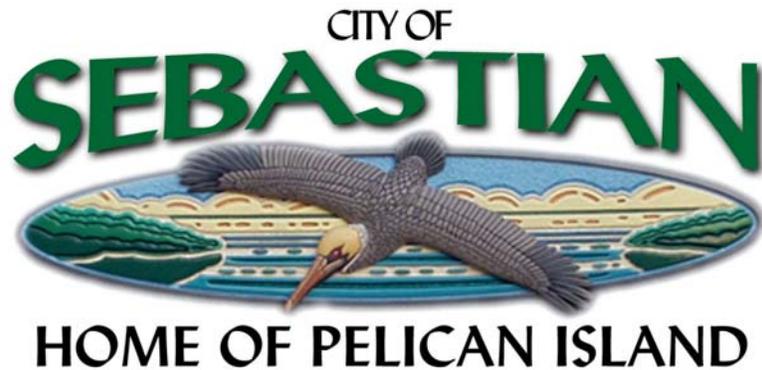


CITY OF SEBASTIAN, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2016

CITY COUNCIL

Bob McPartlan
Mayor

Jerome Adams
Vice-Mayor

Andrea Coy
Council Member

Jim Hill
Council Member

Richard 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, 2016

Joseph Griffin
City Manager

Jeanette Williams, MMC
City Clerk

Robert Ginsburg
City Attorney

DEPARTMENT HEADS

Michelle Morris
Police Chief

Kenneth W. Killgore
Administrative Services Director

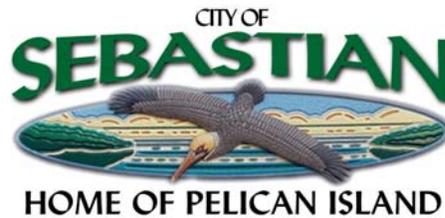
Frank Watanabe
City Engineer

Tim Walker
Public Works Director

Wayne Eseltine
Building Official

Greg Gardner
Golf Course Director

Scott Baker
Airport Director



February 10, 2017

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, 2016, as prepared by the City's Administrative Services department. 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, 2016.

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 LLC., has issued an unmodified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2016. The independent auditors' report is located on page 13, 14 and 15. 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 23,137 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 increased to high levels for several years but has shown good improvement in the last few years. As of September 2016, the Florida Research & Economic Database reported an improved unemployment rate of 6.2%, which corresponds with improvements being enjoyed at the state and national levels. The overall unemployment rate for the area has historically been greater than that of the State of Florida.

The largest major industry sector was Health Care and Social Assistance with 18% of the employment, followed by Retail Trade with 16.8% of the employment and Accommodation and Food Services with 10.8% of the employment. 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. The median household income for 2015 was \$49,887, as reported by the Florida Research and 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 affected job availability. Now, the area has diversified to industries focused on building aerospace vehicles rather than just launching activities. This has helped with providing employment for this highly skilled work force.

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 levied at the same 3.8556 for fiscal year 2015. The City had a slight overall increase in ad valorem proceeds resulting from increases in taxable values due to improvements and additions. Construction activity increased significantly with 191 permits being issued for new construction in fiscal year 2016 with a value of \$43.4 million compared to 142 permits being issued for new construction in fiscal year 2015 with a value of \$40.6 million. These levels are higher than past years and can be primarily attributed to the improved outlook for the housing market.

General Fund unassigned fund balance and amounts committed by the financial policies resolution based on the minimum of 30% of the General Fund expenditures budget, were 49% for the fiscal year 2016 expenditures budget. The City has been steadfast and refused to spend down these balances because the City understands reliance on accumulated fund balances to fund operating expenditures is not a prudent fiscal strategy. To this end, the original budget for fiscal year 2016 was balanced without a reduction of fund balances.

Major Initiatives

Administration

New agreements were negotiated with the two collective bargaining units. In related measures, modifications were made to the employee health insurance coverages to reduce the employee's cost for family coverage and an agreement was reached to pursue changes to the Police Officer's Pension Plan. These actions should help attract better job applicants. Also, a competitive selection process for property, liability and workers' compensation insurance resulted in a 20% savings for these coverages. Recognizing that a number of employees could be interested in a voluntary early retirement option, a program was adopted to pay \$1,000 for each year of service and continue group insurance to age 65 or up to three years for those over age 50 having at least 15 years of service. With 13 employees electing the program, several departments were reorganized and a number of promotional opportunities became available. This action was also expected to significantly reduce the annual payroll and enable the City to recover the amounts paid out within about a two year time frame.

Stormwater

The main focus of Stormwater activities the past fiscal year continued to be on the Stormwater Management Program, which includes capital projects, maintenance, citizen response and education and forward planning. The City discontinued the program to install quarter-round piping in drainage swales and began a renewed focus on mowing and clearing swales and ditches. This is expected to be a better means of insuring a smooth flow of stormwater. Additional equipment was acquired and City crews are now concentrated on the task of keeping those areas clear of vegetation. Operation and maintenance activities are accounted for in the General Fund, with about one-half of the costs offset by an annual transfer from the Stormwater Utility Fund. Equipment replacements are being accounted for in the Stormwater Utility Fund.

Traffic & Transportation

The City continues to work on transportation improvements. Grant matching funds were allocated from discretionary sales taxes for roadway enhancements to the Main Street entrance to the Airport and for improvements to Tulip Drive. Funds were also allocated from discretionary sales taxes to purchase a new Patch Truck needed for repairing pot holes throughout the City and for the major reconstruction of Barber Street. Several roads were resurfaced using funds available from local option gas taxes. Other projects planned for future years include repairs to sidewalks, plus additional street repaving that will be funded by local option gas taxes.

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. 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 from the Florida Department of Transportation (FDOT) and Federal Aviation Administration (FAA) to develop the necessary infrastructure. Planned improvements include constructing another hangar with grant funds matched by funds from discretionary sales taxes.

Public Safety

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 matching funds provided by discretionary sales taxes. Additional grants were also secured for installation of a baffle box, drainage improvements and other enhancements. During fiscal year 2016, a project to pave the CavCor boat parking property was paid from the tax increment funds available in the Riverfront Community Development Agency Fund. In other areas, the City continued supporting the use of Lakefront Park for gatherings organized by various community groups, including the Clam Bake, Chamber of Commerce and Art Club. The City also used discretionary sales taxes and monies advanced from the Building Enterprise Fund to allow the Golf Course to totally replace the golf course irrigation system.

Awards and Acknowledgements

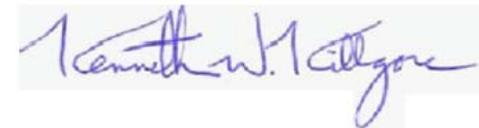
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sebastian for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This is a prestigious national 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,

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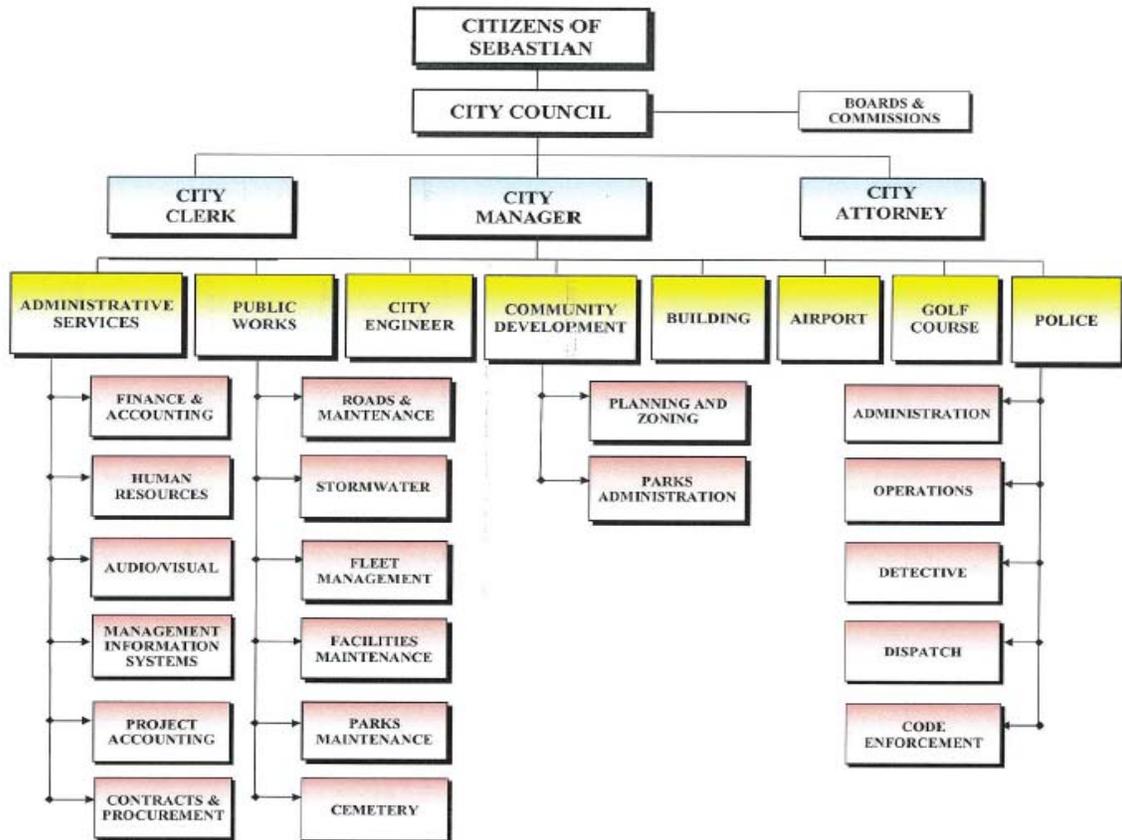
Joseph Griffin
City Manager

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Kenneth W. Killgore
Administrative Services Director

CITY OF SEBASTIAN, FLORIDA

Organizational Chart



CITY OF SEBASTIAN, FLORIDA

GFOA Certificate of Achievement



Government Finance Officers Association

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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

February 10, 2017

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously 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, 2016, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sebastian, Florida's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 section and statistical tables 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, on our consideration of the City of Sebastian, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2016 by \$55,983,849 (net position). Of this amount, \$2,898,724 (unrestricted net position) may be used to meet the City's on-going obligations to citizens and creditors.
- The City's total net position increased by \$1,025,641 in governmental activities and \$686,939 in business-type activities primarily from an increase of \$760,934 in general revenues from governmental activities and \$705,067 in transfers recorded in business-type activities.
- Governmental funds reported a combined ending fund balance of \$11,850,326, an increase of \$330,117 from the prior year. Almost 46% of this amount, \$5,397,274 is unassigned and available for spending, a \$166,569 increase from fiscal year 2015, due to a larger amount of tax revenues in the General Fund.
- The Golf Course Fund and Airport Fund reported an increase in the deficit in unrestricted net position, due to operating losses in those funds, largely resulting from the large investments made in capital assets. The Building Enterprise fund reported an increase in net position, as a result of an improved levels of construction activity. All of the City's enterprise funds reported a positive increase in overall net position at the end of the year.

Overview of the Financial Statements

The annual report consists of a series of financial statements. The Statement of Net Position 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 position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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).

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

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, physical and economical environment, transportation, cultural and recreation. The business-type activities of the City include the golf course, airport and building operations.

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, Discretionary Sales Tax Fund and Riverfront Redevelopment Fund all of which are considered to be major funds. Data from the other twelve 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 or schedules 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 City's golf course and airport, which are major funds, and the buildings department, which is a nonmajor fund.

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.

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.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,983,849 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$12,603,239	\$12,446,304	\$ (229,839)	\$ 488,176	\$12,373,400	\$12,934,480
Capital assets, net	39,992,087	41,261,857	12,151,911	10,730,146	52,143,998	51,992,003
Total assets	<u>52,595,326</u>	<u>53,708,161</u>	<u>11,922,072</u>	<u>11,218,322</u>	<u>64,517,398</u>	<u>64,926,483</u>
Deferred outflows of resources	1,050,060	905,733	-	-	1,050,060	905,733
Long-term liabilities	5,397,721	7,597,609	373,094	398,419	5,770,815	7,996,028
Other liabilities	3,392,050	3,138,184	276,365	234,229	3,668,415	3,372,413
Total liabilities	<u>8,789,771</u>	<u>10,735,793</u>	<u>649,459</u>	<u>632,648</u>	<u>9,439,230</u>	<u>11,368,441</u>
Deferred inflows of resources	144,379	192,506	-	-	144,379	192,506
Net position						
Net investment in capital assets	35,886,087	35,220,857	11,989,666	10,517,895	47,875,753	45,738,752
Restricted	5,209,372	4,997,724	-	-	5,209,372	4,997,724
Unrestricted	3,615,777	3,467,014	(717,053)	67,779	2,898,724	3,534,793
Total net position	<u>\$44,711,236</u>	<u>\$43,685,595</u>	<u>\$ 11,272,613</u>	<u>\$10,585,674</u>	<u>\$55,983,849</u>	<u>\$54,271,269</u>

A substantial portion of the City's net position, \$47,875,753 (85.5 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 position of \$5,209,372 (9.3 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 position of \$2,898,724 (5.2 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 position, for the government as a whole and for its separate governmental activities. Unrestricted net position were negative for business-type activities as a whole, primarily due to the substantial investments made in capital assets this past year.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 1,576,721	\$ 1,608,600	\$ 2,461,829	\$ 2,503,127	\$ 4,038,550	\$ 4,111,727
Operating grants	323,101	345,937	-	-	323,101	345,937
Capital grants	809,932	994,546	841,668	702,154	1,651,600	1,696,700
General revenues:						
Property taxes	3,942,048	3,594,210	-	-	3,942,048	3,594,210
Other taxes	5,762,921	5,555,270	-	-	5,762,921	5,555,270
Intergovernmental	2,466,546	2,365,137	-	-	2,466,546	2,365,137
Other	1,650,986	1,546,950	6,787	25,970	1,657,773	1,572,920
Total revenues	16,532,255	16,010,650	3,310,284	3,231,251	19,842,539	19,241,901
Expenses						
General government	3,285,607	3,015,536	-	-	3,285,607	3,015,536
Public safety	5,476,136	5,164,197	-	-	5,476,136	5,164,197
Physical environment	2,538,752	2,759,461	-	-	2,538,752	2,759,461
Transportation	1,861,946	2,024,814	-	-	1,861,946	2,024,814
Economic environment	364,675	194,630	-	-	364,675	194,630
Cultural and recreation	1,191,488	1,293,246	-	-	1,191,488	1,293,246
Interest and fiscal charges	82,943	100,468	-	-	82,943	100,468
Golf course	-	-	1,584,214	1,409,829	1,584,214	1,409,829
Airport	-	-	1,197,549	1,038,361	1,197,549	1,038,361
Building	-	-	546,649	531,087	546,649	531,087
Total expenses	14,801,547	14,552,352	3,328,412	2,979,277	18,129,959	17,531,629
Change in net position, before transfers	1,730,708	1,458,298	(18,128)	251,974	1,712,580	1,710,272
Transfers	(705,067)	2,988	705,067	(2,988)	-	-
Change in net position	1,025,641	1,461,286	686,939	248,986	1,712,580	1,710,272
Net position, beginning of year	43,685,595	43,656,553	10,585,674	10,336,688	54,271,269	53,993,241
Restatement for implementation of GASB 68	-	(1,432,244)	-	-	-	(1,432,244)
Net position end, of year	\$44,711,236	\$43,685,595	\$ 11,272,613	\$10,585,674	\$55,983,849	\$54,271,269

The City's net position increased by \$1,712,580 during the current fiscal year. The primary reason for the increase in net position for governmental activities is related to an increase in general revenues. For business-type activities, the increase in net position is related to investments made in capital assets made possible by transfers from governmental funds and capital grants.

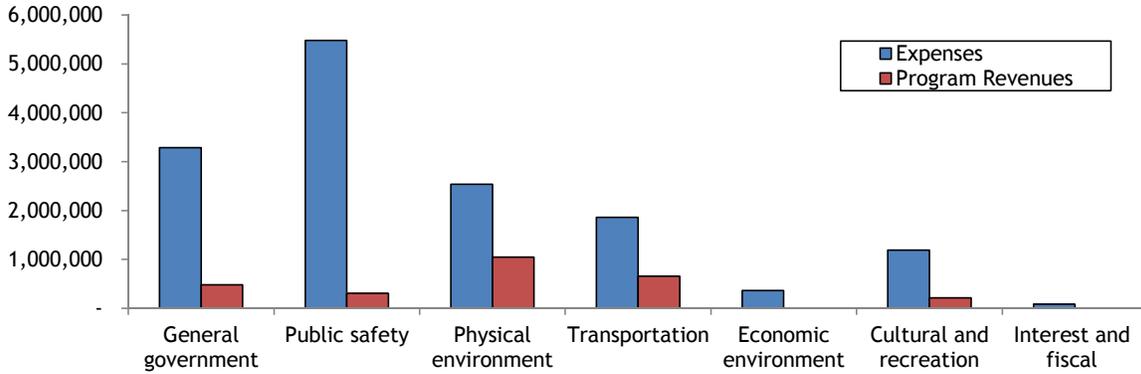
CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

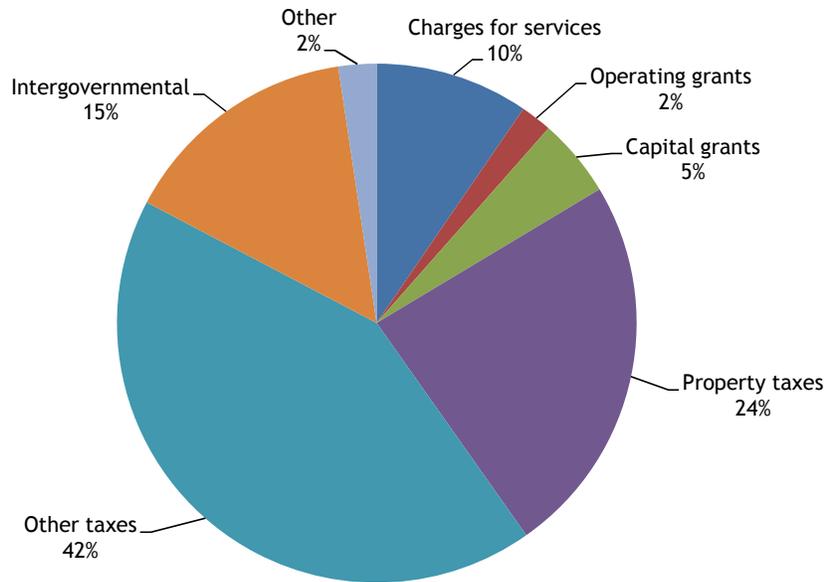
Governmental Activities. Governmental activities increased the City's net position by \$1,025,641 as compared to the prior year increase of \$1,461,286. Key elements of this increase are as follows:

- An increase in expenses of \$249,195
- An increase in general revenues of \$760,934
- A decrease in program revenues of \$239,329
- A change in transfers of \$708,055

