

THE CITY OF
Gulf Breeze, Florida



Final Placement of Protective Breakwaters for Deadmans Island – completed 2015

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDING

September 30, 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**THE CITY OF GULF BREEZE, FLORIDA
YEAR ENDED SEPTEMBER 30, 2015**

PREPARED BY THE FINANCE DEPARTMENT

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CITY OF GULF BREEZE, FLORIDA
GULF BREEZE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

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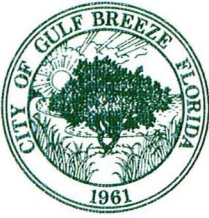
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City of Gulf Breeze

May 4, 2016

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

The Comprehensive Annual Financial Report of the City of Gulf Breeze, Florida, for the fiscal year ended September 30, 2015, is submitted herewith, pursuant to Florida Statutes Chapter 218.32.

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

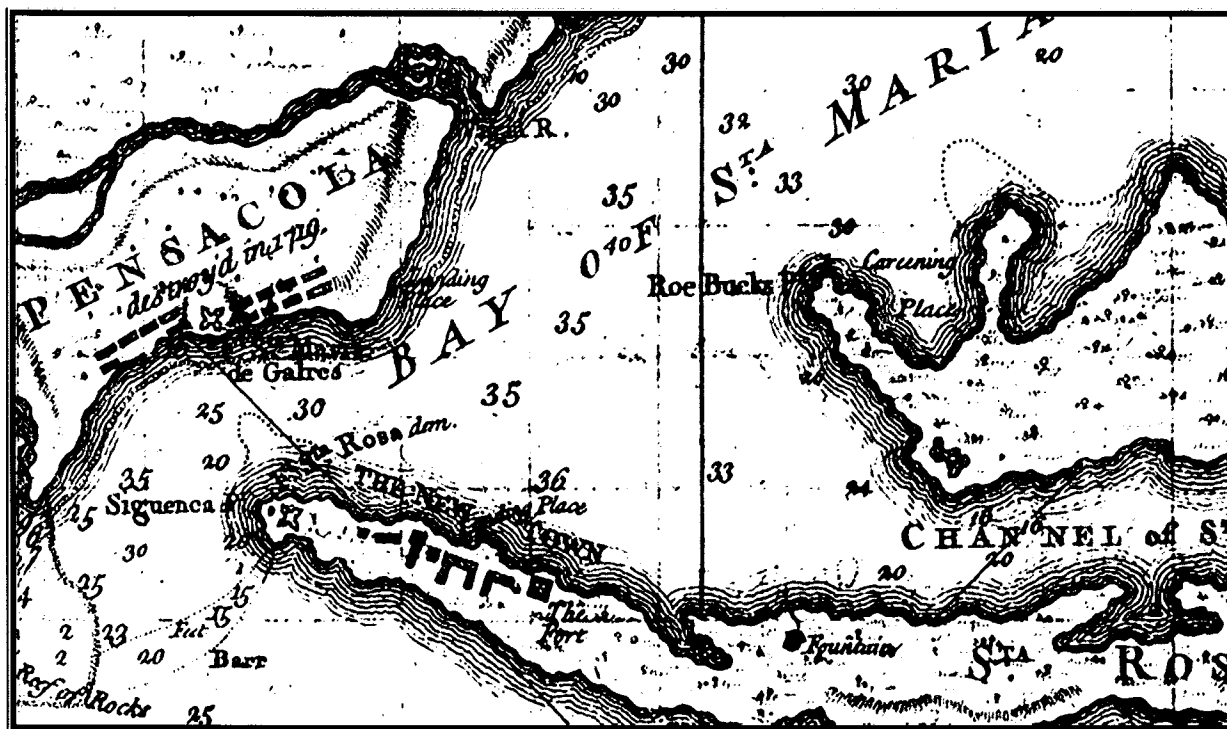
Saltmarsh Cleaveland & Gund, LLC, a firm of certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2015, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Gulf Breeze financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented in Section II - Financial Section, as the first component of the Financial Section of this report.

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

HISTORY AND PROFILE OF THE GOVERNMENT

History

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



Early Map of Pensacola (Thomas Jeffreys, 1763) showing "Roe Buck's Pt" (today's Peake's Point area of Gulf Breeze), and "Careening Place" (today's Old Navy Cove and Deadmans Island area).

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

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

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



Google Earth image of City of Gulf Breeze

Profile

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

Mayors

C. J. Heinberg	1961-1962, 1968-1970
John Schilf	1963-1964, 1966-1968
Colin Renfroe	1964-1966
Colven Caudell	1970-1972
B. B. Jordan	1972-1974
Donald Elbert	1974-1976
Charles Wright	1976-1980
Joseph Reynes	1980-1984
Ed Gray III	1984-1992
Lane Gilchrist *	1992-2009
Beverly Zimmern	2009-2014
Matt Dannheisser	2014-Present

* Deceased while holding office

Years in Office

Mayoral and Council terms begin 30 days after the date of election.

The first Mayor, Dr. C. J. Heinberg, and City Council members requested and received from Santa Rosa County, the ownership of land (more than 255 acres) that is now Shoreline Park. An outstanding range of recreational facilities is provided by the City, which includes 11 ball fields including basketball, baseball, softball, football and soccer fields, 6 children's parks, 10 tennis courts, several picnic areas, 2 public boat launches, a dog park, a skate park, a disc golf course, 2 nature reserves and beaches, various nature trails and bicycle paths. In 2013 the City acquired the Tiger Point Golf Course properties which are open to the public, as well.

Within the City there is a full-service hospital, a sports medicine and orthopedics center, 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.

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

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

The Budget

The annual budget serves as the foundation of the City's financial planning and control. Development of the annual budget is the beginning of the financial transaction process. A town meeting is held 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 directors may make transfers of appropriations within a department, they must receive approval by the City Manager. Unbudgeted purchases may be considered provided there are sufficient funds to cover the cost and proper approval for a budget adjustment has been made by the City Manager and/or the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

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

Completion of Hurricane Ivan 'Alternative Projects'

As a result of damage to the City's 1.5 mile long fishing pier during the 2004 Hurricane Ivan, the City was notified in 2010 of FEMA's approval of \$15 million in capital project funding available to the City in lieu of rebuilding the fishing pier. Since 2010 the City has utilized the Alternative Project fund for a variety of approved expenditures including acquisition of vehicles and other capital equipment, extension of natural gas service areas, road rebuilding, parks enhancements and major renovation and expansion of the City's recreation center. All projects were completed prior to the September 30, 2014 deadline and the City received its final reimbursement under this program in 2015.

Tiger Point Golf Course

During fiscal year 2013, the City was approached with an offer to acquire the Tiger Point Golf Course properties consisting of approximately 308 acres designed for two courses, 36 holes, of which 27 were operating, located outside of the City limits. The Tiger Point property is immediately adjacent to the City's waste water treatment facility and the golf course is the most important means of reintroducing the treated water from the treatment plant back into the local aquifer through the golf course's irrigation system, which was permitted for 1.3 million gallons per day. Permanent closure of the golf course might have required the treatment plant to find or acquire properties to accept equivalent volumes of treated water. Further, the City's utility department had been anticipating the need to expand treatment capacity for over a decade, but without the ability to expand in its current location, a site had been procured and permitted slightly less than nine miles east of its current location. Engineering estimates indicated that a building 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. Staff recommended that the City Council consider the acquisition 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, and over the past two years the City and South Santa Rosa Utilities has made significant investments to rebuild and restore facilities that had been allowed to decline. During fiscal year 2015, the Council approved a management contract with Integrity Golf, LLC to take over day-to-day operations of the golf course facilities beginning in fiscal year 2016.

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 a saturation of the ground that required over four weeks of continuous pumping to finally alleviate the standing water in the lowest spots of the City. Along with the flood damage to many of the City's residents and businesses, the City incurred a wide variety of recovery expenses as well as damage to its tennis courts, the Tiger Point golf course, its streets and utility infrastructure. As a result of a Federal declaration of emergency, a majority of the response costs and tennis court and infrastructure repair expenses are eligible for partial reimbursement from FEMA.

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 which should be completed in 2016.

Refinancing and Change of Primary Bank in 2014

Also during 2014 the City refinanced approximately \$3.8 million with BBVA Compass Bank for a 15 year term at a fixed 2.85% from an annually adjustable rate which had been at 3.45%. A condition of the refinancing required the City to move its banking activity to Compass. The City's water and natural gas utilities commenced a system-wide upgrade of customer meters and other capital improvements (reflected as Construction in Progress) which is financed by a \$4.59 million equipment financing from Suntrust Bank repayable annually through 2026 at an interest rate of 2.8%.

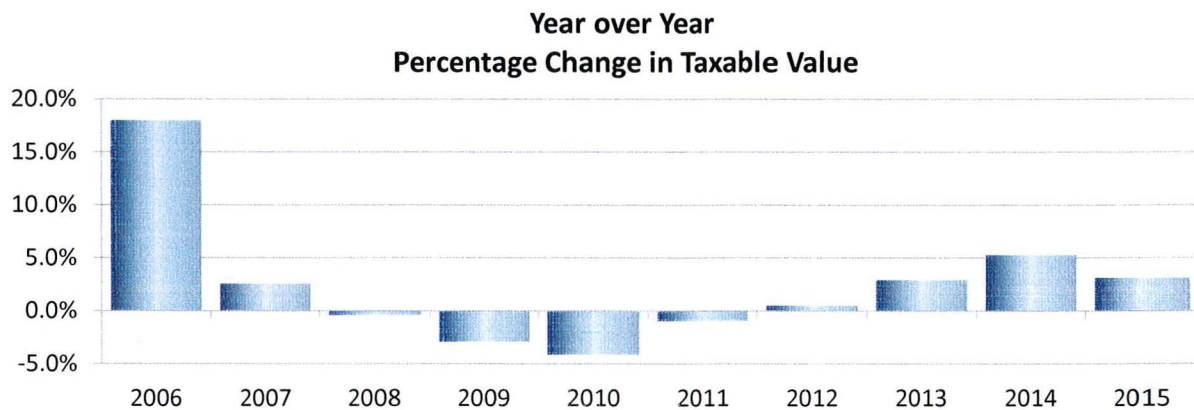
Completion of Deadmans Island Breakwater Project in 2015

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 Deadmans Island was considered 'of historic importance' and the City was statutorily required to protect the area from damage. The peninsula's name refers specifically to anchoring posts (the 'deadman') used to tie down ship masts so that each side could be scraped free of barnacles and repaired (careened). After the Civil War, as the port of Pensacola grew to become the largest city in Florida at the time and became a major immigration port, a quarantine facility was apparently established in Gulf Breeze, and archeological evidence indicates that some of those who did not survive the quarantine were buried on Deadmans Island.

Since rebuilding of the bridge between Pensacola and Gulf Breeze in the 1962, however, evidence of erosion of the shoreline and contour of Deadmans Island had become clear. In 2009 the City engaged Ecological Consulting Services to design, permit, project manage and obtain grant funding for 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.

Property Values

There was a 3.1% increase in assessed value for operation of properties within the City in 2015, following a 5.3%, 2.9%, and 0.5% increase in 2014, 2013 and 2012, respectively, following 1%, 4% and 3% consecutive decreases in 2011, 2010 and 2009 respectively. (Reference Table VII in the Statistical Section.)



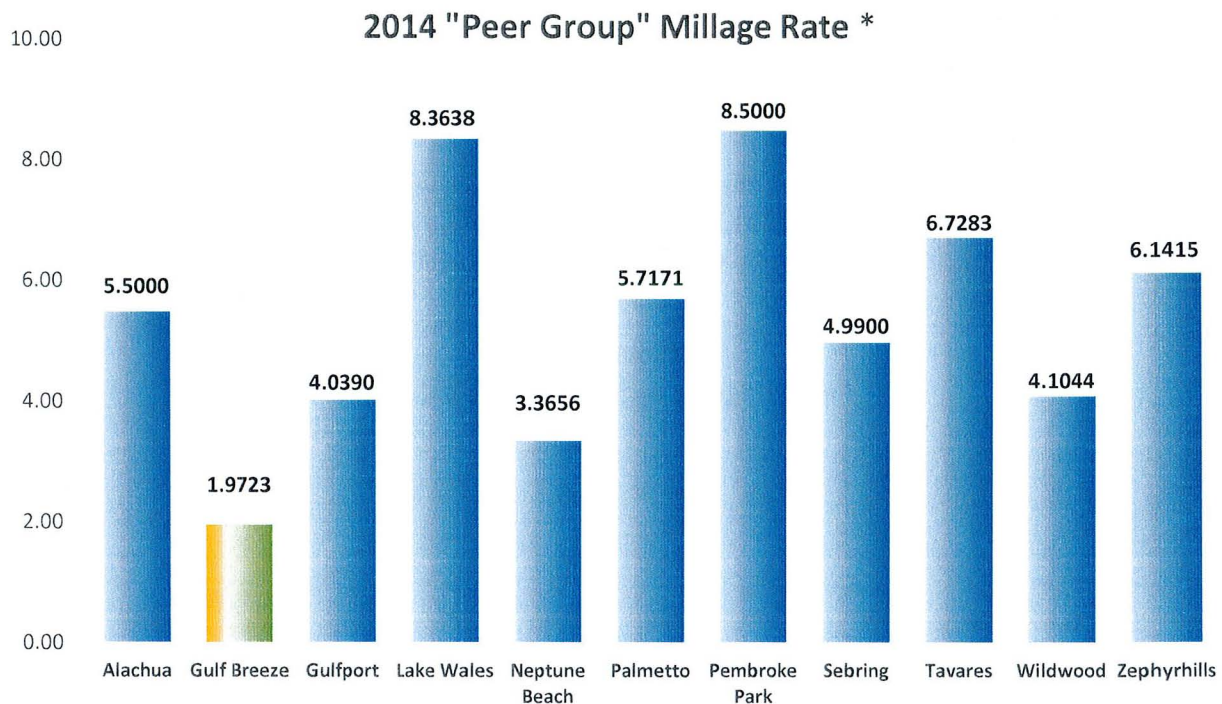
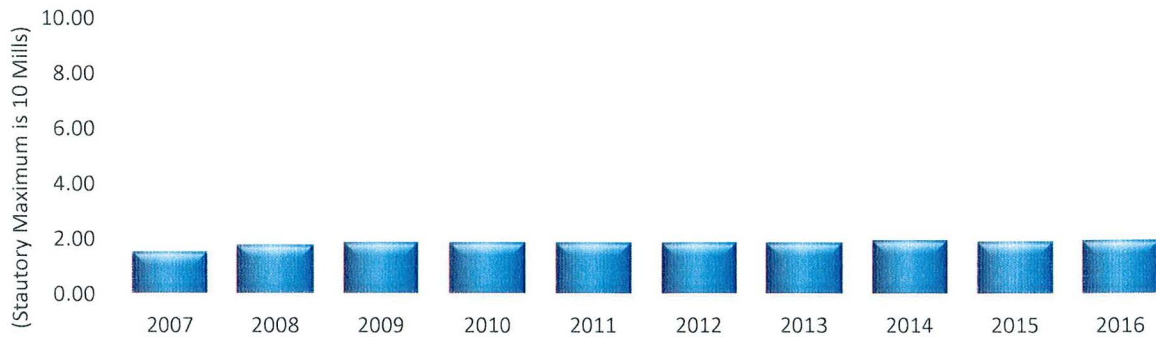
Long-term Financial Planning

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 and approve a rate of 1.900 mills for tax years 2009 through 2013, increasing only slightly to 1.9723 for 2014 and 1.93095 for 2015, and returning to 1.9723 for 2016.

Property Tax Rate

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



*Peer Group set by Florida Auditor General based on similar population, taxable property value and existence of enterprise funds

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

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

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

- Continued re-paving of the more than 45 miles of streets within the City of Gulf Breeze. The City is in the eighth year of a fifteen-year program to re-pave all 45 miles of streets. Local Option gas tax revenues are used to fund part of this project.

- Continued improvements to storm water management systems resulting from federal and state mandates, which began in fiscal year 2006. Funding through grants and service fees continues. 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 with the goal of making the City less vulnerable to flooding.
- The City has engaged a project manager to obtain grant funding and oversee the restoration of erosion to the Deadmans Island conservation area. Permitting and initial placement of structures for establishment of an oyster bed breakwater, as well as the submerged land lease, have been completed.
- The City has developed a Master Plan for parks to provide a guide for capital projects for the next 5 years, and a 25 year Master Plan for the City as a whole.
- The City began a process of 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, 2014. That was the 13th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting this year's report to the GFOA to determine its eligibility for a certificate for the 14th 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, Deputy City Manager and the City's Department Directors.

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

We would also like to acknowledge the accounting firm of 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,



Edwin A. Eddy
City Manager



Stephen Milford
Finance Director

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Government Finance Officers Association

**Certificate of
Achievement
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Presented to

**City of Gulf Breeze
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

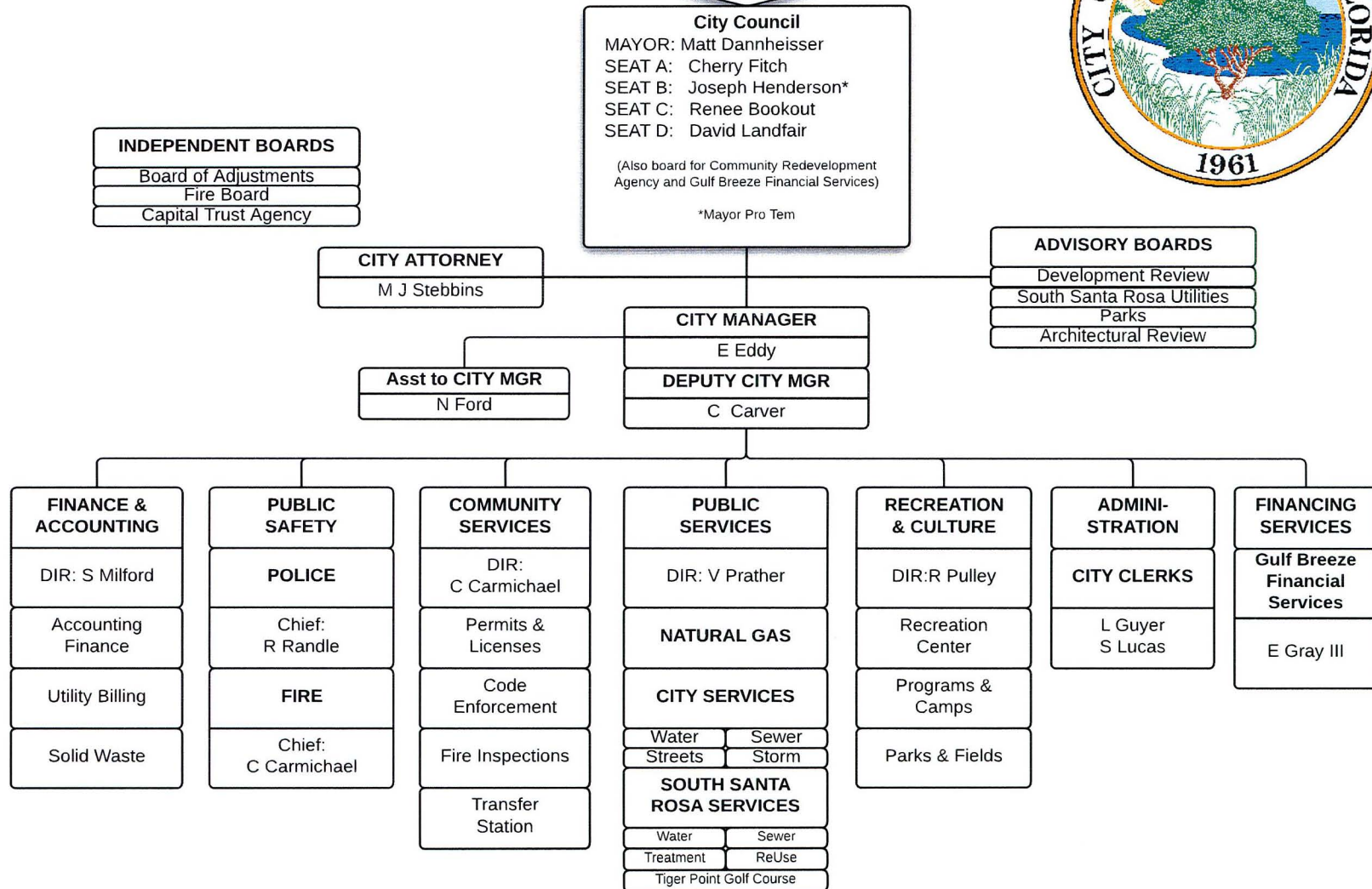
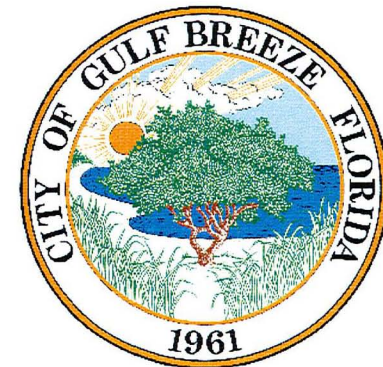
September 30, 2014

Executive Director/CEO

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City of Gulf Breeze

Resident & Voters of
Gulf Breeze



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City of Gulf Breeze

As of September 20, 2015

Elected Officials – City Council

Mayor: Matt Dannheisser

Seat A: Cherry Fitch

Seat B: Joseph Henderson *

Seat C: Renee Bookout

Seat D: David G. Landfair

* Mayor Pro Tem

Appointed Officials

City Manager: Edwin A. Eddy

City Clerks: Leslie Guyer, Stephanie Lucas

City Counsel: Michael Stebbins

Fire Marshall: Craig S. Carmichael

Director of Public Services: Vernon Prather

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II. FINANCIAL SECTION

- ❖ **INDEPENDENT AUDITOR'S REPORT**
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- ❖ **(GOVERNMENT-WIDE FINANCIAL STATEMENTS)**
- ❖ **(FUND FINANCIAL STATEMENTS)**
- ❖ **(NOTES TO THE FINANCIAL STATEMENTS)**
- ❖ **REQUIRED SUPPLEMENTARY INFORMATION**
- ❖ **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2015, 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, 2015, which statements reflected total assets of \$1,765,215 as of September 30, 2015, and total revenues of \$340,577 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 opinion.

