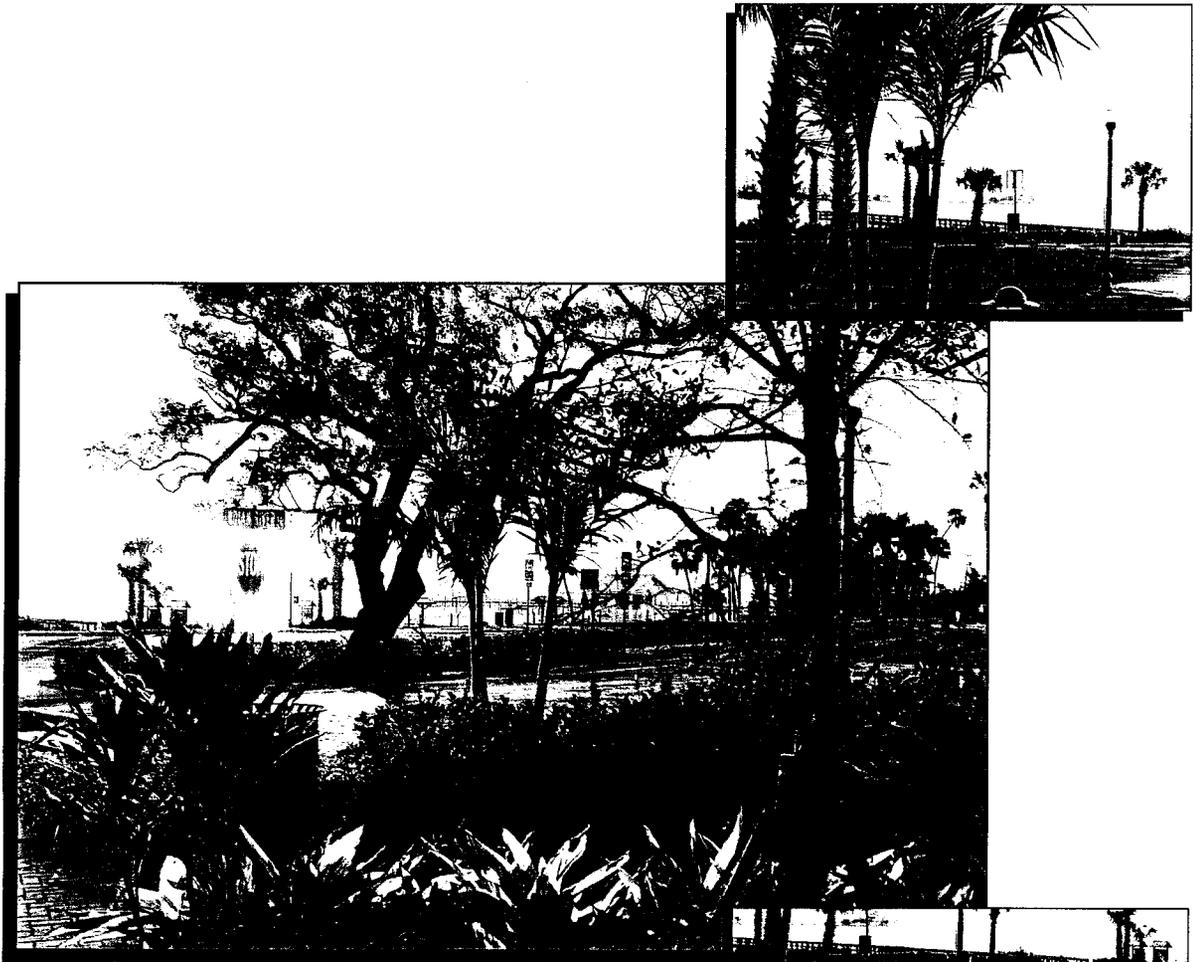


COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF SEBASTIAN FLORIDA

For the Fiscal Year October 1, 2008 through September 30, 2009

The photographs on the cover of these financial statements are views of the City of Sebastian's Indian River Drive/Main Street Renovation Project completed in Fiscal Year 2009.

These photographs capture the beauty of our new park, with a backdrop of the Indian River Lagoon. This area is used daily by many of our residents for their daily walks, fishing off the pier and boat launching.

Elements of this project included land acquisition, a memorial wall, flagpole, restroom, boat ramp, boat trailer and chamber of commerce parking, roads, cross walks and sidewalks, directional and educational signage, pavilions, street lights, landscaping, irrigation, traffic signals, benches and trash receptacles and re-decking the dock

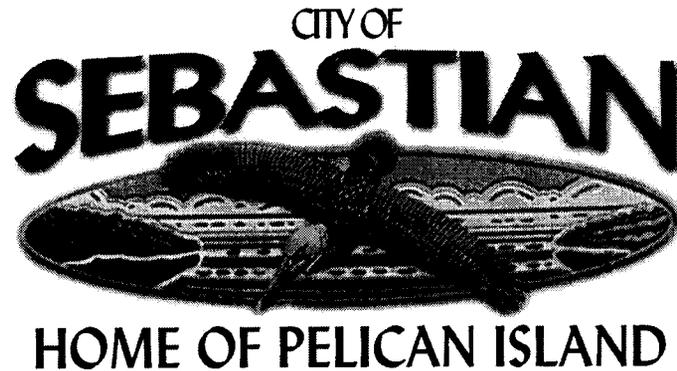
Funding of this project was made possible by the Florida Inland Navigation District, the Florida Fish & Wildlife Conservation, the Community Redevelopment Agency and Recreation Impact Fees. Total project cost was \$1,538,378.

Notice to proceed was issued to H & D Construction, Inc., on January 20th, 2009 and the Ribbon Cutting Ceremony was held on July 11th, 2009.

Photograph provided courtesy of:

Robert Messersmith, Systems Analyst
City of Sebastian

CITY OF SEBASTIAN, FLORIDA

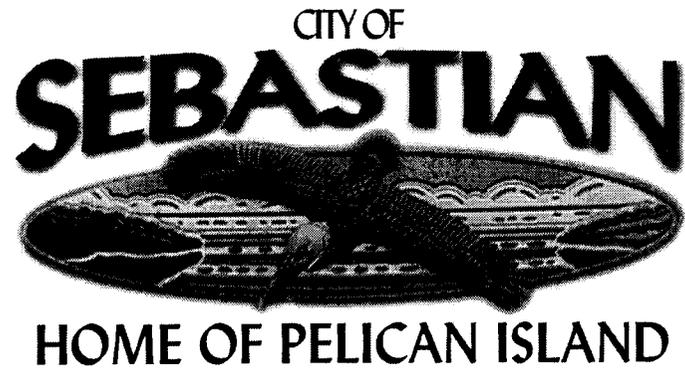


Comprehensive Annual Financial Report For the Year Ended September 30, 2009

CITY COUNCIL

Richard H. Gillmor	Mayor
Jim Hill	Vice-Mayor
Andrea Coy	Councilmember
Don Wright	Councilmember
Eugene Wolff	Councilmember

Prepared By: Administrative Services 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, 2008
- Organizational Chart
- List of Officials

CITY OF SEBASTIAN, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2009
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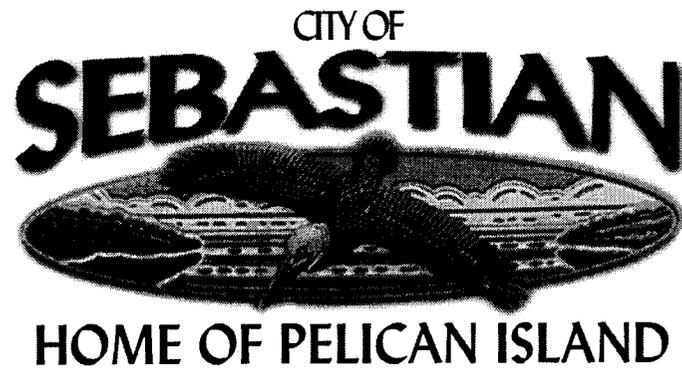
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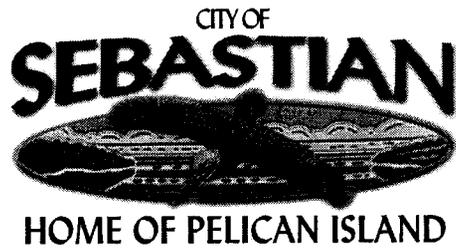
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March 17, 2010

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, 2009, as prepared by the City's Administrative Services department. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2009.

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, 2009. 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 22,722 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 three 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 2007 was \$47,563 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.

The millage was increased 11.8% from 2.9917 to 3.3456 to partially offset the significant decline in taxable values that occurred this year. Construction activity in fiscal year 2009 continued to be low, with just 58 permits being issued for construction in fiscal year 2009 with a value of \$11.2 million. The decline is primarily attributed to the slowdown of the housing market.

Unreserved, undesignated fund balance in the general fund (43.0% 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 understands reliance on accumulated reserves to fund operating expenditures is not a prudent fiscal strategy. To this end, the budget for next year incorporates reductions in operating expenditures and the use of only a minimal amount of accumulated reserves.

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. During fiscal year 2009, a significant portion of a major contract to replace the canal walls along Collier Creek was accomplished.

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. \$1,250,000 of additional paving funds will be provided in February 2010 by means of refinancing the outstanding bank note.

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 source of airport revenues and over 150 acres of property is available for lease, for both aviation and non-aviation businesses. Also important are sales from a self-serve fueling facility.

The Airport's limited resources continue to be leveraged by aggressively seeking and obtaining grants available from the Florida Department of Transportation (FDOT) and Federal Aviation Administration (FAA) to provide the funding needed to develop the necessary infrastructure. Recent improvements include adding a hangar and constructing an access road. These and other ventures will help attract business to the Airport and thereby improve the Airport and City financial positions.

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, 2008. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Al Minner
City Manager



Kenneth W. Killgore
Director of Finance

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, 2008

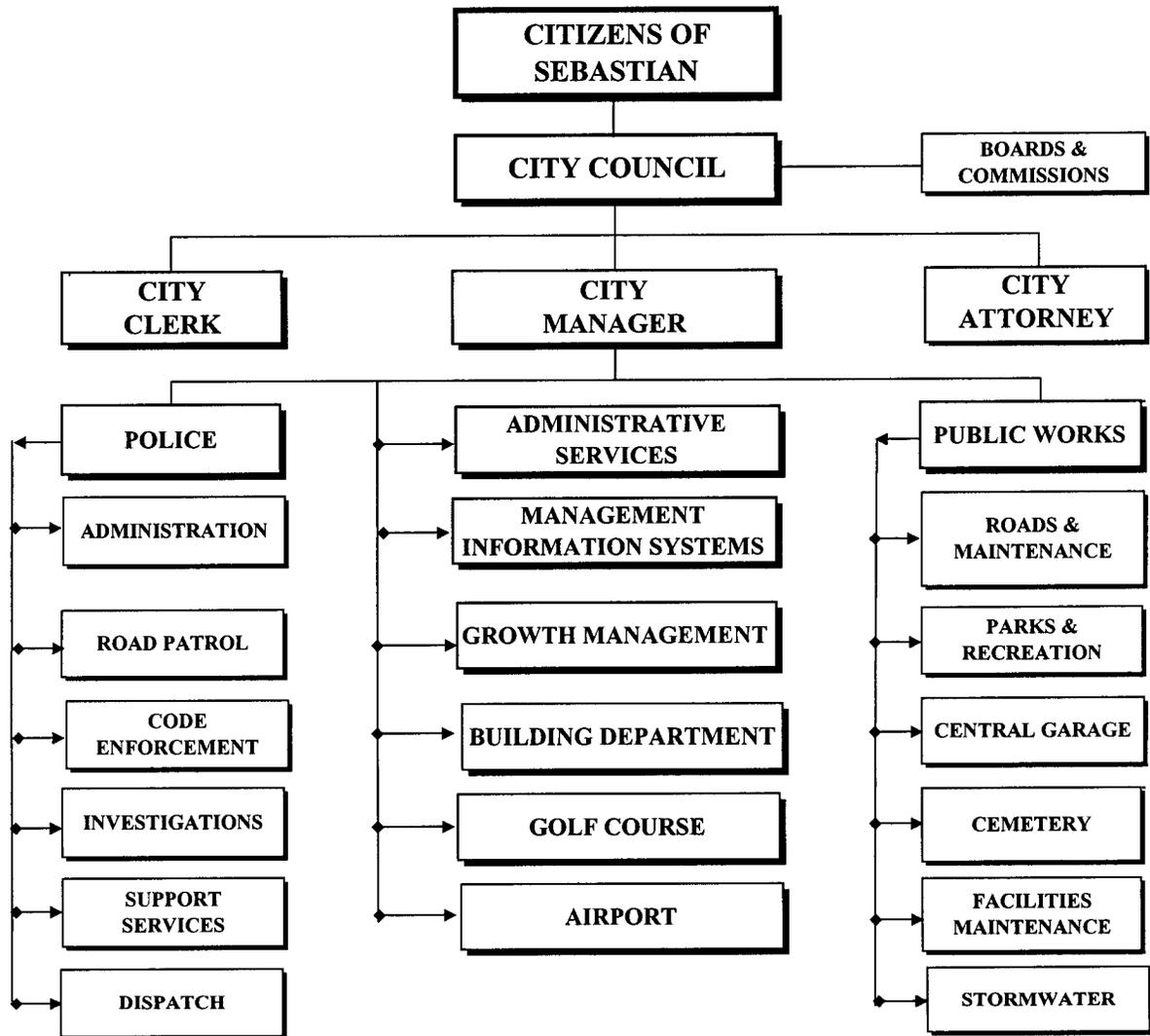
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

ROBERT GINSBURG

DEPARTMENT HEADS:

Police Chief

MICHELLE MORRIS

Director of Administrative Services

DEBRA KRUEGER

Director of Finance

KENNETH W. KILLGORE

MIS Director

FRANK LOSARDO

Public Works Director

JERRY CONVERSE

Growth Management Director

REBECCA GROHALL

Building Official

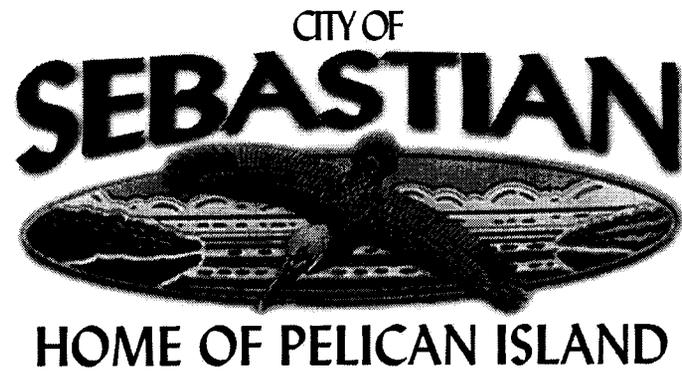
WAYNE ESELTINE

Golf Course Director

GREG GARDNER

Airport Director

JOSEPH GRIFFIN

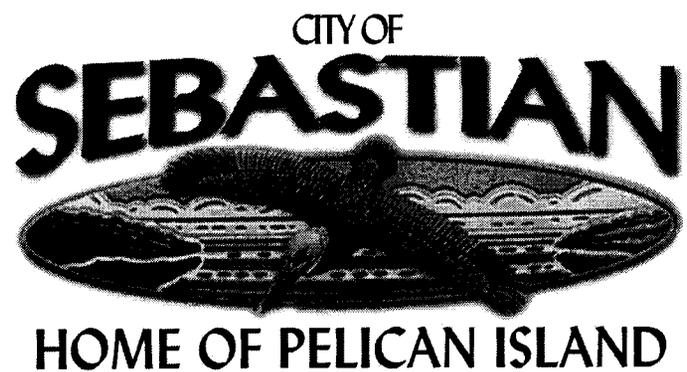


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FINANCIAL SECTION

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida as of and for the year ended September 30, 2009, 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, 2009, 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 5, 2010 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
Sebastian, Florida
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 federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, 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

Harris, Cotherman, Jones, Price & Associates, Certified Public Accountants - Chartered
Vero Beach, Florida
March 5, 2010

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 2009 by \$50,354,867 (net assets). Of this amount, \$4,588,957 (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 \$1,535,856 resulting from an increase of \$1,059,819 from governmental activities and \$476,037 from business-type activities
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balance of \$15,155,532, a decrease of \$4,370,837 in comparison with the prior year. Approximately 57% of this amount, \$8,712,629, 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 \$5,096,901, or an 8% decrease from prior year general fund unreserved and undesignated fund balance. The key factor in this decrease was that receipts from budgeted revenues were substantially lower than the prior 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 fifteen 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, transportation improvements capital project 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 \$1.6 million from \$48.8 million to \$50.4 million or 3%. Looking at the net assets and net revenues of the governmental and business-type activities, the increase occurred in both the net assets of governmental-type activities and 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, 2009 and 2008
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 17,084	\$ 21,016	\$ 692	\$ 1,848	\$ 17,776	\$ 22,864
Capital assets	38,673	34,468	11,018	9,966	49,691	44,434
Total assets	\$ 55,757	\$ 55,484	\$ 11,710	\$ 11,814	\$ 67,467	\$ 67,298
Non-current liabilities	\$ 14,782	\$ 15,868	\$ 534	\$ 1,086	\$ 15,316	\$ 16,954
Other liabilities	1,530	1,231	265	294	1,795	1,525
Total liabilities	\$ 16,312	\$ 17,099	\$ 799	\$ 1,380	\$ 17,111	\$ 18,479
Net assets:						
Invested in capital assets, net of related debt	\$ 26,745	\$ 24,134	\$ 10,726	\$ 9,111	\$ 37,471	\$ 33,245
Restricted	8,198	9,216	98	570	8,296	9,786
Unrestricted	4,502	5,035	87	753	4,589	5,788
Total net assets	\$ 39,445	\$ 38,385	\$ 10,911	\$ 10,434	\$ 50,356	\$ 48,819