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



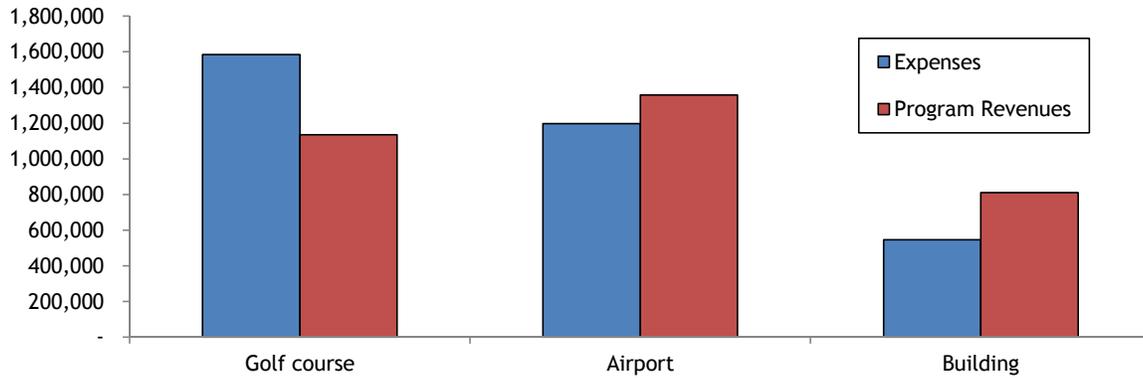
CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

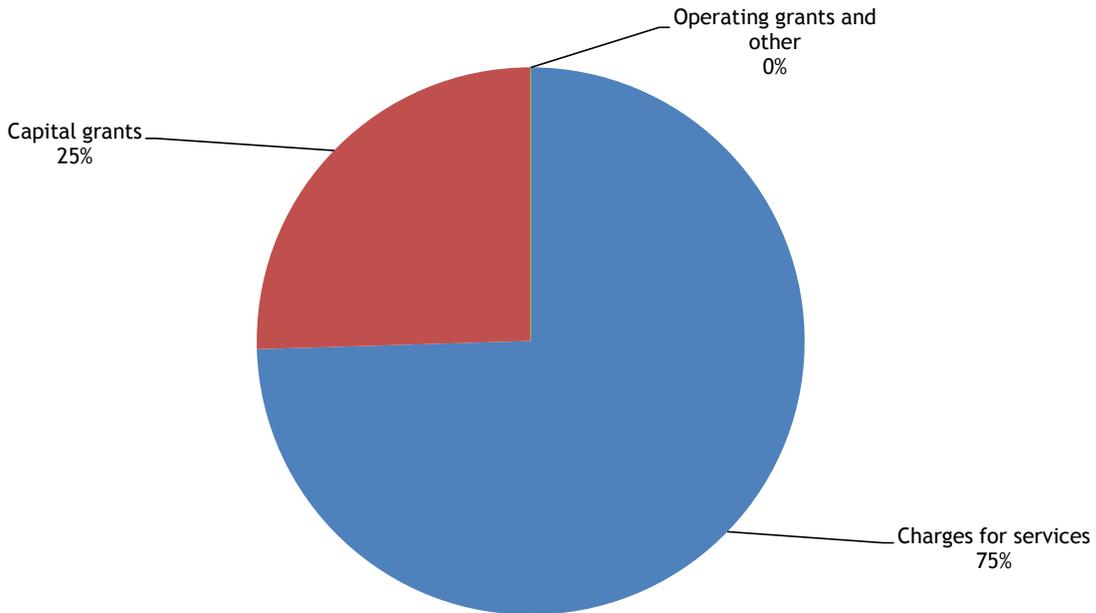
Business-type Activities. Business-type activities increased the City's net position by \$686,939. The key elements of this increase are as follows:

- An increase in expenses of \$349,135
- A decrease in general revenues of \$19,183
- A decrease in charges for services of \$41,298
- An increase in capital grants of \$139,514
- A change in transfers in of \$708,055

Expenses and Program Revenues - Business-type Activities



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 \$11,850,326, an increase of \$330,117 from the prior year. Of this amount, 46 percent (\$5,397,274) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance 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 development by local ordinance; 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 \$5,526,675 while total fund balance amounted to \$5,811,428. 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 49.2 percent of total General Fund expenditures, while total fund balance represents 51.7 percent of that same amount.

The fund balance of the City's General Fund increased by \$158,834 during the current fiscal year, as compared to the \$80,738 decrease reported in the prior fiscal year. Key factors in this change are as follows:

- Property tax revenues increased by \$305,234 due to millage increase and additions to taxable property values.
- Charges for services increased by \$5,820
- Intergovernmental increased by \$138,997
- Public utility taxes increased by \$47,611
- Franchise fees increased by \$15,915
- All other revenues increased by \$71,157
- Transfers in from other funds were increased by \$7,447
- Transfers out from other funds were increased by \$343,700
- Expenditures increased by \$358,500

The General Fund originally budgeted for no changes in the fund balance. The final amended budget showed a deficit of \$424,651. The actual increase in fund balance was \$158,834. Significant changes in budgetary variances are as follows:

- Property tax revenues had a positive budgetary variance of \$8,850, with 96% of the tax roll being collected. 96% of the tax roll is budgeted as being collected, based on experience. No less than 95% must be budgeted per Florida statutes.
- 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.
- General Fund expenditures had an overall positive budgetary variance of \$484,069. Unanticipated capital purchases were necessary in several departments, however these were usually covered by savings from operating accounts or by additional appropriations from reserves.

The Discretionary Sales Tax revenue special revenue fund has a total fund balance \$2,709,105, an increase from the \$2,413,576 total fund balance of the prior year. Funds are restricted for projects that are planned in future years.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

The Riverfront Redevelopment Fund ended the year with \$458,053 in fund balance, as a result of the transfers out for pending construction projects being less than budgeted.

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 position of the golf course fund at the end of the fiscal year amounted to \$263,023, while the unrestricted net position (deficit) amounted to (\$1,095,926). Compared to the prior year in the same category, net position increased from the prior year and the unrestricted net position (deficit) changed by from (\$264,935) to (\$1,095,926). This is mainly due to the increase in noncurrent assets recorded for the fiscal year.

The total net position of the airport fund at the end of the fiscal year amounted to \$9,838,655, while the unrestricted net position (deficit) amounted to (\$708,735). Compared to the prior year in the same category, net position has increased by \$346,156 while the unrestricted net position (deficit) has changed from (\$642,330) to (\$708,735). The change in the unrestricted net position (deficit) is mainly due to an increase in amounts invested in capital assets resulting from capital contributions.

The total net position of the building fund at the end of the fiscal year amounted to \$1,170,935. This is an increase of \$164,566 from the prior year, which was primarily due to the continuation of healthy levels of operating income.

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

Over the course of the fiscal year, the City Council formally approved revisions to the City budget four times. These budget adjustments fell into three major categories. The first includes amendments to allocate additional funds for grants, new projects or equipment repairs/replacements that were not originally budgeted. The second includes transfers to address budget shortages in operating budget accounts resulting from properly classifying charges or for unanticipated expenditures. The third includes project transfers to close out capital projects or reallocate funds between them to address budget shortages due to higher bids than anticipated and/or other unanticipated expenditures. The main components of the increases are as follows:

Amendments

- \$12,000 to replace Airport perimeter gates.
- \$10,600 for trial program for landscaping services at Riverview Park and Indian River Drive.
- -\$75,000 to discontinue Cemetery Storage Building project.
- \$16,000 to record donation from the Greer Trust for Police Department expenditures.
- \$14,450 to replace a roller unit that was too expensive to repair.
- \$24,600 to make electrical repairs to the Golf Cart Barn.
- \$60,425 recorded Building Fund loan for roofing and shutters at Golf Course.
- \$51,285 recorded Building Fund loan for parking lot lights.
- \$156,125 to purchase an Asphalt Patch Truck.
- \$32,247 to replace City Council Chamber air conditioner.
- \$117,000 to use Discretionary Sales Tax Reserves to replace a chipper and tractor.
- \$18,000 to replace a forklift for the Fleet Management Division.
- \$20,000 to use MACE Unit disbandment funds to purchase Police equipment.
- \$19,000 increases Airport Main Street project.
- \$169,027 to record receipt of State Funds to be deposited to the Police Pension Fund.
- \$61,844 to record use of auction proceeds for repair of vehicles and to replace forklift.
- \$10,750 to use Discretionary Sales Tax Reserves to match grant for Airport Master Plan update.
- \$63,479 to replace work stations at the Police Dispatch Center.
- \$13,110 to use Discretionary Sales Tax Reserves to match grant for Taxiway Improvements.
- \$371,548 to use General Fund Reserves for payouts on Voluntary Early Retirement Program.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Amendments (Concluded)

- \$36,400 to use Discretionary Sales Tax Reserves to match grant for Hangar C design work.
- \$52,524 allocates additional funds for CavCor, Police Parking and Indian River Drive Parking.
- \$178,500 to record non-cash proceeds from Velocity Building deeded over to the City.
- \$72,000 to use Discretionary Sales Tax Reserves to fund Airport AWOS System.
- \$13,984 to allocate funds received from JAG Grant to Police equipment.
- \$28,116 to use insurance proceeds for damaged wind turbine for netting poles and repairing entrance gate.
- \$58,614 for all other purposes during the fiscal year.

Operating Budget Transfers

- \$20,000 to purchase software to enable use of smart phones.
- \$12,600 to appropriate previous year unexpended budget for the Clear Village program.
- \$80,270 to adjust departmental charges for expenditures for group insurance.
- \$10,700 to cover cost of using an IT consultant.
- \$10,804 to set up project to improve automation of payroll processes.
- \$10,000 to cover expenditures on baffle box maintenance.
- \$23,112 to cover work on doors at the Art's and Senior's restrooms.
- \$25,000 to cover account overages in the Facilities Maintenance Division accounts.
- \$21,684 to cover overages in the Parks Division accounts.
- \$7,112 for all transfers between Police Department accounts.
- \$25,723 for all other transfers between Public Works Department accounts.
- \$15,755 for all transfers between Golf Course accounts.
- \$30,637 for all other transfers between other Department accounts.

Project Budget Transfers

- -\$91,500 closes Highway Beautification and City Hall Parking projects to cover Veteran's Memorial project.
- -\$297,490 closed out a number of completed projects.
- -\$42,447 to close completed Fish House Improvements project.
- \$142,500 transfers Repaving project funds to a specific Main Street Repaving project.
- \$726,000 allocates Barber St. Bridge project, Columbariums project & LOGT Reserves to Repaving project.
- \$162,000 discontinues 1/4 Round installation work and uses funds for purchase of an Armadillo unit.
- \$60,000 transfers Sidewalk project funds to specific Brushfoot Sidewalk project.
- \$33,270 uses rest of Columbarium project funds for additional funding of Police Evidence Building project.
- \$22,000 uses Shoreline Stabilization project funds for additional funding of CavCor project.
- \$7,490 for all other transfers between other projects.

During the fiscal year, total General Fund actual expenditures were \$484,069 less than final amended budgetary estimates. The overall variance on revenues and expenditures resulted in a \$158,834 change to existing fund balances. To address a number of unbudgeted repairs and replacements that had been deferred during the years of the economic downturn, \$104,686 was allocated from fund balance.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year 2016, the City had \$52,143,998 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 increase (including additions and deductions) of \$151,996, or (0.3%), over last year. The following table illustrates the changes in capital assets. Additional information regarding the City's capital assets can be found in Footnote 7 of the of the Notes to the Financial Statements section of the CAFR.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 8,319,588	\$ 8,319,588	\$ 19,436	\$ 19,436	\$ 8,339,024	\$ 8,339,024
Buildings	7,755,514	7,602,031	4,923,679	4,763,414	12,679,193	12,365,445
Improvements	2,950,753	3,231,519	1,590,742	789,680	4,541,495	4,021,199
Equipment	2,083,959	2,040,362	489,079	372,574	2,573,038	2,412,936
Infrastructure	18,655,238	19,595,982	4,048,111	4,441,103	22,703,349	24,037,085
Construction in progress	227,035	472,375	1,080,864	343,939	1,307,899	816,314
Total capital assets, net	\$39,992,087	\$41,261,857	\$ 12,151,911	\$10,730,146	\$52,143,998	\$51,992,003

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

- An increase in buildings mainly due to the fish house at the working waterfront.
- A decrease in improvements mainly due to the amount of depreciation
- A decrease in infrastructure mainly due to depreciation.
- An increase in construction in progress due to the CavCor boat parking improvements.

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

- An increase in buildings due to acquiring the Velocity production hangar.
- An increase in improvements due to the new irrigation system at the Golf Course.
- A decrease in infrastructure mainly due to the amount of depreciation.
- An increase in construction in progress due to the maintenance building at the Airport.

Long-Term Liabilities. At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$5,770,815. Of this amount, \$4,268,245 consist of notes pledging specific revenues to the repayment of the debt. More detailed information regarding these activities and funds can be found in Footnote 8 of the of the Notes to the Financial Statements section of the CAFR.

	Total Long-Term Liabilities					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 4,106,000	\$ 6,041,000	\$ 162,245	\$ 212,250	\$ 4,268,245	\$ 6,253,250
Compensated absences	1,200,521	1,465,409	210,849	186,169	1,411,370	1,651,578
Termination benefits	-	-	-	-	-	-
Pollution remediation	91,200	91,200	-	-	91,200	91,200
Total	\$ 5,397,721	\$ 7,597,609	\$ 373,094	\$ 398,419	\$ 5,770,815	\$ 7,996,028

The City's total debt decreased by \$2,225,213 (27.83%) during the current fiscal year. The net decrease was attributable to annual principal payments that occurred during the year.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

The City's debt is primarily bank notes which are not rated by AAA rated insurance agencies. 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 2017 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 2016 was 6.2 percent and less than the higher levels of previous years, which is a positive sign and analogous to the economic pattern existing throughout the state and nation.

The City experienced a 7.2% overall increase in property values for 2017. The millage of 3.8000 was levied in order to continue allocating funds to improve the Indian River Lagoon and resurface roadways. The City was also able to restore one-half of the \$371,548 to cash reserves that was paid out in 2016 for the Voluntary Early Retirement program.

The Golf Course reported less revenues from fees in 2016. It was necessary to make additional temporary loans from the General Fund at year end and although its net position improved with the large investment in capital assets, a portion of that investment was accomplished by an advance from the Building Fund. The City anticipates the investments made will result in an increase in customers that will generate higher revenues and enable the loans and advances to begin to be repaid.

The General Fund also made temporary interfund loans to the Airport in order to provide sufficient cash flow to cover large construction contract payments associated with reimbursable grants. Sizable operating losses are primarily the result of depreciation on capital assets.

With a good level of revenues from building permit fees, the Building Enterprise Fund continued to report a positive change in net position. There are signs of steady 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

CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,674,714	\$ 532,178	\$ 6,206,892
Temporarily restricted cash and cash equivalents	1,287,851	-	1,287,851
Investments	2,777,066	711,739	3,488,805
Permanently restricted investments	74,402	-	74,402
Receivables	972,293	148,342	1,120,635
Internal balances	1,676,438	(1,676,438)	-
Prepaid items	87,928	20,942	108,870
Inventories	39,723	31,796	71,519
Deposits held in escrow	12,824	1,602	14,426
Capital assets not being depreciated	8,546,623	1,100,300	9,646,923
Capital assets being depreciated, net	31,445,464	11,051,611	42,497,075
Total assets	52,595,326	11,922,072	64,517,398
Deferred outflows of resources			
Deferred pension amounts	1,050,060	-	1,050,060
Liabilities			
Accounts payable and other current liabilities	694,237	182,341	876,578
Accrued interest payable	27,321	417	27,738
Unearned revenues	58,676	92,414	151,090
Long-term liabilities:			
Due within one year	1,022,009	51,956	1,073,965
Due in more than one year	4,375,712	321,138	4,696,850
Net other postemployment benefits obligation	29,241	1,193	30,434
Net pension liability	2,582,575	-	2,582,575
Total liabilities	8,789,771	649,459	9,439,230
Deferred inflows of resources			
Deferred pension amounts	144,379	-	144,379
Net position			
Net investment in capital assets	35,886,087	11,989,666	47,875,753
Restricted for:			
Debt service	141,115	-	141,115
Perpetual care:			
Nonexpendable	996,778	-	996,778
Special revenue uses:			
Infrastructure improvements	3,073,005	-	3,073,005
Redevelopment expenses	458,053	-	458,053
Stormwater expenses	457,465	-	457,465
Law enforcement events	82,956	-	82,956
Unrestricted (deficit)	3,615,777	(717,053)	2,898,724
Total net position	\$ 44,711,236	\$ 11,272,613	\$ 55,983,849

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, 2016

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	\$ 3,285,607	\$ 374,581	\$ 104,814	\$ -	\$ (2,806,212)
Public safety	5,476,136	98,446	207,935	-	(5,169,755)
Physical environment	2,538,752	1,049,735	-	-	(1,489,017)
Transportation	1,861,946	-	10,352	646,132	(1,205,462)
Economic environment	364,675	-	-	-	(364,675)
Cultural and recreation	1,191,488	53,959	-	163,800	(973,729)
Interest and fiscal charges	82,943	-	-	-	(82,943)
Total governmental activities	14,801,547	1,576,721	323,101	809,932	(12,091,793)
Business-type activities:					
Golf course	1,584,214	1,135,357	-	-	(448,857)
Airport	1,197,549	516,403	-	841,668	160,522
Building	546,649	810,069	-	-	263,420
Total business-type activities	3,328,412	2,461,829	-	841,668	(24,915)
Total primary government	\$ 18,129,959	\$ 4,038,550	\$ 323,101	\$ 1,651,600	\$ (12,116,708)

continued...