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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the City's basic financial statements, the City adopted an accounting standard that required retrospective application, resulting in recognition of net pension liabilities or assets and related pension amounts, and restatement of net position as of October 1, 2014. Our opinion is not modified with respect to this matter.

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 schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by Section 215.97, Florida Statutes, and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 May 4, 2016, 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
May 4, 2016

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**CITY OF GULF BREEZE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

As management of the City of Gulf Breeze, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. 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 of Gulf Breeze exceeded its liabilities and deferred inflows by \$41,219,331 (net position). Of this amount \$13,223,502 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position decreased by \$2,916,399 or 6.6%. The governmental net position decreased by \$998,351 or 5.3% and the business-type net position decreased by \$1,918,048 or 7.7%. During fiscal year 2015, the City continued with several major projects to: 1) recover from flood damage resulting from a 24 inch deluge of rain within a 12 hour period on April 30, 2014; 2) upgrade utility meter systems; and, 3) repair and upgrade facilities at the Tiger Point golf course (acquired in fiscal year 2013). These are reflected as small decreases in total current and capital assets resulting from the use of reserves to fund the excess of expenditures over revenues for the year and scheduled principal payments resulting in reduction of long term debt.
- The City's governmental funds reported combined ending fund balances of \$8,504,706, a decrease of \$64,805 or 0.8%. Of the total ending unassigned fund balance, \$6,162,112 the equivalent of 80.7% of total General Fund expenditures, is available for spending at the City's discretion (unassigned fund balance). The decrease resulted from decreases in cash and amounts due from other governments, offset by an increase in balances due from other funds and a decrease in payables.
- As discussed further below, the City has been fortunate to be the recipient of grants from the Florida Department of Transportation, and the State and Federal Government (notably the Army Corps of Engineers, and the Stafford Act - FEMA) in fiscal year 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Gulf Breeze's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The City's government-wide financial statements are designed to provide its readers with a broad overview, similar to a private sector business.

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

The statement of activities provides information showing how the City's net 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 government activities of the City include general government, public works, police, fire, parks and recreation and community services. The business-type activities of the City include water and sewer, natural gas, stormwater, solid waste, golf course activities, and Gulf Breeze Financial Services.

The government-wide financial statements include not only the City of Gulf Breeze itself (the primary government), but also blended component units, Gulf Breeze Financial Services (GBFS), and the Community Redevelopment Agency (CRA). Blended component units, although legally separate entities, are, in substance, part of the primary government's operations. The government-wide financial statements are found on pages 18 - 19 of this report.

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

FUNDS

Government 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 statement of net position and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Proprietary Funds - All proprietary funds of the City are maintained as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Gulf Breeze uses enterprise funds to account for its utilities operations (water operations and distribution; sewer collection and treatment; 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, Solid Waste Control Fund, Stormwater Management, and Innerarity Point Utilities. The City Water & Sewer Fund, Natural Gas Fund, SSRUS Water & Sewer Fund, and Gulf Breeze Financial Services are considered to be major funds of the City. Data from the other three proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of the combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27 - 32 of this report.

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

The basic fiduciary fund financial statements can be found on pages 33 - 34 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 36 - 91 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 92 - 98 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 100 - 106 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 of Gulf Breeze, assets and deferred outflows exceeded liabilities by \$41,219,331 at the close of the most recent fiscal year, as reported in Table 1.

The City's investment in capital assets (e.g. land, buildings, machinery and equipment), less any outstanding debt used to acquire those assets, totaled \$25,427,747 or 62% of total net position at September 30, 2015. The City of Gulf Breeze uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The additional portion of the City's net position of \$2,568,082, or 6% 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 \$13,223,502, or 32% of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

In fiscal year 2015 the City adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* resulting in the creation and reporting of deferred amounts in the additional statement of net position categories of deferred outflows and deferred inflows, which are non-cash, intangible totals resulting from actuarial analysis more fully disclosed in Note 6 to the financial statements.

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 and the City as a whole.

TABLE 1
CITY OF GULF BREEZE, FLORIDA
NET POSITION
AS OF SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets						
and deferred outflows	\$ 9,949,313	\$ 9,306,322	\$ 11,269,281	\$ 15,075,428	\$ 21,218,594	\$ 24,381,750
Capital assets	17,482,594	18,578,362	31,902,436	31,319,550	49,385,030	49,897,912
Total assets and deferred outflows	<u>\$ 27,431,907</u>	<u>\$ 27,884,684</u>	<u>\$ 43,171,717</u>	<u>\$ 46,394,978</u>	<u>\$ 70,603,624</u>	<u>\$ 74,279,662</u>
Long-term liabilities outstanding and deferred inflows	\$ 8,736,684	\$ 8,217,394	\$ 17,560,158	\$ 18,570,396	\$ 26,296,842	\$ 26,787,790
Other liabilities	546,747	860,870	2,540,704	2,507,040	3,087,451	3,367,910
Total liabilities and deferred inflows	<u>9,283,431</u>	<u>9,078,264</u>	<u>20,100,862</u>	<u>21,077,436</u>	<u>29,384,293</u>	<u>30,155,700</u>
Net position:						
Net investment in capital assets	9,722,091	10,625,849	15,705,656	18,625,464	25,427,747	29,251,313
Restricted	753,569	485,597	1,814,513	5,456,129	2,568,082	5,941,726
Unrestricted	7,672,816	7,694,974	5,550,686	1,235,949	13,223,502	8,930,923
Total net position	<u>18,148,476</u>	<u>18,806,420</u>	<u>23,070,855</u>	<u>25,317,542</u>	<u>41,219,331</u>	<u>44,123,962</u>
Total liabilities and net position	<u>\$ 27,431,907</u>	<u>\$ 27,884,684</u>	<u>\$ 43,171,717</u>	<u>\$ 46,394,978</u>	<u>\$ 70,603,624</u>	<u>\$ 74,279,662</u>

TABLE 2
CITY OF GULF BREEZE, FLORIDA
CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,427,929	\$ 1,295,159	\$ 13,367,150	\$ 12,954,888	\$ 14,795,079	\$ 14,250,047
Operating grants and contributions	1,377,663	1,984,125	15,503	-	1,393,166	1,984,125
Capital grants and contributions	-	-	501,998	507,249	501,998	507,249
General revenues:						
Property taxes	1,950,694	1,817,161	-	-	1,950,694	1,817,161
Other taxes	1,525,450	1,401,394	-	-	1,525,450	1,401,394
Intergovernmental revenues	570,938	520,130	-	-	570,938	520,130
Miscellaneous	455,119	640,712	270,568	123,641	725,687	764,353
Investment earnings	6,240	11,844	174,969	204,509	181,209	216,353
Total revenues	<u>7,314,033</u>	<u>7,670,525</u>	<u>14,330,188</u>	<u>13,790,287</u>	<u>21,644,221</u>	<u>21,460,812</u>
Expenses:						
Governmental activities:						
General government	2,140,000	2,159,875	-	-	2,140,000	2,159,875
Public safety	3,708,802	3,389,678	-	-	3,708,802	3,389,678
Transportation	830,933	645,097	-	-	830,933	645,097
Economic environment	539,671	480,967	-	-	539,671	480,967
Culture and recreation	2,204,301	2,120,714	-	-	2,204,301	2,120,714
Debt service interest	369,894	395,462	-	-	369,894	395,462
Business-type activities:						
Water and sewer	-	-	2,019,512	1,956,060	2,019,512	1,956,060
Natural gas	-	-	2,495,520	2,460,185	2,495,520	2,460,185
SSRUS utilities	-	-	9,034,748	9,020,191	9,034,748	9,020,191
Solid waste control	-	-	564,709	547,242	564,709	547,242
Stormwater management	-	-	431,285	566,526	431,285	566,526
Innerarity Point	-	-	16,663	-	16,663	-
Gulf Breeze Financial Services	-	-	204,582	235,163	204,582	235,163
Total expenses	<u>9,793,601</u>	<u>9,191,793</u>	<u>14,767,019</u>	<u>14,785,367</u>	<u>24,560,620</u>	<u>23,977,160</u>
Change in net position before transfers	(2,479,568)	(1,521,268)	(436,831)	(995,080)	(2,916,399)	(2,516,348)
Transfers	1,481,217	1,399,616	(1,481,217)	(1,399,616)	-	-
Change in net position	<u>(998,351)</u>	<u>(121,652)</u>	<u>(1,918,048)</u>	<u>(2,394,696)</u>	<u>(2,916,399)</u>	<u>(2,516,348)</u>
Net position, beginning of year Unadjusted	18,806,420	19,328,444	25,317,542	27,948,238	44,123,962	47,276,682
Adjustments to net position, beginning of year	340,407	(400,372)	(328,639)	(236,000)	11,768	(636,372)
Net position, beginning of year Adjusted	<u>19,146,827</u>	<u>18,928,072</u>	<u>24,988,903</u>	<u>27,712,238</u>	<u>44,135,730</u>	<u>46,640,310</u>
Net Position, as of September 30	<u>\$ 18,148,476</u>	<u>\$ 18,806,420</u>	<u>\$ 23,070,855</u>	<u>\$ 25,317,542</u>	<u>\$ 41,219,331</u>	<u>\$ 44,123,962</u>

Governmental Activities - Governmental activities before transfers decreased the City of Gulf Breeze's net position by \$2,479,568. The key elements of this change are reported in Table 2.

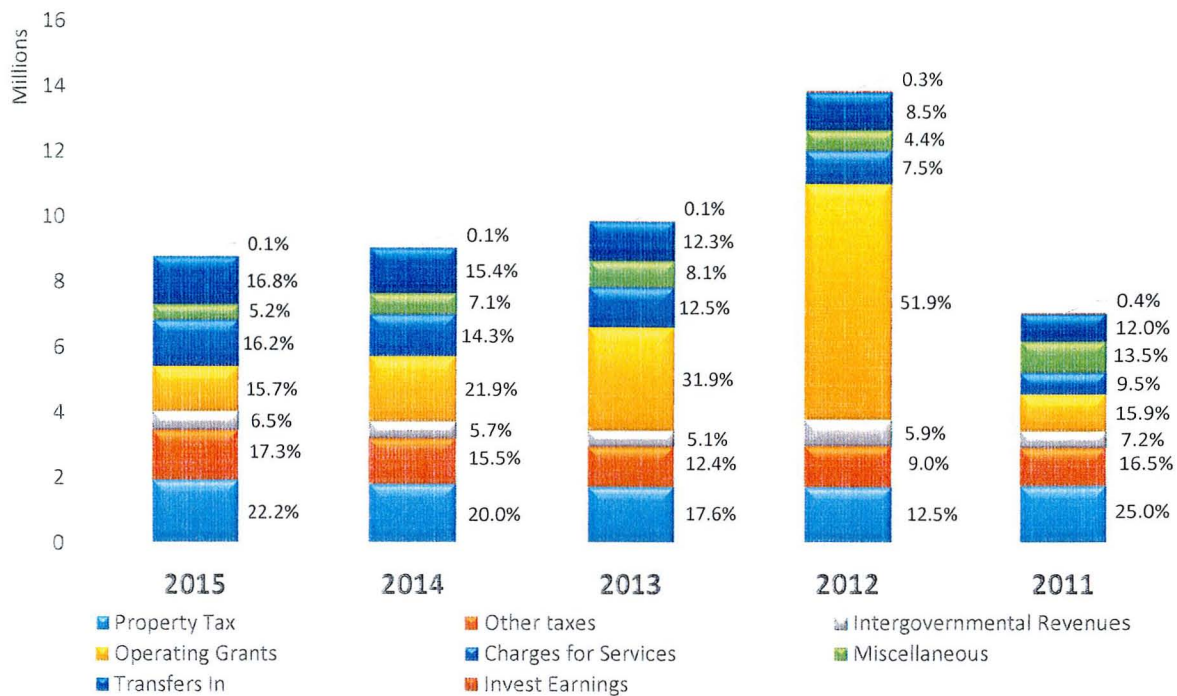
Charges for services increased \$132,770 or 10.3% this year reflecting primarily increased public safety revenue. The City experienced \$606,432 or 30.6% decrease in grants, reflecting largely decreased application for reimbursements of hurricane restoration projects from FEMA and the State of Florida and grants for the continuing erosion control projects relating to Deadman's Island. The accompanying expenses are reflected largely in Culture and Recreation which increased slightly by \$83,587 or 3.9%. Road resurfacing in the Transportation activities resumed in 2015 after reduced spending in 2014 while the City recovered from the April 2014 flood, resulting in \$185,836 or 28.8% increase in those expenses.

The increase in Culture and Recreation expenses previously discussed is largely attributable to April 2014 deluge flooding repair and facilities restoration costs and Deadman's Island restoration costs. Grant revenues associated with those costs produced \$1.2 million in non-recurring Culture and Recreation revenue.

Investment earnings continued to decline mainly due to decreased multi-year investments in the financial markets which have offered low short term yields and an increased desire for available liquid funds while the predictability of reimbursement timing from certain grants has been inconsistent. Funds have been invested in Florida League of Cities Investment Funds, and the Florida State Investment Pool. Under Florida Statutes, smaller cities such as Gulf Breeze are limited in the investment types they may select. This limitation is intended to reduce the risk associated with investments of smaller cities and municipal entities, but also tends to reduce the potential yield. During 2011, the City established an investment policy which is overseen by an investment committee comprised of the Mayor, City Manager, Finance Director, and Director of Gulf Breeze Financial Services. The policy's primary goal is preservation of principal. Accordingly, it defines the maximum proportions of medium and longer term investments that may be invested in the various types of federal, state, municipal and commercial debt instruments and funds.

Tax revenues increased by \$257,589 or 8.0% resulting from across the board increases in tax revenues. Intergovernmental revenues increased \$50,808 or 9.8% primarily due to increases in state revenue sharing. Miscellaneous income decreased \$185,593 or 29% due to declining cell tower revenues and declines in donations.

Revenues by Source for Fiscal Years Governmental Activities



Percentages indicate the portion of the total annual revenues that category represents in that fiscal year.

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

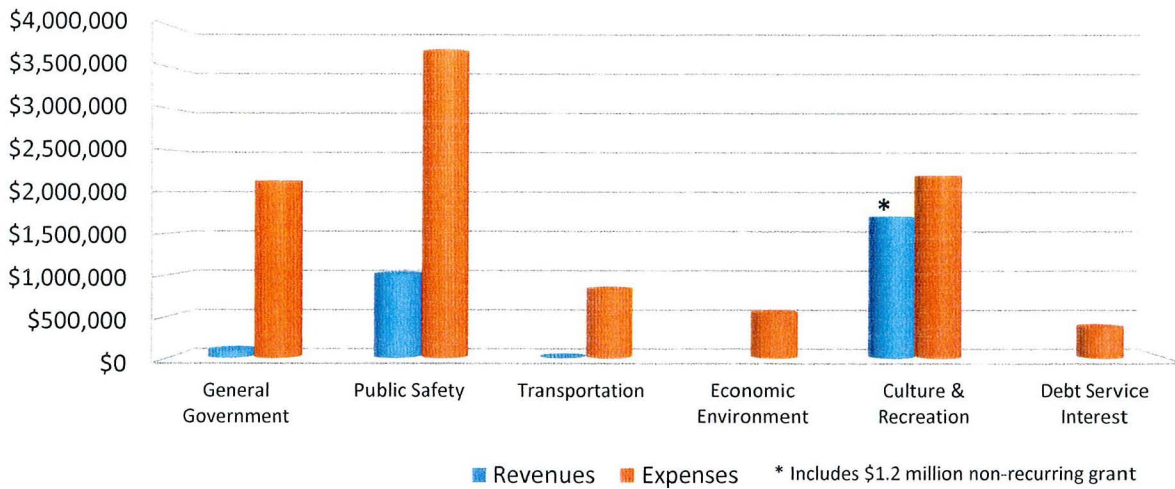
The increase in Economic Environment expenses (\$58,704 or 12.2% over the prior year) primarily reflects expenses of the Community Services department for the addition of a full time Code Enforcement officer.

General Government expenses declined by \$19,875 or 1% from prior year primarily due to declines in facilities improvement expenditures.

Public Safety expenses increased by \$319,124 or 9.4% over prior year primarily due to increases in Workmen's Compensation expenses due to a variety of personnel injuries and fire equipment purchases and repairs.

Governmental Activities

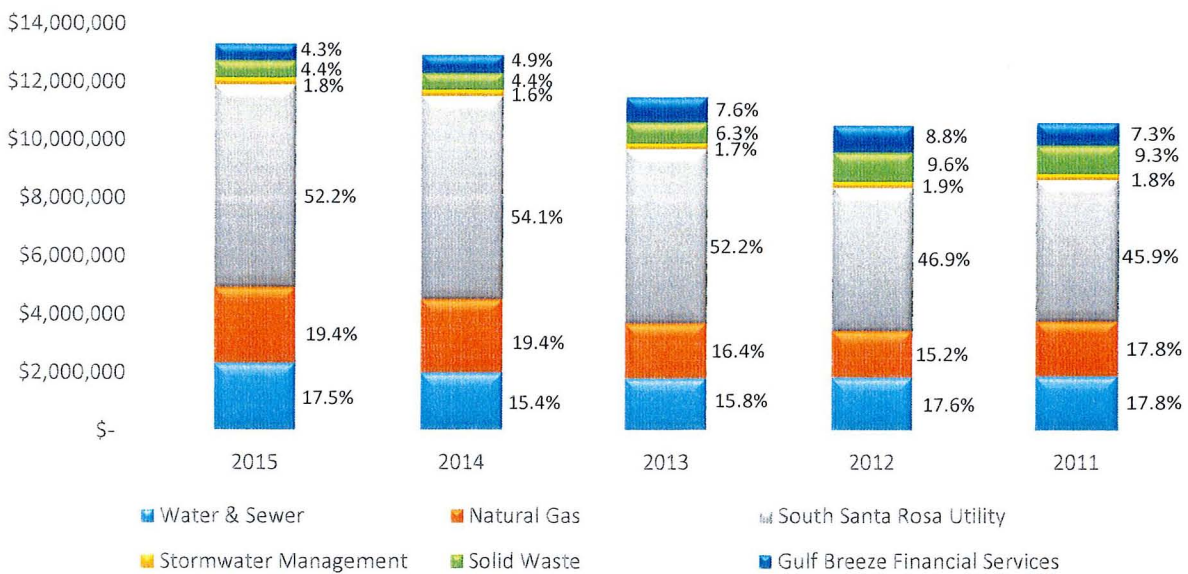
Program Revenues & Operating Expenses



Business-Type Activities - Business-type activities decreased the City's net position by \$1,918,048 before transfers, as indicated on Table 2.

Revenues by Source for Fiscal Years

Business Type Activities



Percentages indicate the portion of the total annual revenues that category represents in that fiscal year.

There have been no significant changes in the number of water and sewer customers inside City limits. This is also true for the number of water customers outside the City limits. The minor increases in customer counts are often more than offset by overall decreasing usage volumes. In fiscal year 2014, the City began operation of the water and sewer utilities of Innerarity Point, an unincorporated community in Escambia County, Florida, under a contract with Escambia County. Direct operating costs for those accounts are paid directly by Escambia County, so the City's incremental costs to service these accounts is relatively small (\$16,663 for fiscal year 2015 versus contractual revenues of \$44,882).

Contributions of \$501,998 from developers this year is a 1.1% decrease over the prior year. The area located outside of the City limits is expected to continue to be developed over the next several years as economic recovery continues. As these new developments become complete, the utility infrastructure must meet the standards set by South Santa Rosa Utilities Service (SSRUS) prior to acceptance by the Utility.

Investment earnings decreased by \$29,540 or 14.4% due to a reduction in return on invested funds of Gulf Breeze Financial Services relative to prior year in accordance with the City's investment policies. Miscellaneous revenues increased \$146,927 or 119% due mainly to the City recording its proportionate share of income from its investment in Fairpoint Regional Utility System (FRUS) which reported a substantial loss in 2014 due to the apparent collapse of the FRUS main water supply line somewhere under Easy Bay. FRUS was able to return to profitability prior to this fiscal year end.

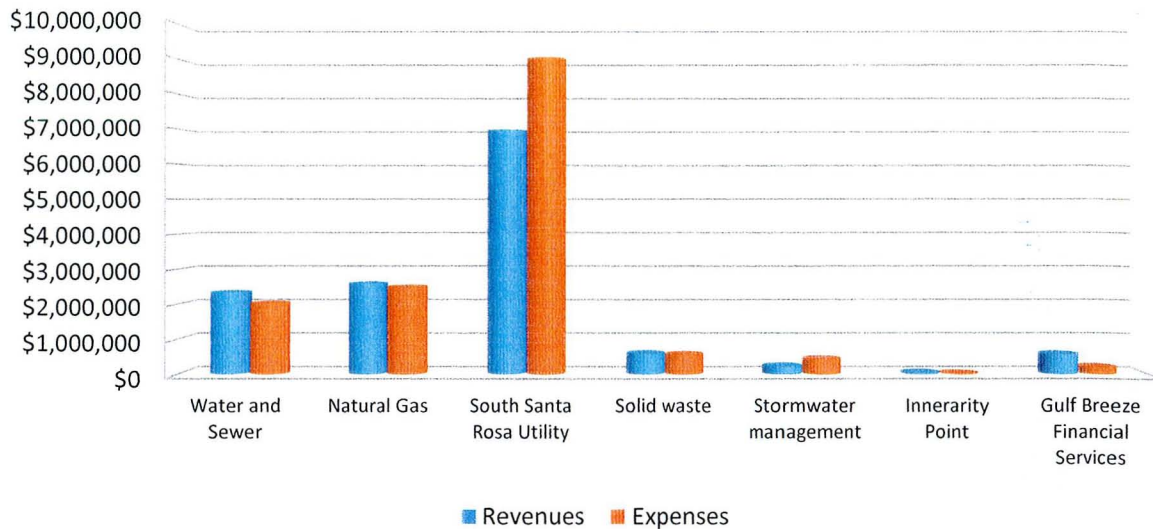
The Natural Gas Utility shows an increase in revenues of \$78,327 or 3.1% primarily due to a 3.6% increase in customers despite an 8.6% decrease in the volume of gas sold due to overall warmer weather. Operating expenses (excluding depreciation) decreased by \$64,683 or 3.1% over the prior year primarily as a result of reduced purchases of natural gas. Natural Gas rates are adjusted according to the cost of natural gas.

