

*The City of Gulf Breeze
Comprehensive Annual
Financial Report
For the Fiscal Year ending
September 30, 2017*

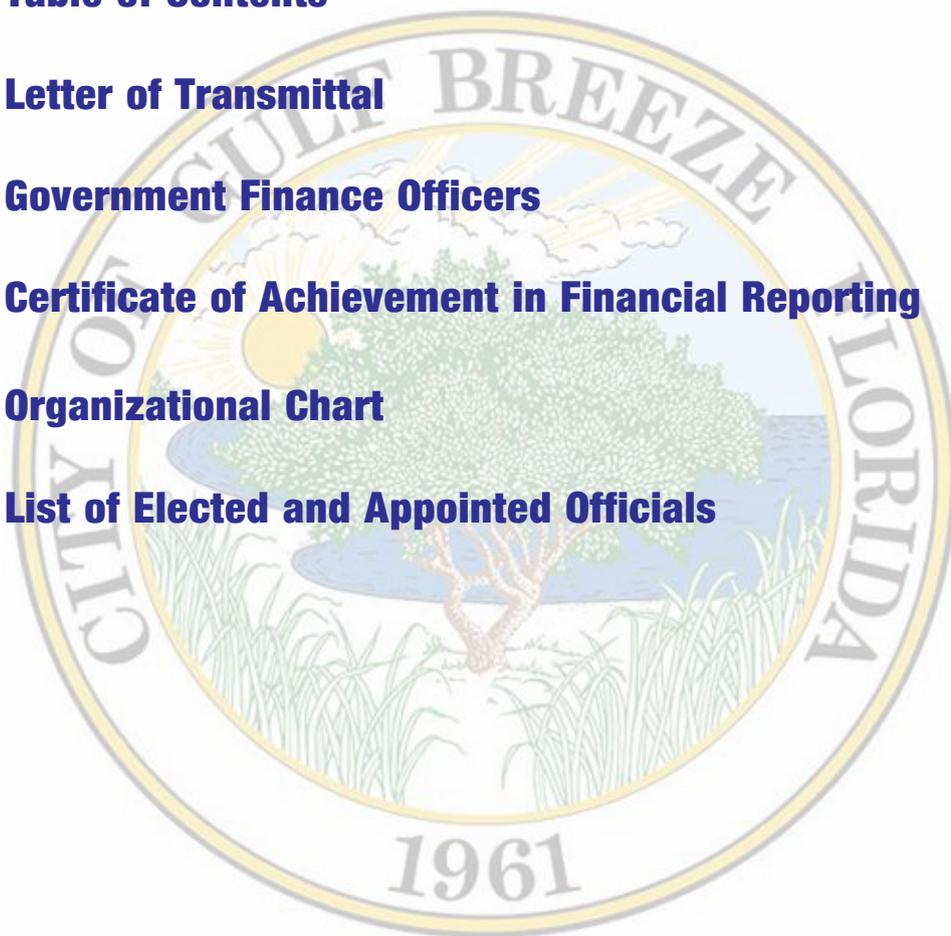
Comprehensive Annual Financial Report

**The City of Gulf Breeze, Florida
Year Ended September 30, 2017**

Prepared by the Finance Department

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CITY OF GULF BREEZE, FLORIDA
GULF BREEZE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2017

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City of Gulf Breeze

March 26, 2018

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

Chapter 218.32, Florida Statutes, requires every local government to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended September 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The cost of internal control should not exceed anticipated benefits. Accordingly, the objective of internal control is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

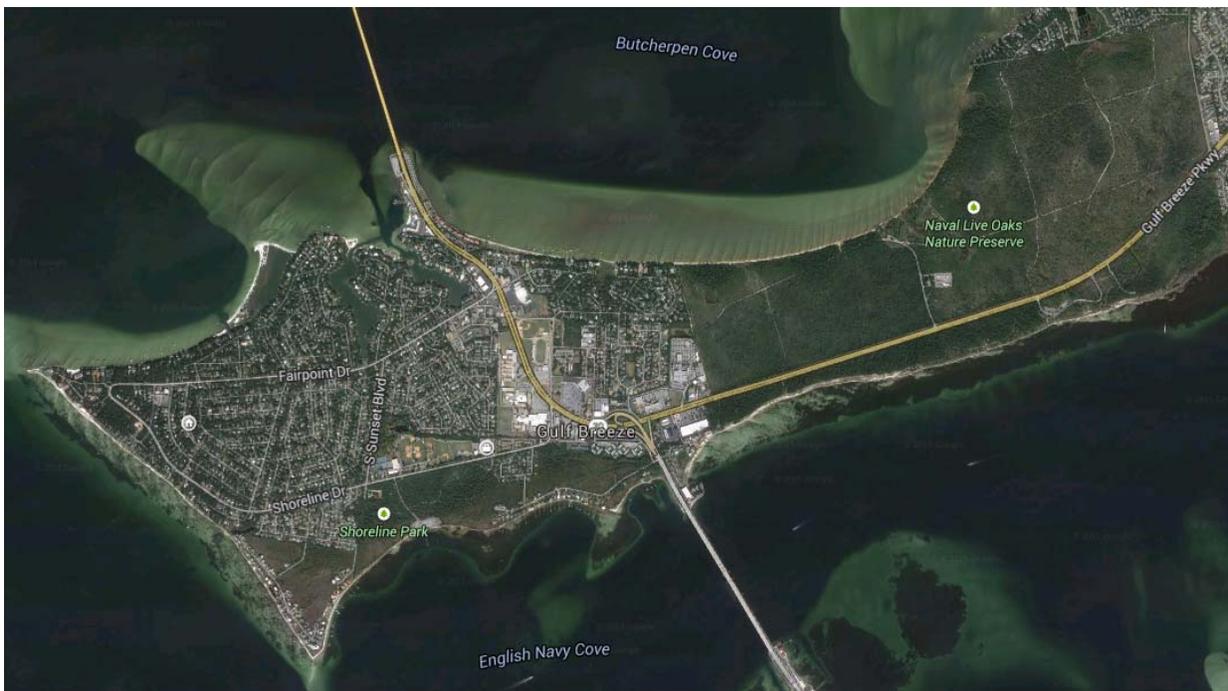
Saltmarsh, Cleaveland & Gund, LLC, a firm of certified public accountants, has audited the city’s financial statements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and 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 unmodified opinion that the City of Gulf Breeze financial statements for the fiscal year ended September 30, 2017, 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.

Management’s discussion and analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with the Financial Statements.

PROFILE OF THE GOVERNMENT

The City of Gulf Breeze was incorporated on August 10, 1961 and is located on the end of the Fairpoint Peninsula in Santa Rosa County. The City of Gulf Breeze is 4.5 square miles and has approximately 5,838 residents. The city has 18 miles of waterfront and three protected bayous, where residents enjoy all types of waterfront activities. Gulf Breeze is separated on the north by a three-mile bridge across the Pensacola Bay from the City of Pensacola and Escambia County, and by the Bob Sikes Bridge (commonly known as the Pensacola Beach Bridge) over Santa Rosa Sound to Pensacola Beach. To the east is the Gulf Islands National Seashore, located within the city limits, and covers approximately 1,329 acres including nature trails, picnic facilities, park ranger facilities, and beach access.

The city operates under the Council/Manager form of government. The City Council is comprised of five members. Under the city charter, one Council office may be the office of the Mayor and four Council members are elected at large. Council terms run for a period of four years with terms expiring on alternating years. Mayoral and Council terms begin 30 days after the date of election. The Mayor and Council enact ordinances and resolutions relative to municipal services, levy taxes, establish appropriations, issue debt and institute other fees and regulations, which aid in the maintenance of equitable treatment and quality standards within the municipality. All legislative and administrative powers of the municipality and the determination of all matters of policy are vested in the municipal council. Each member of Council, including the Mayor, has one vote in each matter. The City Manager is the head of the administrative branch of the government. The City Manager has complete and full authority, acting on behalf of the City Council, over each and every department, department heads, and employees of the city and has full authority over all operations of the city. The City Manager ensures that management functions are carried out within the policies and procedures endorsed by Council along with ensuring personnel requirements and budget constraints are upheld by department heads charged with managing the daily operations necessary to provide services to the residents and businesses of the city.



Google Earth image of City of Gulf Breeze

The City of Gulf Breeze employs approximately 100 employees, divided into seven departments, which provide a full range of municipal services. These services include police protection, volunteer fire protection, finance and accounting, community services, public utility services, recreation and administrative services. 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 through a competitive bid process 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 police department has been the recipient of numerous awards for professionalism and innovation; and was the first department to receive accreditation in Northwest Florida. The volunteer fire department, comprised of area firefighter professionals, has earned an ISO rating of 4 based on its professionalism, procedures and adequacy of water supply. The establishment and professional operation of these departments not only contributes to the peace-of-mind of residents, but also contributes to lower insurance rates for residents.

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) Statement No. 14.

Local Economy

The economic base of the City of Gulf Breeze is 73% residential with commercial areas accounting for 27% of the city. Because the City of Gulf Breeze consists of only 4.5 square miles, bounded by waterfront and a federal refuge, there is limited potential for expansion. Residents enjoy a quiet residential community just a few minutes from the Gulf of Mexico and the City of Pensacola. The city has two of the most popular boat ramps in the area in close proximity to the Pensacola pass located at Shoreline Park and Wayside Park. There are 105 acres of undeveloped park property along the water for a leisurely walk in the woods.

Redevelopment continues to be the most viable alternative for economic improvements. In 1988, the city established the Community Redevelopment Agency (CRA) to enable the city to utilize tax increment financing (TIF) to foster improvements and redevelopment in the city's commercial corridor. The CRA infill and redevelopment successes include Andrews Institute, a sports medicine and orthopedics center, Andrews stem cell research lab, Baptist Hospital, Sacred Heart Pediatric Clinic, Seashell Collections Shopping Center, and Henghold medical offices. Major County employers such as App River and Baptist Hospital, continue to attract technology firms to the area. There is also a public library, a variety of churches, a community center that includes a small stage along with two large gymnasiums, and public elementary, middle, and high schools, each of which continues to receive high rankings.

Some of the best schools in Florida are located in Santa Rosa County. The Gulf Breeze area's five schools rank as the best of the best in the state and are competitive with their peers nationally. Gulf Breeze students consistently score well above state averages on all standardized examinations and have repeatedly earned "Five Star School Awards."

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 sports 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, competitive sand volleyball, 2 nature reserves and beaches, various nature trails, and bicycle paths. In 2013, the city acquired Tiger Point Golf Course, outside the city limits, which is open to the public.

Tiger Point Golf Course

During fiscal year 2013, the city purchased the Tiger Point Golf Course properties consisting of two courses on 308 acres, of which 27 of 36 holes were operating. Located outside of the city limits, the Tiger Point property is immediately adjacent to the city's waste water treatment facility. Today, the golf course irrigation system is vital to reintroducing 1.3 million gallons of treated water from the waste water plant back into the local aquifer each day. When Tiger Point was acquired, the west course had been severely damaged by Hurricane Ivan. The recession also resulted in further decline of the clubhouse and the previous owner had defaulted. The purchase of this golf course not only helped the city with waste water treatment, but also helped to protect home values in the area. The city has annually budgeted for restoration and management of the property, and today the property appraisal is triple its purchase price from 2014.

In 1999, the city acquired South Santa Rosa Utility Systems. The city provides approximately (11%) of water and sewer services in county. The city's utility department had been anticipating the need to expand treatment capacity for over a decade, but without the ability to expand waste water treatment in its current location, a site had been procured and permitted slightly less than nine miles east of its current location in 2008. Engineering estimates indicated that a building with the required treatment capacity at the new site would require between \$20 and \$25 million in capital to develop. Analysis of the potential to expand capacity at the current location using a small portion of the Tiger Point property indicated that expanding to facilitate that same capacity would require an estimated \$10 to \$15 million to accomplish comparable treatment capacity. In 2013 staff recommended that the City Council consider the acquisition of the Tiger Point Golf Course based on the following:

- Potential savings to utility ratepayers expanding existing treatment and irrigation capacity;
- Better coordination with and avoiding the loss of the primary treated water user; and,
- Support of a core element of the Tiger Point area property values.

After receiving comments and advice from a variety of consultants, the city acquired the property through an asset purchase for the (then) appraised market value. Total purchase price was slightly in excess of \$3 million, which equates to slightly less than \$10,000 per acre excluding the value of buildings. Over the past four years, the city and South Santa Rosa Utility Services (SSRUS) made significant investments to rebuild and restore facilities, which the previous owners had allowed to decline. During fiscal year 2017, the Council approved a management contract with Honours Golf Company, LLC to assume day-to-day operations of the golf course facilities beginning April 1, 2017.

Long-term Financial Planning

Future financial requirements are directly tied to the vision and goals outlined in the City of Gulf Breeze Comprehensive Plan, Most Livable City Plan, and Capital Improvement Plan.

The purpose of the Comprehensive Plan is to help manage the socio-economic growth, development, and redevelopment of the city. Recommended strategies to accomplish the goals of the Comprehensive Plan are organized by plan element to create a five-year implementation plan.

The purpose of the Capital Improvement Plan is to provide a fiscal planning tool to identify needed capital projects, allocate funding, and schedule project start dates. The information is gathered based on submissions by the various city departments. The capital planning process not only includes the costs of capital, but also the on-going maintenance and operational costs associated with the projects.

Gulf Breeze sponsored its first loan pool in 1985. Since that time the loan pools and the sponsorship of bond issuances have generated over \$17 million in fees, allowing the city to make significant capital improvements. Loan pool and 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 GBFS have consistently provided significant revenues to help fund city needs. 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.

In 2016, city management developed a comprehensive 10-year Capital Improvement Plant (CIP) as a new financial planning tool for the City Council. A plan for strengthening project tracking long-term will further enhance the City's budget practices for years to come.

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 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 hearings no later than September 30, the close of the city's fiscal year.

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

Relevant Financial Policies

The City of Gulf Breeze has a comprehensive formal investment policy to ensure compliance with Florida Statutes, in addition to established reserves for debt service requirements, insurance reserves, and emergency/disaster recovery.

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.

Deluge and Flood in 2014

On April 29th, 2014 the city experienced a historic rainstorm when approximately 24 inches of rain fell within a 12-hour period (weather predictions called for 5 inches). In combination with the city's relatively high water table due to higher than normal rains in previous months, flooding resulted throughout the city. Some 368 residences were impacted by the resulting standing water which represents about 18% of the city's single-family residences. Calculations suggest that over 300 million gallons of water rained down on the city during the storm, resulting in saturation of the ground and standing water, requiring over four weeks of continuous pumping to drain. Along with flooded homes and businesses, the city suffered damage to parks, streets, utility infrastructure, and the Tiger Point Golf Course, resulting in immense recovery expenses. This event was declared eligible for federal assistance; therefore, the majority of the response costs qualified for partial FEMA reimbursement.



The Council approved plans and contracts for significant enhancements to the city’s stormwater infrastructure to serve those areas which were most severely impacted by the flooding, committing to over \$2 million in improvements. The main components of this significant upgrade in stormwater infrastructure were completed in 2016.

Completion of Deadman’s Island Breakwater Project in 2015

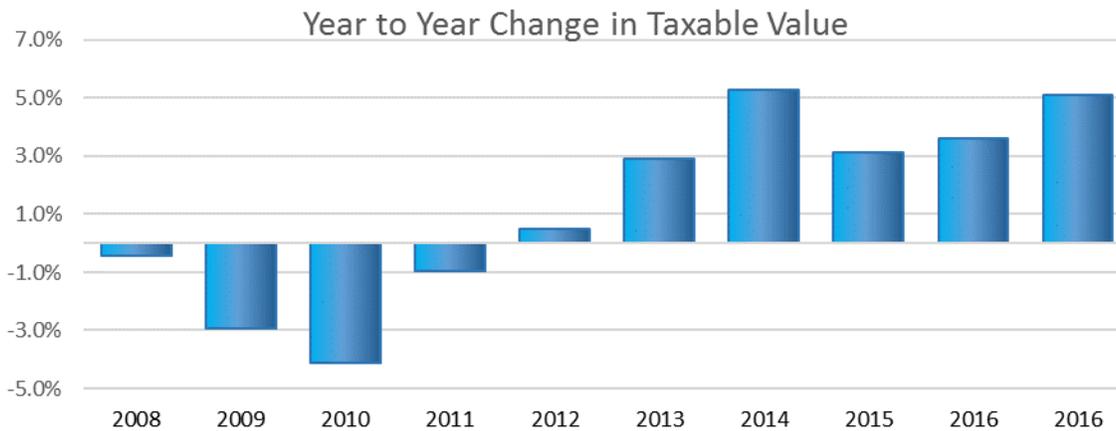
In 2006, as a result of archeological findings, the city was informed that the uninhabited sandy peninsula on the northern side of the city, known as Deadman’s Island, was considered ‘of historic importance’ and the city was statutorily required to protect the area from damage. The island name refers to anchoring posts (the ‘deadman’) used to tie down ship masts so that each side could be scraped free of barnacles and repaired. During the late 1800’s, when Pensacola served as a major immigration port, a quarantine facility was established in present day Gulf Breeze. Archeological evidence indicates that some of those who did not survive the quarantine were buried on Deadman’s Island.

After the rebuilding of the bridge between Pensacola and Gulf Breeze in 1962, evidence of erosion of the shoreline and contour of Deadman’s Island had become clear. In 2009, the city hired Ecological Consulting Services to design, permit, obtain grant funding, and manage a project related to the protection and restoration of the peninsula’s contour. Eventually the State approved a plan of breakwaters that were suitable for the development of oyster beds. The local office of the Army Corps of Engineers has been an important partner and contributor to the completion of this project, providing the City with a grant to fund the \$465,000 cost of the breakwater structures and their installation, as well as ongoing funding for environmental monitoring. Construction of the breakwater structures was completed in 2015. The city contracts with an outside ecological consultant to comply with on-going Environmental Protection Agency (EPA) required monitoring for this protected area.

Financings 2017

In October 2016, after a competitive request for proposal process, the city refinanced approximately \$2.65 million in South Santa Rosa Utilities System (SSRUS) Revenue Bonds with U.S. Bancorp Governmental at an interest rate of 1.339%. The debt refinanced was the SSRUS Revenue Bond Series 2004, issued in November 2004, with varying interest rates from 2.5% to 5.5%. The SSRUS Revenue Bond Series 2004, was issued to refund all of the City’s Series 1994 South Santa Rosa Utility System Revenue Bonds used for the water system infrastructure.

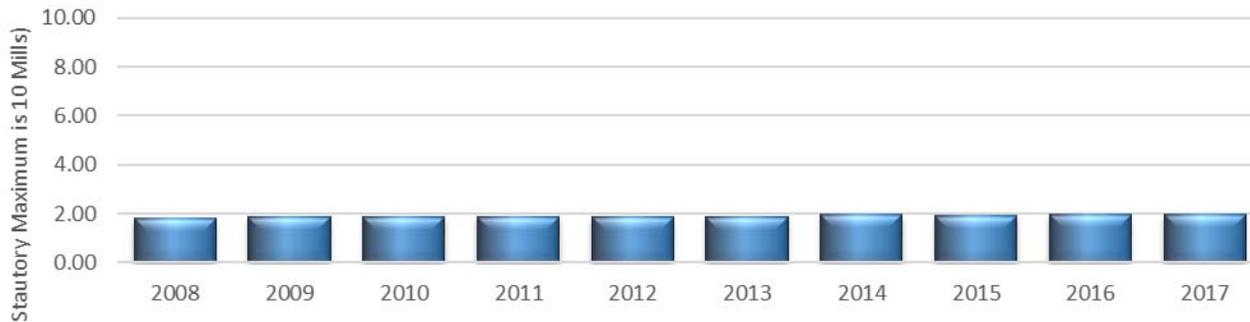
Property Values



There was a 5.1% increase in assessed value for operation of properties within the city in 2017, following consecutive increases of 3.6%, 3.1%, 5.3%, and 2.9% in 2016, 2015, 2014 and 2013, respectively, following consecutive decreases of 0.5%, 1%, and 4% in 2012, 2011 and 2010 respectively. (Reference Table VII in the Statistical Section).

Gulf Breeze City Property Tax Rate

(Mills = \$1 per \$1,000 in value)



The millage rate for the city has remained virtually un-changed over the years, as keeping taxes low has been a priority for the City Council. (Reference Table VIII in the Statistical Section).

Major Initiatives

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

In June 2008, the city initiated the “Vision 2020” project through a series of public discussions about the future of the city. Participation at workshops illustrated a tight-knit community focused on preserving its natural beauty and quality of life through the decades. Residents mentioned that safety, recreation, and walkability were the reasons why they chose Gulf Breeze as their home. During the workshops, the community developed the following Vision Statement:

“Develop a master plan to be recognized as the most livable city in America by 2020”

As a result, a 2013 Master Plan was created to help the city achieve this vision. This masterplan includes demographic projections, transportation needs, land use, and other major initiatives to achieve this goal.

On-going major capital initiatives:

- The city implemented a fifteen-year repaving program in 2012 for more than 35 miles of streets within the City of Gulf Breeze. The city uses the Local Option Sales Taxes (LOST) received related to the fuel tax under Chapter 336.025, Florida Statutes, to fund these projects.
- As a result of Federal and State mandates, the city began stormwater improvements in 2006. Funding through grants and service fees continue for stormwater related projects. Additionally, as a result of the April 2014 flood event, a citizen stormwater taskforce was created to analyze and recommend enhancements to the city’s stormwater infrastructure. While the major projects have been completed, the city continues to examine opportunities for further cost-effective improvements.

- The city designated a project manager to obtain grant funding and oversee the restoration of erosion to the Deadman's 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. Additional placement of supplementary embankment sand began in 2017. Ongoing monitoring of the oyster beds, erosion or accretion and the conservation area will continue for several years.
- SSRUS received permits to build a new elevated storage tank exclusively for storage and distribution of "re-use water" (suitable for irrigation but not for drinking) from the waste water treatment plant, completed in 2017.
- The city has developed a Master Plan for parks to provide a guide for capital projects for the next 5 years, and a 25-year Master Plan for the city as a whole.
- The city began a process of studying the costs associated with moving power and communications wiring underground along the Highway 98 corridor.

Awards and Acknowledgments

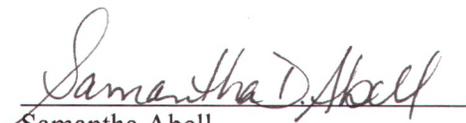
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Breeze for its comprehensive annual financial report for the fiscal year ended September 30, 2016. That was the 15th consecutive year that the government had 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. This Certificate of Achievement is valid for one year. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting this year's report to the GFOA to determine its eligibility for a certificate for the 16th 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 Clerks, 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 Saltmarsh, Cleaveland & Gund for their continued professional assistance. Their suggestions and attention to detail continue to greatly enhance the quality of this report.

Respectfully submitted,


Samantha Abell
City Manager


Jeanne Griffin
Finance Director



Government Finance Officers Association

**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, 2016

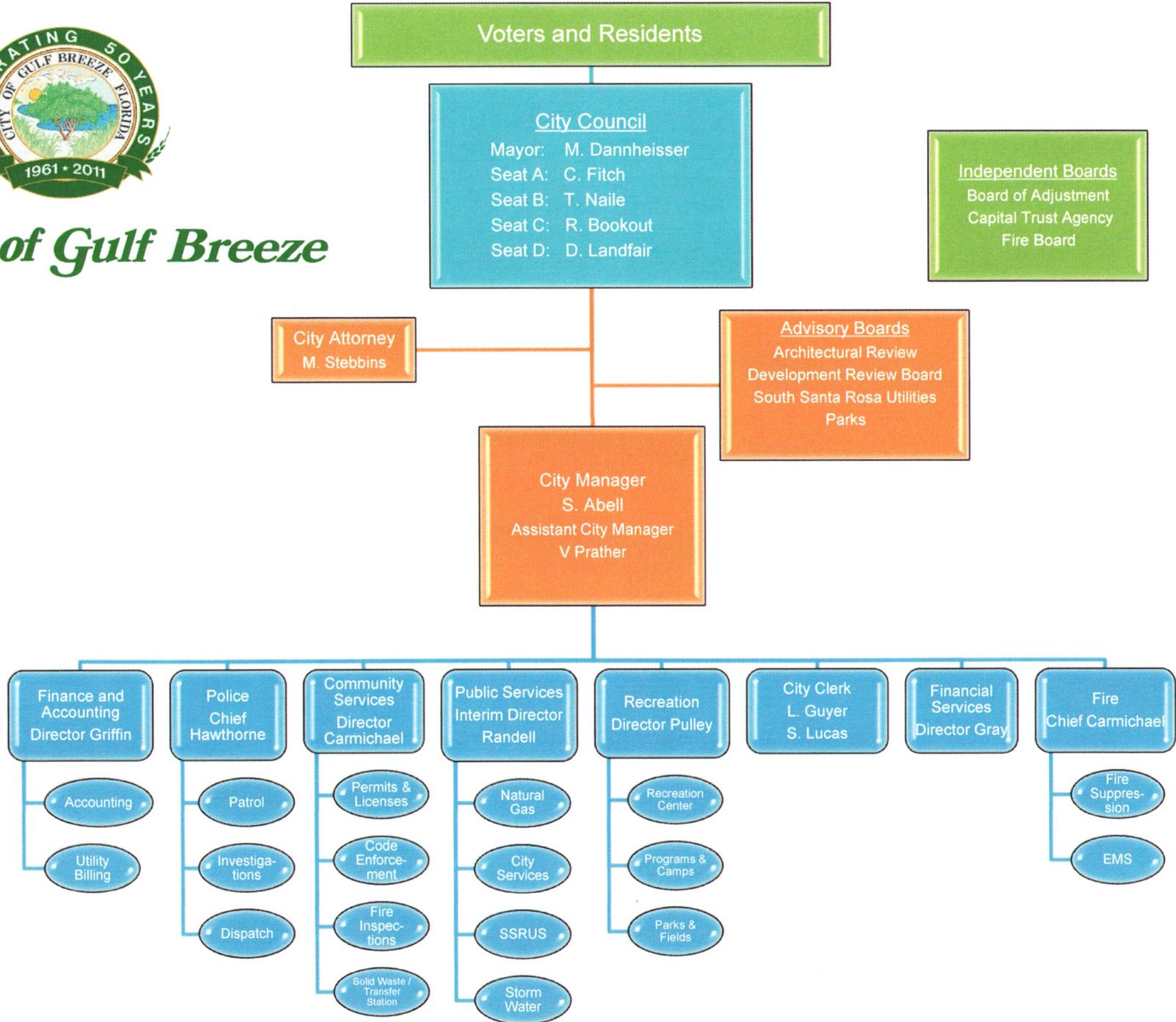
Christopher P. Morill

Executive Director/CEO

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City of Gulf Breeze



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City of Gulf Breeze

As of September 30, 2017

Elected Officials – City Council

Mayor: Matt Dannheisser

Seat A: Cherry Fitch

Seat B: Tom Naile

Seat C: Renee Bookout

Seat D: David G. Landfair*

*Mayor Pro Tem

Appointed Officials

City Manager: Samantha Abell

City Attorney: Michael Stebbins

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II. Financial Section

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the Urban Core Redevelopment Fund of the City of Gulf Breeze, Florida (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Capital Trust Agency Community Development Entity, LLC, a majority owned subsidiary of Capital Trust Agency, as of and for the year ended September 30, 2017, which statements reflected total assets of \$1,942,319 as of September 30, 2017, and total revenues of \$334,322 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Capital Trust Agency Community Development Entity, LLC, is based solely on the report of the other auditor. 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 from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Urban Core Redevelopment Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability - Florida Retirement System, the Schedule of Proportionate Share of Net Pension Liability - Health Insurance Subsidy Program, the Schedule of Changes in Employer Net Pension Liability and Related Ratio - Florida Municipal Pension Trust Fund, the Schedule of Contributions - Florida Retirement System, the Schedule of Contributions - Health Insurance Subsidy Program, the Schedule of Contributions - Florida Municipal Pension Trust Fund, and the Notes to the Schedule of Contributions - Florida Municipal Pension Trust Fund 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 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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Breeze, Florida's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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.

