

**THE CITY OF**  
**Gulf Breeze, Florida**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE YEAR ENDING

**September 30, 2016**



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**THE CITY OF GULF BREEZE, FLORIDA  
YEAR ENDED SEPTEMBER 30, 2016**

**PREPARED BY THE FINANCE DEPARTMENT**

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**CITY OF GULF BREEZE, FLORIDA**  
**GULF BREEZE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2016**

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# *City of Gulf Breeze*

March 9, 2017

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, 2016, is submitted herewith, pursuant to Section 218.32, Florida Statutes.

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, P.A., 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, 2016, 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, 2016, 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.

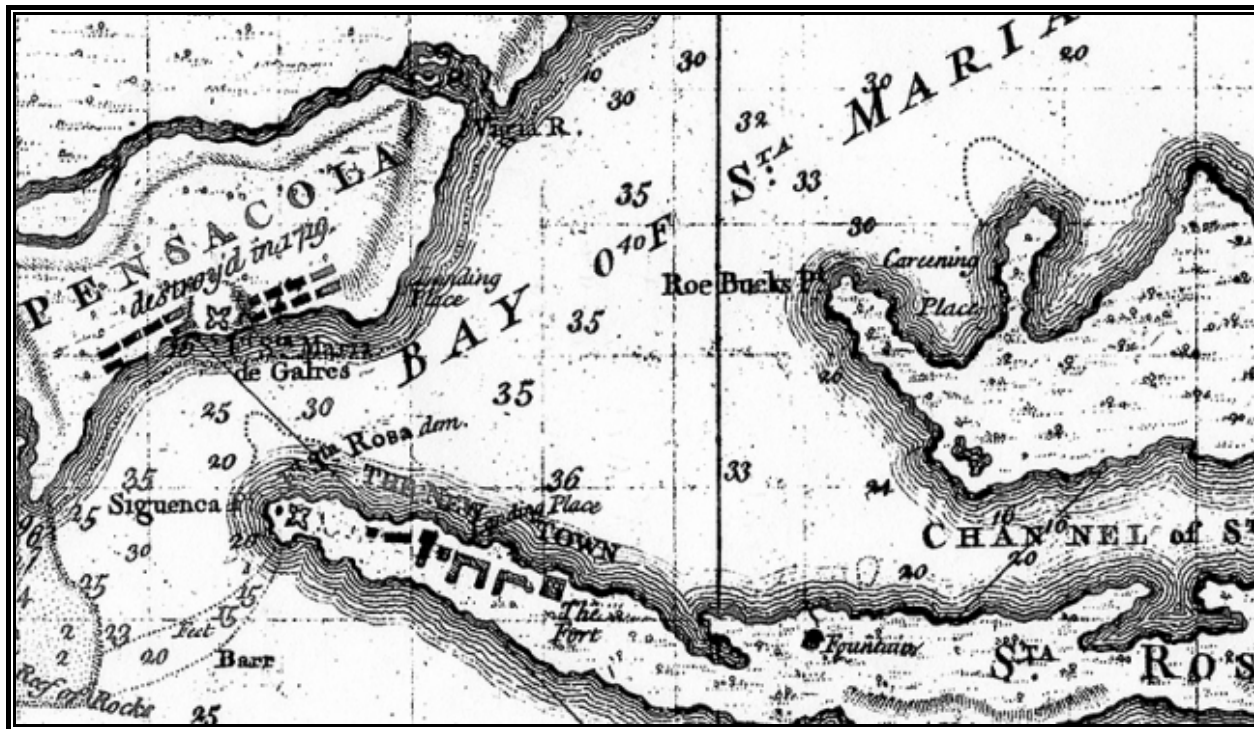
Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read 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.

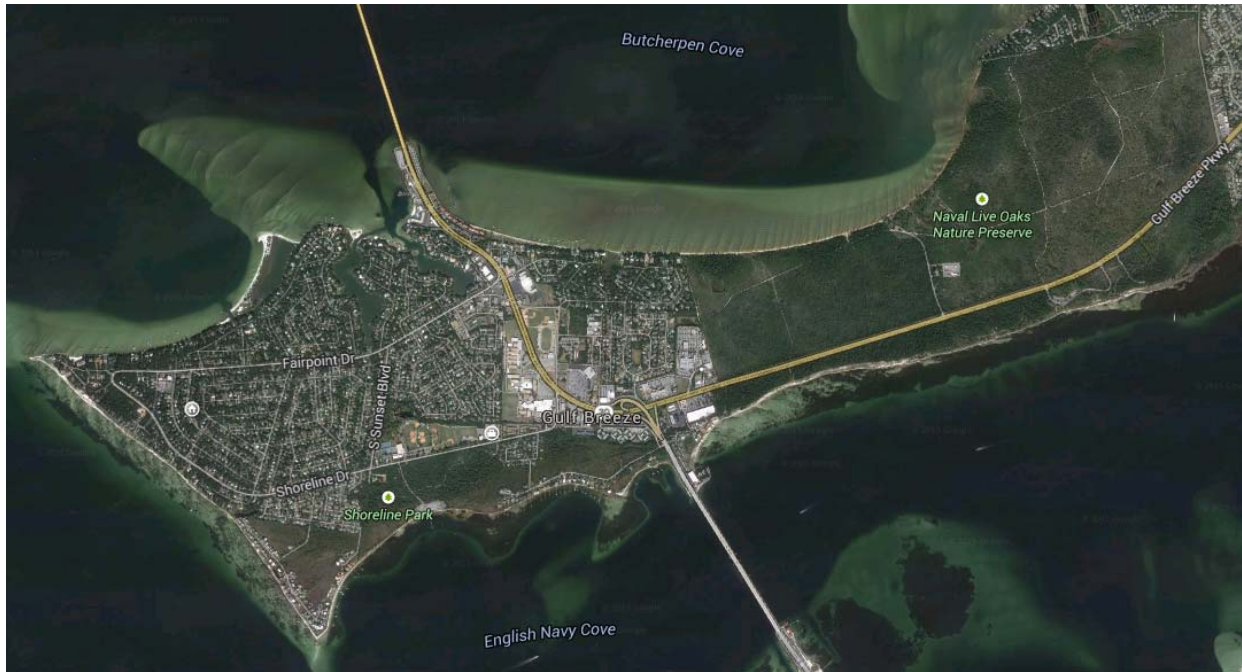


*Early Map of Pensacola (Thomas Jeffreys, 1763) showing "Roe Buck's Pt" (today's Peake's Point area of Gulf Breeze), and "Careening Place" (today's Old Navy Cove and Deadmans Island area).*

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 Florida Department of Transportation (FDOT) finalized plans and contracts in 2016 to begin construction and replacement of the Pensacola Bay bridge beginning in 2017 and continuing for an estimated four years.

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 5,818 residents, the City has 18 miles of waterfront and three protected bayous, where residents enjoy all sorts of water activities.

### **Mayors**

C. J. Heinberg  
John Schilf  
Colin Renfroe  
Colven Caudell  
B. B. Jordan  
Donald Elbert  
Charles Wright  
Joseph Reynes  
Ed Gray III  
Lane Gilchrist \*  
Beverly Zimmern  
Matt Dannheisser

### **Years in Office**

1961-1962, 1968-1970  
1963-1964, 1966-1968  
1964-1966  
1970-1972  
1972-1974  
1974-1976  
1976-1980  
1980-1984  
1984-1992  
1992-2009  
2009-2014  
2014-Present

\* Deceased while holding 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 through a competitive bid process to provide solid waste and recycling collection services within City limits. Public safety is provided through twenty-four hour police protection by the fully accredited Police Department along with a fully trained volunteer fire department. The 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 establishment and professional operation of these departments not only contributes to the peace-of-mind of residents, but contributes to lower insurance rates for residents as well.

The City of Gulf Breeze has a stable, full-service, innovative, government recognized as a leader in financial programs. The City, as reported in the accompanying financial statements, includes all the funds of the primary government as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The City has a separately reported component unit, Capital Trust Agency (CTA), along with blended component units, Gulf Breeze Financial Services (GBFS) and the Community Redevelopment Agency (CRA), as determined and reported in accordance with Government Accounting Standards Board (GASB) Statement No. 14.

## **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.

### *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 with the required treatment capacity at the new site would require between \$20 and \$25 million in capital to develop. Analysis of the potential to expand capacity at the current location using a small portion of the Tiger Point property indicated that expanding to facilitate that same capacity would require an estimated \$10 to \$15 million to accomplish comparable treatment capacity. 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 have 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 29<sup>th</sup>, 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. The main components of this significant upgrade in stormwater infrastructure were 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 infrastructure) 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 1962, 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.

### *Financings 2016*

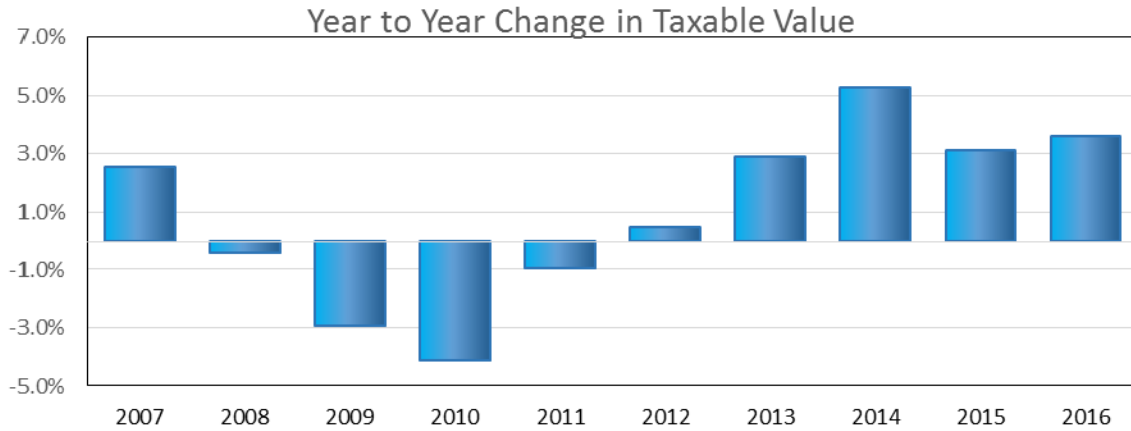
In May 2016 the City completed two financings to reimburse past capital expenditures. Capital Trust Agency, a component unit of the City, provided the financing to reimburse expenditures related to the acquisition and improvement of the Tiger Point Golf Course and the infrastructure improvements of the City’s stormwater management program. The amounts financed were \$5,000,000 and \$2,576,000, respectively, through 2025 bearing a 4% interest rate each.

### *Sale and Easement to Florida Department of Transportation*

On August 8, 2016, the City closed on the sale of property, comprised mainly of right of way parallel to Highway 98 at the northwestern entrance to the City, to the Florida Department of Transportation (FDOT) to facilitate the expanded footprint required for a new Pensacola Bay bridge landing in the City. Additionally the agreement provides FDOT and its contractors an exclusive-use construction easement during the construction, which is expected to extend for four years beginning in 2017. The easement will turn over exclusive access to the City’s Wayside East and Wayside West park areas, eliminating the public use of one of the City’s two boat launch facilities, for the duration of construction. The City received \$5.9 million in compensation for the sale and easement.

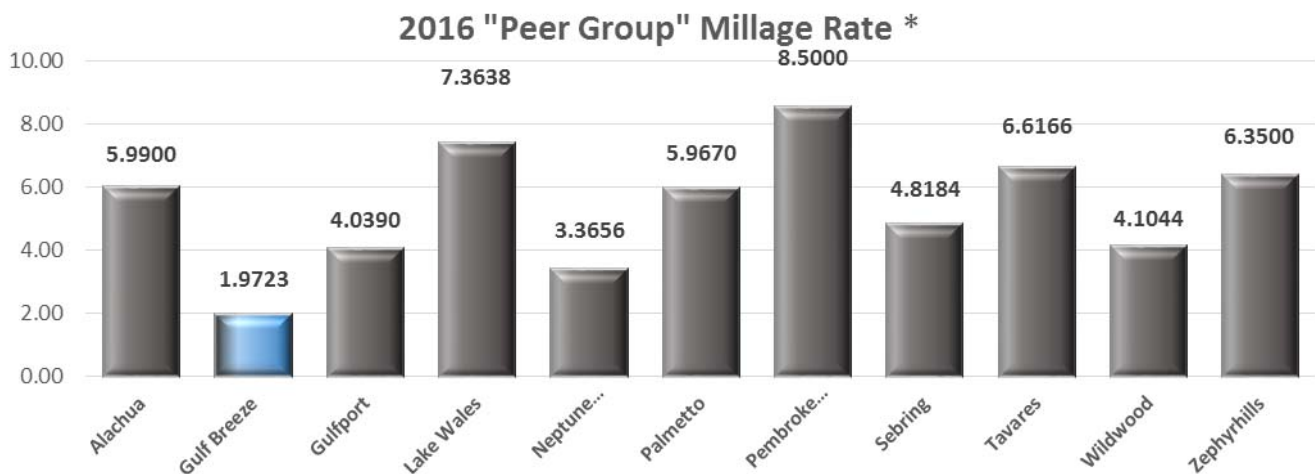
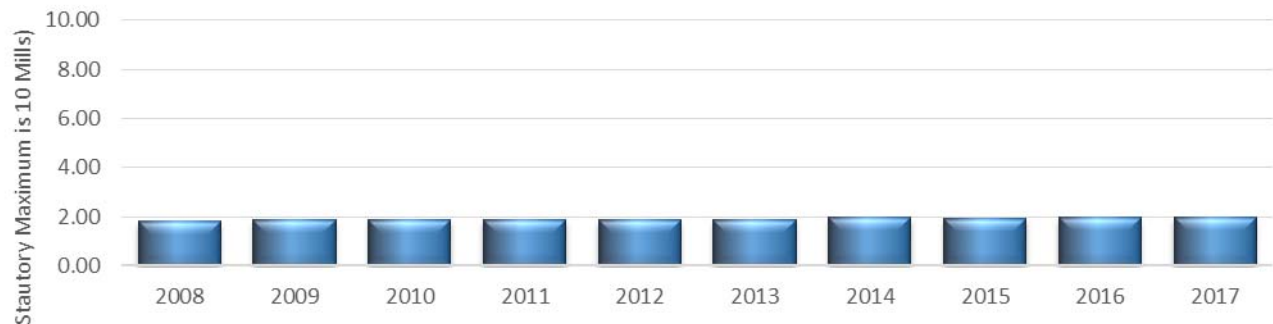


## Property Values



There was a 3.6% increase in assessed value for operation of properties within the City in 2016, following a 3.1%, 5.3%, 2.9%, and 0.5% increase in 2015, 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.)

## Gulf Breeze City 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



## **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, returning to 1.9723 for 2016 and remaining constant for 2017.

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. While the major projects were completed in 2016, the City continues to examine opportunities for further cost-effective improvements.
- 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. Additional placement of supplementary embankment sand is beginning in 2017. Ongoing monitoring of the oyster beds, erosion or accretion and the conservation area will continue for several years.
- South Santa Rosa Utilities has received permits to begin construction of a new elevated storage tank exclusively for storage and distribution of "re-use water" (suitable for irrigation but not for drinking) from the South Santa Rosa Utilities waste treatment plant. Construction will begin in 2017.

- The City has developed a Master Plan for parks to provide a guide for capital projects for the next 5 years, and a 25 year Master Plan for the City as a whole.
- The City began a process of moving power and communications wiring underground along the Highway 98 corridor.
- As noted earlier, the Florida Department of Transportation has initiated contracts for the construction and replacement of the Pensacola Bay bridge beginning in 2017 and expected to continue for four years. At this time the economic impact, if any, of this construction and completion of the new bridge is uncertain.

## **Awards and Acknowledgments**

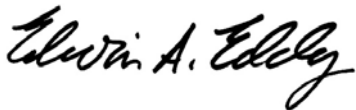
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Breeze for its comprehensive annual financial report for the fiscal year ended September 30, 2015. That was the 14th consecutive 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 15th 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




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Stephen Milford  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Gulf Breeze  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

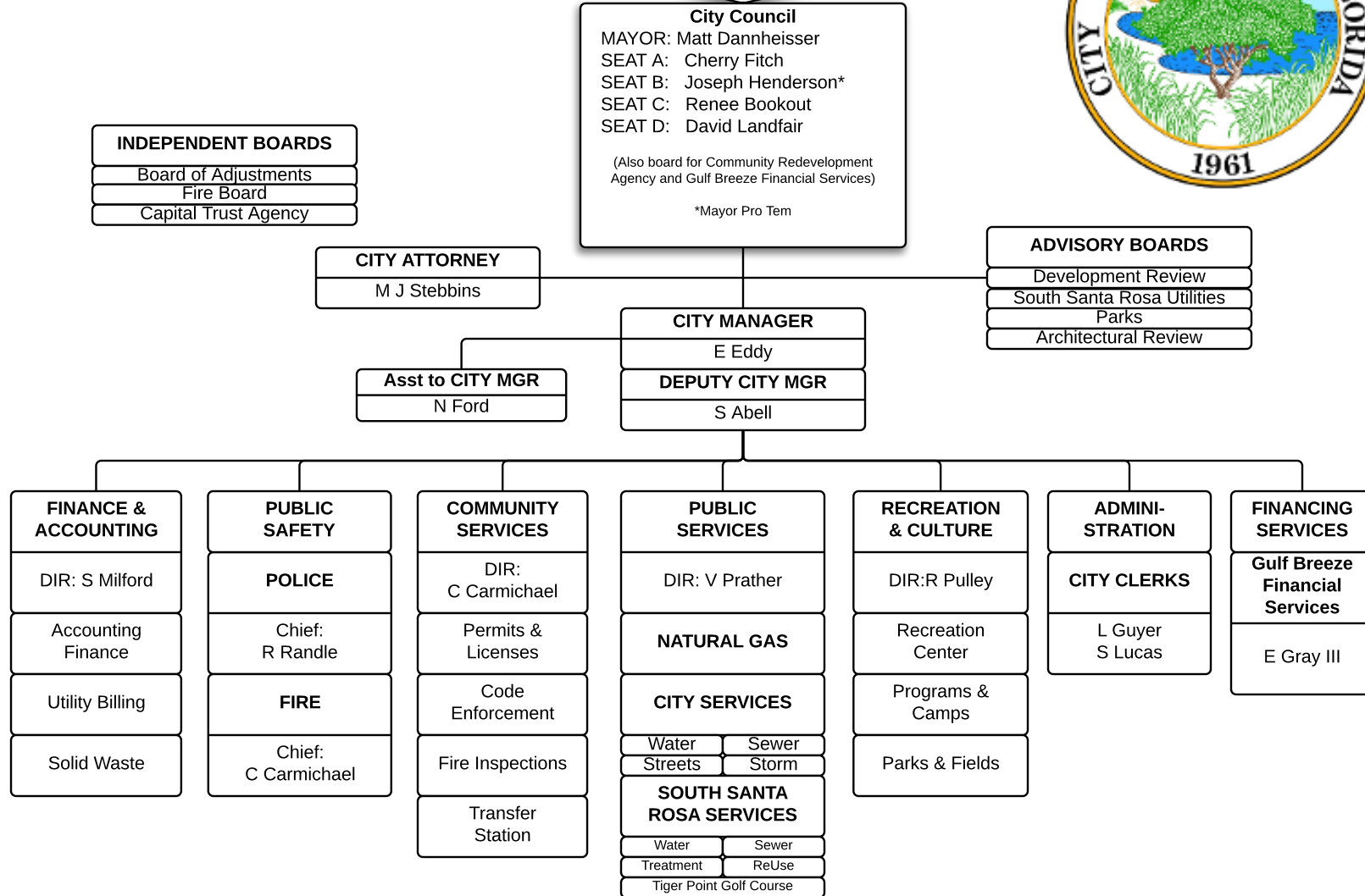
**September 30, 2015**

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 30, 2016

## **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 Counsel: Michael Stebbins



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## **II. FINANCIAL SECTION**

- ❖ **INDEPENDENT AUDITOR'S REPORT**
- ❖ **MANAGEMENT'S DISCUSSION AND ANALYSIS**
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## 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, 2016, 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, 2016, which statements reflected total assets of \$1,882,351 as of September 30, 2016, and total revenues of \$377,651 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Urban Core Redevelopment Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability - Florida Retirement System, the Schedule of Proportionate Share of Net Pension Liability - Health Insurance Subsidy Program, the Schedule of Changes in Employer Net Pension Liability and Related Ratio - Florida Municipal Pension Trust Fund, the Schedule of Contributions - Florida Retirement System, the Schedule of Contributions - Health Insurance Subsidy Program, the Schedule of Contributions - Florida Municipal Pension Trust Fund, and the Notes to the Schedule of Contributions - Florida Municipal Pension Trust Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

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

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pensacola, Florida  
March 9, 2017

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**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016**

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, 2016. 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 \$49,423,299 (net position). Of this amount \$28,440,016 may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$8,203,968 or 19.9%. The governmental net position increased by \$5,032,315 or 27.7% and the business-type net position increased by \$3,171,653 or 13.7%. During fiscal year 2016 the City continued with several major projects to enhance infrastructure for stormwater management. A significant event impacting net position (government) was an agreement executed with the Florida Department of Transportation for the sale of land (comprised mainly of right of way along state Highway 98 at the northwest entrance to the City) and a construction easement for the duration of construction of a new bridge over Pensacola Bay to Pensacola for which the City received \$5.9 million in compensation.
- The City's governmental funds reported combined ending fund balances of \$15,195,886, an increase of \$6,691,180 or 78.7%. Of the total ending fund balance, \$12,630,941, the equivalent of 174% of total General Fund expenditures, is available for spending at the City's discretion (unassigned fund balance). The increase resulted from increases in cash as a result of the above mentioned agreement with FDOT, and increases in transfers in from other funds.
- 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 2016.

**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.



**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

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 governmental activities of the City include general government, public works, police, fire, parks and recreation and community services. The business-type activities of the City include water and sewer, natural gas, stormwater and solid waste.

The government-wide financial statements include not only the City of Gulf Breeze itself (the primary government), but also blended component units, Gulf Breeze Financial Services (GBFS), and the Community Redevelopment Agency (CRA). Blended component units, although legally separate entities, are, in substance, part of the primary government's operations. The government-wide financial statements are found on pages 21-22 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.

**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

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

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

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

The basic governmental fund financial statements can be found on pages 23 - 28 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 Fund, Solid Waste Control Fund, Stormwater Management Fund and Innerarity Point Utilities Fund. The City Water & Sewer Fund, Natural Gas Fund, SSRUS Water & Sewer Fund, Stormwater Management Fund and Gulf Breeze Financial Services Fund are considered to be major funds of the City. Data from the other two proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of the combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30 - 35 of this report.

**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

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

The basic fiduciary fund financial statements can be found on pages 36 - 37 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 39 – 93 of this report.

#### **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found on pages 95-101 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 103-109 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 \$49,423,299 at the close of the most recent fiscal year, as reported in Table 1.

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

**TABLE 1  
CITY OF GULF BREEZE, FLORIDA  
NET POSITION  
AS OF SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 15,643,761	\$ 9,107,966	\$ 17,418,624	\$ 10,454,661	\$ 33,062,385	\$ 19,562,627
Capital assets	15,737,730	17,482,594	31,266,368	31,902,436	47,004,098	49,385,030
Deferred outflows	1,147,687	841,347	765,003	814,620	1,912,690	1,655,967
Total assets and deferred outflows	<u>\$ 32,529,178</u>	<u>\$ 27,431,907</u>	<u>\$ 49,449,995</u>	<u>\$ 43,171,717</u>	<u>\$ 81,979,173</u>	<u>\$ 70,603,624</u>
Non-current liabilities	\$ 8,434,386	\$ 8,359,411	\$ 20,861,445	\$ 17,451,958	\$ 29,295,831	\$ 25,811,369
Other liabilities	571,934	546,747	2,285,238	2,540,704	2,857,172	3,087,451
Deferred inflows	342,067	377,273	60,804	108,200	402,871	485,473
Total liabilities and deferred inflows	<u>9,348,387</u>	<u>9,283,431</u>	<u>23,207,487</u>	<u>20,100,862</u>	<u>32,555,874</u>	<u>29,384,293</u>
Net position:						
Net investment in capital assets	8,178,037	9,722,091	11,653,347	15,705,656	19,831,384	25,427,747
Restricted	968,784	753,569	183,115	1,814,513	1,151,899	2,568,082
Unrestricted	14,033,970	7,672,816	14,406,046	5,550,686	28,440,016	13,223,502
Total net position	<u>23,180,791</u>	<u>18,148,476</u>	<u>26,242,508</u>	<u>23,070,855</u>	<u>49,423,299</u>	<u>41,219,331</u>
Total liabilities and net position	<u>\$ 32,529,178</u>	<u>\$ 27,431,907</u>	<u>\$ 49,449,995</u>	<u>\$ 43,171,717</u>	<u>\$ 81,979,173</u>	<u>\$ 70,603,624</u>

The City's investment in capital assets (e.g. land, buildings, machinery and equipment), less any outstanding debt used to acquire those assets, totaled \$19,831,384 (40% of Total net position) at September 30, 2016. 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.

