

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF SEBASTIAN, FLORIDA

For the Fiscal Year October 1, 2011 through September 30, 2012

The CAFR cover shows photographs of signage improvements made by the recipients of our Facade, Signage and Landscaping Grant Program.

This program is designed to encourage visible, exterior improvements to any existing building (residential or commercial) and to encourage private investment within the Sebastian Community Redevelopment Area (CRA).

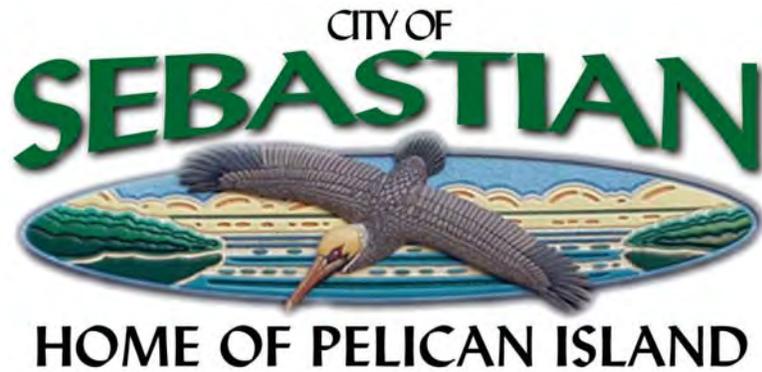
The program provides up to \$15,000 of public funds per building to match private funds to pay for improvements within the Sebastian CRA. Funds are appropriated annually in the CRA budget, and funding is available on a first come first serve basis. The program is subject to the availability of funds.

Facade, signage and landscaping (FSL) grants must support the goals of the Overlay District for the CRA area. Applicants are also encouraged to consider the design guidelines specified to achieve the “Old Florida Fishing Village” theme.

*Concept provided courtesy of:
Dorri Bosworth, Community Development, City of Sebastian*

*Photograph provided courtesy of:
Ginny Siefert, Community Development, City of Sebastian*

CITY OF SEBASTIAN, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2012

CITY COUNCIL

Jim Hill
Mayor

Don Wright
Vice-Mayor

Andrea Coy
Council Member

Bob McPartlan
Council Member

Richard H. Gillmor
Council Member

Prepared by: Administrative Services Department

CITY OF SEBASTIAN, FLORIDA

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INTRODUCTORY SECTION

CITY OF SEBASTIAN, FLORIDA

CITY OFFICIALS

For the Year Ended September 30, 2012

Al Minner
City Manager

Sally A. Maio, MMC
City Clerk

Robert Ginsburg
City Attorney

DEPARTMENT HEADS

Michelle Morris
Police Chief

Debra Krueger
Administrative Service Director

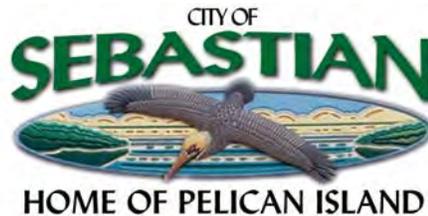
Kenneth W. Killgore
Finance Director

Jerry Converse
Public Works Director

Wayne Eseltine
Building Official

Greg Gardner
Golf Course Director

Joseph Griffin
Community Development & Airport Director



March 13, 2013

To the Citizens of the City of Sebastian, Florida:

We are submitting the Comprehensive Annual Financial Report of the City of Sebastian, Florida for the fiscal year ended September 30, 2012. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2012.

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

Chapter 218.39, Florida Statutes requires that the financial statements of the City of Sebastian be audited by a certified public accountant selected by the City Council. The City's independent Certified Public Accountants, Rehmann Robson, has issued an unqualified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2012. The independent auditors' report is located on page 13 and 14. Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Sebastian, Florida is located in Indian River County approximately midway through the east coast of the Florida Peninsula (between Melbourne and Vero Beach) in an area known as the Treasure Coast. It is recognized as the Home of Pelican Island, the first designated wildlife refuge in the United States, a Millennium City, and a Tree City USA. It was first incorporated as the Town of Sebastian in 1924. In the late 1950s General Development Corporation purchased the land from the Mackle family of Miami and began the development of a planned community that is now the City of Sebastian.

The City has a population of 21,995 living in an area of approximately 14.6 square miles. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City is a Florida municipal corporation with a five-member City Council. Council members serve a two-year term. Annual elections are held on the first Tuesday following the first Monday in November and two members are elected in even-numbered years and three members are elected in odd-numbered years. Elections are non-partisan and at-large. Mayor and Vice Mayor are elected from among the members of every newly seated Council at a Special meeting following the election each year. The City has operated under a Council-City Manager form of government since 1989.

The City provides a wide range of services including general government administration, police protection, the construction and maintenance of local roads, public works, recreational and cultural activities, a golf course, a general aviation airport, and a building department to enforce building codes.

This report includes all funds of the City. In evaluating the City as a reporting entity, we have included all component units for which the City Council is financially accountable. The component units have been blended with the financial statements presented for the Primary Government because the component unit's governing body is the same as the City Council or because the component unit exclusively serves the City. The blended component units are the Riverfront Redevelopment Agency and the Sebastian Police Officer's Pension Trust Fund.

The Council is required to adopt a final budget no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g., transportation), and department (e.g., public works). Shifts in appropriations within fund totals may be done administratively on the authority of the City Manager. Total fund appropriation changes and use of contingency appropriations must be approved by the City Council.

Local Economy

The region (which includes the City of Sebastian and the surrounding unincorporated area within the same county) has a fluctuating labor force depending on agricultural demand and is a strong retirement community. Although the labor force fluctuates, unemployment in the region steadily declined through 2006 but then increased for the next five years to a range of 13-14%. As of October 12, 2012, the Florida Research & Economic Database reported a slightly improved unemployment rate of 10.2%. The overall unemployment rate for the area has historically been greater than that of the State of Florida. This high number is representative of the general economic difficulties being experienced in the area and the lack of job creation.

The largest major occupational group is Office and Administrative Support Occupations (24.7%), followed by Sales and Related Occupations (17.3%) and Food Preparation and Serving Related Occupations (12.4%). According to the U.S. Census Bureau (2000), 86% of the population age 25 or older are high school graduates and 23.1% hold a bachelor's degree or higher. The area median age for 2010 was 50.1 per the U.S. Census Bureau and average wage is \$34,684 per year, assuming a 40-hour work-week, per the Florida Research & Economic Database. The geographical area of the City of Sebastian, just north of the Treasure Coast, houses a number of high-tech industries including NASA and various aerospace industry-related businesses. In the past, this attracted a workforce with a higher than average education and technical skills to the vicinity but with the end of the Space Shuttle program, the loss of these activities has affected job availability.

Long-Term Financial Planning

The voters of Indian River County in November 2003 extended the Infrastructure Sales Surtax in the amount of \$.01 per \$1.00 sale for an additional fifteen years and seven months beginning in January 2004. This Infrastructure Sales Surtax is estimated to provide the City in excess of \$40 million dollars over the life of the extension for the City's emergency vehicle and capital improvement needs. In addition, the City has funded a number of other capital projects with impact fees and has actively pursued grant funding for some major transportation and environmental improvements. It has also employed the use of a Community Redevelopment Agency that is funded by means of tax-increment financing.

The millage was held at 3.3041 for fiscal year 2012, although the City experienced another sizable decline in taxable value. Construction activity in fiscal year 2012 continued to be low, with just 66 permits being issued for new construction in fiscal year 2012 with a value of \$14.7 million. The decline is primarily attributed to the slowdown of the housing market.

General fund unassigned fund balance and amounts committed by the financial policies resolution based on 30% of the general fund expenditures budget, totaled 48% of the general fund expenditures budget. The City has been steadfast and refused to spend down these balances due to uncertainty about the future due to the slow down of building activity and because the City understands reliance on accumulated fund balances to fund operating expenditures is not a prudent fiscal strategy. To this end, the budget for fiscal year 2013 incorporates a small millage increase and plans for no reduction of fund balances.

Major Initiatives

Administration

There were several significant initiatives during the past fiscal year. Through request for proposals, the City determined to refinance the 2010 Bank Note to provide more street repaving funds and a reduction in the interest rate. Also with a competitive bidding process, the City transitioned all banking services to a new main depository bank and achieved lower bank service fees and a higher interest rate on overnight deposits. Additionally, the City successfully participated in rating surveillance activities by Standard & Poor's and retained "A+" bond ratings on the Stormwater Utilities Revenue Bonds and the Discretionary Sales Tax Revenue Bonds. During the budget process for fiscal year 2013, there were some notable actions considered important to maintaining healthy balances in uncommitted General Fund reserves. The City experienced further reductions in taxable property values, as well as lower collections of electric franchise fees and utility taxes. Therefore, some measures were required to bring projected revenues to the level of spending considered necessary. These included continuing mandatory monthly unpaid furlough days and offering no wage increases for the employees; approving a millage increase sufficient to replace a \$100,000 annual transfer that has been made previously from the local option gas taxes; and increasing stormwater fees to a rate that allows the Stormwater Fund to replace equipment and continue the \$500,000 annual transfer to General Fund.

Stormwater

The main focus of Stormwater effort expended for the past fiscal year has continued to be on the City's Stormwater Management Program, including capital projects, maintenance, citizen response and education, and forward planning. In fiscal year 2007, City began a program to upgrade the current swale system by installing quarter-round piping. The City also started outsourcing the swale and ditch maintenance work to enable City crews to focus on different Stormwater maintenance practices. During fiscal year 2012, drainage improvements continued with the installation of quarter-round piping in additional areas of the City. For fiscal year 2013, a rate increase from \$4.00 to \$5.00 per month per ERU (equivalent residential unit) was approved in order to continue the quarter-round program and provide funding for equipment replacements.

Traffic & Transportation

The City continues working on transportation improvements. The 2012 bank note refunded the 2010 bank note and also provided \$175,000 of additional funds for street repaving. Funds have also been allocated from discretionary sales taxes and the community redevelopment agency to develop a vehicle and boat parking area on the riverfront. Discretionary sales taxes will also fund enhancements to the "presidential streets" within the community redevelopment agency area. Other projects being planned for future years include repairs to the bridge on Barber Street and working with the County to make intersection improvements.

Airport

The Sebastian Municipal Airport's infrastructure is being developed with the intent of attracting economic development and stimulating the business climate in order to create jobs in the community. In fiscal year 2013, a separate budget was approved for expenses made toward promoting economic development. The current Master Plan serves as the guiding document for airport planning. Land leases are a primary source of airport revenues and over 150 acres of property is available for lease, for both aviation and non-aviation businesses. Also important are sales from a self-serve fueling facility.

The Airport's limited resources continue to be leveraged by aggressively seeking and obtaining grants available from the Florida Department of Transportation (FDOT) and Federal Aviation Administration (FAA) to provide the funding needed to develop the necessary infrastructure. Planned improvements in fiscal year 2013 include development of the Main Street Access Road and constructing parallel lighted taxiways and end of runway identification lighting. These and other ventures will help attract business to the Airport and thereby improve the financial positions of the Airport and City as a whole.

Public Safety

During the year, significant changes were negotiated and approved by the City Council to ensure the future affordability of the Police Officer's Pension Plan. New Police Officers will contribute 8% of their salaries and accrue a 2.5% retirement benefit for each year of service, while those employed before October 1, 2012 will have their contribution increase from 5% to 8% of salaries and continue to accrue a 3.0% retirement benefit for each year of service. The Police Department continues to participate in the accreditation program offered by the commission for Florida Law Enforcement Accreditation. The designation encourages the Police Department to establish goals and objectives with provisions for periodic updating; constant reevaluation of whether departmental resources are being employed in accordance with agency goals, objectives and mission; constant reevaluation of departmental policies and procedures as documented in the department's written directive system; to accommodate correction of internal deficiencies and inefficiencies before they become public problems; and the opportunity to reorganize without the appearance of personal attacks. Standards and performance measurements resulting from the accreditation process will continue to guide both Sebastian Police Department and city administration in alleviating potentially adverse conditions.

Culture & Recreation

The City continued efforts to promote the "working waterfront" concept on the riverfront properties that were purchased with grant funding and is in the process of amending a lease with a not-for-profit entity to advance this effort. During fiscal year 2012, Parks and Recreation completed renovations and the addition of a pavilion at the recreational facilities at Schumann Park. It also initiated plans for fiscal year 2013 to improve the equipment at the Creative Playground, install lights at the Riverview Park Volleyball Courts and install lights for the multi-use fields at the Barber Street Sports Complex. Funds are also being allocated to renovate the restrooms at that facility.

Awards and Acknowledgements

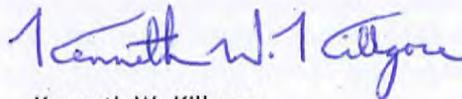
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sebastian for its comprehensive annual financial report for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. 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 U.S. 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 it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not be possible without the dedicated service of the Administrative Services department staff. Their efforts toward improving the accounting and financial reporting systems has led to the improved quality of information reported to the City Council, State and Federal agencies and the citizens of the City of Sebastian. We sincerely appreciate their contributions.

Respectfully submitted,



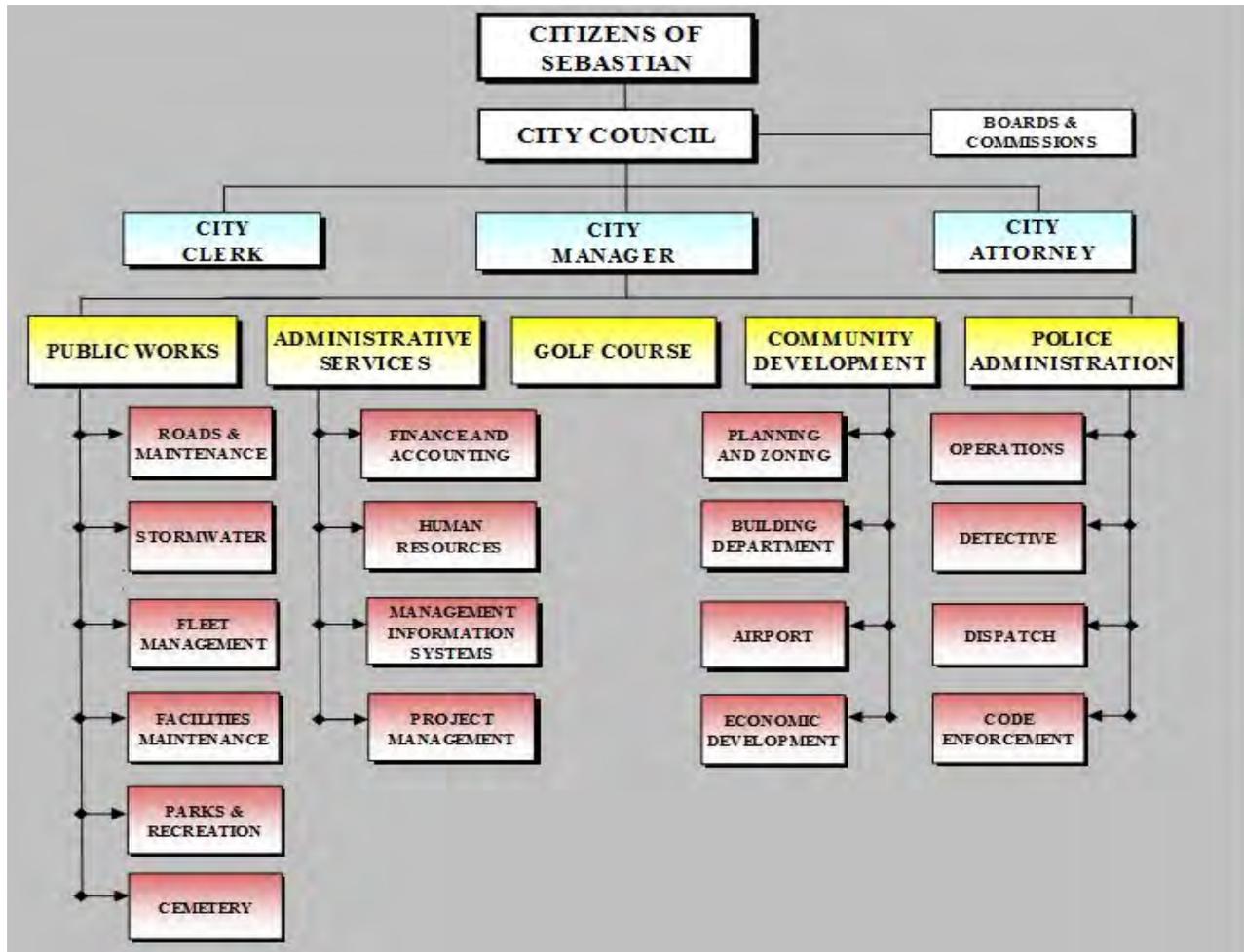
Al Minner
City Manager



Kenneth W. Killgore
Director of Finance

CITY OF SEBASTIAN, FLORIDA

Organizational Chart



CITY OF SEBASTIAN, FLORIDA

GFOA Certificate of Achievement

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Sebastian
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moirice

President

Jeffrey R. Emmer

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

March 13, 2013

Honorable Mayor and City Council
City of Sebastian, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Sebastian, Florida* (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Sebastian, Florida. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, our report dated March 13, 2013, on our consideration of the City of Sebastian, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions as noted in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

The City of Sebastian's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year 2012 by \$51,991,703 (net assets). Of this amount, \$3,648,188 (unrestricted net assets) may be used to meet the City's on-going obligations to citizens and creditors.
- The City's total net assets decreased by \$477,097 resulting from an increase of \$37,319 from governmental activities and an decrease of \$514,416 from business-type activities.
- Governmental funds reported a combined ending fund balance of \$11,383,377, a increase of \$37,764 from the prior year. Approximately 15% of this amount, \$1,734,307 is unassigned and available for spending, a decrease of \$50,106 from fiscal year 2011 due to total General Fund revenue being less than expenditures and transfers.
- The golf course fund reported a further reduction in the deficit in unrestricted net assets, primarily due to no longer having debt service payments. The airport deficit is the result of investment in capital assets that will ultimately be beneficial. The building enterprise fund reported an increase in net assets for the first time in several years, as a result of an improved levels of construction activity.

Overview of the Financial Statements

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 (e.g., uncollected taxes and earned but unused vacation leave).

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 safety, cultural and recreation, and general administration. The business-type activities of the City include the golf course, airport, and building operations.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Local Option Gas Tax, Discretionary Sales Tax Fund, Riverfront Redevelopment Fund and Discretionary Sales Surtax Revenue Bonds 2003 Fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements and schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

Proprietary Funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the golf course, airport, and buildings department.

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 golf course, airport, and buildings department, which are considered to be major funds of the City.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those 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.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Notes to the 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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-Wide Financial Analysis

As previously stated, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$51,991,703 at the close of the most recent fiscal year.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$12,067,998	\$12,664,876	\$ 758,107	\$ 1,289,505	\$12,826,105	\$13,954,381
Capital assets, net	42,713,256	43,779,203	11,181,823	11,850,561	53,895,079	55,629,764
Total assets	54,781,254	56,444,079	11,939,930	13,140,066	66,721,184	69,584,145
Long-term liabilities	12,742,412	14,172,911	196,000	236,472	12,938,412	14,409,383
Other liabilities	738,664	1,008,309	1,052,405	1,697,653	1,791,069	2,705,962
Total liabilities	13,481,076	15,181,220	1,248,405	1,934,125	14,729,481	17,115,345
Net assets:						
Invested in capital assets, net of related debt	31,500,173	31,541,953	11,181,823	11,850,561	42,681,996	43,392,514
Restricted	6,192,777	5,668,155	-	-	6,192,777	5,668,155
Unrestricted	3,607,228	4,052,751	(490,298)	(644,620)	3,116,930	3,408,131
Total net assets	\$41,300,178	\$41,262,859	\$ 10,691,525	\$11,205,941	\$51,991,703	\$52,468,800

A substantial portion of the City's net assets, \$42,681,996 (82 percent), reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

An additional portion of the City's net assets of \$5,661,519 (11 percent) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net assets of \$3,681,688 (7 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole and for its separate governmental activities. Unrestricted net assets were negative for business-type activities, but improved over the prior year for each of the individual enterprise funds.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 1,224,609	\$ 1,219,707	\$ 2,305,916	\$ 2,268,671	\$ 3,530,525	\$ 3,488,378
Operating grants	187,333	196,534	6,563	-	193,896	196,534
Capital grants	791,265	838,242	150,083	900,340	941,348	1,738,582
General revenues:						
Property taxes	3,063,495	3,453,778	-	-	3,063,495	3,453,778
Other taxes	4,852,413	4,751,021	-	-	4,852,413	4,751,021
Intergovernmental	1,934,733	1,868,555	-	-	1,934,733	1,868,555
Other	1,408,235	1,467,748	4,125	4,026	1,412,360	1,471,774
Total revenues	13,462,083	13,795,585	2,466,687	3,173,037	15,928,770	16,968,622
Expenses						
General government	2,640,677	2,766,575	-	-	2,640,677	2,766,575
Public safety	5,025,274	5,546,632	-	-	5,025,274	5,546,632
Physical environment	2,007,902	1,558,974	-	-	2,007,902	1,558,974
Transportation	1,800,432	2,263,367	-	-	1,800,432	2,263,367
Economic environment	170,960	208,518	-	-	170,960	208,518
Cultural and recreation	1,239,512	1,227,198	-	-	1,239,512	1,227,198
Interest and fiscal charges	562,496	546,103	-	-	562,496	546,103
Golf course	-	-	1,394,731	1,355,266	1,394,731	1,355,266
Airport	-	-	1,166,588	1,188,788	1,166,588	1,188,788
Building	-	-	397,295	470,406	397,295	470,406
Total expenses	13,447,253	14,117,367	2,958,614	3,014,460	16,405,867	17,131,827
Change in net assets, before transfers	14,830	(321,782)	(491,927)	158,577	(477,097)	(163,205)
Transfers	22,489	-	(22,489)	-	-	-
Change in net assets	37,319	(321,782)	(514,416)	158,577	(477,097)	(163,205)
Net assets, beginning of year	41,262,859	41,584,641	11,205,941	11,047,364	52,468,800	52,632,005
Net assets end, of year	\$41,300,178	\$41,262,859	\$ 10,691,525	\$11,205,941	\$51,991,703	\$52,468,800

The City's net assets decreased by \$477,097 during the current fiscal year. Increases in ongoing expenses in excess of increases in ongoing revenues resulted in a decrease in net assets. The primary reason for the decrease in net assets is related to a decrease in general property tax revenues.

