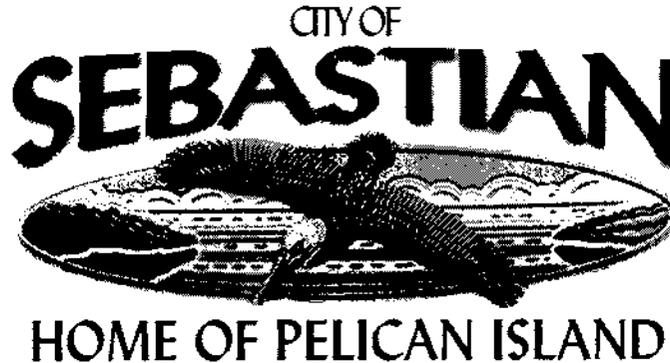


CITY OF SEBASTIAN, FLORIDA

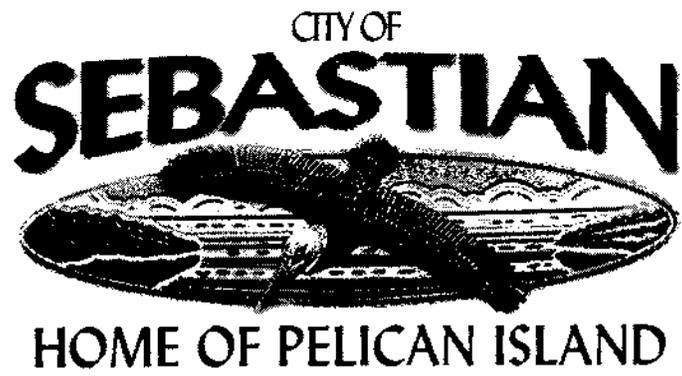


Comprehensive Annual Financial Report For the Year Ended September 30, 2008

CITY COUNCIL

Andrea B. Coy Mayor
Sal Neglia Vice-Mayor
Al Paternoster Councilmember
Dale I. Simchick Councilmember
Eugene Wolff..... Councilmember

Prepared By: Finance Department



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INTRODUCTORY SECTION

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Ended September 30, 2007
- Organizational Chart
- List of Officials

CITY OF SEBASTIAN, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2008

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CITY OF
SEBASTIAN

HOME OF PELICAN ISLAND

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1225 MAIN STREET • SEBASTIAN, FLORIDA 32968
TELEPHONE: (772) 589-5330 • FAX (772) 589-5570

March 20, 2009

Honorable Mayor and City Council
City of Sebastian, Florida

Dear Council Members:

We are submitting the Comprehensive Annual Financial Report of the City of Sebastian, Florida for the fiscal year ended September 30, 2008, as prepared by the City's Finance 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, 2008.

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, Harris, Cotherman, Jones, Price & Associates, has issued an unqualified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2008. The independent auditors' report is located on page 3 and 4.

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.

The City of Sebastian 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 22,924 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 second Tuesday 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 a strong retirement community. Although the labor force fluctuates, unemployment in the region steadily declined through 2006 but has significantly increased over the past two years. Retail sales and the service industries remain the largest sectors of employment in the Sebastian area. The historical overall unemployment rate for the area over the past ten years and the projected unemployment rate for the next ten years are greater than that of the State of Florida. This high number indicates that the influx of residents to the area continues to outpace job creation. 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 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. This attracts a workforce with a higher than average education and technical skills to the vicinity. The area median age for 2000 was 49.2 per U.S. Census Bureau and median household income for 2005 was \$44,450 per the Florida Research & Economic Database.

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.

Strong growth in the City tax base has provided the City funding for a high level of services to City residents and visitors without increasing the property tax millage rate. Property tax revenues increased 2.0%, although the millage was reduced from 3.0519 to 2.9917. Construction activity in fiscal year 2008 was not as strong as fiscal year 2007, with just 60 permits being issued for construction in fiscal year 2008 with a value of \$21.0 million. The decline is primarily attributed to the slowdown of the housing market.

Unreserved, undesignated fund balance in the general fund (46.0% of total general fund expenditure budget) exceeds the policy guidelines set by the Council for budgetary and planning purposes (i.e., minimum of 25% of total general fund expenditure budget). The City is reluctant to spend down these balances due to uncertainty about the future due to the slow down of building activity and because the City has no assurance regarding how severe further State mandated reductions to City tax revenues will be. The State already required a millage reduction and placed a cap on future increases in ad valorem taxes. The City has concerns that some of the proposed measures under discussion may result in revenue reductions that will severely diminish the City's ability to provide the services required by our residents and visitors. The budget for next year incorporates reductions in operating expenditures and elimination of any new capital equipment in anticipation that expenses will have to be further reduced to deal with these restricted measures.

Major Initiatives

Stormwater - The main focus of stormwater effort expended for the past fiscal year has continued to be on the City's Stormwater Management Program, including capital projects, maintenance, citizen response and education, and forward planning. In fiscal year 2007, City began a program to upgrade the current swale system by installing ¼ rounds. The City also started outsourcing the swale and ditch maintenance work to enable City crews to focus on different stormwater maintenance practices.

Traffic & Transportation – The City continues working on a long-term street-resurfacing program for the next 10 to 15 years. City administration will also continue to program funding for streetscape projects to help maintain public safety and beautification efforts. In addition, capital improvement programming for sidewalk installation throughout the City will continue for both the short and long term as funding and resources permit.

Airport - The Sebastian Municipal Airport's infrastructure is being developed to attract economic development opportunities that will stimulate the business climate and create jobs in the community. The current Master Plan serves as the guiding document for airport planning. Land leases are a primary sources 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. These features are highlighted in the recently updated and improved website.

The Airport's limited resources continue to be leveraged by aggressively seeking and obtaining grants available from the Florida Department of Transportation (FDOT) and Federal Aviation Administration (FAA) to provide the funding needed to develop the necessary infrastructure. Recent improvements include a fully automated weather observation system, solar powered LED taxiway lighting and a precision approach path indicator system. These and other ventures will help diversify airport revenues, providing for a stronger enterprise fund that has the potential to increase taxable values.

Public Safety – The Police Department continues to provide a Community Police Officer who participates in community events and offers special services, such as child safety seat inspections, youth safety talks, neighborhood safety meetings and school security surveys. The City continues to sponsor the School Resources Officer Program at the two elementary schools located within the City. In addition, the Sebastian Police Department K-9 Unit has been increased to enable this capability on every work shift. The K-9 Unit became possible as a result of numerous charitable efforts in the community. It is effective in assisting officers with narcotics detection, location of missing persons and tracking criminal suspects more expeditiously. Road Patrol and Special Operations continue to serve the community by patrolling the city to deter crime and maintain the community policing philosophy.

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, 2007. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

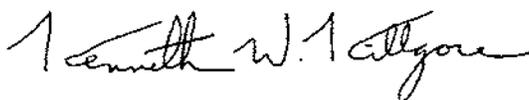
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Al Miller
City Manager



Kenneth W. Killgore
Director of Finance

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, 2007

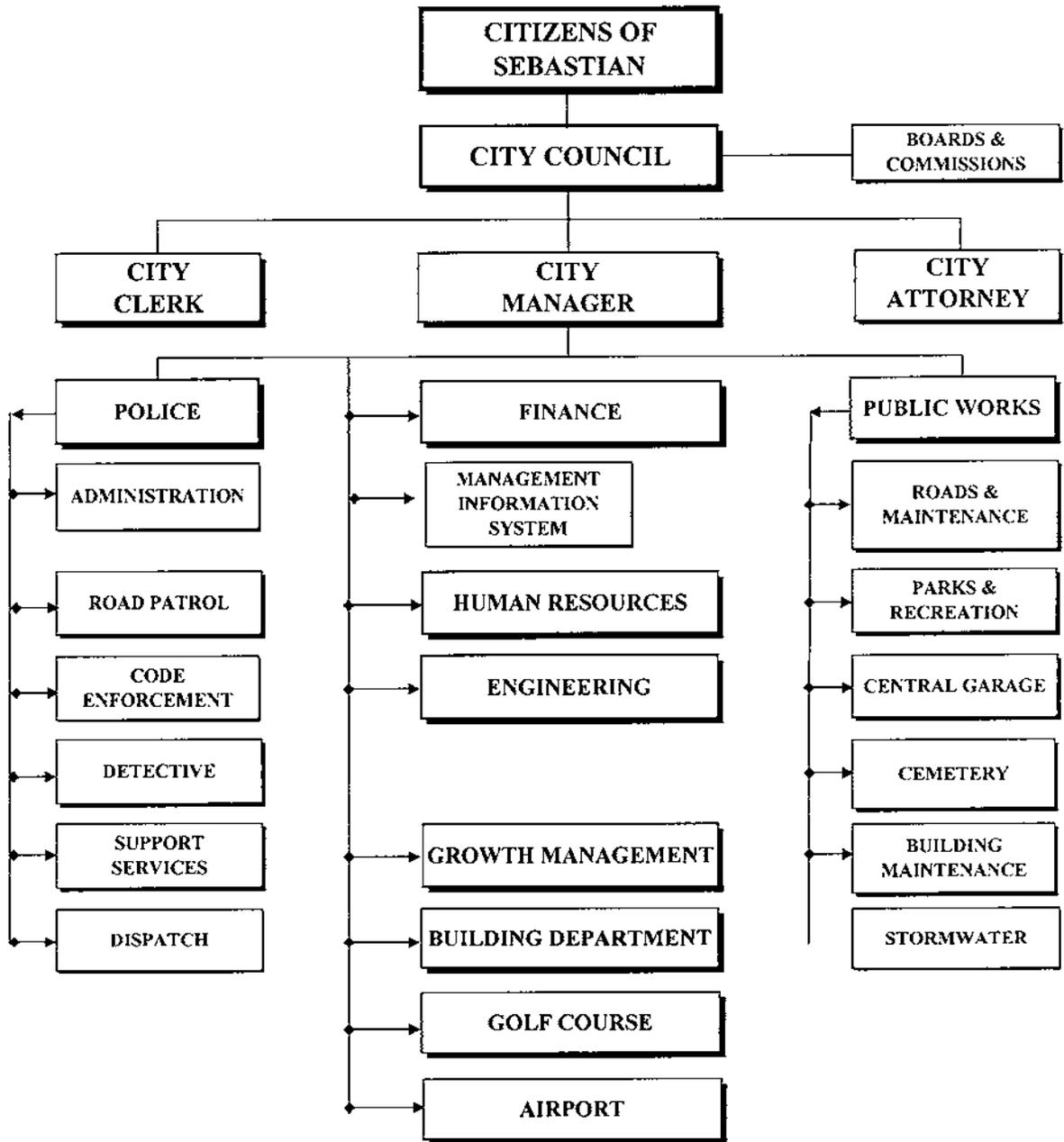
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF SEBASTIAN, FLORIDA ORGANIZATIONAL CHART



CITY OF SEBASTIAN, FLORIDA

CITY OFFICIALS

City Manager

AL MINNER

City Clerk

SALLY A. MAIO, MMC

City Attorney

RICH STRINGER

DEPARTMENT HEADS:

Police Chief

JAMES A. DAVIS

Director of Finance

KENNETH W. KILLGORE

City Engineer

DAVID W. FISHER, P.E.

Public Works Director

JERRY CONVERSE

Growth Management Director

REBECCA GROHALL

Building Director

WAYNE ESELTINE

Human Resources Director

DEBRA KRUEGER

Golf Course Director

GREG GARDNER

Airport Director

JOSEPH GRIFFIN

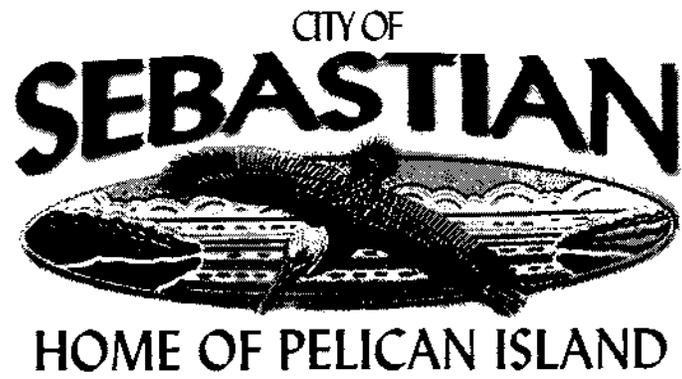


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FINANCIAL SECTION

This section contains the following subsections:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules



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**Harris, Cotherman,
Jones, Price & Associates**

Certified Public Accountants · Chartered

5070 North Highway A1A, Suite 250
Vero Beach, FL 32963
Tel 772-234-8484
Fax 772-234-8488

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sebastian, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplemental information, as listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



Harris, Cotherman,
Jones, Price & Associates
Certified Public Accountants - Chartered

Honorable Mayor and Members of City Council
City of Sebastian
Page two

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Sebastian, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements of the City of Sebastian, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Harris, Cotherman, Jones, Price & Associates
Certified Public Accountants - Chartered

Vero Beach, Florida
March 10, 2009

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 (beginning on page v) and the City's financial statements (beginning on page 15).

HIGHLIGHTS

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year 2008 by \$48,819,011 (net assets). Of this amount, \$5,788,260 (unrestricted net assets) may be used to meet the government's on going obligations to citizens and creditors.
- The city's total net assets increased by \$1,910,151 resulting from an increase of \$2,245,952 from governmental activities and \$335,801 decrease from business-type activities
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balance of \$19,526,369, a decrease of \$485,469 in comparison with the prior year. Approximately 46% of this amount, \$8,943,393, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$5,534,856, or a 2% increase from prior year general fund unreserved and undesignated fund balance. The key factor in this increase was the reduction of the reserve for equipment replacement, as those balances were applied to replace equipment during the fiscal year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15, 16, and 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 18. For governmental activities, these 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 remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 15. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets, is one indicator of whether its *financial*

health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, public works, parks and recreation, and general administration. Taxes, franchise fees, and state shared revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Golf Course, Airport, and Building operations are reported here.

Fund Financial Statements

Our analysis of the City's major funds begins on page 18. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the local option gas tax and infrastructure sales surtax (a.k.a. Discretionary Sales Tax)).

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations at the bottom of the fund financial statements.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, discretionary sales tax special revenue fund, riverfront redevelopment special revenue fund, and stormwater utility improvements capital project fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements beginning on page 60.

Annual budgets are adopted 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. The budgetary comparison statements have been provided for all governmental funds except capital project funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds

When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The basic proprietary fund financial statements can be found on page 23-26 of this report.

Fiduciary Funds

The City is the trustee, or fiduciary, for the Police Officers' Pension Plan. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 27 and 28. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City holds deposits for various individuals and businesses for contract performance that are then returned when the contract has been completed. These deposits are accounted for in an Agency fund, where assets equal liabilities.

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. The notes to the financial statements can be found on pages 29-50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's major funds budget and actual comparison and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 51-56 of this report.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

The City's combined net assets increased \$1.8 million from \$46.9 million to \$48.8 million or 4%. Looking at the net assets and net revenues of the governmental and business-type activities, an increase in net assets of governmental-type activities was offset by a decrease in net assets of the business-type activities. Our analysis focuses on net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statements of Net Assets:

Table 1

**Statements of Net Assets
as of September 30, 2008 and 2007
(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|-----------|--------------------------|-----------|--------------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 21,016 | \$ 22,173 | \$ 1,848 | \$ 2,371 | \$ 22,864 | \$ 24,544 |
| Capital assets | 34,468 | 32,942 | 9,966 | 10,013 | 44,434 | 42,955 |
| Total assets | \$ 55,484 | \$ 55,115 | \$ 11,814 | \$ 12,384 | \$ 67,298 | \$ 67,499 |
| Non-current liabilities | \$ 15,868 | \$ 17,110 | \$ 1,086 | \$ 1,323 | \$ 16,954 | \$ 18,433 |
| Other liabilities | 1,231 | 1,866 | 294 | 291 | 1,525 | 2,157 |
| Total liabilities | \$ 17,099 | \$ 18,976 | \$ 1,380 | \$ 1,614 | \$ 18,479 | \$ 20,590 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | \$ 24,134 | \$ 21,469 | \$ 9,111 | \$ 8,896 | \$ 33,245 | \$ 30,365 |
| Restricted | 9,216 | 9,420 | 570 | 570 | 9,786 | 9,990 |
| Unrestricted | 5,035 | 5,250 | 753 | 1,304 | 5,788 | 6,554 |
| Total net assets | \$ 38,385 | \$ 36,139 | \$ 10,434 | \$ 10,770 | \$ 48,819 | \$ 46,909 |

For more detail information see the Statement of Net Assets on page 15.

Total net assets of the governmental activities increased from \$36.139 million to \$38.385 million. Total net assets for business-type activities decreased from \$10.770 million to \$10.434 million.

The increase in governmental activities capital assets is due to projects that were completed during the period. The decrease in governmental activities non-current liabilities is due to normal amortization of the long-term debt. The decrease in unrestricted net assets is mainly due to the corresponding increase in restricted net assets caused from investment in capital assets.

The overall decrease in net assets for business-type activities is due to the use of unrestricted assets during the period. The increase in net assets – invested in capital assets of the City’s business-type activities is primarily due to the increase in capital assets funded by the Federal Aviation Administration and the Florida Department of Transportation for the City’s municipal airport.

The following table shows the revenue and expenses of the total primary government.

Table 2
Changes in Net Assets
For the Fiscal Years Ended September 30, 2008 and 2007
(in thousands)

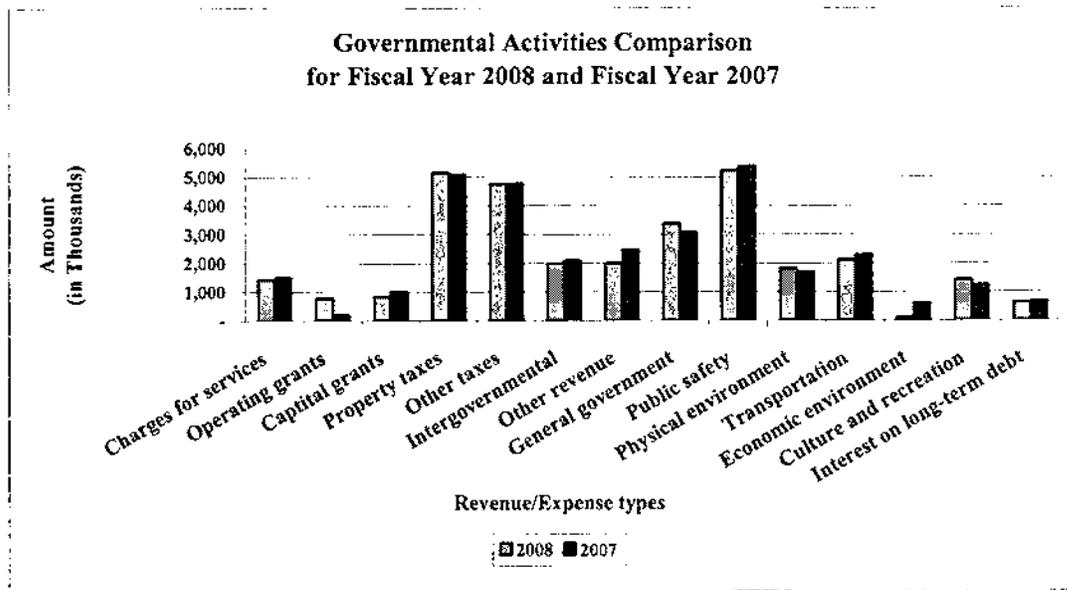
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,426 | \$ 1,493 | \$ 2,309 | \$ 2,406 | \$ 3,735 | \$ 3,899 |
| Operating grants and contributions | 786 | 193 | - | - | 786 | 193 |
| Capital grants and contributions | 836 | 1,014 | 494 | 500 | 1,330 | 1,514 |
| General revenues: | | | | | | |
| Property taxes | 5,149 | 5,090 | - | - | 5,149 | 5,090 |
| Other taxes | 4,754 | 4,777 | - | - | 4,754 | 4,777 |
| Intergovernmental | 1,990 | 2,084 | - | - | 1,990 | 2,084 |
| Other | 1,993 | 2,446 | 54 | 137 | 2,047 | 2,583 |
| Total revenues | 16,934 | 17,097 | 2,857 | 3,043 | 19,791 | 20,140 |
| EXPENSES | | | | | | |
| General government | 3,375 | 3,084 | - | - | 3,375 | 3,084 |
| Public safety | 5,227 | 5,377 | - | - | 5,227 | 5,377 |
| Physical environment | 1,806 | 1,695 | - | - | 1,806 | 1,695 |
| Transportation | 2,111 | 2,276 | - | - | 2,111 | 2,276 |
| Economic environment | 113 | 606 | - | - | 113 | 606 |
| Culture and recreation | 1,421 | 1,237 | - | - | 1,421 | 1,237 |
| Golf Course | - | - | 1,488 | 1,534 | 1,488 | 1,534 |
| Airport | - | - | 1,100 | 1,047 | 1,100 | 1,047 |
| Building | - | - | 605 | 905 | 605 | 905 |
| Interest and fiscal charges | 635 | 668 | - | - | 635 | 668 |
| Total expenses | 14,688 | 14,943 | 3,193 | 3,486 | 17,881 | 18,429 |
| Change in net assets before transfers | 2,246 | 2,154 | (336) | (443) | 1,910 | 1,711 |
| Transfers | - | 43 | - | (43) | - | - |
| Increase in net assets | 2,246 | 2,197 | (336) | (486) | 1,910 | 1,711 |
| Net assets - October 1, 2007 | 36,139 | 33,942 | 10,770 | 11,256 | 46,909 | 45,198 |
| Net assets - September 30, 2008 | \$ 38,385 | \$ 36,139 | \$ 10,434 | \$ 10,770 | \$ 48,819 | \$ 46,909 |

Overall the total revenues decreased \$349 thousand from the previous year. The total cost of all programs decreased by 3.0% (\$548 thousand). Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities revenues exceed expenses by \$2.246 million. Total revenues decreased approximately \$0.163 million from the previous year. The decline was primarily in categories affected by the slowdown in economic activity. Less was received in Recreation Impact fees and a downturn was noted in sales taxes and state shared revenues. Total expenses decreased \$.255 million from the previous year. The largest decrease in spending was in the category of transportation.

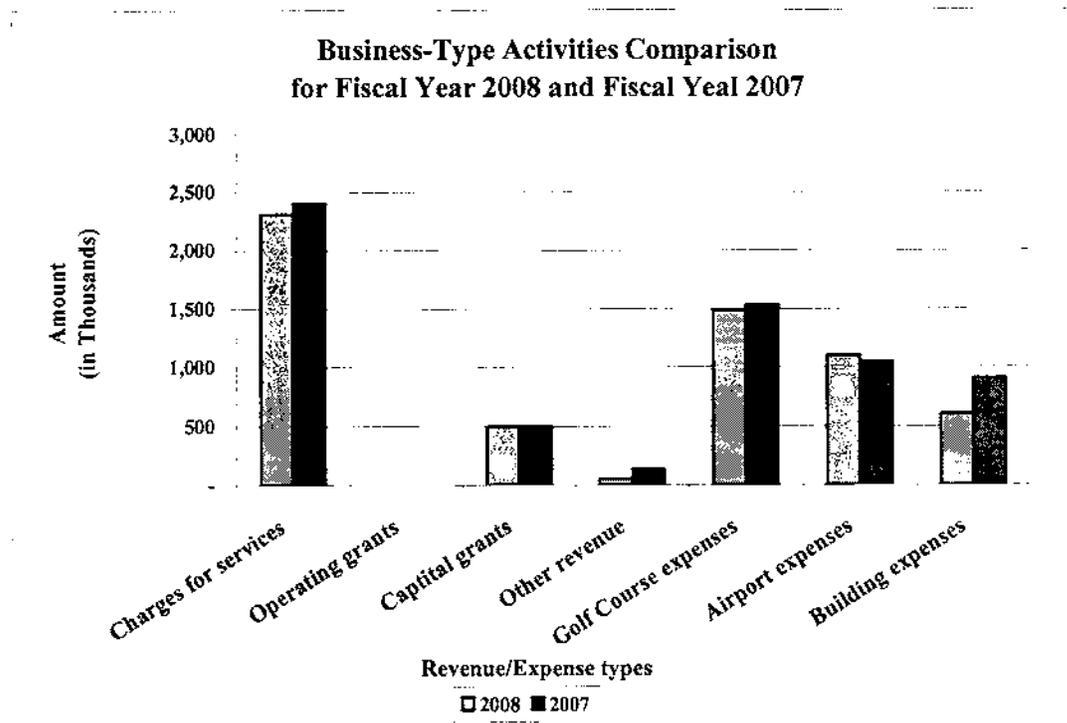
The following is a graphic illustration of the comparison for governmental activities revenue and expenses.



Business-type Activities

Revenues of the City’s business-type activities (see Table 2) decreased \$0.186 million primarily because of a decline in investment income and due to a reduction in building permit fees as a result of the slowdown in activity. Expenses fell by 8.3% for all the City’s business-type activities, with expenses for Golf Course dropping 3.0% and Building Enterprise falling by 33.1%. Airport expenses increased 5.0%, primarily due to additional depreciation on capital assets. The City’s Municipal Airport enjoys a continued interest by the Florida Department of Transportation-Aviation Section and Federal Aviation Administration to upgrade the airport facilities as evidenced by repeated support via grant funding.

