

THE CITY OF
GULF BREEZE, FLORIDA



Sculpture "Fuego" installed at Wayside Park during 2012

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDING

SEPTEMBER 30, 2012

I. INTRODUCTORY SECTION

- **TABLE OF CONTENTS**
- **LETTER OF TRANSMITTAL**
- **GOVERNMENT FINANCE OFFICERS
CERTIFICATE OF ACHIEVEMENT IN
FINANCIAL REPORTING**
- **ORGANIZATIONAL CHART**
- **PRINCIPAL CITY OFFICIALS**

**CITY OF GULF BREEZE, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended September 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
TITLE PAGE		
I. INTRODUCTORY SECTION		
Table of Contents	iv	
Letter of Transmittal	viii	
GFOA Certificate of Achievement	xv	
Organizational Chart	xvi	
City Officials	xvii	
II. FINANCIAL SECTION		
Independent Auditor's Report	1	
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	4	
B. BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Assets	19	I
Statement of Activities	20	II
Fund Financial Statements		
<u><i>Governmental Fund Financial Statements</i></u>		
Balance Sheet	21	III - A
Reconciliation of the Balance Sheet to the Statement of Net Assets	22	III - B
Statement of Revenues, Expenditures and Changes in Fund Balance	23	IV - A
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24	IV - B
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	25	V
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Urban Core Redevelopment Special Revenue Fund	26	VI
<u><i>Proprietary Fund Financial Statements</i></u>		
Statement of Net Assets	27	VII
Statement of Revenues, Expenses and Changes in Net Assets	29	VIII
Statement of Cash Flows	30	IX
<u><i>Fiduciary Fund Financial Statements</i></u>		
Statement of Fiduciary Net Assets	32	X
Statement of Changes in Fiduciary Net Assets	33	XI

**CITY OF GULF BREEZE, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended September 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>	<u>Statement/ Schedule</u>
II. FINANCIAL SECTION (CONTINUED)		
Notes to Financial Statements	34	
C. REQUIRED SUPPLEMENTARY INFORMATION		
Pension Schedules		
Schedule of Funding Progress	69	A-1
Schedule of Contributions from the Employer and Other Contributing Entities	70	A-2
D. COMBINING AND INDIVIDUAL FUND STATEMENTS		
<u>Non-Major Governmental Funds</u>		
Combining Balance Sheet	71	B-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	72	B-2
<u>Non-Major Proprietary Funds</u>		
Statement of Net Assets	73	C-1
Statement of Revenues, Expenses and Changes in Net Assets	74	C-2
Statement of Cash Flows	75	C-3

**CITY OF GULF BREEZE, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended September 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>	<u>Table</u>
III. STATISTICAL SECTION (UNAUDITED)		
Components of Net Assets	76	I
Changes in Net Assets	77	II
Charges for Services by Function and Program	79	III
Components of Fund Balance	80	IV
Changes in Fund Balances - Governmental Funds	81	V
Property Tax Levies and Collections	82	VI
Assessed Value of Taxable Property	83	VII
Property Tax Rates Per \$1,000 of Taxable Value - All Direct and Overlapping Governments	84	VIII
Principal Taxpayers	85	IX
Special Assessment Billings and Collections	86	X
Outstanding Debt	87	XI
Ratio of Total Debt to Assessed Value and Total Debt per Capita	88	XII
Computation of Legal Debt Margin	89	XIII
Ratio of Net General Bonded Debt To Assessed Value and Net Bonded Debt Per Capita	90	XIV
Computation of Direct and Overlapping Debt - General Obligations	91	XV
Revenue Bond Coverage - South Santa Rosa Utility Certificates	92	XVI
Miscellaneous Demographical Statistics	93	XVII
Schedule of Property Value, Construction, and Bank Deposits	94	XVIII
Principal Employers	95	XIX
Permits	96	XX
Water Service Rates	97	XXI
Sewer Service Rates	98	XXII
Solid Waste Service Rates	99	XXIII
Natural Gas Service Rates	100	XXIV
Insurance Coverage	101	XXV
Full-time Equivalent City Government Employees by Function	102	XXVI
Operating Indicators by Function	103	XXVII
Capital Asset Statistics by Function	104	XXVIII

CITY OF GULF BREEZE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2012

TABLE OF CONTENTS

IV. COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	105
Notes to Schedule of Expenditures of Federal Awards	106
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 <i>Government</i> <i>Auditing Standards</i>	107
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	109
Schedule of Findings and Questioned Costs	111
Schedule of Findings and Responses	
Management Letter	117



City of Gulf Breeze

March 6, 2013

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, 2012, 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, 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, 2012, 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, 2012, 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 Renfroe	1964-1966
Colven Caudell	1970-1972
B. B. Jordan	1972-1974
Donald Elbert	1974-1976
Charles Wright	1976-1980
Joseph Reynes	1980-1984
Ed Gray III	1984-1992
Lane Gilchrist *	1992-2009
Beverly Zimmern	2009-Present

* Deceased while holding office

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

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, parks and recreation, streets and drainage in addition to enterprise operations consisting of water, sewer, stormwater drainage and natural gas. The City contracts with a private firm to provide solid waste and recycling collection services within City limits. Public safety is provided through twenty-four hour police protection by the fully accredited Police Department along with a fully trained volunteer fire department. The City's Police Department has been the recipient of numerous awards for professionalism and innovation. The City's Fire Department has earned an ISO rating of 4 based on its professionalism and procedure.

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

The Budget

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

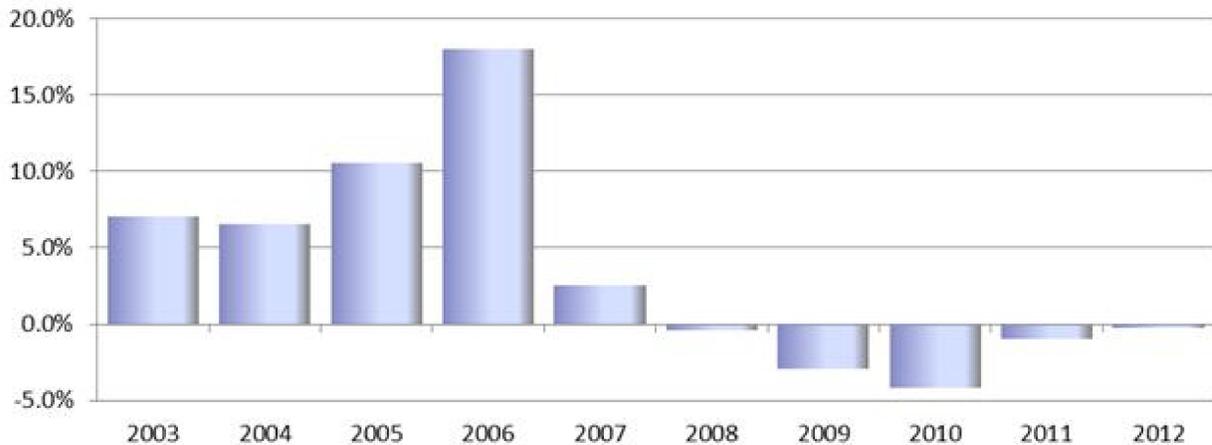
The economic base of the City of Gulf Breeze is 79% residential with commercial areas accounting for 21% of the City. The City of Gulf Breeze consists of 4.5 square miles and has limited potential for expansion. Redevelopment continues to be the most viable alternative for economic improvements. In 1988,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

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 in accordance with the MDL settlement agreement 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 0.2% decrease in assessed value of properties within the City in 2012, following a 1% decrease in 2011, a 4% decline in 2010, and a 3% decline in 2009.

Change in Assessed Property Value



Long-term Financial Planning

Gulf Breeze sponsored its first loan pool in 1985. Since that time the loan pools have generated over \$17 million in fees, allowing the City to make significant capital improvements. Loan pool sponsorship fees have been used to fund a variety of Gulf Breeze projects over the years.

The City's loan pool and bond sponsorship programs operated through Capital Trust Agency (CTA) and Gulf Breeze Financial Services (GBFS) have consistently provided significant revenues to fund City operations. Historically, these revenue sources have been equivalent to over 80% of the City's ad valorem tax revenues and allowed the City to maintain a low millage rate and approve a rate of 1.900 mills for tax years 2009 through 2013.

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

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

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

- Continued re-paving of the more than 45 miles of streets within the City of Gulf Breeze. The City is in the eighth year of a fifteen-year program to re-pave all 45 miles of streets. Local Option gas tax revenues are used to fund part of this project. Widening and improvement of South Sunset Drive was completed in 2012.
- 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 placement of structures for establishment of an oyster bed breakwater, as well as the submerged land lease, have been completed.
- The City has developed a Master Plan for parks to provide a guide for capital projects for the next 10 years.
- 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 (in progress);
 - Expansion and mechanical upgrade of the Recreation Center (in progress);
 - Compressed natural gas (CNG) compression equipment & storage facilities;
 - Upgrading Playground Equipment (completed in 2012);
 - Upgrading Fire and Rescue Equipment & Vehicles (completed in 2012);
 - 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, 2011. That was the 10th 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.

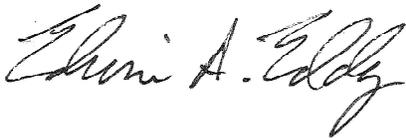
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this year's report to the GFOA to determine its eligibility for a certificate for the 11th 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

(THIS PAGE INTENTIONALLY LEFT BLANK)

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, 2011

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.



Christopher P. Mouill
President

Jeffrey R. Emer
Executive Director

(THIS PAGE INTENTIONALLY LEFT BLANK)

City of Gulf Breeze

Resident & Voters of
Gulf Breeze



City Council
 MAYOR: Beverly Zimmern
 SEAT A: Cherry Fitch⁽¹⁾
 SEAT B: Joseph Henderson
 SEAT C: JB Schluter *
 SEAT D: David Landfair

(Also board for Community Redevelopment Agency and Gulf Breeze Financial Services)

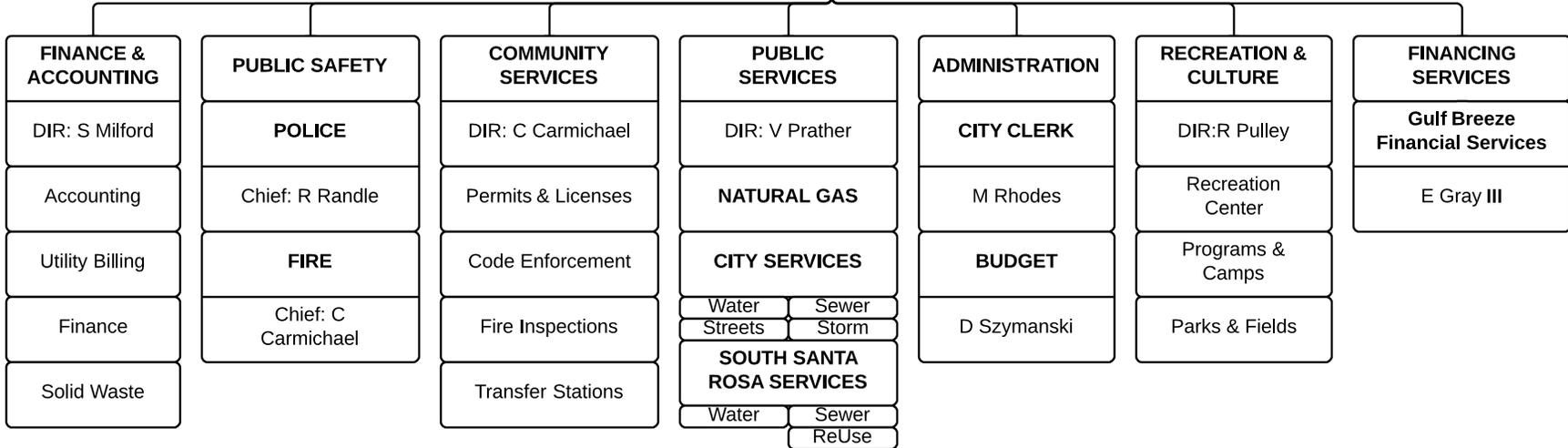
*Mayor Pro Tem
⁽¹⁾ Elected November 2012

INDEPENDENT BOARDS
 Board of Adjustments
 Fire Board
 Capital Trust Agency

LEGAL COUNSEL
 M Dannheisser PA

ADVISORY BOARDS
 Development Review
 South Santa Rosa Utilities
 Parks
 Architectural Review

CITY MANAGER
 E Eddy
ASST CITY MANAGER
 D Szymanski



(THIS PAGE INTENTIONALLY LEFT BLANK)

City of Gulf Breeze

Elected Officials – City Council

Mayor: Beverly Zimmern

Seat A: Cherry Fitch ⁽¹⁾

Seat B: Joseph Henderson

Seat C: J B Schluter *

Seat D: David G. Landfair

* Mayor Pro Tem

⁽¹⁾ Elected November 2012

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

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**

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, 2012, 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, 2012, 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 6, 2013, 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 18 and 25 through 26 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 6, 2013

(THIS PAGE INTENTIONALLY LEFT BLANK)

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found beginning on page viii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Gulf Breeze exceeded its liabilities by \$47,200,859 (net assets). Of this amount \$21,774,578 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$7,677,902 or 19%. The governmental net assets increased by \$6,478,674 or 55% and the business-type net assets increased by \$1,199,228 or 4%. This increase is largely reflected in the increase in capital assets, decrease in 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 in governmental net assets.
- The City's governmental funds reported combined ending fund balances of \$8,515,950, an increase of \$1,727,196 or 25.4%. Of the total ending fund balance, \$6,698,503, the equivalent of 62% of total General Fund expenditures, is available for spending at the City's discretion (unassigned fund balance). The increase resulted from increases in the balances due from other funds, a decrease in payables, decreases in cash and equivalents and an increase in amounts due from other governments.
- As discussed further below, the City has been fortunate to be the recipient of significant grants from the Florida Department of Transportation, and the State and Federal Government (Community Development Block Grants – CDBG funded by the American Restoration and Recovery Assistance – ARRA, and the Stafford Act – FEMA) in fiscal year 2012 which were largely responsible for the increase in capital assets and amounts due from other governments (grant expenditures pending reimbursement).

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 19-20 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 21-26 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 27-31 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 32-33 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 34 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 69-70 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 71-75 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 \$47,200,859 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 \$23,702,277 (or 50%) at September 30, 2012. 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 \$1,724,004 (or 4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$21,774,578 (or 46%) 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, 2012 AND 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 9,636,592	\$ 8,090,796	\$ 16,631,517	\$ 16,980,949	\$ 26,268,109	\$ 25,071,745
Capital assets	17,964,398	13,377,160	24,906,887	23,852,361	42,871,285	37,229,521
Total assets	<u>27,600,990</u>	<u>21,467,956</u>	<u>41,538,404</u>	<u>40,833,310</u>	<u>69,139,394</u>	<u>62,301,266</u>
Long-term liabilities outstanding	8,532,551	8,707,818	11,852,621	12,488,171	20,385,172	21,195,989
Other liabilities	846,793	1,017,166	706,570	565,154	1,553,363	1,582,320
Total liabilities	<u>9,379,344</u>	<u>9,724,984</u>	<u>12,559,191</u>	<u>13,053,325</u>	<u>21,938,535</u>	<u>22,778,309</u>
Net assets						
Invested in capital assets net of related debt	9,652,675	4,895,426	14,049,602	12,368,789	23,702,277	17,264,215
Restricted	879,047	994,663	844,957	844,957	1,724,004	1,839,620
Unrestricted	7,689,924	5,852,883	14,084,654	14,566,239	21,774,578	20,419,122
Total net assets	<u>\$ 18,221,646</u>	<u>\$ 11,742,972</u>	<u>\$ 28,979,213</u>	<u>\$ 27,779,985</u>	<u>\$ 47,200,859</u>	<u>\$ 39,522,957</u>

Governmental Activities

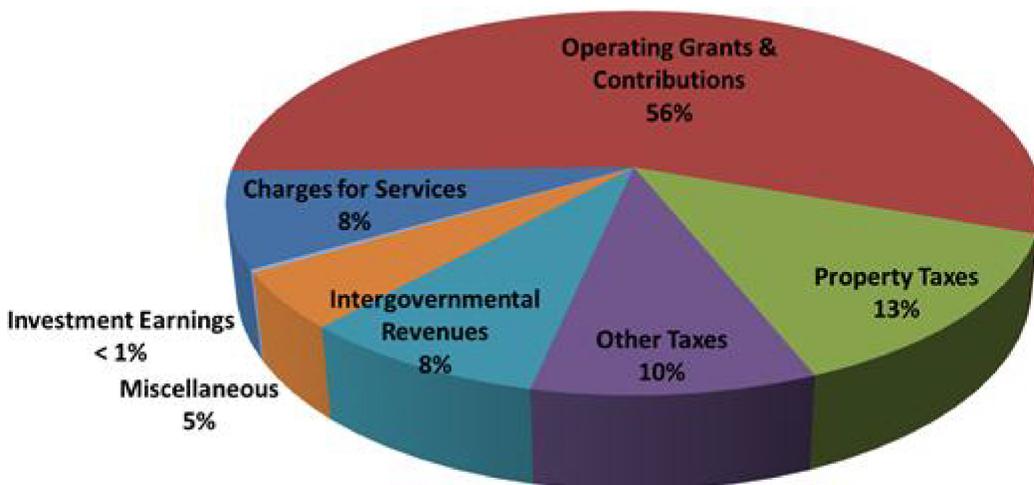
Governmental activities before transfers increased the City of Gulf Breeze’s net assets by \$5,297,024. The key elements of this change are reported in Table 2.