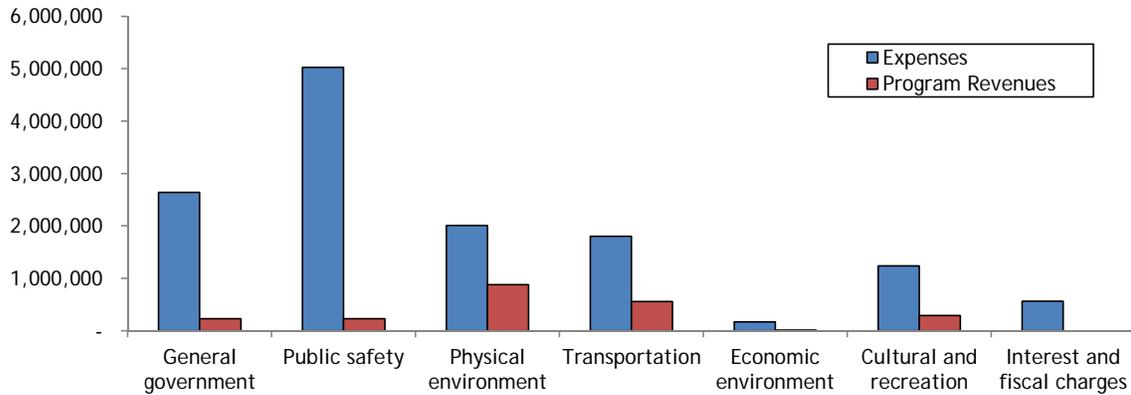
CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

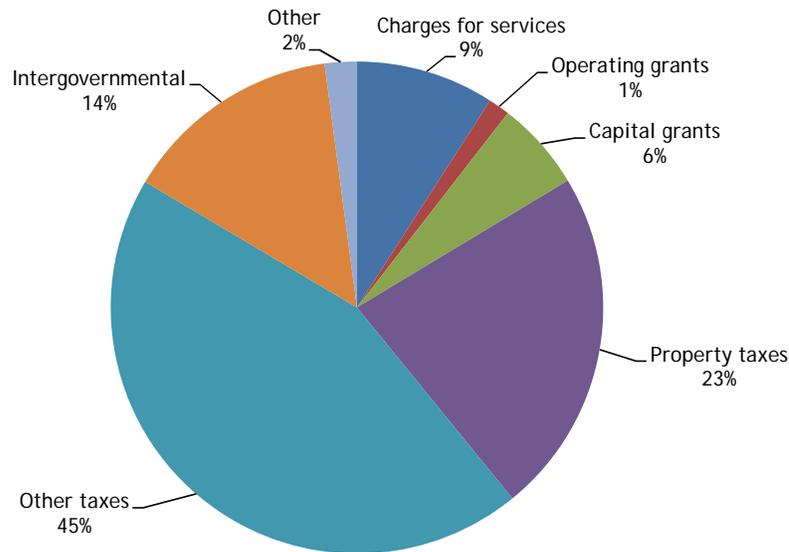
Governmental Activities. Governmental activities increased the City's net assets by \$37,319 as compared to the prior year decrease of \$321,782. Key elements of this increase are as follows:

- A decrease in expenses of \$670,114
- A decrease in general revenues and transfers of \$259,736
- A decrease in program revenues of \$51,276

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

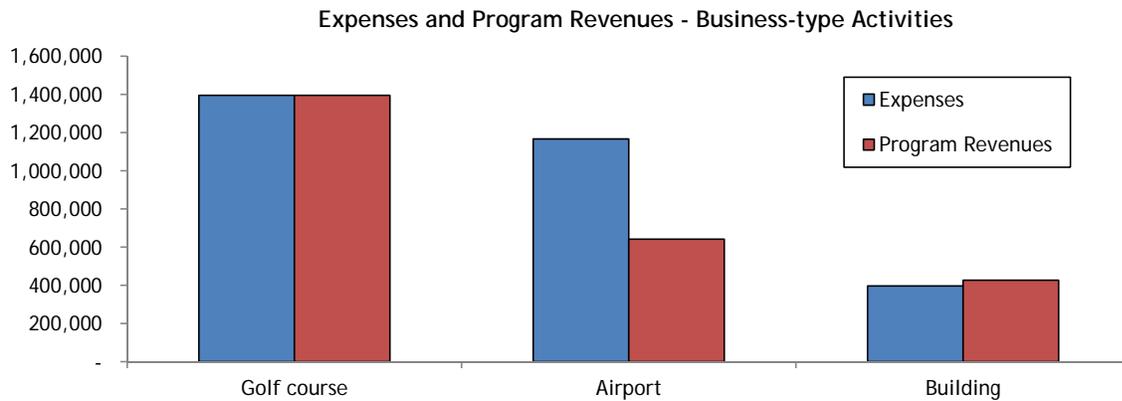


CITY OF SEBASTIAN, FLORIDA

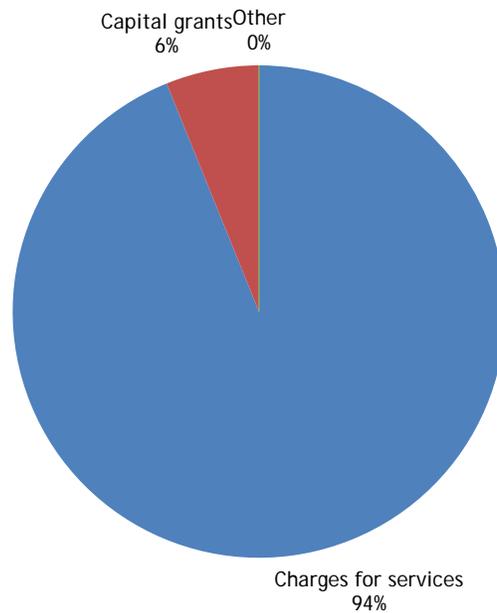
Management's Discussion and Analysis

Business-type Activities. Business-type activities decreased the City's net assets by \$514,417, as compared to the prior year increase of \$158,577. The key elements of this decrease are as follows:

- A decrease in expenses of \$58,178.
- A decrease in revenues and transfers of \$19,951.
- A decrease in program revenues of \$711,218.



Revenues by Source - Business-type Activities



CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,383,377, an increase of \$37,764 from the prior year. Of this amount, 15 percent (\$1,734,307) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is assigned to indicate that it is not available for new spending because it is classified as one of the following: A) Nonspendable for 1) inventories and prepaids, 2) long-term cash advances, or 3) is nonspendable as permanent fund corpus for cemetery perpetual care; B) Restricted for capital projects or due to debt service and special revenue fund designations; C) is committed for working capital per the City's Fund Balance policy; or D) has been assigned for other specific uses in the City's general operations.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,734,307 while total fund balance amounted to \$5,002,172. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18 percent of total General Fund expenditures, while total fund balance represents 51 percent of that same amount.

The fund balance of the City's general fund decreased by \$100,286 during the current fiscal year. Key factors in this change are as follows:

- Property tax revenues decreased by \$347,742 due to reductions in taxable property values.
- Investment earnings decreased \$25,139 due to lower rates of return.
- Fines decreased by \$28,347.
- Charges for services increased by \$30,112.
- Intergovernmental increased by \$76,653.
- Franchise fees decreased by \$60,118.
- All other revenues increased by \$3,673.
- Transfers in from other funds decreased by \$44,011 because less was transferred from the local option gas tax
- Expenditures decreased \$804,564 due to reductions in employees and cuts in other operating accounts.

The general fund budgeted for an increase in fund balance of \$61,000 and the actual decrease in fund balance was \$100,286. Significant changes in budgetary variances are as follows:

- Property tax revenues had a positive budgetary variance of \$26,091, with over 96% of the tax roll being collected. Only 95% of the tax roll is budgeted as being collected, per Florida statutes.
- The decrease in fund balance was primarily the result of shortfalls in the collections of public utility taxes and franchise fees that we significantly over estimated.
- Intergovernmental revenue had a positive budgetary variance from higher than anticipated receipts from municipal revenue sharing and local half-cent sales taxes transmitted by the state.
- Investment earnings were over-estimated as a result in the overall decline in interest rates.
- General fund expenditures had an overall positive budgetary variance of \$205,270, of which the greatest portions related to general government, (\$57,681), public safety (\$57,095), and physical environment (\$71,663). Unanticipated capital purchases were necessary in several departments, however these were covered by savings from operating accounts.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

The end of the year fund balance of the Local Option Gas Tax Fund increased to \$190,274 due to refinancing the bank note and providing additional funds for street paving.

The Discretionary Sales Tax revenue special revenue fund has a total fund balance \$2,015,572, an increase from the \$1,623,442 total fund balance of the prior year. Funds are intentionally being accumulated for projects that are planned in future years.

The Riverfront Redevelopment Fund ended the year with \$478,895 in fund balance. Unanticipated expenses exceeded budget, but transfers out for pending construction projects were less than budgeted.

The Discretionary Sales Surtax Revenue Bonds 2003 Fund has a total fund balance of \$1,555,411, all of which is restricted for debt service on the bonds.

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

The total net assets of the golf course fund at the end of the fiscal year amounted to \$358,316, while the unrestricted net assets (deficit) amounted to (\$160,699). Compared to the prior year in the same category, net assets are \$161 more than the prior year, while the unrestricted net assets (deficit) was reduced by \$55,542 from the prior year. This is mainly because of a reduction in the amounts invested in capital assets, resulting from depreciation expense.

The total net assets of the airport fund at the end of the fiscal year amounted to \$9,845,816, while the unrestricted net assets (deficit) amounted to (\$816,992). Compared to the prior year in the same category, net assets have increased by \$541,164 while the unrestricted net assets (deficit) was reduced by \$71,834. The reduction in the unrestricted net assets (deficit) is mainly due to a reduction in amounts invested in capital assets resulting from depreciation expense.

The total net assets of the building fund at the end of the fiscal year amounted to \$487,393, all of which was unrestricted net assets. This is an increase of \$26,587 from the prior year, which was primarily due to operating revenue exceeding operating expenses for the year.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

During the year, the City Council revised the City budget four times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect fund balances carried over from the prior fiscal year to reappropriate transfers to cover certain purchase orders and capital projects. The second category includes adjustments for unanticipated revenues. The third category includes supplemental appropriations to cover unanticipated items or project costs that were above or below budgeted amounts.

- \$631,192 supplemental appropriation to Discretionary Sales Tax, Riverfront Redevelopment and Recreation Impact Fee Funds to cover transfers for open purchase orders and capital projects that were carried forward from the prior fiscal year.
- \$2,129 supplemental appropriation for replacing a badge printer.
- \$1,722 supplemental appropriation to reflect the use of insurance proceeds to repair a damaged truck.
- \$150,000 increase to appropriations in the Discretionary Sales Tax Fund for a new project to make street improvements.
- \$13,800 amendment to establish budgetary accounts for the Parking-in-Lieu-of Fund.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

- \$3,644 supplemental appropriation to add funding for the telephone system project.
- \$20,000 amendment to fund the Four Chaplains Memorial Project.
- \$4,475 supplemental appropriation to reflect the use of insurance proceeds to repair damaged fencing at the airport.
- \$6,000 supplemental appropriation to use new rent revenue toward ground maintenance at the airport.
- \$2,370,485 amendment to the Local Option Gas Tax Fund to account for the bank note refinancing.
- \$23,300 reduction in the Discretionary Sales Tax Fund to reflect deferral of the painting of City Hall.
- \$3,450 supplemental appropriation to Discretionary Sales Tax Fund for additional 1/4 round expenditures.
- \$150,000 supplemental appropriation to Discretionary Sales Tax Fund for the Davis Street Sewer Project.
- \$125,000 supplemental appropriation to Discretionary Sales Tax Fund for parking improvements for North Indian River Drive.
- \$4,527 reduction in Recreation Impact Fee Fund for projects completed under budget.
- \$904 supplemental appropriation to Recreation Impact Fee Fund for a required lift station vent.
- \$25,000 supplemental appropriation to Recreation Impact Fee Fund to provide restrooms at the dog park.
- \$139,263 supplemental appropriation to General Fund to reflect state monies provided for Police Pension Plan use.
- \$38,014 reduction in Discretionary Sales Tax Fund for projects completed under budget.
- \$26,189 reduction in Recreation Impact Fee Fund for completed or deferred projects.
- \$4,125 supplemental appropriation to the Airport Fund to reflect the use of proceeds from equipment sales for equipment repairs.

During the fiscal year, total general fund actual revenues were less than final amended budgetary estimates and total general fund actual expenditures were less than the final amended budgetary estimates. The shortfall in anticipated revenues was mainly due to a decline in franchise fees and public utility taxes received from Florida Power and Light Company. A positive overall variance on expenditures resulted in a lower draw on existing fund balances than would have otherwise occurred.

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year 2012 the City had \$53,895,079 invested in a broad range of capital assets, including land, police and public works equipment, buildings, park facilities, roads, bridges, and stormwater drainage structures. This amount represents a net decrease (including additions and deductions) of \$1,734,685, or 3.2%, over last year. The following table illustrates the changes in capital assets.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 8,007,437	\$ 8,007,437	\$ 9,060	\$ 9,060	\$ 8,016,497	\$ 8,016,497
Buildings	8,537,630	8,922,248	5,269,576	5,438,009	13,807,206	14,360,257
Improvements	3,606,536	3,546,201	1,092,661	1,209,096	4,699,197	4,755,297
Equipment	1,177,489	1,302,227	107,650	183,168	1,285,139	1,485,395
Infrastructure	21,220,735	20,793,242	4,699,834	5,011,228	25,920,569	25,804,470
Construction in progress	163,429	1,207,848	3,042	-	166,471	1,207,848
Total capital assets, net	\$42,713,256	\$43,779,203	\$ 11,181,823	\$11,850,561	\$53,895,079	\$55,629,764

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Governmental activities had the following major changes during the fiscal year:

- A decrease in buildings mainly due to the amount of depreciation.
- An increase in improvements mainly due to amenities added at Schumann Park.
- A decrease in equipment mainly due to the amount of depreciation.
- An increase in infrastructure mainly due to construction of Powerline Road.
- A decrease in construction-in-progress mainly due to the completion of construction on Powerline Road.

Business-type activities had the following major changes during the fiscal year:

- A decrease in buildings mainly due to the amount of depreciation.
- A decrease in other categories due to the amount of depreciation.

Long-Term Debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$11,221,000. Of this amount, \$2,296,000 (20.4 percent) comprises debt not backed by the full faith and credit of the government. The remainder of the City debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 8,925,000	\$10,000,000	\$ -	\$ -	\$ 8,925,000	\$10,000,000
Notes payable	2,296,000	2,246,000	-	-	2,296,000	2,246,000
Total capital assets, net	\$11,221,000	\$12,246,000	\$ -	\$ -	\$11,221,000	\$12,246,000

The City's total installment debt decreased by \$1,025,000 (9.1 percent) during the current fiscal year. The net decrease was mainly attributable to annual principal payments.

The Infrastructure Sales Surtax Revenue Bonds, Series 2003 and Series 2003A and the Stormwater Utility Revenue Bonds, Series 2003 were initially insured by AAA rated insurance agencies and rated AAA, which is the highest rating given by rating agencies. However, ratings on the insurance agencies have been downgraded. All of the City's other debt, primarily notes and a capital lease, are not rated. Other obligations of the City include accrued vacation pay and sick leave.

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. Sebastian's local economy consists largely of retail and service industries. Less than one percent is devoted to industrial activities. Construction of new homes is the largest single business in the area. Some of the largest retail stores include Publix Supermarket and Wal-Mart Stores, Inc.® The Indian River County unemployment rate in September 2012 was 10.2 percent down from 13.6 percent in the previous year, which is a positive sign and analogous to the economic pattern existing throughout the state and nation.

The City experienced another significant decline in property values (6.3 percent) for 2013. Even after reducing the General Fund expenditures by more than \$250,000, it was determined that a millage increase would be sensible. The rate was increased from 3.3041 to 3.7166, which provided sufficient funds to discontinue transfers from the Local Option Gas Tax Fund. This allowed those funds to be allocated to street paving projects.

To address another important area, an increase in the stormwater fee was also adopted. It is anticipated that the increase from \$4 a month per Equivalent Residential Unit (ERV) to \$5 would enable this special revenue fund to sustain operations and cover the cost of equipment replacement.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

The Golf Course reported a small operating income, mostly due to a rate change effective February 2, 2012. A provision of that rate increase requires that 5% of the added revenues are to be used only for major capital repairs or improvements. Even so, a temporary interfund loan from General Fund was made at the end of the year to provide sufficient cash flow. It is expected that with a reasonably good level of revenues in the coming year, the current loan can be repaid.

General Fund also made a temporary interfund loan to the Airport in order to provide sufficient cash flow. It is expected that repayment will be made in the coming year. Sizable operating losses are the result of depreciation on capital assets.

With some increases in building permit fees and reduction of operating expenses, the Building Enterprise Fund reported a positive change in net assets. While the economy is still weak, there are some signs of renewed activity in the local housing market which are encouraging.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Services Department at City of Sebastian, 1225 Main Street, Sebastian, Florida 32958.

BASIC FINANCIAL STATEMENTS

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CITY OF SEBASTIAN, FLORIDA

Statement of Net Assets

September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 579,716	\$ 101,215	\$ 680,931
Temporarily restricted cash and cash equivalents	2,494,010	-	2,494,010
Investments	6,509,441	594,113	7,103,554
Permanently restricted investments	254,806	-	254,806
Receivables, net	772,347	14,512	786,859
Internal balances	858,061	(858,061)	-
Prepaid expenses	105,027	13,198	118,225
Inventories	65,423	33,467	98,890
Net pension asset	132,133	-	132,133
Deposits held in escrow	14,010	1,602	15,612
Deferred bond issuance costs	283,024	-	283,024
Capital assets not being depreciated	8,170,866	12,102	8,182,968
Capital assets being depreciated, net	34,542,390	11,169,721	45,712,111
Total assets	54,781,254	11,081,869	65,863,123
Liabilities			
Accounts payable and other current liabilities	265,703	34,577	300,280
Accrued interest payable	183,778	-	183,778
Unearned revenues	-	132,557	132,557
Long-term liabilities:			
Due within one year	1,425,933	922	1,426,855
Due in more than one year	11,316,479	195,078	11,511,557
Net other postemployment benefits liability	289,183	27,210	316,393
Total liabilities	13,481,076	390,344	13,871,420
Net assets			
Invested in capital assets, net of related debt	31,500,173	11,181,823	42,681,996
Restricted for:			
Debt service	1,744,486	-	1,744,486
Capital	17,354	-	17,354
Perpetual care:			
Expendable	247,793	-	247,793
Nonexpendable	737,182	-	737,182
Other expenses	3,445,962	-	3,445,962
Unrestricted (deficit)	3,607,228	(490,298)	3,116,930
Total net assets	\$ 41,300,178	\$ 10,691,525	\$ 51,991,703

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

CITY OF SEBASTIAN, FLORIDA

Statement of Activities

For the Year Ended September 30, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 2,640,677	\$ 214,488	\$ 16,062	\$ -	\$ (2,410,127)
Public safety	5,025,274	66,474	161,918	-	(4,796,882)
Physical environment	2,007,902	876,693	-	-	(1,131,209)
Transportation	1,800,432	-	9,353	550,702	(1,240,377)
Economic environment	170,960	-	-	13,998	(156,962)
Cultural and recreation	1,239,512	66,954	-	226,565	(945,993)
Interest and fiscal charges	562,496	-	-	-	(562,496)
Total governmental activities	13,447,253	1,224,609	187,333	791,265	(11,244,046)
Business-type activities:					
Golf course	1,394,731	1,394,844	48	-	161
Airport	1,166,588	491,367	5	150,083	(525,133)
Building	397,295	419,705	6,510	-	28,920
Total business-type activities	2,958,614	2,305,916	6,563	150,083	(496,052)
Total primary government	\$ 16,405,867	\$ 3,530,525	\$ 193,896	\$ 941,348	\$ (11,740,098)

CITY OF SEBASTIAN, FLORIDA

Statement of Activities

For the Year Ended September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net revenue (expense)	\$ (11,244,046)	\$ (496,052)	\$ (11,740,098)
General revenues:			
Property taxes, levied for general purposes	3,063,495	-	3,063,495
Sales and use taxes	4,852,413	-	4,852,413
Franchise fees	1,124,568	-	1,124,568
State shared revenues not restricted to specific programs	1,934,733	-	1,934,733
Interest earnings	82,129	-	82,129
Miscellaneous	201,538	4,125	205,663
Transfers	22,489	(22,489)	-
Total general revenues and transfers	11,281,365	(18,364)	11,263,001
Change in net assets	37,319	(514,416)	(477,097)
Net assets, beginning of year	41,262,859	11,205,941	52,468,800
Net assets, end of year	\$ 41,300,178	\$ 10,691,525	\$ 51,991,703

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

CITY OF SEBASTIAN, FLORIDA

Balance Sheet

Governmental Funds
September 30, 2012

	General	Local Option Gas Tax	Discretionary Sales Tax	Riverfront Redevelopment
Assets				
Cash and cash equivalents	\$ 89,330	\$ 137,841	\$ 296,346	\$ 709
Investments	4,184,204	4,974	946,725	484,168
Accounts receivable, net	244,651	-	-	-
Accrued interest receivable	3,005	-	-	-
Due from other funds	105,550	-	-	-
Due from other governments	242,012	47,459	220,009	-
Inventories	65,423	-	-	-
Prepaid expenses	105,027	-	-	-
Deposits held in escrow	14,010	-	-	-
Advance to other funds	200,000	-	552,511	-
Total assets	\$ 5,253,212	\$ 190,274	\$ 2,015,591	\$ 484,877
Liabilities				
Accounts payable and accrued liabilities	\$ 222,670	\$ -	\$ 19	\$ 5,982
Due to other governments	28,370	-	-	-
Total liabilities	251,040	-	19	5,982
Fund balances				
Nonspendable	370,450	-	552,511	-
Restricted	-	190,274	1,463,061	478,895
Committed	2,861,708	-	-	-
Assigned	35,707	-	-	-
Unassigned	1,734,307	-	-	-
Total fund balances	5,002,172	190,274	2,015,572	478,895
Total liabilities and fund balances	\$ 5,253,212	\$ 190,274	\$ 2,015,591	\$ 484,877

