, 2007 | \$ 149,538                             | \$ 72,070                | \$ 62,536                        | 100.00 %                  |
| September 30, 2006 | \$ 141,614                             | \$ 67,127                | \$ 58,100                        | 100.00 %                  |
| September 30, 2005 | \$ 111,652                             | \$ 70,297                | \$ 56,351                        | 100.00 %                  |

(1) Annual required contribution represents the actuarially determined employer contribution after taking into account expected participant contributions. The City is authorized by plan provisions to include State contributions to meet the annual required contribution. When contributions exceed the annual required contribution, the excess amounts are placed in a surplus contribution account. When contributions are less than the annual required contribution, amounts are drawn from the surplus contribution account. As a result, the actuarial report provided to the City presents percent contributed as 100%. At September 30, 2011, the surplus contribution account total was approximately \$178,183.

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

The most recent actuarial valuation date is October 1, 2010.

# **CITY OF GULF BREEZE, FLORIDA**

## **COMBINING AND INDIVIDUAL FUND STATEMENTS**

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

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

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

#### Traffic Citation Special Revenue Fund

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

#### Police Special Revenue Fund

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

**City of Gulf Breeze, Florida**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2011**

|  | Traffic Citation<br>Special<br>Revenue | Police<br>Special<br>Revenue | Total             |
|--|--|------------------------------|-------------------|
| <b>ASSETS</b>                              |  |                              |                   |
| Cash and cash equivalents                  | \$ 384,362                             | \$ 24,155                    | \$ 408,517        |
| Restricted assets                          |  |                              |                   |
| Cash and cash equivalents                  | -                                      | -                            | -                 |
| Total assets                               | <u>\$ 384,362</u>                      | <u>\$ 24,155</u>             | <u>\$ 408,517</u> |
| <b>LIABILITIES</b>                         |  |                              |                   |
| Interfund balances                         | \$ 200                                 | -                            | \$ 200            |
| Total liabilities                          | <u>200</u>                             | <u>-</u>                     | <u>200</u>        |
| <b>FUND BALANCES</b>                       |  |                              |                   |
| Restricted                                 |  |                              |                   |
| Police trust                               | -                                      | 24,155                       | 24,155            |
| Assigned                                   | <u>384,162</u>                         | <u>-</u>                     | <u>384,162</u>    |
| Total fund balances                        | <u>384,162</u>                         | <u>24,155</u>                | <u>408,317</u>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 384,362</u>                      | <u>\$ 24,155</u>             | <u>\$ 408,517</u> |

**City of Gulf Breeze, Florida**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2011**

|   | Traffic Citation<br>Special<br>Revenue | Police<br>Special<br>Revenue | Total             |
|---|--|------------------------------|-------------------|
| REVENUES                                  |  |                              |                   |
| Fines and forfeitures                     | \$ 227,054                             | \$ -                         | \$ 227,054        |
| Miscellaneous                             | <u>3,065</u>                           | <u>4,812</u>                 | <u>7,877</u>      |
| Total revenues                            | <u>230,119</u>                         | <u>4,812</u>                 | <u>234,931</u>    |
| EXPENDITURES                              |  |                              |                   |
| Current                                   |  |                              |                   |
| Public safety                             | <u>236,348</u>                         | <u>10,146</u>                | <u>246,494</u>    |
| Total expenditures                        | <u>236,348</u>                         | <u>10,146</u>                | <u>246,494</u>    |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (6,229)                                | (5,334)                      | (11,563)          |
| Other financing sources (uses)            |  |                              |                   |
| Transfers out                             | <u>(10,036)</u>                        | <u>(19,981)</u>              | <u>(30,017)</u>   |
| Net change in fund balances               | (16,265)                               | (25,315)                     | (41,580)          |
| FUND BALANCE - BEGINNING OF YEAR          | <u>400,427</u>                         | <u>49,470</u>                | <u>449,897</u>    |
| FUND BALANCE - END OF YEAR                | <u>\$ 384,162</u>                      | <u>\$ 24,155</u>             | <u>\$ 408,317</u> |

## **NON-MAJOR PROPRIETARY FUNDS**

### **ENTERPRISE FUNDS**

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

#### Stormwater Management Fund

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

#### Solid Waste Control Fund

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

**City of Gulf Breeze, Florida**  
**NON-MAJOR PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

|   | Stormwater<br>Management | Solid Waste<br>Control | Total             |
|---|--------------------------|------------------------|-------------------|
| <b>ASSETS</b>                                   |                          |                        |                   |
| Current assets                                  |                          |                        |                   |
| Cash and cash equivalents                       | \$ 1,425                 | \$ 40,020              | \$ 41,445         |
| Receivables                                     | 19,015                   | 82,813                 | 101,828           |
| Restricted cash                                 | -                        | 9,945                  | 9,945             |
| Total current assets                            | <u>20,440</u>            | <u>132,778</u>         | <u>153,218</u>    |
| Non-current assets                              |                          |                        |                   |
| Capital assets, net                             |                          |                        |                   |
| Construction in progress                        | 10,251                   | -                      | 10,251            |
| Infrastructure                                  | 915,711                  | -                      | 915,711           |
| Machinery and equipment                         | <u>4,326</u>             | <u>30,655</u>          | <u>34,981</u>     |
| Total non-current assets                        | <u>930,288</u>           | <u>30,655</u>          | <u>960,943</u>    |
| <b>TOTAL ASSETS</b>                             | <u>950,728</u>           | <u>163,433</u>         | <u>1,114,161</u>  |
| <b>LIABILITIES</b>                              |                          |                        |                   |
| Current liabilities                             |                          |                        |                   |
| Accounts payable                                | 149                      | 64,363                 | 64,512            |
| Accrued liabilities                             | 4,212                    | 1,202                  | 5,414             |
| Interfund balances                              | 310,000                  | -                      | 310,000           |
| Payable from restricted assets                  |                          |                        |                   |
| Customer deposits                               | <u>-</u>                 | <u>9,945</u>           | <u>9,945</u>      |
| Total current liabilities                       | <u>314,361</u>           | <u>75,510</u>          | <u>389,871</u>    |
| <b>TOTAL LIABILITIES</b>                        | <u>314,361</u>           | <u>75,510</u>          | <u>389,871</u>    |
| <b>NET ASSETS</b>                               |                          |                        |                   |
| Invested in capital assets, net of related debt | 930,288                  | 30,655                 | 960,943           |
| Unrestricted                                    | <u>(293,921)</u>         | <u>57,268</u>          | <u>(236,653)</u>  |
| <b>TOTAL NET ASSETS</b>                         | <u>\$ 636,367</u>        | <u>\$ 87,923</u>       | <u>\$ 724,290</u> |

**City of Gulf Breeze, Florida**  
**NON-MAJOR PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**Year Ended September 30, 2011**

|   | <u>Stormwater<br/>Management</u> | <u>Solid Waste<br/>Control</u> | <u>Total</u>      |
|---|----------------------------------|--------------------------------|-------------------|
| OPERATING REVENUES                      |                                  |                                |                   |
| Charges for services                    | \$ 195,304                       | \$ 986,019                     | \$ 1,181,323      |
| OPERATING EXPENSES                      |                                  |                                |                   |
| Personal services                       | 114,869                          | 95,973                         | 210,842           |
| Contractual services                    | 5,689                            | 763,741                        | 769,430           |
| Supplies                                | 729                              | 4,069                          | 4,798             |
| Repairs and maintenance                 | 421                              | 2,035                          | 2,456             |
| Office and utilities                    | 2,692                            | -                              | 2,692             |
| Depreciation and amortization           | <u>91,884</u>                    | <u>5,181</u>                   | <u>97,065</u>     |
| Total operating expenses                | <u>216,284</u>                   | <u>870,999</u>                 | <u>1,087,283</u>  |
| OPERATING INCOME                        | <u>(20,980)</u>                  | <u>115,020</u>                 | <u>94,040</u>     |
| NON-OPERATING REVENUES (EXPENSES)       |                                  |                                |                   |
| Debt service                            |                                  |                                |                   |
| Interest                                | <u>(29,993)</u>                  | <u>-</u>                       | <u>(29,993)</u>   |
| Total non-operating revenues (expenses) | <u>(29,993)</u>                  | <u>-</u>                       | <u>(29,993)</u>   |
| INCOME (LOSS) BEFORE TRANSFERS          | (50,973)                         | 115,020                        | 64,047            |
| TRANSFERS                               |                                  |                                |                   |
| Transfer out                            | <u>(28,136)</u>                  | <u>(79,879)</u>                | <u>(108,015)</u>  |
| Total transfers                         | <u>(28,136)</u>                  | <u>(79,879)</u>                | <u>(108,015)</u>  |
| CHANGES IN NET ASSETS                   | (79,109)                         | 35,141                         | (43,968)          |
| NET ASSETS - BEGINNING OF YEAR          | <u>715,476</u>                   | <u>52,782</u>                  | <u>768,258</u>    |
| NET ASSETS - END OF YEAR                | <u>\$ 636,367</u>                | <u>\$ 87,923</u>               | <u>\$ 724,290</u> |