CITY OF SEBASTIAN, FLORIDA

Statement of Activities

For the Year Ended September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net revenue (expense)	\$ (12,091,793)	\$ (24,915)	\$ (12,116,708)
General revenues:			
Property taxes, levied for general purposes	3,942,048	-	3,942,048
Sales and use taxes	5,762,921	-	5,762,921
Franchise fees	1,257,430	-	1,257,430
State shared revenues not restricted to specific programs	2,466,546	-	2,466,546
Interest earnings	77,317	6,787	84,104
Miscellaneous	316,239	-	316,239
Transfers	(705,067)	705,067	-
Total general revenues and transfers	13,117,434	711,854	13,829,288
Change in net position	1,025,641	686,939	1,712,580
Net position, beginning of year	43,685,595	10,585,674	54,271,269
Net position, end of year	\$ 44,711,236	\$ 11,272,613	\$ 55,983,849

concluded

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

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CITY OF SEBASTIAN, FLORIDA

Balance Sheet
 Governmental Funds
 September 30, 2016

	General	Discretionary Sales Tax	Riverfront Redevelopment	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,363,563	\$ 660,559	\$ 363,678	\$ 2,574,765	\$ 6,962,565
Investments	1,074,335	1,205,152	97,232	474,749	2,851,468
Accounts receivable, net	398,148	-	-	-	398,148
Due from other funds	1,088,132	-	-	-	1,088,132
Due from other governments	201,434	292,756	-	79,955	574,145
Deposits held in escrow	12,824	-	-	-	12,824
Inventories	39,723	-	-	-	39,723
Prepaid items	87,928	-	-	-	87,928
Advance to other funds	100,000	550,638	-	-	650,638
Total assets	\$ 6,366,087	\$ 2,709,105	\$ 460,910	\$ 3,129,469	\$ 12,665,571
Liabilities					
Accounts payable and accrued liabilities	\$ 419,172	\$ -	\$ 2,857	\$ 195,397	\$ 617,426
Due to other funds	-	-	-	62,332	62,332
Due to other governments	76,811	-	-	-	76,811
Unearned revenue	58,676	-	-	-	58,676
Total liabilities	554,659	-	2,857	257,729	815,245
Fund balances (deficit)					
Nonspendable	227,651	-	-	996,778	1,224,429
Restricted	46,262	2,709,105	458,053	1,026,495	4,239,915
Committed	-	-	-	977,868	977,868
Assigned	10,840	-	-	-	10,840
Unassigned	5,526,675	-	-	(129,401)	5,397,274
Total fund balances	5,811,428	2,709,105	458,053	2,871,740	11,850,326
Total liabilities and fund balances	\$ 6,366,087	\$ 2,709,105	\$ 460,910	\$ 3,129,469	\$ 12,665,571

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

CITY OF SEBASTIAN, FLORIDA

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
September 30, 2016

Fund balances - total governmental funds	\$ 11,850,326
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	8,546,623
Capital assets being depreciated, net	31,445,464
Certain liabilities, such as notes payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Notes payable	(4,106,000)
Compensated absences	(1,200,521)
Net other postemployment benefits obligation	(29,241)
Contamination liability	(91,200)
Accrued interest on long-term debt	(27,321)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(2,582,575)
Deferred outflows related to the net pension liability	1,050,060
Deferred inflows related to the net pension liability	(144,379)
Net position of governmental activities	<u>\$ 44,711,236</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2016

	General	Discretionary Sales Tax	Riverfront Redevelopment	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 3,603,024	\$ -	\$ 339,024	\$ -	\$ 3,942,048
Public utility	2,686,322	-	-	-	2,686,322
Sales	-	3,052,152	-	-	3,052,152
Motor fuel	-	-	-	646,132	646,132
Franchise fees	1,257,430	-	-	-	1,257,430
Licenses and permits	136,614	-	-	-	136,614
Intergovernmental	2,654,806	-	-	54,260	2,709,066
Impact fees	-	-	-	163,800	163,800
Charges for services	326,775	-	-	1,064,720	1,391,495
Fines	72,011	-	-	1,048	73,059
Investment earnings	28,859	28,449	3,019	16,990	77,317
Contributions and donations	72,681	-	-	7,900	80,581
Other revenues	226,579	-	36,000	53,660	316,239
Total revenues	11,065,101	3,080,601	378,043	2,008,510	16,532,255
Expenditures					
Current:					
General government	3,051,521	-	2,033	-	3,053,554
Public safety	4,959,610	-	-	8,648	4,968,258
Physical environment	1,234,117	-	-	82,580	1,316,697
Transportation	951,380	-	-	217,539	1,168,919
Economic environment	-	-	331,589	-	331,589
Culture and recreation	849,789	-	-	-	849,789
Debt service:					
Principal	-	-	-	1,935,000	1,935,000
Interest and fiscal charges	-	-	-	92,907	92,907
Capital outlay	191,903	-	15,084	1,573,371	1,780,358
Total expenditures	11,238,320	-	348,706	3,910,045	15,497,071
Revenues (under) over expenditures	(173,219)	3,080,601	29,337	(1,901,535)	1,035,184
Other financing sources (uses)					
Transfers in	675,753	-	10,600	3,007,926	3,694,279
Transfers out	(343,700)	(2,785,072)	(28,612)	(1,241,962)	(4,399,346)
Total other financing sources (uses)	332,053	(2,785,072)	(18,012)	1,765,964	(705,067)
Net changes in fund balances	158,834	295,529	11,325	(135,571)	330,117
Fund balances, beginning of year	5,652,594	2,413,576	446,728	3,007,311	11,520,209
Fund balances, end of year	\$ 5,811,428	\$ 2,709,105	\$ 458,053	\$ 2,871,740	\$ 11,850,326

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

CITY OF SEBASTIAN, FLORIDA

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended September 30, 2016

Net change in fund balances - total governmental funds	\$ 330,117
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>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.</p>	
Capital outlay	1,795,583
Depreciation expense	(3,050,128)
Loss on disposal of capital assets	(15,225)
<p>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 position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal payments on long-term liabilities	1,935,000
<p>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.</p>	
Change in accrued interest payable on long-term debt	9,964
Change in the accrual for compensated absences	264,888
Change in the accrual for other postemployment benefits	(4,515)
Change in the net pension liability and related deferred amounts	<u>(240,043)</u>
Change in net position of governmental activities	<u>\$ 1,025,641</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - General Fund
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 3,594,174	\$ 3,594,174	\$ 3,603,024	\$ 8,850
Public utility	2,684,100	2,684,100	2,686,322	2,222
Franchise fees	1,255,053	1,255,053	1,257,430	2,377
Licenses and permits	145,500	145,500	136,614	(8,886)
Intergovernmental	2,383,860	2,566,871	2,654,806	87,935
Charges for services	334,534	334,534	326,775	(7,759)
Fines	65,300	85,300	72,011	(13,289)
Investment earnings	21,000	21,000	28,859	7,859
Contributions and donations	11,100	29,055	72,681	43,626
Other revenues	149,700	216,404	226,579	10,175
Total revenues	10,644,321	10,931,991	11,065,101	133,110
Expenditures				
Current:				
General government	2,923,833	3,162,170	3,051,521	(110,649)
Public safety	4,696,513	5,014,271	4,959,610	(54,661)
Physical environment	1,406,699	1,405,886	1,234,117	(171,769)
Transportation	1,005,599	997,127	951,380	(45,747)
Culture and recreation	871,161	883,339	849,789	(33,550)
Capital outlay	211,000	259,596	191,903	(67,693)
Total expenditures	11,114,805	11,722,389	11,238,320	(484,069)
Revenues over (under) expenditures	(470,484)	(790,398)	(173,219)	617,179
Other financing sources (uses)				
Transfers in	770,484	727,151	675,753	(51,398)
Transfers out	(300,000)	(361,404)	(343,700)	17,704
Total other financing sources (uses)	470,484	365,747	332,053	(33,694)
Net changes in fund balances	-	(424,651)	158,834	583,485
Fund balance, beginning of year	5,652,594	5,652,594	5,652,594	-
Fund balance, end of year	\$ 5,652,594	\$ 5,227,943	\$ 5,811,428	\$ 583,485

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Discretionary Sales Tax Special Revenue Fund
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Sales	\$ 2,931,500	\$ 2,931,500	\$ 3,052,152	\$ 120,652
Investment earnings	23,353	23,353	28,449	5,096
Total revenues	2,954,853	2,954,853	3,080,601	125,748
Other financing sources uses				
Transfers out	(2,954,853)	(4,907,073)	(2,785,072)	2,122,001
Net changes in fund balance	-	(1,952,220)	295,529	2,247,749
Fund balance, beginning of year	2,413,576	2,413,576	2,413,576	-
Fund balance, end of year	\$ 2,413,576	\$ 461,356	\$ 2,709,105	\$ 2,247,749

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Riverfront Redevelopment Special Revenue Fund
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 325,099	\$ 325,099	\$ 339,024	\$ 13,925
Investment earnings	440	440	3,019	2,579
Other revenues	36,000	36,000	36,000	-
Total revenues	<u>361,539</u>	<u>361,539</u>	<u>378,043</u>	<u>16,504</u>
Expenditures				
Current:				
General government	2,568	2,568	2,033	(535)
Economic environment	258,355	532,351	331,589	(200,762)
Capital outlay	-	8,500	15,084	6,584
Total expenditures	<u>260,923</u>	<u>543,419</u>	<u>348,706</u>	<u>(194,713)</u>
Revenues over (under) expenditures	<u>100,616</u>	<u>(181,880)</u>	<u>29,337</u>	<u>211,217</u>
Other financing sources (uses)				
Transfers in	64,384	10,600	10,600	-
Transfers out	(165,000)	(220,417)	(28,612)	191,805
Total other financing sources (uses)	<u>(100,616)</u>	<u>(209,817)</u>	<u>(18,012)</u>	<u>191,805</u>
Net changes in fund balance	-	(391,697)	11,325	403,022
Fund balance, beginning of year	<u>446,728</u>	<u>446,728</u>	<u>446,728</u>	-
Fund balance, end of year	<u>\$ 446,728</u>	<u>\$ 55,031</u>	<u>\$ 458,053</u>	<u>\$ 403,022</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

Proprietary Funds
September 30, 2016

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,498	\$ 384,728	\$ 145,952	\$ 532,178
Investments	-	-	711,739	711,739
Accounts receivable	233	5,288	-	5,521
Due from other governments	-	142,821	-	142,821
Inventories	12,871	18,925	-	31,796
Deposits held in escrow	493	616	493	1,602
Prepaid items	8,119	9,889	2,934	20,942
Total current assets	23,214	562,267	861,118	1,446,599
Noncurrent assets:				
Advance to other funds	-	-	356,700	356,700
Capital assets:				
Land	-	9,060	10,376	19,436
Buildings	498,223	6,187,616	-	6,685,839
Improvements other than buildings	1,147,670	1,662,147	-	2,809,817
Machinery and equipment	398,018	913,415	116,997	1,428,430
Infrastructure	1,100,951	7,362,883	-	8,463,834
Construction in process	10,242	1,070,622	-	1,080,864
Less accumulated depreciation	(1,633,910)	(6,658,353)	(44,046)	(8,336,309)
Total noncurrent assets	1,521,194	10,547,390	440,027	12,508,611
Total assets	1,544,408	11,109,657	1,301,145	13,955,210
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	65,586	83,887	20,156	169,629
Due to other funds	535,800	490,000	-	1,025,800
Due to other governments	6,046	1,125	5,958	13,129
Unearned revenues	69,721	14,673	8,020	92,414
Current portion of notes payable	51,956	-	-	51,956
Total current liabilities	729,109	589,685	34,134	1,352,928
Noncurrent liabilities:				
Compensated absences, net of current portion	84,925	30,489	95,435	210,849
Advance from other fund	356,700	650,638	-	1,007,338
Notes payable	110,289	-	-	110,289
Net other postemployment benefit obligation	362	190	641	1,193
Total noncurrent liabilities	552,276	681,317	96,076	1,329,669
Total liabilities	1,281,385	1,271,002	130,210	2,682,597
Net position				
Net investment in capital assets	1,358,949	10,547,390	83,327	11,989,666
Unrestricted (deficit)	(1,095,926)	(708,735)	1,087,608	(717,053)
Total net position	\$ 263,023	\$ 9,838,655	\$ 1,170,935	\$ 11,272,613

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
Operating revenues				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 804,568	\$ 804,568
Golf course fees	1,089,255	-	-	1,089,255
Rents	28,473	332,238	-	360,711
Other revenues	13,729	184,025	-	197,754
Total operating revenues	<u>1,131,457</u>	<u>516,263</u>	<u>804,568</u>	<u>2,452,288</u>
Operating expenses:				
Salaries, wages and employee benefits	365,632	141,636	428,763	936,031
Contractual services, materials and supplies	1,076,735	318,388	104,152	1,499,275
Depreciation	134,575	718,149	13,734	866,458
Total operating expenses	<u>1,576,942</u>	<u>1,178,173</u>	<u>546,649</u>	<u>3,301,764</u>
Operating income (loss)	<u>(445,485)</u>	<u>(661,910)</u>	<u>257,919</u>	<u>(849,476)</u>
Nonoperating revenues (expenses)				
Investment income	616	939	5,232	6,787
Interest expense	(7,272)	(19,376)	-	(26,648)
Gain on disposal of capital assets	3,900	140	5,501	9,541
Total nonoperating revenues (expenses)	<u>(2,756)</u>	<u>(18,297)</u>	<u>10,733</u>	<u>(10,320)</u>
Income (loss) before capital contributions and transfers	<u>(448,241)</u>	<u>(680,207)</u>	<u>268,652</u>	<u>(859,796)</u>
Capital contributions	-	841,668	-	841,668
Transfers in	624,458	184,695	-	809,153
Transfers out	-	-	(104,086)	(104,086)
Total transfers	<u>624,458</u>	<u>184,695</u>	<u>(104,086)</u>	<u>705,067</u>
Change in net position	176,217	346,156	164,566	686,939
Net position, beginning of year	<u>86,806</u>	<u>9,492,499</u>	<u>1,006,369</u>	<u>10,585,674</u>
Net position, end of year	<u>\$ 263,023</u>	<u>\$ 9,838,655</u>	<u>\$ 1,170,935</u>	<u>\$ 11,272,613</u>

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, 2016

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 1,141,158	\$ 1,029,009	\$ 447,916	\$ 2,618,083
Cash payments to suppliers	(1,038,242)	(347,313)	(99,812)	(1,485,367)
Cash payments for employee services	(352,611)	(140,689)	(417,849)	(911,149)
Net cash provided (used) by operating activities	(249,695)	541,007	(69,745)	221,567
Cash flows from noncapital financing activities				
Interest paid on advance from other fund	(7,272)	(19,376)	-	(26,648)
Cash payments to other funds	-	-	(104,086)	(104,086)
Cash receipts from other funds	1,383,158	134,046	-	1,517,204
Net cash provided (used) by noncapital financing activities	1,375,886	114,670	(104,086)	1,386,470
Cash flows from capital and related financing activities				
Repayment of long term debt	(50,005)	-	-	(50,005)
Acquisition and construction of capital assets	(1,091,778)	(1,148,440)	(65,736)	(2,305,954)
Proceeds from sale of capital assets	3,900	17,870	5,501	27,271
Receipts from capital contributions	-	841,668	-	841,668
Net cash used by capital and related financing activities	(1,137,883)	(288,902)	(60,235)	(1,487,020)
Cash flows from investing activities				
Sale of investments	129,287	-	2,140	131,427
Purchase of investments	(122,638)	-	(3,852)	(126,490)
Investment income	616	939	5,232	6,787
Net cash provided by (used in) investing activities	7,265	939	3,520	11,724
Net increase (decrease) in cash and cash equivalents	(4,427)	367,714	(230,546)	132,741
Cash and cash equivalents, beginning of year	5,925	17,014	376,498	399,437
Cash and cash equivalents, end of year	\$ 1,498	\$ 384,728	\$ 145,952	\$ 532,178

continued...

CITY OF SEBASTIAN, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
Cash flow from operating activities:				
Operating income (loss)	\$ (445,485)	\$ (661,910)	\$ 257,919	\$ (849,476)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	134,575	718,149	13,734	866,458
Change in:				
Accounts receivable	(233)	47	-	(186)
Inventories	(34)	(6,179)	-	(6,213)
Due from other governments	-	507,184	-	507,184
Advance to other funds	-	-	(356,700)	(356,700)
Prepaid items	(4,458)	(2,247)	388	(6,317)
Accounts payable	42,985	(20,499)	3,952	26,438
Due to other governments	858	234	380	1,472
Unearned revenues	9,076	5,281	(332)	14,025
Accrued compensated absences	12,960	915	10,806	24,681
Net other postemployment benefit obligation	61	32	108	201
Total adjustments	195,790	1,202,917	(327,664)	1,071,043
Net cash provided (used) by operating activities	\$ (249,695)	\$ 541,007	\$ (69,745)	\$ 221,567

concluded

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

CITY OF SEBASTIAN, FLORIDA

Statement of Fiduciary Net Position
 Fiduciary Funds
 September 30, 2016

	Pension Trust	Agency
	Police Officers' Pension	Performance Deposits
Assets		
Cash and cash equivalents	\$ -	\$ 32,841
Receivables:		
Interest and dividends	33,095	-
Investments, at fair value:		
Local government surplus trust funds investment pools	-	73,750
Money market funds	509,494	-
United States treasuries	571,515	-
United States agencies	255,812	-
Unit Investment trusts	96,153	-
Municipal obligations	131,449	-
Domestic corporate bonds	2,604,211	-
Domestic corporate equities	8,044,036	-
Foreign corporate equities	238,184	-
EFT equities	4,761	-
Total investments	12,455,615	73,750
Total assets	<u>12,488,710</u>	<u>\$ 106,591</u>
Liabilities		
Refunds payable	-	\$ 106,591
Net position		
Restricted for pension benefits	<u>\$ 12,488,710</u>	

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

CITY OF SEBASTIAN, FLORIDA

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Pension Trust
 For the Year Ended September 30, 2016

	Police Officers' Pension
Additions	
Contributions:	
Employer	\$ 322,998
Plan members	167,309
State	169,027
Total contributions	<u>659,334</u>
Investment income:	
Net increase in fair value of investments	829,478
Interest and dividends	300,653
Total investment income	<u>1,130,131</u>
Investment expenses	<u>(62,992)</u>
Net investment earnings	<u>1,067,139</u>
Total additions	<u>1,726,473</u>
Deductions	
Benefits	493,765
Administrative expenses	<u>28,025</u>
Total deductions	<u>521,790</u>
Change in net position	1,204,683
Net position, beginning of year	<u>11,284,027</u>
Net position, end of year	<u>\$ 12,488,710</u>

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

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 23,137 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

Blended component units are legally separate entities that are from the City but so intertwined with the City that they are, in substance, the same as the City. Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has two 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 and/or there is a financial benefit/burden relationship between the primary government and the component unit.

Community Redevelopment Agency (CRA) - The governing body of the CRA is identical to the Sebastian City Council and there is a benefit/burden relationship to the City. 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 being 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on 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 *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.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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.

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 *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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.

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 position represents resources 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.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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. 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 accordance with the regulations of 2a-7 like pools, the City's share of investments held at the State Board of Administration 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 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. 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 General Fund and restricted fund balance in other applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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 Cemetery Fund that are either not permitted to be spent or can only be spent for items incidental to cemetery expansions. The amount of the Cemetery Fund investments is also classified as restricted assets and reported as permanently restricted investments.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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. As of September 30, 2016, the City 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 estimated acquisition cost 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.

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 building	10-40
Machinery, equipment and other	5-15
Airport runways	20

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information can be found in Note 13.

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.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources for changes in expected and actual investment returns, assumptions and benefits provided in its pension plans.

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 position.

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 Council has the authority and 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. 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, 2016:

Statement of Net Position

Cash and cash equivalents	\$ 6,206,892
Temporarily restricted cash and cash equivalents	1,287,851
Investments	3,488,805
Permanently restricted investments	74,402

Statement of Fiduciary Net Position

Police Officers' Pension:	
Investments	12,455,615
Agency funds:	
Cash and cash equivalents	32,841
Investments	<u>73,750</u>

Total	<u><u>\$ 23,620,156</u></u>
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Deposits and investments

Bank deposits:	
Checking and savings accounts	\$ 7,525,154
Investments:	
Investments, at fair value	3,636,957
Police officers' pension fund investments	12,455,615
Cash on hand	<u>2,430</u>

Total	<u><u>\$ 23,620,156</u></u>
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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, 2016, the carrying amount of the City of Sebastian's deposits with banks was \$7,525,154 and the bank balance was \$7,841,344. 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.