**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

An additional portion of the City's net position of \$1,151,899 or 2% of Total net position, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$28,440,016 (58% of Total net position) may be used to meet the government's ongoing obligations to citizens and creditors.

In fiscal 2015 the City adopted Government Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pension Plans* resulting in the creation and reporting of deferred amounts in the additional balance sheet categories of Deferred Outflows and Deferred Inflows, which are non-cash, intangible totals resulting from actuarial analysis more fully disclosed in Note 6 of the financial statements. The Deferred Outflows and Deferred Inflows inflated Net Position by \$805,620 and \$704,199 in Governmental and Business activities, respectively.

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.

*Governmental Activities* - Governmental activities before transfers increased the City of Gulf Breeze's net position by \$3,594,567. The key elements of this change are reported in Table 2A.

Charges for services increased \$287,151 or 20% this year reflecting primarily increased general government revenue. The City experienced a decrease of \$781,682 or -57% in grants reflecting largely decreased application for reimbursements of hurricane restoration projects from FEMA and the State of Florida. Total revenues for government activities increased \$5,991,740 or 82% over the prior year due primarily to the \$6,257,783 increase in miscellaneous revenues which largely reflects the \$5.9 million compensation received from the Florida Department of Transportation and the disposal of a redevelopment property at 1198 Gulf Breeze Parkway from the CRA fund.

Property tax revenues increased by \$21,545 or 1% resulting from modest increases in appraised values. Other taxes showed an increase of \$234,711 or 15% due primarily to increased utility service tax revenues.

Intergovernmental revenues declined \$(27,407) or -5% primarily due to decreases in state revenue sharing programs.

**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

Investment earnings continued to decline slightly 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.

The corresponding Total expenses decreased \$82,395 or -1% over the prior year primarily due to delays in road resurfacing in the Transportation activities which reduced associated spending by \$(312,258) or -38% which offset a \$215,653 or 10% increase in general government costs largely due to increased legal and professional costs and a \$51,953 or 2% increase in culture and recreational expenses which is partially attributable to costs related to an After School Activity Program which began in 2015. Public Safety spending declined by \$(36,498) or -1% primarily due to decreased personnel costs relating to high worker's compensation costs in the prior year. The increase in Economic Environment expenses (\$10,734 or 2% over the prior year) primarily reflects expenses of the Community Services department for Code Enforcement related expenses. Declining debt service interest costs reflects the lower outstanding principal of associated debt levels.

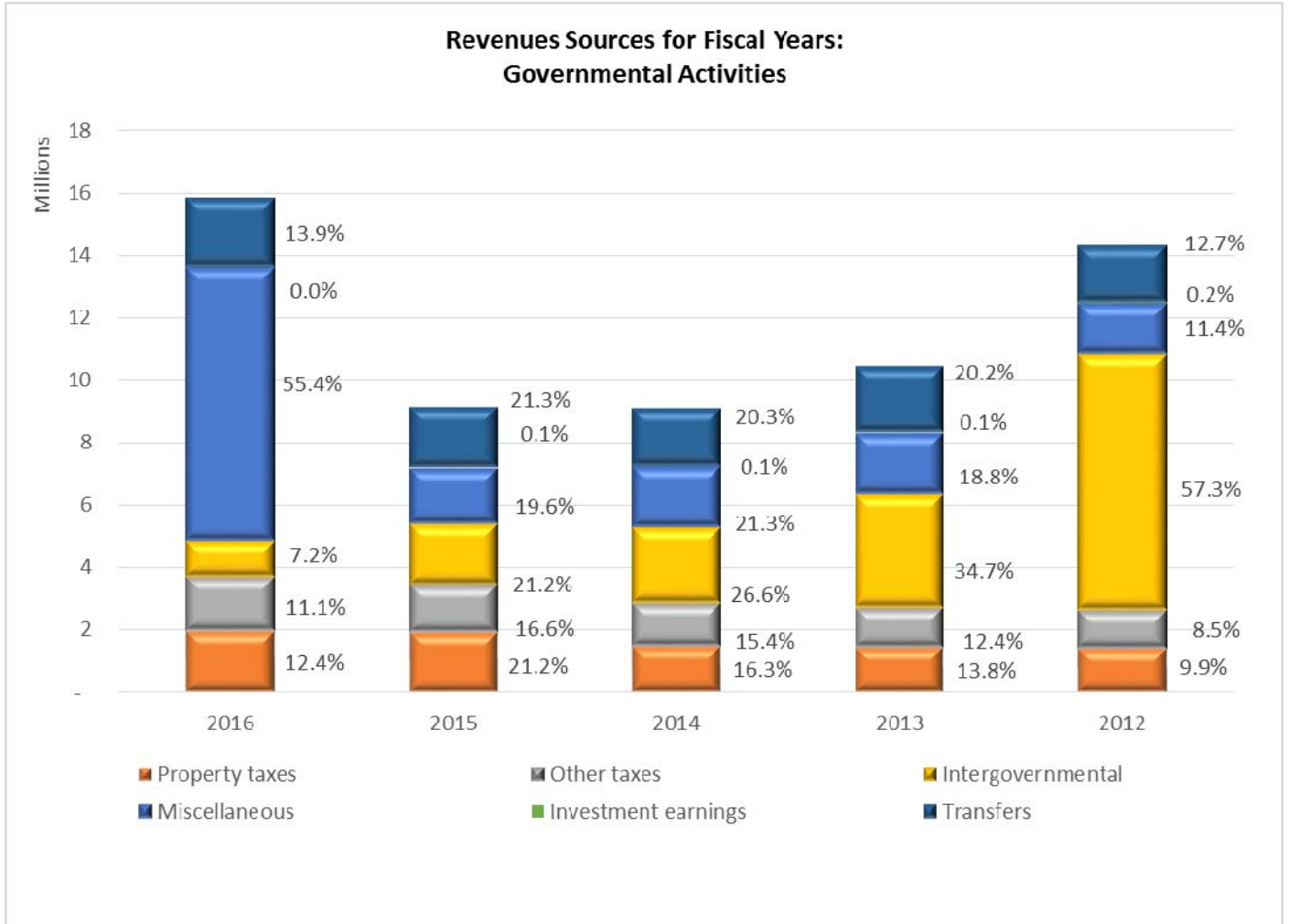
**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

**TABLE 2  
CITY OF GULF BREEZE, FLORIDA  
CHANGE IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,715,080	\$ 1,427,929	\$ 12,878,698	\$ 13,367,150	\$ 14,593,778	\$ 14,795,079
Operating grants and contributions	595,981	1,377,663	22,110	15,503	618,091	1,393,166
Capital grants and contributions	-	-	1,457,975	501,998	1,457,975	501,998
<b>General revenues:</b>						
Property taxes	1,972,239	1,950,694	-	-	1,972,239	1,950,694
Other taxes	1,760,161	1,525,450	-	-	1,760,161	1,525,450
Intergovernmental revenues	543,531	570,938	-	-	543,531	570,938
Gain on sale of fixed assets	5,883,665	-	-	-	5,883,665	-
Other revenues	829,237	455,119	871,719	270,568	1,700,956	725,687
Investment earnings	5,879	6,240	266,066	174,969	271,945	181,209
<b>Total revenues</b>	<u>13,305,773</u>	<u>7,314,033</u>	<u>15,496,568</u>	<u>14,330,188</u>	<u>28,802,341</u>	<u>21,644,221</u>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
General government	2,355,653	2,140,000	-	-	2,355,653	2,140,000
Public safety	3,672,304	3,708,802	-	-	3,672,304	3,708,802
Transportation	518,675	830,933	-	-	518,675	830,933
Economic environment	550,405	539,671	-	-	550,405	539,671
Culture and recreation	2,256,254	2,204,301	-	-	2,256,254	2,204,301
Debt service interest	357,915	369,894	-	-	357,915	369,894
<b>Business-type activities:</b>						
Water and sewer	-	-	2,172,973	2,019,512	2,172,973	2,019,512
Natural gas	-	-	2,220,768	2,495,520	2,220,768	2,495,520
SSRUS utilities	-	-	6,081,605	9,034,748	6,081,605	9,034,748
Solid waste control	-	-	577,155	564,709	577,155	564,709
Stormwater management	-	-	511,473	431,285	511,473	431,285
Innerarity Point	-	-	15,003	16,663	15,003	16,663
Gulf Breeze Financial Services	-	-	359,021	204,582	359,021	204,582
<b>Total expenses</b>	<u>9,711,206</u>	<u>9,793,601</u>	<u>11,937,998</u>	<u>14,767,019</u>	<u>21,649,204</u>	<u>24,560,620</u>
Change in net position before transfers	3,594,567	(2,479,568)	3,558,570	(436,831)	7,153,137	(2,916,399)
Transfers	1,437,748	1,481,217	(1,437,748)	(1,481,217)	-	-
<b>Change in net position</b>	<u>5,032,315</u>	<u>(998,351)</u>	<u>2,120,822</u>	<u>(1,918,048)</u>	<u>7,153,137</u>	<u>(2,916,399)</u>
Net position, beginning of year Unadjusted	18,148,476	18,806,420	23,070,855	25,317,542	41,219,331	44,123,962
Adjustments to net position, beginning of year	-	340,407	1,050,831	(328,639)	1,050,831	11,768
Net position, beginning of year Adjusted	<u>18,148,476</u>	<u>19,146,827</u>	<u>24,121,686</u>	<u>24,988,903</u>	<u>42,270,162</u>	<u>44,135,730</u>
Net Position, as of September 30	<u>\$ 23,180,791</u>	<u>\$ 18,148,476</u>	<u>\$ 26,242,508</u>	<u>\$ 23,070,855</u>	<u>\$ 49,423,299</u>	<u>\$ 41,219,331</u>

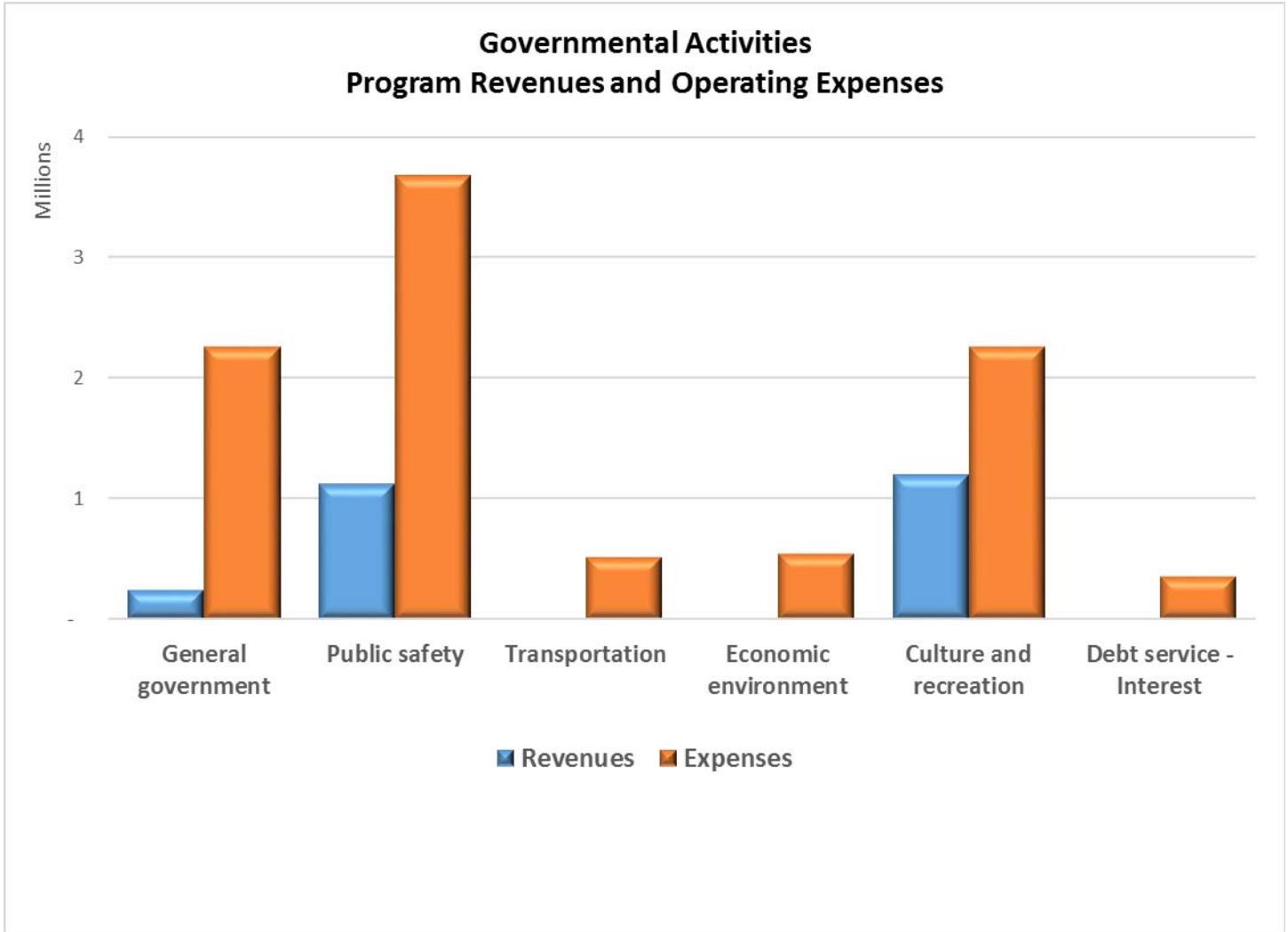


**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**



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

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**



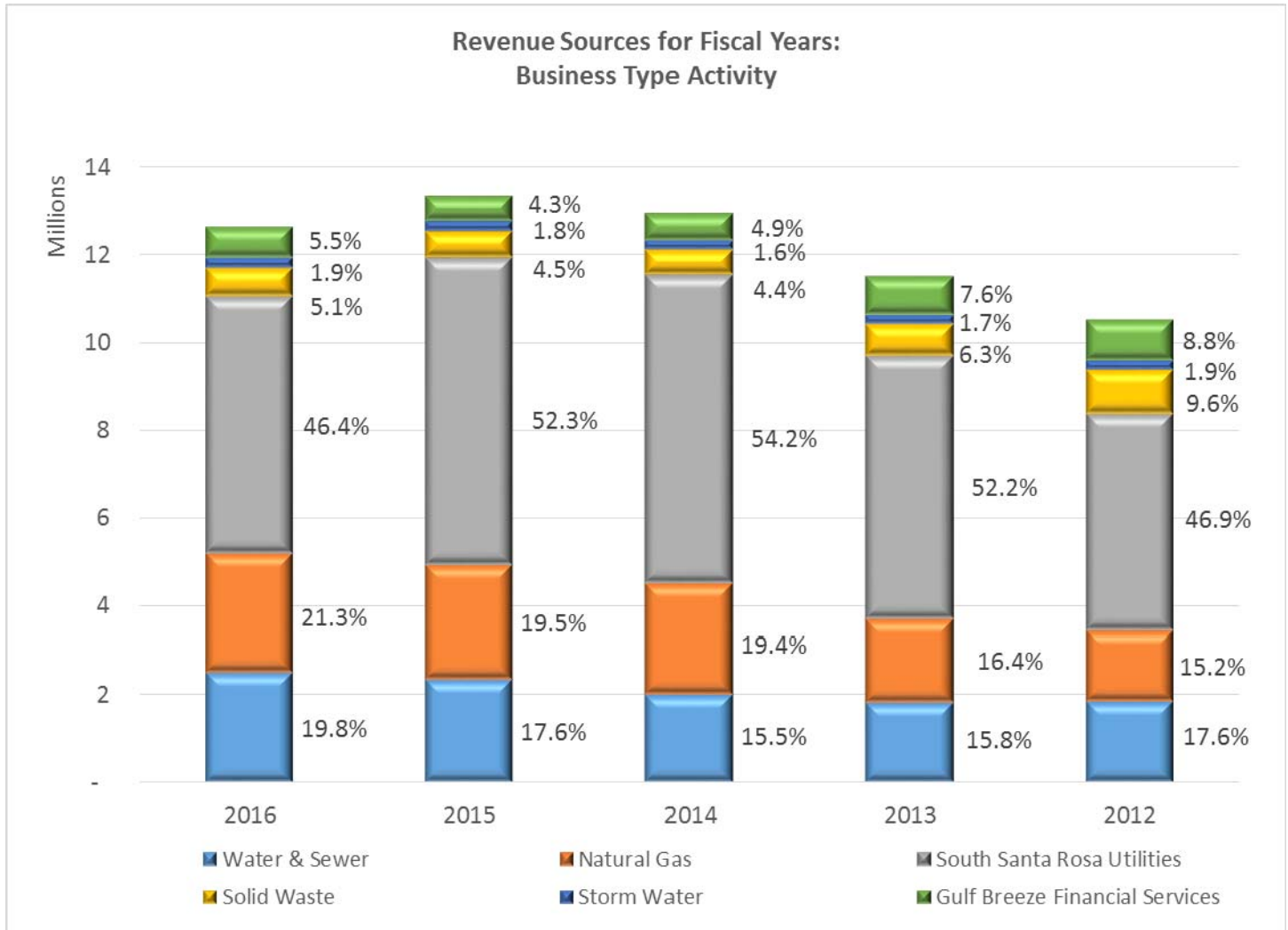
Program Revenues only reflect charges collected by the department. For example, boat launch fees help cover the cost of recreation facilities; and, traffic citation revenues help cover the cost of public safety costs.

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

**TABLE 2A  
CITY OF GULF BREEZE, FLORIDA  
COMPONENT CHANGE FROM PRIOR YEAR IN NET POSITION - GOVERNMENTAL  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	Governmental Activities		Year over year change	
	2016	2015	\$ Amount	Pct of 2015
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 1,715,080	\$ 1,427,929	\$ 287,151	20.1%
Operating grants and contributions	595,981	1,377,663	(781,682)	-56.7%
<b>General revenues:</b>				
Property taxes	1,972,239	1,950,694	21,545	1.1%
Other taxes	1,760,161	1,525,450	234,711	15.4%
Intergovernmental revenues	543,531	570,938	(27,407)	-4.8%
Gain on sale of fixed assets	5,883,665	-	5,883,665	100.0%
Other revenues	829,237	455,119	374,118	1375%
Investment earnings	5,879	6,240	(361)	-5.8%
<b>Total revenues</b>	<u>13,305,773</u>	<u>7,314,033</u>	<u>5,991,740</u>	<u>81.9%</u>
<b>Expenses:</b>				
<b>Governmental activities:</b>				
General government	2,355,653	2,140,000	215,653	10.1%
Public safety	3,672,304	3,708,802	(36,498)	-1.0%
Transportation	518,675	830,933	(312,258)	-37.6%
Economic environment	550,405	539,671	10,734	2.0%
Culture and recreation	2,256,254	2,204,301	51,953	2.4%
Debt service interest	357,915	369,894	(11,979)	-3.2%
<b>Total expenses</b>	<u>9,711,206</u>	<u>9,793,601</u>	<u>(82,395)</u>	<u>-0.8%</u>
Change in net position before transfers	3,594,567	(2,479,568)	6,074,135	-245.0%
Transfers	<u>1,437,748</u>	<u>1,481,217</u>	<u>(43,469)</u>	<u>-2.9%</u>
<b>Change in net position</b>	<u>\$ 5,032,315</u>	<u>\$ (998,351)</u>	<u>\$ 6,030,666</u>	<u>-604.1%</u>

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**



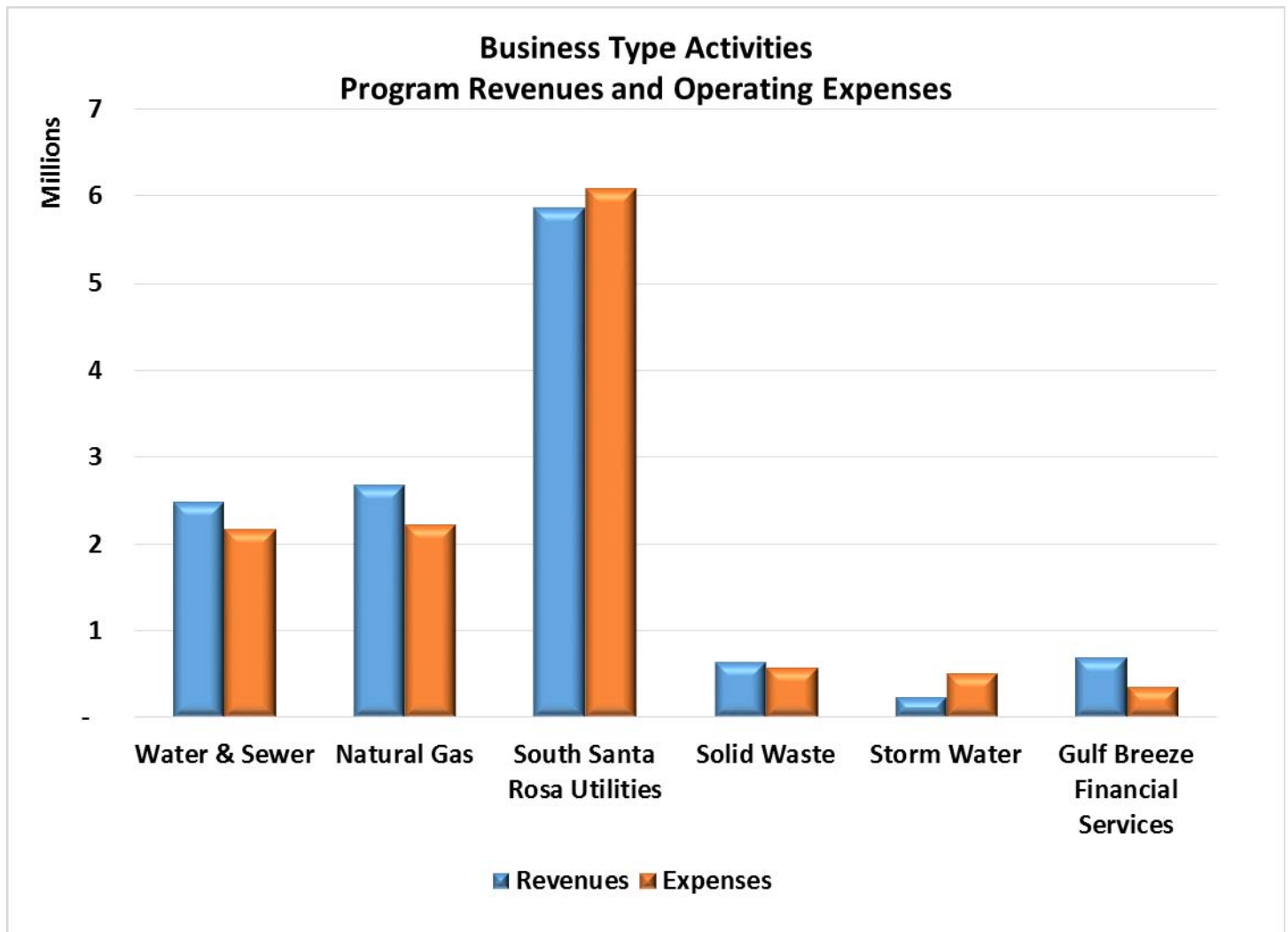
Percentages indicate the portion of the total annual revenues that category represents in that fiscal year

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. The primary reason for the decline in revenues between 2015 and 2016 is the change from internal to external management of the Tiger Point Golf Course which resulted in the reduction of revenues from that operation being recorded by the City's funds.