Following is a graphic comparison of the City’s business-type activities.



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, unreserved 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 the City completed the fiscal year, its governmental funds (as presented in the balance sheet on pages 18-19) reported a combined fund balance of \$19.5 million, which is a decrease of \$0.5 million over the prior year of \$20.0 million. Approximately 45.8% of this total amount (\$8.9 million) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$0.4 million), 2) to fund capital projects (\$8.3 million), 3) to generate income to pay for the perpetual care of the municipal cemetery (\$0.8 million), or 4) for a variety of other restricted or designated purposes (\$1.1 million).

The **general fund** is the chief operating fund of the City. At the end of the fiscal year, unreserved, undesignated fund balance of the general fund was \$5,534,856, while total fund balance was \$6,308,182. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 46 percent of total general fund expenditures, while total fund balance represents 52 percent of that same amount.

The fund balance of the City's general fund decreased by \$82,605 during the current fiscal year. Key factors in this reduction are as follows:

- Intergovernmental revenues decreased by \$79,405, due to lower sales tax and state shared revenues.
- Investment earnings decreased by \$138,379, as a result of the decline in interest rates.
- Capital outlay decreased by \$97,103, as compared to the amounts previously expended.

The **discretionary sales tax revenue special revenue fund** has a total unreserved and undesignated fund balance of \$1,119,945. The decrease of the total fund balance from prior year (\$1,006,994) is mainly due to transfers made to the capital project funds for capital improvements and the advance made to the airport fund.

The **riverfront redevelopment special revenue fund** has an unreserved and undesignated fund balance of \$16,404. The decrease of the total fund balance from the prior year (\$339,561) is mainly due to transfers made to the capital project funds for capital improvements.

The **transportation improvements capital project fund** has a total fund balance of \$2,797,157, all of which is encumbered or reserved for transportation related construction such as roads, intersections and sidewalks.

The **stormwater utility improvements capital project fund** has a total fund balance of \$5,039,510, all of which is reserved for stormwater capital projects. The increase of the total fund balance from the prior year (\$419,625) is due to transfers from special revenue funds to fund several stormwater capital projects.

Proprietary Funds

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

The total net assets of the **golf course fund** at the end of the fiscal year amounted to \$446,367, while the unrestricted net assets amounted to \$633. Compared to the prior year in the same category, net assets are \$32,723 less than the prior year, while the unrestricted net assets has a decrease of \$237,211 from the prior year. This is mainly due to the decline in operating income as compared to the prior year. Detailed golf course net assets information is presented on page 23.

The total net assets of the **airport fund** at the end of the fiscal year amounted to \$9,160,573, while the unrestricted net assets (deficit) amounted to (\$43,470). Compared to the prior year in the same category, net assets have decreased by \$78,798 while the unrestricted net assets have decreased \$101,423 to result in a deficit of \$43,470. The decrease in unrestricted net assets is mainly due to the construction of airport capital projects.

The total net assets of the **building fund** at the end of the fiscal year amounted to \$827,536, while the unrestricted net assets amounted to \$795,914. The building fund experienced a large operating loss, as a result of the slowdown in activity and drop in building permit fees.

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

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council revised the City budget four times. These budget amendments fall into four categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect fund balances carried over from the prior fiscal year to fund outstanding encumbrances. The second category includes adjustments for unanticipated revenues. The third category includes the changes that the Council made during the year to take into account the City's offering of an employee early retirement program and to cover additional costs for ditch and swale mowing. The fourth category includes supplemental appropriations for required police pension contributions. During the fiscal year, the City amended the general fund budget in the amount of \$273,263 for all these items. The main components of the increase are as follows:

- \$62,445 supplemental appropriation to general fund departments for encumbered amounts carried forward from the prior fiscal year.
- \$25,004 supplemental appropriation for unanticipated proceeds from a COPS in Schools Grant.
- \$12,000 supplemental appropriation for revenue from the lease of the old school house 2nd floor.
- \$4,089 supplemental appropriation for an insurance reimbursement on a damaged city vehicle.
- \$6,525 supplemental appropriation for unanticipated proceeds from a JAG grant
- \$15,400 supplemental appropriation for a contribution from the Greer Trust for police expenditures.
- \$122,800 supplemental appropriation to the police department for the required pension contribution.
- \$25,000 supplemental appropriation for cost associated with an employee's early retirement.

During the fiscal year, total general fund actual revenues were less than final amended budgetary estimates and total general fund actual expenditures were less than the final amended budgetary estimates. The shortfall in anticipated revenues was mainly due to a decline in intergovernmental revenues, specifically the City's share of sales tax proceeds. Lower than anticipated investment earnings also contributed to the shortfall. Positive variances on expenditures resulted in a much lower draw on existing fund balances than had been anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008 the City had \$66,042,300 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 \$3,808,395, or 6.1%, over last year. The following table illustrates the changes in capital assets. See page 38 and page 39 in the notes to the financial statements for detailed changes in capital assets.

Table 3

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$ 5,696,946 | \$ 5,696,946 | \$ 9,060 | \$ 9,060 | \$ 5,706,006 | \$ 5,706,006 |
| Buildings | \$ 11,158,739 | 10,996,497 | 3,726,258 | 3,232,472 | 14,884,997 | 14,228,969 |
| Improvements | \$ 5,149,267 | 4,970,638 | 1,866,928 | 1,216,078 | 7,016,195 | 6,186,716 |
| Equipment | \$ 7,390,752 | 6,820,051 | 922,575 | 804,465 | 8,313,327 | 7,624,516 |
| Infrastructure | \$ 22,259,149 | 18,677,191 | 6,226,110 | 5,817,369 | 28,485,259 | 24,494,560 |
| Construction-in-Progress | \$ 1,520,565 | 2,692,704 | 115,951 | 1,300,434 | 1,636,516 | 3,993,138 |
| Totals | \$ 53,175,418 | \$ 49,854,027 | \$ 12,866,882 | \$ 12,379,878 | \$ 66,042,300 | \$ 62,233,905 |

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

- An increase in buildings mainly due to renovation of the Community Center.
- An increase in improvements due to the capitalization of work completed at parks and playgrounds.
- An increase in equipment mainly due to capitalization of new police vehicles.
- An increase in infrastructure mainly due to the work on roadways and stormwater drainage system.

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

- An increase in buildings mainly due to the completion of the municipal airport maintenance building.
- An increase in improvements mainly due to work on the municipal airport lighting and signage.
- An increase in equipment mainly due to the purchase of municipal airport maintenance equipment.
- An increase in infrastructure mainly due to installation of the municipal airport fuel tank.
- A decrease in construction in progress primarily due to the completion of airport security upgrades.

Debt

On September 30, 2008, the City had \$15,203,147 in bonds, notes and capital leases outstanding versus \$16,791,805 on September 30, 2007 – a decrease of 9.5% – as shown in the table on the following page:

The decrease in debt is solely attributable to the retirement of debts. The Infrastructure Sales Surtax Revenue Bonds, Series 2003 and Series 2003A and the Stormwater Utility Revenue Bonds, Series 2003 were initially insured by AAA rated insurance agencies and rated AAA, which is the highest rating given by rating agencies. The City's Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 received a AAA rating from Standard & Poor's. However, ratings on the insurance agencies have recently been downgraded. All of the City's other debt, primarily notes and a capital lease, are not rated. Other obligations of the City include accrued vacation pay and sick leave.

Additional information on the City's long-term debt can be found on pages 42 through 45 in the notes to the financial statements.

Table 4

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Infrastructure sales surtax revenue bonds, Series 2003 | \$ 6,840,000 | \$ 7,405,000 | \$ - | \$ - | \$ 6,840,000 | \$ 7,405,000 |
| Infrastructure sales surtax revenue bonds, Series 2003A | 1,605,000 | 1,740,000 | - | - | 1,605,000 | 1,740,000 |
| Stormwater utility revenue bonds, Series 2003 | 4,570,000 | 4,815,000 | - | - | 4,570,000 | 4,815,000 |
| Notes payable (backed by local option gas tax) | 1,333,197 | 1,566,840 | - | - | 1,333,197 | 1,566,840 |
| Capital lease obligation (backed by City) | - | 147,539 | - | - | - | 147,539 |
| Recreational facilities improvements and refunding revenue bonds, series 2001 | - | - | 854,950 | 1,117,426 | 854,950 | 1,117,426 |
| Totals | <u>\$ 14,348,197</u> | <u>\$ 15,674,379</u> | <u>\$ 854,950</u> | <u>\$ 1,117,426</u> | <u>\$ 15,203,147</u> | <u>\$ 16,791,805</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2009 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 2008 was 9.7% up from 6.0% in the previous year. This is analogous to the economic slowdown being experienced throughout the state and nation. In fiscal year 2008, the city experienced a major reduction in property value (11.8% decrease) and a large decrease in construction permits (from 116 to 60). The decrease in construction permits reflects the state and national trend and is consistent with the overall housing market.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2009. Amounts available for appropriation in the General Fund budget are \$11,850,747, a decrease of 1.1% from the original fiscal year 2008 budget of \$11,980,334. Uncertainty about the slowdown in building activity and concern about measures that may be enacted by the State to limit revenues and spending has caused the City to limit spending. The City has determined that it should proceed cautiously and be in a better position to address those mandates.

The Golf Course has experienced a decrease in golf revenues in fiscal year 2008 mainly due to a slow down in number of rounds being played. Although it was able to reduce operating expenses, it was unable to meet the bond coverage requirement on the Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 bond issue. The coverage requirement is defined as the net revenues being equal to at least 125% of the annual debt service payment. City management continues to monitor the operation and intends to develop recommendations that could resolve the deficiency.

REQUEST 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 Finance Department at City of Sebastian, 1225 Main Street, Sebastian, Florida 32958.

City of Sebastian, Florida
Statement of Net Assets
September 30, 2008

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,425,586 | \$ 1,222,230 | \$ 3,647,816 |
| Investments | 6,767,902 | 399,597 | 7,167,499 |
| Receivables | 897,838 | 60,505 | 958,343 |
| Special assessment receivable | 3,849 | - | 3,849 |
| Internal balances | 485,000 | (485,000) | - |
| Prepaid items | 114,788 | 20,683 | 135,471 |
| Inventory | 66,740 | 32,013 | 98,753 |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Cash and cash equivalents | 1,525,634 | - | 1,525,634 |
| Investments | 7,566,234 | 570,149 | 8,136,383 |
| Permanently restricted: | | | |
| Cash and cash equivalents | 500,240 | - | 500,240 |
| Investments | 151,135 | - | 151,135 |
| Overfunded pension costs | 100,275 | - | 100,275 |
| Deferred charges | 410,424 | 27,794 | 438,218 |
| Capital assets not being depreciated: | | | |
| Land | 5,696,946 | 9,060 | 5,706,006 |
| Construction in progress | 1,520,565 | 115,951 | 1,636,516 |
| Capital assets (net of accumulated depreciation): | | | |
| Buildings | 8,870,828 | 3,230,862 | 12,101,690 |
| Improvements other than buildings | 3,498,624 | 1,502,474 | 5,001,098 |
| Machinery and equipment | 1,949,498 | 358,833 | 2,308,331 |
| Infrastructure | 12,931,651 | 4,749,021 | 17,680,672 |
| Total assets | <u>55,483,757</u> | <u>11,814,172</u> | <u>67,297,929</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 989,164 | 125,349 | 1,114,513 |
| Accrued interest payable | 239,167 | 17,845 | 257,012 |
| Deferred revenues | | | |
| Unearned revenues | 3,269 | 139,353 | 142,622 |
| Rent concession liability | - | 11,000 | 11,000 |
| Non-current liabilities: | | | |
| Due within one year | 1,338,905 | 301,985 | 1,640,890 |
| Due in more than one year | 14,528,717 | 784,164 | 15,312,881 |
| Total liabilities | <u>17,099,222</u> | <u>1,379,696</u> | <u>18,478,918</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 24,133,550 | 9,111,251 | 33,244,801 |
| Restricted for: | | | |
| Capital projects | 4,926,792 | - | 4,926,792 |
| Debt service | 424,782 | 310,090 | 734,872 |
| Road projects | 3,023,949 | - | 3,023,949 |
| Community redevelopment | 16,404 | - | 16,404 |
| Perpetual care: | | | |
| Expendable | 620,792 | - | 620,792 |
| Nonexpendable | 151,135 | - | 151,135 |
| Other purposes | 51,947 | 260,059 | 312,006 |
| Unrestricted | 5,035,184 | 753,076 | 5,788,260 |
| Total net assets | <u>\$ 38,384,535</u> | <u>\$ 10,434,476</u> | <u>\$ 48,819,011</u> |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Statement of Activities
For the year ended September 30, 2008

| <u>Function/Program</u> | <u>Program Revenues</u> | | | |
|----------------------------------|-------------------------|-----------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 3,375,178 | \$ 353,836 | \$ 21,349 | \$ - |
| Public safety | 5,226,512 | 85,009 | 433,108 | - |
| Physical environment | 1,805,755 | 903,285 | 313,000 | 39,992 |
| Transportation | 2,111,360 | - | 18,559 | 601,390 |
| Economic environment | 113,101 | - | - | - |
| Cultural/recreation | 1,420,734 | 83,378 | - | 194,225 |
| Interest and fiscal charges | 634,891 | - | - | - |
| Total governmental activities | <u>14,687,531</u> | <u>1,425,508</u> | <u>786,016</u> | <u>835,607</u> |
| Business-type activities: | | | | |
| Golf Course | 1,488,472 | 1,438,233 | - | - |
| Airport | 1,099,653 | 523,989 | - | 494,098 |
| Building | 605,422 | 347,189 | - | - |
| Total business-type activities | <u>3,193,547</u> | <u>2,309,411</u> | <u>-</u> | <u>494,098</u> |
| Total government | <u>\$ 17,881,078</u> | <u>\$ 3,734,919</u> | <u>\$ 786,016</u> | <u>\$ 1,329,705</u> |

General Revenues:

Property taxes, levied for general purposes
Sales and use taxes
Franchise fees
State shared revenues not restricted to specific programs
Interest earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets - beginning
Net assets - ending

The accompanying notes to financial statements are an integral part of this financial statement.

**Net (Expense) Revenue and
Changes in Net Assets**

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (2,999,993) | \$ - | \$ (2,999,993) |
| (4,708,395) | - | (4,708,395) |
| (549,478) | - | (549,478) |
| (1,491,411) | - | (1,491,411) |
| (113,101) | - | (113,101) |
| (1,143,131) | - | (1,143,131) |
| (634,891) | - | (634,891) |
| <u>(11,640,400)</u> | <u>-</u> | <u>(11,640,400)</u> |
| - | (50,239) | (50,239) |
| - | (81,566) | (81,566) |
| - | (258,233) | (258,233) |
| - | <u>(390,038)</u> | <u>(390,038)</u> |
| <u>(11,640,400)</u> | <u>(390,038)</u> | <u>(12,030,438)</u> |
| 5,149,047 | - | 5,149,047 |
| 4,753,718 | - | 4,753,718 |
| 1,199,762 | - | 1,199,762 |
| 1,989,606 | - | 1,989,606 |
| 634,919 | 54,237 | 689,156 |
| 159,300 | - | 159,300 |
| <u>13,886,352</u> | <u>54,237</u> | <u>13,940,589</u> |
| 2,245,952 | (335,801) | 1,910,151 |
| 36,138,583 | 10,770,277 | 46,908,860 |
| <u>\$ 38,384,535</u> | <u>\$ 10,434,476</u> | <u>\$ 48,819,011</u> |

City of Sebastian, Florida
Balance Sheet
Governmental Funds
September 30, 2008

| | General | Discretionary Sales Tax | Riverfront Redevelopment | Transportation Improvements | Stormwater Utility Improvements |
|--------------------------------------|---------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,233,186 | \$ 226,402 | \$ 17,520 | \$ 178,843 | \$ 357,164 |
| Investments | 4,766,675 | 682,162 | - | 2,749,678 | 4,816,557 |
| Accounts receivables | 244,190 | - | - | - | - |
| Special assessments receivable | 3,849 | - | - | - | - |
| Due from other governments | 232,744 | 210,070 | - | 16,140 | 31,200 |
| Interest receivable | 1,769 | 1,319 | 23 | - | - |
| Inventory | 66,740 | - | - | - | - |
| Prepaid items | 114,788 | - | - | - | - |
| Advance to other funds | 200,000 | 285,000 | - | - | - |
| Total assets | <u>\$ 6,863,941</u> | <u>\$ 1,404,953</u> | <u>\$ 17,543</u> | <u>\$ 2,944,661</u> | <u>\$ 5,204,921</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 527,409 | \$ 8 | \$ 1,139 | \$ 139,191 | \$ 165,411 |
| Retainage payable | - | - | - | 8,312 | - |
| Due to other governments | 21,232 | - | - | - | - |
| Deferred revenues | 3,849 | - | - | - | - |
| Unearned revenues | 66 | - | - | - | - |
| Other deposits held in escrow | 3,203 | - | - | - | - |
| Total liabilities | <u>555,759</u> | <u>8</u> | <u>1,139</u> | <u>147,503</u> | <u>165,411</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrance | 8,473 | - | - | - | - |
| Advance to other funds | 200,000 | 285,000 | - | - | - |
| Debt service | - | - | - | - | - |
| Capital projects | - | - | - | 2,797,157 | 5,039,510 |
| Property and casualty | 100,000 | - | - | - | - |
| Cemetery care | - | - | - | - | - |
| Law enforcement | - | - | - | - | - |
| Emergency services | 350,000 | - | - | - | - |
| Equipment replacement | 81,400 | - | - | - | - |
| Unreserved: | | | | | |
| Designated for employee events | 8,367 | - | - | - | - |
| Designated for law enforcement | 25,086 | - | - | - | - |
| Undesignated, reported in: | | | | | |
| General fund | 5,534,856 | - | - | - | - |
| Special revenue funds | - | 1,119,945 | 16,404 | - | - |
| Total fund balances | <u>6,308,182</u> | <u>1,404,945</u> | <u>16,404</u> | <u>2,797,157</u> | <u>5,039,510</u> |
| Total liabilities and fund balances | <u>\$ 6,863,941</u> | <u>\$ 1,404,953</u> | <u>\$ 17,543</u> | <u>\$ 2,944,660</u> | <u>\$ 5,204,921</u> |

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

- Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.
 - Negative net pension obligation resulting from overfunding of the police officers' pension plan.
 - Accrued other post employment and termination benefits are not financial uses, therefore, are not reported in the funds.
 - Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.
 - Accrued long term debt interest expenses are not financial uses, therefore, are not reported in the funds.
 - Accrued arbitrage rebate is reported as liabilities.
 - Some interest receivables are not financial resources in the current period and, therefore, are not reported in the funds.
 - Special assessment receivables are not financial resources in the current period, therefore, are reported as deferred revenues.
- Net assets of governmental activities

The accompanying notes to financial statements are an integral part of this financial statement.

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 2,438,345 | \$ 4,451,460 |
| 1,470,200 | 14,485,272 |
| - | 244,190 |
| - | 3,849 |
| 57,967 | 548,121 |
| 2,830 | 5,941 |
| - | 66,740 |
| - | 114,788 |
| - | 485,000 |
| <u>\$ 3,969,342</u> | <u>\$ 20,405,361</u> |

| | |
|--------------|----------------|
| \$ 9,171 | \$ 842,329 |
| - | 8,312 |
| - | 21,232 |
| - | 3,849 |
| - | 66 |
| - | 3,203 |
| <u>9,171</u> | <u>878,991</u> |

| | |
|---------------------|-------------------|
| - | 8,473 |
| - | 485,000 |
| 424,782 | 424,782 |
| 439,327 | 8,275,994 |
| - | 100,000 |
| 771,927 | 771,927 |
| 51,947 | 51,947 |
| - | 350,000 |
| - | 81,400 |
| - | 8,367 |
| - | 25,086 |
| - | 5,534,856 |
| 2,272,188 | 3,408,537 |
| <u>3,960,171</u> | <u>19,526,369</u> |
| <u>\$ 3,969,342</u> | |

| |
|----------------------|
| 34,468,112 |
| 100,275 |
| (292,367) |
| (15,256,031) |
| (239,167) |
| (26,091) |
| 99,586 |
| 3,849 |
| <u>\$ 38,384,535</u> |

City of Sebastian, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2008

| | General | Discretionary Sales Tax | Riverfront Redevelopment | Transportation Improvements | Stormwater Utility Improvements |
|--|---------------------|----------------------------|-----------------------------|--------------------------------|---------------------------------------|
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Property | \$ 4,645,663 | \$ - | \$ 503,384 | \$ - | \$ - |
| Public utility | 2,250,781 | - | - | - | - |
| Sales | - | 2,502,937 | - | - | - |
| Motor fuel | - | - | - | - | - |
| Franchise fees | 1,199,762 | - | - | - | - |
| Licenses and permits | 163,471 | - | - | - | - |
| Intergovernmental | 2,141,810 | - | - | 161,400 | 352,992 |
| Impact fees | - | - | - | - | - |
| Charges for services | 319,123 | - | - | - | - |
| Fines | 46,132 | - | - | - | - |
| Investment earnings | 202,380 | 46,721 | 10,891 | 23,432 | 191,575 |
| Contributions and donations | 300,368 | - | - | - | - |
| Other revenue | 154,044 | - | 75 | - | - |
| Total revenues | 11,423,534 | 2,549,658 | 514,350 | 184,832 | 544,567 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 3,087,789 | - | - | - | - |
| Public safety | 4,677,533 | - | - | - | - |
| Physical environment | 1,368,507 | - | - | - | - |
| Transportation | 1,339,308 | - | - | - | - |
| Economic environment | - | - | 113,101 | - | - |
| Culture and recreation | 1,079,379 | - | - | - | - |
| Debt Service: | | | | | |
| Principal | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Capital outlay | 490,161 | - | 106,249 | 1,123,953 | 1,443,386 |
| Total expenditures | 12,042,677 | - | 219,350 | 1,123,953 | 1,443,386 |
| Excess (deficiency) of revenues over (under) expenditures | (619,143) | 2,549,658 | 295,000 | (939,121) | (898,819) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 536,538 | - | - | 1,795,812 | 1,318,444 |
| Transfers out | - | (3,556,652) | (634,561) | - | - |
| Total other financing sources (uses) | 536,538 | (3,556,652) | (634,561) | 1,795,812 | 1,318,444 |
| Net changes in fund balances | (82,605) | (1,006,994) | (339,561) | 856,691 | 419,625 |
| Fund balances - beginning | 6,390,787 | 2,411,939 | 355,965 | 1,940,466 | 4,619,885 |
| Fund balances - ending | \$ 6,308,182 | \$ 1,404,945 | \$ 16,404 | \$ 2,797,157 | \$ 5,039,510 |

The accompanying notes to financial statements are an integral part of this financial statement.