**City of Gulf Breeze, Florida**  
**NON-MAJOR PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2011**

|  | Stormwater<br>Management | Solid Waste<br>Control | Total             |
|--|--------------------------|------------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                        |                   |
| Receipts from customers and users  | \$ 194,721               | \$ 982,125             | \$ 1,176,846      |
| Payments to suppliers  | (9,382)                  | (764,482)              | (773,864)         |
| Payments to employees  | (114,878)                | (95,935)               | (210,813)         |
| Net cash provided by operating activities  | <u>70,461</u>            | <u>121,708</u>         | <u>192,169</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING<br/>ACTIVITIES</b>  |                          |                        |                   |
| Repayments   | (10,000)                 | (5,000)                | (15,000)          |
| Transfers out  | (28,137)                 | (79,879)               | (108,016)         |
| Net cash used by non-capital financing activities  | <u>(38,137)</u>          | <u>(84,879)</u>        | <u>(123,016)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING<br/>ACTIVITIES</b>                                      |                          |                        |                   |
| Interest expense   | (29,993)                 | -                      | (29,993)          |
| Acquisition and construction of capital assets   | (10,250)                 | -                      | (10,250)          |
| Net cash used by capital and related financing activities  | <u>(40,243)</u>          | <u>-</u>               | <u>(40,243)</u>   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH<br/>EQUIVALENTS</b>  | (7,919)                  | 36,829                 | 28,910            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | <u>9,344</u>             | <u>13,136</u>          | <u>22,480</u>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <u>\$ 1,425</u>          | <u>\$ 49,965</u>       | <u>\$ 51,390</u>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR<br/>CONSIST OF</b>   |                          |                        |                   |
| Current assets   | \$ 1,425                 | \$ 40,020              | \$ 41,445         |
| Restricted assets  | -                        | 9,945                  | 9,945             |
| Total cash and cash equivalents  | <u>\$ 1,425</u>          | <u>\$ 49,965</u>       | <u>\$ 51,390</u>  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET<br/>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                          |                        |                   |
| Operating income (loss)  | \$ (20,980)              | \$ 115,020             | \$ 94,040         |
| Adjustments to reconcile operating income (loss) to net cash<br>provided by operating activities         |                          |                        |                   |
| Depreciation   | 91,884                   | 5,181                  | 97,065            |
| Decrease (increase) in assets  |                          |                        |                   |
| Accounts receivable  | (583)                    | (4,068)                | (4,651)           |
| Increase (decrease) in liabilities   |                          |                        |                   |
| Accounts payable   | 149                      | 5,363                  | 5,512             |
| Accrued liabilities  | (9)                      | 37                     | 28                |
| Customer deposits  | -                        | 175                    | 175               |
| Net cash provided by operating activities  | <u>\$ 70,461</u>         | <u>\$ 121,708</u>      | <u>\$ 192,169</u> |

## III. Statistical Section



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

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

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

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

SOURCE: City of Gulf Breeze Finance Department.

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

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

|   | Fiscal Year |               |               |               |               |               |               |               |               |               |
|---|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2002        | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
| <b>Expenses</b>                                 |             |               |               |               |               |               |               |               |               |               |
| Governmental activities                         |             |               |               |               |               |               |               |               |               |               |
| General government                              | \$ -        | \$ 1,054,369  | \$ 1,951,555  | \$ 6,677,903  | \$ 4,974,062  | \$ 1,483,562  | \$ 1,646,593  | \$ 1,604,707  | \$ 1,832,961  | \$ 2,140,853  |
| Public safety                                   | -           | 1,984,781     | 1,955,658     | 2,151,503     | 2,200,265     | 2,523,959     | 2,550,037     | 2,242,994     | 2,273,863     | 2,582,913     |
| Transportation                                  | -           | 405,322       | 484,196       | 507,045       | 520,691       | 470,013       | 401,763       | 336,485       | 317,802       | 431,961       |
| Economic environment                            | -           | 318,298       | 168,023       | 191,815       | 209,664       | 203,332       | 197,622       | 388,133       | 423,014       | 434,757       |
| Culture and recreation                          | -           | 858,384       | 954,933       | 987,333       | 1,089,459     | 4,532,538     | 1,280,020     | 1,160,607     | 1,195,503     | 3,758,787     |
| Debt service interest                           | -           | 134,571       | 134,571       | 97,215        | 167,473       | 291,769       | 378,952       | 325,297       | 320,336       | 315,231       |
| Total government activities                     | -           | 4,755,725     | 5,648,936     | 10,612,814    | 9,161,614     | 9,505,173     | 6,454,987     | 6,058,223     | 6,363,479     | 9,664,502     |
| Business-type activities                        |             |               |               |               |               |               |               |               |               |               |
| Water and sewer                                 | -           | 1,218,267     | 1,281,717     | 1,643,605     | 1,308,246     | 1,411,855     | 1,345,242     | 1,576,201     | 1,610,416     | 1,523,787     |
| Natural gas                                     | -           | 1,257,860     | 1,352,419     | 1,482,273     | 2,031,273     | 1,943,119     | 2,069,606     | 1,699,027     | 1,329,058     | 1,388,342     |
| South Santa Rosa Utility                        | -           | 4,323,126     | 4,503,775     | 4,963,407     | 5,269,482     | 5,704,870     | 5,478,040     | 5,493,205     | 4,531,148     | 4,887,012     |
| Solid waste                                     | -           | 738,716       | 774,328       | 869,522       | 880,301       | 901,297       | 927,121       | 890,827       | 886,868       | 870,997       |
| Stormwater management                           | -           | -             | -             | -             | -             | 145,145       | 287,197       | 266,966       | 236,013       | 246,276       |
| Capital Trust Agency                            | -           | 639,014       | -             | -             | -             | -             | -             | -             | -             | -             |
| Fishing bridge                                  | -           | 104,636       | 104,308       | 17,105        | 10,682        | 461,058       | -             | -             | -             | -             |
| Gulf Breeze Financial Services                  | -           | 225,320       | 214,227       | 445,598       | 189,021       | 191,001       | 181,307       | 250,320       | 228,246       | 725,702       |
| Total business-type activities                  | -           | 8,506,939     | 8,230,774     | 9,421,510     | 9,689,005     | 10,758,345    | 10,288,513    | 10,176,546    | 8,821,749     | 9,642,116     |
| Total primary government expenses               | \$ -        | \$ 13,262,664 | \$ 13,879,710 | \$ 20,034,324 | \$ 18,850,619 | \$ 20,263,518 | \$ 16,743,500 | \$ 16,234,769 | \$ 15,185,228 | \$ 19,306,618 |
| <b>Program Revenues</b>                         |             |               |               |               |               |               |               |               |               |               |
| Governmental activities                         |             |               |               |               |               |               |               |               |               |               |
| Charges for services                            |             |               |               |               |               |               |               |               |               |               |
| General government                              | \$ -        | \$ 328,883    | \$ 316,116    | \$ 26,040     | \$ 26,040     | \$ 188,550    | \$ 69,705     | \$ 101,657    | \$ 47,546     | \$ 92,983     |
| Public safety                                   | -           | 191,449       | 180,391       | 224,688       | 197,998       | 295,201       | 267,493       | 318,015       | 113,966       | 345,228       |
| Transportation                                  | -           | 19,145        | 45,219        | 86,840        | 72,496        | -             | -             | -             | -             | -             |
| Culture and recreation                          | -           | 117,441       | 123,123       | 130,776       | 155,239       | 183,622       | 261,662       | 225,774       | 230,571       | 231,431       |
| Debt service interest                           | -           | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Operating grants and contributions              | -           | 628,643       | 927,774       | 6,110,676     | 3,630,268     | 2,595,066     | 1,584,284     | 468,212       | 1,125,551     | 4,054,298     |
| Capital grants and contributions                | -           | 330,931       | 671,424       | 350,510       | 129,238       | -             | -             | -             | -             | -             |
| Total governmental activities program revenues  | -           | 1,616,492     | 2,264,047     | 6,929,530     | 4,211,279     | 3,262,439     | 2,183,144     | 1,113,658     | 1,517,634     | 4,723,940     |
| Business-type activities                        |             |               |               |               |               |               |               |               |               |               |
| Charges for services                            |             |               |               |               |               |               |               |               |               |               |
| Water and sewer                                 | -           | 1,363,053     | 1,368,238     | 1,423,554     | 1,542,876     | 1,545,320     | 1,787,244     | 1,896,573     | 1,764,738     | 1,889,323     |
| Natural gas                                     | -           | 1,509,490     | 1,676,024     | 1,681,768     | 2,060,168     | 1,781,957     | 1,955,968     | 1,918,813     | 2,077,968     | 1,893,196     |
| South Santa Rosa Utility                        | -           | 3,275,513     | 3,241,172     | 3,173,648     | 3,440,755     | 3,935,152     | 4,116,191     | 4,242,023     | 4,474,554     | 4,876,402     |
| Solid waste                                     | -           | 769,831       | 817,628       | 902,379       | 927,550       | 901,297       | 1,011,010     | 1,023,845     | 1,004,145     | 986,019       |
| Stormwater management                           | -           | -             | -             | -             | -             | 188,938       | 194,183       | 193,874       | 190,992       | 195,304       |
| Capital Trust Agency                            | -           | 966,995       | -             | -             | -             | -             | -             | -             | -             | -             |
| Gulf Breeze Financial Services                  | -           | 547,742       | 494,169       | 763,527       | 510,552       | 841,300       | 475,615       | 523,776       | 870,766       | 777,842       |
| Fishing bridge                                  | -           | 154,812       | 147,147       | -             | -             | 461,058       | -             | -             | -             | -             |
| Capital grants and contributions                | -           | 2,383,069     | 2,868,146     | 1,539,970     | 2,912,708     | 2,448,130     | 632,068       | 127,267       | 95,171        | 319,969       |
| Total business-type activities program revenues | -           | 10,970,505    | 10,612,524    | 9,484,846     | 11,394,609    | 12,103,152    | 10,172,279    | 9,926,171     | 10,478,334    | 10,938,055    |
| Total primary government program revenues       | \$ -        | \$ 12,586,997 | \$ 12,876,571 | \$ 16,414,376 | \$ 15,605,888 | \$ 15,365,591 | \$ 12,355,423 | \$ 11,039,829 | \$ 11,995,968 | \$ 15,661,995 |

Continued...