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

Total net assets of the governmental activities increased from \$38.385 million to \$39.445 million. Total net assets for business-type activities increased from \$10.434 million to \$10.911 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 increase in net assets for 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, 2009 and 2008
(in thousands)

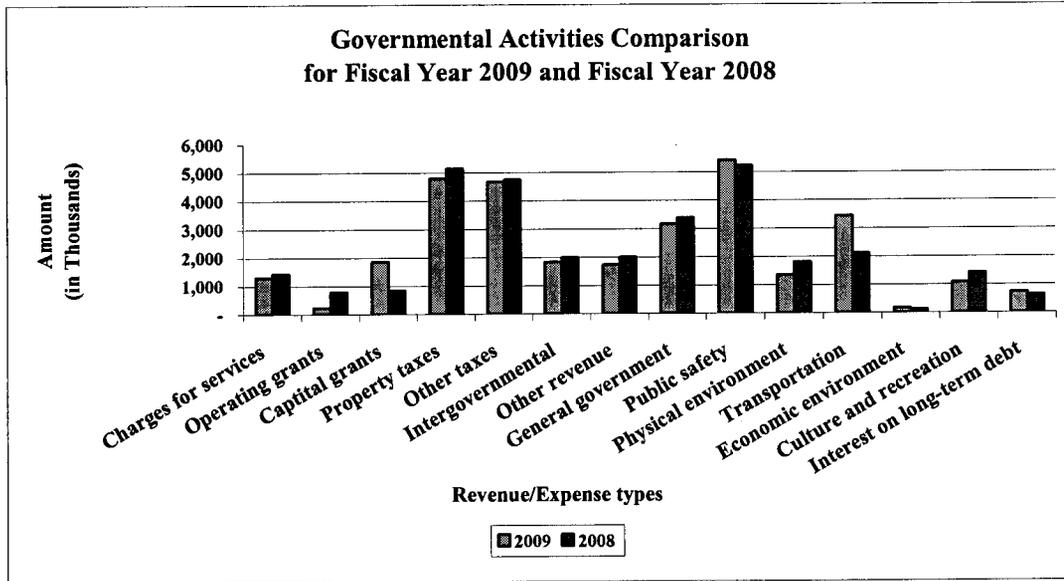
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program revenues:						
Charges for services	\$ 1,291	\$ 1,426	\$ 2,205	\$ 2,309	\$ 3,496	\$ 3,735
Operating grants and contributions	228	786	-	-	228	786
Capital grants and contributions	1,865	836	1,357	494	3,222	1,330
General revenues:						
Property taxes	4,802	5,149	-	-	4,802	5,149
Other taxes	4,670	4,754	-	-	4,670	4,754
Intergovernmental	1,821	1,990	-	-	1,821	1,990
Other	1,729	1,993	6	54	1,735	2,047
Total revenues	16,406	16,934	3,568	2,857	19,974	19,791
EXPENSES						
General government	3,170	3,375	-	-	3,170	3,375
Public safety	5,421	5,227	-	-	5,421	5,227
Physical environment	1,348	1,806	-	-	1,348	1,806
Transportation	3,438	2,111	-	-	3,438	2,111
Economic environment	167	113	-	-	167	113
Culture and recreation	1,073	1,421	-	-	1,073	1,421
Golf Course	-	-	1,477	1,488	1,477	1,488
Airport	-	-	1,080	1,100	1,080	1,100
Building	-	-	534	605	534	605
Interest and fiscal charges	730	635	-	-	730	635
Total expenses	15,347	14,688	3,091	3,193	18,438	17,881
Change in net assets before transfers	1,059	2,246	477	(336)	1,536	1,910
Net assets - October 1, 2008	38,385	36,139	10,434	10,770	48,819	46,909
Net assets - September 30, 2009	\$ 39,444	\$ 38,385	\$ 10,911	\$ 10,434	\$ 50,355	\$ 48,819

Overall the total revenues increased \$183 thousand from the previous year but only as a result of an increase in capital grants that more than offset declines in all other revenue source categories. The total cost of all programs increased by 3.0% (\$557 thousand) for the same reason. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities revenues exceed expenses by \$1.059 million. Total revenues decreased approximately \$528 thousand 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 increased \$659 thousand from the previous year. The largest increase in spending was in the category of transportation.

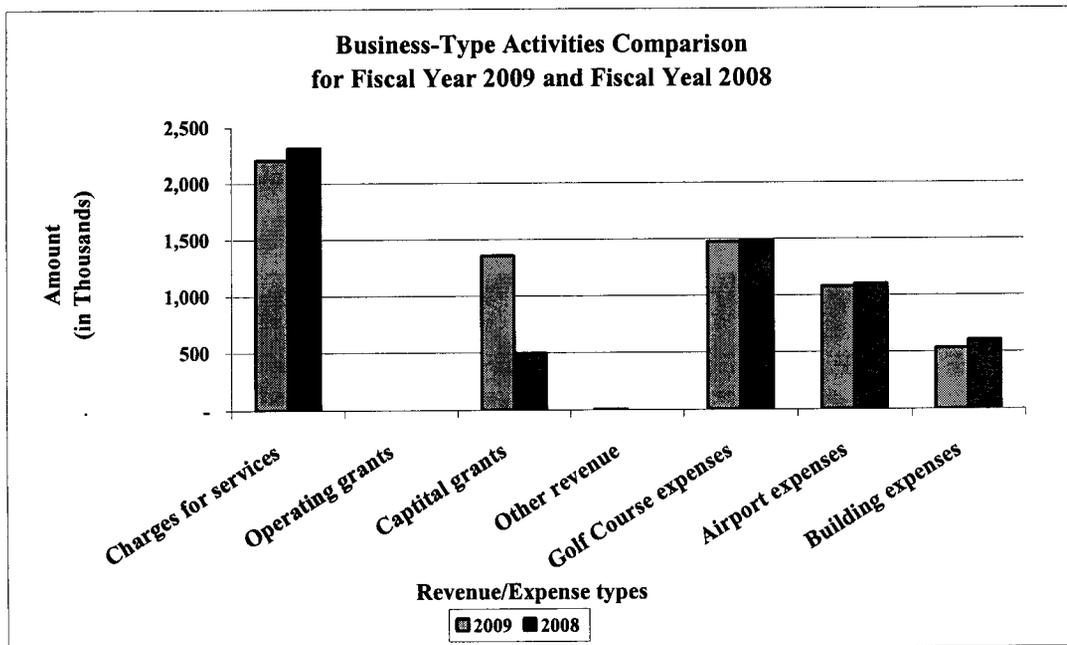
The following is a graphic illustration of the comparison for governmental activities revenue and expenses.



Business-type Activities

Revenues of the City’s business-type activities (see Table 2) increased \$711 thousand primarily because of capital grants. Expenses fell by 3.2% for all the City’s business-type activities, with expenses for Building Enterprise falling by 11.7% due to staffing reductions; Airport expenses declining 1.8% due to unusually high operating expenses that were incurred the prior year and; Golf Course expenses declining .7% due to reductions in personnel costs. 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 \$15.2 million, which is a decrease of \$4.3 million from the prior year of \$19.5 million. Approximately 57.4% of this total amount (\$8.7 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 (\$1.6 million), 2) to fund capital projects (\$3.0 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 \$5,096,901, while total fund balance was \$5,768,114. 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 42 percent of total general fund expenditures, while total fund balance represents 48 percent of that same amount.

The fund balance of the City's general fund decreased by \$540,068 during the current fiscal year. Key factors in this reduction are as follows:

- Property tax revenues decreased by \$368,863 due to reductions in taxable property values.
- Licenses and permits decreased \$134,320 because most of those accounts were moved to the Building Enterprise Fund.
- Intergovernmental decreased \$140,938 due to lower sales tax and state shared revenues.
- Contributions and donations decreased \$271,906 because of unusually large contributions the prior year.
- Public utility taxes increased \$90,677 and franchise fees increased \$127,491.
- All other revenues decreased by \$62,083.

The **discretionary sales tax revenue special revenue fund** has a total unreserved and undesignated fund balance of \$673,676. The decrease from the total fund balance of the prior year (\$1,404,945) is mainly due to transfers made to the discretionary sales surtax revenue bonds 2003 fund to establish a cash reserve account as required by the bond covenants.

The **riverfront redevelopment special revenue fund** has an unreserved and undesignated fund balance of \$984,638. The increase from the total fund balance of the prior year (\$16,404) is mainly due to the return of a portion of the transfers made for capital improvements that ended up being funded by grants.

The **transportation improvements capital project fund** has a total fund balance of \$567,307, 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 \$2,080,225, all of which is reserved for stormwater capital projects. The decrease from the total fund balance of the prior year (\$5,039,510) is due to expenditures made on 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 \$377,603, while the unrestricted net assets (deficit) amounted to (\$160,600). Compared to the prior year in the same category, net assets are \$68,764 less than the prior year, while the unrestricted net assets has a decrease of \$161,233 from the prior year. This is mainly due to the use of funds for repayment of long-term debt. 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 \$9,876,909, while the unrestricted net assets (deficit) amounted to (\$389,368). Compared to the prior year in the same category, net assets have increased by \$716,336 while the unrestricted net assets decreased \$345,898. 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 \$656,001, while the unrestricted net assets amounted to \$636,485. The building fund experienced an operating loss, as a result of the slowdown in activity and drop in collections of 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 three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect fund balances carried over from the prior fiscal year to fund outstanding encumbrances. The second category includes adjustments for unanticipated revenues. The third category includes supplemental appropriations to cover unanticipated items or costs that were in excess of budgeted amounts. The main components of the increase are as follows:

- \$18,680 supplemental appropriation to general fund departments for encumbered amounts carried forward from the prior fiscal year.
- \$2,088 supplemental appropriation for proceeds from a JAG Grant for equipment purchases.
- \$41,743 supplemental appropriation to police department for funds received from a public safety grant.
- \$137,782 supplemental appropriation to police department for the required pension contribution.
- \$36,000 supplemental appropriation to police department for unanticipated higher overtime expenditures.
- \$4,500 supplemental appropriation for the costs of MIS Department equipment service agreements that were not budgeted.
- \$20,000 supplemental appropriation to public works for unanticipated repair to facilities and power costs.
- \$43,000 supplemental appropriation for higher than anticipated expenditures for unemployment compensation, contract mowing and insurance claims.

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 lower draw on existing fund balances than had been anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009 the City had \$74,095,502 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 \$8,053,202, or 12.2%, over last year. The following table illustrates the changes in capital assets. See page 40 and page 41 in the notes to the financial statements for detailed changes in capital assets.

Table 3

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 5,699,045	\$ 5,696,946	\$ 9,060	\$ 9,060	\$ 5,708,105	\$ 5,706,006
Buildings	11,284,488	11,158,739	5,082,120	3,726,258	16,366,608	14,884,997
Improvements	5,704,686	5,149,267	1,940,103	1,866,928	7,644,789	7,016,195
Equipment	7,784,213	7,390,752	1,062,333	922,575	8,846,546	8,313,327
Infrastructure	25,125,625	22,259,149	6,237,799	6,226,110	31,363,424	28,485,259
Construction-in-Progress	3,958,971	1,520,565	207,059	115,951	4,166,030	1,636,516
Totals	\$ 59,557,028	\$ 53,175,418	\$ 14,538,474	\$ 12,866,882	\$ 74,095,502	\$ 66,042,300

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

- An increase in buildings mainly due to upgrades at Schumann Park.
- An increase in improvements due to the capitalization of work completed on pedestrian bridges.
- An increase in equipment mainly due to capitalization of new police vehicles.
- An increase in infrastructure mainly due to the work on the Collier Creek stormwater drainage system.
- An increase in construction-in-progress due to the contract for work at Collier Creek.

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

- An increase in buildings mainly due to the completion of a hangar.
- 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 construction-in-progress primarily due to the project to construct an access road.

Debt

On September 30, 2009, the City had \$13,421,679 in bonds and notes outstanding versus \$15,203,148 on September 30, 2008 – a decrease of 11.7% – 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 43 through 45 in the notes to the financial statements.

Table 4

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Infrastructure sales surtax revenue bonds, Series 2003	\$ 6,255,000	\$ 6,840,000	\$ -	\$ -	\$ 6,255,000	\$ 6,840,000
Infrastructure sales surtax revenue bonds, Series 2003A	1,470,000	1,605,000	-	-	1,470,000	1,605,000
Stormwater utility revenue bonds, Series 2003	4,315,000	4,570,000	-	-	4,315,000	4,570,000
Notes payable (backed by local option gas tax)	1,089,203	1,333,197	-	-	1,089,203	1,333,197
Recreational facilities improvements and refunding revenue bonds, series 2001	-	-	292,476	854,951	292,476	854,951
Totals	\$ 13,129,203	\$ 14,348,197	\$ 292,476	\$ 854,951	\$ 13,421,679	\$ 15,203,148

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 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 2009 was 14.1% up from 9.7% in the previous year. This is analogous to the economic slowdown being experienced throughout the state and nation. Again in fiscal year 2009, the city experienced a major reduction in property value (11.9% decrease) and a small decline in new construction permits (from 60 to 58). The low number of new 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 2010. Amounts available for appropriation in the General Fund budget are \$10,809,831, a decrease of 8.8% from the original fiscal year 2009 budget of \$11,850,747. Uncertainty about the low amount of building activity and concern about additional 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 continue to proceed cautiously.

The Golf Course experienced some increase in golf revenues in fiscal year 2009 mainly due to a slight increase in number of rounds being played. Although it reduced expenses on salaries, wages and employee benefits, increases in expenses on maintenance and depreciation resulted in it being unable to meet the bond coverage requirement on the Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001. 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 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 Administrative Services Department at City of Sebastian, 1225 Main Street, Sebastian, Florida 32958.

City of Sebastian, Florida
Statement of Net Assets
September 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,853,386	\$ 120,880	\$ 1,974,266
Investments	6,865,360	811,369	7,676,729
Receivables	1,453,710	79,684	1,533,394
Internal balances	485,000	(485,000)	-
Prepaid items	86,441	26,282	112,723
Inventory	71,255	25,916	97,171
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,328,206	-	1,328,206
Investments	3,730,677	98,320	3,828,997
Permanently restricted:			
Investments	672,259	-	672,259
Overfunded pension costs	165,630	-	165,630
Deferred charges	371,516	13,897	385,413
Capital assets not being depreciated:			
Land	5,699,045	9,060	5,708,105
Construction in progress	3,958,971	207,059	4,166,030
Capital assets (net of accumulated depreciation):			
Buildings	8,613,841	4,474,390	13,088,231
Improvements other than buildings	3,797,463	1,470,630	5,268,093
Machinery and equipment	1,777,849	394,498	2,172,347
Infrastructure	14,826,115	4,462,514	19,288,629
Total assets	<u>55,756,724</u>	<u>11,709,499</u>	<u>67,466,223</u>
LIABILITIES			
Accounts payable and other current liabilities	1,304,194	117,674	1,421,868
Accrued interest payable	223,432	-	223,432
Unearned revenues	2,784	147,164	149,948
Non-current liabilities:			
Due within one year	1,460,471	16,716	1,477,187
Due in more than one year	13,321,489	517,432	13,838,921
Total liabilities	<u>16,312,370</u>	<u>798,986</u>	<u>17,111,356</u>
NET ASSETS			
Invested in capital assets, net of related debt	26,744,896	10,725,676	37,470,572
Restricted for:			
Capital projects	4,124,738	-	4,124,738
Debt service	1,554,128	-	1,554,128
Road projects	649,886	-	649,886
Community redevelopment	984,638	-	984,638
Perpetual care:			
Expendable	157,769	-	157,769
Nonexpendable	672,259	-	672,259
Other purposes	53,600	98,320	151,920
Unrestricted	4,502,440	86,517	4,588,957
Total net assets	<u>\$ 39,444,354</u>	<u>\$ 10,910,513</u>	<u>\$ 50,354,867</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, 2009

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,169,851	\$ 220,073	\$ 5,930	\$ -
Public safety	5,420,585	95,606	203,513	-
Physical environment	1,347,771	908,829	-	500,000
Transportation	3,437,724	-	18,559	593,776
Economic environment	167,470	-	-	6,000
Cultural/recreation	1,073,249	66,540	-	765,398
Interest and fiscal charges	730,100	-	-	-
Total governmental activities	<u>15,346,750</u>	<u>1,291,048</u>	<u>228,002</u>	<u>1,865,174</u>
Business-type activities:				
Golf Course	1,477,299	1,406,956	-	-
Airport	1,079,869	438,485	-	1,356,914
Building	533,641	358,947	-	-
Total business-type activities	<u>3,090,809</u>	<u>2,204,388</u>	<u>-</u>	<u>1,356,914</u>
Total government	<u>\$ 18,437,559</u>	<u>\$ 3,495,436</u>	<u>\$ 228,002</u>	<u>\$ 3,222,088</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
\$ (2,943,848)	\$ -	\$ (2,943,848)
(5,121,466)	-	(5,121,466)
61,058	-	61,058
(2,825,389)	-	(2,825,389)
(161,470)	-	(161,470)
(241,311)	-	(241,311)
(730,100)	-	(730,100)
<u>(11,962,526)</u>	<u>-</u>	<u>(11,962,526)</u>
-	(70,343)	(70,343)
-	715,530	715,530
-	(174,694)	(174,694)
-	470,493	470,493
<u>(11,962,526)</u>	<u>470,493</u>	<u>(11,492,033)</u>
4,801,924	-	4,801,924
4,670,106	-	4,670,106
1,327,253	-	1,327,253
1,821,347	-	1,821,347
261,203	5,544	266,747
140,512	-	140,512
<u>13,022,345</u>	<u>5,544</u>	<u>13,027,889</u>
1,059,819	476,037	1,535,856
38,384,535	10,434,476	48,819,011
<u>\$ 39,444,354</u>	<u>\$ 10,910,513</u>	<u>\$ 50,354,867</u>

City of Sebastian, Florida
Balance Sheet
Governmental Funds
September 30, 2009

	General	Discretionary Sales Tax	Riverfront Redevelopment	Transportation Improvements	Stormwater Utility Improvements
ASSETS					
Cash and cash equivalents	\$ 865,434	\$ 49,047	\$ 609,416	\$ 181,832	\$ 27,853
Investments	4,433,893	431,114	375,251	-	2,604,079
Accounts receivables	266,902	-	-	-	-
Due from other governments	307,932	193,509	-	425,291	81,200
Interest receivable	24,069	6	6	-	-
Inventory	71,255	-	-	-	-
Prepaid items	86,441	-	-	-	-
Advance to other funds	200,000	285,000	-	-	-
Total assets	<u>6,255,926</u>	<u>958,676</u>	<u>984,673</u>	<u>607,123</u>	<u>2,713,132</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	479,706	-	35	39,816	395,450
Retainage payable	-	-	-	-	237,457
Due to other governments	5,322	-	-	-	-
Other deposits held in escrow	2,784	-	-	-	-
Total liabilities	<u>487,812</u>	<u>-</u>	<u>35</u>	<u>39,816</u>	<u>632,907</u>
Fund balances:					
Reserved for:					
Advance to other funds	200,000	285,000	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	567,307	2,080,225
Property and casualty	100,000	-	-	-	-
Cemetery care	-	-	-	-	-
Law enforcement	-	-	-	-	-
Emergency services	350,000	-	-	-	-
Unreserved:					
Designated for employee events	9,615	-	-	-	-
Designated for law enforcement	11,598	-	-	-	-
Undesignated, reported in:					
General fund	5,096,901	-	-	-	-
Special revenue funds	-	673,676	984,638	-	-
Total fund balances	<u>5,768,114</u>	<u>958,676</u>	<u>984,638</u>	<u>567,307</u>	<u>2,080,225</u>
Total liabilities and fund balances	<u>\$ 6,255,926</u>	<u>\$ 958,676</u>	<u>\$ 984,673</u>	<u>\$ 607,123</u>	<u>\$ 2,713,132</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.