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. Under this agreement, the City receives a monthly fee for service and remits all revenues collected from those accounts to 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 (\$15,003 in expenditures for fiscal year 2016 versus contractual revenues of \$60,402).

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

Contributions of \$1,457,975 from developers this year is a 190% increase over the prior year indicating a resurgence in development. 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 SSRUS prior to acceptance by the Utility.



Investment earnings increased by \$91,097 or 52.1% due to an increase in total funds invested as well as slightly improved returns on invested funds of Gulf Breeze Financial Services relative to prior year in accordance with the City's investment policies. Miscellaneous revenues increased \$601,151 (222.2%) due mainly to the recording of the City's proportionate share of operating gains incurred by Fairpoint Regional Utility Service (FRUS) and the proportionate benefit of a grant received by FRUS to reimburse past waterline restoration costs.

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

**TABLE 2B  
CITY OF GULF BREEZE, FLORIDA  
COMPONENT CHANGE FROM PRIOR YEAR IN NET POSITION - BUSINESS-TYPE  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	Business-type Activities		Year over year change	
	2016	2015	\$ Amount	Pct of 2015
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services -				
Water and sewer	\$ 2,492,620	\$ 2,339,659	\$ 152,961	6.5%
Natural gas	2,681,257	2,594,132	87,125	3.4%
South Santa Rosa Utility	5,860,774	5,396,766	464,008	8.6%
Tiger Point Golf Course	206,562	1,586,638	(1,380,076)	-87.0%
Solid waste	645,519	593,891	51,628	8.7%
Stormwater management	236,275	234,086	2,189	0.9%
Gulf Breeze Financial Services	695,289	577,096	118,193	20.5%
Innerarity Point	60,402	44,882	15,520	34.6%
Operating grants and contributions	22,110	15,503	6,607	42.6%
Capital grants and contributions	1,457,975	501,998	955,977	190.4%
<b>General revenues:</b>				
Miscellaneous	871,719	270,568	601,151	222.2%
Investment earnings	266,066	174,969	91,097	52.1%
<b>Total revenues</b>	<u>15,496,568</u>	<u>14,330,188</u>	<u>1,166,380</u>	<u>8.1%</u>
<b>Expenses:</b>				
<b>Business-type activities:</b>				
Water and sewer	2,172,973	2,019,512	153,461	7.6%
Natural gas	2,220,768	2,495,520	(274,752)	-11.0%
SSRUS utilities	6,081,605	9,034,748	(2,953,143)	-32.7%
Solid waste control	577,155	564,709	12,446	2.2%
Stormwater management	511,473	431,285	80,188	18.6%
Innerarity Point	15,003	16,663	(1,660)	-10.0%
Gulf Breeze Financial Services	359,021	204,582	154,439	75.5%
<b>Total expenses</b>	<u>11,937,998</u>	<u>14,767,019</u>	<u>(2,829,021)</u>	<u>-19.2%</u>
Change in net position before transfers	3,558,570	(436,831)	3,995,401	-914.6%
Transfers	(1,437,748)	(1,481,217)	43,469	-2.9%
<b>Change in net position</b>	<u>\$ 2,120,822</u>	<u>\$ (1,918,048)</u>	<u>\$ 4,038,870</u>	<u>-210.6%</u>

*Business-Type Activities* - Business-type activities increased the City's net position by \$2,120,822 before transfers, as indicated on Table 2.

**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

City Water and Sewer operations benefitted from modest (less than 1.5%) increases in the number of sewer and water customers, which was augmented by increases in per account volume increases averaging about 10% which resulted in increased revenues of \$152,961 or 6.5% over the prior year. Expenses (before depreciation) increased proportionately primarily reflecting the increased costs of water purchased reflected in the increased volumes.

The Natural Gas Utility shows an increase in revenues of \$87,125 or 3.4% primarily due to an increase in customers and a 1.2% increase in the volume of gas sold offset by lower natural gas prices and costs. Operating expenses (excluding depreciation) decreased by \$300,804 or 15% 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 a 8.6% (\$464,008 ) increase in revenues due a 4% price increase in base fees and 9% increase in usage rates which was in place for the full fiscal year offset modest declines in per account water and sewer volumes. A \$2,691,124 decrease in operating expenses (excluding depreciation) relates primarily earlier mentioned transition of Tiger Point Golf Course operations to Integrity Golf Courses LLC. During fiscal year 2015 the City Council 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.

Solid Waste revenues benefitted from a small residential rate increase instituted effective March of 2016 as well as increases in revenues from the drop-off/"transfer station" resulting in an 8.7% increase in revenues, while limiting expense increase to 2.2% over the prior fiscal year.

While Stormwater management's operating revenues were basically unchanged from the prior year (increasing only \$2,189 or 0.9%) the fund completed several major infrastructure expansions and improvements. Expenses (excluding depreciation) increased 9% or \$27,696 due to increased professional expenses relating to support for citizen committees evaluating potential further enhancements or improvements.

Gulf Breeze Financial Services operating revenues increased by \$118,193 or 20.5% primarily due to revenues from Capital Trust Agency and related management fees. Also, the vast majority of the interest earned by all business-like activities is attributable to Gulf Breeze Financial Services. Increases in the principal invested, as well as modest improvements in rates available for bonds have resulted in \$99,164 or 61% increase in interest earnings over prior year. Increases in professional service costs expanded the operating costs (excluding depreciation) by \$119,819 of the total increase of \$166,741 of 102% of prior year, with the remainder resulting from increases in personnel and office costs.

**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

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

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

*Governmental Funds* - The focus of the City 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 \$15,195,886 an increase of \$6,691,180 in comparison with the prior year. Of this total amount, \$12,087 is reserved for inventory and \$3,445 is reserved for prepaid expenses, as they are not available for appropriation (e.g., non-spendable), and \$12,630,941 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) \$590,646 is restricted for community redevelopment, \$291,112 is restricted for debt service and \$87,026 is restricted for public safety; 2) portions are committed for purposes including a self-insurance escrow \$250,000, beautification of \$391,903, park subdivisions of \$15,481, community funds of \$437; and 3) portions are assigned for disaster recovery \$100,000 and public safety totaling \$822,808.

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 \$12,630,941, while total fund balance reached \$13,711,399. 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 174% of the total General Fund expenditures, while total fund balance represents 189% of that same amount.

The General Fund's fund balance increased by \$6,384,352 during the current fiscal year which is 87% of the prior year's balance most notably due to increase in cash and investments resulting from the proceeds of the agreement executed with the Florida Department of Transportation for the sale of land (comprised mainly of right of way along state Highway 98 at the northwest entrance to the City) and a construction easement for the duration of construction of a new bridge over Pensacola Bay to Pensacola for which the City received \$5.9 million in compensation.

The Urban Core Redevelopment Fund is used specifically for improvements within the City's defined commercial area. The revenues the fund receives are the result of City contributions as well as Tax Increment Financing (TIF) revenues. TIF revenues change proportionately with the defined commercial area's change in taxable value, which, due to the increase in taxable parcel values, resulted in an \$11,376 (-1.8%) decrease in tax revenues from 2015. 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.



**CITY OF GULF BREEZE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2016**  
**(Continued)**

*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 \$14,406,046 at the end of the year, of that the Water and Sewer Fund amounted to \$1,434,054, the Natural Gas Fund totaled \$(2,260,013), South Santa Rosa Utility Fund was \$5,691,590, Stormwater management was \$(1,586,102), Gulf Breeze Financial Services was \$11,141,322, and the non-major proprietary funds totaled \$(14,805). The net positions of the proprietary funds increased by \$3,171,653, reflecting the operating increases in net position from all proprietary fund except Stormwater management, and the absence of expenditures relating to golf course operations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund Budget expenditures increased from the original budget by \$572,902. This increase reflected numerous expenditures not contemplated in the original budget, primary of which were: significant increases in workers compensation and other insurance costs; police personnel costs (partially offset by increased grant revenue); and grant reimbursed expenditures to install protective breakwater structures for Deadmans Island.

By far, the largest impact on the final budget was the change to reflect the agreement executed with the Florida Department of Transportation for the sale of land (comprised mainly of right of way along state Highway 98 at the northwest entrance to the City) and a construction easement for the duration of construction of a new bridge over Pensacola Bay to Pensacola for which the City received \$5.9 million in compensation. An additional sale of property at 1198 Gulf Breeze Parkway resulted in non-operating contributions from fixed asset proceeds of \$6,306,370.

The highlights of the budgetary changes are as follows:

- Final budget figures reflected an allocation of \$311,150 for capital expenditures primarily for public safety vehicles and communications equipment as well facilities expansion.
- Increased culture and recreation budgeted expenditures related to the additional personnel and operating costs for the After School Activity Program and the summer camp operation (summer camp costs were offset by increases in associated revenues).

The combined impact of these budget variances resulted in a change in the General Fund's budgeted change in fund balance from a deficit of \$(405,370), to a final budgeted change in fund balance of a contribution of \$6,123,237.

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,421,909	\$ 1,772,795	\$ 3,853,887	\$ 3,823,897	\$ 5,275,796	\$ 5,596,692
Construction in progress	-	4,750	80,761	1,853,390	80,761	1,858,140
Buildings and improvements	12,322,001	12,319,826	2,847,352	2,847,352	15,169,353	15,167,178
Improvements other than buildings	15,133,433	15,073,346	6,792,480	6,298,827	21,925,913	21,372,173
Infrastructure	1,077,264	1,077,264	49,789,185	46,914,420	50,866,449	47,991,684
Machinery and equipment	5,840,932	5,599,589	6,140,935	5,654,149	11,981,867	11,253,738
Accumulated depreciation	(20,057,809)	(18,364,976)	(38,238,232)	(35,489,599)	(58,296,041)	(53,854,575)
Total	<u>\$ 15,737,730</u>	<u>\$ 17,482,594</u>	<u>\$ 31,266,368</u>	<u>\$ 31,902,436</u>	<u>\$ 47,004,098</u>	<u>\$ 49,385,030</u>

The decrease in the City of Gulf Breeze's investment in total capital assets for the current fiscal year was \$(2,380,932) or -5%. As components of this change, government assets decreased by \$(1,744,864) or -10% while business-type assets decreased \$(636,068) or -2%. Major changes in capital assets are summarized below.

- Scheduled depreciation of existing assets exceeded investment in capital assets;
- Completion of Stormwater infrastructure enhancements; 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.

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$ 7,559,693	\$ 7,760,503	\$ 15,438,447	\$ 8,785,821	\$ 22,998,140	\$ 16,546,324
Line of credit	-	-	-	3,000,000	-	3,000,000
State revolving loan	-	-	852,543	893,340	852,543	893,340
Capital lease obligation	-	-	3,941,854	4,292,398	3,941,854	4,292,398
Unearned revenue	-	-	30,094	43,490	30,094	43,490
Compensated absences	299,535	292,203	205,722	205,536	505,257	497,739
Net pension liability	575,158	306,705	392,785	231,373	967,943	538,078
Total	<u>\$ 8,434,386</u>	<u>\$ 8,359,411</u>	<u>\$ 20,861,445</u>	<u>\$ 17,451,958</u>	<u>\$ 29,295,831</u>	<u>\$ 25,811,369</u>

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.

The City established a 2016 Series Lending Program by accessing unencumbered funds that were earned during prior years of sponsoring municipal lending programs. The 2016 loans administered by Gulf Breeze Financial Services, a unit of the City, included \$7.5 million to fund capital improvements at Tiger Point Golf Course, South Santa Rosa Utilities, and installation of stormwater infrastructure. A portion of these proceeds eliminated the Line of Credit balance outstanding which in turn released the associated collateral securing that debt incurred to fund Tiger Point Golf Course capital projects.

Subsequent to year end, the City refinanced the South Santa Rosa Utility Service Revenue Bonds with U.S. Bank at a fixed rate of 1.39% with no changes to the bond principal debt service schedule.

**CITY OF GULF BREEZE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2016  
(Continued)**

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

The Mayor and City Council considered many factors when adopting the Fiscal Year 2017 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 \$7,485,331 a 17.1% increase from fiscal 2016 initial budgeted revenues. In FY 2017, ad valorem taxes will be 1.9723 mills. The largest single area of increase is the transfers from proprietary funds which increase of \$767,832 offsets decline in budget for grants and miscellaneous revenue resulting in a net increase of \$1,091,137. Debt Service expenses continue to be absorbed into the City's budget. Note that expenditures and reimbursements under any FEMA flood projects are excluded from initial budget figures.

The budget for Fiscal Year 2017 expenditures is approximately 12.8% more than budgeted for Fiscal Year 2016. The primary areas of increase are projected adjustments to staffing and wages as well as projected increases in rates for employee medical coverage and \$300,000 for the resumption of street resurfacing.

The General Fund is budgeted to generate a deficit, to be funded by use of existing reserves, of \$362,450 throughout the year. Tentative capital expenditures of \$344,400 anticipated are vehicle and equipment replacements and information technology improvements.

The Proprietary Funds have planned \$3,381,000 in vehicle purchases, equipment replacements and infrastructure replacement, primarily stormwater system enhancements, in addition to \$2,008,204 in debt service for fiscal year 2017.

The Community Redevelopment Agency Fund is projected to use \$273,500 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.

Shortly before publication of the Comprehensive Annual Financial Report, the City received notice from the operators of the City's Tiger Point Golf Course (Integrity Golf Courses, LLC), of Integrity's intent to cease management operations as of March 31, 2017. The City had budgeted for a full year of operations fees (\$100,000 annually) from Integrity for fiscal year 2017. City staff expects to continue operations of the golf course under management contracts with an alternative company, however which company and specifics of contractual arrangements are not established at this time. Staff expects that any new arrangements will entail a requirement that the City fund operating shortfalls of the golf course under a new management agreement, which will have a negative impact on overall performance in comparison to initial budgets, but the amount cannot be determined at this time.

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GULF BREEZE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

**Exhibit I**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Capital Trust Agency and Subsidiary
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,183,710	\$ 6,137,331	\$ 15,321,041	\$ 2,937,303
Investments	-	9,221,278	9,221,278	-
Receivables, net	407,510	1,478,126	1,885,636	114,788
Interfund receivables (payables)	4,783,430	(4,783,430)	-	-
Due from other governments	282,353	104,641	386,994	-
Prepaid items	3,445	-	3,445	17,900
Inventory, at cost	12,087	390,534	402,621	-
Restricted assets				
Cash and cash equivalents	971,226	2,174,708	3,145,934	754,708
Other assets				
Investment in limited liability company	-	28,026	28,026	7,274
Bond issuance costs, net	-	174,706	174,706	-
Investment in joint venture	-	2,109,030	2,109,030	-
Advance to joint venture	-	226,272	226,272	-
Note receivable from joint venture	-	157,402	157,402	-
Capital assets				
Non-depreciable	1,421,909	3,934,648	5,356,557	-
Depreciable	14,315,821	27,331,720	41,647,541	-
<b>Total Assets</b>	<b>31,381,491</b>	<b>48,684,992</b>	<b>80,066,483</b>	<b>3,831,973</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	1,147,687	145,180	1,292,867	-
Loss on bond refunding	-	619,823	619,823	-
<b>Total Deferred Outflows of Resources</b>	<b>1,147,687</b>	<b>765,003</b>	<b>1,912,690</b>	<b>-</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 32,529,178</b>	<b>\$ 49,449,995</b>	<b>\$ 81,979,173</b>	<b>\$ 3,831,973</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 293,137	\$ 1,057,279	\$ 1,350,416	\$ 1,230
Accrued liabilities	154,738	89,398	244,136	-
Accrued interest	-	150,743	150,743	-
Due to other governments	-	17,125	17,125	104,641
Payable from restricted assets				
Accrued interest	124,059	143,925	267,984	-
Customer deposits	-	826,768	826,768	-
Non-current liabilities				
Due within one year				
Compensated absences	140,782	106,289	247,071	-
State revolving loan payable	-	42,052	42,052	-
Revenue bonds payable	206,800	1,181,692	1,388,492	-
Capital lease payable	-	343,799	343,799	-
Due in more than one year				
Unearned revenue	-	30,094	30,094	8,944
Compensated absences	158,753	99,433	258,186	-
State revolving loan payable	-	810,491	810,491	-
Revenue bonds payable	7,352,893	14,256,755	21,609,648	-
Capital lease payable	-	3,598,055	3,598,055	-
Net pension liability	575,158	392,785	967,943	-
<b>Total Liabilities</b>	<b>9,006,320</b>	<b>23,146,683</b>	<b>32,153,003</b>	<b>114,815</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	342,067	60,804	402,871	-
<b>NET POSITION</b>				
Net investment in capital assets	8,178,037	11,653,347	19,831,384	-
Restricted for:				
Recapture indemnity agreement	-	-	-	754,708
Public safety	87,026	-	87,026	-
Community redevelopment	590,646	-	590,646	-
Debt service and other debt requirements	291,112	183,115	474,227	-
Unrestricted	14,033,970	14,406,046	28,440,016	2,962,450
<b>Total Net Position</b>	<b>23,180,791</b>	<b>26,242,508</b>	<b>49,423,299</b>	<b>3,717,158</b>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<b>\$ 32,529,178</b>	<b>\$ 49,449,995</b>	<b>\$ 81,979,173</b>	<b>\$ 3,831,973</b>

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

**CITY OF GULF BREEZE, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2016**

**Exhibit II**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Capital Trust Agency and Subsidiary
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Functions:</b>								
<b>Governmental:</b>								
General government	\$ 2,355,653	\$ 246,268	\$ 108,785	\$ -	\$ (2,000,600)	\$ -	\$ (2,000,600)	
Public safety	3,672,304	1,113,580	61,695	-	(2,497,029)	-	(2,497,029)	
Transportation	518,675	-	-	-	(518,675)	-	(518,675)	
Economic environment	550,405	-	-	-	(550,405)	-	(550,405)	
Culture and recreation	2,256,254	355,232	425,501	-	(1,475,521)	-	(1,475,521)	
Debt service interest	357,915	-	-	-	(357,915)	-	(357,915)	
Total governmental activities	<u>9,711,206</u>	<u>1,715,080</u>	<u>595,981</u>	<u>-</u>	<u>(7,400,145)</u>	<u>-</u>	<u>(7,400,145)</u>	
<b>Business-type:</b>								
Water and sewer	2,172,973	2,492,620	-	79,398	-	399,045	399,045	
Natural gas	2,220,768	2,681,257	-	-	-	460,489	460,489	
South Santa Rosa Utility	6,081,605	6,067,336	22,110	1,378,577	-	1,386,418	1,386,418	
Solid waste control	577,155	645,519	-	-	-	68,364	68,364	
Stormwater management	511,473	236,275	-	-	-	(275,198)	(275,198)	
Gulf Breeze Financial Services	359,021	695,289	-	-	-	336,268	336,268	
Innerarity Point	15,003	60,402	-	-	-	45,399	45,399	
Total business-type activities	<u>11,937,998</u>	<u>12,878,698</u>	<u>22,110</u>	<u>1,457,975</u>	<u>-</u>	<u>2,420,785</u>	<u>2,420,785</u>	
Total primary government	<u>\$ 21,649,204</u>	<u>\$ 14,593,778</u>	<u>\$ 618,091</u>	<u>\$ 1,457,975</u>	<u>(7,400,145)</u>	<u>2,420,785</u>	<u>(4,979,360)</u>	
Capital Trust Agency and subsidiary	<u>\$ 1,372,410</u>	<u>\$ 1,252,840</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (119,570)</u>
<b>General Revenues and Transfers:</b>								
Taxes								
Property taxes					1,972,239	-	1,972,239	-
Tourist development taxes					183,857	-	183,857	-
Fuel taxes					281,937	-	281,937	-
Franchise taxes					366,834	-	366,834	-
Communication service taxes					267,399	-	267,399	-
Utility service taxes					660,134	-	660,134	-
Intergovernmental, unrestricted					543,531	-	543,531	-
Gain on sale of fixed assets					5,883,665	-	5,883,665	-
Income from joint venture					-	527,820	527,820	-
Miscellaneous					829,237	343,899	1,173,136	103,794
Unrestricted investment earnings					5,879	266,066	271,945	6,276
Transfers					1,437,748	(1,437,748)	-	-
Total general revenues and transfers					<u>12,432,460</u>	<u>(299,963)</u>	<u>12,132,497</u>	<u>110,070</u>
Change in net position					<u>5,032,315</u>	<u>2,120,822</u>	<u>7,153,137</u>	<u>(9,500)</u>
Net position at beginning of year, as previously stated					<u>18,148,476</u>	<u>23,070,855</u>	<u>41,219,331</u>	<u>3,726,658</u>
Adjustment to beginning net position					<u>-</u>	<u>1,050,831</u>	<u>1,050,831</u>	<u>-</u>
Net position at beginning of year, as restated					<u>18,148,476</u>	<u>24,121,686</u>	<u>42,270,162</u>	<u>3,726,658</u>
Net position at end of year					<u>\$ 23,180,791</u>	<u>\$ 26,242,508</u>	<u>\$ 49,423,299</u>	<u>\$ 3,717,158</u>

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

**CITY OF GULF BREEZE, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

**Exhibit III - A**

	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,302,937	\$ -	\$ 880,773	\$ 9,183,710
Receivables, net	407,510	-	-	407,510
Interfund receivables	4,833,216	-	-	4,833,216
Due from other governments	257,938	-	24,415	282,353
Prepaid items	3,445	-	-	3,445
Inventory, at cost	12,087	-	-	12,087
Restricted assets				
Cash and cash equivalents	291,112	585,066	95,048	971,226
<b>Total Assets</b>	<u>\$ 14,108,245</u>	<u>\$ 585,066</u>	<u>\$ 1,000,236</u>	<u>\$ 15,693,547</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 242,951	\$ 26,197	\$ 23,989	\$ 293,137
Accrued liabilities	153,895	-	843	154,738
Interfund payables	-	-	49,786	49,786
Total Liabilities	<u>396,846</u>	<u>26,197</u>	<u>74,618</u>	<u>497,661</u>
<b>FUND BALANCES</b>				
Non-spendable				
Inventory	12,087	-	-	12,087
Prepaid expenses	3,445	-	-	3,445
Restricted				
Public safety	-	-	87,026	87,026
Community redevelopment	-	558,869	31,777	590,646
Debt service	291,112	-	-	291,112
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	-	806,815	822,808
Unassigned	12,630,941	-	-	12,630,941
Total Fund Balances	<u>13,711,399</u>	<u>558,869</u>	<u>925,618</u>	<u>15,195,886</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 14,108,245</u>	<u>\$ 585,066</u>	<u>\$ 1,000,236</u>	<u>\$ 15,693,547</u>

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, 2016**

**Exhibit III - B**

**Fund Balances - Total Governmental Funds (page 27)** **\$ 15,195,886**

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	1,421,909	
Governmental depreciable assets	34,373,630	
Less accumulated depreciation	<u>(20,057,809)</u>	15,737,730

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

1,147,687

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	(7,559,693)	
Accrued interest	(124,059)	
Compensated absences	(299,535)	
Net pension liability	<u>(575,158)</u>	(8,558,445)

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

(342,067)

**Total Net Position - Governmental Activities (page 25)** **\$ 23,180,791**

**CITY OF GULF BREEZE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**Exhibit IV - A**

	General	Urban Core Redevelopment	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,922,506	\$ 626,037	\$ 183,857	\$ 3,732,400
Licenses and permits	92,871	-	-	92,871
Intergovernmental	1,136,958	-	2,554	1,139,512
Charges for services	508,629	-	-	508,629
Fines and forfeitures	78,079	-	1,035,501	1,113,580
Investment earnings	5,879	-	-	5,879
Miscellaneous	781,547	29,061	18,629	829,237
Total revenues	<u>5,526,469</u>	<u>655,098</u>	<u>1,240,541</u>	<u>7,422,108</u>
<b>Expenditures:</b>				
Current				
General government	1,819,394	328,330	16,500	2,164,224
Public safety	2,606,280	-	805,863	3,412,143
Transportation	249,971	-	-	249,971
Economic environment	229,567	-	-	229,567
Culture and recreation	1,481,765	-	-	1,481,765
Capital outlay	311,813	60,088	6,750	378,651
Debt service				
Principal	202,400	-	-	202,400
Interest	356,325	-	-	356,325
Total expenditures	<u>7,257,515</u>	<u>388,418</u>	<u>829,113</u>	<u>8,475,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,731,046)</u>	<u>266,680</u>	<u>411,428</u>	<u>(1,052,938)</u>
<b>Other Financing</b>				
<b>Sources (Uses):</b>				
Proceeds from sale of fixed assets	6,306,370	-	-	6,306,370
Transfers in	2,008,328	199,300	-	2,207,628
Transfers out	(199,300)	(300,000)	(270,580)	(769,880)
Total other financing sources (uses)	<u>8,115,398</u>	<u>(100,700)</u>	<u>(270,580)</u>	<u>7,744,118</u>
Net change in fund balances	6,384,352	165,980	140,848	6,691,180
<b>Fund Balances:</b>				
Beginning of year	<u>7,327,047</u>	<u>392,889</u>	<u>784,770</u>	<u>8,504,706</u>
End of year	<u>\$ 13,711,399</u>	<u>\$ 558,869</u>	<u>\$ 925,618</u>	<u>\$ 15,195,886</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, 2016**

**Exhibit IV - B**

**Net change in fund balances - governmental funds (page 29)** **\$ 6,691,180**

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

Governmental funds report capital outlay as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated lives. The net effect of various miscellaneous transactions involving capital assets, including disposal, which decrease net position, are not reported in the governmental funds.