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

|   | Fiscal Year |                |                |                |                |                |                |                |                |                |
|---|-------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2002        | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           |
| <b>Net (Expense)/Revenue</b>                            |             |                |                |                |                |                |                |                |                |                |
| Governmental activities                                 | \$ -        | \$ (3,139,233) | \$ (3,420,479) | \$ (3,856,893) | \$ (4,950,335) | \$ (6,242,734) | \$ (4,271,843) | \$ (4,944,565) | \$ (4,845,845) | \$ (4,940,562) |
| Business-type activities                                | -           | 2,463,566      | 2,381,750      | 145,543        | 1,705,604      | 929,633        | (116,234)      | (250,375)      | 1,656,585      | 1,295,939      |
| Total primary government net expense                    | \$ -        | \$ (675,667)   | \$ (1,038,729) | \$ (3,711,350) | \$ (3,244,731) | \$ (5,313,101) | \$ (4,388,077) | \$ (5,194,940) | \$ (3,189,260) | \$ (3,644,623) |
| <b>General Revenues and Other Changes in Net Assets</b> |             |                |                |                |                |                |                |                |                |                |
| Governmental activities                                 |             |                |                |                |                |                |                |                |                |                |
| Property taxes  | \$ -        | \$ 1,076,244   | \$ 1,186,725   | \$ 1,398,308   | \$ 1,522,994   | \$ 1,769,209   | \$ 1,665,870   | \$ 1,805,589   | \$ 1,861,874   | \$ 1,767,275   |
| Sales taxes   | -           | 470,816        | 495,505        | 518,613        | 512,865        | -              | -              | -              | -              | -              |
| Tourist development taxes                               | -           | -              | -              | -              | -              | 39,624         | 30,287         | 7,120          | 13,527         | 36,060         |
| Fuel taxes  | -           | -              | -              | -              | -              | 229,718        | 230,000        | 213,988        | 168,122        | 228,653        |
| Franchise taxes   | -           | -              | -              | -              | -              | 279,313        | 243,849        | 293,431        | 364,912        | 334,218        |
| Communication services taxes                            | -           | -              | -              | -              | -              | 146,184        | 176,152        | 212,177        | 297,279        | 312,900        |
| Utility service taxes                                   | -           | 119,203        | 99,211         | 96,760         | 96,201         | 136,976        | 128,931        | 206,774        | 319,616        | 342,531        |
| Intergovernmental, unrestricted                         | -           | 164,227        | 168,649        | 466,654        | 473,362        | 498,649        | 567,629        | 552,449        | 510,832        | 819,245        |
| Insurance proceeds                                      | -           | 1,001,623      | -              | 173,609        | -              | -              | -              | -              | -              | -              |
| Miscellaneous   | -           | 170,657        | 569,583        | 460,142        | 634,908        | 597,342        | 665,631        | 666,013        | 1,139,891      | 953,952        |
| Investment earnings                                     | -           | 61,973         | 129,222        | 81,153         | 176,998        | 149,068        | 119,922        | 49,430         | 21,304         | 30,688         |
| Transfers   | -           | 1,496,100      | 846,604        | 840,508        | 870,849        | (313,870)      | 1,230,150      | 1,073,089      | 1,210,696      | 849,344        |
| Total governmental activities                           | -           | 4,560,843      | 3,495,499      | 4,035,747      | 4,288,177      | 3,532,213      | 5,058,421      | 5,080,060      | 5,908,053      | 5,674,866      |
| Business-type activities                                |             |                |                |                |                |                |                |                |                |                |
| Miscellaneous   | -           | 49,513         | 49,142         | 705,214        | 112,181        | 70,820         | 364,517        | 233,593        | 8,663,204      | 547,198        |
| Investment earnings                                     | -           | 68,845         | 58,832         | 83,337         | 191,820        | 133,904        | 92,802         | 64,495         | 26,021         | 19,272         |
| Transfers   | -           | (1,496,100)    | (846,604)      | (840,508)      | (870,849)      | 313,870        | (1,230,150)    | (1,073,089)    | (1,210,696)    | (849,344)      |
| Loss from joint venture                                 | -           | -              | -              | (82,207)       | -              | -              | -              | -              | -              | -              |
| Total business-type activities                          | -           | (1,377,742)    | (738,630)      | (134,164)      | (566,848)      | 518,594        | (772,831)      | (775,001)      | 7,478,529      | (282,874)      |
| Total primary government                                | \$ -        | \$ 3,183,101   | \$ 2,756,869   | \$ 3,901,583   | \$ 3,721,329   | \$ 4,050,807   | \$ 4,285,590   | \$ 4,305,059   | \$ 13,386,582  | \$ 5,391,992   |
| <b>Change in Net Assets</b>                             |             |                |                |                |                |                |                |                |                |                |
| Governmental activities                                 | \$ -        | \$ 1,421,610   | \$ 75,020      | \$ 178,854     | \$ (662,158)   | \$ (2,710,521) | \$ 786,578     | \$ 135,495     | \$ 1,062,208   | \$ 734,304     |
| Business-type activities                                | -           | 1,085,824      | 1,643,120      | 11,379         | 1,138,756      | 1,448,227      | (889,065)      | (1,025,376)    | 9,135,114      | 1,013,065      |
| Total primary government                                | \$ -        | \$ 2,507,434   | \$ 1,718,140   | \$ 190,233     | \$ 476,598     | \$ (1,262,294) | \$ (102,487)   | \$ (889,881)   | \$ 10,197,322  | \$ 1,747,369   |

SOURCE: City of Gulf Breeze Finance Department.

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

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

| Fiscal Year | Governmental Activities |               |                |                      |                      |                     | Business-Type Activities |              |                          |                       |                |              | Gulf Breeze Financial Services | Total Business-Type | Total Primary Government |
|-------------|-------------------------|---------------|----------------|----------------------|----------------------|---------------------|--------------------------|--------------|--------------------------|-----------------------|----------------|--------------|--------------------------------|---------------------|--------------------------|
|             | General Government      | Public Safety | Transportation | Economic Environment | Culture & Recreation | Total Gov't Charges | Water & Sewer            | Natural Gas  | South Santa Rosa Utility | Stormwater Management | Fishing Bridge | Solid Waste  |                                |                     |                          |
| 2011        | \$ 92,983               | \$ 345,228    | \$ -           | \$ -                 | \$ 231,431           | \$ 669,642          | \$ 1,889,323             | \$ 1,893,196 | \$ 4,876,402             | \$ 195,304            | \$ -           | \$ 986,019   | \$ 777,842                     | \$ 10,618,086       | \$ 11,287,728            |
| 2010        | \$ 47,546               | \$ 113,966    | \$ -           | \$ -                 | \$ 230,571           | \$ 392,083          | \$ 1,764,738             | \$ 2,077,968 | \$ 4,474,554             | \$ 190,992            | \$ -           | \$ 1,004,577 | \$ 870,766                     | \$ 10,383,595       | \$ 10,775,246            |
| 2009        | \$ 101,657              | \$ 318,015    | \$ -           | \$ -                 | \$ 225,774           | \$ 645,446          | \$ 1,896,573             | \$ 1,918,813 | \$ 4,242,023             | \$ 193,874            | \$ -           | \$ 1,023,845 | \$ 523,776                     | \$ 9,798,904        | \$ 10,444,350            |
| 2008        | \$ 69,705               | \$ 267,493    | \$ -           | \$ -                 | \$ 261,662           | \$ 598,860          | \$ 1,787,244             | \$ 1,955,968 | \$ 4,116,191             | \$ 194,183            | \$ -           | \$ 1,011,010 | \$ 475,615                     | \$ 9,540,211        | \$ 10,139,071            |
| 2007        | \$ 188,550              | \$ 295,201    | \$ -           | \$ -                 | \$ 183,622           | \$ 667,373          | \$ 1,545,320             | \$ 1,781,957 | \$ 3,935,152             | \$ 188,938            | \$ -           | \$ 947,181   | \$ 841,300                     | \$ 9,239,848        | \$ 9,907,221             |
| 2006        | \$ 26,040               | \$ 197,998    | \$ 72,496      | \$ -                 | \$ 155,239           | \$ 451,773          | \$ 1,542,876             | \$ 2,060,168 | \$ 3,440,755             | \$ -                  | \$ -           | \$ 927,550   | \$ 510,552                     | \$ 8,481,901        | \$ 8,933,674             |
| 2005        | \$ 26,040               | \$ 224,688    | \$ 86,840      | \$ -                 | \$ 130,776           | \$ 468,344          | \$ 1,423,554             | \$ 1,681,768 | \$ 3,173,648             | \$ -                  | \$ -           | \$ 902,379   | \$ 763,527                     | \$ 7,944,876        | \$ 8,413,220             |
| 2004        | \$ 316,116              | \$ 180,391    | \$ 45,219      | \$ -                 | \$ 123,123           | \$ 664,849          | \$ 1,368,238             | \$ 1,676,024 | \$ 3,241,172             | \$ -                  | \$ 147,147     | \$ 817,628   | \$ 494,169                     | \$ 7,744,378        | \$ 8,409,227             |
| 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        | \$ -                    | \$ -          | \$ -           | \$ -                 | \$ -                 | \$ -                | \$ -                     | \$ -         | \$ -                     | \$ -                  | \$ -           | \$ -         | \$ -                           | \$ -                | \$ -                     |

SOURCE: City of Gulf Breeze Finance Department

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

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

| Fiscal Year | Non-spendable Fund Balance |                                 |       | Restricted Fund Balance |                                 |            | Committed Fund Balance |                                 |            | Assigned Fund Balance |                                 |            | Unassigned Fund Balance |                                 |              | Total Fund Balance |                                 |              |
|-------------|----------------------------|---------------------------------|-------|-------------------------|---------------------------------|------------|------------------------|---------------------------------|------------|-----------------------|---------------------------------|------------|-------------------------|---------------------------------|--------------|--------------------|---------------------------------|--------------|
|             | General Fund               | Aggregate Special Revenue Funds | Total | General Fund            | Aggregate Special Revenue Funds | Total      | General Fund           | Aggregate Special Revenue Funds | Total      | General Fund          | Aggregate Special Revenue Funds | Total      | General Fund            | Aggregate Special Revenue Funds | Total        | General Fund       | Aggregate Special Revenue Funds | Total        |
| 2011        | \$ 6,074                   | \$ -                            | \$ -  | \$ -                    | \$ 994,663                      | \$ 994,663 | \$ 360,177             | \$ -                            | \$ 360,177 | \$ 115,993            | \$ 384,162                      | \$ 500,155 | \$ 4,927,685            | \$ -                            | \$ 4,927,685 | \$ 5,409,929       | \$ 1,378,825                    | \$ 6,788,754 |
| 2010        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2009        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2008        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2007        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2006        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2005        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2004        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2003        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |
| 2002        | \$ -                       | \$ -                            | \$ -  | \$ -                    | \$ -                            | \$ -       | \$ -                   | \$ -                            | \$ -       | \$ -                  | \$ -                            | \$ -       | \$ -                    | \$ -                            | \$ -         | \$ -               | \$ -                            | \$ -         |