South Santa Rosa Utility (SSRU) experienced \$191,389 or 3.7% increase in revenues due to a 4% price increase in base fees and a 9% increase in usage rates which offset a decline in water and sewer volumes. A \$27,621 increase in operating expenses (excluding depreciation) relates primarily to increased professional fees and contract service costs.

Early in fiscal 2013, the City was presented with an opportunity to acquire the assets of the Tiger Point Golf Course which is adjacent to the SSRU treatment plant. The utility depends upon irrigation of the golf course for disposal of a great deal of effluent. Acquisition of the property allowed planning for expansion of the treatment plant in its current location, rather requiring relocation of the facility. As a result, Golf Course operations are reported as operating revenues and expenses within the SSRU fund. Revenue from Tiger Point decreased by \$218,590 or 12% over the prior fiscal year to \$1,586,638, due in part to revenue lost after a small fire in the club house closed that portion of the facility for several months combined with a 16% decrease in rounds played from the prior year. Golf Course operating expenses exceeded revenues by \$1,259,633 (exclusive of depreciation) as a result of increases in operating costs such as increases in personnel benefits costs of \$51,216, and increases in professional services costs of \$54,624 which overshadowed decreases in most other categories resulting in a decline in total expense before depreciation of \$68,158 while revenues declined by \$218,590. During fiscal year 2015, the City entered into an agreement with Integrity Golf Company, LLC to operate the Tiger Point facility beginning October 1, 2015. The agreement, among other provisions, provides for a minimum annual payment to the City of \$100,000.

Business-Type Activities

Program Revenues & Operating Expenses



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City of Gulf Breeze's governmental funds reported combined ending fund balances of \$8,504,706 a decrease of \$64,805 in comparison with the prior year. Of this total amount, \$12,196 is reserved for inventory and \$88,781 is reserved for prepaid expenses, as these amounts are not available for appropriation (e.g., non-spendable), and \$6,162,112 is unassigned, and, as such, is available for spending at the City's discretion. The remainder of fund balance is designated for specific purposes: 1) \$392,889 is restricted for community redevelopment, \$290,144 is restricted for debt service and \$70,536 is restricted for public safety; 2) portions are committed for purposes including a self-insurance escrow of \$250,000, beautification of \$391,903, park subdivisions of \$15,481, community funds of \$437; and 3) portions are assigned for disaster recovery of \$100,000 and public safety totaling \$730,227.

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,162,112, while total fund balance reached \$7,327,047. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures.

Unassigned fund balance represents 80.7% of the total General Fund expenditures, while total fund balance represents 96% of that same amount.

The General Fund's fund balance decreased by \$382,966 during the current fiscal year which is 39% of the prior year's increase most notably due to decrease in amounts due from other governments of \$1,262,241 resulting from completion of FEMA related projects.

The Urban Core Redevelopment Fund is used specifically for improvements within the City's defined commercial area. The revenues the fund receives are the result of City contributions as well as Tax Increment Financing (TIF) revenues. TIF revenues change proportionately with the defined commercial area's change in taxable value, which, due to the decrease in taxable parcels, resulted in a \$69,303 (12%) increase in tax revenues from 2014. Expenditures from this fund are used to support and enhance economic development within the defined commercial area. During the current fiscal year, the fund's expenditures supported traffic management, lighting and landscaping costs within the defined area.

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

Unrestricted net position of the proprietary funds totaled \$5,550,686 at the end of the year. Of that, the Water and Sewer Fund amounted to \$1,058,353, the Natural Gas Fund totaled \$(3,021,302), South Santa Rosa Utility Fund was \$1,199,890 Gulf Breeze Financial Services was \$9,293,997, and the non-major proprietary funds totaled \$(2,980,252). The net positions of the proprietary funds decreased by \$2,246,687, reflecting the operating deficits incurred for the proprietary funds as described earlier.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budget expenditures increased from the original budget by \$1,857,847. This increase reflected numerous expenditures not contemplated in the original budget, primarily of which were: significant increases in workers compensation and other insurance costs; police pension costs; and over \$465,000 in grant reimbursed expenditures to install protective breakwater structures for Deadman's Island. This grant program, along with FEMA revenues for flood repairs, comprises almost \$795,000 of the increase in budgeted intergovernmental revenues. Actual revenues collected varied from final budgeted amounts due to miscellaneous revenues resulting in \$169,464 above final budget revenues.

The highlights of the budgetary changes are as follows:

- Final budget figures reflected an allocation of approximately \$734,613 for capital expenditures primarily for public safety vehicles and the Deadman's Island breakwater installation mentioned earlier.

The combined impact of these budget variances resulted in a net decrease in the General Fund's fund balance of \$382,966, as compared to a final budgeted decrease of \$707,677.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,772,795	\$ 1,772,795	\$ 3,823,897	\$ 3,820,325	\$ 5,596,692	\$ 5,593,120
Construction in progress	4,750	271,521	1,853,390	3,640,364	1,858,140	3,911,885
Buildings and improvements	12,319,826	12,317,366	2,847,352	2,847,352	15,167,178	15,164,718
Improvements other than buildings	15,073,346	14,591,811	6,298,827	1,915,036	21,372,173	16,506,847
Infrastructure	1,077,264	1,071,613	46,914,420	46,339,004	47,991,684	47,410,617
Machinery and equipment	5,599,589	5,069,591	5,654,149	5,280,950	11,253,738	10,350,541
Accumulated depreciation	(18,364,976)	(16,516,335)	(35,489,599)	(32,523,481)	(53,854,575)	(49,039,816)
Total	<u>\$ 17,482,594</u>	<u>\$ 18,578,362</u>	<u>\$ 31,902,436</u>	<u>\$ 31,319,550</u>	<u>\$ 49,385,030</u>	<u>\$ 49,897,912</u>

The total decrease in the City of Gulf Breeze's investment in capital assets for the current fiscal year was \$512,822 or 1%. As components of this change, government assets decreased \$1,095,768 or 5.9% while business-type assets increased \$582,886 or 1.9%. Major changes in capital assets are summarized below.

- Comprehensive Meter and Meter Systems upgrades;
- Stormwater infrastructure enhancements;
- Continued waste water treatment plant improvements; and
- New vehicles and equipment.

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

Long-term Debt and Other Liabilities

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ 7,760,503	\$ 7,952,513	\$ 8,785,821	\$ 9,687,627	\$ 16,546,324	\$ 17,640,140
Line of credit	-	-	3,000,000	3,000,000	3,000,000	3,000,000
State revolving loan	-	-	893,340	932,922	893,340	932,922
Capital lease obligation	-	-	4,292,398	4,663,665	4,292,398	4,663,665
Unearned revenue	-	-	43,490	55,894	43,490	55,894
Compensated absences	292,203	264,881	205,536	230,288	497,739	495,169
Net pension liability	306,705	218,681	231,373	174,944	538,078	393,625
Total	<u>\$ 8,359,411</u>	<u>\$ 8,436,075</u>	<u>\$ 17,451,958</u>	<u>\$ 18,745,340</u>	<u>\$ 25,811,369</u>	<u>\$ 27,181,415</u>

At the end of the current fiscal year, the City of Gulf Breeze had total bonded debt and outstanding loans of \$24,732,062. Governmental Debt is to be repaid from General Government revenues. Business-type obligations are secured by specified revenue sources.

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

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

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

Subsequent to year end, the City obtained approximately a \$7.5 million loan through Capital Trust Agency, a component unit of the City. This loan will be used to pay off the line of credit, thereby unrestricting the associated collateral securing that credit line, as well as to fund capital improvements made at Tiger Point Golf Course, South Santa Rosa Utilities, and to stormwater infrastructure.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and City Council considered many factors when adopting the Fiscal Year 2016 budget. New revenue sources continue to be an issue, due to unpredictable property values and previous State Constitution amendments resulting in reduced ad valorem revenues. The overall revenue forecast for the General Fund is \$6,394,194 a 2.7% increase from fiscal 2015 initial budgeted revenues. In FY 2016, ad valorem taxes will return to 1.9723. The largest single area of increase is the transfers from proprietary funds which increase of \$416,555 offsets the decline in budget for grants and miscellaneous revenues resulting in a net increase of \$170,887. Debt Service expenses continue to be absorbed into the City's budget. Note that expenditures and reimbursements under any FEMA projects related to the April 2014 deluge/flood are excluded from initial budget figures.

The budget for Fiscal Year 2016 expenditures is approximately 13.1% more than budgeted for Fiscal Year 2015. The primary areas of increase are projected adjustments to staffing and wages as well as projected increases in rates for employee medical coverage as well as \$407,000 for the resumption of street resurfacing.

The General Fund is budgeted to generate a deficit, to be funded by use of existing reserves, of \$405,371 throughout the year. Tentative capital expenditures of \$683,100 anticipated are vehicle and equipment replacements and information technology improvements.

The Proprietary Funds have planned \$3,205,000 in vehicle, equipment replacements and infrastructure replacements, primarily stormwater system enhancements, in addition to \$2,008,204 in debt service for fiscal year 2016.

The Community Redevelopment Agency Fund is projected to use \$746,597 on the Central Business District improvements. The diligence provided by the City Council has ensured that the City will continue to maintain the high level of service desired by this community.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**CITY OF GULF BREEZE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Exhibit I

	Primary Government			Component Unit
	Governmental	Business-type		Capital Trust Agency
	Activities	Activities	Total	and Subsidiary
ASSETS				
Cash and cash equivalents	\$ 1,400,099	\$ 1,191,890	\$ 2,591,989	\$ 2,780,990
Investments	-	5,398,567	5,398,567	-
Receivables, net	316,856	500,568	817,424	128,519
Interfund receivables (payables)	5,843,160	(5,843,160)	-	-
Due from other governments	502,307	126,960	629,267	-
Prepaid expenses	88,781	-	88,781	17,813
Inventory, at cost	12,196	500,644	512,840	-
Restricted assets				
Cash and cash equivalents	763,995	2,836,099	3,600,094	923,952
Investments	-	3,621,338	3,621,338	-
Other assets				
Investment in limited liability company	-	26,920	26,920	7,315
Bond issue costs, net	-	112,462	112,462	-
Investment in joint venture	-	1,581,210	1,581,210	-
Advance to joint venture	-	226,272	226,272	-
Note receivable from joint venture	-	174,891	174,891	-
Net pension asset	180,572	-	180,572	-
Capital assets				
Non-depreciable	1,777,545	5,677,287	7,454,832	-
Depreciable	15,705,049	26,225,149	41,930,198	-
Total Assets	26,590,560	42,357,097	68,947,657	3,858,589
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	841,347	39,841	881,188	-
Loss on bond refunding	-	774,779	774,779	-
Total Deferred Outflows of Resources	841,347	814,620	1,655,967	-
Total Assets and Deferred Outflows	\$ 27,431,907	\$ 43,171,717	\$ 70,603,624	\$ 3,858,589
LIABILITIES				
Accounts payable	\$ 292,076	\$ 1,427,549	\$ 1,719,625	\$ 4,971
Accrued liabilities	130,612	110,044	240,656	126,960
Accrued interest	-	71,591	71,591	-
Due to other governments	-	18,392	18,392	-
Payable from restricted assets				
Accrued interest	124,059	118,610	242,669	-
Customer deposits	-	794,518	794,518	-
Line of credit	-	3,000,000	3,000,000	-
Non-current liabilities				
Due within one year				
Compensated absences	136,357	127,376	263,733	-
State revolving loan payable	-	40,798	40,798	-
Revenue bonds payable	202,400	900,057	1,102,457	-
Capital lease payable	-	350,544	350,544	-
Due in more than one year				
Unearned revenue	-	43,490	43,490	-
Compensated absences	155,846	78,160	234,006	-
State revolving loan payable	-	852,542	852,542	-
Revenue bonds payable	7,558,103	7,885,764	15,443,867	-
Capital lease payable	-	3,941,854	3,941,854	-
Net pension liability	306,705	231,373	538,078	-
Total Liabilities	8,906,158	19,992,662	28,898,820	131,931
DEFERRED INFLOWS OF RESOURCES				
Pensions	377,273	108,200	485,473	-
NET POSITION				
Net investment in capital assets	9,722,091	15,705,656	25,427,747	-
Restricted for:				
Recapture indemnity agreement	-	-	-	923,952
Public safety	70,536	-	70,536	-
Community redevelopment	392,889	-	392,889	-
Debt service and other debt requirements	290,144	1,814,513	2,104,657	-
Unrestricted	7,672,816	5,550,686	13,223,502	2,802,706
Total Net Position	18,148,476	23,070,855	41,219,331	3,726,658
Total Liabilities, Deferred Inflows, and Net Position	\$ 27,431,907	\$ 43,171,717	\$ 70,603,624	\$ 3,858,589

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

**CITY OF GULF BREEZE, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015**

Exhibit II

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Component Unit Capital Trust Agency and Subsidiary
Functions:							
Governmental:							
General government	\$ 2,140,000	\$ 87,414	\$ 80,459	\$ -	\$ (1,972,127)	\$ -	\$ (1,972,127)
Public safety	3,708,802	1,012,910	79,617	-	(2,616,275)	-	(2,616,275)
Transportation	830,933	-	-	-	(830,933)	-	(830,933)
Economic environment	539,671	-	-	-	(539,671)	-	(539,671)
Culture and recreation	2,204,301	327,605	1,217,587	-	(659,109)	-	(659,109)
Debt service interest	369,894	-	-	-	(369,894)	-	(369,894)
Total governmental activities	9,793,601	1,427,929	1,377,663	-	(6,988,009)	-	(6,988,009)
Business-type:							
Water and sewer	2,019,512	2,339,659	-	23,815	-	343,962	343,962
Natural gas	2,495,520	2,594,132	-	-	-	98,612	98,612
South Santa Rosa Utility	9,034,748	6,983,404	15,503	478,183	-	(1,557,658)	(1,557,658)
Solid waste control	564,709	593,891	-	-	-	29,182	29,182
Stormwater management	431,285	234,086	-	-	-	(197,199)	(197,199)
Gulf Breeze Financial Services	204,582	577,096	-	-	-	372,514	372,514
Innerarity Point	16,663	44,882	-	-	-	28,219	28,219
Total business-type activities	14,767,019	13,367,150	15,503	501,998	-	(882,368)	(882,368)
Total primary government	\$ 24,560,620	\$ 14,795,079	\$ 1,393,166	\$ 501,998	(6,988,009)	(882,368)	(7,870,377)
Capital Trust Agency and subsidiary	\$ 1,164,102	\$ 1,380,358	\$ -	\$ -			\$ 216,256
General Revenues:							
Taxes							
Property taxes					1,950,694	-	1,950,694
Tourist development taxes					149,108	-	149,108
Fuel taxes					255,638	-	255,638
Franchise taxes					349,322	-	349,322
Communication service taxes					298,398	-	298,398
Utility service taxes					472,984	-	472,984
Intergovernmental, unrestricted					570,938	-	570,938
Miscellaneous					455,119	270,568	725,687
Unrestricted investment earnings					6,240	174,969	181,209
Transfers					1,481,217	(1,481,217)	-
Total general revenues and transfers					5,989,658	(1,035,680)	4,953,978
Change in net position					(998,351)	(1,918,048)	(2,916,399)
Net position at beginning of year, as previously stated					18,806,420	25,317,542	44,123,962
Adjustment to beginning net position					340,407	(328,639)	11,768
Net position at beginning of year, as restated					19,146,827	24,988,903	44,135,730
Net position at end of year					\$ 18,148,476	\$ 23,070,855	\$ 41,219,331

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

CITY OF GULF BREEZE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

Exhibit III - A

	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 614,436	\$ -	\$ 785,663	\$ 1,400,099
Receivables, net	316,856	-	-	316,856
Interfund receivables	5,843,160	-	-	5,843,160
Due from other governments	502,307	-	-	502,307
Prepaid expenses	88,781	-	-	88,781
Inventory, at cost	12,196	-	-	12,196
Restricted assets				
Cash and cash equivalents	290,144	402,675	71,176	763,995
Total Assets	\$ 7,667,880	\$ 402,675	\$ 856,839	\$ 8,927,394
LIABILITIES				
Accounts payable	\$ 260,382	\$ 9,601	\$ 22,093	\$ 292,076
Accrued liabilities	130,237	185	190	130,612
Total Liabilities	390,619	9,786	22,283	422,688
FUND BALANCES				
Non-spendable				
Inventory	12,196	-	-	12,196
Prepaid expenses	88,781	-	-	88,781
Restricted				
Public safety	-	-	70,536	70,536
Community redevelopment	-	392,889	-	392,889
Debt service	290,144	-	-	290,144
Committed				
Community funds	437	-	-	437
Self-insurance	250,000	-	-	250,000
Beautification	391,903	-	-	391,903
Parks subdivision	15,481	-	-	15,481
Assigned				
Disaster recovery	100,000	-	-	100,000
Public safety	15,993	-	714,234	730,227
Unassigned	6,162,112	-	-	6,162,112
Total Fund Balances	7,327,047	392,889	784,770	8,504,706
Total Liabilities and Fund Balances	\$ 7,717,666	\$ 402,675	\$ 807,053	\$ 8,927,394

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, 2015

Exhibit III - B

Fund Balances - Total Governmental Funds (page 20) **\$ 8,504,706**

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	1,777,545	
Governmental depreciable assets	34,070,025	
Less accumulated depreciation	<u>(18,364,976)</u>	17,482,594

Net pension assets are other long-term assets that are not available to pay for current period expenditures and therefore not reported in the governmental funds

180,572

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

841,347

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	(7,760,503)	
Accrued interest	(124,059)	
Compensated absences	(292,203)	
Net pension liability	<u>(306,705)</u>	(8,483,470)

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

(377,273)

Total Net Position - Governmental Activities (page 18) **\$ 18,148,476**

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, 2015

Exhibit IV - A

	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,838,731	\$ 637,413	\$ -	\$ 3,476,144
Licenses and permits	87,414	-	-	87,414
Intergovernmental	1,948,160	-	441	1,948,601
Charges for services	327,605	-	-	327,605
Fines and forfeitures	59,456	-	953,454	1,012,910
Investment earnings	6,240	-	-	6,240
Miscellaneous	436,035	-	19,084	455,119
Total revenues	<u>5,703,641</u>	<u>637,413</u>	<u>972,979</u>	<u>7,314,033</u>
Expenditures:				
Current				
General government	1,540,455	439,102	-	1,979,557
Public safety	2,651,998	-	771,306	3,423,304
Transportation	519,423	-	-	519,423
Economic environment	198,758	-	-	198,758
Culture and recreation	1,424,236	-	-	1,424,236
Capital outlay	734,613	10,310	7,950	752,873
Debt service				
Principal	193,600	-	-	193,600
Interest	368,304	-	-	368,304
Total expenditures	<u>7,631,387</u>	<u>449,412</u>	<u>779,256</u>	<u>8,860,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,927,746)</u>	<u>188,001</u>	<u>193,723</u>	<u>(1,546,022)</u>
Other Financing Sources (Uses):				
Transfers in	1,751,032	206,252	-	1,957,284
Transfers out	(206,252)	(266,191)	(3,624)	(476,067)
Total other financing sources (uses)	<u>1,544,780</u>	<u>(59,939)</u>	<u>(3,624)</u>	<u>1,481,217</u>
Net change in fund balances	(382,966)	128,062	190,099	(64,805)
Fund Balances:				
Beginning of year	<u>7,710,013</u>	<u>264,827</u>	<u>594,671</u>	<u>8,569,511</u>
End of year	<u>\$ 7,327,047</u>	<u>\$ 392,889</u>	<u>\$ 784,770</u>	<u>\$ 8,504,706</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, 2015

Exhibit IV - B

Net change in fund balances - governmental funds (page 22) **\$ (64,805)**

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.