Other Reporting by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pensacola, Florida
March 26, 2018

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**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

As management of the City of Gulf Breeze, Florida (the "City"), 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, 2017. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows by \$50,881,230 (net position). Of this amount \$28,808,256 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The governmental total unrestricted net position decreased by \$713,991 or (5.1%) and the business-type total unrestricted net position increased by \$1,082,231 or (7.5%).
- The City increased the total net position by \$1,457,931 or (2.9%) over the prior fiscal year.
- The governmental funds of the City reported combined ending fund balances of \$15,373,192 an increase of \$177,306 (or 1.2%), as total revenues of \$7,344,608 plus total other financing sources of \$1,885,501, exceeded total expenditures of \$9,052,803.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,260,202 or 144.7% of the total General Fund expenditures for the year ended September 30, 2017.
- The City's total assets and deferred outflows increased by \$678,565 or (.83%) over the prior year.
- The City of Gulf Breeze increased the total net investment in capital assets by \$185,081 or (.93%).
- The City's total liabilities and deferred inflows decreased \$779,366 or (2.4%) below the prior year.

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'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 position provides information on the entire City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

The statement of activities provides information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 governmental 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, storm water 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 25-26 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.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

The City maintains five individual governmental funds (General Fund, Urban Core Redevelopment Fund, Traffic Citation Special Revenue Fund, Tourism Development 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 three 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 27-32 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 uses enterprise funds to account for its utilities operations (water operations and distribution; sewer collection and treatment; natural gas operations and distribution; stormwater services; and, 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 Fund, Solid Waste Control Fund, Stormwater Management Fund and Innerarity Point Utilities Fund. The City Water & Sewer Fund, Natural Gas Fund, SSRUS Water & Sewer Fund, Stormwater Management Fund and Gulf Breeze Financial Services Fund 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 34-38 of this report.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

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 Officers' Retirement 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 40-41 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 43-98 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found on pages 99-105 of this report.

The combining statements referred to earlier and the budgetary comparisons 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 107-115 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$50,881,230 at the close of the most recent fiscal year, as reported in Table 1, below.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

**TABLE 1
CITY OF GULF BREEZE, FLORIDA
NET POSITION
AS OF SEPTEMBER 30, 2017 AND 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 17,100,310	\$ 15,643,761	\$ 18,412,427	\$ 17,418,624	\$ 35,512,737	\$ 33,062,385
Capital assets	14,439,886	15,737,730	31,107,661	31,266,368	45,547,547	47,004,098
Deferred outflows	1,004,491	1,147,687	592,963	765,003	1,597,454	1,912,690
Total assets and deferred outflows	<u>\$ 32,544,687</u>	<u>\$ 32,529,178</u>	<u>\$ 50,113,051</u>	<u>\$ 49,449,995</u>	<u>\$ 82,657,738</u>	<u>\$ 81,979,173</u>
Non-current liabilities	\$ 7,795,515	\$ 8,434,386	\$ 17,518,061	\$ 20,861,445	\$ 25,313,576	\$ 29,295,831
Current liabilities	1,268,416	571,934	3,950,816	2,285,238	5,219,232	2,857,172
Deferred inflows	1,127,462	342,067	116,238	60,804	1,243,700	402,871
Total liabilities and deferred inflows	<u>10,191,393</u>	<u>9,348,387</u>	<u>21,585,115</u>	<u>23,207,487</u>	<u>31,776,508</u>	<u>32,555,874</u>
Net position:						
Net investment in capital assets	7,085,403	8,178,037	12,931,062	11,653,347	20,016,465	19,831,384
Restricted	1,947,912	968,784	108,597	183,115	2,056,509	1,151,899
Unrestricted	13,319,979	14,033,970	15,488,277	14,406,046	28,808,256	28,440,016
Total net position	<u>22,353,294</u>	<u>23,180,791</u>	<u>28,527,936</u>	<u>26,242,508</u>	<u>50,881,230</u>	<u>49,423,299</u>
Total liabilities and net position	<u>\$ 32,544,687</u>	<u>\$ 32,529,178</u>	<u>\$ 50,113,051</u>	<u>\$ 49,449,995</u>	<u>\$ 82,657,738</u>	<u>\$ 81,979,173</u>

The City's net investment in capital assets (e.g. land, buildings, machinery and equipment), less any outstanding debt used to acquire those assets, totaled \$20,016,465 (39.3% of total net position) at September 30, 2017. The City 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. This fiscal year as with the prior fiscal year, all debt proceeds related to the purchase of capital assets have been expended.

An additional portion of the City's net position of \$2,056,509 or (4% of total net position), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$28,808,256 (56.6% of total net position) may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

At the end of the current fiscal year, the city is able to report positive balances in all categories of net position, both in the separate governmental and business-type activities.

Governmental Activities - Governmental activities before transfers decreased the City's net position by \$2,692,168. The key elements of this change are reported in Table 2A.

**TABLE 2A
CITY OF GULF BREEZE, FLORIDA
COMPONENT CHANGE FROM PRIOR YEAR IN NET POSITION - GOVERNMENTAL
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	Governmental Activities		Year over year change	
	2017	2016	\$ Amount	Pct of 2016
Revenues:				
Program revenues:				
Charges for services	\$ 1,400,180	\$ 1,715,080	\$ (314,900)	-18.4%
Operating grants and contributions	404,699	595,981	(191,282)	-32.1%
General revenues:				
Property taxes	2,114,746	1,972,239	142,507	7.2%
Other taxes	1,798,290	1,760,161	38,129	2.2%
Intergovernmental revenues	785,669	543,531	242,138	44.5%
Gain on sale of capital assets	20,830	5,883,665	(5,862,835)	-99.6%
Miscellaneous	784,763	829,237	(44,474)	-5%
Investment earnings	56,261	5,879	50,382	857.0%
Total revenues	7,365,438	13,305,773	(5,940,335)	-44.6%
Expenses:				
Governmental activities:				
General government	2,307,012	2,355,653	(48,641)	-2.1%
Public safety	3,116,311	3,672,304	(555,993)	-15.1%
Transportation	1,083,623	518,675	564,948	108.9%
Economic environment	659,419	550,405	109,014	19.8%
Culture and recreation	2,547,734	2,256,254	291,480	12.9%
Debt service interest	343,507	357,915	(14,408)	-4.0%
Total expenses	10,057,606	9,711,206	346,400	3.6%
Change in net position before transfers	(2,692,168)	3,594,567	(6,286,735)	-174.9%
Transfers	1,864,671	1,437,748	426,923	29.7%
Change in net position	\$ (827,497)	\$ 5,032,315	\$ (5,859,812)	-116.4%

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

Charges for services decreased \$314,900 or (18%) this year primarily related to an accounting change to no longer include the State portion of the Red-Light Camera Fund fines as revenues of the City and to discontinue tracking the related payment to the State as an expenditure, this total adjustment reduced revenues by approximately \$513,000. Going forward the City will track the State portion of Red Light Camera fines as a liability. There were also increased revenues related to charges for services of approximately \$155,640 or (approximately 3%) for surcharges related to Chapter 180.191, Florida Statutes, for municipal water and sewer customers outside of the City boundaries.

The governmental activities also experienced a decrease of \$191,282 or (32.1%) in operating grants and contributions during the fiscal year. This decrease is primarily related to funding from FEMA in prior fiscal years for claims related to the 2014 flood. The previously mentioned decreases to charges for services and grants, coupled with increases of \$142,507 or (7.2%) in property tax revenues; increases of \$38,129 or (2.2%) in other taxes and increases to intergovernmental revenues of \$242,138 or (44.5%), all combined reflect the change in net position for governmental activities at fiscal year ending September 30, 2017.

The above mentioned (44.5%) increase to intergovernmental revenues, includes \$204,584 in revenues related to a tax payer approved referendum passed in August 30, 2016, to levy an additional half-cent sales tax. This sales tax revenue is to be used by the primary government to fund law enforcement/fire and public safety facilities and equipment, transportation and drainage improvements, infrastructure projects/public facilities, recreation/natural resources and capital equipment. This levy began in January 2017 and the City will receive these funds for five (5) years.

In fiscal year ending September 30, 2017, the investment earnings increased by \$50,382 or (857%), above the prior year. The City reviewed its Investment Policy by Ordinance and utilized its financial advisor to assist with investing \$3.5 million of the funds received from the Florida Department of Transportation (FDOT) in the prior fiscal year. The City sold property to FDOT related to the construction of the new Pensacola Bay Bridge.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

For comparative purposes, total revenues for governmental activities decreased \$77,500 or (1.1%) below the prior year. This figure excludes the one-time revenues related to the gain on sale of property in the prior year to the Florida Department of Transportation (FDOT). This was one-time extraordinary revenue of approximately \$5.8 million dollars for property sold to the State related to the construction of the Pensacola Bay Bridge. This FDOT project began construction in 2017 and is slated to be completed by 2021. Information related to the construction of this bridge can be found on <https://nwflroads.com/projects/409334-1>.



Artist's rendering of the new Pensacola Bay Bridge, courtesy of FDOT

The corresponding total expenses increased \$346,400 or (3.6%) over the prior year. The increase is primarily due to \$564,948 (or 108.9%) increase related to local road resurfacing projects from the Streets and Drainage Division. Intergovernmental Local Options Sales Tax (LOST) revenues are used to fund road resurfacing projects as allowed under Chapter 336.025, Florida Statutes.

Public safety expenses decreased approximately \$555,993 (or 15.1%) due to accounting changes related to tracking the State revenues associated with the Red-Light Camera Fund. The State portion of revenue will now be tracked as a liability and the State remittance will no longer be shown as an expenditure.

Economic environment expenses increased \$109,014 (19.8%) and culture and recreation expenses increased \$291,480 or (12.9%). These increases are associated with the isthmus dredging and transport breakwater project for Deadman's Island restoration and preservation, as well as increased engineering costs associated with future capital projects, and increased maintenance costs related to city facilities.

Business-Type Activities - Business-type activities increased the City's net position by \$4,150,099 before transfers, as indicated on Table 2B, which follows the narrative below.

CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)

In the fiscal year ending September 30, 2017, charges for services related to business-type activities increased by approximately \$390,755 or (3%) over the prior fiscal year. The largest part of this increase is revenues generated by the Tiger Point Golf Course, which increased by \$469,712 or (227.4%) over the prior fiscal year. This increase is attributable to on-going improvements to the grounds, equipment, facilities, and the new management agreement with Honours Golf Company, LLC. These management services include an on-sight golf-pro for the facility and professional staff.

South Santa Rosa Utility Services experienced a modest increase in charges for services of \$228,772 or (3.9%) above the prior fiscal year. This increase is related to consumption increases for natural gas during the latter part of the fiscal year. Consumption nearly doubled in September 2017 compared to the same time period the prior year. These increases in business-type activities helped to off-set the decrease in revenues generated by Gulf Breeze Financial Services. Charges for services by Gulf Breeze Financial Services (GBFS), decreased by \$519,288 or (74.7%) below the prior year because the original 1985 program has now ceased and GBFS no longer receives fees from this program.

Capital grants and contributions increased \$2,036,675 or (139%) over the prior fiscal. This increase is related primarily to a grant in the amount of approximately \$1,570,827 from the State of Florida Department of Environmental Protection for stormwater improvements. New developments in the City limits also contributed \$555,750 in donated infrastructure to the water and sewer systems in fiscal year ending September 30, 2017.

Other revenues for business-type revenues decreased by approximately \$256,539 or (29.4%) under the prior fiscal year. In the prior fiscal year, South Santa Rosa Utility Services (SSRUS) received some one-time reimbursements related to projects outside of the city.

Investment earnings for business-type activities decreased \$110,321 or (41.5%) under the prior year due to the fact the audit reflects a "snapshot" of values on the fiscal year-end date. Generally accepted accounting principles require a "mark to market" of securities as of the fiscal year-end date. If values happen to be lower because of market fluctuations, then the adjustment will mean a lower net investment income. This financial statement change in value in investment earnings is for GBFS. The GBFS emphasis is on yield and not earnings, as this financial arm of the City holds investments until maturity verses trading securities.

Business-type expenditures increased \$1,448,114 or (12.1%) over the prior fiscal year. This increase is primarily related to the Tiger Point Golf Course. The costs associated with start-up and grounds maintenance increased \$919,684 or (288.0%) over the prior fiscal year. The City's contribution to the facilities and operations totaled approximately \$549,731 or (59.8%), as funds were used to improve the grounds and facilities. The balance of the expenditures for the year are related to contractual costs associated with management agreement for the golf course.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

**TABLE 2B
CITY OF GULF BREEZE, FLORIDA
COMPONENT CHANGE FROM PRIOR YEAR IN NET POSITION - BUSINESS-TYPE
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	Business-type Activities		Year over year change	
	2017	2016	\$ Amount	Pct of 2016
Revenues:				
Program revenues:				
Charges for services -				
Water and sewer	\$ 2,560,106	\$ 2,492,620	\$ 67,486	2.7%
Natural gas	2,773,322	2,681,257	92,065	3.4%
South Santa Rosa Utility	6,089,546	5,860,774	228,772	3.9%
Tiger Point Golf Course	676,274	206,562	469,712	227.4%
Solid waste control	684,488	645,519	38,969	6.0%
Stormwater management	239,470	236,275	3,195	1.4%
Gulf Breeze Financial Services	176,001	695,289	(519,288)	-74.7%
Innerarity Point	70,246	60,402	9,844	16.3%
Total charges for services	<u>13,269,453</u>	<u>12,878,698</u>	<u>390,755</u>	<u>3.0%</u>
Operating grants and contributions	1,183	22,110	(20,927)	-94.6%
Capital grants and contributions	3,494,650	1,457,975	2,036,675	139.7%
General revenues:				
Other revenues	615,180	871,719	(256,539)	-29.4%
Investment earnings	155,745	266,066	(110,321)	-41.5%
Total revenues	<u>17,536,211</u>	<u>15,496,568</u>	<u>2,039,643</u>	<u>13.2%</u>
Expenses:				
Business-type activities:				
Water and sewer	2,167,688	2,172,973	(5,285)	-0.2%
Natural gas	2,288,516	2,220,768	67,748	3.1%
SSRUS utilities	6,165,008	5,762,291	402,717	7.0%
Tiger Point Golf Course	1,238,998	319,314	919,684	288.0%
Solid waste control	587,226	577,155	10,071	1.7%
Stormwater management	491,625	511,473	(19,848)	-3.9%
Gulf Breeze Financial Services	423,343	359,021	64,322	17.9%
Innerarity Point	23,708	15,003	8,705	58.0%
Total expenses	<u>13,386,112</u>	<u>11,937,998</u>	<u>1,448,114</u>	<u>12.1%</u>
Change in net position before transfers	4,150,099	3,558,570	591,529	16.6%
Transfers	<u>(1,864,671)</u>	<u>(1,437,748)</u>	<u>(426,923)</u>	<u>29.7%</u>
Change in net position	<u>\$ 2,285,428</u>	<u>\$ 2,120,822</u>	<u>\$ 164,606</u>	<u>7.8%</u>

Table 2C below provides a comparative analysis of both governmental and business-type activities for the past two fiscal years as it relates to the change in net position.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

**TABLE 2C
CITY OF GULF BREEZE, FLORIDA
CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,400,180	\$ 1,715,080	\$ 13,269,453	\$ 12,878,698	\$ 14,669,633	\$ 14,593,778
Operating grants and contributions	404,699	595,981	1,183	22,110	405,882	618,091
Capital grants and contributions	-	-	3,494,650	1,457,975	3,494,650	1,457,975
General revenues:						
Property taxes	2,114,746	1,972,239	-	-	2,114,746	1,972,239
Other taxes	1,798,290	1,760,161	-	-	1,798,290	1,760,161
Intergovernmental revenues	785,669	543,531	-	-	785,669	543,531
Gain on sale of capital assets	20,830	5,883,665	4,049	-	24,879	5,883,665
Miscellaneous	784,763	829,237	611,131	871,719	1,395,894	1,700,956
Investment earnings	56,261	5,879	155,745	266,066	212,006	271,945
Total revenues	7,365,438	13,305,773	17,536,211	15,496,568	24,901,649	28,802,341
Expenses:						
Governmental activities:						
General government	2,307,012	2,355,653	-	-	2,307,012	2,355,653
Public safety	3,116,311	3,672,304	-	-	3,116,311	3,672,304
Transportation	1,083,623	518,675	-	-	1,083,623	518,675
Economic environment	659,419	550,405	-	-	659,419	550,405
Culture and recreation	2,547,734	2,256,254	-	-	2,547,734	2,256,254
Debt service interest	343,507	357,915	-	-	343,507	357,915
Business-type activities:						
Water and sewer	-	-	2,167,688	2,172,973	2,167,688	2,172,973
Natural gas	-	-	2,288,516	2,220,768	2,288,516	2,220,768
SSRUS utilities	-	-	6,165,008	5,762,291	6,165,008	5,762,291
Tiger Point Golf Course	-	-	1,238,998	319,314	1,238,998	319,314
Solid waste control	-	-	587,226	577,155	587,226	577,155
Stormwater management	-	-	491,625	511,473	491,625	511,473
Gulf Breeze Financial Services	-	-	423,343	359,021	423,343	359,021
Innerarity Point	-	-	23,708	15,003	23,708	15,003
Total expenses	10,057,606	9,711,206	13,386,112	11,937,998	23,443,718	21,649,204
Change in net position before transfers	(2,692,168)	3,594,567	4,150,099	3,558,570	1,457,931	7,153,137
Transfers	1,864,671	1,437,748	(1,864,671)	(1,437,748)	-	-
Change in net position	(827,497)	5,032,315	2,285,428	2,120,822	1,457,931	7,153,137
Net position, beginning of year Unadjusted	23,180,791	18,148,476	26,242,508	23,070,855	49,423,299	41,219,331
Adjustments to net position, beginning of year	-	-	-	1,050,831	-	1,050,831
Net position, beginning of year Adjusted	23,180,791	18,148,476	26,242,508	24,121,686	49,423,299	42,270,162
Net Position, as of September 30	\$ 22,353,294	\$ 23,180,791	\$ 28,527,936	\$ 26,242,508	\$ 50,881,230	\$ 49,423,299

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

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'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 \$15,373,192, which represents an increase of \$177,306 in comparison with the prior year. Definitions related to fund balance classifications can be found in the notes to the financial statements.

At September 30, 2017, the governmental funds have funds restricted for the following purposes:

Community Redevelopment	\$ 1,398,296
Debt service requirements	\$ 227,378
Infrastructure & improvements	\$ 204,584
Public safety related projects	<u>\$ 117,654</u>
	<u>\$ 1,947,912</u>

At September 30, 2017, the governmental funds have funds committed for the following purposes:

Beautification projects/landscaping	\$ 333,519
Insurance Reserve	\$ 250,000
Park projects	\$ 15,481
Utility payment assistance	<u>\$ 437</u>
	<u>\$ 599,437</u>

At September 30, 2017, the governmental funds have funds assigned for the following purposes:

Public Safety	\$ 455,778
Disaster Recovery	<u>\$ 100,000</u>
	<u>\$ 555,778</u>

Approximately (80%) or \$12,260,202 of the governmental fund balances remain unassigned by the government and \$9,863 is non-spendable as it is set-aside for inventory. At this time, the City does not have a formal minimum fund balance policy. 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. The unassigned fund balance of \$12,260,202 represents (144.7%) of the total General Fund expenditures of \$8,471,856 at the fiscal year ending September 30, 2017.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

The Community Redevelopment Area (CRA) fund is used specifically for improvements within the City's defined commercial Tax Increment Financing (TIF) district. The Urban Core Redevelopment (UCR) fund receives the tax revenues from the (TIF) district. Long-term planning and projects within the district are managed by the CRA as defined in the CRA plan which is approved by the County taxing authorities and the Council. The TIF district revenues change proportionately based on improvements and development in the district. Increases associated with taxable parcel values in the district, resulted in an increase of approximately \$142,507 or (7.2%) additional tax revenues above the prior fiscal year. These tax revenues are also used to support and enhance economic development within the district, some of these costs include traffic management, lighting and landscaping costs.

Intergovernmental revenues increased for the City in fiscal year ending September 30, 2017, primarily related to a tax payer approved referendum passed in August 30, 2016, to levy an additional half-cent sales tax. This sales tax revenue is to be used by the primary government to fund law enforcement/fire and public safety facilities and equipment, transportation and drainage improvements, infrastructure projects/public facilities, recreation/natural resources and capital equipment. This levy began in January 2017 and the city will receive these funds for five (5) years. These funds have been restricted at fiscal year-end as mentioned previously for infrastructure/capital improvements.

Proprietary Funds - A government's proprietary funds can be classified into two fund types: enterprise funds and internal service funds. In the case of the City, enterprise funds are used to report activities for which a fee is charged to external users for goods or services. Furthermore, a given activity must be accounted for in an enterprise fund if it meets any of the following criteria: (1) There is outstanding debt that is backed solely by fees and charges; (2) Laws or regulations require that fees and charges be set to recover costs, including capital costs (depreciation or debt service); or (3) There is a pricing policy that fees and charges be set to recover costs, including capital costs (depreciation or debt service).

Enterprise fund accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services.

Unrestricted net position of the proprietary funds of the City totaled \$15,488,277 at the end of the fiscal year, which represents an increase of \$1,082,231 over the prior fiscal year. The following table illustrates the breakdown by fund of total unrestricted net position for proprietary funds as of September 30, 2017 and 2016.

	FY 2017	FY 2016
Water & Sewer Fund	\$ 1,406,221	\$ 1,434,054
Natural Gas Fund	(1,802,165)	(2,260,013)
South Santa Rosa Utility Services	5,623,348	5,691,590
Stormwater Management	(449,313)	(1,586,102)
Gulf Breeze Financial Services	10,664,542	11,141,322
Non-major Proprietary Funds	<u>45,644</u>	<u>(14,805)</u>
Total Unrestricted Net Position	<u>\$ 15,488,277</u>	<u>\$ 14,406,046</u>

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual expenditures exceeded the final amended budget for the fiscal year by \$184,269.

The General Fund actual revenues exceeded the final amended budget by \$655,188, primarily due to actual intergovernmental revenues received over the amount budgeted by \$510,812. These are revenues received for Local Option Sales Taxes (LOST) from the State and the new half-cent sales tax approved by referendum as previously mentioned in this report to be used for funding infrastructure and improvements for governmental activities. The City began receiving the newly approved half-cent sales tax in January 2017.

The final amended budget for expenditures increased by \$1,008,508, primarily related to capital expenditures approved by Council. The Council appropriated \$548,821 from reserves in the final amended budget. Additional appropriations in the General Fund were related to the capital costs associated with purchasing a fire truck, appropriations to upgrade copiers and printers; and \$325,000 related to increased costs associated with legal and professional services.

The Council approved the purchase of a fire truck for the Fire Department in the 2017 fiscal year budget, but the vehicle was not received by fiscal year-end. This vehicle will be included in a budget amendment to Council during the new fiscal year.

The Council has established the level of budgetary control at the fund level. The City Manager and the Director of Finance 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 City Council.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

**TABLE 3
CITY OF GULF BREEZE, FLORIDA
CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,421,909	\$ 1,421,909	\$ 3,853,887	\$ 3,853,887	\$ 5,275,796	\$ 5,275,796
Construction in progress	32,450	-	34,868	80,761	67,318	80,761
Buildings and improvements	12,342,551	12,322,001	2,924,793	2,847,352	15,267,344	15,169,353
Improvements other than buildings	15,133,433	15,133,433	8,533,651	6,792,480	23,667,084	21,925,913
Infrastructure	1,077,264	1,077,264	50,344,935	49,789,185	51,422,199	50,866,449
Machinery and equipment	5,841,215	5,840,932	6,488,893	6,140,935	12,330,108	11,981,867
Accumulated depreciation	(21,408,936)	(20,057,809)	(41,073,366)	(38,238,232)	(62,482,302)	(58,296,041)
Total	\$ 14,439,886	\$ 15,737,730	\$ 31,107,661	\$ 31,266,368	\$ 45,547,547	\$ 47,004,098

The decrease in the City's investment in total capital assets for the current fiscal year was \$1,456,551 (or 3.1%) below the prior year total investment. As components of this change, government assets decreased by \$1,297,844 for a 8.3% decrease while business-type assets decreased \$158,707 (or .5%). Major changes in capital assets are summarized below.

- Scheduled depreciation of existing assets exceeded investment in capital assets for both governmental assets and business-type assets;
- Completion of the reclaimed elevated tank;
- Donated Infrastructure from developers;
- West course irrigation system installation at Tiger Point Golf Course;
- Improvements to the SSRUS water system infrastructure; and,
- New vehicles and equipment.

Additional information on the City's capital assets can be found in Note 5 in the notes to the financial statements

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt and outstanding loans of \$25,995,949. Governmental debt is to be repaid from general government revenues. Business-type obligations are secured by specified revenue sources.

**TABLE 4
CITY OF GULF BREEZE, FLORIDA
NON-CURRENT LIABILITIES**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ 7,138,883	\$ 7,559,693	\$ 13,047,432	\$ 15,438,447	\$ 20,186,315	\$ 22,998,140
State revolving loan	-	-	767,148	852,543	767,148	852,543
Capital lease obligation	-	-	3,215,303	3,941,854	3,215,303	3,941,854
Unearned revenue	-	-	36,369	30,094	36,369	30,094
Compensated absences	234,220	299,535	133,823	205,722	368,043	505,257
Total	\$ 7,373,103	\$ 7,859,228	\$ 17,200,075	\$ 20,468,660	\$ 24,573,178	\$ 28,327,888

In October 2016, after a competitive request for proposal process, the City refinanced approximately \$2.65 million in South Santa Rosa Utilities System (SSRUS) Revenue Bonds with U.S. Bancorp Governmental at an interest rate of 1.339%. The debt refinanced was the SSRUS Refunding Revenue Bond Series 2004, issued in November 2004, with varying interest rates from 2.5% to 5.5%. The SSRUS Refunding Revenue Bond Series 2004, was issued to refund all of the City's Series 1994 South Santa Rosa Utility System Revenue Bonds used for the water system infrastructure.

The governmental and business-type activity revenue bond balances decreased largely as a result of principal repayments 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's long-term obligations can be found in Note 13 in the notes to the financial statements.

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Total assessed property values within the City increased approximately (4.9%) over the prior fiscal year from \$731,176,600 to \$768,601,504.
- Per capita income increased from \$50,195 to \$51,222, or approximately (2%) above the prior fiscal year.
- Budgeted capital expenditures increased approximately (110.8%) from \$3.7 million in fiscal year ending September 30, 2017 to \$7.8 million for fiscal year ending September 30, 2018.