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

Discretionary Sales Surtax Revenue Bonds 2003	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,555,411	\$ 994,089	\$ 3,073,726
-	1,144,176	6,764,247
-	-	244,651
-	997	4,002
-	-	105,550
-	10,453	519,933
-	-	65,423
-	-	105,027
-	-	14,010
-	-	752,511
<u>\$ 1,555,411</u>	<u>\$ 2,149,715</u>	<u>\$ 11,649,080</u>
\$ -	\$ 8,662	\$ 237,333
-	-	28,370
-	8,662	265,703
-	737,182	1,660,143
1,555,411	684,185	4,371,826
-	719,686	3,581,394
-	-	35,707
-	-	1,734,307
<u>1,555,411</u>	<u>2,141,053</u>	<u>11,383,377</u>
<u>\$ 1,555,411</u>	<u>\$ 2,149,715</u>	<u>\$ 11,649,080</u>

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CITY OF SEBASTIAN, FLORIDA

Reconciliation

Fund Balances for Governmental Funds
to Net Assets of Governmental Activities
September 30, 2012

Fund balances - total governmental funds	\$ 11,383,377
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	8,170,866
Capital assets being depreciated, net	34,542,390
Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.	
Net pension asset	132,133
Accrued interest receivable	3,761
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds and notes payable	(11,213,083)
Unamortized bond issuance costs	283,024
Compensated absences	(1,435,586)
Termination benefits	(2,543)
Other postemployment benefits	(289,183)
Contamination liability	(91,200)
Accrued interest on long-term debt	(183,778)
Net assets of governmental activities	<u>\$ 41,300,178</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2012

	General	Local Option Gas Tax	Discretionary Sales Tax
Revenue			
Taxes:			
Property	\$ 2,808,426	\$ -	\$ -
Public utility	2,387,553	-	-
Sales	-	-	2,464,240
Motor fuel	-	550,702	-
Franchise fees	1,124,568	-	-
Licenses and permits	22,431	-	-
Intergovernmental	2,078,685	9,353	-
Impact fees	-	-	-
Charges for services	290,950	-	-
Fines	52,307	-	-
Investment earnings	28,046	5,062	27,165
Contributions and donations	34,031	-	-
Other revenue	165,285	-	-
Total revenue	8,992,282	565,117	2,491,405
Expenditures			
Current:			
General government	2,398,207	-	-
Public safety	4,511,563	-	-
Physical environment	1,030,021	-	-
Transportation	934,006	274,405	-
Economic environment	-	-	-
Culture and recreation	876,502	-	-
Debt service:			
Principal	-	2,246,000	-
Interest and fiscal charges	-	84,742	-
Capital outlay	34,985	-	-
Total expenditures	9,785,284	2,605,147	-
Revenue over (under) expenditures	(793,002)	(2,040,030)	2,491,405
Other financing sources (uses)			
Issuance of long-term debt	-	2,296,000	-
Transfers in	692,716	742	22,489
Transfers out	-	(125,000)	(2,121,764)
Total other financing sources (uses)	692,716	2,171,742	(2,099,275)
Net changes in fund balances	(100,286)	131,712	392,130
Fund balances, beginning of year	5,102,458	58,562	1,623,442
Fund balances, end of year	\$ 5,002,172	\$ 190,274	\$ 2,015,572

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

Riverfront Redevelopment	Discretionary Sales Surtax Revenue Bonds 2003	Nonmajor Governmental Funds	Total Governmental Funds
\$ 255,069	\$ -	\$ -	\$ 3,063,495
-	-	-	2,387,553
-	-	-	2,464,240
-	-	-	550,702
-	-	-	1,124,568
-	-	-	22,431
-	-	-	2,088,038
-	-	58,500	58,500
-	-	867,125	1,158,075
-	-	5,268	57,575
1,445	4,995	19,803	86,516
-	-	182,060	216,091
11,998	-	24,605	201,888
<u>268,512</u>	<u>4,995</u>	<u>1,157,361</u>	<u>13,479,672</u>
2,438	-	9,700	2,410,345
-	-	12,239	4,523,802
-	-	12,328	1,042,349
-	-	-	1,208,411
138,531	-	-	138,531
-	-	-	876,502
-	795,000	280,000	3,321,000
-	227,367	160,290	472,399
-	-	1,732,073	1,767,058
<u>140,969</u>	<u>1,022,367</u>	<u>2,206,630</u>	<u>15,760,397</u>
<u>127,543</u>	<u>(1,017,372)</u>	<u>(1,049,269)</u>	<u>(2,280,725)</u>
-	-	-	2,296,000
-	1,016,206	1,962,612	3,694,765
(104,458)	-	(1,321,054)	(3,672,276)
<u>(104,458)</u>	<u>1,016,206</u>	<u>641,558</u>	<u>2,318,489</u>
23,085	(1,166)	(407,711)	37,764
<u>455,810</u>	<u>1,556,577</u>	<u>2,548,764</u>	<u>11,345,613</u>
<u>\$ 478,895</u>	<u>\$ 1,555,411</u>	<u>\$ 2,141,053</u>	<u>\$ 11,383,377</u>

CITY OF SEBASTIAN, FLORIDA

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Assets of Governmental Activities
For the Year Ended September 30, 2012

Net change in fund balances - total governmental funds \$ 37,764

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,767,058
Depreciation expense	(2,826,862)
Loss on the sale of capital assets	(6,143)

Some interest revenues reported in the statement of activities do not constitute current financial resources, therefore, are not reported as revenues in governmental funds

Interest revenues	(4,387)
-------------------	---------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds from the issuance of debt	(2,296,000)
Principal payments on long-term liabilities	3,321,000

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 accrued interest payable on long-term debt	32,860
Capitalization of issuance costs	30,091
Amortization of deferred issuance costs / discounts	(126,007)
Change in the accrual for compensated absences	82,179
Change in the accrual for pension benefits	(9,204)
Change in the accrual for other postemployment benefits	26,126
Change in the accrual for termination benefits	8,844

Change in net assets of governmental activities \$ 37,319

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes:				
Property	\$ 2,782,335	\$ 2,782,335	\$ 2,808,426	\$ 26,091
Public utility	2,550,000	2,550,000	2,387,553	(162,447)
Franchise fees	1,352,200	1,352,200	1,124,568	(227,632)
Licenses and permits	36,150	36,150	22,431	(13,719)
Intergovernmental	1,880,400	2,019,663	2,078,685	59,022
Charges for services	284,603	300,061	290,950	(9,111)
Fines	74,000	74,000	52,307	(21,693)
Investment earnings	92,000	92,000	28,046	(63,954)
Contributions and donations	33,376	33,376	34,031	655
Other revenue	149,400	151,122	165,285	14,163
Total revenue	<u>9,234,464</u>	<u>9,390,907</u>	<u>8,992,282</u>	<u>(398,625)</u>
Expenditures				
Current:				
General government	2,441,589	2,455,888	2,398,207	(57,681)
Public safety	4,429,395	4,568,658	4,511,563	(57,095)
Physical environment	1,118,626	1,101,684	1,030,021	(71,663)
Transportation	965,567	960,667	934,006	(26,661)
Culture and recreation	875,287	878,279	876,502	(1,777)
Capital outlay	30,000	25,379	34,985	9,606
Total expenditures	<u>9,860,464</u>	<u>9,990,555</u>	<u>9,785,284</u>	<u>(205,271)</u>
Revenue over (under) expenditures	(626,000)	(599,648)	(793,002)	(193,354)
Other financing sources				
Transfers in	687,000	660,648	692,716	32,068
Net changes in fund balances	61,000	61,000	(100,286)	(161,286)
Fund balances, beginning of year	5,102,458	5,102,458	5,102,458	-
Fund balances, end of year	<u>\$ 5,163,458</u>	<u>\$ 5,163,458</u>	<u>\$ 5,002,172</u>	<u>\$ (161,286)</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Local Option Gas Tax
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes:				
Motor fuel	\$ 585,900	\$ 585,900	\$ 550,702	\$ (35,198)
Intergovernmental	9,353	9,353	9,353	-
Investment earnings	3,000	3,000	5,062	2,062
Total revenue	<u>598,253</u>	<u>598,253</u>	<u>565,117</u>	<u>(33,136)</u>
Expenditures				
Current:				
Transportation	257,719	291,601	274,405	(17,196)
Debt service:				
Principal	176,000	2,263,118	2,246,000	(17,118)
Interest and fiscal charges	89,792	89,792	84,742	(5,050)
Total expenditures	<u>523,511</u>	<u>2,644,511</u>	<u>2,605,147</u>	<u>(39,364)</u>
Revenue over (under) expenditures	<u>74,742</u>	<u>(2,046,258)</u>	<u>(2,040,030)</u>	<u>6,228</u>
Other financing sources				
Issuance of long-term debt	-	2,296,000	2,296,000	-
Transfers in	-	-	742	742
Transfers out	(125,000)	(300,000)	(125,000)	175,000
Net changes in fund balances	<u>(50,258)</u>	<u>(50,258)</u>	<u>131,712</u>	<u>181,970</u>
Fund balances, beginning of year	<u>58,562</u>	<u>58,562</u>	<u>58,562</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,304</u>	<u>\$ 8,304</u>	<u>\$ 190,274</u>	<u>\$ 181,970</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Discretionary Sales Tax Special Revenue Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes:				
Sales	\$ 2,356,000	\$ 2,356,000	\$ 2,464,240	\$ 108,240
Investment earnings	24,150	24,150	27,165	3,015
Total revenues	<u>2,380,150</u>	<u>2,380,150</u>	<u>2,491,405</u>	<u>111,255</u>
Other financing sources (uses)				
Transfers in	-	-	22,489	22,489
Transfers out	(2,390,391)	(2,996,807)	(2,121,764)	875,043
Total other financing sources (uses)	<u>(2,390,391)</u>	<u>(2,996,807)</u>	<u>(2,099,275)</u>	<u>897,532</u>
Net changes in fund balances	<u>(10,241)</u>	<u>(616,657)</u>	<u>392,130</u>	<u>1,008,787</u>
Fund balances, beginning of year	1,623,442	1,623,442	1,623,442	-
Fund balances, end of year	<u>\$ 1,613,201</u>	<u>\$ 1,006,785</u>	<u>\$ 2,015,572</u>	<u>\$ 1,008,787</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Riverfront Redevelopment Special Revenue Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes:				
Property	\$ 259,066	\$ 259,066	\$ 255,069	\$ (3,997)
Investment earnings	4,650	4,650	1,445	(3,205)
Other revenue	-	-	11,998	11,998
Total revenues	<u>263,716</u>	<u>263,716</u>	<u>268,512</u>	<u>4,796</u>
Expenditures				
Current:				
General government	-	-	2,438	2,438
Economic environment	126,022	126,022	138,531	12,509
Total expenditures	<u>126,022</u>	<u>126,022</u>	<u>140,969</u>	<u>14,947</u>
Revenues over (under) expenditures	137,694	137,694	127,543	(10,151)
Other financing uses				
Transfers out	(160,000)	(160,594)	(104,458)	56,136
Net changes in fund balances	(22,306)	(22,900)	23,085	45,985
Fund balances, beginning of year	455,810	455,810	455,810	-
Fund balances, end of year	<u>\$ 433,504</u>	<u>\$ 432,910</u>	<u>\$ 478,895</u>	<u>\$ 45,985</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Discretionary Sales Surtax Revenue Bonds 2003 Debt Service Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Investment earnings	\$ 22,400	\$ 22,400	\$ 4,995	\$ (17,405)
Expenditures				
Debt service:				
Principal	795,000	795,000	795,000	-
Interest and fiscal charges	227,333	227,333	227,367	34
Total expenditures	1,022,333	1,022,333	1,022,367	34
Revenues over (under) expenditures	(999,933)	(999,933)	(1,017,372)	(17,439)
Other financing sources				
Transfers in	997,391	997,391	1,016,206	18,815
Net changes in fund balances	(2,542)	(2,542)	(1,166)	1,376
Fund balances, beginning of year	1,556,577	1,556,577	1,556,577	-
Fund balances, end of year	\$ 1,554,035	\$ 1,554,035	\$ 1,555,411	\$ 1,376

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

CITY OF SEBASTIAN, FLORIDA

Statement of Net Assets

Proprietary Funds
September 30, 2012

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,610	\$ 10,109	\$ 88,496	\$ 101,215
Investments	28,168	-	565,945	594,113
Accounts receivable	-	13,498	-	13,498
Interest receivable	-	-	1,014	1,014
Inventory	13,405	20,062	-	33,467
Deposits held in escrow	493	616	493	1,602
Prepaid items	3,463	7,751	1,984	13,198
Total current assets	48,139	52,036	657,932	758,107
Noncurrent assets:				
Capital assets:				
Land	-	9,060	-	9,060
Buildings	331,228	6,009,114	-	6,340,342
Improvements other than buildings	261,937	1,641,309	-	1,903,246
Machinery and equipment	230,912	608,779	56,150	895,841
Infrastructure	1,100,951	6,428,352	-	7,529,303
Construction in process	-	3,042	-	3,042
Less accumulated depreciation	(1,406,013)	(4,036,848)	(56,150)	(5,499,011)
Total noncurrent assets	519,015	10,662,808	-	11,181,823
Total assets	567,154	10,714,844	657,932	11,939,930
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	15,343	5,126	6,840	27,309
Due to other funds	65,000	40,550	-	105,550
Due to other governments	5,629	641	998	7,268
Unearned revenues	57,722	6,825	68,010	132,557
Accrued compensated absences	-	-	922	922
Total current liabilities	143,694	53,142	76,770	273,606
Non-current liabilities:				
Compensated absences, net of current portion	57,551	50,719	86,808	195,078
Advance from other fund	-	752,511	-	752,511
Net other postemployment benefit obligation	7,593	12,656	6,961	27,210
Total non-current liabilities	65,144	815,886	93,769	974,799
Total liabilities	208,838	869,028	170,539	1,248,405
Net assets				
Invested in capital assets, net of related debt	519,015	10,662,808	-	11,181,823
Unrestricted (deficit)	(160,699)	(816,992)	487,393	(490,298)
Total net assets	\$ 358,316	\$ 9,845,816	\$ 487,393	\$ 10,691,525

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenue, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Operating revenue				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 419,705	\$ 419,705
Golf course fees	1,351,767	-	-	1,351,767
Rents	27,771	345,316	-	373,087
Other revenue	15,306	146,051	-	161,357
Total operating revenue	1,394,844	491,367	419,705	2,305,916
Operating expenses:				
Salaries, wages and employee benefits	283,746	207,794	311,653	803,193
Contractual services, materials and supplies	1,030,293	251,548	87,618	1,369,459
Depreciation	80,692	688,332	357	769,381
Total operating expenses	1,394,731	1,147,674	399,628	2,942,033
Operating income (loss)	113	(656,307)	20,077	(636,117)
Nonoperating revenues (expenses)				
Interest income	48	5	6,510	6,563
Interest expense	-	(16,581)	-	(16,581)
Gain on disposal of capital assets	-	4,125	-	4,125
Total nonoperating revenues (expenses)	48	(12,451)	6,510	(5,893)
Income (loss) before capital contributions	161	(668,758)	26,587	(642,010)
Capital contributions	-	150,083	-	150,083
Transfers out	-	(22,489)	-	(22,489)
Change in net assets	161	(541,164)	26,587	(514,416)
Net assets, beginning of year	358,155	10,386,980	460,806	11,205,941
Net assets, end of year	\$ 358,316	\$ 9,845,816	\$ 487,393	\$ 10,691,525

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

CITY OF SEBASTIAN, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 1,387,273	\$ 1,084,303	\$ 412,593	\$ 2,884,169
Cash payments to suppliers	(1,019,092)	(450,527)	(88,827)	(1,558,446)
Cash payments for employee services	(282,895)	(219,657)	(313,902)	(816,454)
Net cash provided (used) by operating activities	<u>85,286</u>	<u>414,119</u>	<u>9,864</u>	<u>509,269</u>
Cash flows from noncapital financing activities				
Repayment of loan from other fund	-	(22,489)	-	(22,489)
Interest paid on advance from other fund	-	(16,581)	-	(16,581)
Intragovernment payments	(35,000)	(450,490)	-	(485,490)
Net cash provided (used) by noncapital financing activities	<u>(35,000)</u>	<u>(489,560)</u>	<u>-</u>	<u>(524,560)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(25,311)	(75,334)	-	(100,645)
Proceeds from sale of assets	-	4,125	-	4,125
Receipt from capital contributions	-	150,083	-	150,083
Net cash provided (used) by capital and related financing activities	<u>(25,311)</u>	<u>78,874</u>	<u>-</u>	<u>53,563</u>
Cash flows from investing activities				
Sale (purchase) of investments	(28,168)	-	25,362	(2,806)
Interest received on investments	48	5	6,510	6,563
Net cash provided by investing activities	<u>(28,120)</u>	<u>5</u>	<u>31,872</u>	<u>3,757</u>
Net decrease in cash and cash equivalents	<u>(3,145)</u>	<u>3,438</u>	<u>41,736</u>	<u>42,029</u>
Cash and cash equivalents, beginning of year	<u>5,755</u>	<u>6,671</u>	<u>46,760</u>	<u>59,186</u>
Cash and cash equivalents, end of year	<u>\$ 2,610</u>	<u>\$ 10,109</u>	<u>\$ 88,496</u>	<u>\$ 101,215</u>

continued...

CITY OF SEBASTIAN, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds			
	Golf			
Cash flow from operating activities:				
Operating income (loss)	\$ 113	\$ (656,307)	\$ 20,077	\$ (636,117)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	80,692	688,332	357	769,381
Change in:				
Accounts receivable	-	11,683	-	11,683
Interest receivable	-	-	(997)	(997)
Inventories	(1,980)	(17,276)	-	(19,256)
Due from other governments	-	579,883	-	579,883
Deposits held in escrow	(493)	(616)	(493)	(1,602)
Prepaid expenses	4,754	1,979	(209)	6,524
Accounts payable	9,217	(59,582)	(638)	(51,003)
Due to other governments	(790)	(322)	(362)	(1,474)
Retainage payable	-	(123,778)	-	(123,778)
Unearned revenues	(7,078)	1,986	(5,622)	(10,714)
Accrued compensated absences	1,394	(11,213)	(1,877)	(11,696)
Net other postemployment benefit obligation	(543)	(650)	(372)	(1,565)
Total adjustments	85,173	1,070,426	(10,213)	1,145,386
Net cash provided (used) by operating activities	\$ 85,286	\$ 414,119	\$ 9,864	\$ 509,269

concluded

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

CITY OF SEBASTIAN, FLORIDA

Statement of Fiduciary Net Assets
 Fiduciary Funds
 September 30, 2012

	Pension Trust	Agency
	Police Officers' Pension	Performance Deposits
Assets		
Cash and cash equivalents	\$ 697,401	\$ 11,930
Receivables:		
Interest and dividends	30,565	-
Investments, at fair value:		
Local government surplus trust funds investment pools	-	220,000
United States treasury obligations	585,445	-
United States government agency notes	914,340	-
Corporate and foreign bonds	2,206,336	-
Municipal obligations	35,481	-
Common equity securities	4,377,464	-
Total investments	<u>8,119,066</u>	<u>220,000</u>
Total assets	<u>8,847,032</u>	<u>231,930</u>
Liabilities		
Refunds payable	-	<u>\$ 231,930</u>
Net assets		
Held in trust for pension benefits	<u>\$ 8,847,032</u>	

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

CITY OF SEBASTIAN, FLORIDA

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund - Pension Trust

For the Year Ended September 30, 2012

	Police Officers' Pension
Additions	
Contributions:	
Employer	\$ 450,666
Plan members	99,621
State	<u>139,263</u>
Total contributions	<u>689,550</u>
Investment earnings:	
Net increase in fair value of investments	887,672
Interest and dividends	<u>217,994</u>
Total investment earnings	1,105,666
Investment expenses	<u>(49,570)</u>
Net investment earnings	<u>1,056,096</u>
Total additions	<u>1,745,646</u>
Deductions	
Benefits	392,946
Refunded contributions	16,486
Administrative expenses	<u>16,036</u>
Total deductions	<u>425,468</u>
Change in net assets	1,320,178
Net assets, beginning of year	<u>7,526,854</u>
Net assets, end of year	<u><u>\$ 8,847,032</u></u>

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sebastian (the "City"), a Florida Municipal Corporation, was incorporated in 1924 under Sections 1826-1832 of the Revised Florida Statutes. The City has a population of 21,995 living in an area of approximately 14.6 square miles. The governing body is a five member elected City Council with a mayor elected from the five members. The City Council appoints the City Manager who is responsible for the administration of all City services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government. The City has no discretely presented component units.

Blended Component Units

The following component units are blended with the primary government for financial statement purposes because the component unit's governing body is substantially the same as the City Council or because the component unit exclusively serves the City.

Community Redevelopment Agency (CRA) - The governing body of the CRA is the Sebastian City Council. The CRA is accounted for in a special revenue fund entitled "Riverfront Redevelopment". F.S. Section 163.387(8) requires an independent audit of the fund each fiscal year and a report of such audit. The City has presented the CRA as a major fund of the City to satisfy this requirement simply due to the scope of the audit for a major fund is broader than a non-major fund.

City of Sebastian Police Officers' Pension Plan - The City Council only appoints two of the five members of the governing board, but it is financially responsible for funding the police officers' pension benefits. The City of Sebastian Police Officers' Pension Trust Fund only exists to provide pension benefits to City of Sebastian police officers. It is accounted for as a Pension Trust fund entitled "Police Officers' Pension".

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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*. Property taxes are recognized as revenues 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 are custodial in nature and do not present results of operations or have a measurement focus.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, and expenditure-driven grants which must be collected within one year. 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.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *Local Option Gas Tax Fund* accounts for the financial resources used for infrastructure improvements and equipment purchases.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The *Discretionary Sales Tax Fund* accounts for the financial resources used for infrastructure improvements and equipment purchases.

