Comprehensive Annual Financial Report

City of Sebastian, Florida

For the Fiscal Year October 1, 2010 through September 30, 2011

The CAFR cover depicts aerial photographs of the City of Sebastian Municipal Airport's Hangar Projects.

The top photograph illustrates the recently completed Hangar B building, and the photographs below are of recently installed wind turbines and Hangars A & B.

The Hangar buildings were constructed for additional economic growth and are leased to private Sebastian companies.

The wind turbines will provide the Municipal Airport with electrical savings for security lighting.

Funding for the Hangar B project in the amount of $1,160,000 was made possible by the Florida Department of Transportation.

Notice to proceed for the Hangar B Building was issued to Ahrens Companies, Inc., on January 5, 2011, and the project completed in October, 2011.

Photographs provided courtesy of:

Robert Messersmith, Systems Engineer, City of Sebastian
Gary Nicholas, Airport Operations Specialist, City of Sebastian

CITY OF SEBASTIAN, FLORIDA

CITY OF
SEBASTIAN
HOME OF PELICAN ISLAND

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

CITY COUNCIL

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

Prepared By: Administrative Services Department

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, 2010
- Organizational Chart
- List of Officials

CITY OF SEBASTIAN, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011

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CITY OF
SEBASTIAN
HOME OF PELICAN ISLAND

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CITY OF
SEBASTIAN
HOME OF PELICAN ISLAND

March 21, 2012

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, 2011, 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, 2011.

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, 2011. 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.

<u>Profile of the Government</u>

The City of Sebastian, Florida is located in Indian River County approximately midway through the east coast of the Florida Peninsula (between Melbourne and Vero Beach) in an area known as the Treasure Coast. It is recognized as the Home of Pelican Island, the first designated wildlife refuge in the United States, a Millennium City, and a Tree City USA. It was first incorporated as the Town of Sebastian in 1924. In the late 1950s General Development Corporation purchased the land from the Mackle family of Miami and began the development of a planned community that is now the City of Sebastian. The City has a population of 21,929 living in an area of approximately 14.6 square miles. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

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

Local Economy

The region (which includes the City of Sebastian and the surrounding unincorporated area within the same county) has a fluctuating labor force depending on agricultural demand and a strong retirement community. Although the labor force fluctuates, unemployment in the region steadily declined through 2006 but has increased over the past five years to a range of 13-14%. 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 is representative of the general economic difficulties being experienced in the area and the lack of job creation.

The largest major occupational group is Office and Administrative Support Occupations (18%), followed by Sales and Related Occupations (13%) and Food Preparation and Serving Related Occupations (9%). According to the U.S. Census Bureau (2000), 86% of the population age 25 or older are high school graduates and 23.1% hold a bachelor's degree or higher. The area median age for 2010 was 50.1 per the U.S Census Bureau and average wage is $34,684 per year, assuming a 40-hour work-week, per the Florida Research & Economic Database. The geographical area of the City of Sebastian, just north of the Treasure Coast, houses a number of high-tech industries including NASA and various aerospace industry-related businesses. In the past, this attracted a workforce with a higher than average education and technical skills to the vicinity but with the end of the Space Shuttle program, the loss of these activities has affected job availability.

Long-term Financial Planning

The voters of Indian River County in November 2003 extended the Infrastructure Sales Surtax in the amount of $.01 per $1.00 sale for an additional fifteen years and seven months beginning in January 2004. This Infrastructure Sales Surtax is estimated to provide the City in excess of $40 million dollars over the life of the extension for the City's emergency vehicle and capital improvement needs.

In addition, the City has funded a number of other capital projects with impact fees and has actively pursued grant funding for some major transportation and environmental improvements. It has also employed the use of a Community Redevelopment Agency that is funded by means of tax-increment financing.

The millage was reduced from 3.3456 to 3.3041, although the City experienced another sizable decline in taxable value. Construction activity in fiscal year 2011 continued to be low, with just 51 permits being issued for new construction in fiscal year 2011 with a value of $10.2 million. The decline is primarily attributed to the slowdown of the housing market.

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

Major Initiatives

Administration – There were several significant initiatives during the past fiscal year. Through request for proposals, the City determined to continue with the same independent auditing firm to conduct the financial audits for the next three years, with an option to extend for two additional years. With the continued decline in taxable property values, management acted decisively to reduce personnel costs. In addition to continuing mandatory monthly furlough days and eliminating positions vacated through attrition, several management level positions were cut. Furthermore, collective bargaining agreements were negotiated that reduced benefits offered to new employees and offered no wage increases. Additionally, the City approved a change in the type of medical plan offered to all employees from a traditional co-pay medical plan to a high deductible plan with health reimbursement account debit cards in the amounts of $750 for single coverage and $1,500 for dependent coverage. By transitioning to this new plan, the City is transferring health care responsibility back to employees, and hopes to realize savings. These actions were all considered important to minimize personnel costs during these difficult economic times. Other initiatives included a detailed study of property values and evaluation of the appropriate amounts of insurance coverage, a successful endeavor to improve City garage operations and accountability, plus an upgrade on the video broadcasting capabilities for public meetings.

Stormwater - The main focus of stormwater effort expended for the past fiscal year has continued to be on the City's Stormwater Management Program, including capital projects, maintenance, citizen response and education, and forward planning. In fiscal year 2007, City began a program to upgrade the current swale system by installing quarter-round piping. The City also started outsourcing the swale and ditch maintenance work to enable City crews to focus on different stormwater maintenance practices. During fiscal year 2011, drainage improvements continued with the installation of quarter-round piping in additional areas of the City.

Traffic & Transportation – The City continues working on transportation improvements. Funds were utilized in fiscal year 2011 to initiate an extension to Powerline Road, construct and repair sidewalks and to complete street resurfacing projects enabled by the 2010 bank note. To enhance aesthetics, the City obtained grant funding to continue the improvement of medians within the Highway 512 corridor that were initiated by Indian River County, and allocated funds to improve rights-of-way along U.S. Highway #1. Other projects being planned for future years include upgrading parking areas around Riverview Park, repairs to the bridge on Barber Street and working with the County to make intersection improvements.

Airport - The Sebastian Municipal Airport's infrastructure is being developed with the intent of attracting economic development and stimulating the business climate in order to create jobs in the community. In fiscal year 2011, the City constructed Hangar B, adding a second City owned $15,000 square-foot manufacturing facility. 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 decision to not replace three management level employees that retired during fiscal year 2011 led to a flattening in the organizational structure of the Police Department. The City 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 security surveys. The School Resources Officer Program at the two elementary and one middle school located within the City is also continuing to offer DARE (Drug Abuse Resistance Education) courses to all 5th grade students and GREAT (Gang Resistance Education and Training) courses to all 7th grade students. In addition, the Sebastian Police Department K-9 Unit is still funded sufficiently to enable this capability on every work shift. The K-9 Unit is considered 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. The criminal investigations division continues to be fully functional, providing quality crime scene processing and investigations on all major crimes occurring in the City. 911 operators continue to provide 24 hour, seven day a week call taker and dispatch services to the police department and the community. Additionally the City continues to evaluate the efficiency of the Police Vehicle Replacement Program.

Culture/Recreation – Parks and Recreation completed the dog park and made renovations to the recreational facilities at Schumann Park. It also initiated plans to place a canopy over part of the children's splash park and to build an office facility at the skate park. During the year, the City Council conducted a review of proposed projects in the community redevelopment area and reaffirmed some major capital projects that had been previously defined in the capital improvements program. With substantial grant funding, the City was able to acquire riverfront properties that will be renovated and developed as a "working waterfront" concept, which is expected to have a positive impact on the area.

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, 2010. 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

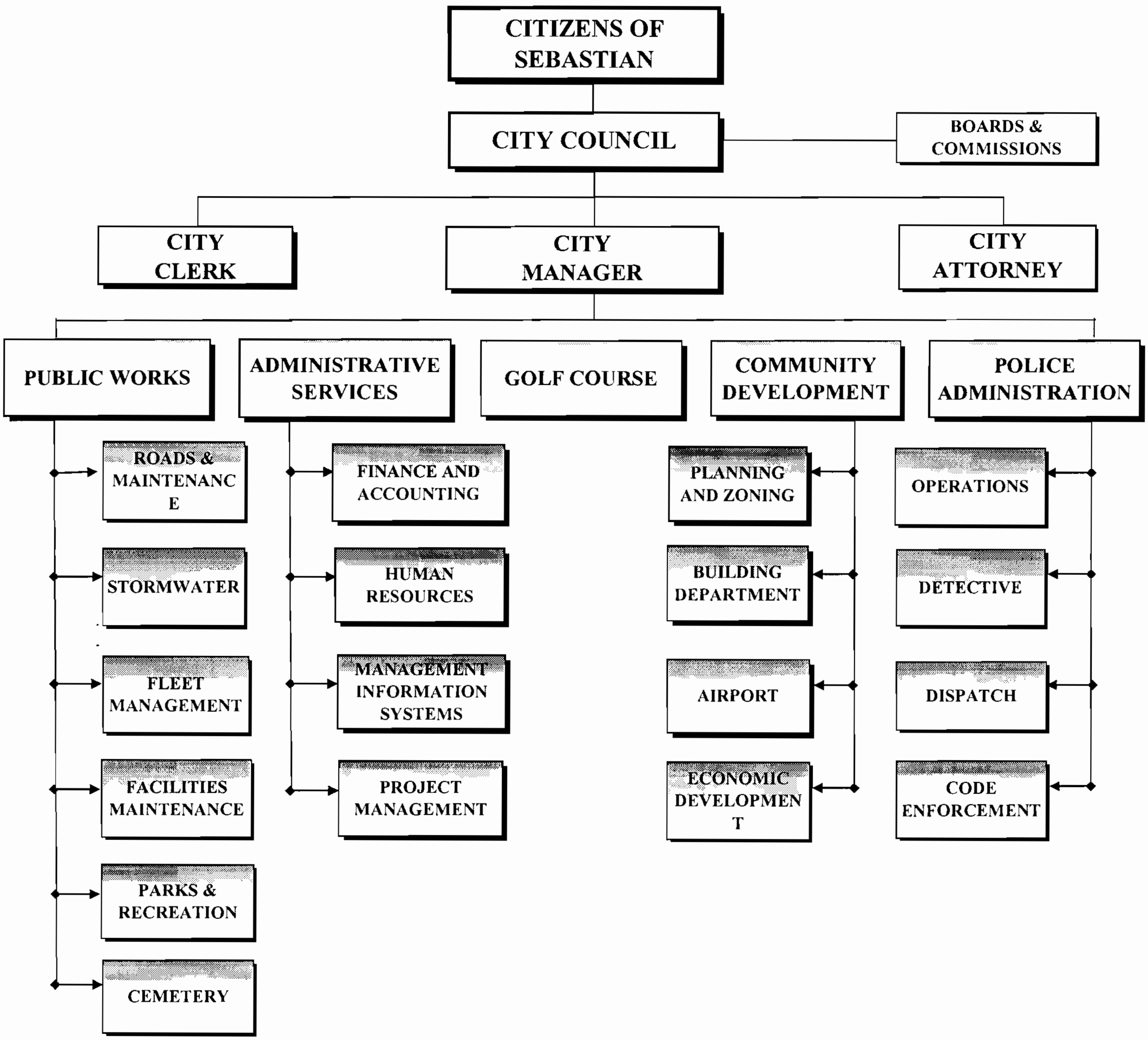
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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
Administrative Services Director	DEBRA KRUEGER
Finance Director	KENNETH W. KILLGORE
Public Works Director	JERRY CONVERSE
Building Official	WAYNE ESELTINE
Golf Course Director	GREG GARDNER
Community Development and Airport Director	JOSEPH GRIFFIN