Expenditures for capital assets	378,651	
Disposals of capital assets	(422,705)	
Less current year depreciation	<u>(1,700,810)</u>	(1,744,864)

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

Debt principal payments	202,400
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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	(7,332)
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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	(12,270)	
Change in Florida Municipal Pension Trust Fund net pension liability	<u>(95,209)</u>	<u>(107,479)</u>

**Change in Net Position - Governmental Activities (page 26)** **\$ 5,032,315**

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, 2016**

Exhibit V

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 2,633,200	\$ 2,925,102	\$ 2,922,506	\$ (2,596)
Licenses and permits	64,650	92,871	92,871	-
Intergovernmental	718,844	904,727	1,136,958	232,231
Charges for services	357,100	508,629	508,629	-
Fines and forfeitures	106,900	78,079	78,079	-
Investment earnings	9,500	5,879	5,879	-
Miscellaneous	724,500	775,337	781,547	6,210
Total revenues	<u>4,614,694</u>	<u>5,290,624</u>	<u>5,526,469</u>	<u>235,845</u>
<b>Expenditures:</b>				
Current				
General government	1,580,907	1,820,957	1,819,394	1,563
Public safety	2,295,711	2,607,621	2,606,280	1,341
Transportation	160,255	250,037	249,971	66
Economic environment	239,034	229,868	229,567	301
Culture and recreation	1,170,197	1,482,608	1,481,765	843
Capital outlay	683,100	311,150	311,813	(663)
Debt service				
Principal	182,830	180,036	202,400	(22,364)
Interest	288,230	290,889	356,325	(65,436)
Total expenditures	<u>6,600,264</u>	<u>7,173,166</u>	<u>7,257,515</u>	<u>(84,349)</u>
Deficiency of revenues under expenditures	<u>(1,985,570)</u>	<u>(1,882,542)</u>	<u>(1,731,046)</u>	<u>151,496</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of fixed assets	-	6,306,370	6,306,370	-
Transfers in	1,779,500	1,900,080	2,008,328	108,248
Transfers out	(199,300)	(200,671)	(199,300)	1,371
Total other financing sources (uses)	<u>1,580,200</u>	<u>8,005,779</u>	<u>8,115,398</u>	<u>109,619</u>
<b>Use of Reserves:</b>	<u>405,370</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,123,237</u>	<u>6,384,352</u>	<u>\$ 261,115</u>
<b>Fund Balance:</b>				
Beginning of year			<u>7,327,047</u>	
End of year			<u>\$ 13,711,399</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, 2016**

Exhibit VI

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 637,413	\$ 626,037	\$ 626,037	\$ -
Miscellaneous	-	-	29,061	29,061
Total revenues	<u>637,413</u>	<u>626,037</u>	<u>655,098</u>	<u>29,061</u>
<b>Expenditures:</b>				
Current				
General government	296,597	328,350	328,330	20
Capital outlay	150,000	60,088	60,088	-
Total expenditures	<u>446,597</u>	<u>388,438</u>	<u>388,418</u>	<u>20</u>
Excess of revenues over expenditures	<u>190,816</u>	<u>237,599</u>	<u>266,680</u>	<u>29,081</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	199,300	199,300	199,300	-
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other financing sources and (uses)	<u>(100,700)</u>	<u>(100,700)</u>	<u>(100,700)</u>	<u>-</u>
Net change in fund balance	<u>\$ 90,116</u>	<u>\$ 136,899</u>	165,980	<u>\$ 29,081</u>
<b>Fund Balance:</b>				
Beginning of year			<u>392,889</u>	
End of year			<u>\$ 558,869</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, 2016**

**Exhibit VII**

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$ 429,614	\$ 733	\$ 3,496,838	\$ 125,317	\$ 2,024,426	\$ 60,403	\$ 6,137,331
Investments	-	-	64,683	-	9,156,595	-	9,221,278
Receivables, net	358,536	293,869	699,800	27,730	3,958	94,233	1,478,126
Due from other governments	-	-	-	-	104,641	-	104,641
Note receivable from joint venture	8,045	-	9,444	-	-	-	17,489
Inventory, at cost	24,198	310,937	55,399	-	-	-	390,534
Restricted assets							
Cash and cash equivalents	235,349	242,865	376,176	97,057	-	12,075	963,522
Total current assets	1,055,742	848,404	4,702,340	250,104	11,289,620	166,711	18,312,921
<b>Non-Current Assets:</b>							
Investment in limited liability company	-	-	-	-	28,026	-	28,026
Restricted assets							
Cash and cash equivalents	-	-	1,211,186	-	-	-	1,211,186
Capital assets, net							
Land	-	-	3,816,825	37,062	-	-	3,853,887
Construction in progress	-	3,320	77,441	-	-	-	80,761
Buildings	-	-	2,189,100	-	-	-	2,189,100
Improvements other than building	-	563,946	5,224,462	-	57,333	-	5,845,741
Infrastructure	1,688,665	2,740,237	9,872,776	3,599,729	-	-	17,901,407
Machinery and equipment	248,508	461,141	648,661	14,413	-	22,749	1,395,472
Total capital assets	1,937,173	3,768,644	21,829,265	3,651,204	57,333	22,749	31,266,368
Other assets:							
Bond issuance costs, net	-	-	147,165	27,541	-	-	174,706
Investment in joint venture	1,075,605	-	1,033,425	-	-	-	2,109,030
Advance to joint venture	115,399	-	110,873	-	-	-	226,272
Note receivable from joint venture	64,360	-	75,553	-	-	-	139,913
Total other assets	1,255,364	-	1,367,016	27,541	-	-	2,649,921
Total non-current assets	3,192,537	3,768,644	24,407,467	3,678,745	85,359	22,749	35,155,501
Total Assets	4,248,279	4,617,048	29,109,807	3,928,849	11,374,979	189,460	53,468,422
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pensions	40,100	29,725	56,783	13,143	-	5,429	145,180
Loss on bond refunding	-	-	619,823	-	-	-	619,823
Total deferred outflows of resources	40,100	29,725	676,606	13,143	-	5,429	765,003
<b>Total Assets and Deferred Outflows</b>	<u>\$ 4,288,379</u>	<u>\$ 4,646,773</u>	<u>\$ 29,786,413</u>	<u>\$ 3,941,992</u>	<u>\$ 11,374,979</u>	<u>\$ 194,889</u>	<u>\$ 54,233,425</u>

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

**Exhibit VII**

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>							
<b>Current Liabilities:</b>							
Accounts payable	\$ 186,413	\$ 75,734	\$ 527,092	\$ 26,740	\$ 171,824	\$ 69,476	\$ 1,057,279
Accrued liabilities	7,487	47,489	26,237	2,886	4,500	799	89,398
Accrued interest	-	-	150,743	-	-	-	150,743
Interfund payables	321,113	2,635,366	6,851	1,750,000	-	70,100	4,783,430
Due to other governments	-	-	-	-	-	17,125	17,125
Payable from restricted assets							
Accrued interest	17,242	-	83,750	42,933	-	-	143,925
Customer deposits	195,652	242,865	376,176	-	-	12,075	826,768
Revenue bonds payable	28,200	-	700,000	-	-	-	728,200
Compensated absences	18,847	39,869	42,471	4,824	-	278	106,289
State revolving loan payable	-	-	42,052	-	-	-	42,052
Revenue bonds payable	-	-	373,572	79,920	-	-	453,492
Capital lease payable	-	-	343,799	-	-	-	343,799
Total current liabilities	<u>774,954</u>	<u>3,041,323</u>	<u>2,672,743</u>	<u>1,907,303</u>	<u>176,324</u>	<u>169,853</u>	<u>8,742,500</u>
<b>Non-Current Liabilities:</b>							
Unearned revenue	30,094	-	-	-	-	-	30,094
Compensated absences	16,713	11,245	61,116	7,545	-	2,814	99,433
State revolving loan payable	-	-	810,491	-	-	-	810,491
Revenue bonds payable	1,007,400	-	10,752,755	2,496,600	-	-	14,256,755
Capital lease payable	-	-	3,598,055	-	-	-	3,598,055
Net pension liability	<u>106,775</u>	<u>73,034</u>	<u>164,535</u>	<u>36,469</u>	<u>-</u>	<u>11,972</u>	<u>392,785</u>
Total non-current liabilities	<u>1,160,982</u>	<u>84,279</u>	<u>15,386,952</u>	<u>2,540,614</u>	<u>-</u>	<u>14,786</u>	<u>19,187,613</u>
 Total Liabilities	 <u>1,935,936</u>	 <u>3,125,602</u>	 <u>18,059,695</u>	 <u>4,447,917</u>	 <u>176,324</u>	 <u>184,639</u>	 <u>27,930,113</u>
<b>Deferred Inflows of Resources:</b>							
Pensions	<u>16,816</u>	<u>12,540</u>	<u>23,649</u>	<u>5,493</u>	<u>-</u>	<u>2,306</u>	<u>60,804</u>
<b>Net Position:</b>							
Net investment in capital assets	901,573	3,768,644	5,828,364	1,074,684	57,333	22,749	11,653,347
Restricted							
Debt service and other debt requirements	-	-	183,115	-	-	-	183,115
Unrestricted	<u>1,434,054</u>	<u>(2,260,013)</u>	<u>5,691,590</u>	<u>(1,586,102)</u>	<u>11,141,322</u>	<u>(14,805)</u>	<u>14,406,046</u>
Total net position	<u>2,335,627</u>	<u>1,508,631</u>	<u>11,703,069</u>	<u>(511,418)</u>	<u>11,198,655</u>	<u>7,944</u>	<u>26,242,508</u>
 <b>Total Liabilities, Deferred Inflows and Net Position</b>	 <u><u>\$ 4,288,379</u></u>	 <u><u>\$ 4,646,773</u></u>	 <u><u>\$ 29,786,413</u></u>	 <u><u>\$ 3,941,992</u></u>	 <u><u>\$ 11,374,979</u></u>	 <u><u>\$ 194,889</u></u>	 <u><u>\$ 54,233,425</u></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, 2016**

**Exhibit VIII**

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
<b>Operating Revenue:</b>							
Charges for services							
Utilities	\$ 2,492,620	\$ 2,681,257	\$ 5,860,774	\$ 236,275	\$ -	\$ 705,921	\$ 11,976,847
Golf course	-	-	206,562	-	-	-	206,562
Financial services	-	-	-	-	695,289	-	695,289
Total charges for services	<u>2,492,620</u>	<u>2,681,257</u>	<u>6,067,336</u>	<u>236,275</u>	<u>695,289</u>	<u>705,921</u>	<u>12,878,698</u>
<b>Operating Expenses:</b>							
Personal services	491,783	647,127	1,452,518	160,614	129,922	122,103	3,004,067
Contractual services	1,017,567	624,704	783,863	95,944	-	427,443	2,949,521
Supplies	60,661	342,304	323,751	2,955	-	10,408	740,079
Professional services	7,579	6,728	111,524	46,105	185,765	1,834	359,535
Repairs and maintenance	188,808	25,157	400,961	24,530	-	14,351	653,807
Office and utilities	71,323	48,841	554,024	4,501	14,328	4,838	697,855
Depreciation and amortization	<u>287,227</u>	<u>525,907</u>	<u>1,786,330</u>	<u>132,440</u>	<u>5,548</u>	<u>11,181</u>	<u>2,748,633</u>
Total operating expenses	<u>2,124,948</u>	<u>2,220,768</u>	<u>5,412,971</u>	<u>467,089</u>	<u>335,563</u>	<u>592,158</u>	<u>11,153,497</u>
Operating income (loss)	<u>367,672</u>	<u>460,489</u>	<u>654,365</u>	<u>(230,814)</u>	<u>359,726</u>	<u>113,763</u>	<u>1,725,201</u>
<b>Non-Operating Revenue (Expenses):</b>							
Interest earnings	2,596	-	658	-	261,706	-	264,960
Rents and royalties	-	-	63,582	-	-	-	63,582
Gain from investment in limited liability company	-	-	-	-	1,106	-	1,106
Interest expense	(48,025)	-	(668,634)	(44,384)	(23,458)	-	(784,501)
Income from joint venture	269,188	-	258,632	-	-	-	527,820
Miscellaneous	<u>44,918</u>	<u>60,210</u>	<u>196,908</u>	<u>-</u>	<u>-</u>	<u>391</u>	<u>302,427</u>
Total non-operating revenue (expenses)	<u>268,677</u>	<u>60,210</u>	<u>(148,854)</u>	<u>(44,384)</u>	<u>239,354</u>	<u>391</u>	<u>375,394</u>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	<u>636,349</u>	<u>520,699</u>	<u>505,511</u>	<u>(275,198)</u>	<u>599,080</u>	<u>114,154</u>	<u>2,100,595</u>
<b>Transfers and Capital Contributions:</b>							
Transfers in	30,700	-	528,248	-	-	-	558,948
Transfers out	(673,610)	(372,525)	(382,013)	(61,448)	(380,000)	(127,100)	(1,996,696)
Capital contributions	<u>79,398</u>	<u>-</u>	<u>1,378,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,457,975</u>
Total transfers and capital contributions	<u>(563,512)</u>	<u>(372,525)</u>	<u>1,524,812</u>	<u>(61,448)</u>	<u>(380,000)</u>	<u>(127,100)</u>	<u>20,227</u>
Changes in net position	<u>72,837</u>	<u>148,174</u>	<u>2,030,323</u>	<u>(336,646)</u>	<u>219,080</u>	<u>(12,946)</u>	<u>2,120,822</u>
Net position at beginning of year, as previously stated	1,943,631	1,134,682	9,250,360	(202,268)	10,979,575	(35,125)	23,070,855
Adjustment to beginning net position	<u>319,159</u>	<u>225,775</u>	<u>422,386</u>	<u>27,496</u>	<u>-</u>	<u>56,015</u>	<u>1,050,831</u>
Net position at beginning of year, as restated	<u>2,262,790</u>	<u>1,360,457</u>	<u>9,672,746</u>	<u>(174,772)</u>	<u>10,979,575</u>	<u>20,890</u>	<u>24,121,686</u>
Net position at end of year	<u>\$ 2,335,627</u>	<u>\$ 1,508,631</u>	<u>\$ 11,703,069</u>	<u>\$ (511,418)</u>	<u>\$ 11,198,655</u>	<u>\$ 7,944</u>	<u>\$ 26,242,508</u>

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, 2016**

**Exhibit IX**

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
<b>Cash Flows from Operating Activities:</b>							
Receipts from customers and users	\$ 2,531,968	\$ 2,714,496	\$ 6,128,275	\$ 240,189	\$ 717,608	\$ 690,673	\$ 13,023,209
Payments from (to) other funds	473,594	(697,696)	(3,424,628)	(431,000)	-	20,000	(4,059,730)
Payments to suppliers and providers	(1,357,492)	(938,393)	(1,946,674)	(913,787)	(108,214)	(461,365)	(5,725,925)
Payments to employees	(488,267)	(626,477)	(1,508,399)	(159,946)	(129,922)	(122,095)	(3,035,106)
Net cash provided by (used in) operating activities	1,159,803	451,930	(751,426)	(1,264,544)	479,472	127,213	202,448
<b>Cash Flows from Non-Capital Financing Activities:</b>							
Interest payments on line of credit	-	-	-	-	(23,458)	-	(23,458)
Miscellaneous income	44,918	60,210	196,908	-	-	391	302,427
Transfers in	30,700	-	528,248	-	-	-	558,948
Transfers out	(673,610)	(372,525)	(382,013)	(61,448)	(380,000)	(127,100)	(1,996,696)
Net cash provided by (used in) non-capital financing activities	(597,992)	(312,315)	343,143	(61,448)	(403,458)	(126,709)	(1,158,779)
<b>Cash Flows from Capital and Related Financing Activities:</b>							
Acquisition and construction of capital assets	(172,503)	(138,567)	(623,361)	(957,193)	-	-	(1,891,624)
Proceeds from bonds payable	-	-	5,000,000	2,576,520	-	-	7,576,520
Principal paid on bonds payable	(27,600)	-	(872,457)	-	-	-	(900,057)
Principal paid on state revolving loan	-	-	(40,797)	-	-	-	(40,797)
Principal paid on capital leases	-	-	(350,544)	-	-	-	(350,544)
Bond issuance costs paid	-	-	(56,259)	(28,991)	-	-	(85,250)
Interest paid on long-term debt	(48,025)	-	(515,959)	(42,934)	-	-	(606,918)
Capital contributions	79,398	-	1,378,577	-	-	-	1,457,975
Net cash provided by (used in) capital and related financing activities	(168,730)	(138,567)	3,919,200	1,547,402	-	-	5,159,305
<b>Cash Flows from Investing Activities:</b>							
Purchases of investments	-	-	-	-	(2,720,753)	-	(2,720,753)
Proceeds from sale of investments	-	-	-	-	2,583,018	-	2,583,018
Principal repayment from joint venture	8,045	-	9,444	-	-	-	17,489
Interest income	2,596	-	162	-	198,564	-	201,322
Net cash provided by investing activities	10,641	-	9,606	-	60,829	-	81,076
<b>Net Change in Cash and Cash Equivalents</b>	403,722	1,048	3,520,523	221,410	136,843	504	4,284,050
<b>Cash and Cash Equivalents - Beginning of the Year</b>	261,241	242,550	1,563,677	964	1,887,583	71,974	4,027,989
<b>Cash and Cash Equivalents - End of the Year</b>	<u>\$ 664,963</u>	<u>\$ 243,598</u>	<u>\$ 5,084,200</u>	<u>\$ 222,374</u>	<u>\$ 2,024,426</u>	<u>\$ 72,478</u>	<u>\$ 8,312,039</u>
<b>Displayed As:</b>							
Cash and cash equivalents	\$ 429,614	\$ 733	\$ 3,496,838	\$ 125,317	\$ 2,024,426	\$ 60,403	\$ 6,137,331
Current - Restricted cash and cash equivalents	235,349	242,865	376,176	97,057	-	12,075	963,522
Non-current - Restricted cash and cash equivalents	-	-	1,211,186	-	-	-	1,211,186
	<u>\$ 664,963</u>	<u>\$ 243,598</u>	<u>\$ 5,084,200</u>	<u>\$ 222,374</u>	<u>\$ 2,024,426</u>	<u>\$ 72,478</u>	<u>\$ 8,312,039</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, 2016**  
**(Continued)**

**Exhibit IX**

	Water & Sewer Fund	Natural Gas Fund	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Funds	Total Proprietary Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>							
Operating income (loss)	\$ 367,672	\$ 460,489	\$ 654,365	\$ (230,814)	\$ 359,726	\$ 113,763	\$ 1,725,201
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -							
Depreciation and amortization expense	287,227	525,907	1,786,330	132,440	5,548	11,181	2,748,633
Provision for uncollectible accounts	21,246	33,936	42,619	1,800	-	8,391	107,992
Rents and royalties	-	-	63,582	-	-	-	63,582
Changes in operating assets and liabilities:							
Receivables	31,498	(697)	(45,262)	2,114	-	(22,372)	(34,719)
Due from other governments	-	-	-	-	22,319	-	22,319
Inventory, at cost	(6,278)	89,845	26,543	-	-	-	110,110
Deferred outflows of resources - pensions	(29,322)	(22,539)	(39,766)	(9,416)	-	(4,296)	(105,339)
Accounts payable	(11,760)	(6,831)	121,677	(782,685)	91,879	(2,491)	(590,211)
Accrued liabilities	3,274	22,855	12,152	44,249	-	291	82,821
Interfund payables	473,594	(697,696)	(3,424,628)	(431,000)	-	20,000	(4,059,730)
Due to other governments	-	-	-	-	-	(1,267)	(1,267)
Customer deposits	7,602	8,071	16,577	-	-	-	32,250
Unearned revenue	(13,396)	-	-	-	-	-	(13,396)
Compensated absences	(3,276)	14,262	(8,757)	(1,431)	-	(612)	186
Net pension liability	44,179	31,303	65,708	14,827	-	5,395	161,412
Deferred inflows of resources - pensions	(12,457)	(6,975)	(22,566)	(4,628)	-	(770)	(47,396)
Total adjustments	792,131	(8,559)	(1,405,791)	(1,033,730)	119,746	13,450	(1,522,753)
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 1,159,803</u>	<u>\$ 451,930</u>	<u>\$ (751,426)</u>	<u>\$ (1,264,544)</u>	<u>\$ 479,472</u>	<u>\$ 127,213</u>	<u>\$ 202,448</u>
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities</b>							
Change in fair value of investment in joint venture	\$ 269,188	\$ -	\$ 258,632	\$ -	\$ -	\$ -	\$ 527,820
Acquisition of capital assets included in accounts payable	\$ 103,419	\$ -	\$ 117,522	\$ -	\$ -	\$ -	\$ 220,941

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, 2016**

Exhibit X

	Police Officers' Retirement Fund	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 8,112
Investments:		
Short-term U.S. Government Obligations	33,326	-
Bond Mutual Funds	1,641,311	-
Equity Mutual Funds	2,491,128	-
Total noncurrent assets	<u>4,165,765</u>	<u>-</u>
Total Assets	4,165,765	8,112
<b>LIABILITIES</b>		
Due to others	<u>-</u>	<u>8,112</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 4,165,765</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, 2016**

Exhibit XI

	Police Officers' Retirement Fund
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 152,604
Plan members	26,447
State of Florida	67,144
Total contributions	<u>246,195</u>
Investment income	322,266
Less investment expense	<u>(8,112)</u>
Net investment income	<u>314,154</u>
Total additions	<u>560,349</u>
<b>DEDUCTIONS</b>	
Benefits and refunds paid to plan members and beneficiaries	302,947
Administrative expenses	<u>8,549</u>
Total deductions	<u>311,496</u>
<b>NET INCREASE</b>	248,853
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	
Beginning of year	<u>3,916,912</u>
End of year	<u><u>\$ 4,165,765</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, 2016**

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

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

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

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

**A. Reporting Entity**

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Gulf Breeze (the primary government) and its component units. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. Management utilized criteria set forth in GASB Statement No. 61 (GASB 61) for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB 61, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of September 30, 2016, 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, 2016**

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

**A. Reporting Entity (Continued)**

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

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

Capital Trust Agency, Inc. (CTA) was established by the City on May 19, 1999, with Resolution 14-99 and incorporated on June 30, 1999, with the directors appointed by the City Council. CTA was formed for the purposes of assisting in the financing, acquisition, construction, development, equipping, maintenance, operation, and/or promotion of certain facilities, intangibles, and capital projects. The City exclusively benefits from the activity of CTA and received \$620,000 in miscellaneous revenues during the fiscal year ending September 30, 2016. In 2007, CTA and GBFS formed Capital Trust Agency Community Development Entity, LLC (CTA-CDE) to attract tax credit fund incentives into financing projects to help renew Florida's distressed neighborhoods. CTA holds a 99% ownership interest in CTA-CDE and is the managing member. Accordingly, CTA presents its financial information consolidated with that of CTA-CDE (Subsidiary). CTA and Subsidiary is reported as a discretely presented component unit. CTA and Subsidiary issues separate financial statements which may be obtained by writing to Capital Trust Agency, Inc., 315 Fairpoint Drive, Gulf Breeze, FL 32561 or calling (850) 934-4046.