Major capital projects include:

- New Police Department Building: \$1.93 Million.
- Utilities Maintenance/Improvements: \$1.8 Million.
- Stormwater Drainage Improvements: \$1.1 Million; an additional \$5.5 Million is scheduled for the next 10 years.
- Parks & Recreation Projects: \$1 Million; includes an indoor sports practice facility, renovated waterfront gazebos, a splash pad, and new walking trails.



Waterfront gazebos at Shoreline Park South

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

- Four new businesses are currently under construction and are projected to increase the tax base within the CRA district by approximately \$11.8 Million by FY2019.

These projects are as follows:

- The Arbors: Projected to increase taxable value from \$1,065,390 to \$11,596,942 or approximately (989%).
- Dairy Queen: Projected increase from \$370,946 to \$596,927 or approximately (61%).
- Sacred Heart MOB: Projected increase from \$833,625 to \$1,274,749 or approximately (53%).
- Henghold Skin Center: Projected increase from \$494,860 to \$1,008,680 or approximately (104%).

Of these projects, The Arbors will have the greatest impact on the local economy. Located on a 5.25-acre parcel of land on Joachim Drive, The Arbors is a three-story, 132-unit, 138,000-square-foot 'Resort Style Senior Living' facility slated to open during the spring of 2018. The Arbors is expected to house up to 157 residents and provide 70 full-time and part-time jobs. The property was valued at roughly \$1.1 Million in 2017 and the value is expected to increase to \$11.6 million by the end of 2018, to become one of the top four most valuable properties in the City.



Design Concept of The Arbors, courtesy of SRI Management

**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017
(Continued)**

- Other Highlights:
 - The County taxing authority approved and the Council adopted by Ordinance in 2018, a new thirty-year Community Redevelopment Agency (CRA) planning document. This plan is projected to bring \$52,600,000 in additional tax revenues to the City over the next thirty years.
 - The fiscal year ending September 30, 2018, also contains funding for a wage study related to all governmental and business-type activity employees. The goal is to have this study completed before the fiscal year ending September 30, 2019 budget process begins.

REQUESTS FOR INFORMATION

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



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BASIC FINANCIAL STATEMENTS

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Exhibit I

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Capital Trust Agency and Subsidiary
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 6,086,998	\$ 5,583,378	\$ 11,670,376	\$ 4,130,362
Investments	3,049,387	9,341,153	12,390,540	-
Receivables, net	315,890	1,634,172	1,950,062	72,147
Interfund receivables (payables)	3,931,157	(3,931,157)	-	-
Due from other governments	189,195	132,182	321,377	-
Note receivable from joint venture	-	17,489	17,489	-
Prepaid items	-	-	-	17,900
Inventory, at cost	9,863	378,105	387,968	-
Deposit	427,909	-	427,909	-
Restricted assets				
Cash and cash equivalents	2,250,248	2,021,567	4,271,815	210,102
Total current assets	<u>16,260,647</u>	<u>15,176,889</u>	<u>31,437,536</u>	<u>4,430,511</u>
Non-Current Assets:				
Restricted assets				
Cash and cash equivalents	-	133,703	133,703	-
Other assets				
Investment in limited liability company	-	28,620	28,620	4,385
Bond issuance costs, net	-	147,438	147,438	-
Investment in joint venture	-	2,577,081	2,577,081	-
Advance to joint venture	-	226,272	226,272	-
Note receivable from joint venture	-	122,424	122,424	-
Net pension asset	839,663	-	839,663	-
Capital assets				
Non-depreciable	1,454,359	3,888,755	5,343,114	-
Depreciable	12,985,527	27,218,906	40,204,433	-
Total non-current assets	<u>15,279,549</u>	<u>34,343,199</u>	<u>49,622,748</u>	<u>4,385</u>
Total Assets	<u>31,540,196</u>	<u>49,520,088</u>	<u>81,060,284</u>	<u>4,434,896</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	1,004,491	128,096	1,132,587	-
Loss on bond refunding	-	464,867	464,867	-
Total Deferred Outflows of Resources	<u>1,004,491</u>	<u>592,963</u>	<u>1,597,454</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 32,544,687</u>	<u>\$ 50,113,051</u>	<u>\$ 82,657,738</u>	<u>\$ 4,434,896</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 739,399	\$ 1,045,609	\$ 1,785,008	\$ 48,950
Accrued liabilities	118,674	110,211	228,885	-
Accrued interest	-	43,649	43,649	-
Due to other governments	29,382	846	30,228	132,182
Compensated absences	49,408	38,776	88,184	-
State revolving loan payable	-	43,344	43,344	-
Revenue bonds payable	-	304,467	304,467	-
Capital lease payable	-	382,753	382,753	-
Payable from restricted assets				
Accrued interest	115,953	198,669	314,622	-
Customer deposits	-	901,473	901,473	-
Revenue bonds payable	215,600	881,019	1,096,619	-
Total current liabilities	<u>1,268,416</u>	<u>3,950,816</u>	<u>5,219,232</u>	<u>181,132</u>
Non-current liabilities:				
Unearned revenue	-	36,369	36,369	-
Compensated absences	234,220	133,823	368,043	-
State revolving loan payable	-	767,148	767,148	-
Revenue bonds payable	7,138,883	13,047,432	20,186,315	-
Capital lease payable	-	3,215,303	3,215,303	-
Net pension liability	422,412	317,986	740,398	-
Total non-current liabilities	<u>7,795,515</u>	<u>17,518,061</u>	<u>25,313,576</u>	<u>-</u>
Total Liabilities	<u>9,063,931</u>	<u>21,468,877</u>	<u>30,532,808</u>	<u>181,132</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	1,127,462	116,238	1,243,700	-
NET POSITION				
Net investment in capital assets	7,085,403	12,931,062	20,016,465	-
Restricted for:				
Recapture indemnity agreement	-	-	-	210,102
Public safety	117,654	-	117,654	-
Community redevelopment	1,398,296	-	1,398,296	-
Debt service and other debt requirements	227,378	108,597	335,975	-
Infrastructure	204,584	-	204,584	-
Unrestricted	13,319,979	15,488,277	28,808,256	4,043,662
Total Net Position	<u>22,353,294</u>	<u>28,527,936</u>	<u>50,881,230</u>	<u>4,253,764</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 32,544,687</u>	<u>\$ 50,113,051</u>	<u>\$ 82,657,738</u>	<u>\$ 4,434,896</u>

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

**CITY OF GULF BREEZE, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017**

Exhibit II

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Capital Trust Agency and Subsidiary
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions:								
Governmental:								
General government	\$ 2,307,012	\$ 419,408	\$ 118,925	\$ -	\$ (1,768,679)	\$ -	\$ (1,768,679)	
Public safety	3,116,311	626,234	62,999	-	(2,427,078)	-	(2,427,078)	
Transportation	1,083,623	-	-	-	(1,083,623)	-	(1,083,623)	
Economic environment	659,419	-	-	-	(659,419)	-	(659,419)	
Culture and recreation	2,547,734	354,538	222,775	-	(1,970,421)	-	(1,970,421)	
Debt service interest	343,507	-	-	-	(343,507)	-	(343,507)	
Total governmental activities	<u>10,057,606</u>	<u>1,400,180</u>	<u>404,699</u>	<u>-</u>	<u>(8,252,727)</u>	<u>-</u>	<u>(8,252,727)</u>	
Business-type:								
Water and sewer	2,167,688	2,560,106	-	11,707	-	404,125	404,125	
Natural gas	2,288,516	2,773,322	-	-	-	484,806	484,806	
South Santa Rosa Utility	7,404,006	6,765,820	1,183	1,912,116	-	1,275,113	1,275,113	
Solid waste control	587,226	675,885	-	-	-	88,659	88,659	
Stormwater management	491,625	237,125	-	1,570,827	-	1,316,327	1,316,327	
Gulf Breeze Financial Services	423,343	176,209	-	-	-	(247,134)	(247,134)	
Innerarity Point	23,708	80,986	-	-	-	57,278	57,278	
Total business-type activities	<u>13,386,112</u>	<u>13,269,453</u>	<u>1,183</u>	<u>3,494,650</u>	<u>-</u>	<u>3,379,174</u>	<u>3,379,174</u>	
Total primary government	<u>\$ 23,443,718</u>	<u>\$ 14,669,633</u>	<u>\$ 405,882</u>	<u>\$ 3,494,650</u>	<u>(8,252,727)</u>	<u>3,379,174</u>	<u>(4,873,553)</u>	
Capital Trust Agency and subsidiary	<u>\$ 1,559,490</u>	<u>\$ 1,741,285</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ 181,795</u>
General Revenues:								
Taxes								
Property taxes					2,114,746	-	2,114,746	-
Tourist development taxes					211,692	-	211,692	-
Fuel taxes					226,447	-	226,447	-
Franchise taxes					327,060	-	327,060	-
Communication service taxes					256,618	-	256,618	-
Utility service taxes					776,473	-	776,473	-
Intergovernmental, unrestricted					785,669	-	785,669	-
Gain on sale of capital assets					20,830	4,049	24,879	-
Income from joint venture					-	468,052	468,052	-
Miscellaneous					784,763	143,079	927,842	348,550
Unrestricted investment earnings					56,261	155,745	212,006	6,261
Total general revenues					<u>5,560,559</u>	<u>770,925</u>	<u>6,331,484</u>	<u>354,811</u>
Transfers					1,864,671	(1,864,671)	-	
Change in net position					(827,497)	2,285,428	1,457,931	536,606
Net position at beginning of year					23,180,791	26,242,508	49,423,299	3,717,158
Net position at end of year					<u>\$ 22,353,294</u>	<u>\$ 28,527,936</u>	<u>\$ 50,881,230</u>	<u>\$ 4,253,764</u>

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

CITY OF GULF BREEZE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

Exhibit III - A

	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,599,517	\$ -	\$ 487,481	\$ 6,086,998
Investments	3,049,387	-	-	3,049,387
Receivables, net	313,790	-	2,100	315,890
Interfund receivables	3,931,157	-	-	3,931,157
Due from other governments	151,688	-	37,507	189,195
Inventory, at cost	9,863	-	-	9,863
Deposit	427,909	-	-	427,909
Restricted assets				
Cash and cash equivalents	763,515	1,342,221	144,512	2,250,248
Total Assets	\$ 14,246,826	\$ 1,342,221	\$ 671,600	\$ 16,260,647
LIABILITIES				
Accounts payable	\$ 711,247	\$ 5,732	\$ 22,420	\$ 739,399
Accrued liabilities	118,122	-	552	118,674
Due to other governments	-	-	29,382	29,382
Total Liabilities	829,369	5,732	52,354	887,455
FUND BALANCES				
Non-spendable				
Inventory	9,863	-	-	9,863
Restricted				
Public safety	-	-	117,654	117,654
Community redevelopment	-	1,336,489	61,807	1,398,296
Debt service	227,378	-	-	227,378
Infrastructure	204,584	-	-	204,584
Committed				
Community funds	437	-	-	437
Self-insurance	250,000	-	-	250,000
Beautification	333,519	-	-	333,519
Parks subdivision	15,481	-	-	15,481
Assigned				
Disaster recovery	100,000	-	-	100,000
Public safety	15,993	-	439,785	455,778
Unassigned	12,260,202	-	-	12,260,202
Total Fund Balances	13,417,457	1,336,489	619,246	15,373,192
Total Liabilities and Fund Balances	\$ 14,246,826	\$ 1,342,221	\$ 671,600	\$ 16,260,647

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

CITY OF GULF BREEZE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

Exhibit III - B

Fund Balances - Total Governmental Funds (page 27) \$ 15,373,192

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

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

Governmental non-depreciable assets	1,454,359	
Governmental depreciable assets	34,394,463	
Less accumulated depreciation	<u>(21,408,936)</u>	14,439,886

The net pension asset reported in governmental activities is not a financial resource and therefore is not reported in the governmental funds.

839,663

Deferred outflows related to pensions are not financial resources and therefore are not reported in the governmental funds.

1,004,491

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Revenue bonds payable	(7,354,483)	
Accrued interest	(115,953)	
Compensated absences	(283,628)	
Net pension liability	<u>(422,412)</u>	(8,176,476)

Deferred inflows related to pensions are not financial resources and therefore are not reported in the governmental funds.

(1,127,462)

Total Net Position - Governmental Activities (page 25) **\$ 22,353,294**

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

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Exhibit IV - A

	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,749,839	\$ 951,505	\$ 211,692	\$ 3,913,036
Licenses and permits	108,451	-	-	108,451
Intergovernmental	1,164,644	-	25,724	1,190,368
Charges for services	665,495	-	-	665,495
Fines and forfeitures	73,601	-	552,633	626,234
Investment earnings	56,261	-	-	56,261
Miscellaneous	774,836	-	9,927	784,763
Total revenues	<u>5,593,127</u>	<u>951,505</u>	<u>799,976</u>	<u>7,344,608</u>
Expenditures:				
Current				
General government	2,057,728	223,885	10	2,281,623
Public safety	2,590,360	-	298,424	2,888,784
Transportation	957,608	-	-	957,608
Economic environment	235,928	-	-	235,928
Culture and recreation	1,768,700	-	28,884	1,797,584
Capital outlay	304,709	-	29,744	334,453
Debt service				
Principal	206,800	-	-	206,800
Interest	350,023	-	-	350,023
Total expenditures	<u>8,471,856</u>	<u>223,885</u>	<u>357,062</u>	<u>9,052,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,878,729)</u>	<u>727,620</u>	<u>442,914</u>	<u>(1,708,195)</u>
Other Financing				
Sources (Uses):				
Proceeds from sale of capital assets	20,830	-	-	20,830
Transfers in	2,963,957	400,000	2,955	3,366,912
Transfers out	(400,000)	(350,000)	(752,241)	(1,502,241)
Total other financing sources (uses)	<u>2,584,787</u>	<u>50,000</u>	<u>(749,286)</u>	<u>1,885,501</u>
Net change in fund balances	(293,942)	777,620	(306,372)	177,306
Fund Balances:				
Beginning of year	<u>13,711,399</u>	<u>558,869</u>	<u>925,618</u>	<u>15,195,886</u>
End of year	<u>\$ 13,417,457</u>	<u>\$ 1,336,489</u>	<u>\$ 619,246</u>	<u>\$ 15,373,192</u>

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

CITY OF GULF BREEZE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Exhibit IV - B

Net change in fund balances - governmental funds (page 29) \$ 177,306

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 lives. The net effect of various miscellaneous transactions involving capital assets, including disposal, which decrease net position, are not reported in the governmental funds.

Expenditures for capital assets	334,453	
Less current year depreciation	<u>(1,632,297)</u>	(1,297,844)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Debt principal payments	206,800	
Change in accrued interest expense	<u>8,106</u>	214,906

Amortization of bond discounts, reported in the statement of activities, does not require the use of current financial resources, therefore, it is not reported as an expenditure in governmental funds.

(1,590)

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		15,907
--	--	--------

Governmental funds do not recognize expenditures for the change in the net pension liability from year to year.

Change in Florida Retirement System net pension liability	(4,687)	
Change in Health Insurance Subsidy Program net pension liability	7,911	
Change in Florida Municipal Pension Trust Fund net pension liability	<u>60,594</u>	<u>63,818</u>

Change in Net Position - Governmental Activities (page 26) \$ (827,497)

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

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2017

Exhibit V

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 2,777,377	\$ 2,777,377	\$ 2,749,839	\$ (27,538)
Licenses and permits	75,100	75,100	108,451	33,351
Intergovernmental	653,832	653,832	1,164,644	510,812
Charges for services	662,700	662,700	665,495	2,795
Fines and forfeitures	70,500	70,500	73,601	3,101
Investment earnings	5,000	5,000	56,261	51,261
Miscellaneous	693,500	693,500	774,836	81,336
Total revenues	4,938,009	4,938,009	5,593,127	655,118
Expenditures:				
Current				
General government	1,828,544	2,153,544	2,057,728	95,816
Public safety	2,408,530	2,408,530	2,590,360	(181,830)
Transportation	676,519	795,613	957,608	(161,995)
Economic environment	218,815	218,815	235,928	(17,113)
Culture and recreation	1,325,687	1,425,687	1,768,700	(343,013)
Capital outlay	344,400	808,814	304,709	504,105
Debt service				
Principal	190,523	190,523	206,800	(16,277)
Interest	286,061	286,061	350,023	(63,962)
Total expenditures	7,279,079	8,287,587	8,471,856	(184,269)
Deficiency of revenues under expenditures	(2,341,070)	(3,349,578)	(2,878,729)	470,849
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	20,830	20,830
Transfers in	2,547,322	3,007,009	2,963,957	(43,052)
Transfers out	(206,252)	(206,252)	(400,000)	(193,748)
Total other financing sources (uses)	2,341,070	2,800,757	2,584,787	(215,970)
Use of Reserves	-	548,821	-	(548,821)
Net change in fund balance	\$ -	\$ -	(293,942)	\$ (293,942)
Fund Balance:				
Beginning of year			13,711,399	
End of year			\$ 13,417,457	

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

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
URBAN CORE REDEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2017

Exhibit VI

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 843,665	\$ 843,665	\$ 951,505	\$ 107,840
Expenditures:				
Current				
Culture and recreation	273,500	273,500	223,885	49,615
Capital outlay	-	56,233	-	56,233
Total expenditures	273,500	329,733	223,885	105,848
Excess of revenues over expenditures	570,165	513,932	727,620	213,688
Other Financing Sources (Uses):				
Transfers in	-	-	400,000	400,000
Transfers out	(350,000)	(350,000)	(350,000)	-
Total other financing sources and (uses)	(350,000)	(350,000)	50,000	400,000
Net change in fund balance	\$ 220,165	\$ 163,932	777,620	\$ 613,688
Fund Balance:				
Beginning of year			558,869	
End of year			\$ 1,336,489	

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

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CITY OF GULF BREEZE, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2017

Exhibit VII

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 60,100	\$ 45,109	\$ 4,032,933	\$ 12,607	\$ 1,331,073	\$ 101,556	\$ 5,583,378
Investments	-	-	65,005	-	9,276,148	-	9,341,153
Receivables, net	350,855	313,520	840,174	28,709	3,958	96,956	1,634,172
Due from other governments	-	-	-	-	132,182	-	132,182
Note receivable from joint venture	8,045	-	9,444	-	-	-	17,489
Inventory, at cost	10,466	306,659	60,980	-	-	-	378,105
Restricted assets							
Cash and cash equivalents	326,212	252,696	1,333,296	97,288	-	12,075	2,021,567
Total current assets	<u>755,678</u>	<u>917,984</u>	<u>6,341,832</u>	<u>138,604</u>	<u>10,743,361</u>	<u>210,587</u>	<u>19,108,046</u>
Non-Current Assets:							
Investment in limited liability company	-	-	-	-	28,620	-	28,620
Restricted assets							
Cash and cash equivalents	-	-	133,703	-	-	-	133,703
Capital assets, net							
Land	-	-	3,816,825	37,062	-	-	3,853,887
Construction in progress	22,148	3,320	9,400	-	-	-	34,868
Buildings	-	-	2,130,193	-	-	-	2,130,193
Improvements other than building	29,984	464,736	6,559,369	-	51,785	-	7,105,874
Infrastructure	1,508,146	2,532,873	9,272,758	3,473,288	-	-	16,787,065
Machinery and equipment	347,090	323,884	493,319	12,360	7,121	12,000	1,195,774
Total capital assets	<u>1,907,368</u>	<u>3,324,813</u>	<u>22,281,864</u>	<u>3,522,710</u>	<u>58,906</u>	<u>12,000</u>	<u>31,107,661</u>
Other assets:							
Bond issuance costs, net	-	-	122,796	24,642	-	-	147,438
Investment in joint venture	1,314,311	-	1,262,770	-	-	-	2,577,081
Advance to joint venture	115,399	-	110,873	-	-	-	226,272
Note receivable from joint venture	56,315	-	66,109	-	-	-	122,424
Total other assets	<u>1,486,025</u>	<u>-</u>	<u>1,562,548</u>	<u>24,642</u>	<u>-</u>	<u>-</u>	<u>3,073,215</u>
Total non-current assets	<u>3,393,393</u>	<u>3,324,813</u>	<u>23,978,115</u>	<u>3,547,352</u>	<u>87,526</u>	<u>12,000</u>	<u>34,343,199</u>
Total Assets	<u>4,149,071</u>	<u>4,242,797</u>	<u>30,319,947</u>	<u>3,685,956</u>	<u>10,830,887</u>	<u>222,587</u>	<u>53,451,245</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pensions	35,375	26,202	50,136	11,600	-	4,783	128,096
Loss on bond refunding	-	-	464,867	-	-	-	464,867
Total deferred outflows of resources	<u>35,375</u>	<u>26,202</u>	<u>515,003</u>	<u>11,600</u>	<u>-</u>	<u>4,783</u>	<u>592,963</u>
Total Assets and Deferred Outflows	<u>\$ 4,184,446</u>	<u>\$ 4,268,999</u>	<u>\$ 30,834,950</u>	<u>\$ 3,697,556</u>	<u>\$ 10,830,887</u>	<u>\$ 227,370</u>	<u>\$ 54,044,208</u>

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

Exhibit VII

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
LIABILITIES, DEFERRED INFLOWS AND NET POSITION							
Current Liabilities:							
Accounts payable	\$ 72,915	\$ 80,700	\$ 679,903	\$ 19,081	\$ 103,939	\$ 89,071	\$ 1,045,609
Accrued liabilities	8,538	61,433	32,437	3,518	3,500	785	110,211
Accrued interest	-	-	43,649	-	-	-	43,649
Interfund payables	331,740	2,233,334	816,083	500,000	-	50,000	3,931,157
Due to other governments	-	-	-	-	-	846	846
Payable from restricted assets							
Accrued interest	15,812	-	132,935	49,922	-	-	198,669
Customer deposits	249,994	252,696	386,708	-	-	12,075	901,473
Revenue bonds payable	29,400	-	813,653	37,966	-	-	881,019
Compensated absences	8,142	5,939	22,548	2,038	-	109	38,776
State revolving loan payable	-	-	43,344	-	-	-	43,344
Revenue bonds payable	-	-	277,348	27,119	-	-	304,467
Capital lease payable	-	-	382,753	-	-	-	382,753
Total current liabilities	<u>716,541</u>	<u>2,634,102</u>	<u>3,631,361</u>	<u>639,644</u>	<u>107,439</u>	<u>152,886</u>	<u>7,881,973</u>
Non-Current Liabilities:							
Unearned revenue	15,626	-	20,743	-	-	-	36,369
Compensated absences	18,849	30,668	71,625	9,387	-	3,294	133,823
State revolving loan payable	-	-	767,148	-	-	-	767,148
Revenue bonds payable	978,000	-	9,637,917	2,431,515	-	-	13,047,432
Capital lease payable	-	-	3,215,303	-	-	-	3,215,303
Net pension liability	86,088	57,611	135,440	29,711	-	9,136	317,986
Total non-current liabilities	<u>1,098,563</u>	<u>88,279</u>	<u>13,848,176</u>	<u>2,470,613</u>	<u>-</u>	<u>12,430</u>	<u>17,518,061</u>
Total Liabilities	<u>1,815,104</u>	<u>2,722,381</u>	<u>17,479,537</u>	<u>3,110,257</u>	<u>107,439</u>	<u>165,316</u>	<u>25,400,034</u>
Deferred Inflows of Resources:							
Pensions	<u>32,147</u>	<u>23,970</u>	<u>45,209</u>	<u>10,502</u>	<u>-</u>	<u>4,410</u>	<u>116,238</u>
Net Position:							
Net investment in capital assets	899,968	3,324,813	7,609,265	1,026,110	58,906	12,000	12,931,062
Restricted							
Debt service and other debt requirements	31,006	-	77,591	-	-	-	108,597
Unrestricted	1,406,221	(1,802,165)	5,623,348	(449,313)	10,664,542	45,644	15,488,277
Total net position	<u>2,337,195</u>	<u>1,522,648</u>	<u>13,310,204</u>	<u>576,797</u>	<u>10,723,448</u>	<u>57,644</u>	<u>28,527,936</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 4,184,446</u>	<u>\$ 4,268,999</u>	<u>\$ 30,834,950</u>	<u>\$ 3,697,556</u>	<u>\$ 10,830,887</u>	<u>\$ 227,370</u>	<u>\$ 54,044,208</u>

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

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Exhibit VIII

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
Operating Revenue:							
Charges for services							
Utilities	\$ 2,560,106	\$ 2,773,322	\$ 6,089,546	\$ 237,125	\$ -	\$ 756,871	\$ 12,416,970
Golf course	-	-	676,274	-	-	-	676,274
Financial services	-	-	-	-	176,209	-	176,209
Total charges for services	<u>2,560,106</u>	<u>2,773,322</u>	<u>6,765,820</u>	<u>237,125</u>	<u>176,209</u>	<u>756,871</u>	<u>13,269,453</u>
Operating Expenses:							
Personal services	493,270	639,606	1,935,969	160,538	104,407	125,546	3,459,336
Contractual services	1,038,633	714,770	802,892	45,336	-	435,988	3,037,619
Supplies	96,976	259,693	639,523	11,531	-	3,761	1,011,484
Professional services	5,850	10,970	162,600	20,077	292,417	1,000	492,914
Repairs and maintenance	136,164	35,470	744,475	9,924	-	32,402	958,435
Office and utilities	79,841	87,624	565,672	3,613	20,971	1,488	759,209
Depreciation and amortization	270,371	540,383	1,945,856	133,109	5,548	10,749	2,906,016
Total operating expenses	<u>2,121,105</u>	<u>2,288,516</u>	<u>6,796,987</u>	<u>384,128</u>	<u>423,343</u>	<u>610,934</u>	<u>12,625,013</u>
Operating income (loss)	<u>439,001</u>	<u>484,806</u>	<u>(31,167)</u>	<u>(147,003)</u>	<u>(247,134)</u>	<u>145,937</u>	<u>644,440</u>
Non-Operating Revenue (Expenses):							
Investment earnings	3,314	-	504	-	151,927	-	155,745
Interest expense	(46,583)	-	(607,019)	(107,497)	-	-	(761,099)
Income from joint venture	238,706	-	229,346	-	-	-	468,052
Miscellaneous	24,809	23,821	99,518	-	-	163	148,311
Total non-operating revenue (expenses)	<u>220,246</u>	<u>23,821</u>	<u>(277,651)</u>	<u>(107,497)</u>	<u>151,927</u>	<u>163</u>	<u>11,009</u>
Income (Loss) Before Transfers and Capital Contributions	<u>659,247</u>	<u>508,627</u>	<u>(308,818)</u>	<u>(254,500)</u>	<u>(95,207)</u>	<u>146,100</u>	<u>655,449</u>
Transfers and Capital Contributions:							
Transfers in	-	-	465,037	-	-	-	465,037
Transfers out	(669,386)	(494,610)	(461,200)	(228,112)	(380,000)	(96,400)	(2,329,708)
Capital contributions	11,707	-	1,912,116	1,570,827	-	-	3,494,650
Total transfers and capital contributions	<u>(657,679)</u>	<u>(494,610)</u>	<u>1,915,953</u>	<u>1,342,715</u>	<u>(380,000)</u>	<u>(96,400)</u>	<u>1,629,979</u>
Changes in net position	1,568	14,017	1,607,135	1,088,215	(475,207)	49,700	2,285,428
Net position at beginning of year	<u>2,335,627</u>	<u>1,508,631</u>	<u>11,703,069</u>	<u>(511,418)</u>	<u>11,198,655</u>	<u>7,944</u>	<u>26,242,508</u>
Net position at end of year	<u>\$ 2,337,195</u>	<u>\$ 1,522,648</u>	<u>\$ 13,310,204</u>	<u>\$ 576,797</u>	<u>\$ 10,723,448</u>	<u>\$ 57,644</u>	<u>\$ 28,527,936</u>