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 (the "City") as of and for the year ended September 30, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 as of September 30, 2011, 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 13, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and the budgetary comparison information on pages 52 through 55 and 66 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Sebastian, Florida's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, the capital assets used in the operation of government funds, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the capital assets used in operations, and the Schedule of Expenditures of Federal Awards and State Expenditures are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Vero Beach, Florida
March 13, 2012

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 2011 by $52,468,800 (net assets). Of this amount, $3,408,131 (unrestricted net assets) may be used to meet the City's on-going obligations to citizens and creditors.
- The city's total net assets decreased by $163,205 resulting from a decrease of $321,782 from governmental activities and an increase of $158,577 from business-type activities
- Governmental funds reported a combined ending fund balance of $11,345,613, a decrease of $3,023,829 in comparison with the prior year. Approximately 16% of this amount, $1,784,413 is unassigned and available for spending, a decrease of $380,497 from fiscal year 2010 due to less property tax revenue.
- The golf course fund reported a lower deficit in unrestricted net assets, primarily due to no longer having debt service payments. The airport deficit is the result of investment in capital assets that will ultimately be beneficial. The building enterprise fund is using accumulated net assets to sustain services until construction activity increases.

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 sixteen 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, discretionary sales surtax revenue bonds 2003 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 eleven 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 51-57 of this report.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

The City's combined net assets decreased \$.1 million from \$52.6 million to \$52.5 million or .2%. Looking at the net assets and net revenues of the governmental and business-type activities, a decrease of .3 million occurred in the net assets of governmental-type activities and an increase of .2 million occurred in 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:

Statements of Net Assets
as of September 30, 2011 and 2010
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 12,665	$ 15,664	$ (54)	$ 166	$ 12,611	$ 15,830
Capital assets	43,779	42,378	11,851	11,390	55,630	53,768
Total assets	$ 56,444	$ 58,042	$ 11,797	$ 11,556	$ 68,241	$ 69,598
Non-current liabilities	$ 14,173	$ 15,517	$ 237	$ 232	$ 14,410	$ 15,749
Other liabilities	1,008	940	354	277	1,362	1,217
Total liabilities	$ 15,181	$ 16,457	$ 591	$ 509	$ 15,772	$ 16,966
Net assets:						
Invested in capital assets, net of related debt	$ 31,542	$ 28,939	$ 11,851	$ 11,390	$ 43,393	$ 40,329
Restricted	5,668	8,757	-	-	5,668	8,757
Unrestricted	4,053	3,889	(645)	(343)	3,408	3,546
Total net assets	$ 41,263	$ 41,585	$ 11,206	$ 11,047	$ 52,469	$ 52,632

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

Total net assets of the governmental activities decreased from $41.585 million to $41.263 million. Total net assets for business-type activities increased from $11.047 million to $11.206 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 increase 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 Florida Department of Transportation for the City's municipal airport.

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

Changes in Net Assets
For the Fiscal Years Ended September 30, 2011 and 2010
(in thousands)

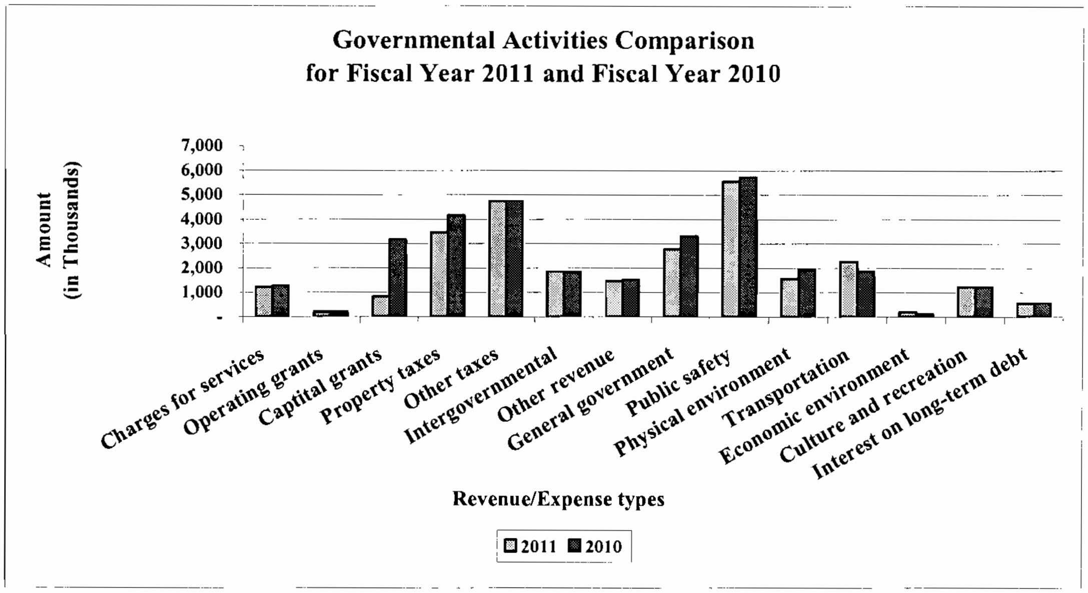
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	$ 1,220	$ 1,266	$ 2,269	$ 1,959	$ 3,489	$ 3,225
Operating grants and contributions	197	210	-	-	197	210
Capital grants and contributions	838	3,179	900	905	1,738	4,084
General revenues:						
Property taxes	3,454	4,164	-	-	3,454	4,164
Other taxes	4,751	4,765	-	-	4,751	4,765
Intergovernmental	1,869	1,825	-	-	1,869	1,825
Other	1,467	1,523	4	218	1,471	1,741
Total revenues	13,796	16,932	3,173	3,082	16,969	20,014
EXPENSES						
General government	2,767	3,309	-	-	2,767	3,309
Public safety	5,547	5,721	-	-	5,547	5,721
Physical environment	1,559	1,948	-	-	1,559	1,948
Transportation	2,263	1,864	-	-	2,263	1,864
Economic environment	209	136	-	-	209	136
Culture and recreation	1,227	1,240	-	-	1,227	1,240
Golf Course	-	-	1,355	1,388	1,355	1,388
Airport	-	-	1,189	1,068	1,189	1,068
Building	-	-	470	497	470	497
Interest and fiscal charges	546	566	-	-	546	566
Total expenses	14,118	14,784	3,014	2,953	17,132	17,737
Change in net assets before transfers	(322)	2,148	159	129	(163)	2,277
Transfers	-	(7)	-	7	-	-
Increase in net assets	(322)	2,141	159	136	(163)	2,277
Net assets - October 1, 2010	41,585	39,444	11,047	10,911	52,632	50,355
Net assets - September 30, 2011	$ 41,263	$ 41,585	$ 11,206	$ 11,047	$ 52,469	$ 52,632

Overall the total revenues decreased $3.045 million from the previous year, primarily as a result of large decreases in property taxes and in capital grants. The total expenses of all programs decreased by $605 thousand because of a reduction in general government expenses. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities expenses exceed revenues by $.322 million. Total revenues decreased approximately $3.136 million from the previous year. The decrease was primarily due to receiving less in property taxes and capital grant proceeds. About the same amount of revenues were received in other categories. Total expenses decreased $666 thousand from the previous year. The largest decreased in spending was in the category of general government.

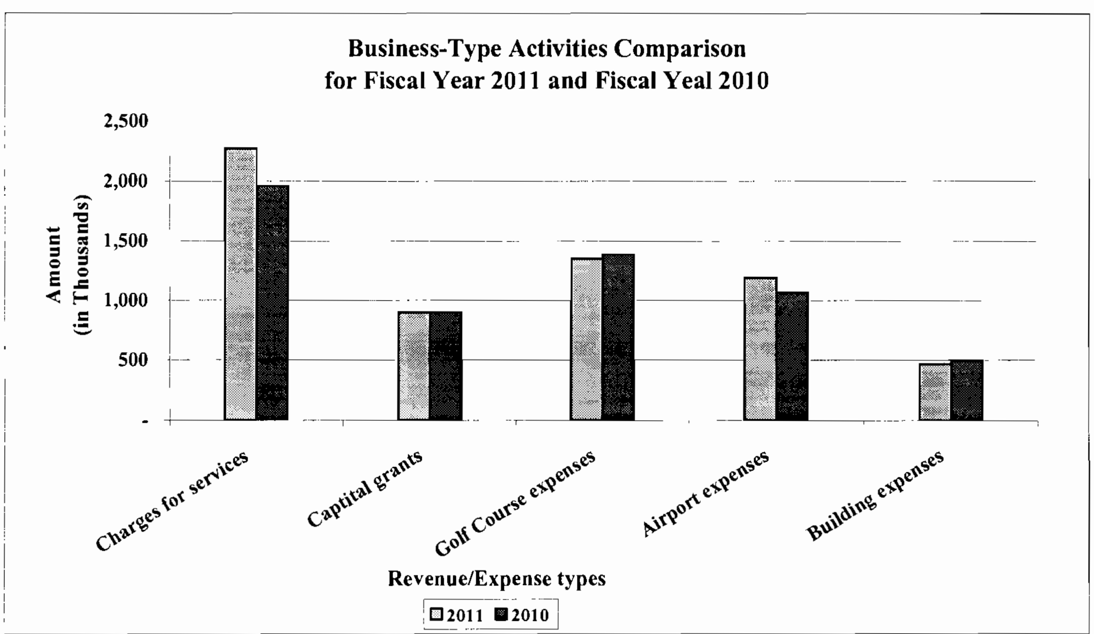
The following is a graphic illustration of the comparison for governmental activities revenue and expenses.