SOURCE: City of Gulf Breeze Finance Department

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

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

|   | Fiscal Year           |                     |                     |                   |                       |                     |                     |                   |                   |                     |
|---|-----------------------|---------------------|---------------------|-------------------|-----------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
|   | 2002                  | 2003                | 2004                | 2005              | 2006                  | 2007                | 2008                | 2009              | 2010              | 2011                |
| <b>Revenues</b>   |                       |                     |                     |                   |                       |                     |                     |                   |                   |                     |
| Taxes   | \$ 1,617,221          | \$ 1,616,583        | \$ 1,712,442        | \$ 1,951,893      | \$ 2,067,873          | \$ 2,601,025        | \$ 2,475,088        | \$ 2,739,079      | \$ 2,660,418      | \$ 2,687,419        |
| Licenses and permits                                    | 84,750                | 86,060              | 69,085              | 61,788            | 64,187                | 96,644              | 69,705              | 83,962            | 412,458           | 427,201             |
| Intergovernmental                                       | 747,045               | 1,383,234           | 2,078,960           | 6,841,071         | 4,231,538             | 3,093,715           | 2,151,913           | 1,020,661         | 1,559,733         | 4,797,182           |
| Charges for services                                    | 136,840               | 143,466             | 147,218             | 130,776           | 155,239               | 275,527             | 261,662             | 243,468           | 254,973           | 251,342             |
| Fines and forfeitures                                   | 256,989               | 191,450             | 180,391             | 224,688           | 197,998               | 295,201             | 267,493             | 318,016           | 101,604           | 340,415             |
| Miscellaneous   | 421,468               | 1,315,343           | 724,846             | 567,335           | 837,946               | 746,410             | 785,553             | 697,852           | 1,223,509         | 980,341             |
| Total Revenues  | <u>3,264,313</u>      | <u>4,736,136</u>    | <u>4,912,942</u>    | <u>9,777,551</u>  | <u>7,554,781</u>      | <u>7,108,522</u>    | <u>6,011,414</u>    | <u>5,103,038</u>  | <u>6,212,695</u>  | <u>9,483,900</u>    |
| <b>Expenditures</b>                                     |                       |                     |                     |                   |                       |                     |                     |                   |                   |                     |
| General government                                      | 963,450               | 977,379             | 1,765,047           | 6,708,807         | 4,882,687             | 1,377,411           | 1,600,347           | 1,402,579         | 1,951,093         | 2,082,950           |
| Public safety   | 1,421,983             | 1,698,658           | 1,647,056           | 1,813,964         | 1,859,355             | 2,050,760           | 2,084,015           | 1,963,524         | 2,074,114         | 2,362,472           |
| Transportation  | 201,269               | 181,397             | 172,810             | 243,260           | 241,410               | 152,329             | 96,455              | 151,623           | 139,370           | 249,113             |
| Economic environment                                    | -                     | 248,140             | 95,252              | 109,397           | 123,298               | 104,597             | 102,446             | 116,673           | 118,498           | 122,413             |
| Community service                                       | 158,888               | -                   | -                   | -                 | -                     | -                   | -                   | -                 | -                 | -                   |
| Culture and recreation                                  | 632,877               | 647,466             | 727,324             | 739,305           | 831,588               | 4,236,487           | 993,855             | 886,497           | 908,776           | 3,462,148           |
| Capital outlay  | 1,506,488             | 2,374,337           | 2,206,017           | 1,610,747         | 1,674,036             | 2,210,764           | 856,144             | 674,156           | 1,199,274         | 2,297,710           |
| Debt service  |                       |                     |                     |                   |                       |                     |                     |                   |                   |                     |
| Principal   | 69,899                | 106,471             | 55,300              | 186,594           | 192,462               | 183,554             | -                   | 154,000           | 158,400           | 239,357             |
| Interest  | -                     | -                   | 46,672              | 97,215            | 156,930               | 226,147             | 327,402             | 325,297           | 320,336           | 315,231             |
| Costs of issuance                                       | -                     | -                   | -                   | -                 | -                     | 330,824             | -                   | -                 | -                 | -                   |
| Total expenditures                                      | <u>4,954,854</u>      | <u>6,233,848</u>    | <u>6,715,478</u>    | <u>11,509,289</u> | <u>9,961,766</u>      | <u>10,872,873</u>   | <u>6,060,664</u>    | <u>5,674,349</u>  | <u>6,869,861</u>  | <u>11,131,394</u>   |
| Excess of revenue over (under) expenditures             | (1,690,541)           | (1,497,712)         | (1,802,536)         | (1,731,738)       | (2,406,985)           | (3,764,351)         | (49,250)            | (571,311)         | (657,166)         | (1,647,494)         |
| <b>Other Financing Sources (Uses)</b>                   |                       |                     |                     |                   |                       |                     |                     |                   |                   |                     |
| Transfers in  | -                     | 1,572,920           | 931,512             | 964,272           | 1,004,330             | 1,137,462           | 959,946             | 1,427,989         | 1,576,051         | 1,240,844           |
| Transfers out   | -                     | (76,820)            | (84,908)            | (123,764)         | (133,481)             | (1,451,332)         | (1,451,332)         | (354,900)         | (365,355)         | (391,500)           |
| Insurance recoveries                                    | -                     | -                   | -                   | 173,609           | 73,826                | -                   | 69,498              | 17,500            | 2,295             | 65,561              |
| Principal payment to refund debt                        | -                     | -                   | -                   | -                 | -                     | (7,908,980)         | -                   | -                 | -                 | -                   |
| Debt proceeds   | -                     | 3,000,000           | -                   | 1,000,000         | -                     | 14,225,000          | -                   | -                 | -                 | -                   |
| Contributions from others                               | -                     | -                   | -                   | -                 | -                     | -                   | -                   | -                 | -                 | -                   |
| Total other financing sources (uses)                    | <u>-</u>              | <u>4,496,100</u>    | <u>846,604</u>      | <u>2,014,117</u>  | <u>944,675</u>        | <u>6,002,150</u>    | <u>(421,888)</u>    | <u>1,090,589</u>  | <u>1,212,991</u>  | <u>914,905</u>      |
| Net change in fund balance                              | <u>\$ (1,690,541)</u> | <u>\$ 2,998,388</u> | <u>\$ (955,932)</u> | <u>\$ 282,379</u> | <u>\$ (1,462,310)</u> | <u>\$ 2,237,799</u> | <u>\$ (471,138)</u> | <u>\$ 519,278</u> | <u>\$ 555,825</u> | <u>\$ (732,589)</u> |
| Debt service as a percentage of noncapital expenditures | 2.00%                 | 3.00%               | 2.00%               | 3.00%             | 4.00%                 | 5.00%               | 6.00%               | 10.00%            | 8.00%             | -%                  |

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

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

SOURCE: Santa Rosa County Tax Collector Office

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

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

| Year<br><sup>(2)</sup> | Real Property    | Personal<br>Property | Total Assessed<br>Value | Exemptions     | Assessed Value<br>for Operations | Total Direct<br>Tax Rate |
|------------------------|------------------|----------------------|-------------------------|----------------|----------------------------------|--------------------------|
| 2011                   | \$ 879,382,858   | \$ 35,300,296        | \$ 914,683,154          | \$ 286,262,042 | \$ 628,421,112                   | 1.9000                   |
| 2010                   | \$ 957,414,901   | \$ 39,883,882        | \$ 997,298,783          | \$ 362,784,783 | \$ 634,514,000                   | 1.9000                   |
| 2009                   | \$ 843,459,341   | \$ 41,919,426        | \$ 885,378,767          | \$ 223,488,747 | \$ 661,890,020                   | 1.9000                   |
| 2008                   | \$ 1,057,198,119 | \$ 36,087,891        | \$1,093,286,010         | \$ 411,456,015 | \$ 681,829,995                   | 1.8000                   |
| 2007                   | \$ 1,112,840,126 | \$ 31,427,047        | \$1,144,267,173         | \$ 459,490,041 | \$ 684,777,132                   | 1.5520                   |
| 2006                   | \$ 1,133,658,192 | \$ 33,232,222        | \$1,166,890,414         | \$ 499,240,156 | \$ 667,650,258                   | 1.6283                   |
| 2005                   | \$ 960,727,282   | \$ 28,162,900        | \$ 988,890,182          | \$ 423,084,878 | \$ 565,805,304                   | 1.9000                   |
| 2004                   | \$ 819,535,885   | \$ 31,872,976        | \$ 851,408,861          | \$ 339,659,012 | \$ 511,749,849                   | 1.9000                   |
| 2003                   | \$ 756,517,941   | \$ 29,781,148        | \$ 786,299,089          | \$ 306,137,010 | \$ 480,162,079                   | 1.9000                   |
| 2002                   | \$ 693,497,553   | \$ 27,689,218        | \$ 721,186,771          | \$ 272,613,514 | \$ 448,573,257                   | 1.8300                   |