Charges for services increased 55% this year reflecting primarily increased citation revenue. Enhancing that increase was a 77% increase in operating grants reflecting largely received reimbursements of hurricane restoration projects from FEMA and the state of Florida, specifically the expansion of the City's recreation and community center, 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 16% 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.

Tax revenues overall declined by 2.2% lead by small declines in property tax and franchise tax collections. Small increases in tourist development, fuel and utility service taxes were offset by a \$14,431 decrease in communication service taxes as well.

Fiscal Year 2012 Revenues by Source Governmental Activities



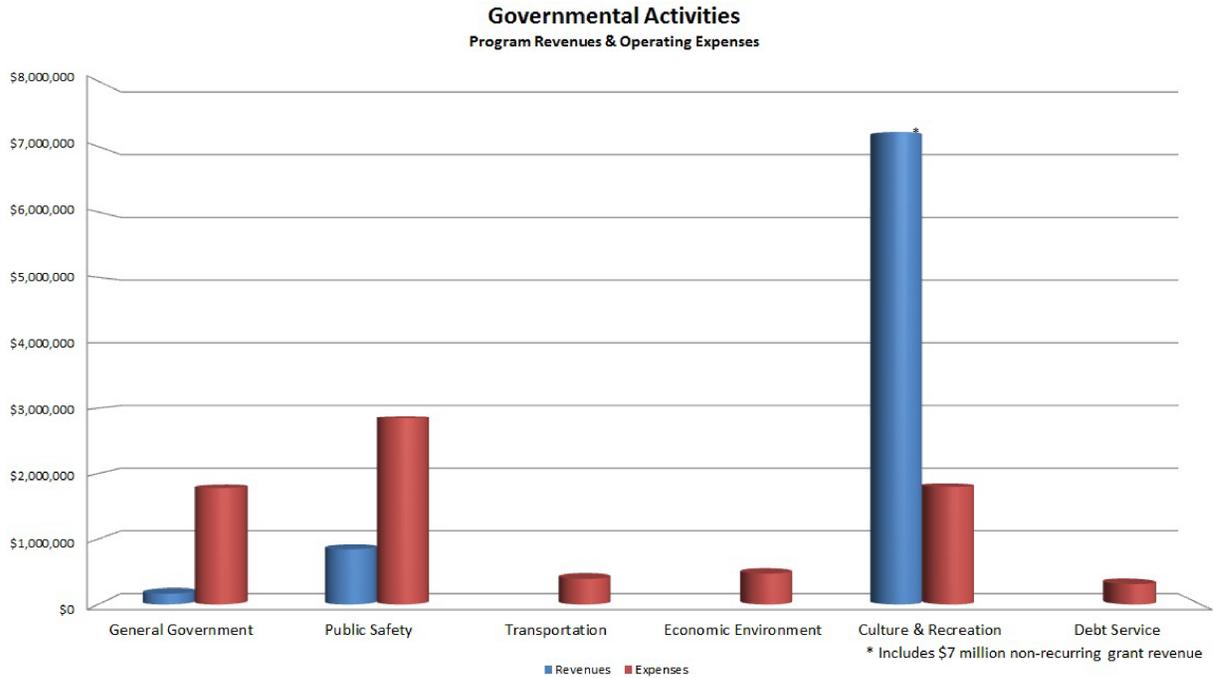
Non-recurring fiscal year 2011 expenses supporting the promotion and celebration in fiscal 2011 of the City's 50th anniversary of its founding along with a decreases in professional fees were the primary contributors to the 17% reduction in General Government expenses.

The City instituted a new red light camera program, which is processed and administered by the City's police department, late in fiscal year 2011. The full year's operation in fiscal year 2012 of the red light camera program accounts for the majority of the 118% increase in Fines and Forfeitures revenue. Over half of collected citation revenues is remitted to the state in accordance with state statute. As a result of the program's revenue growth, related expenses increased by \$335,721, of which a portion of the increase was offset by a reduction in professional services and personnel costs in comparison to the prior fiscal year resulting in a net increase in Public Safety expenditures of \$265,383 or 10%.

The significant decrease in Transportation expenses relates to the completion of Highway 98 median improvements in fiscal 2011 which were nonrecurring in fiscal 2012.

During 2011 the City completed the removal of a 1.5 mile long drive-on fishing pier that had been damaged by hurricane Ivan in 2004. FEMA and State funds reimbursed the vast majority of the \$2.2 million removal costs which were expensed in fiscal 2011 as part of the Culture and Recreation expenses and, consequently, Culture and Recreation expenses in 2012 declined by that amount (52% decrease). 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, including a \$6 million expansion of its recreation center as well as other smaller projects which resulted in Culture and Recreation operating grants increase of 85%.

The increase in Economic Environment expenditures (\$35,801 or 8.2% 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.



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.

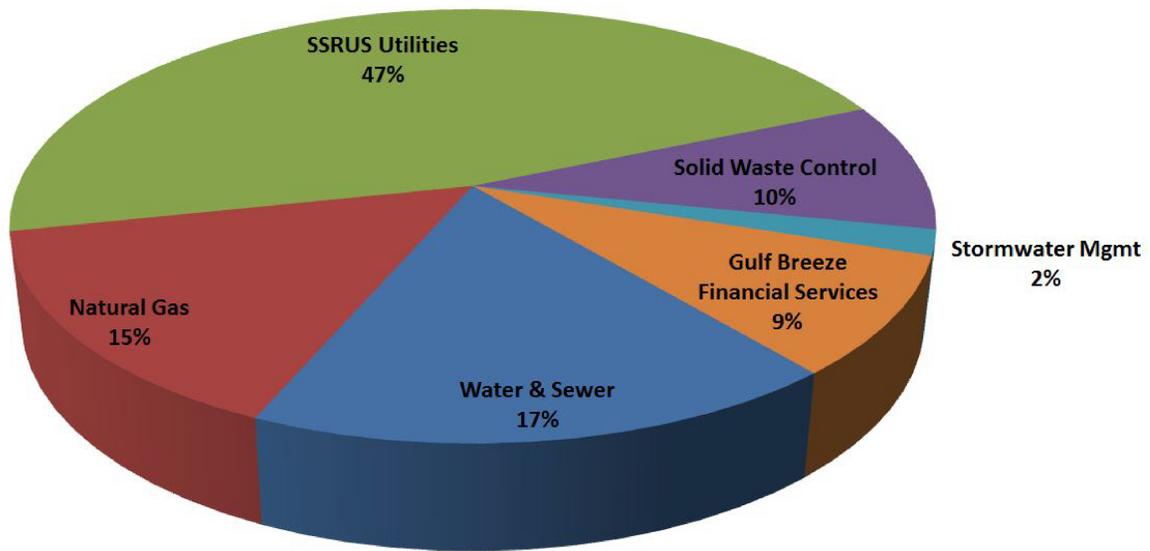
Table 2
City of Gulf Breeze
CHANGE IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues						
Charges for services	\$ 1,034,771	\$ 669,642	\$ 10,517,516	\$ 10,618,086	\$ 11,552,287	\$ 11,287,728
Operating grants and contributions	7,195,117	4,054,298	-	-	7,195,117	4,054,298
Capital grants and contributions	-	-	417,520	319,969	417,520	319,969
General revenues						
Property taxes	1,731,906	1,767,275	-	-	1,731,906	1,767,275
Other taxes	1,223,258	1,254,362	-	-	1,223,258	1,254,362
Intergovernmental revenues	1,070,901	819,245	-	-	1,070,901	819,245
Miscellaneous	608,104	953,952	268,959	547,198	877,063	1,501,150
Investment earnings	35,537	30,688	337,195	19,272	372,732	49,960
TOTAL REVENUES	<u>12,899,594</u>	<u>9,549,462</u>	<u>11,541,190</u>	<u>11,504,525</u>	<u>24,440,784</u>	<u>21,053,987</u>
EXPENSES						
Governmental activities						
General government	1,780,088	2,140,853	-	-	1,780,088	2,140,853
Public safety	2,848,296	2,582,913	-	-	2,848,296	2,582,913
Transportation	392,737	431,961	-	-	392,737	431,961
Economic environment	470,558	434,757	-	-	470,558	434,757
Culture and recreation	1,800,355	3,758,787	-	-	1,800,355	3,758,787
Debt service interest	310,536	315,231	-	-	310,536	315,231
Business-type activities						
Water and sewer	-	-	1,557,810	1,523,787	1,557,810	1,523,787
Natural gas	-	-	1,286,806	1,388,342	1,286,806	1,388,342
SSRUS utilities	-	-	4,918,789	4,887,012	4,918,789	4,887,012
Solid waste control	-	-	896,904	870,997	896,904	870,997
Stormwater management	-	-	259,933	246,276	259,933	246,276
Gulf Breeze Financial Services	-	-	240,070	725,702	240,070	725,702
TOTAL EXPENSES	<u>7,602,570</u>	<u>9,664,502</u>	<u>9,160,312</u>	<u>9,642,116</u>	<u>16,762,882</u>	<u>19,306,618</u>
Excess (deficiency) in net assets before transfers	5,297,024	(115,040)	2,380,878	1,862,409	7,677,902	1,747,369
Transfers	1,181,650	849,344	(1,181,650)	(849,344)	-	-
Increase in net assets	6,478,674	734,304	1,199,228	1,013,065	7,677,902	1,747,369
NET ASSETS - OCTOBER 1	<u>11,742,972</u>	<u>11,008,668</u>	<u>27,779,985</u>	<u>26,766,920</u>	<u>39,522,957</u>	<u>37,775,588</u>
NET ASSETS - SEPTEMBER 30	<u>\$18,221,646</u>	<u>\$11,742,972</u>	<u>\$ 28,979,213</u>	<u>\$ 27,779,985</u>	<u>\$ 47,200,859</u>	<u>\$ 39,522,957</u>

Business-Type Activities

Business-type activities increased the City's net assets by \$2,380,878 before transfers, as indicated on Table 2.

**Fiscal Year 2012 Revenues by Source
Business-Type Activities**



There have been no significant changes in the number of water and sewer customers inside City limits. This is also true for the number of water customers outside the City limits. The minor increases in customer counts are often more than offset by overall decreasing usage volumes.

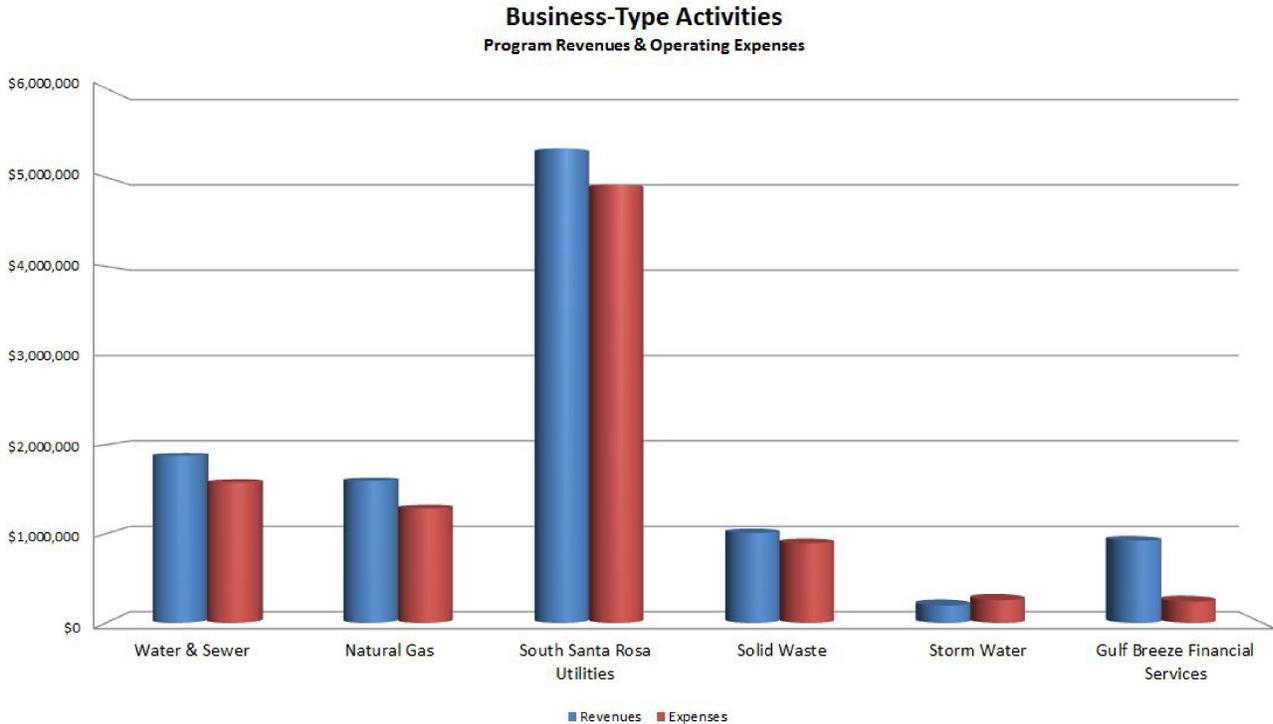
Contributions of \$417,520 from developers this year is a 30% increase over the prior year reflecting the continued minor growth in the area serviced by South Santa Rosa Utilities Service (SSRUS). This area is located outside of the City limits and it is expected to continue to be developed over the 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 increased by \$317,923 as a result of moving funds earned by Gulf Breeze Financial Services in the 2010 closeout of its 1997-A Loan Pool Program Trust Indenture from money market and non-interest bearing accounts to a professionally managed investment portfolio in accordance with the City's investment policies.

The Natural Gas Utility shows a decrease in revenues of 15.6% primarily due to a 13.3% decrease in volume of gas sold due to relatively warmer weather in combination with a 3% decrease in average gas price. Operating expenses (excluding depreciation) decreased by \$92,704 or 7% over the prior year as declines in purchased gas costs exceeded small increases in other operating expenses. Natural Gas rates are adjusted according to the cost of natural gas which was unchanged in fiscal year 2012 relative to the prior year. In 2012, Natural Gas completed a major extension of its service to Pensacola Beach and began to serve commercial properties in that area (which contributed the increase in a variety of operating costs).

South Santa Rosa Utility (SSRU) implemented rate increases in 2011 and 2012, which strengthened revenues by 1% while operating expenses (excluding depreciation) increased 2.4% primarily attributable to increased repair and maintenance costs relating to the waste water treatment plant and sewage lift stations.

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. As a result, and in conjunction with the increased investment earnings discussed above, operating income (before transfers) jumped by 162% to \$993,870 in fiscal 2012.



FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Gulf Breeze's governmental funds reported combined ending fund balances of \$8,515,950, an increase of \$1,727,196 in comparison with the prior year. Of this total amount, \$5,980 is reserved for inventory, as it is not available for appropriation (e.g., non-spendable), and \$6,698,503 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) \$916,350 is restricted for community redevelopment and public safety; 2) portions are committed for purposes including a self-insurance escrow \$250,000, beautification of \$96,352, park subdivisions of \$15,481, community funds of \$437; and 3) portions are assigned for disaster recovery \$100,000 and other purposes totaling \$432,847.