Business-type Activities

Revenues of the City's business-type activities (see Table 2) increased $91 thousand primarily because of increased collections of charges for services. Expenses increased by $61 thousand for all the City's business-type activities, with loss on disposal of capital assets and depreciation increases for the Airport being the primary cause. Expenses for the Golf Course declined by 2.4%, which was due to reductions in staffing and no longer having interest on outstanding bonds. The Building Enterprise has been reduced to minimal staffing in order to preserve cash reserves until the economy and building activity resumes. 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.

The 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As 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 $11.3 million, which is a decrease of $3.1 million from the prior year of $14.4 million. Approximately 15.7% of this total amount ($1.8 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is classified as nonspendable ($1.8 million), restricted ($4.7 million), committed ($2.9 million) or assigned ($.02 million).

The **general fund** is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance of the general fund was $1,784,413, while total fund balance was $5,102,458. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17 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 $509,941 during the current fiscal year. Key factors in this reduction are as follows:

- Property tax revenues decreased by $578,240 due to reductions in taxable property values.
- Investment earnings decreased $74,339 due to lower rates of return.
- Public utility taxes increased by $44,705.
- Franchise fees decreased by $44,006.
- All other revenues increased by $13,189.
- Transfers in from other Funds decreased by $28,161 because less could be transferred from the cemetery trust fund.
- Expenditures decreased $402,036 due to reductions in employees and cuts in other operating accounts.

The **discretionary sales tax revenue special revenue fund** has a total fund balance of $1,623,442, an increase from the $1,379,095 total fund balance of the prior year. Funds are intentionally being accumulated for projects that are planned in future years.

The **riverfront redevelopment special revenue fund** has a total fund balance of $455,810. The decrease from the $682,591 total fund balance of the prior year is mainly due to receiving less tax increment revenue and the funding of renovations to the properties acquired on the riverfront.

The **discretionary sales surtax revenue bonds 2003 fund** has a total fund balance of $1,556,577, all of which is restricted for debt service on the bonds.

The **transportation improvements capital project fund** has a total fund balance of $52,506, 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 $13,332, all of which is reserved for 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 $358,155, while the unrestricted net assets (deficit) amounted to ($216,241). Compared to the prior year in the same category, net assets are $27,155 more than the prior year, while the unrestricted net assets (deficit) has a decrease of $119,706 from the prior year. This is mainly because of no longer having payments on 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 $10,386,980, while the unrestricted net assets (deficit) amounted to ($888,827). Compared to the prior year in the same category, net assets have increased by $196,818 while the unrestricted net assets decreased by $363,643. 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 $460,806, while the unrestricted net assets amounted to $460,448. The building fund continues to experience operating losses, 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.

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 reappropriate transfers to cover certain purchase orders and capital projects. The second category includes adjustments for unanticipated revenues. The third category includes supplemental appropriations to cover unanticipated items or project costs that were above or below budgeted amounts. The main components of the increase are as follows:

- $2,004,631 supplemental appropriation to General Fund, Local Option Gas Tax, Discretionary Sales Tax and Recreation Impact Fee Funds to cover transfers for open purchase orders and capital projects that were carried forward from the prior fiscal year.
- $920 supplemental appropriation for a donation for police equipment from the Women's Club.
- $30,118 supplemental appropriation to make an exchange to get new automatic defibrillators.
- $2,421 supplemental appropriation to apply a refund from a previous purchase to the purchase of evidence collection equipment needed by the Police Department.
- $173,552 reduction to appropriations in the Discretionary Sales Tax Fund for police vehicle replacements and $2,448 for accounting software.
- $29,197 reduction to appropriations in the Recreation Impact Fee Fund for the splash pad canopy and $489 for the Periwinkle Stormwater Park project.
- $60,000 supplemental appropriation in the Discretionary Sales Tax Fund for a new phone system.
- A net change of $72,399 in funding in the Discretionary Sales Tax Fund between the Middle Stonecrop and Potomac Road Crossing projects.
- $9,195 supplemental appropriation in the Discretionary Sales Tax Fund for the Highway 512 Corridor project.
- $63,000 appropriation in the Recreation Impact Fee Fund to do a project at the Easy Street Park.
- $48,660 supplemental appropriation in the Recreation Impact Fee Fund to the Barber Street Football Field Expansion project.
- $2,456 reduction to appropriations in the Recreation Impact Fee Fund to the Skate Park Office project.
- $245,283 change in appropriations in the Discretionary Sales Tax Fund resulting from several projects being finalized and a change in the funding source for the U.S.#1 Improvements project.
- $243,411 reduction in the Riverfront Redevelopment Fund to change the Riverview Park Lift Station to Grant funding and take out funding for the Presidential Streets that was deferred to the 2012 fiscal year.
- $199,585 reduction in the Recreation Impact Fee Fund for the U.S.#1 Improvements project.
- $33,946 reduction in the Stormwater Utility Fee Fund for equipment that was not affordable.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011 the City had $85,893,089 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 $4,950,984, or 6.1%, 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	
	2011	2010	2011	2010	2011	2010
Land	$ 8,007,437	$ 8,007,437	$ 9,060	$ 9,060	$ 8,016,497	$ 8,016,497
Buildings	12,370,759	12,061,711	6,335,323	5,083,230	18,706,082	17,144,941
Improvements	5,992,537	5,738,546	1,909,804	1,942,229	7,902,341	7,680,775
Equipment	8,028,080	7,742,063	935,283	1,033,439	8,963,363	8,775,502
Infrastructure	33,628,446	30,891,580	7,468,512	7,477,976	41,096,958	38,369,556
Construction-in Progress	1,207,848	951,144	-	3,690	1,207,848	954,834
Totals	$ 69,235,107	$ 65,392,481	$ 16,657,982	$ 15,549,624	$ 85,893,089	$ 80,942,105

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

- An increase in buildings mainly due to renovations to the property at the riverfront.
- An increase in improvements mainly due to additional facilities added to parks.
- An increase in equipment mainly due to the purchase of broadcasting and computer equipment.
- An increase in infrastructure mainly due to making roadway and stormwater system improvements.
- An increase in construction-in-progress mainly due to major road construction and median improvements that were not complete at year end.

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

- An increase in buildings at the Airport with the construction of a new hangar.
- A decrease in other categories due to recording retirement of capital assets.

Debt

On September 30, 2011, the City had $12,246,000 in bonds and notes outstanding versus $13,449,000 on September 30, 2010 – as shown in the table on the following page:

The decrease in debt is attributable to the normal amortization of the outstanding issues. The Infrastructure Sales Surtax Revenue Bonds, Series 2003 and Series 2003A and the Stormwater Utility Revenue Bonds, Series 2003 were initially insured by AAA rated insurance agencies and rated AAA, which is the highest rating given by rating agencies. However, ratings on the insurance agencies have since 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.

Long-term Debt
For the Fiscal Years Ended September 30, 2011 and 2010
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Infrastructure sales surtax revenue bonds, Series 2003	$ 5,035,000	$ 5,655,000	$ -	$ -	$ 5,035,000	$ 5,655,000
Infrastructure sales surtax revenue bonds, Series 2003A	1,180,000	1,325,000	-	-	1,180,000	1,325,000
Stormwater utility revenue bonds, Series 2003	3,785,000	4,055,000	-	-	3,785,000	4,055,000
Notes payable (backed by local option gas tax)	2,246,000	2,414,000	-	-	2,246,000	2,414,000
Totals	$ 12,246,000	$ 13,449,000	$ -	$ -	$ 12,246,000	$ 13,449,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy.

Sebastian's local economy consists largely of retail and service industries. Less than one percent is devoted to industrial activities. Construction of new homes is the largest single business in the area. Some of the largest retail stores include Publix Supermarket and Wal-Mart Stores, Inc.® The Indian River County unemployment rate in September 2011 was 13.6% down from 15.2% in the previous year, which is a positive sign and analogous to the economic pattern existing throughout the state and nation. Again in fiscal year 2011, a major reduction in property value (a 9.86% decrease) was experienced but somewhat less than experienced the past few years.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2012. Amounts available for appropriation in the General Fund budget are $9,921,464, a decrease of 5.1% from the original fiscal year 2011 budget of $10,454,340. 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 2011 mainly due to a slight increase in number of rounds being played. This revenue increase and with no longer having to cover a payment on long-term debt enabled an improvement in the Golf Courses financial position. Even so, a temporary interfund loan from General Fund was made at the end of the year to provide sufficient cash flow. It is expected that with a reasonably good level of revenues in the coming year, the current loan can be repaid and further loans will not be necessary.

General Fund also made a temporary interfund loan to the Airport in order to cover capital project costs that will eventually be reimbursed by a Florida Department of Transportation grant. It is expected that repayment will be made after receipt of the grant funds.

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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 249,468	$ 59,186	$ 308,654
Investments	6,348,222	591,307	6,939,529
Receivables	992,897	605,079	1,597,976
Internal balances	1,343,550	(1,343,550)	-
Prepaid items	161,251	19,722	180,973
Inventory	65,368	14,211	79,579
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	94,982	-	94,982
Investments	2,184,249	-	2,184,249
Permanently restricted:			
Investments	705,445	-	705,445
Overfunded pension costs	141,337	-	141,337
Deferred charges	378,107	-	378,107
Capital assets not being depreciated:			
Land	8,007,437	9,060	8,016,497
Construction in progress	1,207,848	-	1,207,848
Capital assets (net of accumulated depreciation):			
Buildings	8,922,248	5,438,009	14,360,257
Improvements other than buildings	3,546,201	1,209,096	4,755,297
Machinery and equipment	1,302,227	183,168	1,485,395
Infrastructure	20,793,242	5,011,228	25,804,470
Total assets	56,444,079	11,796,516	68,240,595
LIABILITIES			
Accounts payable and other current liabilities	789,480	210,832	1,000,312
Accrued interest payable	216,638	-	216,638
Unearned revenues	2,191	143,271	145,462
Non-current liabilities:			
Due within one year	1,421,149	7,962	1,429,111
Due in more than one year	12,751,762	228,510	12,980,272
Total liabilities	15,181,220	590,575	15,771,795
NET ASSETS			
Invested in capital assets, net of related debt	31,541,953	11,850,561	43,392,514
Restricted for:			
Debt service	1,739,597	-	1,739,597
Capital	1,977,666	-	1,977,666
Perpetual care:			
Expendable	214,334	-	214,334
Nonexpendable	705,445	-	705,445
Other expenditures	1,031,113	-	1,031,113
Unrestricted	4,052,751	(644,620)	3,408,131
Total net assets	$ 41,262,859	$ 11,205,941	$ 52,468,800