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ - | \$ 5,149,047 |
| - | 2,250,781 |
| - | 2,502,937 |
| 601,390 | 601,390 |
| - | 1,199,762 |
| - | 163,471 |
| 18,559 | 2,674,761 |
| 32,825 | 32,825 |
| 890,494 | 1,209,617 |
| 19,114 | 65,246 |
| 172,313 | 647,312 |
| 1,885 | 302,253 |
| 5,181 | 159,300 |
| <u>1,741,761</u> | <u>16,958,702</u> |
| - | 3,087,789 |
| 85 | 4,677,618 |
| 86 | 1,368,593 |
| 205,737 | 1,545,045 |
| - | 113,101 |
| - | 1,079,379 |
| 1,326,182 | 1,326,182 |
| 611,554 | 611,554 |
| 471,161 | 3,634,910 |
| <u>2,614,805</u> | <u>17,444,171</u> |
| <u>(873,044)</u> | <u>(485,469)</u> |
| 2,029,102 | 5,679,896 |
| <u>(1,488,683)</u> | <u>(5,679,896)</u> |
| 540,419 | - |
| <u>(332,625)</u> | <u>(485,469)</u> |
| 4,292,796 | 20,011,838 |
| <u>\$ 3,960,171</u> | <u>\$ 19,526,369</u> |

City of Sebastian, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2008

| | |
|---|--------------|
| Net change in fund balances - total governmental funds | \$ (485,469) |
| Amount reported for governmental activities in the statement of activities are different because: | |
| Some interest revenues reported in the statement of activities do not constitute current financial resources, therefore, are not reported as revenues in governmental funds. | 13,698 |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | 1,585,940 |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | (26,891) |
| An amount previously capitalized as construction in progress was expensed due to the project being cancelled. | (32,850) |
| Overfunded pension contributions are reported as expenditures in the fund financial statements and recorded as a net pension asset on the statement of net assets. | (21,637) |
| Repayment of bond principal, note principal, and capital lease principal are expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. | 1,326,182 |
| Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental funds. | (113,021) |
| Change in net assets of governmental activities | \$ 2,245,952 |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2008

Enterprise Funds

| | <u>Golf Course</u> | <u>Airport</u> | <u>Building</u> | <u>Totals</u> |
|---|--------------------|---------------------|-------------------|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 162,191 | \$ 477,977 | \$ 582,062 | \$ 1,222,230 |
| Investments | 2,525 | - | 397,072 | 399,597 |
| Restricted cash, cash equivalents and investments: | | | | |
| Revenue bond covenant accounts | 570,149 | - | - | 570,149 |
| Accounts receivable | - | 11,000 | - | 11,000 |
| Due from other governments | - | 47,865 | - | 47,865 |
| Interest receivable | 208 | 619 | 813 | 1,640 |
| Inventory | 9,796 | 22,217 | - | 32,013 |
| Prepaid items | 9,351 | 6,288 | 5,044 | 20,683 |
| Total current assets | <u>754,220</u> | <u>565,966</u> | <u>984,991</u> | <u>2,305,177</u> |
| Noncurrent assets: | | | | |
| Deferred charges | 27,794 | - | - | 27,794 |
| Capital assets: | | | | |
| Land | - | 9,060 | - | 9,060 |
| Buildings | 331,228 | 3,395,030 | - | 3,726,258 |
| Improvements other than buildings | 206,265 | 1,660,663 | - | 1,866,928 |
| Machinery and equipment | 360,060 | 501,988 | 60,527 | 922,575 |
| Infrastructure | 1,100,951 | 5,125,159 | - | 6,226,110 |
| Construction in process | - | 115,951 | - | 115,951 |
| Less accumulated depreciation | (1,267,969) | (1,603,808) | (28,904) | (2,900,681) |
| Total noncurrent assets | <u>758,329</u> | <u>9,204,043</u> | <u>31,623</u> | <u>9,993,995</u> |
| Total assets | <u>1,512,549</u> | <u>9,770,009</u> | <u>1,016,614</u> | <u>12,299,172</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 57,960 | 61,604 | 15,602 | 135,166 |
| Advance from other fund | - | 485,000 | - | 485,000 |
| Due to other governments | 6,795 | 1,233 | - | 8,028 |
| Unearned revenues | 62,549 | - | 76,804 | 139,353 |
| Accrued termination benefits | - | - | 12,342 | 12,342 |
| Compensated absences | 1,588 | 1,647 | 6,408 | 9,643 |
| Matured bonds payable | 280,000 | - | - | 280,000 |
| Total current liabilities | <u>408,892</u> | <u>549,484</u> | <u>111,156</u> | <u>1,069,532</u> |
| Non-current liabilities: | | | | |
| Accrued termination benefits | - | - | 7,097 | 7,097 |
| Compensated absences | 64,485 | 42,209 | 58,465 | 165,159 |
| Unfunded OPEB obligation | 6,854 | 17,743 | 12,360 | 36,957 |
| Rent concession liability | 11,000 | - | - | 11,000 |
| Bonds payable (net of unamortized premium and deferred amount on refunding) | 574,951 | - | - | 574,951 |
| Total non-current liabilities | <u>657,290</u> | <u>59,952</u> | <u>77,922</u> | <u>795,164</u> |
| Total liabilities | <u>1,066,182</u> | <u>609,436</u> | <u>189,078</u> | <u>1,864,696</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | (124,415) | 9,204,043 | 31,623 | 9,111,251 |
| Restricted for: | | | | |
| Debt service | 310,090 | - | - | 310,090 |
| Other purposes | 260,059 | - | - | 260,059 |
| Unrestricted (deficit) | 633 | (43,470) | 795,913 | 753,076 |
| Total net assets | <u>\$ 446,367</u> | <u>\$ 9,160,573</u> | <u>\$ 827,536</u> | <u>\$ 10,434,476</u> |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2008

| | Enterprise Funds | | | |
|--|-------------------|---------------------|-------------------|----------------------|
| | Golf Course | Airport | Building | Totals |
| Operating revenues: | | | | |
| Charges for fees and rents: | | | | |
| Building permit fees | \$ - | \$ - | \$ 347,189 | \$ 347,189 |
| Golf course fees pledged as security for revenue bonds | 1,400,163 | - | - | 1,400,163 |
| Rents | 29,308 | 294,211 | - | 323,519 |
| Other revenue | 8,762 | 225,854 | - | 234,616 |
| Total operating revenues | <u>1,438,233</u> | <u>520,065</u> | <u>347,189</u> | <u>2,305,487</u> |
| Operating expenses: | | | | |
| Salaries, wages and employee benefits | 367,819 | 234,405 | 435,882 | 1,038,106 |
| Contractual services, materials and supplies | 979,350 | 386,045 | 157,435 | 1,522,830 |
| Depreciation | 82,881 | 479,203 | 12,105 | 574,189 |
| Total operating expenses | <u>1,430,050</u> | <u>1,099,653</u> | <u>605,422</u> | <u>3,135,125</u> |
| Operating income (loss) | 8,183 | (579,588) | (258,233) | (829,638) |
| Nonoperating revenues (expenses): | | | | |
| Interest income | - | 2,768 | 33,953 | 36,721 |
| Interest income pledged as security for revenue bonds | 17,516 | - | - | 17,516 |
| Interest expense | (43,215) | - | - | (43,215) |
| Bond amortization expense | (13,897) | - | - | (13,897) |
| Gain on disposal of capital assets | - | 3,924 | - | 3,924 |
| Loss on disposal of capital assets | (1,310) | - | - | (1,310) |
| Total nonoperating revenues (expenses) | <u>(40,906)</u> | <u>6,692</u> | <u>33,953</u> | <u>(261)</u> |
| Income/(loss) before capital contributions and transfers | (32,723) | (572,896) | (224,280) | (829,899) |
| Capital contributions | - | 494,098 | - | 494,098 |
| Change in net assets | (32,723) | (78,798) | (224,280) | (335,801) |
| Total net assets - beginning | <u>479,090</u> | <u>9,239,371</u> | <u>1,051,816</u> | <u>10,770,277</u> |
| Total net assets - ending | <u>\$ 446,367</u> | <u>\$ 9,160,573</u> | <u>\$ 827,536</u> | <u>\$ 10,434,476</u> |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008

| | Enterprise Funds | | | |
|--|-------------------|-------------------|-------------------|---------------------|
| | Golf Course | Airport | Building | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers and users | \$ 1,431,642 | \$ 514,398 | \$ 411,116 | \$ 2,357,156 |
| Cash payments to suppliers | (953,343) | (415,883) | (157,468) | (1,526,694) |
| Cash payments for employee services | (357,710) | (219,011) | (448,984) | (1,025,705) |
| Net cash provided (used) by operating activities | <u>120,589</u> | <u>(120,496)</u> | <u>(195,336)</u> | <u>(195,243)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition and construction of capital assets | (26,945) | (519,115) | - | (546,060) |
| Proceeds from sale of assets | - | 3,924 | - | 3,924 |
| Receipt from capital grants | - | 656,567 | - | 656,567 |
| Receipt from advance from other fund | - | 285,000 | - | 285,000 |
| Principal paid on revenue bond maturities | (270,000) | - | - | (270,000) |
| Bond issuance costs | 7,525 | - | - | 7,525 |
| Interest paid on revenue bonds | (48,615) | - | - | (48,615) |
| Net cash provided (used) by capital and related financing activities | <u>(338,035)</u> | <u>426,376</u> | <u>-</u> | <u>88,341</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest on investments | 17,370 | 2,275 | 40,453 | 60,098 |
| Net cash provided by investing activities | <u>17,370</u> | <u>2,275</u> | <u>40,453</u> | <u>60,098</u> |
| Net increase (decrease) in cash and cash equivalents | (200,076) | 308,155 | (154,883) | (46,804) |
| Cash and cash equivalents, October 1 | 934,941 | 169,822 | 1,134,017 | 2,238,780 |
| Cash and cash equivalents, September 30 | <u>\$ 734,865</u> | <u>\$ 477,977</u> | <u>\$ 979,134</u> | <u>\$ 2,191,976</u> |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008
(Continued)

| | Enterprise Funds | | | |
|---|-------------------|---------------------|---------------------|---------------------|
| | Golf Course | Airport | Building | Totals |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 8,183 | \$ (579,588) | \$ (258,233) | \$ (829,638) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 82,881 | 479,203 | 12,105 | 574,189 |
| (Increase) Decrease in assets: | | | | |
| Accounts receivable | - | 4,896 | - | 4,896 |
| Prepaid expenses | (2,542) | 1,623 | 7 | (912) |
| Inventories | 378 | 4,886 | - | 5,264 |
| Increase (Decrease) in liabilities: | | | | |
| Accounts payable | 30,656 | (36,026) | (40) | (5,410) |
| Due to other governments | (484) | (321) | - | (805) |
| Rent concession liability | (2,000) | - | - | (2,000) |
| Accrued termination benefits | - | - | (18,550) | (18,550) |
| Accrued compensated absences | 9,343 | 13,704 | 4,311 | 27,358 |
| Accrued OPEB liability | 765 | 1,690 | 1,137 | 3,592 |
| Unearned revenues | (6,591) | (10,563) | 63,927 | 46,773 |
| Total adjustments | 112,406 | 459,092 | 62,897 | 634,395 |
| Net cash provided (used) by operating activities | <u>\$ 120,589</u> | <u>\$ (120,496)</u> | <u>\$ (195,336)</u> | <u>\$ (195,243)</u> |
| Cash and cash equivalents reconciliation: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 162,191 | \$ 477,977 | \$ 582,062 | \$ 1,222,230 |
| Investments | 2,525 | - | 397,072 | 399,597 |
| Restricted asset: | | | | |
| Investments | 570,149 | - | - | 570,149 |
| Cash and cash equivalents at September 30 | <u>\$ 734,865</u> | <u>\$ 477,977</u> | <u>\$ 979,134</u> | <u>\$ 2,191,976</u> |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

| | Pension Trust Police Officers' Pension | Agency Performance Deposits |
|------------------------------------|--|---------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 436,731 | \$ 408,710 |
| Interest and dividends receivable | 32,390 | - |
| Investments, at fair value: | | |
| United States treasuries | 398,420 | - |
| United States agency notes | 1,051,396 | - |
| Domestic corporate bonds | 799,081 | - |
| Domestic corporate equities | 2,756,798 | - |
| Total investments | 5,005,695 | - |
| Total assets | 5,474,816 | 408,710 |
| LIABILITIES | | |
| Refunds payable | - | 408,710 |
| Total liabilities | - | 408,710 |
| NET ASSETS | | |
| Held in trust for pension benefits | \$ 5,474,816 | \$ - |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund - Pension Trust
For the Year Ended September 30, 2008

| | | Police Officers' Pension |
|---|----|--------------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ | 376,769 |
| Plan members | | 108,051 |
| State | | 122,800 |
| Total contributions | | 607,620 |
| Investment earnings: | | |
| Net decrease in fair value of investments | | (784,607) |
| Interest and dividends | | 193,805 |
| Total investment earnings | | (590,802) |
| Less investment expenses | | (33,833) |
| Net investment earnings | | (624,635) |
| Total additions | | (17,015) |
| DEDUCTIONS | | |
| Benefits | | 105,203 |
| Refunded contributions | | 21,463 |
| Administrative expenses | | 18,279 |
| Total deductions | | 144,945 |
| Change in net assets | | (161,960) |
| Net assets - beginning of year | | 5,636,776 |
| Net assets - end of year | \$ | 5,474,816 |

The accompanying notes to financial statements are an integral part of this financial statement.

City of Sebastian, Florida
Notes to the Financial Statements
September 30, 2008

I. 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 22,924 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 U.S. generally accepted accounting principles as applied to governmental units. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating the City as a reporting entity, management has included all component units in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "Defining the Financial Reporting Entity" and Statement No. 39 – an amendment of GASB No. 14. The Financial Reporting Entity consists of the City of Sebastian (the primary government) and its blended component units. Blended component units are legally separate organizations for which the City Council is financially accountable. The component units discussed below are included in the City's reporting entity.

Blended Component Units

The following component units are blended with the primary government for financial statement purposes because the component unit's governing body is substantially the same as the City Council or because the component unit exclusively serves the City. The financial statements of these component units may be obtained from the Finance Department of the City of Sebastian.

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its blended 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.

Separate fund 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.

GASB Statement No. 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Economic Resources Measurement Focus and Accrual Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. This means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions as amended by GASB Statement No. 36, Recipient Reporting of Certain Shared Nonexchange Revenues (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide 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*.

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 golf course fund and the building fund are charges to customers for services and for the airport fund lease revenue. Operating expenses for enterprise funds include 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.

The agency fund reports only assets and liabilities; therefore, it does not have a measurement focus. However, it uses the accrual basis of accounting to recognize receivables and payables.

2. Modified Accrual

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. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period except grant revenues. The City considers grant revenues to be available if they are collected within one year of the end of the current fiscal period. All material revenues, except for occupational licenses and property taxes, are considered measurable and available and are thus susceptible to accrual. Occupational licenses are not considered available since neither a legally enforceable claim exists nor were the related services provided before October 1, 2007. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. An exception to this general rule is principal and interest on general long-term obligations, which are recognized when due.

Property taxes, public utility taxes, franchise fees, sales and fuel taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for 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.

The *transportation improvements fund* accounts for transportation related construction such as, roads, intersections, and sidewalks and is funded with governmental resources, impact fees, local option gas tax, and state grants.

The *stormwater utility improvements fund* accounts for the resources associated with debt and stormwater assessment fees for the purpose of constructing stormwater related improvements.

The government reports the following major proprietary funds:

The *golf course fund* accounts for the activities of the municipal golf course.

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

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

Additionally, the government reports the following fund types:

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 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.

D. Assets, Liabilities and Fund Equity

1. Cash and cash equivalents

Cash and cash equivalents represents all investments that are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents consist of cash in banks and on hand.

2. Investments

Investments consist of U.S. Treasury Securities, U.S. Government Agency Securities, common stock, guaranteed investment contracts and the Local Government Surplus Funds Trust Fund Investment pool (Pool). 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. 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 of the Pool 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. Except for the Pool, investments, including the Police Officers' Pension Fund, are reported at their fair value based on the quoted market price or the best available information.

3. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Due to and from other funds are eliminated in the Statement of Net Assets. There were no interfund loans between the Governmental funds and Proprietary funds as of September 30, 2008.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. As of September 30, 2008, the airport fund has been advanced \$200,000 from the general fund and \$285,000 from the discretionary sales tax fund.

4. Receivables

Receivables consist of trade receivables, due from other governments and interest receivable (see Note IV.C. on page 39 for detail) and are recorded at the net realizable value. The City, as of September 30, 2008, has no allowance for doubtful accounts, since all receivables are considered collectible.

5. Inventory and Prepaid Items

Inventory is 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 government-wide and fund financial statements.

6. Restricted Assets

Certain net assets of the City are classified as restricted assets on the statement of net assets because their use is limited either by law through constitutional provision or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets and then from unrestricted net assets.

7. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are expensed.

All infrastructure assets acquired prior to the implementation of GASB Statement 34 were capitalized as projects and were completed or assets were acquired. Therefore, the initial capitalization of general infrastructure assets was not necessary.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

| <u>Classification</u> | <u>Range of Lives</u> |
|-----------------------------------|-----------------------|
| Buildings and improvements | 10-40 years |
| Public domain infrastructure | 40-50 years |
| System infrastructure | 15-30 years |
| Improvements other than buildings | 10-40 years |
| Machinery, equipment and other | 5-15 years |
| Airport runways | 20 years |

8. 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.

9. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt 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.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The nature and purpose of these reserves are explained as follows:

- Reserved for encumbrance* – represents encumbrances outstanding at year end that the City intends to honor as commitments.
- Reserved for debt service* – represents, in accordance with legal restrictions, amounts for payment of principal and interest maturing in later years.
- Reserved for capital projects* – represents amounts restricted for capital projects.
- Reserved for property and casualty* – represents amounts restricted for property and casualty claims.
- Reserved for cemetery care* – represents amounts restricted for use in cemetery maintenance.
- Reserved for law enforcement* – represents, in accordance with State Statutes, funds required to be spent on drug education and awareness activities.
- Reserved for emergency services* – represents amount restricted for natural disasters.
- Reserved for equipment replacement* – represents amounts restricted for the replacement of capital assets.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds that are not earmarked for specific purposes.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets.

“Total fund balances” of the City’s governmental funds (\$19,526,369) differs from “net assets” of governmental activities (\$38,384,535) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

Capital related items

When capital assets (property, plant, equipment) that are to be used in the governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the City as a whole.

| | |
|--------------------------|----------------------|
| Cost of capital assets | \$ 53,175,418 |
| Accumulated depreciation | (18,707,306) |
| Total | <u>\$ 34,468,112</u> |

Net pension obligation

When net pension obligation is a negative amount, the amount is presented as an asset on the statement of net assets.

| | |
|---------------------------------|-------------------|
| Negative net pension obligation | <u>\$ 100,275</u> |
|---------------------------------|-------------------|

Other post employment and termination benefits

Accrued other post employment and termination benefits are not financial uses, therefore, are not reported in the fund.

| | |
|--------------------------------|---------------------|
| Other post employment benefits | \$ (275,829) |
| Termination benefits | (16,538) |
| Total | <u>\$ (292,367)</u> |

Long-term debt transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2008 were:

| | | |
|--|----------------|-----------------------|
| Bonds payable: | | |
| Infrastructure sales surtax revenue bonds, Series 2003 | \$(6,840,000) | |
| Less: Deferred charge for issuance costs | <u>185,184</u> | \$(6,654,816) |
| Infrastructure sales surtax revenue bonds, Series 2003A | (1,605,000) | |
| Less: Deferred charge for issuance costs | <u>72,443</u> | (1,532,557) |
| Stormwater utility revenue bonds, Series 2003 | (4,570,000) | |
| Less: Deferred charge for issuance costs | 149,059 | |
| Less: Deferred charge for bond discounts | <u>11,249</u> | (4,409,692) |
| Notes payable | (1,333,197) | |
| Less: Deferred charge for issuance costs | <u>3,738</u> | (1,329,459) |
| Contamination liability | | (91,200) |
| Compensated absences | | <u>(1,238,307)</u> |
| Total | | <u>\$(15,256,031)</u> |

Accrued interest

Accrued liabilities in the statement of net assets differs from the amount reported in governmental funds due to accrued interest on bonds payable and notes payable.

| | |
|-------|--------------------|
| Bonds | \$ (233,618) |
| Notes | <u>(5,549)</u> |
| Total | <u>\$(239,167)</u> |

Arbitrage rebate

Accrued liabilities in the statement of net assets differs from the amount reported in governmental funds due to accrued arbitrage rebate on invested bond proceeds.

| | |
|--------------------------|-------------------|
| Arbitrage rebate payable | <u>\$(26,091)</u> |
|--------------------------|-------------------|

Accrued receivable

Some interest receivables are not financial resources in the current period, therefore, are not reported in the funds.

| | |
|----------------------|------------------|
| Interest receivables | \$ <u>99,586</u> |
|----------------------|------------------|

Deferred revenues

Deferred revenues in the statement of net assets differ from the amount reported in the governmental funds due to special assessment receivables. Governmental fund financial statements report unearned revenues or revenues which are measurable but not available as deferred revenues. However, deferred revenues in governmental funds are susceptible to full accrual on government-wide financial statements.

| | |
|---------------------------|-----------------|
| Deferred revenues reduced | <u>\$ 3,849</u> |
|---------------------------|-----------------|

B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The "net change in fund balances" for governmental funds (a decrease of \$485,469) differs from the "change in net assets" for governmental activities (an increase of \$2,245,952) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Interest receivables

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

| | |
|-------------------|-----------|
| Interest earnings | \$ 13,698 |
|-------------------|-----------|

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

| | |
|----------------------|---------------------|
| Capital outlay | \$ 3,634,910 |
| Depreciation expense | <u>(2,048,970)</u> |
| Difference | <u>\$ 1,585,940</u> |

In the statement of activities, the gain and loss on the sale and disposal of capital assets are reported. However, in the governmental funds, only the proceeds from the sale increase financial resources.

| | |
|----------------------------------|-------------|
| Loss on disposal of fixed assets | \$ (26,891) |
|----------------------------------|-------------|

During the year, a charge for engineering services previously capitalized as construction in progress was expensed due to the project being cancelled.

| | |
|--|-------------|
| Reclassification of construction in progress to expenditures | \$ (32,850) |
|--|-------------|

Pension obligation

When net pension obligation is a negative amount, the amount represents over funding and reduces the expenses in the statement of activities.

| | |
|---|--------------------|
| Decrease in negative net pension obligation | <u>\$ (21,637)</u> |
|---|--------------------|

Long-term debt transactions

Repayments of bond principal, notes payable principal, and capital lease principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

| | |
|--------------------------------------|---------------------|
| Bond principal payment made | \$ 945,000 |
| Notes payable principal payment made | 233,643 |
| Capital lease principal payment made | <u>147,539</u> |
| Total | <u>\$ 1,326,182</u> |

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

| | |
|--|---------------------|
| Accrued arbitrage expense | \$ (26,091) |
| Net change in compensated absences | (60,082) |
| Net accrued bond interest expense | 13,138 |
| Net accrued notes interest expense | 972 |
| Net accrued capital lease interest expense | 3,803 |
| Amortization of issuance costs | (41,250) |
| Other post employment benefits | (27,352) |
| Termination benefits | 23,841 |
| Net adjustment | <u>\$ (113,021)</u> |

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. (See page 52 through page 54)

IV. DETAIL NOTES ON ALL FUNDS

A. Deposits

At September 30, 2008, the carrying amount of the City of Sebastian's deposits with banks was \$5,809,865 and the bank balance was \$5,768,414. 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.

B. 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 to protect City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds. Pension Trust Funds are held with third party trustees and are governed by rules established by Florida Statute Chapter 185.

Investment holdings consist of \$2,982,410 in United States Government Agencies which are 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 are held in trust by the City's bank depository in the City's name.

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 has a formal investment policy that 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, 2008, the City had the following investments and effective duration presented in terms of years:

| Investment Type | Fair Value | Less Than 1 | Investment Maturity (Year) | | |
|---|----------------------|----------------------|----------------------------|-------------------|---------------------|
| | | | From 1-3 | From 4-6 | Over 7 |
| Government-wide | | | | | |
| United States Treasuries | \$ 1,999,900 | \$ 1,999,900 | \$ - | \$ - | \$ - |
| U.S Agencies | 2,982,410 | 2,982,410 | - | - | - |
| Guaranteed investment contract | 3,726,284 | 3,726,284 | - | - | - |
| Certificate of deposit | 1,540,759 | 998,684 | 542,075 | - | - |
| Local government surplus fund trust fund investment pool | 5,475,664 | 5,475,664 | - | - | - |
| | <u>15,725,017</u> | <u>15,182,942</u> | <u>542,075</u> | <u>-</u> | <u>-</u> |
| Fiduciary Funds | | | | | |
| United States Treasuries | 398,420 | 302,064 | - | - | 96,356 |
| United States Agencies | 1,051,396 | 65,366 | 208,412 | 71,138 | 706,480 |
| Domestic corporate bonds | 799,081 | - | 203,733 | 372,606 | 222,742 |
| Domestic corporate equities | 2,756,798 | 2,756,798 | - | - | - |
| | <u>5,005,695</u> | <u>3,124,228</u> | <u>412,145</u> | <u>443,744</u> | <u>1,025,578</u> |
| Total fair value | <u>\$ 20,730,712</u> | <u>\$ 18,307,170</u> | <u>\$ 954,220</u> | <u>\$ 443,744</u> | <u>\$ 1,025,578</u> |

Interest receivable on the government-wide and fiduciary investment portfolios amounted to \$99,586 and \$32,390, respectively, as of September 30, 2008.

Interest Rate Risk

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

Credit Risk

The City investment policy permits for investments in the following investments, which are limited to credit quality ratings from nationally recognized agencies as follows:

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

As of September 30, 2008, the City's investment securities were all individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

On October 1, 2007, the city had \$9,096,573 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk.

On December 4, 2007, the Pool was restructured into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that had either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. Initially, participants were limited on the amounts that could be withdrawn from Pool A without penalty but full liquidity was restored subsequent to year end. Pool B participants are still prohibited from making withdrawals. Market valuations of the assets held in Pool B are not readily available and full realization of the principle value of Pool B assets is not readily determinable.

As of September 30, 2008, the city has \$5,041,473 invested in Pool A and \$434,191 invested in Pool B. Pool A had a rating by Standard and Poor's Rating Services as "AAAM" on September 30, 2008. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

The City's \$3,726,284 guaranteed investment contract represents the investment of construction funds, which has a term appropriate to the need for funds and in accordance with debt covenants. The investment contract is with Royal Bank of Canada, which is Aa1/AA-rated Company. The investment was unrated as of September 30, 2008.

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. The allowable investment instruments include United States Government Obligations, Certificates of Deposit, and Repurchase Agreements with major money center banks, Commercial Paper rated A-1 by Standard & Poor's or P-1 by Moody's or better, with the exception of the custodian's savings account. In addition, common stocks and equity securities having prospects of attractive returns from a combination of appreciation are also allowed.

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.