SOURCE: City of Gulf Breeze Finance Department

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

(2) As of January 1 of each year listed

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

| <u>Fiscal Year</u> | <u>Millage</u> |
|--------------------|----------------|
| 2011               | 1.9000         |
| 2010               | 1.9000         |
| 2009               | 1.9000         |
| 2008               | 1.8000         |
| 2007               | 1.5520         |
| 2006               | 1.6283         |
| 2005               | 1.9000         |
| 2004               | 1.9000         |
| 2003               | 1.9000         |
| 2002               | 1.8300         |

SOURCE: Santa Rosa County Property Appraiser

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

| Fiscal Year 2011<br>Taxpayer   | Total Taxable<br>Value | Percentage      |
|--------------------------------|------------------------|-----------------|
| Sea Shell Collections LLC      | \$ 11,944,235          | 1.90 %          |
| Andrews Institute Medical Park | 11,871,746             | 1.89 %          |
| Mullet, Willis J.              | 7,458,210              | 1.18 %          |
| Gulf Power Company             | 5,964,350              | 0.95 %          |
| Quietwater LLC                 | 5,011,929              | 0.80 %          |
| Andrews Institute ASC LLC      | 4,825,250              | 0.77 %          |
| Falzone, Timothy D.            | 4,941,295              | 0.78 %          |
| Exposition Properties          | 4,628,142              | 0.74 %          |
| East End Company, LLC & Gulf   | 4,580,165              | 0.73 %          |
| Belleau, George and Ann        | <u>4,417,781</u>       | <u>0.70 %</u>   |
| Total of Principal Taxpayers   | 65,643,103             | 10.43 %         |
| Total All Other Taxpayers      | <u>563,977,815</u>     | <u>89.57 %</u>  |
| Total Taxable Value            | <u>\$ 629,620,918</u>  | <u>100.00 %</u> |

SOURCE: Santa Rosa County Property Appraiser

\*Information related to 2002 was not maintained.

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

| Fiscal Year | Assessments               | Assessments<br>Collected | Ratio of<br>Collections to<br>Amount Assessed | Total<br>Outstanding<br>Current and<br>Delinquent<br>Assessments |
|-------------|---------------------------|--------------------------|---|--|
| 2011        | \$ -                      | \$ 12,322                | 0.00 %  | \$ 129,443   |
| 2010        | \$ 58,790                 | \$ 43,191                | 73.50 %                                       | \$ 141,765   |
| 2009        | \$ -                      | \$ 30,697                | 0.00 %  | \$ 126,166   |
| 2008        | \$ 438,618 <sup>(1)</sup> | \$ 281,754               | 64.24 %                                       | \$ 156,863   |
| 2007        | \$ 57,403                 | \$ 51,025                | 88.89 %                                       | \$ 6,378   |
| 2006        | \$ -                      | \$ -                     | 0.00 %  | \$ -   |
| 2005        | \$ -                      | \$ -                     | 0.00 %  | \$ -   |
| 2004        | \$ -                      | \$ -                     | 0.00 %  | \$ -   |
| 2003        | \$ -                      | \$ 1,512                 | 0.00 %  | \$ -   |
| 2002        | \$ -                      | \$ -                     | 0.00 %  | \$ 1,512   |

SOURCE: City of Gulf Breeze Finance Department

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

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

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

SOURCE: City of Gulf Breeze Finance Department

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

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

| Fiscal Year | Estimated Population <sup>(2)</sup> | Assessed Value for Operations <sup>(3)</sup> | Total Outstanding Debt <sup>(4)</sup> | Ratio of Total Outstanding Debt to Assessed Value | Amount of Total Outstanding Debt Per Capita | Percentage of Personal Income <sup>(5)</sup> |
|-------------|-------------------------------------|--|---------------------------------------|---|---|--|
| 2011        | 5,751                               | \$ 628,421,112                               | \$ 20,346,185                         | 3.2 %   | \$ 3,538                                    | 0.08 %                                       |
| 2010        | 5,751                               | \$ 634,514,000                               | \$ 20,443,543                         | 3.2 %   | \$ 3,555                                    | 0.08 %                                       |
| 2009        | 5,791                               | \$ 661,890,020                               | \$ 21,578,354                         | 3.3 %   | \$ 3,726                                    | 0.09 %                                       |
| 2008        | 5,780                               | \$ 681,829,995                               | \$ 22,626,948                         | 3.3 %   | \$ 3,915                                    | 0.09 %                                       |
| 2007        | 5,805                               | \$ 684,777,132                               | \$ 23,491,034                         | 3.5 %   | \$ 4,047                                    | 0.08 %                                       |
| 2006        | 5,774                               | \$ 667,650,258                               | \$ 18,940,670                         | 2.8 %   | \$ 3,280                                    | 0.07 %                                       |
| 2005        | 5,765                               | \$ 565,805,304                               | \$ 19,909,496                         | 3.5 %   | \$ 3,454                                    | 0.07 %                                       |
| 2004        | 5,790                               | \$ 511,749,849                               | \$ 20,801,537                         | 4.1 %   | \$ 3,593                                    | 0.08 %                                       |
| 2003        | 5,764                               | \$ 480,162,079                               | \$ 21,602,258                         | 4.5 %   | \$ 3,748                                    | 0.11 %                                       |
| 2002        | 5,736                               | \$ 448,573,257                               | -                                     | - %   | -   | - %  |

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

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

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

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

<sup>(5)</sup> From Table XVII

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

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

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

| <u>Fiscal Year</u> | <u>Estimated Population<sup>(1)</sup></u> | <u>Assessed Value for Operations<sup>(2)</sup></u> | <u>Gross Bonded Debt</u> | <u>Debt Service Monies Available</u> | <u>Net Bonded Debt</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|--------------------|---|--|--------------------------|--------------------------------------|------------------------|---|-----------------------------------|
| 2011               | 5,765                                     | \$ 628,421,112                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2010               | 5,751                                     | \$ 634,514,000                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2009               | 5,791                                     | \$ 661,890,020                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2008               | 5,780                                     | \$ 681,829,995                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2007               | 5,805                                     | \$ 684,777,132                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2006               | 5,774                                     | \$ 667,650,258                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2005               | 5,765                                     | \$ 565,805,304                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2004               | 5,790                                     | \$ 511,749,849                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2003               | 5,764                                     | \$ 480,162,079                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |
| 2002               | 5,736                                     | \$ 448,573,257                                     | \$ -                     | \$ -                                 | \$ -                   | - %   | \$ -                              |

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

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

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

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

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

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

SOURCE: City of Gulf Breeze Finance Department

(1) Excluding Depreciation

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

| Fiscal Year | Population       |                   | City as a % of County | County Population Growth | Total Personal Income | Per Capita Income | Unemployment Rate | Median Household Income |
|-------------|------------------|-------------------|-----------------------|--------------------------|-----------------------|-------------------|-------------------|-------------------------|
|             | Gulf Breeze City | Santa Rosa County |                       |                          |                       |                   |                   |                         |
| 2011        | 5,765            | 154,901           | 3.72 %                | 6.09 %                   | \$251,008,100         | \$ 43,540         | 2.95 %            | \$ 70,575               |
| 2010        | 5,751            | 146,008           | 3.94 %                | 1.04 %                   | \$249,756,026         | \$ 43,428         | 3.20 %            | \$ 67,214               |
| 2009        | 5,791            | 144,508           | 4.01 %                | 0.26 %                   | \$252,389,153         | \$ 43,583         | 2.50 %            | \$ 65,980               |
| 2008        | 5,780            | 144,136           | 4.01 %                | 1.40 %                   | \$258,290,860         | \$ 44,687         | 2.26 %            | \$ 70,093               |
| 2007        | 5,805            | 142,144           | 4.08 %                | 0.51 %                   | \$282,390,030         | \$ 48,646         | 2.26 %            | \$ 66,699               |
| 2006        | 5,774            | 141,428           | 4.08 %                | (0.23)%                  | \$275,131,100         | \$ 47,650         | 2.56 %            | \$ 65,750               |
| 2005        | 5,765            | 141,750           | 4.07 %                | 6.00 %                   | \$267,357,640         | \$ 46,376         | 2.30 %            | \$ 63,323               |
| 2004        | 5,790            | 133,721           | 4.33 %                | 3.75 %                   | \$261,945,390         | \$ 45,241         | 2.90 %            | \$ 61,635               |
| 2003        | 5,764            | 128,889           | 4.47 %                | 3.15 %                   | \$199,941,632         | \$ 34,688         | 2.90 %            | \$ 52,522               |
| 2002        | 5,736            | 124,956           | 4.59 %                | 2.95 %                   | \$ -                  | \$ -              | - %               | \$ -                    |

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

Comparable Statistical Information Prior to 2003 cannot be presented

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

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

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

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

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

<sup>(4)</sup> Comparable values not available from county offices for 2011 as of publication date.

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

| Fiscal Year 2011 <sup>(1)</sup>  | Employees | Percentage of<br>Labor Force |
|----------------------------------|-----------|------------------------------|
| Gulf Breeze Hospital             | 214       | 7.7 %                        |
| Andrews Institute                | 150       | 5.4 %                        |
| AppRiver                         | 145       | 5.2 %                        |
| Studer Group                     | 142       | 5.2 %                        |
| Publix                           | 94        | 3.4 %                        |
| City of Gulf Breeze              | 82        | 2.9 %                        |
| Gulf Breeze High School          | 79        | 2.8 %                        |
| Gulf Breeze Middle School        | 68        | 2.4 %                        |
| Gulf Breeze Elementary School    | 53        | 1.9 %                        |
| Total Labor Force <sup>(1)</sup> | 2,783     |                              |

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

\*Information related to 2002 was not maintained.