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, 2011

		Program Revenues		
Function/Program	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 2,766,575	$ 197,945	$ 45,094	$ -
Public safety	5,546,632	92,350	142,087	-
Physical environment	1,558,974	868,059	-	61,959
Transportation	2,263,367	-	9,353	734,030
Economic environment	208,518	-	-	-
Cultural/recreation	1,227,198	61,353	-	42,253
Interest and fiscal charges	546,103	-	-	-
Total governmental activities	14,117,367	1,219,707	196,534	838,242
Business-type activities:				
Golf Course	1,355,266	1,382,421	-	-
Airport	1,188,788	485,229	-	900,340
Building	470,406	401,021	-	-
Total business-type activities	3,014,460	2,268,671	-	900,340
Total government	$ 17,131,827	$ 3,488,378	$ 196,534	$ 1,738,582

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
$ (2,523,536)	$ -	$ (2,523,536)
(5,312,195)	-	(5,312,195)
(628,953)	-	(628,953)
(1,519,984)	-	(1,519,984)
(208,518)	-	(208,518)
(1,123,595)	-	(1,123,595)
(546,103)	-	(546,103)
(11,862,884)	-	(11,862,884)
-	27,155	27,155
-	196,781	196,781
-	(69,385)	(69,385)
-	154,551	154,551
(11,862,884)	154,551	(11,708,333)
3,453,778	-	3,453,778
4,751,021	-	4,751,021
1,184,686	-	1,184,686
1,868,555	-	1,868,555
111,943	4,026	115,969
171,119	-	171,119
11,541,102	4,026	11,545,128
(321,782)	158,577	(163,205)
41,584,641	11,047,364	52,632,005
$ 41,262,859	$ 11,205,941	$ 52,468,800

City of Sebastian, Florida
Balance Sheet
Governmental Funds
September 30, 2011

	General	Discretionary Sales Tax	Riverfront Redevelopment	Discretionary Sales Surtax Revenue Bonds 2003	Transportation Improvements
ASSETS					
Cash and cash equivalents	$ 193,051	$ 8,783	$ 11,436	$ 19,519	$ 18,283
Investments	3,719,094	839,044	444,588	1,537,058	370,000
Accounts receivables	255,949	-	-	-	-
Due from other funds	628,550	-	-	-	-
Due from other governments	234,584	200,615	-	-	176,100
Inventory	65,368	-	-	-	-
Prepaid items	81,627	-	-	-	-
Advance to other funds	200,000	575,000	-	-	-
Total assets	5,378,223	1,623,442	456,024	1,556,577	564,383
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	245,254	-	214	-	435,432
Retainage payable	-	-	-	-	76,445
Due to other funds	-	-	-	-	-
Due to other governments	28,320	-	-	-	-
Deferred revenues	300	-	-	-	-
Other deposits held in escrow	1,891	-	-	-	-
Total liabilities	275,765	-	214	-	511,877
Fund balances:					
Nonspendable	346,995	575,000	-	-	-
Restricted	-	1,048,442	455,810	1,556,577	52,506
Committed	2,949,139	-	-	-	-
Assigned	21,911	-	-	-	-
Unassigned	1,784,413	-	-	-	-
Total fund balances	5,102,458	1,623,442	455,810	1,556,577	52,506
Total liabilities and fund balances	$ 5,378,223	$ 1,623,442	$ 456,024	$ 1,556,577	$ 564,383

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.

Stormwater Utility Improvements	Other Governmental Funds	Total Governmental Funds
$ 13,332	$ 80,046	$ 344,450
-	2,328,132	9,237,916
-	-	255,949
-	-	628,550
-	117,501	728,800
-	-	65,368
-	79,624	161,251
-	-	775,000
13,332	2,605,303	12,197,284
-	3,815	684,715
-	-	76,445
-	60,000	60,000
-	-	28,320
-	-	300
-	-	1,891
-	63,815	851,671
-	919,779	1,841,774
13,332	1,621,709	4,748,376
-	-	2,949,139
-	-	21,911
-	-	1,784,413
13,332	2,541,488	11,345,613
$ 13,332	$ 2,605,303	
		43,779,203
		141,337
		(326,696)
		(13,468,108)
		(216,638)
		8,148
		$ 41,262,859

City of Sebastian, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011

	General	Discretionary Sales Tax	Riverfront Redevelopment	Discretionary Sales Surtax Revenue Bonds 2003	Transportation Improvements
REVENUES:					
Taxes:					
Property	$ 3,156,158	$ -	$ 297,620	$ -	$ -
Public utility	2,392,345	-	-	-	-
Sales	-	2,358,676	-	-	-
Motor fuel	-	-	-	-	-
Franchise fees	1,184,686	-	-	-	-
Licenses and permits	23,646	-	-	-	-
Intergovernmental	2,002,032	-	-	-	176,100
Impact fees	-	-	-	-	-
Charges for services	260,838	-	-	-	-
Fines	80,654	-	-	-	-
Investment earnings	53,185	5,377	5,152	5,748	-
Contributions and donations	47,409	-	-	-	350
Other revenue	142,227	-	16,264	-	-
Total revenues	9,343,180	2,364,053	319,036	5,748	176,450
EXPENDITURES:					
Current:					
General government	2,539,211	-	-	-	-
Public safety	5,029,108	-	-	-	-
Physical environment	1,129,621	-	-	-	-
Transportation	930,525	-	-	-	-
Economic environment	-	-	188,918	-	-
Culture and recreation	903,836	-	-	-	-
Debt Service:					
Principal	-	-	-	765,000	-
Interest and fiscal charges	-	-	-	254,612	-
Capital outlay	57,547	-	-	-	2,228,125
Total expenditures	10,589,848	-	188,918	1,019,612	2,228,125
Excess (deficiency) of revenues over (under) expenditures	(1,246,668)	2,364,053	130,118	(1,013,864)	(2,051,675)
OTHER FINANCING SOURCES (USES)					
Transfers in	736,727	-	-	1,015,787	1,615,193
Transfers out	-	(2,119,706)	(356,899)	-	-
Total other financing sources (uses)	736,727	(2,119,706)	(356,899)	1,015,787	1,615,193
Net changes in fund balances	(509,941)	244,347	(226,781)	1,923	(436,482)
Fund balances - beginning	5,535,011	1,379,095	682,591	1,554,654	488,988
Fund balances - ending	$ 5,025,070	$ 1,623,442	$ 455,810	$ 1,556,577	$ 52,506

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

Stormwater Utility Improvements	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 3,453,778
-	-	2,392,345
-	-	2,358,676
-	557,930	557,930
-	-	1,184,686
-	-	23,646
-	71,315	2,249,447
-	42,250	42,250
-	861,129	1,121,967
-	880	81,534
-	34,333	103,795
585	5,360	53,704
-	12,628	171,119
585	1,585,825	13,794,877
-	-	2,539,211
-	1,600	5,030,708
36,584	104	1,166,309
-	286,996	1,217,521
-	-	188,918
-	-	903,836
-	438,000	1,203,000
-	266,540	521,152
705,329	1,057,050	4,048,051
741,913	2,050,290	16,818,706
(741,328)	(464,465)	(3,023,829)
597,189	1,411,762	5,376,658
-	(2,900,053)	(5,376,658)
597,189	(1,488,291)	-
(144,139)	(1,952,756)	(3,023,829)
157,471	4,571,632	14,369,442
$ 13,332	$ 2,618,876	$ 11,345,613

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, 2011

Net change in fund balances - total governmental funds	$	(3,023,829)
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.		8,148
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		1,415,673
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.		(14,474)
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.		1,203,000
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.		89,700
Change in net assets of governmental activities	$	(321,782)

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, 2011

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,755	$ 6,671	$ 46,760	$ 59,186
Investments	-	-	591,307	591,307
Accounts receivable	-	25,180	-	25,180
Due from other governments	-	579,883	-	579,883
Interest receivable	-	-	16	16
Inventory	11,425	2,786	-	14,211
Prepaid items	8,217	9,730	1,775	19,722
Total current assets	25,397	624,250	639,858	1,289,505
Noncurrent assets:				
Capital assets:				
Land	-	9,060	-	9,060
Buildings	331,228	6,004,095	-	6,335,323
Improvements other than buildings	271,475	1,638,329	-	1,909,804
Machinery and equipment	229,503	649,630	56,150	935,283
Infrastructure	1,100,951	6,367,561	-	7,468,512
Less accumulated depreciation	(1,358,761)	(3,392,868)	(55,792)	(4,807,421)
Total noncurrent assets	574,396	11,275,807	358	11,850,561
Total assets	599,793	11,900,057	640,216	13,140,066
LIABILITIES				
Current liabilities:				
Accounts payable	6,126	64,708	7,478	78,312
Retainage payable	-	123,778	-	123,778
Due to other funds	100,000	468,550	-	568,550
Advance from other fund	-	775,000	-	775,000
Due to other governments	6,419	963	1,360	8,742
Unearned revenues	64,800	4,839	73,632	143,271
Accrued compensated absences	142	2,030	5,790	7,962
Total current liabilities	177,487	1,439,868	88,260	1,705,615
Non-current liabilities:				
Compensated absences	56,015	59,903	83,817	199,735
Unfunded OPEB obligation	8,136	13,306	7,333	28,775
Total non-current liabilities	64,151	73,209	91,150	228,510
Total liabilities	241,638	1,513,077	179,410	1,934,125
NET ASSETS				
Net assets, invested in capital assets	574,396	11,275,807	358	11,850,561
Unrestricted (deficit)	(216,241)	(888,827)	460,448	(644,620)
Total net assets	$ 358,155	$ 10,386,980	$ 460,806	$ 11,205,941

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, 2011

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
Operating revenues:				
Charges for fees and rents:				
Building permit fees	$ -	$ -	$ 401,021	$ 401,021
Golf course fees pledged as security for revenue bonds	1,349,119	-	-	1,349,119
Rents	27,800	301,135	-	328,935
Other revenue	5,502	184,094	-	189,596
Total operating revenues	1,382,421	485,229	401,021	2,268,671
Operating expenses:				
Salaries, wages and employee benefits	297,280	229,190	366,796	893,266
Contractual services, materials and supplies	965,435	263,104	96,922	1,325,461
Depreciation	92,267	659,977	5,959	758,203
Total operating expenses	1,354,982	1,152,271	469,677	2,976,930
Operating income (loss)	27,439	(667,042)	(68,656)	(708,259)
Nonoperating revenues (expenses):				
Interest income	-	37	3,989	4,026
Interest expense	-	(8,550)	-	(8,550)
Loss on disposal of capital assets	(284)	(27,967)	(729)	(28,980)
Total nonoperating revenues (expenses)	(284)	(36,480)	3,260	(33,504)
Income/(loss) before capital contributions and transfers	27,155	(703,522)	(65,396)	(741,763)
Capital contributions	-	900,340	-	900,340
Change in net assets	27,155	196,818	(65,396)	158,577
Total net assets - beginning	331,000	10,190,162	526,202	11,047,364
Total net assets - ending	$ 358,155	$ 10,386,980	$ 460,806	$ 11,205,941