As of September 30, 2008, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

Concentration of Credit Risk

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

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

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

As of September 30, 2008, the City had the following issuer concentration based on fair value:

| Issuer | Government-wide | | Fiduciary Funds | |
|---|----------------------|-------------------------|---------------------|-------------------------|
| | Amount | Percentage of Portfolio | Amount | Percentage of Portfolio |
| Local government surplus funds trust fund ("SBA") | \$ 5,475,664 | 34.82% | \$ - | 0.00% |
| United States Treasuries | 1,999,900 | 12.72% | 398,420 | 7.96% |
| United States Agencies | 2,982,410 | 18.97% | 1,051,396 | 21.01% |
| Guaranteed investment contract | 3,726,284 | 23.70% | - | 0.00% |
| Certificate of deposit | 1,540,759 | 9.80% | - | 0.00% |
| Domestic corporate bonds | - | 0.00% | 799,081 | 15.96% |
| Domestic corporate equities | - | 0.00% | 2,756,798 | 55.07% |
| Total | \$ 15,725,017 | 100.00% | \$ 5,005,695 | 100.00% |

C. Receivable and Payable Balances

Receivables

Receivables at September 30, 2008 were as follows:

| | Interest Receivable | Accounts Receivable | Due From Other Governments | Total |
|---|------------------------|------------------------|----------------------------------|-------------------|
| Governmental activities: | | | | |
| General | \$ 101,355 | \$ 244,190 | \$ 232,744 | \$ 578,289 |
| Discretionary sales tax | 1,319 | - | 210,070 | 211,389 |
| Riverfront redevelopment | 23 | - | - | 23 |
| Transportation improvements | - | - | 16,140 | 16,140 |
| Stormwater utility improvements | - | - | 31,200 | 31,200 |
| Other governmental | 2,830 | - | 57,967 | 60,797 |
| Total - governmental activities | \$ 105,527 | \$ 244,190 | \$ 548,121 | \$ 897,838 |
| Business-type activities: | | | | |
| Golf course | \$ 208 | \$ - | \$ - | \$ 208 |
| Airport | 619 | 11,000 | 47,865 | 59,484 |
| Building | 813 | - | - | 813 |
| Total - business-type activities | \$ 1,640 | \$ 11,000 | \$ 47,865 | \$ 60,505 |

All receivables are anticipated to be collected.

Payables

Payables at September 30, 2008 were as follows:

| | Vendors | Retainage | Salaries and Benefits | Due to Other Government | Total |
|---|-------------------|-----------------|-----------------------------|-------------------------------|-------------------|
| Governmental activities: | | | | | |
| General | \$ 235,324 | \$ - | \$ 383,190 | \$ 47,418 | \$ 665,932 |
| Discretionary sales tax | 8 | - | - | - | 8 |
| Riverfront redevelopment | 1,139 | - | - | - | 1,139 |
| Transportation Improvements | 139,191 | 8,312 | - | - | 147,503 |
| Stormwater utility improvements | 165,411 | - | - | - | 165,411 |
| Other governmental | 9,171 | - | - | - | 9,171 |
| Total - governmental activities | \$ 550,244 | \$ 8,312 | \$ 383,190 | \$ 47,418 | \$ 989,164 |
| Business-type activities: | | | | | |
| Golf course | \$ 25,113 | \$ - | \$ 15,002 | \$ 6,795 | \$ 46,910 |
| Airport | 52,771 | - | 8,833 | 1,233 | 62,837 |
| Building | 976 | - | 14,626 | - | 15,602 |
| Total - business-type activities | \$ 78,860 | \$ - | \$ 38,461 | \$ 8,028 | \$ 125,349 |

Governmental funds report deferred *revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2008, the various components of *deferred revenues* and *unearned revenue* reported in the governmental funds were as follows:

| | Deferred Revenues | Unearned Revenues |
|---|----------------------|----------------------|
| Special assessments not yet due (General fund) | \$ 3,849 | \$ - |
| Local business taxes received in advance (General Fund) | - | 66 |
| Total deferred/unearned revenue for governmental funds | \$ 3,849 | \$ 66 |

D. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|----------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 5,696,946 | \$ - | \$ - | \$ 5,696,946 |
| Construction in progress | 2,692,704 | 784,644 | (1,956,783) | 1,520,565 |
| Total capital assets, not being depreciated | 8,389,650 | 784,644 | (1,956,783) | 7,217,511 |
| Capital assets, being depreciated: | | | | |
| Buildings | 10,996,497 | 163,757 | (1,515) | 11,158,739 |
| Improvements other than buildings | 4,970,638 | 178,629 | - | 5,149,267 |
| Machinery and equipment | 6,820,051 | 812,594 | (241,893) | 7,390,752 |
| Infrastructure | 18,677,191 | 3,619,219 | (37,261) | 22,259,149 |
| Total capital assets being depreciated | 41,464,377 | 4,774,199 | (280,669) | 45,957,907 |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,911,637) | (377,789) | 1,515 | (2,287,911) |
| Improvements other than buildings | (1,400,700) | (249,943) | - | (1,650,643) |
| Machinery and equipment | (5,032,429) | (629,656) | 220,831 | (5,441,254) |
| Infrastructure | (8,567,348) | (791,582) | 31,432 | (9,327,498) |
| Total accumulated depreciation | (16,912,114) | (2,048,970) | 253,778 | (18,707,306) |
| Total capital assets, being depreciated, net | 24,552,263 | 2,725,229 | (26,891) | 27,250,601 |
| Governmental activities capital assets, net | \$ 32,941,913 | \$ 3,509,873 | \$ (1,983,674) | \$ 34,468,112 |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 9,060 | \$ - | \$ - | \$ 9,060 |
| Construction in progress | 1,300,434 | 47,052 | (1,231,535) | 115,951 |
| Total capital assets, not being depreciated | 1,309,494 | 47,052 | (1,231,535) | 125,011 |
| Capital assets, being depreciated: | | | | |
| Buildings | 3,232,472 | 493,786 | - | 3,726,258 |
| Improvements other than buildings | 1,216,078 | 650,850 | - | 1,866,928 |
| Machinery and equipment | 804,465 | 159,879 | (41,769) | 922,575 |
| Infrastructure | 5,817,369 | 408,741 | - | 6,226,110 |
| Total capital assets being depreciated | 11,070,384 | 1,713,256 | (41,769) | 12,741,871 |
| Less accumulated depreciation for: | | | | |
| Buildings | (398,903) | (96,493) | - | (495,396) |
| Improvements other than buildings | (267,707) | (96,747) | - | (364,454) |
| Machinery and equipment | (508,012) | (96,189) | 40,459 | (563,742) |
| Infrastructure | (1,192,329) | (284,760) | - | (1,477,089) |
| Total accumulated depreciation | (2,366,951) | (574,189) | 40,459 | (2,900,681) |
| Total capital assets, being depreciated, net | 8,703,433 | 1,139,067 | (1,310) | 9,841,190 |
| Business-type activities capital assets, net | \$ 10,012,927 | \$ 1,186,119 | \$ (1,232,845) | \$ 9,966,201 |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 323,931 |
| Public safety | 446,156 |
| Transportation | 510,584 |
| Physical environment | 433,265 |
| Cultural and recreation | 335,034 |
| Total depreciation expense-governmental activities | <u>\$ 2,048,970</u> |
| Business-type activities: | |
| Golf Course | \$ 82,881 |
| Airport | 479,203 |
| Building | 12,105 |
| Total depreciation expense-business-type activities | <u>\$ 574,189</u> |

Construction Commitments

The City has various construction commitments outstanding at September 30, 2008. The major commitments include the following:

| <u>Project</u> | <u>Spent-to date</u> | <u>Remaining Commitment</u> | <u>Major Funding Source</u> |
|--------------------------------|----------------------|---------------------------------|---------------------------------|
| Pedestrian Bridges | \$ 150,211 | \$ 476,084 | DST (Discretionary Sales Tax) |
| Easy Street Renovations | 720,163 | 203,782 | Local Option Gas Tax and DST |
| 1/4 Round Swale Rehabilitation | 534,719 | 226,636 | DST (Discretionary Sales Tax) |
| Total | <u>\$ 1,405,093</u> | <u>\$ 906,502</u> | |

E. Advances

Advance balances at September 30, 2008 consisted of the following amounts:

| | |
|---|-------------------|
| Advance from General Fund to the Airport Fund | \$ 200,000 |
| Advance from Discretionary Sales Tax Fund to the Airport Fund | 285,000 |
| Total | <u>\$ 485,000</u> |

The balance of \$285,000 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. The balance of \$200,000 advanced to the airport from general fund represents a cash loan made in 2007 without any specified terms for repayment.

F. Interfund Transfers

Transfers are used to 1) move revenues from the fund that statute or budget requires them to be collected in to the fund that statute or budget requires for the to be expended in, and 2) utilize discretionary sales tax revenues for infrastructure improvements and equipment purchases which must be accounted for in other funds. Following is a schedule of Interfund Transfers:

| | <u>Transfer Out:</u> | | | |
|---------------------------------|---|-------------------------------------|--|---------------------|
| | <u>Discretionary Sales Tax Fund</u> | <u>Riverfront Redevelopment</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
| <u>Transfers In:</u> | | | | |
| General Fund | \$ - | \$ - | \$ 536,538 | \$ 536,538 |
| Transportation Improvements | 581,251 | 619,561 | 595,000 | 1,795,812 |
| Stormwater Utility Improvements | 1,318,444 | - | - | 1,318,444 |
| Nonmajor Governmental Funds | 1,656,957 | 15,000 | 2,029,102 | 3,701,059 |
| Total Transfers Out | <u>\$ 3,556,652</u> | <u>\$ 634,561</u> | <u>\$ 3,160,640</u> | <u>\$ 7,351,853</u> |

G. Leases

1. Operating Leases-Lessee

The City is obligated under certain leases for land and golf carts accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Total costs for such leases were \$238,835 for the fiscal year ended September 30, 2008. The following is a schedule by years for future minimum rental payments required under operating leases in the Golf Course Proprietary fund that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2008:

| Year Ending September 30, | Golf Course | |
|---------------------------|---------------------|-------------------|
| | Airport | Golf Carts |
| 2009 | 175,000 | 71,820 |
| 2010 | 175,000 | 132,075 |
| 2011 | 250,000 | - |
| 2012 | 250,000 | - |
| 2013 | 250,000 | - |
| 2014-2015 | 500,000 | - |
| Totals | \$ 1,600,000 | \$ 203,895 |

2. Capital Leases-Lessee

The City has entered into a lease agreement as lessee for financing the acquisition of heavy construction equipment for its public works department. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The property being leased is included in the statement of net assets governmental activities column and has a cost of \$859,859 and a carrying value of \$135,132. For fiscal year 2008, total depreciation expense for the leased equipment is \$52,487. The assets acquired through the capital lease are as follows:

| Asset: | Activities |
|--------------------------------|-------------------|
| Machinery and equipment | \$ 859,859 |
| Less: Accumulated depreciation | (724,727) |
| Total | \$ 135,132 |

The final lease payment was made during the year ending September 30, 2008.

3. Operating Leases-Lessor

The City is the lessor in two communication tower leases with lease terms of up to fifty-five years. The tower has a cost of \$39,285 and a carrying value of \$8,675. For fiscal year 2008, total depreciation expense for the leased tower is \$1,865. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

| Year Ending September 30, | Governmental Activities |
|-------------------------------------|-------------------------|
| 2009 | 59,798 |
| 2010 | 60,967 |
| 2011 | 62,182 |
| 2012 | 66,326 |
| 2013 | 67,641 |
| 2014-2018 | 366,751 |
| 2019-2023 | 377,361 |
| 2023-2027 | 365,905 |
| 2028-2032 | 427,652 |
| 2033-2037 | 502,777 |
| 2038-2042 | 594,178 |
| 2043-2047 | 705,381 |
| 2048-2052 | 840,676 |
| 2053-2055 | 380,518 |
| Total minimum future rentals | \$ 4,878,113 |

The airport is the lessor of various properties (land with a cost basis of \$9,060) with lease terms varying from twenty to thirty years. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

| <u>Year Ending September 30,</u> | <u>Business-type Activities</u> |
|----------------------------------|-------------------------------------|
| 2009 | 284,847 |
| 2010 | 287,636 |
| 2011 | 365,594 |
| 2012 | 368,895 |
| 2013 | 371,920 |
| 2014-2018 | 1,111,108 |
| 2019-2023 | 623,435 |
| 2024-2028 | 715,189 |
| 2029-2033 | 718,848 |
| 2034-2038 | 233,192 |
| Total minimum future rentals | <u>\$ 5,080,664</u> |

H. Long-term Obligations

1. Revenue Bonds/Notes

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

- a. The City entered into a fifteen (15) year loan agreement in 1998 with a local bank for \$3,268,890 to provide financing to repave certain roads in the City. The City pledged Local Option Gas Tax and Municipal Gas Tax to repay the note payable. The funds are accumulated in the Local Option Gas Tax Special Revenue fund for repayment of principal and interest.
- b. The City issued a ten (10) year, \$2,435,000 Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 in March 2001. The City has pledged Golf Course revenues along with a covenant to budget and appropriate for repayment of principal and interest.
- c. The City issued a fifteen (15) year, \$9,500,000 Infrastructure Sales Surtax Revenue Bonds, Series 2003 in April 2003. The City has pledged Infrastructure Sales Surtax revenues for repayment of principal and interest.
- d. The City issued a fifteen (15) year, \$2,125,000 Infrastructure Sales Surtax Revenue Bonds, Series 2003A in December 2003. The City has pledged Infrastructure Sales Surtax revenues for repayment of principal and interest.
- e. The City issued a nineteen (19) year, \$5,630,000 Stormwater Utility Revenue Bonds, Series 2003 in November 2003. The City has pledged Stormwater Fee Revenues along with a covenant to budget and appropriate for repayment of principal and interest.

2. Bond Coverage

- a. The City has covenanted in the Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 Bond Resolution to fix, establish and maintain such rates, fees, rentals and other charges and collect such fees, rates, rentals, and other charges for the product, services, facilities and use of its facilities, and revise the same from time to time, whenever necessary, as will always provide in each fiscal year net revenues equal to at least one hundred twenty-five percent (125%) of the annual debt service becoming due in such fiscal year.

The following table indicates the degree of compliance with the bond resolution covenants in the Golf Course Fund at September 30, 2008.

| | |
|--|-------------------|
| Gross revenues available for compliance (charges for services, interest, and rent revenues) | \$ 1,455,749 |
| Operating and maintenance expenses (excluding depreciation expense, amortization, and airport lease payment) | <u>1,174,169</u> |
| Amount of revenue over direct operating expenses | <u>\$ 281,580</u> |
| Debt service requirement | <u>\$ 311,090</u> |
| Percent coverage for the year ended September 30, 2008 | <u>91%</u> |

City management continues to monitor the Golf Course operation and intends to develop recommendations that could resolve the deficiency in the bond coverage requirement.

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

The following table indicates the degree of compliance with the bond resolution covenants in the stormwater utility fund at September 30, 2008.

| | |
|--|-------------------|
| Gross revenues available for compliance | <u>\$ 856,568</u> |
| Debt service requirement | <u>\$ 436,873</u> |
| Percent coverage for the year ended September 30, 2008 | <u>196%</u> |

3. Changes in Long-term Liabilities

The following is a summary of changes in Long-Term Liabilities of the City for the year ended September 30, 2008:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|----------------------|-------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| Infrastructure Sales Surtax Revenue Bonds, Series 2003 | \$ 7,405,000 | \$ - | \$ 565,000 | \$ 6,840,000 | \$ 585,000 |
| Infrastructure Sales Surtax Revenue Bonds, Series 2003A | 1,740,000 | - | 135,000 | 1,605,000 | 135,000 |
| Stormwater Utility Revenue Bonds, Series 2003 | 4,815,000 | - | 245,000 | 4,570,000 | 255,000 |
| Less deferred amount: | | | | | |
| Issuance discount- Stormwater Utility Revenue Bonds, Series 2003 | (12,082) | - | (833) | (11,249) | - |
| Total bonds payable | <u>13,947,918</u> | <u>-</u> | <u>944,167</u> | <u>13,003,751</u> | <u>975,000</u> |
| Notes payable | 1,566,840 | - | 233,643 | 1,333,197 | 243,994 |
| Capital leases | 147,539 | - | 147,539 | - | - |
| Compensated absences | 1,178,225 | 576,305 | 516,223 | 1,238,307 | 111,115 |
| Unfunded OPEB obligation | 248,477 | 27,352 | - | 275,829 | - |
| Termination benefits | 40,379 | - | 23,841 | 16,538 | 8,796 |
| Governmental activity long-term liabilities | <u>\$ 17,129,378</u> | <u>\$ 603,657</u> | <u>\$ 1,865,413</u> | <u>\$ 15,867,622</u> | <u>\$ 1,338,905</u> |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|----------------------|------------------|-------------------|---------------------|------------------------|
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 | \$ 1,140,000 | \$ - | \$ 270,000 | \$ 870,000 | \$ 280,000 |
| Less deferred amount: | | | | | |
| Issuance premium | 2,392 | - | 798 | 1,594 | - |
| Loss on refunding | (24,966) | - | (8,323) | (16,643) | - |
| Total bonds payable | 1,117,426 | - | 262,475 | 854,951 | 280,000 |
| Compensated absences | 147,444 | 68,054 | 40,696 | 174,802 | 9,643 |
| Unfunded OPEB obligation | 33,365 | 3,592 | - | 36,957 | - |
| Termination benefits | 37,663 | - | 18,224 | 19,439 | 12,342 |
| Business-type activity long-term liabilities | <u>\$ 1,335,898</u> | <u>\$ 71,646</u> | <u>\$ 321,395</u> | <u>\$ 1,086,149</u> | <u>\$ 301,985</u> |

For the governmental activities, compensated absences are generally liquidated by the general fund.

4. Debt Service Requirements to Maturity

The annual requirement to amortize all bonded debt outstanding at September 30, 2008, including interest requirements, is as follows:

| Fiscal Year | Governmental Activities | | | | | | | |
|----------------|--|-------------------|---|---------------------|--|-------------------|--|---------------------|
| | Roadway Improvement Note Payable 4.40% | | Infrastructure Sales Surtax Revenue Bonds, Series 2003 2% to 4.125% | | Infrastructure Sales Surtax Revenue Bonds, Series 2003A 2% to 4% | | Stormwater Utility Revenue Bonds, Series 2003 2% to 4.5% | |
| | Interest | Interest | Interest | Interest | Interest | Interest | Interest | |
| 2009 | 243,990 | 56,010 | 585,000 | 252,869 | 135,000 | 60,088 | 255,000 | 185,135 |
| 2010 | 254,843 | 45,157 | 600,000 | 233,856 | 145,000 | 56,037 | 260,000 | 177,485 |
| 2011 | 266,180 | 33,820 | 620,000 | 214,356 | 145,000 | 51,325 | 270,000 | 169,035 |
| 2012 | 278,019 | 21,981 | 645,000 | 193,276 | 150,000 | 46,250 | 280,000 | 159,247 |
| 2013 | 290,165 | 9,835 | 665,000 | 170,378 | 155,000 | 40,813 | 290,000 | 148,048 |
| 2014-2018 | - | - | 3,725,000 | 456,612 | 875,000 | 107,600 | 1,640,000 | 559,692 |
| 2019-2022 | - | - | - | - | - | - | 1,575,000 | 180,900 |
| | <u>\$ 1,333,197</u> | <u>\$ 166,803</u> | <u>\$ 6,840,000</u> | <u>\$ 1,521,347</u> | <u>\$ 1,605,000</u> | <u>\$ 362,113</u> | <u>\$ 4,570,000</u> | <u>\$ 1,579,542</u> |

| Fiscal Year | Business-type Activities | |
|----------------------------------|---|------------------|
| | Golf Course Refunding Bonds, Series 2001 4% to 4.2% | Interest |
| 2009 | 280,000 | 30,090 |
| 2010 | 290,000 | 18,545 |
| 2011 | 300,000 | 6,300 |
| Less unamortized Bond premium | 1,594 | - |
| Loss on refunding | (16,643) | - |
| | <u>\$ 854,951</u> | <u>\$ 54,935</u> |

I. Restricted Assets:

Certain cash and claims to cash, that are legally restricted, have been shown as restricted in the statement of net assets as follows:

| | Governmental Activities | Business-type Activities |
|---------------------------------|----------------------------|-----------------------------|
| Debt service | \$ 424,782 | \$ 310,090 |
| Capital projects | 7,950,741 | - |
| Renewal and replacement | - | 85,059 |
| Rent | - | 175,000 |
| Cemetery perpetual care | 771,927 | - |
| Law enforcement forfeiture fund | 51,947 | - |
| Community redevelopment agency | 16,404 | - |
| Total | <u>\$ 9,215,801</u> | <u>\$ 570,149</u> |

The government-wide statement of net assets reports \$9,785,950 of restricted net assets, of which all is restricted by enabling legislation.

V. OTHER INFORMATION

A. Property Tax

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, 2008, was 2.9917 mills. Total tax collections were approximately 94.25% 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 liened 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.

B. Grants from Other Governmental Units

Federal, State and local government grants represent an important source of supplementary funding used to finance infrastructure, recreation, law enforcement, and environmental activities beneficial to the community. These grants are recorded in the General, Special Revenue, Capital Project, and Enterprise funds. A grant receivable is recorded when the project funds have been expended and the City has a right to reimbursement and expects to receive the grant within a year under the related grant. The grants normally specify the purpose for which the funds may be used and are subject to audit by the grantor agency or its representative.

The following is the amount of grant revenue for fiscal year 2008.

| Primary Government | Amount |
|------------------------|---------------------|
| General government | \$ 7,000 |
| Public safety | 19,458 |
| Physical environment | 352,992 |
| Transportation | 18,559 |
| Cultural/Recreation | 161,400 |
| Airport | 494,098 |
| Total reporting entity | <u>\$ 1,053,507</u> |

C. Police Pension Plan - Defined Benefit 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 biennial actuarial valuation completed October 23, 2007 to determine the required contribution for the fiscal year ending September 30, 2008 and disclosure information provided by the state as of October 1, 2007. 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.

Employee membership data as of the actuarial report is as follows:

| | |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits | 4 |
| Terminated employees entitled to refund of employee Contribution but not yet received | 1 |
| Fully, partially, and non-vested active plan participants | <u>37</u> |
| Total | <u>42</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.

Funding Policy. The employer, employee, and State contribution requirements are applicable to the Plan and actuarially determined on a bi-annual basis in accordance with Florida State Statute. Administration costs of the pension plan are financed by the Plan. The employee contribution rate, expressed as a percentage of compensation, was 5.0% for the 2007-2008 fiscal year. The employer contribution rate, expressed as a percentage of compensation, was 15.5% for the 2007-2008 fiscal year. The employer contribution is \$376,769 and the State contribution is \$122,800, which represents state shared revenue that is levied on property and casualty insurance premiums and collected by the State. The State contribution was recognized and recorded in the general fund and the corresponding expenditure was recorded as public safety expenditure. The City is required to contribute the remaining amounts to ensure that the Plan is actuarially sound.

Annual pension costs and related information was as follows:

Contribution rates as of 9/30/07:

| | |
|-------------------------------|---------------------------------|
| City | 15.5% |
| Plan members | 5.0% |
| Annual pension cost | \$ 289,390 |
| Contributions made | \$ 270,454 |
| Valuation date | 10/1/2004 |
| Actuarial cost method | Frozen Entry Age |
| Amortization method | Level Percentage of Pay, Closed |
| Remaining amortization period | 28 Years (as of 10/01/2004) |
| Asset valuation method | Market Value |

Required trend information for the Police Officers' Pension Plan was as follows:

| | <u>Amount</u> |
|--|---------------|
| <u>Actuarially Required Contribution</u> | |
| 2005 | \$ 212,636 |
| 2006 | \$ 243,301 |
| 2007 | \$ 289,390 |
| <u>Percentage of APC contributed</u> | |
| 2005 | 113.00% |
| 2006 | 90.00% |
| 2007 | 93.00% |

The annual required contribution for the Police Officers' Pension Plan was determined as part of the October 1, 2007, actuarial valuation using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions included (a) an 8.0% rate of return (net of administrative costs) and (b) projected salary increases of 6% per year, including inflation at 3%.

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

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

Method Used to Value Investments and Concentration of 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.

Development of Net Pension Obligation (NPO)

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

The funding status as required by GASB Statements No. 25 and 27 is presented in the required supplemental information section on page 56.

The development of the Net Pension Obligation as of September 30, 2007 is as follows:

| | 9/30/2005 | 9/30/2006 | 9/30/2007 |
|---|--------------|--------------|--------------|
| Actuarially Determined Contribution (A) | \$ 212,636 | \$ 243,301 | \$ 289,390 |
| Interest on NPO | (9,794) | (11,889) | (9,753) |
| Adjustment to (A) | 11,138 | 15,181 | 12,454 |
| Annual Pension Cost | 213,980 | 246,593 | 292,091 |
| Contributions made | 240,167 | 219,898 | 270,454 |
| Increase in NPO | (26,187) | 26,695 | 21,637 |
| NPO beginning of year | (122,420) | (148,607) | (121,912) |
| NPO end of year | \$ (148,607) | \$ (121,912) | \$ (100,275) |

D. CWA / ITU Negotiated Pension Plan – Defined Benefit Plan

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

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

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

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

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

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

Withdrawal Benefit: If the employee did not earn enough Service Credit to qualify for a Normal Pension, the employee may be eligible for a lump sum withdrawal benefit, based on total contributions, after the employee has incurred a break in service.

Benefit Provisions and Contribution Requirements: The NPP provides retirement and disability benefits to plan members and beneficiaries. The plan is administered at the Plan Office in Colorado Springs, Colorado. Contribution requirements are established by the CWA contract, effective date October 1, 2006, which is negotiated every 3 years, and approved by City Council.