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,698,503, while total fund balance reached \$7,182,746. 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 62% of the total General Fund expenditures, while total fund balance represents 67% of that same amount.

The General Fund's fund balance increased by \$1,772,817 during the current fiscal year, most notably due to an increase in intergovernmental revenues associated with the construction of a \$6 million expansion of the City's recreation facility through FEMA.

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 decreased by 4% over the prior year. 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 sewer system.

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 \$14,084,654 at the end of the year, of that the Water and Sewer Fund amounted to \$1,811,473, the Natural Gas Fund totaled \$(1,209,723), South Santa Rosa Utility Fund was \$3,171,237, Gulf Breeze Financial Services was \$10,614,238, and the non-major proprietary fund totaled \$(302,571). The net assets of the proprietary funds increased by \$1,199,228, 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 \$7,904,811. 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 almost \$7 million increase in budgeted intergovernmental revenues. Actual revenues collected varied from final budgeted amounts by minor amounts with miscellaneous revenues accounting for \$29,302 in excess of final budget.

The highlights of the budgetary changes are as follows:

- \$ 7,200,000 in FEMA related capital outlay which is construction in progress;
- \$ 7,000,000 increase in FEMA related intergovernmental revenues relating to the construction;
- \$ 460,000 increase in culture and recreation expenditures reflecting Deadman’s Island preservation expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,403,909	\$ 1,403,909	\$ 2,663,827	\$ 2,663,827	\$ 4,067,736	\$ 4,067,736
Construction in progress	5,223,284	2,319,662	2,334,648	197,130	7,557,932	2,516,792
Buildings	5,385,357	4,232,810	414,021	414,021	5,799,378	4,646,831
Improvements other than buildings	14,023,656	13,360,854	1,089,423	517,742	15,113,079	13,878,596
Infrastructure	704,758	180,777	42,365,694	42,330,953	43,070,452	42,511,730
Machinery and equipment	5,067,746	4,843,042	3,688,044	3,524,524	8,755,790	8,367,566
Accumulated depreciation	<u>(13,844,312)</u>	<u>(12,963,894)</u>	<u>(27,648,770)</u>	<u>(25,795,836)</u>	<u>(41,493,082)</u>	<u>(38,759,730)</u>
Total	<u>\$ 17,964,398</u>	<u>\$ 13,377,160</u>	<u>\$ 24,906,887</u>	<u>\$ 23,852,361</u>	<u>\$ 42,871,285</u>	<u>\$ 37,229,521</u>

The total increase in the City of Gulf Breeze’s investment in capital assets, net of related debt for the current fiscal year was \$6,438,062 (or 37%), reflecting significant increases in capital assets (97% increase for governmental activities and a 14% increase for business-type activities). Major changes in capital assets are summarized below.

- Construction in progress on the expanded recreation center;
- Completion of two concession buildings, park restrooms and four playground areas;
- Completion of phase II 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, 2012, construction in progress related to construction of 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 and Other Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 8,311,723	\$ 8,481,734	\$ 5,959,853	\$ 6,432,134	\$ 14,271,576	\$ 14,913,868
Notes payable	-	-	3,950,787	4,104,794	3,950,787	4,104,794
State revolving loan	-	-	946,645	946,645	946,645	946,645
Compensated absences	220,828	226,084	162,741	154,795	383,569	380,879
Total	\$ 8,532,551	\$ 8,707,818	\$ 11,020,026	\$ 11,638,368	\$ 19,552,577	\$ 20,346,186

At the end of the current fiscal year, the City of Gulf Breeze had total long-term debt of \$19,169,008. 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 12 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and City Council considered many factors when adopting the Fiscal Year 2013 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 \$5,602,735 a 36% increase from fiscal 2012 originally 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% during 2012 and so will be in place for a full year for 2013. The largest single area of increase is the transfers from proprietary funds which accounts for \$118,000 of the \$229,700 projected revenue increase. 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 2013 expenditures is quite conservative; approximately 7.1% more than budgeted for Fiscal Year 2012. The primary areas of increase are projected CPI adjustments to wages as well as projected increases in rates for employee medical coverage.

The General Fund is expected to generate \$338,567 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 \$700,000 in vehicle, equipment replacements and infrastructure replacement, in addition to debt service for fiscal year 2012.

The Community Redevelopment Agency Fund is projected to use \$752,089 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.

(THIS PAGE INTENTIONALLY LEFT BLANK)

BASIC FINANCIAL STATEMENTS

City of Gulf Breeze, Florida
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Capital Trust Agency and Subsidiary
ASSETS				
Cash and cash equivalents	\$ 2,452,089	\$ 4,869,231	\$ 7,321,320	\$ 2,131,045
Investments	-	8,825,229	8,825,229	-
Receivables, net	318,184	813,122	1,131,306	82,317
Interfund receivables (payables)	2,197,979	(2,197,979)	-	-
Due from other governments	4,325,417	6,529	4,331,946	-
Inventory, at cost	5,980	177,447	183,427	-
Investment in limited liability company	-	26,604	26,604	7,425
Restricted assets				
Cash and cash equivalents	63,094	1,807,052	1,870,146	1,435,062
Other assets				
Bond issue costs, net	273,849	149,947	423,796	-
Investment in joint venture	-	1,662,916	1,662,916	-
Other	-	491,419	491,419	9,846
Capital assets				
Non-depreciable	6,627,193	4,998,475	11,625,668	-
Depreciable	<u>11,337,205</u>	<u>19,908,412</u>	<u>31,245,617</u>	<u>-</u>
TOTAL ASSETS	<u><u>27,600,990</u></u>	<u><u>41,538,404</u></u>	<u><u>69,139,394</u></u>	<u><u>3,665,695</u></u>
LIABILITIES				
Accounts payable	382,897	497,485	880,382	18,704
Accrued liabilities	463,896	75,479	539,375	-
Due to other governments	-	-	-	6,530
Payable from restricted assets				
Accrued interest	-	133,606	133,606	-
Customer deposits	-	754,581	754,581	-
Non-current liabilities				
Due within one year				
State revolving loan payable	-	23,625	23,625	-
Compensated absences	192,538	141,110	333,648	-
Revenue bonds payable	176,000	619,000	795,000	-
Notes payable	-	162,146	162,146	-
Due in more than one year				
Deferred revenue	-	78,014	78,014	-
Compensated absences	28,290	21,631	49,921	-
State revolving loan payable	-	923,020	923,020	-
Revenue bonds payable	8,135,723	5,340,853	13,476,576	-
Notes payable	<u>-</u>	<u>3,788,641</u>	<u>3,788,641</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>9,379,344</u></u>	<u><u>12,559,191</u></u>	<u><u>21,938,535</u></u>	<u><u>25,234</u></u>
NET ASSETS				
Invested in capital assets, net of related debt	9,652,675	14,049,602	23,702,277	-
Restricted for:				
Recapture indemnity agreement	-	-	-	1,435,062
Community redevelopment	879,047	-	879,047	-
Debt service	-	844,957	844,957	-
Unrestricted	<u>7,689,924</u>	<u>14,084,654</u>	<u>21,774,578</u>	<u>2,205,399</u>
TOTAL NET ASSETS	<u><u>\$ 18,221,646</u></u>	<u><u>\$ 28,979,213</u></u>	<u><u>\$ 47,200,859</u></u>	<u><u>\$ 3,640,461</u></u>

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

City of Gulf Breeze, Florida
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Capital Trust Agency and Subsidiary
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities								
General government	\$ 1,780,088	\$ 67,903	\$ 94,726	\$ -	\$ (1,617,459)	\$ -	\$ (1,617,459)	\$ -
Public safety	2,848,296	749,597	94,571	-	(2,004,128)	-	(2,004,128)	-
Transportation	392,737	-	-	-	(392,737)	-	(392,737)	-
Economic environment	470,558	-	-	-	(470,558)	-	(470,558)	-
Culture and recreation	1,800,355	217,271	7,005,820	-	5,422,736	-	5,422,736	-
Debt service interest	310,536	-	-	-	(310,536)	-	(310,536)	-
Total governmental activities	7,602,570	1,034,771	7,195,117	-	627,318	-	627,318	-
Business-Type Activities								
Water and sewer	1,557,810	1,850,835	-	28,354	-	321,379	321,379	-
Natural gas	1,286,806	1,596,774	-	-	-	309,968	309,968	-
South Santa Rosa Utility	4,918,789	4,933,717	-	389,166	-	404,094	404,094	-
Solid waste control	896,904	1,012,054	-	-	-	115,150	115,150	-
Stormwater management	259,933	197,504	-	-	-	(62,429)	(62,429)	-
Gulf Breeze Financial Services	240,070	926,632	-	-	-	686,562	686,562	-
Total business-type activities	9,160,312	10,517,516	-	417,520	-	1,774,724	1,774,724	-
Total primary government	\$ 16,762,882	\$ 11,552,287	\$ 7,195,117	\$ 417,520	\$ 627,318	\$ 1,774,724	\$ 2,402,042	\$ -
Capital Trust Agency and subsidiary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,793
General revenues								
Taxes								
Property taxes					\$ 1,731,906	\$ -	\$ 1,731,906	\$ -
Tourist development taxes					39,529	-	39,529	-
Fuel taxes					232,681	-	232,681	-
Franchise taxes					305,448	-	305,448	-
Communication service taxes					298,469	-	298,469	-
Utility service taxes					347,131	-	347,131	-
Intergovernmental, unrestricted					1,070,901	-	1,070,901	-
Miscellaneous					608,104	268,959	877,063	81,171
Unrestricted investment earnings					35,537	337,195	372,732	7,294
Transfers					1,181,650	(1,181,650)	-	-
Total general revenues and transfers					5,851,356	(575,496)	5,275,860	88,465
Change in net assets					6,478,674	1,199,228	7,677,902	349,258
Net assets - beginning of year					11,742,972	27,779,985	39,522,957	3,291,203
Net assets - end of year					\$ 18,221,646	\$ 28,979,213	\$ 47,200,859	\$ 3,640,461

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

City of Gulf Breeze, Florida
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2012

	<u>General</u>	<u>Urban Core Redevelopment</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 983,569	\$ 950,289	\$ 518,231	\$ 2,452,089
Receivables	318,184	-	-	318,184
Interfund receivables	2,247,765	-	-	2,247,765
Due from other governments	4,325,417	-	-	4,325,417
Inventory, at cost	5,980	-	-	5,980
Restricted assets				
Cash and cash equivalents	63,094	-	-	63,094
Total assets	<u>\$ 7,944,009</u>	<u>\$ 950,289</u>	<u>\$ 518,231</u>	<u>\$ 9,412,529</u>
LIABILITIES				
Accounts payable	\$ 297,367	\$ 71,242	\$ 14,288	\$ 382,897
Accrued liabilities	463,896	-	-	463,896
Interfund payables	-	-	49,786	49,786
Total liabilities	<u>761,263</u>	<u>71,242</u>	<u>64,074</u>	<u>896,579</u>
FUND BALANCE				
Non-spendable				
Inventory	5,980	-	-	5,980
Restricted				
Public safety	-	-	37,303	37,303
Community redevelopment	-	879,047	-	879,047
Committed				
Community funds	437	-	-	437
Self-insurance	250,000	-	-	250,000
Public safety	-	-	416,854	416,854
Beautification	96,352	-	-	96,352
Parks subdivision	15,481	-	-	15,481
Assigned				
Disaster recovery	100,000	-	-	100,000
Public safety	15,993	-	-	15,993
Unassigned	<u>6,698,503</u>	<u>-</u>	<u>-</u>	<u>6,698,503</u>
Total fund balance	<u>7,182,746</u>	<u>879,047</u>	<u>454,157</u>	<u>8,515,950</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,944,009</u>	<u>\$ 950,289</u>	<u>\$ 518,231</u>	<u>\$ 9,412,529</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, 2012

Fund balances - total governmental funds (page 21)		\$ 8,515,950
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	6,627,193	
Governmental depreciable assets	25,181,517	
Less accumulated depreciation	<u>(13,844,312)</u>	<u>17,964,398</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>(56,975)</u>	<u>273,849</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	(8,351,200)	
Discount on bond issuance	47,690	
Less accumulated amortization	(8,213)	
Compensated absences	<u>(220,828)</u>	<u>(8,532,551)</u>
Net assets of governmental activities (page 19)		<u>\$ 18,221,646</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, 2012

	<u>General</u>	<u>Urban Core Redevelopment</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,077,953	\$ 571,763	\$ -	\$ 2,649,716
Licenses and permits	373,351	-	-	373,351
Intergovernmental	7,631,527	570,687	-	8,202,214
Charges for services	243,576	-	-	243,576
Fines and forfeitures	101,917	-	640,363	742,280
Investment earnings	35,537	-	-	35,537
Miscellaneous	<u>624,868</u>	<u>-</u>	<u>28,053</u>	<u>652,921</u>
TOTAL REVENUES	<u>11,088,729</u>	<u>1,142,450</u>	<u>668,416</u>	<u>12,899,595</u>
EXPENDITURES				
Current				
General government	1,271,246	458,055	-	1,729,301
Public safety	2,103,919	-	492,221	2,596,140
Transportation	204,519	-	-	204,519
Economic environment	133,073	-	-	133,073
Culture and recreation	1,251,795	-	-	1,251,795
Capital outlay	5,309,551	647,535	-	5,957,086
Debt service				
Principal	171,600	-	-	171,600
Interest	<u>310,536</u>	<u>-</u>	<u>-</u>	<u>310,536</u>
TOTAL EXPENDITURES	<u>10,756,239</u>	<u>1,105,590</u>	<u>492,221</u>	<u>12,354,050</u>
EXCESS REVENUES OVER EXPENDITURES	332,490	36,860	176,195	545,545
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
Transfers in	1,637,554	178,227	-	1,815,781
Transfers out	<u>(197,227)</u>	<u>(306,548)</u>	<u>(130,355)</u>	<u>(634,130)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,440,327</u>	<u>(128,321)</u>	<u>(130,355)</u>	<u>1,181,651</u>
NET CHANGE IN FUND BALANCE	1,772,817	(91,461)	45,840	1,727,196
FUND BALANCE - BEGINNING OF YEAR	<u>5,409,929</u>	<u>970,508</u>	<u>408,317</u>	<u>6,788,754</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,182,746</u>	<u>\$ 879,047</u>	<u>\$ 454,157</u>	<u>\$ 8,515,950</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, 2012

Net change in fund balances - total governmental funds (page 23) \$ 1,727,196

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	5,957,086	
Disposals of capital assets	(284,685)	
Less current year depreciation	<u>(1,074,650)</u>	4,597,751

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	171,600	
Amortization of bond discount	(1,590)	
Amortization of bond issue costs	<u>(11,027)</u>	158,983

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	<u>(5,256)</u>	<u>(5,256)</u>
--	----------------	----------------