Expenditures for capital assets	752,873	
Less current year depreciation	<u>(1,848,641)</u>	(1,095,768)

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

Debt principal payments	193,600
-------------------------	---------

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	(27,322)
------------------------------------------	----------

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	38,322	
Change in Florida Municipal Pension Trust Fund net pension asset	<u>(40,788)</u>	<u>(2,466)</u>

Change in Net Position - Governmental Activities (page 19) **\$ (998,351)**

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, 2015

Exhibit V

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 2,630,037	\$ 2,717,702	\$ 2,838,731	\$ 121,029
Licenses and permits	72,500	87,414	87,414	-
Intergovernmental	705,022	1,909,123	1,948,160	39,037
Charges for services	234,103	327,605	327,605	-
Fines and forfeitures	128,100	59,456	59,456	-
Investment earnings	30,000	6,240	6,240	-
Miscellaneous	440,600	426,637	436,035	9,398
Total revenues	<u>4,240,362</u>	<u>5,534,177</u>	<u>5,703,641</u>	<u>169,464</u>
Expenditures:				
Current				
General government	1,289,776	1,541,560	1,540,455	1,105
Public safety	2,227,379	2,656,247	2,651,998	4,249
Transportation	134,092	519,423	519,423	-
Economic environment	187,760	198,758	198,758	-
Culture and recreation	1,049,078	1,424,236	1,424,236	-
Capital outlay	470,000	734,613	734,613	-
Debt service				
Principal	154,504	185,246	193,600	(8,354)
Interest	323,971	434,324	368,304	66,020
Total expenditures	<u>5,836,560</u>	<u>7,694,407</u>	<u>7,631,387</u>	<u>63,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,596,198)</u>	<u>(2,160,230)</u>	<u>(1,927,746)</u>	<u>232,484</u>
Other Financing Sources (Uses):				
Transfers in	1,982,945	1,660,176	1,751,032	90,856
Transfers out	(193,019)	(207,623)	(206,252)	1,371
Total other financing sources (uses)	<u>1,789,926</u>	<u>1,452,553</u>	<u>1,544,780</u>	<u>92,227</u>
Use of Reserves:	<u>-</u>	<u>707,677</u>	<u>-</u>	<u>(707,677)</u>
Net change in fund balance	<u>\$ 193,728</u>	<u>\$ -</u>	<u>(382,966)</u>	<u>\$ (382,966)</u>
Fund Balance:				
Beginning of year			<u>7,710,013</u>	
End of year			<u>\$ 7,327,047</u>	

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, 2015

Exhibit VI

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Taxes	<u>\$ 637,413</u>	<u>\$ 637,413</u>	<u>\$ 637,413</u>	<u>\$ -</u>
Expenditures:				
Current				
General government	447,000	436,301	439,102	(2,801)
Capital outlay	<u>130,474</u>	<u>10,310</u>	<u>10,310</u>	<u>-</u>
Total expenditures	<u>577,474</u>	<u>446,611</u>	<u>449,412</u>	<u>(2,801)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,939</u>	<u>190,802</u>	<u>188,001</u>	<u>(2,801)</u>
Other Financing Sources (Uses):				
Transfers in	206,252	206,252	206,252	-
Transfers out	<u>(266,191)</u>	<u>(266,191)</u>	<u>(266,191)</u>	<u>-</u>
Total other financing sources and (uses)	<u>(59,939)</u>	<u>(59,939)</u>	<u>(59,939)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 130,863</u>	128,062	<u>\$ (2,801)</u>
Fund Balance:				
Beginning of year			<u>264,827</u>	
End of year			<u>\$ 392,889</u>	

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, 2015

Exhibit VII

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 33,656	\$ 7,756	\$ 203,391	\$ 886,224	\$ 60,863	\$ 1,191,890
Investments	-	-	64,187	5,334,380	-	5,398,567
Receivables, net	92,121	101,333	274,771	3,958	28,385	500,568
Interfund receivables	152,481	-	-	3,000,000	-	3,152,481
Due from other governments	-	-	-	126,960	-	126,960
Note receivable from joint venture	8,045	-	9,444	-	-	17,489
Inventory, at cost	17,920	400,782	81,942	-	-	500,644
Restricted assets						
Cash and cash equivalents	227,585	234,794	1,106,413	-	12,075	1,580,867
Total current assets	531,808	744,665	1,740,148	9,351,522	101,323	12,469,466
Non-Current Assets:						
Investment in limited liability company	-	-	-	26,920	-	26,920
Restricted assets						
Cash and cash equivalents	-	-	253,873	1,001,359	-	1,255,232
Investments	-	-	-	3,621,338	-	3,621,338
Total restricted assets	-	-	253,873	4,622,697	-	4,876,570
Capital assets, net						
Land	-	-	3,816,825	-	7,072	3,823,897
Construction in progress	-	320	149,297	-	1,703,773	1,853,390
Buildings	-	-	2,321,575	-	-	2,321,575
Improvements other than building	-	689,704	4,909,544	62,881	-	5,662,129
Infrastructure	1,837,643	2,948,143	10,978,590	-	984,401	16,748,777
Machinery and equipment	110,835	517,817	816,403	-	47,613	1,492,668
Total capital assets	1,948,478	4,155,984	22,992,234	62,881	2,742,859	31,902,436
Other assets:						
Bond issue costs, net	-	-	112,462	-	-	112,462
Investment in joint venture	806,417	-	774,793	-	-	1,581,210
Advance to joint venture	115,399	-	110,873	-	-	226,272
Note receivable from joint venture	72,405	-	84,997	-	-	157,402
Total other assets	994,221	-	1,083,125	-	-	2,077,346
Total non-current assets	2,942,699	4,155,984	24,329,232	4,712,498	2,742,859	38,883,272
Total Assets	3,474,507	4,900,649	26,069,380	14,064,020	2,844,182	51,352,738
DEFERRED OUTFLOWS OF RESOURCES						
Pensions	10,778	7,186	17,017	-	4,860	39,841
Loss on bond refunding	-	-	774,779	-	-	774,779
Total deferred outflows of resources	10,778	7,186	791,796	-	4,860	814,620
Total Assets and Deferred Outflows	\$ 3,485,285	\$ 4,907,835	\$ 26,861,176	\$ 14,064,020	\$ 2,849,042	\$ 52,167,358

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

Exhibit VII

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
LIABILITIES, DEFERRED INFLOWS AND NET POSITION						
Current Liabilities:						
Accounts payable	\$ 94,754	\$ 82,565	\$ 405,415	\$ 80,945	\$ 763,870	\$ 1,427,549
Accrued liabilities	3,095	24,634	76,737	3,500	2,078	110,044
Accrued interest	-	-	71,591	-	-	71,591
Interfund payables	-	3,333,062	431,479	-	2,231,100	5,995,641
Due to other governments	-	-	-	-	18,392	18,392
Payable from restricted assets						
Accrued interest	18,360	-	100,250	-	-	118,610
Customer deposits	188,050	234,794	359,599	-	12,075	794,518
Revenue bonds payable	27,600	-	660,000	-	-	687,600
Line of credit	-	-	-	3,000,000	-	3,000,000
Compensated absences	20,654	28,811	66,100	-	11,811	127,376
State revolving loan payable	-	-	40,798	-	-	40,798
Revenue bonds payable	-	-	212,457	-	-	212,457
Capital lease payable	-	-	350,544	-	-	350,544
Total current liabilities	<u>352,513</u>	<u>3,703,866</u>	<u>2,774,970</u>	<u>3,084,445</u>	<u>3,039,326</u>	<u>12,955,120</u>
Non-Current Liabilities:						
Unearned revenue	43,490	-	-	-	-	43,490
Compensated absences	18,182	8,041	46,244	-	5,693	78,160
Interfund payables	-	-	3,000,000	-	-	3,000,000
State revolving loan payable	-	-	852,542	-	-	852,542
Revenue bonds payable	1,035,600	-	6,850,164	-	-	7,885,764
Capital lease payable	-	-	3,941,854	-	-	3,941,854
Net pension liability	62,596	41,731	98,827	-	28,219	231,373
Total non-current liabilities	<u>1,159,868</u>	<u>49,772</u>	<u>14,789,631</u>	<u>-</u>	<u>33,912</u>	<u>16,033,183</u>
Total Liabilities	<u>1,512,381</u>	<u>3,753,638</u>	<u>17,564,601</u>	<u>3,084,445</u>	<u>3,073,238</u>	<u>28,988,303</u>
Deferred Inflows of Resources:						
Pensions	29,273	19,515	46,215	-	13,197	108,200
Net Position:						
Net investment in capital assets	885,278	4,155,984	7,858,654	62,881	2,742,859	15,705,656
Restricted						
Debt service and other debt requirements	-	-	191,816	1,622,697	-	1,814,513
Unrestricted	1,058,353	(3,021,302)	1,199,890	9,293,997	(2,980,252)	5,550,686
Total net position	<u>1,943,631</u>	<u>1,134,682</u>	<u>9,250,360</u>	<u>10,979,575</u>	<u>(237,393)</u>	<u>23,070,855</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 3,485,285</u>	<u>\$ 4,907,835</u>	<u>\$ 26,861,176</u>	<u>\$ 14,064,020</u>	<u>\$ 2,849,042</u>	<u>\$ 52,167,358</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, 2015

Exhibit VIII

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
Operating Revenue:						
Charges for services						
Utilities	\$ 2,339,659	\$ 2,594,132	\$ 5,396,766	\$ -	\$ 872,859	\$ 11,203,416
Golf course	-	-	1,586,638	-	-	1,586,638
Financial services	-	-	-	577,096	-	577,096
Total charges for services	<u>2,339,659</u>	<u>2,594,132</u>	<u>6,983,404</u>	<u>577,096</u>	<u>872,859</u>	<u>13,367,150</u>
Operating Expenses:						
Personal services	487,240	658,131	2,844,657	85,857	317,613	4,393,498
Contractual services	892,990	888,472	1,120,135	-	438,638	3,340,235
Supplies	61,880	292,431	968,315	-	7,594	1,330,220
Professional services	3,468	41,331	168,870	65,946	10,755	290,370
Repairs and maintenance	194,510	23,268	616,382	-	100,834	934,994
Office and utilities	79,738	92,032	599,406	11,471	1,710	784,357
Depreciation and amortization	249,464	499,855	2,074,994	6,292	135,513	2,966,118
Total operating expenses	<u>1,969,290</u>	<u>2,495,520</u>	<u>8,392,759</u>	<u>169,566</u>	<u>1,012,657</u>	<u>14,039,792</u>
Operating income (loss)	<u>370,369</u>	<u>98,612</u>	<u>(1,409,355)</u>	<u>407,530</u>	<u>(139,798)</u>	<u>(672,642)</u>
Non-Operating Revenue (Expenses):						
Interest earnings	1,984	-	1,625	162,542	-	166,151
Rents and royalties	-	-	53,914	-	-	53,914
Gain from investment in limited liability company	-	-	-	8,818	-	8,818
Interest expense	(50,222)	-	(641,989)	(35,016)	-	(727,227)
Income from joint venture	51,263	-	49,253	-	-	100,516
Miscellaneous	45,007	45,849	40,785	-	-	131,641
Total non-operating revenue (expenses)	<u>48,032</u>	<u>45,849</u>	<u>(496,412)</u>	<u>136,344</u>	<u>-</u>	<u>(266,187)</u>
Income (Loss) Before Transfers and Capital Contributions	<u>418,401</u>	<u>144,461</u>	<u>(1,905,767)</u>	<u>543,874</u>	<u>(139,798)</u>	<u>(938,829)</u>
Transfers and Capital Contributions:						
Transfers in	-	-	429,507	-	-	429,507
Transfers out	(561,978)	(322,170)	(376,023)	(500,000)	(150,553)	(1,910,724)
Capital contributions	23,815	-	478,183	-	-	501,998
Total transfers and capital contributions	<u>(538,163)</u>	<u>(322,170)</u>	<u>531,667</u>	<u>(500,000)</u>	<u>(150,553)</u>	<u>(979,219)</u>
Changes in net position	<u>(119,762)</u>	<u>(177,709)</u>	<u>(1,374,100)</u>	<u>43,874</u>	<u>(290,351)</u>	<u>(1,918,048)</u>
Net position at beginning of year, as previously stated	2,152,304	1,371,665	10,764,832	10,935,701	93,040	25,317,542
Adjustment to beginning net position	(88,911)	(59,274)	(140,372)	-	(40,082)	(328,639)
Net position at beginning of year, as restated	<u>2,063,393</u>	<u>1,312,391</u>	<u>10,624,460</u>	<u>10,935,701</u>	<u>52,958</u>	<u>24,988,903</u>
Net position at end of year	<u>\$ 1,943,631</u>	<u>\$ 1,134,682</u>	<u>\$ 9,250,360</u>	<u>\$ 10,979,575</u>	<u>\$ (237,393)</u>	<u>\$ 23,070,855</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, 2015

Exhibit IX

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
Cash Flows from Operating Activities:						
Receipts from customers and users	\$ 2,327,115	\$ 2,569,826	\$ 7,724,422	\$ 472,090	\$ 2,415,341	\$ 15,508,794
Payments to suppliers and providers	(1,426,564)	(1,516,776)	(3,957,485)	(8,589)	(622,801)	(7,532,215)
Payments to employees	(469,293)	(682,290)	(2,922,831)	(85,857)	(307,643)	(4,467,914)
Net cash provided by operating activities	431,258	370,760	844,106	377,644	1,484,897	3,508,665
Cash Flows from Non-Capital Financing Activities:						
Interest payments on line of credit	-	-	-	(35,016)	-	(35,016)
Miscellaneous income	45,007	45,849	40,785	-	-	131,641
Transfers in	-	-	429,507	-	-	429,507
Transfers out	(561,978)	(322,170)	(376,023)	(500,000)	(150,553)	(1,910,724)
Net cash provided by (used in) non-capital financing activities	(516,971)	(276,321)	94,269	(535,016)	(150,553)	(1,384,592)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(235,662)	(160,743)	(1,171,515)	-	(1,307,223)	(2,875,143)
Principal paid on bonds payable	(26,400)	-	(851,569)	-	-	(877,969)
Principal paid on state revolving loan	-	-	(39,582)	-	-	(39,582)
Principal paid on capital leases	-	-	(371,267)	-	-	(371,267)
Interest paid on long-term debt	(50,222)	-	(492,128)	-	-	(542,350)
Capital contributions	23,815	-	478,183	-	-	501,998
Net cash used in capital and related financing activities	(288,469)	(160,743)	(2,447,878)	-	(1,307,223)	(4,204,313)
Cash Flows from Investing Activities:						
Purchases of investments	-	-	-	(2,988,640)	-	(2,988,640)
Proceeds from sale of investments	-	-	-	2,823,669	-	2,823,669
Advances to primary government	-	-	-	(244,550)	-	(244,550)
Advance to joint venture	(80,450)	-	(94,441)	-	-	(174,891)
Interest income received from primary government	1,984	-	1,167	35,016	-	38,167
Interest income	-	-	-	200,791	-	200,791
Net cash used in investing activities	(78,466)	-	(93,274)	(173,714)	-	(345,454)
Net Change in Cash and Cash Equivalents	(452,648)	(66,304)	(1,602,777)	(331,086)	27,121	(2,425,694)
Cash and Cash Equivalents - Beginning of the Year	713,889	308,854	3,166,454	2,218,669	45,817	6,453,683
Cash and Cash Equivalents - End of the Year	\$ 261,241	\$ 242,550	\$ 1,563,677	\$ 1,887,583	\$ 72,938	\$ 4,027,989
Displayed As:						
Cash and cash equivalents	\$ 33,656	\$ 7,756	\$ 203,391	\$ 886,224	\$ 60,863	\$ 1,191,890
Restricted cash and cash equivalents	227,585	234,794	1,360,286	1,001,359	12,075	2,836,099
	<u>\$ 261,241</u>	<u>\$ 242,550</u>	<u>\$ 1,563,677</u>	<u>\$ 1,887,583</u>	<u>\$ 72,938</u>	<u>\$ 4,027,989</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, 2015
(Continued)

Exhibit IX

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
Reconciliation of Operating Income						
(Loss) to Net Cash Provided by						
Operating Activities:						
Operating income (loss)	\$ 370,369	\$ 98,612	\$ (1,409,355)	\$ 407,530	\$ (139,798)	\$ (672,642)
Adjustments to reconcile operating						
income (loss) to net cash						
provided by operating activities -						
Depreciation and						
amortization expense	249,464	499,855	2,074,994	6,292	135,513	2,966,118
Provision for uncollectible accounts	(35,477)	(31,885)	(181,495)	-	-	(248,857)
Rents and royalties	-	-	53,914	-	-	53,914
Changes in operating assets						
and liabilities:						
Receivables	35,337	7,579	243,997	13,508	16,986	317,407
Due from other governments	-	-	-	(118,514)	-	(118,514)
Inventory, at cost	(6,868)	(253,088)	75,862	-	-	(184,094)
Deferred outflows of						
resources - pensions	(403)	256	663	-	147	663
Accounts payable	(7,218)	(72,309)	(528,860)	68,828	(63,270)	(602,829)
Accrued liabilities	9,870	(5,577)	(16,273)	-	(4,008)	(15,988)
Interfund payables	(195,539)	141,531	624,602	-	1,531,000	2,101,594
Due to other governments	-	-	-	-	(5,504)	(5,504)
Customer deposits	(2,713)	(2,714)	(10,450)	-	-	(15,877)
Unearned revenue	(12,404)	-	-	-	-	(12,404)
Compensated absences	34,257	(6,030)	(70,483)	-	17,504	(24,752)
Net pension liability	7,820	5,214	12,347	-	3,526	28,907
Deferred inflows of						
resources - pensions	(15,237)	(10,684)	(25,357)	-	(7,199)	(58,477)
Total adjustments	60,889	272,148	2,253,461	(29,886)	1,624,695	4,181,307
Net Cash Provided By						
Operating Activities	\$ 431,258	\$ 370,760	\$ 844,106	\$ 377,644	\$ 1,484,897	\$ 3,508,665
Supplemental Schedule of Noncash Capital						
and Related Financing Activities						
Change in fair value of investment						
in joint venture	\$ 51,264	\$ -	\$ 49,253	\$ -	\$ -	\$ -
Acquisition of capital assets						
included in accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 673,861	\$ -

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, 2015

Exhibit X

	Police Officers' Retirement Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 8,112
Due from other governments	66,000	-
Total cash and receivables	<u>66,000</u>	<u>8,112</u>
 Investments:		
Short-term U.S. Government Obligations	30,815	-
Bond Mutual Funds	1,533,030	-
Equity Mutual Funds	2,287,067	-
Total investments	<u>3,850,912</u>	<u>-</u>
 Total Assets	3,916,912	8,112
 LIABILITIES		
Due to others	<u>-</u>	<u>8,112</u>
 NET POSITION		
Restricted for pension benefits	<u>\$ 3,916,912</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, 2015

Exhibit XI

	Police Officers' Retirement Fund
ADDITIONS	
Contributions	
Employer	\$ 120,446
Plan members	26,757
State of Florida	66,000
Total contributions	<u>213,203</u>
Investment income (loss)	(3,851)
Less investment expense	(8,854)
Net investment income	<u>(12,705)</u>
Total additions	<u>200,498</u>
DEDUCTIONS	
Benefits and refunds paid to plan members and beneficiaries	41,752
Administrative expenses	5,400
Total deductions	<u>47,152</u>
NET INCREASE	153,346
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	<u>3,763,566</u>
End of year	<u><u>\$ 3,916,912</u></u>

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, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. 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 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, 2015, 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, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Gulf Breeze Financial Services, Inc. (GBFS) was incorporated as of March 6, 1997. The members of the City Council, including the Mayor, serve as directors of 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 being reported as an enterprise fund. GBFS issues separate financial statements which may be obtained by writing to Gulf Breeze Financial Services, Inc., 315 Fairpoint Drive, Gulf Breeze, FL 32561 or calling (850) 934-4046.

Capital Trust Agency, Inc. (CTA) was established by the City on May 19, 1999, with Resolution 14-99 and incorporated on June 30, 1999, with the directors appointed by the City Council. CTA was formed for the purposes of assisting in the financing, acquisition, construction, development, equipping, maintenance, operation, and/or promotion of certain facilities, intangibles, and capital projects. The City exclusively benefits from the activity of CTA and received \$325,000 in miscellaneous revenues during the fiscal year ending September 30, 2015. 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.

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 directors.

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, \$226,215,000 outstanding (City collects an administrative fee).
- \$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, 2015**

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, \$9,670,000 outstanding.
- \$12,255,000 Variable Rate Demand Revenue Bonds, Series 2010B, \$4,970,000 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.

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.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The following is the current property tax calendar:

Lien Date	January 1, 2015
Levy Date	November 1, 2015
Due Date	November 1, 2015
Delinquent Date	April 1, 2016

Discounts of 1% for each month taxes are paid prior to March 2016 are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2015 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 on the balance sheet date.

D. Basis of Presentation

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

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

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

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

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

Governmental

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

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

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

Proprietary

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

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

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

Fiduciary

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

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

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

E. Assets, 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 Note 3) is considered to be a cash equivalent since the City can deposit or effectively withdraw cash at any time without prior notice or penalty.

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.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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, under this subparagraph, exceed 50 percent of the fund's assets.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Restricted Assets

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

Bond Issue 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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets

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

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

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

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

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

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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:

	<u>Years</u>
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 65 provides that guidance.

The City reports decreases in net position that relate to future periods as deferred outflows of resources 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.

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 City Pension Plan and additions to/deductions from the City Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the City Pension Plan.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions (Continued)

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.

For all pensions, at September 30, 2015, the aggregates of the City's net pension liabilities were \$538,078, net pension assets were \$180,572, deferred outflows of resources \$881,188, and deferred inflows of resources \$485,473 related to pensions, and pension expenses [or expenditures] for the year ended September 30, 2015 associated with net pension liabilities were \$138,358.

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, 2015

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, *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, 2015**

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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Estimates

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

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2015 and May 4, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

H. New Accounting Pronouncements

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No.68*, effective for fiscal years beginning after June 15, 2014. The City participates in the Florida Retirement System ("FRS") defined benefit pension plan and the Health Insurance Subsidy ("HIS") defined benefit plan administered by the Florida Division of Retirement. As a participating employer, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the City was increased by \$11,768 due to the adoption of this Statement.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

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

Prior to October 1, the budget for all governmental (except for the Police and Traffic Citation Funds, which prepare no budget due to the uncertainty of annual revenues) and proprietary funds of the City is legally enacted through passage of an ordinance. Budget amendments are periodically passed through resolutions during the fiscal year. 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.

B. Encumbrances

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 280.03(e) or 280.03(f) as a deposit made in accordance with Chapter 17.57(g). 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. At September 30, 2015, the carrying amounts of the City's deposits were \$6,192,083.