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.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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, 2016, 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")	\$ 3,636,957	\$ 3,636,957	\$ -	\$ -	\$ -
Police officers' pension fund investments					
Money market	\$ 509,494	\$ 509,494	\$ -	\$ -	\$ -
United States treasuries	571,515	105,157	201,356	171,861	93,141
United States agencies	255,812	-	27,698	-	228,114
Unit Investment trusts	96,153	96,153	-	-	-
Municipal obligations	131,449	-	57,659	34,870	38,920
Domestic corporate bonds	2,604,211	100,436	935,926	638,812	929,037
Domestic corporate equities	8,044,036	8,044,036	-	-	-
Foreign corporate equities	238,184	238,184	-	-	-
EFT equities	4,761	4,761	-	-	-
	<u>\$ 12,455,615</u>	<u>\$ 9,098,221</u>	<u>\$ 1,222,639</u>	<u>\$ 845,543</u>	<u>\$ 1,289,212</u>

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.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Credit Risk. The City investment policy that covers all investments, except the Pension Trust Fund, permits investments in the following securities, 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 "AA" by Standard & Poor's.

As of September 30, 2016, the City's investment securities, for all investments except the Pension Trust Fund, were all individually rated AAAM by Standard & Poor's. The investment ratings for the Pension Trust Fund ranged between AAA+ through BBB+.

As of September 30, 2016, the City had \$3,636,957 invested in the State Board of Administration's Local Government Surplus Trust Funds Investment Pool, which consist of accounts in Pool A. Pool A had a rating by Standard and Poor's Rating Services as "AAAM" on September 30, 2016 and amounts may be withdrawn without penalty.

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 Poo's. 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.

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.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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 60% of available funds may be invested in equity securities.

As of September 30, 2016, 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")	\$ 3,636,957	100.00%	\$ -	0.00%
Money market	-	0.00%	509,494	4.09%
United States treasuries	-	0.00%	571,515	4.59%
United States agencies	-	0.00%	255,812	2.05%
Unit Investment trusts	-	0.00%	96,153	0.77%
Municipal obligations	-	0.00%	131,449	1.06%
Domestic corporate bonds	-	0.00%	2,604,211	20.91%
Domestic corporate equities	-	0.00%	8,044,036	64.58%
Foreign corporate equities	-	0.00%	238,184	1.91%
EFT equities	-	0.00%	4,761	0.04%
Total	\$ 3,636,957	100.00%	\$ 12,455,615	100.00%

Fair Value Measurement

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The City has the following recurring fair value measurements as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Local government surplus funds				
trust fund ("SBA")	\$ 3,636,957	\$ -	\$ -	\$ 3,636,957
Money market	509,494	-	-	509,494
United States treasuries	571,515	-	-	571,515
United States agencies	-	255,812	-	255,812
Unit Investment trusts	96,153	-	-	96,153
Municipal obligations	-	131,449	-	131,449
Domestic corporate bonds	-	2,604,211	-	2,604,211
Domestic corporate equities	7,218,810	825,226	-	8,044,036
Foreign corporate equities	238,184	-	-	238,184
EFT equities	4,761	-	-	4,761
	<u>\$ 12,275,874</u>	<u>\$ 3,816,698</u>	<u>\$ -</u>	<u>\$ 16,092,572</u>

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 398,148	\$ 5,521	\$ 403,669
Due from other governments	574,145	142,821	716,966
	<u>\$ 972,293</u>	<u>\$ 148,342</u>	<u>\$ 1,120,635</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	Total
Accounts payable	\$ 339,065	\$ 135,931	\$ 474,996
Accrued liabilities	278,361	33,281	311,642
Due to other governments	76,811	13,129	89,940
	<u>\$ 694,237</u>	<u>\$ 182,341</u>	<u>\$ 876,578</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,088,132	\$ -
Airport	-	490,000
Golf Course	-	535,800
Nonmajor Governmental Funds	-	62,332
	<u>\$ 1,088,132</u>	<u>\$ 1,088,132</u>

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.

Advances to and from primary government funds

	Advance from Other Funds	Advance to Other Funds
General Fund	\$ -	\$ 100,000
Discretionary Sales Tax	-	550,638
Airport	650,638	-
Building	-	356,700
Golf Course	356,700	-
	<u>\$ 1,007,338</u>	<u>\$ 1,007,338</u>

The balance of \$550,638 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, \$24,362 has been repaid as of September 30, 2016. The balance of \$100,000 advanced to the airport from general fund represents a cash loan made in 2007 without any specified terms for repayment. The \$356,000 was advanced from the Building Fund to replace the irrigation system and make other improvements at the Golf Course.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

For the year ended September 30, 2016, interfund transfers consisted of the following:

Transfers In	Transfers out					Totals
	General Fund	Discretionary Sales Tax Fund	Riverfront Redevelopment Fund	Nonmajor Governmental Funds	Building Fund	
General Fund	\$ -	\$ -	\$ 21,667	\$ 550,000	\$ 104,086	\$ 675,753
Riverfront Redevelopment Fund	10,600	-	-	-	-	10,600
Nonmajor Governmental Funds	305,700	2,003,319	6,945	691,962	-	3,007,926
Airport Fund	2,800	181,895	-	-	-	184,695
Golf Course	24,600	599,858	-	-	-	624,458
	<u>\$ 343,700</u>	<u>\$ 2,785,072</u>	<u>\$ 28,612</u>	<u>\$ 1,241,962</u>	<u>\$ 104,086</u>	<u>\$ 4,503,432</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 debt covenants.

7. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 8,319,588	\$ -	\$ -	\$ -	\$ 8,319,588
Construction in progress	472,375	554,434	(15,225)	(784,549)	227,035
	<u>8,791,963</u>	<u>554,434</u>	<u>(15,225)</u>	<u>(784,549)</u>	<u>8,546,623</u>
Capital assets, being depreciated:					
Buildings	12,609,808	14,069	-	486,952	13,110,829
Non-building improvements	6,833,246	36,592	-	-	6,869,838
Machinery and equipment	8,691,504	736,749	(759,897)	-	8,668,356
Infrastructure	39,186,897	453,739	-	297,597	39,938,233
	<u>67,321,455</u>	<u>1,241,149</u>	<u>(759,897)</u>	<u>784,549</u>	<u>68,587,256</u>
Less accumulated depreciation for:					
Buildings	(5,007,777)	(347,538)	-	-	(5,355,315)
Non-building improvements	(3,601,727)	(317,358)	-	-	(3,919,085)
Machinery and equipment	(6,651,142)	(693,152)	759,897	-	(6,584,397)
Infrastructure	(19,590,915)	(1,692,080)	-	-	(21,282,995)
	<u>(34,851,561)</u>	<u>(3,050,128)</u>	<u>759,897</u>	<u>-</u>	<u>(37,141,792)</u>
Total capital assets being depreciated, net	32,469,894	(1,808,979)	-	784,549	31,445,464
Governmental activities capital assets, net	<u>\$ 41,261,857</u>	<u>\$ (1,254,545)</u>	<u>\$ (15,225)</u>	<u>\$ -</u>	<u>\$ 39,992,087</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 19,436	\$ -	\$ -	\$ -	\$ 19,436
Construction in progress	343,939	1,786,918	-	(1,049,993)	1,080,864
	<u>363,375</u>	<u>1,786,918</u>	<u>-</u>	<u>(1,049,993)</u>	<u>1,100,300</u>
Capital assets, being depreciated:					
Buildings	6,341,864	178,500	-	165,476	6,685,840
Non-building improvements	1,889,637	35,664	-	884,517	2,809,818
Machinery and equipment	1,206,471	252,231	(30,272)	-	1,428,430
Infrastructure	8,441,588	52,641	(30,395)	-	8,463,834
	<u>17,879,560</u>	<u>519,036</u>	<u>(60,667)</u>	<u>1,049,993</u>	<u>19,387,922</u>
Less accumulated depreciation for:					
Buildings	(1,578,450)	(183,711)	-	-	(1,762,161)
Non-building improvements	(1,099,957)	(119,119)	-	-	(1,219,076)
Machinery and equipment	(833,897)	(135,726)	30,272	-	(939,351)
Infrastructure	(4,000,485)	(427,902)	12,664	-	(4,415,723)
	<u>(7,512,789)</u>	<u>(866,458)</u>	<u>42,936</u>	<u>-</u>	<u>(8,336,311)</u>
Total capital assets being depreciated, net	<u>10,366,771</u>	<u>(347,422)</u>	<u>(17,731)</u>	<u>1,049,993</u>	<u>11,051,611</u>
Business-type activities capital assets, net	<u>\$ 10,730,146</u>	<u>\$ 1,439,496</u>	<u>\$ (17,731)</u>	<u>\$ -</u>	<u>\$ 12,151,911</u>

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

Depreciation of governmental activities by function

General government	\$ 313,187
Public safety	304,080
Transportation	787,600
Physical environment	1,218,282
Economic environment	33,086
Cultural and recreation	393,893

Total governmental activities \$ 3,050,128

Depreciation of business-type activities by function

Golf course	\$ 134,575
Airport	718,149
Building	13,734

Total business-type activities \$ 866,458

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

8. LONG-TERM DEBT

Revenue 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 four (4) year, \$2,893,000 Infrastructure Sales Surtax Refunding Revenue Note, Series 2013 in December 2013. The City has pledged Infrastructure Sales Surtax revenues for repayment of principal and interest. These proceeds and other Infrastructure Sales Surtax revenues were used to totally refund or advance refund all of the outstanding Infrastructure Sales Surtax Bonds prior to September 30, 2014.
- The City issued a nine (9) year, \$3,096,000 Stormwater Utility Refunding Revenue Note, Series 2013 in December 2013. The City has pledged Stormwater Fee Revenues for repayment of principal and interest. These proceeds and other Stormwater Fee revenues were used to totally advance refund all of the outstanding Stormwater Utility Revenue Bonds prior to September 30, 2014.
- The City entered into a four (4) year loan agreement in 2013 with a local bank for \$299,050 to provide financing to purchase equipment for the Golf Course. Repayment of principal and interest will be made from Golf Course revenues.
- As of September 30, 2016, there was no outstanding in-substance defeased debt.

The following is a summary of governmental activities long-term debt transactions for the year ended September 30, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable	\$ 6,041,000	\$ -	\$ (1,935,000)	\$ 4,106,000	\$ 931,000
Compensated absences	1,465,409	149,110	(413,998)	1,200,521	91,009
Pollution remediation	91,200	-	-	91,200	-
Totals governmental activities	\$ 7,597,609	\$ 149,110	\$ (2,348,998)	\$ 5,397,721	\$ 1,022,009

Notes payable

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

\$ 1,478,000

2013 Infrastructure Sales Surtax Refunding Revenue Note, Series 2013, due in annual installments of \$353,000 to \$508,000 plus interest at 0.86% through 2017.

353,000

2013 Stormwater Utility Refunding Revenue Note, Series 2013, due in annual installments of \$352,000 to \$395,000 plus interest at 1.73% through 2022.

2,275,000

\$ 4,106,000

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The following is a summary of business-type activities long-term debt transactions for the year ended September 30, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Note payable	\$ 212,250	\$ -	\$ (50,005)	\$ 162,245	\$ 51,956
Compensated absences	186,169	24,680	-	210,849	-
Totals business-type activities	\$ 398,419	\$ 24,680	\$ (50,005)	\$ 373,094	\$ 51,956

Note payable

Note payable to a bank, collateralized by real property, payable in equal monthly installments of \$4,756, including interest charged at 3.850%. The note matures on November 7, 2017

\$ 162,245

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

Year Ended September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 931,000	\$ 71,547	\$ 51,956	\$ 5,120
2018	590,000	56,523	110,289	341
2019	601,000	45,836	-	-
2020	611,000	34,939	-	-
2021	620,000	23,868	-	-
2022-2023	753,000	13,808	-	-
	<u>\$ 4,106,000</u>	<u>\$ 246,521</u>	<u>\$ 162,245</u>	<u>\$ 5,461</u>

For the governmental activities, compensated absences, the unfunded OPEB obligation and termination benefits are generally liquidated by the General Fund. For 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 a lease for land accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations. Total costs for the lease was \$100,000 for the fiscal year ended September 30, 2016. This represents 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 the operating lease that has initial or remaining noncancelable lease terms in excess of one year at September 30, 2016:

Year Ended September 30,	Airport
2017	\$ 100,000
2018	100,000
2019	100,000
2020	100,000
2021	100,000
2022-2026	500,000
2027-2031	500,000
2032-2036	500,000
2037-2041	500,000
2042-2045	<u>400,000</u>
Total	<u>\$ 2,900,000</u>

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 have been fully depreciated. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

Year Ended September 30,	Governmental Activities
2017	\$ 250,132
2018	233,133
2019	222,272
2020	224,689
2021	227,106
2022-2026	1,003,073
2027-2031	975,509
2032-2036	1,084,533
2037-2041	1,223,677
2042-2046	1,301,264
2047-2051	1,127,916
2052-2055	<u>1,107,056</u>
Total	<u>\$ 8,980,361</u>

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 \$100,000 through 2035. 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
2017	\$ 214,372
2018	205,079
2019	170,781
2020	170,781
2021	170,781
2022-2026	726,293
2027-2031	582,418
2032-2035	<u>276,209</u>
Total	<u>\$ 2,516,714</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, 2016, was 3.8556 mills. Total tax collections were approximately 96.38% 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.

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.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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, 2016 to determine the required contribution for the fiscal year ending September 30, 2016. 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.

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.

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The plan's asset allocation policy is shown on the following pages.

Concentrations. At September 30, 2016, the plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5 percent or more of the plan's fiduciary net position. Please see Note 3 for details of these concentrations.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Plan Membership. As of September 30, 2016, employee membership data was as follows:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	<u>32</u>
Total membership	<u><u>54</u></u>

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.

Contributions. Contributions to the plan are based upon the hire date of the members. Members hired prior to October 1, 2011 contribute 8% of their salary, effective October 1, 2012 (5% of salary prior to that date). Members hired after September 30, 2011 contribute 5% of their salary. City and state contributions consist of the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over a period not exceeding 30 years.

Rate of Return. For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.39 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City. The components of the net pension liability of the City at September 30, 2016, were as follows:

Total pension liability	\$ 15,071,285
Less: Plan fiduciary net position	<u>12,488,710</u>
City's net pension liability	<u><u>\$ 2,582,575</u></u>
Plan fiduciary net position as percentage of total pension liability	82.86%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.30%
Salary increases	3.80% - 16.00%
Discount rate	7.45%
Investment rate of return	7.45%

Mortality is based on the RP-2000 Table with no projection. Disabled lives are set forward 5 years. The City feels this assumption sufficiently accommodates future mortality improvements.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The other significant assumptions are based upon the most recent actuarial experience study performed on September 16, 2013, for the period 1999-2012.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	50.00%	7.45%	3.73%
International equity	10.00%	7.05%	0.71%
Fixed income	40.00%	2.15%	0.86%
Total	100.00%		5.30%
Inflation			2.30%
Risk adjustments			(0.15%)
Investment rate of return			7.45%

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Changes in Assumptions. The City revised certain actuarial assumptions in the September 30, 2016 valuation that had a significant impact on the total pension liability from the prior measurement date. The most significant change was a decrease in the expected investment rate of return from 7.60% to 7.45%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.45 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	One Percent Decrease 6.45%	Current Discount Rate 7.45%	One Percent Increase 8.45%
Net Pension Liability	\$ 4,527,139	\$ 2,582,575	\$ 960,821

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Changes in the net pension liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2015	\$ 13,434,105	\$ 11,284,027	\$ 2,150,078
Changes for the year:			
Service cost	418,143	-	418,143
Interest on total pension liability	1,027,558	-	1,027,558
Differences between expected and actual experience	59,175	-	59,175
Assumption changes	626,069	-	626,069
Benefit payments, including refunds of employee contributions	(493,765)	(493,765)	-
Employer contributions	-	322,998	(322,998)
State contributions	-	169,027	(169,027)
Employee contributions	-	167,309	(167,309)
Pension plan net investment income (loss)	-	1,067,139	(1,067,139)
Administrative expense	-	(28,025)	28,025
Net changes	<u>1,637,180</u>	<u>1,204,683</u>	<u>432,497</u>
Balances at September 30, 2016	<u>\$ 15,071,285</u>	<u>\$ 12,488,710</u>	<u>\$ 2,582,575</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2016, the City recognized pension expense of \$584,782. At September 30, 2016, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ 47,340	\$ 144,379	\$ (97,039)
Changes in assumptions	634,775	-	634,775
Net difference between projected and actual earnings on pension plan investments	367,945	-	367,945
	<u>\$ 1,050,060</u>	<u>\$ 144,379</u>	<u>\$ 905,681</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

Year Ended September 30,	Amount
2017	\$ 270,996
2018	270,996
2019	270,996
2020	<u>92,693</u>
Total	<u>\$ 905,681</u>

Coastal Florida Public Employees Association

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 cost-sharing, defined benefit plan. The plan is available to any Coastal Florida Public Employees Association bargaining unit member and benefits are portable from one contributing employer to another. The plan is not a state or local governmental plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, has no predominant state or local governmental employer and issues audited financials following FASB guidelines, which can be obtained at <http://www.cwaitu.com>. The City of Sebastian approved the plan by Resolution No. R-01-36, effective April 29, 2001. There is currently no expiration date of the collective-bargaining agreement requiring contributions to the pension plan. The total number of governmental employees covered as of September 30, 2016, was 69. The City chose to early implement the GASB 78 disclosure requirements in FY15.

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 62: 20 years of service credit required if employed after January 1, 1989, and 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 three 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 has been awarded a Social Security Disability Award with the date of entitlement before May 1, 2009 and is vested, but not immediately eligible to receive any pension described above, the employee may be eligible for a lump sum disability benefit.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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, 2013, which is negotiated every 3 years, and approved by City Council.

Employer Withdrawal Liability. Under federal law, employers who partially or completely withdraw from a multiemployer plan are assessed withdrawal liability for their proportionate share of the plan's unfunded vested liabilities as of the beginning of the year in which they withdraw. Withdrawal liability is usually paid in quarterly installments as determined by a statutory formula over a maximum of 20 years.

Funding Policy. Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.0% for the 2015-2016 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2014, 2015 and 2016 were \$204,361, \$217,916 and \$200,889 respectively, which are equal to 100% of the required contribution for each year.

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.

Plan Participation. As of September 30, 2016, there were a total of 17 employees participating in the plan.

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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% for the 2015-2016 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2014, 2015 and 2016 were \$113,098, \$130,719 and \$151,891 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.

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 2014. The actuary's 2015 and 2016 estimate, using the Entry Age Normal (level percentage of pay) Method, produced an unfunded obligation of \$50,901 and a total annual required contribution of \$5,024 with the net OPEB cost of \$4,716, of which \$4,515 is the general fund portion. The City elected to fund the OPEB obligation on a pay-as-you-go basis. The enterprise fund portion of \$201 is also recognized in the enterprise fund financial statements. The entire unfunded obligation was recognized in the government-wide financial statements. As such, a separate audited GAAP basis postemployment benefit plan report is not available.