Change in net assets of governmental activities (page 20) \$ 6,478,674

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 2,024,092	\$ 2,077,953	\$ 2,077,953	\$ -
Licenses and permits	403,500	373,351	373,351	-
Intergovernmental	647,467	7,631,527	7,631,527	-
Charges for services	269,800	243,576	243,576	-
Fines and forfeitures	109,000	101,917	101,917	-
Investment earnings	10,000	35,357	35,537	180
Miscellaneous	<u>642,664</u>	<u>595,565</u>	<u>624,868</u>	<u>29,303</u>
TOTAL REVENUES	<u>4,106,523</u>	<u>11,059,246</u>	<u>11,088,729</u>	<u>29,483</u>
EXPENDITURES				
Current				
General government	1,197,369	1,271,250	1,271,246	4
Public safety	2,014,876	2,103,925	2,103,919	6
Transportation	127,089	204,519	204,519	-
Economic environment	125,396	133,073	133,073	-
Culture and recreation	793,265	1,255,121	1,251,795	3,326
Capital outlay	5,000	7,180,253	5,309,551	1,870,702
Debt service				
Principal	123,915	171,600	171,600	-
Interest	<u>338,556</u>	<u>310,536</u>	<u>310,536</u>	<u>-</u>
TOTAL EXPENDITURES	<u>4,725,466</u>	<u>12,630,277</u>	<u>10,756,239</u>	<u>1,874,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(618,943)</u>	<u>(1,571,031)</u>	<u>332,490</u>	<u>1,903,521</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,266,511	1,478,948	1,637,554	158,606
Transfers out	<u>(185,758)</u>	<u>(178,227)</u>	<u>(197,227)</u>	<u>(19,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,080,753</u>	<u>1,300,721</u>	<u>1,440,327</u>	<u>139,606</u>
NET CHANGE IN FUND BALANCES	461,810	(270,310)	1,772,817	2,043,127
FUND BALANCE - BEGINNING OF YEAR	<u>(461,810)</u>	<u>270,310</u>	<u>5,409,929</u>	<u>5,139,619</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,182,746</u>	<u>\$ 7,182,746</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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 749,990	\$ 1,142,450	\$ 571,763	\$ (570,687)
Intergovernmental	-	-	570,687	570,687
TOTAL REVENUES	<u>749,990</u>	<u>1,142,450</u>	<u>1,142,450</u>	<u>-</u>
EXPENDITURES				
Current				
General government	473,911	350,336	458,055	(107,719)
Capital outlay	<u>276,079</u>	<u>858,420</u>	<u>647,535</u>	<u>210,885</u>
TOTAL EXPENDITURES	<u>749,990</u>	<u>1,208,756</u>	<u>1,105,590</u>	<u>103,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(66,306)</u>	<u>36,860</u>	<u>103,166</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	178,227	178,227	-
Transfers out	<u>-</u>	<u>(306,548)</u>	<u>(306,548)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(128,321)</u>	<u>(128,321)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	-	(194,627)	(91,461)	103,166
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>194,627</u>	<u>970,508</u>	<u>775,881</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,047</u>	<u>\$ 879,047</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, 2012

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Gulf Breeze Financial Services</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
ASSETS						
Current assets						
Cash and cash equivalents	\$ 649,056	\$ 742,020	\$ 1,623,606	\$ 1,830,492	\$ 24,057	\$ 4,869,231
Investments	-	-	63,324	8,761,905	-	8,825,229
Receivables	255,073	118,341	331,715	-	107,993	813,122
Due from other governments - component units	-	-	-	6,529	-	6,529
Inventory, at cost	23,252	105,724	48,471	-	-	177,447
Investment in limited liability company	-	-	-	26,604	-	26,604
Restricted assets						
Cash and cash equivalents	<u>218,743</u>	<u>214,823</u>	<u>1,360,641</u>	<u>-</u>	<u>12,845</u>	<u>1,807,052</u>
Total current assets	<u>1,146,124</u>	<u>1,180,908</u>	<u>3,427,757</u>	<u>10,625,530</u>	<u>144,895</u>	<u>16,525,214</u>
Noncurrent assets						
Capital assets, net						
Land	-	-	2,663,827	-	-	2,663,827
Construction in progress	18,865	2,174,452	24,621	-	116,710	2,334,648
Buildings	-	-	274,176	-	-	274,176
Improvements other than building	-	-	873,829	79,527	-	953,356
Infrastructure	1,861,691	676,273	14,739,299	-	824,845	18,102,108
Machinery and equipment	<u>134,931</u>	<u>59,570</u>	<u>348,447</u>	<u>7,043</u>	<u>28,781</u>	<u>578,772</u>
Total capital assets	<u>2,015,487</u>	<u>2,910,295</u>	<u>18,924,199</u>	<u>86,570</u>	<u>970,336</u>	<u>24,906,887</u>
Other assets						
Bond issue costs, net	-	-	149,947	-	-	149,947
Investment in joint venture	848,087	-	814,829	-	-	1,662,916
Other	<u>122,856</u>	<u>-</u>	<u>368,563</u>	<u>-</u>	<u>-</u>	<u>491,419</u>
Total other assets	<u>970,943</u>	<u>-</u>	<u>1,333,339</u>	<u>-</u>	<u>-</u>	<u>2,304,282</u>
Total non-current assets	<u>2,986,430</u>	<u>2,910,295</u>	<u>20,257,538</u>	<u>86,570</u>	<u>970,336</u>	<u>27,211,169</u>
TOTAL ASSETS	<u>4,132,554</u>	<u>4,091,203</u>	<u>23,685,295</u>	<u>10,712,100</u>	<u>1,115,231</u>	<u>43,736,383</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, 2012

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Gulf Breeze Financial Services</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
LIABILITIES						
Current liabilities						
Accounts payable	54,455	336,133	89,675	4,792	12,430	497,485
Accrued liabilities	6,396	15,304	41,973	6,500	5,306	75,479
Compensated absences	2,445	37,525	101,140	-	-	141,110
Interfund balances	-	1,781,094	-	-	416,885	2,197,979
Payable from restricted assets						
Accrued interest	-	-	133,606	-	-	133,606
Customer deposits	163,909	214,823	363,004	-	12,845	754,581
State revolving loan payable	-	-	23,625	-	-	23,625
Revenue bonds payable	24,000	-	595,000	-	-	619,000
Notes payable	-	-	162,146	-	-	162,146
Total current liabilities	<u>251,205</u>	<u>2,384,879</u>	<u>1,510,169</u>	<u>11,292</u>	<u>447,466</u>	<u>4,605,011</u>
Non-current liabilities						
Deferred revenue	78,014	-	-	-	-	78,014
Compensated absences	375	5,752	15,504	-	-	21,631
State revolving loan payable	-	-	923,020	-	-	923,020
Revenue bonds payable	1,114,800	-	4,226,053	-	-	5,340,853
Notes payable	-	-	3,788,641	-	-	3,788,641
Total non-current liabilities	<u>1,193,189</u>	<u>5,752</u>	<u>8,953,218</u>	<u>-</u>	<u>-</u>	<u>10,152,159</u>
TOTAL LIABILITIES	<u>1,444,394</u>	<u>2,390,631</u>	<u>10,463,387</u>	<u>11,292</u>	<u>447,466</u>	<u>14,757,170</u>
NET ASSETS						
Invested in capital assets, net of related debt	876,687	2,910,295	9,205,714	86,570	970,336	14,049,602
Restricted						
Debt service	-	-	844,957	-	-	844,957
Unrestricted	<u>1,811,473</u>	<u>(1,209,723)</u>	<u>3,171,237</u>	<u>10,614,238</u>	<u>(302,571)</u>	<u>14,084,654</u>
TOTAL NET ASSETS	<u>\$ 2,688,160</u>	<u>\$ 1,700,572</u>	<u>\$ 13,221,908</u>	<u>\$ 10,700,808</u>	<u>\$ 667,765</u>	<u>\$ 28,979,213</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, 2012

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES						
Charges for services	<u>\$ 1,850,835</u>	<u>\$ 1,596,774</u>	<u>\$ 4,933,717</u>	<u>\$ 926,632</u>	<u>\$ 1,209,558</u>	<u>\$ 10,517,516</u>
OPERATING EXPENSES						
Personal services	295,144	470,550	1,324,324	120,835	211,461	2,422,314
Contractual services	743,941	493,273	578,045	-	798,252	2,613,511
Supplies	67,229	128,389	262,449	-	3,533	461,600
Professional services	8,524	2,033	25,302	70,081	-	105,940
Repairs and maintenance	96,739	30,263	303,608	-	14,555	445,165
Office and utilities	57,269	96,018	354,762	39,448	2,273	549,770
Depreciation and amortization	210,070	66,277	1,485,797	9,706	97,065	1,868,915
Total operating expenses	<u>1,478,916</u>	<u>1,286,803</u>	<u>4,334,287</u>	<u>240,070</u>	<u>1,127,139</u>	<u>8,467,215</u>
OPERATING INCOME	<u>371,919</u>	<u>309,971</u>	<u>599,430</u>	<u>686,562</u>	<u>82,419</u>	<u>2,050,301</u>
NON-OPERATING REVENUES (EXPENSES)						
Septic tank abatement revenue	24,774	-	-	-	-	24,774
Interest earnings	29,376	-	511	302,667	-	332,554
Rents and royalties	-	-	52,114	-	-	52,114
Gain from investment in limited liability company	-	-	-	4,641	-	4,641
Interest expense	(78,895)	-	(433,549)	-	(29,696)	(542,140)
Other debt services costs	-	-	(150,953)	-	-	(150,953)
Income (loss) from joint venture	77,065	-	74,043	-	-	151,108
Miscellaneous	13,061	14,152	13,746	-	-	40,959
Total non-operating revenues (expenses)	<u>65,381</u>	<u>14,152</u>	<u>(444,088)</u>	<u>307,308</u>	<u>(29,696)</u>	<u>(86,943)</u>
INCOME BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>437,300</u>	<u>324,123</u>	<u>155,342</u>	<u>993,870</u>	<u>52,723</u>	<u>1,963,358</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Transfers in	-	-	221,315	-	-	221,315
Transfers out	(449,898)	(212,181)	(281,638)	(350,000)	(109,248)	(1,402,965)
Capital contributions	28,354	-	389,166	-	-	417,520
Total transfers and capital contributions	<u>(421,544)</u>	<u>(212,181)</u>	<u>328,843</u>	<u>(350,000)</u>	<u>(109,248)</u>	<u>(764,130)</u>
CHANGE IN NET ASSETS	15,756	111,942	484,185	643,870	(56,525)	1,199,228
NET ASSETS - BEGINNING OF YEAR	<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>
NET ASSETS - END OF YEAR	<u>\$ 2,688,160</u>	<u>\$ 1,700,572</u>	<u>\$ 13,221,908</u>	<u>\$ 10,700,808</u>	<u>\$ 667,765</u>	<u>\$ 28,979,213</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, 2012

	Water and Sewer	Natural Gas	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,858,597	\$ 1,616,003	\$ 4,937,407	\$ 914,632	\$ 1,206,295	\$ 10,532,934
Payments to component units	-	-	-	16,563	-	16,563
Payments to suppliers	(1,017,588)	(785,756)	(1,543,429)	(117,828)	(870,696)	(4,335,297)
Payments to employees	(295,885)	(469,218)	(1,321,699)	(120,835)	(211,567)	(2,419,204)
Net cash provided by operating activities	<u>545,124</u>	<u>361,029</u>	<u>2,072,279</u>	<u>692,532</u>	<u>124,032</u>	<u>3,794,996</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES						
Payments between funds	-	1,781,094	-	-	106,885	1,887,979
Transfers in	-	-	221,315	-	-	221,315
Transfers out	(449,898)	(212,181)	(281,638)	(350,000)	(109,249)	(1,402,966)
Net cash used by non-capital financing activities	<u>(449,898)</u>	<u>1,568,913</u>	<u>(60,323)</u>	<u>(350,000)</u>	<u>(2,364)</u>	<u>706,328</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(131,356)	(1,745,403)	(621,726)	(8,979)	(106,460)	(2,613,924)
Principal paid on bonds payable	(23,400)	-	(580,000)	-	-	(603,400)
Principal paid on notes payable	-	-	(154,006)	-	-	(154,006)
Interest paid on long-term debt	(78,895)	-	(435,176)	-	(29,696)	(543,767)
Tap fees	53,128	-	389,166	-	-	442,294
Net cash used by capital and related financing activities	<u>(180,523)</u>	<u>(1,745,403)</u>	<u>(1,401,742)</u>	<u>(8,979)</u>	<u>(136,156)</u>	<u>(3,472,803)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	(3,462,475)	-	(3,462,475)
Proceeds from sale of investments	-	-	-	3,363,356	-	3,363,356
Rents and royalties	-	-	52,114	-	-	52,114
Interest income	29,376	-	511	9,778	-	39,665
Net cash provided by investing activities	<u>29,376</u>	<u>-</u>	<u>52,625</u>	<u>(89,341)</u>	<u>-</u>	<u>(7,340)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(55,921)	184,539	662,839	244,212	(14,488)	1,021,181
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
	<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>
CASH AND CASH EQUIVALENTS AT END OF YEAR						
	<u>\$ 867,799</u>	<u>\$ 956,843</u>	<u>\$ 2,984,247</u>	<u>\$ 1,830,492</u>	<u>\$ 36,902</u>	<u>\$ 6,676,283</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF						
Current assets	\$ 649,056	\$ 742,020	\$ 1,623,606	\$ 1,830,492	\$ 24,057	\$ 4,869,231
Restricted assets	218,743	214,823	1,360,641	-	12,845	1,807,052
	<u>\$ 867,799</u>	<u>\$ 956,843</u>	<u>\$ 2,984,247</u>	<u>\$ 1,830,492</u>	<u>\$ 36,902</u>	<u>\$ 6,676,283</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, 2012

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>South Santa Rosa Utility</u>	<u>Gulf Breeze Financial Services</u>	<u>Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$ 371,919	\$ 309,971	\$ 599,430	\$ 686,562	\$ 82,419	\$ 2,050,301
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation and amortization	210,070	66,277	1,485,797	9,706	97,065	1,868,915
Miscellaneous income	13,061	14,152	13,751	-	-	40,964
(Increase) decrease in assets						
Receivables	30,805	(193)	(21,809)	-	(6,164)	2,639
Inventory, at cost	2,938	(31,823)	33,874	-	-	4,989
Due from other component units	-	-	-	4,563	-	4,563
Increase (decrease) in liabilities						
Accounts payable	(46,826)	(3,957)	(44,153)	(14,799)	(52,081)	(161,816)
Accrued interest	-	-	(8,990)	-	-	(8,990)
Accrued liabilities	(928)	1,030	(3,801)	6,500	(107)	2,694
Deferred revenue	(40,345)	-	-	-	-	(40,345)
Customer deposits	4,243	4,240	11,753	-	2,900	23,136
Compensated absences payable	187	1,332	6,427	-	-	7,946
Net cash provided by operating activities	<u>\$ 545,124</u>	<u>\$ 361,029</u>	<u>\$ 2,072,279</u>	<u>\$ 692,532</u>	<u>\$ 124,032</u>	<u>\$ 3,794,996</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, 2012

	Police Officers' Retirement Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 7,846
Investment in mutual funds, at fair value	<u>2,654,327</u>	<u>-</u>
TOTAL ASSETS	<u>2,654,327</u>	<u>7,846</u>
LIABILITIES		
Due to others	<u>-</u>	<u>7,846</u>
Total liabilities	<u>-</u>	<u>7,846</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 2,654,327</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, 2012

	Police Officers' Retirement Fund
ADDITIONS	
Contributions	
Employer	\$ 89,212
Plan members	5,504
State of Florida	59,317
Total contributions	154,033
Investment income	378,940
Less investment expense	(5,117)
Net investment income	373,823
Total additions	527,856
DEDUCTIONS	
Administrative expenses	29,241
NET INCREASE	498,615
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	2,155,712
END OF YEAR	\$ 2,654,327

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

As of September 30, 2012, 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 \$475,000 in miscellaneous revenues during the fiscal year ending September 30, 2012. 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, 2012

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, 2012

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, 2012

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, 2012
Levy Date	November 1, 2012
Due Date	November 1, 2012
Delinquent Date	April 1, 2013

Discounts of 1% for each month taxes are paid prior to March 2013 are granted.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 2012 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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Classification of Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

- Nonspendable – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government's highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Classification of Fund Balance (Continued)

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City does not have a formal minimum fund balance policy.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

F. Estimates

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

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2012 and March 6, 2013, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets (Continued)

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

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

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

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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.

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, 2012, 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.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2012, the LGSFTF portfolio’s weighted average days to maturity was 39. The LGSFTF was rated AAAM by Standard and Poors.

As of September 30, 2012, 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 1.67 with an effective duration of 1.64. 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 \$8,759,136 as of September 30, 2012.

As of September 30, 2012, 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 1.67 with an effective duration of 1.64.

At September 30, 2012, the City’s FMIT balances, including all component units, were \$63,324. The City had no LGSFTF balances at September 30, 2012.