Funding Policy: Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2007-2008 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2006, 2007 and 2008 were \$229,159, \$254,909, and 241,718 respectively, which are equal to 100% of the required contribution for each year.

E. 401 Plan – Defined Contribution Plan

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

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

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

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

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

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

Funding Policy: Administration costs of the pension plan are financed by the Plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2007-2008 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2006, 2007, and 2008 were \$142,002, \$136,222, and \$145,596 respectively, which are equal to 100% of the required contribution for each year.

F. Other Post Employment Benefits (OPEB)

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.

Employees are eligible to receive benefits 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. The City pays 50% of the costs of single coverage group health insurance for up to 2 years after retirement. No retirees are currently receiving medical benefits.

Based on GASB Statement 43 and 45, which set forth the guidelines and a future implementation timetable (for the City in fiscal year 2008/2009) for treatment of Other Post Employment Benefits. The City had an actuary calculate future funding requirements in 2007. The purpose was to enhance the City's understanding of the OPEB obligation and to revisit potential policy implications associated therewith. The actuary's 2007 estimate, using the Projected Unit Credit Method, produced an unfunded obligation of \$281,842 and an annual required contribution of \$40,089. The City elected to fund the OPEB obligation on a pay-as-you-go basis. The entire unfunded obligation was recognized in the government-wide financial statements. The enterprise fund portion (\$33,365) was also recognized in the enterprise fund financial statements. In 2008, the City recorded an additional government-wide obligation of \$30,943 based on the annual required contribution reduced by the expected future benefit payments. The additional enterprise fund portion was calculated as \$3,592.

G. Termination Benefits

The City offered its employees an early retirement incentive program in 2006-2007 fiscal year. The eligibility requirements were that the employee was either an exempt management employee or an hourly employee including police officers with at least 15 years of service in a full time capacity and within three years of reaching the age of 65 (the age eligible for Medicare benefit). The benefits include a one time lump sum payment based on the year of service and single coverage group health insurance for up to 3 years after retirement. The lump sum payment was calculated by multiplying \$1,000 for each full year of service. The group health insurance will terminate when the retiree reaches the age of 65 and eligible for Medicare benefits. As of September 30, 2008, the total accrued termination benefits for the government-wide financial statements were \$35,977. The enterprise fund portion (\$19,439) was also recognized in the enterprise fund financial statements.

H. Insurance

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.

I. Litigation

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.

J. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. If any expenditures were disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, any such adjustments would not be significant.

K. Subsequent Event

Consistent with the general decline in the financial markets shortly after the end of the fiscal year, the City of Sebastian Police Pension Fund incurred a considerable decline in market values. City management is of the opinion that although these losses may result in a higher required City contribution, there should not be a significant impact on the City of Sebastian Police Pension Fund's financial position or its operations over the long-term.

Required Supplemental Information

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2008

| | <u>Budget Amounts</u> | | <u>Actual Amounts on a Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-----------------------|---------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property | \$ 4,580,045 | \$ 4,580,045 | \$ 4,645,663 | \$ 65,618 |
| Public utility | 2,263,257 | 2,263,257 | 2,250,781 | (12,476) |
| Franchise fees | 1,159,947 | 1,159,947 | 1,199,762 | 39,815 |
| Licenses and permits | 173,000 | 173,000 | 163,471 | (9,529) |
| Intergovernmental | 2,268,000 | 2,422,329 | 2,141,810 | (280,519) |
| Charges for services | 310,969 | 310,969 | 319,123 | 8,154 |
| Fines | 59,600 | 59,600 | 46,132 | (13,468) |
| Investment earnings | 356,200 | 356,200 | 202,380 | (153,820) |
| Contributions and donations | 20,000 | 35,400 | 300,368 | 264,968 |
| Other revenue | 107,200 | 123,289 | 154,044 | 30,755 |
| Total revenues | <u>11,298,218</u> | <u>11,484,036</u> | <u>11,423,534</u> | <u>(60,502)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 3,433,515 | 3,321,668 | 3,107,643 | 214,025 |
| Public safety | 4,568,056 | 4,877,041 | 5,003,432 | (126,391) |
| Physical environment | 1,538,060 | 1,557,822 | 1,431,656 | 126,166 |
| Transportation | 1,357,322 | 1,405,145 | 1,345,559 | 59,586 |
| Culture and recreation | 1,083,381 | 1,091,921 | 1,100,415 | (8,494) |
| Total expenditures | <u>11,980,334</u> | <u>12,253,597</u> | <u>11,988,705</u> | <u>264,892</u> |
| Excess (deficiency) of revenues over (under) expenditures | (682,116) | (769,561) | (565,171) | 204,390 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 538,029 | 538,029 | 536,538 | (1,491) |
| Total other financing sources | <u>538,029</u> | <u>538,029</u> | <u>536,538</u> | <u>(1,491)</u> |
| Net changes in fund balances | (144,087) | (231,532) | (28,633) | 202,899 |
| Fund balances - beginning | 6,284,820 | 6,284,820 | 6,390,787 | 105,967 |
| Fund balances - ending | <u>\$ 6,140,733</u> | <u>\$ 6,053,288</u> | <u>6,362,154</u> | <u>\$ 308,866</u> |

Explanation of differences:

Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.

Current year encumbrances

8,473

Prior year encumbrances

(62,445)

Amount reported as ending fund balance in the statement of revenues, expenditures and changes in fund balance for the General Fund.

\$ 6,308,182

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Sebastian, Florida
Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretionary Sales Tax Special Revenue Fund
For the Year Ended September 30, 2008

| | <u>Budget Amounts</u> | | <u>Actual Amounts on a Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------------|-----------------------|--------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Sales | \$ 2,700,000 | \$ 2,700,000 | \$ 2,502,937 | \$ (197,063) |
| Investment earnings | 107,500 | 107,500 | 46,721 | (60,779) |
| Total revenues | <u>2,807,500</u> | <u>2,807,500</u> | <u>2,549,658</u> | <u>(257,842)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (3,195,183) | (3,423,235) | (3,556,652) | (133,417) |
| Total other financing sources (uses) | <u>(3,195,183)</u> | <u>(3,423,235)</u> | <u>(3,556,652)</u> | <u>(133,417)</u> |
| Net changes in fund balances | (387,683) | (615,735) | (1,006,994) | (391,259) |
| Fund balances - beginning | 2,411,939 | 1,279,261 | 2,411,939 | 1,132,678 |
| Fund balances - ending | <u>\$ 2,024,256</u> | <u>\$ 663,526</u> | <u>\$ 1,404,945</u> | <u>\$ 741,419</u> |

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Sebastian, Florida
Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual
Riverfront Redevelopment Agency Special Revenue Fund
For the Year Ended September 30, 2008

| | <u>Budget Amounts</u> | | <u>Actual Amounts on a Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-----------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property | \$ 513,023 | \$ 513,023 | \$ 503,384 | \$ (9,639) |
| Investment earnings | 24,000 | 24,000 | 10,891 | (13,109) |
| Other revenue | - | - | 75 | 75 |
| Total revenues | <u>537,023</u> | <u>537,023</u> | <u>514,350</u> | <u>(22,673)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Economic environment | 211,236 | 211,236 | 113,101 | 98,135 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>211,236</u> | <u>211,236</u> | <u>113,101</u> | <u>98,135</u> |
| Excess of revenues over over expenditures | 325,787 | 325,787 | 401,249 | 75,462 |
| OTHER FINANCING USES | | | | |
| Transfers out | <u>(619,561)</u> | <u>(634,561)</u> | <u>(634,561)</u> | <u>-</u> |
| Total other financing (uses) | <u>(619,561)</u> | <u>(634,561)</u> | <u>(634,561)</u> | <u>-</u> |
| Net changes in fund balances | (293,774) | (308,774) | (233,312) | 75,462 |
| Fund balances - beginning | 355,965 | 355,965 | 355,965 | - |
| Fund balances - ending | <u>\$ 62,191</u> | <u>\$ 47,191</u> | <u>122,653</u> | <u>\$ 75,462</u> |

Explanation of differences:

Encumbrances for professional services contracted but not completed is reported in the year the service is contracted for budgetary purposes, but are reported in the year the services are received for GAAP purposes.

Prior year encumbrances

(106,249)

Amount reported as ending fund balance in the statement of revenues, expenditures and changes in fund balance for the Riverfront Redevelopment Agency Fund.

\$ 16,404

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Sebastian, Florida
Notes to the Required Supplementary Information – Budget Comparisons
September 30, 2008

A. Budgetary Basis

Annual budgets are adopted 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. Since all accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with U.S. generally accepted accounting principles, reconciliations of the resultant timing differences have been provided on page 51 through page 53. All annual appropriations lapse at year-end.

B. Budgetary Information

The appropriated budget is prepared by fund, function, and department. The government’s department heads, with the City manager’s approval, may make transfers of appropriations within a department or division. Transfers of appropriations between departments and/or divisions require approval of the City council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made four supplementary budgetary appropriations throughout the year. The 1st quarter budget amendment highlighted a net increase of \$103,538 for the general fund, which represents fund balance carried over from prior fiscal year to fund outstanding encumbrances and some appropriations of revenues from insurance and grants. The 2nd quarter budget amendment highlighted a net increase of \$21,925 for the general fund, which represents revenues from a grant and from a private contribution. The 3rd quarter budget amendment did not change the general fund but did include appropriations of reserves in the discretionary sales tax, recreation impact fee and building funds. The 4th quarter budget amendment highlighted a net increase of \$147,800 for the general fund. The main reason for this increase is 1) to recognize a pass through police pension contribution from the State, and 2) to fund the costs associated with an employee electing to use the early retirement program.

C. Budgeted Expenditures Exceeded Revenues

Budgeted expenditures exceeded revenues in the general fund, discretionary sales tax special revenue fund, riverfront redevelopment agency special revenue fund, recreation impact fee special revenue fund and the stormwater utility special revenue fund. However, this is pursuant to the legally adopted budget to expend available fund equity (cash carry forward) and does not constitute a deficit.

City of Sebastian, Florida
REQUIRED SUPPLEMENTARY INFORMATION

Police Officers' Pension Plan

Governmental Accounting Standards Board Statements No. 25 and 27, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Accounting for Pensions by State and Local Governmental Employers require supplementary information be reported on the local pension plans in addition to that provided in the Notes to the Financial Statements. This information is presented in the following schedules:

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES
LAST SIX FISCAL YEARS

| <u>Fiscal Year</u> | <u>Annual Required Contributions</u> | <u>City Contribution</u> | <u>State Contribution</u> | <u>Percentage Contributed</u> |
|--------------------|--------------------------------------|--------------------------|---------------------------|-------------------------------|
| 2007 | \$ 407,011 | \$ 270,454 | \$ 117,621 | 95.35% |
| 2006 | 360,922 | 219,898 | 117,621 | 93.52% |
| 2005 | 330,257 | 240,166 | 117,621 | 108.34% |
| 2004 | 279,741 | 174,780 | 106,716 | 100.63% |
| 2003 | 233,435 | 153,111 | 92,714 | 105.31% |
| 2002 | 61,342 | 8,620 | 82,877 | 149.16% |

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Local Option Gas Tax Fund – This fund is used to account for the government’s share of motor fuel tax revenues that are legally restricted to transportation related expenditures within the government’s boundaries.

Recreation Impact Fee Fund – This fund is used to account for recreation impact fees that are restricted for use in the expansion or construction of recreational facilities.

Stormwater Utility Fee Fund – This fund is used to account for fees collected on a per unit basis that are restricted for the purposes of managing the City’s Stormwater system.

Law Enforcement Forfeiture Fund – This fund is used to account for the receipt of forfeited cash and equipment associated with police activities and is restricted to police related equipment purchases and community education initiatives.

G.R.E.A.T. Program Fund – This fund is used to account for a federal law enforcement grant to be used for gang resistance, education and training for school children from grade school through middle school.

Debt Service Fund

Debt service funds are used to account for the accumulation of pledged funds that are legally restricted to pay debts.

Stormwater Utility Revenue Bonds Debt Service Fund – This fund is used to account for the accumulation of stormwater utility fees pledged to pay the principal, interest, and fiscal charges on the Stormwater Utility Revenue Bonds.

Discretionary Sales Surtax Revenue Bonds Debt Service Fund – This fund is used to account for the accumulation of discretionary sales tax monies pledged to pay the principal, interest, and fiscal charges on the Discretionary Sales Surtax Revenue bonds.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

General Capital Projects Fund – This fund is used to account for the construction of non-stormwater related improvements and general capital construction projects. Governmental resources and State grant revenues are used to finance the improvements in this fund.

Capital Improvements Fund – This fund is used to account for the accumulated resources associated with infrastructure improvements such as parks and building.

Public Facilities Improvements Fund – This fund accounts for the resources associated with debt for the purpose of constructing and equipping a new city hall complex and renovation and expansion of the police station.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Permanent Fund – This fund is used to account for principal trust amounts received, sale of cemetery lots and related interest income. One-half of the cemetery lot sales and the interest portion of the trust can be used to maintain the community cemetery.

City of Sebastian, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

Special Revenue Funds

| | Local Option Gas Tax | Recreation Impact Fee | Stormwater Utility | Law Enforcement Forfeiture | G.R.E.A.T. Program |
|--|----------------------------|--------------------------|-----------------------|----------------------------------|-----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 181,201 | \$ 731,897 | \$ 7,278 | \$ 28,102 | \$ - |
| Investments | 913 | 300,548 | 993,795 | 23,809 | - |
| Due from other governments | 47,046 | - | 10,921 | - | - |
| Interest receivable | 466 | 948 | 9 | 36 | - |
| Total assets | \$ 229,626 | \$ 1,033,393 | \$ 1,012,003 | \$ 51,947 | \$ - |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 2,834 | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | 2,834 | - | - | - | - |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Cemetery care | - | - | - | - | - |
| Law enforcement | - | - | - | 51,947 | - |
| Unreserved | 226,792 | 1,033,393 | 1,012,003 | - | - |
| Total fund balances | 226,792 | 1,033,393 | 1,012,003 | 51,947 | - |
| Total liabilities and fund balances | \$ 229,626 | \$ 1,033,393 | \$ 1,012,003 | \$ 51,947 | \$ - |

Debt Service Funds

| <u>Total</u> | <u>Stormwater Utility Revenue Bonds 2003</u> | <u>Discretionary Sales Surtax Revenue Bonds 2003</u> | <u>Total</u> |
|---------------------|--|--|-------------------|
| \$ 948,478 | \$ 85,765 | \$ 338,468 | \$ 424,233 |
| 1,319,065 | - | - | - |
| 57,967 | - | - | - |
| 1,459 | 111 | 438 | 549 |
| <u>\$ 2,326,969</u> | <u>\$ 85,876</u> | <u>\$ 338,906</u> | <u>\$ 424,782</u> |
| | | | |
| \$ 2,834 | \$ - | \$ - | \$ - |
| <u>2,834</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | |
| - | 85,876 | 338,906 | 424,782 |
| - | - | - | - |
| - | - | - | - |
| 51,947 | - | - | - |
| 2,272,188 | - | - | - |
| <u>2,324,135</u> | <u>85,876</u> | <u>338,906</u> | <u>424,782</u> |
| | | | |
| <u>\$ 2,326,969</u> | <u>\$ 85,876</u> | <u>\$ 338,906</u> | <u>\$ 424,782</u> |

City of Sebastian, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008
(Continued)

| | <u>Capital Projects Funds</u> | | | | <u>Permanent Fund</u> |
|--|---------------------------------|-----------------------------|---------------------------------------|-------------------|-----------------------|
| | <u>General Capital Projects</u> | <u>Capital Improvements</u> | <u>Public Facilities Improvements</u> | <u>Total</u> | <u>Cemetery</u> |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,070 | \$ 442,594 | \$ - | \$ 445,664 | \$ 619,970 |
| Investments | - | - | - | - | 151,135 |
| Due from other governments | - | - | - | - | - |
| Interest receivable | - | - | - | - | 822 |
| Total assets | \$ 3,070 | \$ 442,594 | \$ - | \$ 445,664 | \$ 771,927 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 249 | \$ 6,088 | \$ - | \$ 6,337 | \$ - |
| Total liabilities | 249 | 6,088 | - | 6,337 | - |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | - | - | - | - | - |
| Capital projects | 2,821 | 436,506 | - | 439,327 | - |
| Cemetery care | - | - | - | - | 771,927 |
| Law enforcement | - | - | - | - | - |
| Unreserved | - | - | - | - | - |
| Total fund balances | 2,821 | 436,506 | - | 439,327 | 771,927 |
| Total liabilities and fund balances | \$ 3,070 | \$ 442,594 | \$ - | \$ 445,664 | \$ 771,927 |

Total
Other
Governmental
Funds

\$ 2,438,345
1,470,200
57,967
2,830

\$ 3,969,342

\$ 9,171

9,171

424,782
439,327
771,927
51,947
2,272,188

3,960,171

\$ 3,969,342

City of Sebastian, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2008

| | Special Revenue Funds | | | | |
|--|-------------------------------------|----------------------------------|-------------------------------|---|-------------------------------|
| | Local Option Gas Tax | Recreation Impact Fee | Stormwater Utility | Law Enforcement Forfeiture | G.R.E.A.T. Program |
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Motor fuel | \$ 601,390 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 18,559 | - | - | - | - |
| Impact fees | - | 32,825 | - | - | - |
| Charges for services | - | - | 810,944 | - | - |
| Fines | - | - | - | 19,114 | - |
| Investment earnings | 34,746 | 33,472 | 45,624 | 754 | - |
| Contributions and donations | - | - | - | 1,885 | - |
| Other revenue | - | - | - | 5,181 | - |
| Total revenues | 654,695 | 66,297 | 856,568 | 26,934 | - |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | - | - | - | 85 | - |
| Physical environment | - | - | 86 | - | - |
| Transportation | 205,737 | - | - | - | - |
| Debt Service: | | | | | |
| Principal | 233,644 | - | - | - | - |
| Interest and fiscal charges | 66,356 | - | - | - | - |
| Capital outlay | - | 6,897 | - | - | - |
| Total expenditures | 505,737 | 6,897 | 86 | 85 | - |
| Excess (deficiency) of revenues over (under) expenditures | 148,958 | 59,400 | 856,482 | 26,849 | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | (95,000) | (351,096) | (1,006,049) | - | - |
| Total other financing sources (uses) | (95,000) | (351,096) | (1,006,049) | - | - |
| Net changes in fund balances | 53,958 | (291,696) | (149,567) | 26,849 | - |
| Fund balances - beginning | 172,834 | 1,325,089 | 1,161,570 | 24,206 | 892 |
| Residual fund equity transfer | - | - | - | 892 | (892) |
| Fund balances - ending | \$ 226,792 | \$ 1,033,393 | \$ 1,012,003 | \$ 51,947 | \$ - |

Debt service Funds

| Total | Stormwater Utility Revenue Bonds 2003 | Discretionary Sales Surtax Revenue Bonds 2003 | Total |
|---------------------|--|--|--------------------|
| \$ 601,390 | \$ - | \$ - | \$ - |
| 18,559 | - | - | - |
| 32,825 | - | - | - |
| 810,944 | - | - | - |
| 19,114 | - | - | - |
| 114,596 | 1,034 | 4,811 | 5,845 |
| 1,885 | - | - | - |
| 5,181 | - | - | - |
| <u>1,604,494</u> | <u>1,034</u> | <u>4,811</u> | <u>5,845</u> |
| 85 | - | - | - |
| 86 | - | - | - |
| 205,737 | - | - | - |
| 233,644 | 245,000 | 700,000 | 945,000 |
| 66,356 | 196,748 | 341,294 | 538,042 |
| 6,897 | - | - | - |
| <u>512,805</u> | <u>441,748</u> | <u>1,041,294</u> | <u>1,483,042</u> |
| <u>1,091,689</u> | <u>(440,714)</u> | <u>(1,036,483)</u> | <u>(1,477,197)</u> |
| - | 506,049 | 1,164,036 | 1,670,085 |
| (1,452,145) | - | - | - |
| <u>(1,452,145)</u> | <u>506,049</u> | <u>1,164,036</u> | <u>1,670,085</u> |
| (360,456) | 65,335 | 127,553 | 192,888 |
| 2,684,591 | 20,541 | 211,353 | 231,894 |
| - | - | - | - |
| <u>\$ 2,324,135</u> | <u>\$ 85,876</u> | <u>\$ 338,906</u> | <u>\$ 424,782</u> |

City of Sebastian, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2008
(Continued)

| | Capital Projects Funds | | | | Permanent Fund |
|---|--------------------------|----------------------|--------------------------------|-------------------|-------------------|
| | General Capital Projects | Capital Improvements | Public Facilities Improvements | Total | Cemetery |
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Motor fuel | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - |
| Impact fees | - | - | - | - | - |
| Charges for services | - | - | - | - | 79,550 |
| Fines | - | - | - | - | - |
| Investment earnings | - | 17,463 | - | 17,463 | 34,409 |
| Contributions and donations | - | - | - | - | - |
| Other revenue | - | - | - | - | - |
| Total revenues | - | 17,463 | - | 17,463 | 113,959 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | - | - | - | - | - |
| Physical environment | - | - | - | - | - |
| Transportation | - | - | - | - | - |
| Debt Service: | | | | | |
| Principal | 147,538 | - | - | 147,538 | - |
| Interest and fiscal charges | 7,156 | - | - | 7,156 | - |
| Capital outlay | 371,014 | 67,615 | 25,635 | 464,264 | - |
| Total expenditures | 525,708 | 67,615 | 25,635 | 618,958 | - |
| Excess (deficiency) of revenues over (under) expenditures | (525,708) | (50,152) | (25,635) | (601,495) | 113,959 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 525,708 | (170,392) | 3,701 | 359,017 | - |
| Transfers out | - | - | - | - | (36,538) |
| Total other financing sources (uses) | 525,708 | (170,392) | 3,701 | 359,017 | (36,538) |
| Net changes in fund balances | - | (220,544) | (21,934) | (242,478) | 77,421 |
| Fund balances - beginning | 2,821 | 657,050 | 21,934 | 681,805 | 694,506 |
| Residual fund equity transfer | - | - | - | - | - |
| Fund balances - ending | \$ 2,821 | \$ 436,506 | \$ - | \$ 439,327 | \$ 771,927 |

**Total
Other
Governmental
Funds**

\$ 601,390
18,559
32,825
890,494
19,114
172,313
1,885
5,181

1,741,761

85
86
205,737

1,326,182
611,554
471,161

2,614,805

(873,044)

2,029,102
(1,488,683)

540,419

(332,625)

4,292,796

\$ 3,960,171

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Option Gas Tax Special Revenue Fund
For the Year Ended September 30, 2008

| | Final Budget | Actual Amounts on a Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|-------------------|--|---|
| REVENUES: | | | |
| Motor fuel taxes | \$ 676,000 | \$ 601,390 | \$ (74,610) |
| Intergovernmental | 18,559 | 18,559 | - |
| Investment earnings | 68,000 | 34,746 | (33,254) |
| Total revenues | <u>762,559</u> | <u>654,695</u> | <u>(107,864)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Transportation | 203,699 | 205,737 | (2,038) |
| Debt service: | | | |
| Principal | 233,595 | 233,644 | (49) |
| Interest and fiscal charges | 66,405 | 66,356 | 49 |
| Total expenditures | <u>503,699</u> | <u>505,737</u> | <u>(2,038)</u> |
| Excess of revenues over expenditures | 258,860 | 148,958 | (109,902) |
| OTHER FINANCING (USES) | | | |
| Transfers out | (245,000) | (95,000) | 150,000 |
| Total other financing (uses) | <u>(245,000)</u> | <u>(95,000)</u> | <u>150,000</u> |
| Net changes in fund balances | 13,860 | 53,958 | 40,098 |
| Fund balances - beginning | 172,834 | 172,834 | - |
| Fund balances - ending | <u>\$ 186,694</u> | <u>\$ 226,792</u> | <u>\$ 40,098</u> |

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Recreation Impact Fee Special Revenue Fund
For the Year Ended September 30, 2008

| | Final Budget | Actual Amounts on a Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|---------------------|--|---|
| REVENUES: | | | |
| Impact fees | \$ 100,000 | \$ 32,825 | \$ (67,175) |
| Investment earnings | 25,000 | 33,472 | 8,472 |
| Total revenues | <u>125,000</u> | <u>66,297</u> | <u>(58,703)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Culture and recreation | - | 6,897 | (6,897) |
| Total expenditures | <u>-</u> | <u>6,897</u> | <u>(6,897)</u> |
| Excess of revenues over expenditures | 125,000 | 59,400 | (65,600) |
| OTHER FINANCING (USES) | | | |
| Transfers out | (418,285) | (351,096) | 67,189 |
| Total other financing (uses) | <u>(418,285)</u> | <u>(351,096)</u> | <u>67,189</u> |
| Net changes in fund balances | (293,285) | (291,696) | 1,589 |
| Fund balances - beginning | 1,325,089 | 1,325,089 | - |
| Fund balances - ending | <u>\$ 1,031,804</u> | <u>\$ 1,033,393</u> | <u>\$ 1,589</u> |