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, 2016, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 5,024
Interest on net OPEB obligation	841
Adjustment to annual required contribution	<u>(1,149)</u>
Net OPEB cost	4,716
Contributions made	<u>-</u>
Increase in net OPEB obligation	4,716
Net OPEB obligation, beginning of year	<u>25,718</u>
Net OPEB obligation, end of year	<u><u>\$ 30,434</u></u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 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
2014	\$ 4,207	0.0%	\$ 21,022
2015	4,696	0.0%	25,718
2016	4,716	0.0%	30,434

Funded Status and Funding Progress. As of October 1, 2015, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$50,901, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,561,930, and the ratio of the UAAL to the covered payroll was 0.9 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, 2015 actuarial valuation using the entry age normal (level percentage of pay) actuarial funding 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 2014. 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, 2015 was 29 years.

Termination Benefits

The City offers to pay 50% of the cost of single coverage group (health only) insurance for up to two years for employees retiring after twenty years of service in a full-time capacity. During the year ended September 30, 2016, no retiring employees made this election, and \$0 was recorded at year end as the total accrued termination benefits in the governmental activities of the government-wide financial statements.

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	Discretionary Sales Tax	Riverfront Redevelopment	Nonmajor Funds	Total
Nonspendable:					
Inventory	\$ 39,723	\$ -	\$ -	\$ -	\$ 39,723
Prepays	87,928	-	-	-	87,928
Long-term advances	100,000	-	-	-	100,000
Permanent fund corpus	-	-	-	996,778	996,778
Total nonspendable	227,651	-	-	996,778	1,224,429
Restricted for:					
Debt service	-	-	-	168,436	168,436
Infrastructure	-	2,709,105	-	363,900	3,073,005
Redevelopment	-	-	458,053	-	458,053
Stormwater	-	-	-	457,465	457,465
Law enforcement	46,262	-	-	36,694	82,956
Total restricted	46,262	2,709,105	458,053	1,026,495	4,239,915
Committed for:					
Recreational system development	-	-	-	904,893	904,893
Development of public parking	-	-	-	72,975	72,975
Total committed	-	-	-	977,868	977,868
Assigned for:					
Law enforcement events	10,840	-	-	-	10,840
Unassigned	5,526,675	-	-	(129,401)	5,397,274
Total fund balances, governmental funds	\$ 5,811,428	\$ 2,709,105	\$ 458,053	\$ 2,871,740	\$ 11,850,326

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

16. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of September 30, 2016, was as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets:			
Capital assets not being depreciated	\$ 8,546,623	\$ 1,100,300	\$ 9,646,923
Capital assets being depreciated, net	31,445,464	11,051,611	42,497,075
	<u>39,992,087</u>	<u>12,151,911</u>	<u>52,143,998</u>
Related debt:			
Total notes payable	4,106,000	162,245	4,268,245
	<u>4,106,000</u>	<u>162,245</u>	<u>4,268,245</u>
Net investment in capital assets	<u>\$ 35,886,087</u>	<u>\$ 11,989,666</u>	<u>\$ 47,875,753</u>

17. COMMITMENTS AND CONTINGENCIES

A. Contracts and Other Commitments

The City has various contracts and commitments outstanding as of September 30, 2016. In the Capital Projects Fund, there are contracts for a Patch Truck, Tulip Drive drainage improvements, CavCor parking lot improvements, reconstruction and paving of Barber Street and construction of Hangar "C" at the Airport.

A summary of these projects at September 30, 2016 is as follows:

	Total Contract Price	Total Paid as of September 30, 2016	Remaining Balance at September 30, 2016
Patch Truck	\$ 156,125	\$ -	\$ 156,125
Tulip Drive	247,328	(30,600)	216,728
CavCor	225,301	-	225,301
Barber Street	478,118	-	478,118
Hangar C	1,658,811	(291,032)	1,367,779
Total	<u>\$ 2,765,683</u>	<u>\$ (321,632)</u>	<u>\$ 2,444,051</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
Single-employer Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending September 30, 2016	Fiscal Year Ending September 30, 2015	Fiscal Year Ending September 30, 2014	Fiscal Year Ending September 30, 2013
Total pension liability				
Service cost	\$ 418,143	\$ 403,611	\$ 396,146	\$ 367,653
Interest on total pension liability	1,027,558	979,259	914,243	853,018
Change in excess state money	-	22,218	24,386	-
Changes of benefit terms	-	(4,316)	-	-
Differences between expected and actual experience	59,175	(240,633)	-	-
Changes of assumptions	626,069	223,200	-	-
Benefit payments, including refunds of employee contributions	(493,765)	(496,363)	(452,892)	(465,435)
Net change in total pension liability	1,637,180	886,976	881,883	755,236
Total pension liability, beginning of year	13,434,105	12,547,129	11,665,246	10,910,010
Total pension liability, end of year	15,071,285	13,434,105	12,547,129	11,665,246
Plan fiduciary net position				
Employer contributions	322,998	320,179	401,103	396,603
State contributions	169,027	145,700	147,868	145,961
Employee contributions	167,309	161,270	160,494	154,683
Pension plan net investment income (loss)	1,067,139	(60,326)	951,910	1,029,818
Benefit payments	(493,765)	(496,363)	(452,892)	(465,435)
Administrative expense	(28,025)	(39,673)	(27,815)	(32,153)
Net change in plan fiduciary net position	1,204,683	30,787	1,180,668	1,229,477
Plan fiduciary net position, beginning of year	11,284,027	11,253,240	10,072,572	8,843,096
Plan fiduciary net position, end of year	12,488,710	11,284,027	11,253,240	10,072,573
Net pension liability	\$ 2,582,575	\$ 2,150,078	\$ 1,293,889	\$ 1,592,673
Plan fiduciary net position as a percentage of total pension liability	82.86%	84.00%	89.69%	86.35%
Covered payroll	\$ 2,263,866	\$ 2,154,612	\$ 2,106,767	\$ 2,131,399
Net pension liability as a percentage of covered payroll	114.08%	99.79%	61.42%	74.72%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
Single-employer Pension Trust Fund

Schedule of the Net Pension Liability

Fiscal Year Ending September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2013	\$ 11,665,246	\$ 10,072,573	\$ 1,592,673	86.35%	\$ 2,131,399	74.72%
2014	12,547,129	11,253,240	1,293,889	89.69%	2,106,767	61.42%
2015	13,434,105	11,284,027	2,150,078	84.00%	2,154,612	99.79%
2016	15,071,285	12,488,710	2,582,575	82.86%	2,263,866	114.08%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Schedule of Investment Returns

Fiscal Year Ending September 30,	Annual Return ⁽¹⁾
2013	11.51%
2014	9.42%
2015	-0.45%
2016	9.39%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
Single-employer Pension Trust Fund

Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	City Contribution	State Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2013	\$ 506,560	\$ 396,603	\$ 145,961	\$ (36,004)	\$ 2,131,399	25.46%
2014	524,585	401,103	147,868	(24,386)	2,106,767	26.06%
2015	596,502	320,179	145,700	130,623	2,154,612	21.62%
2016	667,764	322,998	169,027	175,739	2,263,866	21.73%

Notes to Schedule of Contributions

Valuation date October 1, 2014
Notes Actuarially determined contribution amounts are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method Frozen initial liability cost method
Amortization method Level percentage-of-payroll, closed
Remaining amortization period 28 Years (as of October 1, 2014)
Mortality RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).
Interest rate 7.75% per year compounded annually, net of investment related expenses
Inflation 2.30% per year
Retirement age Earlier of: 1) age 55 and 10 years of credited service, or 2) age 52 and 25 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early retirement Commencing at the assumed Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Disability rates Age based rates with increasing probability of disablement at higher ages. A sample of rates are shown below:

Age	Assumption
30	0.12%
40	0.21%
50	0.54%
60	2.70%

Additionally, it is assumed that 75% of disablements and active Member deaths are service related.

Termination rates	Credited Service	Assumption
	First two years	14.00%
	Years 3-9	5.70%
	Years 10-14	2.80%
	15 years and Greater	0.00%

Salary increases	Credited Service	Assumption
	First year	16.00%
	Years 2-14	7.40%
	15 years and Greater	3.80%

Final salary load The projected salary at retirement is increased 20% to account for lump sum payments.

Payroll growth 3% for amortization of all UAAL bases
Actuarial asset method Market Value, net of investment-related expenses

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
Other Postemployment Benefits Plan

Schedule of Funding Progress
Other Postemployment Benefits Plan

Fiscal Year	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)
2010	9/30/2009	\$ -	\$ 98,100	\$ 98,100	-	\$ 6,424,614	2%
2011	9/30/2010	-	67,500	67,500	-	6,426,614	1%
2012	9/30/2010	-	50,901	50,901	-	5,933,331	1%
2013	9/30/2013	-	50,901	50,901	-	5,693,181	1%
2014	9/30/2014	-	50,901	50,901	-	6,044,900	1%
2015	9/30/2015	-	50,901	50,901	-	6,213,151	1%
2016	9/30/2015	-	50,901	50,901	-	6,561,930	1%

Schedule of Employer Contributions
Other Postemployment Benefits Plan

Fiscal Year Ending September 30,	Annual Required Contributions	Percentage Contributed
9/30/2010	\$ 4,600	0%
9/30/2011	4,700	0%
9/30/2012	3,800	0%
9/30/2013	3,674	0%
9/30/2014	4,207	0%
9/30/2015	5,024	0%
9/30/2016	5,024	0%

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
 Coastal Florida Public Employees Association Pension Plan

Schedule of Employer Contributions
 Coastal Florida Public Employees Association Pension Plan

Fiscal Year Ending September 30,	Annual Required Contributions
9/30/2006	\$ 229,159
9/30/2007	254,909
9/30/2008	241,718
9/30/2009	254,997
9/30/2010	234,219
9/30/2011	223,113
9/30/2012	210,258
9/30/2013	202,612
9/30/2014	204,361
9/30/2015	217,916
9/30/2016	200,889

Notes to Schedule of Employer Contributions - Coastal Florida Public Employees Association Pension Plan

Critical Status. Under federal pension law, a plan generally will be considered to be in "critical" status if either the funded percentage of the plan is less than 65 percent or if certain other tests are met. If a pension plan enters critical status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The Plan's actuary has certified that for the 2014 Plan year, the Plan was in critical status because the Plan has a deficit in the minimum funding standard account. The Board of Trustees adopted a rehabilitation plan on March 8, 2010, that for new pensions: eliminates the 60 month minimum guarantee in the Life/5 pension option; increases the minimum age for Early Pension from age 60 to 62 (with 20 years of service credit); removes the Early Pension subsidy by increasing the reduction factors; discontinues the offering of retroactive pension payments; and required 5 years of service credit to vest for participants reaching normal retirement age before a break in service. A mandatory increase in contributions is not required under the Rehabilitation Plan, but decreases in contribution rates or the exclusion of covered employees are not permitted. A copy of the rehabilitation plan may be obtained by contacting the Coastal Pension Plan office.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF SEBASTIAN, FLORIDA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2016

	Special Revenue Funds				
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
Assets					
Cash and cash equivalents	\$ 310,677	\$ -	\$ 611,803	\$ 362,022	\$ 2,412
Investments	-	72,975	293,090	-	34,282
Due from other governments	54,088	-	-	12,534	-
Total assets	<u>\$ 364,765</u>	<u>\$ 72,975</u>	<u>\$ 904,893</u>	<u>\$ 374,556</u>	<u>\$ 36,694</u>
Liabilities					
Accounts payable and accrued liabilities	865	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	363,900	-	-	374,556	36,694
Committed	-	72,975	904,893	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>363,900</u>	<u>72,975</u>	<u>904,893</u>	<u>374,556</u>	<u>36,694</u>
Total liabilities and fund balances	<u>\$ 364,765</u>	<u>\$ 72,975</u>	<u>\$ 904,893</u>	<u>\$ 374,556</u>	<u>\$ 36,694</u>

Debt Service		Capital Projects Funds				Permanent	Total Nonmajor Governmental Funds
Discretionary Sales Surtax Revenue Note 2013	Stormwater Utility Revenue Bonds 2003	Capital Improvements	Transportation Improvements	General Capital Projects	Stormwater Utility Improvements	Cemetery	
\$ -	\$ 168,436	\$ -	\$ -	\$ 114,130	\$ 82,909	\$ 922,376	\$ 2,574,765
-	-	-	-	-	-	74,402	474,749
-	-	13,333	-	-	-	-	79,955
<u>\$ -</u>	<u>\$ 168,436</u>	<u>\$ 13,333</u>	<u>\$ -</u>	<u>\$ 114,130</u>	<u>\$ 82,909</u>	<u>\$ 996,778</u>	<u>\$ 3,129,469</u>
-	-	77,336	3,066	114,130	-	-	195,397
-	-	18,905	43,427	-	-	-	62,332
-	-	96,241	46,493	114,130	-	-	257,729
-	-	-	-	-	-	996,778	996,778
-	168,436	-	-	-	82,909	-	1,026,495
-	-	-	-	-	-	-	977,868
-	-	(82,908)	(46,493)	-	-	-	(129,401)
-	168,436	(82,908)	(46,493)	-	82,909	996,778	2,871,740
<u>\$ -</u>	<u>\$ 168,436</u>	<u>\$ 13,333</u>	<u>\$ -</u>	<u>\$ 114,130</u>	<u>\$ 82,909</u>	<u>\$ 996,778</u>	<u>\$ 3,129,469</u>

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue Funds				
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
Revenues					
Taxes:					
Motor fuel	\$ 646,132	\$ -	\$ -	\$ -	\$ -
Intergovernmental	10,352	-	-	-	-
Impact fees	-	-	163,800	-	-
Charges for services	-	-	-	991,055	-
Fines	-	-	-	-	1,048
Investment earnings	1,793	358	4,353	3,401	214
Contributions and donations	-	-	-	-	-
Other revenues	-	26,130	-	-	27,530
Total revenues	658,277	26,488	168,153	994,456	28,792
Expenditures					
Current:					
Public safety	-	-	-	-	8,648
Physical environment	-	-	-	50,700	-
Transportation	214,569	62	-	-	-
Debt Service:					
Principal	211,000	-	-	-	-
Interest and fiscal charges	31,748	-	-	-	-
Capital outlay	-	-	14,875	-	15,159
Total expenditures	457,317	62	14,875	50,700	23,807
Revenues over (under) expenditures	200,960	26,426	153,278	943,756	4,985
Other financing sources (uses)					
Transfers in	200,000	-	-	100,000	-
Transfers out	(444,255)	-	(17,524)	(769,499)	-
Total other financing sources (uses)	(244,255)	-	(17,524)	(669,499)	-
Net change in fund balances	(43,295)	26,426	135,754	274,257	4,985
Fund balances, beginning of year	407,195	46,549	769,139	100,299	31,709
Fund balances, end of year	\$ 363,900	\$ 72,975	\$ 904,893	\$ 374,556	\$ 36,694

Debt Service		Capital Projects Funds				Permanent	Total Nonmajor Governmental Funds
Discretionary Sales Surtax Revenue Note 2013	Stormwater Utility Revenue Bonds 2003	Capital Improvements	Transportation Improvements	General Capital Projects	Stormwater Utility Improvements	Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,132
-	-	43,908	-	-	-	-	54,260
-	-	-	-	-	-	-	163,800
-	-	-	-	-	-	73,665	1,064,720
-	-	-	-	-	-	-	1,048
914	918	-	-	-	-	5,039	16,990
-	-	-	-	7,900	-	-	7,900
-	-	-	-	-	-	-	53,660
<u>914</u>	<u>918</u>	<u>43,908</u>	<u>-</u>	<u>7,900</u>	<u>-</u>	<u>78,704</u>	<u>2,008,510</u>
-	-	-	-	-	-	-	8,648
-	-	-	-	14,789	17,091	-	82,580
-	-	-	2,908	-	-	-	217,539
1,369,000	355,000	-	-	-	-	-	1,935,000
15,661	45,498	-	-	-	-	-	92,907
-	-	222,036	641,646	628,828	50,827	-	1,573,371
<u>1,384,661</u>	<u>400,498</u>	<u>222,036</u>	<u>644,554</u>	<u>643,617</u>	<u>67,918</u>	<u>-</u>	<u>3,910,045</u>
<u>(1,383,747)</u>	<u>(399,580)</u>	<u>(178,128)</u>	<u>(644,554)</u>	<u>(635,717)</u>	<u>(67,918)</u>	<u>78,704</u>	<u>(1,901,535)</u>
868,342	401,141	139,230	612,669	635,717	50,827	-	3,007,926
-	-	-	-	-	-	(10,684)	(1,241,962)
<u>868,342</u>	<u>401,141</u>	<u>139,230</u>	<u>612,669</u>	<u>635,717</u>	<u>50,827</u>	<u>(10,684)</u>	<u>1,765,964</u>
(515,405)	1,561	(38,898)	(31,885)	-	(17,091)	68,020	(135,571)
<u>515,405</u>	<u>166,875</u>	<u>(44,010)</u>	<u>(14,608)</u>	<u>-</u>	<u>100,000</u>	<u>928,758</u>	<u>3,007,311</u>
<u>\$ -</u>	<u>\$ 168,436</u>	<u>\$ (82,908)</u>	<u>\$ (46,493)</u>	<u>\$ -</u>	<u>\$ 82,909</u>	<u>\$ 996,778</u>	<u>\$ 2,871,740</u>

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Local Option Gas Tax For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Motor fuel	\$ 590,000	\$ 590,000	\$ 646,132	\$ 56,132
Intergovernmental	10,352	10,352	10,352	-
Investment earnings	84	84	1,793	1,709
Total revenues	600,436	600,436	658,277	57,841
Expenditures				
Current:				
Transportation	320,103	352,517	214,569	(137,948)
Debt service:				
Principal	211,000	211,000	211,000	-
Interest and fiscal charges	31,748	31,748	31,748	-
Total expenditures	562,851	595,265	457,317	(137,948)
Revenues over (under) expenditures	37,585	5,171	200,960	195,789
Other financing sources (uses)				
Transfers in	200,000	200,000	200,000	-
Transfers out	(200,000)	(450,178)	(444,255)	5,923
Total other financing sources (uses)	-	(250,178)	(244,255)	5,923
Net changes in fund balance	37,585	(245,007)	(43,295)	201,712
Fund balance, beginning of year	407,195	407,195	407,195	-
Fund balance, end of year	\$ 444,780	\$ 162,188	\$ 363,900	\$ 201,712

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Parking In-Lieu-Of Special Revenue Fund For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment earnings	\$ 100	\$ 100	\$ 358	\$ 258
Other revenues	19,730	19,730	26,130	6,400
Total revenues	19,830	19,830	26,488	6,658
Expenditures				
Current:				
Transportation	-	-	62	62
Capital outlay	(25,000)	41,129	-	(41,129)
Total expenditures	(25,000)	41,129	62	(41,067)
Net change in fund balance	44,830	(21,299)	26,426	47,725
Fund balance, beginning of year	46,549	46,549	46,549	-
Fund balance, end of year	\$ 91,379	\$ 25,250	\$ 72,975	\$ 47,725