The *Riverfront Redevelopment Fund* accounts for tax increment revenues that are legally restricted for the redevelopment of the City's riverfront area.

The *Discretionary Sales Surtax Revenue Bonds 2003 Fund* accounts for the accumulation of pledged funds that are legally restricted to pay the bonded debt obligations of the Discretionary Sales Surtax Revenue Bonds, Series 2003 and Series 2003A.

The City reports the following major proprietary funds:

The *Golf Course Fund* accounts for the activities of the municipal golf course.

The *Airport Fund* accounts for the activities of the municipality's general aviation airport.

The *Building Fund* accounts for the activities associated with the building permit and inspection program.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *permanent fund* is used to record the activity and balance of the Cemetery Trust which provides funds for perpetual care of cemetery lots.

The *Pension Trust Fund* accounts for the activities of the Police Officer's Retirement System, which accumulates resources for pension benefit payments to qualified police officers.

The *Performance Deposits Agency Fund* accounts for deposits placed by bidders and developers to guarantee performance pursuant to bid or contract. These funds are held by the City as agent for individuals and businesses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes 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. The General Fund provides certain central services to other funds of the City which are presented as program expenses in the funds receiving services. The related General Fund revenue has been netted against program expense in the government-wide statement of activities.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

Restricted net assets are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Equity

Deposits and investments

The City considers cash on hand and demand deposits, restricted cash deposits, and short-term investments with maturities of three months or less when purchased to be cash for the statement of cash flows. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments consist of U.S. Treasury Securities, U.S. Government Agency Securities, common stock, guaranteed investment contracts and the Local Government Surplus Funds Trust Fund Investment pool (Pool A and Pool B). The Local Government Surplus Funds Trust Fund is administered by the Florida State Board of Administration, which is not a registrant with the Securities and Exchange Commission. However, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund or accounts in Pool A. In accordance with the regulations of 2a-7 like pools, the City's share of investments held at the State Board of Administration in Pool A are reported at amortized cost, which approximates fair value. This pool is regulated by the State and the fair value of the position in the pool is the same as the value of the pool share. Investment earnings of Pool A are allocated to the participating funds at the end of each month based upon the ratio of each participant's investment to the total pooled investments. Investments in Pool B are reported at fair value and as income and returns of principal become available, they are transferred to Pool A. Other investments, including the Police Officers' Pension Fund, are reported at their fair value based on the quoted market price or the best available information.

Internal balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Restricted assets

Certain amounts reported as cash and cash equivalents are classified as restricted assets. These include balances in the debt service funds that are set aside to meet bonded debt requirements, balances in the capital projects funds to be used for the payment of project costs and balances in the Cemetary Fund that are either not permitted to be spent or can only be spent for items incidental to cemetary expansions. The amount of the Cemetary Fund investments is also classified as restricted assets and reported as permanently restricted investments.

Receivables and payables

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are deferred. Receivables consist of trade receivables, due from other governments and interest receivable and are recorded at the net realizable value. The City, as of September 30, 2012, has no allowance for doubtful accounts, since all receivables are considered collectible.

Other assets

Inventories are valued at cost using the average cost method. Inventory in the General fund consists of materials and supplies held for consumption. The cost is recorded as an expenditure/expense at the time the individual inventory items are consumed. Inventory in the Golf Course Fund consists of supplies held for resale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Costs associated with the issuance or refunding of bonds payable are reported as assets in proprietary funds and government-wide statements. These costs are amortized over the life of the related debt utilizing the straight-line method.

Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are expensed.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10-40
Public domain infrastructure	40-50
System infrastructure	15-30
Improvements other than buildings	10-40
Machinery, equipment and other	5-15
Airport runways	20

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits and these are accounted for using the termination payment method. All vacation and sick leave amounts are accrued in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets.

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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Fund equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City Manager or his/her designee. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Use of 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. BUDGETARY INFORMATION

Budgets are prepared annually on a modified accrual basis with encumbrance accounting for all governmental funds except the capital project funds, which are approved on a "life of the project basis", and the permanent fund, which is not budgeted. All annual appropriations lapse at year end.

On or before the third Friday in May of each year, all agencies of the government submit requests for appropriations to the government's City Manager so that a budget may be prepared. Before July 31, the proposed budget is presented to the government's council for review. The council holds budget workshops and public hearings and a final budget must be prepared and adopted no later than September 30.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, Debt Service, and Capital Projects funds. Encumbrances outstanding at year end are carried forward and reappropriated to the next year's budget.

Actual results of operations presented in accordance with U.S. generally accepted accounting principles (GAAP basis) and the City's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the City's legally adopted budget.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2012:

Statement of Net Assets

Cash and cash equivalents	\$ 680,931
Temporarily restricted cash and cash equivalents	2,494,010
Investments	7,103,554
Permanently restricted investments	254,806

Statement of Fiduciary Net Assets

Police Officers' Pension:	
Cash and cash equivalents	697,401
Investments	8,119,066
Agency funds:	
Cash and cash equivalents	11,930
Investments	<u>220,000</u>

Total \$ 19,581,698

Deposits and investments

Bank deposits:	
Checking and savings accounts	\$ 3,881,842
Investments:	
Investments, at fair value	7,578,360
Police officers' pension fund investments	8,119,066
Cash on hand	<u>2,430</u>

Total \$ 19,581,698

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. At September 30, 2012, the carrying amount of the City of Sebastian's deposits with banks was \$3,184,441 and the bank balance was \$3,272,660. All the deposits were covered by the FDIC or collateralized in accordance with the "Florida Security for Public Deposits Act". Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Custodial Credit Risk - Investments. On April 23, 2003, Sebastian City Council formally adopted an investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits for all investments except the Pension Trust Funds. The City maintains a common cash and investment pool for the use of all funds, except the Pension Trust Funds, which are held with third party trustees and are governed by rules established by Florida Statute Chapter 185.

Investment holdings during the year included United States Government Agencies which were reported at fair value in accordance with GASB Statement No.31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". These investments were held in trust by the City's bank depository in the City's name or by the Custodian of the Pension Trust Funds.

Section 218.415, Florida Statutes, limits the types of investments that the City can invest in unless specially authorized in the City's investment policy. The City's formal investment policy, for all investments except the Pension Trust Fund, allows for the following investments: Florida Local Government Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, High Grade Corporate Notes, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds), and Intergovernmental Investment Pool.

Florida Statutes Chapter 185 regulates the types of investment that may be held by the Police Pension Trust Fund. The investment guidelines have been augmented by City ordinance that have adopted specific investment policies. Compliance with the policies and guidelines has been evaluated by the pension board.

As of September 30, 2012, the City had the following investments and effective duration presented in terms of years:

Investment Type	Fair Value	Investment Maturity (Years)			
		Less Than 1	From 1-3	From 4-6	Over 7
General investments					
Local government surplus funds trust fund ("SBA")	\$ 3,571,010	\$ 3,571,010	\$ -	\$ -	\$ -
United States Treasuries	2,002,180	2,002,180	-	-	-
United States Agencies	2,005,170	2,005,170	-	-	-
	<u>7,578,360</u>	<u>7,578,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
Police officers' pension fund investments					
United States Treasuries	585,445	-	160,053	-	425,392
United States Agencies	914,340	-	376,924	106,101	431,315
Municipal Obligations	35,481	-	-	-	35,481
Domestic corporate bonds	2,206,336	51,901	751,858	372,512	1,030,065
Domestic corporate equities	4,377,464	4,377,464	-	-	-
	<u>8,119,066</u>	<u>4,429,365</u>	<u>1,288,835</u>	<u>478,613</u>	<u>1,922,253</u>
Total fair value	<u>\$ 15,697,426</u>	<u>\$ 12,007,725</u>	<u>\$ 1,288,835</u>	<u>\$ 478,613</u>	<u>\$ 1,922,253</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Interest Rate Risk. The City's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investment maturities shall not exceed thirty-six (36) months. Investments of construction funds shall have a term appropriate to the need for funds and in accordance with debt covenants.

Credit Risk. The City investment policy that covers all investments, except the Pension Trust Fund, permits for investments in the following investments, which are limited to credit quality ratings from nationally recognized agencies as follows:

Mutual funds shall be rated "m" or "AAM-G" or better by Standard & Poor's, or the equivalent by another rating agency. State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's and "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's and "SP-2" by Standard & Poor's for short-term debt. Bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Services and "A-1" Standard & Poor's. Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's and a minimum long term debt rating of "A" by Standard & Poor's.

As of September 30, 2012, the City's investment securities, for all investments except the Pension Trust Fund, were all individually rated AA+ by Standard & Poor's and Aaa by Moody's Investor Services.

As of September 30, 2012, the City had \$3,571,022 invested in the State Board of Administration's Local Government Surplus Trust Funds Investment Pool, which consist of accounts in Pool A and Pool B. \$3,392,874 is in Pool A and \$178,148 is in Pool B. Pool A had a rating by Standard and Poor's Rating Services as "AAAm" on September 30, 2012 and amounts may be withdrawn without penalty. Pool B participants are prohibited from making withdrawals. Pool B is not rated by any nationally recognized statistical rating agency. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Investment in the City's pension trust funds are limited by State Statutes Chapter 185 and by an investment policy adopted by the fund's Board of Trustees on June 24, 2005. The allowable investment instruments include: United States government and agency issues, bankers acceptances and certificates of deposit by United States banks, savings accounts with banks or other financial institutions incorporated in the United States and commercial paper rated A-2 or P-2 or higher by Moody's or Standard and Poores. In addition, common stocks of corporations listed on a recognized national stock exchange, plus issues convertible into common stock are also allowed. No more than ten percent (10%) of the cost value of total assets may be invested in foreign securities.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Custodial Credit Risk. The City's investment policy pursuant to Section 218.415(18), Florida Statutes requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States, which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits maintained by book-entry at the issuing bank shall clearly identify the City as the owner.

Concentration of Credit Risk. The City's investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the City's investment portfolio.

A maximum of 100% of available funds may be invested in the SBA and in the United States Government Securities, 50% of available funds may be invested in United States Government agencies with a 25% limit on individual issuers, 80% of available funds may be invested in Federal Instrumentalities with a 40% limit on individual issuers, 25% of available funds may be invested in non-negotiable interest bearing time certificates of deposits with a 15% limits on individual issuers, 50% of available funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements with a 25% limit on anyone institution, 25% of available funds may be directly invested in prime commercial paper with a 10% limit on individual issuers, 15% of available funds may be directly invested in corporate notes with a 5% limit on individual issuers, 25% of available funds may be directly invested in Bankers' Acceptances with a 10% limit on individual issuers, 20% of available funds may be invested in taxable and tax-exempt debts, 50% of available funds may be invested in money market mutual fund with a 25% limit on individual issuers, 10% of available funds may be invested in intergovernmental investment pools.

The City's pension trust funds investment policy adopted by the fund's Board of Trustees has established asset allocation and issuer limits on the following investments, which are designed to focus on performance. A maximum of 100% of available funds may be invested in fixed income securities and a maximum of 50% of available funds may be invested in equity securities.

As of September 30, 2012, the City had the following issuer concentration based on fair value:

Issuer	General Investments		Pension Investments	
	Amount	Percentage of Portfolio	Amount	Percentage of Portfolio
Local government surplus funds				
trust fund ("SBA")	\$ 3,571,010	47.12%	\$ -	0.00%
United States treasuries	2,002,180	26.42%	585,445	7.21%
United States agencies	2,005,170	26.46%	914,340	11.26%
Municipal obligations	-	0.00%	35,481	0.44%
Domestic corporate bonds	-	0.00%	2,206,336	27.17%
Domestic corporate equities	-	0.00%	4,377,464	53.92%
Total	\$ 7,578,360	100.00%	\$ 8,119,066	100.00%

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 244,651	\$ 13,498
Due from other governments	519,933	-
Interest	7,763	1,014
	<u>\$ 772,347</u>	<u>\$ 14,512</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 93,056	\$ 13,416
Accrued liabilities	144,277	13,893
Due to other governments	28,370	7,268
	<u>\$ 265,703</u>	<u>\$ 34,577</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General Fund	\$ 105,550	\$ -
Golf Course	-	65,000
Airport	-	40,550
	<u>\$ 105,550</u>	<u>\$ 105,550</u>

Advances to and from primary government funds

	Advance from Other Funds	Advance to Other Funds
General Fund	\$ -	\$ 200,000
Discretionary Sales Tax	-	552,511
Airport	752,511	-
	<u>\$ 752,511</u>	<u>\$ 752,511</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The balance of \$752,511 advanced to the airport fund from the discretionary sales tax fund is to be repaid over a thirty year period in accordance with Resolution No. R-08-20 for the initial \$285,000 advance and with Resolution No. R-10-22 authorizing an additional \$290,000 advance. In relationship to these advances, \$22,289 has been repaid as of September 30, 2012. The balance of \$200,000 advanced to the airport from general fund represents a cash loan made in 2007 without any specified terms for repayment.

For the year ended September 30, 2012, interfund transfers consisted of the following:

Transfers In	Transfers out					Totals
	Local Option Gas Tax	Discretionary Sales Tax	Riverfront Development	Airport	Nonmajor Governmental Funds	
General Fund	\$ 125,000	\$ 2,069	\$ 60,000	\$ -	\$ 505,647	\$ 692,716
Discretionary Sales Tax	-	-	-	22,489	-	22,489
Local Option Gas Tax	-	-	-	-	742	742
Discretionary Sales Surtax Revenue	-	-	-	-	-	-
Bonds 2003	-	1,016,206	-	-	-	1,016,206
Nonmajor governmental funds	-	1,103,489	44,458	-	814,665	1,962,612
	<u>\$ 125,000</u>	<u>\$ 2,121,764</u>	<u>\$ 104,458</u>	<u>\$ 22,489</u>	<u>\$ 1,321,054</u>	<u>\$ 3,694,765</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as required by bond covenants.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

7. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 8,007,437	\$ -	\$ -	\$ -	\$ 8,007,437
Construction in progress	1,207,848	138,631		(1,183,050)	163,429
	<u>9,215,285</u>	<u>138,631</u>	<u>-</u>	<u>(1,183,050)</u>	<u>8,170,866</u>
Capital assets, being depreciated:					
Buildings	12,370,759	27,020	-	-	12,397,779
Non-building improvements	5,992,537	351,058	(12,609)	-	6,330,986
Machinery and equipment	8,028,080	450,258	(310,973)	-	8,167,365
Infrastructure	33,628,446	800,091	-	1,183,050	35,611,587
	<u>60,019,822</u>	<u>1,628,427</u>	<u>(323,582)</u>	<u>1,183,050</u>	<u>62,507,717</u>
Less accumulated depreciation for:					
Buildings	(3,448,511)	(411,638)	-	-	(3,860,149)
Non-building improvements	(2,446,336)	(287,823)	9,709	-	(2,724,450)
Machinery and equipment	(6,725,853)	(571,753)	307,730	-	(6,989,876)
Infrastructure	(12,835,204)	(1,555,648)	-	-	(14,390,852)
	<u>(25,455,904)</u>	<u>(2,826,862)</u>	<u>317,439</u>	<u>-</u>	<u>(27,965,327)</u>
Total capital assets being depreciated, net	<u>34,563,918</u>	<u>(1,198,435)</u>	<u>(6,143)</u>	<u>1,183,050</u>	<u>34,542,390</u>
Governmental activities capital assets, net	<u>\$ 43,779,203</u>	<u>\$ (1,059,804)</u>	<u>\$ (6,143)</u>	<u>\$ -</u>	<u>\$ 42,713,256</u>

At September 30, 2012, the City's governmental activities had outstanding commitments through construction contracts of approximately \$1,288,217.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 9,060	\$ -	\$ -	\$ -	\$ 9,060
Construction in progress	-	3,042	-	-	3,042
	<u>9,060</u>	<u>3,042</u>	<u>-</u>	<u>-</u>	<u>12,102</u>
Capital assets, being depreciated:					
Buildings	6,335,323	5,019	-	-	6,340,342
Non-building improvements	1,909,804	2,980	(9,538)	-	1,903,246
Machinery and equipment	935,283	28,811	(68,253)	-	895,841
Infrastructure	7,468,512	60,791	-	-	7,529,303
	<u>16,648,922</u>	<u>97,601</u>	<u>(77,791)</u>	<u>-</u>	<u>16,668,732</u>
Less accumulated depreciation for:					
Buildings	(897,314)	(173,452)	-	-	(1,070,766)
Non-building improvements	(700,708)	(119,415)	9,538	-	(810,585)
Machinery and equipment	(752,115)	(104,329)	68,253	-	(788,191)
Infrastructure	(2,457,284)	(372,185)	-	-	(2,829,469)
	<u>(4,807,421)</u>	<u>(769,381)</u>	<u>77,791</u>	<u>-</u>	<u>(5,499,011)</u>
Total capital assets being depreciated, net	<u>11,841,501</u>	<u>(671,780)</u>	<u>-</u>	<u>-</u>	<u>11,169,721</u>
Business-type activities capital assets, net	<u>\$ 11,850,561</u>	<u>\$ (668,738)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,181,823</u>

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

Depreciation of governmental activities by function	
General government	\$ 276,612
Public safety	538,475
Transportation	973,603
Physical environment	642,596
Economic environment	363,147
Cultural and recreation	32,429
Total governmental activities	<u>\$ 2,826,862</u>
Depreciation of business-type activities by function	
Golf course	\$ 80,692
Airport	688,332
Building	357
Total business-type activities	<u>\$ 769,381</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

8. LONG-TERM DEBT

Revenue bonds/notes are secured by and payable from the revenues of the respective funds that issued them.

- The City entered into a nine (9) year loan agreement in 2012 with a local bank for \$2,296,000 to provide financing to repave certain roads in the City and payoff an outstanding loan. The City pledged Local Option Gas Tax revenues to repay the note payable. The funds are accumulated in the Local Option Gas Tax Special Revenue fund for repayment of principal and interest.
- The City issued a fifteen (15) year, \$9,500,000 Infrastructure Sales Surtax Revenue Bonds, Series 2003 in April 2003. The City has pledged Infrastructure Sales Surtax revenues for repayment of principal and interest.
- The City issued a fifteen (15) year, \$2,125,000 Infrastructure Sales Surtax Revenue Bonds, Series 2003A in December 2003. The City has pledged Infrastructure Sales Surtax revenues for repayment of principal and interest.
- The City issued a nineteen (19) year, \$5,630,000 Stormwater Utility Revenue Bonds, Series 2003 in November 2003. The City has pledged Stormwater Fee Revenues along with a covenant to budget and appropriate for repayment of principal and interest.

Bond Coverage

The City has covenanted in the Stormwater Utility Revenue Bonds, Series 2003 Bond Resolution to fix, establish, maintain and collect stormwater fees, and revise the same from time to time whenever necessary, so as to always provide in each fiscal year stormwater fee revenues and investment earnings equal to at least one hundred thirty-five percent (135%) of the annual debt service becoming due in each fiscal year.

The following table indicates the degree of compliance with the bond resolution covenants in the Stormwater Utility Fund at September 30, 2012.

Gross Revenue Available for Compliance	Debt Service Requirement	% Coverage for Fiscal Year End
\$ 810,382	\$ 439,248	184%

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The following is a summary of governmental activities long-term debt transactions for the year ended September 30, 2012:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 10,000,000	\$ -	\$ (1,075,000)	\$ 8,925,000	\$ 1,110,000
Notes payable	2,246,000	2,296,000	(2,246,000)	2,296,000	197,000
	<u>12,246,000</u>	<u>2,296,000</u>	<u>(3,321,000)</u>	<u>11,221,000</u>	<u>1,307,000</u>
Discount on bonds payable	(8,750)	-	833	(7,917)	-
Compensated absences	1,517,765	496,207	(578,386)	1,435,586	116,390
Termination benefits	11,387	-	(8,844)	2,543	2,543
Pollution remediation	91,200	-	-	91,200	-
	<u> </u>				
Totals governmental activities	<u>\$ 13,857,602</u>	<u>\$ 2,792,207</u>	<u>\$ (3,907,397)</u>	<u>\$ 12,742,412</u>	<u>\$ 1,425,933</u>

Bonds payable

2003 Infrastructure Sales Surtax Revenue Bonds, due in annual installments of \$645,000 to \$805,000 plus interest at 2.0% to 4.5% through 2018.

\$ 4,390,000

2003A Infrastructure Sales Surtax Revenue Bonds, due in annual installments of \$150,000 to \$185,000 plus interest at 2.0% to 4.0% through 2018.

1,030,000

2003 Stormwater Utility Revenue Bonds, due in annual installments of \$280,000 to \$420,000 plus interest at 2.0% to 4.5% through 2022.

3,505,000

Total

\$ 8,925,000

Notes payable

Florida Gas Tax Revenue Note, due in annual installments of \$97,000 to \$121,000 plus interest at 1.94% through 2023.

\$ 2,296,000

The following is a summary of business-type activities long-term debt transactions for the year ended September 30, 2012:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 207,697	\$ 26,263	\$ (37,960)	\$ 196,000	\$ 922
	<u> </u>				

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended September 30,	Governmental Activities	
	Principal	Interest
2013	\$ 1,307,000	\$ 405,315
2014	1,358,000	357,295
2015	1,407,000	309,625
2016	1,456,000	259,334
2017	1,510,000	206,167
2018-2022	4,062,000	390,306
2023	121,000	1,173
	<u>\$ 11,221,000</u>	<u>\$ 1,929,215</u>

For the governmental activities, compensated absences, the unfunded OPEB obligation and termination benefits are generally liquidated by the general fund. For the business-type activities, compensated absences and unfunded OPEB obligations are allocated to and liquidated by the golf course, airport or building funds.