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Stormwater Utility Special Revenue Fund
For the Year Ended September 30, 2008

| | <u>Final Budget</u> | <u>Actual Amounts on a Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--------------------------------------|-------------------------|--|---|
| REVENUES: | | | |
| Charges for services | \$ 820,000 | \$ 810,944 | \$ (9,056) |
| Investment earnings | <u>70,200</u> | <u>45,624</u> | <u>(24,576)</u> |
| Total revenues | <u>890,200</u> | <u>856,568</u> | <u>(33,632)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Physical environment | <u>3,500</u> | <u>86</u> | <u>3,414</u> |
| Total expenditures | <u>3,500</u> | <u>86</u> | <u>3,414</u> |
| Excess of revenues over expenditures | 886,700 | 856,482 | (30,218) |
| OTHER FINANCING (USES) | | | |
| Transfers out | <u>(936,873)</u> | <u>(1,006,049)</u> | <u>(69,176)</u> |
| Total other financing (uses) | <u>(936,873)</u> | <u>(1,006,049)</u> | <u>(69,176)</u> |
| Net changes in fund balances | (50,173) | (149,567) | (99,394) |
| Fund balances - beginning | <u>1,161,570</u> | <u>1,161,570</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 1,111,397</u> | <u>\$ 1,012,003</u> | <u>\$ (99,394)</u> |

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Law Enforcement Forfeiture Special Revenue Fund
For the Year Ended September 30, 2008

| | Final Budget | Actual Amounts on a Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|--|---|
| REVENUES: | | | |
| Fines | \$ 8,000 | \$ 19,114 | \$ 11,114 |
| Investment earnings | 1,000 | 754 | (246) |
| Contributions | 2,500 | 1,885 | (615) |
| Other revenues | - | 5,181 | 5,181 |
| Total revenues | <u>11,500</u> | <u>26,934</u> | <u>15,434</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | <u>11,500</u> | <u>85</u> | <u>11,415</u> |
| Total expenditures | <u>11,500</u> | <u>85</u> | <u>11,415</u> |
| Excess of revenues over expenditures | - | 26,849 | 26,849 |
| Fund balances - beginning | 24,206 | 24,206 | - |
| Residual fund equity transfer | - | 892 | 892 |
| Fund balances - ending | <u>\$ 24,206</u> | <u>\$ 51,947</u> | <u>\$ 27,741</u> |

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
G.R.E.A.T. Program Special Revenue Fund
For the Year Ended September 30, 2008

| | Final Budget | Actual Amounts on a Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|-------------------------------|-----------------|--|---|
| Fund balances - beginning | 892 | 892 | - |
| Residual fund equity transfer | - | (892) | (892) |
| Fund balances - ending | <u>\$ 892</u> | <u>\$ -</u> | <u>\$ (892)</u> |

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Stormwater Utility Revenue Bonds 2003 Debt Service Fund
For the Year Ended September 30, 2008

| | Final Budget | Actual Amounts on a Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---|------------------|--|---|
| REVENUES: | | | |
| Investment earnings | \$ 875 | \$ 1,034 | \$ 159 |
| Total revenues | <u>875</u> | <u>1,034</u> | <u>159</u> |
| EXPENDITURES: | | | |
| Debt service: | | | |
| Principal | 245,000 | 245,000 | - |
| Interest and fiscal charges | 192,748 | 196,748 | (4,000) |
| Total expenditures | <u>437,748</u> | <u>441,748</u> | <u>(4,000)</u> |
| Deficiency of revenues under expenditures | (436,873) | (440,714) | (3,841) |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 436,873 | 506,049 | 69,176 |
| Total other financing sources | <u>436,873</u> | <u>506,049</u> | <u>69,176</u> |
| Net changes in fund balances | - | 65,335 | 65,335 |
| Fund balances - beginning | 20,541 | 20,541 | - |
| Fund balances - ending | <u>\$ 20,541</u> | <u>\$ 85,876</u> | <u>\$ 65,335</u> |

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretionary Sales Surtax Revenue Bonds 2003 Debt Service Fund
For the Year Ended September 30, 2008

| | <u>Final Budget</u> | <u>Actual Amounts on a Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|--|---|
| REVENUES: | | | |
| Investment earnings | \$ 1,975 | \$ 4,811 | \$ 2,836 |
| Total revenues | <u>1,975</u> | <u>4,811</u> | <u>2,836</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Physical environment | 300 | - | 300 |
| Debt service: | | | |
| Principal | 700,000 | 700,000 | - |
| Interest and fiscal charges | 335,294 | 341,294 | (6,000) |
| Total expenditures | <u>1,035,594</u> | <u>1,041,294</u> | <u>(5,700)</u> |
| Deficiency of revenues under expenditures | (1,033,619) | (1,036,483) | (2,864) |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 1,033,619 | 1,164,036 | 130,417 |
| Total other financing sources | <u>1,033,619</u> | <u>1,164,036</u> | <u>130,417</u> |
| Net changes in fund balances | - | 127,553 | 127,553 |
| Fund balances - beginning | 211,353 | 211,353 | - |
| Fund balances - ending | <u>\$ 211,353</u> | <u>\$ 338,906</u> | <u>\$ 127,553</u> |

City of Sebastian, Florida
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2008

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance September 30, 2008</u> |
|-------------------------------------|--|--------------------------|----------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | <u>\$ 170,730</u> | <u>\$ 238,380</u> | <u>\$ 400</u> | <u>\$ 408,710</u> |
| Total assets | <u><u>\$ 170,730</u></u> | <u><u>\$ 238,380</u></u> | <u><u>\$ 400</u></u> | <u><u>\$ 408,710</u></u> |
| LIABILITIES | | | | |
| Performance deposits held in escrow | <u>170,730</u> | <u>238,380</u> | <u>400</u> | <u>408,710</u> |
| Total liabilities | <u><u>\$ 170,730</u></u> | <u><u>\$ 238,380</u></u> | <u><u>\$ 400</u></u> | <u><u>\$ 408,710</u></u> |

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule By Source
September 30, 2008

| Governmental Funds capital assets: | <u>FY 2007</u> | <u>FY 2008</u> |
|---|--------------------------|--------------------------|
| Land | \$ 5,696,946 | \$ 5,696,946 |
| Buildings and structures | 10,996,497 | 11,158,739 |
| Improvement other than buildings | 4,970,638 | 5,149,267 |
| Machinery and equipment | 6,820,051 | 7,390,752 |
| Infrastructure | 18,677,191 | 22,259,149 |
| Capital projects | <u>2,692,704</u> | <u>1,520,565</u> |
| Total capital assets | <u>\$ 49,854,027</u> | <u>\$ 53,175,418</u> |
| Investment in Governmental Funds capital assets by sources: | | |
| Federal grants | \$ 2,138,342 | \$ 2,138,342 |
| State grants | 858,210 | 907,755 |
| County grants | 713,359 | 713,359 |
| General fund | 11,650,739 | 11,605,512 |
| Law enforcement trust fund | 42,953 | 38,953 |
| Recreational impact fee | 552,890 | 688,730 |
| Stormwater utility fee | 16,255 | 387,153 |
| Riverfront Redevelopment | 754,056 | 754,056 |
| Cemetery trust fund | 180,963 | 230,472 |
| Donations | 2,858,177 | 3,145,174 |
| Sales taxes | 8,249,499 | 9,764,073 |
| Motor fuel taxes | 5,053,455 | 5,544,144 |
| Revenue bond debt | 14,092,425 | 15,737,130 |
| Capital projects | <u>2,692,704</u> | <u>1,520,565</u> |
| Total investment in capital assets | <u>\$ 49,854,027</u> | <u>\$ 53,175,418</u> |

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2008

| Function and Activity | Land | Buildings | Improvements Other than Buildings | Machinery and Equipment | Infrastructure | Totals |
|------------------------------|---------------------|----------------------|---|-------------------------------|----------------------|----------------------|
| General government: | | | | | | |
| Legislative | \$ - | \$ - | \$ 1,100 | \$ 2,886 | \$ - | \$ 3,986 |
| City manager | - | - | - | 2,826 | - | 2,826 |
| City clerk | - | - | - | 143,134 | - | 143,134 |
| City attorney | - | - | - | 599 | - | 599 |
| Finance | - | - | - | 54,236 | - | 54,236 |
| MIS | - | 5,841 | 9,800 | 89,715 | - | 105,356 |
| Human resources | - | 2,050 | - | 3,704 | - | 5,754 |
| Building maintenance | - | 130,220 | 15,665 | 69,200 | - | 215,085 |
| Growth management | - | 85,555 | - | 50,742 | - | 136,297 |
| Non-departmental | 3,634,769 | 6,100,564 | 260,202 | 422,129 | 212,700 | 10,630,364 |
| Subtotal | <u>3,634,769</u> | <u>6,324,230</u> | <u>286,767</u> | <u>839,171</u> | <u>212,700</u> | <u>11,297,637</u> |
| Public safety: | | | | | | |
| Special operations | - | - | - | 176,392 | - | 176,392 |
| Administration | 9,560 | 3,347,151 | 89,320 | 271,934 | - | 3,717,965 |
| School resource | - | - | - | 71,469 | - | 71,469 |
| Road patrol | - | - | - | 2,050,330 | - | 2,050,330 |
| Community policing | - | - | - | 95,917 | - | 95,917 |
| Code enforcement | - | - | - | 46,632 | - | 46,632 |
| Professional Std. | - | - | - | 19,025 | - | 19,025 |
| Investigations | - | - | 1,700 | 157,863 | - | 159,563 |
| Support services | - | - | - | 72,310 | - | 72,310 |
| Communications | - | - | 11,272 | 211,582 | - | 222,854 |
| Building department | - | - | - | 55,996 | - | 55,996 |
| Subtotal | <u>9,560</u> | <u>3,347,151</u> | <u>102,292</u> | <u>3,229,450</u> | <u>-</u> | <u>6,688,453</u> |
| Transportation: | | | | | | |
| Engineering | 78 | 146,361 | 163,857 | 161,998 | 271,810 | 744,104 |
| Central garage | - | 130,489 | 82,419 | 130,475 | 674 | 344,057 |
| Roads and drainage | 47,047 | 101,269 | 616,607 | 966,718 | 11,353,375 | 13,085,016 |
| Subtotal | <u>47,125</u> | <u>378,119</u> | <u>862,883</u> | <u>1,259,191</u> | <u>11,625,859</u> | <u>14,173,177</u> |
| Physical Environment: | | | | | | |
| Stormwater | - | - | - | 1,413,257 | 8,967,035 | 10,380,292 |
| Cemetery | 272,190 | 82,019 | 78,354 | 50,990 | 22,717 | 506,270 |
| Subtotal | <u>272,190</u> | <u>82,019</u> | <u>78,354</u> | <u>1,464,247</u> | <u>8,989,752</u> | <u>10,886,562</u> |
| Culture/Recreation: | | | | | | |
| Parks and recreation | 1,733,302 | 1,027,220 | 3,818,971 | 598,693 | 1,430,838 | 8,609,024 |
| Subtotal | <u>1,733,302</u> | <u>1,027,220</u> | <u>3,818,971</u> | <u>598,693</u> | <u>1,430,838</u> | <u>8,609,024</u> |
| Total | <u>\$ 5,696,946</u> | <u>\$ 11,158,739</u> | <u>\$ 5,149,267</u> | <u>\$ 7,390,752</u> | <u>\$ 22,259,149</u> | <u>51,654,853</u> |
| Construction in progress | | | | | | 1,520,565 |
| Total | | | | | | <u>\$ 53,175,418</u> |

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
September 30, 2008

| Function and Activity | Governmental Funds Capital Assets October 1, 2007 | Additions | Deletions | Transfers In | Transfers Out | Governmental Funds Capital Assets September 30, 2008 |
|----------------------------------|--|---------------------|---------------------|------------------|------------------|---|
| General government: | | | | | | |
| Legislative | \$ 3,986 | \$ - | \$ - | \$ - | \$ - | \$ 3,986 |
| City manager | 2,826 | - | - | - | - | 2,826 |
| City clerk | 143,134 | - | - | - | - | 143,134 |
| City attorney | 599 | - | - | - | - | 599 |
| Finance | 55,623 | - | 1,387 | - | - | 54,236 |
| MIS | 94,107 | 11,249 | - | - | - | 105,356 |
| Human resources | 5,754 | - | - | - | - | 5,754 |
| Building maintenance | 204,921 | 10,739 | 575 | - | - | 215,085 |
| Growth management | 133,872 | 2,425 | - | - | - | 136,297 |
| Non-departmental | 10,541,012 | 92,362 | 3,010 | - | - | 10,630,364 |
| Subtotal | <u>11,185,834</u> | <u>116,775</u> | <u>4,972</u> | <u>-</u> | <u>-</u> | <u>11,297,637</u> |
| Public Safety: | | | | | | |
| Special operations | 178,366 | - | 1,973 | - | - | 176,393 |
| Administration | 3,711,687 | 19,123 | 12,846 | - | - | 3,717,964 |
| School resource | 71,469 | - | - | - | - | 71,469 |
| Road patrol | 1,464,867 | 669,473 | 84,010 | - | - | 2,050,330 |
| Community policing | 144,836 | - | 48,919 | - | - | 95,917 |
| Code enforcement | 30,444 | 17,427 | 1,239 | - | - | 46,632 |
| Professional Stnd. | 21,288 | - | 2,263 | - | - | 19,025 |
| Investigations | 164,711 | 1,700 | 6,848 | - | - | 159,563 |
| Support services | 73,426 | - | 1,116 | - | - | 72,310 |
| Communications | 223,065 | 1,140 | 1,351 | - | - | 222,854 |
| Building department | 71,228 | - | 1,259 | - | 13,973 | 55,996 |
| Subtotal | <u>6,155,387</u> | <u>708,863</u> | <u>161,824</u> | <u>-</u> | <u>13,973</u> | <u>6,688,453</u> |
| Transportation: | | | | | | |
| Engineering | 740,218 | 20,849 | 16,963 | - | - | 744,104 |
| Central garage | 336,841 | 19,509 | 12,292 | - | - | 344,058 |
| Roads and drainage | 11,939,438 | 1,173,729 | 42,125 | 13,973 | - | 13,085,015 |
| Subtotal | <u>13,016,497</u> | <u>1,214,087</u> | <u>71,380</u> | <u>13,973</u> | <u>-</u> | <u>14,173,177</u> |
| Physical Environment: | | | | | | |
| Stormwater | 7,935,394 | 2,455,583 | 10,685 | - | - | 10,380,292 |
| Cemetery | 458,980 | 49,509 | 1,219 | - | 1,000 | 506,270 |
| Subtotal | <u>8,394,374</u> | <u>2,505,092</u> | <u>11,904</u> | <u>-</u> | <u>1,000</u> | <u>10,886,562</u> |
| Culture & Recreation: | | | | | | |
| Parks and recreation | 8,409,231 | 229,382 | 30,589 | 1,000 | - | 8,609,024 |
| Subtotal | <u>8,409,231</u> | <u>229,382</u> | <u>30,589</u> | <u>1,000</u> | <u>-</u> | <u>8,609,024</u> |
| Total | 47,161,323 | 4,774,199 | 280,669 | 14,973 | 14,973 | 51,654,853 |
| Construction in progress | 2,692,704 | 784,644 | 1,956,783 | - | - | 1,520,565 |
| Total | \$ 49,854,027 | \$ 5,558,843 | \$ 2,237,452 | \$ 14,973 | \$ 14,973 | \$ 53,175,418 |



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Statistical Section

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

| <u>Contents</u> | <u>Page(s)</u> |
|--|----------------|
| Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. | 80-91 |
| Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax, and the municipal sales tax. | 92-97 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. | 98-103 |
| Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the city's financial activities take place. | 104-106 |
| Operating Information These schedules contain service and infrastructure data 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. | 107-109 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2001; schedules presenting government-wide information include information beginning in that year.

City of Sebastian, Florida
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|----------------------|----------------------|----------------------------------|
| Governmental Activities | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 24,133,550 | \$ 21,469,456 | \$ 17,579,683 |
| Restricted | 9,215,801 | 9,419,129 | 5,068,583 |
| Unrestricted | <u>5,035,184</u> | <u>5,249,998</u> | <u>11,293,877</u> ⁽²⁾ |
| <i>Total Governmental Activities Net Assets</i> | <u>\$ 38,384,535</u> | <u>\$ 36,138,583</u> | <u>\$ 33,942,143</u> |
| Business-Type Activities | | | |
| Invested in Capital Assets, Net of Related Debt | 9,111,251 | \$ 8,895,501 | \$ 8,798,612 |
| Restricted | 570,149 | 570,890 | 560,581 |
| Unrestricted | <u>753,076</u> | <u>1,303,886</u> | <u>1,896,539</u> |
| <i>Total Business-Type Activities Net Assets</i> | <u>\$ 10,434,476</u> | <u>\$ 10,770,277</u> | <u>\$ 11,255,732</u> |
| Primary government | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 33,244,801 | \$ 30,364,957 | \$ 26,378,295 |
| Restricted | 9,785,950 | 9,990,019 | 5,629,164 |
| Unrestricted | <u>5,788,260</u> | <u>6,553,884</u> | <u>13,190,416</u> |
| <i>Total Primary Government Net Assets</i> | <u>\$ 48,819,011</u> | <u>\$ 46,908,860</u> | <u>\$ 45,197,875</u> |

⁽¹⁾ The large increases in unrestricted net assets from 2003 to 2004 and from 2004 to 2005 are mainly due to increase in State revenue sharing, sales and use taxes, and tax revenues.

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

| 2005 | 2004 | 2003 | 2002 |
|---------------------------------|---------------------------------|----------------------|----------------------|
| \$ 17,103,399 | \$ 16,412,401 | \$ 16,339,222 | \$ 14,242,832 |
| 5,395,879 | 4,059,674 | 3,235,266 | 3,289,670 |
| <u>9,081,345 ⁽¹⁾</u> | <u>7,171,123 ⁽¹⁾</u> | <u>5,461,224</u> | <u>5,865,388</u> |
| <u>\$ 31,580,623</u> | <u>\$ 27,643,198</u> | <u>\$ 25,035,712</u> | <u>\$ 23,397,890</u> |
| | | | |
| \$ 7,459,945 | \$ 4,264,961 | \$ 1,545,867 | \$ 363,827 |
| 574,105 | 506,006 | 505,435 | 458,014 |
| <u>738,519</u> | <u>1,712,657</u> | <u>1,471,457</u> | <u>1,120,224</u> |
| <u>\$ 8,772,569</u> | <u>\$ 6,483,624</u> | <u>\$ 3,522,759</u> | <u>\$ 1,942,065</u> |
| | | | |
| \$ 24,563,344 | \$ 20,677,362 | \$ 17,885,089 | \$ 14,606,659 |
| 5,969,984 | 4,565,680 | 3,740,701 | 3,747,684 |
| <u>9,819,864</u> | <u>8,883,780</u> | <u>6,932,681</u> | <u>6,985,612</u> |
| <u>\$ 40,353,192</u> | <u>\$ 34,126,822</u> | <u>\$ 28,558,471</u> | <u>\$ 25,339,955</u> |

City of Sebastian, Florida

Changes in Net Assets

Last Seven Fiscal Years

(accrual basis of accounting)

| | 2008 | 2007 | 2006 |
|--|----------------------|----------------------|----------------------|
| Program Revenues | | | |
| Governmental Activities: | | | |
| Charges for Services: | | | |
| General Government | \$ 353,836 | \$ 422,897 | \$ 533,482 |
| Public Safety | 85,009 | 92,853 | 140,545 |
| Physical Environment | 903,285 | 891,021 | 887,819 |
| Economic Environment | - | - | - |
| Cultural/Recreation | 83,378 | 85,945 | 72,472 |
| Operating Grants and Contributions | 786,016 | 192,676 | 407,898 |
| Capital Grants and Contributions | 835,607 | 1,014,481 | 1,301,438 |
| Total Governmental Activities Program Revenues | \$ 3,047,131 | \$ 2,699,873 | \$ 3,343,654 |
| Business-Type Activities: | | | |
| Charges for Services: | | | |
| Golf Course | \$ 1,438,233 | \$ 1,652,288 | \$ 1,580,407 |
| Airport | 523,989 | 344,813 | 375,768 |
| Building ⁽¹⁾ | 347,189 | 408,875 | 1,220,823 |
| Operating Grants and Contributions | - | - | 6,998 |
| Capital Grants and Contributions | 494,098 | 500,428 | 1,056,562 |
| Total Business-Type Activities Program Revenues | \$ 2,803,509 | \$ 2,906,404 | \$ 4,240,558 |
| Total Primary Government Program Revenues | \$ 5,850,640 | \$ 5,606,277 | \$ 7,584,212 |
| Expenses | | | |
| Governmental Activities: | | | |
| General Government | \$ 3,375,178 | \$ 3,083,609 | \$ 3,129,723 |
| Public Safety | 5,226,512 | 5,377,107 | 4,191,295 |
| Physical Environment | 1,805,755 | 1,695,066 | 2,193,589 |
| Transportation | 2,111,360 | 2,276,497 | 2,173,071 |
| Economic Environment | 113,101 | 605,510 | 98,661 |
| Cultural/Recreation | 1,420,734 | 1,237,398 | 1,208,288 |
| Interest and Fiscal Charges | 634,891 | 667,950 | 706,303 |
| Total Governmental Activities Expenses | \$ 14,687,531 | \$ 14,943,137 | \$ 13,700,930 |
| Business-Type Activities: | | | |
| Golf Course | \$ 1,488,472 | \$ 1,533,900 | \$ 1,558,338 |
| Airport | 1,099,653 | 1,046,994 | 801,967 |
| Building ⁽¹⁾ | 605,422 | 905,452 | 936,793 |
| Total Business-Type Activities Expenses | \$ 3,193,547 | \$ 3,486,346 | \$ 3,297,098 |
| Total Primary Government Expenses | \$ 17,881,078 | \$ 18,429,483 | \$ 16,998,028 |

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

| 2005 | 2004 | 2003 | 2002 |
|----------------------|----------------------|----------------------|----------------------|
| \$ 370,609 | \$ 376,327 | \$ 247,774 | \$ 172,135 |
| 1,356,385 | 1,660,032 | 824,821 | 625,924 |
| 828,907 | 850,887 | 799,637 | 785,683 |
| - | - | - | 24,869 |
| 56,199 | 48,590 | 46,736 | 73,013 |
| 2,802,511 | 1,144,528 | 920,829 | 958,229 |
| 1,781,954 | 1,353,959 | 640,894 | 872,490 |
| <u>\$ 7,196,565</u> | <u>\$ 5,434,323</u> | <u>\$ 3,480,691</u> | <u>\$ 3,512,343</u> |
| | | | |
| \$ 1,381,817 | \$ 1,648,308 | \$ 1,377,245 | \$ 1,365,027 |
| 434,818 | 201,890 | 168,451 | 179,373 |
| - | - | - | - |
| 13,582 | 67,576 | - | 51,087 |
| 2,289,986 | 2,451,212 | 1,149,437 | 214,175 |
| <u>\$ 4,120,203</u> | <u>\$ 4,368,986</u> | <u>\$ 2,695,133</u> | <u>\$ 1,809,662</u> |
| | | | |
| <u>\$ 11,316,768</u> | <u>\$ 9,803,309</u> | <u>\$ 6,175,824</u> | <u>\$ 5,322,005</u> |
| | | | |
| \$ 3,262,276 | \$ 2,414,865 | \$ 1,620,616 | \$ 2,010,288 |
| 4,816,614 | 4,502,109 | 3,391,831 | 2,945,701 |
| 1,283,889 | 1,279,257 | 1,920,200 | 508,616 |
| 4,034,900 | 3,288,532 | 2,401,037 | 2,258,181 |
| 32,128 | 86,041 | 166,024 | 223,207 |
| 1,260,395 | 823,974 | 747,910 | 881,260 |
| 740,372 | 722,007 | 312,367 | 168,749 |
| <u>\$ 15,430,574</u> | <u>\$ 13,116,785</u> | <u>\$ 10,559,985</u> | <u>\$ 8,996,002</u> |
| | | | |
| \$ 1,464,532 | \$ 1,527,051 | \$ 1,363,359 | \$ 1,393,551 |
| 519,235 | 350,949 | 315,941 | 283,726 |
| - | - | - | - |
| <u>\$ 1,983,767</u> | <u>\$ 1,878,000</u> | <u>\$ 1,679,300</u> | <u>\$ 1,677,277</u> |
| | | | |
| <u>\$ 17,414,341</u> | <u>\$ 14,994,785</u> | <u>\$ 12,239,285</u> | <u>\$ 10,673,279</u> |