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

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CITY OF GULF BREEZE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Exhibit IX

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
Cash Flows from Operating Activities:							
Receipts from customers and users	\$ 2,578,128	\$ 2,777,492	\$ 6,745,707	\$ 236,146	\$ 149,262	\$ 738,032	\$ 13,224,767
Payments from (to) other funds	10,627	(402,032)	809,232	(1,250,000)	-	(20,100)	(852,273)
Payments to suppliers and providers	(1,404,318)	(1,077,652)	(3,045,983)	(91,151)	(382,273)	(455,044)	(6,456,421)
Payments to employees	(501,419)	(652,439)	(1,940,071)	(161,056)	(104,407)	(125,335)	(3,484,727)
Net cash provided by (used in) operating activities	<u>683,018</u>	<u>645,369</u>	<u>2,568,885</u>	<u>(1,266,061)</u>	<u>(337,418)</u>	<u>137,553</u>	<u>2,431,346</u>
Cash Flows from Non-Capital Financing Activities:							
Transfers in	-	-	465,037	-	-	-	465,037
Transfers out	(669,386)	(494,610)	(461,200)	(228,112)	(380,000)	(96,400)	(2,329,708)
Net cash provided by (used in) non-capital financing activities	<u>(669,386)</u>	<u>(494,610)</u>	<u>3,837</u>	<u>(228,112)</u>	<u>(380,000)</u>	<u>(96,400)</u>	<u>(1,864,671)</u>
Cash Flows from Capital and Related Financing Activities:							
Acquisition and construction of capital assets	(240,566)	(96,552)	(1,612,030)	(4,615)	(7,121)	-	(1,960,884)
Proceeds from bonds payable	-	-	2,650,000	-	-	-	2,650,000
Principal paid on bonds payable	(28,200)	-	(1,073,572)	(79,920)	-	-	(1,181,692)
Payments to defease debt	-	-	(2,650,000)	-	-	-	(2,650,000)
Principal paid on state revolving loan	-	-	(42,051)	-	-	-	(42,051)
Principal paid on capital leases	-	-	(343,798)	-	-	-	(343,798)
Interest paid on long-term debt	(46,583)	-	(451,531)	(104,598)	-	-	(602,712)
Capital contributions	11,707	-	1,356,366	1,570,827	-	-	2,938,900
Net cash provided by (used in) capital and related financing activities	<u>(303,642)</u>	<u>(96,552)</u>	<u>(2,166,616)</u>	<u>1,381,694</u>	<u>(7,121)</u>	<u>-</u>	<u>(1,192,237)</u>
Cash Flows from Investing Activities:							
Purchases of investments	-	-	-	-	(2,790,922)	-	(2,790,922)
Proceeds from sale of investments	-	-	-	-	2,595,900	-	2,595,900
Principal repayment from joint venture	8,045	-	9,444	-	-	-	17,489
Interest income	3,314	-	182	-	226,208	-	229,704
Net cash provided by investing activities	<u>11,359</u>	<u>-</u>	<u>9,626</u>	<u>-</u>	<u>31,186</u>	<u>-</u>	<u>52,171</u>
Net Change in Cash and Cash Equivalents	(278,651)	54,207	415,732	(112,479)	(693,353)	41,153	(573,391)
Cash and Cash Equivalents - Beginning of the Year	664,963	243,598	5,084,200	222,374	2,024,426	72,478	8,312,039
Cash and Cash Equivalents - End of the Year	<u>\$ 386,312</u>	<u>\$ 297,805</u>	<u>\$ 5,499,932</u>	<u>\$ 109,895</u>	<u>\$ 1,331,073</u>	<u>\$ 113,631</u>	<u>\$ 7,738,648</u>
Displayed As:							
Cash and cash equivalents	\$ 60,100	\$ 45,109	\$ 4,032,933	\$ 12,607	\$ 1,331,073	\$ 101,556	\$ 5,583,378
Current - Restricted cash and cash equivalents	326,212	252,696	1,333,296	97,288	-	12,075	2,021,567
Non-current - Restricted cash and cash equivalents	-	-	133,703	-	-	-	133,703
	<u>\$ 386,312</u>	<u>\$ 297,805</u>	<u>\$ 5,499,932</u>	<u>\$ 109,895</u>	<u>\$ 1,331,073</u>	<u>\$ 113,631</u>	<u>\$ 7,738,648</u>

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

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017
(Continued)

Exhibit IX

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
Reconciliation of Operating Income							
(Loss) to Net Cash Provided by							
(Used in) Operating Activities:							
Operating income (loss)	\$ 439,001	\$ 484,806	\$ (31,167)	\$ (147,003)	\$ (247,134)	\$ 145,937	\$ 644,440
Adjustments to reconcile operating							
income (loss) to net cash							
provided by (used in) operating activities -							
Depreciation and							
amortization expense	270,371	540,383	1,945,856	133,109	5,548	10,749	2,906,016
Provision for uncollectible accounts	11,529	2,523	(8,044)	1,484	-	1,587	9,079
Loss from investment in LLC	-	-	-	-	594	-	594
Miscellaneous income	24,809	23,821	99,518	-	-	163	148,311
Changes in operating assets							
and liabilities:							
Receivables	(6,762)	(22,174)	(132,330)	(2,463)	-	(4,310)	(168,039)
Due from other governments	-	-	-	-	(27,541)	-	(27,541)
Inventory, at cost	13,732	4,278	(5,581)	-	-	-	12,429
Deferred outflows of							
resources - pensions							
Accounts payable	4,725	3,523	6,647	1,543	-	646	17,084
Accrued liabilities	(113,498)	4,966	(77,863)	(7,659)	(68,885)	19,595	(243,344)
Interfund payables	(379)	13,944	(51,709)	7,621	-	(14)	(30,537)
Due to other governments	13,541	(402,032)	809,232	(1,250,000)	-	(20,100)	(849,359)
Customer deposits	-	-	-	-	-	(16,279)	(16,279)
Unearned revenue	54,342	9,831	10,532	-	-	-	74,705
Compensated absences	(14,468)	-	20,743	-	-	-	6,275
Net pension liability	(8,569)	(14,507)	(9,414)	(944)	-	311	(33,123)
Deferred inflows of	(20,687)	(15,423)	(29,095)	(6,758)	-	(2,836)	(74,799)
resources - pensions	15,331	11,430	21,560	5,009	-	2,104	55,434
Total adjustments	<u>244,017</u>	<u>160,563</u>	<u>2,600,052</u>	<u>(1,119,058)</u>	<u>(90,284)</u>	<u>(8,384)</u>	<u>1,786,906</u>
Net Cash Provided By (Used in)							
Operating Activities							
	<u>\$ 683,018</u>	<u>\$ 645,369</u>	<u>\$ 2,568,885</u>	<u>\$ (1,266,061)</u>	<u>\$ (337,418)</u>	<u>\$ 137,553</u>	<u>\$ 2,431,346</u>
Supplemental Schedule of Noncash Capital							
and Related Financing Activities							
Change in fair value of investment							
in joint venture							
	<u>\$ 238,706</u>	<u>\$ -</u>	<u>\$ 229,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,051</u>
Acquisition of capital assets							
contributed							
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,750</u>

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

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
SEPTEMBER 30, 2017

Exhibit X

	<u>Police Officers' Retirement Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 14,127
Due from other governments	69,991	-
Investments:		
Equity Mutual Funds	4,889,128	-
Total Assets	<u>4,959,119</u>	<u>14,127</u>
LIABILITIES		
Due to others	<u>-</u>	<u>14,127</u>
NET POSITION		
Restricted for pension benefits	<u><u>\$ 4,959,119</u></u>	<u><u>\$ -</u></u>

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

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Exhibit XI

	Police Officers' Retirement Fund
ADDITIONS	
Contributions	
Employer	\$ 190,129
Plan members	26,902
State of Florida	69,991
Total contributions	287,022
Investment income	568,455
Less investment expense	(8,825)
Net investment income	559,630
Total additions	846,652
DEDUCTIONS	
Benefits and refunds paid to plan members and beneficiaries	46,223
Administrative expenses	7,075
Total deductions	53,298
NET INCREASE	793,354
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	4,165,765
End of year	\$ 4,959,119

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

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CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 Section 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. 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 Statement No. 61 (GASB 61) for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB 61, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2017, the City of Gulf Breeze had three component units, as defined by GASB 61, 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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Urban Core Redevelopment (Community Redevelopment Agency) was established by the City in December 1989 based on the Finding of Necessity documentation required pursuant to Chapter 163, Florida Statutes and is a blended component unit reported as a major governmental fund in the City's financial statements. Pursuant to Resolution No. 18-89, the City Council, including the Mayor, serve as the Community Redevelopment Agency board of directors who approves the annual operating budget and has operational responsibility for the component unit.

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 GBFS. GBFS 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 a blended component unit reported as an enterprise fund in the City's financial statements. 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 \$620,000 in miscellaneous revenues during the fiscal year ending September 30, 2017. 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 component unit. 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.

Conduit Debt

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

- \$485,805,000 Floating Rate Demand Revenue Bonds, Series 1985, \$163,080,000 outstanding.
- \$20,500,000 Variable Rate Demand Revenue Bonds, Series 1999, \$15,830,000 outstanding.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Conduit Debt (Continued)

- \$18,190,000 Variable Rate Demand Revenue Bonds, Series 2010A, \$3,415,000 outstanding.
- \$12,255,000 Variable Rate Demand Revenue Bonds, Series 2010B, \$1,720,000 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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on charges and fees for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Pension plans recognize revenue when contributions are due, as there is a statutory requirement to make the contribution. Property taxes are recorded as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The following is the current property tax calendar:

Lien Date	January 1, 2017
Levy Date	November 1, 2017
Due Date	November 1, 2017
Delinquent Date	April 1, 2018

Discounts of 1% are granted for each month that taxes are paid prior to March 2018.

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 2017 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 uncollectability and, therefore, are not recorded as a receivable as of September 30, 2017.

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 *non-operating* 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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

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 non-operating revenues and expenses, including tap and impact fees intended to cover the impact of future additional infrastructure costs.

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

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

Governmental

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

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

Urban Core Redevelopment Fund - This fund is used to account for the activities of the Gulf Breeze Community Redevelopment Agency. The Community Redevelopment Agency was established to enable the City to utilize tax increment financing (TIF) to foster improvements and redevelopment in the City's commercial corridor.

Proprietary

Proprietary funds focus on the determination of net income, 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 Santa Rosa County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

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

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

Proprietary (Continued)

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

Stormwater Management Fund - To account for activities associated with managing stormwater.

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

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments. The City has 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, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances

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 page 50) 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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances
(Continued)

Deposits and Investments

The investment of surplus funds and restricted reserve funds is governed by the City's investment policy under the provisions of Section 218.415, Florida Statutes. Investments authorized by the City's investment policy and state statute include intergovernmental investment pools, money market funds, including money market mutual funds, interest bearing time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury and U.S. agencies and instrumentalities, and other investments authorized by law or by resolution for a municipality. All the City's investments are stated at fair value.

Chapter 280, Florida Statutes, provides that deposits must be placed in a depository designated under the provisions of Chapter 136 and the regulations of the Department of Banking and Finance as a qualified public depository. As such, these deposits are considered to be fully insured.

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 Statement No. 31, the Local Government Surplus Funds Trust Fund is a "2a-7 like" pool, and thus, SBA investments are valued using the pooled share price. City investments with the SBA may be made or liquidated by wire on a same day basis. The City's investments with the SBA are considered to be cash equivalents for reporting purposes.

Pension trust funds may invest in annuity and life insurance contracts of life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the participants in the municipal police officers' retirement trust fund shall be entitled under the provisions of Chapter 185, Florida Statutes, and pay the initial and subsequent premiums thereon; time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund; obligations of the United States or obligations guaranteed as to principal and interest by the United States; bonds issued by the State of Israel; bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided:

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances
(Continued)

Deposits and Investments (Continued)

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

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

Interfund 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 interfund receivables (payables).

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. The General Fund balance equal to the inventory amount has been reserved in the fund financial statements to indicate that it is not available for appropriation.

Restricted Assets

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances
(Continued)

Bond Issuance Costs

Bond issuance costs for proprietary funds are amortized over the estimated life of the issue using the straight-line method. The City follows GASB Statement No. 62 which allows matching the regulated rate recovery of the costs if certain criteria are met.

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	\$ > 0
Buildings and improvements	\$ 10,000
Infrastructure	\$ 10,000
Improvements other than buildings	\$ 10,000
Machinery and equipment	\$ 1,000

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

The City chose not to retroactively report infrastructure in accordance with Phase III implementation of GASB Statement 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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances
(Continued)

Capital Assets (Continued)

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

	Years
Buildings and improvements	39
Infrastructure	20-40
Improvements other than buildings	15-27
Machinery and equipment	3-10

Deferred Outflows and Inflows of Resources

The City has implemented the provisions of GASB Statement Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as an acquisition or consumption, respectively, of net assets applicable to a future reporting period. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 65, *Items Previously Reported As Assets and Liabilities*, reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of the four financial statement elements, (1) deferred outflows of resources, (2) outflows of resources, (3) deferred inflows of resources, and (4) inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

The City reports increases and decreases in net position that relate to future periods as deferred inflows of resources and deferred outflows of resources, respectively, in a separate section of the statement of net position. The deferred outflows of resources arising from the refunding of bonds is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred outflows and inflows of resources related to pensions are further discussed in Note 6.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances
(Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan for the Police Officers of the City of Gulf Breeze, FL (Police Pension Plan) and additions to/deductions from the Police Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Police Pension Plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 and proprietary 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.

Non-Current Liabilities

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 position. 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 reported in deferred outflows.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances
(Continued)

Non-Current Liabilities (Continued)

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.

Classification of Fund Balance

GASB Statement No. 54 (GASB 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 amounts intended to be used by the government for specific purposes. The City Council by formal vote (or management designee via Council action) has the authority authorized to assign fund balance to a specific purpose. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balances
(Continued)

Classification of Fund Balance (Continued)

- *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.

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.

Classification of Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* - is intended to reflect the portion of net position which is associated with non-liquid, capital assets, net of related debt.
- *Restricted Net Position* - are liquid assets, generated from revenues and net bond proceeds, which are not accessible for general use because of third-party (statutory, bond covenant or granting agency) limitations.
- *Unrestricted Net Position* – represents unrestricted liquid assets.

F. Estimates

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

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

Prior to October 1, the budget for all governmental funds (except for the Police Special Revenue Fund, for which no budget is prepared 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. Budget amendments passed during 2017 did not fully cover additional expenses not anticipated in the original budget. As a result, the City's General Fund expenditures and transfers out to other funds in 2017 exceeded the final approved budget of \$8,081,335 by a total of \$378,017. 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 and amounts as amended by action of the City Council by revision of fund totals.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Encumbrances

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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 manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" (QPDs), as defined in Chapter 280, Florida Statutes, which bear no custodial credit risk or are in institutions which meet the exemption requirements of Chapter 280. The exemptions qualify under the exemptions of Section 280.03(e) or 280.03(f), Florida Statutes as a deposit made in accordance with Section 17.57(g), Florida Statutes. The provisions of Chapter 280 allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all deposits are fully insured or collateralized with securities held by the State Treasurer in the City's name.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments:

As of September 30, 2017, the City had the following investments:

	<u>Average Maturity (Years)</u>	<u>2017</u>
Florida Municipal Investment Trust	1.38	\$ 65,005
Money Market Mutual Funds	N/A	174,835
Exchange-traded Funds	N/A	1,796,780
Federal Instrumentalities	6.334	6,173,400
Corporate Notes	4.362	1,308,357
State and Local Government Debt	5.248	<u>2,872,163</u>
 Total Investments		 <u>\$ 12,390,540</u>

Fair Value Measurements:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table presents assets carried at fair value at September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Funds	\$ 174,835	\$	\$	\$ 174,835
Exchange-traded Funds	1,796,780			1,796,780
Federal Instrumentalities		6,173,400		6,173,400
Corporate Notes		1,308,357		1,308,357
State and Local Government Debt		<u>2,872,163</u>		<u>2,872,163</u>
 Total Investments	 <u>\$ 1,971,615</u>	 <u>\$ 10,353,920</u>	 <u>\$ -</u>	 <u>\$ 12,325,535</u>

The Florida Municipal Trust Fund is measured at cost and excluded from the fair value hierarchy disclosure.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements:

Securities are valued using the following approaches:

Money Market Mutual Funds and Exchange-traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Federal Instrumentalities, Corporate Notes and State and Local Government Debt: Valued based on institutional bond quotes and evaluations based on various market and industry inputs.

Interest Rate Risk:

The City's investment policy sets limits to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds have same day liquidity. Investments of reserves, project funds, debt proceeds and other non-operating funds have a term appropriate to the needs for funds and in accordance with debt covenants, but shall not exceed ten (10) years.

Credit Risk:

The City is authorized under Section 218.415, Florida Statutes, and the City investment policy of the City, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time-to-time, in:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Rated or unrated bonds, notes, or instrument backed by the full faith and credit of the government of Israel.
- United States government obligations, United States government agency or instrumentality obligations, and the obligations of federal government sponsored enterprises, which have a liquid market with a readily determinable market value, and securities whose timely payment of principal and interest are fully guaranteed by the foregoing.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued):

- Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time-to-time, provided the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- Investment-grade obligations of state and local governments and public authorities.
- Collateralized guaranteed investment contracts.
- Mutual funds, or exchange-traded funds (“high grade equity funds”) that are comprised primarily of U.S. based, large cap companies that are dividend achievers or dividend aristocrats.
- High grade corporate debt consisting of U.S. dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the U.S. or in foreign markets.
- Other investments authorized by law or by ordinance for a county or a municipality.

At September 30, 2017, the City’s investments had the following credit quality:

<u>Security Type</u>	<u>Credit Rating</u>	<u>Portfolio Asset Allocation</u>
Money Market Mutual Funds	NR	1.42%
Exchange-traded Funds	N/A	14.58%
Federal Instrumentalities	AA+	50.07%
Corporate Notes	AAA	0.29%
Corporate Notes	AA+	2.19%
Corporate Notes	AA-	4.02%
Corporate Notes	A+	1.95%
Corporate Notes	A-	0.78%
Corporate Notes	A	0.61%
Corporate Notes	BBB+	0.78%
State and Local Government Debt	AAA	4.41%
State and Local Government Debt	AA+	3.34%
State and Local Government Debt	AA	2.48%
State and Local Government Debt	AA-	10.13%
State and Local Government Debt	A+	1.20%
State and Local Government Debt	A-	0.61%
State and Local Government Debt	NR	1.14%

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued):

The City's investment policy has established asset allocation and issuer limits on the following investments to reduce concentration of credit risk of the entity's investment portfolio.

	Asset Allocation <u>Maximum</u>	Individual Issuer Limit
U.S. Government Obligations	100%	N/A
Local Government Investment Pools	100%	N/A
Certificates of Deposit	25%	50%
Federal Agency & Instrumentality Obligations	100%	50%
Collateralized Repurchase Agreements	15%	50%
Other Investment Pools (Rated "A" or better)	30%	50%
State and/or Local Government Taxable and/or Tax-Exempt Debt	30%	50%
High Grade Corporate Debt and Commercial Paper	15%	50%
High Grade Exchange-traded Funds	25%	50%

Concentration of Credit Risk:

As of September 30, 2017, the City had the following issuer concentrations based on fair value:

	<u>Fair Value</u>	Portfolio Asset Allocation
Money Market Mutual Funds:		
Schwab Government Money Fund	\$ 174,835	1.42%
Exchange-traded Funds:		
ALPS Alerian MLP ETF	278,503	2.26%
BlackRock iShares Select Dividend ETF	378,815	3.07%
BlackRock iShares US Utilities ETF	379,059	3.08%
Schwab US Dividend ETF	380,484	3.09%
Vanguard Dividend Appreciation ETF	379,919	3.08%
Federal Instrumentalities:		
Federal Farm Credit Banks Funding Corporation	249,740	2.03%
Federal Home Loan Bank Notes	421,304	3.42%
Federal Home Loan Mortgage Corporation	3,027,187	24.56%
Federal National Mortgage Association	2,285,522	18.54%
Government National Mortgage Association	189,647	1.54%

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued):

	Fair Value	Portfolio Asset Allocation
Corporate Notes:		
Apple, Inc.	269,376	2.19%
BP Capital Market	168,277	1.37%
Cisco Systems, Inc.	150,912	1.22%
Comcast Corporation	96,662	0.78%
Exxon Mobil Corporation	35,659	0.29%
Morgan Stanley	96,110	0.78%
Oracle Corporation	344,620	2.80%
Visa, Inc.	71,551	0.58%
Wells Fargo	75,190	0.61%
State and Local Government Debt:		
Antelope Valley Community College District	51,125	0.41%
City of Fort Lauderdale, Florida	25,351	0.21%
County of San Diego, California	103,416	0.84%
Dormitory Authority of the State of New York	105,857	0.86%
Energy Northwest / Columbia Generating Station Electric Revenue Bonds	229,741	1.86%
Florida Hurricane Catastrophe Fund Finance Corporation	25,481	0.21%
Fresno County, California	35,743	0.29%
Greater Orlando Aviation Authority	104,777	0.85%
Guilford County, North Carolina Build America Bonds	161,397	1.31%
Kansas Development Finance Authority	51,952	0.42%
L'Anse Creuse Public Schools County of Macomb, State of Michigan	101,186	0.82%
Las Vegas Valley Nevada Water District	101,178	0.82%
Minneapolis - St. Paul Metropolitan Airports Commission	24,947	0.20%
New Orleans Aviation Board	75,293	0.61%
North Carolina A&T University	115,493	0.94%
Oregon State Lottery Revenue Bonds	175,446	1.42%
Palm Desert Redevelopment Agency	25,000	0.20%
Passaic Valley Water Commission Water Supply System	246,958	2.00%
Phoenix, Arizona Civic Impt Corp Excise Tax Revenue	101,354	0.82%
State of California	335,318	2.72%
State of Hawaii	75,797	0.61%
State of Louisiana	134,778	1.09%
State of New York	151,350	1.23%
State of Wisconsin	25,048	0.20%
The Board of Regents of Higher Education Montana State University	45,225	0.37%
The Oklahoma Development Finance Authority	24,820	0.20%
The Regents of the University of California	111,843	0.92%
Triborough Bridge and Tunnel Authority	25,547	0.21%
University of Pittsburgh	29,967	0.24%
Virginia State Housing Development Authority	50,775	0.41%
	<u>\$ 12,325,535</u>	<u>100%</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 - RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables at September 30, 2017, were as follows:

	Governmental Activities		Business-Type Activities						Total Primary Government
	General	Non-Major Governmental	Water and Sewer	Natural Gas	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major	
		Funds						Proprietary Funds	
Accounts	\$ 180,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,958	\$ -	\$ 184,195
Utilities	-	-	382,060	349,879	793,396	31,993	-	106,934	1,664,262
Notes	134,378	-	-	-	-	-	-	-	134,378
Other	3,772	2,100	6,221	100	123,412	-	-	-	135,605
	<u>318,387</u>	<u>2,100</u>	<u>388,281</u>	<u>349,979</u>	<u>916,808</u>	<u>31,993</u>	<u>3,958</u>	<u>106,934</u>	<u>2,118,440</u>
Less allowance for uncollectible accounts	4,597	-	37,426	36,459	76,634	3,284	-	9,978	168,378
Total	<u>\$ 313,790</u>	<u>\$ 2,100</u>	<u>\$ 350,855</u>	<u>\$ 313,520</u>	<u>\$ 840,174</u>	<u>\$ 28,709</u>	<u>\$ 3,958</u>	<u>\$ 96,956</u>	<u>\$ 1,950,062</u>

The City's due from other governments for governmental activities was \$189,195 as of September 30, 2017, which consisted of amounts due from the State of Florida, primarily for taxes and reimbursement of costs associated with the Restoration of Deadman's Island grant, and, from the County, primarily for taxes.

The City's due from other governments for business-type activities was \$132,182 as of September 30, 2017, which consisted of amounts due to GBFS from CTA. The balance represents expenses for shared personnel and office space.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, 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	\$ 1,421,909	\$ -	\$ -	\$ 1,421,909
Construction in progress	-	32,450	-	32,450
Total capital assets not being depreciated	<u>1,421,909</u>	<u>32,450</u>	<u>-</u>	<u>1,454,359</u>
Capital assets being depreciated				
Buildings and improvements	12,322,001	20,550	-	12,342,551
Improvements other than buildings	15,133,433	-	-	15,133,433
Infrastructure	1,077,264	-	-	1,077,264
Machinery and equipment	5,840,932	281,453	281,170	5,841,215
Total capital assets being depreciated	<u>34,373,630</u>	<u>302,003</u>	<u>281,170</u>	<u>34,394,463</u>
Less accumulated depreciation				
Buildings and improvements	(3,542,411)	(491,121)	-	(4,033,532)
Improvements other than buildings	(11,464,682)	(746,641)	-	(12,211,323)
Infrastructure	(289,676)	(56,289)	-	(345,965)
Machinery and equipment	(4,761,040)	(338,246)	(281,170)	(4,818,116)
Total accumulated depreciation	<u>(20,057,809)</u>	<u>(1,632,297)</u>	<u>(281,170)</u>	<u>(21,408,936)</u>
Total capital assets being depreciated, net	<u>14,315,821</u>	<u>(1,330,294)</u>	<u>-</u>	<u>12,985,527</u>
Governmental activities, net	<u>\$ 15,737,730</u>	<u>\$ (1,297,844)</u>	<u>\$ -</u>	<u>\$ 14,439,886</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,853,887	\$ -	\$ -	\$ 3,853,887
Construction in progress	80,761	31,548	77,441	34,868
Total capital assets not being depreciated	<u>3,934,648</u>	<u>31,548</u>	<u>77,441</u>	<u>3,888,755</u>
Capital assets being depreciated				
Buildings and improvements	2,847,352	-	(77,441)	2,924,793
Improvements other than buildings	6,792,480	1,741,171	-	8,533,651
Infrastructure	49,789,182	555,753	-	50,344,935
Machinery and equipment	6,140,935	418,837	70,879	6,488,893
Total capital assets being depreciated	<u>65,569,949</u>	<u>2,715,761</u>	<u>(6,562)</u>	<u>68,292,272</u>
Less accumulated depreciation				
Buildings and improvements	(658,252)	(136,348)	-	(794,600)
Improvements other than buildings	(946,739)	(481,038)	-	(1,427,777)
Infrastructure	(31,887,775)	(1,670,095)	-	(33,557,870)
Machinery and equipment	(4,745,463)	(618,535)	(70,879)	(5,293,119)
Total accumulated depreciation	<u>(38,238,229)</u>	<u>(2,906,016)</u>	<u>(70,879)</u>	<u>(41,073,366)</u>
Total capital assets being depreciated, net	<u>27,331,720</u>	<u>(190,255)</u>	<u>(77,441)</u>	<u>27,218,906</u>
Business-type activities, net	<u>\$ 31,266,368</u>	<u>\$ (158,707)</u>	<u>\$ -</u>	<u>\$ 31,107,661</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 - CHANGES IN CAPITAL ASSETS (Continued)

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

Governmental Activities

General government	\$ 105,124
Public safety	227,517
Transportation	126,015
Economic environment	423,491
Culture and recreation	<u>750,150</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,632,297</u></u>
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Business-Type Activities

Water and Sewer	\$ 270,371
Natural Gas	540,383
South Santa Rosa Utility	1,945,856
Stormwater Management	133,109
Gulf Breeze Financial Services	5,548
Non-major proprietary funds	<u>10,749</u>

Total depreciation expense - business-type activities	<u><u>\$ 2,906,016</u></u>
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NOTE 6 - DEFINED BENEFIT PENSION PLANS

Florida Retirement System - General Employees:

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy Program (HIS), a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any state-administered retirement system in paying the costs of health insurance.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. That report may be obtained by writing to the Florida Division of Retirement, 2639 N. Monroe Street, Building C, Tallahassee, Florida 32399, or calling 1-850-488-6491.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

FRS Pension Plan

A. Plan Description

The City contributes to the FRS Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS Pension Plan provides retirement, disability, or death benefits to plan members or their designated beneficiaries. Chapters 121, 122, and 123, Florida Statutes, 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.