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

| EDUCATION                                | SANTA ROSA COUNTY |          |          |          |          |
|--|-------------------|----------|----------|----------|----------|
|  | FY 10-11          | FY 09-10 | FY 08-09 | FY 07-08 | FY 06-07 |
| <b>Schools:</b>                          |                   |          |          |          |          |
| Pre K                                    | 1                 | 1        | 1        | 1        | 1        |
| Primary K-2                              | 3                 | 3        | 2        | 2        | 2        |
| Intermediate 3-5                         | 2                 | 2        | 2        | 2        | 2        |
| Grades K-5                               | 12                | 12       | 12       | 11       | 11       |
| Grades 6-8                               | 7                 | 7        | 7        | 7        | 7        |
| Grades 9-12                              | 7                 | 7        | 7        | 7        | 7        |
| Santa Rosa Community                     | 1                 | 1        | 1        | 1        | 1        |
| Vocational Technical                     | 1                 | 1        | 1        | 1        | 1        |
| Santa Rosa Adult                         | 1                 | 1        | 1        | 1        | 1        |
| Department of Juvenile Justice           | 1                 | 1        | 1        | 2        | 2        |
| ESE Centers, Alternative Education, etc. | 2                 | 2        | 2        | 4        | 7        |
| District Virtual Instruction Program     | 1                 | -        | -        | -        | -        |
| Berryhil Administrative Complex          | 1                 | -        | -        | -        | -        |
| <b>Students:</b>                         |                   |          |          |          |          |
| Pre K                                    | 590               | 585      | 625      | 605      | 562      |
| Primary K-2                              | 2,126             | 1,999    | 2,105    | 1,691    | 1,709    |
| Intermediate 3-5                         | 2,530             | 2,250    | 2,275    | 2,402    | 2,558    |
| Grades K-5                               | 6,585             | 6,295    | 6,350    | 6,300    | 6,428    |
| Grades 6-8                               | 5,476             | 5,828    | 5,868    | 5,950    | 6,083    |
| Grades 9-12                              | 7,737             | 8,025    | 8,063    | 7,919    | 7,837    |
| Vocational Technical/ Santa Rosa Adult   | 218               | 415      | 425      | 450      | 583      |
| District Virtual Instruction Program     | 26                | -        | -        | -        | -        |
| Berryhil Administrative Complex          | 204               | -        | -        | -        | -        |
| Santa Rosa Adult School                  | 85                | -        | -        | -        | -        |
| Rader (Charter)                          | Closed            | Closed   | Closed   | 80       | 91       |
| Instructional (Classroom) Personnel      | 1,626             | 1,769    | 1,649    | 1,754    | 1,689    |
| Non-Instructional Personnel              | 898               | 933      | 658      | 877      | 832      |

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

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

| Year | Residential                |                     |                 |                          | Commercial                 |                     |                 |                          |
|------|----------------------------|---------------------|-----------------|--------------------------|----------------------------|---------------------|-----------------|--------------------------|
|      | Additions /<br>Renovations | New<br>Construction | Pool<br>Permits | Miscellaneous<br>Permits | Additions /<br>Renovations | New<br>Construction | Sign<br>Permits | Miscellaneous<br>Permits |
| 2011 | 14                         | 14                  | 9               | 53                       | 19                         | 1                   | 22              | 16                       |
| 2010 | 25                         | 13                  | 14              | 37                       | 10                         | 5                   | 19              | 4                        |
| 2009 | 24                         | 5                   | 3               | 20                       | 11                         | 0                   | 26              | 11                       |
| 2008 | 19                         | 9                   | 4               | 18                       | 21                         | 3                   | 33              | 4                        |
| 2007 | 25                         | 22                  | 22              | 14                       | 4                          | 3                   | 37              | 5                        |
| 2006 | 30                         | 25                  | 18              | 1                        | 7                          | 2                   | 8               | 0                        |
| 2005 | 144                        | 36                  | 36              | 11                       | 22                         | 14                  | 38              | 5                        |
| 2004 | 53                         | 17                  | 20              | 10                       | 16                         | 9                   | 28              | 4                        |
| 2003 | 21                         | 11                  | 7               | 21                       | 5                          | 4                   | 36              | 7                        |
| 2002 | 31                         | 21                  | 18              | 6                        | 6                          | 0                   | 52              | 3                        |

SOURCE: City of Gulf Breeze Community Services Department

**City of Gulf Breeze, Florida**  
**TABLE XXII**  
**WATER SERVICE RATES**  
**Unaudited**  
**As of September 30, 2011**

| Meter Size | Inside City Limits |            |                                |                                   | Outside City Limits |            |                                |                                   |           |     |         |
|------------|--------------------|------------|--------------------------------|-----------------------------------|---------------------|------------|--------------------------------|-----------------------------------|-----------|-----|---------|
|            | Residential        | Commercial | Usage Included (000's gallons) | Rate per 000's gallons additional | Residential         | Commercial | Usage Included (000's gallons) | Rate per 000's gallons additional |           |     |         |
| .75"       | \$ 9.41            | \$ 9.41    | -                              | \$ 2.65                           | \$ 12.90            |            | -                              | \$ 2.70                           | \$ 23.82  | 3.0 | \$ 2.70 |
| 1.00"      | \$ 17.46           | \$ 17.46   | -                              | \$ 2.65                           | \$ 23.94            |            | -                              | \$ 2.70                           | \$ 35.89  | 3.0 | \$ 2.70 |
| 1.50"      | \$ 45.67           | \$ 45.67   | -                              | \$ 2.65                           | \$ 62.62            |            | -                              | \$ 2.70                           | \$ 80.57  | 3.0 | \$ 2.70 |
| 2.00"      | \$ 74.39           | \$ 74.39   | -                              | \$ 2.65                           | \$ 102.01           |            | -                              | \$ 2.70                           | \$ 124.00 | 3.0 | \$ 2.70 |
| 3.00"      | \$ 151.33          | \$ 151.33  | -                              | \$ 2.65                           | \$ 207.52           |            | -                              | \$ 2.70                           | \$ 242.28 | 3.0 | \$ 2.70 |
| 4.00"      | \$ 228.28          | \$ 228.28  | -                              | \$ 2.65                           | \$ 313.03           |            | -                              | \$ 2.70                           | \$ 366.43 | 3.0 | \$ 2.70 |
| 6.00"      | \$ 454.67          | \$ 454.67  | -                              | \$ 2.69                           | \$ 623.48           |            | -                              | \$ 2.70                           | \$ 724.58 | 3.0 | \$ 2.70 |

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

**City of Gulf Breeze, Florida**  
**TABLE XXIII**  
**SEWER SERVICE RATES**  
**Unaudited**  
**As of September 30, 2011**

| Meter Size | Inside City Limits |            |                                |                                   | Outside City Limits |            |                                |                                   |           |     |         |
|------------|--------------------|------------|--------------------------------|-----------------------------------|---------------------|------------|--------------------------------|-----------------------------------|-----------|-----|---------|
|            | Residential        | Commercial | Usage Included (000's gallons) | Rate per 000's gallons additional | Residential         | Commercial | Usage Included (000's gallons) | Rate per 000's gallons additional |           |     |         |
| .75"       | \$ 11.59           | \$ 11.59   | -                              | \$ 3.68                           | \$ 14.11            |            | -                              | \$ 4.02                           | \$ 31.17  | 3.0 | \$ 4.02 |
| 1.00"      | \$ 22.27           | \$ 22.27   | -                              | \$ 3.68                           | \$ 27.24            |            | -                              | \$ 4.02                           | \$ 43.26  | 3.0 | \$ 4.02 |
| 1.50"      | \$ 55.74           | \$ 55.74   | -                              | \$ 3.68                           | \$ 38.52            |            | -                              | \$ 4.02                           | \$ 88.59  | 3.0 | \$ 4.02 |
| 2.00"      | \$ 90.33           | \$ 90.33   | -                              | \$ 3.68                           | \$ 111.60           |            | -                              | \$ 4.02                           | \$ 133.27 | 3.0 | \$ 4.02 |
| 3.00"      | \$ 182.99          | \$ 182.99  | -                              | \$ 3.68                           | \$ 227.25           |            | -                              | \$ 4.02                           | \$ 255.97 | 3.0 | \$ 4.02 |
| 4.00"      | \$ 273.23          | \$ 273.23  | -                              | \$ 3.68                           | \$ 342.80           |            | -                              | \$ 4.02                           | \$ 387.48 | 3.0 | \$ 4.02 |
| 6.00"      | \$ 537.33          | \$ 537.33  | -                              | \$ 3.68                           | \$ 681.17           |            | -                              | \$ 4.02                           | \$ 763.03 | 3.0 | \$ 4.02 |

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

**City of Gulf Breeze, Florida**  
**TABLE XXIV**  
**SOLID WASTE SERVICE RATES**  
**Unaudited**  
**As of September 30, 2011**

| Residential Collection |          |       |          |       |  |  |
|------------------------|----------|-------|----------|-------|--|--|
|                        | Curbside |       | Sideyard |       |  |  |
| Regular                | \$       | 17.25 | \$       | 21.23 |  |  |
| Senior Rate            | \$       | 15.52 | \$       | 19.11 |  |  |
| Disabled Rate          |          |       | \$       | 15.52 |  |  |
| Extra Kart             | \$       | 6.27  | \$       | 10.26 |  |  |

| Commercial Collection             |                                 |           |           |           |           |                |
|-----------------------------------|---------------------------------|-----------|-----------|-----------|-----------|----------------|
| Container Size (Waste)            | Collection Frequency (Per Week) |           |           |           |           | Per Extra Call |
|                                   | 1                               | 2         | 3         | 4         | 5         |                |
| Kart (96 Gal)                     | \$ 41.19                        | \$ 59.43  |           |           |           |                |
| 2 Cubic Yards                     | \$ 106.52                       | \$ 127.82 | \$ 197.34 | \$ 251.16 | \$ 313.95 | \$ 44.85       |
| 4 Cubic Yards                     | \$ 148.00                       | \$ 220.89 | \$ 319.55 | \$ 427.19 | \$ 520.26 | \$ 89.70       |
| 6 Cubic Yards                     | \$ 191.73                       | \$ 331.71 | \$ 444.01 | \$ 575.20 | \$ 713.11 | \$ 134.55      |
| 8 Cubic Yards                     | \$ 238.83                       | \$ 394.68 | \$ 566.23 | \$ 735.54 | \$ 909.33 | \$ 179.40      |
| 30 Cubic Yard Roll Off            |                                 |           |           |           |           | \$ 257.89      |
| <u>Container Size (Recycling)</u> |                                 |           |           |           |           |                |
| Kart (96 Gal)                     | \$                              | 20.18     |           |           |           |                |
| 2 Cubic Yards                     | \$                              | 72.88     |           |           |           |                |
| 4 Cubic Yards                     | \$                              | 102.03    |           |           |           |                |
| 6 Cubic Yards                     | \$                              | 130.06    |           |           |           |                |