**Conduit Debt**

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

- \$485,805,000 Floating Rate Demand Revenue Bonds, Series 1985, \$163,080,000 outstanding (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, 2016**

**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, \$6,660,000 outstanding.
- \$12,255,000 Variable Rate Demand Revenue Bonds, Series 2010B, \$3,380,000 outstanding.

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

B. Government-Wide and Fund Financial Statements

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

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

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**C. Measurement Focus and Basis of Accounting (Continued)**

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

The following is the current property tax calendar:

Lien Date	January 1, 2016
Levy Date	November 1, 2016
Due Date	November 1, 2016
Delinquent Date	April 1, 2017

Discounts of 1% are granted for each month that taxes are paid prior to March 2017.

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 2016 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectability and, therefore, are not recorded as a receivable as of September 30, 2016.

**D. Basis of Presentation**

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

**D. Basis of Presentation (Continued)**

Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including tap and impact fees intended to cover the impact of future additional infrastructure costs.

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

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

**Governmental**

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

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

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

**Proprietary**

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

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

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

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

D. Basis of Presentation (Continued)

**Proprietary (Continued)**

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

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

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

**Fiduciary**

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

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

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

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

**Cash and Cash Equivalents**

The City considers all highly liquid investments (including restricted assets) with a maturity of ninety days or less when purchased and investments with the State Board of Administration (SBA) to be cash equivalents. Additionally, each fund's equity in the City's investment pool (see Note 3) is considered to be a cash equivalent since the City can deposit or effectively withdraw cash at any time without prior notice or penalty.

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Deposits and Investments**

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

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

The City's cash and investment pool and certain individual funds participate in the Local Government Surplus Funds Trust Fund, operated by Florida's State Board of Administration (SBA). The SBA is governed by Chapter 19-3 of the Florida Administrative Code (FAC). The FAC provides guidance and establishes the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Florida Auditor General performs an operational audit of activities and investments of the SBA. In accordance with GASB Statement No. 31, the Local Government Surplus Funds Trust Fund is a "2a-7 like" pool, and thus, SBA investments are valued using the pooled share price. City investments with the SBA may be made or liquidated by wire on a same day basis. The City's investments with the SBA are considered to be cash equivalents for reporting purposes.

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

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Deposits and Investments** (Continued)

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

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

**Interfund Receivables and Payables**

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

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

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

**Inventory**

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

**Restricted Assets**

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



**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Bond Issuance Costs**

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

**Capital Assets**

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

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

Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at 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 Statement No. 34. The City's infrastructure consists of roads, bridges, curbs and sidewalks, drainage systems, lighting systems, and similar items constructed or improved after 2003.

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

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

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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 No. 65 provides that guidance.

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

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

**Pensions**

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

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

For all pensions, at September 30, 2016, the aggregates of the City's net pension liabilities were \$967,943, deferred outflows of resources \$1,292,867, and deferred inflows of resources \$402,871 related to pensions, and pension expenses [or expenditures] for the year ended September 30, 2016 associated with net pension liabilities were \$190,050.

**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, 2016**

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

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

**Non-Current Liabilities (Continued)**

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

**Classification of Fund Balance**

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

- Nonspendable - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- Restricted - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed - includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government’s highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- Assigned - includes amounts intended to be used by the government for specific purposes. The City Council by formal vote (or management designee via Council action) has the authority authorized to assign fund balance to a specific purpose. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

**Classification of Fund Balance** (Continued)

- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

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

**Classification of Net Position**

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

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

F. Estimates

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

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2016 and March 9, 2017, 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 City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance regarding fair value measurement and application, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

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

A. Budgets

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

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

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

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

Prior to October 1, the budget for all governmental funds (except for the Police 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.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

A. Budgets (Continued)

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.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

*Deposits:*

Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned. The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" (QPDs), as defined in Chapter 280, Florida Statutes, which bear no custodial credit risk or are in institutions which meet the exemption requirements of Chapter 280. The exemptions qualify under the exemptions of Section 280.03(e) or 280.03(f), Florida Statutes as a deposit made in accordance with Section 17.57(g), Florida Statutes. The provisions of Chapter 280 allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all deposits are fully insured or collateralized with securities held by the State Treasurer in the City's name. At September 30, 2016, the carrying amounts of the City's deposits were \$18,466,975.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

*Investments:*

As of September 30, 2016, the City had the following investments:

	Weighted Average Maturity (Years)	2016
Local Government Surplus Funds Trust Fund	1.300	\$ 64,683
Money Market Mutual Funds	N/A	2,389,641
Equity Funds	N/A	770,376
Federal Instrumentalities	5.353	3,405,629
Corporate Notes	1.646	950,298
State and Local Government Debt	2.115	<u>1,640,651</u>
Total investments		<u>\$ 9,221,278</u>

*Fair Value Measurements:*

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

The following table presents assets carried at fair value at September 30, 2016:

	Level 1	Level 2	Level 3	Total
Money Market Mutual Funds	\$ 2,389,641	\$	\$	\$ 2,389,641
Equity Funds	770,376			770,376
Federal Instrumentalities		3,405,629		3,405,629
Corporate Notes		950,298		950,298
State and Local Government Debt		<u>1,640,651</u>		<u>1,640,651</u>
Total Investments	<u>\$ 3,160,017</u>	<u>\$ 5,996,578</u>	<u>\$ -</u>	<u>\$ 9,156,595</u>

Securities are valued using the following approaches.

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



**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

*Fair Value Measurements (Continued):*

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

The Local Government Surplus Fund is measured at cost and excluded from the fair value hierarchy disclosure.

*Interest Rate Risk:*

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

*Credit Risk:*

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 Section 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 Section 280.02, Florida Statutes.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Rated or unrated bonds, notes, or instrument backed by the full faith and credit of the government of Israel.
- 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, 2016**

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

*Credit Risk (Continued):*

At September 30, 2016, the City's investments had the following credit quality:

Security Type	Credit Rating	Portfolio Asset Allocation
Florida Municipal Investment Trust	AAA	0.70%
Money Market Mutual Funds	AAAm	25.92%
Equity Funds	N/A	8.35%
Federal Instrumentalities	AA+	36.93%
Corporate Notes	AA+	3.83%
Corporate Notes	AA	1.21%
Corporate Notes	A+	1.69%
Corporate Notes	A-	2.50%
Corporate Notes	BBB+	1.08%
State and Local Government Debt	AAA	5.87%
State and Local Government Debt	AA+	2.85%
State and Local Government Debt	AA	2.12%
State and Local Government Debt	AA-	5.67%
State and Local Government Debt	NR	1.28%

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
U.S. Government Obligations	100%	N/A
Local Government Investment Pools	100%	N/A
Certificates of Deposit	25%	50%
Federal Agency & Instrumentality Obligations	100%	50%
Collateralized Repurchase Agreements	15%	50%
Other Investment Pools (Rated "A" or better)	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%

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

*Concentration of Credit Risk:*

As of September 30, 2016, the City had the following issuer concentrations based on fair value:

	Fair Value	Portfolio Asset Allocation
Money Market Mutual Funds:		
BB&T Collateralized Deposit	\$ 1,131,026	12.27%
Schwab Government Money Fund	1,258,615	13.65%
Equity Funds:		
ALPS Alerian MLP ETF	122,954	1.34%
ISHARES Select Dividend ETF	165,382	1.79%
ISHARES U.S. Utilities ETF	163,508	1.77%
Schwab U.S. Dividend ETF	161,751	1.75%
Vanguard Dividend Appreciation ETF	156,781	1.70%
Federal Instrumentalities:		
Federal National Mortgage Association	1,398,138	15.16%
Federal Home Loan Mortgage Corporation	1,499,776	16.26%
Federal Home Loan Bank Notes	507,715	5.51%
Corporate Notes:		
Apple, Inc.	203,693	2.21%
BP Capital Market	111,978	1.21%
Cisco Systems, Inc.	155,466	1.69%
Comcast Corporation	104,324	1.13%
General Electric	150,117	1.63%
JP Morgan Chase	125,068	1.36%
Morgan Stanley	99,652	1.08%
State and Local Government Debt:		
County of San Diego, California	108,299	1.17%
Dormitory Authority of the State of New York	108,613	1.18%
Fresno County, California	67,107	0.73%
Greater Orlando Aviation Authority	108,552	1.18%
Guilford County, North Carolina Build America Bonds	172,678	1.87%
Las Vegas Valley Nevada Water District	103,949	1.13%
New York City, New York Transitional Finance Authority Revenue Bonds	155,278	1.68%
North Carolina A&T University	119,478	1.30%
Phoenix, Arizona Civic Impt Corp Excise Tax Revenue	103,853	1.13%
Port Authority, New York	103,649	1.12%
State of California	114,161	1.24%
State of Louisiana	91,594	0.99%
State of New York General Obligation Bonds	154,978	1.68%
University of Oklahoma	128,462	1.39%
	<u>\$ 9,156,595</u>	<u>99.30%</u>

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 4 - RECEIVABLES AND DUE FROM OTHER GOVERNMENTS**

Receivables at September 30, 2016, were as follows:

	Governmental Activities	Business-Type Activities						Total Primary Government
	General	Water and Sewer	Natural Gas	South Santa Rosa Utility	Stormwater Management	Gulf Breeze Financial Services	Non-Major Proprietary Fund	
Accounts	\$ 259,617	\$ -	\$ -	\$ -	\$ -	\$ 3,958	\$ -	\$ 263,575
Utilities	-	367,202	303,667	650,277	29,530	-	102,624	1,453,300
Notes	141,575	-	-	-	-	-	-	141,575
Other	6,318	14,317	24,138	134,201	-	-	-	178,974
	<u>407,510</u>	<u>381,519</u>	<u>327,805</u>	<u>784,478</u>	<u>29,530</u>	<u>3,958</u>	<u>102,624</u>	<u>2,037,424</u>
Less allowance for uncollectible accounts	-	22,983	33,936	84,678	1,800	-	8,391	151,788
Total	<u>\$ 407,510</u>	<u>\$ 358,536</u>	<u>\$ 293,869</u>	<u>\$ 699,800</u>	<u>\$ 27,730</u>	<u>\$ 3,958</u>	<u>\$ 94,233</u>	<u>\$ 1,885,636</u>

The City's due from other governments for governmental activities was \$282,353 as of September 30, 2016, 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 \$104,641 as of September 30, 2016, 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, 2016**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016, was as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,772,795	\$ -	\$ 350,886	\$ 1,421,909
Construction in progress	4,750	-	4,750	-
Total capital assets not being depreciated	<u>1,777,545</u>	<u>-</u>	<u>355,636</u>	<u>1,421,909</u>
Capital assets being depreciated				
Buildings and improvements	12,319,826	77,221	75,046	12,322,001
Improvements other than buildings	15,073,346	60,087	-	15,133,433
Infrastructure	1,077,264	-	-	1,077,264
Machinery and equipment	5,599,589	241,343	-	5,840,932
Total capital assets being depreciated	<u>34,070,025</u>	<u>378,651</u>	<u>75,046</u>	<u>34,373,630</u>
Less accumulated depreciation				
Buildings and improvements	(3,061,139)	(489,249)	(7,977)	(3,542,411)
Improvements other than buildings	(10,655,330)	(809,352)	-	(11,464,682)
Infrastructure	(234,176)	(55,500)	-	(289,676)
Machinery and equipment	(4,414,331)	(346,709)	-	(4,761,040)
Total accumulated depreciation	<u>(18,364,976)</u>	<u>(1,700,810)</u>	<u>(7,977)</u>	<u>(20,057,809)</u>
Total capital assets being depreciated, net	<u>15,705,049</u>	<u>(1,322,159)</u>	<u>67,069</u>	<u>14,315,821</u>
<b>Governmental activities, net</b>	<u>\$ 17,482,594</u>	<u>\$ (1,322,159)</u>	<u>\$ 422,705</u>	<u>\$ 15,737,730</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,823,897	\$ 29,990	\$ -	\$ 3,853,887
Construction in progress	1,853,390	54,797	1,827,426	80,761
Total capital assets not being depreciated	<u>5,677,287</u>	<u>84,787</u>	<u>1,827,426</u>	<u>3,934,648</u>
Capital assets being depreciated				
Buildings and improvements	2,847,352			2,847,352
Improvements other than buildings	6,298,827	370,000	(123,653)	6,792,480
Infrastructure	46,914,420	1,170,992	(1,703,773)	49,789,185
Machinery and equipment	5,654,149	486,786	-	6,140,935
Total capital assets being depreciated	<u>61,714,748</u>	<u>2,027,778</u>	<u>(1,827,426)</u>	<u>65,569,952</u>
Less accumulated depreciation				
Buildings and improvements	(525,777)	(132,475)	-	(658,252)
Improvements other than buildings	(463,075)	(184,283)	-	(647,358)
Infrastructure	(30,339,266)	(1,847,893)	-	(32,187,159)
Machinery and equipment	(4,161,481)	(583,982)	-	(4,745,463)
Total accumulated depreciation	<u>(35,489,599)</u>	<u>(2,748,633)</u>	<u>-</u>	<u>(38,238,232)</u>
Total capital assets being depreciated, net	<u>26,225,149</u>	<u>(720,855)</u>	<u>(1,827,426)</u>	<u>27,331,720</u>
<b>Business-type activities, net</b>	<u>\$ 31,902,436</u>	<u>\$ (636,068)</u>	<u>\$ -</u>	<u>\$ 31,266,368</u>

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

**Governmental Activities**

General government	\$ 93,118
Public safety	260,161
Transportation	268,704
Economic environment	320,838
Culture and recreation	<u>757,989</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,700,810</u></u>
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**Business-Type Activities**

Water and Sewer	\$ 287,227
Natural Gas	525,907
South Santa Rosa Utility	1,786,330
Stormwater Management	132,440
Gulf Breeze Financial Services	5,548
Non-major proprietary funds	<u>11,181</u>

Total depreciation expense - business-type activities	<u><u>\$ 2,748,633</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, 2016**

**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 Pension Plan (FRS Pension Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement, Department of Management Services. The FRS Pension Plan provides retirement, disability, or death benefits to plan members or their designated beneficiaries. Chapters 121, 122, and 123, Florida Statutes, provide the authority under which benefit provisions are established. The provisions may only be amended by legislative action. All permanent employees hired prior to January 1, 1996, participate in this plan.

**B. Contribution and Funding Policy**

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

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

Effective July 1, 2016, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 25.57% for police officer and firefighter (special risk) employees, 10.52% for regular employees, and 12.99% for DROP.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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 FRS Pension Plan for fiscal years ended September 30, 2016, 2015, and 2014, listed below were equal to the required contributions for each year.

	Years Ended September 30		
	2016	2015	2014
General employees	\$ 30,921	\$ 36,399	\$ 46,710
Special risk employees	26,318	23,517	20,881
Total contributions	<u>\$ 57,239</u>	<u>\$ 59,916</u>	<u>\$ 67,591</u>

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

At September 30, 2016, the City reported a net pension liability of \$701,325 for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of net pension liability was based on the City's fiscal year 2016 contributions relative to the fiscal year 2016 contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.002777516%, which was an increase of 0.000187008% from its proportionate share measured at June 30, 2015.



**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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, 2016, the City recognized pension expense of \$86,899 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	\$ 53,599	\$ 6,430
Change in assumptions	42,428	-
Net difference between projected and actual earnings on FRS Pension Plan investments	181,284	-
Changes in proportion and differences between City FRS Pension Plan contributions and proportionate share of FRS Pension Plan contributions	22,226	90,750
City FRS Pension Plan contributions subsequent to measurement date	13,709	-
	<u>\$ 313,246</u>	<u>\$ 97,180</u>

The deferred outflows of resources related to pensions totaling \$13,709 resulting from City contributions to the FRS Pension Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. 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	
2017	\$ 27,874
2018	27,874
2019	80,671
2020	55,210
2021	8,121
Thereafter	<u>2,607</u>
	<u>\$ 202,357</u>

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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, 2016 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	7.60%, 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed income	18.00%	4.70%	4.60%	4.60%
Global equity	53.00%	8.10%	6.80%	17.20%
Real estate (property)	10.00%	6.40%	5.80%	12.00%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	11.10%
	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

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

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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 7.60%. 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 7.60% 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 (6.60%) or 1%-point higher (8.60%) than the current rate:

	1% Decrease -6.60%	Current Discount Rate -7.60%	1% Increase -8.60%
City's proportionate share of the net pension liability	\$ 1,291,187	\$ 701,325	\$ 210,343

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, 2016 the City reported a payable of \$5,471 for the outstanding amount of contributions to the FRS Pension Plan required for the year ended September 30, 2016.

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

*Florida Retirement System - General Employees (Continued)*

***HIS Pension Plan***

A. Plan Description

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

B. Benefits Provided

For the year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum payment of \$30 and a maximum payment of \$150 per month pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which includes Medicare.

C. Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At September 30, 2016 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, 2016, 2015, and 2014 listed below were equal to the required contributions for each year.

	Years Ended September 30		
	2016	2015	2014
Contributions	\$ 16,807	\$ 13,687	\$ 14,066

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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, 2016, the City reported a net pension liability of \$219,620 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

The City's proportionate share of net pension liability was based on the City's fiscal year 2016 contributions relative to the fiscal year 2016 contributions of all participating members. At June 30, 2016, the City's proportionate share was 0.00001884406%, which was a decrease of 0.0000011079% from its proportionate share measured at June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$7,942 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
Differences between expected and actual experience	\$ -	\$ 500
Change in assumptions	34,464	-
Net difference between projected and actual earnings on HIS Plan investments	111	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of HIS Plan contributions	-	49,086
City HIS Plan contributions subsequent to measurement date	1,895	-
	<u>\$ 36,470</u>	<u>\$ 49,586</u>

The deferred outflows of resources related to pensions totaling \$1,895 resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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	
2017	\$ (2,688)
2018	(2,688)
2019	(2,679)
2020	(2,674)
2021	(2,313)
Thereafter	(1,969)
	<u>\$ (15,011)</u>

E. Actuarial Assumptions

The total pension liability in the July 1, 2016 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	2.85%

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

The actuarial assumptions used in the July 1, 2016 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, 2016**

**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 2.85%. 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 2.85% 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 (1.85%) or 1%-point higher (3.85%) than the current rate:

	1% Decrease -1.85%	Current Discount Rate -2.85%	1% Increase -3.85%
City's proportionate share of the net pension liability	\$ 251,954	\$ 219,620	\$ 192,784

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, 2016 the City reported a payable of \$1,550 for the outstanding amount of contributions to the HIS Plan required for the year ended September 30, 2016.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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 (Police Pension Plan) does not issue audited stand-alone financial statements.

Name of the pension plan:	Retirement Plan for the Police Officers of the City of Gulf Breeze, FL
Legal plan administrator:	Board of Trustees of the Retirement Plan for the Police Officers of the City of Gulf Breeze, FL
Plan type:	Single-employer defined benefit pension plan
Number of covered individuals:	31 (two inactive employees and beneficiaries currently receiving benefits; 16 inactive employees entitled to but not yet receiving benefits; 13 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 FMPTF issues a stand-alone financial report each year, which contains information about the FMPTF's fiduciary net position. The FMPTF's fiduciary net position has been determined on the same basis used by the Police 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 FMPTF'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, 2016**

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

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

**B. Benefits Provided**

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

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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, 2016, 2015, and 2014, listed below were equal to the required contributions for the year.

	Years Ended September 30		
	2016	2015	2014
Contributions	\$ 152,604	\$ 120,446	\$ 196,200

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

**D. Actuarial Assumptions**

Employer's reporting date:	September 30, 2016
Measurement date:	September 30, 2016
Actuarial valuation date:	October 1, 2015
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:	No assumptions were changed since the prior measurement date.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on Police Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Police Pension Plan's target asset allocation as of September 30, 2016 (see the discussion of the Police Pension Plan's investment policy) are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Expected Long-Term Real Return</u>	
Core bonds	16.00%	0.58%	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 Police Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current employees. Therefore, the long-term expected rate of return on Police Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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, 2015	\$ 3,720,885	\$ (3,901,457)	\$ (180,572)
Change due to:			
Service cost	216,594	-	216,594
Expected interest growth	273,428	(270,036)	3,392
Unexpected investment income	-	(52,230)	(52,230)
Demographic experience	273,650	-	273,650
Employer contributions	-	(205,273)	(205,273)
Employee contributions	-	(25,241)	(25,241)
Benefit payments & refunds	(302,946)	302,946	-
Administrative expenses	-	16,678	16,678
Balances as of September 30, 2016	<u>\$ 4,181,611</u>	<u>\$ (4,134,613)</u>	<u>\$ 46,998</u>

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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	\$ 5,020,702	\$ 4,181,611	\$ 3,534,174
Less fiduciary net position	(4,134,613)	(4,134,613)	(4,134,613)
Net pension liability	<u>\$ 886,089</u>	<u>\$ 46,998</u>	<u>\$ (600,439)</u>

H. Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$95,209. At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of September 30, 2016	<u>\$ 788,535</u>	<u>\$ 233,850</u>
Change due to:		
Amortization payments	(119,034)	(29,975)
Investment gain/loss	-	52,230
Demographic gain/loss	273,650	-
Total change	<u>154,616</u>	<u>22,255</u>
Balance as of September 30, 2016	<u>\$ 943,151</u>	<u>\$ 256,105</u>

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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, 2016	\$ 943,151	\$ 256,105
Amount recognized in the 2016/2017 pension expense:		
Investment gain/loss	54,438	12,326
Demographic gain/loss	20,452	17,649
Assumption changes	44,144	-
Total change	119,034	29,975
Balance as of September 30, 2017	824,117	226,130
Amount recognized in the 2017/2018 pension expense:		
Investment gain/loss	54,438	12,328
Demographic gain/loss	20,452	17,649
Assumption changes	44,144	-
Total change	119,034	29,977
Balance as of September 30, 2018	705,083	196,153
Amount recognized in the 2018/2019 pension expense:		
Investment gain/loss	54,439	10,446
Demographic gain/loss	20,452	17,649
Assumption changes	44,144	-
Total change	119,035	28,095
Balance as of September 30, 2019	586,048	168,058

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Amount recognized in the 2019/2020 pension expense:		
Investment gain/loss	-	10,446
Demographic gain/loss	20,452	17,649
Assumption changes	44,144	-
Total change	<u>64,596</u>	<u>28,095</u>
Balance as of September 30, 2020	<u>521,452</u>	<u>139,963</u>
Amount recognized in the 2020/2021 pension expense:		
Investment gain/loss	-	-
Demographic gain/loss	20,452	17,649
Assumption changes	44,144	-
Total change	<u>64,596</u>	<u>17,649</u>
Balance as of September 30, 2021	<u>\$ 456,856</u>	<u>\$ 122,314</u>

J. Payables to the Pension Plan

At September 30, 2016 the City reported a payable of \$6,550 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

K. Required Supplementary Information

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



**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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 year ended September 30, 2016 totaled \$191,621, which was equal to the required contributions for the year.

**NOTE 8 - DEFERRED COMPENSATION PLAN**

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

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

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

Contributions made by plan members during the year ended September 30, 2016, were \$119,921.

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

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

**NOTE 10 - GOVERNMENTAL FUND BALANCES**

Fund balances are classified either as non-spendable or as spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. Non-spendable balances at year end consisted of \$12,087 for inventory and \$3,445 for prepaid items.

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, 2016, the City had restricted fund balances in its General Fund totaling \$291,112, Urban Core Redevelopment Fund totaling \$558,869, Police Special Revenue Fund totaling \$87,026, and the Tourist Development Special Revenue Fund totaling \$31,777.

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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, 2016, 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, 2016, 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 \$806,815 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, 2016, the City had \$12,630,941 in unassigned fund balances.

**NOTE 11 - RISK MANAGEMENT**

*General Liability, Automobile, and Property Insurance*

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

*Workers' Compensation Insurance*

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

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 11 - RISK MANAGEMENT (Continued)**

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

	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning	\$ 77,500	\$ -
Claims incurred and changes in estimates	106,153	344,646
Less: claims paid	<u>(108,653)</u>	<u>(267,146)</u>
Unpaid claims, ending	<u>\$ 75,000</u>	<u>\$ 77,500</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**

During the year ended September 30, 2016, GBFS had a line of credit for \$3,000,000 with a local financial institution. The line accrued interest at a rate of LIBOR plus .950%. Total interest paid on this line during fiscal year 2016 was \$23,458. The line of credit was paid off in May 2016 with proceeds from the issuance of bonds.