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

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 - RECEIVABLES

Receivables at September 30, 2012, were as follows:

	Governmental Activities	Business-Type Activities			Non-Major Proprietary Fund	Total Primary Government
	General	Water and Sewer	Natural Gas	South Santa Rosa Utility		
Accounts	\$ 126,726	\$ -	\$ -	\$ -	\$ -	\$ 126,726
Utilities	12,518	253,332	115,005	327,527	107,993	816,375
Other	178,940	1,741	3,336	4,188	-	188,205
Total	\$ 318,184	\$ 255,073	\$ 118,341	\$ 331,715	\$ 107,993	\$ 1,131,306

The City's due from other governments for governmental activities was \$4,325,417 as of September 30, 2012, 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, 2012

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,403,909	\$ -	\$ -	\$ 1,403,909
Construction in progress	<u>2,319,662</u>	<u>4,496,716</u>	<u>(1,593,094)</u>	<u>5,223,284</u>
Total capital assets not being depreciated	<u>3,723,571</u>	<u>4,496,716</u>	<u>(1,593,094)</u>	<u>6,627,193</u>
Capital assets being depreciated				
Buildings	4,232,810	59,816	1,092,731	5,385,357
Improvements other than buildings	13,360,854	432,916	229,886	14,023,656
Infrastructure	180,777	523,981	-	704,758
Machinery and equipment	<u>4,843,042</u>	<u>443,659</u>	<u>(218,955)</u>	<u>5,067,746</u>
Total capital assets being depreciated	<u>22,617,483</u>	<u>1,460,372</u>	<u>1,103,662</u>	<u>25,181,517</u>
Less accumulated depreciation				
Buildings	(1,469,588)	(124,757)	-	(1,594,345)
Improvements other than buildings	(7,312,555)	(733,852)	-	(8,046,407)
Infrastructure	(74,613)	(2,646)	-	(77,259)
Machinery and equipment	<u>(4,107,138)</u>	<u>(213,395)</u>	<u>194,232</u>	<u>(4,126,301)</u>
Total accumulated depreciation	<u>(12,963,894)</u>	<u>(1,074,650)</u>	<u>194,232</u>	<u>(13,844,312)</u>
Total capital assets being depreciated, net	<u>9,653,589</u>	<u>385,722</u>	<u>1,297,894</u>	<u>11,337,205</u>
Governmental activities, net	<u>\$ 13,377,160</u>	<u>\$ 4,882,438</u>	<u>\$ (295,200)</u>	<u>\$ 17,964,398</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,663,827	\$ -	\$ -	\$ 2,663,827
Construction in progress	<u>197,130</u>	<u>2,153,626</u>	<u>(16,108)</u>	<u>2,334,648</u>
Total capital assets not being depreciated	<u>2,860,957</u>	<u>2,153,626</u>	<u>(16,108)</u>	<u>4,998,475</u>
Capital assets being depreciated				
Buildings	414,021	-	-	414,021
Improvements other than buildings	517,742	555,573	16,108	1,089,423
Infrastructure	42,330,953	34,741	-	42,365,694
Machinery and equipment	<u>3,524,524</u>	<u>179,500</u>	<u>(15,980)</u>	<u>3,688,044</u>
Total capital assets being depreciated	<u>46,787,240</u>	<u>769,814</u>	<u>128</u>	<u>47,557,182</u>
Less accumulated depreciation				
Buildings	(128,884)	(10,960)	-	(139,844)
Improvements other than buildings	(126,279)	(18,770)	-	(145,049)
Infrastructure	(22,641,803)	(1,621,750)	-	(24,263,553)
Machinery and equipment	<u>(2,898,870)</u>	<u>(217,434)</u>	<u>15,980</u>	<u>(3,100,324)</u>
Total accumulated depreciation	<u>(25,795,836)</u>	<u>(1,868,914)</u>	<u>15,980</u>	<u>(27,648,770)</u>
Total capital assets being depreciated, net	<u>20,991,404</u>	<u>(1,099,100)</u>	<u>16,108</u>	<u>19,908,412</u>
Business-type activities, net	<u>\$ 23,852,361</u>	<u>\$ 1,054,526</u>	<u>\$ -</u>	<u>\$ 24,906,887</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General government	\$ 32,914
Public safety	224,636
Transportation	188,218
Economic environment	337,485
Culture and recreation	291,397
Total depreciation expense - governmental activities	<u>\$ 1,074,650</u>
Business-Type Activities	
Water and sewer	\$ 210,070
Natural gas	66,277
South Santa Rosa Utility	1,485,797
Stormwater management	91,884
Gulf Breeze Financial Services	-
Other proprietary funds	5,181
Total depreciation expense - business-type activities	<u>\$ 1,859,209</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, 2012

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, 2012, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 17.90% for police officer and firefighter (special risk) employees, 8.18% for regular employees, and 5.44% for the Deferred Retirement Option Program (DROP).

The City's contributions to the plan for fiscal years ended September 30, 2012, 2011, and 2010, listed below, were equal to the required contributions for the year.

	Years Ended September 30,		
	2012	2011	2010
General employees	\$ 27,709	\$ 39,347	\$ 43,421
Special risk employees	38,155	57,049	63,079
Total contributions	\$ 65,864	\$ 96,396	\$ 106,500

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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,		
	2012	2011	2010
City Police Pension Plan contributions	\$ 89,212	\$ 92,478	\$ 93,148

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 Retirement Fund
Contribution rates (percentage of covered payroll)	
City	52.4 %
Plan members	1.0 %
Annual pension cost	\$ 168,672
Contributions made	
Plan members	\$ 5,504
Employer	\$ 89,212
State of Florida	\$ 59,317
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 (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll (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, 2012

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	9/30/2012	\$ 154,033	100 %	\$ -
	9/30/2011	\$ 156,468	100 %	\$ -
	9/30/2010	\$ 168,672	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, 2012:

Retirees and beneficiaries receiving benefits	2
Active plan members	11
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, 2012

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, 2012, October 1, 2011, and October 1, 2010, listed below were equal to the required contributions for the year.

	Years Ended September 30,		
	9/30/2012	9/30/2011	9/30/2010
General employees	\$ 128,120	\$ 126,773	\$ 131,836

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, 2012

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 \$1,028,355 at September 30, 2012. Contributions made by plan members during the year ended September 30, 2012, were \$43,390.

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 \$879,047, and the Police Special Revenue Fund totaling \$37,303.

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 \$362,270 of committed fund balance consisting of \$250,000 for insurance, \$96,352 for beautification, \$15,481 for park subdivision, and \$437 for community funds.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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 \$416,854.

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 \$6,698,503 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, 2012. 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:

	2012	2011
Unpaid claims, beginning	\$ -	\$ -
Claims incurred and changes in estimates	93,270	137,231
Less: claims paid	(93,270)	(137,231)
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, 2012

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES

Changes in Long-Term Debt and Other Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue Improvement Bonds, Series 2007	\$ 8,522,800	\$ -	\$ (171,600)	\$ 8,351,200	\$ 176,000
Less deferred amounts					
For issuance discount	(41,066)	-	1,589	(39,477)	-
Compensated absences	<u>226,084</u>	<u>181,226</u>	<u>(186,482)</u>	<u>220,828</u>	<u>192,538</u>
Total governmental activities, long term debt and other liabilities	<u>\$ 8,707,818</u>	<u>\$ 181,226</u>	<u>\$ (356,493)</u>	<u>\$ 8,532,551</u>	<u>\$ 368,538</u>
Business-Type Activities					
SSRUS Refunding Revenue Bonds, Series 2004	\$ 6,450,000	\$ -	\$ (580,000)	\$ 5,870,000	\$ 595,000
Less deferred amounts					
For issuance premium	214,535	-	(23,837)	190,698	-
For loss on refunding	(1,394,600)	-	154,955	(1,239,645)	-
Revenue Improvement Bonds, Series 2007	1,162,200	-	(23,400)	1,138,800	24,000
SSRU Refunding Revenue Note, 2009B	4,104,794	-	(154,007)	3,950,787	162,146
State revolving loan	946,645	-	-	946,645	23,625
Compensated absences	<u>154,795</u>	<u>153,930</u>	<u>(145,984)</u>	<u>162,741</u>	<u>141,110</u>
Total business-type activities, long term debt and other liabilities	<u>\$ 11,638,369</u>	<u>\$ 153,930</u>	<u>\$ (772,273)</u>	<u>\$ 11,020,026</u>	<u>\$ 945,881</u>

Description of Long-Term Debt and Other Liabilities Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
<i>Revenue Bonds</i>			
\$10,225,000, City of Gulf Breeze, Florida, Revenue Improvement Bonds, Series 2007; \$8,998,000 allocated to the General Fund; due in annual installments of \$175,000 to \$610,000 through 2038; interest payable at 4.0% to 5.0%. Secured by pledged non-ad valorem revenues of the City. Proceeds used to refund various City loans and to finance certain capital improvements.	\$ 176,000	\$ 8,175,200	\$ 8,351,200
Less unamortized bond discount	<u>-</u>	<u>(39,477)</u>	<u>(39,477)</u>
Total Bonds	<u>176,000</u>	<u>8,135,723</u>	<u>8,311,723</u>

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

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

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES (CONTINUED)			
<i>Accrued Compensated Absence</i>			
Total accumulated, vested annual and sick leave for governmental fund types.	192,538	28,290	220,828
TOTAL GOVERNMENTAL ACTIVITIES	\$ 368,538	\$ 8,164,013	\$ 8,532,551
	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Bonds</i>			
\$9,460,000, 2004 City of Gulf Breeze, Florida, South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004, due in annual installments of \$370,000 to \$815,000 through 2021; interest rate at 2.5% to 5.5%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund all of the City's Series 1994 South Santa Rosa Utility System Revenue Bonds.	\$ 595,000	\$ 5,275,000	\$ 5,870,000
Add unamortized bond premium	-	190,698	190,698
Less unamortized bond discount	-	(1,239,645)	(1,239,645)
	595,000	4,226,053	4,821,053
\$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.	24,000	1,114,800	1,138,800
Total bonds	619,000	5,340,853	5,959,853
<i>Notes Payable</i>			
\$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.	162,146	3,788,641	3,950,787

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

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

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES (CONTINUED)			
<i>State Revolving Loan</i>			
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%.	23,625	923,020	946,645
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual accrued compensation for enterprise funds.	141,110	21,631	162,741
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 945,881	\$ 10,074,145	\$ 11,020,026
GRAND TOTAL LONG-TERM DEBT AND OTHER ACCRUED LIABILITIES			\$ 19,552,577

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, 2012, are as follows:

Governmental Activities

Year Ending September 30	Revenue Bonds	
	Principal	Interest
2013	\$ 176,000	\$ 390,041
2014	184,800	383,089
2015	193,600	368,305
2016	202,400	360,385
2017	206,800	352,098
2018-2022	1,179,200	1,618,135
2023-2027	1,469,600	1,323,490
2028-2032	1,848,000	931,073
2033-2037	2,354,000	418,011
2038-2042	536,800	-
Total	\$ 8,351,200	\$ 6,144,627

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 12 - LONG-TERM DEBT AND OTHER LIABILITIES (CONTINUED)

Annual Requirements to Amortize Debt Outstanding (Continued)

Business-Type Activities

Year Ending September 30	2004 Revenue Improvement Bond		2007 Revenue Improvement Bond		2009B Revenue Note		State Revolving Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 595,000	\$ 257,544	\$ 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	211,788	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	700,000	150,000	28,200	48,013	199,270	108,965	75,399	21,223
2018-2022	2,650,000	234,500	160,800	220,655	3,049,650	272,995	413,454	69,656
2023-2027	-	-	200,400	180,476	-	-	221,272	9,980
2028-2032	-	-	252,000	126,965	-	-	-	-
2033-2037	-	-	321,000	57,002	-	-	-	-
2038-2042	-	-	73,200	-	-	-	-	-
Total	<u>\$5,870,000</u>	<u>\$1,273,307</u>	<u>\$1,138,800</u>	<u>\$ 835,971</u>	<u>\$ 3,950,787</u>	<u>\$ 881,407</u>	<u>\$946,644</u>	<u>\$244,092</u>

Compensated Absences

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

NOTE 13 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at September 30, 2012, is as follows:

Interfund Balances

Receivable Fund	Payable Fund	Amount
General	Non-major governmental funds	\$ 49,786
General	Natural Gas	1,781,094
General	Non-major proprietary funds	416,885
		<u>\$ 2,247,765</u>

Interfund balances are comprised of a receivable from the Stormwater Management fund to the General fund for providing cash flow assistance, a receivable from Natural Gas fund to the General fund for providing funding for the pipeline extension project and a receivable from the Traffic Citation Fund to the General fund as reimbursement for capital asset expenditures.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 13 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS
(CONTINUED)

<i>Interfund Transfers</i>	+ Transfers In			
Transfers Out	General Fund	Urban Core Redevelopment	South Santa Rosa Utility	Total
General	\$ -	\$ 178,227	\$ 19,000	\$ 197,227
Urban Core Redevelopment	306,548	-	-	306,548
Water and Sewer	247,583	-	202,315	449,898
Natural Gas	212,181	-	-	212,181
South Santa Rosa Utility	281,638	-	-	281,638
Gulf Breeze Financial Services	350,000	-	-	350,000
Non-major Governmental Funds	130,355	-	-	130,355
Non-major Proprietary Funds	109,248	-	-	109,248
Totals	\$ 1,637,553	\$ 178,227	\$ 221,315	\$ 2,037,095

The interfund transfers to the General Fund reflect annually budgeted amounts of return of equity to the General Fund. The transfer to the Urban Redevelopment Fund reflects the City's tax increment financing contribution to that fund. The transfer from Water and Sewer Fund to South Santa Rosa Utility Fund reflects estimated annual portion of waste water treatment costs incurred by South Santa Rosa Utility for Water and Sewer Fund customer waste water volumes.

NOTE 14 - JOINT VENTURE

The City of Gulf Breeze, Florida, Holley-Navarre Water System, Inc., and Mid-Way Water System, Inc. agreed to work together and pursue collective solutions to future water supply needs to residents of Santa Rosa County and the surrounding areas. The resulting organization is the Fairpoint Regional Utility System (FRUS). The City of Gulf Breeze, Florida, Holley-Navarre Water System, Inc., and Mid-Way Water System, Inc. each own 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 \$151,110. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE 15 - 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.

NOTE 16 - GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, which requires the City to implement this statement in FY 2012-2013.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment to Statement No. 25*. This Statement enhances the financial reporting by state and local governmental pension plans. This Statement replaces the requirement of *Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and *No. 50, Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement enhances note disclosures and required supplemental information (RSI) for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10 year RSI schedules. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013, which requires the City to implement this statement in FY 2013-2014.

City of Gulf Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

**NOTE 16 - GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED
(CONTINUED)**

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment to Statement No. 27*. This Statement enhances the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new note disclosures and required supplementary information. Management believes GASB Statement No. 68 will have a significant impact on the financial position and changes in net assets of the City; however, the amounts are not quantifiable as of the date of this report. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, which requires the City to implement this statement in FY 2014-2015.

NOTE 17 - SUBSEQUENT EVENT

Tiger Point Golf Club Purchase

In December 2012, the City purchased the Tiger Point Golf Club for the contract sales price of \$2,780,450. The City plans to continue operating the golf course, as well as use a portion of the land included in the purchase to expand and update its wastewater treatment plan.