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

Net assets of governmental activities

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,448,010	\$ 3,181,592
3,423,959	11,268,296
-	266,902
71,002	1,078,934
9	24,090
-	71,255
-	86,441
-	485,000
4,942,980	16,462,510

146,408	1,061,415
-	237,457
-	5,322
-	2,784
146,408	1,306,978

-	485,000
1,554,128	1,554,128
401,402	3,048,934
-	100,000
830,029	830,029
53,600	53,600
-	350,000
-	9,615
-	11,598
-	5,096,901
1,957,413	3,615,727
4,796,572	15,155,532
\$ 4,942,980	

38,673,284
165,630
(326,167)
(14,084,277)
(223,432)
83,784
\$ 39,444,354

City of Sebastian, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009

	General	Discretionary Sales Tax	Riverfront Redevelopment	Transportation Improvements	Stormwater Utility Improvements
REVENUES:					
Taxes:					
Property	\$ 4,276,800	\$ -	\$ 525,124	\$ -	\$ -
Public utility	2,341,458	-	-	-	-
Sales	-	2,328,648	-	-	-
Motor fuel	-	-	-	-	-
Franchise fees	1,327,253	-	-	-	-
Licenses and permits	29,151	-	-	-	-
Intergovernmental	2,000,872	-	-	751,423	500,000
Impact fees	-	-	-	-	-
Charges for services	288,881	-	-	-	-
Fines	59,411	-	-	-	-
Special assessments	3,849	-	-	-	-
Investment earnings	167,396	4,452	1,990	19,931	43,688
Contributions and donations	28,462	-	-	-	-
Other revenue	140,059	-	-	-	-
Total revenues	<u>10,663,592</u>	<u>2,333,100</u>	<u>527,114</u>	<u>771,354</u>	<u>543,688</u>
EXPENDITURES:					
Current:					
General government	2,976,896	-	-	-	-
Public safety	4,918,779	-	-	-	-
Physical environment	1,425,836	-	-	-	13,437
Transportation	1,451,787	-	-	-	-
Economic environment	-	-	167,470	-	-
Culture and recreation	1,148,408	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	103,492	-	-	2,209,265	3,562,964
Total expenditures	<u>12,025,198</u>	<u>-</u>	<u>167,470</u>	<u>2,209,265</u>	<u>3,576,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,361,606)</u>	<u>2,333,100</u>	<u>359,644</u>	<u>(1,437,911)</u>	<u>(3,032,713)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	821,538	-	668,590	108,159	73,428
Transfers out	-	(2,779,369)	(60,000)	(900,098)	-
Total other financing sources (uses)	<u>821,538</u>	<u>(2,779,369)</u>	<u>608,590</u>	<u>(791,939)</u>	<u>73,428</u>
Net changes in fund balances	(540,068)	(446,269)	968,234	(2,229,850)	(2,959,285)
Fund balances - beginning	6,308,182	1,404,945	16,404	2,797,157	5,039,510
Fund balances - ending	<u>\$ 5,768,114</u>	<u>\$ 958,676</u>	<u>\$ 984,638</u>	<u>\$ 567,307</u>	<u>\$ 2,080,225</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,801,924
-	2,341,458
-	2,328,648
593,776	593,776
-	1,327,253
-	29,151
18,559	3,270,854
13,975	13,975
897,280	1,186,161
29,527	88,938
-	3,849
13,457	250,914
7,456	35,918
453	140,512
<u>1,574,483</u>	<u>16,413,331</u>
-	2,976,896
7,935	4,926,714
8,794	1,448,067
244,467	1,696,254
-	167,470
-	1,148,408
1,218,995	1,218,995
706,093	706,093
619,550	6,495,271
<u>2,805,834</u>	<u>20,784,168</u>
<u>(1,231,351)</u>	<u>(4,370,837)</u>
3,524,661	5,196,376
<u>(1,456,909)</u>	<u>(5,196,376)</u>
2,067,752	-
836,401	(4,370,837)
3,960,171	19,526,369
<u>\$ 4,796,572</u>	<u>\$ 15,155,532</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, 2009

Net change in fund balances - total governmental funds	\$ (4,370,837)
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.	(15,802)
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.	4,206,490
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.	(1,318)
Payment of a special assessment receivable is reported as revenue in the fund financial statements.	(3,849)
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.	65,355
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.	1,218,994
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.	(39,214)
Change in net assets of governmental activities	\$ 1,059,819

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, 2009

Enterprise Funds

	<u>Golf Course</u>	<u>Airport</u>	<u>Building</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,779	\$ 90,600	\$ 25,501	\$ 120,880
Investments	-	-	811,369	811,369
Restricted cash, cash equivalents and investments:				
Revenue bond covenant accounts	98,320	-	-	98,320
Due from other governments	-	76,184	-	76,184
Interest receivable	-	1	3,499	3,500
Inventory	13,048	12,868	-	25,916
Prepaid items	13,190	11,045	2,047	26,282
Total current assets	<u>129,337</u>	<u>190,698</u>	<u>842,416</u>	<u>1,162,451</u>
Noncurrent assets:				
Deferred charges	13,897	-	-	13,897
Capital assets:				
Land	-	9,060	-	9,060
Buildings	331,228	4,750,892	-	5,082,120
Improvements other than buildings	277,590	1,662,513	-	1,940,103
Machinery and equipment	355,978	645,829	60,526	1,062,333
Infrastructure	1,100,951	5,136,848	-	6,237,799
Construction in process	-	207,059	-	207,059
Less accumulated depreciation	<u>(1,333,389)</u>	<u>(2,145,924)</u>	<u>(41,010)</u>	<u>(3,520,323)</u>
Total noncurrent assets	<u>746,255</u>	<u>10,266,277</u>	<u>19,516</u>	<u>11,032,048</u>
Total assets	<u>875,592</u>	<u>10,456,975</u>	<u>861,932</u>	<u>12,194,499</u>
LIABILITIES				
Current liabilities:				
Accounts payable	65,548	27,672	\$17,143	110,363
Advance from other fund	-	485,000	-	485,000
Due to other governments	6,479	832	-	7,311
Unearned revenues	60,443	-	\$86,721	147,164
Accrued termination benefits	-	-	6,171	6,171
Accrued compensated absences	224	1,834	8,486	10,544
Matured bonds payable	292,475	-	-	292,475
Total current liabilities	<u>425,169</u>	<u>515,338</u>	<u>118,521</u>	<u>1,059,028</u>
Non-current liabilities:				
Compensated absences	65,170	45,227	73,867	184,264
Unfunded OPEB obligation	7,650	19,501	13,543	40,694
Total non-current liabilities	<u>72,820</u>	<u>64,728</u>	<u>87,410</u>	<u>224,958</u>
Total liabilities	<u>497,989</u>	<u>580,066</u>	<u>205,931</u>	<u>1,283,986</u>
NET ASSETS				
Invested in capital assets, net of related debt	439,883	10,266,277	19,516	10,725,676
Restricted for payment of Airport rent	98,320	-	-	98,320
Unrestricted (deficit)	<u>(160,600)</u>	<u>(389,368)</u>	<u>636,485</u>	<u>86,517</u>
Total net assets	<u>\$ 377,603</u>	<u>\$ 9,876,909</u>	<u>\$ 656,001</u>	<u>\$ 10,910,513</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, 2009

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
Operating revenues:				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 358,948	\$ 358,948
Golf course fees pledged as security for revenue bonds	1,371,876	-	-	1,371,876
Rents	31,178	277,004	-	308,182
Other revenue	3,901	161,481	-	165,382
Total operating revenues	<u>1,406,955</u>	<u>438,485</u>	<u>358,948</u>	<u>2,204,388</u>
Operating expenses:				
Salaries, wages and employee benefits	350,475	245,949	403,746	1,000,170
Contractual services, materials and supplies	991,669	283,254	117,788	1,392,711
Depreciation	89,243	542,116	12,107	643,466
Total operating expenses	<u>1,431,387</u>	<u>1,071,319</u>	<u>533,641</u>	<u>3,036,347</u>
Operating income (loss)	(24,432)	(632,834)	(174,693)	(831,959)
Nonoperating revenues (expenses):				
Interest income	-	806	3,158	3,964
Interest income pledged as security for revenue bonds	1,580	-	-	1,580
Interest expense	(32,015)	(8,550)	-	(40,565)
Bond amortization expense	(13,897)	-	-	(13,897)
Total nonoperating revenues (expenses)	<u>(44,332)</u>	<u>(7,744)</u>	<u>3,158</u>	<u>(48,918)</u>
Income/(loss) before capital contributions and transfers	(68,764)	(640,578)	(171,535)	(880,877)
Capital contributions	-	1,356,914	-	1,356,914
Change in net assets	(68,764)	716,336	(171,535)	476,037
Total net assets - beginning	<u>446,367</u>	<u>9,160,573</u>	<u>827,536</u>	<u>10,434,476</u>
Total net assets - ending	<u>\$ 377,603</u>	<u>\$ 9,876,909</u>	<u>\$ 656,001</u>	<u>\$ 10,910,513</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, 2009

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 1,393,849	\$ 449,485	\$ 362,539	\$ 2,205,873
Cash payments to suppliers	(973,644)	(312,994)	(106,925)	(1,393,563)
Cash payments for employee services	(350,358)	(240,987)	(398,350)	(989,695)
Net cash provided (used) by operating activities	69,847	(104,496)	(142,736)	(177,385)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(91,065)	(1,604,349)	-	(1,695,414)
Receipt from capital grants	-	1,323,594	-	1,323,594
Capital contributions	-	5,000	-	5,000
Principal paid on revenue bond maturities	(570,000)	-	-	(570,000)
Bond issuance costs	7,524	-	-	7,524
Interest paid on revenue bonds	(49,860)	-	-	(49,860)
Interest paid on advance from other funds	-	(8,550)	-	(8,550)
Net cash provided (used) by capital and related financing activities	(703,401)	(284,305)	-	(987,706)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,788	1,424	472	3,684
Net cash provided by investing activities	1,788	1,424	472	3,684
Net increase (decrease) in cash and cash equivalents	(631,766)	(387,377)	(142,264)	(1,161,407)
Cash and cash equivalents, October 1	734,865	477,977	979,134	2,191,976
Cash and cash equivalents, September 30	\$ 103,099	\$ 90,600	\$ 836,870	\$ 1,030,569

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, 2009
(Continued)

	<u>Enterprise Funds</u>			
	<u>Golf Course</u>	<u>Airport</u>	<u>Building</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (24,432)	\$ (632,834)	\$ (174,693)	\$ (831,959)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	89,243	542,116	12,107	643,466
(Increase) Decrease in assets:				
Accounts receivable	-	11,000	-	11,000
Inventories	(3,253)	9,350	-	6,097
Prepaid expenses	(3,839)	(4,757)	2,997	(5,599)
Increase (Decrease) in liabilities:				
Accounts payable	25,433	(33,932)	7,866	(633)
Due to other governments	(316)	(401)	-	(717)
Unearned revenues	(2,106)	-	3,591	1,485
Accrued termination benefits	-	-	(13,268)	(13,268)
Accrued compensated absences	(679)	3,204	17,481	20,006
Accrued OPEB liability	796	1,758	1,183	3,737
Rent concession liability	(11,000)	-	-	(11,000)
Total adjustments	<u>94,279</u>	<u>528,338</u>	<u>31,957</u>	<u>654,574</u>
Net cash provided (used) by operating activities	<u>69,847</u>	<u>(104,496)</u>	<u>(142,736)</u>	<u>(177,385)</u>
Cash and cash equivalents reconciliation:				
Current assets:				
Cash and cash equivalents	4,779	90,600	25,501	120,880
Investments	-	-	811,369	811,369
Restricted assets:				
Investments	98,320	-	-	98,320
Cash and cash equivalents at September 30	<u>\$ 103,099</u>	<u>\$ 90,600</u>	<u>\$ 836,870</u>	<u>\$ 1,030,569</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, 2009

	Pension Trust	Agency
	Police Officers' Pension	Performance Deposits
ASSETS		
Cash and cash equivalents	\$ 700,130	\$ 12,760
Interest and dividends receivable	26,685	-
Investments, at fair value:		
Local government surplus trust funds investment pool	-	220,000
United States treasuries	191,316	-
United States agency notes	1,110,556	-
Domestic corporate bonds	1,253,111	-
Municipal Obligations	85,955	-
Domestic corporate equities	2,633,202	-
Total investments	5,274,140	220,000
Total assets	6,000,955	232,760
LIABILITIES		
Refunds payable	-	232,760
Total liabilities	-	232,760
NET ASSETS		
Held in trust for pension benefits	\$ 6,000,955	\$ -

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, 2009

		Police Officers' Pension
ADDITIONS		
Contributions:		
Employer	\$	404,104
Plan members		114,229
State		137,782
Total contributions		656,115
Investment earnings:		
Net decrease in fair value of investments		(122,462)
Interest and dividends		165,741
Total investment earnings		43,279
Less investment expenses		(31,076)
Net investment earnings		12,203
Total additions		668,318
DEDUCTIONS		
Benefits		105,203
Refunded contributions		28,205
Administrative expenses		8,771
Total deductions		142,179
Change in net assets		526,139
Net assets - beginning of year		5,474,816
Net assets - end of year	\$	6,000,955

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, 2009

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 22,722 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.

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

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, 2009.

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, 2009, 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, 2009, 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 (\$15,155,532) differs from “net assets” of governmental activities (\$39,444,354) 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	\$ 59,557,028
Accumulated depreciation	(20,883,744)
Total	<u>\$ 38,673,284</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>\$ 165,630</u>
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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	\$ (304,288)
Termination benefits	(21,879)
Total	<u>\$ (326,167)</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, 2009 were:

Bonds payable:		
Infrastructure sales surtax revenue bonds, Series 2003	\$(6,255,000)	
Less: Deferred charge for issuance costs	<u>165,690</u>	\$(6,089,310)
Infrastructure sales surtax revenue bonds, Series 2003A	(1,470,000)	
Less: Deferred charge for issuance costs	<u>64,817</u>	(1,405,183)
Stormwater utility revenue bonds, Series 2003	(4,315,000)	
Less: Deferred charge for issuance costs	138,017	
Less: Deferred charge for bond discounts	<u>10,416</u>	(4,166,567)
Notes payable	(1,089,203)	
Less: Deferred charge for issuance costs	<u>2,991</u>	(1,086,212)
Contamination liability		(91,200)
Compensated absences		<u>(1,245,805)</u>
Total		<u>\$(14,084,277)</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	\$ (218,899)
Notes	<u>(4,533)</u>
Total	<u>\$ (223,432)</u>

Accrued receivable

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

Interest receivables	<u>\$ 83,784</u>
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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 \$4,370,837) differs from the "change in net assets" for governmental activities (an increase of \$1,059,819) 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 the prior year were reported as revenues in governmental funds.

Interest earnings	\$ <u>(15,802)</u>
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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	\$ 6,495,271
Depreciation expense	<u>(2,288,781)</u>
Difference	<u>\$ 4,206,490</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	\$ <u>(1,318)</u>
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Special Assessment

A payment of a special assessment was reported as revenue in the fund financial statements. However, this had been accrued in a previous period on the government-wide financial statements.

Special assessment revenue	\$ <u>(3,849)</u>
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Pension obligation

Overfunded pension contributions are reported as expenditures in the fund financial statements and recorded as a net pension asset on the statement of assets.