B. Contribution and Funding Policy

Contribution requirements of the plan are established in Chapter 121, Florida Statutes, 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 FRS Pension Plan. Formerly, only employers were required to contribute to the FRS Pension Plan. The FRS Pension Plan 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, 2017, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 26.27% for police officer and firefighter (special risk) employees, 10.92% for regular employees, and 13.26% for DROP.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

FRS Pension Plan (Continued)

B. Contribution and Funding Policy (Continued)

The City contributed 100% of its statutorily required contributions for the current and preceding three years. The City's contributions to the FRS Pension Plan for fiscal year ended September 30, 2017 are listed below.

	2017
General employees	\$ 12,548
Special risk employees	26,476
DROP	8,086
 Total contributions	 \$ 47,110

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the City reported a net pension liability of \$594,076 for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of net pension liability was based on the City's fiscal year 2017 contributions relative to the fiscal year 2017 contributions of all participating members. At June 30, 2017, the City's proportionate share was 0.002008423%, which was a decrease of 0.000769093% from its proportionate share measured at June 30, 2016.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

FRS Pension Plan (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended September 30, 2017, the City recognized pension expense of \$60,285 related to the FRS Pension Plan. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,522	\$ 3,291
Change in assumptions	199,093	-
Net difference between projected and actual earnings on FRS Pension Plan investments	-	14,623
Changes in proportion and differences between City FRS Pension Plan contributions and proportionate share of FRS Pension Plan contributions	18,110	167,162
City FRS Pension Plan contributions subsequent to measurement date	14,168	-
	\$ 285,893	\$ 185,076

The deferred outflows of resources related to pensions totaling \$14,168 resulting from City contributions to the FRS Pension Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	
2018	\$ (8,296)
2019	43,270
2020	27,802
2021	(6,115)
2022	22,611
Thereafter	7,377
	\$ 86,649

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

FRS Pension Plan (Continued)

D. Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on FRS Pension Plan investments was not based on historical returns, but instead is based in a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major class are summarized in the following table:

	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real estate (property)	10.00%	6.60%	5.90%	12.80%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	9.70%
	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

Note: (1) As outlined in the FRS Pension Plan's investment policy.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

FRS Pension Plan (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

F. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of net pension liability calculated using the discount rate of 7.10% as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1%-point lower (6.10%) or 1%-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability	\$ 1,075,245	\$ 594,076	\$ 194,599

G. Pension Plan Fiduciary Net Position

Detailed information about the FRS Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

H. Payables to the Pension Plan

At September 30, 2017 the City reported a payable of \$3,670 for the outstanding amount of contributions to the FRS Pension Plan required for the year ended September 30, 2017.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

HIS Pension Plan

A. Plan Description

The Retiree Health Insurance Subsidy Program (“HIS Plan”) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

B. Benefits Provided

For the year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum payment of \$30 and a maximum payment of \$150 per month pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which includes Medicare.

C. Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At September 30, 2017 the contribution rate was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City’s contributions to the HIS Plan totaled \$13,114 for the year ended September 30, 2017 .

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

HIS Pension Plan (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the City reported a net pension liability of \$146,322 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

The City's proportionate share of net pension liability was based on the City's fiscal year 2017 contributions relative to the fiscal year 2017 contributions of all participating members. At June 30, 2017, the City's proportionate share was 0.001368461%, which was a decrease of 0.000515945% from its proportionate share measured at June 30, 2016.

For the year ended September 30, 2017, the City recognized pension benefit of \$6,231 related to the HIS Plan. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 305
Change in assumptions	20,568	12,653
Net difference between projected and actual earnings on HIS Plan investments	81	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of HIS Plan contributions	-	82,528
City HIS Plan contributions subsequent to measurement date	<u>1,928</u>	<u>-</u>
	<u>\$ 22,577</u>	<u>\$ 95,486</u>

The deferred outflows of resources related to pensions totaling \$1,928 resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

HIS Pension Plan (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30		
2018		\$ (14,962)
2019		(14,978)
2020		(14,985)
2021		(10,827)
2022		(8,382)
Thereafter		(10,703)
		\$ (74,837)

E. Actuarial Assumptions

Actuarial valuations for the HIS Plan are conducted biennially. The July 1, 2016 HIS valuation is the most recent actuarial valuation and was used to develop the total pension liability amount as of June 30, 2017. The July 1, 2016 actuarial valuation was determined using the following actuarial assumptions at the June 30, 2017 measurement date:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study conducted for the FRS Pension Plan.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

HIS Pension Plan (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

G. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of net pension liability calculated using the discount rate of 3.58% as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1%-point lower (2.58%) or 1%-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's proportionate share of the net pension liability	\$ 166,973	\$ 146,322	\$ 129,121

H. Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

I. Payables to the Pension Plan

At September 30, 2017 the City reported a payable of \$973 for the outstanding amount of contributions to the HIS Plan required for the year ended September 30, 2017.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers

A. Plan Description

Police officers hired after January 1, 1996 participate in the Retirement Plan for the Police Officers of the City of Gulf Breeze, Florida, a single-employer defined benefit pension plan administered by the Florida Municipal Pension Trust Fund (FMPTF), a division of the Florida League of Cities, Inc. Chapter 185, Florida Statutes provides the authority under which benefit provisions are established. An employee becomes fully vested after six years of credited service with normal retirement at age 55 or age 52 with 25 years of credited service. These provisions may only be amended by legislative action. The FMPTF 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. The Retirement Plan for the Police Officers of the City of Gulf Breeze, FL (Police Pension Plan) does not issue audited stand-alone financial statements.

Name of the pension plan:	Retirement Plan for the Police Officers of the City of Gulf Breeze, FL
Legal plan administrator:	Board of Trustees of the Retirement Plan for the Police Officers of the City of Gulf Breeze, FL
Plan type:	Single-employer defined benefit pension plan
Number of covered individuals:	29 (three inactive employees and beneficiaries currently receiving benefits; 12 inactive employees entitled to but not yet receiving benefits; 14 active employees)
Contribution requirement:	Employer contributions are actuarially determined; employees must contribute 4.00% of pensionable earnings; employee contribution requirement may be amended by City ordinance, but employer contribution requirement is subject to State minimums.
Pension plan reporting:	The plan issues an unaudited stand-alone financial report each year, which contains information about the plan's fiduciary net position. The plan's fiduciary net position has been determined on the same basis used by the pension plan and is equal to the market value of assets calculated under the accrual basis of accounting. This report is available to the public at the plan's administrative office: Retirement Department, Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302, (800) 342-8112.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

B. Benefits Provided

Employees covered:	Police officers employed by the City of Gulf Breeze, FL
Types of benefits offered:	Retirement, disability, and pre-retirement death benefits
Basic pension formula:	3.50% of average earnings times service earned through March 2, 2014 plus 3% of average earnings times service earned on and after March 2, 2014.
Early retirement adjustment:	Early retirement pension is reduced by 3% for each year by which the early retirement date precedes the normal retirement date.
Disability pension:	Larger of basic pension formula or 42% of average earnings (for service-connected disabilities) Larger of basic pension formula or 25% of average earnings (for non-service-connected disabilities if the participant has earned at least 10 years of service) Disability benefits are offset as necessary to preclude the total of the disability benefit, worker's compensation, and other City-provided disability compensation from exceeding average earnings.
Pre-retirement death benefit:	Basic pension formula payable for 10 years at early or normal retirement age (payable to the beneficiary of a vested participant) Return of accumulated employee contributions (payable to the beneficiary of a non-vested participant)
Normal retirement age:	Age 55 with at least six years of service, or age 52 with at least 25 years of service.
Early retirement age:	Age 50 with at least six years of service
Vesting requirement:	100% vesting after six years of service
Form of payment:	Actuarially increased single life annuity 10-year certain and life annuity Actuarially equivalent 50%, 66.67%, 75%, or 100% joint and contingent annuity Any other actuarially equivalent form of payment approved by the Board of Trustees
Average earnings:	Average of the highest five years of pensionable earnings out of the last 10 years
Cost-of-living adjustment:	3.00% per year, delayed three years after retirement with respect to benefits earned after February 3, 2014.
Supplemental benefit:	\$5.00 per month times years of service (payable as a single life annuity)
Legal authority:	The plan was established effective January 1, 1996 pursuant to City ordinance and has been amended several times since that date.
Changes:	No plan changes were adopted since the prior measurement date.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

C. Contributions

Article X, Section 14 of the State Constitution and Part IV, Chapter 112, Florida Statutes grant the authority to establish and amend the contribution requirements of the City. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members are required to contribute 4% to the plan. All required employer contributions are made monthly at actuarially determined rates.

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, 2017 and 2016, listed below were equal to the required contributions for the year.

	<u>Years Ended September 30</u>	
	2017	2016
Contributions	\$ 190,129	\$ 152,604

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

D. Actuarial Assumptions

Employer's reporting date:	September 30, 2017
Measurement date:	September 30, 2017
Actuarial valuation date:	October 1, 2016
Discount rate:	7.00% per annum (2.92% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.
Salary increases:	4.00% per annum
Cost-of-living increases:	3.00% per year, delayed three years after retirement with respect to benefits earned after February 3, 2014.
Mortality basis:	Sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table, with full generational improvements in mortality using Scale BB
Retirement:	Retirement is assumed to occur at normal retirement age.
Other decrements:	None assumed
Non-investment expenses:	Liabilities have been loaded by 1.75% to account for non-investment expenses.
Future contributions:	Contributions from the employer and employees are assumed to be made as legally required.
Changes:	Since the prior measurement date, the mortality basis was changed from a 2015 projection of the RP-2000 Mortality Table for annuitants to the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on Police Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Police Pension Plan's target asset allocation as of September 30, 2017 (see the discussion of the Police Pension Plan's investment policy) are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Expected Long-Term Real Return</u>	
Core bonds	16.00%	0.50%	per annum
Multi-sector	24.00%	1.00%	per annum
U.S. large cap equity	39.00%	6.00%	per annum
U.S. small cap equity	11.00%	6.75%	per annum
Non-U.S. equity	10.00%	6.75%	per annum
Total or weighted arithmetic average	<u>100.00%</u>	<u>4.08%</u>	per annum

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rate. Based on those assumptions, the Police Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current employees. Therefore, the long-term expected rate of return on Police Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

F. Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance as of September 30, 2016	\$ 4,181,611	\$ (4,134,613)	\$ 46,998
Change due to:			
Service cost	214,151	-	214,151
Expected interest growth	306,049	(296,764)	9,285
Unexpected investment income	-	(271,691)	(271,691)
Demographic experience	(502,508)	-	(502,508)
Employer contributions	-	(248,563)	(248,563)
Employee contributions	-	(26,902)	(26,902)
Benefit payments & refunds	(46,223)	46,223	-
Administrative expenses	-	15,900	15,900
Changes in benefit terms	-	-	-
Assumption changes	(76,333)	-	(76,333)
Balances as of September 30, 2017	<u>\$ 4,076,747</u>	<u>\$ (4,916,410)</u>	<u>\$ (839,663)</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

G. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% -point lower (6.00%) or 1% -point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 4,848,212	\$ 4,076,747	\$ 3,466,395
Less fiduciary net position	(4,916,410)	(4,916,410)	(4,916,410)
Net pension asset	\$ (68,198)	\$ (839,663)	\$ (1,450,015)

H. Pension Plan Fiduciary Net Position

Detailed information about the Police Pension Plan's fiduciary net position is available in the separately issued FMPTF report.

I. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension benefit of \$60,594. At September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2016	\$ 943,151	\$ 256,105
Change due to:		
Amortization payments	(119,034)	(143,499)
Investment gain/loss	-	271,691
Demographic gain/loss	-	502,508
Assumption changes	-	76,333
Total change	(119,034)	707,033
Balance as of September 30, 2017	\$ 824,117	\$ 963,138

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

I. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2017	\$ 824,117	\$ 963,138
Amount recognized in the 2017/2018 pension expense:		
Investment gain/loss	54,438	66,666
Demographic gain/loss	20,452	69,030
Assumption changes	44,144	7,805
Total change	119,034	143,501
Balance as of September 30, 2018	705,083	819,637
Amount recognized in the 2018/2019 pension expense:		
Investment gain/loss	54,439	64,784
Demographic gain/loss	20,452	69,030
Assumption changes	44,144	7,805
Total change	119,035	141,619
Balance as of September 30, 2019	586,048	678,018
Amount recognized in the 2019/2020 pension expense:		
Investment gain/loss	-	64,784
Demographic gain/loss	20,452	69,030
Assumption changes	44,144	7,805
Total change	64,596	141,619
Balance as of September 30, 2020	521,452	536,399

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

I. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Amount recognized in the 2020/2021 pension expense:		
Investment gain/loss	-	54,339
Demographic gain/loss	20,452	69,030
Assumption changes	44,144	7,805
Total change	64,596	131,174
Balance as of September 30, 2021	456,856	405,225
Amount recognized in the 2021/2022 pension expense:		
Demographic gain/loss	20,452	69,030
Assumption changes	44,144	7,805
Total change	64,596	76,835
Balance as of September 30, 2022	\$ 392,260	\$ 328,390

J. Payables to the Pension Plan

At September 30, 2017 the City reported a payable of \$7,334 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2018.

K. Required Supplementary Information

The Schedule of Contributions and Schedule of Changes in Employer Net Pension Liability and Related Ratio, can be found in the required supplementary information of this comprehensive annual financial report.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

The City, for general employees hired after January 1, 1996, participates in the Florida Municipal Pension 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. Chapter 121, Florida Statutes 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 year ended September 30, 2017 totaled \$197,860, which was equal to the required contributions for the year.

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, 2017**

NOTE 8 - DEFERRED COMPENSATION PLAN (Continued)

In accordance with GASB Statement No. 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.

Contributions made by plan members during the year ended September 30, 2017, were \$103,738.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 10 - GOVERNMENTAL FUND BALANCES

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 \$9,863 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.

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.

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.

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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 11 - RISK MANAGEMENT

General Liability, Automobile, and Property Insurance

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 balance/net position 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. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Workers' Compensation Insurance

Effective October 1, 2015, the City of Gulf Breeze is insured for workers' compensation through the Florida League of Cities' Florida Municipal Insurance Program. Under this program the League assumes the risk of loss on claims for which insurance is purchased subject to certain limits. Prior to October 1, 2015, the City was self-insured for workers' compensation. The City remains self-insured for workers' compensation for claims existing prior to October 1, 2015. These activities are recorded in the General Fund. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Changes in the estimated liability for self-insured losses for the past two years are as follows:

	2017	2016
Unpaid claims, beginning	\$ 75,000	\$ 77,500
Claims incurred and changes in estimates	81,264	106,153
Less: claims paid	(81,264)	(108,653)
Unpaid claims, ending	\$ 75,000	\$ 75,000

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 11 - RISK MANAGEMENT (Continued)

Unpaid claims are reported in accrued liabilities on the balance sheet.

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

NOTE 12 - NON-CURRENT LIABILITIES

Changes in Non-Current Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue Improvement Bonds, Series 2007	\$ 7,594,400	\$ -	\$ (206,800)	\$ 7,387,600	\$ 215,600
Less deferred amounts for issuance discount	(34,707)	-	1,590	(33,117)	-
Compensated absences	299,535	161,094	(177,001)	283,628	49,408
 Total governmental activities, long term debt and other liabilities	 <u>\$ 7,859,228</u>	 <u>\$ 161,094</u>	 <u>\$ (382,211)</u>	 <u>\$ 7,638,111</u>	 <u>\$ 265,008</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 - NON-CURRENT LIABILITIES (Continued)

Changes in Non-Current Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
SSRU Refunding Revenue Bonds, Series 2004	\$ 3,350,000	\$ -	\$ (3,350,000)	\$ -	\$ -
SSRU Refunding Revenue Note, Series 2016	-	2,650,000	-	2,650,000	740,000
Add deferred amounts for issuance premium	95,353	-	(23,836)	71,517	-
Revenue Improvement Bonds, Series 2007	1,035,600	-	(28,200)	1,007,400	29,400
SSRU Refunding Revenue Note Revenue Improvement Bonds, Series 2016A	3,380,974	-	(218,513)	3,162,461	224,739
Revenue Improvement Bonds, Series 2016B	5,000,000	-	(155,060)	4,844,940	126,262
Capital lease payable, meters	2,576,520	-	(79,920)	2,496,600	65,085
State revolving loan	3,941,854	-	(343,798)	3,598,056	382,753
Unearned revenue	852,543	-	(42,051)	810,492	43,344
Compensated absences	30,094	19,086	(12,811)	36,369	-
	<u>205,722</u>	<u>119,434</u>	<u>(152,557)</u>	<u>172,599</u>	<u>38,776</u>
Total business-type activities, long term debt and other liabilities	<u>\$ 20,468,660</u>	<u>\$ 2,788,520</u>	<u>\$ (4,406,746)</u>	<u>\$ 18,850,434</u>	<u>\$ 1,650,359</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 - NON-CURRENT LIABILITIES (Continued)

Description of Long-Term Debt and Other Liabilities Outstanding

	Current	Long-Term	Total
Governmental Activities			
Revenue Bonds			
\$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.	\$ 215,600	\$ 7,172,000	\$ 7,387,600
Less unamortized bond discount	-	(33,117)	(33,117)
Total Governmental Activities	\$ 215,600	\$ 7,138,883	\$ 7,354,483
Business-Type Activities	Current	Long-Term	Total
Revenue Bonds			
\$2,650,000, City of Gulf Breeze, Florida, South Santa Rosa Utility System Refunding Revenue Note, Series 2016, due in annual installments of \$320,000 to \$815,000 through 2021; interest rate at 1.339%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund all of the City's Series 2004 South Santa Rosa Utility System Revenue Bonds.	\$ 740,000	\$ 1,910,000	\$ 2,650,000
Add unamortized bond premium	-	71,517	71,517
	740,000	1,981,517	2,721,517
\$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.	29,400	978,000	1,007,400
\$3,800,000, South Santa Rosa Utility System Refunding Revenue Note, 2013, due in annual installments ranging from \$206,569 to \$306,144 plus semi-annual interest payments through 2028; bearing an interest rate of 2.85%; Non-ad valorem revenues are pledged for payment; Proceeds used for the payment of the SSRU Refunding Revenue Note, 2009B.	224,739	2,937,722	3,162,461

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 - NON-CURRENT LIABILITIES (Continued)

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

Business-Type Activities (Continued)	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<i>Revenue Bonds (Continued)</i>			
\$5,000,000, City of Gulf Breeze, Florida, South Santa Rosa Utility System Capital Improvement Revenue Bond, Series 2016A, due in annual installments of \$155,060 to \$3,681,530 through 2026, interest rate at 4.0%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund various City loans and to finance certain capital improvements.	126,262	4,718,678	4,844,940
\$2,756,520, City of Gulf Breeze, Florida, South Santa Rosa Utility System Capital Improvement Revenue Bond, Series 2016B, due in annual installments of \$79,920 to \$1,896,374 through 2026, interest rate at 4.0%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund various City loans and to finance certain capital improvements.	<u>65,085</u>	<u>2,431,515</u>	<u>2,496,600</u>
<i>Total Bonds and Note</i>	<u>1,185,486</u>	<u>13,047,432</u>	<u>14,232,918</u>
<i>Capital Lease</i>			
Capital lease with SunTrust for water and gas meters and other equipment; due in semi-annual installments ranging from \$161,102 to \$289,000; payments through 2026; bearing an interest rate of 2.8%; secured by meters and other financed equipment; net book value at September 30, 2017 of \$3,057,768.	<u>382,753</u>	<u>3,215,303</u>	<u>3,598,056</u>
<i>State Revolving Loan</i>			
State revolving loan payable of \$971,323, due in semi-annual payments of \$33,868, through September 15, 2032, bearing an interest rate of 3.05%.	<u>43,344</u>	<u>767,148</u>	<u>810,492</u>
Total Business-Type Activities	<u>\$ 1,611,583</u>	<u>\$ 17,029,883</u>	<u>\$ 18,641,466</u>
Grand Total Long-Term Debt			<u>\$ 25,995,949</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 - NON-CURRENT LIABILITIES (Continued)

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except compensated absences as of September 30, 2017, are as follows:

Governmental Activities

Years Ending September 30,	Revenue Improvement Bonds	
	Principal	Interest
2018	\$ 215,600	\$ 343,331
2019	224,400	334,035
2020	237,600	324,217
2021	246,400	313,778
2022	255,200	302,774
2023-2027	1,469,600	1,323,490
2028-2032	1,848,000	931,073
2033-2037	2,354,000	418,011
2038	536,800	-
	<u>\$ 7,387,600</u>	<u>\$ 4,290,709</u>

Business-Type Activities

Years Ending September 30,	2016 Refunding Revenue Bonds		2007 Revenue Improvement Bonds		2013 Refunding Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
	2018	\$ 740,000	\$ 30,614	\$ 29,400	\$ 46,818	\$ 224,739
2019	775,000	20,443	30,600	45,550	231,144	84,888
2020	815,000	9,768	32,400	44,211	237,732	78,209
2021	320,000	2,148	33,600	42,788	244,507	71,535
2022	-	-	34,800	41,287	251,476	64,274
2023-2027	-	-	200,400	180,476	1,369,058	208,255
2028-2032	-	-	252,000	126,965	603,805	26,318
2033-2037	-	-	321,000	57,002	-	-
2038	-	-	73,200	-	-	-
	<u>\$ 2,650,000</u>	<u>\$ 62,973</u>	<u>\$ 1,007,400</u>	<u>\$ 585,097</u>	<u>\$ 3,162,461</u>	<u>\$ 624,861</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 - NON-CURRENT LIABILITIES (Continued)

Annual Requirements to Amortize Debt Outstanding (Continued)

Business-Type Activities (Continued)

Years Ending September 30,	Series 2016A Revenue Bonds		Series 2016B Improvement Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 126,262	\$ 197,390	\$ 65,085	\$ 86,463
2019	131,313	192,246	67,688	101,694
2020	136,565	186,896	70,396	99,043
2021	142,028	181,332	73,212	96,285
2022	147,709	175,546	76,140	93,417
2023-2027	4,161,063	639,549	2,144,079	419,883
	<u>\$ 4,844,940</u>	<u>\$ 1,572,959</u>	<u>\$ 2,496,600</u>	<u>\$ 896,785</u>

Years Ending September 30,	SunTrust Equipment Lease		State Revolving Loan	
	Principal	Interest	Principal	Interest
2018	\$ 382,753	\$ 98,247	\$ 43,344	\$ 25,684
2019	373,709	87,291	44,676	24,392
2020	364,821	77,179	46,049	23,060
2021	399,285	66,715	47,464	21,687
2022	442,721	55,279	48,923	20,727
2023-2027	1,634,767	86,438	268,113	78,561
2028-2032	-	-	311,923	36,057
2033-2037	-	-	-	1,519
	<u>\$ 3,598,056</u>	<u>\$ 471,149</u>	<u>\$ 810,492</u>	<u>\$ 231,687</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 12 - NON-CURRENT LIABILITIES (Continued)

Debt Covenants

There are a number of covenants in the debt agreements, including a rate covenant requiring net revenue of South Santa Rosa Utilities to be at least 125% of annual debt service requirements.

Compensated Absences

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

NOTE 13 - ADVANCE REFUNDING OF DEBT

The City has issued refunding revenue bonds to defease certain outstanding bonds to achieve debt service coverage savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues.

During the year ended September 30, 2017, the City issued a \$2,650,000 Utility System Refunding Revenue Note, Series 2016, to advance refund \$2,650,000 of Utility System Revenue Bonds, Series 2004.

The advance refunding reduced total debt service payments by approximately \$172,000 and gave rise to an economic gain of approximately \$160,000 (difference between the present values of the old and new debt service payments).

At September 30, 2017, the City has \$2,650,000 of bonds outstanding that are considered to be defeased.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at September 30, 2017 is as follows:

Interfund Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Natural Gas	\$ 2,233,334
General	Stormwater Management	500,000
General	South Santa Rosa Utility	1,147,823
South Santa Rosa Utility	Water & Sewer	331,740
General	Solid Waste	<u>50,000</u>
		<u><u>\$ 4,262,897</u></u>

Interfund balances are comprised of a receivable from the Natural Gas Fund to the General Fund for providing funding for the pipeline extension project; a receivable from the Stormwater Management Fund to the General Fund for providing funding for capital improvements; a receivable from the South Santa Rosa Utility Fund to the General fund for providing funding for capital improvements; a receivable from the Water & Sewer Fund to the South Santa Rosa Utility Fund for utility and impact fees; and a receivable from the Solid Waste fund to the General Fund for providing funding for operations.

Interfund Transfers

Transfers Out	Transfers In					Total
	<u>General</u>	<u>Urban Core Redevelopment</u>	<u>Non-major Governmental</u>	<u>Water and Sewer</u>	<u>South Santa Rosa Utility</u>	
General	\$ -	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
Urban Core Redevelopment	350,000	-	-	-	-	350,000
Water and Sewer	204,349	-	-	-	465,037	669,386
Natural Gas	494,610	-	-	-	-	494,610
South Santa Rosa Utility	461,200	-	-	-	-	461,200
Stormwater Management	228,112	-	-	-	-	228,112
Gulf Breeze Financial Services	380,000	-	-	-	-	380,000
Non-major Governmental	749,286	-	2,955	-	-	752,241
Non-major Proprietary	<u>96,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,400</u>
Totals	<u>\$ 2,963,957</u>	<u>\$ 400,000</u>	<u>\$ 2,955</u>	<u>\$ -</u>	<u>\$ 465,037</u>	<u>\$ 3,831,949</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

The interfund transfers to the General Fund reflect annually budgeted amounts of return of equity to the General Fund, transferring of repaving costs paid out of the Urban Core Redevelopment Fund, and transfer from the Red Light Fund, a non-major governmental fund, for the deposit for a fire truck. The transfer to the Urban Redevelopment Fund reflects the City's tax increment financing contribution to that fund. The transfer from the Water and Sewer Fund to the South Santa Rosa Utility Fund reflects estimated annual portion of waste water treatment costs incurred by South Santa Rosa Utility for Water and Sewer customer waste water volumes.