Investments:

As of September 30, 2015, the City had the following investments:

	Weighted Average Maturity (Years)	2015
Local Government Investment Pools	1.370	\$ 64,187
Money Market Mutual Funds	N/A	1,091,295
Equity Funds	N/A	469,373
Federal Instrumentalities	7.816	4,461,775
Corporate Notes	2.223	1,237,166
State and Local Government Debt	3.055	<u>1,696,109</u>
Total investments		<u>\$ 9,019,905</u>

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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk:

Unless otherwise authorized by law or by ordinance, the City is authorized under Section 218.415, Florida Statutes, 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 Chapter 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating, from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 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.
- Other investments authorized by law or by ordinance for a county or a municipality.
- Other investments authorized by law or by resolution for a school district or a special district.
- 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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued):

At September 30, 2015, the City's investments had the following credit quality:

Security Type	Credit Rating	Portfolio Asset Allocation
Florida Municipal Investment Trust	AAA	0.71%
Money Market Mutual Funds	AAAm	12.10%
Equity Funds	N/A	5.20%
Federal Instrumentalities	AA+	49.47%
Corporate Notes	AA+	4.04%
Corporate Notes	AA	1.11%
Corporate Notes	AA-	2.07%
Corporate Notes	A+	2.80%
Corporate Notes	A	1.39%
Corporate Notes	A-	2.31%
State and Local Government Debt	AAA	6.09%
State and Local Government Debt	AA+	4.13%
State and Local Government Debt	AA	1.14%
State and Local Government Debt	AA-	6.31%
State and Local Government Debt	A+	1.13%

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk:

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 Maximum	Individual Issuer Limit
US 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)	10%	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 Equity Fund	25%	50%

As of September 30, 2015, the City had the following issuer concentrations based on fair value:

	Fair Value	Portfolio Asset Allocation
Florida Municipal Investment Trust	\$ 64,187	0.71%
Money Market Mutual Funds	1,091,295	12.10%
Equity Funds:		
ALPS Alerian MLP ETF	80,172	0.89%
ISHARES Select Dividend ETF	97,485	1.08%
ISHARES US Utilities ETF	100,446	1.11%
Schwab US Dividend ETF	95,555	1.06%
Vanguard Dividend Appreciation ETF	95,715	1.06%
Federal Instrumentalities:		
Federal Farm Credit Bank Notes	150,531	1.67%
Federal National Mortgage Association	1,092,881	12.12%
Federal Home Loan Mortgage Corporation	309,297	3.43%
Federal Home Loan Bank Notes	2,015,798	22.35%
Freddie Mac/Fannie Mae	893,268	9.90%

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued):

Corporate Notes:

Apple, Inc.	96,789	1.09%
BHP Billiton	100,250	1.11%
Cisco Systems, Inc.	151,881	1.68%
The Coca-Cola Company	100,129	1.11%
Comcast Corporation	101,457	1.12%
General Electric	267,716	2.97%
Government of Ontario	186,697	2.07%
JP Morgan Chase	131,829	1.46%
Morgan Stanley	100,418	1.11%

State and Local Government Debt:

County of San Diego, California	111,970	1.24%
Dormitory Authority of the State of New York	108,722	1.21%
Fresno County, California	103,488	1.15%
Greater Orlando Aviation Authority	108,484	1.20%
Guilford County, North Carolina Build America Bonds	174,231	1.93%
Las Vegas Valley Nevada Water District	105,965	1.17%
New York City, New York Transitional Finance Authority Revenue Bonds	161,197	1.79%
Northern California Transmission Agency	102,254	1.13%
Pennsylvania Commonwealth Financing Authority	102,626	1.14%
Phoenix, Arizona Civic Impt Corp Excise Tax Revenue	105,345	1.17%
Port Authority, New York	106,932	1.19%
State of California	117,681	1.30%
State of New York General Obligation Bonds	154,532	1.71%
University of Oklahoma	132,682	1.47%

<u>\$</u>	<u>9,019,905</u>	<u>100.00%</u>
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**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Risk:

As of September 30, 2015, the City's exposure to foreign currency risk was related to the corporate note with Government of Ontario, which is denominated in Canadian dollars, matures on September 21, 2016 and has a fair market value of \$186,697.

The City's investments in foreign currency-denominated corporate notes were rated AA- by Moody's Investor Service. The City's investment policy permits it to invest up to 15% of total investments in high-grade corporate debt, including foreign corporations and foreign sovereignties.

NOTE 4 - RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables at September 30, 2015, were as follows:

	Governmental Activities		Business-Type Activities				Total
	General	Water and Sewer	Natural Gas	South Santa Rosa Utility	Gulf Breeze Financial Services	Non-Major Proprietary Fund	Primary Government
Accounts	\$ 165,518	\$ -	\$ -	\$ -	\$ 3,958	\$ -	\$ 169,476
Utilities	-	91,309	97,996	250,399	-	28,385	468,089
Notes	148,492	-	-	-	-	-	148,492
Other	2,846	2,549	3,337	66,431	-	-	75,163
	316,856	93,858	101,333	316,830	3,958	28,385	861,220
Less allowance for uncollectible accounts	-	1,737	-	42,059	-	-	43,796
Total	<u>\$ 316,856</u>	<u>\$ 92,121</u>	<u>\$ 101,333</u>	<u>\$ 274,771</u>	<u>\$ 3,958</u>	<u>\$ 28,385</u>	<u>\$ 817,424</u>

The City's due from other governments for governmental activities was \$502,307 as of September 30, 2015, which consisted of amounts due from the State of Florida, primarily for reimbursement of costs associated with the Restoration of Deadman's Island grant approved by FEMA.

The City's due from other governments for business-type activities was \$126,960 as of September 30, 2015, 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, 2015

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,772,795	\$	\$	\$ 1,772,795
Construction in progress	271,521	4,750	271,521	4,750
Total capital assets not being depreciated	<u>2,044,316</u>	<u>4,750</u>	<u>271,521</u>	<u>1,777,545</u>
Capital assets being depreciated				
Buildings and improvements	12,317,366	2,460	-	12,319,826
Improvements other than buildings	14,591,811	481,535	-	15,073,346
Infrastructure	1,071,613	5,651	-	1,077,264
Machinery and equipment	5,069,591	258,477	(271,521)	5,599,589
Total capital assets being depreciated	<u>33,050,381</u>	<u>748,123</u>	<u>(271,521)</u>	<u>34,070,025</u>
Less accumulated depreciation				
Buildings and improvements	(2,570,454)	(490,685)		(3,061,139)
Improvements other than buildings	(9,766,739)	(888,591)		(10,655,330)
Infrastructure	(181,683)	(52,493)		(234,176)
Machinery and equipment	(3,997,459)	(416,872)		(4,414,331)
Total accumulated depreciation	<u>(16,516,335)</u>	<u>(1,848,641)</u>	<u>-</u>	<u>(18,364,976)</u>
Total capital assets being depreciated, net	<u>16,534,046</u>	<u>(1,100,518)</u>	<u>(271,521)</u>	<u>15,705,049</u>
Government activities, net	<u>\$ 18,578,362</u>	<u>\$ (1,095,768)</u>	<u>\$ -</u>	<u>\$ 17,482,594</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 3,820,325	\$ 3,572	\$	\$ 3,823,897
Construction in progress	3,640,364	1,616,262	3,403,236	1,853,390
Total capital assets not being depreciated	<u>7,460,689</u>	<u>1,619,834</u>	<u>3,403,236</u>	<u>5,677,287</u>
Capital assets being depreciated				
Buildings and improvements	2,847,352			2,847,352
Improvements other than buildings	1,915,036	980,555	(3,403,236)	6,298,827
Infrastructure	46,339,004	575,416		46,914,420
Machinery and equipment	5,280,950	373,199		5,654,149
Total capital assets being depreciated	<u>56,382,342</u>	<u>1,929,170</u>	<u>(3,403,236)</u>	<u>61,714,748</u>
Less accumulated depreciation				
Buildings and improvements	(393,300)	(132,477)		(525,777)
Improvements other than buildings	(328,094)	(134,981)		(463,075)
Infrastructure	(28,135,254)	(2,204,012)		(30,339,266)
Machinery and equipment	(3,666,833)	(494,648)		(4,161,481)
Total accumulated depreciation	<u>(32,523,481)</u>	<u>(2,966,118)</u>	<u>-</u>	<u>(35,489,599)</u>
Total capital assets being depreciated, net	<u>23,858,861</u>	<u>(1,036,948)</u>	<u>(3,403,236)</u>	<u>26,225,149</u>
Business-type activities, net	<u>\$ 31,319,550</u>	<u>\$ 582,886</u>	<u>\$ -</u>	<u>\$ 31,902,436</u>

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 - CHANGES IN CAPITAL ASSETS (Continued)

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

Governmental Activities

General government	\$ 130,655
Public safety	285,498
Transportation	311,510
Economic environment	340,913
Culture and recreation	<u>780,065</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,848,641</u></u>
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Business-Type Activities

Water and sewer	249,464
Natural gas	499,855
South Santa Rosa Utility	2,074,994
Gulf Breeze Financial Services	6,292
Other proprietary funds	<u>135,513</u>

Total depreciation expense - business-type activities	<u><u>\$ 2,966,118</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 FRS issues a publicly available financial report that includes financial statements and required supplementary information for 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, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

FRS Pension Plan

A. Plan Description

The City contributes to the Florida Retirement System (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 Florida Retirement System provides retirement, disability, or death benefits to plan members or their designated beneficiaries. Florida Statutes Chapters 121, 122, and 123 provide the authority under which benefit provisions are established. The provisions may only be amended by legislative action. All permanent employees hired prior to January 1, 1996, participate in this plan.

B. Contribution and Funding Policy

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

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

Effective July 1, 2015, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 22.04% for police officer and firefighter (special risk) employees, 7.26% for regular employees, and 12.88% for DROP.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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's contributions to the plan for fiscal years ended September 30, 2015, 2014, and 2013, listed below were equal to the required contributions for each year.

	Years Ended September 30		
	2015	2014	2013
General employees	\$ 23,517	\$ 20,881	\$ 19,966
Special risk employees	36,399	46,710	13,168
Total contributions	<u>\$ 59,916</u>	<u>\$ 67,591</u>	<u>\$ 33,134</u>

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

At September 30, 2015, the City reported a net pension liability of \$334,599 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of net pension liability was based on the City's fiscal year 2015 contributions relative to the fiscal year 2015 contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.002590508%, which was a decrease of 0.000445951% from its proportionate share measured at June 30, 2014.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015, the City recognized pension expense of \$65,343 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	\$ 35,324	\$ 7,936
Change in assumptions	22,208	-
Net difference between projected and actual earnings on FRS Pension Plan investments	-	79,897
Changes in proportion and differences between City FRS Pension Plan contributions and proportionate share of contributions	-	114,803
City FRS Pension Plan contributions subsequent to measurement date	16,749	-
	<u>\$ 74,281</u>	<u>\$ 202,636</u>

The deferred outflows of resources related to pensions totaling \$16,749 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 ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending September 30	
2016	\$ (50,622)
2017	(50,622)
2018	(50,622)
2019	15,295
2020	(7,315)
Thereafter	<u>(1,218)</u>
	<u>\$ (145,104)</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015 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	7.65%, 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, 2015 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 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%	3.20%	3.10%	1.70%
Fixed income	18.00%	4.80%	4.70%	4.70%
Global equity	53.00%	8.50%	7.20%	17.70%
Real estate property	10.00%	6.80%	6.20%	12.00%
Private equity	6.00%	11.90%	8.20%	30.00%
Strategic investments	12.00%	6.70%	6.10%	11.40%
	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

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

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 7.65%. 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 7.65% 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 (6.65%) or 1%-point higher (8.65%) than the current rate:

	1% Decrease -6.65%	Current Discount Rate -7.65%	1% Increase -8.65%
City's proportionate share of the net pension liability	\$ 867,021	\$ 334,599	\$ (108,464)

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, 2015 the City reported a payable of \$6,903 for the outstanding amount of contributions to the FRS Pension Plan required for the year ended September 30, 2015.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System - General Employees (Continued)

HIS Pension Plan

A. Plan Description

The HIS Pension Plan ("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, 2015, 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 HIS of \$30 and a maximum HIS 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, 2015 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 for the years ended September 30, 2015, 2014, and 2013 listed below were equal to the required contributions for each year.

	Years Ended September 30		
	2015	2014	2013
Contributions	\$ 13,687	\$ 14,066	\$ 6,895

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015, the City reported a net pension liability of \$203,479 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the City's proportionate share of benefit payments expected to be paid within one year, net of the City's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015.

The City's proportionate share of net pension liability was based on the City's fiscal year 2015 contributions relative to the fiscal year 2015 contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.00001995196%, which was a decrease of 0.00000233155% from its proportionate share measured at June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$1,886 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 16,008	\$ -
Net difference between projected and actual earnings on HIS Plan investments	10	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of HIS Plan contributions	-	48,987
City contributions subsequent to measurement date	2,354	-
	<u>\$ 18,372</u>	<u>\$ 48,987</u>

The deferred outflows of resources related to pensions totaling \$2,354 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 ended September 30, 2016.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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	
2016	\$ (5,635)
2017	(5,635)
2018	(5,635)
2019	(5,635)
2020	(5,635)
Thereafter	(4,794)
	<u>\$ (32,969)</u>

E. Actuarial Assumptions

The total pension liability in the July 1, 2015 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
Municipal Bond Rate	3.80%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 3.80%. 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 3.80% 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 (2.80%) or 1%-point higher (4.80%) than the current rate:

	1% Decrease -2.80%	Current Discount Rate -3.80%	1% Increase -4.80%
City's proportionate share of the net pension liability	\$ 231,854	\$ 203,479	\$ 179,817

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, 2015 the City reported a payable of \$117 for the outstanding amount of contributions to the HIS Plan required for the year ended September 30, 2015.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers

A. Plan Description

The City's Police Department, for police officers hired after January 1, 1996, participates in the Florida Municipal Pension Trust Fund (FMPTF), a single-employer defined benefit pension plan administered by 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 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:	30 (two inactive employees and beneficiaries currently receiving benefits; 14 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 a 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, 2015**

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 preceeds 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 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, 2015**

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, 2015, 2014, and 2013, listed below were equal to the required contributions for the year.

	Years Ended September 30		
	2015	2014	2013
Contributions	<u>\$ 120,446</u>	<u>\$ 196,200</u>	<u>\$ 268,765</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Florida League of Cities - Police Officers (Continued)

D. Actuarial Assumptions

Employer's reporting date:	September 30, 2015
Measurement date:	September 30, 2015
Actuarial valuation date:	October 1, 2014
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 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.
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 discount rate was decreased from 8.07% per annum to 7.00% per annum.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 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 pension plan's target asset allocation as of September 30, 2015 (see the discussion of the 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%	0.58%	per annum
Multi-sector	24.00%	1.08%	per annum
U.S. large cap equity	39.00%	6.08%	per annum
U.S. small cap equity	11.00%	6.83%	per annum
Non-U.S. equity	10.00%	6.83%	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 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate since the end of the prior fiscal year was a decrease of 1.07%.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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)
Balance as of September 30, 2014	\$ 2,986,232	\$ (3,769,799)	\$ (783,567)
Change due to:			
Service cost	186,827	-	186,827
Expected interest growth	220,509	(268,340)	(47,831)
Unexpected investment income	-	272,191	272,191
Demographic experience	(245,857)	-	(245,857)
Employer contributions	-	(164,799)	(164,799)
Employee contributions	-	(26,716)	(26,716)
Benefit payments & refunds	(41,752)	41,752	-
Administrative expenses	-	14,254	14,254
Assumption changes	614,926	-	614,926
Balances as of September 30, 2015	<u>\$ 3,720,885</u>	<u>\$ (3,901,457)</u>	<u>\$ (180,572)</u>

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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	\$ 4,474,679	\$ 3,720,885	\$ 3,141,372
Less fiduciary net position	(3,901,457)	(3,901,457)	(3,901,457)
Net pension liability	<u>\$ 573,222</u>	<u>\$ (180,572)</u>	<u>\$ (760,085)</u>

H. Pension Plan Fiduciary Net Position

Detailed information about the 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, 2015, the City recognized pension expense of \$205,587. At September 30, 2015 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, 2014	\$ -	\$ 7,522
Change due to:		
Amortization payments	(98,582)	(19,529)
Investment gain/loss	272,191	-
Demographic gain/loss	-	245,857
Assumption changes	614,926	-
Total change	<u>788,535</u>	<u>226,328</u>
Balance as of September 30, 2015	<u>\$ 788,535</u>	<u>\$ 233,850</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015	\$ 788,535	\$ 233,850
Amount recognized in the 2015/2016 pension expense:		
Investment gain/loss	54,438	1,880
Demographic gain/loss	-	17,649
Assumption changes	44,144	-
Total change	98,582	19,529
Balance as of September 30, 2016	689,953	214,321
Amount recognized in the 2016/2017 pension expense:		
Investment gain/loss	54,438	1,880
Demographic gain/loss	-	17,649
Assumption changes	44,144	-
Total change	98,582	19,529
Balance as of September 30, 2017	591,371	194,792
Amount recognized in the 2017/2018 pension expense:		
Investment gain/loss	54,438	1,882
Demographic gain/loss	-	17,649
Assumption changes	44,144	-
Total change	98,582	19,531
Balance as of September 30, 2018	492,789	175,261

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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)

Amount recognized in the 2018/2019 pension expense:

Investment gain/loss	54,439	-
Demographic gain/loss	-	17,649
Assumption changes	44,144	-
Total change	<u>98,583</u>	<u>17,649</u>

Balance as of September 30, 2019

<u>394,206</u>	<u>157,612</u>
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Amount recognized in the 2019/2020 pension expense:

Investment gain/loss	-	-
Demographic gain/loss	-	17,649
Assumption changes	44,144	-
Total change	<u>44,144</u>	<u>17,649</u>

Balance as of September 30, 2020

<u>\$ 350,062</u>	<u>\$ 139,963</u>
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J. Payables to the Pension Plan

At September 30, 2015 the City reported a payable of \$4,816 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2015.

K. Required Supplementary Information

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

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

The City, for general employees hired after January 1, 1996, participates in the Florida Municipal Trust Fund, a defined contribution pension plan administered by the Florida League of Cities. This plan provides benefits at retirement to general employees of the City. 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 years ended September 30, 2015, 2014, and 2013, listed below were equal to the required contributions for the year.

	Years Ended September 30		
	2015	2014	2013
General employees	\$ 212,690	\$ 151,852	\$ 143,452

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, 2015**

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.

Assets of the plan had a fair value of \$1,363,109 at September 30, 2015. Contributions made by plan members during the year ended September 30, 2015, were \$78,489.

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

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

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. Non-spendable balances at year end consisted of \$12,196 for inventory and \$88,781 for prepaid expenses.

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

Restricted fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2015, the City had restricted fund balances in its General Fund totaling \$290,144, Urban Core Redevelopment Fund totaling \$392,889, and the Police Special Revenue Fund totaling \$70,536.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 - GOVERNMENTAL FUND BALANCES (Continued)

Committed fund balances can only be used for specific purposes imposed internally by the City's formal action of highest level of decision making authority. As of September 30, 2015, the City's General Fund had \$657,821 of committed fund balance consisting of \$250,000 for self-insurance, \$391,903 for beautification, \$15,481 for park subdivision, and \$437 for community funds.

Assigned fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. As of September 30, 2015, the City had assigned fund balances in the General Fund consisting of \$100,000 for disaster recovery and \$15,993 for the police and fire department. The City's Traffic Citation Fund had \$714,234 of fund balance assigned for public safety.

Unassigned fund balances represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. As of September 30, 2015, the City had \$6,162,112 in unassigned fund balances.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee medical benefits; and natural disasters. The City of Gulf Breeze is insured for liability and casualty losses through the Florida League of Cities' Florida Municipal Insurance Program. Under this program the League assumes the full risk of loss on claims over \$10,000 for which insurance is purchased. There has been no significant reduction in insurance coverage from the prior year. The City retains some risk of loss in the form of deductibles and has designated a portion of fund 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.

The City remained self-insured for workers' compensation during the year ending September 30, 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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 11 - RISK MANAGEMENT (Continued)

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

	<u>2015</u>	<u>2014</u>
Unpaid claims, beginning	\$ -	\$ -
Claims incurred and changes in estimates	344,646	131,349
Less: claims paid	<u>(267,146)</u>	<u>(131,349)</u>
Unpaid claims, ending	<u>\$ 77,500</u>	<u>\$ -</u>

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 - LINE OF CREDIT

In April 2015, GBFS renewed its line of credit for \$3,000,000 with a local financial institution. The line is secured by a depository account and an investment account held at the same financial institution. These accounts are reported as restricted assets on the statement of net position with balances as of September 30, 2015, of \$1,001,359 and \$3,621,338, respectively. The line accrues interest at a rate of LIBOR plus .950% (1.1511% at September 30, 2015), requires monthly interest only payments, with payment of principal due in full at maturity on April 23, 2016. The outstanding balance of this line of credit as of September 30, 2015 was \$3,000,000. Total interest paid on this line during fiscal year 2015 was \$35,016.

CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 13 - 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	\$ 7,990,400	\$ -	\$ (193,600)	\$ 7,796,800	\$ 202,400
Less deferred amounts for issuance discount	(37,887)	-	1,590	(36,297)	-
Compensated absences	264,881	163,679	(136,357)	292,203	-
Net pension liability	218,681	88,024	-	306,705	-
Total governmental activities, long term debt and other liabilities	\$ 8,436,075	\$ 251,703	\$ (328,367)	\$ 8,359,411	\$ 202,400

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
SSRU Refunding Revenue Bonds, Series 2004	\$ 4,655,000	\$ -	\$ (645,000)	\$ 4,010,000	\$ 660,000
Add deferred amounts for issuance premium	143,027	-	(23,837)	119,190	-
Revenue Improvement Bonds, Series 2007	1,089,600	-	(26,400)	1,063,200	27,600
SSRU Refunding Revenue Note	3,800,000	-	(206,569)	3,593,431	212,457
Capital lease payable, golf equipment	161,190	-	(110,738)	50,452	50,452
Capital lease payable, meters	4,502,475	-	(260,529)	4,241,946	300,092
State revolving loan	932,922	-	(39,582)	893,340	40,798
Line of credit	3,000,000	-	-	3,000,000	3,000,000
Unearned revenue	55,894	-	(12,404)	43,490	-
Compensated absences	230,288	102,625	(127,377)	205,536	127,376
Net pension liability	174,944	56,429	-	231,373	-
Total business-type activities, long term debt and other liabilities	\$ 18,745,340	\$ 159,054	\$ (1,452,436)	\$ 17,451,958	\$ 4,418,775

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 13 - NON-CURRENT LIABILITIES (Continued)

Description of Long-Term Debt and Other Liabilities Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
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 2037; 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.	\$ 202,400	\$ 7,594,400	\$ 7,796,800
Less unamortized bond discount	-	(36,297)	(36,297)
Total Governmental Activities	<u>\$ 202,400</u>	<u>\$ 7,558,103</u>	<u>\$ 7,760,503</u>
Business-Type Activities			
Revenue Bonds			
\$9,460,000, 2004 City of Gulf Breeze, Florida, South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004, due in annual installments of \$370,000 to \$815,000 through 2021; interest rate at 2.5% to 5.5%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund all of the City's Series 1994 South Santa Rosa Utility System Revenue Bonds.	\$ 660,000	\$ 3,350,000	\$ 4,010,000
Add unamortized bond premium	-	119,190	119,190
	660,000	3,469,190	4,129,190
\$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 2037; 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.	27,600	1,035,600	1,063,200

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 13 - NON-CURRENT LIABILITIES (Continued)

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

Business-Type Activities (Continued)	Current	Long-Term	Total
<i>Revenue Bonds (Continued)</i>			
\$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.	212,457	3,380,974	3,593,431
<i>Total Bonds</i>	900,057	7,885,764	8,785,821
<i>Capital Leases</i>			
Capital lease with TCF Equipment Finance for golf equipment with an original cost of \$262,557, due in monthly payments of \$8,447 with no interest through May 2016, secured by golf equipment. Net book value at September 30, 2015 of \$45,407.	50,452	-	50,452
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, 2015 of \$4,043,316.	300,092	3,941,854	4,241,946
<i>Total Capital Leases</i>	350,544	3,941,854	4,292,398
<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%.	40,798	852,542	893,340
<i>Line of Credit</i>			
Line of credit, monthly payments of interest only, accrues interest at rate of LIBOR plus .950%, matures in April 2016.	3,000,000	-	3,000,000
Total Business-Type Activities	\$ 4,291,399	\$ 12,680,160	\$ 16,971,559
Grand Total Long-Term Debt			\$ 24,732,062

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 13 - 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, 2015, are as follows:

Governmental Activities

Years Ending September 30,	Revenue Improvement Bonds	
	Principal	Interest
2016	\$ 202,400	\$ 360,385
2017	206,800	352,098
2018	215,600	343,331
2019	224,400	334,035
2020	237,600	324,217
2021-2025	1,342,000	1,451,584
2026-2030	1,685,200	1,102,731
2031-2035	2,138,400	635,432
2036-2037	1,544,400	99,380
	<u>\$ 7,796,800</u>	<u>\$ 5,003,193</u>

Business-Type Activities

Years Ending September 30,	2004 Refunding Revenue Bonds		2007 Revenue Improvement Bonds		2013 Refunding Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 660,000	\$ 167,500	\$ 27,600	\$ 49,143	\$ 212,457	\$ 97,964
2017	700,000	132,500	28,200	48,013	218,512	91,382
2018	740,000	95,500	29,400	46,818	224,739	84,888
2019	775,000	56,750	30,600	45,550	231,144	78,209
2020	815,000	16,000	32,400	44,211	237,732	71,535
2021-2025	320,000	-	183,000	197,944	1,294,236	246,719
2026-2030	-	-	229,800	150,373	1,174,611	52,128
2031-2035	-	-	291,600	86,650	-	-
2036-2037	-	-	210,600	13,552	-	-
	<u>\$ 4,010,000</u>	<u>\$ 468,250</u>	<u>\$ 1,063,200</u>	<u>\$ 682,254</u>	<u>\$ 3,593,431</u>	<u>\$ 722,825</u>

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 13 - NON-CURRENT LIABILITIES (Continued)

Annual Requirements to Amortize Debt Outstanding (Continued)

Business-Type Activities (Continued)

Years Ending September 30,	TCF Equipment Lease		SunTrust Equipment Lease		State Revolving Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 50,452	\$ -	\$ 300,092	\$ 116,908	\$ 40,798	\$ 26,938
2017	-	-	343,799	108,201	42,052	25,684
2018	-	-	382,753	98,247	43,344	24,392
2019	-	-	373,709	87,291	44,676	23,060
2020	-	-	364,821	77,179	46,049	21,687
2021-2025	-	-	2,310,993	206,110	252,361	86,316
2026-2030	-	-	165,779	2,323	293,600	45,080
2031-2035	-	-	-	-	130,460	5,011
	<u>\$ 50,452</u>	<u>\$ -</u>	<u>\$ 4,241,946</u>	<u>\$ 696,259</u>	<u>\$ 893,340</u>	<u>\$ 258,168</u>

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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at September 30, 2015 is as follows:

Interfund Balances

Receivable Fund	Payable Fund	Amount
General	Traffic Citation Special Revenue Fund	\$ 49,786
General	Natural Gas	3,333,062
General	South Santa Rosa Utility	901,300
General	Stormwater Management	1,950,100
South Santa Rosa Utility	General	341,302
South Santa Rosa Utility	Water & Sewer	78,519
Water & Sewer	Stormwater Management	231,000
Gulf Breeze Financial Services	South Santa Rosa Utility	3,000,000
South Santa Rosa Utility	Solid Waste	50,000
		<u>\$ 9,935,069</u>

Interfund balances are comprised primarily of a receivable from the Natural Gas fund to the General fund for providing funding for the pipeline extension project; receivables from the South Santa Rosa Utility to the General fund as reimbursement for capital asset expenditures; receivables from the Stormwater Management fund to the General fund and the Water & Sewer fund for providing funding for repairs after the April 2014 flood and infrastructure improvements in progress; a receivable from South Santa Rosa Utility to Gulf Breeze Financial Services for monies loaned for purchasing the Tiger Point Golf Course; and a receivable from the General fund to South Santa Rosa Utility for certain debt service.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

Interfund Transfers

Transfers Out	Transfers In			
	General Fund	Urban Core Redevelopment	South Santa Rosa Utility	Total
General	\$	\$ 206,252	\$ -	\$ 206,252
Urban Core Redevelopment	266,191	-	-	266,191
Water and Sewer	215,039	-	346,939	561,978
Natural Gas	239,602	-	82,568	322,170
South Santa Rosa Utility	376,023	-	-	376,023
Gulf Breeze Financial Services	500,000	-	-	500,000
Non-major Governmental Funds	3,624	-	-	3,624
Non-major Proprietary Funds	150,553	-	-	150,553
Totals	<u>\$ 1,751,032</u>	<u>\$ 206,252</u>	<u>\$ 429,507</u>	<u>\$ 2,386,791</u>

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

NOTE 15 - JOINT VENTURE

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 2015, the City's investment value in the joint venture increased by \$100,516 and as of September 30, 2015, was \$1,581,210. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 15 - JOINT VENTURE (Continued)

During 2015, The City issued a non-interest bearing note receivable to FRUS. The amount due from FRUS totaled \$174,891 at September 30, 2015. FRUS is required to make monthly payments of \$1,457 starting in October 2015. The note matures in September 2025.

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, 2015, 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, 2015, CTA transferred \$325,000 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.

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, 2015 were \$252,215, of which \$23,771 remained unpaid and is included in CTA liabilities as of September 30, 2015.

The CTA had an Independent Contractor Agreement with the consulting company, Municipal Advisory Services, Inc. (MAS), of which the Executive Director to CTA is the sole member. As part of the agreement, MAS agreed to remit to CTA a portion of the loan program issuance fees MAS received each year. Income from this agreement, which is offset against personal service expenses in the CTA financial statements, totaled \$11,700 for the year ended September 30, 2015. This agreement was replaced with an employment contract on April 1, 2015.

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.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 16 - RELATED PARTY TRANSACTIONS (Continued)

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 \$271,995 for its services in managing and administering the Subsidiary Allocatees. For the year ended September 30, 2015, \$271,995 of the asset management fee had been earned and recognized. As of September 30, 2015, \$60,166 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, 2015.

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, 2015, such fees earned were \$67,546 and are included in miscellaneous income on the statement of activities.

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 \$2,867,993 contract with a utilities services contractor to enhance the stormwater drainage throughout the City. As of September 30, 2015, the remaining contractual commitment was \$1,383,441.

Consulting Contracts

On January 1, 2002, CTA entered into an Independent Contractor Agreement with the consulting company, MAS. In exchange for the independent contractor furnishing qualified, experienced and knowledgeable personnel as necessary to perform and assume the position and title of Executive Director of CTA, providing administrative, oversight, management, and marketing services with respect to CTA's loan programs, and performing other additional duties as outlined in the agreement, CTA paid a monthly base fee of \$1,042, plus an amount equal to the sum of ten dollars per each one million dollars par amount of outstanding bonds for each bond issuance of CTA. The agreement was cancelled and replaced by an employment agreement on April 1, 2015. For the year ended September 30, 2015, CTA's fees paid to MAS totaled \$71,849.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

Consulting Contracts (Continued)

On March 1, 2005, CTA entered into an agreement with Capital Alliance Group, Inc. to receive assistance with concentrated government relations and lobbying programs. The agreement requires a monthly retainer of \$2,000, renews indefinitely, and may be terminated by either party with 30 days' notice. The total expense per this agreement was \$25,000 for the year ended September 30, 2015.

On May 1, 2005, CTA entered into an agreement with Southern Strategy Group, Inc. for governmental consulting services in which CTA is represented before the Florida legislature and executive branch. The agreement requires a monthly retainer of \$3,000, is month to month, and may be terminated by either party with 30 days' written notice. The total expense per this agreement was \$36,000 for the year ended September 30, 2015.

NOTE 18 - SUBSEQUENT EVENT

In May 2016, the City issued a \$5,000,000 Capital Improvement Revenue Bond, Series 2016A and a \$2,576,520 Capital Improvement Revenue Bond, Series 2016B to be funded from the Program Deposit with respect to the Series 2016 Local Government Loan Program for the purpose of financing or refinancing all or a portion of the costs of acquiring, constructing, and equipping, but not limited to, certain water and sewer utility capital improvements described as the Water/Sewer Project and the Stormwater Project. The bonds bear interest at 4% and mature in March 2026.

REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES

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

Schedule A-1

	<u>2015</u>	<u>2014</u>
City of Gulf Breeze's proportion of net pension liability	0.002590508%	0.003036459%
City of Gulf Breeze's proportionate share of net pension liability	\$ 334,599	\$ 185,269
City of Gulf Breeze's covered-employee payroll	\$ 618,721	\$ 608,979
City of Gulf Breeze's proportionate share of net pension liability as a percentage of its covered- employee payroll	54.08%	30.42%
Plan fiduciary net position as a percentage of the total pension liability	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>2015</u>	<u>2014</u>
City of Gulf Breeze's proportion of net pension liability	0.001995196%	0.002228351%
City of Gulf Breeze's proportionate share of net pension liability	\$ 203,479	\$ 208,356
City of Gulf Breeze's covered-employee payroll	\$ 618,721	\$ 608,979
City of Gulf Breeze's proportionate share of net pension liability as a percentage of its covered- employee payroll	32.89%	34.21%
Plan fiduciary net position as a percentage of the total pension liability	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 A-3
SCHEDULE OF CHANGES IN EMPLOYER NET PENSION LIABILITY AND RELATED RATIO
FLORIDA MUNICIPAL PENSION TRUST FUND
LAST TEN FISCAL YEARS*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total pension liability	\$ 3,720,885	\$ 2,986,232	\$ 2,724,845	\$ 3,608,235
Plan fiduciary net position	<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>\$ (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	104.85%	126.24%	121.64%	77.04%
Covered-employee payroll	\$ 560,545	\$ 573,863	\$ 563,728	\$ 563,728
Employer's net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	146.94%

* 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
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS***

Schedule A-4

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 59,916	\$ 67,591
Contributions in relation to the contractually required contribution	<u>(59,916)</u>	<u>(67,591)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 618,721	\$ 608,979
Contribution as a percentage of covered-employee payroll	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>2015</u>	<u>2014</u>
Contractually required contribution	\$ 13,687	\$ 14,066
Contributions in relation to the contractually required contribution	<u>(13,687)</u>	<u>(14,066)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 618,721	\$ 608,979
Contribution as a percentage of covered-employee payroll	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

Schedule A-6

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 120,446	\$ 196,200	\$ 268,765
Contributions in relation to the actuarially determined contribution	<u>(120,446)</u>	<u>(196,200)</u>	<u>(268,765)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 560,545	\$ 573,863	\$ 563,728
Contribution as a percentage of covered-employee payroll	21.49%	34.19%	47.68%

* 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 2013 was not available.

CITY OF GULF BREEZE, FLORIDA
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
FLORIDA MUNICIPAL PENSION TRUST FUND

Schedule A-7

	Police Officer Retirement Fund
Contribution rates:	
City	14.97%
Plan members	4.0%
Chapter 185 contribution	8.75%
Annual pension cost	\$ 205,587
Contributions made:	
Plan members	\$ 26,757
Employer	\$ 120,446
State of Florida	\$ 66,000
Net pension obligation (asset)	\$ (180,572)
Actuarial valuation date	10/1/2014
Actuarial cost method	Aggregate cost method
Asset valuation method	Market value
Actuarial assumptions:	
Interest (or discount) rate	7.00% per annum, net of investment expenses and commissions
Projected salary increases	4.00% per annum
Form of payment	Future retirees have been assumed to select the 10-year certain and life annuity
Expenses	The total projected benefit liability has been loaded by 1.75% to account for anticipated administrative expenses.
Retirement age	Assumed to occur at normal retirement age
Mortality	Sex-distinct mortality rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.

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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.

CITY OF GULF BREEZE, FLORIDA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

Schedule B-1

	Traffic Citation Special Revenue	Police Special Revenue	Total
Assets:			
Cash and cash equivalents	\$ 785,663	\$ -	\$ 785,663
Restricted assets			
Cash and cash equivalents	-	71,176	71,176
Total Assets	<u>\$ 785,663</u>	<u>\$ 71,176</u>	<u>\$ 856,839</u>
Liabilities:			
Accounts payable	\$ 21,453	\$ 640	\$ 22,093
Accrued liabilities	190	-	190
Interfund payables	49,786	-	49,786
Total liabilities	<u>71,429</u>	<u>640</u>	<u>72,069</u>
Fund Balances:			
Restricted			
Public safety	-	70,536	70,536
Assigned			
Public safety	714,234	-	714,234
Total fund balances	<u>714,234</u>	<u>70,536</u>	<u>784,770</u>
Total Liabilities and Fund Balances	<u>\$ 785,663</u>	<u>\$ 71,176</u>	<u>\$ 856,839</u>

CITY OF GULF BREEZE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2015

Statement B-2

	Traffic Citation Special Revenue	Police Special Revenue	Total
Revenues:			
Intergovernmental	\$ -	\$ 441	\$ 441
Fines and forfeitures	938,460	14,994	953,454
Miscellaneous	15,179	3,905	19,084
Total revenues	<u>953,639</u>	<u>19,340</u>	<u>972,979</u>
Expenditures:			
Public safety	765,426	5,880	771,306
Capital outlay	450	7,500	7,950
Total expenditures	<u>765,876</u>	<u>13,380</u>	<u>779,256</u>
Excess of Revenues Over Expenditures	187,763	5,960	193,723
Other Financing Uses:			
Transfers out	<u>(3,624)</u>	<u>-</u>	<u>(3,624)</u>
Net change in fund balances	184,139	5,960	190,099
Fund Balances:			
Beginning of year	<u>530,095</u>	<u>64,576</u>	<u>594,671</u>
End of year	<u>\$ 714,234</u>	<u>\$ 70,536</u>	<u>\$ 784,770</u>

NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

Stormwater Management Fund

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

Solid Waste Control Fund

To account 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, 2015

Statement C-1

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Stormwater Management	Solid Waste Control	Innerarity Point Utilities	Total
Current Assets:				
Cash and cash equivalents	\$ 964	\$ 3,789	\$ 56,110	\$ 60,863
Receivables, net	4,148	6,034	18,203	28,385
Restricted cash and cash equivalents	-	12,075	-	12,075
Total current assets	<u>5,112</u>	<u>21,898</u>	<u>74,313</u>	<u>101,323</u>
Non-Current Assets:				
Capital assets, net				
Land	7,072	-	-	7,072
Construction in progress	1,703,773	-	-	1,703,773
Infrastructure	984,401	-	-	984,401
Machinery and equipment	13,683	33,930	-	47,613
Total non-current assets	<u>2,708,929</u>	<u>33,930</u>	<u>-</u>	<u>2,742,859</u>
Deferred Outflows of Resources:				
Pensions	<u>3,727</u>	<u>1,133</u>	<u>-</u>	<u>4,860</u>
Total Assets and Deferred Outflows	<u>\$ 2,717,768</u>	<u>\$ 56,961</u>	<u>\$ 74,313</u>	<u>\$ 2,849,042</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities:				
Accounts payable	\$ 691,903	\$ 52,710	\$ 19,257	\$ 763,870
Accrued liabilities	1,570	508	-	2,078
Interfund payables	2,181,000	50,100	-	2,231,100
Due to other governments	-	-	18,392	18,392
Payable from restricted assets				
Customer deposits	-	12,075	-	12,075
Compensated absences	8,446	3,365	-	11,811
Total current liabilities	<u>2,882,919</u>	<u>118,758</u>	<u>37,649</u>	<u>3,039,326</u>
Non-Current Liabilities:				
Compensated absences	5,354	339	-	5,693
Net pension liability	21,642	6,577	-	28,219
Total non-current liabilities	<u>26,996</u>	<u>6,916</u>	<u>-</u>	<u>33,912</u>
Total Liabilities	<u>2,909,915</u>	<u>125,674</u>	<u>37,649</u>	<u>3,073,238</u>
Deferred Inflows of Resources:				
Pensions	<u>10,121</u>	<u>3,076</u>	<u>-</u>	<u>13,197</u>
Net Position:				
Net investment in capital assets	2,708,929	33,930	-	2,742,859
Unrestricted	(2,911,197)	(105,719)	36,664	(2,980,252)
Total net position	<u>(202,268)</u>	<u>(71,789)</u>	<u>36,664</u>	<u>(237,393)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,717,768</u>	<u>\$ 56,961</u>	<u>\$ 74,313</u>	<u>\$ 2,849,042</u>

CITY OF GULF BREEZE, FLORIDA
**STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - NON-MAJOR PROPRIETARY FUNDS
 YEAR ENDED SEPTEMBER 30, 2015**

Statement C-2

	Stormwater Management	Solid Waste Control	Innerarity Point Utilities	Total
Operating Revenues:				
Charges for services	\$ 234,086	\$ 593,891	\$ 44,882	\$ 872,859
Operating Expenses:				
Personal services	177,350	140,263	-	317,613
Contractual services	32,571	397,303	8,764	438,638
Supplies	3,937	2,793	864	7,594
Professional services	9,755	-	1,000	10,755
Repairs and maintenance	81,630	13,169	6,035	100,834
Office and utilities	1,710	-	-	1,710
Depreciation and amortization	124,332	11,181	-	135,513
Total operating expenses	431,285	564,709	16,663	1,012,657
Operating income (loss)	(197,199)	29,182	28,219	(139,798)
Transfers:				
Transfers out	(63,484)	(87,069)	-	(150,553)
Changes in Net Position	(260,683)	(57,887)	28,219	(290,351)
Net Position at Beginning of Year, as previously stated	89,156	(4,561)	8,445	93,040
Adjustment to Beginning Net Position	(30,741)	(9,341)	-	(40,082)
Net Position at Beginning of Year, as restated	58,415	(13,902)	8,445	52,958
Net Position at End of Year	\$ (202,268)	\$ (71,789)	\$ 36,664	\$ (237,393)

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CITY OF GULF BREEZE, FLORIDA
STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015

Statement C-3

	Stormwater Management	Solid Waste Control	Innerarity Point Utilities	Total
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 1,714,916	\$ 659,911	\$ 40,514	\$ 2,415,341
Payments to suppliers and providers	(217,545)	(404,200)	(1,056)	(622,801)
Payments to employees	(169,280)	(138,363)	-	(307,643)
Net cash provided by operating activities	1,328,091	117,348	39,458	1,484,897
Cash Flows from Non-Capital Financing Activities:				
Transfers out	(63,484)	(87,069)	-	(150,553)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,277,223)	(30,000)	-	(1,307,223)
Net Change in Cash and Cash Equivalents	(12,616)	279	39,458	27,121
Cash and Cash Equivalents - Beginning of Year	13,580	15,585	16,652	45,817
Cash and Cash Equivalents - End of Year	\$ 964	\$ 15,864	\$ 56,110	\$ 72,938
Displayed As:				
Cash and cash equivalents	\$ 964	\$ 3,789	\$ 56,110	\$ 60,863
Restricted cash	-	12,075	-	12,075
Total cash and cash equivalents	\$ 964	\$ 15,864	\$ 56,110	\$ 72,938

CITY OF GULF BREEZE, FLORIDA
STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2015
(Continued)

Statement C-3

	<u>Stormwater Management</u>	<u>Solid Waste Control</u>	<u>Innerarity Point Utilities</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (197,199)	\$ 29,182	\$ 28,219	\$ (139,798)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation	124,332	11,181	-	135,513
Changes in operating assets and liabilities:				
Receivables	(170)	16,020	1,136	16,986
Deferred outflow of resources - pensions	123	24	-	147
Accounts payable	(87,942)	9,065	15,607	(63,270)
Accrued liabilities	(3,025)	(983)	-	(4,008)
Interfund payables	1,481,000	50,000	-	1,531,000
Due to other governments	-	-	(5,504)	(5,504)
Compensated absences	13,800	3,704	-	17,504
Net pension liability	2,705	821	-	3,526
Deferred inflow of resources - pensions	(5,533)	(1,666)	-	(7,199)
Net Cash Provided By Operating Activities	<u>\$ 1,328,091</u>	<u>\$ 117,348</u>	<u>\$ 39,458</u>	<u>\$ 1,484,897</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.