Increase in net pension obligation	\$ <u>65,355</u>
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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	\$ 975,000
Notes payable principal payment made	243,994
Total	<u>\$ 1,218,994</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	(7,499)
Net accrued bond interest expense	14,719
Net accrued notes interest expense	1,016
Amortization of issuance costs	(39,741)
Other post employment benefits	(28,459)
Termination benefits	(5,341)
Net adjustment	<u>\$ (39,214)</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, 2009, the carrying amount of the City of Sebastian's deposits with banks was \$3,312,752 and the bank balance was \$3,355,675. 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 \$4,866,010 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, 2009, the City had the following investments and effective duration presented in terms of years:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturity (Year)</u>		
			<u>From 1-3</u>	<u>From 4-6</u>	<u>Over 7</u>
Government-wide					
Local government surplus fund trust fund investment pool	\$ 5,660,131	\$ 5,660,131	\$ -	\$ -	\$ -
United States Agencies	4,866,010	4,866,010	-	-	-
Certificate of deposit	1,651,844	540,759	1,111,085	-	-
	<u>12,177,985</u>	<u>11,066,900</u>	<u>1,111,085</u>	<u>-</u>	<u>-</u>
Fiduciary Funds					
Local government surplus funds trust fund ("SBA")	220,000	220,000	-	-	-
United States Treasuries	191,316	-	-	-	191,316
United States Agencies	1,110,556	66,991	231,828	263,808	547,929
Municipal Obligations	85,955	-	-	-	85,955
Domestic corporate bonds	1,253,111	102,694	155,871	627,950	366,596
Domestic corporate equities	2,633,202	2,633,202	-	-	-
	<u>5,494,140</u>	<u>3,022,887</u>	<u>387,699</u>	<u>891,758</u>	<u>1,191,796</u>

Interest receivable on the government-wide and fiduciary investment portfolios amounted to \$107,874 and \$3,500, respectively, as of September 30, 2009.

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 "Aa-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, 2009, the City's investment securities were all individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

As of September 30, 2009, the city had \$5,880,131 invested in the State Board of Administration's Local Government Surplus Trust Funds Investment Pool, which consist of accounts in Pool A and Pool B. \$5,683,046 is in Pool A and \$197,085 is in Pool B. Pool A had a rating by Standard and Poor's Rating Services as "AAAm" on September 30, 2009 and amounts may be withdrawn without penalty. Pool B participants are prohibited from making withdrawals. Pool B is not rated by any nationally recognized statistical rating agency. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Investment in the City's pension trust funds are limited by State Statutes Chapter 185 and by an investment policy adopted by the fund's Board of Trustees. 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, 2009, 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, 2009, 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")	\$ 5,660,131	46.48%	\$ 220,000	4.00%
United States Treasuries	-	-	191,316	3.48%
United States Agencies	4,866,010	39.96%	1,110,556	20.21%
Municipal Obligations	-	-	85,955	1.56%
Certificate of deposit	1,651,844	13.56%	-	0.00%
Domestic corporate bonds	-	0.00%	1,253,111	22.81%
Domestic corporate equities	-	0.00%	2,633,202	47.93%
Total	<u>\$ 12,177,985</u>	<u>100.00%</u>	<u>\$ 5,494,140</u>	<u>100.00%</u>

C. Receivable and Payable Balances

Receivables

Receivables at September 30, 2009 were as follows:

	Interest Receivable	Accounts Receivable	Due From Other Governments	Total
Governmental activities:				
General	\$ 107,853	\$ 266,902	\$ 307,932	\$ 682,687
Discretionary sales tax	6	-	193,509	193,515
Riverfront redevelopment	6	-	-	6
Transportation improvements	-	-	425,291	425,291
Stormwater utility improvements	-	-	81,200	81,200
Other governmental	9	-	71,002	71,011
Total - governmental activities	\$ 107,874	\$ 266,902	\$ 1,078,934	\$ 1,453,710
Business-type activities:				
Airport	\$ 1	\$ -	\$ 76,184	\$ 76,185
Building	3,499	-	-	3,499
Total - business-type activities	\$ 3,500	\$ -	\$ 76,184	\$ 79,684

All receivables are anticipated to be collected.

Payables

Payables at September 30, 2009 were as follows:

	Vendors	Retainage	Salaries and Benefits	Due to Other Government	Total
Governmental activities:					
General	\$ 102,957	\$ -	\$ 376,749	\$ 5,322	\$ 485,028
Riverfront redevelopment	35	-	-	-	35
Transportation Improvements	39,816	-	-	-	39,816
Stormwater utility improvements	395,450	237,457	-	-	632,907
Other governmental	146,408	-	-	-	146,408
Total - governmental activities	\$ 684,666	\$ 237,457	\$ 376,749	\$ 5,322	\$ 1,304,194
Business-type activities:					
Golf course	\$ 51,424	\$ -	\$ 14,124	\$ 6,479	\$ 72,027
Airport	17,395	-	10,277	832	28,504
Building	6,668	-	10,475	-	17,143
Total - business-type activities	\$ 75,487	\$ -	\$ 34,876	\$ 7,311	\$ 117,674

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, 2009, there was \$2,784 reported as unearned revenues.

D. Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,696,946	\$ 2,099	\$ -	\$ 5,699,045
Construction in progress	1,520,565	3,213,102	(774,696)	3,958,971
Total capital assets, not being depreciated	<u>7,217,511</u>	<u>3,215,201</u>	<u>(774,696)</u>	<u>9,658,016</u>
Capital assets, being depreciated:				
Buildings	11,158,739	125,749	-	11,284,488
Improvements other than buildings	5,149,267	555,419	-	5,704,686
Machinery and equipment	7,390,752	507,122	(113,661)	7,784,213
Infrastructure	22,259,149	2,866,476	-	25,125,625
Total capital assets being depreciated	<u>45,957,907</u>	<u>4,054,766</u>	<u>(113,661)</u>	<u>49,899,012</u>
Less accumulated depreciation for:				
Buildings	(2,287,911)	(382,736)	-	(2,670,647)
Improvements other than buildings	(1,650,643)	(256,580)	-	(1,907,223)
Machinery and equipment	(5,441,254)	(677,453)	112,343	(6,006,364)
Infrastructure	(9,327,498)	(972,012)	-	(10,299,510)
Total accumulated depreciation	<u>(18,707,306)</u>	<u>(2,288,781)</u>	<u>112,343</u>	<u>(20,883,744)</u>
Total capital assets, being depreciated, net	<u>27,250,601</u>	<u>1,765,985</u>	<u>(1,318)</u>	<u>29,015,268</u>
Governmental activities capital assets, net	<u>\$ 34,468,112</u>	<u>\$ 4,981,186</u>	<u>\$ (776,014)</u>	<u>\$ 38,673,284</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,060	\$ -	\$ -	\$ 9,060
Construction in progress	115,951	138,392	(47,284)	207,059
Total capital assets, not being depreciated	<u>125,011</u>	<u>138,392</u>	<u>(47,284)</u>	<u>216,119</u>
Capital assets, being depreciated:				
Buildings	3,726,258	1,355,862	-	5,082,120
Improvements other than buildings	1,866,928	88,303	(15,128)	1,940,103
Machinery and equipment	922,575	148,454	(8,696)	1,062,333
Infrastructure	6,226,110	11,689	-	6,237,799
Total capital assets being depreciated	<u>12,741,871</u>	<u>1,604,308</u>	<u>(23,824)</u>	<u>14,322,355</u>
Less accumulated depreciation for:				
Buildings	(495,396)	(112,334)	-	(607,730)
Improvements other than buildings	(364,454)	(120,147)	15,128	(469,473)
Machinery and equipment	(563,742)	(112,789)	8,696	(667,835)
Infrastructure	(1,477,089)	(298,196)	-	(1,775,285)
Total accumulated depreciation	<u>(2,900,681)</u>	<u>(643,466)</u>	<u>23,824</u>	<u>(3,520,323)</u>
Total capital assets, being depreciated, net	<u>9,841,190</u>	<u>960,842</u>	<u>-</u>	<u>10,802,032</u>
Business-type activities capital assets, net	<u>\$ 9,966,201</u>	<u>\$ 1,099,234</u>	<u>\$ (47,284)</u>	<u>\$ 11,018,151</u>

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

Governmental activities:	
General government	\$ 316,317
Public safety	525,170
Transportation	558,484
Physical environment	550,045
Cultural and recreation	338,765
Total depreciation expense-governmental activities	<u>\$ 2,288,781</u>
Business-type activities:	
Golf Course	\$ 89,243
Airport	542,116
Building	12,107
Total depreciation expense-business-type activities	<u>\$ 643,466</u>

Construction Commitments

The City has various construction commitments outstanding at September 30, 2009. The major commitments include the following:

<u>Project</u>	<u>Spent-to date</u>	<u>Remaining Commitment</u>	<u>Major Funding Source</u>
Schumann Park Improvements	\$ 133,598	\$ 41,402	Recreation Impact Fees
Pedestrian Bridges	589,705	38,120	DST (Discretionary Sales Tax)
Powerline Road	176,955	14,769	Contributions and DST (Discretionary Sales Tax)
Schumann/Barber Intersection	-	281,174	DST (Discretionary Sales Tax)
Middle Stonecrop Improvements	164,505	217,796	Stormwater Fees
Collier Creek Improvements	4,949,068	546,258	Bond Proceeds and Grants
Blossom Ditch Phase II	6,248	305,752	DST (Discretionary Sales Tax)
1/4 Round Swale Rehabilitation	708,375	14,345	DST (Discretionary Sales Tax)
Potomac Road Crossing	21,650	103,305	DST (Discretionary Sales Tax)
George Street Ditch	16,307	75,693	Stormwater Fees
Airport Access Road	832,613	157,473	Grant and Airport Funds
Hangar Construction	1,367,549	57,451	Grant and Airport Funds
Total	<u>\$ 8,966,573</u>	<u>\$ 1,853,538</u>	

E. Advances

Advance balances at September 30, 2009 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 them 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>Transfers In:</u>	<u>Transfer Out:</u>				<u>Total</u>
	<u>Discretionary Sales Tax Fund</u>	<u>Riverfront Redevelopment</u>	<u>Transportation Improvements</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 60,000	\$ -	\$ 761,538	\$ 821,538
Riverfront Redevelopment	-	-	668,590	-	668,590
Transportation Improvements	108,159	-	-	-	108,159
Stormwater Utility Improvements	57,641	-	-	15,787	73,428
Nonmajor Governmental Funds	2,613,569	-	231,508	679,584	3,524,661
Total Transfers Out	<u>\$ 2,779,369</u>	<u>\$ 60,000</u>	<u>\$ 900,098</u>	<u>\$ 1,456,909</u>	<u>\$ 5,196,376</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 \$235,820 for the fiscal year ended September 30, 2009. These include the Airport Proprietary Fund's lease obligation for the property used as the City's golf course. The following is a schedule by years for future minimum rental payments required under operating leases in the Golf Course Proprietary fund that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2009:

<u>Year Ending September 30,</u>	<u>Golf Course</u>	
	<u>Airport</u>	<u>Golf Carts</u>
2010	135,000	132,075
2011	135,000	-
2012	135,000	-
2013	135,000	-
2014	135,000	-
2015	135,000	-
Totals	<u>\$ 810,000</u>	<u>\$ 132,075</u>

2. 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 2009, 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:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2010	60,967
2011	62,182
2012	66,326
2013	67,641
2014	69,008
2015-2019	377,909
2020-2024	365,995
2025-2029	377,305
2030-2034	441,522
2035-2039	519,652
2040-2044	614,709
2045-2049	730,360
2050-2054	871,067
2055	193,673
Total minimum future rentals	<u>\$ 4,818,316</u>

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. These include the lease to the Golf Course Proprietary Fund requiring annual payments of \$135,000 through 2015. 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>
2010	319,578
2011	322,754
2012	327,132
2013	332,711
2014	339,620
2015-2019	1,725,632
2020-2024	1,875,267
2025-2029	2,103,337
2030-2034	1,433,671
2035	168,078
Total minimum future rentals	<u>\$ 8,947,780</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, 2009.

Gross revenues available for compliance (charges for services, interest, and rent revenues)	\$ 1,408,535
Operating and maintenance expenses (excluding depreciation expense, amortization, and airport lease payment)	<u>1,178,144</u>
Amount of revenue over direct operating expenses	<u>\$ 230,391</u>
Debt service requirement	<u>\$ 310,090</u>
Percent coverage for the year ended September 30, 2009	<u>74%</u>

City management continues to closely monitor the Golf Course operation and develop recommendations to improve its financial position.

- 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, 2009.

Gross revenues available for compliance	<u>\$ 814,419</u>
Debt service requirement	<u>\$ 440,135</u>
Percent coverage for the year ended September 30, 2009	<u>185%</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, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
Infrastructure Sales Surtax Revenue					
Bonds, Series 2003	\$ 6,840,000	\$ -	\$ 585,000	\$ 6,255,000	\$ 600,000
Infrastructure Sales Surtax Revenue					
Bonds, Series 2003A	1,605,000	-	135,000	1,470,000	145,000
Stormwater Utility Revenue Bonds,					
Series 2003	4,570,000	-	255,000	4,315,000	260,000
Less deferred amount:					
Issuance discount- Stormwater Utility Revenue					
Bonds, Series 2003	(11,249)	-	(833)	(10,416)	-
Total bonds payable	13,003,751	-	974,167	12,029,584	1,005,000
Notes payable	1,333,197	-	243,994	1,089,203	254,848
Compensated absences	1,238,307	572,748	565,250	1,245,805	187,159
Unfunded OPEB obligation	275,829	28,459	-	304,288	-
Termination benefits	16,538	5,341	-	21,879	13,464
Pollution Remediation Liability	-	91,200	-	91,200	-
Governmental activity long-term liabilities	\$ 15,867,622	\$ 697,748	\$ 1,783,411	\$ 14,781,959	\$ 1,460,471
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities:					
Bonds payable:					
Recreational Facilities Improvement and					
Refunding Revenue Bonds, Series 2001	\$ 870,000	\$ -	\$ 570,000	\$ 300,000	\$ -
Less deferred amount:					
Issuance premium	1,594	-	798	796	-
Loss on refunding	(16,643)	-	(8,323)	(8,320)	-
Total bonds payable	854,951	-	562,475	292,476	-
Compensated absences	174,802	72,580	52,574	194,807	10,544
Unfunded OPEB obligation	36,957	3,737	-	40,694	-
Termination benefits	19,439	-	13,268	6,171	6,171
Business-type activity long-term liabilities	\$ 1,086,149	\$ 76,317	\$ 628,317	\$ 534,148	\$ 16,715

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

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

4. Debt Service Requirements to Maturity

The annual requirement to amortize all bonded debt outstanding at September 30, 2009, including interest requirements, is as follows:

Fiscal Year	Governmental Activities							
	Roadway Improvement Note Payable		Infrastructure SalesSurtax Revenue Bonds, Series 2003		Infrastructure SalesSurtax Revenue Bonds, Series 2003A		Stormwater Utility Revenue Bonds, Series 2003	
	4.40%	Interest	2% to 4.125%	Interest	2% to 4%	Interest	2% to 4.5%	Interest
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	290,161	9,839	665,000	170,378	155,000	40,813	290,000	148,048
2014	-	-	690,000	146,106	160,000	35,000	305,000	136,448
2015-2019	-	-	3,035,000	310,506	715,000	72,600	1,705,000	494,121
2020-2022	-	-	-	-	-	-	1,205,000	110,025
	<u>\$ 1,089,203</u>	<u>\$ 110,797</u>	<u>\$ 6,255,000</u>	<u>\$ 1,268,478</u>	<u>\$ 1,470,000</u>	<u>\$ 302,025</u>	<u>\$ 4,315,000</u>	<u>\$ 1,394,409</u>

Fiscal Year	Business-type Activities	
	Golf Course Refunding Bonds, Series 2001	
	4% to 4.2%	Interest
2011	\$ 300,000	\$ 6,300
Less unamortized Bond premium	796	-
Loss on refunding	(8,320)	-
	<u>\$ 292,476</u>	<u>\$ 6,300</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	\$ 1,554,128	\$ -
Capital projects	4,774,624	-
Rent	-	98,320
Cemetery perpetual care	830,028	-
Law enforcement forfeiture fund	53,600	-
Community redevelopment agency	984,638	-
Total	<u>\$ 8,197,018</u>	<u>\$ 98,320</u>

The government-wide statement of net assets reports \$8,295,338 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, 2009, was 3.3456 mills. Total tax collections were approximately 93.38% of the total tax levy.

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

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 2009.

<u>Primary Government</u>	<u>Amount</u>
Public safety	\$ 41,742
Physical environment	500,000
Transportation	18,559
Cultural/Recreation	751,423
Airport	1,351,914
Total reporting entity	<u>\$ 2,663,638</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 7, 2009 to determine the required contribution for the fiscal year ending September 30, 2010. 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>38</u>
Total	<u>43</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 2008-2009 fiscal year. The employer contribution rate, expressed as a percentage of compensation, was 24.7% for the 2008-2009 fiscal year. The employer contribution is \$404,104 and the State contribution is \$137,782, 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 9/30/08:

City	17.8%
Plan members	5.0%
Annual pension cost	\$ 334,128
Contributions made	\$ 376,769
Valuation date	10/1/2006
Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	26 Years (as of 10/01/2006)
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>	
2006	\$ 243,301
2007	\$ 289,390
2008	\$ 334,128
<u>Percentage of APC contributed</u>	
2006	90.00%
2007	102.00%
2008	113.00%

The annual required contribution for the Police Officers' Pension Plan was determined as part of the October 1, 2008, 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, 2008 is as follows:

	9/30/2006	9/30/2007	9/30/2008
Actuarially Determined Contribution (A)	\$ 243,301	\$ 289,390	\$ 334,128
Interest on NPO	(11,889)	(9,753)	(9,948)
Adjustment to (A)	15,181	12,454	11,314
Annual Pension Cost	246,593	292,091	335,494
Contributions made	219,898	294,534	376,769
Increase in NPO	26,695	(2,443)	(41,275)
NPO beginning of year	(148,607)	(121,912)	(124,355)
NPO end of year	<u>\$ (121,912)</u>	<u>\$ (124,355)</u>	<u>\$ (165,630)</u>

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, 2007, 2008 and 2009 were \$254,909, \$241,718, and 254,997 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 2008-2009 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2007, 2008, and 2009 were \$136,222, \$145,596, and \$152,078 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 and 2009, the City recorded an additional government-wide obligation of \$30,943 and \$32,197, respectively, based on the annual required contribution reduced by the expected future benefit payments. The additional enterprise fund portion was calculated as \$3,592 in 2008 and \$3,737 in 2009.