NOTE 15 - JOINT VENTURE

As defined in GASB Statement No. 14, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, a joint venture is a separate legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an ongoing financial responsibility. The City, Holley-Navarre Water System, Inc. and Midway 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. As a result, they created the Fairpoint Regional Utility System (FRUS), which is owned one-third by each.

The investment is accounted for under the equity method of accounting and is included with other assets on the Statement of Net Position. During 2017, the City's investment value in the joint venture increased by \$468,052 and as of September 30, 2017, was \$2,577,081. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

The City has a non-interest bearing note receivable from FRUS requiring monthly payments of \$1,457 through September 2025. The amount due from FRUS totaled \$139,913 at September 30, 2017.

The City has a "take or pay" minimum purchase commitment with FRUS. The on-going commitment requires the City to accept and pay for an average of 1,957,909 gallons of water per day over the billing period. If FRUS cannot provide those volumes despite its best efforts, then the commitment is reduced proportionately to the deliverable volumes. As of September 30, 2017, the FRUS rate was \$1.55 per thousand gallons.

NOTE 16 - RELATED PARTY TRANSACTIONS

The City Council appoints the Directors of CTA. During the year ended September 30, 2017, CTA transferred \$620,000 to the City. The transaction was reflected as revenue of the City and an expense of CTA in the statement of activities. The purpose of the transfer was to subsidize the governmental operations of the City.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 16 - RELATED PARTY TRANSACTIONS (Continued)

CTA-CDE paid an annual management fee of \$114,000 to GBFS for the year ended September 30, 2017.

CTA and CTA-CDE share office space with GBFS. In addition, certain expenses incurred by GBFS, such as payroll and related fringe benefits, general and administrative expenses, and professional fees are also allocated to CTA and CTA-CDE. Total costs allocated to CTA for the year ended September 30, 2017 were \$46,626, of which \$16,202 remained unpaid and is included in CTA accrued liabilities as of September 30, 2017.

The salaries and benefits related to the CTA Executive Director's employment contract are charged in full to CTA, but are paid by GBFS and reimbursed. For the year ended September 30, 2017, those expenses totaled \$300,000, of which \$115,980 remained unpaid and is included in CTA accrued liabilities as of September 30, 2017.

In August 2007, CTA-CDE was certified as a Community Development Entity (CDE) by the Community Development Financial Institutions (CDFI) Fund of the United States Department of the Treasury. Certification as a CDE allowed CTA-CDE to become eligible to apply to the CDFI Fund for the allocation of New Market Tax Credits (NMTCs). CTA-CDE was granted an allocation of \$75 million of NMTC authority from the CDFI Fund under the American Recovery and Reinvestment Act of 2009 and pursuant to an Allocation Agreement dated June 18, 2009. Through this allocation, CTA-CDE is authorized to allocate the tax credits to private equity investors in CTA-CDE.

The funds raised by CTA-CDE through the NMTCs are used to invest in or lend to projects in Florida meeting the low-income community eligibility requirements, as outlined by the CDFI Fund.

Under CTA-CDE's Allocation Agreement with the CDFI Fund, the following entities have become approved Subsidiary Allocatees of CTA-CDE: CTA CDE Sub 1, LLC; CTA CDE Sub 2, LLC; CTA CDE Sub 3, LLC; CTA CDE Sub 4, LLC; and CTA CDE Sub 5, LLC.

Per the management and administration agreement between CTA-CDE and the Subsidiary Allocatees, CTA-CDE is to receive an annual asset management fee in the aggregate amount of up to \$271,995 for its services in managing and administering the Subsidiary Allocatees. For the year ended September 30, 2017, \$256,330 of the asset management fee had been earned and recognized. As of September 30, 2017, \$56,250 had not been collected and was presented as a receivable on the accompanying statement of net position. In addition, in accordance with the terms of the Subsidiary Allocatees operating agreement, CTA-CDE is to be paid fees in connection with the assignment of a portion of CTA-CDE's NMTC allocation to the Subsidiary Allocatees. No such fees were earned during the year ended September 30, 2017.

Per the operating agreements of the Subsidiary Allocatees, CTA-CDE earns fees for its payment of operating expenses on the Subsidiary Allocatees' behalf. For the year ended September 30, 2017, such fees earned were \$69,625 and are included in miscellaneous income on the statement of activities.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 17 - 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.

Construction Contracts

The City has a \$245,106 construction contract and a \$34,931 engineering services contract related to the relocation of utilities at the Pensacola Bay Bridge. As of September 30, 2017, the remaining contractual commitments under these contracts totaled approximately \$253,000.

The City has a \$229,531 construction contract for drainage and paving work. As of September 30, 2017, the remaining contractual commitment under this contract was approximately \$178,000.

The City has a \$671,719 construction contract for resurfacing of local roads. As of September 30, 2017, the remaining contractual commitment under this contract was approximately \$81,000.

Litigation

A lawsuit dated September 9, 2010 was initiated against the City with regards to title to a particular parcel of property lying between the southerly end of the Catawba Street right-of-way and Pensacola Bay. The court rendered a decision in favor of the plaintiffs and has found that the plaintiffs are entitled to attorney's fees of approximately \$265,000. Management is appealing the Court's determination that the plaintiffs should be awarded any attorney's fees. Management believes a reversal of any of the appealed issues would significantly reduce, or completely eliminate, any of the attorney fee exposure. Since the appeal process is still ongoing, management is unable to predict with any certainty what the outcome may be and is additionally unable to determine an estimate of loss. As such, no liability related to this matter has been recognized in the accompanying financial statements.

Minimum Purchase Commitment

As discussed in Note 16, the City has a minimum purchase commitment with FRUS which requires the City to accept and pay for an average of 1,957,909 gallons of water per day over the billing period.

REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS*

Schedule A-1

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Gulf Breeze's proportion of net pension liability	0.002008423%	0.002777516%	0.002590508%	0.003036459%
City of Gulf Breeze's proportionate share of net pension liability	\$ 594,076	\$ 701,325	\$ 334,599	\$ 185,269
City of Gulf Breeze's covered-employee payroll	\$ 438,197	\$ 554,088	\$ 618,721	\$ 608,979
City of Gulf Breeze's proportionate share of net pension liability as a percentage of its covered-employee payroll	135.57%	126.57%	54.08%	30.42%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

* The amounts presented for each fiscal year were determined as of June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS*

Schedule A-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Gulf Breeze's proportion of net pension liability	0.001368461%	0.001884406%	0.001995196%	0.002228351%
City of Gulf Breeze's proportionate share of net pension liability	\$ 146,322	\$ 219,620	\$ 203,479	\$ 208,356
City of Gulf Breeze's covered-employee payroll	\$ 438,197	\$ 554,088	\$ 618,721	\$ 608,979
City of Gulf Breeze's proportionate share of net pension liability as a percentage of its covered-employee payroll	33.39%	39.64%	32.89%	34.21%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

* The amounts presented for each fiscal year were determined as of June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF CHANGES IN EMPLOYER NET PENSION LIABILITY AND RELATED RATIO
FLORIDA MUNICIPAL PENSION TRUST FUND
LAST TEN FISCAL YEARS*

Schedule A-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability	\$ 4,076,747	\$ 4,181,611	\$ 3,720,885	\$ 2,986,232	\$ 2,724,845	\$ 3,608,235
Plan fiduciary net position	<u>4,916,410</u>	<u>4,134,613</u>	<u>3,901,457</u>	<u>3,769,799</u>	<u>3,314,601</u>	<u>2,779,873</u>
Employer net pension liability (asset) - ending	<u>\$ (839,663)</u>	<u>\$ 46,998</u>	<u>\$ (180,572)</u>	<u>\$ (783,567)</u>	<u>\$ (589,756)</u>	<u>\$ 828,362</u>
Plan fiduciary net position as a % of total pension liability	120.60%	98.88%	104.85%	126.24%	121.64%	77.04%
Covered-employee payroll	\$ 621,418	\$ 632,650	\$ 560,545	\$ 573,863	\$ 573,863	\$ 563,728
Employer's net pension liability as a percentage of covered employee payroll	N/A	7.43%	N/A	N/A	N/A	146.94%

* The amounts presented for each fiscal year were determined as of October 1. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2012 was not available.

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS*

Schedule A-4

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 47,110	\$ 57,239	\$ 59,916	\$ 67,591
Contributions in relation to the contractually required contribution	<u>(47,110)</u>	<u>(57,239)</u>	<u>(59,916)</u>	<u>(67,591)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 438,197	\$ 554,088	\$ 618,721	608,979
Contribution as a percentage of covered-employee payroll	10.75%	10.33%	9.68%	11.10%

* The amounts presented for each fiscal year were determined as of June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS*

Schedule A-5

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 13,114	\$ 16,807	\$ 13,687	\$ 14,066
Contributions in relation to the contractually required contribution	<u>(13,114)</u>	<u>(16,807)</u>	<u>(13,687)</u>	<u>(14,066)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 438,197	\$ 554,088	\$ 618,721	608,979
Contribution as a percentage of covered-employee payroll	2.99%	3.03%	2.21%	2.31%

* The amounts presented for each fiscal year were determined as of June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA MUNICIPAL PENSION TRUST FUND
LAST TEN FISCAL YEARS*

Schedule A-6

	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 190,129	\$ 152,604	\$ 120,446	\$ 196,200	\$ 268,765	\$ 89,212
Contributions in relation to the actuarially determined contribution	(190,129)	(152,604)	(120,446)	(196,200)	(268,765)	(89,212)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Gulf Breeze's covered-employee payroll	\$ 621,418	\$ 632,650	\$ 560,545	\$ 573,863	\$ 573,863	563,728
Contribution as a percentage of covered-employee payroll	30.60%	24.12%	21.49%	34.19%	46.83%	15.83%

* The amounts presented for each fiscal year were determined as of September 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2012 was not available.

CITY OF GULF BREEZE, FLORIDA
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
FLORIDA MUNICIPAL PENSION TRUST FUND
YEAR ENDED SEPTEMBER 30, 2017

Schedule A-7

	Police Officer Retirement Fund
Contribution rates:	
City	20.95%
Plan members	4.0%
Chapter 185 contribution	9.40%
Annual pension cost	\$ 187,969
Contributions made:	
Plan members	\$ 26,902
Employer	\$ 190,129
State of Florida	\$ 69,991
Net pension asset	\$ 839,663
Actuarial valuation date	10/1/2016
Actuarial cost method	Aggregate cost method
Asset valuation method	Market value
Actuarial assumptions:	
Interest (or discount) rate	7.00% per annum (2.92% per annum is attributable to long-term inflation)
Projected salary increases	4.00% per annum
Cost-of-living increases	3.00% per year, delayed three years after retirement with respect to benefits earned after February 3, 2014
Non-investment expenses	The total projected benefit liability has been loaded by 1.75% to account for non-investment expenses.
Retirement age	Assumed to occur at normal retirement age
Mortality basis	Sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table, with full generational improvements in mortality using Scale BB
Future contributions	Contributions from the employer and employees are assumed to be made as legally required.
Changes	Since the prior measurement date, the mortality basis was changed from a 2015 projection of the RP-2000 Mortality Table for annuitants to the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB

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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 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.

Tourist Development Special Revenue Fund

To account for funds received for tourist development.

CITY OF GULF BREEZE, FLORIDA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

Schedule B-1

	Traffic Citation Special Revenue	Police Special Revenue	Tourist Development Special Revenue	Total
Assets:				
Cash and cash equivalents	\$ 487,481	\$ -	\$ -	\$ 487,481
Receivables	-	2,100	-	2,100
Due from other governments	4,500	725	32,282	37,507
Restricted assets				
Cash and cash equivalents	-	114,987	29,525	144,512
Total Assets	\$ 491,981	\$ 117,812	\$ 61,807	\$ 671,600
Liabilities:				
Accounts payable	\$ 22,262	\$ 158	\$ -	\$ 22,420
Accrued liabilities	552	-	-	552
Due to other governments	29,382	-	-	29,382
Total liabilities	52,196	158	-	52,354
Fund Balances:				
Restricted				
Public safety	-	117,654	-	117,654
Community redevelopment	-	-	61,807	61,807
Assigned				
Public safety	439,785	-	-	439,785
Total fund balances	439,785	117,654	61,807	619,246
Total Liabilities and Fund Balances	\$ 491,981	\$ 117,812	\$ 61,807	\$ 671,600

CITY OF GULF BREEZE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Statement B-2

	Traffic Citation Special Revenue	Police Special Revenue	Tourist Development Special Revenue	Total
Revenues:				
Taxes	\$ -	\$ -	\$ 211,692	\$ 211,692
Intergovernmental	-	25,724	-	25,724
Fines and forfeitures	499,922	52,711	-	552,633
Miscellaneous	1,787	8,140	-	9,927
Total revenues	<u>501,709</u>	<u>86,575</u>	<u>211,692</u>	<u>799,976</u>
Expenditures:				
Current				
General government	10	-	-	10
Public safety	271,820	26,604	-	298,424
Culture and recreation	-	-	28,884	28,884
Capital outlay	-	29,744	-	29,744
Total expenditures	<u>271,830</u>	<u>56,348</u>	<u>28,884</u>	<u>357,062</u>
Excess of Revenues Over Expenditures	<u>229,879</u>	<u>30,227</u>	<u>182,808</u>	<u>442,914</u>
Other Financing Sources (Uses):				
Transfers in	-	2,955	-	2,955
Transfers out	(596,909)	(2,554)	(152,778)	(752,241)
Total other financing sources (uses)	<u>(596,909)</u>	<u>401</u>	<u>(152,778)</u>	<u>(749,286)</u>
Net change in fund balances	(367,030)	30,628	30,030	(306,372)
Fund Balances:				
Beginning of year	<u>806,815</u>	<u>87,026</u>	<u>31,777</u>	<u>925,618</u>
End of year	<u>\$ 439,785</u>	<u>\$ 117,654</u>	<u>\$ 61,807</u>	<u>\$ 619,246</u>

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
TRAFFIC CITATION SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2017

Statement B-3

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 775,000	\$ 775,000	\$ 499,922	\$ (275,078)
Miscellaneous	-	-	1,787	1,787
Total revenues	775,000	775,000	501,709	(273,291)
Expenditures:				
Current				
General government	-	-	10	(10)
Public safety	757,134	757,134	271,820	485,314
Capital outlay	2,000	2,000	-	2,000
Total expenditures	759,134	759,134	271,830	487,304
Deficiency of revenues under expenditures	15,866	15,866	229,879	214,013
Other Financing Uses:				
Transfers out	(169,000)	(596,909)	(596,909)	-
Use of Reserves	153,134	581,043	-	(581,043)
Net change in fund balance	\$ -	\$ -	(367,030)	\$ (367,030)
Fund Balance:				
Beginning of year			806,815	
End of year			\$ 439,785	

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
TOURIST DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2017

Statement B-4

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 211,692	\$ 61,692
Expenditures:				
Culture and recreation	29,000	29,000	28,884	116
Excess of revenues over expenditures	121,000	121,000	182,808	61,808
Other Financing Uses:				
Transfers out	(121,000)	(152,778)	(152,778)	-
Use of Reserves	-	31,778	-	(31,778)
Net change in fund balance	\$ -	\$ -	30,030	\$ 30,030
Fund Balance:				
Beginning of year			31,777	
End of year			\$ 61,807	

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.

Solid Waste Control Fund

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

Innerarity Point Utilities Fund

To account for the activities associated with operation of the water and sewer utilities of Innerarity Point, an unincorporated community in Escambia County, Florida.

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2017

Statement C-1

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Solid Waste Control	Innerarity Point Utilities	Total
Current Assets:			
Cash and cash equivalents	\$ 4,388	\$ 97,168	\$ 101,556
Receivables, net	64,671	32,285	96,956
Restricted cash and cash equivalents	12,075	-	12,075
Total current assets	<u>81,134</u>	<u>129,453</u>	<u>210,587</u>
Non-Current Assets:			
Capital assets, net			
Machinery and equipment	12,000	-	12,000
Total Assets	<u>93,134</u>	<u>129,453</u>	<u>222,587</u>
Deferred Outflows of Resources:			
Pensions	4,783	-	4,783
Total Assets and Deferred Outflows	<u>\$ 97,917</u>	<u>\$ 129,453</u>	<u>\$ 227,370</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities:			
Accounts payable	\$ 69,105	\$ 19,966	\$ 89,071
Accrued liabilities	785	-	785
Interfund payables	50,000	-	50,000
Due to other governments	-	846	846
Payable from restricted assets			
Customer deposits	12,075	-	12,075
Compensated absences	109	-	109
Total current liabilities	<u>132,074</u>	<u>20,812</u>	<u>152,886</u>
Non-Current Liabilities:			
Compensated absences	3,294	-	3,294
Net pension liability	9,136	-	9,136
Total non-current liabilities	<u>12,430</u>	<u>-</u>	<u>12,430</u>
Total Liabilities	<u>144,504</u>	<u>20,812</u>	<u>165,316</u>
Deferred Inflows of Resources:			
Pensions	4,410	-	4,410
Net Position:			
Net investment in capital assets	12,000	-	12,000
Unrestricted	(62,997)	108,641	45,644
Total net position	<u>(50,997)</u>	<u>108,641</u>	<u>57,644</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 97,917</u>	<u>\$ 129,453</u>	<u>\$ 227,370</u>

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Statement C-2

	Solid Waste Control	Innerarity Point Utilities	Total
Operating Revenues:			
Charges for services	\$ 675,885	\$ 80,986	\$ 756,871
Operating Expenses:			
Personal services	125,546	-	125,546
Contractual services	433,459	2,529	435,988
Supplies	1,814	1,947	3,761
Professional services	-	1,000	1,000
Repairs and maintenance	15,658	16,744	32,402
Office and utilities	-	1,488	1,488
Depreciation and amortization	10,749	-	10,749
Total operating expenses	<u>587,226</u>	<u>23,708</u>	<u>610,934</u>
Operating income	88,659	57,278	145,937
Non-Operating Revenues:			
Miscellaneous	<u>163</u>	<u>-</u>	<u>163</u>
Income Before Transfers	88,822	57,278	146,100
Transfers:			
Transfers out	<u>(96,400)</u>	<u>-</u>	<u>(96,400)</u>
Changes in Net Position	(7,578)	57,278	49,700
Net Position at Beginning of Year	<u>(43,419)</u>	<u>51,363</u>	<u>7,944</u>
Net Position at End of Year	<u>\$ (50,997)</u>	<u>\$ 108,641</u>	<u>\$ 57,644</u>

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CITY OF GULF BREEZE, FLORIDA
STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

Statement C-3

	Solid Waste Control	Innerarity Point Utilities	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 671,892	\$ 66,140	\$ 738,032
Payments to other funds	(20,100)	-	(20,100)
Payments to suppliers and providers	(429,181)	(25,863)	(455,044)
Payments to employees	(125,335)	-	(125,335)
Net cash provided by operating activities	97,276	40,277	137,553
Cash Flows from Non-Capital Financing Activities:			
Transfers out	(96,400)	-	(96,400)
Net cash used in non-capital financing activities	(96,400)	-	(96,400)
Net Change in Cash and Cash Equivalents	876	40,277	41,153
Cash and Cash Equivalents - Beginning of Year	15,587	56,891	72,478
Cash and Cash Equivalents - End of Year	\$ 16,463	\$ 97,168	\$ 113,631
Displayed As:			
Cash and cash equivalents	\$ 4,388	\$ 97,168	\$ 101,556
Restricted cash	12,075	-	12,075
Total cash and cash equivalents	\$ 16,463	\$ 97,168	\$ 113,631

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017
(Continued)

Statement C-3

	Solid Waste Control	Innerarity Point Utilities	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 88,659	\$ 57,278	\$ 145,937
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation	10,749	-	10,749
Provision for uncollectible accounts	2,265	(678)	1,587
Miscellaneous income	163	-	163
Changes in operating assets and liabilities:			
Receivables	(6,421)	2,111	(4,310)
Deferred outflow of resources - pensions	646	-	646
Accounts payable	21,750	(2,155)	19,595
Accrued liabilities	(14)	-	(14)
Interfund payables	(20,100)	-	(20,100)
Due to other governments	-	(16,279)	(16,279)
Compensated absences	311	-	311
Net pension liability	(2,836)	-	(2,836)
Deferred inflow of resources - pensions	2,104	-	2,104
	<u>\$ 97,276</u>	<u>\$ 40,277</u>	<u>\$ 137,553</u>
Net Cash Provided By Operating Activities	<u>\$ 97,276</u>	<u>\$ 40,277</u>	<u>\$ 137,553</u>

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III. Statistical Section

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

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

STATISTICAL SECTION

This part of the City of Gulf Breeze's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends - These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity - These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property, sales taxes, and utility revenue.

Debt Capacity - These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. Note the city has no general obligation debt.

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make a comparison over time and with other governments.

Operating Information - These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF GULF BREEZE, FLORIDA
COMPONENTS OF NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED**

Table I

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net Investment in Capital Assets:										
Governmental activities	\$ 7,085,403	\$ 8,178,037	\$ 9,722,091	\$ 10,625,849	\$ 11,302,841	\$ 9,652,675	\$ 4,895,426	\$ 1,460,655	\$ 3,275,527	\$ 2,632,860
Business-type activities	<u>12,931,062</u>	<u>11,653,347</u>	<u>15,705,656</u>	<u>18,625,464</u>	<u>17,147,289</u>	<u>14,049,602</u>	<u>12,368,789</u>	<u>13,788,131</u>	<u>14,451,915</u>	<u>16,299,600</u>
Total primary government	<u>\$ 20,016,465</u>	<u>\$ 19,831,384</u>	<u>\$ 25,427,747</u>	<u>\$ 29,251,313</u>	<u>\$ 28,450,130</u>	<u>\$ 23,702,277</u>	<u>\$ 17,264,215</u>	<u>\$ 15,248,786</u>	<u>\$ 17,727,442</u>	<u>\$ 18,932,460</u>
Restricted Net Position:										
Governmental activities	\$ 1,947,912	\$ 968,784	\$ 753,569	\$ 485,597	\$ 711,122	\$ 879,047	\$ 994,663	\$ 656,392	\$ 397,270	\$ 25,485
Business-type activities	<u>108,597</u>	<u>183,115</u>	<u>1,814,513</u>	<u>5,456,129</u>	<u>5,298,985</u>	<u>844,957</u>	<u>844,957</u>	<u>917,665</u>	<u>756,855</u>	<u>756,855</u>
Total primary government	<u>\$ 2,056,509</u>	<u>\$ 1,151,899</u>	<u>\$ 2,568,082</u>	<u>\$ 5,941,726</u>	<u>\$ 6,010,107</u>	<u>\$ 1,724,004</u>	<u>\$ 1,839,620</u>	<u>\$ 1,574,057</u>	<u>\$ 1,154,125</u>	<u>\$ 782,340</u>
Unrestricted Net Position:										
Governmental activities	\$ 13,319,979	\$ 14,033,970	\$ 7,672,816	\$ 7,694,974	\$ 6,914,109	\$ 7,689,924	\$ 5,852,883	\$ 8,891,621	\$ 6,273,663	\$ 7,152,710
Business-type activities	<u>15,488,277</u>	<u>14,406,046</u>	<u>5,550,686</u>	<u>1,235,949</u>	<u>5,265,964</u>	<u>14,084,654</u>	<u>14,566,239</u>	<u>12,061,124</u>	<u>2,423,036</u>	<u>1,600,727</u>
Total primary government	<u>\$ 28,808,256</u>	<u>\$ 28,440,016</u>	<u>\$ 13,223,502</u>	<u>\$ 8,930,923</u>	<u>\$ 12,180,073</u>	<u>\$ 21,774,578</u>	<u>\$ 20,419,122</u>	<u>\$ 20,952,745</u>	<u>\$ 8,696,699</u>	<u>\$ 8,753,437</u>
Total Net Position:										
Governmental activities	\$ 22,353,294	\$ 23,180,791	\$ 18,148,476	\$ 18,806,420	\$ 18,928,072	\$ 18,221,646	\$ 11,742,972	\$ 11,008,668	\$ 9,946,460	\$ 9,811,055
Business-type activities	<u>28,527,936</u>	<u>26,242,508</u>	<u>23,070,855</u>	<u>25,317,542</u>	<u>27,712,238</u>	<u>28,979,213</u>	<u>27,779,985</u>	<u>26,766,920</u>	<u>17,631,806</u>	<u>18,657,182</u>
Total primary government	<u>\$ 50,881,230</u>	<u>\$ 49,423,299</u>	<u>\$ 41,219,331</u>	<u>\$ 44,123,962</u>	<u>\$ 46,640,310</u>	<u>\$ 47,200,859</u>	<u>\$ 39,522,957</u>	<u>\$ 37,775,588</u>	<u>\$ 27,578,266</u>	<u>\$ 28,468,237</u>

SOURCE: City of Gulf Breeze Finance Department.