A pollution remediation obligation was recorded for a Florida Department of Environmental (FDEP) Order dated March 10, 1997. This was related to an incident of petroleum contamination at the Public Works Department on April 22, 1991. The City was named as the party responsible for the cleanup but FDEP determined the discharge is eligible under the Petroleum Cleanup Participation Program and will not compel site rehabilitation prior to funding becoming available from that program. The program has a funding cap of \$400,000, with a 25% required cost share percentage. The City must also pay for a limited contamination assessment report sufficient to determine the extent of the contamination and cleanup. Based on the information available, the City estimated its expenditure to be \$91,200 dependent on the extent of work that is eventually required and recorded a long-term liability of \$91,200.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

9. LEASES

Operating Leases - Lessee

The City is obligated under certain leases for land and golf carts accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Total costs for such leases were \$197,935 for the fiscal year ended September 30, 2012. These include the Airport Fund's lease obligation for the property used as the City's golf course. The following is a schedule by years for future minimum rental payments required under operating leases in the Golf Course fund that have initial or remaining noncancelable lease terms in excess of one year at September 30, 2012:

Year Ended September 30,	Business-type Activities	
	Airport	Golf Carts
2013	\$ 135,000	\$ 160,890
2014	135,000	-
2015	135,000	-
Total	\$ 405,000	\$ 160,890

Operating Leases - Lessor

The City is the lessor in two communication tower leases with terms of up to fifty-five years. The towers have a cost of \$39,285 and a carrying value of \$6,810. For fiscal year 2012, total depreciation expense for the leased tower is \$1,865. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

Year Ended September 30,	Governmental Activities
2013	\$ 67,641
2014	69,008
2015	70,430
2016	71,909
2017	76,903
2018-2022	389,087
2023-2027	354,943
2028-2032	414,315
2033-2037	486,551
2038-2042	574,436
2043-2047	681,362
2048-2052	811,454
2053-2055	560,802
Total	\$ 4,628,841

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The Airport Fund is the lessor of various properties (land with a cost basis of \$9,060) with lease terms varying from twenty to thirty years. These include the lease to the Golf Course Fund requiring annual payments of \$135,000 through 2015. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

Future minimum rental commitments are as follows:

Year Ended September 30,	Business-type Activities
2013	\$ 344,628
2014	351,748
2015	334,194
2016	202,821
2017	201,800
2018-2022	1,143,309
2023-2027	1,059,772
2028-2032	516,822
2033-2036	<u>271,328</u>
Total	<u>\$ 4,426,422</u>

10. PROPERTY TAXES

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. The millage rate levied by the City for the fiscal year ended September 30, 2012, was 3.3041 mills. Total tax collections were approximately 96.4% of the total tax levy.

The tax levy of the City is established by City Council. Under Florida law, the assessment of all properties and the collection of municipal taxes are provided by offices of the County's Property Appraiser and Tax Collector. Ad Valorem taxes are levied on property values as of January 1. The fiscal year for which taxes are levied begins October 1. Taxes are due November 1 and become delinquent on April 1. All taxes unpaid as of May 30 are subject to a tax certificate sale. Property tax revenues are recognized in the fiscal year for which they are levied and also become due and payable.

11. CONTINGENT LIABILITIES

Various suits and claims are currently pending against the City. It is impossible for the City to accurately quantify the exposure involved given the jury's latitude in assessing compensatory and punitive damages, and the court's latitude in awarding attorney's fees. The City intends to vigorously defend against these lawsuits and believes it has a good chance of prevailing on their merits. The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of management and based on the advice of legal counsel, the ultimate disposition of lawsuits will not have a material adverse effect on the financial position of the City.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; and natural disasters. The City purchases commercial insurance with various deductibles for different types of losses. The cost of this insurance is accounted for in the general fund, golf course fund, airport fund, and building fund. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

13. BENEFIT PLANS

Police Officer's Pension Plan

Defined Benefit Pension Plan

Plan Description. The Police Officers' Pension Plan is a Florida Statute Chapter 185 single-employer defined benefit plan. Only City police officers participate in the Police Pension Plan. The state provides a contribution to the Police Pension Plan through a distribution of funds collected from insurance premium taxes. The Pension plan data provided in these Financial Statements are from the actuarial valuation as of October 1, 2010 to determine the required contribution for the fiscal year ending September 30, 2012. Although the Police Officers' Pension Plan provides separate reporting, which may be obtained in the Finance department, it is also a component unit (reporting as a Pension Trust Fund) of the City's financial reporting entity.

As of September 30, 2012, employee membership data was as follows:

Retirees and beneficiaries currently receiving benefits	9
Disability retirees	2
Terminated employees not currently receiving benefits	3
Fully, partially, and non-vested active plan participants	33
	<hr/>
	47
	<hr/> <hr/>

Benefit Provisions and Contribution Requirements. The Police Officers' Pension Plan provides retirement and disability benefits to plan members and beneficiaries. This Plan is administered by a separate local Board of Trustees. Chapter 185, Florida Statutes, as amended governs all benefit provisions of the Plan. Contribution requirements, in accordance with Chapter 185, Florida Statutes, are established by City ordinance, as provided in Chapter 58, Article III of the Sebastian City Code. The City Council has the authority to amend funding requirements.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Funding Policy. The employer, employee, and State contribution requirements are applicable to the Plan and actuarially determined on a frequency of at least every 3 years in accordance with Florida State Statute. Administration costs of the pension plan are financed by the Plan. For the 2011-2012 fiscal year, the employee contribution rate, expressed as a percentage of compensation, was 5.0% and the employer contribution rate was 22.1%. The employer contribution amounted to \$450,666. The State contribution was \$139,263, which represents state shared revenue that is levied on property and casualty insurance premiums and collected by the State. The State contribution was recognized and recorded in the general fund and the corresponding expenditure was recorded as public safety expenditure. The City is required to contribute the remaining amounts to ensure that the Plan is actuarially sound.

For the year ended September 30, 2012 the City's annual pension cost was \$594,612, however actual contributions equaled \$589,929, decreasing the net pension asset. The required contribution was determined as part of the October 1, 2010 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included: a rate of return on the investment of present and future assets of 8.0% and projected salary increases of 6.0% per year, including inflation at 3.0%. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at October 1, 2012, the date of the latest actuarial valuation, was 28 years.

Three-Year Trend Information			
Years Ended September 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2010	\$ 706,678	99.30%	\$ 141,338
2011	740,912	99.39%	136,816
2012	594,612	99.21%	132,133

Reserves. All of the net assets of the Police Pension Plan are legally reserved for plan participant benefits.

Basis of Accounting. Financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due, and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. Investments in securities of a single organization (excluding mutual funds and those issued or guaranteed by the U.S. government) held by the pension plan did not exceed five percent of the total plan assets.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Development of Net Pension Asset

The municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefit Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is \$0.

The following table shows the components of the City's annual pension cost for the year ended September 30, 2012, the amount actually contributed to the plan, and the changes in the City's net pension asset:

	September 30, 2012
Actuarially determined contribution	\$ 563,804
Interest on net pension asset	(10,945)
Adjustment to actuarially determined contribution	<u>41,753</u>
Annual pension cost	594,612
Contributions made	<u>589,929</u>
Decrease in net pension asset	(4,683)
Net pension asset, beginning of year	<u>136,816</u>
Net pension asset, end of year	<u><u>\$ 132,133</u></u>

Funded Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the plan was 90.30 percent funded. The actuarial accrued liability for benefits was \$9,793,255, and the actuarial value of assets was \$8,843,096, resulting in an unfunded actuarial accrued liability (UAAL) of \$950,159. The covered payroll (annual payroll of active employees covered by the plan) was \$1,893,717, and the ratio of the UAAL to the covered payroll was 50.17 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Communication Workers of America / International Typographical Union

Negotiated Defined Benefit Pension Plan

Plan Description. The Communication Workers of America / International Typographical Union Negotiated Pension Plan (NPP), which began in 1967, is a multi-employer, defined benefit plan. The Plan is available to any Communication Workers of America (CWA) bargaining unit member, and benefits are portable from one contributing employer to another.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Normal Pension. Minimum age 65: 5 years of Service Credit required if any portion of service credit was earned after January 1, 1989. 10 years of Service Credit required if employees' coverage ended before January 1, 1989. Once the Service Credit amount is accrued, the employee is vested and cannot lose the right to a pension.

Early Pension. Minimum age 60: 20 years of Service Credit required if employed after January 1, 1989. 25 years of Service Credit required if employment ended before January 1, 1993. Pension amounts are permanently reduced based on age on the effective date, because the payments are expected to be made for a longer period of time.

Disability Pension. No minimum age and the pension amount is not reduced for age; there must be a Social Security Disability Award, 10 years of actual Service Credit and a contribution for covered employment must have been made within five calendar years preceding the entitlement date to Social Security Disability Pension. An application must be filed with the Plan within 6 months of the Social Security Notice of Award date to receive pension retroactive to the Social Security entitlement date.

Lump Sum Disability Benefit. If the employee is in receipt of a Social Security Disability Award and is vested, but not immediately eligible to receive any pension described above, the employee may be eligible for a lump sum equal to total contributions credited on the employees behalf (or 36 times the Normal Pension amount, if greater). If the employee is immediately eligible for a pension but not yet receiving one, the employee can still qualify for a lump sum if the employee submits two physicians' written statements that the disability will lead to death within one year of the date of application.

Death Benefit. If the employee dies before becoming a pensioner and has at least \$250 contributed on the employees' behalf, a lump sum death benefit equal to total contributions credited on the employees' behalf or 36 times the Normal Pension amount, if greater, will be paid to employees' beneficiary. If the employee is married at the time of death, the spouse will have the choice of a lump sum or a monthly survivor benefit.

Withdrawal Benefit. If the employee did not earn enough Service Credit to qualify for a Normal Pension, the employee may be eligible for a lump sum withdrawal benefit, based on total contributions, after the employee has incurred a break in service. Benefit Provisions and Contribution Requirements: The NPP provides retirement and disability benefits to plan members and beneficiaries. The plan is administered at the Plan Office in Colorado Springs, Colorado. Contribution requirements are established by the CWA contract, effective date October 1, 2011, which is negotiated every 3 years, and approved by City Council.

Benefit Provisions and Contribution Requirements. The NPP provides retirement and disability benefits to plan members and beneficiaries. The plan is administered at the Plan Office in Colorado Springs, Colorado. Contribution requirements are established by the CWA contract, effective date October 1, 2011, which is negotiated every 3 years, and approved by City Council.

Funding Policy. Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2011-2012 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2010, 2011 and 2012 were \$234,219, \$223,113 and \$210,258 respectively, which are equal to 100% of the required contribution for each year.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Defined Contribution 401(a) Plan

Plan Description. The ICMA Retirement Corporation's 401 Retirement Plan is a Defined Contribution Plan "qualified" under Section 401(a) of the Internal Revenue Code. Each participant has a plan account to which contributions are made. Plan benefits are based on the total amount of money in the employees' account at retirement or other eligible event. The Plan is available to all management staff and may be rolled over to another "qualified" employer plan that accepts rollovers, or Traditional IRA's.

Periodic Payments. Retirement benefits can be paid monthly, quarterly, semi-annual (at six-month intervals only) or annual payments until assets are fully paid out.

Rollover. Retirement benefits can be rolled over to another employer plan (including a 457 deferred compensation plan) that accepts rollovers, or to a Traditional IRA.

Lump Sum. Retirement benefits can be paid either partially or by total distribution of the employees' account balance.

Annuities. Retirement benefits can be utilized to purchase an annuity.

Benefit Provisions and Contribution Requirements. The 401 provides retirement benefits to plan members and beneficiaries. The plan is administered by the ICMA Retirement Corporation. Contribution requirements are established by the City of Sebastian, Management Benefit Package, revised October 1, 2006, and approved by the City Manager.

Funding Policy. The administration costs of the pension plan are financed by the Plan. The employer contribution rate, expressed as a percentage of compensation, was 9.0% for the 2011-12 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2010, 2011, and 2012 were \$126,377, \$132,656 and \$109,864, respectively, which are equal to 100% of the required contribution for each year.

14. OTHER POSTEMPLOYMENT BENEFITS

Plan description. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The City, by policy, has elected to provide qualified retirees with partial subsidy. In this respect, the City operates a single-employer plan.

Employees are eligible to receive a partial subsidy from the Retiree Medical Plan upon retirement, if they are enrolled in the active medical plan immediately prior to retiring and achieved at least 20 years of service in a full time capacity. If eligible, the City pays 50% of the costs of single coverage group health insurance for up to 2 years after retirement. No employee has ever received the subsidy.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Funding Policy. Based on GASB Statement 43 and 45, which set forth the guidelines for treatment of other postemployment benefits, the City had an actuary calculate future funding requirements in 2010. The actuary's 2010 estimate, using the Projected Unit Credit Method, produced an unfunded obligation of \$339,765 and an annual required contribution of \$26,851. The City elected to fund the OPEB obligation on a pay-as-you-go basis. The entire unfunded obligation was recognized in the government-wide financial statements. The enterprise fund portion (\$27,210) was also recognized in the enterprise fund financial statements. As such, a separate audited GAAP basis postemployment benefit plan report is not available. In 2011 and 2012, the City recorded a decrease of the government-wide obligation of \$5,217 and \$26,126, respectively, based on the annual required contribution reduced by the expected future benefit payments. The additional enterprise fund portion was calculated as \$11,470 in 2011 and a decrease \$986 in 2012.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year ended September 30, 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 26,851
Interest on net OPEB obligation	13,037
Adjustment to annual required contribution	<u>(12,455)</u>
Net OPEB cost	27,433
Contributions made	<u>(36,955)</u>
Increase in net OPEB obligation	(9,522)
Net OPEB obligation, beginning of year	<u>325,915</u>
Net OPEB obligation, end of year	<u>\$ 316,393</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the previous two years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 27,174	119%	\$ 339,765
2011	27,475	150%	334,548
2012	27,433	135%	316,393

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Funded Status and Funding Progress

As of October 1, 2009, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$280,582, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,426,614, and the ratio of the UAAL to the covered payroll was 4 percent.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided with the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The schedule of funding progress shown below is required to present multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The City elected to fund the OPEB on a pay-as-you-go basis and consequently, reports a zero balance for the actuarial value of assets.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the October 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4 percent investment rate of return (net of administrative expenses), (b) a 3 percent payroll growth rate, (c) a 3 percent inflation rate, and (d) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2017. The actuarial assumptions utilized the RP-2000 Combined Healthy Mortality Table projected to 2010. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at October 1, 2009 was 30 years.

Termination Benefits

The City offered its employees an early retirement incentive program in 2006-2007 fiscal year. The eligibility requirements were that the employee was either an exempt management employee or an hourly employee including police officers with at least 15 years of service in a full time capacity and within three years of reaching the age of 65 (the age eligible for Medicare benefit). The benefits include a one time lump sum payment based on the year of service and single coverage group health insurance for up to 3 years after retirement. The lump sum payment was calculated by multiplying \$1,000 for each full year of service. The group health insurance will terminate when the retiree reaches the age of 65 and eligible for Medicare benefits. As of September 30, 2012, the total accrued termination benefits for the government-wide financial statements were \$2,543. No portion of the accrued termination benefits related to the enterprise funds.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	LOGT	Discretionary Sales Tax	Riverfront Redevelopment	DST Revenue Bonds	Nonmajor Funds	Total
Nonspendable:							
Inventory	\$ 65,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,423
Prepays	105,027	-	-	-	-	-	105,027
Long-term advances	200,000	-	552,511	-	-	-	752,511
Permanent fund corpus	-	-	-	-	-	737,182	737,182
Total nonspendable	370,450	-	552,511	-	-	737,182	1,660,143
Restricted for:							
Debt service	-	-	-	-	1,555,411	182,579	1,737,990
Special revenue	-	190,274	1,463,061	478,895	-	236,459	2,368,689
Capital projects	-	-	-	-	-	17,354	17,354
Expendable portion of cemetery fund corpus	-	-	-	-	-	247,793	247,793
Total restricted	-	190,274	1,463,061	478,895	1,555,411	684,185	4,371,826
Committed for:							
Working capital	2,861,708	-	-	-	-	719,686	3,581,394
Assigned for:							
General employee events	3,741	-	-	-	-	-	3,741
Law enforcement grants	4,650	-	-	-	-	-	4,650
Greer donations for police	27,316	-	-	-	-	-	27,316
Total assigned	35,707	-	-	-	-	-	35,707
Unassigned	1,734,307	-	-	-	-	-	1,734,307
Total fund balances, governmental funds	\$ 5,002,172	\$ 190,274	\$ 2,015,572	\$ 478,895	\$ 1,555,411	\$ 2,141,053	\$ 11,383,377

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

16. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of September 30, 2012, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 8,170,866	\$ 12,102
Capital assets being depreciated, net	34,542,390	11,169,721
	<u>42,713,256</u>	<u>11,181,823</u>
Related debt:		
Total bonds and notes payable	11,221,000	-
Net bond premium/discount	(7,917)	-
	<u>11,213,083</u>	<u>-</u>
Invested in capital assets, net of capital - related debt	<u>\$ 31,500,173</u>	<u>\$ 11,181,823</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
 Employees' Retirement Plan

Schedule of Funding Progress
 Single-employer Pension Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
10/1/2004	\$ 3,536,724	\$ 4,251,736	\$ 715,012	83.18%	\$ 1,480,974	48.28%
10/1/2006	4,711,294	5,389,815	678,521	87.41%	1,769,613	38.34%
10/1/2008	5,474,816	6,127,531	652,715	89.35%	2,143,131	30.46%
10/1/2010	7,086,302	8,029,402	943,100	88.25%	2,205,042	42.77%
10/1/2012	8,843,096	9,793,255	950,159	90.30%	1,893,717	50.17%

Schedule of Employer Contributions
 Single-employer Pension Trust Fund

Year Ended September 30,	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2007	\$ 407,011	\$ 294,534	\$ 117,621	101.26%
2008	456,928	376,769	122,800	109.33%
2009	557,439	404,104	137,782	97.21%
2010	701,998	566,910	134,852	99.97%
2011	736,420	602,943	133,477	100.00%
2012	559,868	436,386	123,482	100.00%

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
Other Postemployment Benefits Plan

Schedule of Funding Progress
Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)
9/30/2010	\$ -	\$ 306,554	\$ 306,554	0.0%
9/30/2011	-	316,393	316,393	0.0%
9/30/2012	-	280,582	280,582	0.0%

Schedule of Employer Contributions
Other Postemployment Benefits Plan

Year Ended September 30,	Annual Required Contributions	Percentage Contributed
9/30/2010	\$ 26,557	119%
9/30/2011	26,868	150%
9/30/2012	26,851	135%

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF SEBASTIAN, FLORIDA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2012

	Special Revenue Funds			
	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
Assets				
Cash and cash equivalents	\$ -	\$ 5,723	\$ 40,452	\$ 9,315
Investments	26,465	687,625	115,690	59,590
Interest receivable	-	-	997	-
Due from other governments	-	-	10,453	-
Total assets	\$ 26,465	\$ 693,348	\$ 167,592	\$ 68,905
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 127	\$ 38	\$ -
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	167,554	68,905
Committed	26,465	693,221	-	-
Total fund balances	26,465	693,221	167,554	68,905
Total liabilities and fund balances	\$ 26,465	\$ 693,348	\$ 167,592	\$ 68,905

Debt Service	Capital Projects Funds				Permanent	Total Nonmajor Governmental Funds
Stormwater Utility Revenue Bonds 2003	General Capital Projects	Capital Improvements	Transportation Improvements	Stormwater Utility Improvements	Cemetery	
\$ 182,579	\$ -	\$ 2,643	\$ 23,208	\$ -	\$ 730,169	\$ 994,089
-	-	-	-	-	254,806	1,144,176
-	-	-	-	-	-	997
-	-	-	-	-	-	10,453
<u>\$ 182,579</u>	<u>\$ -</u>	<u>\$ 2,643</u>	<u>\$ 23,208</u>	<u>\$ -</u>	<u>\$ 984,975</u>	<u>\$ 2,149,715</u>
\$ -	\$ -	\$ 2,643	\$ 5,854	\$ -	\$ -	\$ 8,662
-	-	-	-	-	737,182	737,182
182,579	-	-	17,354	-	247,793	684,185
-	-	-	-	-	-	719,686
<u>182,579</u>	<u>-</u>	<u>-</u>	<u>17,354</u>	<u>-</u>	<u>984,975</u>	<u>2,141,053</u>
<u>\$ 182,579</u>	<u>\$ -</u>	<u>\$ 2,643</u>	<u>\$ 23,208</u>	<u>\$ -</u>	<u>\$ 984,975</u>	<u>\$ 2,149,715</u>

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Revenue, Expenditures
 and Changes in Fund Balances - Nonmajor Governmental Funds
 For the Year Ended September 30, 2012

	Special Revenue Funds			
	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
Revenue				
Impact fees	\$ -	\$ 58,500	\$ -	\$ -
Charges for services	-	-	803,983	-
Fines	-	-	-	5,268
Investment earnings	57	4,388	7,017	815
Contributions and donations	-	-	-	-
Other revenue	13,776	-	2,003	8,476
Total revenue	13,833	62,888	813,003	14,559
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	12,239
Physical environment	-	-	8,348	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	8,348	12,239
Revenue over (under) expenditures	13,833	62,888	804,655	2,320
Other financing sources (uses)				
Transfers in	-	-	3,493	-
Transfers out	-	(217,854)	(1,090,750)	-
Total other financing sources (uses)	-	(217,854)	(1,087,257)	-
Net change in fund balances	13,833	(154,966)	(282,602)	2,320
Fund balances, beginning of year	12,632	848,187	450,156	66,585
Fund balances, end of year	\$ 26,465	\$ 693,221	\$ 167,554	\$ 68,905