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Recreation Impact Fee Special Revenue Fund For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Impact fees	\$ 100,000	\$ 100,000	\$ 163,800	\$ 63,800
Investment earnings	1,830	1,830	4,353	2,523
Total revenues	101,830	101,830	168,153	66,323
Expenditures				
Capital outlay	-	-	14,875	14,875
Revenue over (under) expenditures	101,830	101,830	153,278	51,448
Other financing sources (uses)				
Transfers out	(210,000)	(117,744)	(17,524)	100,220
Net change in fund balances	(108,170)	(15,914)	135,754	151,668
Fund balance, beginning of year	769,139	769,139	769,139	-
Fund balance, end of year	\$ 660,969	\$ 753,225	\$ 904,893	\$ 151,668

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Stormwater Utility Special Revenue Fund For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 985,500	\$ 985,500	\$ 991,055	\$ 5,555
Investment earnings	1,851	1,851	3,401	1,550
Total revenues	987,351	987,351	994,456	7,105
Expenditures				
Current:				
Physical environment	290,000	127,100	50,700	(76,400)
Revenues over (under) expenditures	697,351	860,251	943,756	83,505
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(649,000)	(859,526)	(769,499)	90,027
Other financing sources (users)	(549,000)	(759,526)	(669,499)	90,027
Net change in fund balance	148,351	100,725	274,257	173,532
Fund balance, beginning of year	100,299	100,299	100,299	-
Fund balance, end of year	\$ 248,650	\$ 201,024	\$ 374,556	\$ 173,532

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Law Enforcement Forfeiture Special Revenue Fund For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines	\$ 1,000	\$ 1,000	\$ 1,048	\$ 48
Investment earnings	110	110	214	104
Other revenues	-	-	27,530	27,530
Total revenues	1,110	1,110	28,792	27,682
Expenditures				
Current:				
Public safety	-	-	8,648	8,648
Capital outlay	-	-	15,159	15,159
Total expenditures	-	-	23,807	23,807
Net change in fund balance	1,110	1,110	4,985	3,875
Fund balance, beginning of year	31,709	31,709	31,709	-
Fund balance, end of year	\$ 32,819	\$ 32,819	\$ 36,694	\$ 3,875

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Discretionary Sales Surtax Revenue Note 2013 Debt Service Fund For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment earnings	\$ 2,144	\$ 2,144	\$ 914	\$ (1,230)
Expenditures				
Debt service:				
Principal	1,016,000	1,016,000	1,369,000	353,000
Interest and fiscal charges	12,625	12,625	15,661	3,036
Total expenditures	1,028,625	1,028,625	1,384,661	356,036
Revenues over (under) expenditures	(1,026,481)	(1,026,481)	(1,383,747)	(357,266)
Other financing sources				
Transfers in	867,112	867,112	868,342	1,230
Net change in fund balance	(159,369)	(159,369)	(515,405)	(356,036)
Fund balance, beginning of year	515,405	515,405	515,405	-
Fund balance, end of year	\$ 356,036	\$ 356,036	\$ -	\$ (356,036)

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Stormwater Utility Revenue Bond Debt Service Fund For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment earnings	\$ 133	\$ 133	\$ 918	\$ 785
Expenditures				
Debt service:				
Principal	355,000	355,000	355,000	-
Interest and fiscal charges	45,500	45,500	45,498	(2)
Total expenditures	400,500	400,500	400,498	(2)
Revenues over (under) expenditures	(400,367)	(400,367)	(399,580)	787
Other financing sources				
Transfers in	401,141	401,141	401,141	-
Net change in fund balance	774	774	1,561	787
Fund balance, beginning of year	166,875	166,875	166,875	-
Fund balance, end of year	<u>\$ 167,649</u>	<u>\$ 167,649</u>	<u>\$ 168,436</u>	<u>\$ 787</u>

AGENCY FUND

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended September 30, 2016

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<i>Performance Deposits</i>				
Assets				
Cash and cash equivalents	\$ 32,841	\$ 113,909	\$ (113,909)	\$ 32,841
Investments, at fair value	73,750	113,409	(113,409)	73,750
Total assets	<u>\$ 106,591</u>	<u>\$ 227,318</u>	<u>\$ (227,318)</u>	<u>\$ 106,591</u>
Liabilities				
Performance deposits held in escrow	\$ 106,591	\$ 500	\$ (500)	\$ 106,591

CAPITAL ASSETS

CITY OF SEBASTIAN, FLORIDA

Comparative Schedule by Source

Capital Assets Used in the Operation of Governmental Funds
September 30, 2016

	2016	2015
Governmental funds capital assets		
Land	\$ 8,319,588	\$ 8,319,588
Buildings and structures	13,110,829	12,609,808
Non-building improvements	6,869,838	6,833,246
Machinery and equipment	8,668,356	8,691,504
Infrastructure	39,938,233	39,186,897
Construction in progress	227,035	472,375
	<u>\$ 77,133,879</u>	<u>\$ 76,113,418</u>
Total governmental funds capital assets		
Investment in governmental funds capital assets (by sources)		
Federal grants	\$ 4,550,000	\$ 5,605,250
State grants	2,750,000	2,575,775
County grants	725,000	720,500
General Fund	11,100,000	11,125,600
Law enforcement trust fund	87,000	67,980
Recreational impact fee	2,200,000	2,114,695
Stormwater utility fee	6,600,000	6,602,058
Riverfront redevelopment	2,200,000	2,110,000
Cemetery trust fund	485,000	525,710
Donations	2,600,000	2,695,000
Sales taxes	22,100,000	20,120,225
Motor fuel taxes	7,375,000	7,350,000
Revenue bond debt	13,850,000	13,995,750
Parking in Lieu of Fee	36,879	32,500
Capital projects	475,000	472,375
	<u>\$ 77,133,879</u>	<u>\$ 76,113,418</u>
Total investment in governmental funds capital assets		

CITY OF SEBASTIAN, FLORIDA

Schedule by Function and Activity

Capital Assets Used in the Operation of Governmental Funds
September 30, 2016

Functions / Programs	Land	Buildings	Non-Building Improvements	Machinery and Equipment	Infrastructure	Total
General government:						
Legislative	\$ -	\$ -	\$ -	\$ 784	\$ -	\$ 784
City manager	-	-	-	24,443	-	24,443
City clerk	-	-	-	235,585	-	235,585
Administrative services	-	-	1,100	47,904	-	49,004
MIS	-	5,841	56,151	588,226	-	650,218
Audio visual/broadcast	-	-	-	35,819	-	35,819
Facilities maintenance	-	682,668	21,187	168,279	-	872,134
Community development	-	85,555	-	60,827	-	146,382
Non-departmental	3,646,929	6,184,989	126,636	204,375	52,699	10,215,628
Total general government	3,646,929	6,959,053	205,074	1,366,242	52,699	12,229,997
Public safety:						
Special operations	-	-	-	43,532	-	43,532
Administration	9,560	3,347,152	89,320	416,561	-	3,862,593
School resource	-	-	-	42,661	-	42,661
Road patrol	-	-	-	2,746,833	-	2,746,833
Community policing	-	-	-	13,863	-	13,863
Code enforcement	-	-	-	54,856	-	54,856
Investigations	-	-	1,701	264,179	-	265,880
Support services	-	-	-	50,516	-	50,516
Communications	-	-	16,404	208,969	-	225,373
Building department	-	-	-	20,107	-	20,107
Total public safety	9,560	3,347,152	107,425	3,862,077	-	7,326,214
Transportation:						
Engineering	-	-	-	6,478	-	6,478
Central garage	-	130,489	115,232	198,616	674	445,011
Roads and drainage	47,125	166,907	1,087,622	921,513	18,341,122	20,564,289
Total transportation	47,125	297,396	1,202,854	1,126,607	18,341,796	21,015,778
Economic environment:						
Non-departmental	2,308,392	1,040,589	6,562	-	-	3,355,543
Physical environment:						
Stormwater	-	-	3,870	1,653,308	19,719,620	21,376,798
Cemetery	572,181	82,019	78,354	67,553	22,717	822,824
Total physical environment	572,181	82,019	82,224	1,720,861	19,742,337	22,199,622
Culture/recreation:						
Parks and recreation	1,735,401	1,384,619	5,265,699	592,570	1,801,401	10,779,690
Total	\$ 8,319,588	\$ 13,110,828	\$ 6,869,838	\$ 8,668,357	\$ 39,938,233	76,906,844
Construction in progress						227,035
Total						\$ 77,133,879

CITY OF SEBASTIAN, FLORIDA

Schedule of Changes by Function and Activity
 Capital Assets Used in the Operation of Governmental Funds
 September 30, 2016

Functions / Programs	Capital Assets October 1, 2015	Additions	Disposals	Transfers In	Transfers Out	Capital Assets September 30, 2016
General government:						
Legislative	\$ 784	\$ -	\$ -	\$ -	\$ -	\$ 784
City manager	24,443	-	-	-	-	24,443
City clerk	236,886	-	1,301	-	-	235,585
Administrative services	50,361	-	1,357	-	-	49,004
MIS	791,963	12,754	165,619	11,120	-	650,218
Audio visual/broadcast	-	35,819	-	-	-	35,819
Facilities maintenance	374,004	486,952	16,178	27,356	-	872,134
Community development	136,291	-	11,657	21,748	-	146,382
Non-departmental	10,215,628	-	-	-	-	10,215,628
Total general government	11,830,360	535,525	196,112	60,224	-	12,229,997
Public safety:						
Special operations	69,843	-	26,311	-	-	43,532
Administration	3,773,877	89,855	1,139	-	-	3,862,593
School resource	44,077	-	1,416	-	-	42,661
Road patrol	2,667,234	172,954	84,552	-	8,803	2,746,833
Community policing	13,863	-	-	-	-	13,863
Code enforcement	82,183	-	-	-	27,327	54,856
Investigations	238,884	48,677	21,681	-	-	265,880
Support services	50,516	-	-	-	-	50,516
Communications	227,690	-	-	-	2,317	225,373
Building department	38,430	-	18,323	-	-	20,107
Total public safety	7,206,597	311,486	153,422	-	38,447	7,326,214
Transportation:						
Engineering	-	6,478	-	-	-	6,478
Central garage	422,823	35,512	-	-	13,324	445,011
Roads and drainage	19,823,948	772,928	59,914	27,327	-	20,564,289
Total transportation	20,246,771	814,918	59,914	27,327	13,324	21,015,778
Economic environment:						
Non-departmental	3,355,543	-	-	-	-	3,355,543
Physical environment:						
Stormwater	21,403,715	222,801	263,043	13,325	-	21,376,798
Cemetery	819,524	3,300	-	-	-	822,824
Total physical environment	22,223,239	226,101	263,043	13,325	-	22,199,622
Culture/recreation:						
Parks and recreation	10,778,533	137,671	87,409	-	49,105	10,779,690
Total	75,641,043	2,025,701	759,900	100,876	100,876	76,906,844
Construction in progress	472,375	554,434	799,774	-	-	227,035
Total	\$ 76,113,418	\$ 2,580,135	\$ 1,559,674	\$ 100,876	\$ 100,876	\$ 77,133,879

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

February 10, 2017

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

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

Rehmann Loborn LLC

**INDEPENDENT AUDITORS'
MANAGEMENT LETTER**

February 10, 2017

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

Report on the Financial Statements

We have audited the financial statements of the City of Sebastian, Florida as of and for the fiscal year ended September 30, 2016 and have issued our report thereon dated February 10, 2017.

Auditor's Responsibility

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 Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 10, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this 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.

Financial Condition

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City of Sebastian, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specified condition(s) met. In connection with our audit, we determined that the City of Sebastian, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Sebastian, Florida'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 same.

Annual Financial Report

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the City of Sebastian, Florida for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

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.

Special District Component Units

Section 10.554(1)(i)5.d. *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

Rehmann Lobson LLC

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INDEPENDENT ACCOUNTANTS' REPORT

February 10, 2017

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

We have examined the compliance of the City of Sebastian, Florida (the "City") with Sections 218.415, 28.35 and 28.36, Florida Statutes, during the year ended September 30, 2016. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Our management letter is intended solely for the information and use of management, the City Council and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



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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.	114
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.	126
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.	132
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.	138
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.	142

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 Position by Component Last Ten Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 35,886,087	\$ 35,220,857	\$ 35,210,526	\$ 32,038,749	\$ 31,500,173
Restricted	5,209,372	4,997,724	5,115,627	5,839,440	6,192,777
Unrestricted	3,615,777	3,467,014	3,330,400	4,577,440	3,607,228
Total governmental activities net position	\$ 44,711,236	\$ 43,685,595	\$ 43,656,553	\$ 42,455,629	\$ 41,300,178
Business-type activities					
Net investment in capital assets	\$ 11,989,666	\$ 10,517,895	\$ 10,439,804	\$ 10,846,501	\$ 11,181,823
Restricted	-	-	-	-	-
Unrestricted	(717,053)	67,779	(103,116)	(306,497)	(490,298)
Total business-type activities net position	\$ 11,272,613	\$ 10,585,674	\$ 10,336,688	\$ 10,540,004	\$ 10,691,525
Primary Government					
Net investment in capital assets	\$ 47,875,753	\$ 45,738,752	\$ 45,650,330	\$ 42,885,250	\$ 42,681,996
Restricted	5,209,372	4,997,724	5,115,627	5,839,440	6,192,777
Unrestricted	2,898,724	3,534,793	3,227,284	4,270,943	3,116,930
Total primary government net position	\$ 55,983,849	\$ 54,271,269	\$ 53,993,241	\$ 52,995,633	\$ 51,991,703

Table 1 - Unaudited

Fiscal Year				
2011	2010	2009	2008	2007
\$ 31,541,953	\$ 28,938,587	\$ 26,744,896	\$ 24,133,550	\$ 21,469,456
5,668,155	8,757,043	8,197,018	9,215,801	9,419,129
4,052,751	3,889,011	4,502,440	5,035,184	5,249,998
<u>\$ 41,262,859</u>	<u>\$ 41,584,641</u>	<u>\$ 39,444,354</u>	<u>\$ 38,384,535</u>	<u>\$ 36,138,583</u>
\$ 11,850,561	\$ 11,389,704	\$ 10,725,676	\$ 9,111,251	\$ 8,895,501
-	-	98,320	570,149	570,890
(644,620)	(342,340)	86,517	753,076	1,303,886
<u>\$ 11,205,941</u>	<u>\$ 11,047,364</u>	<u>\$ 10,910,513</u>	<u>\$ 10,434,476</u>	<u>\$ 10,770,277</u>
\$ 43,392,514	\$ 40,328,291	\$ 37,470,572	\$ 33,244,801	\$ 30,364,957
5,668,155	8,757,043	8,295,338	9,785,950	9,990,019
3,408,131	3,546,671	4,588,957	5,788,260	6,553,884
<u>\$ 52,468,800</u>	<u>\$ 52,632,005</u>	<u>\$ 50,354,867</u>	<u>\$ 48,819,011</u>	<u>\$ 46,908,860</u>

CITY OF SEBASTIAN, FLORIDA

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Expenses					
Governmental activities:					
General government	\$ 3,285,607	\$ 3,015,536	\$ 2,923,398	\$ 2,784,485	\$ 2,640,677
Public safety	5,476,136	5,164,197	4,908,374	4,928,203	5,025,274
Physical environment	2,538,752	2,759,461	2,310,539	2,039,380	2,007,902
Transportation	1,861,946	2,024,814	1,828,569	1,845,429	1,800,432
Economic environment	364,675	194,630	247,891	155,214	170,960
Culture and recreation	1,191,488	1,293,246	1,229,369	1,232,345	1,239,512
Interest on debt	82,943	100,468	235,071	368,432	562,496
Total governmental activities expenses	<u>14,801,547</u>	<u>14,552,352</u>	<u>13,683,211</u>	<u>13,353,488</u>	<u>13,447,253</u>
Business-type activities:					
Golf Course	1,584,214	1,409,829	1,406,770	1,377,039	1,394,731
Airport	1,197,549	1,038,361	1,031,464	1,146,905	1,166,588
Building	546,649	531,087	465,717	417,887	397,295
Total business-type activities expenses	<u>3,328,412</u>	<u>2,979,277</u>	<u>2,903,951</u>	<u>2,941,831</u>	<u>2,958,614</u>
Total primary government expenses	<u>\$ 18,129,959</u>	<u>\$ 17,531,629</u>	<u>\$ 16,587,162</u>	<u>\$ 16,295,319</u>	<u>\$ 16,405,867</u>
Program Revenue					
Governmental activities:					
Charges for services:					
General government	\$ 374,581	\$ 372,255	\$ 407,068	\$ 314,158	\$ 214,488
Public safety	98,446	80,763	76,132	67,297	66,474
Physical environment	1,049,735	1,087,642	1,073,015	1,101,864	876,693
Culture and recreation	53,959	67,940	67,371	70,982	66,954
Operating grants and contributions	323,101	345,937	186,295	332,627	187,333
Capital grants and contributions	809,932	994,546	739,785	770,123	791,265
Total governmental activities program revenue	<u>2,709,754</u>	<u>2,949,083</u>	<u>2,549,666</u>	<u>2,657,051</u>	<u>2,203,207</u>
Business-type activities:					
Charges for services:					
Golf Course	1,135,357	1,333,189	1,277,660	1,302,441	1,394,844
Airport	516,403	457,318	470,703	481,759	491,367
Building	810,069	712,620	700,751	706,964	419,705
Capital grants and contributions	841,668	702,154	235,215	230,868	150,083
Total business-type activities program revenue	<u>3,303,497</u>	<u>3,205,281</u>	<u>2,684,329</u>	<u>2,722,032</u>	<u>2,455,999</u>
Total primary government program revenue	<u>6,013,251</u>	<u>6,154,364</u>	<u>5,233,995</u>	<u>5,379,083</u>	<u>4,659,206</u>
Net (expense) revenue					
Governmental activities	(12,091,793)	(11,603,269)	(11,133,545)	(10,696,437)	(11,244,046)
Business-type activities	(24,915)	226,004	(219,622)	(219,799)	(502,615)
Total primary government net (expense) revenue	<u>\$ (12,116,708)</u>	<u>\$ (11,377,265)</u>	<u>\$ (11,353,167)</u>	<u>\$ (10,916,236)</u>	<u>\$ (11,746,661)</u>