**CITY OF GULF BREEZE, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED**

Table II

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental activities -										
General government	\$ 2,307,012	\$ 2,355,653	\$ 2,140,000	\$ 2,159,875	\$ 1,939,342	\$ 1,780,088	\$ 2,140,853	\$ 1,832,961	\$ 1,604,707	\$ 1,646,593
Public safety	3,116,311	3,672,304	3,708,802	3,389,678	3,259,673	2,848,296	2,582,913	2,273,863	2,242,994	2,550,037
Transportation	1,083,623	518,675	830,933	645,097	1,040,137	392,737	431,961	317,802	336,485	401,763
Economic environment	659,419	550,405	539,671	480,967	458,622	470,558	434,757	423,014	388,133	197,622
Culture and recreation	2,547,734	2,256,254	2,204,301	2,120,714	1,853,545	1,800,355	3,758,787	1,195,503	1,160,607	1,280,020
Debt service interest	343,507	357,915	369,894	395,462	305,046	310,536	315,231	320,336	325,297	378,952
Total governmental activities	<u>10,057,606</u>	<u>9,711,206</u>	<u>9,793,601</u>	<u>9,191,793</u>	<u>8,856,365</u>	<u>7,602,570</u>	<u>9,664,502</u>	<u>6,363,479</u>	<u>6,058,223</u>	<u>6,454,987</u>
Business-type activities -										
Water and sewer	2,167,688	2,172,973	2,019,512	1,956,060	1,626,874	1,557,810	1,523,787	1,610,416	1,576,201	1,345,242
Natural gas	2,288,516	2,220,768	2,495,520	2,460,185	1,897,522	1,286,806	1,388,342	1,329,058	1,699,027	2,069,606
South Santa Rosa Utility	7,404,006	6,081,605	9,034,748	9,020,191	7,298,787	4,918,789	4,887,012	4,531,148	5,493,205	5,478,040
Solid waste control	587,226	577,155	564,709	547,242	702,888	896,904	870,997	886,868	890,827	927,121
Stormwater management	491,625	511,473	431,285	566,526	258,411	259,933	246,276	236,013	266,966	287,197
Gulf Breeze Financial Services	423,343	359,021	204,582	235,163	245,537	240,070	725,702	228,246	250,320	181,307
Innerarity Point	23,708	15,003	16,663	-	-	-	-	-	-	-
Total business-type activities	<u>13,386,112</u>	<u>11,937,998</u>	<u>14,767,019</u>	<u>14,785,367</u>	<u>12,030,019</u>	<u>9,160,312</u>	<u>9,642,116</u>	<u>8,821,749</u>	<u>10,176,546</u>	<u>10,288,513</u>
Total primary government expenses	<u>\$ 23,443,718</u>	<u>\$ 21,649,204</u>	<u>\$ 24,560,620</u>	<u>\$ 23,977,160</u>	<u>\$ 20,886,384</u>	<u>\$ 16,762,882</u>	<u>\$ 19,306,618</u>	<u>\$ 15,185,228</u>	<u>\$ 16,234,769</u>	<u>\$ 16,743,500</u>
Program Revenues:										
Government activities -										
Charges for services -										
General government	\$ 419,408	\$ 246,268	\$ 87,414	\$ 64,546	\$ 94,215	\$ 67,903	\$ 92,983	\$ 47,546	\$ 101,657	\$ 69,705
Public safety	626,234	1,113,580	1,012,910	845,318	901,465	749,597	345,228	113,966	318,015	267,493
Culture and recreation	354,538	355,232	327,605	385,295	242,762	217,271	231,431	230,571	225,774	261,662
Operating grants and contributions	404,699	595,981	1,377,663	1,984,125	3,154,938	7,195,117	4,054,298	1,125,551	468,212	1,584,284
Total governmental activities program revenues	<u>1,804,879</u>	<u>2,311,061</u>	<u>2,805,592</u>	<u>3,279,284</u>	<u>4,393,380</u>	<u>8,229,888</u>	<u>4,723,940</u>	<u>1,517,634</u>	<u>1,113,658</u>	<u>2,183,144</u>
Business-type activities -										
Charges for services -										
Water and sewer	2,560,106	2,492,620	2,339,659	2,015,843	1,816,720	1,850,835	1,889,323	1,764,738	1,896,573	1,787,244
Natural gas	2,773,322	2,681,257	2,594,132	2,515,805	1,888,721	1,596,774	1,893,196	2,077,968	1,918,813	1,955,968
South Santa Rosa Utility	6,089,546	5,860,774	5,396,766	5,205,377	4,686,102	4,933,717	4,876,402	4,474,554	4,242,023	4,116,191
Tiger Point Golf Course	676,274	206,562	1,586,638	1,805,228	1,312,696	-	-	-	-	-
Solid waste control	675,885	645,519	593,891	571,504	725,172	1,012,054	986,019	1,004,145	1,023,845	1,011,010
Stormwater management	237,125	236,275	234,086	205,282	190,324	197,504	195,304	190,992	193,874	194,183
Gulf Breeze Financial Services	176,209	695,289	577,096	635,849	875,171	926,632	777,842	870,766	523,776	475,615
Innerarity Point	80,986	60,402	44,882	-	-	-	-	-	-	-
Operating grants and contributions	1,183	22,110	15,503	-	-	-	-	-	-	-
Capital grants and contributions	3,494,650	1,457,975	501,998	507,249	373,323	417,520	319,969	95,171	127,267	632,068
Total business-type activities program revenues	<u>16,765,286</u>	<u>14,358,783</u>	<u>13,884,651</u>	<u>13,462,137</u>	<u>11,868,229</u>	<u>10,935,036</u>	<u>10,938,055</u>	<u>10,478,334</u>	<u>9,926,171</u>	<u>10,172,279</u>
Total primary government program revenues	<u>\$ 18,570,165</u>	<u>\$ 16,669,844</u>	<u>\$ 16,690,243</u>	<u>\$ 16,741,421</u>	<u>\$ 16,261,609</u>	<u>\$ 19,164,924</u>	<u>\$ 15,661,995</u>	<u>\$ 11,995,968</u>	<u>\$ 11,039,829</u>	<u>\$ 12,355,423</u>

**CITY OF GULF BREEZE, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Continued)**

Table II

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net Program (Expense)/Revenue:										
Governmental activities	\$ (8,252,727)	\$ (7,400,145)	\$ (6,988,009)	\$ (5,912,509)	\$ (4,462,985)	\$ 627,318	\$ (4,940,562)	\$ (4,845,845)	\$ (4,944,565)	\$ (4,271,843)
Business-type activities	3,379,174	2,420,785	(882,368)	(1,323,230)	(161,790)	1,774,724	1,295,939	1,656,585	(250,375)	(116,234)
Total primary government program net (expense)/revenue	<u>\$ (4,873,553)</u>	<u>\$ (4,979,360)</u>	<u>\$ (7,870,377)</u>	<u>\$ (7,235,739)</u>	<u>\$ (4,624,775)</u>	<u>\$ 2,402,042</u>	<u>\$ (3,644,623)</u>	<u>\$ (3,189,260)</u>	<u>\$ (5,194,940)</u>	<u>\$ (4,388,077)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities -										
Property taxes	\$ 2,114,746	\$ 1,972,239	\$ 1,950,694	\$ 1,817,161	\$ 1,739,120	\$ 1,731,906	\$ 1,767,275	\$ 1,861,874	\$ 1,805,589	\$ 1,665,870
Tourist development taxes	211,692	183,857	149,108	113,541	64,755	39,529	36,060	13,527	7,120	30,287
Fuel taxes	226,447	281,937	255,638	230,880	231,438	232,681	228,653	168,122	213,988	230,000
Franchise taxes	327,060	366,834	349,322	327,992	288,767	305,448	334,218	364,912	293,431	243,849
Communication services taxes	256,618	267,399	298,398	278,448	361,484	298,469	312,900	297,279	212,177	176,152
Utility service taxes	776,473	660,134	472,984	450,533	357,489	347,131	342,531	319,616	206,774	128,931
Intergovernmental, unrestricted	785,669	543,531	570,938	520,130	499,149	1,070,901	819,245	510,832	552,449	567,629
Gain on sale of capital assets	20,830	5,883,665 *	-	-	-	-	-	-	-	-
Miscellaneous	784,763	829,237	455,119	640,712	796,089	608,104	953,952	1,139,891	666,013	665,631
Investment earnings	56,261	5,879	6,240	11,844	13,904	35,537	30,688	21,304	49,430	119,922
Total revenues	5,560,559	10,994,712	4,508,441	4,391,241	4,352,195	4,669,706	4,825,522	4,697,357	4,006,971	3,828,271
Transfers	1,864,671	1,437,748	1,481,217	1,399,616	1,217,588	1,181,650	849,344	1,210,696	1,073,089	1,230,150
Total governmental activities	<u>7,425,230</u>	<u>12,432,460</u>	<u>5,989,658</u>	<u>5,790,857</u>	<u>5,569,783</u>	<u>5,851,356</u>	<u>5,674,866</u>	<u>5,908,053</u>	<u>5,080,060</u>	<u>5,058,421</u>
Business-type activities -										
Income from joint venture	468,052	527,820	-	-	-	-	-	-	-	-
Other operating revenues	147,128	343,899	270,568	123,641	329,682	268,959	547,198	8,663,204	233,593	364,517
Investment earnings	155,745	266,066	174,969	204,509	18,721	337,195	19,272	26,021	64,495	92,802
Total revenues	770,925	1,137,785	445,537	328,150	348,403	606,154	566,470	8,689,225	298,088	457,319
Transfers	(1,864,671)	(1,437,748)	(1,481,217)	(1,399,616)	(1,217,588)	(1,181,650)	(849,344)	(1,210,696)	(1,073,089)	(1,230,150)
Total business-type activities	<u>(1,093,746)</u>	<u>(299,963)</u>	<u>(1,035,680)</u>	<u>(1,071,466)</u>	<u>(869,185)</u>	<u>(575,496)</u>	<u>(282,874)</u>	<u>7,478,529</u>	<u>(775,001)</u>	<u>(772,831)</u>
Total primary government	<u>\$ 6,331,484</u>	<u>\$ 12,132,497</u>	<u>\$ 4,953,978</u>	<u>\$ 4,719,391</u>	<u>\$ 4,700,598</u>	<u>\$ 5,275,860</u>	<u>\$ 5,391,992</u>	<u>\$ 13,386,582</u>	<u>\$ 4,305,059</u>	<u>\$ 4,285,590</u>
Change in Net Position:										
Government activities	\$ (827,497)	\$ 5,032,315	\$ (998,351)	\$ (121,652)	\$ 1,106,798	\$ 6,478,674	\$ 734,304	\$ 1,062,208	\$ 135,495	\$ 786,578
Business-type activities	2,285,428	2,120,822	(1,918,048)	(2,394,696)	(1,030,975)	1,199,228	1,013,065	9,135,114	(1,025,376)	(889,065)
Total primary government	<u>\$ 1,457,931</u>	<u>\$ 7,153,137</u>	<u>\$ (2,916,399)</u>	<u>\$ (2,516,348)</u>	<u>\$ 75,823</u>	<u>\$ 7,677,902</u>	<u>\$ 1,747,369</u>	<u>\$ 10,197,322</u>	<u>\$ (889,881)</u>	<u>\$ (102,487)</u>

SOURCE: City of Gulf Breeze Finance Department.

* Represent gain on the sale and easement to Florida Department of Transportation.

**CITY OF GULF BREEZE, FLORIDA
CHARGES FOR SERVICES BY FUNCTION AND PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED**

Table III

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
General government	\$ 419,408	\$ 246,268	\$ 87,414	\$ 64,546	\$ 94,215	\$ 67,903	\$ 92,983	\$ 47,546	\$ 101,657	\$ 69,705
Public safety	626,234	1,113,580	1,012,910	845,318	901,465	749,597	345,228	113,966	318,015	267,493
Culture and recreation	354,538	355,232	327,605	385,295	242,762	217,271	231,431	230,571	225,774	261,662
Total government charges	<u>1,400,180</u>	<u>1,715,080</u>	<u>1,427,929</u>	<u>1,295,159</u>	<u>1,238,442</u>	<u>1,034,771</u>	<u>669,642</u>	<u>392,083</u>	<u>645,446</u>	<u>598,860</u>
Business-Type Activities:										
Water and sewer	2,560,106	2,492,620	2,339,659	1,999,093	1,816,720	1,850,835	1,889,323	1,764,738	1,896,573	1,787,244
Natural gas	2,773,322	2,681,257	2,594,132	2,515,805	1,888,721	1,596,774	1,893,196	2,077,968	1,918,813	1,955,968
South Santa Rosa Utility	6,765,820	6,067,336	6,983,404	7,010,605	5,998,798	4,933,717	4,876,402	4,474,554	4,242,023	4,116,191
Solid waste control	675,885	645,519	593,891	571,504	725,172	1,012,054	986,019	1,004,577	1,023,845	1,011,010
Stormwater management	237,125	236,275	234,086	205,282	190,324	197,504	195,304	190,992	193,874	194,183
Gulf Breeze Financial Services	176,209	695,289	577,096	635,849	875,171	926,632	777,842	870,766	523,776	475,615
Innerarity Point	80,986	60,402	44,882	16,750	-	-	-	-	-	-
Total business-type charges	<u>13,269,453</u>	<u>12,878,698</u>	<u>13,367,150</u>	<u>12,954,888</u>	<u>11,494,906</u>	<u>10,517,516</u>	<u>10,618,086</u>	<u>10,383,595</u>	<u>9,798,904</u>	<u>9,540,211</u>
Total primary government	<u>\$ 14,669,633</u>	<u>\$ 14,593,778</u>	<u>\$ 14,795,079</u>	<u>\$ 14,250,047</u>	<u>\$ 12,733,348</u>	<u>\$ 11,552,287</u>	<u>\$ 11,287,728</u>	<u>\$ 10,775,678</u>	<u>\$ 10,444,350</u>	<u>\$ 10,139,071</u>

SOURCE: City of Gulf Breeze Finance Department.

**CITY OF GULF BREEZE, FLORIDA
COMPONENTS OF FUND BALANCE (1)
LAST TEN FISCAL YEARS
UNAUDITED**

Table IV

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Non-spendable Fund Balance:										
General fund	\$ 9,863	\$ 15,532	\$ 100,977	\$ 5,349	\$ 5,488	\$ 5,980	\$ 6,074	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 9,863</u>	<u>\$ 15,532</u>	<u>\$ 100,977</u>	<u>\$ 5,349</u>	<u>\$ 5,488</u>	<u>\$ 5,980</u>	<u>\$ 6,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted Fund Balance:										
General fund	\$ 431,962	\$ 291,112	\$ 290,144	\$ 280,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	1,515,950	677,672	463,425	329,403	762,430	916,350	994,663	-	-	-
Total	<u>\$ 1,947,912</u>	<u>\$ 968,784</u>	<u>\$ 753,569</u>	<u>\$ 609,926</u>	<u>\$ 762,430</u>	<u>\$ 916,350</u>	<u>\$ 994,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Committed Fund Balance:										
General fund	\$ 599,437	\$ 657,821	\$ 657,821	\$ 657,770	\$ 562,270	\$ 362,270	\$ 360,177	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	-	475,409	-	-	-	-	-
Total	<u>\$ 599,437</u>	<u>\$ 657,821</u>	<u>\$ 657,821</u>	<u>\$ 657,770</u>	<u>\$ 1,037,679</u>	<u>\$ 362,270</u>	<u>\$ 360,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned Fund Balance:										
General fund	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ -	\$ -	\$ -
Aggregate special revenue funds	439,785	806,815	714,234	530,095	-	416,854	384,162	-	-	-
Total	<u>\$ 555,778</u>	<u>\$ 922,808</u>	<u>\$ 830,227</u>	<u>\$ 646,088</u>	<u>\$ 115,993</u>	<u>\$ 532,847</u>	<u>\$ 500,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned Fund Balance:										
General fund	\$ 12,260,202	\$ 12,630,941	\$ 6,162,112	\$ 6,650,378	\$ 6,058,917	\$ 6,698,503	\$ 4,927,685	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 12,260,202</u>	<u>\$ 12,630,941</u>	<u>\$ 6,162,112</u>	<u>\$ 6,650,378</u>	<u>\$ 6,058,917</u>	<u>\$ 6,698,503</u>	<u>\$ 4,927,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fund Balance:										
General fund	\$ 13,417,457	\$ 13,711,399	\$ 7,327,047	\$ 7,710,013	\$ 6,742,668	\$ 7,182,746	\$ 5,409,929	\$ -	\$ -	\$ -
Aggregate special revenue funds	1,955,735	1,484,487	1,177,659	859,498	1,237,839	1,333,204	1,378,825	-	-	-
Total	<u>\$ 15,373,192</u>	<u>\$ 15,195,886</u>	<u>\$ 8,504,706</u>	<u>\$ 8,569,511</u>	<u>\$ 7,980,507</u>	<u>\$ 8,515,950</u>	<u>\$ 6,788,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED

Table V

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes	\$ 3,913,036	\$ 3,732,400	\$ 3,476,144	\$ 2,890,563	\$ 2,754,286	\$ 2,649,716	\$ 2,687,419	\$ 2,660,418	\$ 2,739,079	\$ 2,475,088
Licenses and permits	108,451	92,871	87,414	392,538	382,850	373,351	427,201	412,458	83,962	69,705
Intergovernmental	1,190,368	1,139,512	1,948,601	2,434,281	3,624,993	8,202,214	4,797,182	1,559,733	1,020,661	2,151,913
Charges for services	665,495	508,629	327,605	311,099	232,418	243,576	251,342	254,973	243,468	261,662
Fines and forfeitures	626,234	1,113,580	1,012,910	826,754	879,725	742,280	340,415	101,604	318,016	267,493
Other operating revenues	841,024	835,116	461,359	815,290	871,303	688,458	980,341	1,223,509	697,852	785,553
Total revenues	<u>7,344,608</u>	<u>7,422,108</u>	<u>7,314,033</u>	<u>7,670,525</u>	<u>8,745,575</u>	<u>12,899,595</u>	<u>9,483,900</u>	<u>6,212,695</u>	<u>5,103,038</u>	<u>6,011,414</u>
Expenditures:										
General government	2,281,623	2,164,224	1,979,557	2,031,432	1,818,220	1,729,301	2,082,950	1,951,093	1,402,579	1,600,347
Public safety	2,888,784	3,412,143	3,423,304	3,072,298	2,969,546	2,596,140	2,362,472	2,074,114	1,963,524	2,084,015
Transportation	957,608	249,971	519,423	328,318	713,559	204,519	249,113	139,370	151,623	96,455
Economic environment	235,928	229,567	198,758	136,168	116,579	133,073	122,413	118,498	116,673	102,446
Culture and recreation	1,797,584	1,481,765	1,424,236	1,382,952	1,119,344	1,251,795	3,462,148	908,776	886,497	993,855
Capital outlay	334,453	378,651	752,873	948,833	3,280,636	5,957,086	2,297,710	1,199,274	674,156	856,144
Debt service -										
Principal	206,800	202,400	193,600	184,800	175,650	171,600	239,357	158,400	154,000	-
Interest	350,023	356,325	368,304	396,336	305,046	310,536	315,231	320,336	325,297	327,402
Total expenditures	<u>9,052,803</u>	<u>8,475,046</u>	<u>8,860,055</u>	<u>8,481,137</u>	<u>10,498,580</u>	<u>12,354,050</u>	<u>11,131,394</u>	<u>6,869,861</u>	<u>5,674,349</u>	<u>6,060,664</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,708,195)</u>	<u>(1,052,938)</u>	<u>(1,546,022)</u>	<u>(810,612)</u>	<u>(1,753,005)</u>	<u>545,545</u>	<u>(1,647,494)</u>	<u>(657,166)</u>	<u>(571,311)</u>	<u>(49,250)</u>
Other Financing Sources (Uses):										
Proceeds from sale of fixed assets	20,830	6,306,370	-	-	-	-	-	-	-	-
Transfers in	3,366,912	2,207,628	1,957,284	1,850,176	2,115,010	1,815,781	1,240,844	1,576,051	1,427,989	959,946
Transfers out	(1,502,241)	(769,880)	(476,067)	(450,560)	(897,422)	(634,130)	(391,500)	(365,355)	(354,900)	(1,451,332)
Insurance recoveries	-	-	-	-	-	-	-	2,295	17,500	69,498
Total other financing sources (uses)	<u>1,885,501</u>	<u>7,744,118</u>	<u>1,481,217</u>	<u>1,399,616</u>	<u>1,217,588</u>	<u>1,181,651</u>	<u>849,344</u>	<u>1,212,991</u>	<u>1,090,589</u>	<u>(421,888)</u>
Net change in fund balance	<u>\$ 177,306</u>	<u>\$ 6,691,180</u>	<u>\$ (64,805)</u>	<u>\$ 589,004</u>	<u>\$ (535,417)</u>	<u>\$ 1,727,196</u>	<u>\$ (798,150)</u>	<u>\$ 555,825</u>	<u>\$ 519,278</u>	<u>\$ (471,138)</u>
Debt service as a percentage of noncapital expenditures	6.39%	6.90%	6.93%	7.72%	6.66%	7.54%	6.28%	8.44%	9.59%	6.29%

**CITY OF GULF BREEZE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED**

Table VI

Year	Total Tax Levy (1)	Amount of Current Taxes Collected	Percent of Current Taxes Collected	Amount of Delinquent Taxes Collected	Total Collected for the Year	Ratio of Total Taxes Collected to Current Levy	Delinquent Taxes	Ratio of Delinquent Taxes to Current Levy
2017				This levy will be collected during Fiscal Year 2018				
2016	\$ 1,444,728	# 1,441,960	99.8%	\$ 3,748	\$ 1,445,708	100.1%	\$ 2,768	0.2%
2015	\$ 1,394,497	\$ 1,393,472	99.9%	\$ 26	\$ 1,393,498	99.9%	\$ 3,325	0.2%
2014	\$ 1,350,376	\$ 1,305,276	96.7%	\$ 5,874	\$ 1,311,150	97.1%	\$ 3,175	0.2%
2013	\$ 1,282,755	\$ 1,243,086	96.9%	\$ 4,059	\$ 1,247,145	97.2%	\$ 919	0.1%
2012	\$ 1,200,632	\$ 1,163,879	96.9%	\$ 3,864	\$ 1,167,743	97.3%	\$ 704	0.1%
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	\$ 1,171,693	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	\$ 1,177,978	96.5%	\$ 10,636	0.9%

SOURCE: Santa Rosa County Tax Collector Office

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

**CITY OF GULF BREEZE, FLORIDA
 ASSESSED VALUE OF TAXABLE PROPERTY (1)
 LAST TEN FISCAL YEARS
 UNAUDITED**

Table VII

Year (2)	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value of Operations	Total Direct Tax Rate
2017	\$ 1,139,386,798	\$ 38,912,786	\$ 1,065,804,563	\$ 297,203,059	\$ 768,601,504	1.9723
2016	\$ 990,275,803	\$ 37,447,989	\$ 1,027,723,792	\$ 296,547,192	\$ 731,176,600	1.9723
2015	\$ 964,310,659	\$ 38,849,877	\$ 1,003,160,536	\$ 297,339,426	\$ 705,821,110	1.9723
2014	\$ 944,207,937	\$ 36,927,142	\$ 981,135,079	\$ 296,777,679	\$ 684,357,400	1.9723
2013	\$ 903,420,497	\$ 33,761,170	\$ 937,181,667	\$ 287,072,951	\$ 650,108,716	1.9000
2012	\$ 883,720,244	\$ 35,023,885	\$ 918,744,129	\$ 287,168,164	\$ 631,575,965	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

SOURCE: Santa Rosa County Property Appraiser

(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
PROPERTY TAX RATES PER \$1,000 OF TAXABLE VALUE -
ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
UNAUDITED

Table VIII

<u>Fiscal Year</u>	<u>Millage</u>
2017	1.9723
2016	1.9723
2015	1.9723
2014	1.9723
2013	1.9000
2012	1.9000
2011	1.9000
2010	1.9000
2009	1.9000
2008	1.8000

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
PRINCIPAL TAXPAYERS
2017 AND NINE YEARS AGO
UNAUDITED**

Table IX

Taxpayer	Fiscal Year 2017		2008	
	Total Taxable Value	Percentage	Total Taxable Value	Percentage
Andrews Institute Medical Park	\$ 17,790,214	2.31%	\$ 16,616,408	2.44%
Real Sub LLC	12,304,824	1.60%	6,630,339	0.97%
Gulf Power Company	9,999,892	1.30%	6,134,087	0.90%
Mullet, Willis J.	7,738,199	1.01%	8,930,027	1.31%
Jerome Gulf Breeze LLC	6,939,276	0.90%	-	0.00%
Belleau, George and Ann	5,407,898	0.70%	-	0.00%
GB Hotel Investments	5,272,341	0.69%	-	0.00%
Quietwater LLC	5,232,126	0.68%	5,296,683	0.78%
Falzone, Timothy D	5,217,755	0.68%	5,783,351	0.85%
Bell South Communications	4,903,678	0.64%	5,486,992	0.80%
Total of Principal Taxpayers	80,806,203	10.51%	54,877,887	8.05%
Total All Other Taxpayers	687,795,301	89.49%	626,952,108	91.95%
Total Taxable Value	\$ 768,601,504	100.00%	\$ 681,829,995	100.00%

SOURCE: Santa Rosa County Property Appraiser

**CITY OF GULF BREEZE, FLORIDA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED**

Table X

Fiscal Year	Assessment	Assessments Collected	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessments
2017	\$ -	\$ 14,468		\$ 15,627
2016	\$ -	\$ 13,396		\$ 30,095
2015	\$ -	\$ 12,404		\$ 43,491
2014	\$ -	\$ 11,485		\$ 55,895
2013	\$ -	\$ 10,635		\$ 67,380
2012	\$ -	\$ 24,774		\$ 78,015
2011	\$ -	\$ 12,322		\$ 102,789
2010	\$ 58,790	\$ 43,191	73.5%	\$ 115,111
2009	\$ -	\$ 36,337		\$ 99,512
2008	\$ 411,225 (1)	\$ 281,754	68.5%	\$ 135,849

SOURCE: City of Gulf Breeze Finance Department

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

**CITY OF GULF BREEZE, FLORIDA
OUTSTANDING DEBT
LAST TEN FISCAL YEARS
UNAUDITED**

Table XI

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue Bonds and Note Payable:										
Governmental activities	\$ 7,354,483	\$ 7,559,693	\$ 7,760,503	\$ 7,952,513	\$ 8,135,723	\$ 8,311,723	\$ 8,481,734	\$ 8,642,944	\$ 8,799,754	\$ 8,952,164
Business-type activities	<u>14,232,918</u>	<u>15,438,447</u>	<u>8,785,821</u>	<u>9,687,627</u>	<u>5,471,974</u>	<u>5,959,853</u>	<u>6,432,134</u>	<u>6,878,215</u>	<u>7,308,696</u>	<u>7,723,577</u>
Total primary government	<u>\$ 21,587,401</u>	<u>\$ 22,998,140</u>	<u>\$ 16,546,324</u>	<u>\$ 17,640,140</u>	<u>\$ 13,607,697</u>	<u>\$ 14,271,576</u>	<u>\$ 14,913,868</u>	<u>\$ 15,521,159</u>	<u>\$ 16,108,450</u>	<u>\$ 16,675,741</u>
Notes Payable:										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	<u>810,492</u>	<u>852,543</u>	<u>893,340</u>	<u>932,922</u>	<u>4,759,964</u>	<u>4,897,432</u>	<u>5,051,438</u>	<u>4,763,971</u>	<u>5,099,608</u>	<u>5,623,846</u>
Total primary government	<u>\$ 810,492</u>	<u>\$ 852,543</u>	<u>\$ 893,340</u>	<u>\$ 932,922</u>	<u>\$ 4,759,964</u>	<u>\$ 4,897,432</u>	<u>\$ 5,051,438</u>	<u>\$ 4,763,971</u>	<u>\$ 5,099,608</u>	<u>\$ 5,623,846</u>
Line of Credit:										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	<u>-</u>	<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>				
Capital Leases Payable:										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	<u>3,598,056</u>	<u>3,941,854</u>	<u>4,292,398</u>	<u>4,663,665</u>	<u>262,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,403</u>	<u>170,930</u>
Total primary government	<u>\$ 3,598,056</u>	<u>\$ 3,941,854</u>	<u>\$ 4,292,398</u>	<u>\$ 4,663,665</u>	<u>\$ 262,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,403</u>	<u>\$ 170,930</u>
Total Debt:										
Governmental activities	\$ 7,354,483	\$ 7,559,693	\$ 7,760,503	\$ 7,952,513	\$ 8,135,723	\$ 8,311,723	\$ 8,481,734	\$ 8,642,944	\$ 8,799,754	\$ 8,952,164
Business-type activities	<u>18,641,466</u>	<u>20,232,844</u>	<u>16,971,559</u>	<u>18,284,214</u>	<u>13,494,495</u>	<u>10,857,285</u>	<u>11,483,572</u>	<u>11,642,186</u>	<u>12,524,707</u>	<u>13,518,353</u>
Total primary government	<u>\$ 25,995,949</u>	<u>\$ 27,792,537</u>	<u>\$ 24,732,062</u>	<u>\$ 26,236,727</u>	<u>\$ 21,630,218</u>	<u>\$ 19,169,008</u>	<u>\$ 19,965,306</u>	<u>\$ 20,285,130</u>	<u>\$ 21,324,461</u>	<u>\$ 22,470,517</u>

SOURCE: City of Gulf Breeze Finance Department.