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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
<b>Governmental activities:</b>					
Revenue Improvement Bonds,					
Series 2007	\$ 7,796,800	\$ -	\$ (202,400)	\$ 7,594,400	\$ 206,800
Less deferred amounts					
for issuance discount	(36,297)	-	1,590	(34,707)	-
Compensated absences	292,203	173,665	(166,333)	299,535	140,782
Net pension liability	306,705	268,453	-	575,158	-
Total governmental activities, long term debt and other liabilities	<u>\$ 8,359,411</u>	<u>\$ 442,118</u>	<u>\$ (367,143)</u>	<u>\$ 8,434,386</u>	<u>\$ 347,582</u>
<b>Business-type activities:</b>					
SSRU Refunding Revenue Bonds,					
Series 2004	\$ 4,010,000	\$ -	\$ (660,000)	\$ 3,350,000	\$ 700,000
Add deferred amounts					
for issuance premium	119,190	-	(23,837)	95,353	-
Revenue Improvement Bonds,					
Series 2007	1,063,200	-	(27,600)	1,035,600	28,200
Revenue Improvement Bonds,					
Series 2016A	-	5,000,000	-	5,000,000	155,060
Revenue Improvement Bonds,					
Series 2016B	-	2,576,520	-	2,576,520	79,920
SSRU Refunding Revenue Note	3,593,431	-	(212,457)	3,380,974	218,512
Capital lease payable, golf equipment	50,452	-	(50,452)	-	-
Capital lease payable, meters	4,241,946	-	(300,092)	3,941,854	343,799
State revolving loan	893,340	-	(40,797)	852,543	42,052
Line of credit	3,000,000	-	(3,000,000)	-	-
Unearned revenue	43,490	-	(13,396)	30,094	-
Compensated absences	205,536	118,991	(118,805)	205,722	106,289
Net pension liability	231,373	161,412	-	392,785	-
Total business-type activities, long term debt and other liabilities	<u>\$ 17,451,958</u>	<u>\$ 7,856,923</u>	<u>\$ (4,447,436)</u>	<u>\$ 20,861,445</u>	<u>\$ 1,673,832</u>

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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>
<b>Governmental Activities</b>			
<b>Revenue Bonds</b>			
\$10,225,000, City of Gulf Breeze, Florida, Revenue Improvement Bonds, Series 2007; \$8,998,000 allocated to the General Fund; due in annual installments of \$175,000 to \$610,000 through 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.	\$ 206,800	\$ 7,387,600	\$ 7,594,400
Less unamortized bond discount	-	(34,707)	(34,707)
<b>Total Governmental Activities</b>	<u>\$ 206,800</u>	<u>\$ 7,352,893</u>	<u>\$ 7,559,693</u>
<b>Business-Type Activities</b>			
<b>Revenue Bonds</b>			
\$9,460,000, 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.	\$ 700,000	\$ 2,650,000	\$ 3,350,000
Add unamortized bond premium	-	95,353	95,353
	700,000	2,745,353	3,445,353
\$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.	28,200	1,007,400	1,035,600
\$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.	218,512	3,162,462	3,380,974

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 13 - NON-CURRENT LIABILITIES (Continued)**

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

<b>Business-Type Activities (Continued)</b>	<b>Current</b>	<b>Long-Term</b>	<b>Total</b>
<b><i>Revenue Bonds (Continued)</i></b>			
\$5,000,000, City of Gulf Breeze, Florida, South Santa Rosa Utility System Capital Improvement Revenue Bond, Series 2016A, due in annual installments of \$155,060 to \$3,681,530 through 2026, interest rate at 4.0%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund various City loans and to finance certain capital improvements.	155,060	4,844,940	5,000,000
\$2,756,520, City of Gulf Breeze, Florida, South Santa Rosa Utility System Capital Improvement Revenue Bond, Series 2016B, due in annual installments of \$79,920 to \$1,896,374 through 2026, interest rate at 4.0%. Secured by pledged revenues of the City's utility systems. Proceeds used to refund various City loans and to finance certain capital improvements.	79,920	2,496,600	2,576,520
<b><i>Total Bonds and Note</i></b>	1,181,692	14,256,755	15,438,447
<b><i>Capital Lease</i></b>			
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, 2016 of \$3,550,542.	343,799	3,598,055	3,941,854
<b><i>State Revolving Loan</i></b>			
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%.	42,052	810,491	852,543
<b>Total Business-Type Activities</b>	<u>\$ 1,567,543</u>	<u>\$ 18,665,301</u>	<u>\$ 20,232,844</u>
<b>Grand Total Long-Term Debt</b>			<u>\$ 27,792,537</u>

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**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, 2016, are as follows:

**Governmental Activities**

Years Ending September 30,	Revenue Improvement Bonds	
	Principal	Interest
2017	\$ 206,800	\$ 352,098
2018	215,600	343,331
2019	224,400	334,035
2020	237,600	324,217
2021	246,400	313,778
2022-2026	1,403,600	1,389,310
2027-2031	1,764,400	1,019,527
2032-2036	2,244,000	528,787
2037	1,051,600	37,725
	<u>\$ 7,594,400</u>	<u>\$ 4,642,808</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
2017	\$ 700,000	\$ 150,000	\$ 28,200	\$ 48,013	\$ 218,512	\$ 91,382
2018	740,000	114,000	29,400	46,818	224,739	84,888
2019	775,000	76,125	30,600	45,550	231,144	78,209
2020	815,000	36,375	32,400	44,211	237,732	71,535
2021	320,000	8,000	33,600	42,788	244,507	64,274
2022-2026	-	-	191,400	189,451	1,331,121	208,255
2027-2031	-	-	240,600	139,026	893,219	26,318
2032-2036	-	-	306,000	72,107	-	-
2037	-	-	143,400	5,144	-	-
	<u>\$ 3,350,000</u>	<u>\$ 384,500</u>	<u>\$ 1,035,600</u>	<u>\$ 633,108</u>	<u>\$ 3,380,974</u>	<u>\$ 624,861</u>



**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 13 - NON-CURRENT LIABILITIES (Continued)**

**Annual Requirements to Amortize Debt Outstanding (Continued)**

**Business-Type Activities (Continued)**

Years Ending <u>September 30,</u>	Series 2016A Revenue Bonds		Series 2016B Improvement Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 155,060	\$ 167,825	\$ 79,920	\$ 86,463
2018	126,262	197,390	65,085	101,694
2019	131,313	192,246	67,688	99,043
2020	136,565	186,896	70,396	96,285
2021	142,028	181,332	73,212	93,417
2022-2026	4,308,772	815,095	2,220,219	419,883
	<u>\$ 5,000,000</u>	<u>\$ 1,740,784</u>	<u>\$ 2,576,520</u>	<u>\$ 896,785</u>
Years Ending <u>September 30,</u>	SunTrust Equipment Lease		State Revolving Loan	
	Principal	Interest	Principal	Interest
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	399,285	66,715	47,464	20,727
2022-2026	2,077,487	141,717	260,119	78,561
2027-2031	-	-	302,623	36,057
2032-2036	-	-	66,216	1,519
	<u>\$ 3,941,854</u>	<u>\$ 579,350</u>	<u>\$ 852,543</u>	<u>\$ 231,687</u>

In October 2017 when the South Santa Rosa Utility System Refunding Revenue Bonds, Series 2004, became callable, the debt was refinanced with U.S. Bank at an interest rate of 1.339% with no change to the principal debt service schedule.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 13 - NON-CURRENT LIABILITIES (Continued)**

**Debt Covenants**

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

**Compensated Absences**

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

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

The composition of interfund balances at September 30, 2016 is as follows:

***Interfund Balances***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Traffic Citation Special Revenue Fund	\$ 49,786
General	Natural Gas	2,635,366
General	Stormwater Management	1,750,000
General	South Santa Rosa Utility	6,851
South Santa Rosa Utility	Water & Sewer	321,113
General	Solid Waste	70,100
		<u>\$ 4,833,216</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; a receivable from the Stormwater Management Fund to the General Fund for providing funding for repairs after the April 2014 flood and infrastructure improvements; and a receivable from the Water & Sewer Fund to the South Santa Rosa Utility Fund for utility impact fees.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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

*Interfund Transfers*

Transfers Out	Transfers In				Total
	General Fund	Urban Core Redevelopment	Water and Sewer	South Santa Rosa Utility	
General	\$ -	\$ 199,300	\$ -	\$ -	\$ 199,300
Urban Core Redevelopment	300,000	-	-	-	300,000
Water and Sewer	265,753	-	-	407,857	673,610
Natural Gas	252,134	-	-	120,391	372,525
South Santa Rosa Utility	382,013	-	-	-	382,013
Stormwater Management	61,448	-	-	-	61,448
Gulf Breeze Financial Services	380,000	-	-	-	380,000
Non-major Governmental Funds	270,580	-	-	-	270,580
Non-major Proprietary Funds	96,400	-	30,700	-	127,100
Totals	<u>\$ 2,008,328</u>	<u>\$ 199,300</u>	<u>\$ 30,700</u>	<u>\$ 528,248</u>	<u>\$ 2,766,576</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 the Urban Core Redevelopment Fund. The transfer to the Urban Redevelopment Fund reflects the City's tax increment financing contribution to that fund. The transfer from the Water and Sewer Fund to the South Santa Rosa Utility Fund reflects estimated annual portion of waste water treatment costs incurred by South Santa Rosa Utility for Water and Sewer customer waste water volumes. The transfer from the Natural Gas Fund to the South Santa Rosa Utility Fund reflects support for debt service payments made by South Santa Rosa Utility for equipment (metering systems) used by Natural Gas. The transfer from the Innerarity Point Utilities Fund, a non-major proprietary fund, to the Water and Sewer Fund reflects reimbursement of field personnel costs allocated to inspect, monitor, repair and maintain water utility services under the contract with Escambia County.

**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.

**CITY OF GULF BREEZE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 15 - JOINT VENTURE (Continued)**

The investment is accounted for under the equity method of accounting and is included with other assets on the Statement of Net Position. During 2016, the City's investment value in the joint venture increased by \$527,820 and as of September 30, 2016, was \$2,109,030. A copy of the financial statements for FRUS is available by writing to 8574 Turkey Bluff Road, Navarre, Florida 32569.

The City has a non-interest bearing note receivable from FRUS requiring monthly payments of \$1,457 through September 2025. The amount due from FRUS totaled \$157,402 at September 30, 2016.

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, 2016, 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, 2016, CTA transferred \$620,000 to the City. The transaction was reflected as revenue of the City and an expense of CTA in the statement of activities. The purpose of the transfer was to subsidize the governmental operations of the City.

CTA-CDE paid an annual management fee of \$114,000 to GBFS for the year ended September 30, 2016.

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, 2016 were \$42,224, of which \$14,469 remained unpaid and is included in CTA accrued liabilities as of September 30, 2016.

Beginning in October 2015, the salaries and benefits related to the CTA Executive Director's employment contract were charged in full to CTA, but were paid by GBFS and reimbursed. For the year ended September 30, 2016, those expenses totaled \$275,200, of which \$90,172 remained unpaid and is included in CTA accrued liabilities as of September 30, 2016.

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.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 16 - RELATED PARTY TRANSACTIONS (Continued)**

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

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

Per the management and administration agreement between CTA-CDE and the Subsidiary Allocatees, CTA-CDE is to receive an annual asset management fee in the aggregate amount of \$271,995 for its services in managing and administering the Subsidiary Allocatees. For the year ended September 30, 2016, \$271,995 of the asset management fee had been earned and recognized. As of September 30, 2016, \$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, 2016.

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, 2016, such fees earned were \$69,625 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 \$1,128,906 construction contract for engineering and construction of a new water tower. As of September 30, 2016, the remaining contractual commitment was the full contract amount of \$1,128,906.

**CITY OF GULF BREEZE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)**

*Litigation*

A lawsuit dated September 9, 2010 was initiated against the City with regards to title to a particular parcel of property lying between the southerly end of the Catawba Street right-of-way and Pensacola Bay. The court rendered a decision in favor of the plaintiffs and has found that the plaintiffs are entitled to attorney's fees; however, the hearing to determine the amount has not yet occurred. Management plans to appeal the Court's determination that the plaintiffs should be awarded any attorney's fees. The plaintiffs have claimed attorney's fees of approximately \$360,000. Management believes a reversal of any of the appealed issues would significantly reduce, or completely eliminate, any of the attorney fee exposure. Since the appeal process is still ongoing, management is unable to predict with any certainty what the outcome may be and is additionally unable to determine an estimate of loss. As such, no liability related to this matter has been recognized in the accompanying financial statements.

*Minimum Purchase Commitment*

As discussed in Note 15, the City has a minimum purchase commitment with FRUS which requires the City to accept and pay for an average of 1,957,909 gallons of water per day over the billing period.

**NOTE 18 - SUBSEQUENT EVENT**

In March 2017 the City received notice from Integrity Golf Courses, LLC, the contractor operating the City's Tiger Point Golf Course facilities, that it wished to terminate the agreement with the City as of March 31, 2017. As of March 7, 2017, no definitive designation of alternative management has been approved by the City Council. Management anticipates a negative impact on the Tiger Point Golf Course budget for 2017 as a result of this termination; however, an estimate of the impact cannot be made at this time.

**NOTE 19 - RESTATEMENT**

Management has identified certain utilities revenue that were earned but not billed at October 1, 2015 that should have been accrued in the 2015 financial statements. Accordingly, net position for business activities as of October 1, 2015 has been restated and increased by \$1,050,831 to reflect the unbilled revenue. After adjustment for unbilled revenue of \$899,994 attributable to years prior to 2015, the change in net position for business activities for 2015 increased by \$150,837 as a result of this restatement.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION SCHEDULES**



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

**Schedule A-1**

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

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

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

**Schedule A-2**

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

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

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

**Schedule A-3**

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

Schedule A-4

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 57,239	\$ 59,916	\$ 67,591
Contributions in relation to the contractually required contribution	<u>(57,239)</u>	<u>(59,916)</u>	<u>(67,591)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 554,088	\$ 618,721	608,979
Contribution as a percentage of covered-employee payroll	10.81%	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>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,807	\$ 13,687	\$ 14,066
Contributions in relation to the contractually required contribution	<u>(16,807)</u>	<u>(13,687)</u>	<u>(14,066)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 554,088	\$ 618,721	608,979
Contribution as a percentage of covered-employee payroll	2.47%	2.21%	2.31%

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

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

Schedule A-6

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 152,604	\$ 120,446	\$ 196,200	\$ 268,765
Contributions in relation to the actuarially determined contribution	<u>(152,604)</u>	<u>(120,446)</u>	<u>(196,200)</u>	<u>(268,765)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Gulf Breeze's covered-employee payroll	\$ 632,650	\$ 560,545	\$ 573,863	\$ 563,728
Contribution as a percentage of covered-employee payroll	24.12%	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**  
**YEAR ENDED SEPTEMBER 30, 2016**

**Schedule A-7**

	Police Officer Retirement Fund
Contribution rates:	
City	21.11%
Plan members	4.0%
Chapter 185 contribution	9.24%
Annual pension cost	\$ 216,594
Contributions made:	
Plan members	\$ 26,447
Employer	\$ 152,604
State of Florida	\$ 67,144
Net pension obligation	\$ 46,998
Actuarial valuation date	10/1/2015
Actuarial cost method	Aggregate cost method
Asset valuation method	Market value
Actuarial assumptions:	
Interest (or discount) rate	7.00% per annum, (2.92% annum is attributable to long-term inflation): this rate was used to discount all future benefits payments.
Projected salary increases	4.00% per annum
Cost of living increases	3.00% per year, delayed 3 years after retirement with respect to benefits earned after February 3, 2014.
Non-investment expenses	The total projected benefit liability has been loaded by 1.75% to account for non-investment expenses.
Retirement age	Assumed to occur at normal retirement age
Mortality basis	Sex-distinct 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.

#### Tourist Development Fund

To account for funds received for tourist development.

**CITY OF GULF BREEZE, FLORIDA**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

**Schedule B-1**

	Traffic Citation Special Revenue	Police Special Revenue	Tourist Development Special Revenue	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 880,773	\$ -	\$ -	\$ 880,773
Due from other governments	-	-	24,415	24,415
Restricted assets				
Cash and cash equivalents	-	87,686	7,362	95,048
<b>Total Assets</b>	<u>\$ 880,773</u>	<u>\$ 87,686</u>	<u>\$ 31,777</u>	<u>\$ 1,000,236</u>
<b>Liabilities:</b>				
Accounts payable	\$ 23,329	\$ 660	\$ -	\$ 23,989
Accrued liabilities	843	-	-	843
Interfund payables	49,786	-	-	49,786
Total liabilities	<u>73,958</u>	<u>660</u>	<u>-</u>	<u>74,618</u>
<b>Fund Balances:</b>				
Restricted				
Public safety	-	87,026	-	87,026
Community redevelopment	-	-	31,777	31,777
Assigned				
Public safety	806,815	-	-	806,815
Total fund balances	<u>806,815</u>	<u>87,026</u>	<u>31,777</u>	<u>925,618</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 880,773</u>	<u>\$ 87,686</u>	<u>\$ 31,777</u>	<u>\$ 1,000,236</u>

**CITY OF GULF BREEZE, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**Statement B-2**

	Traffic Citation Special Revenue	Police Special Revenue	Tourist Development Special Revenue	Total
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 183,857	\$ 183,857
Intergovernmental	-	2,554	-	2,554
Fines and forfeitures	1,011,173	24,328	-	1,035,501
Miscellaneous	15,587	3,042	-	18,629
Total revenues	<u>1,026,760</u>	<u>29,924</u>	<u>183,857</u>	<u>1,240,541</u>
<b>Expenditures:</b>				
General government	-	-	16,500	16,500
Public safety	799,179	6,684	-	805,863
Capital outlay	-	6,750	-	6,750
Total expenditures	<u>799,179</u>	<u>13,434</u>	<u>16,500</u>	<u>829,113</u>
<b>Excess of Revenues Over Expenditures</b>	227,581	16,490	167,357	411,428
<b>Other Financing Uses:</b>				
Transfers out	<u>(135,000)</u>	<u>-</u>	<u>(135,580)</u>	<u>(270,580)</u>
Net change in fund balances	92,581	16,490	31,777	140,848
<b>Fund Balances:</b>				
Beginning of year	<u>714,234</u>	<u>70,536</u>	<u>-</u>	<u>784,770</u>
End of year	<u>\$ 806,815</u>	<u>\$ 87,026</u>	<u>\$ 31,777</u>	<u>\$ 925,618</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.

#### 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, 2016**

**Statement C-1**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	Solid Waste Control	Innerarity Point Utilities	Total
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 3,512	\$ 56,891	\$ 60,403
Receivables, net	60,515	33,718	94,233
Restricted cash and cash equivalents	12,075	-	12,075
Total current assets	<u>76,102</u>	<u>90,609</u>	<u>166,711</u>
<b>Non-Current Assets:</b>			
Capital assets, net			
Machinery and equipment	22,749	-	22,749
<b>Deferred Outflows of Resources:</b>			
Pensions	<u>5,429</u>	<u>-</u>	<u>5,429</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 104,280</u>	<u>\$ 90,609</u>	<u>\$ 194,889</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

<b>Current Liabilities:</b>			
Accounts payable	\$ 47,355	\$ 22,121	\$ 69,476
Accrued liabilities	799	-	799
Interfund payables	70,100	-	70,100
Due to other governments	-	17,125	17,125
Payable from restricted assets			
Customer deposits	12,075	-	12,075
Compensated absences	278	-	278
Total current liabilities	<u>130,607</u>	<u>39,246</u>	<u>169,853</u>
<b>Non-Current Liabilities:</b>			
Compensated absences	2,814	-	2,814
Net pension liability	11,972	-	11,972
Total non-current liabilities	<u>14,786</u>	<u>-</u>	<u>14,786</u>
<b>Total Liabilities</b>	<u>145,393</u>	<u>39,246</u>	<u>184,639</u>
<b>Deferred Inflows of Resources:</b>			
Pensions	<u>2,306</u>	<u>-</u>	<u>2,306</u>
<b>Net Position:</b>			
Net investment in capital assets	22,749	-	22,749
Unrestricted	(66,168)	51,363	(14,805)
Total net position	<u>(43,419)</u>	<u>51,363</u>	<u>7,944</u>
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	<u>\$ 104,280</u>	<u>\$ 90,609</u>	<u>\$ 194,889</u>

**CITY OF GULF BREEZE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - NON-MAJOR PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**Statement C-2**

	Solid Waste Control	Innerarity Point Utilities	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 645,519	\$ 60,402	\$ 705,921
<b>Operating Expenses:</b>			
Personal services	122,103	-	122,103
Contractual services	426,793	650	427,443
Supplies	9,010	1,398	10,408
Professional services	-	1,834	1,834
Repairs and maintenance	8,068	6,283	14,351
Office and utilities	-	4,838	4,838
Depreciation and amortization	11,181	-	11,181
Total operating expenses	577,155	15,003	592,158
Operating income	68,364	45,399	113,763
<b>Non-Operating Revenues:</b>			
Miscellaneous	391	-	391
<b>Income Before Transfers</b>	68,755	45,399	114,154
<b>Transfers:</b>			
Transfers out	(96,400)	(30,700)	(127,100)
<b>Changes in Net Position</b>	(27,645)	14,699	(12,946)
<b>Net Position at Beginning of Year, as previously stated</b>	(71,789)	36,664	(35,125)
<b>Adjustment to Beginning Net Position</b>	56,015	-	56,015
<b>Net Position at Beginning of Year, as restated</b>	(15,774)	36,664	20,890
<b>Net Position at End of Year</b>	\$ (43,419)	\$ 51,363	\$ 7,944

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**CITY OF GULF BREEZE, FLORIDA**  
**STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2016**

Statement C-3

	Solid Waste Control	Innerarity Point Utilities	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers and users	\$ 647,053	\$ 43,620	\$ 690,673
Payments from other funds	20,000	-	20,000
Payments to suppliers and providers	(449,226)	(12,139)	(461,365)
Payments to employees	(122,095)	-	(122,095)
Net cash provided by operating activities	<u>95,732</u>	<u>31,481</u>	<u>127,213</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Miscellaneous income	391	-	391
Transfers out	(96,400)	(30,700)	(127,100)
Net cash used in non-capital financing activities	<u>(96,009)</u>	<u>(30,700)</u>	<u>(126,709)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(277)	781	504
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>15,864</u>	<u>56,110</u>	<u>71,974</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 15,587</u></u>	<u><u>\$ 56,891</u></u>	<u><u>\$ 72,478</u></u>
<b>Displayed As:</b>			
Cash and cash equivalents	\$ 3,512	\$ 56,891	\$ 60,403
Restricted cash	<u>12,075</u>	<u>-</u>	<u>12,075</u>
Total cash and cash equivalents	<u><u>\$ 15,587</u></u>	<u><u>\$ 56,891</u></u>	<u><u>\$ 72,478</u></u>