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

Table I

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Investment in Capital Assets:										
Governmental activities	\$ 9,722,091	\$ 10,625,849	\$ 11,302,841	\$ 9,652,675	\$ 4,895,426	\$ 1,460,655	\$ 3,275,527	\$ 2,632,860	\$ 1,849,245	\$ 7,722,314
Business-type activities	15,705,656	18,625,464	17,147,289	14,049,602	12,368,789	13,788,131	14,451,915	16,299,600	16,536,085	12,759,746
Total primary government	<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>	<u>\$ 18,385,330</u>	<u>\$ 20,482,060</u>
Restricted Net Position:										
Governmental activities	\$ 753,569	\$ 485,597	\$ 711,122	\$ 879,047	\$ 994,663	\$ 656,392	\$ 397,270	\$ 25,485	\$ 780,417	\$ 2,017,516
Business-type activities	1,814,513	5,456,129	5,298,985	844,957	844,957	917,665	756,855	756,855	1,079,629	771,202
Total primary government	<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>	<u>\$ 1,860,046</u>	<u>\$ 2,788,718</u>
Unrestricted Net Position:										
Governmental activities	\$ 7,672,816	\$ 7,694,974	\$ 6,914,109	\$ 7,689,924	\$ 5,852,883	\$ 8,891,621	\$ 6,273,663	\$ 7,152,710	\$ 5,167,815	\$ 768,168
Business-type activities	5,550,686	1,235,949	5,265,964	14,084,654	14,566,239	12,061,124	2,423,036	1,600,727	3,157,532	5,794,071
Total primary government	<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>	<u>\$ 8,325,347</u>	<u>\$ 6,562,239</u>
Total Net Position:										
Governmental activities	\$ 18,148,476	\$ 18,806,420	\$ 18,928,072	\$ 18,221,646	\$ 11,742,972	\$ 11,008,668	\$ 9,946,460	\$ 9,811,055	\$ 7,797,477	\$ 10,507,998
Business-type activities	23,070,855	25,317,542	27,712,238	28,979,213	27,779,985	26,766,920	17,631,806	18,657,182	20,773,246	19,325,019
Total primary government	<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>	<u>\$ 28,570,723</u>	<u>\$ 29,833,017</u>

SOURCE: City of Gulf Breeze Finance Department.

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

Table II

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental activities -										
General government	\$ 2,140,000	\$ 2,159,875	\$ 1,939,342	\$ 1,780,088	\$ 2,140,853	\$ 1,832,961	\$ 1,604,707	\$ 1,646,593	\$ 1,483,562	\$ 4,974,062
Public safety	3,708,802	3,389,678	3,259,673	2,848,296	2,582,913	2,273,863	2,242,994	2,550,037	2,523,959	2,200,265
Transportation	830,933	645,097	1,040,137	392,737	431,961	317,802	336,485	401,763	470,013	520,691
Economic environment	539,671	480,967	458,622	470,558	434,757	423,014	388,133	197,622	203,332	209,664
Culture and recreation	2,204,301	2,120,714	1,853,545	1,800,355	3,758,787	1,195,503	1,160,607	1,280,020	4,532,538	1,089,459
Debt service interest	369,894	395,462	305,046	310,536	315,231	320,336	325,297	378,952	291,769	167,473
Total government activities	9,793,601	9,191,793	8,856,365	7,602,570	9,664,502	6,363,479	6,058,223	6,454,987	9,505,173	9,161,614
Business-type activities -										
Water and sewer	2,019,512	1,956,060	1,626,874	1,557,810	1,523,787	1,610,416	1,576,201	1,345,242	1,411,855	1,308,246
Natural gas	2,495,520	2,460,185	1,897,522	1,286,806	1,388,342	1,329,058	1,699,027	2,069,606	1,943,119	2,031,273
South Santa Rosa Utility	9,034,748	9,020,191	7,298,787	4,918,789	4,887,012	4,531,148	5,493,205	5,478,040	5,704,870	5,269,482
Solid waste	564,709	547,242	702,888	896,904	870,997	886,868	890,827	927,121	901,297	880,301
Stormwater management	431,285	566,526	258,411	259,933	246,276	236,013	266,966	287,197	145,145	-
Fishing bridge	-	-	-	-	-	-	-	-	461,058	10,682
Innerarity Point	16,663	-	-	-	-	-	-	-	-	-
Gulf Breeze Financial Services	204,582	235,163	245,537	240,070	725,702	228,246	250,320	181,307	191,001	189,021
Total business-type activities	14,767,019	14,785,367	12,030,019	9,160,312	9,642,116	8,821,749	10,176,546	10,288,513	10,758,345	9,689,005
Total primary government expenses	\$ 24,560,620	\$ 23,977,160	\$ 20,886,384	\$ 16,762,882	\$ 19,306,618	\$ 15,185,228	\$ 16,234,769	\$ 16,743,500	\$ 20,263,518	\$ 18,850,619
Program Revenues:										
Government activities -										
Charges for services -										
General government	\$ 87,414	\$ 64,546	\$ 94,215	\$ 67,903	\$ 92,983	\$ 47,546	\$ 101,657	\$ 69,705	\$ 188,550	\$ 26,040
Public safety	1,012,910	845,318	901,465	749,597	345,228	113,966	318,015	267,493	295,201	197,998
Transportation	-	-	-	-	-	-	-	-	-	72,496
Culture and recreation	327,605	385,295	242,762	217,271	231,431	230,571	225,774	261,662	183,622	155,239
Operating grants and contributions	1,377,663	1,984,125	3,154,938	7,195,117	4,054,298	1,125,551	468,212	1,584,284	2,595,066	3,630,268
Capital grants and contributions	-	-	-	-	-	-	-	-	-	129,238
Total governmental activities program revenues	2,805,592	3,279,284	4,393,380	8,229,888	4,723,940	1,517,634	1,113,658	2,183,144	3,262,439	4,211,279
Business-type activities -										
Charges for services -										
Water and sewer	2,339,659	2,015,843	1,816,720	1,850,835	1,889,323	1,764,738	1,896,573	1,787,244	1,545,320	1,542,876
Natural gas	2,594,132	2,515,805	1,888,721	1,596,774	1,893,196	2,077,968	1,918,813	1,955,968	1,781,957	2,060,168
South Santa Rosa Utility	5,396,766	5,205,377	4,686,102	4,933,717	4,876,402	4,474,554	4,242,023	4,116,191	3,935,152	3,440,755
Tiger Point Golf Course	1,586,638	1,805,228	1,312,696	-	-	-	-	-	-	-
Solid waste	593,891	571,504	725,172	1,012,054	986,019	1,004,145	1,023,845	1,011,010	901,297	927,550
Stormwater management	234,086	205,282	190,324	197,504	195,304	190,992	193,874	194,183	188,938	-
Gulf Breeze Financial Services	577,096	635,849	875,171	926,632	777,842	870,766	523,776	475,615	841,300	510,552
Innerarity Point	44,882	-	-	-	-	-	-	-	461,058	-
Fishing bridge	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	15,503	-	-	-	-	-	-	-	-	-
Capital grants and contributions	501,998	507,249	373,323	417,520	319,969	95,171	127,267	632,068	2,448,130	2,912,708
Total business-type activities program revenues	13,884,651	13,462,137	11,868,229	10,935,036	10,938,055	10,478,334	9,926,171	10,172,279	12,103,152	11,394,609
Total primary government program revenues	\$ 16,690,243	\$ 16,741,421	\$ 16,261,609	\$ 19,164,924	\$ 15,661,995	\$ 11,995,968	\$ 11,039,829	\$ 12,355,423	\$ 15,365,591	\$ 15,605,888

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

Table II

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Program (Expense)/Revenue:										
Governmental activities	\$ (6,988,009)	\$ (5,912,509)	\$ (4,462,985)	\$ 627,318	\$ (4,940,562)	\$ (4,845,845)	\$ (4,944,565)	\$ (4,271,843)	\$ (6,242,734)	\$ (4,950,335)
Business-type activities	(882,368)	(1,323,230)	(161,790)	1,774,724	1,295,939	1,656,585	(250,375)	(116,234)	929,633	1,705,604
Total primary government program net (expense)/revenue	<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>	<u>\$ (5,313,101)</u>	<u>\$ (3,244,731)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities -										
Property taxes	\$ 1,950,694	\$ 1,817,161	\$ 1,739,120	\$ 1,731,906	\$ 1,767,275	\$ 1,861,874	\$ 1,805,589	\$ 1,665,870	\$ 1,769,209	\$ 1,522,994
Sales taxes	-	-	-	-	-	-	-	-	-	512,865
Tourist development taxes	149,108	113,541	64,755	39,529	36,060	13,527	7,120	30,287	39,624	-
Fuel taxes	255,638	230,880	231,438	232,681	228,653	168,122	213,988	230,000	229,718	-
Franchise taxes	349,322	327,992	288,767	305,448	334,218	364,912	293,431	243,849	279,313	-
Communication services taxes	298,398	278,448	361,484	298,469	312,900	297,279	212,177	176,152	146,184	-
Utility service taxes	472,984	450,533	357,489	347,131	342,531	319,616	206,774	128,931	136,976	96,201
Intergovernmental, unrestricted	570,938	520,130	499,149	1,070,901	819,245	510,832	552,449	567,629	498,649	473,362
Miscellaneous	455,119	640,712	796,089	608,104	953,952	1,139,891	666,013	665,631	597,342	634,908
Investment earnings	6,240	11,844	13,904	35,537	30,688	21,304	49,430	119,922	149,068	176,998
Transfers	1,481,217	1,399,616	1,217,588	1,181,650	849,344	1,210,696	1,073,089	1,230,150	(313,870)	870,849
Total government activities	<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>	<u>3,532,213</u>	<u>4,288,177</u>
Business-type activities -										
Miscellaneous	270,568	123,641	329,682	268,959	547,198	8,663,204	233,593	364,517	70,820	112,181
Investment earnings	174,969	204,509	18,721	337,195	19,272	26,021	64,495	92,802	133,904	191,820
Transfers	(1,481,217)	(1,399,616)	(1,217,588)	(1,181,650)	(849,344)	(1,210,696)	(1,073,089)	(1,230,150)	313,870	(870,849)
Total business-type activities	<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>	<u>518,594</u>	<u>(566,848)</u>
Total primary government	<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>	<u>\$ 4,050,807</u>	<u>\$ 3,721,329</u>
Change in Net Position:										
Government activities	\$ (998,351)	\$ (121,652)	\$ 1,106,798	\$ 6,478,674	\$ 734,304	\$ 1,062,208	\$ 135,495	\$ 786,578	\$ (2,710,521)	\$ (662,158)
Business-type activities	(1,918,048)	(2,394,696)	(1,030,975)	1,199,228	1,013,065	9,135,114	(1,025,376)	(889,065)	1,448,227	1,138,756
Total primary government	<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>	<u>\$ (1,262,294)</u>	<u>\$ 476,598</u>

SOURCE: City of Gulf Breeze Finance Department.

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

Table III

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities:										
General government	\$ 87,414	\$ 64,546	\$ 94,215	\$ 67,903	\$ 92,983	\$ 47,546	\$ 101,657	\$ 69,705	\$ 188,550	\$ 26,040
Public safety	1,012,910	845,318	901,465	749,597	345,228	113,966	318,015	267,493	295,201	197,998
Transportation	-	-	-	-	-	-	-	-	-	72,496
Culture and recreation	327,605	385,295	242,762	217,271	231,431	230,571	225,774	261,662	183,622	155,239
Total government charges	<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>	<u>667,373</u>	<u>451,773</u>
Business-Type Activities:										
Water and sewer	2,339,659	1,999,093	1,816,720	1,850,835	1,889,323	1,764,738	1,896,573	1,787,244	1,545,320	1,542,876
Natural gas	2,594,132	2,515,805	1,888,721	1,596,774	1,893,196	2,077,968	1,918,813	1,955,968	1,781,957	2,060,168
South Santa Rosa Utility	6,983,404	7,010,605	5,998,798	4,933,717	4,876,402	4,474,554	4,242,023	4,116,191	3,935,152	3,440,755
Solid waste control	593,891	571,504	725,172	1,012,054	986,019	1,004,577	1,023,845	1,011,010	947,181	927,550
Stormwater management	234,086	205,282	190,324	197,504	195,304	190,992	193,874	194,183	188,938	-
Gulf Breeze Financial Services	577,096	635,849	875,171	926,632	777,842	870,766	523,776	475,615	841,300	510,552
Innerarity Point	44,882	16,750	-	-	-	-	-	-	-	-
Total business-type	<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>	<u>9,239,848</u>	<u>8,481,901</u>
Total primary government	<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>	<u>\$ 9,907,221</u>	<u>\$ 8,933,674</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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Non-spendable Fund Balance:										
General fund	\$ 100,977	\$ 5,349	\$ 5,488	\$ 5,980	\$ 6,074	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	-	-	-	-	-	-	-
Total	<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>	<u>\$ -</u>	<u>\$ -</u>
Restricted Fund Balance:										
General fund	\$ 290,144	\$ 280,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	463,425	329,403	762,430	916,350	994,663	-	-	-	-	-
Total	<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>	<u>\$ -</u>	<u>\$ -</u>
Committed Fund Balance:										
General fund	\$ 657,821	\$ 657,770	\$ 562,270	\$ 362,270	\$ 360,177	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	475,409	-	-	-	-	-	-	-
Total	<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>	<u>\$ -</u>	<u>\$ -</u>
Assigned Fund Balance:										
General fund	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	714,234	530,095	-	416,854	384,162	-	-	-	-	-
Total	<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>	<u>\$ -</u>	<u>\$ -</u>
Unassigned Fund Balance:										
General fund	\$ 6,162,112	\$ 6,650,378	\$ 6,058,917	\$ 6,698,503	\$ 4,927,685	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	-	-	-	-	-	-	-
Total	<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>	<u>\$ -</u>	<u>\$ -</u>
Total Fund Balance:										
General fund	\$ 7,327,047	\$ 7,710,013	\$ 6,742,668	\$ 7,182,746	\$ 5,409,929	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	1,177,659	859,498	1,237,839	1,333,204	1,378,825	-	-	-	-	-
Total	<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>	<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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Taxes	\$ 3,476,144	\$ 2,890,563	\$ 2,754,286	\$ 2,649,716	\$ 2,687,419	\$ 2,660,418	\$ 2,739,079	\$ 2,475,088	\$ 2,601,025	\$ 2,067,873
Licenses and permits	87,414	392,538	382,850	373,351	427,201	412,458	83,962	69,705	96,644	64,187
Intergovernmental	1,948,601	2,434,281	3,624,993	8,202,214	4,797,182	1,559,733	1,020,661	2,151,913	3,093,715	4,231,538
Charges for services	327,605	311,099	232,418	243,576	251,342	254,973	243,468	261,662	275,527	155,239
Fines and forfeitures	1,012,910	826,754	879,725	742,280	340,415	101,604	318,016	267,493	295,201	197,998
Miscellaneous	461,359	815,290	871,303	688,458	980,341	1,223,509	697,852	785,553	746,410	837,946
Total revenues	<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>	<u>7,108,522</u>	<u>7,554,781</u>
Expenditures:										
General government	1,979,557	2,031,432	1,818,220	1,729,301	2,082,950	1,951,093	1,402,579	1,600,347	1,377,411	4,882,687
Public safety	3,423,304	3,072,298	2,969,546	2,596,140	2,362,472	2,074,114	1,963,524	2,084,015	2,050,760	1,859,355
Transportation	519,423	328,318	713,559	204,519	249,113	139,370	151,623	96,455	152,329	241,410
Economic environment	198,758	136,168	116,579	133,073	122,413	118,498	116,673	102,446	104,597	123,298
Culture and recreation	1,424,236	1,382,952	1,119,344	1,251,795	3,462,148	908,776	886,497	993,855	4,236,487	831,588
Capital outlay	752,873	948,833	3,280,636	5,957,086	2,297,710	1,199,274	674,156	856,144	2,210,764	1,674,036
Debt service -										
Principal	193,600	184,800	175,650	171,600	239,357	158,400	154,000	-	183,554	192,462
Interest	368,304	396,336	305,046	310,536	315,231	320,336	325,297	327,402	226,147	156,930
Cost of issuance	-	-	-	-	-	-	-	-	330,824	-
Total expenditures	<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>	<u>10,872,873</u>	<u>9,961,766</u>
Excess (deficiency) of revenue over (under) expenditures	<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>	<u>(3,764,351)</u>	<u>(2,406,985)</u>
Other Financing Sources (Uses):										
Transfers in	1,957,284	1,850,176	2,115,010	1,815,781	1,240,844	1,576,051	1,427,989	959,946	1,137,462	1,004,330
Transfers out	(476,067)	(450,560)	(897,422)	(634,130)	(391,500)	(365,355)	(354,900)	(1,451,332)	(1,451,332)	(133,481)
Insurance recoveries	-	-	-	-	-	2,295	17,500	69,498	-	73,826
Principal payment to refund debt	-	-	-	-	-	-	-	-	(7,908,890)	-
Debt proceeds	-	-	-	-	-	-	-	-	14,225,000	-
Total other financing sources (uses)	<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>	<u>6,002,240</u>	<u>944,675</u>
Net change in fund balance	<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>	<u>\$ 2,237,889</u>	<u>\$ (1,462,310)</u>
Debt service as a percentage of noncapital expenditures	6.93%	7.72%	6.66%	7.54%	6.28%	8.44%	9.59%	6.29%	4.73%	4.22%

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

Table VI

<u>Year</u>	<u>Total Tax Levy (1)</u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for the Year</u>	<u>Ratio of Total Taxes Collected to Current Levy</u>	<u>Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Current Levy</u>
2015	This levy will be collected during Fiscal Year 2016							
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%
2007	\$ 1,063,428	\$ 1,027,774	96.6%	\$ 2,945	\$ 1,030,719	96.9%	\$ 1,565	0.1%
2006	\$ 1,086,162	\$ 1,081,722	99.6%	\$ 2,500	\$ 1,084,222	99.8%	\$ 1,769	0.2%

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

<u>Year (2)</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Assessed Value</u>	<u>Exemptions</u>	<u>Assessed Value of Operations</u>	<u>Total Direct Tax Rate</u>
2015	\$ 964,310,659	\$ 38,849,877	\$ 1,003,160,536	\$ 297,339,426	\$ 705,821,110	1.9310
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
2007	\$ 1,112,840,126	\$ 31,427,047	\$ 1,144,267,173	\$ 459,490,041	\$ 684,777,132	1.5520
2006	\$ 1,133,658,192	\$ 33,232,222	\$ 1,166,890,414	\$ 499,240,156	\$ 667,650,258	1.6283

SOURCE: City of Gulf Breeze Finance Department

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

(2) As of January 1 of each year listed

CITY OF GULF BREEZE, FLORIDA
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>
2015	1.9310
2014	1.9723
2013	1.9000
2012	1.9000
2011	1.9000
2010	1.9000
2009	1.9000
2008	1.8000
2007	1.5520
2006	1.6283

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
2015 AND NINE YEARS AGO
UNAUDITED**

Table IX

Taxpayer	Fiscal Year 2015		2006	
	Total Taxable Value	Percentage	Total Taxable Value	Percentage
Andrews Institute Medical Park	\$ 16,729,050	2.37%	\$	
Sea Shell Collections LLC	14,141,230	2.00%		
Gulf Power Company	9,137,520	1.30%	7,938,637	1.19%
Mullet, Willis J.	7,523,305	1.07%	3,960,166	0.59%
GB Hotel Investments	5,461,513	0.77%		
Belleau, George and Ann	5,370,391	0.76%		
Quietwater LLC	5,284,466	0.75%	5,057,059	0.76%
Falzone, Timothy D	5,073,542	0.72%		
Bell South Communications	5,067,052	0.72%	10,300,090	1.54%
Gulf Breeze 98 LLC	5,019,843	0.71%		
Jenkins, Robert Berryman			10,381,044	1.55%
Bay Beach Hotel, LLC			5,940,453	0.89%
Exposition Properties, LLC			5,462,953	0.82%
Villas at Gulf Breeze, Inc.			5,211,549	0.78%
Belleau, George A & F			4,868,112	0.73%
Levin, Frederick G.			3,946,744	0.59%
Total of Principal Taxpayers	78,807,912	11.17%	63,066,807	9.45%
Total All Other Taxpayers	627,013,198	88.83%	604,583,451	90.56%
Total Taxable Value	<u>\$ 705,821,110</u>	<u>100.00%</u>	<u>\$ 667,650,258</u>	<u>100.01%</u>

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
2015	\$ -	12,404	\$	\$ 76,524
2014	\$ -	11,485	\$	\$ 88,928
2013	\$ -	10,635	\$	\$ 100,413
2012	\$ -	24,774	\$	\$ 111,048
2011	\$ -	12,322	\$	\$ 135,822
2010	\$ 58,790	43,191	\$ 73.5%	\$ 148,144
2009	\$ -	30,697	\$	\$ 132,545
2008	\$ 438,618 (1)	281,754	\$ 64.2%	\$ 163,242
2007	\$ 57,403	51,025	\$ 88.9%	\$ 6,378
2006	\$ -	-	\$	\$ -