CITY OF GULF BREEZE, FLORIDA
RATIO OF TOTAL DEBT TO ASSESSED VALUE
AND TOTAL DEBT PER CAPITA
LAST TEN FISCAL YEARS
UNAUDITED

Table XII

Fiscal Year	Estimated Population (1)	Assessed Value for Operations (2)	Total Outstanding Debt (3)	Ratio of Total Outstanding Debt to Assessed Value	Amount of Total Outstanding Debt Per Capita	Percentage of Personal Income (4)
2017	5,838	\$ 768,601,504	\$ 25,995,949	3.4%	\$ 4,453	8.69%
2016	5,818	\$ 731,176,600	\$ 27,792,537	3.8%	\$ 4,777	9.52%
2015	5,815	\$ 705,821,110	\$ 24,732,062	3.5%	\$ 4,253	9.45%
2014	5,805	\$ 684,357,400	\$ 26,236,727	3.8%	\$ 4,520	10.77%
2013	5,763	\$ 650,108,716	\$ 21,630,218	3.3%	\$ 3,753	8.64%
2012	5,790	\$ 631,575,965	\$ 19,169,008	3.0%	\$ 3,311	7.67%
2011	5,765	\$ 628,421,112	\$ 19,965,306	3.2%	\$ 3,463	7.95%
2010	5,751	\$ 634,514,000	\$ 20,285,130	3.2%	\$ 3,527	8.12%
2009	5,791	\$ 661,890,020	\$ 21,324,461	3.2%	\$ 3,682	8.45%
2008	5,780	\$ 681,829,995	\$ 22,470,517	3.3%	\$ 3,888	8.70%

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

(2) From Table VII

(3) From Table XI

(4) Calculated using Total Personal Income from Table XVII

**CITY OF GULF BREEZE, FLORIDA
COMPUTATON OF LEGAL DEBT MARGIN
UNAUDITED**

Table XIII

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

CITY OF GULF BREEZE, FLORIDA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
UNAUDITED

Table XIV

Fiscal Year	Estimated Population (1)	Assessed Value for Operations (2)	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2017	5,838	\$ 768,601,504	\$ -	\$ -	\$ -	- %	\$ -
2016	5,818	\$ 731,176,600	\$ -	\$ -	\$ -	- %	\$ -
2015	5,815	\$ 705,821,110	\$ -	\$ -	\$ -	- %	\$ -
2014	5,805	\$ 684,357,400	\$ -	\$ -	\$ -	- %	\$ -
2013	5,763	\$ 650,108,716	\$ -	\$ -	\$ -	- %	\$ -
2012	5,790	\$ 631,575,965	\$ -	\$ -	\$ -	- %	\$ -
2011	5,765	\$ 628,421,112	\$ -	\$ -	\$ -	- %	\$ -
2010	5,751	\$ 634,514,000	\$ -	\$ -	\$ -	- %	\$ -
2009	5,791	\$ 661,890,020	\$ -	\$ -	\$ -	- %	\$ -
2008	5,780	\$ 681,829,995	\$ -	\$ -	\$ -	- %	\$ -

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

(2) From Table VII

**CITY OF GULF BREEZE, FLORIDA
COMPUTATON OF DIRECT AND OVERLAPPING DEBT -
GENERAL OBLIGATIONS
UNAUDITED**

Table XV

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

**CITY OF GULF BREEZE, FLORIDA
REVENUE BOND COVERAGE -
SOUTH SANTA ROSA UTILITY CERTIFICATES
LAST TEN FISCAL YEARS
UNAUDITED**

Table XVI

Fiscal Year	Operating Revenue	Tap Fees	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2017	\$ 6,089,546	\$ 1,048,478	\$ 3,903,384	\$ 3,234,640	\$ 740,000	\$ 17,791	\$ 757,791	4.27
2016	\$ 5,860,774	\$ 1,378,577	\$ 3,600,268	\$ 3,639,083	\$ 700,000	\$ 180,000	\$ 880,000	4.14
2015	\$ 5,396,766	\$ 464,272	\$ 3,687,756	\$ 2,173,282	\$ 660,000	\$ 200,500	\$ 860,500	2.53
2014	\$ 5,205,377	\$ 490,196	\$ 3,477,099	\$ 2,218,474	\$ 645,000	\$ 223,075	\$ 868,075	2.56
2013	\$ 4,686,102	\$ 358,338	\$ 2,869,620	\$ 2,174,820	\$ 620,000	\$ 247,875	\$ 867,875	2.51
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	\$ 285,192	\$ 865,192	2.78
2010	\$ 4,474,554	\$ 83,315	\$ 2,527,761	\$ 2,030,108	\$ 555,000	\$ 304,617	\$ 859,617	2.36
2009	\$ 4,167,567	\$ 110,164	\$ 2,838,768	\$ 1,438,963	\$ 540,000	\$ 323,517	\$ 863,517	1.67
2008	\$ 4,071,263	\$ 297,607	\$ 3,119,602	\$ 1,249,268	\$ 525,000	\$ 336,642	\$ 861,642	1.45

SOURCE: City of Gulf Breeze Finance Department

(1) Excluding Depreciation

CITY OF GULF BREEZE, FLORIDA
MISCELLANEOUS DEMOGRAPHICAL STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Table XVII

Fiscal Year	Population		City as a Percentage of County	County Population Growth	Total Personal Income	Per Capita Income	Unemployment Rate	Median Household Income
	Gulf Breeze City	Santa Rosa County						
2017	5,838	170,835	3.42%	2.29%	\$ 299,034,036	\$ 51,222	3.50%	\$ 98,308
2016	5,818	167,009	3.48%	2.51%	\$ 292,034,510	\$ 50,195	3.90%	\$ 84,423
2015	5,815	162,925	3.57%	1.14%	\$ 261,611,035	\$ 44,989	2.70%	\$ 85,529
2014	5,805	161,096	3.60%	1.63%	\$ 243,606,828	\$ 41,965	2.65%	\$ 80,433
2013	5,763	158,512	3.64%	2.01%	\$ 250,475,196	\$ 43,463	2.65%	\$ 73,012
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

SOURCE: U.S. Department of Census; Bureau of Economic and Business Research, University of Florida

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS
UNAUDITED

Table XVIII

Fiscal Year	Assessed Value for Operations (1)	Commercial Construction		Residential Construction		Bank Deposits (3)
		Number of Units (2)	Value	Number of Units (2)	Value	
2017	\$ 768,601,504	7	\$ 2,943,448	14	\$ 4,746,469	\$ 435,762,000
2016	\$ 731,176,600	1	\$ 20,000,000	22	\$ 5,721,000	\$ 446,668,000
2015	\$ 705,821,110	3	\$ 1,300,000	13	\$ 5,010,000	\$ 424,212,000
2014	\$ 684,357,400	0	\$ -	15	\$ 7,552,000	\$ 398,443,000
2013	\$ 650,108,716	1	\$ 80,000	18	\$ 10,737,000	\$ 347,134,000
2012	\$ 631,575,965	4	\$ 8,011,500	10	\$ 4,193,000	\$ 292,221,000
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

(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

**CITY OF GULF BREEZE, FLORIDA
PRINCIPAL EMPLOYERS
(OVER 50 EMPLOYEES REPORTED)
UNAUDITED**

Table XIX

Fiscal Year 2017 (1)	Employees	Percentage of Labor Force
Andrews Institute	593	16.1%
Gulf Breeze Hospital	452	12.3%
AppRiver	230	6.2%
Gulf Breeze High School	110	3.0%
City of Gulf Breeze	80	2.2%
Andrews Orthopedics and Sports	75	2.0%
Gulf Breeze Middle School	75	2.0%
Gulf Breeze Elementary School	70	1.9%
Publix	60	1.6%
 Total Labor Force (1)	 3,684	

(1) SOURCE: Haas Center for Business Research and Economic Development

**CITY OF GULF BREEZE, FLORIDA
PERMITS
LAST TEN FISCAL YEARS
UNAUDITED**

Table XX

Year	Residential				Commercial			
	Additions/ Renovations	New Construction	Pool Permits	Miscellaneous/ Permits	Additions/ Renovations	New Construction	Sign Permits	Miscellaneous/ Permits
2017	17	6	17	259	4	2	21	2
2016	30	13	10	185	9	3	23	8
2015	32	11	12	218	1	2	22	17
2014	5	1	1	60	0	0	3	10
2013	23	17	8	67	8	1	17	17
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

SOURCE: City of Gulf Breeze Community Services Department

**CITY OF GULF BREEZE, FLORIDA
WATER SERVICE RATES
AS OF SEPTEMBER 30, 2017
UNAUDITED**

Table XXI

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
0.75"	\$ 12.24	\$ 12.24	-	\$ 3.43	\$ 14.76		-	\$ 3.57
1.00"	\$ 21.33	\$ 21.33	-	\$ 3.43	\$ 25.72		-	\$ 3.57
1.50"	\$ 51.87	\$ 51.87	-	\$ 3.43	\$ 62.54		-	\$ 3.57
2.00"	\$ 82.93	\$ 82.93	-	\$ 3.43	\$ 99.99		-	\$ 3.57
3.00"	\$ 164.92	\$ 164.92	-	\$ 3.43	\$ 198.87		-	\$ 3.57
4.00"	\$ 246.93	\$ 246.93	-	\$ 3.43	\$ 297.76		-	\$ 3.57
6.00"	\$ 484.9	\$ 484.9	-	\$ 3.43	\$ 584.7		-	\$ 3.57
Tech Fee	\$ 2.00	\$ 2.00			\$ 2.00			\$ 2.00
Reclaim Service	N/A	N/A			\$ 6.00			\$ 6.00
Surcharge per Chapter 180.191, F.S.					6%			6%

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

**CITY OF GULF BREEZE, FLORIDA
SEWER SERVICE RATES
AS OF SEPTEMBER 30, 2017
UNAUDITED**

Table XXII

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
0.75"	\$ 17.34	\$ 17.34	-	\$ 4.39	\$ 18.54		-	\$ 4.69
1.00"	\$ 30.07	\$ 30.07	-	\$ 4.39	\$ 32.15		-	\$ 4.69
1.50"	\$ 67.89	\$ 67.89	-	\$ 4.39	\$ 72.58		-	\$ 4.69
2.00"	\$ 106.85	\$ 106.85	-	\$ 4.39	\$ 114.24		-	\$ 4.69
3.00"	\$ 208.72	\$ 208.72	-	\$ 4.39	\$ 223.17		-	\$ 4.69
4.00"	\$ 308.12	\$ 308.12	-	\$ 4.39	\$ 329.44		-	\$ 4.69
6.00"	\$ 592.22	\$ 592.22	-	\$ 4.39	\$ 633.19		-	\$ 4.69

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

**CITY OF GULF BREEZE, FLORIDA
SOLID WASTE SERVICE RATES
AS OF SEPTEMBER 30, 2017
UNAUDITED**

Table XXIII

Residential Collection

	<u>Curbside</u>	<u>Sideyard</u>
Regular	\$ 19.71	\$ 32.85
Senior Rate	\$ 17.60	\$ 17.60
Disable Rate	\$ 17.60	\$ 17.60
Extra Kart	\$ 9.48	\$ 12.65

Commercial Collection

Container Size (Waste)	<u>Collection Frequency (Per Week)</u>					Per Extra Call
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	
Kart (96 Gal)	\$ 25.75	\$ 40.97				
2 Cubic Yards	\$ 52.29	\$ 68.78	\$ 106.68	\$ 136.83	\$ 170.74	\$ 21.22
4 Cubic Yards	\$ 77.26	\$ 124.11	\$ 181.32	\$ 241.62	\$ 296.90	\$ 42.43
6 Cubic Yards	\$ 104.32	\$ 178.02	\$ 256.22	\$ 335.11	\$ 416.82	\$ 63.65
8 Cubic Yards	\$ 131.93	\$ 227.96	\$ 331.34	\$ 433.78	\$ 537.63	\$ 84.86
6 Cubic Yard Compactor *	\$ 292.11	\$ 552.76	\$ 813.31	\$ 1,079.63	\$ 1,261.25	N/A
30 Cubic Yard Roll Off *+	\$ 869.19	\$ 1,738.37	\$ 2,607.55	\$ 3,476.62	\$ 4,345.92	\$ 200.74

Container Size (Recycling)	<u>Collection Frequency (per week)</u>		
	<u>1</u>	<u>3</u>	<u>5</u>
Kart (96 Gal)	\$ 10.25		
2 Cubic Yards*	\$ 31.88	\$ 57.12	\$ 95.19
4 Cubic Yards*	\$ 44.63	\$ 85.97	\$ 148.51
6 Cubic Yards*	\$ 56.88	\$ 103.29	\$ 180.89
8 Cubic Yards*	\$ 76.26	\$ 125.33	\$ 232.61

* Billed directly by contractor / franchisee

+ Plus actual disposal costs

<u>Transfer Station (Non Class 1 Waste Only)</u>	<u>City Resident</u>	<u>Non-Resident</u>	<u>Commercial</u>
Minimum Charge per "Pick Up Truck Load"	\$ 10.00	\$ 35.00	\$ 60.00

**CITY OF GULF BREEZE, FLORIDA
NATURAL GAS SERVICE RATES
YEAR ENDED SEPTEMBER 30, 2017
UNAUDITED**

Table XXIV

Inside City Limits - Residential and Commercial

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

Monthly Usage (Therms)	Rate per Therm
0 - 3	\$ 0.8621
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

Monthly Usage (Therms)	Rate per Therm
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

SOURCE: Gulf Breeze Natural Gas Department

**CITY OF GULF BREEZE, FLORIDA
INSURANCE COVERAGE
AS OF SEPTEMBER 30, 2017
UNAUDITED**

Table XXV

Type	Effective Dates	Company	Policy Number	Amount
Auto (Person)	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 200,000
Auto (Occurrence)				\$ 300,000
General liability	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 500,000
Extra contractual legal liability				\$ 25,000
Fire legal liability				\$ 500,000
Medical malpractice liability				\$ 500,000
Errors and omissions liability				\$ 500,000
Law enforcement liability				\$ 500,000
Workers Compensation	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	Statutory Limit
Employers Liability	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 1,000,000
Real Property	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 34,611,369
Personal Property	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 4,177,432
Inland Marine	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 314,403
Accounts Receivable	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 250,000
Wind Storm	10/01/17 - 10/01/18	Florida Municipal Insurance Trust	FMIT # 0224	\$ 4,177,432
Storage Tank Liability	3/01/17 - 3/01/18	Commerce & Industry Insurance	FPL007509065	\$ 1,000,000 \$ 2,000,000

SOURCE: City of Gulf Breeze Departments

CITY OF GULF BREEZE, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Table XXVI

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Full-time employees on City Payroll as of September 30, (1)										
General Government:										
City manager and city clerk	4	4	5	5	4	4	4	4	4	4
Community services	3	3	3	3	2	2	2	2	2	2
Finance and accounting	3	3	3	3	5	5	5	5	5	5
Parks and recreation center	12	13	10	10	8	8	8	9	8	8
Special projects	1	1	1	0	0	0	0	0	0	1
Sworn officers	19	17	18	18	17	15	15	18	17	19
Civilian employees	7	8	8	8	8	7	7	7	8	8
Police	26	25	26	26	25	22	22	25	25	27
Total general government	<u>49</u>	<u>49</u>	<u>48</u>	<u>47</u>	<u>44</u>	<u>41</u>	<u>41</u>	<u>45</u>	<u>44</u>	<u>47</u>
Enterprises (2):										
Gulf Breeze Financial Services	3	3	3	2	2	2	3	2	1	1
Gas, water and sewer	13	13	13	13	13	12	12	13	11	12
South Santa Rosa Utility	27	29	29	28	27	26	26	23	27	29
Tiger Point Golf Course (3)	0 ⁽³⁾	0 ⁽³⁾	17	19	19	0	0	0	0	0
Total enterprises	<u>43</u>	<u>45</u>	<u>62</u>	<u>62</u>	<u>61</u>	<u>40</u>	<u>41</u>	<u>38</u>	<u>39</u>	<u>42</u>

(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. Tiger Point Golf Course was acquired by the City in fiscal year 2013.

(3) On October 1, 2015 a management agreement with Integrity Golf became effective for operation of the Tiger Point Golf facility resulting in the dismissal of those 17 employees from the City's payroll. Honours Golf Company, LLC took over management of the golf course in April 2017.

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
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED**

Table XXVII

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fire Department:										
Emergency medical calls	733	606	645	439	495	449	511	562	500	471
Fire and other calls	432	394	366	401	361	300	289	322	325	315
Total calls	<u>1,165</u>	<u>1,000</u>	<u>1,011</u>	<u>840</u>	<u>856</u>	<u>749</u>	<u>800</u>	<u>884</u>	<u>825</u>	<u>786</u>
Police Department:										
Arrests	436	505	314	304	415	466	245	161	195	142
Citations	5,101	4,943	3,917	5,455	6,734	5,462	5,748	4,968	4,451	4,451
Parks and Recreation:										
League registrations	1,853	1,773	1,718	1,640	1,745	1,566	1,777	1,802	1,918	1,596
Water:										
Customers at year end	2,600	2,612	2,580	2,591	2,579	2,580	2,558	2,565	2,575	2,576
Usage (000's gallons)	219,373	249,999	228,795	227,259	217,800 *	233,565	244,322	244,322	256,115	247,620
Sewer:										
Customers at year end	1,545	1,554	1,548	1,528	1,517	1,514	1,463	1,471	1,479	1,450
Treatment (000's gallons)	143,056	162,071	146,576	172,157	134,652 *	147,327	157,743	150,468	164,167	155,865
Natural Gas:										
Customers at year end	3,990	3,874	3,722	3,591	3,460	3,371	3,311	3,248	3,237	3,204
Therms (000's 100's ft3)	1,624,936	1,690,019	1,603,182	1,754,132	1,270,690 *	1,037,415	1,195,192	1,286,640	1,120,347	1,129,450
SSRUS - Water:										
Customers at year end	4,413	4,358	4,337	4,300	4,145	4,196	4,178	4,200	4,220	4,229
Usage (000's gallons)	250,942	272,180	280,525	289,186	270,288 *	286,027	296,911	293,962	299,967	292,892
SSRUS - Sewer:										
Customers at year end	6,599	6,418	6,321	6,160	5,966	5,958	5,850	5,837	5,824	5,819
Treatment (000's gallons)	406,408	400,093	406,407	422,883	373,787 *	395,337	412,452	385,532	387,549	389,835
Wastewater Treatment:										
Treatment (Millions of Gallons)	601.0	606.0	545.2	614.9	558.6	519.2	487.7	562.5	509.2	501.9
Tiger Point Golf Course:										
Annual rounds played (1)	12,755 **	N/A	31,305	37,248	32,159	25,828	24,724	22,436	-	-

SOURCE: Department Records and Gulf Breeze Sports Association

* Billing delays due to major software transition resulted in 1 month's activity being billed in the following (FY 2014) fiscal year

(1) Tiger Point Golf Course was acquired by the City of Gulf Breeze in December 2012. Amounts reported prior to that time are based on prior owner's activity. In 2016 Integrity Golf Courses LLC operated the course and the City did not require reports of rounds played.

** Honours Golf Company, LLC took over management of the golf course in April 2017; Figures reflect April to September 2017

**CITY OF GULF BREEZE, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED**

Table XXVIII

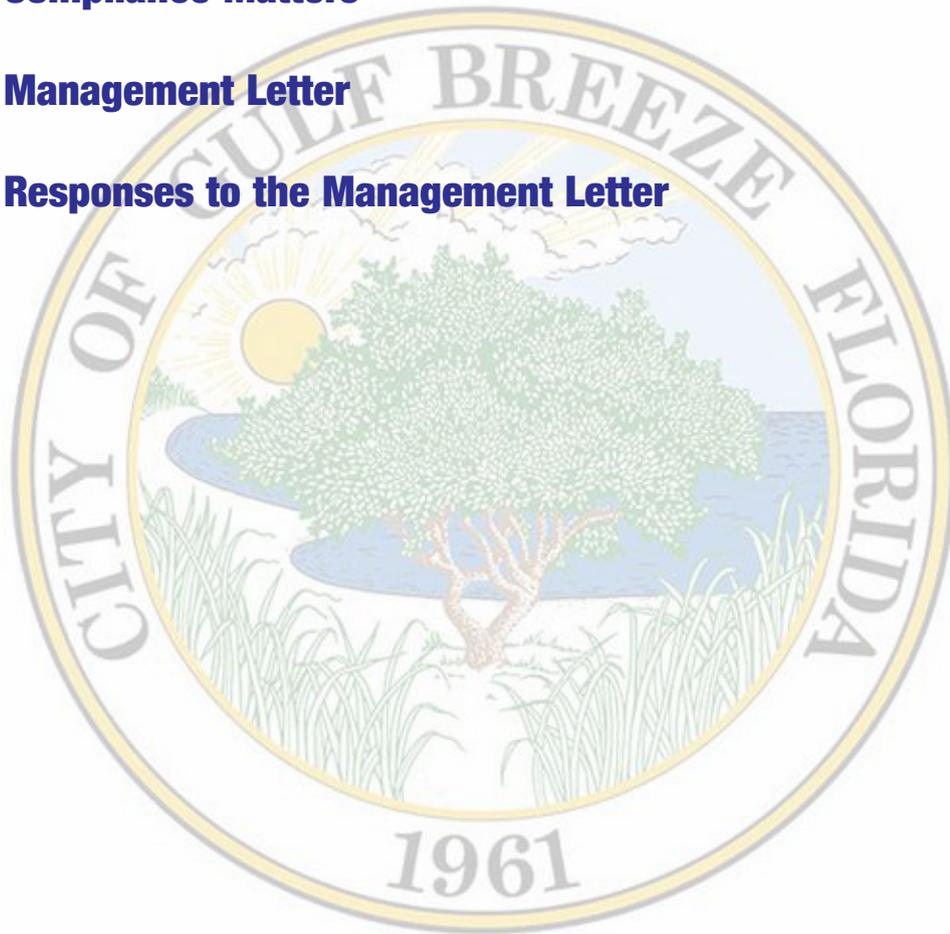
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Streets:										
Miles of roads	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7
Miles of sidewalks	10.5	10.5	10.5	10.5	10	10	10	10	10	10
Signs installed	174	172	172	172	172	171	171	171	171	171
Traffic signal (City owned)	1	1	1	1	1	1	1	1	1	1
Water:										
Water line (miles)	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5
Elevated storage tanks	1	1	1	1	1	1	1	1	1	1
Elevated storage capacity (000's)	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	1	1	1	1	1	1	1	1	1
Water pump facilities	1	1	1	1	1	1	1	1	1	1
Sewer:										
Sewer line (miles)	34.7	34.7	34.7	34.7	34.7	16.4	16.0	16.0	16.0	15.3
Lift stations	26	26	10	10	10	25	25	25	25	24
Natural Gas:										
Gas main (miles)	159.6	141.3	141.3	141.3	141.3	129.5	119.3	119.3	119.3	119.3
South Santa Rosa Utility System:										
<u>Water</u>										
Water line (miles)	62.9	62.9	62.9	62.9	62.5	62.3	62.3	62.3	62.3	62.3
Elevated storage tanks	1	1	1	1	1	1	1	1	1	1
Elevated storage capacity (000's)	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)	62.8	59.4	59.4	59.4	59.0	57.8	57.0	57.0	57.0	56.8
Lift stations	62	61	61	61	61	60	60	60	60	57
<u>Treatment Facilities</u>										
Facilities	1	1	1	1	1	1	1	1	1	1
Capacity (000,000 gallons per day)	2	2	2	2	2	2	2	2	2	2
Stormwater Utility:										
Stormwater pipe (miles)	11.4	11.4	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0
Inlets	262	262	186	186	186	186	186	186	186	180
Pump stations	6	6	5	5	5	5	5	5	5	5
Police Department:										
Patrol units	16	18	18	18	17	17	17	17	17	19
Fire Department:										
Response and support vehicles	11	10	10	10	10	10	10	10	9	10

SOURCE: Department Records

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IV. Compliance Section

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



**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**

To the Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

We have audited, in accordance with the 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, the 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, (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described as Finding: 2017-001 to be a material weakness.

Finding: 2017-001

Financial Reporting

We have noted deficiencies in the financial reporting process in past audits, and the City has been working to improve the year-end closeout procedures to correct these deficiencies. Although progress has been made, we identified several adjustments during the 2017 audit that were necessary to properly present the financial statements in accordance with generally accepted accounting principles.

We recommend the City continue their efforts to improve the year-end closeout procedures, including a comprehensive review of year-end balances and any adjustments necessary to conform with generally accepted accounting principles.

Management's Response:

The City has recently hired a certified government finance officer with over 25 years of experience in the governmental arena. The accounting staff along with the new Director of Finance, are currently in the process of properly closing the FY2018 fiscal records. In addition, policies and procedures will be implemented to ensure proper reconciliation of records.

During the FY2019 budget process, the City Manager and the Director of Finance will bring recommendations to Council related to restructuring for the accounting, finance, and utility billing functions for improved reporting and tracking.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described below as Finding 2017-002.

Finding: 2017-002

Budgetary Compliance

In prior years, the City has approved budget amendments as needed to cover additional expenses not anticipated in the original budget. During 2017, the approved budget amendments did not fully cover these additional expenses. As a result, the City's General Fund expenditures and transfers out to other funds in 2017 exceeded the final approved budget of \$8,081,335 by a total of \$378,017.

We recommend that the City implement procedures to ensure that budget amendments are prepared and approved by the City Council as necessary to cover additional expenses not anticipated in the original budget.

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

Compliance and Other Matters (Continued)

Management's Response:

The budget variance for the 9/30/2017 fiscal year was primarily due to a \$400,000 operational transfer for the sale of property deposited into the General Fund in the prior fiscal year. These funds belonged to the Community Redevelopment Agency (CRA), and the transfer was necessary to properly state the cash position.

The City Manager and the newly hired Director of Finance are currently working to modify policy, staffing, and procedural changes needed to properly monitor the budget during the fiscal year. The Director of Finance will be making changes to internal accounting practices to record inter-fund transfers during the fiscal year rather than year-end. Additional staff have been hired to help ensure budget needs are properly tracked and recorded during this fiscal year.

City of Gulf Breeze, Florida's Responses to Findings

The City's responses to the findings identified in our audit are described above in "Management's Response." We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida
March 26, 2018

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MANAGEMENT LETTER

To the Honorable Mayor, City Council Members
 City of Gulf Breeze, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Gulf Breeze, Florida, (the City) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 26, 2018.

Auditor’s Responsibility

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 Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our 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* and our Independent Accountant’s Report on an examination conducted in Accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedules, which are dated March 26, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report, except as noted below:

Tabulation of Uncorrected Audit Findings		
Current Year	2015-16 FY	2014-15 FY
Finding #	Finding #	Finding #
2017-001	2016-001	2015-001

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 and each component unit of the City has been disclosed in Note 1 to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, our findings and recommendations are reported in our 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*.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida
March 26, 2018

**INDEPENDENT ACCOUNTANT'S REPORT
ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor, City Council Members
City of Gulf Breeze, Florida

We have examined the City of Gulf Breeze, Florida's (the City's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such procedures as we considered necessary in the circumstances. We believe that our examination provided a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Gulf Breeze, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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



Pensacola, Florida
March 26, 2018