(THIS PAGE INTENTIONALLY LEFT BLANK)

REQUIRED SUPPLEMENTARY INFORMATION

PENSION FUNDING

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

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

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

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

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

Police Retirement Fund

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

(1) Annual required contribution represents the actuarially determined employer contribution after taking into account expected participant contributions. The City is authorized by plan provisions to include State contributions to meet the annual required contribution. When contributions exceed the annual required contribution, the excess amounts are placed in a surplus contribution account. When contributions are less than the annual required contribution, amounts are drawn from the surplus contribution account. As a result, the actuarial report provided to the City presents percent contributed as 100%. At September 30, 2012, 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, 2012

	Traffic Citation Special Revenue	Police Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 480,790	\$ 37,441	\$ 518,231
Restricted assets			
Cash and cash equivalents	-	-	-
Total assets	<u>\$ 480,790</u>	<u>\$ 37,441</u>	<u>\$ 518,231</u>
LIABILITIES			
Accounts payable	\$ 14,150	\$ 138	\$ 14,288
Interfund balances	<u>\$ 49,786</u>	<u>\$ -</u>	<u>\$ 49,786</u>
Total liabilities	<u>63,936</u>	<u>138</u>	<u>64,074</u>
FUND BALANCES			
Restricted			
Police trust	-	37,303	37,303
Committed	<u>416,854</u>	<u>-</u>	<u>416,854</u>
Total fund balances	<u>416,854</u>	<u>37,303</u>	<u>454,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 480,790</u>	<u>\$ 37,441</u>	<u>\$ 518,231</u>

City of Gulf Breeze, Florida
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Year Ended September 30, 2012

	Traffic Citation Special Revenue	Police Special Revenue	Total
REVENUES			
Fines and forfeitures	\$ 640,363	\$ -	\$ 640,363
Miscellaneous	<u>9,795</u>	<u>18,258</u>	<u>28,053</u>
Total revenues	<u>650,158</u>	<u>18,258</u>	<u>668,416</u>
EXPENDITURES			
Current			
Public safety	<u>487,111</u>	<u>5,110</u>	<u>492,221</u>
Total expenditures	<u>487,111</u>	<u>5,110</u>	<u>492,221</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	163,047	13,148	176,195
Other financing sources (uses)			
Transfers out	<u>(130,355)</u>	<u>-</u>	<u>(130,355)</u>
Net change in fund balances	32,692	13,148	45,840
FUND BALANCE - BEGINNING OF YEAR	<u>384,162</u>	<u>24,155</u>	<u>408,317</u>
FUND BALANCE - END OF YEAR	<u>\$ 416,854</u>	<u>\$ 37,303</u>	<u>\$ 454,157</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, 2012

	Stormwater Management	Solid Waste Control	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,000	\$ 23,057	\$ 24,057
Receivables	19,766	88,227	107,993
Restricted cash	-	12,845	12,845
Total current assets	<u>20,766</u>	<u>124,129</u>	<u>144,895</u>
Non-current assets			
Capital assets, net			
Construction in progress	116,710	-	116,710
Infrastructure	824,845	-	824,845
Machinery and equipment	<u>3,308</u>	<u>25,473</u>	<u>28,781</u>
Total non-current assets	<u>944,863</u>	<u>25,473</u>	<u>970,336</u>
TOTAL ASSETS	<u>965,629</u>	<u>149,602</u>	<u>1,115,231</u>
LIABILITIES			
Current liabilities			
Accounts payable	-	12,430	12,430
Accrued liabilities	3,860	1,446	5,306
Interfund balances	416,885	-	416,885
Payable from restricted assets			
Customer deposits	<u>-</u>	<u>12,845</u>	<u>12,845</u>
Total current liabilities	<u>420,745</u>	<u>26,721</u>	<u>447,466</u>
TOTAL LIABILITIES	<u>420,745</u>	<u>26,721</u>	<u>447,466</u>
NET ASSETS			
Invested in capital assets, net of related debt	944,863	25,473	970,336
Unrestricted	<u>(399,979)</u>	<u>97,408</u>	<u>(302,571)</u>
TOTAL NET ASSETS	<u>\$ 544,884</u>	<u>\$ 122,881</u>	<u>\$ 667,765</u>

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
Year Ended September 30, 2012

	<u>Stormwater Management</u>	<u>Solid Waste Control</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 197,504	\$ 1,012,054	\$ 1,209,558
OPERATING EXPENSES			
Personal services	113,480	97,981	211,461
Contractual services	10,505	787,747	798,252
Supplies	474	3,059	3,533
Repairs and maintenance	11,621	2,934	14,555
Office and utilities	2,273	-	2,273
Depreciation and amortization	<u>91,884</u>	<u>5,181</u>	<u>97,065</u>
Total operating expenses	<u>230,237</u>	<u>896,902</u>	<u>1,127,139</u>
OPERATING INCOME	<u>(32,733)</u>	<u>115,152</u>	<u>82,419</u>
NON-OPERATING REVENUES (EXPENSES)			
Debt service			
Interest	<u>(29,696)</u>	<u>-</u>	<u>(29,696)</u>
Total non-operating revenues (expenses)	<u>(29,696)</u>	<u>-</u>	<u>(29,696)</u>
INCOME (LOSS) BEFORE TRANSFERS	(62,429)	115,152	52,723
TRANSFERS			
Transfer out	<u>(29,054)</u>	<u>(80,194)</u>	<u>(109,248)</u>
Total transfers	<u>(29,054)</u>	<u>(80,194)</u>	<u>(109,248)</u>
CHANGES IN NET ASSETS	(91,483)	34,958	(56,525)
NET ASSETS - BEGINNING OF YEAR	<u>636,367</u>	<u>87,923</u>	<u>724,290</u>
NET ASSETS - END OF YEAR	<u>\$ 544,884</u>	<u>\$ 122,881</u>	<u>\$ 667,765</u>

City of Gulf Breeze, Florida
NON-MAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2012

	Stormwater Management	Solid Waste Control	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 196,754	\$ 1,009,541	\$ 1,206,295
Payments to suppliers	(25,023)	(845,673)	(870,696)
Payments to employees	(113,830)	(97,737)	(211,567)
Net cash provided by operating activities	<u>57,901</u>	<u>66,131</u>	<u>124,032</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Repayments	106,885	-	106,885
Transfers out	(29,055)	(80,194)	(109,249)
Net cash used by non-capital financing activities	<u>77,830</u>	<u>(80,194)</u>	<u>(2,364)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(29,696)	-	(29,696)
Acquisition and construction of capital assets	(106,460)	-	(106,460)
Net cash used by capital and related financing activities	<u>(136,156)</u>	<u>-</u>	<u>(136,156)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(425)	(14,063)	(14,488)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,425</u>	<u>49,965</u>	<u>51,390</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,000</u>	<u>\$ 35,902</u>	<u>\$ 36,902</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF			
Current assets	\$ 1,000	\$ 23,057	\$ 24,057
Restricted assets	-	12,845	12,845
Total cash and cash equivalents	<u>\$ 1,000</u>	<u>\$ 35,902</u>	<u>\$ 36,902</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (32,733)	\$ 115,152	\$ 82,419
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	91,884	5,181	97,065
Decrease (increase) in assets			
Accounts receivable	(751)	(5,413)	(6,164)
Increase (decrease) in liabilities			
Accounts payable	(149)	(51,932)	(52,081)
Accrued liabilities	(350)	243	(107)
Customer deposits	-	2,900	2,900
Net cash provided by operating activities	<u>\$ 57,901</u>	<u>\$ 66,131</u>	<u>\$ 124,032</u>

(THIS PAGE INTENTIONALLY LEFT BLANK)

III. STATISTICAL SECTION

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

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

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

Fiscal Year	Invested in Capital Assets, Net of Related Debt			Restricted Net Assets			Unrestricted Net Assets			Total Net Assets		
	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.	Governmental Activities	Business-Type Activities	Total Primary Govt.
2012	\$ 9,652,675	\$ 14,049,602	\$ 23,702,277	\$ 879,047	\$ 844,957	\$ 1,724,004	\$ 7,689,924	\$ 14,084,654	\$ 21,774,578	\$ 18,221,646	\$ 28,979,213	\$ 47,200,859
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

SOURCE: City of Gulf Breeze Finance Department.

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
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	\$ 1,780,088
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	2,848,296
Transportation	405,322	484,196	507,045	520,691	470,013	401,763	336,485	317,802	431,961	392,737
Economic environment	318,298	168,023	191,815	209,664	203,332	197,622	388,133	423,014	434,757	470,558
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	1,800,355
Debt service interest	<u>134,571</u>	<u>134,571</u>	<u>97,215</u>	<u>167,473</u>	<u>291,769</u>	<u>378,952</u>	<u>325,297</u>	<u>320,336</u>	<u>315,231</u>	<u>310,536</u>
Total government activities	<u>4,755,725</u>	<u>5,648,936</u>	<u>10,612,814</u>	<u>9,161,614</u>	<u>9,505,173</u>	<u>6,454,987</u>	<u>6,058,223</u>	<u>6,363,479</u>	<u>9,664,502</u>	<u>7,602,570</u>
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	1,557,810
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	1,286,806
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	4,918,789
Solid waste	738,716	774,328	869,522	880,301	901,297	927,121	890,827	886,868	870,997	896,904
Stormwater management	-	-	-	-	145,145	287,197	266,966	236,013	246,276	259,933
Capital Trust Agency	639,014	-	-	-	-	-	-	-	-	-
Fishing bridge	104,636	104,308	17,105	10,682	461,058	-	-	-	-	-
Gulf Breeze Financial Services	<u>225,320</u>	<u>214,227</u>	<u>445,598</u>	<u>189,021</u>	<u>191,001</u>	<u>181,307</u>	<u>250,320</u>	<u>228,246</u>	<u>725,702</u>	<u>240,070</u>
Total business-type activities	<u>8,506,939</u>	<u>8,230,774</u>	<u>9,421,510</u>	<u>9,689,005</u>	<u>10,758,345</u>	<u>10,288,513</u>	<u>10,176,546</u>	<u>8,821,749</u>	<u>9,642,116</u>	<u>9,160,312</u>
Total primary government expenses	<u>\$ 13,262,664</u>	<u>\$ 13,879,710</u>	<u>\$ 20,034,324</u>	<u>\$ 18,850,619</u>	<u>\$ 20,263,518</u>	<u>\$ 16,743,500</u>	<u>\$ 16,234,769</u>	<u>\$ 15,185,228</u>	<u>\$ 19,306,618</u>	<u>\$ 16,762,882</u>
Program Revenues										
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	\$ 67,903
Public safety	191,449	180,391	224,688	197,998	295,201	267,493	318,015	113,966	345,228	749,597
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	217,271
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	7,195,117
Capital grants and contributions	<u>330,931</u>	<u>671,424</u>	<u>350,510</u>	<u>129,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities program revenues	<u>1,616,492</u>	<u>2,264,047</u>	<u>6,929,530</u>	<u>4,211,279</u>	<u>3,262,439</u>	<u>2,183,144</u>	<u>1,113,658</u>	<u>1,517,634</u>	<u>4,723,940</u>	<u>8,229,888</u>
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	1,850,835
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	1,596,774
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	4,933,717
Solid waste	769,831	817,628	902,379	927,550	901,297	1,011,010	1,023,845	1,004,145	986,019	1,012,054
Stormwater management	-	-	-	-	188,938	194,183	193,874	190,992	195,304	197,504
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	926,632
Fishing bridge	154,812	147,147	-	-	461,058	-	-	-	-	-
Capital grants and contributions	<u>2,383,069</u>	<u>2,868,146</u>	<u>1,539,970</u>	<u>2,912,708</u>	<u>2,448,130</u>	<u>632,068</u>	<u>127,267</u>	<u>95,171</u>	<u>319,969</u>	<u>417,520</u>
Total business-type activities program revenues	<u>10,970,505</u>	<u>10,612,524</u>	<u>9,484,846</u>	<u>11,394,609</u>	<u>12,103,152</u>	<u>10,172,279</u>	<u>9,926,171</u>	<u>10,478,334</u>	<u>10,938,055</u>	<u>10,935,036</u>
Total primary government program revenues	<u>\$ 12,586,997</u>	<u>\$ 12,876,571</u>	<u>\$ 16,414,376</u>	<u>\$ 15,605,888</u>	<u>\$ 15,365,591</u>	<u>\$ 12,355,423</u>	<u>\$ 11,039,829</u>	<u>\$ 11,995,968</u>	<u>\$ 15,661,995</u>	<u>\$ 19,164,924</u>

Continued...

City of Gulf Breeze, Florida
TABLE II (Continued)
CHANGES IN NET ASSETS ⁽¹⁾
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
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)	\$ 627,318
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	1,774,724
Total primary government net expense	<u>\$ (675,667)</u>	<u>\$ (1,038,729)</u>	<u>\$ (3,711,350)</u>	<u>\$ (3,244,731)</u>	<u>\$ (5,313,101)</u>	<u>\$ (4,388,077)</u>	<u>\$ (5,194,940)</u>	<u>\$ (3,189,260)</u>	<u>\$ (3,644,623)</u>	<u>\$ 2,402,042</u>
General Revenues and Other Changes in Net Assets										
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	\$ 1,731,906
Sales taxes	470,816	495,505	518,613	512,865	-	-	-	-	-	-
Tourist development taxes	-	-	-	-	39,624	30,287	7,120	13,527	36,060	39,529
Fuel taxes	-	-	-	-	229,718	230,000	213,988	168,122	228,653	232,681
Franchise taxes	-	-	-	-	279,313	243,849	293,431	364,912	334,218	305,448
Communication services taxes	-	-	-	-	146,184	176,152	212,177	297,279	312,900	298,469
Utility service taxes	119,203	99,211	96,760	96,201	136,976	128,931	206,774	319,616	342,531	347,131
Intergovernmental, unrestricted	164,227	168,649	466,654	473,362	498,649	567,629	552,449	510,832	819,245	1,070,901
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	608,104
Investment earnings	61,973	129,222	81,153	176,998	149,068	119,922	49,430	21,304	30,688	35,537
Transfers	1,496,100	846,604	840,508	870,849	(313,870)	1,230,150	1,073,089	1,210,696	849,344	1,181,650
Total governmental activities	<u>4,560,843</u>	<u>3,495,499</u>	<u>4,035,747</u>	<u>4,288,177</u>	<u>3,532,213</u>	<u>5,058,421</u>	<u>5,080,060</u>	<u>5,908,053</u>	<u>5,674,866</u>	<u>5,851,356</u>
Business-type activities										
Miscellaneous	49,513	49,142	705,214	112,181	70,820	364,517	233,593	8,663,204	547,198	268,959
Investment earnings	68,845	58,832	83,337	191,820	133,904	92,802	64,495	26,021	19,272	337,195
Transfers	(1,496,100)	(846,604)	(840,508)	(870,849)	313,870	(1,230,150)	(1,073,089)	(1,210,696)	(849,344)	(1,181,650)
Loss from joint venture	-	-	(82,207)	-	-	-	-	-	-	-
Total business-type activities	<u>(1,377,742)</u>	<u>(738,630)</u>	<u>(134,164)</u>	<u>(566,848)</u>	<u>518,594</u>	<u>(772,831)</u>	<u>(775,001)</u>	<u>7,478,529</u>	<u>(282,874)</u>	<u>(575,496)</u>
Total primary government	<u>\$ 3,183,101</u>	<u>\$ 2,756,869</u>	<u>\$ 3,901,583</u>	<u>\$ 3,721,329</u>	<u>\$ 4,050,807</u>	<u>\$ 4,285,590</u>	<u>\$ 4,305,059</u>	<u>\$ 13,386,582</u>	<u>\$ 5,391,992</u>	<u>\$ 5,275,860</u>
Change in Net Assets										
Governmental activities	\$ 1,421,610	\$ 75,020	\$ 178,854	\$ (662,158)	\$ (2,710,521)	\$ 786,578	\$ 135,495	\$ 1,062,208	\$ 734,304	\$ 6,478,674
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	1,199,228
Total primary government	<u>\$ 2,507,434</u>	<u>\$ 1,718,140</u>	<u>\$ 190,233</u>	<u>\$ 476,598</u>	<u>\$ (1,262,294)</u>	<u>\$ (102,487)</u>	<u>\$ (889,881)</u>	<u>\$ 10,197,322</u>	<u>\$ 1,747,369</u>	<u>\$ 7,677,902</u>

SOURCE: City of Gulf Breeze Finance Department.