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, 2009, the total accrued termination benefits for the government-wide financial statements were \$28,050. The enterprise fund portion of \$6,171 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

On January 13, 2010, in recognition of the economic climate, the City amended the lease with LoPresti Aviation to provide a temporary rent deferment. The amendment deferred the rent payments of \$30,300 between February 2010 and October 2010. Beginning in November 2010, the tenant will pay an additional \$1,000 per month until the deferred amount is repaid.

To raise funds for roadway improvements and to take advantage of lower interest rates, the City executed a \$2,462,000 Loan Agreement with SunTrust Bank on February 17, 2010. This financing paid the principal, interest and prepayment penalty on the 1998 Loan Agreement and provided \$1,250,000 of paving project funds. The Note will bear a 4.01% interest rate and be repaid over a twelve year term ending December 1, 2021.

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, 2009

	<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	\$ 4,252,958	\$ 4,252,958	\$ 4,276,800	\$ 23,842
Public utility	2,377,000	2,377,000	2,341,458	(35,542)
Franchise fees	1,305,000	1,305,000	1,327,253	22,253
Licenses and permits	55,200	55,200	29,151	(26,049)
Intergovernmental	2,052,529	2,234,142	2,000,872	(233,270)
Charges for services	327,301	327,301	288,881	(38,420)
Fines	59,600	59,600	59,411	(189)
Investment earnings	307,200	307,200	167,396	(139,804)
Contributions and donations	37,900	37,900	28,462	(9,438)
Other revenue	145,659	145,659	143,908	(1,751)
Total revenues	<u>10,920,347</u>	<u>11,101,960</u>	<u>10,663,592</u>	<u>(438,368)</u>
EXPENDITURES:				
Current:				
General government	2,993,590	3,055,970	2,975,171	80,799
Public safety	4,826,931	5,044,544	4,999,588	44,956
Physical environment	1,452,715	1,441,215	1,433,574	7,641
Transportation	1,465,116	1,463,416	1,459,984	3,432
Culture and recreation	1,112,395	1,149,395	1,148,408	987
Total expenditures	<u>11,850,747</u>	<u>12,154,540</u>	<u>12,016,725</u>	<u>137,815</u>
Excess (deficiency) of revenues over (under) expenditures	(930,400)	(1,052,580)	(1,353,133)	(300,553)
OTHER FINANCING SOURCES				
Transfers in	849,000	827,284	821,538	(5,746)
Total other financing sources	<u>849,000</u>	<u>827,284</u>	<u>821,538</u>	<u>(5,746)</u>
Net changes in fund balances	(81,400)	(225,296)	(531,595)	(306,299)
Fund balances - beginning	6,308,182	6,308,182	6,308,182	-
Fund balances - ending	<u>\$ 6,226,782</u>	<u>\$ 6,082,886</u>	<u>5,776,587</u>	<u>\$ (306,299)</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.

Prior year encumbrances

(8,473)

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

\$ 5,768,114

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, 2009

	<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	\$ 2,400,000	\$ 2,400,000	\$ 2,328,648	\$ (71,352)
Investment earnings	78,000	78,000	4,452	(73,548)
Total revenues	<u>2,478,000</u>	<u>2,478,000</u>	<u>2,333,100</u>	<u>(144,900)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,267,957)	(3,392,957)	(2,779,369)	613,588
Total other financing sources (uses)	<u>(3,267,957)</u>	<u>(3,392,957)</u>	<u>(2,779,369)</u>	<u>613,588</u>
Net changes in fund balances	(789,957)	(914,957)	(446,269)	468,688
Fund balances - beginning	1,404,945	1,404,945	1,404,945	-
Fund balances - ending	<u>\$ 614,988</u>	<u>\$ 489,988</u>	<u>\$ 958,676</u>	<u>\$ 468,688</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, 2009

	<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	\$ 528,092	\$ 528,092	\$ 525,124	\$ (2,968)
Investment earnings	26,000	26,000	1,990	(24,010)
Total revenues	<u>554,092</u>	<u>554,092</u>	<u>527,114</u>	<u>(26,978)</u>
EXPENDITURES:				
Current:				
Economic environment	123,100	188,100	167,470	20,630
Total expenditures	<u>123,100</u>	<u>188,100</u>	<u>167,470</u>	<u>20,630</u>
Excess of revenues over over expenditures	430,992	365,992	359,644	(6,348)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	45,000	668,590	623,590
Transfers out	(60,000)	(60,000)	(60,000)	-
Total other financing (uses)	<u>(60,000)</u>	<u>(15,000)</u>	<u>608,590</u>	<u>623,590</u>
Net changes in fund balances	370,992	350,992	968,234	617,242
Fund balances - beginning	16,404	16,404	16,404	-
Fund balances - ending	<u>\$ 387,396</u>	<u>\$ 367,396</u>	<u>\$ 984,638</u>	<u>\$ 617,242</u>

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, 2009

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 54. 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 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, local option gas tax 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, as amended by Statement No. 50, is presented in the following schedules:

CITY OF SEBASTIAN
POLICE OFFICERS' PENSION PLAN
SCHEDULE OF FUNDING PROGRESS
LAST SIX FISCAL YEARS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2008	\$ 5,474,816	\$ 6,127,531	\$ 652,715	89.35%	\$ 2,143,131	30.46%
10/1/2006	4,711,294	5,389,815	678,521	87.41%	1,769,613	38.34%
10/1/2004	3,536,724	4,251,736	715,012	83.18%	1,480,974	48.28%
10/1/2002	2,616,301	3,336,111	719,810	78.42%	1,184,967	60.75%
10/1/2000	2,200,969	2,200,969	-	100.00%	1,157,403	0.00%

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

Fiscal Year	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2008	\$ 456,928	\$ 376,769	\$ 122,800	109.33%
2007	407,011	294,534	117,621	101.26%
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%

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.

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, 2009

Special Revenue Funds

	Local Option Gas Tax	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture	Total
ASSETS					
Cash and cash equivalents	\$ 18,676	\$ 251,906	\$ 45,680	\$ 13,227	\$ 329,489
Investments	15,958	835,445	724,792	48,906	1,625,101
Due from other governments	53,993	-	17,009	-	71,002
Interest receivable	2	2	-	-	4
Total assets	88,629	1,087,353	787,481	62,133	2,025,596
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	6,050	-	-	8,533	14,583
Total liabilities	6,050	-	-	8,533	14,583
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Cemetery care	-	-	-	-	-
Law enforcement	-	-	-	53,600	53,600
Unreserved	82,579	1,087,353	787,481	-	1,957,413
Total fund balances	82,579	1,087,353	787,481	53,600	2,011,013
Total liabilities and fund balances	\$ 88,629	\$ 1,087,353	\$ 787,481	\$ 62,133	\$ 2,025,596

Debt Service Funds

Stormwater Utility Revenue Bonds 2003	Discretionary Sales Surtax Revenue Bonds 2003	Total
\$ 145,309	\$ 411,516	\$ 556,825
-	1,000,298	1,000,298
-	-	-
1	4	5
<u>145,310</u>	<u>1,411,818</u>	<u>1,557,128</u>
675	2,325	3,000
<u>675</u>	<u>2,325</u>	<u>3,000</u>
144,635	1,409,493	1,554,128
-	-	-
-	-	-
-	-	-
<u>144,635</u>	<u>1,409,493</u>	<u>1,554,128</u>
<u>\$ 145,310</u>	<u>\$ 1,411,818</u>	<u>\$ 1,557,128</u>

City of Sebastian, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009
(Continued)

	<u>Capital Projects Funds</u>				<u>Permanent</u>
	<u>General</u>	<u>Capital</u>	<u>Public</u>	<u>Total</u>	<u>Fund</u>
	<u>Capital</u>	<u>Improvements</u>	<u>Facilities</u>		<u>Cemetery</u>
	<u>Projects</u>		<u>Improvements</u>		
ASSETS					
Cash and cash equivalents	\$ 5,233	\$ 524,994	\$ -	\$ 530,227	\$ 31,469
Investments	-	-	-	-	798,560
Due from other governments	-	-	-	-	-
Interest receivable	-	-	-	-	-
Total assets	5,233	524,994	-	530,227	830,029
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	5,233	123,592	-	128,825	-
Total liabilities	5,233	123,592	-	128,825	-
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Capital projects	-	401,402	-	401,402	-
Cemetery care	-	-	-	-	830,029
Law enforcement	-	-	-	-	-
Unreserved	-	-	-	-	-
Total fund balances	-	401,402	-	401,402	830,029
Total liabilities and fund balances	\$ 5,233	\$ 524,994	\$ -	\$ 530,227	\$ 830,029

**Total
Other
Governmental
Funds**

\$ 1,448,010
3,423,959
71,002
9

4,942,980

146,408

146,408

1,554,128
401,402
830,029
53,600
1,957,413

4,796,572

\$ 4,942,980

City of Sebastian, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2009

Special Revenue Funds

	Local Option Gas Tax	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture	Total
REVENUES:					
Taxes:					
Motor fuel	\$ 593,776	\$ -	\$ -	\$ -	\$ 593,776
Intergovernmental	18,559	-	-	-	18,559
Impact fees	-	13,975	-	-	13,975
Charges for services	-	-	807,971	-	807,971
Fines	-	-	-	29,527	29,527
Investment earnings	3,703	201	6,448	267	10,619
Contributions and donations	-	-	-	1,456	1,456
Other revenue	-	-	-	453	453
Total revenues	616,038	14,176	814,419	31,703	1,476,336
EXPENDITURES:					
Current:					
Public safety	-	-	-	7,935	7,935
Physical environment	-	-	8,794	-	8,794
Transportation	244,467	-	-	-	244,467
Debt Service:					
Principal	243,995	-	-	-	243,995
Interest and fiscal charges	56,005	-	-	-	56,005
Capital outlay	-	-	-	22,115	22,115
Total expenditures	544,467	-	8,794	30,050	583,311
Excess (deficiency) of revenues over (under) expenditures	71,571	14,176	805,625	1,653	893,025
OTHER FINANCING SOURCES (USES)					
Transfers in	-	217,508	-	-	217,508
Transfers out	(215,784)	(177,724)	(1,030,147)	-	(1,423,655)
Total other financing sources (uses)	(215,784)	39,784	(1,030,147)	-	(1,206,147)
Net changes in fund balances	(144,213)	53,960	(224,522)	1,653	(313,122)
Fund balances - beginning	226,792	1,033,393	1,012,003	51,947	2,324,135
Fund balances - ending	\$ 82,579	\$ 1,087,353	\$ 787,481	\$ 53,600	\$ 2,011,013

Debt service Funds

Stormwater Utility Revenue Bonds 2003	Discretionary Sales Surtax Revenue Bonds 2003	Total
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
84	707	791
-	-	-
-	-	-
<u>84</u>	<u>707</u>	<u>791</u>
-	-	-
-	-	-
-	-	-
255,000	720,000	975,000
188,185	461,903	650,088
-	-	-
<u>443,185</u>	<u>1,181,903</u>	<u>1,625,088</u>
<u>(443,101)</u>	<u>(1,181,196)</u>	<u>(1,624,297)</u>
501,860	2,251,783	2,753,643
-	-	-
<u>501,860</u>	<u>2,251,783</u>	<u>2,753,643</u>
58,759	1,070,587	1,129,346
85,876	338,906	424,782
<u>\$ 144,635</u>	<u>\$ 1,409,493</u>	<u>\$ 1,554,128</u>

City of Sebastian, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2009
(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>
REVENUES:					
Taxes:					
Motor fuel	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Impact fees	-	-	-	-	-
Charges for services	-	-	-	-	89,309
Fines	-	-	-	-	-
Investment earnings	-	-	-	-	2,047
Contributions and donations	-	6,000	-	6,000	-
Other revenue	-	-	-	-	-
Total revenues	-	6,000	-	6,000	91,356
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	364,607	232,828	-	597,435	-
Total expenditures	364,607	232,828	-	597,435	-
Excess (deficiency) of revenues over (under) expenditures	(364,607)	(226,828)	-	(591,435)	91,356
OTHER FINANCING SOURCES (USES)					
Transfers in	361,786	191,724	-	553,510	-
Transfers out	-	-	-	-	(33,254)
Total other financing sources (uses)	361,786	191,724	-	553,510	(33,254)
Net changes in fund balances	(2,821)	(35,104)	-	(37,925)	58,102
Fund balances - beginning	2,821	436,506	-	439,327	771,927
Fund balances - ending	\$ -	\$ 401,402	\$ -	\$ 401,402	\$ 830,029

**Total
Other
Governmental
Funds**

\$ 593,776
18,559
13,975
897,280
29,527
13,457
7,456
453

1,574,483

7,935
8,794
244,467

1,218,995
706,093
619,550

2,805,834

(1,231,351)

3,524,661
(1,456,909)

2,067,752

836,401

3,960,171

\$ 4,796,572

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, 2009

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Motor fuel taxes	\$ 650,000	\$ 593,776	\$ (56,224)
Intergovernmental	19,047	18,559	(488)
Investment earnings	51,000	3,703	(47,297)
Total revenues	<u>720,047</u>	<u>616,038</u>	<u>(104,009)</u>
EXPENDITURES:			
Current:			
Transportation	239,016	244,467	(5,451)
Debt service:			
Principal	243,986	243,995	(9)
Interest and fiscal charges	56,014	56,005	9
Total expenditures	<u>539,016</u>	<u>544,467</u>	<u>(5,451)</u>
Excess of revenues over expenditures	181,031	71,571	(109,460)
OTHER FINANCING (USES)			
Transfers out	<u>(215,784)</u>	<u>(215,784)</u>	<u>-</u>
Total other financing (uses)	<u>(215,784)</u>	<u>(215,784)</u>	<u>-</u>
Net changes in fund balances	(34,753)	(144,213)	(109,460)
Fund balances - beginning	<u>226,792</u>	<u>226,792</u>	<u>-</u>
Fund balances - ending	<u>\$ 192,039</u>	<u>\$ 82,579</u>	<u>\$ (109,460)</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES:			
Impact fees	\$ 100,000	\$ 13,975	\$ (86,025)
Investment earnings	35,000	201	(34,799)
Total revenues	<u>135,000</u>	<u>14,176</u>	<u>(120,824)</u>
EXPENDITURES:			
Current:			
Culture and recreation	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	135,000	14,176	(120,824)
OTHER FINANCING (USES)			
Transfers in	-	217,508	217,508
Transfers out	<u>(229,000)</u>	<u>(177,724)</u>	<u>51,276</u>
Total other financing (uses)	<u>(229,000)</u>	<u>39,784</u>	<u>268,784</u>
Net changes in fund balances	(94,000)	53,960	147,960
Fund balances - beginning	1,033,393	1,033,393	-
Fund balances - ending	<u>\$ 939,393</u>	<u>\$ 1,087,353</u>	<u>\$ 147,960</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES:			
Charges for services	\$ 850,000	\$ 807,971	\$ (42,029)
Investment earnings	<u>47,200</u>	<u>6,448</u>	<u>(40,752)</u>
Total revenues	<u>897,200</u>	<u>814,419</u>	<u>(82,781)</u>
EXPENDITURES:			
Current:			
Physical environment	<u>3,500</u>	<u>8,794</u>	<u>(5,294)</u>
Total expenditures	<u>3,500</u>	<u>8,794</u>	<u>(5,294)</u>
Excess of revenues over expenditures	893,700	805,625	(88,075)
OTHER FINANCING (USES)			
Transfers out	<u>(1,606,360)</u>	<u>(1,030,147)</u>	<u>576,213</u>
Total other financing (uses)	<u>(1,606,360)</u>	<u>(1,030,147)</u>	<u>576,213</u>
Net changes in fund balances	(712,660)	(224,522)	488,138
Fund balances - beginning	<u>1,012,003</u>	<u>1,012,003</u>	<u>-</u>
Fund balances - ending	<u>\$ 299,343</u>	<u>\$ 787,481</u>	<u>\$ 488,138</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES:			
Fines	\$ 8,000	\$ 29,527	\$ 21,527
Investment earnings	1,000	267	(733)
Contributions	2,000	1,456	(544)
Other revenues	-	453	453
Total revenues	<u>11,000</u>	<u>31,703</u>	<u>20,703</u>
EXPENDITURES:			
Current:			
Public safety	<u>15,500</u>	<u>30,050</u>	<u>(14,550)</u>
Total expenditures	<u>15,500</u>	<u>30,050</u>	<u>(14,550)</u>
Excess of revenues over expenditures	(4,500)	1,653	6,153
Fund balances - beginning	<u>51,947</u>	<u>51,947</u>	-
Fund balances - ending	<u>\$ 47,447</u>	<u>\$ 53,600</u>	<u>\$ 6,153</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 875	\$ 84	\$ (791)
Total revenues	<u>875</u>	<u>84</u>	<u>(791)</u>
EXPENDITURES:			
Debt service:			
Principal	255,000	255,000	-
Interest and fiscal charges	186,010	188,185	(2,175)
Total expenditures	<u>441,010</u>	<u>443,185</u>	<u>(2,175)</u>
 Deficiency of revenues under expenditures	 (440,135)	 (443,101)	 (2,966)
OTHER FINANCING SOURCES			
Transfers in	501,860	501,860	-
Total other financing sources	<u>501,860</u>	<u>501,860</u>	<u>-</u>
 Net changes in fund balances	 61,725	 58,759	 (2,966)
Fund balances - beginning	85,876	85,876	-
Fund balances - ending	<u>\$ 147,601</u>	<u>\$ 144,635</u>	<u>\$ (2,966)</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 1,974	\$ 707	\$ (1,267)
Total revenues	<u>1,974</u>	<u>707</u>	<u>(1,267)</u>
EXPENDITURES:			
Debt service:			
Principal	720,000	720,000	-
Interest and fiscal charges	314,931	461,903	(146,972)
Total expenditures	<u>1,034,931</u>	<u>1,181,903</u>	<u>(146,972)</u>
Deficiency of revenues under expenditures	(1,032,957)	(1,181,196)	(148,239)
OTHER FINANCING SOURCES			
Transfers in	2,251,783	2,251,783	-
Total other financing sources	<u>2,251,783</u>	<u>2,251,783</u>	<u>-</u>
Net changes in fund balances	1,218,826	1,070,587	(148,239)
Fund balances - beginning	338,906	338,906	-
Fund balances - ending	<u>\$ 1,557,732</u>	<u>\$ 1,409,493</u>	<u>\$ (148,239)</u>