City of Sebastian, Florida
Changes in Net Assets (continued)
Last Seven Fiscal Years
(accrual basis of accounting)

| | 2008 | 2007 | 2006 |
|---|------------------------|-----------------------|----------------------------|
| Net (Expense)/Revenue | | | |
| Governmental Activities | \$ (11,640,400) | \$(12,243,264) | \$(10,357,276) |
| Business-Type Activities | (390,038) | (579,942) | 943,460 |
| <i>Total Primary Government Net Expense</i> | <u>\$ (12,030,438)</u> | <u>\$(12,823,206)</u> | <u>\$ (9,413,816)</u> |
| General Revenues and Other Changes in Net Assets | | | |
| Governmental Activities: | | | |
| Property Taxes, Levied for General Purposes | \$ 5,149,047 | \$ 5,089,841 | \$ 4,645,050 |
| Sales and Use Taxes | 4,753,718 | 4,776,691 | 4,907,906 |
| Franchise Fees | 1,199,762 | 1,106,698 | 1,253,749 |
| State Shared Revenues | 1,989,606 | 2,083,523 | 2,242,292 |
| Interest Earnings | 634,919 | 1,147,931 | 827,224 |
| Miscellaneous | 159,300 | 192,300 | 256,780 |
| Transfers | - | 42,720 | (1,414,205) ⁽²⁾ |
| <i>Total Governmental Activities</i> | <u>\$ 13,886,352</u> | <u>\$ 14,439,704</u> | <u>\$ 12,718,796</u> |
| Business-Type Activities: | | | |
| Interest Earnings | \$ 54,237 | \$ 137,207 | \$ 125,498 |
| Miscellaneous | - | - | - |
| Transfers | - | (42,720) | 1,414,205 |
| <i>Total Business-Type Activities</i> | <u>\$ 54,237</u> | <u>\$ 94,487</u> | <u>\$ 1,539,703</u> |
| <i>Total Primary Government</i> | <u>\$ 13,940,589</u> | <u>\$ 14,534,191</u> | <u>\$ 14,258,499</u> |
| Change in Net Assets | | | |
| Governmental Activities | \$ 2,245,952 | \$ 2,196,440 | \$ 2,361,520 |
| Business-Type Activities | (335,801) | (485,455) | 2,483,163 |
| <i>Total Primary Government Change in Net Assets</i> | <u>\$ 1,910,151</u> | <u>\$ 1,710,985</u> | <u>\$ 4,844,683</u> |

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

| 2005 | 2004 | 2003 | 2002 |
|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ (8,234,009) | \$ (7,682,462) | \$ (7,079,294) | \$ (5,483,659) |
| 2,136,436 | 2,490,986 | 1,015,833 | 132,385 |
| <u>\$ (6,097,573)</u> | <u>\$ (5,191,476)</u> | <u>\$ (6,063,461)</u> | <u>\$ (5,351,274)</u> |
| | | | |
| \$ 4,017,555 | \$ 3,420,971 | \$ 2,944,456 | \$ 2,615,939 |
| 4,718,691 | 4,035,545 | 3,705,922 | 2,844,825 |
| 886,390 | 770,600 | 756,194 | 766,901 |
| 2,138,020 | 1,721,956 | 1,523,524 | 2,068,753 |
| 398,518 | 398,158 | 241,358 | 118,840 |
| 118,760 | 388,562 | 79,662 | - |
| (106,500) | (445,844) | (534,000) | - |
| <u>\$ 12,171,434</u> | <u>\$ 10,289,948</u> | <u>\$ 8,717,116</u> | <u>\$ 8,415,258</u> |
| | | | |
| \$ 45,709 | \$ 23,774 | \$ 21,789 | \$ 32,122 |
| 300 | 261 | 9,072 | - |
| 106,500 | 445,844 | 534,000 | - |
| <u>\$ 152,509</u> | <u>\$ 469,879</u> | <u>\$ 564,861</u> | <u>\$ 32,122</u> |
| | | | |
| <u>\$ 12,323,943</u> | <u>\$ 10,759,827</u> | <u>\$ 9,281,977</u> | <u>\$ 8,447,380</u> |
| | | | |
| \$ 3,937,425 | \$ 2,607,486 | \$ 1,637,822 | \$ 2,931,599 |
| 2,288,945 | 2,960,865 | 1,580,694 | 164,507 |
| <u>\$ 6,226,370</u> | <u>\$ 5,568,351</u> | <u>\$ 3,218,516</u> | <u>\$ 3,096,106</u> |

City of Sebastian, Florida
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|------------------------------------|----------------------|----------------------|-----------------------------|----------------------|
| General Fund | | | | |
| Reserved | \$ 739,873 | \$ 947,533 | \$ 1,815,187 | \$ 2,848,726 |
| Unreserved | <u>5,568,309</u> | <u>5,443,254</u> | <u>4,663,885</u> | <u>3,254,741</u> |
| <i>Total General Fund</i> | <u>\$ 6,308,182</u> | <u>\$ 6,390,787</u> | <u>\$ 6,479,072</u> | <u>\$ 6,103,467</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ 9,809,650 | \$ 8,299,903 | \$10,058,183 ⁽¹⁾ | \$ 828,819 |
| Unreserved, Reported in: | | | | |
| Special Revenue funds | 3,408,537 | 5,321,148 | 5,381,276 | 4,735,396 |
| Capital Projects funds | <u>-</u> | <u>-</u> | <u>-</u> ⁽²⁾ | <u>8,406,953</u> |
| Total All Other Governmental Funds | <u>\$ 13,218,187</u> | <u>\$ 13,621,051</u> | <u>\$ 15,439,459</u> | <u>\$ 13,971,168</u> |
| <i>Total Governmental Funds</i> | <u>\$ 19,526,369</u> | <u>\$ 20,011,838</u> | <u>\$ 21,918,531</u> | <u>\$ 20,074,635</u> |

⁽¹⁾ The significant change in reserved fund balance from 2005 to 2006 is due to the reclassification of unreserved reported in capital projects funds to reserved.

⁽²⁾ The significant change in unreserved reported in capital projects funds from 2005 to 2006 is due to the reclassification of unreserved reported in capital projects funds to reserved.

⁽³⁾ The large increase in unreserved fund balance reported in capital projects funds from 2002 to 2003 is due to the issuance of City's Infrastructure Sales Surtax Revenue Bonds, Series 2003.

| <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---------------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,693,710 | \$ 1,402,398 | \$ 232,088 | \$ 121,256 | \$ 64,341 | \$ 43,113 |
| <u>2,421,182</u> | <u>2,479,452</u> | <u>3,690,659</u> | <u>3,406,083</u> | <u>2,786,252</u> | <u>2,699,955</u> |
| <u>\$ 5,114,892</u> | <u>\$ 3,881,850</u> | <u>\$ 3,922,747</u> | <u>\$ 3,527,339</u> | <u>\$ 2,850,593</u> | <u>\$ 2,743,068</u> |
| | | | | | |
| \$ 4,208,170 | \$ 1,596,981 | \$ 1,503,172 | \$ 1,306,269 | \$ 2,021,740 | \$ 605,270 |
| 3,355,229 | 2,211,585 | 1,808,288 | 548,174 | 456,461 | 217,969 |
| <u>6,795,371</u> | <u>9,993,933</u> ⁽³⁾ | <u>2,384,557</u> | <u>2,609,201</u> | <u>1,562,299</u> | <u>4,027,673</u> |
| <u>\$14,358,770</u> | <u>\$ 13,802,499</u> | <u>\$ 5,696,017</u> | <u>\$ 4,463,644</u> | <u>\$ 4,040,500</u> | <u>\$ 4,850,912</u> |
| <u>\$19,473,662</u> | <u>\$ 17,684,349</u> | <u>\$ 9,618,764</u> | <u>\$ 7,990,983</u> | <u>\$ 6,891,093</u> | <u>\$ 7,593,980</u> |

City of Sebastian, Florida
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | 2008 | 2007 | 2006 |
|---|---------------------|-----------------------|---------------------|
| Revenues | | | |
| Property and Other Local Taxes | \$ 10,504,155 | \$ 10,554,617 | \$ 10,269,451 |
| Franchise Fees | 1,199,762 | 1,106,698 | 1,253,749 |
| Charges for Services | 1,209,617 | 1,271,102 | 517,605 |
| Licenses and Permits | 163,471 | 186,875 | 244,370 |
| Fines | 65,246 | 71,314 | 77,776 |
| Intergovernmental | 2,674,761 | 2,463,628 | 2,852,293 |
| Impact Fees | 32,825 | 56,875 | 337,675 |
| Special Assessments | - | - | 819,286 |
| Investment Earnings | 647,312 | 1,062,043 | 827,224 |
| Miscellaneous | 461,553 | 244,629 | 294,695 |
| <i>Total Revenues</i> | <u>16,958,702</u> | <u>17,017,781</u> | <u>17,494,124</u> |
| Expenditures | | | |
| Current: | | | |
| General Government | 3,087,789 | 2,999,652 | 2,494,863 |
| Public Safety | 4,677,618 | 4,700,447 | 3,813,908 |
| Physical Environment | 1,368,593 | 1,301,719 | 1,850,642 |
| Transportation | 1,545,045 | 1,733,697 | 1,672,983 |
| Economic Environment | 113,101 | 80,279 | 98,661 |
| Cultural and Recreation | 1,079,379 | 975,087 | 926,846 |
| Debt service: | | | |
| Principal Retirement | 1,326,182 | 1,284,418 | 1,248,378 |
| Interest and Fiscal Charges | 611,554 | 643,305 | 678,682 |
| Capital Outlay | 3,634,910 | 5,242,590 | 1,451,060 |
| <i>Total Expenditures</i> | <u>17,444,171</u> | <u>18,961,194</u> | <u>14,236,023</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(485,469)</u> | <u>(1,943,413)</u> | <u>3,258,101</u> |
| Other Financing Sources (Uses) | | | |
| Debt Proceeds | | | - |
| Transfers In | 5,679,896 | 5,158,296 | 3,785,981 |
| Transfers Out | (5,679,896) | (5,115,576) | (5,200,186) |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>42,720</u> | <u>(1,414,205)</u> |
| <i>Net Change in Fund Balances</i> | <u>\$ (485,469)</u> | <u>\$ (1,900,693)</u> | <u>\$ 1,843,896</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 14.0% | 14.1% | 15.1% |

| 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| \$ 9,483,664 | \$ 8,179,344 | \$ 7,325,932 | \$ 6,228,107 | \$ 6,223,280 | \$ 6,273,070 | \$ 5,837,968 |
| 886,390 | 770,600 | 756,194 | 766,901 | 753,024 | - | - |
| 936,530 | 962,677 | 921,119 | 1,123,670 | 300,046 | 159,701 | 33,097 |
| 1,587,675 | 1,867,920 | 878,097 | 578,695 | 487,618 | 475,345 | 448,928 |
| 95,699 | 118,918 | 119,752 | 127,027 | 148,676 | 140,672 | 89,697 |
| 5,561,695 | 3,115,520 | 1,785,237 | 2,841,315 | 1,968,416 | 2,318,091 | 1,865,375 |
| 385,775 | 557,700 | 395,850 | 255,775 | - | - | - |
| 11,023 | 28,424 | 22,560 | 31,756 | 28,528 | 128,154 | 44,964 |
| 398,518 | 398,158 | 241,358 | 206,567 | 417,707 | 689,395 | 512,407 |
| 144,057 | 378,268 | 91,078 | 126,823 | 196,311 | 246,774 | 650 |
| <u>19,491,026</u> | <u>16,377,529</u> | <u>12,537,177</u> | <u>12,286,636</u> | <u>10,523,606</u> | <u>10,431,202</u> | <u>8,833,086</u> |
| 2,974,736 | 2,231,532 | 1,977,033 | 2,230,870 | 1,647,858 | 1,946,702 | 1,837,031 |
| 4,349,639 | 3,950,228 | 3,427,711 | 2,588,526 | 2,482,393 | 2,129,662 | 2,122,823 |
| 910,794 | 1,125,727 | 1,247,452 | 508,616 | 452,116 | 345,844 | 412,990 |
| 3,616,076 | 2,863,397 | 1,610,761 | 1,427,992 | 1,084,401 | 1,228,234 | 1,007,426 |
| 32,128 | 86,041 | 166,024 | 327,911 | 273,927 | 617 | 4,830 |
| 995,406 | 747,131 | 629,835 | 732,729 | 612,038 | 555,584 | 488,499 |
| 1,218,023 | 985,974 | 361,024 | 344,553 | 222,954 | 212,860 | 225,243 |
| 711,736 | 887,564 | 158,043 | 174,864 | 152,093 | 151,536 | 160,940 |
| 3,975,015 | 9,021,558 | 3,859,709 | 2,322,794 | 3,402,365 | 4,713,604 | 1,915,620 |
| <u>18,783,553</u> | <u>21,899,152</u> | <u>13,437,592</u> | <u>10,658,855</u> | <u>10,330,145</u> | <u>11,284,643</u> | <u>8,175,402</u> |
| <u>707,473</u> | <u>(5,521,623)</u> | <u>(900,415)</u> | <u>1,627,781</u> | <u>193,461</u> | <u>(853,441)</u> | <u>657,684</u> |
| - | 7,756,780 | 9,500,000 | - | 900,000 | - | - |
| 3,745,265 | 2,745,754 | 2,992,908 | 2,009,173 | 2,130,744 | 2,134,510 | 1,861,364 |
| (3,851,765) | (3,191,598) | (3,526,908) | (2,009,173) | (2,130,744) | (2,134,510) | (1,861,364) |
| <u>(106,500)</u> | <u>7,310,936</u> | <u>8,966,000</u> | <u>-</u> | <u>900,000</u> | <u>-</u> | <u>-</u> |
| <u>\$ 600,973</u> | <u>\$ 1,789,313</u> | <u>\$ 8,065,585</u> | <u>\$ 1,627,781</u> | <u>\$ 1,093,461</u> | <u>\$ (853,441)</u> | <u>\$ 657,684</u> |
| 13.0% | 14.5% | 5.4% | 6.2% | 5.4% | 5.5% | 6.2% |

City of Sebastian, Florida
Program Revenues by Function/Program
Last Eight Fiscal Years
(accrual basis of accounting)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------|
| Function/Program | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 377,305 | \$ 450,267 | \$ 579,591 | \$ 587,527 |
| Public Safety | 515,997 | 249,756 | 306,702 | 1,537,557 |
| Physical Environment | 1,256,277 | 891,021 | 890,092 | 898,821 |
| Transportation | 619,949 | 721,103 | 900,365 | 3,392,883 |
| Economic Environment | - | - | 30,059 | - |
| Cultural/Recreation | 277,603 | 387,726 | 636,845 | 779,777 |
| Total Governmental Activities | <u>\$ 3,047,131</u> | <u>\$ 2,699,873</u> | <u>\$ 3,343,654</u> | <u>\$ 7,196,565</u> |
| Business-type activities: | | | | |
| Golf Course | \$ 1,438,233 | \$ 1,652,288 | \$ 1,587,405 | \$ 1,395,399 |
| Airport | 1,018,087 | 845,241 | 1,432,330 | 2,724,804 |
| Building ⁽¹⁾ | 347,189 | 408,875 | 1,220,823 | - |
| Total Business-Type Activities | <u>\$ 2,803,509</u> | <u>\$ 2,906,404</u> | <u>\$ 4,240,558</u> | <u>\$ 4,120,203</u> |
| Total Primary Government | <u>\$ 5,850,640</u> | <u>\$ 5,606,277</u> | <u>\$ 7,584,212</u> | <u>\$ 11,316,768</u> |

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

| 2004 | 2003 | 2002 | 2001 |
|---------------------|---------------------|---------------------|---------------------|
| \$ 392,471 | \$ 1,095,902 | \$ 172,135 | \$ 226,786 |
| 1,850,710 | 929,952 | 785,373 | 633,230 |
| 914,318 | 1,136,507 | 785,683 | 779,837 |
| 1,670,534 | 1,580,076 | 3,038,913 | 2,285,809 |
| - | - | 24,869 | 18,753 |
| 606,290 | 663,459 | 566,959 | 168,335 |
| <u>\$ 5,434,323</u> | <u>\$ 5,405,896</u> | <u>\$ 5,373,932</u> | <u>\$ 4,112,750</u> |
| \$ 1,715,884 | \$ 1,377,245 | \$ 1,365,517 | \$ 1,088,104 |
| 2,653,102 | 1,317,888 | 444,145 | 616,656 |
| - | - | - | - |
| <u>\$ 4,368,986</u> | <u>\$ 2,695,133</u> | <u>\$ 1,809,662</u> | <u>\$ 1,704,760</u> |
| <u>\$ 9,803,309</u> | <u>\$ 8,101,029</u> | <u>\$ 7,183,594</u> | <u>\$ 5,817,510</u> |

City of Sebastian, Florida
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>Property Taxes</u> | <u>Public Utility</u> | <u>Sales Tax</u> | <u>Motor Fuel</u> | <u>Total</u> |
|---------------------|-----------------------|-----------------------|------------------|-------------------|---------------|
| 2008 ⁽¹⁾ | \$ 5,149,047 | \$ 2,250,781 | \$ 2,502,937 | \$ 601,390 | \$ 10,504,155 |
| 2007 ⁽²⁾ | 5,089,841 | 2,216,381 | 2,560,310 | 688,085 | 10,554,617 |
| 2006 ⁽³⁾ | 4,645,050 | 2,183,164 | 2,724,742 | 716,495 | 10,269,451 |
| 2005 | 4,017,555 | 2,005,124 | 2,713,567 | 747,418 | 9,483,664 |
| 2004 | 3,420,971 | 1,854,632 | 2,180,913 | 722,828 | 8,179,344 |
| 2003 | 2,944,456 | 1,780,717 | 1,925,205 | 675,554 | 7,325,932 |
| 2002 ⁽⁴⁾ | 2,717,564 | 983,236 | 1,861,589 | 665,718 | 6,228,107 |
| 2001 | 2,608,989 | 1,151,685 | 1,861,608 | 600,998 | 6,223,280 |
| 2000 ⁽⁵⁾ | 2,323,566 | 1,044,595 | 1,704,749 | 549,800 | 5,622,710 |
| 1999 ⁽⁶⁾ | 2,734,068 | 413,045 | 1,553,672 | 484,054 | 5,184,839 |

⁽¹⁾ Fiscal Year 2008 property tax revenue reflects a change in the property tax millage rate from 3.0519 to 2.9917.

⁽²⁾ Fiscal Year 2007 property tax revenue reflects a change in the property tax millage rate from 3.9325 to 3.0519.

⁽³⁾ Fiscal Year 2006 property tax revenue reflects a change in the property tax millage rate from 4.5904 to 3.9325.

⁽⁴⁾ Fiscal Year 2002 property tax revenue reflects a change in the property tax millage rate from 5.0000 to 4.5904.

⁽⁵⁾ Fiscal Year 2000 property tax revenue reflects a change in the property tax millage rate from 6.5000 to 5.0000.

⁽⁶⁾ Fiscal Year 1999 property tax revenue reflects a change in the property tax millage rate from 6.9000 to 6.5000. Millage Rate represents the dollar of tax per one thousand dollars of taxable valuation.

City of Sebastian, Florida
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

| Fiscal Year | City of Sebastian | | | Total County ⁽¹⁾ Millage | Indian River County School Board | | | Other ⁽²⁾ |
|-------------|-------------------|----------------------|--------------------|--|----------------------------------|----------------------|----------------------|----------------------|
| | Operating Millage | Debt Service Millage | Total City Millage | | Operating Millage | Debt Service Millage | Total School Millage | |
| 2008 | 2.9917 | - | 2.9917 | 5.14850 | 7.26800 | 0.27000 | 7.53800 | 1.38160 |
| 2007 | 3.0519 | - | 3.0519 | 5.36610 | 7.16300 | 0.28000 | 7.44300 | 1.47940 |
| 2006 | 3.9325 | - | 3.9325 | 5.69040 | 7.88000 | 0.36000 | 8.24000 | 1.60850 |
| 2005 | 4.5904 | - | 4.5904 | 7.35050 | 8.01900 | 0.48000 | 8.49900 | 1.43029 |
| 2004 | 4.5904 | - | 4.5904 | 7.93960 | 8.17900 | 0.53100 | 8.71000 | 1.69278 |
| 2003 | 4.5904 | - | 4.5904 | 8.03020 | 8.10200 | 0.63000 | 8.73200 | 1.43875 |
| 2002 | 4.5904 | - | 4.5904 | 8.08410 | 8.40200 | 0.68000 | 9.08200 | 1.14845 |
| 2001 | 5.0000 | - | 5.0000 | 8.24860 | 8.67700 | 0.88000 | 9.55700 | 1.62899 |
| 2000 | 5.0000 | - | 5.0000 | 8.24360 | 8.61400 | 1.00000 | 9.61400 | 1.52091 |
| 1999 | 6.5000 | - | 6.5000 | 8.33160 | 8.61400 | 1.00000 | 9.61400 | ⁽³⁾ |

⁽¹⁾ Millage includes General Fund, M.S.T.U.s, Emergency Services District and Land Bonds.

⁽²⁾ All Special Taxing Districts.

⁽³⁾ Information not available.

Source: Indian River County Property Appraiser's Office

City of Sebastian, Florida
Assessed Valuation and Estimated True Values of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Real Property ⁽¹⁾ | | Personal Property | | Exemptions Real Property |
|-------------|------------------------------|------------------------|-------------------|------------------------|--------------------------|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | |
| 2008 | 1,810,818,686 | 2,263,523,358 | 59,007,644 | 59,007,644 | 506,401,692 |
| 2007 | 2,054,408,055 | 2,568,010,069 | 64,899,942 | 64,899,942 | 334,302,515 |
| 2006 | 2,124,615,672 | 2,655,769,590 | 55,913,696 | 55,913,696 | 322,318,753 |
| 2005 | 1,526,923,406 | 1,908,654,258 | 51,827,624 | 51,827,624 | 271,466,364 |
| 2004 | 1,157,275,164 | 1,446,593,955 | 51,330,277 | 51,330,277 | 228,262,825 |
| 2003 | 946,293,950 | 1,182,867,438 | 48,613,628 | 48,613,628 | 217,554,663 |
| 2002 | 829,224,615 | 1,036,530,769 | 45,355,170 | 45,355,170 | 205,977,066 |
| 2001 | 754,577,150 | 943,221,438 | 45,195,579 | 45,195,579 | 198,445,669 |
| 2000 | 656,619,860 | 820,774,825 | 42,216,162 | 41,533,985 | 190,327,263 |
| 1999 | \$ 626,274,970 | \$ 782,843,713 | \$ 46,027,721 | \$ 46,027,721 | \$ 187,751,454 |

Source: Indian River County Property Appraiser

⁽¹⁾ Assessed value of Real Property based on approximately 80 percent of estimated actual value.

| <u>Total Assessed Value</u> | <u>Total Estimated Actual Value</u> |
|-------------------------------------|---|
| 1,869,826,330 | 2,322,531,002 |
| 2,119,307,997 | 2,632,910,011 |
| 2,180,529,368 | 2,711,683,286 |
| 1,578,751,030 | 1,960,481,882 |
| 1,208,605,441 | 1,497,924,232 |
| 994,907,578 | 1,231,481,066 |
| 874,579,785 | 1,081,885,939 |
| 799,772,729 | 988,417,017 |
| 698,836,022 | 862,308,810 |
| \$ 672,302,691 | \$ 828,871,434 |

City of Sebastian, Florida

Principal Taxpayers

Year 2008 and Year 1998

| Taxpayer | 2008 | | | 1998 ⁽¹⁾ | | |
|--|-----------------------|------------|---------------|----------------------|------------|--------------|
| | Real | Percentage | | Real | Percentage | |
| | Property | of Total | | Property | of Total | |
| | Assessed | Assessed | | Assessed | Assessed | |
| | Valuation | Rank | Valuation | Valuation | Rank | Valuation |
| Florida Power & Light (Utility / Electric) | \$ 15,508,499 | 1 | 12.05% | \$ 6,448,890 | 3 | 1.02% |
| Wal-Mart Stores Inc. (Retail) | 14,155,041 | 2 | 10.99% | 7,843,080 | 2 | 1.24% |
| Chance Holdings LLC (Development) | 9,358,870 | 3 | 7.27% | - | - | - |
| IPF / Sebastian LLC (Retail) | 8,606,240 | 4 | 6.68% | - | - | - |
| KB Homes Treasure Coast LLC (Construction) | 8,227,760 | 5 | 6.39% | - | - | - |
| 512 Commerce Center LLC | 8,089,710 | 6 | 6.28% | - | - | - |
| Bellsouth Communications (Communication) | 7,772,461 | 7 | 6.04% | 7,930,440 | 1 | 1.26% |
| Park Place Community LLC (Rent / Retail) | 7,620,573 | 8 | 5.92% | 2,737,650 | 5 | 0.43% |
| BW US 1 Inc. (Commerical) | 7,361,730 | 9 | 5.72% | - | - | - |
| Sebastian Crossings LLC (Construction) | 6,741,200 | 10 | 5.24% | - | - | - |
| Lynch, Robert N. (Bishop) | - | - | - | 3,665,790 | 4 | 0.58% |
| Grace's Landing Ltd | - | - | - | 2,111,580 | 6 | 0.34% |
| Falcon Cable Media | - | - | - | 1,618,367 | 7 | 0.26% |
| Winn Dixie Stores Inc. | - | - | - | 1,586,073 | 8 | 0.25% |
| Sebastian Center Ltd | - | - | - | 1,316,420 | 9 | 0.21% |
| Ringhaver Equipment | - | - | - | 780,155 | 10 | 0.12% |
| | <u>\$ 93,442,084</u> | | <u>72.58%</u> | <u>\$ 36,038,445</u> | | <u>5.71%</u> |
| Total Assessed Valuation | <u>\$ 128,743,465</u> | | | <u>\$630,218,290</u> | | |

⁽¹⁾ 1999 information not available

Source: Indian River County Property Appraiser's Office

City of Sebastian, Florida
Property Tax Levies And Collections
Last Ten Fiscal Years

| Year | Total Tax Levy | Current Tax Collections | Percent of Current Tax Collections To Tax Levy | Delinquent Tax Collections | Total Tax Collections | Percent of Total Tax Collections To Tax Levy |
|------|----------------|-------------------------|--|----------------------------|-----------------------|--|
| 2008 | \$ 4,919,994 | \$ 4,634,338 | 94 % | \$ 2,906 | \$ 4,637,244 | 94 % |
| 2007 | 4,747,938 | 4,537,100 | 96 | 9,429 | 4,546,529 | 96 |
| 2006 | 4,426,281 | 4,300,217 | 97 | 39 | 4,300,256 | 97 |
| 2005 | 3,888,488 | 3,723,912 | 96 | 1,712 | 3,725,624 | 96 |
| 2004 | 3,216,940 | 3,130,521 | 97 | 34,247 | 3,164,768 | 98 |
| 2003 | 2,862,650 | 2,725,515 | 95 | 26,908 | 2,752,423 | 96 |
| 2002 | 2,635,277 | 2,489,854 | 94 | 36,421 | 2,526,275 | 96 |
| 2001 | 2,542,544 | 2,455,930 | 97 | 51,690 | 2,507,620 | 99 |
| 2000 | 2,422,756 | 2,283,898 | 94 | 35,050 | 2,318,948 | 96 |
| 1999 | 2,869,796 | 2,726,857 | 95 | 2,912 | 2,729,769 | 95 |

Source: Indian River County Property Appraiser and Tax Collector

City of Sebastian, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Year | Governmental Activities | | | | | Business-type | Total Primary Government | Per Capita |
|------|-----------------------------------|---------------------------------|--------------------------------------|-----------------------------|--|---------------------------------|--------------------------------|---------------|
| | Water Line Assessment Bonds | Roadway Improvement Notes | Infrastructure Sales Tax Bonds | Heavy Equipment Lease | Stormwater Utility Revenue Bonds | Golf Course Revenue Bonds | | |
| 2008 | - | \$1,333,197 | \$ 8,445,000 | \$ - | \$ 4,570,000 | \$ 590,000 | 14,938,197 | 652 |
| 2007 | - | 1,566,839 | 9,145,000 | 147,538 | 4,815,000 | 870,000 | 16,544,377 | 738 |
| 2006 | - | 1,790,544 | 9,825,000 | 288,251 | 5,055,000 | 1,140,000 | 18,098,795 | 835 |
| 2005 | - | 2,004,718 | 10,490,000 | 422,455 | 5,290,000 | 1,395,000 | 19,602,173 | 978 |
| 2004 | - | 2,209,745 | 11,140,000 | 550,452 | 5,525,000 | 1,885,000 | 21,310,197 | 1,100 |
| 2003 | 77,615 | 2,406,028 | 9,500,000 | 672,528 | - | 2,115,000 | 14,771,171 | 802 |
| 2002 | 134,299 | 2,593,939 | - | 788,957 | - | 2,335,000 | 5,852,195 | 341 |
| 2001 | 187,901 | 2,773,847 | - | - | - | 2,435,000 ⁽¹⁾ | 5,396,748 | 324 |
| 2000 | 238,589 | 2,946,113 | - | - | - | 1,500,000 | 4,684,702 | 290 |
| 1999 | 286,521 | 3,111,041 | - | - | - | 1,610,000 | 5,007,562 | 319 |

⁽¹⁾ Golf Course Revenue Bonds, Series 1996 was refunded in 2001.