Table 2 - Unaudited

Fiscal Year				
2011	2010	2009	2008	2007
\$ 2,766,575	\$ 3,309,381	\$ 3,169,851	\$ 3,375,178	\$ 3,083,609
5,546,632	5,720,933	5,420,585	5,226,512	5,377,107
1,558,974	1,947,605	1,347,771	1,805,755	1,695,066
2,263,367	1,863,551	3,437,724	2,111,360	2,276,497
208,518	135,885	167,470	113,101	605,510
1,227,198	1,240,383	1,073,249	1,420,734	1,237,398
546,103	566,410	730,100	634,891	667,950
<u>14,117,367</u>	<u>14,784,148</u>	<u>15,346,750</u>	<u>14,687,531</u>	<u>14,943,137</u>
1,355,266	1,388,158	1,477,299	1,488,472	1,533,900
1,188,788	1,067,525	1,079,869	1,099,653	1,046,994
470,406	496,800	533,641	605,422	905,452
<u>3,014,460</u>	<u>2,952,483</u>	<u>3,090,809</u>	<u>3,193,547</u>	<u>3,486,346</u>
<u>\$ 17,131,827</u>	<u>\$ 17,736,631</u>	<u>\$ 18,437,559</u>	<u>\$ 17,881,078</u>	<u>\$ 18,429,483</u>
\$ 197,945	\$ 203,915	\$ 220,073	\$ 353,836	\$ 422,897
92,350	118,368	95,606	85,009	92,853
868,059	881,338	908,829	903,285	891,021
61,353	62,046	66,540	83,378	85,945
196,534	210,050	228,002	786,016	192,676
838,242	3,178,618	1,865,174	835,607	1,014,481
<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>	<u>3,047,131</u>	<u>2,699,873</u>
1,382,421	1,335,647	1,406,956	1,438,233	1,652,288
485,229	468,698	438,485	523,989	344,813
401,021	356,264	358,947	347,189	408,875
900,340	904,853	1,356,914	494,098	500,428
<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>	<u>2,803,509</u>	<u>2,906,404</u>
5,423,494	7,719,797	6,945,526	5,850,640	5,606,277
(11,862,884)	(10,129,813)	(11,962,526)	(11,640,400)	(12,243,264)
154,551	112,979	470,493	(390,038)	(579,942)
<u>\$ (11,708,333)</u>	<u>\$ (10,016,834)</u>	<u>\$ (11,492,033)</u>	<u>\$ (12,030,438)</u>	<u>\$ (12,823,206)</u>

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CITY OF SEBASTIAN, FLORIDA

Changes in Net Position Last Ten Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
General revenue and other changes in net position					
Governmental Activities:					
Property taxes, levied for general purposes	\$ 3,942,048	\$ 3,594,210	\$ 3,248,113	\$ 3,221,304	\$ 3,063,495
Sales and use taxes	5,762,921	5,555,270	5,320,051	5,123,046	4,852,413
Franchise fees	1,257,430	1,241,515	1,190,233	1,118,886	1,124,568
State shared revenues not restricted to specific programs	2,466,546	2,365,137	2,208,700	2,063,450	1,934,733
Investment earnings	77,317	65,256	43,293	74,650	82,129
Miscellaneous	316,239	240,179	338,901	315,296	201,538
Transfers	(705,067)	2,988	(14,822)	(37,734)	22,489
Total governmental activities	13,117,434	13,064,555	12,334,469	11,878,898	11,281,365
Business-type activities:					
Investment earnings	6,787	5,368	1,484	4,391	6,563
Miscellaneous	-	20,602	-	274	4,125
Transfers	705,067	(2,988)	14,822	37,734	(22,489)
Total business-type activities	711,854	22,982	16,306	42,399	(11,801)
Total primary government general revenue	13,829,288	13,087,537	12,350,775	11,921,297	11,269,564
Change in net position					
Governmental activities	1,025,641	1,461,286	1,200,924	1,182,461	37,319
Business-type activities	686,939	248,986	(203,316)	(177,400)	(514,416)
Total primary government change in net position	\$ 1,712,580	\$ 1,710,272	\$ 997,608	\$ 1,005,061	\$ (477,097)

Fiscal Year				
2011	2010	2009	2008	2007
\$ 3,453,778	\$ 4,164,128	\$ 4,801,924	\$ 5,149,047	\$ 5,089,841
4,751,021	4,765,200	4,670,106	4,753,718	4,776,691
1,184,686	1,228,692	1,327,253	1,199,762	1,106,698
1,868,555	1,825,215	1,821,347	1,989,606	2,083,523
111,943	144,432	261,203	634,919	1,147,931
171,119	149,453	140,512	159,300	192,300
-	(7,020)	-	-	42,720
<u>11,541,102</u>	<u>12,270,100</u>	<u>13,022,345</u>	<u>13,886,352</u>	<u>14,439,704</u>
4,026	15,658	5,544	54,237	137,207
-	1,194	-	-	-
-	7,020	-	-	(42,720)
<u>4,026</u>	<u>23,872</u>	<u>5,544</u>	<u>54,237</u>	<u>94,487</u>
<u>11,545,128</u>	<u>12,293,972</u>	<u>13,027,889</u>	<u>13,940,589</u>	<u>14,534,191</u>
(321,782)	2,140,287	1,059,819	2,245,952	2,196,440
<u>158,577</u>	<u>136,851</u>	<u>476,037</u>	<u>(335,801)</u>	<u>(485,455)</u>
<u>\$ (163,205)</u>	<u>\$ 2,277,138</u>	<u>\$ 1,535,856</u>	<u>\$ 1,910,151</u>	<u>\$ 1,710,985</u>

concluded

CITY OF SEBASTIAN, FLORIDA

Fund Balances, Governmental Funds Last Ten Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental funds					
General Fund:					
Nonspendable	\$ 227,651	\$ 316,036	\$ 369,329	\$ 368,564	\$ 370,450
Restricted	46,262	38,544	7,969	28,632	-
Committed	-	-	-	-	2,861,708
Assigned	10,840	8,692	7,129	7,020	35,707
Unassigned	5,526,675	5,289,322	5,348,905	5,065,242	1,734,307
Total General Fund	5,811,428	5,652,594	5,733,332	5,469,458	5,002,172
All other governmental funds:					
Nonspendable	996,778	928,758	1,390,073	1,323,838	1,289,693
Restricted	4,193,653	4,181,787	3,756,950	4,647,950	4,371,826
Committed	977,868	815,688	625,007	589,364	719,686
Assigned	-	-	-	-	-
Unassigned	(129,401)	(58,618)	(64,875)	-	-
Total all other governmental funds	6,038,898	5,867,615	5,707,155	6,561,152	6,381,205
Total governmental funds	\$ 11,850,326	\$ 11,520,209	\$ 11,440,487	\$ 12,030,610	\$ 11,383,377

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 operations.

Table 3 - Unaudited

Fiscal Year				
2011	2010	2009	2008	2007
\$ 346,995	\$ 352,248	\$ 357,696	\$ 381,528	\$ 368,609
-	-	-	-	-
2,949,139	3,063,585	3,083,463	3,502,560	3,742,617
21,911	31,656	1,983	33,453	19,055
<u>1,784,413</u> ²	<u>2,164,910</u>	<u>2,324,972</u>	<u>2,390,641</u>	<u>2,260,507</u>
<u>5,102,458</u>	<u>5,612,399</u>	<u>5,768,114</u>	<u>6,308,182</u>	<u>6,390,788</u>
1,494,779	859,463	830,029	771,927	694,506
4,748,376	7,897,580	8,557,389 ¹	12,446,260	12,926,545
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>6,243,155</u>	<u>8,757,043</u>	<u>9,387,418</u>	<u>13,218,187</u>	<u>13,621,051</u>
<u>\$ 11,345,613</u>	<u>\$ 14,369,442</u>	<u>\$ 15,155,532</u>	<u>\$ 19,526,369</u>	<u>\$ 20,011,839</u>

CITY OF SEBASTIAN, FLORIDA

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Revenues					
Taxes	\$ 10,326,654	\$ 9,782,109	\$ 9,123,879	\$ 8,894,880	\$ 8,465,990
Franchise fees	1,257,430	1,241,515	1,190,233	1,118,886	1,124,568
Licenses, fees and permits	136,614	147,219	138,564	45,500	22,431
Intergovernmental	2,709,066	2,742,950	2,373,695	2,411,395	2,088,038
Impact fees	163,800	281,450	168,350	169,000	58,500
Charges for services	1,391,495	1,397,395	1,431,101	1,462,522	1,158,075
Fines	73,059	63,035	54,140	60,190	57,575
Investment earnings	77,317	65,256	43,293	78,411	86,516
Contributions and donations	80,581	48,124	36,801	22,406	216,091
Other revenues	316,239	241,597	338,901	315,296	201,888
Total revenues	16,532,255	16,010,650	14,898,957	14,578,486	13,479,672
Expenditures					
Current:					
General government	3,053,554	2,717,049	2,575,605	2,447,893	2,410,345
Public safety	4,968,258	4,666,343	4,623,060	4,425,000	4,523,802
Physical environment	1,316,697	1,498,706	1,110,788	1,075,162	1,042,349
Transportation	1,168,919	1,187,871	1,165,004	1,158,945	1,208,411
Economic environment	331,589	161,545	144,612	122,730	138,531
Culture and recreation	849,789	893,394	888,795	847,781	876,502
Debt service:					
Principal	1,935,000	1,567,000	2,306,000	1,307,000	3,321,000
Interest	92,907	108,678	413,995	393,447	472,399
Capital outlay	1,780,358	3,133,330	2,246,399	2,115,561	1,767,058
Total expenditures	15,497,071	15,933,916	15,474,258	13,893,519	15,760,397
Revenues over (under) expenditures	1,035,184	76,734	(575,301)	684,967	(2,280,725)
Other Financing Sources (Uses)					
Issuance of long-term debt	-	-	-	-	2,296,000
Transfers in	3,694,279	4,989,726	3,903,204	3,598,949	3,694,765
Transfers out	(4,399,346)	(4,986,738)	(3,918,026)	(3,636,683)	(3,672,276)
Total other financing sources (uses)	(705,067)	2,988	(14,822)	(37,734)	2,318,489
Net change in fund balances	\$ 330,117	\$ 79,722	\$ (590,123)	\$ 647,233	\$ 37,764
Debt service as a percentage of noncapital expenditures ⁽¹⁾	14.8%	13.1%	20.6%	14.4%	27.1%

⁽¹⁾ To calculate the ratio, divide the total debt service expenditures (principal plus interest) by total noncapital expenditures (the difference between the total expenditures and capitalized capital outlay expenditure).

Table 4 - Unaudited

		Fiscal Year							
		2011	2010	2009	2008	2007			
\$	8,762,729	\$	9,525,074	\$	10,065,806	\$	10,504,155	\$	10,554,617
	1,184,686		1,228,692		1,327,253		1,199,762		1,106,698
	1,121,967		1,154,739		1,186,161		1,209,617		1,271,102
	23,646		33,182		29,151		163,471		186,875
	81,534		90,948		88,938		65,246		71,314
	2,249,447		4,572,550		3,270,854		2,674,761		2,463,628
	42,250		26,000		13,975		32,825		56,875
	-		-		3,849		-		-
	103,795		228,216		250,914		647,312		1,062,043
	224,823		169,039		176,430		461,553		244,629
	<u>13,794,877</u>		<u>17,028,440</u>		<u>16,413,331</u>		<u>16,958,702</u>		<u>17,017,781</u>
	2,539,211		2,699,289		2,976,896		3,087,789		2,999,652
	5,030,708		4,938,147		4,926,714		4,677,618		4,700,447
	1,166,309		1,210,823		1,448,067		1,368,593		1,301,719
	1,217,521		1,405,310		1,696,254		1,545,045		1,733,697
	188,918		129,352		167,470		113,101		80,279
	903,836		977,780		1,148,408		1,079,379		975,087
	1,203,000		2,142,190		1,218,995		1,326,182		1,284,418
	521,152		577,593		706,093		611,554		643,305
	4,048,051		6,189,026		6,495,271		3,634,910		5,242,590
	<u>16,818,706</u>		<u>20,269,510</u>		<u>20,784,168</u>		<u>17,444,171</u>		<u>18,961,194</u>
	<u>(3,023,829)</u>		<u>(3,241,070)</u>		<u>(4,370,837)</u>		<u>(485,469)</u>		<u>(1,943,413)</u>
	-		2,462,000		-		-		-
	5,376,658		4,486,626		5,196,376		5,679,896		5,158,296
	<u>(5,376,658)</u>		<u>(4,493,646)</u>		<u>(5,196,376)</u>		<u>(5,679,896)</u>		<u>(5,115,576)</u>
	-		2,454,980		-		-		42,720
\$	<u>(3,023,829)</u>	\$	<u>(786,090)</u>	\$	<u>(4,370,837)</u>	\$	<u>(485,469)</u>	\$	<u>(1,900,693)</u>
	13.5%		19.3%		13.5%		14.0%		14.1%

CITY OF SEBASTIAN, FLORIDA

Program Revenues by Function/Program Last Ten Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Program Revenues					
Governmental activities:					
General government	\$ 479,395	\$ 534,524	\$ 413,727	\$ 471,299	\$ 230,550
Public safety	306,381	254,381	246,010	233,309	228,392
Physical environment	1,049,735	1,087,642	1,073,015	1,101,864	876,693
Transportation	656,484	643,146	565,692	560,713	560,055
Economic environment	-	-	15,501	-	13,998
Culture and recreation	217,759	429,390	235,721	289,866	293,519
Total governmental activities	2,709,754	2,949,083	2,549,666	2,657,051	2,203,207
Business-type activities:					
Charges for services:					
Golf Course	1,135,357	1,333,189	1,277,660	1,302,441	1,394,892
Airport	1,358,071	1,159,472	705,918	712,627	641,455
Building ¹	810,069	712,620	700,751	706,964	426,215
Total business-type activities	3,303,497	3,205,281	2,684,329	2,722,032	2,462,562
Total primary government	\$ 6,013,251	\$ 6,154,364	\$ 5,233,995	\$ 5,379,083	\$ 4,665,769

¹ 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 5 - Unaudited

Fiscal Year				
2011	2010	2009	2008	2007
\$ 243,039	\$ 209,144	\$ 226,003	\$ 377,305	\$ 450,267
234,437	304,630	299,119	515,997	249,756
930,018	881,338	1,408,829	1,256,277	891,021
743,383	614,305	612,335	619,949	721,103
-	2,556,872	6,000	-	-
103,606	88,046	831,938	277,603	387,726
<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>	<u>3,047,131</u>	<u>2,699,873</u>
1,382,421	1,335,647	1,406,955	1,438,233	1,652,288
1,385,569	1,373,551	1,795,399	1,018,087	845,241
401,021	356,264	358,948	347,189	408,875
<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>	<u>2,803,509</u>	<u>2,906,404</u>
<u>\$ 5,423,494</u>	<u>\$ 7,719,797</u>	<u>\$ 6,945,526</u>	<u>\$ 5,850,640</u>	<u>\$ 5,606,277</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
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
2012	2013	3,221,304	2,534,434	2,587,903	551,239	8,894,880	3.7166
2013	2014	3,248,113	2,581,427	2,738,405	555,934	9,123,879	3.7166
2014	2015	3,594,210	2,638,711	2,916,092	633,096	9,782,109	3.8556
2015	2016	3,942,048	2,686,322	3,052,152	646,132	10,326,654	3.8556

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	
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
2012	2013	3.7166	0.0000	3.7166	6.2572	7.9230	0.3900	8.3130	1.35460
2013	2014	3.7166	0.0000	3.7166	5.6207	8.1160	-	8.1160	1.71280
2014	2015	3.8556	0.0000	3.8556	5.6868	7.9950	-	7.9950	1.71260
2015	2016	3.8556	0.0000	3.8556	5.6868	7.9550	-	7.9550	1.69930

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 and Estimated 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
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
2012	2013	1,210,328,690	1,512,910,863	47,410,545	47,410,545
2013	2014	1,267,035,970	1,583,794,963	53,045,209	53,045,209
2014	2015	1,363,105,220	1,703,881,525	55,646,868	55,646,868
2015	2016	1,447,311,640	1,809,139,550	59,305,756	59,305,756

Source: Indian River County Property Appraiser

Ratio of Taxable to Actual Value

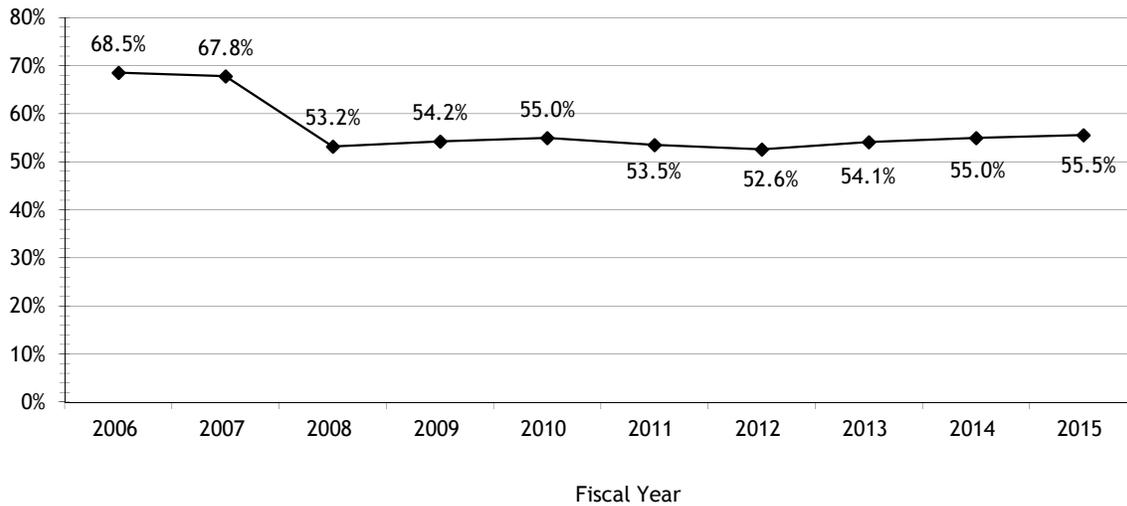


Table 8 - Unaudited

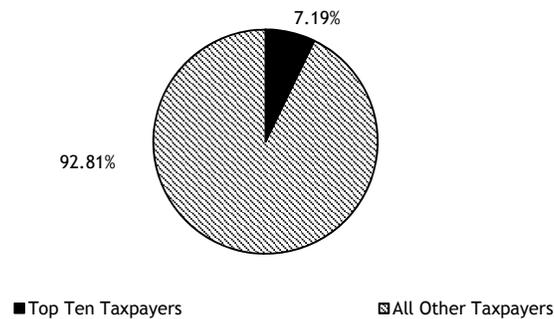
	Less: Tax-Exempt Property	Total Taxable Value	Total Estimated Actual Value	Ratio of Taxable to Actual Value
\$	322,318,753	\$ 1,858,210,615	\$ 2,711,683,286	68.5%
	334,302,515	1,785,005,482	2,632,910,011	67.8%
	676,808,522	1,319,602,616	2,479,894,796	53.2%
	558,090,532	1,149,141,140	2,119,809,534	54.2%
	460,752,786	986,748,734	1,795,568,379	55.0%
	444,524,142	877,458,060	1,640,247,130	53.5%
	437,040,114	820,699,121	1,560,321,408	52.6%
	435,071,311	885,009,868	1,636,840,172	54.1%
	451,939,888	966,812,200	1,759,528,393	55.0%
	468,930,126	1,037,687,270	1,868,445,306	55.5%