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, 2011

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	$ 1,384,926	$ 495,552	$ 399,849	$ 2,280,327
Cash payments to suppliers	(984,548)	(153,485)	(105,531)	(1,243,564)
Cash payments for employee services	(304,033)	(220,353)	(364,121)	(888,507)
Net cash provided (used) by operating activities	96,345	121,714	(69,803)	148,256
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Loan from other fund	(100,000)	468,550	-	368,550
Interest paid on advance from other funds	-	(8,550)	-	(8,550)
Net cash provided (used) by noncapital financing activities	(100,000)	460,000	-	360,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	(1,248,405)	-	(1,248,405)
Proceeds from sale of assets	-	-	365	365
Receipt from capital contributions		640		640
Receipt from capital grants	-	377,410	-	377,410
Receipt from advance from other fund	-	290,000	-	290,000
Net cash provided (used) by capital and related financing activities	-	(580,355)	365	(579,990)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	-	-	(162,914)	(162,914)
Interest on investments	-	39	4,010	4,049
Net cash provided by investing activities	-	39	(158,904)	(158,865)
Net increase (decrease) in cash and cash equivalents	(3,655)	1,398	(228,342)	(230,599)
Cash and cash equivalents, October 1	9,410	5,273	275,102	289,785
Cash and cash equivalents, September 30	$ 5,755	$ 6,671	$ 46,760	$ 59,186

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, 2011
(Continued)

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 27,439	$ (667,042)	$ (68,656)	$ (708,259)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	92,267	659,977	5,959	758,203
(Increase) Decrease in assets:				
Accounts receivable	-	9,276	-	9,276
Inventories	692	9,249	-	9,941
Prepaid expenses	1,275	(4,048)	417	(2,356)
Increase (Decrease) in liabilities:				
Accounts payable	(21,664)	103,813	(10,386)	71,763
Due to other governments	584	605	1,360	2,549
Unearned revenues	2,505	1,047	(1,172)	2,380
Accrued compensated absences	(6,626)	9,044	2,790	5,208
Accrued OPEB liability	(127)	(207)	(115)	(449)
Total adjustments	68,906	788,756	(1,147)	856,515
Net cash provided (used) by operating activities	96,345	121,714	(69,803)	148,256
Cash and cash equivalents reconciliation:				
Current assets:				
Cash and cash equivalents	5,755	6,671	46,760	59,186
Cash and cash equivalents at September 30	$ 5,755	$ 6,671	$ 46,760	$ 59,186

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, 2011

	Pension Trust	Agency
	Police Officers' Pension	Performance Deposits
ASSETS		
Cash and cash equivalents	$ 1,090,660	$ 11,930
Interest and dividends receivable	35,988	-
Investments, at fair value:		
Local government surplus trust funds investment pool	-	220,000
United States treasuries	156,403	-
United States agency notes	1,094,212	-
Domestic corporate bonds	2,074,158	-
Municipal Obligations	34,534	-
Domestic corporate equities	3,040,899	-
Total investments	6,400,206	220,000
Total assets	7,526,854	231,930
LIABILITIES		
Refunds payable	-	231,930
Total liabilities	-	231,930
NET ASSETS		
Held in trust for pension benefits	$ 7,526,854	$ -

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, 2011

		Police Officers' Pension
ADDITIONS		
Contributions:		
Employer	$	592,903
Plan members		121,122
State		133,477
Total contributions		847,502
Investment earnings:		
Net decrease in fair value of investments		(352,079)
Interest and dividends		206,167
Total investment earnings		(145,912)
Less investment expenses		(47,024)
Net investment earnings		(192,936)
Total additions		654,566
DEDUCTIONS		
Benefits		201,620
Refunded contributions		1,585
Administrative expenses		10,810
Total deductions		214,015
Change in net assets		440,551
Net assets - beginning of year		7,086,303
Net assets - end of year	$	7,526,854

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, 2011

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 21,929 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. In addition to funds that meet that criteria, funds that are particularly important to financial statement users may be reported as a major fund. Management has elected to also report the Stormwater Utility Improvements Fund as a major fund because of public interest in those activities. 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 *discretionary sales surtax revenue bonds 2003 fund* accounts for the accumulation of pledged funds that are legally restricted to pay the bonded debt obligations of the Discretionary Sales Surtax Revenue Bonds, Series 2003 and Series 2003A.

The *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 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. As of September 30, 2011, the capital improvements fund was loaned $60,000, the golf course fund was loaned $100,000 and the airport fund was loaned $468,550 from general fund to provide cash-flow needs. There were no other interfund loans between the Governmental funds and Proprietary funds. 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, 2011, the airport fund has been advanced $200,000 from the general fund and $575,000 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, 2011, 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:

Classification	Range of Lives
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 Balances

GASB Statement No. 54, Fund Balance Reporting and Governmental Type Definitions was effective for periods beginning after June 15, 2010, with early implementation encouraged. The City chose to implement it for the year ended September 30, 2010. It established criteria for classifying fund balances into specifically defined classifications. These classifications are explained as follows:

Nonspendable – amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
Restricted – amounts where constraints have been placed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, which is the City Council. These commitments are established annually by adoption of a financial policies resolution.
Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. These consist of deposits from various sources that the City Manager has directed to be earmarked for certain purposes.
Unassigned – amounts representing fund balance that has not been restricted, committed or assigned to specific purposes within the general fund and balances in other governmental funds, if any, exceeding the amounts restricted, committed or assigned to those 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 ($11,345,613) differs from "net assets" of governmental activities ($41,262,859) 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	$ 69,235,107
Accumulated depreciation	(25,455,904)
Total	$ 43,779,203

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	$ 141,337

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

Other post employment benefits	$ (326,696)

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, 2011 were:

Bonds payable:		
Infrastructure sales surtax revenue bonds,		
Series 2003	$(5,035,000)	
Less: Deferred charge for issuance costs	126,705	$(4,908,295)
Infrastructure sales surtax revenue bonds,		
Series 2003A	(1,180,000)	
Less: Deferred charge for issuance costs	49,565	(1,130,435)
Stormwater utility revenue bonds,		
Series 2003	(3,785,000)	
Less: Deferred charge for issuance costs	115,933	
Less: Deferred charge for bond discounts	8,750	(3,660,317)
Notes payable	(2,246,000)	
Less: Deferred charge for issuance costs	26,792	
Deferred charge for refunding costs	59,112	(2,160,096)
Contamination liability		(91,200)
Compensated absences		(1,517,765)
Total		$(13,468,108)

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	$ (186,116)
Notes	(30,522)
Total	$ (216,638)

Accrued receivable

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

Interest receivable	$ 8,148

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 $3,023,829) differs from the "change in net assets" for governmental activities (a decrease of $321,782) 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	$ 8,148

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	$ 4,048,051
Depreciation expense	(2,632,378)
Difference	$ 1,415,673

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	$ (14,474)

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	$ 1,035,000
Notes payable principal payment made	168,000
Total	$ 1,203,000

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.

Net change in compensated absences	$	134,026
Net accrued bond interest expense		17,156
Net accrued notes interest expense		2,283
Amortization of issuance costs/discounts		(47,440)
Pension benefits		(24,293)
Other post employment benefits		(4,768)
Termination benefits		12,736
Net adjustment	$	89,700

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 55)

IV. DETAIL NOTES ON ALL FUNDS

A. Deposits

At September 30, 2011, the carrying amount of the City of Sebastian's deposits with banks was $413,136 and the bank balance was $448,970. 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 during the year included United States Government Agencies which were reported at fair value in accordance with GASB Statement No.31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". These investments were held in trust by the City's bank depository in the City's name.

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, 2011, the City had the following investments and effective duration presented in terms of years:

Investment Type	Fair Value	Less Than 1	Investment Maturity (Year) From 1-3	From 4-6	Over 7
Government-wide					
Local government surplus fund trust fund investment pool	$ 3,796,271	$ 3,796,271	$ -	$ -	$ -
United States Treasuries	3,012,808	1,003,980	2,008,828	-	-
United States Agencies	3,020,144	1,006,958	2,013,186	-	-
	9,829,223	5,807,209	4,022,014	-	-
Fiduciary Funds					
Local government surplus funds trust fund ("SBA")	220,000	220,000	-	-	-
United States Treasuries	156,403	-	-	-	156,403
United States Agencies	1,094,212	56,465	-	213,815	823,932
Municipal Obligations	34,534	-	-	-	34,534
Domestic corporate bonds	2,074,158	35,868	478,300	830,243	729,747
Domestic corporate equities	3,040,899	3,040,899	-	-	-
	6,620,206	3,353,232	478,300	1,044,058	1,744,616
Total fair value	$ 16,449,429	$ 9,160,441	$ 4,500,314	$ 1,044,058	$ 1,744,616

Interest receivable on the government-wide and fiduciary investment portfolios amounted to $8,164 and $35,988, respectively, as of September 30, 2011.

Interest Rate Risk

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

Credit Risk

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

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

As of September 30, 2011, the City's investment securities were all individually rated AA+ by Standard & Poor's and Aaa by Moody's Investor Services.

As of September 30, 2011, the city had $4,016,271 invested in the State Board of Administration's Local Government Surplus Trust Funds Investment Pool, which consist of accounts in Pool A and Pool B. $3,849,401 is in Pool A and $166,870 is in Pool B. Pool A had a rating by Standard and Poor's Rating Services as "AAAm" on September 30, 2011 and amounts may be withdrawn without penalty. Pool B participants are prohibited from making withdrawals. Pool B is not rated by any nationally recognized statistical rating agency. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

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

Custodial Credit Risk

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

As of September 30, 2011, 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, 2011, the City had the following issuer concentration based on fair value:

	Government-wide		Fiduciary Funds	
Issuer	Amount	Percentage of Portfolio	Amount	Percentage of Portfolio
Local government surplus funds trust fund ("SBA")	$ 3,796,271	38.62%	$ 220,000	3.32%
United States Treasuries	3,012,808	30.65%	156,403	2.36%
United States Agencies	3,020,144	30.73%	1,094,212	16.53%
Municipal Obligations	-	-	34,534	0.52%
Domestic corporate bonds	-	-	2,074,158	31.33%
Domestic corporate equities	-	-	3,040,899	45.94%
Total	$ 9,829,223	100.00%	$ 6,620,206	100.00%

C. Receivable and Payable Balances

Receivables

Receivables at September 30, 2011 were as follows:

	Interest Receivable	Accounts Receivable	Due From Other Governments	Total
Governmental activities:				
General	$ -	$ 255,949	$ 234,584	$ 490,533
Discretionary sales tax	-	-	200,615	200,615
Transportation improvements	-	-	176,100	176,100
Other governmental	-	-	117,501	117,501
Total - governmental activities	$ -	$ 255,949	$ 728,800	$ 984,749
Business-type activities:				
Airport	$ -	$ 25,180	$ 579,883	$ 605,063
Building	16	-	-	16
Total - business-type activities	$ 16	$ 25,180	$ 579,883	$ 605,079

All receivables are anticipated to be collected.