City of Sebastian, Florida
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2009

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2009</u>
ASSETS				
Cash and cash equivalents	\$ 138,710	\$ 4,663	\$ 130,613	\$ 12,760
Investments, at fair value	<u>270,000</u>	<u>-</u>	<u>50,000</u>	<u>220,000</u>
Total assets	<u>\$ 408,710</u>	<u>\$ 4,663</u>	<u>\$ 180,613</u>	<u>\$ 232,760</u>
LIABILITIES				
Performance deposits held in escrow	<u>\$ 408,710</u>	<u>\$ 4,663</u>	<u>\$ 180,613</u>	<u>\$ 232,760</u>
Total liabilities	<u>\$ 408,710</u>	<u>\$ 4,663</u>	<u>\$ 180,613</u>	<u>\$ 232,760</u>

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule By Source
September 30, 2009

Governmental Funds capital assets:	FY 2008	FY 2009
Land	\$ 5,696,946	\$ 5,699,045
Buildings and structures	11,158,739	11,284,488
Improvement other than buildings	5,149,267	5,704,686
Machinery and equipment	7,390,752	7,784,213
Infrastructure	22,259,149	25,125,625
Capital projects	1,520,565	3,958,971
 Total capital assets	 \$ 53,175,418	 \$ 59,557,028

Investment in Governmental Funds capital assets by sources:

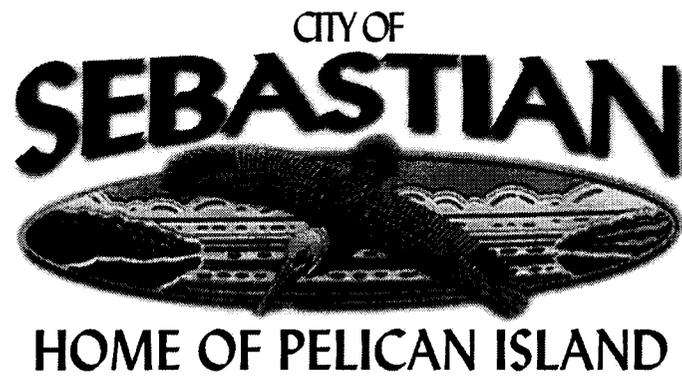
Federal grants	\$ 2,138,342	\$ 3,062,044
State grants	907,755	907,755
County grants	713,359	713,359
General fund	11,605,512	11,552,446
Law enforcement trust fund	38,953	61,068
Recreational impact fee	688,730	1,179,319
Stormwater utility fee	387,153	387,153
Riverfront Redevelopment	754,056	1,097,069
Cemetery trust fund	230,472	237,479
Donations	3,145,174	3,159,873
Sales taxes	9,764,073	11,911,948
Motor fuel taxes	5,544,144	5,591,414
Revenue bond debt	15,737,130	15,737,130
Capital projects	1,520,565	3,958,971
 Total investment in capital assets	 \$ 53,175,418	 \$ 59,557,028

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2009

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	-	-	-	136,974	-	136,974
City attorney	-	-	-	599	-	599
Finance	-	-	-	55,306	-	55,306
MIS	-	5,841	9,800	110,080	-	125,721
Facilities maintenance	-	133,430	15,665	69,200	-	218,295
Growth management	-	85,555	-	50,184	-	135,739
Non-departmental	3,634,769	6,184,988	294,969	427,126	212,702	10,754,554
Subtotal	<u>3,634,769</u>	<u>6,409,814</u>	<u>321,534</u>	<u>855,181</u>	<u>212,702</u>	<u>11,434,000</u>
Public safety:						
Special operations	-	-	-	176,393	-	176,393
Administration	9,560	3,347,151	89,320	282,963	-	3,728,994
School resource	-	-	-	71,469	-	71,469
Road patrol	-	-	-	2,392,531	-	2,392,531
Community policing	-	-	-	95,917	-	95,917
Code enforcement	-	-	-	34,302	-	34,302
Professional Stnd.	-	-	-	19,025	-	19,025
Investigations	-	-	1,700	180,660	-	182,360
Support services	-	-	-	59,877	-	59,877
Communications	-	-	16,404	211,655	-	228,059
Building department	-	-	-	51,838	-	51,838
Subtotal	<u>9,560</u>	<u>3,347,151</u>	<u>107,424</u>	<u>3,576,630</u>	<u>-</u>	<u>7,040,765</u>
Transportation:						
Engineering	-	-	-	2,216	-	2,216
Central garage	-	130,489	82,419	132,821	674	346,403
Roads and drainage	47,125	162,044	966,613	1,083,296	12,898,698	15,157,776
Subtotal	<u>47,125</u>	<u>292,533</u>	<u>1,049,032</u>	<u>1,218,333</u>	<u>12,899,372</u>	<u>15,506,395</u>
Physical Environment:						
Stormwater	-	-	1,850	1,476,979	10,393,494	11,872,323
Cemetery	272,190	82,019	78,354	56,809	22,717	512,089
Subtotal	<u>272,190</u>	<u>82,019</u>	<u>80,204</u>	<u>1,533,788</u>	<u>10,416,211</u>	<u>12,384,412</u>
Culture/Recreation:						
Parks and recreation	1,735,401	1,152,971	4,146,492	600,281	1,597,340	9,232,485
Subtotal	<u>1,735,401</u>	<u>1,152,971</u>	<u>4,146,492</u>	<u>600,281</u>	<u>1,597,340</u>	<u>9,232,485</u>
Total	<u>\$ 5,699,045</u>	<u>\$ 11,284,488</u>	<u>\$ 5,704,686</u>	<u>\$ 7,784,213</u>	<u>\$ 25,125,625</u>	55,598,057
Construction in progress						3,958,971
Total						<u>\$ 59,557,028</u>

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
September 30, 2009

Function and Activity	Governmental Funds Capital Assets October 1, 2008	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	-	-	-	6,160	136,974
City attorney	599	-	-	-	-	599
Finance	54,236	-	-	1,720	650	55,306
MIS	105,356	4,457	-	15,908	-	125,721
Human resources	5,754	-	-	-	5,754	-
Facilities maintenance	215,085	-	-	3,210	-	218,295
Growth management	136,297	-	-	-	558	135,739
Non-departmental	10,630,364	-	-	124,190	-	10,754,554
Subtotal	<u>11,297,637</u>	<u>4,457</u>	<u>-</u>	<u>145,028</u>	<u>13,122</u>	<u>11,434,000</u>
Public Safety:						
Special operations	176,393	-	-	-	-	176,393
Administration	3,717,964	21,992	15,305	4,343	-	3,728,994
School resource	71,469	-	-	-	-	71,469
Road patrol	2,050,330	415,398	73,197	-	-	2,392,531
Community policing	95,917	-	-	-	-	95,917
Code enforcement	46,632	-	-	-	12,330	34,302
Professional Stnd.	19,025	-	-	-	-	19,025
Investigations	159,563	22,797	-	-	-	182,360
Support services	72,310	-	12,433	-	-	59,877
Communications	222,854	7,345	2,140	-	-	228,059
Building department	55,996	-	3,600	-	558	51,838
Subtotal	<u>6,688,453</u>	<u>467,532</u>	<u>106,675</u>	<u>4,343</u>	<u>12,888</u>	<u>7,040,765</u>
Transportation:						
Engineering	744,104	5,252	1,400	-	745,740	2,216
Central garage	344,058	2,944	-	-	599	346,403
Roads and drainage	13,085,015	1,494,427	586	578,920	-	15,157,776
Subtotal	<u>14,173,177</u>	<u>1,502,623</u>	<u>1,986</u>	<u>578,920</u>	<u>746,339</u>	<u>15,506,395</u>
Physical Environment:						
Stormwater	10,380,292	1,429,482	-	62,549	-	11,872,323
Cemetery	506,270	7,007	-	-	1,188	512,089
Subtotal	<u>10,886,562</u>	<u>1,436,489</u>	<u>-</u>	<u>62,549</u>	<u>1,188</u>	<u>12,384,412</u>
Culture & Recreation:						
Parks and recreation	8,609,024	645,764	5,000	-	17,303	9,232,485
Subtotal	<u>8,609,024</u>	<u>645,764</u>	<u>5,000</u>	<u>-</u>	<u>17,303</u>	<u>9,232,485</u>
Total	51,654,853	4,056,865	113,661	790,840	790,840	55,598,057
Construction in progress	1,520,565	3,213,102	774,696	-	-	3,958,971
Total	<u>\$ 53,175,418</u>	<u>\$ 7,269,967</u>	<u>\$ 888,357</u>	<u>\$ 790,840</u>	<u>\$ 790,840</u>	<u>\$ 59,557,028</u>



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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 Nine Fiscal Years
(accrual basis of accounting)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 26,744,896	\$ 24,133,550	\$ 21,469,456
Restricted	8,197,018	9,215,801	9,419,129
Unrestricted	<u>4,502,440</u>	<u>5,035,184</u>	<u>5,249,998</u>
<i>Total Governmental Activities Net Assets</i>	<u>\$ 39,444,354</u>	<u>\$ 38,384,535</u>	<u>\$ 36,138,583</u>
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 10,725,676	\$ 9,111,251	\$ 8,895,501
Restricted	98,320	570,149	570,890
Unrestricted	<u>86,517</u>	<u>753,076</u>	<u>1,303,886</u>
<i>Total Business-Type Activities Net Assets</i>	<u>\$ 10,910,513</u>	<u>\$ 10,434,476</u>	<u>\$ 10,770,277</u>
Primary government			
Invested in Capital Assets, Net of Related Debt	\$ 37,470,572	\$ 33,244,801	\$ 30,364,957
Restricted	8,295,338	9,785,950	9,990,019
Unrestricted	<u>4,588,957</u>	<u>5,788,260</u>	<u>6,553,884</u>
<i>Total Primary Government Net Assets</i>	<u>\$ 50,354,867</u>	<u>\$ 48,819,011</u>	<u>\$ 46,908,860</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.

2006	2005	2004	2003	2002	2001
\$ 17,579,683	\$ 17,103,399	\$ 16,412,401	\$ 16,339,222	\$ 14,242,832	\$ 12,778,007
5,068,583	5,395,879	4,059,674	3,235,266	3,289,670	2,270,654
11,293,877 ⁽²⁾	9,081,345 ⁽¹⁾	7,171,123 ⁽¹⁾	5,461,224	5,865,388	5,417,630
<u>\$ 33,942,143</u>	<u>\$ 31,580,623</u>	<u>\$ 27,643,198</u>	<u>\$ 25,035,712</u>	<u>\$ 23,397,890</u>	<u>\$ 20,466,291</u>
\$ 8,798,612	\$ 7,459,945	\$ 4,264,961	\$ 1,545,867	\$ 363,827	\$ 150,722
560,581	574,105	506,006	505,435	458,014	640,973
1,896,539	738,519	1,712,657	1,471,457	1,120,224	985,863
<u>\$ 11,255,732</u>	<u>\$ 8,772,569</u>	<u>\$ 6,483,624</u>	<u>\$ 3,522,759</u>	<u>\$ 1,942,065</u>	<u>\$ 1,777,558</u>
\$ 26,378,295	\$ 24,563,344	\$ 20,677,362	\$ 17,885,089	\$ 14,606,659	\$ 12,928,729
5,629,164	5,969,984	4,565,680	3,740,701	3,747,684	2,911,627
13,190,416	9,819,864	8,883,780	6,932,681	6,985,612	6,403,493
<u>\$ 45,197,875</u>	<u>\$ 40,353,192</u>	<u>\$ 34,126,822</u>	<u>\$ 28,558,471</u>	<u>\$ 25,339,955</u>	<u>\$ 22,243,849</u>

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

	2009	2008	2007
Program Revenues			
Governmental Activities:			
Charges for Services:			
General Government	\$ 220,073	\$ 353,836	\$ 422,897
Public Safety	95,606	85,009	92,853
Physical Environment	908,829	903,285	891,021
Economic Environment	-	-	-
Cultural/Recreation	66,540	83,378	85,945
Operating Grants and Contributions	228,002	786,016	192,676
Capital Grants and Contributions	1,865,174	835,607	1,014,481
<i>Total Governmental Activities Program Revenues</i>	<u>3,384,224</u>	<u>3,047,131</u>	<u>2,699,873</u>
Business-Type Activities:			
Charges for Services:			
Golf Course	1,406,956	1,438,233	1,652,288
Airport	438,485	523,989	344,813
Building ⁽¹⁾	358,947	347,189	408,875
Operating Grants and Contributions	-	-	-
Capital Grants and Contributions	1,356,914	494,098	500,428
<i>Total Business-Type Activities Program Revenues</i>	<u>3,561,302</u>	<u>2,803,509</u>	<u>2,906,404</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 6,945,526</u>	<u>\$ 5,850,640</u>	<u>\$ 5,606,277</u>
Expenses			
Governmental Activities:			
General Government	\$ 3,169,851	\$ 3,375,178	\$ 3,083,609
Public Safety	5,420,585	5,226,512	5,377,107
Physical Environment	1,347,771	1,805,755	1,695,066
Transportation	3,437,724	2,111,360	2,276,497
Economic Environment	167,470	113,101	605,510
Cultural/Recreation	1,073,249	1,420,734	1,237,398
Interest and Fiscal Charges	730,100	634,891	667,950
<i>Total Governmental Activities Expenses</i>	<u>15,346,750</u>	<u>14,687,531</u>	<u>14,943,137</u>
Business-Type Activities:			
Golf Course	1,477,299	1,488,472	1,533,900
Airport	1,079,869	1,099,653	1,046,994
Building ⁽¹⁾	533,641	605,422	905,452
<i>Total Business-Type Activities Expenses</i>	<u>3,090,809</u>	<u>3,193,547</u>	<u>3,486,346</u>
<i>Total Primary Government Expenses</i>	<u>\$ 18,437,559</u>	<u>\$ 17,881,078</u>	<u>\$ 18,429,483</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.

2006	2005	2004	2003	2002	2001
\$ 533,482	\$ 370,609	\$ 376,327	\$ 247,774	\$ 172,135	\$ 183,502
140,545	1,356,385	1,660,032	824,821	625,924	554,350
887,819	828,907	850,887	799,637	785,683	-
-	-	-	-	24,869	18,753
72,472	56,199	48,590	46,736	73,013	35,050
407,898	2,802,511	1,144,528	920,829	958,229	902,001
1,301,438	1,781,954	1,353,959	640,894	872,490	581,941
<u>3,343,654</u>	<u>7,196,565</u>	<u>5,434,323</u>	<u>3,480,691</u>	<u>3,512,343</u>	<u>2,275,597</u>
1,580,407	1,381,817	1,648,308	1,377,245	1,365,027	1,088,104
375,768	434,818	201,890	168,451	179,373	193,649
1,220,823	-	-	-	-	(1)
6,998	13,582	67,576	-	51,087	123,673
1,056,562	2,289,986	2,451,212	1,149,437	214,175	299,334
<u>4,240,558</u>	<u>4,120,203</u>	<u>4,368,986</u>	<u>2,695,133</u>	<u>1,809,662</u>	<u>1,704,760</u>
\$ 7,584,212	\$ 11,316,768	\$ 9,803,309	\$ 6,175,824	\$ 5,322,005	\$ 3,980,357
\$ 3,129,723	\$ 3,262,276	\$ 2,414,865	\$ 1,620,616	\$ 2,010,288	\$ 1,676,383
4,191,295	4,816,614	4,502,109	3,391,831	2,945,701	2,526,514
2,193,589	1,283,889	1,279,257	1,920,200	508,616	452,116
2,173,071	4,034,900	3,288,532	2,401,037	2,258,181	1,630,098
98,661	32,128	86,041	166,024	223,207	241,692
1,208,288	1,260,395	823,974	747,910	881,260	768,802
706,303	740,372	722,007	312,367	168,749	160,954
<u>13,700,930</u>	<u>15,430,574</u>	<u>13,116,785</u>	<u>10,559,985</u>	<u>8,996,002</u>	<u>7,456,559</u>
1,558,338	1,464,532	1,527,051	1,363,359	1,393,551	1,341,001
801,967	519,235	350,949	315,941	283,726	313,877
936,793	-	-	-	-	(1)
<u>3,297,098</u>	<u>1,983,767</u>	<u>1,878,000</u>	<u>1,679,300</u>	<u>1,677,277</u>	<u>1,654,878</u>
\$ 16,998,028	\$ 17,414,341	\$ 14,994,785	\$ 12,239,285	\$ 10,673,279	\$ 9,111,437

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

	2009	2008	2007
Net (Expense)/Revenue			
Governmental Activities	\$ (11,962,526)	\$ (11,640,400)	\$(12,243,264)
Business-Type Activities	470,493	(390,038)	(579,942)
<i>Total Primary Government Net Expense</i>	<u>\$ (11,492,033)</u>	<u>\$ (12,030,438)</u>	<u>\$(12,823,206)</u>
 General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Property Taxes, Levied for General Purposes	\$ 4,801,924	\$ 5,149,047	\$ 5,089,841
Sales and Use Taxes	4,670,106	4,753,718	4,776,691
Franchise Fees	1,327,253	1,199,762	1,106,698
State Shared Revenues	1,821,347	1,989,606	2,083,523
Interest Earnings	261,203	634,919	1,147,931
Miscellaneous	140,512	159,300	192,300
Transfers	-	-	42,720
<i>Total Governmental Activities</i>	<u>13,022,345</u>	<u>13,886,352</u>	<u>14,439,704</u>
Business-Type Activities:			
Interest Earnings	5,544	54,237	137,207
Miscellaneous	-	-	-
Transfers	-	-	(42,720)
<i>Total Business-Type Activities</i>	<u>5,544</u>	<u>54,237</u>	<u>94,487</u>
<i>Total Primary Government</i>	<u>\$ 13,027,889</u>	<u>\$ 13,940,589</u>	<u>\$ 14,534,191</u>
 Change in Net Assets			
Governmental Activities	\$ 1,059,819	\$ 2,245,952	\$ 2,196,440
Business-Type Activities	476,037	(335,801)	(485,455)
<i>Total Primary Government Change in Net Assets</i>	<u>\$ 1,535,856</u>	<u>\$ 1,910,151</u>	<u>\$ 1,710,985</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.