Debt Service	Capital Projects Funds				Permanent	Total Nonmajor Governmental Funds
Stormwater Utility Revenue Bonds 2003	General Capital Projects	Capital Improvements	Transportation Improvements	Stormwater Utility Improvements	Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,500
-	-	-	-	-	63,142	867,125
-	-	-	-	-	-	5,268
175	-	-	-	-	7,351	19,803
-	-	14,001	168,059	-	-	182,060
-	-	-	-	-	350	24,605
<u>175</u>	<u>-</u>	<u>14,001</u>	<u>168,059</u>	<u>-</u>	<u>70,843</u>	<u>1,157,361</u>
-	9,700	-	-	-	-	9,700
-	-	-	-	-	-	12,239
-	-	-	-	3,980	-	12,328
280,000	-	-	-	-	-	280,000
160,290	-	-	-	-	-	160,290
-	406,647	261,138	565,056	499,232	-	1,732,073
<u>440,290</u>	<u>416,347</u>	<u>261,138</u>	<u>565,056</u>	<u>503,212</u>	<u>-</u>	<u>2,206,630</u>
<u>(440,115)</u>	<u>(416,347)</u>	<u>(247,137)</u>	<u>(396,997)</u>	<u>(503,212)</u>	<u>70,843</u>	<u>(1,049,269)</u>
439,674	416,347	247,138	362,587	493,373	-	1,962,612
-	-	(2,568)	(742)	(3,493)	(5,647)	(1,321,054)
<u>439,674</u>	<u>416,347</u>	<u>244,570</u>	<u>361,845</u>	<u>489,880</u>	<u>(5,647)</u>	<u>641,558</u>
(441)	-	(2,567)	(35,152)	(13,332)	65,196	(407,711)
<u>183,020</u>	<u>-</u>	<u>2,567</u>	<u>52,506</u>	<u>13,332</u>	<u>919,779</u>	<u>2,548,764</u>
<u>\$ 182,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,354</u>	<u>\$ -</u>	<u>\$ 984,975</u>	<u>\$ 2,141,053</u>

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual Parking In-Lieu-Of Special Revenue Fund For the Year Ended September 30, 2012

	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue			
Investment earnings	\$ 10	\$ 57	\$ 47
Other revenue	13,790	13,776	(14)
Net change in fund balance	13,800	13,833	33
Fund balance, beginning of year	12,632	12,632	-
Fund balance, end of year	<u>\$ 26,432</u>	<u>\$ 26,465</u>	<u>\$ 33</u>

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual Recreation Impact Fee Special Revenue Fund For the Year Ended September 30, 2012

	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue			
Impact fees	\$ 20,000	\$ 58,500	\$ 38,500
Investment earnings	8,500	4,388	(4,112)
Total revenue	28,500	62,888	34,388
Other financing sources (uses)			
Transfers in	415,463	-	(415,463)
Transfers out	(443,963)	(217,854)	226,109
Total other financing sourced (uses)	(28,500)	(217,854)	(189,354)
Net change in fund balances	-	(154,966)	(154,966)
Fund balance, beginning of year	848,187	848,187	-
Fund balance, end of year	<u>\$ 848,187</u>	<u>\$ 693,221</u>	<u>\$ (154,966)</u>

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual Stormwater Utility Special Revenue Fund For the Year Ended September 30, 2012

	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue			
Charges for services	\$ 815,000	\$ 803,983	\$ (11,017)
Investment earnings	3,450	7,017	3,567
Other revenue	-	2,003	2,003
Total revenue	818,450	813,003	(5,447)
Expenditures			
Current:			
Physical environment	100	8,348	8,248
Revenue over (under) expenditures	818,350	804,655	(13,695)
Other financing uses			
Transfers in	271,249	3,493	(267,756)
Transfers out	(1,089,599)	(1,090,750)	(1,151)
Net change in fund balance	-	(282,602)	(282,602)
Fund balance, beginning of year	450,156	450,156	-
Fund balance, end of year	\$ 450,156	\$ 167,554	\$ (282,602)

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenue, Expenditures

and Changes in Fund Balances - Budget and Actual
 Law Enforcement Forfeiture Special Revenue Fund
 For the Year Ended September 30, 2012

	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue			
Fines	\$ 8,000	\$ 5,268	\$ (2,732)
Investment earnings	125	815	690
Contributions	2,000	-	(2,000)
Other revenue	-	8,476	8,476
Total revenue	10,125	14,559	4,434
Expenditures			
Current:			
Public safety	-	12,239	12,239
Net change in fund balance	10,125	2,320	(7,805)
Fund balance., beginning of year	66,585	66,585	-
Fund balance, end of year	\$ 76,710	\$ 68,905	\$ (7,805)

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenue, Expenditures

and Changes in Fund Balance - Budget and Actual
 Stormwater Utility Revenue Bonds 2003 Debt Service Fund
 For the Year Ended September 30, 2012

	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue			
Investment earnings	\$ 1,100	\$ 175	\$ (925)
Expenditures			
Debt service:			
Principal	280,000	280,000	-
Interest and fiscal charges	160,123	160,290	167
Total expenditures	440,123	440,290	167
Revenue over (under) expenditures	(439,023)	(440,115)	(1,092)
Other financing sources			
Transfers in	439,023	439,674	651
Net change in fund balances	-	(441)	(441)
Fund balance, beginning of year	183,020	183,020	-
Fund balance, end of year	\$ 183,020	\$ 182,579	\$ (441)

AGENCY FUND

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended September 30, 2012

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
<i>Performance Deposits</i>				
Assets				
Cash and cash equivalents	\$ 11,930	\$ -	\$ -	\$ 11,930
Investments, at fair value	220,000	-	-	220,000
Total assets	<u>\$ 231,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,930</u>
Liabilities				
Performance deposits held in escrow	<u>\$ 231,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,930</u>

CAPITAL ASSETS

CITY OF SEBASTIAN, FLORIDA

Comparative Schedule by Source

Capital Assets Used in the Operation of Governmental Funds
September 30, 2012

	2012	2011
Governmental funds capital assets		
Land	\$ 8,007,437	\$ 8,007,437
Buildings and structures	12,397,779	12,370,759
Non-building improvements	6,330,986	5,992,537
Machinery and equipment	8,167,365	8,028,080
Infrastructure	35,611,587	33,628,446
Construction in progress	163,429	1,207,848
	<u>\$ 70,678,583</u>	<u>\$ 69,235,107</u>
Total governmental funds capital assets		
Investment in governmental funds capital assets (by sources)		
Federal grants	\$ 6,381,544	\$ 6,202,067
State grants	907,755	907,755
County grants	713,359	713,359
General Fund	11,031,201	11,280,701
Law enforcement trust fund	36,380	55,764
Recreational impact fee	1,726,191	1,516,679
Stormwater utility fee	4,895,946	4,895,946
Riverfront redevelopment	1,932,055	1,932,055
Cemetery trust fund	240,255	236,479
Donations	3,371,802	3,196,121
Sales taxes	16,347,884	14,159,551
Motor fuel taxes	6,811,354	6,811,354
Revenue bond debt	16,119,428	16,119,428
Capital projects	163,429	1,207,848
	<u>\$ 70,678,583</u>	<u>\$ 69,235,107</u>
Total investment in governmental funds capital assets		

CITY OF SEBASTIAN, FLORIDA

Schedule of Activities by Function

Capital Assets Used in the Operation of Governmental Funds
September 30, 2012

Functions / Programs	Land	Buildings	Non-Building Improvements	Machinery and Equipment	Infrastructure	Total
General government:						
Legislative	\$ -	\$ -	\$ -	\$ 4,245	\$ -	\$ 4,245
City manager	-	-	-	1,612	-	1,612
City clerk	-	-	-	20,350	-	20,350
Finance	-	-	1,100	53,622	-	54,722
MIS	-	5,844	53,131	644,562	-	703,537
Facilities maintenance	-	133,430	15,665	86,841	-	235,936
Growth management	-	85,555	-	44,582	-	130,137
Non-departmental	3,634,769	6,184,990	126,636	204,375	52,699	10,203,469
Total general government	3,634,769	6,409,819	196,532	1,060,189	52,699	11,354,008
Public safety:						
Special operations	-	-	-	122,484	-	122,484
Administration	9,560	3,347,152	89,320	273,812	-	3,719,844
School resource	-	-	-	69,943	-	69,943
Road patrol	-	-	-	2,536,820	-	2,536,820
Community policing	-	-	-	17,086	-	17,086
Code enforcement	-	-	-	42,047	-	42,047
Investigations	-	-	1,700	198,139	-	199,839
Support services	-	-	-	53,111	-	53,111
Communications	-	-	16,404	205,713	-	222,117
Building department	-	-	-	41,284	-	41,284
Total public safety	9,560	3,347,152	107,424	3,560,439	-	7,024,575
Transportation:						
Central garage	-	130,489	82,419	162,962	674	376,544
Roads and drainage	47,125	162,044	972,302	967,170	15,318,030	17,466,671
Total transportation	47,125	292,533	1,054,721	1,130,132	15,318,704	17,843,215
Economic environment:						
Non-departmental	2,308,392	1,040,589	-	-	-	3,348,981
Physical environment:						
Stormwater	-	-	1,850	1,748,721	18,459,728	20,210,299
Cemetery	272,190	82,019	78,354	60,585	22,717	515,865
Total physical environment	272,190	82,019	80,204	1,809,306	18,482,445	20,726,164
Culture/recreation:						
Parks and recreation	1,735,401	1,225,667	4,892,105	607,299	1,757,739	10,218,211
Total	\$ 8,007,437	\$ 12,397,779	\$ 6,330,986	\$ 8,167,365	\$ 35,611,587	70,515,154
Construction in progress						163,429
Total						\$ 70,678,583

CITY OF SEBASTIAN, FLORIDA

Schedule of Changes in Activities by Function

Capital Assets Used in the Operation of Governmental Funds
September 30, 2012

Functions / Programs	Capital Assets October 1, 2011	Additions	Deletion	Transfers In	Transfers Out	Capital Assets September 30, 2012
General government:						
Judicial	\$ 4,245	\$ -	\$ -	\$ -	\$ -	\$ 4,245
City manager	1,612	-	-	-	-	1,612
City clerk	25,817	-	-	879	6,346	20,350
Administrative services	59,511	-	-	-	4,789	54,722
MIS	627,192	71,102	5,014	11,136	879	703,537
Facilities maintenance	217,345	2,414	-	16,177	-	235,936
Growth management	120,906	-	2,425	11,656	-	130,137
Non-departmental	10,203,469	-	-	-	-	10,203,469
Total general government	11,260,097	73,516	7,439	39,848	12,014	11,354,008
Public safety:						
Special operations	127,484	-	5,000	-	-	122,484
Administration	3,728,994	-	9,150	-	-	3,719,844
School resource	69,943	-	-	-	-	69,943
Road patrol	2,545,372	118,705	113,462	-	13,795	2,536,820
Community policing	42,139	-	25,053	-	-	17,086
Code enforcement	31,749	24,620	-	-	14,322	42,047
Investigations	233,056	28,737	9,872	-	52,082	199,839
Support services	59,026	-	5,915	-	-	53,111
Communications	226,212	1,996	6,091	-	-	222,117
Building department	37,980	-	-	18,323	15,019	41,284
Total public safety	7,101,955	174,058	174,543	18,323	95,218	7,024,575
Transportation:						
Central garage	355,673	20,871	-	-	-	376,544
Roads and drainage	16,083,434	1,385,469	21,952	31,377	11,657	17,466,671
Total transportation	16,439,107	1,406,340	21,952	31,377	11,657	17,843,215
Economic environment:						
Non-departmental	3,348,981	-	-	-	-	3,348,981
Physical environment:						
Stormwater	19,588,795	640,814	19,310	-	-	20,210,299
Cemetery	512,089	8,800	5,024	-	-	515,865
Total physical environment	20,100,884	649,614	24,334	-	-	20,726,164
Culture/recreation:						
Parks and recreation	9,776,235	507,949	95,314	29,341	-	10,218,211
Total	68,027,259	2,811,477	323,582	118,889	118,889	70,515,154
Construction in progress	1,207,848	138,631	1,183,050	-	-	163,429
Total	\$ 69,235,107	\$ 2,950,108	\$ 1,506,632	\$ 118,889	\$ 118,889	\$ 70,678,583

INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITORS' 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*

March 13, 2013

Honorable Mayor and
Members of City Council
City of Sebastian
Sebastian, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Sebastian, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Sebastian, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sebastian, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sebastian, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sebastian, Florida'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*.

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



**INDEPENDENT AUDITORS'
MANAGEMENT LETTER**

March 13, 2013

Honorable Mayor and
Members of City Council
City of Sebastian
Sebastian, Florida

We have audited the financial statements of the *City of Sebastian, Florida* as of and for the fiscal year ended September 30, 2012 and have issued our report thereon dated March 13, 2013.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Florida Single Audit Act. We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard* and *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 13, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* (Section 10.554(1)(i)1) require that we address in the management letter, if not already addressed in the auditors' reports on Compliance and Internal Control or Schedule of Findings and Questioned Costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no findings or comments in the prior year.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)2), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Sebastian, Florida complied with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(1)(i)3) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not identify any such recommendations.

The *Rules of the Auditor General* (Section 10.554(1)(i)4) require that we address violations of 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 more than inconsequential. In connection with our audit, we did not identify any such findings.

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

The *Rules of the Auditor General* (Section 10.554(1)(i)6) also require 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 legal authority for the City of Sebastian, Florida is disclosed in the notes to the financial statements. The City of Sebastian, Florida's component unit, the Police Officer's Pension Plan, was established under Section 58-46 through 58-54 Code of Ordinances in October 1989.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the City of Sebastian, Florida has not met any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the City of Sebastian, Florida for the year ended September 30, 2012, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2012.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the City of Sebastian, Florida for the year ended September 30, 2012, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2012.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.c and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".

STATISTICAL SECTION

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CITY OF SEBASTIAN, FLORIDA

Statistical Section Table of Contents

This part of the City's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the City of Sebastian, Florida.

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand and evaluate how the City's financial condition, performance and well-being have changed over time.	110
Revenue Capacity	These schedules contain information to help the reader assess the City's ability to generate its most significant local revenue source, the property tax.	122
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	128
Demographic and Economic Information	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City's financial activities.	136
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	140

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement No. 34 in 2001; schedules presenting government-wide information include data beginning in that year.

CITY OF SEBASTIAN, FLORIDA

Net Assets by Component Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 31,500,173	\$ 31,541,953	\$ 28,938,587	\$ 26,744,896
Restricted	6,192,777	5,668,155	8,757,043	8,197,018
Unrestricted	3,607,228	4,052,751	3,889,011	4,502,440
Total governmental activities net assets	\$ 41,300,178	\$ 41,262,859	\$ 41,584,641	\$ 39,444,354
Business-type activities				
Invested in capital assets, net of related debt	\$ 11,181,823	\$ 11,850,561	\$ 11,389,704	\$ 10,725,676
Restricted	-	-	-	98,320
Unrestricted	(490,298)	(644,620)	(342,340)	86,517
Total business-type activities net assets	\$ 10,691,525	\$ 11,205,941	\$ 11,047,364	\$ 10,910,513
Primary Government				
Invested in capital assets, net of related debt	\$ 42,681,996	\$ 43,392,514	\$ 40,328,291	\$ 37,470,572
Restricted	6,192,777	5,668,155	8,757,043	8,295,338
Unrestricted	3,116,930	3,408,131	3,546,671	4,588,957
Total primary government net assets	\$ 51,991,703	\$ 52,468,800	\$ 52,632,005	\$ 50,354,867

¹ The large increases in unrestricted net assets from 2003 to 2004 and from 2004 to 2005 are mainly due to increase in State revenue

² The large increases in unrestricted net assets from 2005 to 2006 are mainly due to increase in tax revenues, franchise fees, and interest earnings.

Table I - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 24,133,550	\$ 21,469,456	\$ 17,579,683	\$ 17,103,399	\$ 16,412,401	\$ 16,339,222
9,215,801	9,419,129	5,068,583	5,395,879	4,059,674	3,235,266
5,035,184	5,249,998	11,293,877 ²	9,081,345 ¹	7,171,123 ¹	5,461,224
<u>\$ 38,384,535</u>	<u>\$ 36,138,583</u>	<u>\$ 33,942,143</u>	<u>\$ 31,580,623</u>	<u>\$ 27,643,198</u>	<u>\$ 25,035,712</u>
\$ 9,111,251	\$ 8,895,501	\$ 8,798,612	\$ 7,459,945	\$ 4,264,961	\$ 1,545,867
570,149	570,890	560,581	574,105	506,006	505,435
753,076	1,303,886	1,896,539	738,519	1,712,657	1,471,457
<u>\$ 10,434,476</u>	<u>\$ 10,770,277</u>	<u>\$ 11,255,732</u>	<u>\$ 8,772,569</u>	<u>\$ 6,483,624</u>	<u>\$ 3,522,759</u>
\$ 33,244,801	\$ 30,364,957	\$ 26,378,295	\$ 24,563,344	\$ 20,677,362	\$ 17,885,089
9,785,950	9,990,019	5,629,164	5,969,984	4,565,680	3,740,701
5,788,260	6,553,884	13,190,416	9,819,864	8,883,780	6,932,681
<u>\$ 48,819,011</u>	<u>\$ 46,908,860</u>	<u>\$ 45,197,875</u>	<u>\$ 40,353,192</u>	<u>\$ 34,126,822</u>	<u>\$ 28,558,471</u>

CITY OF SEBASTIAN, FLORIDA

Changes in Net Assets Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Expenses				
Governmental activities:				
General government	\$ 2,640,677	\$ 2,766,575	\$ 3,309,381	\$ 3,169,851
Public safety	5,025,274	5,546,632	5,720,933	5,420,585
Physical Environment	2,007,902	1,558,974	1,947,605	1,347,771
Transportation	1,800,432	2,263,367	1,863,551	3,437,724
Economic environment	170,960	208,518	135,885	167,470
Culture and recreation	1,239,512	1,227,198	1,240,383	1,073,249
Interest on debt	562,496	546,103	566,410	730,100
Total governmental activities expenses	<u>13,447,253</u>	<u>14,117,367</u>	<u>14,784,148</u>	<u>15,346,750</u>
Business-type activities:				
Golf Course	1,394,731	1,355,266	1,388,158	1,477,299
Airport	1,166,588	1,188,788	1,067,525	1,079,869
Building ¹	397,295	470,406	496,800	533,641
Total business-type activities expenses	<u>2,958,614</u>	<u>3,014,460</u>	<u>2,952,483</u>	<u>3,090,809</u>
Total primary government expenses	<u>\$ 16,405,867</u>	<u>\$ 17,131,827</u>	<u>\$ 17,736,631</u>	<u>\$ 18,437,559</u>
Program Revenue				
Governmental activities:				
Charges for services:				
General government	\$ 214,488	\$ 197,945	\$ 203,915	\$ 220,073
Public safety	66,474	92,350	118,368	95,606
Physical environment	876,693	868,059	881,338	908,829
Culture and recreation	66,954	61,353	62,046	66,540
Operating grants and contributions	187,333	196,534	210,050	228,002
Capital grants and contributions	791,265	838,242	3,178,618	1,865,174
Total governmental activities program revenue	<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>
Business-type activities:				
Charges for services:				
Golf Course	1,394,844	1,382,421	1,335,647	1,406,956
Airport	491,367	485,229	468,698	438,485
Building ¹	419,705	401,021	356,264	358,947
Operating grants and contributions	6,563	-	-	-
Capital grants and contributions	150,083	900,340	904,853	1,356,914
Total business-type activities program revenue	<u>2,462,562</u>	<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>
Total primary government program revenue	<u>\$ 4,665,769</u>	<u>\$ 5,423,494</u>	<u>\$ 7,719,797</u>	<u>\$ 6,945,526</u>
Net (expense) revenue				
Governmental activities	\$ (11,244,046)	\$ (11,862,884)	\$ (10,129,813)	\$ (11,962,526)
Business-type activities	<u>(496,052)</u>	<u>154,551</u>	<u>112,979</u>	<u>470,493</u>
Total primary government net (expense) revenue	<u>\$ (11,740,098)</u>	<u>\$ (11,708,333)</u>	<u>\$ (10,016,834)</u>	<u>\$ (11,492,033)</u>

Table II - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 3,375,178	\$ 3,083,609	\$ 3,129,723	\$ 3,262,276	\$ 2,414,865	\$ 1,620,616
5,226,512	5,377,107	4,191,295	4,816,614	4,502,109	3,391,831
1,805,755	1,695,066	2,193,589	1,283,889	1,279,257	1,920,200
2,111,360	2,276,497	2,173,071	4,034,900	3,288,532	2,401,037
113,101	605,510	98,661	32,128	86,041	166,024
1,420,734	1,237,398	1,208,288	1,260,395	823,974	747,910
634,891	667,950	706,303	740,372	722,007	312,367
<u>14,687,531</u>	<u>14,943,137</u>	<u>13,700,930</u>	<u>15,430,574</u>	<u>13,116,785</u>	<u>10,559,985</u>
1,488,472	1,533,900	1,558,338	1,464,532	1,527,051	1,363,359
1,099,653	1,046,994	801,967	519,235	350,949	315,941
605,422	905,452	936,793	-	-	-
<u>3,193,547</u>	<u>3,486,346</u>	<u>3,297,098</u>	<u>1,983,767</u>	<u>1,878,000</u>	<u>1,679,300</u>
<u>\$ 17,881,078</u>	<u>\$ 18,429,483</u>	<u>\$ 16,998,028</u>	<u>\$ 17,414,341</u>	<u>\$ 14,994,785</u>	<u>\$ 12,239,285</u>
\$ 353,836	\$ 422,897	\$ 533,482	\$ 370,609	\$ 376,327	\$ 247,774
85,009	92,853	140,545	1,356,385	1,660,032	824,821
903,285	891,021	887,819	828,907	850,887	799,637
83,378	85,945	72,472	56,199	48,590	46,736
786,016	192,676	407,898	2,802,511	1,144,528	920,829
835,607	1,014,481	1,301,438	1,781,954	1,353,959	640,894
<u>3,047,131</u>	<u>2,699,873</u>	<u>3,343,654</u>	<u>7,196,565</u>	<u>5,434,323</u>	<u>3,480,691</u>
1,438,233	1,652,288	1,580,407	1,381,817	1,648,308	1,377,245
523,989	344,813	375,768	434,818	201,890	168,451
347,189	408,875	1,220,823	-	-	-
-	-	6,998	13,582	67,576	-
494,098	500,428	1,056,562	2,289,986	2,451,212	1,149,437
<u>2,803,509</u>	<u>2,906,404</u>	<u>4,240,558</u>	<u>4,120,203</u>	<u>4,368,986</u>	<u>2,695,133</u>
<u>\$ 5,850,640</u>	<u>\$ 5,606,277</u>	<u>\$ 7,584,212</u>	<u>\$ 11,316,768</u>	<u>\$ 9,803,309</u>	<u>\$ 6,175,824</u>
\$ (11,640,400)	\$ (12,243,264)	\$ (10,357,276)	\$ (8,234,009)	\$ (7,682,462)	\$ (7,079,294)
(390,038)	(579,942)	943,460	2,136,436	2,490,986	1,015,833
<u>\$ (12,030,438)</u>	<u>\$ (12,823,206)</u>	<u>\$ (9,413,816)</u>	<u>\$ (6,097,573)</u>	<u>\$ (5,191,476)</u>	<u>\$ (6,063,461)</u>

continued...