Accounts Payable and Other Current Liabilities

Amounts at September 30, 2011 were as follows:

	Vendors	Salaries and Benefits	Due to Other Government	Total
Governmental activities:				
General	$ 115,606	$ 129,648	$ 28,320	$ 273,574
Riverfront redevelopment	214	-	-	214
Transportation improvements	511,877	-	-	511,877
Other governmental	3,815	-	-	3,815
Total - governmental activities	$ 631,512	$ 129,648	$ 28,320	$ 789,480
Business-type activities:				
Golf course	$ 1,173	$ 4,953	$ 6,419	$ 12,545
Airport	184,306	4,180	963	189,449
Building	1,765	5,713	1,360	8,838
Total - business-type activities	$ 187,244	$ 14,846	$ 8,742	$ 210,832

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, 2011, there was $300 reported as deferred revenues.

D. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 8,007,437	$ -	$ -	$ 8,007,437
Construction in progress	951,144	1,025,614	(768,910)	1,207,848
Total capital assets, not being depreciated	8,958,581	1,025,614	(768,910)	9,215,285
Capital assets, being depreciated:				
Buildings	12,061,711	309,048	-	12,370,759
Improvements other than buildings	5,738,546	256,331	(2,340)	5,992,537
Machinery and equipment	7,742,063	489,102	(203,085)	8,028,080
Infrastructure	30,891,580	2,736,866	-	33,628,446
Total capital assets being depreciated	56,433,900	3,791,347	(205,425)	60,019,822
Less accumulated depreciation for:				
Buildings	(3,048,272)	(400,239)	-	(3,448,511)
Improvements other than buildings	(2,174,043)	(273,853)	1,560	(2,446,336)
Machinery and equipment	(6,315,777)	(599,467)	189,391	(6,725,853)
Infrastructure	(11,476,385)	(1,358,819)	-	(12,835,204)
Total accumulated depreciation	(23,014,477)	(2,632,378)	190,951	(25,455,904)
Total capital assets, being depreciated, net	33,419,423	1,158,969	(14,474)	34,563,918
Governmental activities capital assets, net	$ 42,378,004	$ 2,184,583	$ (783,384)	$ 43,779,203

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 9,060	$ -	$ -	$ 9,060
Construction in progress	3,690	-	(3,690)	-
Total capital assets, not being depreciated	12,750	-	(3,690)	9,060
Capital assets, being depreciated:				
Buildings	5,083,230	1,252,093	-	6,335,323
Improvements other than buildings	1,942,229	-	(32,425)	1,909,804
Machinery and equipment	1,033,439	4,699	(102,855)	935,283
Infrastructure	7,477,976	-	(9,464)	7,468,512
Total capital assets being depreciated	15,536,874	1,256,792	(144,744)	16,648,922
Less accumulated depreciation for:				
Buildings	(751,190)	(146,124)	-	(897,314)
Improvements other than buildings	(584,841)	(119,380)	3,513	(700,708)
Machinery and equipment	(730,631)	(117,765)	96,281	(752,115)
Infrastructure	(2,093,258)	(373,490)	9,464	(2,457,284)
Total accumulated depreciation	(4,159,920)	(756,759)	109,258	(4,807,421)
Total capital assets, being depreciated, net	11,376,954	500,033	(35,486)	11,841,501
Business-type activities capital assets, net	$ 11,389,704	$ 500,033	$ (39,176)	$ 11,850,561

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

Governmental activities:		
General government	$	274,347
Public safety		537,687
Transportation		592,668
Physical environment		863,105
Economic environment		19,600
Cultural and recreation		344,971
Total depreciation expense-governmental activities	$	2,632,378
Business-type activities:		
Golf Course	$	92,267
Airport		659,977
Building		5,959
Total depreciation expense-business-type activities	$	758,203

Construction Commitments

The City has various construction commitments outstanding at September 30, 2011. The major commitments include the following:

Project	Spent-to-date	Remaining Commitment	Major Funding Source
Stormwater Equipment	$ 14,978	$ 151,076	Stormwater Fees
Hardee Park Improvements	47,432	2,568	Recreation Impact Fees
Schumann Park Improvements	148,433	56,027	Recreation Impact Fees
Riverview Park Pavilion	380	37,800	Recreation Impact Fees
Bark Park Amenities	1,450	73,550	Recreation Impact Fees
Easy Street Park Improvements	486	62,514	Recreation Impact Fees
Powerline Road	860,354	361,896	Contributions and DST (Discretionary Sales Tax)
512 Corridor Improvements	231,806	76,398	FDOT Grant
U.S.#1 Improvements	13,577	236,423	DST (Discretionary Sales Tax)
Gateway Enhancements	-	25,000	Riverfront CRA Tax Increment
Airport Hangar Contruction	1,128,315	321,685	Grant and Airport Funds
Total	$ 2,447,211	$ 1,404,937	

E. Advances

Advance balances at September 30, 2011 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	575,000
Total	$ 775,000

The balance of $575,000 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 for the initial $285,000 advance and with Resolution No. R-10-22 authorizing an additional $290,000 advance. 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:

	Transfer Out:			
Transfers In:	Discretionary Sales Tax Fund	Riverfront Redevelopment	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 60,000	$ 676,727	$ 736,727
Discretionary Sales Surtax Bonds 2003 Fund	1,015,787	-	-	1,015,787
Transportation Improvements	105,596	-	1,509,597	1,615,193
Stormwater Utility Improvements	597,189	-	-	597,189
Nonmajor Governmental Funds	401,134	296,899	713,729	1,411,762
Total Transfers Out	$ 2,119,706	$ 356,899	$ 2,900,053	$ 5,376,658

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 $197,935 for the fiscal year ended September 30, 2011. 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, 2011:

	Golf Course	
Year Ending September 30,	to: Airport	Golf Carts
2012	135,000	62,935
2013	135,000	160,890
2014	135,000	-
2015	135,000	-
Totals	$ 540,000	$ 223,825

2. Operating Leases-Lessor

The City is the lessor in two communication tower leases with lease terms of up to fifty-five years. The towers have a cost of $39,285 and a carrying value of $6,810. For fiscal year 2011, total depreciation expense for the leased tower is $1,865. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

Year Ending September 30,	Governmental Activities
2012	66,326
2013	67,641
2014	69,008
2015	70,430
2016	71,909
2017-2021	401,160
2022-2026	344,403
2027-2031	401,492
2032-2036	470,949
2037-2041	555,454
2042-2046	658,267
2047-2051	783,356
2052-2055	734,772
Total minimum future rentals	$ 4,695,167

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:

Year Ending September 30,	Business-type Activities
2012	338,644
2013	344,628
2014	351,748
2015	334,194
2016	202,821
2017-2021	1,097,123
2022-2026	1,155,723
2027-2031	583,630
2032-2036	356,554
Total minimum future rentals	$ 4,765,065

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 twelve (12) year loan agreement in 2010 with a local bank for $2,462,000 to provide financing to repave certain roads in the City and payoff an outstanding loan. 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 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.

c. 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.

d. 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

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, 2011.

Gross revenues available for compliance	$ 816,415
Debt service requirement	$ 439,035
Percent coverage for the year ended September 30, 2011	186%

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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
Infrastructure Sales Surtax Revenue Bonds, Series 2003	$ 5,655,000	$ -	$ 620,000	$ 5,035,000	$ 645,000
Infrastructure Sales Surtax Revenue Bonds, Series 2003A	1,325,000	-	145,000	1,180,000	150,000
Stormwater Utility Revenue Bonds, Series 2003	4,055,000	-	270,000	3,785,000	280,000
Less deferred amount:					
Issuance discount- Stormwater Utility Revenue Bonds, Series 2003	(9,583)	-	(833)	(8,750)	-
Total bonds payable	11,025,417	-	1,034,167	9,991,250	1,075,000
Notes payable	2,414,000	-	168,000	2,246,000	176,000
Compensated absences	1,651,791	481,286	615,312	1,517,765	161,305
Unfunded OPEB obligation	310,541	-	4,768	305,773	-
Termination benefits	24,123	-	12,736	11,387	4,620
Pollution Remediation Liability	91,200	-	-	91,200	-
Governmental activity long-term liabilities	$ 15,517,072	$ 481,286	$ 1,834,983	$ 14,163,375	$ 1,416,925

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities:					
Compensated absences	191,378	55,974	47,617	199,735	7,961
Unfunded OPEB obligation	29,224	-	449	28,775	-
Business-type activity long-term liabilities	$ 220,602	$ 55,974	$ 48,066	$ 228,510	$ 7,961

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

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

4. Debt Service Requirements to Maturity

The annual requirement to amortize all bonded debt outstanding at September 30, 2011, including interest requirements, is as follows:

	Governmental Activities							
Fiscal Year	Roadway Improvement Note Payable 4.01%	Interest	Infrastructure SalesSurtax Revenue Bonds, Series 2003 2% to 4.125%	Interest	Infrastructure SalesSurtax Revenue Bonds, Series 2003A 2% to 4%	Interest	Stormwater Utility Revenue Bonds, Series 2003 2% to 4.5%	Interest
2012	176,000	89,792	645,000	193,276	150,000	46,250	280,000	159,248
2013	182,000	82,335	665,000	170,379	155,000	40,813	290,000	148,048
2014	190,000	74,855	690,000	146,106	160,000	35,000	305,000	136,448
2015	198,000	67,049	715,000	120,231	170,000	28,600	315,000	125,010
2016	206,000	59,073	745,000	93,061	175,000	21,800	325,000	112,725
2017-2021	1,164,000	160,582	1,575,000	97,213	370,000	22,200	1,850,000	347,510
2022	130,000	2,650	-	-	-	-	420,000	18,900
	$ 2,246,000	$ 536,336	$ 5,035,000	$ 820,266	$ 1,180,000	$ 194,663	$ 3,785,000	$ 1,047,889

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:

	Govermental Activities
Debt service	$ 1,739,597
Capital	1,977,666
Cemetery perpetual care	919,779
Other expenditures	1,031,113
Total	$ 5,668,155

The government-wide statement of net assets reports $5,668,155 of restricted net assets, of which all are within governmental activities and are restricted by constraints placed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

J. Fund Balances:

The balance sheet for governmental funds presents fund balances in specifically defined classifications, which are detailed as follows:

Nonspendable:	
Inventory	$ 65,368
Prepaid items	81,627
Advance to other funds	775,000
Permanent funds	919,779
Total	$ 1,841,774
Restricted:	
Debt service funds	$ 1,739,597
Special revenue funds	2,940,374
Capital project funds	68,405
Total	$ 4,748,376
Committed:	
Working capital	$ 2,949,139
Assigned:	
General employee events	$ 4,715
Law enforcement events	3,903
Greer donations for police	13,293
Total	$ 21,911
Unassigned:	
General fund residual	$ 1,784,413

When expenditures are incurred for purposes for which other classified amounts could be used, the City considers restricted amounts are used first, followed by committed, then assigned, and then unassigned.