2006	2005	2004	2003	2002	2001
<u>\$(10,357,276)</u>	<u>\$ (8,234,009)</u>	<u>\$ (7,682,462)</u>	<u>\$ (7,079,294)</u>	<u>\$ (5,483,659)</u>	<u>\$ (5,180,962)</u>
<u>943,460</u>	<u>2,136,436</u>	<u>2,490,986</u>	<u>1,015,833</u>	<u>132,385</u>	<u>49,882</u>
<u><u>\$ (9,413,816)</u></u>	<u><u>\$ (6,097,573)</u></u>	<u><u>\$ (5,191,476)</u></u>	<u><u>\$ (6,063,461)</u></u>	<u><u>\$ (5,351,274)</u></u>	<u><u>\$ (5,131,080)</u></u>
\$ 4,645,050	\$ 4,017,555	\$ 3,420,971	\$ 2,944,456	\$ 2,615,939	\$ 2,557,333
4,907,906	4,718,691	4,035,545	3,705,922	2,844,825	3,013,293
1,253,749	886,390	770,600	756,194	766,901	753,024
2,242,292	2,138,020	1,721,956	1,523,524	2,068,753	1,336,046
827,224	398,518	398,158	241,358	118,840	236,307
256,780	118,760	388,562	79,662	-	-
<u>(1,414,205)</u>	<u>(106,500)</u>	<u>(445,844)</u>	<u>(534,000)</u>	<u>-</u>	<u>-</u>
<u>12,718,796</u>	<u>12,171,434</u>	<u>10,289,948</u>	<u>8,717,116</u>	<u>8,415,258</u>	<u>7,896,003</u>
125,498	45,709	23,774	21,789	32,122	99,521
-	300	261	9,072	-	-
<u>1,414,205</u> ⁽²⁾	<u>106,500</u>	<u>445,844</u>	<u>534,000</u>	<u>-</u>	<u>-</u>
<u>1,539,703</u>	<u>152,509</u>	<u>469,879</u>	<u>564,861</u>	<u>32,122</u>	<u>99,521</u>
<u>\$ 14,258,499</u>	<u>\$ 12,323,943</u>	<u>\$ 10,759,827</u>	<u>\$ 9,281,977</u>	<u>\$ 8,447,380</u>	<u>\$ 7,995,524</u>
\$ 2,361,520	\$ 3,937,425	\$ 2,607,486	\$ 1,637,822	\$ 2,931,599	\$ 2,715,041
<u>2,483,163</u>	<u>2,288,945</u>	<u>2,960,865</u>	<u>1,580,694</u>	<u>164,507</u>	<u>149,403</u>
<u><u>\$ 4,844,683</u></u>	<u><u>\$ 6,226,370</u></u>	<u><u>\$ 5,568,351</u></u>	<u><u>\$ 3,218,516</u></u>	<u><u>\$ 3,096,106</u></u>	<u><u>\$ 2,864,444</u></u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund					
Reserved	\$ 650,000	\$ 739,873	\$ 947,533	\$ 1,815,187	\$ 2,848,726
Unreserved	<u>5,118,114</u>	<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>5,768,114</u>	<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	5,771,690 ⁽¹⁾	9,809,650	8,299,903	10,058,183 ⁽²⁾	828,819
Unreserved, Reported in:					
Special Revenue funds	3,615,728	3,408,537	5,321,148	5,381,276	4,735,396
Capital Projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u> ⁽³⁾	<u>8,406,953</u>
Total All Other Governmental Funds	<u>9,387,418</u>	<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>\$15,155,532</u>	<u>\$19,526,369</u>	<u>\$20,011,838</u>	<u>\$21,918,531</u>	<u>\$20,074,635</u>

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

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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>
\$ 2,693,710	\$ 1,402,398	\$ 232,088	\$ 121,256	\$ 64,341
<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>5,114,892</u>	<u>3,881,850</u>	<u>3,922,747</u>	<u>3,527,339</u>	<u>2,850,593</u>
4,208,170	1,596,981	1,503,172	1,306,269	2,021,740
3,355,229	2,211,585	1,808,288	548,174	456,461
<u>6,795,371</u>	<u>9,993,933</u> ⁽⁴⁾	<u>2,384,557</u>	<u>2,609,201</u>	<u>1,562,299</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>\$ 19,473,662</u>	<u>\$ 17,684,349</u>	<u>\$ 9,618,764</u>	<u>\$ 7,990,983</u>	<u>\$ 6,891,093</u>

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

	2009	2008	2007
Revenues			
Property and Other Local Taxes	\$ 10,065,806	\$ 10,504,155	\$ 10,554,617
Franchise Fees	1,327,253	1,199,762	1,106,698
Charges for Services	1,186,161	1,209,617	1,271,102
Licenses and Permits	29,151	163,471	186,875
Fines	88,938	65,246	71,314
Intergovernmental	3,270,854	2,674,761	2,463,628
Impact Fees	13,975	32,825	56,875
Special Assessments	3,849	-	-
Investment Earnings	250,914	647,312	1,062,043
Miscellaneous	176,430	461,553	244,629
<i>Total Revenues</i>	<u>16,413,331</u>	<u>16,958,702</u>	<u>17,017,781</u>
Expenditures			
Current:			
General Government	2,976,896	3,087,789	2,999,652
Public Safety	4,926,714	4,677,618	4,700,447
Physical Environment	1,448,067	1,368,593	1,301,719
Transportation	1,696,254	1,545,045	1,733,697
Economic Environment	167,470	113,101	80,279
Cultural and Recreation	1,148,408	1,079,379	975,087
Debt service:			
Principal Retirement	1,218,995	1,326,182	1,284,418
Interest and Fiscal Charges	706,093	611,554	643,305
Capital Outlay	6,495,271	3,634,910	5,242,590
<i>Total Expenditures</i>	<u>20,784,168</u>	<u>17,444,171</u>	<u>18,961,194</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,370,837)</u>	<u>(485,469)</u>	<u>(1,943,413)</u>
Other Financing Sources (Uses)			
Debt Proceeds			
Transfers In	5,196,376	5,679,896	5,158,296
Transfers Out	(5,196,376)	(5,679,896)	(5,115,576)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>42,720</u>
<i>Net Change in Fund Balances</i>	<u>\$ (4,370,837)</u>	<u>\$ (485,469)</u>	<u>\$ (1,900,693)</u>
Debt Service as a Percentage of Noncapital Expenditures	13.5%	14.0%	14.1%

2006	2005	2004	2003	2002	2001	2000
\$ 10,269,451	\$ 9,483,664	\$ 8,179,344	\$ 7,325,932	\$ 6,228,107	\$ 6,223,280	\$ 6,273,070
1,253,749	886,390	770,600	756,194	766,901	753,024	-
517,605	936,530	962,677	921,119	1,123,670	300,046	159,701
244,370	1,587,675	1,867,920	878,097	578,695	487,618	475,345
77,776	95,699	118,918	119,752	127,027	148,676	140,672
2,852,293	5,561,695	3,115,520	1,785,237	2,841,315	1,968,416	2,318,091
337,675	385,775	557,700	395,850	255,775	-	-
819,286	11,023	28,424	22,560	31,756	28,528	128,154
827,224	398,518	398,158	241,358	206,567	417,707	689,395
294,695	144,057	378,268	91,078	126,823	196,311	246,774
<u>17,494,124</u>	<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>
2,494,863	2,974,736	2,231,532	1,977,033	2,230,870	1,647,858	1,946,702
3,813,908	4,349,639	3,950,228	3,427,711	2,588,526	2,482,393	2,129,662
1,850,642	910,794	1,125,727	1,247,452	508,616	452,116	345,844
1,672,983	3,616,076	2,863,397	1,610,761	1,427,992	1,084,401	1,228,234
98,661	32,128	86,041	166,024	327,911	273,927	617
926,846	995,406	747,131	629,835	732,729	612,038	555,584
1,248,378	1,218,023	985,974	361,024	344,553	222,954	212,860
678,682	711,736	887,564	158,043	174,864	152,093	151,536
1,451,060	3,975,015	9,021,558	3,859,709	2,322,794	3,402,365	4,713,604
<u>14,236,023</u>	<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>3,258,101</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>
-	-	7,756,780	9,500,000	-	900,000	-
3,785,981	3,745,265	2,745,754	2,992,908	2,009,173	2,130,744	2,134,510
<u>(5,200,186)</u>	<u>(3,851,765)</u>	<u>(3,191,598)</u>	<u>(3,526,908)</u>	<u>(2,009,173)</u>	<u>(2,130,744)</u>	<u>(2,134,510)</u>
<u>(1,414,205)</u>	<u>(106,500)</u>	<u>7,310,936</u>	<u>8,966,000</u>	<u>-</u>	<u>900,000</u>	<u>-</u>
<u>\$ 1,843,896</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>
15.1%	13.0%	14.5%	5.4%	6.2%	5.4%	5.5%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Function/Program			
Governmental Activities:			
General Government	\$ 226,003	\$ 377,305	\$ 450,267
Public Safety	299,119	515,997	249,756
Physical Environment	1,408,829	1,256,277	891,021
Transportation	612,335	619,949	721,103
Economic Environment	6,000	-	-
Cultural/Recreation	831,938	277,603	387,726
<i>Total Governmental Activities</i>	<u>3,384,224</u>	<u>3,047,131</u>	<u>2,699,873</u>
Business-type activities:			
Golf Course	1,406,955	1,438,233	1,652,288
Airport	1,795,399 ⁽²⁾	1,018,087	845,241
Building ⁽¹⁾	358,948	347,189	408,875
<i>Total Business-Type Activities</i>	<u>3,561,302</u>	<u>2,803,509</u>	<u>2,906,404</u>
<i>Total Primary Government</i>	<u>\$ 6,945,526</u>	<u>\$ 5,850,640</u>	<u>\$ 5,606,277</u>

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

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

2006	2005	2004	2003	2002	2001
\$ 579,591	\$ 587,527	\$ 392,471	\$ 1,095,902	\$ 172,135	\$ 226,786
306,702	1,537,557	1,850,710	929,952	785,373	633,230
890,092	898,821	914,318	1,136,507	785,683	779,837
900,365	3,392,883	1,670,534	1,580,076	3,038,913	2,285,809
30,059	-	-	-	24,869	18,753
636,845	779,777	606,290	663,459	566,959	168,335
<u>3,343,654</u>	<u>7,196,565</u>	<u>5,434,323</u>	<u>5,405,896</u>	<u>5,373,932</u>	<u>4,112,750</u>
1,587,405	1,395,399	1,715,884	1,377,245	1,365,517	1,088,104
1,432,330	2,724,804	2,653,102	1,317,888	444,145	616,656
1,220,823	-	-	-	-	-
<u>4,240,558</u>	<u>4,120,203</u>	<u>4,368,986</u>	<u>2,695,133</u>	<u>1,809,662</u>	<u>1,704,760</u>
<u>\$ 7,584,212</u>	<u>\$ 11,316,768</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>
2009 ⁽¹⁾	\$ 4,801,924	\$ 2,341,458	\$ 2,328,648	\$ 593,776	\$ 10,065,806
2008 ⁽²⁾	5,149,047	2,250,781	2,502,937	601,390	10,504,155
2007 ⁽³⁾	5,089,841	2,216,381	2,560,310	688,085	10,554,617
2006 ⁽⁴⁾	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 ⁽⁵⁾	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 ⁽⁶⁾	2,323,566	1,044,595	1,704,749	549,800	5,622,710

⁽¹⁾ Fiscal Year 2009 property tax revenue reflects a change in the property tax millage rate from 2.9917 to 3.3456.

⁽²⁾ Fiscal Year 2008 property tax revenue reflects a change in the property tax millage rate from 3.0519 to 2.9917.

⁽³⁾ Fiscal Year 2007 property tax revenue reflects a change in the property tax millage rate from 3.9325 to 3.0519.

⁽⁴⁾ Fiscal Year 2006 property tax revenue reflects a change in the property tax millage rate from 4.5904 to 3.9325.

⁽⁵⁾ Fiscal Year 2002 property tax revenue reflects a change in the property tax millage rate from 5.0000 to 4.5904.

⁽⁶⁾ Fiscal Year 2000 property tax revenue reflects a change in the property tax millage rate from 6.5000 to 5.0000.

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	
2009	3.3456		3.3456	6.28610	6.76000	0.28000	7.04000	1.11204
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

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

⁽²⁾ All Special Taxing Districts.

Source: Indian River County Property Appraiser's Office

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

Tax Year	Real Property		Personal Property	
	Assessed Value ⁽¹⁾	Estimated Actual Value	Assessed Value	Estimated Actual Value
2009	\$ 1,650,311,449	\$ 2,062,889,311	\$ 56,920,223	\$ 56,920,223
2008	1,933,934,630	2,417,418,288	62,476,508	62,476,508
2007	2,054,408,055	2,568,010,069	64,899,942	64,899,942
2006	2,124,615,672	2,655,769,590	55,913,696	55,913,696
2005	1,526,923,406	1,908,654,258	51,827,624	51,827,624
2004	1,157,275,164	1,446,593,955	51,330,277	51,330,277
2003	946,293,950	1,182,867,438	48,613,628	48,613,628
2002	829,224,615	1,036,530,769	45,355,170	45,355,170
2001	754,577,150	943,221,438	45,195,579	45,195,579
2000	656,619,860	820,774,825	42,216,162	41,533,985

Source: Indian River County Property Appraiser

⁽¹⁾ The assessed value of Real Property is equivalent to approximately 80 percent of estimated actual value. The City adopts a millage each year and applies the same rate to all taxable property.

Exemptions Real Property	Total Taxable Value	Total Estimated Actual Value
\$ 479,222,945	\$ 1,148,064,078	\$ 1,423,351,926
506,441,634	1,318,172,635	1,634,831,349
334,302,515	2,119,307,997	2,632,910,011
322,318,753	2,180,529,368	2,711,683,286
271,466,364	1,578,751,030	1,960,481,882
228,262,825	1,208,605,441	1,497,924,232
217,554,663	994,907,578	1,231,481,066
205,977,066	874,579,785	1,081,885,939
198,445,669	799,772,729	988,417,017
190,327,263	698,836,022	862,308,810

City of Sebastian, Florida

Principal Taxpayers

Year 2009 and Year 1998

Taxpayer	2009			1998 ⁽¹⁾		
	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Florida Power & Light (Utility / Electric)	\$ 15,809,386	1	1.20%	\$ 6,448,890	3	1.02%
Wal-Mart Stores Inc. (Retail)	13,404,610	2	1.02%	7,843,080	2	1.24%
IPF / Sebastian LLC (Retail)	9,743,746	3	0.74%	-		-
Bellsouth Communications (Communication)	7,153,062	4	0.54%	7,930,440	1	1.26%
BW US 1 Inc. (Commerical)	6,946,560	5	0.53%	-		-
Park Place Community LLC (Rent / Retail)	6,896,210	6	0.52%	2,737,650	5	0.43%
KB Homes Treasure Coast LLC (Construction)	6,600,600	7	0.50%	-		-
512 Commerce Center LLC (Commercial)	6,177,200	8	0.47%	-		-
Chance Holdings LLC (Development)	5,492,320	9	0.42%	-		-
Pelican Isles Limited Partnership (Rental	5,066,610	10	0.38%	-		-
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>\$ 83,290,304</u>		<u>6.32%</u>	<u>\$ 36,038,445</u>		<u>5.71%</u>
Total Assessed Valuation	<u>\$1,319,602,616</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
2009	\$ 4,441,535	\$ 4,225,106	95 %	\$ 51,694	\$ 4,276,800	96 %
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

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	Percent of Personal Income	Per Capita
	Water Line Assessment Bonds	Roadway Improvement Notes	Infrastructure Sales Tax Bonds	Heavy Equipment Lease	Stormwater Utility Revenue Bonds	Golf Course Revenue Bonds			
2009	\$ -	\$1,089,203	\$ 7,725,000	\$ -	\$ 4,315,000	\$ 300,000	\$ 13,429,203	(2)	591
2008	-	1,333,197	8,445,000	-	4,570,000	590,000	14,938,197	(2)	652
2007	-	1,566,839	9,145,000	147,538	4,815,000	870,000	16,544,377	0.21%	738
2006	-	1,790,544	9,825,000	288,251	5,055,000	1,140,000	18,098,795	0.25%	835
2005	-	2,004,718	10,490,000	422,455	5,290,000	1,395,000	19,602,173	0.31%	978
2004	-	2,209,745	11,140,000	550,452	5,525,000	1,885,000	21,310,197	0.42%	1,100
2003	77,615	2,406,028	9,500,000	672,528	-	2,115,000	14,771,171	0.31%	802
2002	134,299	2,593,939	-	788,957	-	2,335,000	5,852,195	0.13%	341
2001	187,901	2,773,847	-	-	-	2,435,000 (1)	5,396,748	0.12%	324
2000	238,589	2,946,113	-	-	-	1,500,000	4,684,702	0.11%	290

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

(2) Information not available yet.