**City of Gulf Breeze, Florida**  
**TABLE XXV**  
**NATURAL GAS SERVICE RATES**  
**Unaudited**  
**As of September 30, 2011**

**Inside City Limits - Residential and Commercial**

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

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

**Outside City Limits - Residential and Commercial**

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

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

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

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

Therm: 100 cubic feet of natural gas

SOURCE: Gulf Breeze Natural Gas Department

**City of Gulf Breeze, Florida**  
**TABLE XXVI**  
**INSURANCE COVERAGE**  
**Unaudited**  
**As of September 30, 2011**

| <u>Type</u>                       | <u>Effective Dates</u> | <u>Company</u>                    | <u>Policy Number</u> | <u>Amount</u> |
|-----------------------------------|------------------------|-----------------------------------|----------------------|---------------|
| Auto (Person)                     | 10/1/11 to 9/30/12     | Florida Municipal Insurance Trust | FMIT # 0224          | \$ 100,000    |
| Auto (Occurrence)                 |                        |                                   |                      | \$ 200,000    |
| General Liability                 | 10/1/11 to 9/30/12     | Florida Municipal Insurance Trust | FMIT # 0224          | \$ 500,000    |
| Extra Contractual Legal Liability |                        |                                   |                      | \$ 25,000     |
| Fire Legal Liability              |                        |                                   |                      | \$ 250,000    |
| Medical Malpractice Liability     |                        |                                   |                      | \$ 500,000    |
| Errors & Omissions Liability      |                        |                                   |                      | \$ 500,000    |
| Law Enforcement Liability         |                        |                                   |                      | \$ 500,000    |
| Real Property                     | 10/1/11 to 9/30/12     | Florida Municipal Insurance Trust | FMIT # 0224          | \$ 20,739,606 |
| Personal Property                 | 10/1/11 to 9/30/12     | Florida Municipal Insurance Trust | FMIT # 0224          | \$ 1,080,503  |
| Island Marine                     | 10/1/11 to 9/30/12     | Florida Municipal Insurance Trust | FMIT # 0224          | \$ 210,503    |
| Wind Storm                        | 10/1/11 to 9/30/12     | Citizens Property Insurance       | 728652               | \$ 4,528,000  |
| Worker's Compensation             | 10/1/11 to 9/30/12     | City of Gulf Breeze               | N/A                  | \$ 250,000    |
| Petroleum Storage Tank            | 10/1/11 to 9/30/12     | Policy Managers                   | 7509065              | \$ 1,000,000  |
|                                   |                        |                                   |                      | \$ 2,000,000  |

SOURCE: City of Gulf Breeze Departments

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

| Full-time employees on City Payroll as of<br>September 30, <sup>(1)</sup> | 2011             | 2010             | 2009             | 2008             | 2007             | 2006             | 2005             | 2004             | 2003             | 2002             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>General Government</b>   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| City Manager and City Clerk   | 4                | 4                | 4                | 4                | 4                | 4                | 4                | 4                | 4                | 4                |
| Community Services  | 2                | 2                | 2                | 2                | 2                | 2                | 2                | 2                | 2                | 2                |
| Finance and Accounting  | 5                | 5                | 5                | 5                | 7                | 6                | 5                | 7                | 5                | 6                |
| Parks and Recreation Center   | 8                | 9                | 8                | 8                | 8                | 8                | 8                | 9                | 8                | 9                |
| Special Projects  | -                | -                | -                | 1                | 1                | 1                | -                | -                | -                | -                |
| Sworn Officers  | 15               | 18               | 17               | 19               | 19               | 19               | 19               | 18               | 18               | 18               |
| Civilian Employees  | 7                | 7                | 8                | 8                | 8                | 8                | 8                | 7                | 7                | 7                |
| Police  | <u>22</u>        | <u>25</u>        | <u>25</u>        | <u>27</u>        | <u>27</u>        | <u>27</u>        | <u>27</u>        | <u>25</u>        | <u>25</u>        | <u>25</u>        |
| <b>General Government - Total</b>   | <b><u>41</u></b> | <b><u>45</u></b> | <b><u>44</u></b> | <b><u>47</u></b> | <b><u>49</u></b> | <b><u>48</u></b> | <b><u>46</u></b> | <b><u>47</u></b> | <b><u>44</u></b> | <b><u>46</u></b> |
| <b>Enterprises <sup>(2)</sup></b>   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| GBFS  | 3                | 2                | 1                | 1                | 1                | 2                | -                | 1                | 1                | -                |
| Gas, Water and Sewer  | 12               | 13               | 11               | 12               | 13               | 9                | 11               | 11               | 11               | 14               |
| South Santa Rosa Utility  | 26               | 23               | 27               | 29               | 29               | 28               | 25               | 19               | 20               | 19               |

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

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

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

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

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

|   | 2011       | 2010       | 2009       | 2008       | 2007       | 2006       | 2005       | 2004       | 2003       | 2002       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Fire Department</b>  |            |            |            |            |            |            |            |            |            |            |
| Emergency Medical Calls   | 511        | 562        | 500        | 471        | 527        | 486        | 500        | 442        | 479        | 436        |
| Fire and Other Calls  | <u>289</u> | <u>322</u> | <u>325</u> | <u>315</u> | <u>375</u> | <u>455</u> | <u>341</u> | (*) 238    | <u>237</u> | <u>195</u> |
| Total Calls   | <u>800</u> | <u>884</u> | <u>825</u> | <u>786</u> | <u>902</u> | <u>941</u> | <u>841</u> | <u>680</u> | <u>716</u> | <u>631</u> |
| (*) During and immediately after hurricane Ivan the fire department responded to an estimated 100 calls which were not recorded due to power and system failures. |            |            |            |            |            |            |            |            |            |            |
| <b>Police Department</b>  |            |            |            |            |            |            |            |            |            |            |
| Arrests   | 245        | 161        | 195        | 142        | 206        | 258        | 189        | 234        | 266        | 334        |
| Citations   | 5,748      | 4,968      | 4,451      | 4,451      | 5,330      | 5,047      | 3,707      | 3,800      | 4,303      | 3,985      |
| <b>Parks and Recreation</b>   |            |            |            |            |            |            |            |            |            |            |
| League Registrations  | 1,777      | 1,802      | 1,918      | 1,596      | 1,617      | 1,784      | 1,659      | 1,664      | 1,630      | 1,807      |
| <b>Water</b>  |            |            |            |            |            |            |            |            |            |            |
| Customers at year end   | 2,558      | 2,565      | 2,575      | 2,576      | 2,572      | 2,582      | 2,608      | 2,613      | 2,594      | 2,582      |
| Treatment (000's gallons)   | 244,322    | 244,322    | 256,115    | 247,620    | 266,146    | 274,237    | 256,311    | 247,962    | 246,881    | 261,711    |
| <b>Sewer</b>  |            |            |            |            |            |            |            |            |            |            |
| Customers at year end   | 1,463      | 1,471      | 1,479      | 1,450      | 1,407      | 1,389      | 1,390      | 1,412      | 1,390      | 1,382      |
| Treatment (000's gallons)   | 157,743    | 150,468    | 164,167    | 155,865    | 168,066    | 167,414    | 157,577    | 150,430    | 151,419    | 158,402    |
| <b>Natural Gas</b>  |            |            |            |            |            |            |            |            |            |            |
| Customers at year end   | 3,311      | 3,248      | 3,237      | 3,204      | 3,104      | 2,947      | 2,730      | 2,871      | 2,727      | 2,632      |
| Therms (000's 100's ft3)  | 1,195,192  | 1,286,640  | 1,120,347  | 1,129,450  | 1,154,080  | 1,073,628  | 1,148,731  | 1,296,972  | 1,261,617  | 1,136,478  |
| <b>SSRUS - Water</b>  |            |            |            |            |            |            |            |            |            |            |
| Customers at year end   | 4,178      | 4,200      | 4,220      | 4,229      | 4,224      | 4,205      | 4,164      | 4,382      | 4,300      | 4,225      |
| Usage (000's gallons)   | 296,911    | 293,962    | 299,967    | 292,892    | 309,617    | 324,474    | 309,116    | 337,340    | 330,948    | N/A        |
| <b>SSRUS - Sewer</b>  |            |            |            |            |            |            |            |            |            |            |
| Customers at year end   | 5,850      | 5,837      | 5,824      | 5,819      | 5,744      | 5,556      | 5,338      | 5,402      | 4,948      | 1,698      |
| Treatment (000's gallons)   | 412,452    | 385,532    | 387,549    | 389,835    | 407,189    | 427,657    | 389,021    | 401,388    | 369,631    | 381,198    |
| <b>Wastewater Treatment</b>   |            |            |            |            |            |            |            |            |            |            |
| Treatment (000's gallons)   | 487.7      | 562.5      | 509.2      | 501.9      | 499.7      | 469.8      | 532.9      | 517.9      | 511.7      | 496.0      |