**CITY OF GULF BREEZE, FLORIDA**  
**STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2016**  
**(Continued)**

Statement C-3

	Solid Waste Control	Innerarity Point Utilities	Total
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 68,364	\$ 45,399	\$ 113,763
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation	11,181	-	11,181
Provision for uncollectible accounts	5,139	3,252	8,391
Changes in operating assets and liabilities:			
Receivables	(3,605)	(18,767)	(22,372)
Deferred outflow of resources - pensions	(4,296)	-	(4,296)
Accounts payable	(5,355)	2,864	(2,491)
Accrued liabilities	291	-	291
Interfund payables	20,000	-	20,000
Due to other governments	-	(1,267)	(1,267)
Compensated absences	(612)	-	(612)
Net pension liability	5,395	-	5,395
Deferred inflow of resources - pensions	(770)	-	(770)
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 95,732</u>	<u>\$ 31,481</u>	<u>\$ 127,213</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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Net Investment in Capital Assets:</b>										
Governmental activities	\$ 8,178,037	\$ 9,722,091	\$ 10,625,849	\$ 11,302,841	\$ 9,652,675	\$ 4,895,426	\$ 1,460,655	\$ 3,275,527	\$ 2,632,860	\$ 1,849,245
Business-type activities	<u>11,653,347</u>	<u>15,705,656</u>	<u>18,625,464</u>	<u>17,147,289</u>	<u>14,049,602</u>	<u>12,368,789</u>	<u>13,788,131</u>	<u>14,451,915</u>	<u>16,299,600</u>	<u>16,536,085</u>
Total primary government	<u>\$ 19,831,384</u>	<u>\$ 25,427,747</u>	<u>\$ 29,251,313</u>	<u>\$ 28,450,130</u>	<u>\$ 23,702,277</u>	<u>\$ 17,264,215</u>	<u>\$ 15,248,786</u>	<u>\$ 17,727,442</u>	<u>\$ 18,932,460</u>	<u>\$ 18,385,330</u>
<b>Restricted Net Position:</b>										
Governmental activities	\$ 968,784	\$ 753,569	\$ 485,597	\$ 711,122	\$ 879,047	\$ 994,663	\$ 656,392	\$ 397,270	\$ 25,485	\$ 780,417
Business-type activities	<u>183,115</u>	<u>1,814,513</u>	<u>5,456,129</u>	<u>5,298,985</u>	<u>844,957</u>	<u>844,957</u>	<u>917,665</u>	<u>756,855</u>	<u>756,855</u>	<u>1,079,629</u>
Total primary government	<u>\$ 1,151,899</u>	<u>\$ 2,568,082</u>	<u>\$ 5,941,726</u>	<u>\$ 6,010,107</u>	<u>\$ 1,724,004</u>	<u>\$ 1,839,620</u>	<u>\$ 1,574,057</u>	<u>\$ 1,154,125</u>	<u>\$ 782,340</u>	<u>\$ 1,860,046</u>
<b>Unrestricted Net Position:</b>										
Governmental activities	\$ 14,033,970	\$ 7,672,816	\$ 7,694,974	\$ 6,914,109	\$ 7,689,924	\$ 5,852,883	\$ 8,891,621	\$ 6,273,663	\$ 7,152,710	\$ 5,167,815
Business-type activities	<u>14,406,046</u>	<u>5,550,686</u>	<u>1,235,949</u>	<u>5,265,964</u>	<u>14,084,654</u>	<u>14,566,239</u>	<u>12,061,124</u>	<u>2,423,036</u>	<u>1,600,727</u>	<u>3,157,532</u>
Total primary government	<u>\$ 28,440,016</u>	<u>\$ 13,223,502</u>	<u>\$ 8,930,923</u>	<u>\$ 12,180,073</u>	<u>\$ 21,774,578</u>	<u>\$ 20,419,122</u>	<u>\$ 20,952,745</u>	<u>\$ 8,696,699</u>	<u>\$ 8,753,437</u>	<u>\$ 8,325,347</u>
<b>Total Net Position:</b>										
Governmental activities	\$ 23,180,791	\$ 18,148,476	\$ 18,806,420	\$ 18,928,072	\$ 18,221,646	\$ 11,742,972	\$ 11,008,668	\$ 9,946,460	\$ 9,811,055	\$ 7,797,477
Business-type activities	<u>26,242,508</u>	<u>23,070,855</u>	<u>25,317,542</u>	<u>27,712,238</u>	<u>28,979,213</u>	<u>27,779,985</u>	<u>26,766,920</u>	<u>17,631,806</u>	<u>18,657,182</u>	<u>20,773,246</u>
Total primary government	<u>\$ 49,423,299</u>	<u>\$ 41,219,331</u>	<u>\$ 44,123,962</u>	<u>\$ 46,640,310</u>	<u>\$ 47,200,859</u>	<u>\$ 39,522,957</u>	<u>\$ 37,775,588</u>	<u>\$ 27,578,266</u>	<u>\$ 28,468,237</u>	<u>\$ 28,570,723</u>

SOURCE: City of Gulf Breeze Finance Department.

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

**Table II**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses:</b>										
Governmental activities -										
General government	\$ 2,355,653	\$ 2,140,000	\$ 2,159,875	\$ 1,939,342	\$ 1,780,088	\$ 2,140,853	\$ 1,832,961	\$ 1,604,707	\$ 1,646,593	\$ 1,483,562
Public safety	3,672,304	3,708,802	3,389,678	3,259,673	2,848,296	2,582,913	2,273,863	2,242,994	2,550,037	2,523,959
Transportation	518,675	830,933	645,097	1,040,137	392,737	431,961	317,802	336,485	401,763	470,013
Economic environment	550,405	539,671	480,967	458,622	470,558	434,757	423,014	388,133	197,622	203,332
Culture and recreation	2,256,254	2,204,301	2,120,714	1,853,545	1,800,355	3,758,787	1,195,503	1,160,607	1,280,020	4,532,538
Debt service interest	357,915	369,894	395,462	305,046	310,536	315,231	320,336	325,297	378,952	291,769
Total government activities	9,711,206	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
Business-type activities -										
Water and sewer	2,172,973	2,019,512	1,956,060	1,626,874	1,557,810	1,523,787	1,610,416	1,576,201	1,345,242	1,411,855
Natural gas	2,220,768	2,495,520	2,460,185	1,897,522	1,286,806	1,388,342	1,329,058	1,699,027	2,069,606	1,943,119
South Santa Rosa Utility	6,081,605	9,034,748	9,020,191	7,298,787	4,918,789	4,887,012	4,531,148	5,493,205	5,478,040	5,704,870
Solid waste	577,155	564,709	547,242	702,888	896,904	870,997	886,868	890,827	927,121	901,297
Stormwater management	511,473	431,285	566,526	258,411	259,933	246,276	236,013	266,966	287,197	145,145
Fishing bridge	-	-	-	-	-	-	-	-	-	461,058
Innerarity Point	15,003	16,663	-	-	-	-	-	-	-	-
Gulf Breeze Financial Services	359,021	204,582	235,163	245,537	240,070	725,702	228,246	250,320	181,307	191,001
Total business-type activities	11,937,998	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
Total primary government expenses	<u>\$ 21,649,204</u>	<u>\$ 24,560,620</u>	<u>\$ 23,977,160</u>	<u>\$ 20,886,384</u>	<u>\$ 16,762,882</u>	<u>\$ 19,306,618</u>	<u>\$ 15,185,228</u>	<u>\$ 16,234,769</u>	<u>\$ 16,743,500</u>	<u>\$ 20,263,518</u>
<b>Program Revenues:</b>										
Government activities -										
Charges for services -										
General government	\$ 246,268	\$ 87,414	\$ 64,546	\$ 94,215	\$ 67,903	\$ 92,983	\$ 47,546	\$ 101,657	\$ 69,705	\$ 188,550
Public safety	1,113,580	1,012,910	845,318	901,465	749,597	345,228	113,966	318,015	267,493	295,201
Culture and recreation	355,232	327,605	385,295	242,762	217,271	231,431	230,571	225,774	261,662	183,622
Operating grants and contributions	595,981	1,377,663	1,984,125	3,154,938	7,195,117	4,054,298	1,125,551	468,212	1,584,284	2,595,066
Total governmental activities program revenues	2,311,061	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
Business-type activities -										
Charges for services -										
Water and sewer	2,492,620	2,339,659	2,015,843	1,816,720	1,850,835	1,889,323	1,764,738	1,896,573	1,787,244	1,545,320
Natural gas	2,681,257	2,594,132	2,515,805	1,888,721	1,596,774	1,893,196	2,077,968	1,918,813	1,955,968	1,781,957
South Santa Rosa Utility	5,860,774	5,396,766	5,205,377	4,686,102	4,933,717	4,876,402	4,474,554	4,242,023	4,116,191	3,935,152
Tiger Point Golf Course	206,562	1,586,638	1,805,228	1,312,696	-	-	-	-	-	-
Solid waste	645,519	593,891	571,504	725,172	1,012,054	986,019	1,004,145	1,023,845	1,011,010	901,297
Stormwater management	236,275	234,086	205,282	190,324	197,504	195,304	190,992	193,874	194,183	188,938
Gulf Breeze Financial Services	695,289	577,096	635,849	875,171	926,632	777,842	870,766	523,776	475,615	841,300
Innerarity Point	60,402	44,882	-	-	-	-	-	-	-	461,058
Fishing bridge	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	22,110	15,503	-	-	-	-	-	-	-	-
Capital grants and contributions	1,457,975	501,998	507,249	373,323	417,520	319,969	95,171	127,267	632,068	2,448,130
Total business-type activities program revenues	14,358,783	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
Total primary government program revenues	<u>\$ 16,669,844</u>	<u>\$ 16,690,243</u>	<u>\$ 16,741,421</u>	<u>\$ 16,261,609</u>	<u>\$ 19,164,924</u>	<u>\$ 15,661,995</u>	<u>\$ 11,995,968</u>	<u>\$ 11,039,829</u>	<u>\$ 12,355,423</u>	<u>\$ 15,365,591</u>

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

**Table II**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Net Program (Expense)/Revenue:</b>										
Governmental activities	\$ (7,400,145)	\$ (6,988,009)	\$ (5,912,509)	\$ (4,462,985)	\$ 627,318	\$ (4,940,562)	\$ (4,845,845)	\$ (4,944,565)	\$ (4,271,843)	\$ (6,242,734)
Business-type activities	2,420,785	(882,368)	(1,323,230)	(161,790)	1,774,724	1,295,939	1,656,585	(250,375)	(116,234)	929,633
Total primary government program net (expense)/revenue	<u>\$ (4,979,360)</u>	<u>\$ (7,870,377)</u>	<u>\$ (7,235,739)</u>	<u>\$ (4,624,775)</u>	<u>\$ 2,402,042</u>	<u>\$ (3,644,623)</u>	<u>\$ (3,189,260)</u>	<u>\$ (5,194,940)</u>	<u>\$ (4,388,077)</u>	<u>\$ (5,313,101)</u>
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental activities -										
Property taxes	\$ 1,972,239	\$ 1,950,694	\$ 1,817,161	\$ 1,739,120	\$ 1,731,906	\$ 1,767,275	\$ 1,861,874	\$ 1,805,589	\$ 1,665,870	\$ 1,769,209
Tourist development taxes	183,857	149,108	113,541	64,755	39,529	36,060	13,527	7,120	30,287	39,624
Fuel taxes	281,937	255,638	230,880	231,438	232,681	228,653	168,122	213,988	230,000	229,718
Franchise taxes	366,834	349,322	327,992	288,767	305,448	334,218	364,912	293,431	243,849	279,313
Communication services taxes	267,399	298,398	278,448	361,484	298,469	312,900	297,279	212,177	176,152	146,184
Utility service taxes	660,134	472,984	450,533	357,489	347,131	342,531	319,616	206,774	128,931	136,976
Intergovernmental, unrestricted	543,531	570,938	520,130	499,149	1,070,901	819,245	510,832	552,449	567,629	498,649
Gain on sale of fixed assets	5,883,665 *	-	-	-	-	-	-	-	-	-
Miscellaneous	829,237	455,119	640,712	796,089	608,104	953,952	1,139,891	666,013	665,631	597,342
Investment earnings	5,879	6,240	11,844	13,904	35,537	30,688	21,304	49,430	119,922	149,068
Transfers	1,437,748	1,481,217	1,399,616	1,217,588	1,181,650	849,344	1,210,696	1,073,089	1,230,150	(313,870)
Total government activities	<u>12,432,460</u>	<u>5,989,658</u>	<u>5,790,857</u>	<u>5,569,783</u>	<u>5,851,356</u>	<u>5,674,866</u>	<u>5,908,053</u>	<u>5,080,060</u>	<u>5,058,421</u>	<u>3,532,213</u>
Business-type activities -										
Income from joint venture	527,820	-	-	-	-	-	-	-	-	-
Miscellaneous	343,899	270,568	123,641	329,682	268,959	547,198	8,663,204	233,593	364,517	70,820
Investment earnings	266,066	174,969	204,509	18,721	337,195	19,272	26,021	64,495	92,802	133,904
Transfers	(1,437,748)	(1,481,217)	(1,399,616)	(1,217,588)	(1,181,650)	(849,344)	(1,210,696)	(1,073,089)	(1,230,150)	313,870
Total business-type activities	<u>(299,963)</u>	<u>(1,035,680)</u>	<u>(1,071,466)</u>	<u>(869,185)</u>	<u>(575,496)</u>	<u>(282,874)</u>	<u>7,478,529</u>	<u>(775,001)</u>	<u>(772,831)</u>	<u>518,594</u>
Total primary government	<u>\$ 12,132,497</u>	<u>\$ 4,953,978</u>	<u>\$ 4,719,391</u>	<u>\$ 4,700,598</u>	<u>\$ 5,275,860</u>	<u>\$ 5,391,992</u>	<u>\$ 13,386,582</u>	<u>\$ 4,305,059</u>	<u>\$ 4,285,590</u>	<u>\$ 4,050,807</u>
<b>Change in Net Position:</b>										
Government activities	\$ 5,032,315	\$ (998,351)	\$ (121,652)	\$ 1,106,798	\$ 6,478,674	\$ 734,304	\$ 1,062,208	\$ 135,495	\$ 786,578	\$ (2,710,521)
Business-type activities	2,120,822	(1,918,048)	(2,394,696)	(1,030,975)	1,199,228	1,013,065	9,135,114	(1,025,376)	(889,065)	1,448,227
Total primary government	<u>\$ 7,153,137</u>	<u>\$ (2,916,399)</u>	<u>\$ (2,516,348)</u>	<u>\$ 75,823</u>	<u>\$ 7,677,902</u>	<u>\$ 1,747,369</u>	<u>\$ 10,197,322</u>	<u>\$ (889,881)</u>	<u>\$ (102,487)</u>	<u>\$ (1,262,294)</u>

SOURCE: City of Gulf Breeze Finance Department.

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

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

**Table III**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental Activities:</b>										
General government	\$ 246,268	\$ 87,414	\$ 64,546	\$ 94,215	\$ 67,903	\$ 92,983	\$ 47,546	\$ 101,657	\$ 69,705	\$ 188,550
Public safety	1,113,580	1,012,910	845,318	901,465	749,597	345,228	113,966	318,015	267,493	295,201
Culture and recreation	355,232	327,605	385,295	242,762	217,271	231,431	230,571	225,774	261,662	183,622
Total government charges	<u>1,715,080</u>	<u>1,427,929</u>	<u>1,295,159</u>	<u>1,238,442</u>	<u>1,034,771</u>	<u>669,642</u>	<u>392,083</u>	<u>645,446</u>	<u>598,860</u>	<u>667,373</u>
<b>Business-Type Activities:</b>										
Water and sewer	2,492,620	2,339,659	1,999,093	1,816,720	1,850,835	1,889,323	1,764,738	1,896,573	1,787,244	1,545,320
Natural gas	2,681,257	2,594,132	2,515,805	1,888,721	1,596,774	1,893,196	2,077,968	1,918,813	1,955,968	1,781,957
South Santa Rosa Utility	6,067,336	6,983,404	7,010,605	5,998,798	4,933,717	4,876,402	4,474,554	4,242,023	4,116,191	3,935,152
Solid waste control	645,519	593,891	571,504	725,172	1,012,054	986,019	1,004,577	1,023,845	1,011,010	947,181
Stormwater management	236,275	234,086	205,282	190,324	197,504	195,304	190,992	193,874	194,183	188,938
Gulf Breeze Financial Services	695,289	577,096	635,849	875,171	926,632	777,842	870,766	523,776	475,615	841,300
Innerarity Point	60,402	44,882	16,750	-	-	-	-	-	-	-
Total business-type charges	<u>12,878,698</u>	<u>13,367,150</u>	<u>12,954,888</u>	<u>11,494,906</u>	<u>10,517,516</u>	<u>10,618,086</u>	<u>10,383,595</u>	<u>9,798,904</u>	<u>9,540,211</u>	<u>9,239,848</u>
Total primary government	<u>\$ 14,593,778</u>	<u>\$ 14,795,079</u>	<u>\$ 14,250,047</u>	<u>\$ 12,733,348</u>	<u>\$ 11,552,287</u>	<u>\$ 11,287,728</u>	<u>\$ 10,775,678</u>	<u>\$ 10,444,350</u>	<u>\$ 10,139,071</u>	<u>\$ 9,907,221</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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Non-spendable Fund Balance:</b>										
General fund	\$ 15,532	\$ 100,977	\$ 5,349	\$ 5,488	\$ 5,980	\$ 6,074	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 15,532</u>	<u>\$ 100,977</u>	<u>\$ 5,349</u>	<u>\$ 5,488</u>	<u>\$ 5,980</u>	<u>\$ 6,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Restricted Fund Balance:</b>										
General fund	\$ 291,112	\$ 290,144	\$ 280,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	677,672	463,425	329,403	762,430	916,350	994,663	-	-	-	-
Total	<u>\$ 968,784</u>	<u>\$ 753,569</u>	<u>\$ 609,926</u>	<u>\$ 762,430</u>	<u>\$ 916,350</u>	<u>\$ 994,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Committed Fund Balance:</b>										
General fund	\$ 657,821	\$ 657,821	\$ 657,770	\$ 562,270	\$ 362,270	\$ 360,177	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	475,409	-	-	-	-	-	-
Total	<u>\$ 657,821</u>	<u>\$ 657,821</u>	<u>\$ 657,770</u>	<u>\$ 1,037,679</u>	<u>\$ 362,270</u>	<u>\$ 360,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Assigned Fund Balance:</b>										
General fund	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ 115,993	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	806,815	714,234	530,095	-	416,854	384,162	-	-	-	-
Total	<u>\$ 922,808</u>	<u>\$ 830,227</u>	<u>\$ 646,088</u>	<u>\$ 115,993</u>	<u>\$ 532,847</u>	<u>\$ 500,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Unassigned Fund Balance:</b>										
General fund	\$ 12,630,941	\$ 6,162,112	\$ 6,650,378	\$ 6,058,917	\$ 6,698,503	\$ 4,927,685	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 12,630,941</u>	<u>\$ 6,162,112</u>	<u>\$ 6,650,378</u>	<u>\$ 6,058,917</u>	<u>\$ 6,698,503</u>	<u>\$ 4,927,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Fund Balance:</b>										
General fund	\$ 13,711,399	\$ 7,327,047	\$ 7,710,013	\$ 6,742,668	\$ 7,182,746	\$ 5,409,929	\$ -	\$ -	\$ -	\$ -
Aggregate special revenue funds	1,484,487	1,177,659	859,498	1,237,839	1,333,204	1,378,825	-	-	-	-
Total	<u>\$ 15,195,886</u>	<u>\$ 8,504,706</u>	<u>\$ 8,569,511</u>	<u>\$ 7,980,507</u>	<u>\$ 8,515,950</u>	<u>\$ 6,788,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
Taxes	\$ 3,732,400	\$ 3,476,144	\$ 2,890,563	\$ 2,754,286	\$ 2,649,716	\$ 2,687,419	\$ 2,660,418	\$ 2,739,079	\$ 2,475,088	\$ 2,601,025
Licenses and permits	92,871	87,414	392,538	382,850	373,351	427,201	412,458	83,962	69,705	96,644
Intergovernmental	1,139,512	1,948,601	2,434,281	3,624,993	8,202,214	4,797,182	1,559,733	1,020,661	2,151,913	3,093,715
Charges for services	508,629	327,605	311,099	232,418	243,576	251,342	254,973	243,468	261,662	275,527
Fines and forfeitures	1,113,580	1,012,910	826,754	879,725	742,280	340,415	101,604	318,016	267,493	295,201
Miscellaneous	835,116	461,359	815,290	871,303	688,458	980,341	1,223,509	697,852	785,553	746,410
Total revenues	<u>7,422,108</u>	<u>7,314,033</u>	<u>7,670,525</u>	<u>8,745,575</u>	<u>12,899,595</u>	<u>9,483,900</u>	<u>6,212,695</u>	<u>5,103,038</u>	<u>6,011,414</u>	<u>7,108,522</u>
<b>Expenditures:</b>										
General government	2,164,224	1,979,557	2,031,432	1,818,220	1,729,301	2,082,950	1,951,093	1,402,579	1,600,347	1,377,411
Public safety	3,412,143	3,423,304	3,072,298	2,969,546	2,596,140	2,362,472	2,074,114	1,963,524	2,084,015	2,050,760
Transportation	249,971	519,423	328,318	713,559	204,519	249,113	139,370	151,623	96,455	152,329
Economic environment	229,567	198,758	136,168	116,579	133,073	122,413	118,498	116,673	102,446	104,597
Culture and recreation	1,481,765	1,424,236	1,382,952	1,119,344	1,251,795	3,462,148	908,776	886,497	993,855	4,236,487
Capital outlay	378,651	752,873	948,833	3,280,636	5,957,086	2,297,710	1,199,274	674,156	856,144	2,210,764
Debt service -										
Principal	202,400	193,600	184,800	175,650	171,600	239,357	158,400	154,000	-	183,554
Interest	356,325	368,304	396,336	305,046	310,536	315,231	320,336	325,297	327,402	226,147
Cost of issuance	-	-	-	-	-	-	-	-	-	330,824
Total expenditures	<u>8,475,046</u>	<u>8,860,055</u>	<u>8,481,137</u>	<u>10,498,580</u>	<u>12,354,050</u>	<u>11,131,394</u>	<u>6,869,861</u>	<u>5,674,349</u>	<u>6,060,664</u>	<u>10,872,873</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,052,938)</u>	<u>(1,546,022)</u>	<u>(810,612)</u>	<u>(1,753,005)</u>	<u>545,545</u>	<u>(1,647,494)</u>	<u>(657,166)</u>	<u>(571,311)</u>	<u>(49,250)</u>	<u>(3,764,351)</u>
<b>Other Financing Sources (Uses):</b>										
Proceeds from sale of fixed assets	6,306,370	-	-	-	-	-	-	-	-	-
Transfers in	2,207,628	1,957,284	1,850,176	2,115,010	1,815,781	1,240,844	1,576,051	1,427,989	959,946	1,137,462
Transfers out	(769,880)	(476,067)	(450,560)	(897,422)	(634,130)	(391,500)	(365,355)	(354,900)	(1,451,332)	(1,451,332)
Insurance recoveries	-	-	-	-	-	-	2,295	17,500	69,498	-
Principal payment to refund debt	-	-	-	-	-	-	-	-	-	(7,908,890)
Debt proceeds	-	-	-	-	-	-	-	-	-	14,225,000
Total other financing sources (uses)	<u>7,744,118</u>	<u>1,481,217</u>	<u>1,399,616</u>	<u>1,217,588</u>	<u>1,181,651</u>	<u>849,344</u>	<u>1,212,991</u>	<u>1,090,589</u>	<u>(421,888)</u>	<u>6,002,240</u>
Net change in fund balance	<u>\$ 6,691,180</u>	<u>\$ (64,805)</u>	<u>\$ 589,004</u>	<u>\$ (535,417)</u>	<u>\$ 1,727,196</u>	<u>\$ (798,150)</u>	<u>\$ 555,825</u>	<u>\$ 519,278</u>	<u>\$ (471,138)</u>	<u>\$ 2,237,889</u>
Debt service as a percentage of noncapital expenditures	6.90%	6.93%	7.72%	6.66%	7.54%	6.28%	8.44%	9.59%	6.29%	4.73%

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

**Table VI**

Year	Total Tax Levy (1)	Amount of Current Taxes Collected	Percent of Current Taxes Collected	Amount of Delinquent Taxes Collected	Total Collected for the Year	Ratio of Total Taxes Collected to Current Levy	Delinquent Taxes	Ratio of Delinquent Taxes to Current Levy
2016	This levy will be collected during Fiscal Year 2017							
2015	\$ 1,394,497	\$ 1,393,472	99.9%	\$ 26	\$ 1,393,498	99.9%	\$ 3,325	0.2%
2014	\$ 1,350,376	\$ 1,305,276	96.7%	\$ 5,874	\$ 1,311,150	97.1%	\$ 3,175	0.2%
2013	\$ 1,282,755	\$ 1,243,086	96.9%	\$ 4,059	\$ 1,247,145	97.2%	\$ 919	0.1%
2012	\$ 1,200,632	\$ 1,163,879	96.9%	\$ 3,864	\$ 1,167,743	97.3%	\$ 704	0.1%
2011	\$ 1,194,763	\$ 1,158,863	97.0%	\$ 3,973	\$ 1,162,836	97.3%	\$ 2,857	0.2%
2010	\$ 1,206,357	\$ 1,168,019	96.8%	\$ 3,674	\$ 1,171,693	97.1%	\$ 2,685	0.2%
2009	\$ 1,258,989	\$ 1,217,346	96.7%	\$ 3,752	\$ 1,221,098	97.0%	\$ 5,644	0.4%
2008	\$ 1,221,189	\$ 1,174,803	96.2%	\$ 3,175	\$ 1,177,978	96.5%	\$ 10,636	0.9%
2007	\$ 1,063,428	\$ 1,027,774	96.6%	\$ 2,945	\$ 1,030,719	96.9%	\$ 1,565	0.1%