Nonspendable amounts cannot be spent because they are not in spendable form.

Restricted amounts include balances in the debt service, special revenue and capital project funds that must be used in accordance with constraints placed by creditors, grantors or other governments.

Committed amounts consist of items specified in a financial policies resolution that is adopted annually by the City Council that are to be set aside in the general fund. The currently adopted financial policies state that 30% of general fund expenditures will be for working capital. Changes to this commitments would have to be made with another resolution.

Assigned amounts more specific purposes are established by direction of the City Manager, who is accountable to the City Council to provide proper accounting of all transactions.

Unassigned amounts is the residual classification for the general fund but may also include a negative fund balance in other governmental funds caused by an excess of amounts restricted, committed, or assigned to those purposes.

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, 2011, was 3.3041 mills. Total tax collections were approximately 95.8% 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 2011.

	Amount
Physical environment	$ 61,959
Transportation	185,453
Airport	899,700
Total reporting entity	$ 1,147,112

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 actuarial valuation as of October 1, 2010 to determine the required contribution for the fiscal year ending September 30, 2011. 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 October 1, 2010 actuarial valuation is as follows:

Retirees and beneficiaries currently receiving benefits	4
Disability retirees	2
Terminated employees not currently receiving benefits	2
Fully, partially, and non-vested active plan participants	36
Total	44

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 frequency of at least every 3 years in accordance with Florida State Statute. Administration costs of the pension plan are financed by the Plan. For the 2010-2011 fiscal year, the employee contribution rate, expressed as a percentage of compensation, was 5.0% and the employer contribution rate was 24.5%. The employer contribution amounted to $592,903. The State contribution was $133,477, 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 provided for disclosure in the October 1, 2010 actuarial valuation was as follows:

Contribution rates as of 9/30/10:	
City	24.7%
Plan members	5.0%
Annual pension cost	$ 567,146
Contributions made	$ 566,910
Valuation date	10/1/2010
Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	24 Years (as of 10/01/2008)
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increase*	6.0%
*Includes inflation at	3.0%
Post retirement COLA	0.0%

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

Year Ending	Actuarially Required Contribution	Percentage of APC Contributed	Net Pension Obligation
9/30/2010	$ 567,146	100%	$ (141,337)
9/30/2009	$ 419,657	96%	$ (146,254)
9/30/2008	$ 334,128	113%	$ (165,630)

The annual required contribution for the Police Officers' Pension Plan was determined as part of the October 1, 2010, actuarial valuation using the aggregate actuarial cost method. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress of the plan. 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 development of the Net Pension Obligation as provided for disclosure by the actuary is as follows:

	9/30/2008	9/30/2009	9/30/2010
Actuarially Determined Contribution (A)	$ 334,128	$ 419,657	$ 567,146
Interest on NPO	(9,948)	(13,250)	(11,700)
Adjustment to (A)	11,314	17,073	16,380
Annual Pension Cost	335,494	423,480	571,826
Contributions made	376,769	404,104	566,910
Increase in NPO	(41,275)	19,376	4,916
NPO beginning of year	(124,355)	(165,630)	(146,254)
NPO end of year	$ (165,630)	$ (146,254)	$ (141,338)

Multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented below:

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a % of Covered Payroll ((b-a)/d)
10/1/2010	$ 7,086,302	$ 7,824,780	$ 738,478	90.56%	$ 2,313,473	31.92%
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%

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

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

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

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 2009-2010 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2009, 2010 and 2011 were $254,997, $234,219 and $223,113 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 paid either partially or by total distribution of the employees' account balance.

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

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

Funding Policy: The administration costs of the pension plan are financed by the Plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2010-2011 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2009, 2010, and 2011 were $152,078, $126,377 and $132,656 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. In this respect, the City operates a single-employer plan.

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 for treatment of Other Post Employment Benefits, the City had an actuary calculate future funding requirements in 2007. 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. As such, a separate audited GAAP basis postemployment benefit plan report is not available. 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. The City had an actuary calculate the OPEB obligation for 2010 and recognized a reduction in the government-wide obligation of $5,217. The enterprise fund portion was calculated as a decrease of $11,470.

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

SCHEDULE OF FUNDING PROGRESS

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a % of Covered Payroll ((b-a)/d)
2011	$ -	$ 311,771	$ 311,771	0.00%	$ 6,239,431	5.00%
2010	$ -	$ 306,554	$ 306,554	0.00%	$ 6,057,700	5.06%

The actuarial assumptions included the following:

Amortization period – Open, level percentage of compensation over a 30 year period.
Retirement age for active employees – Based on historical average.
Mortality – RP-2000 Combined Healthy Mortality Table projected to 2010.
Turnover – Historical data by age.
Healthcare cost trend rate – nine percent (9%) in 2010, decreasing to five percent (5%) in 2017.
Health insurance premiums – Actual 2010 premiums were used to calculate the values of benefits to be paid.
Payroll growth rate – three percent (3%) per year.
Inflation rate – three percent (3%) per year.
Interest rate – four percent (4%) rate of return on invested assets, to reflect the long-term expectation of investment returns.

The determination of the Net Other Post Employment Benefit obligation (OPEB) is as follows:

	9/30/2009	9/30/2010	9/30/2011
Annual required contribution	$ 40,089	$ 26,557	$ 26,557
Interest on Net OPEB obligation	-	13,799	13,799
Adjustment to annual required contribution	-	(13,182)	(13,182)
Annual OPEB cost	40,089	27,174	27,174
Less assumed contributions	7,892	32,391	32,391
Increase (decrease) in net OPEB obligation	32,197	(5,217)	(5,217)
Net OPEB obligation - beginning of year	312,785	344,982	339,765
Net OPEB obligation - end of year	$ 344,982	$ 339,765	$ 334,548
Percentage of annual OPEB cost contributed	20%	119%	119%

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, 2011, the total accrued termination benefits for the government-wide financial statements were $12,736. No portion of the accrued termination benefits related to the enterprise funds.

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.

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, 2011

	Budget Amounts		Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	$ 3,122,353	$ 3,122,353	$ 3,156,158	$ 33,805
Public utility	2,607,270	2,607,270	2,392,345	(214,925)
Franchise fees	1,450,085	1,450,085	1,184,686	(265,399)
Licenses and permits	44,650	44,650	23,646	(21,004)
Intergovernmental	1,836,540	1,970,017	2,002,032	32,015
Charges for services	286,550	286,550	260,838	(25,712)
Fines	65,500	65,500	80,654	15,154
Investment earnings	89,500	89,500	53,185	(36,315)
Contributions and donations	23,850	54,888	47,409	(7,479)
Other revenue	191,315	193,736	142,227	(51,509)
Total revenues	9,717,613	9,884,549	9,343,180	(541,369)
EXPENDITURES:				
Current:				
General government	2,558,426	2,563,803	2,539,576	24,227
Public safety	4,762,875	4,941,466	5,073,186	(131,720)
Physical environment	1,197,689	1,197,689	1,129,621	68,068
Transportation	1,007,723	1,007,723	932,190	75,533
Culture and recreation	927,627	927,627	915,275	12,352
Total expenditures	10,454,340	10,638,308	10,589,848	48,460
Excess (deficiency) of revenues over (under) expenditures	(736,727)	(753,759)	(1,246,668)	(492,909)
OTHER FINANCING SOURCES				
Transfers in	736,727	736,727	736,727	-
Total other financing sources	736,727	736,727	736,727	-
Net changes in fund balances	-	(17,032)	(509,941)	(492,909)
Fund balances - beginning	5,684,096	5,535,011	5,535,011	-
Fund balances - ending	$ 5,684,096	$ 5,517,979	$ 5,025,070	$ (492,909)

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, 2011

	Budget Amounts		Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Sales	$ 2,325,000	$ 2,325,000	$ 2,358,676	$ 33,676
Investment earnings	24,593	24,593	5,377	(19,216)
Total revenues	2,349,593	2,349,593	2,364,053	14,460
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,164,057)	(2,164,057)	(2,119,706)	44,351
Total other financing sources (uses)	(2,164,057)	(2,164,057)	(2,119,706)	44,351
Net changes in fund balances	185,536	185,536	244,347	58,811
Fund balances - beginning	1,379,095	1,379,095	1,379,095	-
Fund balances - ending	$ 1,564,631	$ 1,564,631	$ 1,623,442	$ 58,811

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, 2011

	Budget Amounts		Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	$ 298,942	$ 298,942	$ 297,620	$ (1,322)
Investment earnings	1,440	1,440	5,152	3,712
Other revenue	-	-	16,264	16,264
Total revenues	300,382	300,382	319,036	18,654
EXPENDITURES:				
Current:				
Economic environment	120,727	120,727	188,918	(68,191)
Total expenditures	120,727	120,727	188,918	(68,191)
Excess of revenues over over expenditures	179,655	179,655	130,118	(49,537)
OTHER FINANCING SOURCES (USES)				
Transfers out	(290,000)	(382,494)	(356,899)	25,595
Total other financing sources (uses)	(290,000)	(382,494)	(356,899)	25,595
Net changes in fund balances	(110,345)	(202,839)	(226,781)	(23,942)
Fund balances - beginning	682,591	682,591	682,591	-
Fund balances - ending	$ 572,246	$ 479,752	$ 455,810	$ (23,942)

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

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, 2011

	Budget Amounts		Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	$ 22,854	$ 22,854	$ 5,748	$ (17,106)
Total revenues	22,854	22,854	5,748	(17,106)
EXPENDITURES:				
Debt service:				
Principal	765,000	765,000	765,000	-
Interest and fiscal charges	254,579	254,579	254,612	(33)
Total expenditures	1,019,579	1,019,579	1,019,612	(33)
Deficiency of revenues under expenditures	(996,725)	(996,725)	(1,013,864)	(17,139)
OTHER FINANCING SOURCES				
Transfers in	997,557	997,557	1,015,787	18,230
Total other financing sources	997,557	997,557	1,015,787	18,230
Net changes in fund balances	832	832	1,923	1,091
Fund balances - beginning	1,409,793	1,409,793	1,554,654	144,861
Fund balances - ending	$ 1,410,625	$ 1,410,625	$ 1,556,577	$ 145,952

City of Sebastian, Florida
Notes to the Required Supplementary Information – Budget Comparisons
September 30, 2011

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 52 through page 55. 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. Shifts in appropriations within fund totals may be done on the authority of the City Manager. Transfers of appropriations between funds require approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations made by the City Council) is the fund level. The City Council made four supplementary budgetary appropriations throughout the year. The 1st quarter budget amendment highlighted an increase of $2,004,631 to cover transfers for year-end open purchase orders and unfinished capital projects that were carried forward from the prior fiscal year. The 2nd quarter budget amendment highlighted reductions of $205,686 for completed or cancelled purchases that were less than budgeted. The 3rd quarter budget amendment made adjustments for a net reduction of $58,552 to several capital projects. The 4th quarter budget amendment highlighted adjustments to capital projects to correspond with discussions at the time, amounting to a net reduction of $98,182.