SOURCE: Departmental Records and Gulf Breeze Sports Association

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

|   | Fiscal Year |       |       |       |       |       |       |       |       |       |
|---|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | 2011        | 2010  | 2009  | 2008  | 2007  | 2006  | 2005  | 2004  | 2003  | 2002  |
| <b>Streets</b>                              |             |       |       |       |       |       |       |       |       |       |
| Miles of roads                              | 44.7        | 44.7  | 44.7  | 44.7  | 44.7  | 44.7  | 44.7  | 44.7  | 44.7  | 44.7  |
| Miles of sidewalks                          | 10.0        | 10.0  | 10.0  | 10.0  | 10.0  | 10.0  | 10.0  | 9.0   | 9.0   | 7.0   |
| Signs Installed                             | 171         | 171   | 171   | 171   | 171   | 171   | 171   | 171   | 171   | 170   |
| Traffic Signal (City Owned)                 | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | -     | -     |
| <b>Water</b>                                |             |       |       |       |       |       |       |       |       |       |
| Water Line (miles)                          | 43.5        | 43.5  | 43.5  | 43.5  | 43.5  | 43.3  | 43.0  | 42.5  | 42.3  | 42.0  |
| Elevated Storage Tanks                      | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Elevated Storage Capacity (000's gallons)   | 100         | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   |
| Ground Storage Tanks                        | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Ground Storage Capacity (000,000's gallons) | 1.0         | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   | 1.0   |
| Water Pump Facilities                       | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| <b>Sewer</b>                                |             |       |       |       |       |       |       |       |       |       |
| Sewer Line (miles)                          | 16.0        | 16.0  | 16.0  | 15.3  | 15.3  | 15.1  | 14.8  | 14.3  | 14.1  | 13.8  |
| Lift Stations                               | 25          | 25    | 25    | 24    | 23    | 23    | 23    | 23    | 23    | 22    |
| <b>Natural Gas</b>                          |             |       |       |       |       |       |       |       |       |       |
| Gas Main (miles)                            | 119.3       | 119.3 | 119.3 | 119.3 | 118.6 | 117.6 | 116.0 | 115.0 | 114.0 | 110.0 |
| <b>South Santa Rosa Utility System</b>      |             |       |       |       |       |       |       |       |       |       |
| <u>Water</u>                                |             |       |       |       |       |       |       |       |       |       |
| Water Line (miles)                          | 62.3        | 62.3  | 62.3  | 62.3  | 61.3  | 58.3  | 57.3  | 55.3  | 54.3  | 52.3  |
| Elevated Storage Tanks                      | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Elevated Storage Capacity (000's gallons)   | 150         | 150   | 150   | 150   | 150   | 150   | 150   | 150   | 150   | 150   |
| Ground Storage Tanks                        | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Ground Storage Capacity (000,000's gallons) | 1.5         | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   |
| Water Pump Facilities                       | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| <u>Sewer</u>                                |             |       |       |       |       |       |       |       |       |       |
| Sewer Line (miles)                          | 57.0        | 57.0  | 57.0  | 56.8  | 54.8  | 52.8  | 50.8  | 49.8  | 47.8  | 46.8  |
| Lift Stations                               | 60          | 60    | 60    | 57    | 57    | 56    | 53    | 53    | 52    | 51    |
| <u>Treatment Facilities</u>                 |             |       |       |       |       |       |       |       |       |       |
| Facilities                                  | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Capacity (000,000 gallons per day)          | 2.0         | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   |
| <b>Stormwater Utility</b>                   |             |       |       |       |       |       |       |       |       |       |
| Stormwater pipe (miles)                     | 9.1         | 9.1   | 9.1   | 9.0   | 7.0   | 7.0   | 7.0   | 7.0   | 7.0   | 7.0   |
| Inlets                                      | 186         | 186   | 186   | 180   | 88    | 88    | 88    | 88    | 88    | 88    |
| Pump Stations                               | 5           | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     |
| <b>Police Department</b>                    |             |       |       |       |       |       |       |       |       |       |
| Patrol Units                                | 17          | 17    | 17    | 19    | 19    | 19    | 18    | 18    | 18    | 18    |
| <b>Fire Department</b>                      |             |       |       |       |       |       |       |       |       |       |
| Response and Support Vehicles               | 10          | 10    | 9     | 10    | 10    | 9     | 8     | 7     | 7     | 7     |

SOURCE: Departmental Records

# **IV. Compliance Section**



**Compliance Matters**

**Management Letter**

**Responses to the Management Letter**

**City of Gulf Breeze, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2011**

| <b>Federal Agency<br/>Pass-Through Entity<br/>Federal Program</b>   | <b>CFDA<br/>Number</b> | <b>Contract/Grant Number</b> | <b>Expenditures</b>        |
|---|------------------------|------------------------------|----------------------------|
| <b>U.S. Department of Homeland Security</b>   |                        |                              |                            |
| Pass-Through From:  |                        |                              |                            |
| Florida Department of Community Affairs<br>Disaster Grants - Public Assistance (Hurricane Ivan)                     | 97.036                 | 05-PA-G-01-67-02-621         | \$ 4,158,387               |
| <b>Total U.S. Department of Homeland Security</b>   |                        |                              | <u>4,158,387</u>           |
| <b>U.S. Environmental Protection Agency</b>   |                        |                              |                            |
| Pass-Through From:  |                        |                              |                            |
| Florida Department of Environmental Protection<br>Capitalization Grants for Clean Water State Revolving<br>Funds    | 66.458                 | CS120001-100/WW722120        | 676,175                    |
| <b>Total U.S. Environmental Protection Agency</b>   |                        |                              | <u>676,175</u>             |
| <b>U.S. Department of Housing and Urban Development</b>   |                        |                              |                            |
| Pass-Through From:  |                        |                              |                            |
| Florida Department of Community Affairs<br>Florida Small Cities Community Development Block<br>Grant Program - ARRA | 14.255                 | 10-DB-C4-01-67-02-R07        | 143,949                    |
| <b>Total U.S. Department of Housing and Urban<br/>Development</b>   |                        |                              | <u>143,949</u>             |
| <b>U.S. Department of Interior</b>  |                        |                              |                            |
| Pass-Through From:  |                        |                              |                            |
| U.S. Fish and Wildlife Service<br>The Restoration of Deadman's Island   | 15.630                 | 401817G095                   | 96,931                     |
| <b>Total U.S. Department of Interior</b>  |                        |                              | <u>96,931</u>              |
| <b>Federal Highway Administration</b>   |                        |                              |                            |
| Pass-Through From:  |                        |                              |                            |
| Florida Department of Transportation<br>Highway Planning and Construction   | 20.205                 | 425881-1-58-01               | 76,875                     |
| <b>Total Federal Highway Administration</b>   |                        |                              | <u>76,875</u>              |
| <b>U.S. Department of Justice</b>   |                        |                              |                            |
| Pass-Through From:  |                        |                              |                            |
| State Office of Attorney General<br>Crime Victim Assistance   | 16.575                 | V10127                       | 38,043                     |
| <b>Total U.S. Department of Justice</b>   |                        |                              | <u>38,043</u>              |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>   |                        |                              | <b><u>\$ 5,190,360</u></b> |

The accompanying notes are an integral  
part of this schedule.

**City of Gulf Breeze, Florida**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS**  
**Year Ended September 30, 2011**

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**NOTE 1 - BASIS OF PRESENTATION**

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

The Honorable Mayor and City Council Members  
Gulf Breeze, Florida

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2011, which collectively comprise the City of Gulf Breeze, Florida's basic financial statements and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (2008-1, 2008-3, 2010-1, 2011-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 27, 2012, which should be considered in assessing the results of our audit.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

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



March 27, 2012

Honorable Mayor and City Council Members  
Gulf Breeze, Florida

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

**Compliance**

We have audited the City of Gulf Breeze, Florida's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Gulf Breeze, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program and state projects for the year ended September 30, 2011.

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

### **Internal Control over Compliance**

The management of the City of Gulf Breeze, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gulf Breeze's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Warren Averett, LLC*

March 27, 2012

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2011**

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

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>                      |
|--------------------|--|
| 97.036             | Disaster Grants - Public Assistance<br>(Hurricane Ivan)        |
| 66.458             | Capitalization Grants for Clean Water State<br>Revolving Funds |

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

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

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2011**

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**II. FINANCIAL STATEMENT FINDINGS**

*Prior Year Financial Statements Findings:*

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

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

**Recommendation**

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

**Status**

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

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

**Finding 2008-3 - 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.

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2011**

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**II. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

*Prior Year Financial Statements Findings (Continued):*

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

**Recommendation**

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

**Status**

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

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

**2010-1 - Grant Financial Reporting**

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

**Recommendation**

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

**Status:**

Management prepared and provided the SEFA for fiscal year 2011; however, the expenditures reported contained errors, misclassifications, and inclusion of amounts unrelated to the federal and state programs. As a result, our prior year recommendation remains relevant to the current year under audit.

**Management's Response:**

We agree with the finding and will take corrective action.

**City of Gulf Breeze, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2011**

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**II. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

*Current Year Financial Statements Findings:*

**Finding 2011-1 - Controls Over Cash Balances**

For the fiscal year ending September 30, 2011, we noted the City had an unreconciled difference of approximately \$20,000 between cash bank balances and general ledger balances. This difference remained unresolved at year-end. Failure to properly reconcile cash between the bank accounts and the general ledger control accounts prevents the City from obtaining accurate cash positions at the end of each period and could result in inappropriate decisions made by Governance. In addition, the situation could prevent the City from making timely corrections or adjustments that are necessary for an accurate reflection of cash in the financial statements.

**Recommendation**

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

**Management's Response:**

We agree with the findings and will continue to pursue corrective actions and resources to establish a more comprehensive closure before the audit process begins.

The Honorable Mayor and City Council Members  
Gulf Breeze, Florida

### **MANAGEMENT LETTER**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gulf Breeze, Florida, as of and for the year ended September 30, 2011, and have issued our report thereon dated March 27, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-144, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance with Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 27, 2012, should be considered in conjunction with this management letter.

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

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Gulf Breeze, Florida complied with Section 218.415, Florida Statutes.

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

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information can be found in Note 1 of the financial statements.

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

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City of Gulf Breeze, Florida for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.

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

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate this this 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.

*Warren Averett, LLC*

March 27, 2012