City of Sebastian, Florida
Computation of Legal Debt Margin
September 30, 2009

<hr/> <hr/>		
Assessed Valuation		
Assessed taxable property value	\$	668,841,133
Add back: exempt property		479,222,945
Total assessed value of taxable property	\$	1,148,064,078
Legal debt margin:		
Debt limitation - 5 percent of total assessed real property value ⁽¹⁾	\$	57,403,204
Debt applicable to limitation		
Total bonded debt	\$	12,040,000
Less: revenue bonds		(12,040,000)
Total applicable to limitation		-
Legal debt margin	\$	57,403,204

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

City of Sebastian, Florida
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
September 30, 2009

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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt Limit (1)	\$ 55,057,570	\$ 63,331,743	\$ 102,720,403	\$ 76,346,170
Total net debt applicable to limit	<u>1,078,787</u>	<u>1,333,197</u>	<u>1,714,377</u>	<u>2,078,796</u>
Legal debt margin	<u>\$ 53,978,783</u>	<u>\$ 61,998,546</u>	<u>\$ 101,006,026</u>	<u>\$ 74,267,374</u>
Total net debt applicable to the limit as a percentage of debt limit	1.96%	2.11%	1.67%	2.72%

⁽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.

2005	2004	2003	2002	2001	2000
\$ 76,346,170	\$ 57,863,758	\$ 47,314,698	\$ 82,922,462	\$ 75,457,715	\$ 65,661,986
2,427,174	2,760,196	3,078,556	3,382,896	3,673,847	2,946,113
<u>\$ 73,918,996</u>	<u>\$ 55,103,562</u>	<u>\$ 44,236,142</u>	<u>\$ 79,539,566</u>	<u>\$ 71,783,868</u>	<u>\$ 62,715,873</u>
3.18%	4.77%	6.51%	4.08%	4.87%	4.49%

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	
2009	\$ 1,408,535	\$ 1,178,144	\$ 230,391	\$ 230,391	\$ 30,090	\$ 260,481	0.88
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⁾

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	
\$ 814,419	\$ 255,000	\$ 185,135	\$ 440,135	1.85
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⁾
2009	22,722		(5)	\$230,391	(5)
2008	22,924	(5)	(5)	(5)	(5)
2007	22,426	\$ 7,810,408,000	\$ 59,419	\$ 47,563	(5)
2006	21,666	7,217,159,000	55,817	45,034	(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

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 yet

⁽⁶⁾ The school population appears to have declined as result of loss of job opportunities. Our community had a lot of construction jobs, which were drastically reduced as a result of the economy.

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

Educational Attainment: Bachelor's Degree or higher ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽¹⁾	Total Assessed Property Value ⁽⁴⁾
(5)	3,751	⁽⁶⁾ 14.1 %	\$ 1,148,064,078
(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

City of Sebastian, Florida

Principal Employers

Year 2009 and 1999

2009		
<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total County Employment</u>
School District of Indian River County	2,295	3.69 %
Indian River County	1,706	2.74
Indian River Medical Center	1,671	2.68
Publix Supermarkets	1,104	1.77
The New Piper Aircraft	1,063	1.71
City of Vero Beach	561	0.90
John's Island	475	0.76
Indian River Estates	442	0.71
Wal-Mart	404	0.65
Sebastian River Medical Center	380	0.61
Visiting Nurse Association	348	0.56
CVS Warehouse/Distribution	325	0.52
Grand Harbor Management	312	0.50
Disney Vero Beach Resort	301	0.48
Dodgertown Complex	293	0.47
Total	11,680	18.77 %
 Total County Employees	 62,237	

1999		
<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total County Employment</u>
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	6,143	14.09 %
 Total County Employees	 43,592	

Source: Indian River County Community Development Report

* 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>2009</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>
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	2.5	2.0	2.0	5.0	4.0	4.0	4.0	4.0	3.0
City Clerk	3.0	3.0	4.0	4.5	4.0	4.0	4.0	5.0	5.0	5.0
City Attorney	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Finance	5.0	5.0	5.0	6.0	5.0	5.0	5.0	6.0	6.0	5.0
Mgmt Information Svcs	3.0	3.0	3.0	3.0	2.0	2.0	2.0	0.0	0.0	0.0
Human Resources	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Facilities Maintenance	2.0	2.0	2.0	2.0	2.0	0.0	4.0	4.0	4.0	4.0
Growth Management	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Public Safety:										
Police Department	59.0	60.0	57.0	58.0 ⁽²⁾	59.0	56.5	54.5	53.0	52.5	50.0
Building Department	5.0	6.0	11.0	11.0	9.0	8.0	7.0	7.0	6.0	6.0
Code Enforcement	2.5	2.5	3.0	3.0 ⁽²⁾	0.0	0.0	0.0	0.0	0.0	0.0
Transportation:										
Roads & Drainage	10.0	10.0	11.5	12.5	12.5	14.5	11.5 ⁽¹⁾	23.5	26.5	27.5
Central Garage	3.5	2.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Airport	3.0	3.0	3.0	3.5	3.5	2.5	2.5	1.5	1.0	0.5
Physical Environment:										
Engineering	7.0	7.0	9.0	8.0	8.0	8.0	7.5	8.0	6.5	6.5
Stormwater Utility	11.0	13.0	13.0	13.0	13.0	12.0	12.0 ⁽¹⁾	1.0	0.0	0.0
Cultural/Recreation:										
Parks & Recreation	23.5	23.5	23.5	24.5	23.5	17.5	16.5	14.0	14.0	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	9.0	12.5	12.5	12.5	12.5	13.5	13.5	14.5	12.5	12.5
Totals:	<u>162.5</u>	<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>

⁽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 2000-2010 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	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Government										
Number of Annexation Approved	3	0	1	1	1	6	3	0	1	1
Acres of Annexed Property	26	0	3.87	3.3	25.55	484	80	0	80	6
Purchase Orders Issued	288	254	284	293	369	408	372	357	411	406
Public Safety										
Police Department										
Physical Arrest	543	662	697	744	786	653	557	515	627	738
Traffic Violations	4,849	4,418	7,221	6,291	5,457	5,431	1,939	2,528	2,781	3,562
Parking Violations	50	208	289	880	303	3,801	632	207	198	305
Building Department										
Construction Permits Issued - New	58	60	116	506	774	577	544	363	315	317
Estimated Value of Construction (in millions)	\$ 11.2	\$ 21.0	\$ 32.3	\$ 88.3	\$114.7	\$112.3	\$ 82.7	\$ 38.9	\$ 29.0	(1)
Transportation										
Road Maintenance (man hours)	600	538	888	512	100	878	850	827	(1)	(1)
Asphalt for road maintenance (tons)	328	358	210	127	125	88	79	75	(1)	(1)
Concrete for road maintenance (yards) (2)	0	0	0	300	0	283	277	275	(1)	(1)
Physical Environment										
Cemetery										
Cemetery Internments	74	68	69	76	79	86	81	73	78	85
Grave Deeds Sold	39	46	49	56	56	69	45	54	67	77
Stormwater										
Mile of Swales Maintained	280	280	280	280	280	280	280	280	280	(1)
Mile of Ditches Maintained	50	50	50	50	50	50	50	50	50	(1)
Road Crossing Maintained	30	30	30	30	30	30	30	30	30	(1)
Catch Basins/Culverts	275	275	275	275	275	275	275	250	248	(1)
Recreation										
Recreation Center attendance	13,465	12,910	14,177	8,004	5,504	7,498	(1)	(1)	(1)	(1)
Number of Discount Cards	879	950	1,004	2,690	1,000	993	855	890	746	791
Number of Golf Course Memberships	95	97	108	119	85	116	137	169	190	212
Average daily golf revenue	\$4,000	\$3,988	\$4,661	\$4,441	\$3,844	\$4,551	\$3,836	\$3,798	\$3,192	\$4,263

(1) Information not available

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

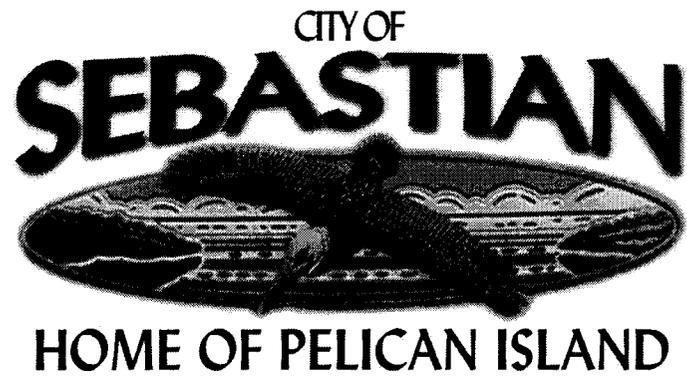
Sources: City of Sebastian Police Department, Growth Management, Public Works, Golf Course, and Building Department.

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

Function/program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Government										
Square Footage Occupied	21,500	21,500	21,500	21,500	21,500	5,516	5,516	5,516	5,516	5,516
Departmental Vehicles	3	3	3	3	5	2	2	2	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	25,600	8,700	8,700	8,700	8,700	8,700
Square Footage of Building Department	2,500	2,500	2,500	2,500	2,500	1,716	1,716	1,716	1,716	1,716
Police Vehicles	63	62	57	53	52	47	42	40	33	32
Building Inspector Vehicles	4	4	5	6	5	4	4	5	4	3
Transportation										
Streets (miles)	156	156	156	156	156	156	149.6	140.0	140.0	140.0
Number of Streetlights	1,240 ⁽¹⁾	1,229 ⁽¹⁾	1,309 ⁽¹⁾	3,808	3,555	3,543	3,543	3,531	3,531	3,319
Airport	1	1	1	1	1	1	1	1	1	1
Public Service Vehicles	18	23	21	19	14	24	18	22	19	16
Physical Environment										
Public Service Vehicles	7	11	10	12	13	6	7	4	4	4
Recreation										
Number of Parks	18	15	14	14	12	12	12	10	10	10
Recreation Centers	2	2	2	2	2	2	2	2	2	2
Park Acreage	233.79	233.79	229.37	229.37	223.37	223.37	223.37	207.85	196.47	196.47
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	13	12	11	10	8	6	6	5	5
Golf Course	1	1	1	1	1	1	1	1	1	1

Sources: City of Sebastian Administrative Services Department and Growth Management Department

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

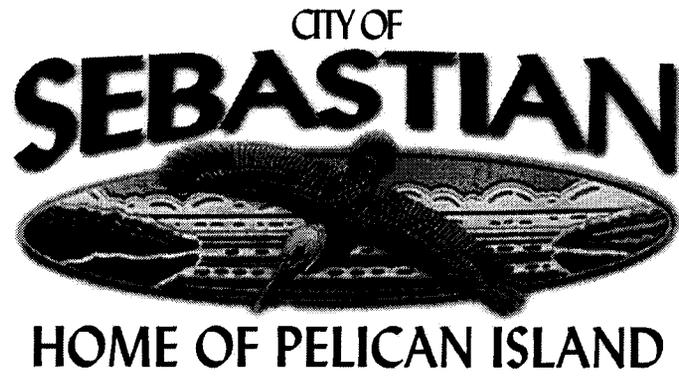


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SINGLE AUDIT SECTION

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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Fax 772-234-8488

**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 City of Sebastian, Florida (the "City") as of and for the year ended September 30, 2009, and have issued our report thereon dated March 5, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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



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

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 5, 2010.

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 Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

Harris, Cotherman, Jones, Price & Associates, Certified Public Accountants - Chartered
Vero Beach, Florida
March 5, 2010



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**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Program and State Project and on Internal Control Over Compliance
in Accordance with OMB Circular A-133 and
Chapter 10.550, Rules of the Auditor General**

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

Compliance

We have audited the compliance of the City of Sebastian, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's *State Projects Compliance Supplement*, that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009. The City of Sebastian, Florida's major Federal programs and State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of the City of Sebastian, Florida's management. Our responsibility is to express an opinion on the City of Sebastian, Florida's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. These standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of Sebastian, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Sebastian, Florida's compliance with those requirements.

In our opinion, the City of Sebastian, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009.



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

Internal Control Over Compliance

The management of the City of Sebastian, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered the City of Sebastian, Florida's internal control over compliance with requirements that could have a direct and material effect on a major Federal program or State project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a compliance requirement of a Federal program or a State project on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program or State project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program or State project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

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

Harris, Cotherman, Jones, Price & Associates, Certified Public Accountants - Chartered
March 5, 2010

CITY OF SEBASTIAN, FLORIDA
Schedule of Findings and Questioned Costs
Federal Programs and State Projects
Fiscal Year Ended September 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' report issued:

Internal control over financial reporting:

Unqualified

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified not considered
to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs and projects:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified not considered
to be material weaknesses? _____ Yes X None reported

Type of Auditors' report issued on compliance
for major programs and projects:

Unqualified

Identification of major programs:

Name of Federal Project

Federal CFDA No.

U.S. Department of Environmental Protection-
Sebastian's Collier Canal Retrofit Project

66.46

Dollar threshold used to distinguish between Type A and
Type B programs

\$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

State Awards

Internal control over major State projects:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified not considered
 to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for
 major projects: **Unqualified**

Any audit findings disclosed that are required to be
 reported in accordance with Chapter 10.550,
Rules of the Auditor General? _____ Yes X No

Identification of major State projects:

<u>Name of State Project</u>	<u>State CSFA No.</u>
Florida Department of Transportation –	
Construct Access Road	55.004
Construct Hangars	55.004
Airport Layout Plan	55.004
Construct Hangars	55.004
Acquire Maintenance Equipment	55.004
Florida Fish and Wildlife Commission –	
Florida Boating Improvement Program	77.006
Dollar threshold used to distinguish between Type A and Type B projects:	<u>\$300,000</u>

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

No matters were reported.

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

No matters were reported.

City of Sebastian, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the year ended September 30, 2009

Federal / State Agency		Contract		
Pass-through Entity	CFDA	Grant		State
<u>Federal Program / State Project</u>	<u>No.</u>	<u>No.</u>	<u>Expenditures</u>	<u>Matching</u>
U.S. Department of Justice				
Direct Programs:				
Office of Justice Programs				
Bulletproof Vest Partnership	16.607	N/A	\$ 12,735	\$ -
COPS Secure Our Schools	16.71	2008CKWX064	5,162	-
ARRA - FY2009 Recovery Act Justice Assistance Grant Program	16.804	2009-SB-B9-2156	21,757	-
Indirect Programs:				
Passed through Florida Department of Law Enforcement				
Justice Assistance Grant	16.804	2009-JAGD-INRI-3-T8-052	<u>2,088</u>	<u>-</u>
Total U.S. Department of Justice			<u>41,742</u>	<u>-</u>
U.S. Department of Environmental Protection				
Indirect Programs:				
Passed through Florida Department of Environmental Protection				
Sebastian's Collier Canal Retrofit Project	66.46	C9-99451507-0	500,000	\$ -
Total U.S. Department of Environmental Protection			<u>500,000</u>	<u>-</u>
U.S. Department of Transportation				
Direct Programs:				
Design East Access Road	20.106	12-0145-008-2008	<u>172,653</u>	<u>-</u>
Total U.S. Department of Transportation			<u>172,653</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS:			<u>\$ 714,395</u>	<u>\$ -</u>

The accompanying notes are an integral part of the audit.

City of Sebastian, Florida
Schedule of Expenditures of State Financial Assistance
For the year ended September 30, 2009

State Agency Pass-through Entity State Project	CSFA No.	Contract Grant No.	<u>Expenditures</u>
Department of Transportation			
Direct Projects:			
Joint Participation Agreement with Florida			
Department of Transportation Aviation			
Administration:			
Construct Access Road	55.004	407706-1-94-01	13,115
Construct Hangars	55.004	409863-1-94-01	472,875
Construct Hangars	55.004	418164-1-94-01	583,338
Acquire Maintenance Equipment	55.004	418165-1-94-01	109,933
District Maintenance			
Lighting Maintenance and Compensation Agreement	55.023	405122-1-72-10	<u>18,559</u>
Total Department of Transportation			<u>1,197,820</u>
Florida Fish & Wildlife Conservation Commission			
Florida Boating Improvement Program	77.006	8092	<u>425,291</u>
Total Florida Fish & Wildlife Conservation Commission			<u>425,291</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:			<u><u>\$ 1,623,111</u></u>

The accompanying notes are an integral part of the audit.

City of Sebastian, Florida
Notes to Schedule of Expenditures of State Financial Assistance
September 30, 2009

The accounting policies and presentation of the Single Audit Report of City of Sebastian, Florida, (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental unites, including the reporting and compliance requirements of the Audits of State, Local Governments, and Non-Profit Organizations and the Florida Single Audit Act.

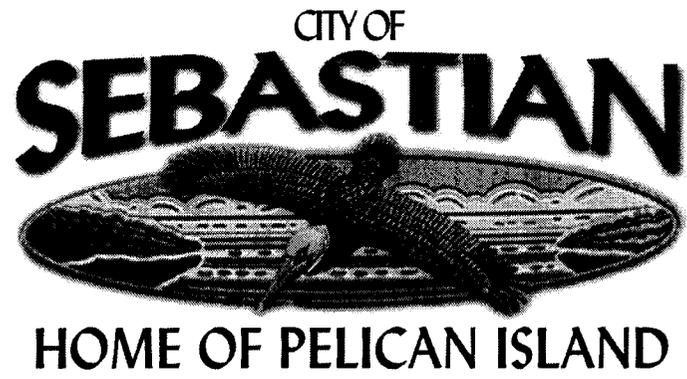
A. Reporting Entity

The reporting entity consists of City of Sebastian, the primary government, and each of its component units. The City includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Single Audit Section.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considered revenues to be available if they are collected within one year after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.



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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, 2009 and have issued our report thereon dated March 5, 2010.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Florida Single Audit Act. We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance and Internal Control with Requirements Applicable to Each Major Program and State Project and on Internal Control Over Compliance in Accordance with OMB circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 5, 2010, 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, Florida
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, 2009, 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, 2009.

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 5, 2010