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

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

Fiscal Year	Governmental Activities						Business-Type Activities						Total Business-Type	Total Primary 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			Gulf Breeze Financial Services
2012	\$ 67,903	\$ 749,597	\$ -	\$ -	\$ 217,271	\$1,034,771	\$ 1,850,835	\$ 1,596,774	\$ 4,933,717	\$ 197,504	\$ -	\$ 1,012,054	\$ 926,632	\$ 10,517,516	\$ 11,552,287
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

SOURCE: City of Gulf Breeze Finance Department

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

City of Gulf Breeze, Florida
TABLE IV
COMPONENTS OF FUND BALANCE ⁽¹⁾
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
2012	\$ 5,980	\$ -	\$ 5,980	\$ -	\$ 916,350	\$ 916,350	\$ 362,270	\$ -	\$ 362,270	\$ 115,993	\$ 416,854	\$ 532,847	\$ 6,698,503	\$ -	\$ 6,698,503	\$ 7,182,746	\$ 1,333,204	\$ 8,515,950
2011	\$ 6,074	\$ -	\$ 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOURCE: City of Gulf Breeze Finance Department

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 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	\$ 2,649,716
Licenses and permits	86,060	69,085	61,788	64,187	96,644	69,705	83,962	412,458	427,201	373,351
Intergovernmental	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	8,202,214
Charges for services	143,466	147,218	130,776	155,239	275,527	261,662	243,468	254,973	251,342	243,576
Fines and forfeitures	191,450	180,391	224,688	197,998	295,201	267,493	318,016	101,604	340,415	742,280
Miscellaneous	1,315,343	724,846	567,335	837,946	746,410	785,553	697,852	1,223,509	980,341	688,458
Total Revenues	4,736,136	4,912,942	9,777,551	7,554,781	7,108,522	6,011,414	5,103,038	6,212,695	9,483,900	12,899,595
Expenditures										
General government	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	1,729,301
Public safety	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	2,596,140
Transportation	181,397	172,810	243,260	241,410	152,329	96,455	151,623	139,370	249,113	204,519
Economic environment	248,140	95,252	109,397	123,298	104,597	102,446	116,673	118,498	122,413	133,073
Community service	-	-	-	-	-	-	-	-	-	-
Culture and recreation	647,466	727,324	739,305	831,588	4,236,487	993,855	886,497	908,776	3,462,148	1,251,795
Capital outlay	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	5,957,086
Debt service										
Principal	106,471	55,300	186,594	192,462	183,554	-	154,000	158,400	239,357	171,600
Interest	-	46,672	97,215	156,930	226,147	327,402	325,297	320,336	315,231	310,536
Costs of issuance	-	-	-	-	330,824	-	-	-	-	-
Total expenditures	6,233,848	6,715,478	11,509,289	9,961,766	10,872,873	6,060,664	5,674,349	6,869,861	11,131,394	12,354,050
Excess of revenue over (under) expenditures	(1,497,712)	(1,802,536)	(1,731,738)	(2,406,985)	(3,764,351)	(49,250)	(571,311)	(657,166)	(1,647,494)	545,545
Other Financing Sources (Uses)										
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	1,815,781
Transfers out	(76,820)	(84,908)	(123,764)	(133,481)	(1,451,332)	(1,451,332)	(354,900)	(365,355)	(391,500)	(634,130)
Insurance recoveries	-	-	173,609	73,826	-	69,498	17,500	2,295	-	-
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)	4,496,100	846,604	2,014,117	944,675	6,002,150	(421,888)	1,090,589	1,212,991	914,905	1,181,651
Net change in fund balance	\$ 2,998,388	\$ (955,932)	\$ 282,379	\$ (1,462,310)	\$ 2,237,799	\$ (471,138)	\$ 519,278	\$ 555,825	\$ (732,589)	\$ 1,727,196
Debt service as a percentage of noncapital expenditures	3.00%	2.00%	3.00%	4.00%	5.00%	6.00%	10.00%	8.00%	6.28%	7.54%

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⁽¹⁾</u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for the Year</u>	<u>Ratio of Total Taxes Collected to Current Levy</u>	<u>Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Current Levy</u>
2012	This levy will be collected during Fiscal Year 2013.							
2011	\$ 1,194,763	\$ 1,158,863	97.0 %	\$ 3,973	\$ 1,162,836	97.3 %	\$ 2,857	0.2 %
2010	\$ 1,206,357	\$ 1,168,019	96.8 %	\$ 3,674	\$ 1,171,963	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 %

SOURCE: Santa Rosa County Tax Collector Office

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

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

Year ⁽²⁾	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value for Operations	Total Direct Tax Rate
2012	\$ 883,720,244	\$ 35,023,885	\$ 918,774,129	\$ 287,168,164	\$ 631,605,965	1.9000
2011	\$ 879,382,858	\$ 35,300,296	\$ 914,683,154	\$ 286,262,042	\$ 628,421,112	1.9000
2010	\$ 957,414,901	\$ 39,883,882	\$ 997,298,783	\$ 362,784,783	\$ 634,514,000	1.9000
2009	\$ 843,459,341	\$ 41,919,426	\$ 885,378,767	\$ 223,488,747	\$ 661,890,020	1.9000
2008	\$ 1,057,198,119	\$ 36,087,891	\$1,093,286,010	\$ 411,456,015	\$ 681,829,995	1.8000
2007	\$ 1,112,840,126	\$ 31,427,047	\$1,144,267,173	\$ 459,490,041	\$ 684,777,132	1.5520
2006	\$ 1,133,658,192	\$ 33,232,222	\$1,166,890,414	\$ 499,240,156	\$ 667,650,258	1.6283
2005	\$ 960,727,282	\$ 28,162,900	\$ 988,890,182	\$ 423,084,878	\$ 565,805,304	1.9000
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

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>
2012	1.9000
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

SOURCE: Santa Rosa County Property Appraiser

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

City of Gulf Breeze, Florida
TABLE IX
PRINCIPAL TAXPAYERS
Unaudited

Taxpayer	2012		2003	
	Total Taxable Value	Percentage	Total Taxable Value	Percentage
Andrews Institute Medical Park	\$ 16,329,494	2.59 %		
Sea Shell Collections LLC	14,383,694	2.28 %		
Gulf Power Company	7,785,820	1.23 %	5,843,432	1.22 %
Mullet, Willis J.	7,230,942	1.14 %	2,914,979	0.61 %
East End Company, LLC & Gulf	6,319,182	1.00 %		
Quietwater LLC	5,207,375	0.82 %	3,722,375	0.78 %
Falzone, Timothy D.	4,874,054	0.77 %		
Exposition Properties	4,622,288	0.73 %	4,021,143	0.84 %
Andrews Institute ASC LLC	4,339,574	0.69 %		
Belleau, George and Ann	4,187,358	0.66 %	3,583,296	0.75 %
Jenkins, Robert Berryman			7,641,226	1.59 %
Bell South Communications			7,581,638	1.58 %
Bay Beach Hotel, LLC			4,372,619	0.91 %
Villas at Gulf Breeze, Inc.			3,836,091	0.80 %
Levin, Frederick G.			2,905,100	0.61 %
Total of Principal Taxpayers	75,279,781	11.92 %	46,421,899	9.67 %
Total All Other Taxpayers	556,326,184	88.08 %	433,740,180	90.33 %
Total Taxable Value	\$ 631,605,965	100.00 %	\$ 480,162,079	100.00 %

SOURCE: Santa Rosa County Property Appraiser

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

Fiscal Year	Assessments	Assessments Collected	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessments
2012	\$ -	\$ 24,774	0.00 %	\$ 104,669
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 ⁽¹⁾	\$ 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 %	\$ -

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 ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Revenue Bonds Payable			Notes Payable			Capital Leases Payable			Other Contractual Obligations			Total Debt		
	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt	Governmental Activities	Business-Type Activities	Total Primary Govt
2012	\$ 8,311,723	\$ 5,959,853	\$ 14,271,576	\$ -	\$ 4,897,432	\$ 4,897,432	\$ -	\$ -	\$ -	\$ 220,828	\$ 162,741	\$ 383,569	\$ 8,532,551	\$ 11,020,026	\$ 19,552,577
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

SOURCE: City of Gulf Breeze Finance Department

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

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

Fiscal Year	Estimated Population ⁽²⁾	Assessed Value for Operations ⁽³⁾	Total Outstanding Debt ⁽⁴⁾	Ratio of Total Outstanding Debt to Assessed Value	Amount of Total Outstanding Debt Per Capita	Percentage of Personal Income ⁽⁵⁾
2012	5,790	\$ 631,605,965	\$ 19,552,577	3.1 %	\$ 3,377	0.08 %
2011	5,765	\$ 628,421,112	\$ 20,346,185	3.2 %	\$ 3,529	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 %

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

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

⁽³⁾ From Table VII

⁽⁴⁾ From Table XI

⁽⁵⁾ From Table XVII

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

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

City of Gulf Breeze, Florida
TABLE 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⁽¹⁾</u>	<u>Assessed Value for Operations⁽²⁾</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2012	5,790	\$ 631,605,965	\$ -	\$ -	\$ -	- %	\$ -
2011	5,765	\$ 628,421,112	\$ -	\$ -	\$ -	- %	\$ -
2010	5,751	\$ 634,514,000	\$ -	\$ -	\$ -	- %	\$ -
2009	5,791	\$ 661,890,020	\$ -	\$ -	\$ -	- %	\$ -
2008	5,780	\$ 681,829,995	\$ -	\$ -	\$ -	- %	\$ -
2007	5,805	\$ 684,777,132	\$ -	\$ -	\$ -	- %	\$ -
2006	5,774	\$ 667,650,258	\$ -	\$ -	\$ -	- %	\$ -
2005	5,765	\$ 565,805,304	\$ -	\$ -	\$ -	- %	\$ -
2004	5,790	\$ 511,749,849	\$ -	\$ -	\$ -	- %	\$ -
2003	5,764	\$ 480,162,079	\$ -	\$ -	\$ -	- %	\$ -

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

⁽²⁾ From Table VII

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

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

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

Fiscal Year	Operating Revenue	Tap Fees	Direct Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2012	\$ 4,933,717	\$ 389,166	\$ 2,848,490	\$ 2,474,393	\$ 595,000	\$ 267,213	\$ 862,213	2.87
2011	\$ 4,876,402	\$ 309,563	\$ 2,781,874	\$ 2,404,091	\$ 580,000	\$ 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

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						
2012	5,790	155,390	3.73 %	0.32 %	\$249,926,200	\$ 43,165	2.50 %	\$ 67,214
2011	5,765	154,901	3.72 %	6.09 %	\$251,008,100	\$ 43,540	2.95 %	\$ 70,575
2010	5,751	146,008	3.94 %	1.04 %	\$249,756,026	\$ 43,428	3.20 %	\$ 67,214
2009	5,791	144,508	4.01 %	0.26 %	\$252,389,153	\$ 43,583	2.50 %	\$ 65,980
2008	5,780	144,136	4.01 %	1.40 %	\$258,290,860	\$ 44,687	2.26 %	\$ 70,093
2007	5,805	142,144	4.08 %	0.51 %	\$282,390,030	\$ 48,646	2.26 %	\$ 66,699
2006	5,774	141,428	4.08 %	(0.23)%	\$275,131,100	\$ 47,650	2.56 %	\$ 65,750
2005	5,765	141,750	4.07 %	6.00 %	\$267,357,640	\$ 46,376	2.30 %	\$ 63,323
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

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

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

Fiscal Year	Assessed Value for Operations ⁽¹⁾	Commercial Construction		Residential Construction		Bank Deposits ⁽³⁾
		# of Units ⁽²⁾	Value	# of Units ⁽²⁾	Value	
2012	\$ 631,605,965	(4)	(4)	(4)	(4)	(4)
2011	\$ 628,421,112	4	\$ 602,500	13	\$ 6,297,000	\$ 247,182,000
2010	\$ 634,514,000	0	\$ -	9	\$ 501,500	\$ 283,202,000
2009	\$ 661,890,020	1	\$ 1,121,596	3	\$ 204,500	\$ 297,216,000
2008	\$ 681,829,995	11	\$ 430,033	14	\$ 1,491,560	\$ 309,810,000
2007	\$ 684,777,132	24	\$ 5,794,633	14	\$ 3,849,400	\$ 317,633,000
2006	\$ 667,650,258	12	\$ 9,046,301	11	\$ 9,022,840	\$ 308,860,000
2005	\$ 565,805,304	8	\$ 7,814,249	18	\$ 4,545,760	\$ 302,040,000
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

⁽¹⁾ Source: Table VII

⁽²⁾ Santa Rosa County Inspection Department

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

⁽⁴⁾ Comparable values not available from county offices for 2012 as of publication date.

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

Fiscal Year 2012 ⁽¹⁾	Employees	Percentage of Labor Force
Gulf Breeze Hospital	214	7.6 %
AppRiver	151	5.4 %
Andrews Institute	150	5.4 %
Studer Group	142	5.1 %
Publix	92	3.3 %
City of Gulf Breeze	85	3.0 %
Gulf Breeze High School	78	2.8 %
Gulf Breeze Middle School	68	2.4 %
Gulf Breeze Elementary School	53	1.9 %
Total Labor Force ⁽¹⁾	2,803	

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

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

Year	Residential				Commercial			
	Additions / Renovations	New Construction	Pool Permits	Miscellaneous Permits	Additions / Renovations	New Construction	Sign Permits	Miscellaneous Permits
2012	12	11	12	67	4	6	30	16
2011	14	14	9	53	19	1	22	16
2010	25	13	14	37	10	5	19	4
2009	24	5	3	20	11	0	26	11
2008	19	9	4	18	21	3	33	4
2007	25	22	22	14	4	3	37	5
2006	30	25	18	1	7	2	8	0
2005	144	36	36	11	22	14	38	5
2004	53	17	20	10	16	9	28	4
2003	21	11	7	21	5	4	36	7

SOURCE: City of Gulf Breeze Community Services Department

City of Gulf Breeze, Florida
TABLE XXI
WATER SERVICE RATES
Unaudited
As of September 30, 2012

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	-	\$ 2.75	\$ 13.90		-	\$ 2.75	\$ 24.82	3.0	\$ 2.75
1.00"	\$ 17.46	\$ 17.46	-	\$ 2.75	\$ 25.27		-	\$ 2.75	\$ 37.23	3.0	\$ 2.75
1.50"	\$ 45.67	\$ 45.67	-	\$ 2.75	\$ 64.62		-	\$ 2.75	\$ 82.57	3.0	\$ 2.75
2.00"	\$ 74.39	\$ 74.39	-	\$ 2.75	\$ 104.67		-	\$ 2.75	\$ 126.67	3.0	\$ 2.75
3.00"	\$ 151.33	\$ 151.33	-	\$ 2.75	\$ 211.52		-	\$ 2.75	\$ 246.28	3.0	\$ 2.75
4.00"	\$ 228.28	\$ 228.28	-	\$ 2.75	\$ 318.37		-	\$ 2.75	\$ 317.77	3.0	\$ 2.75
6.00"	\$ 454.67	\$ 454.67	-	\$ 2.75	\$ 631.48		-	\$ 2.75	\$ 732.56	3.0	\$ 2.75

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

City of Gulf Breeze, Florida
TABLE XXII
SEWER SERVICE RATES
Unaudited
As of September 30, 2012

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"	\$ 13.09	\$ 13.09	-	\$ 3.90	\$ 15.61		-	\$ 4.02	\$ 32.67	3.0	\$ 4.02
1.00"	\$ 24.27	\$ 24.27	-	\$ 3.90	\$ 29.24		-	\$ 4.02	\$ 45.26	3.0	\$ 4.02
1.50"	\$ 58.74	\$ 58.74	-	\$ 3.90	\$ 71.52		-	\$ 4.02	\$ 91.59	3.0	\$ 4.02
2.00"	\$ 94.33	\$ 94.33	-	\$ 3.90	\$ 115.60		-	\$ 4.02	\$ 137.27	3.0	\$ 4.02
3.00"	\$ 188.99	\$ 188.99	-	\$ 3.90	\$ 233.35		-	\$ 4.02	\$ 261.97	3.0	\$ 4.02
4.00"	\$ 281.23	\$ 281.23	-	\$ 3.90	\$ 350.80		-	\$ 4.02	\$ 395.48	3.0	\$ 4.02
6.00"	\$ 549.33	\$ 549.33	-	\$ 3.90	\$ 693.17		-	\$ 4.02	\$ 775.03	3.0	\$ 4.02

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

City of Gulf Breeze, Florida
TABLE XXIII
SOLID WASTE SERVICE RATES
Unaudited
As of September 30, 2012

Residential Collection						
	Curbside		Sideyard			
Regular	\$	17.75	\$	21.85		
Senior Rate	\$	15.95	\$	19.65		
Disabled Rate			\$	16.60		
Extra Kart	\$	6.50	\$	10.55		