City of Sebastian, Florida
Computation of Legal Debt Margin
September 30, 2008

| | | |
|--|----|----------------------|
| Assessed Valuation | | |
| Assessed taxable real property value | \$ | 1,304,416,994 |
| Add back: exempt real property | | 506,401,692 |
| Total assessed value of real property | \$ | <u>1,810,818,686</u> |
| Legal debt margin: | | |
| Debt limitation - 5 percent of total assessed real property value ⁽¹⁾ | \$ | 90,540,934 |
| Debt applicable to limitation | | |
| Total bonded debt | \$ | 14,348,197 |
| Less: revenue bonds | | <u>(13,015,000)</u> |
| Total applicable to limitation | | <u>1,333,197</u> |
| Legal debt margin | \$ | <u>89,207,737</u> |

⁽¹⁾ City adopted financial policies state the City will limit its total outstanding general obligation debt to five percent of the assessed valuation of real property.

City of Sebastian, Florida
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
September 30, 2008

The City of Sebastian has no overlapping general obligation bonded debt.

City of Sebastian, Florida
Ratios of General Bonded Debt Outstanding and Legal Debt Margin
Last Ten Fiscal Years

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|----------------------|-----------------------|----------------------|----------------------|
| Debt Limit (1) | \$ 90,540,934 | \$ 102,720,403 | \$ 76,346,170 | \$ 76,346,170 |
| Total net debt applicable to limit | <u>1,333,197</u> | <u>1,714,377</u> | <u>2,078,796</u> | <u>2,427,174</u> |
| Legal debt margin | <u>\$ 89,207,737</u> | <u>\$ 101,006,026</u> | <u>\$ 74,267,374</u> | <u>\$ 73,918,996</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 1.47% | 1.67% | 2.72% | 3.18% |

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

| 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 57,863,758 | \$ 47,314,698 | \$ 82,922,462 | \$ 75,457,715 | \$ 65,661,986 | \$ 62,627,497 |
| 2,760,196 | 3,078,556 | 3,382,896 | 3,673,847 | 2,946,113 | 3,111,041 |
| \$ 55,103,562 | \$ 44,236,142 | \$ 79,539,566 | \$ 71,783,868 | \$ 62,715,873 | \$ 59,516,456 |
| 4.77% | 6.51% | 4.08% | 4.87% | 4.49% | 4.97% |

City of Sebastian, Florida

Pledged-Revenue Coverage

Last Ten Fiscal Years

| Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 | | | | | | | |
|--|-------------------------------|---|-----------------------|--------------|------------|---------------------------|---------------------|
| Fiscal Year | Gross Revenues ⁽¹⁾ | Less: Operating Expenses ⁽²⁾ | Net Available Revenue | Debt Service | | | Coverage |
| | | | | Principal | Interest | Total | |
| 2008 | 1,455,749 | 1,174,169 | 281,580 | 270,000 | 41,090 | 311,090 | 0.91 |
| 2007 | 1,701,171 | 1,218,382 | 482,789 | 255,000 | 51,590 | 306,590 | 1.57 |
| 2006 | 1,628,015 | 1,165,411 | 462,604 | 250,000 | 61,690 | 311,690 ⁽⁶⁾ | 1.48 ⁽⁷⁾ |
| 2005 | 1,395,436 | 1,023,002 | 372,434 | 240,000 | 71,490 | 311,490 ⁽⁶⁾ | 1.20 ⁽⁷⁾ |
| 2004 | 1,497,053 | 1,108,770 | 388,283 | 230,000 | 80,890 | 310,890 ⁽⁶⁾ | 1.25 ⁽⁷⁾ |
| 2003 | 1,400,154 | 968,052 | 432,102 | 220,000 | 89,890 | 309,890 ⁽⁶⁾ | 1.39 ⁽⁷⁾ |
| 2002 | 1,386,424 | 1,020,640 | 365,784 | 100,000 | 104,481 | 204,481 ⁽⁶⁾ | 1.79 ⁽⁷⁾ |
| 2001 | 1,165,091 ⁽⁵⁾ | 1,043,741 ⁽⁵⁾ | 121,350 | - | - | - ⁽⁶⁾ | - ⁽⁷⁾ |
| 2000 | 1,450,487 | 947,145 | 503,342 | 110,000 | 96,980 | 206,980 ⁽³⁾ | 2.43 ⁽⁴⁾ |
| 1999 | \$1,414,976 | \$ 891,914 | \$ 523,062 | \$ 105,000 | \$ 102,650 | \$ 207,650 ⁽³⁾ | 2.52 ⁽⁴⁾ |

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 and upgrade.

⁽³⁾ Golf Course Bond, Series 1985 refunded in 1992 with Series 1992.

⁽⁴⁾ Required coverage is 1.0.

⁽⁵⁾ Golf Course closed for four months for renovations.

⁽⁶⁾ Golf Course Bond, Series 1992 refunded with Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001.

⁽⁷⁾ Required coverage is 1.25.

⁽⁸⁾ Total revenues consist of stormwater utility fees and interest.

⁽⁹⁾ Required coverage is 1.35.

Stormwater Utility Revenue Bonds, Series 2003

| Gross Revenues ⁽⁸⁾ | Debt Service | | | Coverage ⁽⁹⁾ |
|----------------------------------|--------------|------------|------------|-------------------------|
| | Principal | Interest | Total | |
| 856,568 | 245,000 | 191,873 | 436,873 | 1.96 |
| 932,183 | 240,000 | 197,273 | 437,273 | 2.13 |
| 908,576 | 235,000 | 201,973 | 436,973 | 2.08 |
| 792,886 | 235,000 | 206,673 | 441,673 | 1.80 |
| \$ 779,724 | \$ 105,000 | \$ 104,386 | \$ 209,386 | 3.72 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |

City of Sebastian, Florida
Demographic and Economic Statistics
Last Ten Years

| Year | Population | Total Personal Income ⁽¹⁾ | Per Capita Personal Income ⁽¹⁾ | Median Household Income ⁽¹⁾ | Median Age ⁽²⁾ |
|------|------------|--|---|--|------------------------------|
| 2008 | 22,924 | (5) | (5) | (5) | (5) |
| 2007 | 22,426 | (5) | (5) | (5) | (5) |
| 2006 | 21,666 | \$ 7,002,160,000 | \$ 54,045 | (5) | (5) |
| 2005 | 20,048 | 6,386,893,000 | 50,369 | \$ 44,450 | (5) |
| 2004 | 19,365 | 5,071,395,000 | 40,677 | 41,522 | (5) |
| 2003 | 18,425 | 4,831,037,000 | 40,162 | 40,291 | (5) |
| 2002 | 17,167 | 4,680,414,000 | 39,683 | 39,615 | (5) |
| 2001 | 16,667 | 4,552,238,000 | 39,470 | 39,359 | (5) |
| 2000 | 16,181 | 4,207,683,000 | 37,110 | 40,063 | 49.2 |
| 1999 | 15,707 | 3,983,019,000 | 35,788 | 37,947 | (5) |

Sources:

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

⁽²⁾ U.S. Census Bureau

⁽³⁾ Indian River County School Board

⁽⁴⁾ Indian River County Property Appraiser

⁽⁵⁾ Information not available

⁽⁶⁾ The school population appears to have declined due to rezoning. The City of Sebastian has only one (1) middle school, and the overflow students have been rezoned to the county.

| Educational Attainment: Bachelor's Degree or higher ⁽²⁾ | School Enrollment ⁽³⁾ | Unemployment Rate ⁽¹⁾ | Total Assessed Property Value ⁽⁴⁾ | |
|---|-------------------------------------|-------------------------------------|---|------------------|
| (5) | 4,710 | ⁽⁶⁾ | 9.7 % | \$ 1,869,826,330 |
| (5) | 5,117 | | 6 | 2,119,307,997 |
| (5) | 5,604 | | 4.1 | 2,180,529,368 |
| (5) | 5,258 | | 4.0 | 1,578,751,030 |
| (5) | 4,917 | | 7.6 | 1,208,605,441 |
| (5) | 4,340 | | 7.5 | 994,907,578 |
| (5) | 4,309 | | 7.8 | 874,579,785 |
| (5) | 1,371 | | 7.4 | 799,772,729 |
| 23.1 % | 1,342 | | 6.5 | 698,836,022 |
| (5) | 1,383 | | 7.5 | 672,302,691 |

City of Sebastian, Florida

Principal Employers

Year 2008 and 1999

| 2008 | | |
|--------------------------------|------------------------|---|
| Employer | Number of Employees | Percentage of Total County Employment |
| Indian River Memorial Hospital | 1,706 | 3.28 % |
| Publix Supermarket | 1,104 | 2.12 |
| The New Piper Aircraft | 1,063 | 2.04 |
| Sebastian River Medical Center | 380 | 0.73 |
| CVS Warehouse/Distribution | 325 | 0.62 |
| Wal-Mart | 404 | 0.78 |
| John's Island | 475 | 0.91 |
| Indian River Estates | 442 | 0.85 |
| Visiting Nurse Association | 348 | 0.67 |
| Disney's Vero Beach Resort | 301 | 0.58 |
| Total | <u>6,548</u> | <u>12.58 %</u> |
| Total County Employees | <u>52,042</u> | |

| 1999 | | |
|--------------------------|------------------------|---|
| Employer | Number of Employees | Percentage of Total County Employment |
| The New Piper Aircraft | 1249 | 2.87 % |
| Publix Supermarket | 792 | 1.82 |
| Wal-Mart | 774 | 1.78 |
| Sun Ag. Inc. | 550 | 1.26 |
| Winn Dixie Supermarkets | 520 | 1.19 |
| Hale Indian River Groves | 505 | 1.16 |
| Gracewood Fruit Packing | 500 | 1.15 |
| Dodgertown Complex | 438 | 1.00 |
| John's Island | 415 | 0.95 |
| Graves Brothers | 400 | 0.92 |
| Total | <u>6,143</u> | <u>14.09 %</u> |
| Total County Employees | <u>43,592</u> | |

Source: Indian River County Chamber of Commerce

* Principal employers information available for Indian River County only.

City of Sebastian, Florida
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

| <u>Function/program</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|------------------------------|--------------|--------------|---------------------|--------------|--------------|---------------------|--------------|--------------|--------------|--------------|
| General Government: | | | | | | | | | | |
| City Council | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| City Manager | 2.5 | 2.0 | 2.0 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 3.0 | 3.0 |
| City Clerk | 3.0 | 4.0 | 4.5 | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| City Attorney | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.0 |
| Finance | 5.0 | 5.0 | 6.0 | 5.0 | 5.0 | 5.0 | 6.0 | 6.0 | 5.0 | 5.0 |
| Mgmt Information Svcs | 3.0 | 3.0 | 3.0 | 2.0 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Human Resources | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 |
| Building Maintenance | 2.0 | 2.0 | 2.0 | 2.0 | 0.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Growth Management | 5.0 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 6.0 |
| Public Safety: | | | | | | | | | | |
| Police Department | 60.0 | 57.0 | 58.0 ⁽²⁾ | 59.0 | 56.5 | 54.5 | 53.0 | 52.5 | 50.0 | 47.0 |
| Building Department | 6.0 | 11.0 | 11.0 | 9.0 | 8.0 | 7.0 | 7.0 | 6.0 | 6.0 | 6.0 |
| Code Enforcement | 2.5 | 3.0 | 3.0 ⁽²⁾ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transportation: | | | | | | | | | | |
| Roads & Drainage | 10.0 | 11.5 | 12.5 | 12.5 | 14.5 | 11.5 ⁽¹⁾ | 23.5 | 26.5 | 27.5 | 24.0 |
| Central Garage | 2.5 | 3.5 | 3.5 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.5 |
| Airport | 3.0 | 3.0 | 3.5 | 3.5 | 2.5 | 2.5 | 1.5 | 1.0 | 0.5 | 0.5 |
| Physical Environment: | | | | | | | | | | |
| Engineering | 7.0 | 9.0 | 8.0 | 8.0 | 8.0 | 7.5 | 8.0 | 6.5 | 6.5 | 6.0 |
| Stormwater Utility | 13.0 | 13.0 | 13.0 | 13.0 | 12.0 | 12.0 ⁽¹⁾ | 1.0 | 0.0 | 0.0 | 0.0 |
| Cultural/Recreation: | | | | | | | | | | |
| Parks & Recreation | 23.5 | 23.5 | 24.5 | 23.5 | 17.5 | 16.5 | 14.0 | 14.0 | 10.0 | 10.0 |
| Cemetery | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Golf Course | 12.5 | 12.5 | 12.5 | 12.5 | 13.5 | 13.5 | 14.5 | 12.5 | 12.5 | 11.5 |
| Totals: | <u>170.0</u> | <u>177.5</u> | <u>180.5</u> | <u>175.5</u> | <u>163.0</u> | <u>159.5</u> | <u>157.0</u> | <u>153.5</u> | <u>145.5</u> | <u>138.0</u> |

⁽¹⁾ Eleven employees were moved from roads & drainage to stormwater starting fiscal year 2003.

⁽²⁾ Code enforcement division was transferred out from the Police Department starting fiscal year 2006.

Source: City of Sebastian, Florida 1999-2008 Annual Budgets

Method: Using 1.0 for each full-time employee, and 0.50 for each part-time and seasonal employee

City of Sebastian, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

| Function/program | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|--|---------|---------|---------|----------|----------|------------------|------------------|------------------|------------------|------------------|
| General Government | | | | | | | | | | |
| Number of Annexation Approved | 0 | 1 | 1 | 1 | 6 | 3 | 0 | 1 | 1 | 0 |
| Acres of Annexed Property | 0 | 3.87 | 3.3 | 25.55 | 484 | 80 | 0 | 80 | 6 | 0 |
| Purchase Orders Issued | 254 | 284 | 293 | 369 | 408 | 372 | 357 | 411 | 406 | 397 |
| Public Safety | | | | | | | | | | |
| Police Department | | | | | | | | | | |
| Physical Arrest | 662 | 697 | 744 | 786 | 653 | 557 | 515 | 627 | 738 | 481 |
| Traffic Violations | 4,418 | 7,221 | 6,291 | 5,457 | 5,431 | 1,939 | 2,528 | 2,781 | 3,562 | 2,413 |
| Parking Violations | 208 | 289 | 880 | 303 | 3,801 | 632 | 207 | 198 | 305 | 53 |
| Building Department | | | | | | | | | | |
| Construction Permits Issued | 60 | 116 | 506 | 774 | 577 | 544 | 363 | 315 | 317 | 210 |
| Estimated Value of Construction (in millions) | \$ 21.0 | \$ 32.3 | \$ 88.3 | \$ 114.7 | \$ 112.3 | \$ 82.7 | \$ 38.9 | \$ 29.0 | (¹) | \$ 9.8 |
| Transportation | | | | | | | | | | |
| Road Maintenance (man hours) | 538 | 888 | 512 | 100 | 878 | 850 | 827 | (¹) | (¹) | (¹) |
| Asphalt for road maintenance (tons) | 358 | 210 | 127 | 125 | 88 | 79 | 75 | (¹) | (¹) | (¹) |
| Concrete for road maintenance (yards) (²) | 0 | 0 | 300 | 0 | 283 | 277 | 275 | (¹) | (¹) | (¹) |
| Physical Environment | | | | | | | | | | |
| Cemetery | | | | | | | | | | |
| Cemetery Internments | 68 | 69 | 76 | 79 | 86 | 81 | 73 | 78 | 85 | 52 |
| Grave Deeds Sold | 46 | 49 | 56 | 56 | 69 | 45 | 54 | 67 | 77 | 34 |
| Stormwater | | | | | | | | | | |
| Mile of Swales Maintained | 280 | 280 | 280 | 280 | 280 | 280 | 280 | 280 | (¹) | (¹) |
| Mile of Ditches Maintained | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | (¹) | (¹) |
| Road Crossing Maintained | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | (¹) | (¹) |
| Catch Basins/Culverts | 275 | 275 | 275 | 275 | 275 | 275 | 250 | 248 | (¹) | (¹) |
| Recreation | | | | | | | | | | |
| Recreation Center attendance | 12,910 | 14,177 | 8,004 | 5,504 | 7,498 | (¹) |
| Number of Discount Cards | 950 | 1,004 | 2,690 | 1,000 | 993 | 855 | 890 | 746 | 791 | (¹) |
| Number of Golf Course Memberships | 97 | 108 | 119 | 85 | 116 | 137 | 169 | 190 | 212 | (¹) |
| Average daily golf revenue | \$4,127 | \$4,661 | \$4,209 | \$3,854 | \$4,207 | \$3,693 | \$3,588 | \$2,844 | \$8,348 | \$4,996 |

(¹) Information not available

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

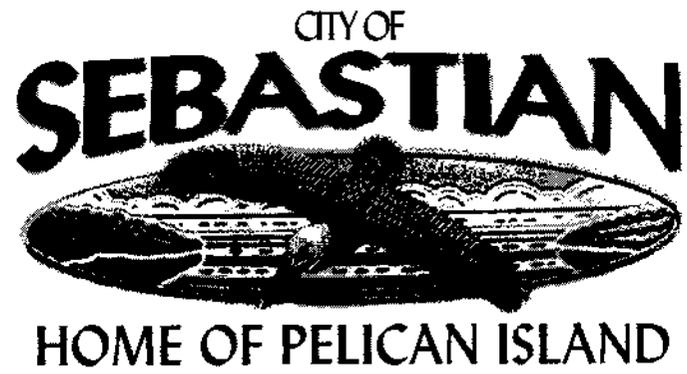
Sources: City of Sebastian Police Department, Growth Management, Public Works, Engineering Department, Golf Course, and Building Department.

City of Sebastian, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| Function/program | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------------------------------|----------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| General Government | | | | | | | | | | |
| Square Footage Occupied | 21,500 | 21,500 | 21,500 | 21,500 | 5,516 | 5,516 | 5,516 | 5,516 | 5,516 | 5,516 |
| Departmental Vehicles | 3 | 3 | 3 | 5 | 2 | 2 | 2 | 3 | 3 | 3 |
| Public Safety | | | | | | | | | | |
| Police Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Square Footage of Police Department | 25,600 | 25,600 | 25,600 | 25,600 | 8,700 | 8,700 | 8,700 | 8,700 | 8,700 | 8,700 |
| Square Footage of Building Department | 2,500 | 2,500 | 2,500 | 2,500 | 1,716 | 1,716 | 1,716 | 1,716 | 1,716 | 1,716 |
| Police Vehicles | 62 | 57 | 53 | 52 | 47 | 42 | 40 | 33 | 32 | 24 |
| Building Inspector Vehicles | 4 | 5 | 6 | 5 | 4 | 4 | 5 | 4 | 3 | 2 |
| Transportation | | | | | | | | | | |
| Streets (miles) | 156 | 156 | 156 | 156 | 156 | 149.6 | 140.0 | 140.0 | 140.0 | 140.0 |
| Number of Streetlights | 1,223 ⁽¹⁾ | 1,309 ⁽¹⁾ | 3,808 | 3,555 | 3,543 | 3,543 | 3,531 | 3,531 | 3,319 | 1,156 |
| Airport | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Service Vehicles | 23 | 21 | 19 | 14 | 24 | 18 | 22 | 19 | 16 | 16 |
| Physical Environment | | | | | | | | | | |
| Public Service Vehicles | 11 | 10 | 12 | 13 | 6 | 7 | 4 | 4 | 4 | 4 |
| Recreation | | | | | | | | | | |
| Number of Parks | 15 | 14 | 14 | 12 | 12 | 12 | 10 | 10 | 10 | 9 |
| Recreation Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Park Acreage | 233.79 | 229.37 | 229.37 | 223.37 | 223.37 | 223.37 | 207.85 | 196.47 | 196.47 | 194.38 |
| Recreation Center Square Footage | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 | 4,859 |
| Park Maintenance Vehicles | 13 | 12 | 11 | 10 | 8 | 6 | 6 | 5 | 5 | 5 |
| Golf Course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Sources: City of Sebastian Finance Department and Growth Management Department

⁽¹⁾ This number represents actual unmetered street lights in the City. (Source: Florida Power & Light)



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SINGLE AUDIT SECTION

The Single Audit Section contains various independent auditor's reports and schedules as required by the Florida Single Audit Act, Chapter 215.97, Florida Statutes for state and local governments that receive state assistance.

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards
- Independent Auditor's Management Letter



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Certified Public Accountants - Chartered

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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***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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



Harris, Cotherman,
Jones, Price & Associates
Certified Public Accountants - Chartered

Honorable Mayor and Members of City Council
City of Sebastian
Page two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Sebastian, Florida in a separate letter, Independent Auditors' Management Letter, dated March 10, 2009.

This report is intended solely for the information and use of the City of Sebastian, Florida and management, state awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Harris, Cotherman, Jones, Price & Associates
Certified Public Accountants - Chartered

Vero Beach, Florida
March 10, 2009



**Harris, Cotherman,
Jones, Price & Associates**

Certified Public Accountants - Chartered

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**Independent Auditors'
Management Letter**

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

We have audited the financial statements of the City of Sebastian, Florida as of and for the fiscal year ended September 30, 2008 and have issued our report thereon dated March 10, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Florida Single Audit Act. We have issued our Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 10, 2009, should be considered in conjunction with this management letter.

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

The *Rules of the Auditor General* (Section 10.554(1)(i)1) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. All findings and comments in the prior year have been resolved to our satisfaction.

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

The *Rules of the Auditor General* (Section 10.554(1)(i)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. Nothing came to our attention that requires disclosure in the current year.



Honorable Mayor and Members of City Council
City of Sebastian
Page two

The *Rules of the Auditor General* (Section 10.554(1)(i)5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

The *Rules of the Auditor General* (Section 10.554(1)(i)6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the City of Sebastian, Florida is disclosed in the notes to the financial statement. The City of Sebastian, Florida's component unit, the Police Officer's Pension Plan, was established under Section 58-46 through 58-54 Code of Ordinances in October 1989.

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

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the City of Sebastian, Florida for the fiscal year ended September 30, 2008, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.c. and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

This report is intended solely for the information and use of the City of Sebastian, Florida and management, federal and state awarding agencies and pass through entities, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Harris, Cotherman, Jones, Price & Associates
Certified Public Accountants - Chartered

Vero Beach, Florida
March 10, 2009