CITY OF SEBASTIAN, FLORIDA

Changes in Net Assets

Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
General revenue and other changes in net assets				
Governmental Activities:				
Property taxes, levied for general purposes	\$3,063,495	\$ 3,453,778	\$ 4,164,128	\$ 4,801,924
Sales and use taxes	4,852,413	4,751,021	4,765,200	4,670,106
Franchise fees	1,124,568	1,184,686	1,228,692	1,327,253
State shared revenues not restricted to specific programs	1,934,733	1,868,555	1,825,215	1,821,347
Investment earnings	82,129	111,943	144,432	261,203
Miscellaneous	201,538	171,119	149,453	140,512
Transfers	22,489	-	(7,020)	-
Total governmental activities	11,281,365	11,541,102	12,270,100	13,022,345
Business-type activities:				
Investment earnings	-	4,026	15,658	5,544
Miscellaneous	4,125	-	1,194	-
Transfers	(22,489)	-	7,020	-
Total business-type activities	(18,364)	4,026	23,872	5,544
Total primary government general revenue	\$ 11,263,001	\$ 11,545,128	\$ 12,293,972	\$ 13,027,889
Change in net assets				
Governmental activities	\$ 37,319	\$ (321,782) ³	\$ 2,140,287	\$ 1,059,819
Business-type activities	(514,416)	158,577	136,851	476,037
Total primary government change in net assets	\$ (477,097)	\$ (163,205)	\$ 2,277,138	\$ 1,535,856

¹ The building operation was reclassified from being part of the general fund operation to an enterprise fund operation at the beginning of fiscal year 2006.

² The large increases in transfers from 2005 to 2006 are mainly due to the one time transfer of building reserve to building fund due to the reclassification of fund type for the building operation.

³ The reduction in the change in net assets for governmental funds can be attributed to less income being received resulting in a smaller spread between revenues and expenditures, thereby using net assets for revenue shortfalls.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 5,149,047	\$ 5,089,841	\$ 4,645,050	\$ 4,017,555	\$ 3,420,971	\$ 2,944,456
4,753,718	4,776,691	4,907,906	4,718,691	4,035,545	3,705,922
1,199,762	1,106,698	1,253,749	886,390	770,600	756,194
1,989,606	2,083,523	2,242,292	2,138,020	1,721,956	1,523,524
634,919	1,147,931	827,224	398,518	398,158	241,358
159,300	192,300	256,780	118,760	388,562	79,662
-	42,720	(1,414,205)	(106,500)	(445,844)	(534,000)
<u>13,886,352</u>	<u>14,439,704</u>	<u>12,718,796</u>	<u>12,171,434</u>	<u>10,289,948</u>	<u>8,717,116</u>
54,237	137,207	125,498	45,709	23,774	21,789
-	-	-	300	261	9,072
-	(42,720)	1,414,205 ²	106,500	445,844	534,000
<u>54,237</u>	<u>94,487</u>	<u>1,539,703</u>	<u>152,509</u>	<u>469,879</u>	<u>564,861</u>
<u>\$ 13,940,589</u>	<u>\$ 14,534,191</u>	<u>\$ 14,258,499</u>	<u>\$ 12,323,943</u>	<u>\$ 10,759,827</u>	<u>\$ 9,281,977</u>
\$ 2,245,952	\$ 2,196,440	\$ 2,361,520	\$ 3,937,425	\$ 2,607,486	\$ 1,637,822
(335,801)	(485,455)	2,483,163	2,288,945	2,960,865	1,580,694
<u>\$ 1,910,151</u>	<u>\$ 1,710,985</u>	<u>\$ 4,844,683</u>	<u>\$ 6,226,370</u>	<u>\$ 5,568,351</u>	<u>\$ 3,218,516</u>

concluded

CITY OF SEBASTIAN, FLORIDA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Governmental funds				
General fund:				
Nonspendable	\$ 370,450	\$ 346,995	\$ 352,248	\$ 357,696
Committed	2,861,708	2,949,139	3,063,585	3,083,463
Assigned	35,707	21,911	31,656	1,983
Unassigned	<u>1,734,307</u> ²	<u>1,784,413</u> ²	<u>2,164,910</u>	<u>2,324,972</u>
Total General fund	<u>5,002,172</u>	<u>5,102,458</u>	<u>5,612,399</u>	<u>5,768,114</u>
All other governmental funds:				
Nonspendable	1,289,693	1,494,779	859,463	830,029
Restricted	4,371,826	4,748,376	7,897,580	8,557,389 ¹
Committed	<u>719,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>6,381,205</u>	<u>6,243,155</u>	<u>8,757,043</u>	<u>9,387,418</u>
Total governmental funds	<u><u>\$ 11,383,377</u></u>	<u><u>\$ 11,345,613</u></u>	<u><u>\$ 14,369,442</u></u>	<u><u>\$ 15,155,532</u></u>

¹ The significant reduction in restricted fund balance reported in all other governmental funds from 2008 to 2009 is a result of the significant completion of the Indian River Drive/Main Street and Pedestrian Bridge projects, along with the significant construction completed on the Collier Canal Retrofit project.

² Reduction in unassigned fund balance to fund operation

Table III - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 381,528	\$ 368,609	\$ 106,192	\$ 160,964	\$ 59,921	\$ 141,667
3,502,560	3,742,617	4,844,674	5,546,959 ²	5,411,621 ²	3,924,363 ²
33,453	19,055	9,856	3,761	5,140	7,706
<u>2,390,641</u>	<u>2,260,507</u>	<u>1,518,350</u>	<u>391,783²</u>	<u>(361,790)²</u>	<u>(191,886)²</u>
<u>6,308,182</u>	<u>6,390,788</u>	<u>6,479,072</u>	<u>6,103,467</u>	<u>5,114,892</u>	<u>3,881,850</u>
771,927	694,506	656,160	578,367	542,999	463,402
12,446,260	12,926,545	14,783,299	13,392,801 ²	13,815,771	13,339,097
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>13,218,187</u>	<u>13,621,051</u>	<u>15,439,459</u>	<u>13,971,168</u>	<u>14,358,770</u>	<u>13,802,499</u>
<u>\$ 19,526,369</u>	<u>\$ 20,011,839</u>	<u>\$ 21,918,531</u>	<u>\$ 20,074,635</u>	<u>\$ 19,473,662</u>	<u>\$ 17,684,349</u>

CITY OF SEBASTIAN, FLORIDA

Changes in Fund Balances For Governmental Funds For the Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Revenues				
Taxes	\$ 8,465,990	\$ 8,762,729	\$ 9,525,074	\$ 10,065,806
Franchise fees	1,124,568	1,184,686	1,228,692	1,327,253
Charges for services	22,431	1,121,967	1,154,739	1,186,161
Licenses, fees and permits	2,088,038	23,646	33,182	29,151
Fines and penalties	58,500	81,534	90,948	88,938
Intergovernmental	1,158,075	2,249,447	4,572,550	3,270,854
Impact fees	57,575	42,250	26,000	13,975
Special assessments	86,516	-	-	3,849
Investment earnings	216,091	103,795	228,216	250,914
Other revenues	201,888	224,823	169,039	176,430
Total revenues	13,479,672	13,794,877	17,028,440	16,413,331
Expenditures				
Current:				
General government	2,410,345	2,539,211	2,699,289	2,976,896
Public safety	4,523,802	5,030,708	4,938,147	4,926,714
Physical environment	1,042,349	1,166,309	1,210,823	1,448,067
Transportation	1,208,411	1,217,521	1,405,310	1,696,254
Economic environment	138,531	188,918	129,352	167,470
Culture and recreation	876,502	903,836	977,780	1,148,408
Debt service:				
Principal	3,321,000	1,203,000	2,142,190	1,218,995
Interest	472,399	521,152	577,593	706,093
Capital outlay	1,767,058	4,048,051	6,189,026	6,495,271
Total expenditures	15,760,397	16,818,706	20,269,510	20,784,168
Revenue over (under) expenditures	\$ (2,280,725)	\$ (3,023,829)	\$ (3,241,070)	\$ (4,370,837)
Other Financing Sources (Uses)				
Issuance of long-term debt	2,296,000	-	2,462,000	-
Transfers in	3,694,765	5,376,658	4,486,626	5,196,376
Transfers out	(3,672,276)	(5,376,658)	(4,493,646)	(5,196,376)
Total other financing sources (uses)	2,318,489	-	2,454,980	-
Net change in fund balances	\$ 37,764	\$ (3,023,829)	\$ (786,090)	\$ (4,370,837)
Debt service as a percentage of noncapital expenditures	27.1%	13.5%	19.3%	13.5%

Table IV - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 10,504,155	\$ 10,554,617	\$ 10,269,451	\$ 9,483,664	\$ 8,179,344	\$ 7,325,932
1,199,762	1,106,698	1,253,749	886,390	770,600	756,194
1,209,617	1,271,102	517,605	936,530	962,677	921,119
163,471	186,875	244,370	1,587,675	1,867,920	878,097
65,246	71,314	77,776	95,699	118,918	119,752
2,674,761	2,463,628	2,852,293	5,561,695	3,115,520	1,785,237
32,825	56,875	337,675	385,775	557,700	395,850
-	-	819,286	11,023	28,424	22,560
647,312	1,062,043	827,224	398,518	398,158	241,358
461,553	244,629	294,695	144,057	378,268	91,078
<u>16,958,702</u>	<u>17,017,781</u>	<u>17,494,124</u>	<u>19,491,026</u>	<u>16,377,529</u>	<u>12,537,177</u>
3,087,789	2,999,652	2,494,863	2,974,736	2,231,532	1,977,033
4,677,618	4,700,447	3,813,908	4,349,639	3,950,228	3,427,711
1,368,593	1,301,719	1,850,642	910,794	1,125,727	1,247,452
1,545,045	1,733,697	1,672,983	3,616,076	2,863,397	1,610,761
113,101	80,279	98,661	32,128	86,041	166,024
1,079,379	975,087	926,846	995,406	747,131	629,835
1,326,182	1,284,418	1,248,378	1,218,023	985,974	361,024
611,554	643,305	678,682	711,736	887,564	158,043
3,634,910	5,242,590	1,451,060	3,975,015	9,021,558	3,859,709
<u>17,444,171</u>	<u>18,961,194</u>	<u>14,236,023</u>	<u>18,783,553</u>	<u>21,899,152</u>	<u>13,437,592</u>
<u>\$ (485,469)</u>	<u>\$ (1,943,413)</u>	<u>\$ 3,258,101</u>	<u>\$ 707,473</u>	<u>\$ (5,521,623)</u>	<u>\$ (900,415)</u>
-	-	-	-	7,756,780	9,500,000
5,679,896	5,158,296	3,785,981	3,745,265	2,745,754	2,992,908
<u>(5,679,896)</u>	<u>(5,115,576)</u>	<u>(5,200,186)</u>	<u>(3,851,765)</u>	<u>(3,191,598)</u>	<u>(3,526,908)</u>
-	42,720	(1,414,205)	(106,500)	7,310,936	8,966,000
<u>\$ (485,469)</u>	<u>\$ (1,900,693)</u>	<u>\$ 1,843,896</u>	<u>\$ 600,973</u>	<u>\$ 1,789,313</u>	<u>\$ 8,065,585</u>
14.0%	14.1%	15.1%	13.0%	14.5%	5.4%

CITY OF SEBASTIAN, FLORIDA

Program Revenues by Function/Program

Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Program Revenue				
Governmental activities:				
General government	\$ 230,550	\$ 243,039	\$ 209,144	\$ 226,003
Public safety	228,392	234,437	304,630	299,119
Physical environment	876,693	930,018	881,338	1,408,829
Transportation	560,055	743,383	614,305	612,335
Economic environment	13,998	-	2,556,872	6,000
Culture and recreation	293,519	103,606	88,046	831,938
Total governmental activities	<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>
Business-type activities:				
Charges for services:				
Golf Course	1,394,892	1,382,421	1,335,647	1,406,955
Airport	641,455	1,385,569	1,373,551	1,795,399 ²
Building ¹	426,215	401,021	356,264	358,948
Total business-type activities	<u>2,462,562</u>	<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>
Total primary government	<u>\$ 4,665,769</u>	<u>\$ 5,423,494</u>	<u>\$ 7,719,797</u>	<u>\$ 6,945,526</u>

¹ The building operation was reclassified from being part of the general fund operation to an enterprise fund operation at the beginning of fiscal year 2006.

² The significant increase in business-type activities for the airport from 2008 to 2009 is mainly due to capital grant funding from the Florida Department of Transportation and the Federal Aviation Administration.

Table V - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 377,305	\$ 450,267	\$ 579,591	\$ 587,527	\$ 392,471	\$ 1,095,902
515,997	249,756	306,702	1,537,557	1,850,710	929,952
1,256,277	891,021	890,092	898,821	914,318	1,136,507
619,949	721,103	900,365	3,392,883	1,670,534	1,580,076
-	-	30,059	-	-	-
277,603	387,726	636,845	779,777	606,290	663,459
<u>3,047,131</u>	<u>2,699,873</u>	<u>3,343,654</u>	<u>7,196,565</u>	<u>5,434,323</u>	<u>5,405,896</u>
1,438,233	1,652,288	1,587,405	1,395,399	1,715,884	1,377,245
1,018,087	845,241	1,432,330	2,724,804	2,653,102	1,317,888
347,189	408,875	1,220,823	-	-	-
<u>2,803,509</u>	<u>2,906,404</u>	<u>4,240,558</u>	<u>4,120,203</u>	<u>4,368,986</u>	<u>2,695,133</u>
<u>\$ 5,850,640</u>	<u>\$ 5,606,277</u>	<u>\$ 7,584,212</u>	<u>\$ 11,316,768</u>	<u>\$ 9,803,309</u>	<u>\$ 8,101,029</u>

Tax Revenue by Source

Governmental Funds

For the Last Ten Fiscal Years

(Rate per \$1,000 of assessed value)

Tax Year	Fiscal Year Ended September 30	Property Taxes	Public Utility	Sales Tax	Motor Fuel	Total	Millage Rate
2002	2003	\$ 2,944,456	\$ 1,780,717	\$ 1,925,205	\$ 675,554	\$ 7,325,932	4.5904
2003	2004	3,420,971	1,854,632	2,180,913	722,828	8,179,344	4.5904
2004	2005	4,017,555	2,005,124	2,713,567	747,418	9,483,664	4.5904
2005	2006	4,645,050	2,183,164	2,724,742	716,495	10,269,451	3.9325
2006	2007	5,089,841	2,216,381	2,560,310	688,085	10,554,617	3.0519
2007	2008	5,149,047	2,250,781	2,502,937	601,390	10,504,155	2.9917
2008	2009	4,801,924	2,341,458	2,328,648	593,776	10,065,806	3.3456
2009	2010	4,164,128	2,437,050	2,328,150	595,746	9,525,074	3.3456
2010	2011	3,453,778	2,392,345	2,358,676	557,930	8,762,729	3.3041
2011	2012	3,063,495	2,387,553	2,464,240	550,702	8,465,990	3.3041

Direct and Overlapping Property Tax Rates

For the Last Ten Fiscal Years
(Rate per \$1,000 of taxable value)

Tax Year	Fiscal Year	City Direct Rates			Overlapping Rates				
		Basic Rate	Debt Service	Total Direct	Total County ¹	County School Board			Other ²
						Basic Rate	Debt Service	Total	
2002	2003	4.5904	0.0000	4.5904	8.0302	8.1020	0.6300	8.7320	1.43875
2003	2004	4.5904	0.0000	4.5904	7.9396	8.1790	0.5310	8.7100	1.69278
2004	2005	4.5904	0.0000	4.5904	7.3505	8.0190	0.4800	8.4990	1.43029
2005	2006	3.9325	0.0000	3.9325	5.6904	7.8800	0.3600	8.2400	1.60850
2006	2007	3.0519	0.0000	3.0519	5.3661	7.1630	0.2800	7.4430	1.47940
2007	2008	2.9917	0.0000	2.9917	5.1485	7.2680	0.2700	7.5380	1.38160
2008	2009	3.3456	0.0000	3.3456	6.2861	6.7600	0.2800	7.0400	1.11204
2009	2010	3.3456	0.0000	3.3456	6.2693	7.2960	0.3000	7.5960	1.33570
2010	2011	3.3041	0.0000	3.3041	6.2860	7.9200	0.3000	8.2200	1.35050
2011	2012	3.3041	0.0000	3.3041	6.9590	7.8940	0.3500	8.2440	1.35460

Note: Tax rates are uniformly applied to taxable values based on a single millage rate determined by each taxing entity. The millage rate is expressed as \$1.00 per \$1,000 of the taxable value.

¹ Millage includes General Fund, MSTUs, Emergency Services District and Land Bonds

² All Special Taxing Districts

Source: Indian River County Property Appraiser's Office

CITY OF SEBASTIAN, FLORIDA

Actual Value of Taxable Property For the Last Ten Fiscal Years

Tax Year	Fiscal Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2002	2003	\$ 829,224,615	\$ 1,036,530,769	\$ 45,355,170	\$ 45,355,170
2003	2004	946,293,950	1,182,867,438	48,613,628	48,613,628
2004	2005	1,157,275,164	1,446,593,955	51,330,277	51,330,277
2005	2006	1,526,923,406	1,908,654,258	51,827,624	51,827,624
2006	2007	2,124,615,672	2,655,769,590	55,913,696	55,913,696
2007	2008	2,054,408,055	2,568,010,069	64,899,942	64,899,942
2008	2009	1,933,934,630	2,417,418,288	62,476,508	62,476,508
2009	2010	1,650,311,449	2,062,889,311	56,920,223	56,920,223
2010	2011	1,392,267,434	1,740,334,293	55,234,086	55,234,086
2011	2012	1,273,059,710	1,591,324,639	48,922,492	48,922,492

Source: Indian River County Property Appraiser

Ratio of Taxable to Actual Value

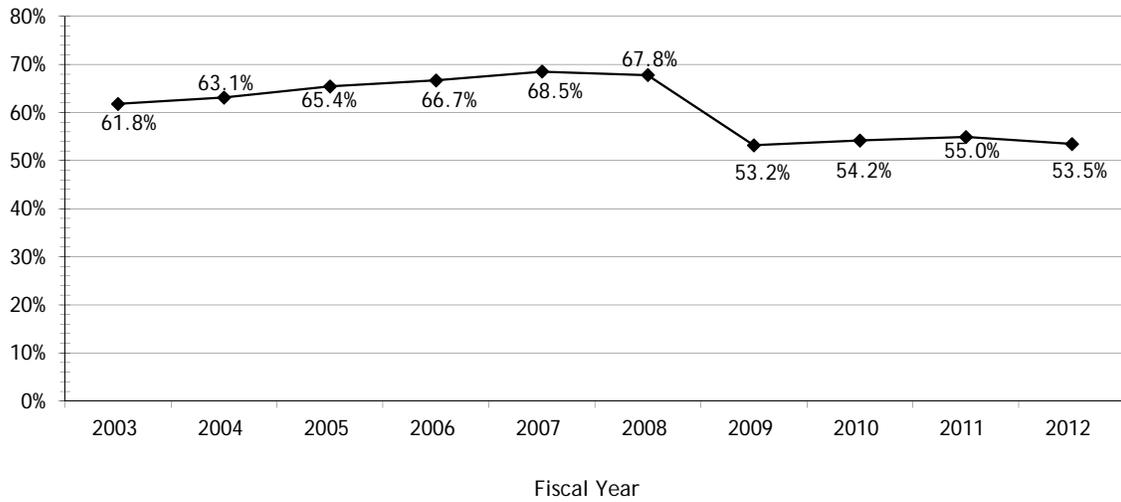


Table VIII - Unaudited

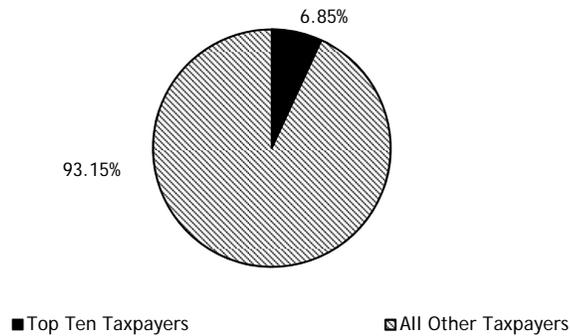
	Less: Tax-Exempt Property	Total Taxable Value	Total Estimated Actual Value	Ratio of Taxable to Actual Value
\$	205,977,066	\$ 668,602,719	\$ 1,081,885,939	61.8%
	217,554,663	777,352,915	1,231,481,066	63.1%
	228,262,825	980,342,616	1,497,924,232	65.4%
	271,466,364	1,307,284,666	1,960,481,882	66.7%
	322,318,753	1,858,210,615	2,711,683,286	68.5%
	334,302,515	1,785,005,482	2,632,910,011	67.8%
	676,808,522	1,319,602,616	2,479,894,796	53.2%
	558,090,532	1,149,141,140	2,119,809,534	54.2%
	460,752,786	986,748,734	1,795,568,379	55.0%
	444,524,142	877,458,060	1,640,247,130	53.5%