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>
2016	\$ 990,275,803	\$ 37,447,989	\$ 1,027,723,792	\$ 296,547,192	\$ 731,176,600	1.9723
2015	\$ 964,310,659	\$ 38,849,877	\$ 1,003,160,536	\$ 297,339,426	\$ 705,821,110	1.9310
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

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>
2016	1.9723
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

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  
2016 AND NINE YEARS AGO  
UNAUDITED**

**Table IX**

Taxpayer	Fiscal Year 2016		2007	
	Total Taxable Value	Percentage	Total Taxable Value	Percentage
Andrews Institute Medical Park	\$ 17,390,382	2.46%	\$	
Sea Shell Collections LLC	14,141,130	2.00%	5,577,791	0.81%
Gulf Power Company	9,165,139	1.30%	6,011,065	0.88%
Mullet, Willis J.	8,577,202	1.21%	9,081,652	1.33%
GB Hotel Investments	5,389,615	0.76%		
Belleau, George and Ann	5,408,337	0.76%		
Quietwater LLC	5,284,466	0.75%	5,344,521	0.78%
Falzone, Timothy D	5,109,407	0.72%	5,788,437	0.85%
Bell South Communications	5,067,052	0.72%	5,496,558	0.80%
Gulf Breeze 98 LLC	5,019,843	0.71%		
Bay Beach Hotel, LLC			5,103,354	0.75%
Total of Principal Taxpayers	80,552,573	11.38%	42,403,378	6.19%
Total All Other Taxpayers	627,013,198	88.62%	642,373,754	93.81%
Total Taxable Value	<u>\$ 707,565,771</u>	<u>100.00%</u>	<u>\$ 684,777,132</u>	<u>100.00%</u>

SOURCE: Santa Rosa County Property Appraiser

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

**Table X**

<u>Fiscal Year</u>	<u>Assessment</u>	<u>Assessments Collected</u>	<u>Ratio of Collections to Amount Assessed</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
2016	\$ -	13,396	\$	\$ 30,095
2015	\$ -	12,404	\$	\$ 43,491
2014	\$ -	11,485	\$	\$ 55,895
2013	\$ -	10,635	\$	\$ 67,380
2012	\$ -	24,774	\$	\$ 78,015
2011	\$ -	12,322	\$	\$ 102,789
2010	\$ 58,790	43,191	\$ 73.5%	\$ 115,111
2009	\$ -	36,337	\$	\$ 99,512
2008	\$ 411,225 (1)	281,754	\$ 68.5%	\$ 135,849
2007	\$ 57,403	51,025	\$ 88.9%	\$ 6,378

SOURCE: City of Gulf Breeze Finance Department

<sup>(1)</sup> Septic abatement assessment provided up to 10 years for payment

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

**Table XI**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenue Bonds Payable:</b>										
Governmental activities	\$ 7,559,693	\$ 7,760,503	\$ 7,952,513	\$ 8,135,723	\$ 8,311,723	\$ 8,481,734	\$ 8,642,944	\$ 8,799,754	\$ 8,952,164	\$ 10,177,575
Business-type activities	<u>15,438,447</u>	<u>8,785,821</u>	<u>9,687,627</u>	<u>5,471,974</u>	<u>5,959,853</u>	<u>6,432,134</u>	<u>6,878,215</u>	<u>7,308,696</u>	<u>7,723,577</u>	<u>6,880,458</u>
Total primary government	<u>\$ 22,998,140</u>	<u>\$ 16,546,324</u>	<u>\$ 17,640,140</u>	<u>\$ 13,607,697</u>	<u>\$ 14,271,576</u>	<u>\$ 14,913,868</u>	<u>\$ 15,521,159</u>	<u>\$ 16,108,450</u>	<u>\$ 16,675,741</u>	<u>\$ 17,058,033</u>
<b>Notes Payable:</b>										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	<u>852,543</u>	<u>893,340</u>	<u>932,922</u>	<u>4,759,964</u>	<u>4,897,432</u>	<u>5,051,438</u>	<u>4,763,971</u>	<u>5,099,608</u>	<u>5,623,846</u>	<u>6,133,241</u>
Total primary government	<u>\$ 852,543</u>	<u>\$ 893,340</u>	<u>\$ 932,922</u>	<u>\$ 4,759,964</u>	<u>\$ 4,897,432</u>	<u>\$ 5,051,438</u>	<u>\$ 4,763,971</u>	<u>\$ 5,099,608</u>	<u>\$ 5,623,846</u>	<u>\$ 6,133,241</u>
<b>Line of Credit:</b>										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Capital Leases Payable:</b>										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	<u>3,941,854</u>	<u>4,292,398</u>	<u>4,663,665</u>	<u>262,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,403</u>	<u>170,930</u>	<u>223,145</u>
Total primary government	<u>\$ 3,941,854</u>	<u>\$ 4,292,398</u>	<u>\$ 4,663,665</u>	<u>\$ 262,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,403</u>	<u>\$ 170,930</u>	<u>\$ 223,145</u>
<b>Total Debt:</b>										
Governmental activities	\$ 7,559,693	\$ 7,760,503	\$ 7,952,513	\$ 8,135,723	\$ 8,311,723	\$ 8,481,734	\$ 8,642,944	\$ 8,799,754	\$ 8,952,164	\$ 10,177,575
Business-type activities	<u>20,232,844</u>	<u>16,971,559</u>	<u>18,284,214</u>	<u>13,494,495</u>	<u>10,857,285</u>	<u>11,483,572</u>	<u>11,642,186</u>	<u>12,524,707</u>	<u>13,518,353</u>	<u>13,236,844</u>
Total primary government	<u>\$ 27,792,537</u>	<u>\$ 24,732,062</u>	<u>\$ 26,236,727</u>	<u>\$ 21,630,218</u>	<u>\$ 19,169,008</u>	<u>\$ 19,965,306</u>	<u>\$ 20,285,130</u>	<u>\$ 21,324,461</u>	<u>\$ 22,470,517</u>	<u>\$ 23,414,419</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)
2016	5,818	\$ 731,176,600	\$ 27,792,537	3.8%	\$ 4,777	9.52%
2015	5,815	\$ 705,821,110	\$ 24,732,062	3.5%	\$ 4,253	9.45%
2014	5,805	\$ 684,357,400	\$ 26,236,727	3.8%	\$ 4,520	10.77%
2013	5,763	\$ 650,108,716	\$ 21,630,218	3.3%	\$ 3,753	8.64%
2012	5,790	\$ 631,575,965	\$ 19,169,008	3.0%	\$ 3,311	7.67%
2011	5,765	\$ 628,421,112	\$ 19,965,306	3.2%	\$ 3,463	7.95%
2010	5,751	\$ 634,514,000	\$ 20,285,130	3.2%	\$ 3,527	8.12%
2009	5,791	\$ 661,890,020	\$ 21,324,461	3.2%	\$ 3,682	8.45%
2008	5,780	\$ 681,829,995	\$ 22,470,517	3.3%	\$ 3,888	8.70%
2007	5,805	\$ 684,777,132	\$ 23,414,419	3.4%	\$ 4,033	8.29%

(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, Section 200.181, Florida Statutes, and the Charter of the City of Gulf Breeze, Florida set no legal debt margin.

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

**Table XIV**

Fiscal Year	Estimated Population (1)	Assessed Value for Operations (2)	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2016	5,818	\$ 731,176,600	\$ -	\$ -	\$ -	- %	\$ -
2015	5,815	\$ 705,821,110	\$ -	\$ -	\$ -	- %	\$ -
2014	5,805	\$ 684,357,400	\$ -	\$ -	\$ -	- %	\$ -
2013	5,763	\$ 650,108,716	\$ -	\$ -	\$ -	- %	\$ -
2012	5,790	\$ 631,575,965	\$ -	\$ -	\$ -	- %	\$ -
2011	5,765	\$ 628,421,112	\$ -	\$ -	\$ -	- %	\$ -
2010	5,751	\$ 634,514,000	\$ -	\$ -	\$ -	- %	\$ -
2009	5,791	\$ 661,890,020	\$ -	\$ -	\$ -	- %	\$ -
2008	5,780	\$ 681,829,995	\$ -	\$ -	\$ -	- %	\$ -
2007	5,805	\$ 684,777,132	\$ -	\$ -	\$ -	- %	\$ -

(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
2016	\$ 5,860,774	\$ 1,378,577	\$ 3,626,641	\$ 3,612,710	\$ 700,000	\$ 180,000	\$ 880,000	4.11
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

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						
2016	5,818	167,009	3.48%	2.51%	\$ 292,034,510	\$ 50,195	3.90%	\$ 84,423
2015	5,815	162,925	3.57%	1.14%	\$ 261,611,035	\$ 44,989	2.70%	\$ 85,529
2014	5,805	161,096	3.60%	1.63%	\$ 243,606,828	\$ 41,965	2.65%	\$ 80,433
2013	5,763	158,512	3.64%	2.01%	\$ 250,475,196	\$ 43,463	2.65%	\$ 73,012
2012	5,790	155,390	3.73%	0.32%	\$ 249,926,200	\$ 43,165	2.50%	\$ 67,214
2011	5,765	154,901	3.72%	6.09%	\$ 251,008,100	\$ 43,540	2.95%	\$ 70,575
2010	5,751	146,008	3.94%	1.04%	\$ 249,756,026	\$ 43,428	3.20%	\$ 67,214
2009	5,791	144,508	4.01%	0.26%	\$ 252,389,153	\$ 43,583	2.50%	\$ 65,980
2008	5,780	144,136	4.01%	1.40%	\$ 258,290,860	\$ 44,687	2.26%	\$ 70,093
2007	5,805	142,144	4.08%	-0.23%	\$ 282,390,030	\$ 48,646	2.26%	\$ 66,699

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

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

Table XVIII

Fiscal Year	Assessed Value for Operations (1)	Commercial Construction		Residential Construction		Bank Deposits (3)
		Number of Units (2)	Value	Number of Units (2)	Value	
2016	\$ 731,176,600	1	\$ 20,000,000	22	\$ 5,721,000	\$ 446,668,000
2015	\$ 705,821,110	3	\$ 1,300,000	13	\$ 5,010,000	\$ 424,212,000
2014	\$ 684,357,400	0	\$ -	15	\$ 7,552,000	\$ 398,443,000
2013	\$ 650,108,716	1	\$ 80,000	18	\$ 10,737,000	\$ 347,134,000
2012	\$ 631,575,965	4	\$ 8,011,500	10	\$ 4,193,000	\$ 292,221,000
2011	\$ 628,421,112	4	\$ 602,500	13	\$ 6,297,000	\$ 247,182,000
2010	\$ 634,514,000	0	\$ -	9	\$ 501,500	\$ 283,202,000
2009	\$ 661,890,020	1	\$ 1,121,596	3	\$ 204,500	\$ 297,216,000
2008	\$ 681,829,995	11	\$ 430,033	14	\$ 1,491,560	\$ 309,810,000
2007	\$ 684,777,132	24	\$ 5,794,633	14	\$ 3,849,400	\$ 317,633,000

(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 2016 (1)</u>	<u>Employees</u>	<u>Percentage of Labor Force</u>
Andrews Institute	593	14.9%
Gulf Breeze Hospital	452	11.4%
AppRiver	170	4.3%
Gulf Breeze High School	110	2.8%
City of Gulf Breeze	94	2.4%
Gulf Breeze Middle School	75	1.9%
Gulf Breeze Elementary School	70	1.8%
Publix	60	1.5%
 Total Labor Force (1)	 3,973	

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



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

**Table XX**

Year	Residential				Commercial			
	Additions/ Renovations	New Construction	Pool Permits	Miscellaneous/ Permits	Additions/ Renovations	New Construction	Sign Permits	Miscellaneous/ Permits
2016	30	13	10	185	9	3	23	8
2015	32	11	12	218	1	2	22	17
2014	5	1	1	60	0	0	3	10
2013	23	17	8	67	8	1	17	17
2012	12	11	12	67	4	6	30	16
2011	14	14	9	53	19	1	22	16
2010	25	13	14	37	10	5	19	4
2009	24	5	3	20	11	0	26	11
2008	19	9	4	18	21	3	33	4
2007	25	22	22	14	4	3	37	5

SOURCE: City of Gulf Breeze Community Services Department

**CITY OF GULF BREEZE, FLORIDA  
WATER SERVICE RATES  
UNAUDITED  
AS OF SEPTEMBER 30, 2016**

**Table XXI**

Meter Size	Inside City Limits					Outside City Limits						
	Residential	Commercial	Usage Included (000's Gallons)	Rate per 000's Gallons Additional		Residential	Usage Included (000's Gallons)	Rate per 000's Gallons Additional	Commercial	Usage Included (000's Gallons)	Rate per 000's 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	
Tech Fee	\$ 2.00	\$ 2.00				\$ 2.00			\$ 2.00			
Reclaim Service	N/A	N/A				\$ 6.00			\$ 6.00			
Surcharge per FS 180.191						3%			3%			

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

**CITY OF GULF BREEZE, FLORIDA  
SEWER SERVICE RATES  
UNAUDITED  
AS OF SEPTEMBER 30, 2016**

**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	\$ 18.18	-	\$ 4.60	\$ 18.18	-	\$ 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, 2016  
UNAUDITED**

**Table XXIII**

Residential Collection

	<u>Curbside</u>	<u>Sideyard</u>
Regular	\$ 19.14	\$ 31.89
Senior Rate	\$ 17.09	\$ 17.09
Disable Rate	\$ 17.09	\$ 17.09
Extra Kart	\$ 9.20	\$ 12.28

Commercial Collection

	<u>Collection Frequency (Per Week)</u>					
<u>Container Size (Waste)</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>Per Extra Call</u>
Kart (96 Gal)	\$ 25.00	\$ 39.78				
2 Cubic Yards	\$ 51.17	\$ 67.23	\$ 104.29	\$ 143.75	\$ 166.90	\$ 20.78
4 Cubic Yards	\$ 75.55	\$ 121.28	\$ 177.17	\$ 236.09	\$ 290.08	\$ 41.55
6 Cubic Yards	\$ 101.98	\$ 173.95	\$ 250.33	\$ 327.35	\$ 407.17	\$ 62.33
8 Cubic Yards	\$ 128.94	\$ 222.70	\$ 323.66	\$ 423.70	\$ 525.12	\$ 83.10
6 Cubic Yard Compactor *	\$ 286.35	\$ 541.70	\$ 797.00	\$ 1,058.00	\$ 1,235.43	N/A
30 Cubic Yard Roll Off *+	\$ 852.03	\$ 1,704.06	\$ 2,556.08	\$ 3,408.00	\$ 4,260.14	\$ 196.78

<u>Container Size (Recycling)</u>	<u>Collection Frequency (per week)</u>		
	<u>1</u>	<u>3</u>	<u>5</u>
Kart (96 Gal)	\$ 9.95	\$	\$
2 Cubic Yards*	\$ 31.50	\$ 55.99	\$ 93.31
4 Cubic Yards*	\$ 43.75	\$ 84.27	\$ 145.58
6 Cubic Yards*	\$ 55.75	\$ 101.25	\$ 177.32
8 Cubic Yards*	\$ 74.76	\$ 122.86	\$ 228.02

\* Billed directly by contractor / franchisee

+ Plus actual disposal costs

<u>Transfer Station (Non Class 1 Waste Only)</u>	<u>City Resident</u>	<u>Non-Resident</u>	<u>Commercial</u>
Minimum Charge per "Pick Up Truck Load"	\$ 15.00	\$ 30.00	\$ 60.00

**CITY OF GULF BREEZE, FLORIDA  
NATURAL GAS SERVICE RATES  
YEAR ENDED SEPTEMBER 30, 2016  
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, 2016  
UNAUDITED**

**Table XXV**

Type	Effective Dates	Company	Policy Number	Amount	
Auto (Person)	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	\$	200,000
Auto (Occurrence)				\$	300,000
General liability	10/01/16 - 9/30/17	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	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	Statutory Limit	
Employers Liability	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	\$	1,000,000
Real property	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	\$	33,207,132
Personal property	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	\$	1,887,503
Island marine	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	\$	234,836
Accounts Receivable	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	\$	250,000
Wind storm	10/01/16 - 9/30/17	Florida Municipal Insurance Trust	FMIT # 0224	\$	4,443,000
Storage Tank Liability	3/01/16 - 3/08/17	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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Full-time employees on City Payroll as of September 30, (1)</b>										
<b>General Government:</b>										
City manager and city clerk	4	5	5	4	4	4	4	4	4	4
Community services	3	3	3	2	2	2	2	2	2	2
Finance and accounting	3	3	3	5	5	5	5	5	5	7
Parks and recreation center	13	10	10	8	8	8	9	8	8	8
Special projects	1	1	0	0	0	0	0	0	1	1
Sworn officers	17	18	18	17	15	15	18	17	19	19
Civilian employees	8	8	8	8	7	7	7	8	8	8
Police	25	26	26	25	22	22	25	25	27	27
Total general government	49	48	47	44	41	41	45	44	47	49
<b>Enterprises (2):</b>										
Gulf Breeze Financial Services	3	3	2	2	2	3	2	1	1	1
Gas, water and sewer	13	13	13	13	12	12	13	11	12	13
South Santa Rosa Utility	29	29	28	27	26	26	23	27	29	29
Tiger Point Golf Course (3)	0 <sup>(3)</sup>	17	19	19	0	0	0	0	0	0
Total enterprises	45	62	62	61	40	41	38	39	42	43

(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**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Fire Department:</b>										
Emergency medical calls	606	645	439	495	449	511	562	500	471	527
Fire and other calls	394	366	401	361	300	289	322	325	315	375
Total calls	1,000	1,011	840	856	749	800	884	825	786	902
<b>Police Department:</b>										
Arrests	505	314	304	415	466	245	161	195	142	206
Citations	4,943	3,917	5,455	6,734	5,462	5,748	4,968	4,451	4,451	5,330
<b>Parks and Recreation:</b>										
League registrations	1,773	1,718	1,640	1,745	1,566	1,777	1,802	1,918	1,596	1,617
<b>Water:</b>										
Customers at year end	2,612	2,580	2,591	2,579	2,580	2,558	2,565	2,575	2,576	2,572
Usage (000's gallons)	249,999	228,795	227,259	217,800 *	233,565	244,322	244,322	256,115	247,620	266,146
<b>Sewer:</b>										
Customers at year end	1,554	1,548	1,528	1,517	1,514	1,463	1,471	1,479	1,450	1,407
Treatment (000's gallons)	162,071	146,576	172,157	134,652 *	147,327	157,743	150,468	164,167	155,865	168,066
<b>Natural Gas:</b>										
Customers at year end	3,874	3,722	3,591	3,460	3,371	3,311	3,248	3,237	3,204	3,104
Therms (000's 100's ft3)	1,690,019	1,603,182	1,754,132	1,270,690 *	1,037,415	1,195,192	1,286,640	1,120,347	1,129,450	1,154,080
<b>SSRUS - Water:</b>										
Customers at year end	4,358	4,337	4,300	4,145	4,196	4,178	4,200	4,220	4,229	4,224
Usage (000's gallons)	272,180	280,525	289,186	270,288 *	286,027	296,911	293,962	299,967	292,892	309,617
<b>SSRUS - Sewer:</b>										
Customers at year end	6,418	6,321	6,160	5,966	5,958	5,850	5,837	5,824	5,819	5,744
Treatment (000's gallons)	400,093	406,407	422,883	373,787 *	395,337	412,452	385,532	387,549	389,835	407,189
<b>Wastewater Treatment:</b>										
Treatment (Millions of Gallons)	606.0	545.2	614.9	558.6	519.2	487.7	562.5	509.2	501.9	499.7
<b>Tiger Point Golf Course:</b>										
Annual rounds played (1)	N/A	31,305	37,248	32,159	25,828	24,724	22,436	-	-	-

SOURCE: Department Records and Gulf Breeze Sports Association

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

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



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

**Table XXVIII**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Streets:</b>										
Miles of roads	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7	34.7
Miles of sidewalks	10.5	10.5	10.5	10	10	10	10	10	10	10
Signs installed	172	172	172	172	171	171	171	171	171	171
Traffic signal (City owned)	1	1	1	1	1	1	1	1	1	1
<b>Water:</b>										
Water line (miles)	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5
Elevated storage tanks	1	1	1	1	1	1	1	1	1	1
Elevated storage capacity (000's)	100	100	100	100	100	100	100	100	100	100
Ground storage tanks	1	1	1	1	1	1	1	1	1	1
Ground storage capacity (000,000's gallons)	1	1	1	1	1	1	1	1	1	1
Water pump facilities	1	1	1	1	1	1	1	1	1	1
<b>Sewer:</b>										
Sewer line (miles)	34.7	34.7	34.7	34.7	16.4	16.0	16.0	16.0	15.3	15.3
Lift stations	26	10	10	10	25	25	25	25	24	23
<b>Natural Gas:</b>										
Gas main (miles)	141.3	141.3	141.3	141.3	129.5	119.3	119.3	119.3	119.3	118.6
<b>South Santa Rosa Utility System:</b>										
<u>Water</u>										
Water line (miles)	62.9	62.9	62.9	62.5	62.3	62.3	62.3	62.3	62.3	61.3
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	59.4	59.0	57.8	57.0	57.0	57.0	56.8	54.8
Lift stations	61	61	61	61	60	60	60	60	57	57
<u>Treatment Facilities</u>										
Facilities	1	1	1	1	1	1	1	1	1	1
Capacity (000,000 gallons per day)	2	2	2	2	2	2	2	2	2	2
<b>Stormwater Utility:</b>										
Stormwater pipe (miles)	11.4	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.0	7.0
Inlets	262	186	186	186	186	186	186	186	180	88
Pump stations	6	5	5	5	5	5	5	5	5	5
<b>Police Department:</b>										
Patrol units	18	18	18	17	17	17	17	17	19	19
<b>Fire Department:</b>										
Response and support vehicles	10	10	10	10	10	10	10	9	10	10

SOURCE: Department Records

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## **IV. COMPLIANCE SECTION**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gulf Breeze, Florida, (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2017.

**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 below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 *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. 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 2016-001 below to be a material weakness.

**Finding: 2016-001**

Financial Reporting

We noted continued improvement in financial reporting for the fiscal year 2016 audit compared to prior years. The audit began on schedule with a completed trial balance provided to us with no outstanding adjustments and there were fewer total adjustments identified during the audit this year than there were in prior years. However, during the audit we again identified several material adjustments that were necessary to properly present the financial statements in accordance with generally accepted accounting principles.

We recommend the City continue their efforts to improve the year-end closeout procedures and consider implementing a comprehensive review process for close out entries and year-end balances to be performed prior to the audit.

*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.

**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*.

**City of Gulf Breeze, Florida's Response to Finding**

The City's response to the finding identified in our audit is described above in "Management's Response." We did not audit the City's response and, accordingly, we express no opinion on it.

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

### **Purpose of this Report**

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



Pensacola, Florida  
March 9, 2017

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## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the City of Gulf Breeze, Florida, (the City) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 9, 2017.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

### Other 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* 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, which are dated March 9, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report, except as noted below:

Tabulation of Uncorrected Audit Findings		
Current Year	2014-15 FY	2013-14 FY
Finding #	Finding #	Finding #
2016-001	2015-001	2014-001



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

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City of Gulf Breeze, Florida and each component unit of the City has been disclosed in Note 1 to the financial statements.

### **Financial Condition**

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, 2016, 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, 2016. 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 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*.

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.

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

**Purpose of this Letter**

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

A handwritten signature in black ink, reading "Saltmarsh Clauleland & Gend". The signature is written in a cursive, flowing style.

Pensacola, Florida  
March 9, 2017

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

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

We have examined the City of Gulf Breeze, Florida's (the City's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. 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, 2016.

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



Pensacola, Florida  
March 9, 2017