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2016 Fiscal Year			2007 Fiscal Year		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Florida Power & Light (Utility/Electric)	\$ 19,251,530	1	1.86 %	\$ 19,621,470	1	1.06 %
Comcast of Florida, Inc. (Communications)	9,395,615	2	0.91	-	-	-
Wal-Mart Stores, Inc. (Retail)	8,550,680	3	0.82	15,159,607	2	0.82
Park Place Community, LLC (Rental/Retail)	6,951,394	4	0.67	7,814,264	9	0.42
BW US 1, Inc. (Commercial)	6,164,130	5	0.59	-	-	-
CR512 Shopping Center (Commercial)	5,970,530	6	0.58	8,184,770	8	0.44
CSMA BLT LLC (Commercial)	5,037,750	7	0.49	-	-	-
Bellsouth Communications (Utility/Telephone)	4,657,553	8	0.45	7,790,960	10	0.42
Hartwell Groves, Inc. (Agriculture)	4,558,540	9	0.44	-	-	-
Sebastian Inlet Marina & Trading Co, Inc. (Restaurant/Hotel)	3,893,690	10	0.38	-	-	-
KB Homes Treasure Coast LLC (Construction)	-	-	-	13,128,500	3	0.71
Chance Holding LLC (Development)	-	-	-	11,151,290	4	0.60
Sebastian Crossing LLC (Construction)	-	-	-	8,797,890	5	0.47
Adams Homes of Northwest FL (Construction)	-	-	-	8,724,593	6	0.47
IPF/Sebastian LLC (Retail)	-	-	-	8,708,020	7	0.47
	<u>\$ 74,431,412</u>		<u>7.19 %</u>	<u>\$ 109,081,364</u>		<u>5.88 %</u>
Total Taxable Value	<u>\$ 1,037,687,270</u>			<u>\$ 1,858,210,615</u>		

Source: Indian River County Property Appraiser

Concentration of 2016 Taxpayers

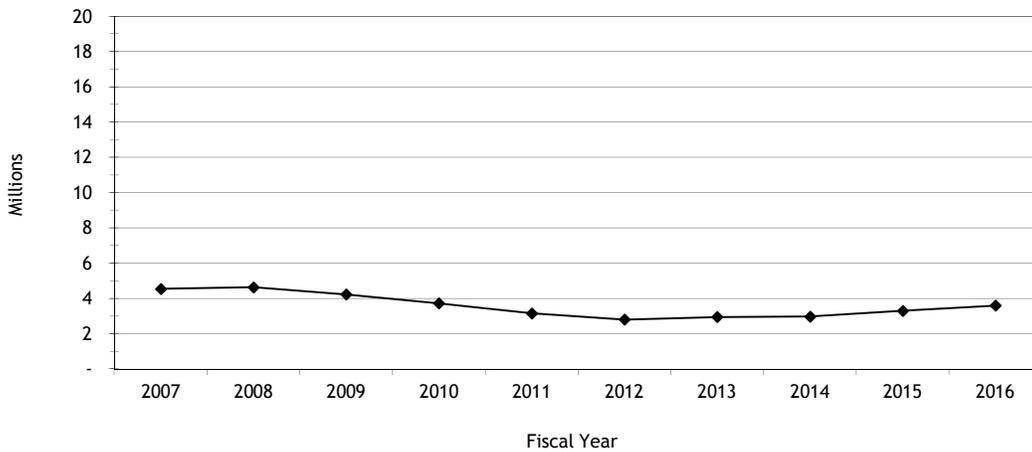


Property Tax Levies and Collections
For the Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent and Penalty Tax Collections	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
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
2012	2013	3,050,099	2,947,248	96.63	7,733	2,954,981	96.88
2013	2014	3,074,729	2,975,299	96.77	754	2,976,053	96.79
2014	2015	3,422,716	3,295,549	96.28	2,241	3,297,790	96.35
2015	2016	3,738,202	3,530,235	94.44	72,789	3,603,024	96.38

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

Total Tax Collections

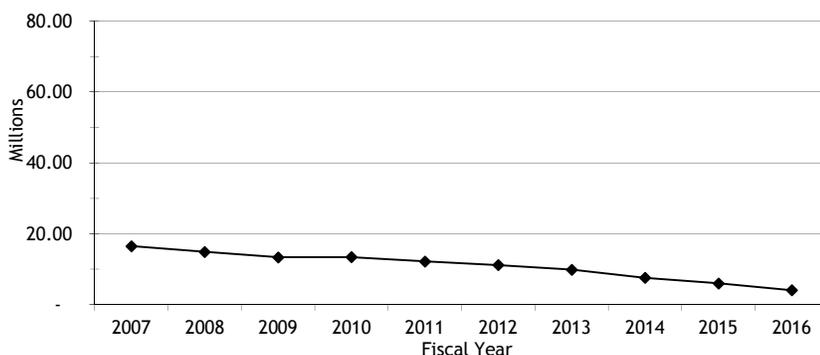


Ratios of Outstanding Debt By Type
For the Last Ten Fiscal Years

Fiscal Year	Roadway Improvement Notes	Infrastructure Sales Tax Bonds/Notes	Heavy Equipment Lease	Stormwater Utility Revenue Bonds/Notes	Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
					Golf Course Revenue Bonds			
2007	\$ 1,566,839	\$ 9,145,000	\$ 147,538	\$ 4,815,000	\$ 870,000	\$ 16,544,377	22%	738
2008	1,333,197	8,445,000	-	4,570,000	590,000	14,938,197	19%	652
2009	1,089,203	7,725,000	-	4,315,000	300,000	13,429,203	21%	591
2010	2,414,000	6,980,000	-	4,055,000	-	13,449,000	20%	587
2011	2,246,000	6,215,000	-	3,785,000	-	12,246,000	17%	558
2012	2,296,000	5,420,000	-	3,505,000	-	11,221,000	15%	510
2013	2,099,000	4,600,000	-	3,215,000	-	9,914,000	13%	447
2014	1,896,000	2,730,000	-	2,982,000	-	7,608,000	8%	341
2015	1,689,000	1,722,000	-	2,630,000	-	6,041,000	6%	267
2016	1,478,000	353,000	-	2,275,000	-	4,106,000	(3)	193

1. The Infrastructure Sales Tax and Stormwater Utility Revenue Bonds were refunded in 2014 with Bank Notes.
2. A bank note was issued in 2014 for the purchase of golf carts.
3. Information net yet available.

Primary Government Debt



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		
2007	\$ 92,910,531	\$ 15,674,377	\$ 77,236,154	16.87%	\$ 3,444
2008	89,250,574	14,348,197	74,902,377	16.08%	3,267
2009	65,980,131	13,129,203	52,850,928	19.90%	2,326
2010	57,457,057	13,449,000	44,008,057	23.41%	1,920
2011	49,337,437	12,246,000	37,091,437	24.82%	1,691
2012	43,872,903	11,221,000	32,651,903	25.58%	1,485
2013	41,034,956	9,914,000	31,120,956	24.16%	1,403
2014	44,250,493	7,608,000	36,642,493	17.19%	1,643
2015	48,340,610	6,041,000	42,299,610	12.50%	1,870
2016	51,884,364	4,106,000	47,778,364	7.91%	2,050

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				
	2016	2015	2014	2013	2012
Debt limit	\$ 51,884,364	\$ 48,340,610	\$ 44,250,493	\$ 41,034,956	\$ 43,872,903
Total net debt applicable to limit	<u>4,106,000</u>	<u>6,041,000</u>	<u>7,608,000</u>	<u>9,914,000</u>	<u>11,221,000</u>
Legal debt margin	<u>\$ 47,778,364</u>	<u>\$ 42,299,610</u>	<u>\$ 36,642,493</u>	<u>\$ 31,120,956</u>	<u>\$ 32,651,903</u>
Total net debt applicable to the limit as a percentage of debt limit	7.91%	12.50%	17.19%	24.16%	25.58%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$1,506,617,396
Less: Exempt property	<u>(468,930,126)</u>
	1,037,687,270
Debt limit (5% of assessed value)	51,884,364
Debt applicable to limit:	
General obligation bonds	-
Revenue bonds/notes	<u>4,106,000</u>
Total net debt applicable to limit	<u>4,106,000</u>
Legal debt margin	<u>\$ 47,778,364</u>

Direct and Overlapping Governmental Activities Debt - General Obligations Bonds

The City of Sebastian has no overlapping general obligation bonded debt for the year ended September 30, 2016.

Table 13 - Unaudited



Fiscal Year				
2011	2010	2009	2008	2007
\$ 49,337,437	\$ 57,457,057	\$ 65,980,131	\$ 89,250,274	\$ 92,910,531
<u>12,246,000</u>	<u>13,449,000</u>	<u>13,129,203</u>	<u>14,348,197</u>	<u>15,674,377</u>
<u>\$ 37,091,437</u>	<u>\$ 44,008,057</u>	<u>\$ 52,850,928</u>	<u>\$ 74,902,077</u>	<u>\$ 77,236,154</u>
24.82%	23.41%	19.90%	16.08%	16.87%

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	
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	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-

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 14 - Unaudited

Stormwater Utility Revenue Bonds, Series 2003				
Gross Revenues ⁴	Debt Service			Coverage ⁵
	Principal	Interest	Total	
\$ 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
1,007,221	290,000	148,048	438,048	2.30
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

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	State Unemployment Rate
2007	22,426	\$ 7,552,059	\$ 56,852	\$ 47,563	5,117	7.0	4.4
2008	22,924	7,976,086	58,528	48,267	4,710	9.8	7.1
2009	22,722	6,534,146	47,689	43,685 ⁵	3,751	14.5	11.2
2010	22,922	6,737,286	48,276	47,525	5,167	14.5	11.3
2011	21,929	7,080,348	50,977	42,053	5,228	13.4	10.6
2012	21,995	7,429,653	52,855	42,638	5,208	11.8	8.6
2013	22,188	7,731,263	54,448	44,326	6,739	8.8	6.9
2014	22,296	9,139,902	63,140	47,548	6,034	6.5	5.6
2015	22,622	10,055,169	67,978	49,887	5,930	6.1	4.8
2016	23,137	⁴	⁴	⁴	6,132	6.2	4.8

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, Storm Grove Middle School and Sebastian Charter Junior High School.

Table 15 - Unaudited

Property Taxes Per Capita	Total Taxable Property Value ³
226.96	1,858,210,615
224.61	1,785,005,482
211.33	1,319,602,616
181.67	1,149,141,140
157.50	986,748,734
139.28	877,458,060
145.18	820,699,121
145.68	885,009,868
158.88	966,812,200
166.01	1,037,687,270

Principal Employers

Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
School District of Indian River County (Government)	2,113	1	3.39 %	2,203	1	3.80 %
Indian River Medical Center (Healthcare)	1,753	2	2.82	1,300	3	2.24
Indian River County (Government)	1,328	3	2.13	1,614	2	2.78
Publix Supermarkets (Food/Beverage)	1,250	4	2.01	1,104	4	1.90
Wal-Mart (Retail)	693	5	1.11	449	9	0.77
Piper Aircraft, Inc. (Manufacturer)	650	6	1.04	1,045	5	1.80
Sebastian River Medical Center (Healthcare)	569	7	0.91	530	7	0.90
John's Island (Residential/Resort)	526	8	0.85	446	10	0.77
City of Vero Beach (Government)	424	9	0.68	600	6	1.03
Medical Data Systems (Collection Agency)	400	10	0.64	171	-	0.29
Visiting Nurse Association (Healthcare)	399	11	0.64	297	16	0.51
Indian River Estates (Retirement/Life care)	350	12	0.56	442	11	0.76
Disney Vero Beach (Resort Hotel)	300	13	0.48	315	14	0.54
CVS Warehouse/Distribution (Distribution)	289	14	0.46	275	17	0.48
Grand Harbor Management (Developer)	281	15	0.45	310	15	0.53
Sun Ag, Inc. (Agricultural)	210	16	0.34	350	12	0.60
City of Sebastian (Government)	179	17	0.29	212	20	0.38
Captain Hiram's (Restaurant/Resort)	165	18	0.26	-	-	-
Flight Safety International (Education)	163	19	0.27	180	-	0.31
Vero Beach Hotel and Spa (Hotel)	118	20	0.20	-	-	-
Saint Edward's School (Education)	-	-	-	237	19	0.42
Dodgertown Complex (Sports)	-	-	-	255	18	0.44
Gracewood Fruit Packing (Agricultural)	-	-	-	330	13	0.58
Hale Indian River Groves (Agricultural)	-	-	-	450	8	0.78
	<u>12,160</u>		<u>19.53 %</u>	<u>13,115</u>		<u>22.61 %</u>
Total Average County Employees	<u>62,267</u>			<u>58,001</u>		

Source: Indian River County Community Development Report.

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

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CITY OF SEBASTIAN, FLORIDA

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

Function	Full-time Equivalent Employees as of September 30					
	2016	2015	2014	2013	2012	2011
General government						
City council	2.5	2.5	2.5	2.5	2.5	2.5
City manager	2.5	2.0	2.0	2.0	2.0	2.0
City clerk	3.0	5.0	5.0	3.0	3.0	3.0
City attorney	-	-	-	-	-	-
Administrative Services	4.0	5.5	5.5	5.0	5.0	5.0
Finance	-	-	-	-	-	-
Management information	2.0	2.0	2.0	3.0	3.0	4.0
Audio/visual	1.0	-	-	-	-	-
Human resources	-	-	-	-	-	-
Facilities maintenance	3.5	5.0	5.0	4.0	3.0	2.0
Community development	2.0	4.0	4.0	3.0	3.0	4.0
Public safety						
Police	57.5	57.0	57.0	55.5	55.0	58.0
Building	5.0	5.0	5.0	5.0	4.0	5.0
Code enforcement	3.0	3.0	3.0	3.0	3.0	3.0
Transportation						
Roads and drainage	11.0	10.0	10.0	10.0	10.0	12.0
Fleet management	3.5	3.5	3.5	3.5	3.5	2.5
Airport	1.0	1.0	1.0	2.0	3.0	3.0
Physical environment						
Cemetery	2.0	2.0	2.0	2.0	1.0	1.0
Engineering	-	-	-	-	-	-
Stormwater utility	9.0	9.0	9.0	9.0	9.0	12.0
Culture and recreation						
Parks and recreation	19.0	20.0	20.0	20.0	20.0	21.0
Golf course	10.0	10.0	10.0	10.0	10.0	10.5
Total	141.5	146.5	146.5	142.5	140.0	150.5

Source: City of Sebastian, Florida 2007-2016 Annual Budgets

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

Table 17 - Unaudited

Full-time Equivalent Employees as of September 30			
2010	2009	2008	2007
2.5	2.5	2.5	2.5
2.5	2.5	2.5	2.0
3.0	3.0	3.0	4.0
-	2.0	2.0	2.0
5.0	-	-	-
-	5.0	5.0	5.0
3.0	3.0	3.0	3.0
-	-	-	-
-	2.0	3.0	3.0
2.0	2.0	2.0	2.0
5.0	5.0	5.0	5.0
58.0	59.0	58.0	57.0
5.0	5.0	6.0	11.0
2.5	2.5	2.5	3.0
12.0	10.0	10.0	11.5
3.5	3.5	2.5	3.5
3.0	3.0	3.0	3.0
2.0	2.0	2.0	2.0
-	7.0	7.0	9.0
12.0	11.0	13.0	13.0
23.0	23.5	23.5	23.5
10.5	9.0	9.0	12.5
154.5	162.5	164.5	177.5

CITY OF SEBASTIAN, FLORIDA

Operating Indicators By Function/Program For the Last Ten Fiscal Years

Function	Fiscal Year				
	2016	2015	2014	2013	2012
General government					
Number of annexations approved	-	-	-	2	-
Acres of annexed property	-	-	-	4.00	-
Purchase orders issued	328	254	242	233	201
Public Safety					
Police					
Physical arrests	258	287	347	440	441
Traffic violations	3,065	3,725	4,587	4,491	4,319
Parking violations	73	60	29	80	167
Building					
Construction permits issued ¹	191	142	175	170	66
Estimated value of construction (in millions)	\$ 43.4	\$ 40.6	\$ 40.0	\$ 35.9	\$ 14.7
Transportation					
Road maintenance (man hours)	250	200	200	300	500
Asphalt for road maintenance (tons)	20	10	20	30	50
Physical environment					
Cemetery					
Cemetery internments	61	71	67	65	65
Grave deeds sold	39	43	47	38	38
Stormwater					
Swales maintained (miles)	300	300	280	280	280
Ditches maintained (miles)	75	75	50	50	50
Road crossings maintained	68	68	68	50	50
Culture and recreation					
Program participants	7,280	7,647	7,571	8,113	9,713
Number of discount cards	631	653	653	710	786
Number of golf course memberships	127	93	84	86	88
Average daily golf revenue	\$ 3,100	\$ 3,653	\$ 3,500	\$ 3,569	\$ 3,822

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

¹ New commercial and residential only.

Table 18 - Unaudited

Fiscal Year				
2011	2010	2009	2008	2007
-	1	3	-	1
-	5.90	26.00	-	3.87
228	216	288	254	284
500	487	543	662	697
5,941	4,083	4,849	4,418	7,221
242	87	50	208	289
51	36	23	55	104
\$ 10.2	\$ 6.6	\$ 5.1	\$ 13.3	\$ 22.5
700	1,264	600	538	888
50	103	328	358	210
54	66	74	68	69
34	33	39	46	49
280	280	280	280	280
50	50	50	50	50
40	40	30	30	30
8,649	11,701	13,465	12,910	14,177
735	844	879	950	1,004
94	96	95	97	108
\$ 3,787	\$ 3,673	\$ 4,000	\$ 3,988	\$ 4,661

CITY OF SEBASTIAN, FLORIDA

Capital Asset Statistics By Function/Program For the Last Ten Fiscal Years

Function	Fiscal Year				
	2016	2015	2014	2013	2012
General Government					
Square footage occupied	21,500	21,500	21,500	21,500	21,500
Departmental vehicles	4	5	5	6	1
Public safety					
Police stations	1	1	1	1	1
Police department Square footage	25,600	25,600	25,600	25,600	25,600
Building department Square footage	2,500	2,500	2,500	2,500	2,500
Police vehicles	70	66	62	61	66
Building inspector vehicles	4	4	3	3	3
Transportation					
Streets (miles)	156	156	156	156	156
Streetlights ¹	1,085	1,085	1,085	1,080	1,228
Airport vehicles	4	3	1	1	1
Public service vehicles	12	12	15	17	17
Physical environment					
Public service vehicles	17	17	10	10	9
Culture and recreation					
Parks vehicles	6	18	18	18	18
Recreation centers	2	2	2	2	2
Park acreage	315.01	315.01	315.01	315.01	315.01
Recreation center square footage	4,859	4,859	4,859	4,859	4,859
Park maintenance vehicles	12	12	9	12	13
Golf course vehicles	-	-	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 19 - Unaudited

Fiscal Year				
2011	2010	2009	2008	2007
21,500	21,500	21,500	21,500	21,500
3	3	3	3	3
1	1	1	1	1
25,600	25,600	25,600	25,600	25,600
2,500	2,500	2,500	2,500	2,500
67	63	63	62	57
3	3	4	4	5
156	156	156	156	156
1,236	1,230	1,240	1,229	1,309
1	1	1	1	1
19	22	18	23	21
9	15	7	11	10
18	18	18	15	14
2	2	2	2	2
315.01	315.01	233.79	233.79	229.37
4,859	4,859	4,859	4,859	4,859
14	13	13	13	12
1	1	1	1	1