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue Bonds Payable:										
Governmental activities	\$ 7,760,503	\$ 7,952,513	\$ 8,135,723	\$ 8,311,723	\$ 8,481,734	\$ 8,642,944	\$ 8,799,754	\$ 8,952,164	\$ 10,177,575	\$ -
Business-type activities	8,785,821	9,687,627	5,471,974	5,959,853	6,432,134	6,878,215	7,308,696	7,723,577	6,880,458	7,254,339
Total primary government	<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>	<u>\$ 17,058,033</u>	<u>\$ 7,254,339</u>
Notes Payable:										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,044,844
Business-type activities	893,340	932,922	4,759,964	4,897,432	5,051,438	4,763,971	5,099,608	5,623,846	6,133,241	7,641,487
Total primary government	<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>	<u>\$ 6,133,241</u>	<u>\$ 11,686,331</u>
Line of Credit:										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	3,000,000	3,000,000	3,000,000	-	-	-	-	-	-	-
Total primary government	<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>	<u>\$ -</u>	<u>\$ -</u>
Capital Leases Payable:										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	4,292,398	4,663,665	262,557	-	-	-	116,403	170,930	223,145	-
Total primary government	<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>	<u>\$ 223,145</u>	<u>\$ -</u>
Total Debt:										
Governmental activities	\$ 7,760,503	\$ 7,952,513	\$ 8,135,723	\$ 8,311,723	\$ 8,481,734	\$ 8,642,944	\$ 8,799,754	\$ 8,952,164	\$ 10,177,575	\$ 4,044,844
Business-type activities	16,971,559	18,284,214	13,494,495	10,857,285	11,483,572	11,642,186	12,524,707	13,518,353	13,236,844	14,895,826
Total primary government	<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>	<u>\$ 23,414,419</u>	<u>\$ 18,940,670</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)
2015	6,195	\$ 705,821,110	\$ 24,732,062	3.5%	\$ 3,992	8.87%
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%
2007	5,805	\$ 684,777,132	\$ 23,414,419	3.4%	\$ 4,033	8.29%
2006	5,774	\$ 667,650,258	\$ 18,940,670	2.8%	\$ 3,280	6.88%

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

(2) From Table VII

(3) From Table XI

(4) From Table XVII

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

Table XIII

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

CITY OF GULF BREEZE, FLORIDA
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
2015	6,195	\$ 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	\$ -	\$ -	\$ -	- %	\$ -
2007	5,805	\$ 684,777,132	\$ -	\$ -	\$ -	- %	\$ -
2006	5,774	\$ 667,650,258	\$ -	\$ -	\$ -	- %	\$ -

(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			
					Principal	Interest	Total	Coverage
2015	\$ 5,396,766	\$ 464,272	\$ 3,700,102	\$ 2,160,936	\$ 660,000	\$ 200,500	\$ 860,500	2.51
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
2007	\$ 3,843,182	\$ 1,011,461	\$ 3,377,900	\$ 1,476,743	\$ 515,000	\$ 349,517	\$ 864,517	1.71
2006	\$ 3,362,140	\$ 1,674,431	\$ 3,133,753	\$ 1,902,818	\$ 505,000	\$ 362,142	\$ 867,142	2.19

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						
2015	6,195	162,925	3.80%	1.14%	\$ 278,706,855	\$ 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
2007	5,805	142,144	4.08%	0.51%	\$ 282,390,030	\$ 48,646	2.26%	\$ 66,699
2006	5,774	141,428	4.08%	-0.23%	\$ 275,131,100	\$ 47,650	2.56%	\$ 65,750

SOURCE: US 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	
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
2007	\$ 684,777,132	24	\$ 5,794,633	14	\$ 3,849,400	\$ 317,633,000
2006	\$ 667,650,258	12	\$ 9,046,301	11	\$ 9,022,840	\$ 308,860,000

(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

<u>Fiscal Year 2015 (1)</u>	<u>Employees</u>	<u>Percentage of Labor Force</u>
Gulf Breeze Hospital	301	8.0%
Andrews Institute	190	5.1%
AppRiver	170	4.5%
City of Gulf Breeze	110	2.9%
Gulf Breeze High School	110	2.9%
Gulf Breeze Middle School	75	2.0%
Gulf Breeze Elementary School	70	1.9%
Publix	60	1.6%
 Total Labor Force (1)	 3,760	

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

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
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
2007	25	22	22	14	4	3	37	5
2006	30	25	18	1	7	2	8	0

SOURCE: City of Gulf Breeze Community Services Department

**CITY OF GULF BREEZE, FLORIDA
WATER SERVICE RATES
UNAUDITED
AS OF SEPTEMBER 30, 2015**

Table XXI

Meter Size	Inside City Limits				Outside City Limits					
	Residential	Commercial	Usage	Rate per	Residential	Usage	Rate per	Commercial	Usage	Rate per
			Included	000's		Included	000's		Included	000's
			(000's Gallons)	Gallons Additional		(000's Gallons)	Gallons Additional		(000's Gallons)	Gallons Additional
0.75"	\$ 12.00	\$ 12.00	-	\$ 3.36	\$ 14.47	-	\$ 3.50	\$ 14.47	-	\$ 3.50
1.00"	\$ 20.91	\$ 20.91	-	\$ 3.36	\$ 25.22	-	\$ 3.50	\$ 25.22	-	\$ 3.50
1.50"	\$ 50.85	\$ 50.85	-	\$ 3.36	\$ 61.31	-	\$ 3.50	\$ 61.31	-	\$ 3.50
2.00"	\$ 81.30	\$ 81.30	-	\$ 3.36	\$ 98.03	-	\$ 3.50	\$ 98.03	-	\$ 3.50
3.00"	\$ 161.69	\$ 161.69	-	\$ 3.36	\$ 194.97	-	\$ 3.50	\$ 194.97	-	\$ 3.50
4.00"	\$ 242.09	\$ 242.09	-	\$ 3.36	\$ 291.92	-	\$ 3.50	\$ 291.92	-	\$ 3.50
6.00"	\$ 475.39	\$ 475.39	-	\$ 3.36	\$ 573.24	-	\$ 3.50	\$ 573.24	-	\$ 3.50

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

**CITY OF GULF BREEZE, FLORIDA
SEWER SERVICE RATES
UNAUDITED
AS OF SEPTEMBER 30, 2015**

Table XXII

Meter Size	Inside City Limits				Outside City Limits					
	Residential	Commercial	Usage	Rate per	Residential	Usage	Rate per	Commercial	Usage	Rate per
			Included	000's		Included	000's		Included	000's
			(000's Gallons)	Gallons Additional		(000's Gallons)	Gallons Additional		(000's Gallons)	Gallons Additional
0.75"	\$ 17.00	\$ 17.00	-	\$ 4.30	\$ 18.80	-	\$ 4.60	\$ 18.80	-	\$ 4.60
1.00"	\$ 29.48	\$ 29.48	-	\$ 4.30	\$ 31.52	-	\$ 4.60	\$ 31.52	-	\$ 4.60
1.50"	\$ 66.56	\$ 66.56	-	\$ 4.30	\$ 71.16	-	\$ 4.60	\$ 71.16	-	\$ 4.60
2.00"	\$ 104.75	\$ 104.75	-	\$ 4.30	\$ 112.00	-	\$ 4.60	\$ 112.00	-	\$ 4.60
3.00"	\$ 204.63	\$ 204.63	-	\$ 4.30	\$ 218.79	-	\$ 4.60	\$ 218.79	-	\$ 4.60
4.00"	\$ 302.08	\$ 302.08	-	\$ 4.30	\$ 322.98	-	\$ 4.60	\$ 322.98	-	\$ 4.60
6.00"	\$ 580.61	\$ 580.61	-	\$ 4.30	\$ 620.77	-	\$ 4.60	\$ 620.77	-	\$ 4.60

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

**CITY OF GULF BREEZE, FLORIDA
SOLID WASTE SERVICE RATES
AS OF SEPTEMBER 30, 2015
UNAUDITED**

Table XXIII

Residential Collection			
	Curbside	Sideyard	
Regular	\$ 17.70	\$ 22.00	
Senior Rate	\$ 15.70	\$ 15.70	
Disable Rate	\$ 15.70	\$ 15.70	
Extra Kart	\$ 8.50	\$ 11.70	

Commercial Collection						
Container Size (Waste)	Collection Frequency (Per Week)					Per Extra Call
	1	2	3	4	5	
Kart (96 Gal)	\$ 23.40	\$ 36.40				
2 Cubic Yards	\$ 49.60	\$ 64.02	\$ 99.71	\$ 127.22	\$ 159.39	\$ 20.27
4 Cubic Yards	\$ 72.54	\$ 115.30	\$ 168.17	\$ 224.17	\$ 275.15	\$ 40.74
6 Cubic Yards	\$ 97.41	\$ 164.95	\$ 237.01	\$ 309.61	\$ 384.96	\$ 61.10
8 Cubic Yards	\$ 122.93	\$ 210.85	\$ 305.93	\$ 400.10	\$ 495.64	\$ 81.47
30 Cubic Yard Roll Off **						\$ 195.79

Container Size (Recycling)	Collection Frequency (per week)		
	1	3	5
Kart (96 Gal)	\$ 9.95	\$	\$
2 Cubic Yards*	\$ 31.09	\$ 55.71	\$ 92.85
4 Cubic Yards*	\$ 43.83	\$ 84.44	\$ 145.86
6 Cubic Yards*	\$ 55.48	\$ 100.75	\$ 176.43
8 Cubic Yards*	\$ 74.39	\$ 122.24	\$ 226.89

* Billed directly by contractor / franchisee

+ Plus actual disposal costs

**CITY OF GULF BREEZE, FLORIDA
NATURAL GAS SERVICE RATES
YEAR ENDED SEPTEMBER 30, 2015
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

<u>Monthly Usage (Therms)</u>	<u>Rate per Therm</u>
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

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

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

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

SOURCE: Gulf Breeze Natural Gas Department

**CITY OF GULF BREEZE, FLORIDA
INSURANCE COVERAGE
AS OF SEPTEMBER 30, 2015
UNAUDITED**

Table XXV

Type	Effective Dates	Company	Policy Number	Amount
Auto (Person)	10/01/15 - 9/30/16	Florida Municipal Insurance Trust	FMIT # 0224	\$ 200,000
Auto (Occurrence)				\$ 300,000
General liability	10/01/15 - 9/30/16	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	10/01/15 - 9/30/16	Florida Municipal Insurance Trust	FMIT # 0224	Statutory Limit
Employers Liability	10/01/15 - 9/30/16	Florida Municipal Insurance Trust	FMIT # 0224	\$ 1,000,000
Real property	10/01/15 - 9/30/16	Florida Municipal Insurance Trust	FMIT # 0224	\$ 33,207,132
Personal property	10/01/15 - 9/30/16	Florida Municipal Insurance Trust	FMIT # 0224	\$ 1,887,503
Island marine	10/01/15 - 9/30/16	Florida Municipal Insurance Trust	FMIT # 0224	\$ 234,836
Accounts Receivable	10/01/15 - 9/30/16	Florida Municipal Insurance Trust	FMIT # 0224	\$ 250,000
Wind storm	10/01/15 - 9/30/16	Citizens Property Insurance	41142	\$ 4,443,000
Storage Tank Liability	3/01/15 - 3/08/16	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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Full-time employees on City Payroll as of September 30, (1)										
General Government:										
City manager and city clerk	5	5	4	4	4	4	4	4	4	4
Community services	3	3	2	2	2	2	2	2	2	2
Finance and accounting	3	3	5	5	5	5	5	5	7	6
Parks and recreation center	10	10	8	8	8	9	8	8	8	8
Special projects	1	0	0	0	0	0	0	1	1	1
Sworn officers	18	18	17	15	15	18	17	19	19	19
Civilian employees	8	8	8	7	7	7	8	8	8	8
Police	26	26	25	22	22	25	25	27	27	27
Total general government	48	47	44	41	41	45	44	47	49	48
Enterprises (2):										
Gulf Breeze Financial Services	3	2	2	2	3	2	1	1	1	2
Gas, water and sewer	13	13	13	12	12	13	11	12	13	9
South Santa Rosa Utility	29	28	27	26	26	23	27	29	29	28
Tiger Point Golf Course (3)	17	19	19	0	0	0	0	0	0	0
Total enterprises	62	62	61	40	41	38	39	42	43	39

(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.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Fire Department:										
Emergency medical calls	645	439	495	449	511	562	500	471	527	486
Fire and other calls	366	401	361	300	289	322	325	315	375	455
Total calls	1,011	840	856	749	800	884	825	786	902	941
Police Department:										
Arrests	314	304	415	466	245	161	195	142	206	258
Citations	3,917	5,455	6,734	5,462	5,748	4,968	4,451	4,451	5,330	5,047
Parks and Recreation:										
League registrations	1,718	1,640	1,745	1,566	1,777	1,802	1,918	1,596	1,617	1,784
Water:										
Customers at year end	2,580	2,591	2,579	2,580	2,558	2,565	2,575	2,576	2,572	2,582
Usage (000's gallons)	228,795	227,259	217,800 *	233,565	244,322	244,322	256,115	247,620	266,146	274,237
Sewer:										
Customers at year end	1,548	1,528	1,517	1,514	1,463	1,471	1,479	1,450	1,407	1,389
Treatment (000's gallons)	146,576	172,157	134,652 *	147,327	157,743	150,468	164,167	155,865	168,066	167,414
Natural Gas:										
Customers at year end	3,722	3,591	3,460	3,371	3,311	3,248	3,237	3,204	3,104	2,947
Therms (000's 100's ft3)	1,603,182	1,754,132	1,270,690	1,037,415	1,195,192	1,286,640	1,120,347	1,129,450	1,154,080	1,073,628
SSRUS - Water:										
Customers at year end	4,337	4,300	4,145	4,196	4,178	4,200	4,220	4,229	4,224	4,205
Usage (000's gallons)	280,525	289,186	270,288 *	286,027	296,911	293,962	299,967	292,892	309,617	324,474
SSRUS - Sewer:										
Customers at year end	6,321	6,160	5,966	5,958	5,850	5,837	5,824	5,819	5,744	5,556
Treatment (000's gallons)	406,407	422,883	373,787 *	395,337	412,452	385,532	387,549	389,835	407,189	427,657
Wastewater Treatment:										
Treatment (Millions of Gallons)	545.2	614.9	558.6	519.2	487.7	562.5	509.2	501.9	499.7	469.8
Tiger Point Golf Course:										
Annual rounds played	31,305	37,248	32,159 (1)	25,828 (1)	24,724 (1)	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.

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

Table XXVIII

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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	10	10	10	10	10	10	10
Signs installed	172	172	172	171	171	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	43.3
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	16.4	16.0	16.0	16.0	15.3	15.3	15.1
Lift stations	10	10	10	25	25	25	25	24	23	23
Natural Gas:										
Gas main (miles)	141.3	141.3	141.3	129.5	119.3	119.3	119.3	119.3	118.6	117.6
South Santa Rosa Utility System:										
<u>Water</u>										
Water line (miles)	62.9	62.9	62.5	62.3	62.3	62.3	62.3	62.3	61.3	58.3
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)	59.4	59.4	59.0	57.8	57.0	57.0	57.0	56.8	54.8	52.8
Lift stations	61	61	61	60	60	60	60	57	57	56
<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)	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0	7.0	7.0
Inlets	186	186	186	186	186	186	186	180	88	88
Pump stations	5	5	5	5	5	5	5	5	5	5
Police Department:										
Patrol units	18	18	17	17	17	17	17	19	19	19
Fire Department:										
Response and support vehicles	10	10	10	10	10	10	9	10	10	9

SOURCE: Department Records

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IV. COMPLIANCE SECTION

❖ **COMPLIANCE MATTERS**

❖ **MANAGEMENT LETTER**

❖ **RESPONSES TO THE MANAGEMENT LETTER**

**CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015**

Federal Agency Pass-Through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Homeland Security			
Pass-Through From:			
Florida Department of Community Affairs			
Disaster Grants - Public Assistance (Hurricane Ivan)	97.036	05-PA-G-01-67-02-621	\$ 39,127
Disaster Grants - Public Assistance (April Flood)	97.036	13-IS-3S-01-67-01-549	<u>597,101</u>
Total U.S. Department of Homeland Security			<u>636,228</u>
U.S. Department of Transportation			
Pass-Through From:			
Florida Department of Transportation			
State and Community Highway Safety Program			
Aggressive Driving and Speed Control	20.600	ARD73/SC-14-13-04	<u>6,547</u>
U.S. Department of Justice			
Pass-Through From:			
State Office of Attorney General			
Victims of Crime Act	16.575	V10127	<u>13,324</u>
U.S. Army Corp of Engineers			
Pass-Through From:			
U.S. Department of Army			
The Restoration of Deadman's Island	12.130	W91278-11-2-0001	<u>481,065</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,137,164</u></u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

**CITY OF GULF BREEZE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

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

CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2015

State Agency Pass-Through Entity State Project	CSFA Number	Contract/Grant Number	Expenditures
Florida Department of Environmental Protection			
Stormwater Projects (MOEX)/Deepwater			
Horizon Oil Spill	37.082	S0666	\$ 1,570,827

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state project grant activity of the City of Gulf Breeze, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Department of Financial Services Rules, Chapter 69I-5, Florida Administrative Code, *State Financial Assistance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 4, 2016.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described as Finding 2015-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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. We consider the deficiency described as Finding 2015-002 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated May 4, 2016.

City of Gulf Breeze, Florida's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on 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
May 4, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Gulf Breeze, Florida's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2015. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida
May 4, 2016

**CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the City of Gulf Breeze, Florida (the City).
2. We noted two significant deficiencies relating to the audit of the financial statements that are reported in the 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*. Finding 2015-001 was determined to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs and the state project are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.
5. The auditor's report on compliance for each major federal program and state project for the City expresses an unmodified opinion.
6. There are no audit findings relative to each major federal program or state project for the City which are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.
7. The programs/projects tested as major were:

Federal Program

CFDA No.

Disaster Grants - Public Assistance (Presidentially Declared Disasters)

97.036

Estuary Habitat Restoration Program (The Restoration of Deadman's Island)

12.130

State Project

CSFA No.

Stormwater Projects (MOEX)/ Deepwater Horizon Oil Spill

37.082

8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal programs and state projects.
9. The City did not qualify as a low-risk auditee.

**CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

B. FINANCIAL STATEMENT FINDINGS

Financial Reporting

Finding: 2015-001

We noted significant improvement in financial reporting during the fiscal year 2015 audit compared to the prior year, resulting in fewer total adjustments to the trial balance that was provided to us at the start of the audit. We also noted that capital asset and related accumulated depreciation balances were properly classified and rolled forward from the prior year. However, we did identify certain audit adjustments during the 2015 audit that should have been recorded during the annual close out for financial reporting purposes. Also, management identified and made significant adjustments to the trial balance after providing it to us at the start of the audit.

We recommend the City continue their efforts to improve the year-end closeout procedures to ensure that all transactions, year-end adjustments, and accruals are recorded in a timely manner.

Management's Response:

We agree with the finding. Subject to resource and budget limitations we will continue efforts to improve the prospect of completing closeout of the annual financial records prior to the beginning of the audit process. We appreciate the recognition of the resource requirements of the annual closeout process.

Bank Reconciliations

Finding: 2015-002

Management has indicated that an analysis of banking transactions is performed throughout the month and that monthly bank statements are reviewed and compared to the general ledger to identify adjustments to be posted to the general ledger. However, during our audit procedures we noted that bank reconciliations and general ledger adjustments were not prepared in a timely manner and were not independently reviewed by another party. As a result, there is a possibility that significant errors in cash transactions could occur without being detected in a timely manner.

We recommend that all bank accounts be reconciled to the general ledger during the monthly closeout and any unusual reconciling items be promptly investigated and adjusted. Additionally, we recommend that a member of management review the bank reconciliations for any unusual items and document their approval by initialing the reconciliation.

Management's Response:

Management acknowledges this issue and subsequent to year end has implemented procedures that will provide more fully documented and timely month-end reconciliations to the general ledger. These procedures include the management review recommended.

**CITY OF GULF BREEZE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

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

D. FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

We noted no matters involving noncompliance that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General.

**CITY OF GULF BREEZE, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2015**

Financial Reporting

Finding: 2014-001

In the prior year we identified certain audit adjustments that should have been recorded during the annual close out for financial reporting purposes. Also, throughout the audit process management identified and made significant adjustments to the trial balance that had been provided to us at the start of the audit. Additionally, during the audit we noted beginning and ending balances for accumulated depreciation in the capital asset subsidiary ledger did not agree to the prior year general ledger balances and classifications of capital assets listed in the subsidiary ledger did not agree with the classifications in the general ledger.

Current Status:

Although this condition improved during the current year, continued improvement is still needed as discussed in Finding 2015-001.

Fraud Prevention and Detection Program

Finding: 2014-002

In the prior year we noted that, although management of the City assessed and managed the risk of fraud informally, the City had not developed a formal fraud risk assessment policy designed to identify, measure, and manage fraud risks associated with the City's operations, including controls over financial reporting.

Current Status:

This condition no longer exists and is considered corrected by management.

Utility Accounts Receivable

Finding: 2014-003

In prior year, during our testing of utility accounts receivable, we identified certain inactive accounts that had accumulated over several years. The City had not written off these inactive accounts and had not recorded an allowance for doubtful accounts. As a result, an audit adjustment was necessary to record an allowance for doubtful accounts as of September 30, 2014 and a prior period adjustment was necessary to recognize doubtful account balances prior to 2014.

Current Status:

This condition no longer exists and is considered corrected by management.

**CITY OF GULF BREEZE, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2015**

Independent Contractor

Finding: 2014-004

In prior year we noted that Capital Trust Agency (CTA) and Gulf Breeze Financial Services (GBFS) had separately contracted with a third party to provide Executive Director services as well as certain other services. Our procedures indicated that certain amounts paid to the third party for compensation may not be compliant with the terms of the contracts. Also, during 2014, management determined that \$122,500 was owed to CTA under the terms of its contract.

Current Status:

The \$122,500 owed to CTA by the third party has been repaid, and the previous contracts for both CTA and GBFS have been replaced by new contracts with clear terms for compensation to be paid, including base pay and a bonus based on financial results.

This condition is considered corrected by management.

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MANAGEMENT LETTER

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, 2015, and have issued our report thereon dated May 4, 2016.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

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*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in Accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 4, 2016, 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:

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

Tabulation of Uncorrected Audit Findings		
Current Year	2013-14 FY	2012-13 FY
Finding #	Finding #	Finding #
2015-001	2014-001	2008-001
	2014-001	2008-003

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

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 identification of 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. 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, our findings and recommendations are reported in the Schedule for Findings and Questioned Costs.

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

Other Matters (Continued)

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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.

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.

A handwritten signature in cursive script, reading "Saltmarsh Cleaveland & Bend".

Pensacola, Florida
May 4, 2016

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.45, 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, 2015. 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, 2015.

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
May 4, 2016