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2012 Fiscal Year			2003 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Florida Power & Light (Utility/Electric)	\$ 13,828,553	1	1.58 %	\$ 12,489,790	1	1.87 %
Wal-Mart Stores, Inc. (Retail)	8,432,070	2	0.96	11,554,614	2	1.73
Park Place Community, LLC (Rental/Retail)	6,684,799	3	0.76	----		----
BW US 1, Inc. (Commercial)	6,147,300	4	0.70	6,290,380	4	0.94
IPF/Sebastian, LLC (Retail)	5,214,160	5	0.59	----		----
Bellsouth Communications (Utility/Telephone)	5,202,931	6	0.59	8,029,404	3	1.20
Hartwell Groves, Inc. (Commercial)	4,236,520	7	0.48	----		----
Sebastian Medical Suites (Healthcare)	3,891,480	8	0.44	----		----
Sebastian Inlet Marina & Trading Co, Inc. (Restaurant/Hotel)	3,321,780	9	0.38	3,763,948	7	0.56
Angel Enterprises LLC (Retail) - WinnDixie CR512 Shopping Center	3,283,720	10	0.37	----		----
Ruth Guest House, Inc. (Rental/Retail)	-----		----	3,925,780	5	0.59
James T Turner (MHP/Rental)	-----		----	3,784,200	6	0.57
Oyster Point Resort Condo (Time Share/Rental)	-----		----	3,419,345	8	0.51
Comcast of Florida, Inc. (Communications)	-----		----	2,949,876	9	0.44
Sandy Pines LTD (Rental)	-----		----	2,789,640	10	0.42
	<u>\$ 60,243,313</u>		<u>6.85 %</u>	<u>\$ 58,996,977</u>		<u>8.83 %</u>
Total Taxable Value	<u>\$ 877,458,060</u>			<u>\$ 668,602,719</u>		

Source: Indian River County Property Appraiser

Concentration of 2012 Taxpayers

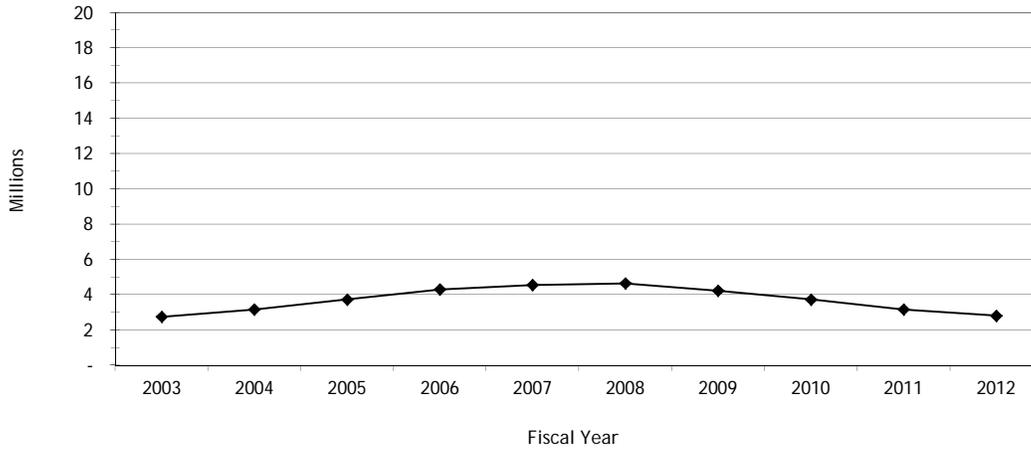


Property Tax Levies and Collections
For the Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2003	\$ 2,862,650	\$ 2,725,515	95.21 %	26,908	\$ 2,752,423	96.15 %
2003	2004	3,216,940	3,130,521	97.31	34,247	3,164,768	98.38
2004	2005	3,888,488	3,723,912	95.77	1,712	3,725,624	95.81
2005	2006	4,426,281	4,300,217	97.15	39	4,300,256	97.15
2006	2007	4,747,938	4,537,100	95.56	9,429	4,546,529	95.76
2007	2008	4,919,994	4,634,338	94.19	2,906	4,637,244	94.25
2008	2009	4,441,535	4,225,106	95.13	1,694	4,226,800	95.17
2009	2010	3,844,658	3,716,797	96.67	17,723	3,734,520	97.14
2010	2011	3,260,316	3,144,864	96.46	11,294	3,156,158	96.81
2011	2012	2,899,209	2,799,146	96.55	9,279	2,808,425	96.87

Source: Indian River County Property Appraiser and Department of Revenue, Certification of Final Taxable Value, DR-422.

Total Tax Collections



CITY OF SEBASTIAN, FLORIDA

Ratios of Outstanding Debt By Type For the Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities
	Water Line Assessment Bonds	Roadway Improvement Notes	Infrastructure Sales Tax Bonds	Heavy Equipment Lease	Stormwater Utility Revenue Bonds	Golf Course Revenue Bonds
2003	\$ 77,615	\$ 2,406,028	\$ 9,500,000	\$ 672,528	\$ -	\$ 2,115,000
2004	-	2,209,745	11,140,000	550,452	5,525,000	1,885,000
2005	-	2,004,718	10,490,000	422,455	5,290,000	1,395,000
2006	-	1,790,544	9,825,000	288,251	5,055,000	1,140,000
2007	-	1,566,839	9,145,000	147,538	4,815,000	870,000
2008	-	1,333,197	8,445,000	-	4,570,000	590,000
2009	-	1,089,203	7,725,000	-	4,315,000	300,000
2010	-	2,414,000	6,980,000	-	4,055,000	-
2011	-	2,246,000	6,215,000	-	3,785,000	-
2012	-	2,296,000	5,420,000	-	3,505,000	-

(1) Information not yet available

Primary Government Debt

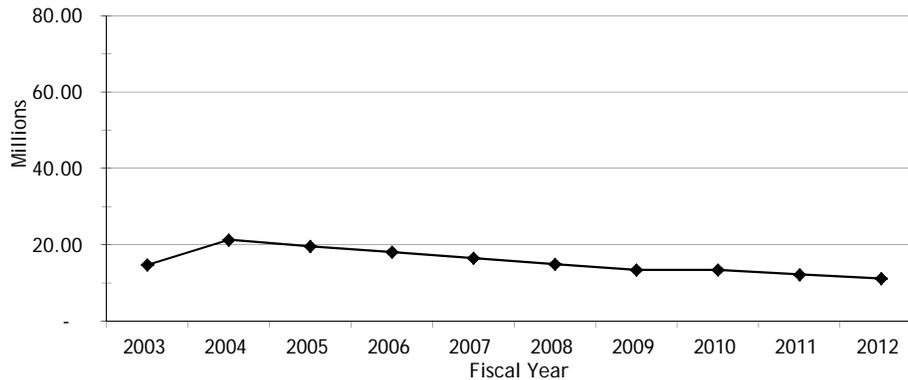


Table XI - Unaudited



Total Primary Government	Percentage of Personal Income	Per Capita
\$ 14,771,171	0.30 %	\$ 802
21,310,197	0.36	1,100
19,602,173	0.31	978
18,098,795	0.25	835
16,544,377	0.22	738
14,938,197	0.19	652
13,429,203	0.21	591
13,449,000	0.20	587
12,246,000	0.17	558
11,221,000	(1)	510

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Ratios of General Bonded Debt Outstanding
For the Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Debt Limit	Per Capita
	Debt Limit	Applicable to Limit	Legal Debt Margin		
2003	\$ 33,430,136	\$ 2,406,028	\$ 31,024,108	7.20%	\$ 1,684
2004	38,867,646	2,209,745	36,657,901	5.69%	1,893
2005	49,017,131	2,004,718	47,012,413	4.09%	2,345
2006	65,364,233	1,790,544	63,573,689	2.74%	2,934
2007	92,910,531	1,566,840	91,343,691	1.69%	4,073
2008	89,250,574	1,333,197	87,917,377	1.49%	3,835
2009	65,980,131	1,089,203	64,890,928	1.65%	2,856
2010	57,457,057	2,414,000	55,043,057	4.20%	2,401
2011	49,337,437	2,246,000	47,091,437	4.55%	2,147
2012	43,872,903	2,296,000	41,576,903	5.23%	1,890

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF SEBASTIAN, FLORIDA

Legal Debt Margin Information

For the Last Ten Fiscal Years

Legal Debt Margin as a Percentage of Debt Limit

	Fiscal Year		
	2012	2011	2010
Debt Limit	\$ 43,872,903	\$ 49,337,437	\$ 57,457,057
Total net debt applicable to limit	<u>2,296,000</u>	<u>2,246,000</u>	<u>2,414,000</u>
Legal debt margin	<u>\$ 41,576,903</u>	<u>\$ 47,091,437</u>	<u>\$ 55,043,057</u>
Total net debt applicable to the limit as a percentage of debt limit	5.23%	4.55%	4.20%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$1,321,982,202
Less: Exempt property	<u>(444,524,142)</u>
	877,458,060
Debt limit (5% of assessed value) ¹	43,872,903
Debt applicable to limit:	
General obligations	11,221,000
Less: Revenue bonds	<u>(8,925,000)</u>
Total net debt applicable to limit	<u>2,296,000</u>
Legal debt margin	<u>\$ 41,576,903</u>

¹ Under the City's adopted financial policies, the City's outstanding general obligation debt should not exceed 5% of the assessed valuation of taxable property. The percentage was dropped from 10% to 5% in fiscal year 2003.

Table XIII - Unaudited

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 65,980,131	\$ 89,250,274	\$ 92,910,531	\$ 65,364,233	\$ 49,017,131	\$ 38,867,646	\$ 33,430,136
<u>1,089,203</u>	<u>1,333,197</u>	<u>1,566,840</u>	<u>1,790,544</u>	<u>2,004,718</u>	<u>2,209,745</u>	<u>2,406,028</u>
<u>\$ 64,890,928</u>	<u>\$ 87,917,077</u>	<u>\$ 91,343,691</u>	<u>\$ 63,573,689</u>	<u>\$ 47,012,413</u>	<u>\$ 36,657,901</u>	<u>\$ 31,024,108</u>
1.65%	1.49%	1.69%	2.74%	4.09%	5.69%	7.20%

CITY OF SEBASTIAN, FLORIDA

Pledged-Revenue Coverage

For the Last Ten Fiscal Years

Fiscal Year	Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001						
	Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service			Coverage ³
				Principal	Interest	Total	
2003	\$ 1,400,154	\$ 968,052	\$ 432,102	\$ 220,000	\$ 89,890	\$ 309,890	1.39
2004	1,497,053	1,108,770	388,283	230,000	80,890	310,890	1.25
2005	1,395,436	1,023,002	372,434	240,000	71,490	311,490	1.20
2006	1,628,015	1,165,411	462,604	250,000	61,690	311,690	1.48
2007	1,701,171	1,218,382	482,789	255,000	51,590	306,590	1.57
2008	1,455,749	1,174,169	281,580	270,000	41,090	311,090	0.91
2009	1,408,535	1,178,144	230,391	570,000	49,860	619,860	0.37
2010	1,341,555	1,129,651	211,904	300,000	21,700	321,700	0.66
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-

continued...

Note: Detail regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Total revenues including charges for services, rents and interest.

² Total direct operating expenses excludes depreciation, amortization, annual Airport lease payment and one time hurricane repair cost.

³ Required coverage was 1.25. Final payment was made on September 30, 2010.

⁴ Total revenues consist of stormwater utility fees and interest.

⁵ Required coverage is 1.35.

Table XIV - Unaudited

Stormwater Utility Revenue Bonds, Series 2003				
Gross Revenues ⁴	Debt Service			Coverage ⁵
	Principal	Interest	Total	
\$ -	\$ -	\$ -	\$ -	-
779,724	105,000	104,386	209,386	3.72
792,886	240,000	206,673	446,673	1.78
908,576	235,000	201,973	436,973	2.08
932,183	240,000	197,273	437,273	2.13
856,568	245,000	191,873	436,873	1.96
814,419	255,000	185,135	440,135	1.85
858,664	260,000	177,485	437,485	1.96
816,415	270,000	169,035	439,035	1.86
810,382	280,000	159,248	439,248	1.84

concluded

CITY OF SEBASTIAN, FLORIDA

Demographic and Economic Statistics

For the Last Ten Calendar Years

Year	Population	Personal Income (thousands of dollars) ¹	Per Capita Personal Income ¹	Median Household Income ¹	School Enrollment ²	Unemployment Rate ¹
2003	18,425	\$ 4,831,037	\$ 40,162	\$ 40,291	\$ 4,340	6.8 %
2004	19,365	5,071,395	40,677	41,522	4,917	6.7
2005	20,048	6,386,893	50,369	44,450	5,258	4.7
2006	21,666	7,217,157	55,817	45,034	5,604	4.1
2007	22,426	7,810,408	59,419	47,563	5,117	5.5
2008	22,924	7,669,062	57,107	48,267 ⁵	4,710	7.9
2009	22,722	7,610,327	56,303	43,685 ⁵	3,751	13.0
2010	22,922	N/A	N/A	N/A	5,167	14.4
2011	21,929	N/A	N/A	N/A	5,228	12.9
2012	21,995	⁴	⁴	⁴	5,208	11.3

Sources:

¹ Florida Research & Economic Database (FRED). Information available for Indian River County Only.

² Indian River County School Board

³ Indian River County Property Appraiser

⁴ Information not yet available.

⁵ The school population appears to have declined as a result of loss of job opportunities. Our community lost many construction jobs as a result of the declining economy.

Note: School enrollment consists of Sebastian River High School, Sebastian River Middle School, Liberty Magnet, Treasure Coast Elementary, Pelican Island Elementary, Sebastian Elementary and Sebastian Charter Junior High School.

Table XV - Unaudited

State Unemployment Rate	Property Taxes Per Capita	Total Taxable Property Value ³
5.3 %	\$ 159.81	\$ 668,602,719
4.7	176.66	777,352,915
3.8	200.40	980,342,616
3.4	214.39	1,307,284,666
4.1	226.96	1,858,210,615
6.3	224.61	1,785,005,482
10.5	211.33	1,319,602,616
11.9	181.67	1,149,141,140
10.6	157.50	986,748,734
8.6	139.28	877,458,060

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Principal Employers

Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
School District of Indian River County (Government)	2,013	1	3.55 %	1,945	1	3.82 %
Indian River Medical Center (Healthcare)	1,608	2	2.83	1,100	3	2.16
Indian River County (Government)	1,354	3	2.39	1,333	2	2.62
Publix Supermarkets (Food/Beverage)	1,006	4	1.77	801	4	1.57
Wal-Mart (Retail)	727	5	1.28	540	8	1.06
Piper Aircraft, Inc. (Manufacturer)	700	6	1.23	752	5	1.48
Sebastian River Medical Center (Healthcare)	569	7	1.00	500	9	0.98
John's Island (Residential/Resort)	550	8	0.97	500	9	0.98
City of Vero Beach (Government)	492	9	0.87	607	7	1.19
Visiting Nurse Association (Healthcare)	399	10	0.70			
Gracewood Fruit Packing (Agriculture)				700	6	1.38
Hale Indian River Groves (Agriculture)				500	9	0.98
Sun Ag, Inc.				475	10	0.93
	<u>9,418</u>		<u>16.59 %</u>	<u>9,753</u>		<u>19.15 %</u>
Total Average County Employees	<u>56,732</u>			<u>50,904</u>		

Source: Indian River County Community Development Report.

Note: Principal employers information available for Indian River County Only.

CITY OF SEBASTIAN, FLORIDA

Full-Time Equivalent City Government Employees By Function For the Last Ten Fiscal Years

Function	Full-time Equivalent Employees					
	2012	2011	2010	2009	2008	2007
General government						
City council	2.5	2.5	2.5	2.5	2.5	2.5
City manager	2.0	2.0	2.5	2.5	2.5	2.0
City clerk	3.0	3.0	3.0	3.0	3.0	4.0
City attorney	-	-	- ⁴	2.0	2.0	2.0
Administrative	5.0	5.0	5.0	-	-	-
Finance	-	-	- ²	5.0	5.0	5.0
Management information	3.0	4.0	3.0	3.0	3.0	3.0
Human resources	-	-	- ²	2.0	3.0	3.0
Facilities maintenance	3.0	2.0	2.0	2.0	2.0	2.0
Planning & Zoning ⁵	3.0	4.0	5.0	5.0	5.0	5.0
Public safety						
Police	55.0	58.0	58.0	59.0	58.0	57.0
Building	4.0	5.0	5.0	5.0	6.0	11.0
Code enforcement	3.0	3.0 ⁴	2.5	2.5	2.5	3.0
Transportation						
Roads and drainage	10.0	12.0	12.0 ³	10.0	10.0	11.5
Central garage	3.5	2.5	3.5	3.5	2.5	3.5
Airport	3.0	3.0	3.0	3.0	3.0	3.0
Physical environment						
Cemetery	1.0	1.0	2.0	2.0	2.0	2.0
Engineering	-	-	- ³	7.0	7.0	9.0
Stormwater utility	9.0	12.0	12.0	11.0	13.0	13.0
Culture and recreation						
Parks and recreation	20.0	21.0	23.0	23.5	23.5	23.5
Golf course	10.0	10.5	10.5	9.0	9.0	12.5
Total	140.0	150.5	154.5	162.5	164.5	177.5

Source: City of Sebastian, Florida 2002-2012 Annual Budgets

Method: Using 1.0 for each full-time employee and 0.5 for each part-time and seasonal employee.

¹ Code enforcement division was transferred out of the Police department in FY 2006 and transferred back in FY 2009.

² Finance and Human Resources were combined to form Administrative starting FY 2010.

³ Engineering department was dismantled, intern program was ceased. 2 employees were transferred to Roads and Drainage and 1 employee was transferred to Stormwater.

⁴ City attorney position was contracted out and assistant went full time to code enforcement.

⁵ Growth Management was renamed to Planning Zoning to better describe their function.

Table XVII - Unaudited

Full-time Equivalent Employees			
2006	2005	2004	2003
2.5	2.5	2.5	2.5
2.0	5.0	4.0	4.0
4.5	4.0	4.0	4.0
2.0	2.0	1.0	1.0
-	-	-	-
6.0	5.0	5.0	5.0
3.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0
2.0	2.0	-	4.0
4.0	4.0	4.0	4.0
58.0 ¹	59.0	56.5	54.5
11.0	9.0	8.0	7.0
3.0 ¹	-	-	-
12.5	12.5	14.5	11.5
3.5	3.0	3.0	3.0
3.5	3.5	2.5	2.5
2.0	2.0	2.0	2.0
8.0	8.0	8.0	7.5
13.0	13.0	12.0	12.0
24.5	23.5	17.5	16.5
12.5	12.5	13.5	13.5
180.5	175.5	163.0	159.5

CITY OF SEBASTIAN, FLORIDA

Operating Indicators By Function For the Last Ten Fiscal Years

Function	Fiscal Year			
	2012	2011	2010	2009
General government				
Number of annexations approved	-	-	1	3
Acres of annexed property	-	-	5.90	26.00
Purchase orders issued	201	228	216	288
Public Safety				
Police				
Physical arrests	441	500	487	543
Traffic violations	4,319	5,941	4,083	4,849
Parking violations	167	242	87	50
Building				
Construction permits issued ¹	66	51	36	23
Estimated value of construction (in millions)	\$ 14.7	\$ 10.2	\$ 6.6	\$ 5.1
Transportation				
Road maintenance (man hours)	500	700	1,264	600
Asphalt for road maintenance (tons)	50	50	103	328
Concrete for road maintenance (yards) ²	-	-	-	-
Physical environment				
Cemetery				
Cemetery internments	65	54	66	74
Grave deeds sold	38	34	33	39
Stormwater				
Mile of swales maintained	280	280	280	280
Mile of ditches maintained	50	50	50	50
Road crossing maintained	50	40	40	30
Culture and recreation				
Program participants	9,713	8,649	11,701	13,465
Number of discount cards	786	735	844	879
Number of golf course memberships	88	94	96	95
Average daily golf revenue	\$ 3,822	\$ 3,787	\$ 3,673	\$ 4,000

Sources: City of Sebastian Police Department, Growth Management, Public Works, Golf Course and Building Department.

¹ New commercial and residential only.

² All road maintenance utilized asphalt, no concrete curbing was installed.

Table XVIII - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	2003
-	1	1	1	6	3
-	3.87	3.30	25.55	484.00	80.00
254	284	293	369	408	372
662	697	744	786	653	557
4,418	7,221	6,291	5,457	5,431	1,939
208	289	880	303	3,801	632
55	104	506	774	577	544
\$ 13.3	\$ 22.5	\$ 88.3	\$ 114.7	\$ 112.3	\$ 82.7
538	888	512	100	878	850
358	210	127	125	88	79
-	-	300	-	283	277
68	69	76	79	86	81
46	49	56	56	69	45
280	280	280	280	280	280
50	50	50	50	50	50
30	30	30	30	30	30
12,910	14,177	8,004	5,504	7,498	N/A
950	1,004	2,690	1,000	993	855
97	108	119	85	116	137
\$ 3,988	\$ 4,661	\$ 4,441	\$ 3,844	\$ 4,551	\$ 3,836

CITY OF SEBASTIAN, FLORIDA

Capital Asset Statistics By Function For the Last Ten Fiscal Years

Function	Fiscal Year			
	2012	2011	2010	2009
General Government				
Square footage occupied	21,500	21,500	21,500	21,500
Departmental vehicles	1	3	3	3
Public safety				
Police stations	1	1	1	1
Police department Square footage	25,600	25,600	25,600	25,600
Building department Square footage	2,500	2,500	2,500	2,500
Police vehicles	66	67	63	63
Building inspector vehicles	3	3	3	4
Transportation				
Streets (miles)	156	156	156	156
Streetlights ¹	1,228	1,236	1,230	1,240
Airport	1	1	1	1
Public service vehicles	17	19	22	18
Physical environment				
Public service vehicles	9	9	15	7
Culture and recreation				
Parks	18	18	18	18
Recreation centers	2	2	2	2
Park acreage	315.01	315.01	315.01	233.79
Recreation center square footage	4,859	4,859	4,859	4,859
Park maintenance vehicles	13	14	13	13
Golf course	1	1	1	1

Sources: City of Sebastian Administrative Services Department and Park and Recreation Division

¹ This number represents actual unmetered street lights in the City (source: Florida Power & Light - January billing).

Table XIX - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	2003
21,500	21,500	21,500	21,500	5,516	5,516
3	3	3	5	2	2
1	1	1	1	1	1
25,600	25,600	25,600	25,600	8,700	8,700
2,500	2,500	2,500	2,500	1,716	1,716
62	57	53	52	47	42
4	5	6	5	4	4
156	156	156	156	156	150
1,229	1,309	3,808	3,555	3,543	3,543
1	1	1	1	1	1
23	21	19	14	24	18
11	10	12	13	6	7
15	14	14	12	12	12
2	2	2	2	2	2
233.79	229.37	229.37	223.37	223.37	223.37
4,859	4,859	4,859	4,859	4,859	4,859
13	12	11	10	8	6
1	1	1	1	1	1

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