Commercial Collection						
Container Size (Waste)	Collection Frequency (Per Week)					Per Extra Call
	1	2	3	4	5	
Kart (96 Gal)	\$ 42.70	\$ 61.15				
2 Cubic Yards	\$ 109.60	\$ 131.55	\$ 203.05	\$ 258.45	\$ 323.05	\$ 46.15
4 Cubic Yards	\$ 152.30	\$ 227.30	\$ 328.80	\$ 439.60	\$ 535.35	\$ 92.30
6 Cubic Yards	\$ 197.30	\$ 320.75	\$ 456.90	\$ 591.90	\$ 734.00	\$ 138.45
8 Cubic Yards	\$ 245.75	\$ 403.10	\$ 582.65	\$ 756.85	\$ 935.70	\$ 184.60
30 Cubic Yard Roll Off						\$ 265.40
<u>Container Size (Recycling)</u>						
Kart (96 Gal)	\$	20.80				
2 Cubic Yards	\$	75.00				
4 Cubic Yards	\$	105.00				
6 Cubic Yards	\$	133.85				

City of Gulf Breeze, Florida
TABLE XXIV
NATURAL GAS SERVICE RATES
Unaudited
As of September 30, 2012

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 XXV
INSURANCE COVERAGE
Unaudited
As of September 30, 2012

<u>Type</u>	<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Amount</u>
Auto (Person)	10/1/12 to 9/30/13	Florida Municipal Insurance Trust	FMIT # 0224	\$ 100,000
Auto (Occurrence)				\$ 200,000
General Liability	10/1/12 to 9/30/13	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	10/1/12 to 9/30/13	Florida Municipal Insurance Trust	FMIT # 0224	\$ 20,739,606
Personal Property	10/1/12 to 9/30/13	Florida Municipal Insurance Trust	FMIT # 0224	\$ 1,080,503
Island Marine	10/1/12 to 9/30/13	Florida Municipal Insurance Trust	FMIT # 0224	\$ 210,280
Wind Storm	10/1/12 to 9/30/13	Citizens Property Insurance	728652	\$ 4,528,000
Worker's Compensation	10/1/12 to 9/30/13	City of Gulf Breeze	N/A	\$ 250,000
Petroleum Storage Tank	10/1/12 to 9/30/13	Policy Managers	7509065	\$ 1,000,000
				\$ 2,000,000

SOURCE: City of Gulf Breeze Departments

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

Full-time employees on City Payroll as of September 30, ⁽¹⁾	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
City Manager and City Clerk	4	4	4	4	4	4	4	4	4	4
Community Services	2	2	2	2	2	2	2	2	2	2
Finance and Accounting	5	5	5	5	5	7	6	5	7	5
Parks and Recreation Center	8	8	9	8	8	8	8	8	9	8
Special Projects	-	-	-	-	1	1	1	-	-	-
Sworn Officers	15	15	18	17	19	19	19	19	18	18
Civilian Employees	7	7	7	8	8	8	8	8	7	7
Police	<u>22</u>	<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>
General Government - Total	<u>41</u>	<u>41</u>	<u>45</u>	<u>44</u>	<u>47</u>	<u>49</u>	<u>48</u>	<u>46</u>	<u>47</u>	<u>44</u>
Enterprises⁽²⁾										
GBFS	2	3	2	1	1	1	2	-	1	1
Gas, Water and Sewer	12	12	13	11	12	13	9	11	11	11
South Santa Rosa Utility	26	26	23	27	29	29	28	25	19	20

(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 XXVII
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
Unaudited

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Fire Department										
Emergency Medical Calls	449	511	562	500	471	527	486	500	442	479
Fire and Other Calls	300	289	322	325	315	375	455	341	(*) 238	237
Total Calls	749	800	884	825	786	902	941	841	680	716
(*) During and immediately after hurricane Ivan the fire department responded to an estimated 100 calls which were not recorded due to power and system failures.										
Police Department										
Arrests	466	245	161	195	142	206	258	189	234	266
Citations	5,462	5,748	4,968	4,451	4,451	5,330	5,047	3,707	3,800	4,303
Parks and Recreation										
League Registrations	1,566	1,777	1,802	1,918	1,596	1,617	1,784	1,659	1,664	1,630
Water										
Customers at year end	2,580	2,558	2,565	2,575	2,576	2,572	2,582	2,608	2,613	2,594
Treatment (000's gallons)	233,565	244,322	244,322	256,115	247,620	266,146	274,237	256,311	247,962	246,881
Sewer										
Customers at year end	1,514	1,463	1,471	1,479	1,450	1,407	1,389	1,390	1,412	1,390
Treatment (000's gallons)	147,327	157,743	150,468	164,167	155,865	168,066	167,414	157,577	150,430	151,419
Natural Gas										
Customers at year end	3,371	3,311	3,248	3,237	3,204	3,104	2,947	2,730	2,871	2,727
Therms (000's 100's ft ³)	1,037,415	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
SSRUS - Water										
Customers at year end	4,196	4,178	4,200	4,220	4,229	4,224	4,205	4,164	4,382	4,300
Usage (000's gallons)	286,027	296,911	293,962	299,967	292,892	309,617	324,474	309,116	337,340	330,948
SSRUS - Sewer										
Customers at year end	5,958	5,850	5,837	5,824	5,819	5,744	5,556	5,338	5,402	4,948
Treatment (000's gallons)	395,337	412,452	385,532	387,549	389,835	407,189	427,657	389,021	401,388	369,631
Wastewater Treatment										
Treatment (Millions of Gallons)	519.2	487.7	562.5	509.2	501.9	499.7	469.8	532.9	517.9	511.7

SOURCE: Departmental Records and Gulf Breeze Sports Association

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Streets										
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	10.0	9.0	9.0
Signs Installed	171	171	171	171	171	171	171	171	171	171
Traffic Signal (City Owned)	1	1	1	1	1	1	1	1	1	-
Water										
Water Line (miles)	43.5	43.5	43.5	43.5	43.5	43.5	43.3	43.0	42.5	42.3
Elevated Storage Tanks	1	1	1	1	1	1	1	1	1	1
Elevated Storage Capacity (000's gallons)	100	100	100	100	100	100	100	100	100	100
Ground Storage Tanks	1	1	1	1	1	1	1	1	1	1
Ground Storage Capacity (000,000's gallons)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Water Pump Facilities	1	1	1	1	1	1	1	1	1	1
Sewer										
Sewer Line (miles)	16.4	16.0	16.0	16.0	15.3	15.3	15.1	14.8	14.3	14.1
Lift Stations	25	25	25	25	24	23	23	23	23	23
Natural Gas										
Gas Main (miles)	129.5	119.3	119.3	119.3	119.3	118.6	117.6	116.0	115.0	114.0
South Santa Rosa Utility System										
<u>Water</u>										
Water Line (miles)	62.3	62.3	62.3	62.3	62.3	61.3	58.3	57.3	55.3	54.3
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)	57.8	57.0	57.0	57.0	56.8	54.8	52.8	50.8	49.8	47.8
Lift Stations	60	60	60	60	57	57	56	53	53	52
<u>Treatment Facilities</u>										
Facilities	1	1	1	1	1	1	1	1	1	1
Capacity (000,000 gallons per day)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Stormwater Utility										
Stormwater pipe (miles)	9.1	9.1	9.1	9.1	9.0	7.0	7.0	7.0	7.0	7.0
Inlets	186	186	186	186	180	88	88	88	88	88
Pump Stations	5	5	5	5	5	5	5	5	5	5
Police Department										
Patrol Units	17	17	17	17	19	19	19	18	18	18
Fire Department										
Response and Support Vehicles	10	10	10	9	10	10	9	8	7	7

SOURCE: Departmental Records

(THIS PAGE INTENTIONALLY LEFT BLANK)

IV. COMPLIANCE SECTION

- **COMPLIANCE MATTERS**
- **MANAGEMENT LETTER**
- **RESPONSES TO MANAGEMENT LETTER**

City of Gulf Breeze, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012

Federal Agency Pass-Through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Homeland Security			
Pass-Through From:			
Florida Department of Community Affairs			
Disaster Grants - Public Assistance (Hurricane Ivan)	97.036	05-PA-G-01-67-02-621	\$ 6,465,324
Total U.S. Department of Homeland Security			<u>6,465,324</u>
U.S. Department of Housing and Urban Development			
Pass-Through From:			
Florida Department of Community Affairs			
Florida Small Cities Community Development Block Grant Program - ARRA	14.255	10-DB-C4-01-67-02-R07	298,006
Total U.S. Department of Housing and Urban Development			<u>298,006</u>
U.S. Department of Interior			
Pass-Through From:			
U.S. Fish and Wildlife Service			
The Restoration of Deadman's Island	15.630	401817G095	26,780
Total U.S. Department of Interior			<u>26,780</u>
U.S. Department of Justice			
Pass-Through From:			
State Office of Attorney General			
Crime Victim Assistance	16.575	V10127	37,869
Total U.S. Department of Justice			<u>37,869</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 6,827,979</u></u>

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, 2012

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, 2012, which collectively comprise the City of Gulf Breeze, Florida's basic financial statements and have issued our report thereon dated March 6, 2013. 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 identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses in internal control over financial reporting (2008-1, 2008-3, 2010-1, 2011-1).

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 6, 2013, 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.

Warren Averett, LLC

March 6, 2013

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**

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, 2012. 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, 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 (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 6, 2013

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance (Hurricane Ivan)
14.255	Small Cities Community Development Block Grant - ARRA

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, 2012

II. FINANCIAL STATEMENT FINDINGS

Finding 2008-1 - Capital Asset Balances

Prior Year Finding Summarized

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

During fiscal years 2010, 2011, and 2012, the Finance Director worked to improve the processes and procedures for maintaining and updating the capital asset subsidiary ledger. At the beginning of the current year audit, the Finance Director was able to provide us with capital asset schedules that rolled forward the audited balances from the prior year report and summarized the capital asset activity for the current fiscal year. In addition, the Finance Director provided us with adjustments to reflect this activity in the general ledger. However, upon recording these adjustments, we noted the following issues:

- The audited capital asset balances as of September 30, 2011 in the General and Urban Core Redevelopment funds did not agree to the general ledger capital asset control account balances as of October 1, 2011, which caused the beginning fund balances in the General and Urban Core Redevelopment funds to not reconcile to the audited fund balances per the prior year audit report by a material amount.
- The current year activity as summarized in the governmental funds roll-forward schedule did not agree to the balances, after adjustment, in the general ledger capital asset control accounts.

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2008-1 - Capital Asset Balances (Continued)

Status (Continued)

- Capital outlay for the fiscal year included transfers from construction in progress, and, therefore, did not agree to capital asset additions per the governmental roll-forward schedule, in total or by fund.
- Net assets invested in capital assets did not reconcile to the balance in capital assets, net of depreciation.

As a result, an extensive amount of time was required by both the Finance Director and the audit team to resolve these issues. We recommend the following:

- Discontinue the use of the capital projects fund. The internal use of this fund contributed to a number of the reconciliation issues experienced over the past three years. This is due to the capital projects fund not being a fund for financial reporting purposes.
- Establish internal controls to insure that capital asset transactions during the year are properly and promptly recorded.
- Perform monthly reconciliations to include:
 - * Individual capital asset records to general ledger asset accounts;
 - * Capital outlay expenditures to total additions of capital assets;
 - * Significant capital grants shown on the grant inventory with increases to the capital asset accounts; and
 - * Capital assets transferred to other locations, custody or funds with capital assets transferred from other locations, custody or funds.

Management's Response:

Management will continue to make efforts to improve staff training and procedures toward resolving and eliminating these issues. As part of the overall effort to improve financial reporting, the City will be upgrading its general ledger and fixed asset software during 2013, whose features should alleviate the need for a consolidating capital projects fund.

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

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

Prior Year Finding Summarized

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

Recommendation

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

Status

In addition to the items noted in the prior year, we identified current year adjustments that had not been properly made as part of the year-end close out procedures. These current year adjustments included entries to: pooled cash, certain other assets, capital assets, accounts payable, net assets/fund balance, and debt. Additionally, the City's finance office provided us with several material adjustments that were required to be made to the preliminary trial balance provided to us for the current year audit. Accordingly, our prior year 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

Prior Year Finding Summarized

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.

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2010-1 - Grant Financial Reporting (Continued)

Status

Management prepared and provided the SEFA for fiscal years 2011 and 2012; however, the expenditures reported contained errors, misclassifications, and inclusion of amounts unrelated to the federal and state programs or amounts not expended during the current fiscal year. 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.

Finding 2011-1 - Controls Over Cash Balances

Prior Year Finding Summarized

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.

Status

We noted during the current year audit that cash bank balances reconciled to general ledger balances at year-end. An additional opportunity to enhance the City's cash reporting and monthly close-out process is to incorporate a review of the allocation among funds for pooled cash as part of the monthly bank reconciliation procedures. This will help to alleviate or eliminate any deficit cash balances in any one fund at month-end, and, most importantly, at year-end.

Management's Response

Management will continue to make efforts to improve staff training and procedures toward resolving and eliminating these issues. As part of the overall effort to improve financial reporting, the City will be upgrading its general ledger software during 2013, whose features should reduce the need for out-of-system year-end consolidating entries and hence the delay in determining required adjustment between pooled cash balances in each fund.

City of Gulf Breeze, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL PROGRAMS

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

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, 2012, and have issued our report thereon dated March 6, 2013.

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-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, 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*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 6, 2013, 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 performed 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.

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

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.

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, our comments and recommendations are reported under the heading "Current Year Comments."

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. The official title and legal authority for the City of Gulf Breeze, Florida has been disclosed in Note 1 to 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, 2012, 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, 2012. In connection with our audit, we determined that these two reports are 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. In accordance with the *Rules of the Auditor General* (Section 10.556(7)), a financial condition assessment was performed, which did not indicate a deteriorating financial condition.

CURRENT YEAR COMMENTS

2012-ML-01 WRITTEN CONTROL RISK ASSESSMENT

Observation

The City of Gulf Breeze, Florida has not formally documented management's control risk assessment regarding significant transaction cycles. Like many organizations, the City assesses risk routinely but the risk assessment process is not formalized.

Recommendation

Documenting control risk assessments will provide additional assurances that key business processes have appropriate control activities in place. The assessment and documentation will help management identify control gaps, strengthen existing controls, and remove redundancies where applicable. The risk assessment process involves:

- Determining the objectives/goals of significant business processes
- Identifying what can go wrong (risks)
- Prioritizing what can go wrong (risk ranking)

Once the risk assessment is completed, control activities around the risks must be evaluated. Control activities are the processes that reduce the risk that errors or irregularities will occur. We recommend the City of Gulf Breeze, Florida formally document their control risk assessment process.

Management Response

Management recognizes the benefits of risk assessment and incorporates such assessment in the normal course of activities as well as the establishment of its policies and procedures. In the course of transitioning to new software, a review and documentation of processes and procedures will take place that may provide a basis such written assessment.

2012-ML-02 COMPLIANCE WITH FLORIDA STATUTE 218.74(1)

Observation

Of the ten (10) disbursements tested for compliance with Florida Statute 218.74(1), six (6) of the vendor invoices supporting the disbursements were not marked as received on the date on which it was delivered to an agent or employee of the City. As a result, the City was not in compliance with Florida Statute 218.74(1).

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

CURRENT YEAR COMMENTS (CONTINUED)

2012-ML-02 COMPLIANCE WITH FLORIDA STATUTE 218.74(1) (CONTINUED)

Recommendation

We recommend that the City establish procedures whereby each payment request or invoice received by the City is marked as received on the date on which it is delivered to an agent or employee of the City.

Management Response

We agree with the finding and will take corrective action. A review of the audit findings indicates that the non-compliant invoices were either hand delivered to department directors for approval or directly addressed to department directors rather than Accounts Payable. Existing policy and practice is that all improperly addressed invoices with a stamped request to change the addressee to Accounts Payable along with our remittance.

2012-ML-03 COMPLIANCE WITH FLORIDA STATUTE 218.74(2)

Observation

Of the ten (10) disbursements tested for compliance with Florida Statute 218.74(2), one (1) of the vendor invoices was not paid by the payment due date as defined by Florida Statute 218.74(2), which is forty-five (45) days after the date which the invoice was received. As a result, the City was not in compliance with Florida Statute 218.74(2).

Recommendation

We recommend that the City establish procedures to ensure payment due dates are effectively monitored and adhered to, thereby ensuring that invoices are timely paid in accordance with Florida Statute 218.74(2).

Management Response

We agree with the finding and will take corrective action.

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.

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the City of Gulf Breeze, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

March 6, 2013