C. Budgeted Expenditures Exceeded Revenues

Budgeted expenditures exceeded revenues in the general fund, riverfront redevelopment special revenue fund, discretionary sales surtax revenue bonds 2003 debt service fund, parking in-lieu-of special revenue fund, law enforcement forfeiture special revenue fund and stormwater utility revenue bond 2003 debt service fund. However, this is pursuant to the legally adopted budget to expend available fund equity (cash carry forward) and does not constitute a deficit. The parking in-lieu-of special revenue fund was initiated during the year and as there were no immediate plans to expend the amounts collected, no budget appropriations were made.

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 schedule:

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Fiscal Year	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2011	$ 726,380	$ 592,903	$ 133,477	100.00%
2010	701,998	566,910	134,852	99.97%
2009	557,439	404,104	137,782	97.21%
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%

Other Post Employment Benefits (OPEB)

Governmental Accounting Standards Board Statements No. 43 and 45, Reporting for Postemployment Benefit Plans Other Than Pension Plans and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, establishes accounting and reporting requirements for state and local government employers that provide OPEB. This information is presented in the following schedule:

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER

Fiscal Year	Annual Required Contributions	City Contribution	Percentage Contributed
2011	$ 26,557	$ 26,557	100.00%
2010	26,557	26,557	100.00%
2009	40,089	40,089	100.00%

Note: The City has elected to fund the OPEB on a pay-as-you-go basis.

CITY OF
SEBASTIAN
HOME OF PELICAN ISLAND

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Nonmajor Governmental Funds

CITY OF
SEBASTIAN
HOME OF PELICAN ISLAND

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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.

Parking In-Lieu-Of Fund – This fund is used to account for charges based on providing future parking spaces in public areas in place of meeting those requirements within property planned to be approved for development.

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 receipts of forfeited cash or 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 accumulations 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.

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, 2011

	Special Revenue Funds					
	Local Option Gas Tax	Parking In-Lieu-Of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture	Total
ASSETS						
Cash and cash equivalents	$ 6,847	$ 2,630	$ 11,314	$ 7,602	$ 7,805	$ 36,198
Investments	7,778	10,002	836,873	432,063	58,780	1,345,496
Due from other governments	44,947	-	-	10,595	-	55,542
Prepaid items	-	-	-	-	-	-
Total assets	59,572	12,632	848,187	450,260	66,585	1,437,236
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	1,010	-	-	104	-	1,114
Due to other funds	-	-	-	-	-	-
Total liabilities	1,010	-	-	104	-	1,114
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	58,562	12,632	848,187	450,156	66,585	1,436,122
Total fund balances	58,562	12,632	848,187	450,156	66,585	1,436,122
Total liabilities and fund balances	$ 59,572	$ 12,632	$ 848,187	$ 450,260	$ 66,585	$ 1,437,236

Debt Service Funds	Capital Projects Funds			Permanent Fund	
Stormwater Utility Revenue Bonds 2003	General Capital Projects	Capital Improvements	Total	Cemetery	Total Other Governmental Funds
$ 3,377	$ -	$ 3,309	$ 3,309	$ 37,162	$ 80,046
100,019	-	-	-	$882,617	2,328,132
-	-	61,959	61,959	-	117,501
$79,624	-	-	-	-	79,624
183,020	-	65,268	65,268	919,779	2,605,303
-	-	2,701	2,701	-	3,815
-	-	60,000	60,000	-	60,000
-	-	62,701	62,701	-	63,815
-	-	-	-	$919,779	919,779
183,020	-	2,567	2,567	-	1,621,709
183,020	-	2,567	2,567	919,779	2,541,488
$ 183,020	$ -	$ 65,268	$ 65,268	$ 919,779	$ 2,605,303

City of Sebastian, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2011

	Special Revenue Funds					
	Local Option Gas Tax	Parking In-Lieu-Of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture	Total
REVENUES:						
Taxes:						
Motor fuel	$ 557,930	$ -	$ -	$ -	$ -	$ 557,930
Intergovernmental	9,353	-	-	-	-	9,353
Impact fees	-	-	42,250	-	-	42,250
Charges for services	-	-	-	805,969	-	805,969
Fines	-	-	-	-	880	880
Investment earnings	9,623	4	7,223	10,446	26	27,322
Contributions and donations	-	-	-	-	-	-
Other revenue	-	12,628	-	-	-	12,628
Total revenues	576,906	12,632	49,473	816,415	906	1,456,332
EXPENDITURES:						
Current:						
Public safety	-	-	-	-	1,600	1,600
Physical environment	-	-	-	104	-	104
Transportation	259,591	-	-	-	-	259,591
Debt Service:						
Principal	168,000	-	-	-	-	168,000
Interest and fiscal charges	96,463	-	-	-	-	96,463
Capital outlay	-	-	5,118	-	5,881	10,999
Total expenditures	524,054	-	5,118	104	7,481	536,757
Excess (deficiency) of revenues over (under) expenditures	52,852	12,632	44,355	816,311	(6,575)	919,575
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(1,386,945)	-	(302,478)	(954,996)	-	(2,644,419)
Total other financing sources (uses)	(1,386,945)	-	(302,478)	(954,996)	-	(2,644,419)
Net changes in fund balances	(1,334,093)	12,632	(258,123)	(138,685)	(6,575)	(1,724,844)
Fund balances - beginning	1,392,655	-	1,106,310	588,841	73,160	3,160,966
Fund balances - ending	$ 58,562	$ 12,632	$ 848,187	$ 450,156	$ 66,585	$ 1,436,122

Debt Service Fund	Capital Projects Funds			Permanent Fund	
Stormwater Utility Revenue Bonds 2003	General Capital Projects	Capital Improvements	Total	Cemetery	Total Other Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 557,930
-	-	61,962	61,962	-	71,315
-	-	-	-	-	42,250
-	-	-	-	55,160	861,129
-	-	-	-	-	880
128	-	-	-	6,883	34,333
-	5,000	360	5,360	-	5,360
-	-	-	-	-	12,628
128	5,000	62,322	67,322	62,043	1,585,825
-	-	-	-	-	1,600
-	-	-	-	-	104
-	-	27,405	27,405	-	286,996
270,000	-	-	-	-	438,000
170,077	-	-	-	-	266,540
-	421,111	624,940	1,046,051	-	1,057,050
440,077	421,111	652,345	1,073,456	-	2,050,290
(439,949)	(416,111)	(590,023)	(1,006,134)	62,043	(464,465)
440,018	416,111	555,633	971,744	-	1,411,762
-	-	(253,907)	(253,907)	(1,727)	(2,900,053)
440,018	416,111	301,726	717,837	(1,727)	(1,488,291)
69	-	(288,297)	(288,297)	60,316	(1,952,756)
182,951	-	290,864	290,864	859,463	4,494,244
$ 183,020	$ -	$ 2,567	$ 2,567	$ 919,779	$ 2,541,488

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, 2011

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Motor fuel taxes	$ 610,000	$ 557,930	$ (52,070)
Intergovernmental	9,353	9,353	-
Investment earnings	4,168	9,623	5,455
Total revenues	623,521	576,906	(46,615)
EXPENDITURES:			
Current:			
Transportation	250,000	259,591	(9,591)
Debt service:			
Principal	168,000	168,000	-
Interest and fiscal charges	96,463	96,463	-
Total expenditures	514,463	524,054	(9,591)
Excess of revenues over expenditures	109,058	52,852	(56,206)
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,461,429)	(1,386,945)	74,484
Debt proceeds	-	-	-
Total other financing sources (uses)	(1,461,429)	(1,386,945)	74,484
Net changes in fund balances	(1,352,371)	(1,334,093)	18,278
Fund balances - beginning	1,392,655	1,392,655	-
Fund balances - ending	$ 40,284	$ 58,562	$ 18,278

City of Sebastian, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parking In-Lieu-Of Special Revenue Fund
For the Year Ended September 30, 2011

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Investment earnings	$ -	$ 4	$ 4
Other revenue	-	12,628	12,628
Total revenues	-	12,632	12,632
EXPENDITURES:			
Current:			
Transportation	-	-	-
Total expenditures	-	-	-
Excess of revenues over expenditures	-	12,632	12,632
Fund balances - beginning	-	-	-
Fund balances - ending	$ -	$ 12,632	$ 12,632

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, 2011

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Impact fees	$ 28,024	$ 42,250	$ 14,226
Investment earnings	2,767	7,223	4,456
Total revenues	30,791	49,473	18,682
EXPENDITURES:			
Current:			
Culture and recreation	-	5,118	(5,118)
Total expenditures	-	5,118	(5,118)
Excess of revenues over expenditures	30,791	44,355	13,564
OTHER FINANCING (USES)			
Transfers in	-	-	-
Transfers out	(566,364)	(302,478)	263,886
Total other financing (uses)	(566,364)	(302,478)	263,886
Net changes in fund balances	(535,573)	(258,123)	277,450
Fund balances - beginning	1,106,310	1,106,310	-
Fund balances - ending	$ 570,737	$ 848,187	$ 277,450

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, 2011

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Charges for services	$ 835,000	$ 805,969	$ (29,031)
Investment earnings	8,200	10,446	2,246
Total revenues	843,200	816,415	(26,785)
EXPENDITURES:			
Current:			
Physical environment	100	104	(4)
Total expenditures	100	104	(4)
Excess of revenues over expenditures	843,100	816,311	(26,789)
OTHER FINANCING (USES)			
Transfers out	(1,138,877)	(954,996)	183,881
Total other financing (uses)	(1,138,877)	(954,996)	183,881
Net changes in fund balances	(295,777)	(138,685)	157,092
Fund balances - beginning	588,841	588,841	-
Fund balances - ending	$ 293,064	$ 450,156	$ 157,092

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, 2011

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Fines	$ 8,000	$ 880	$ (7,120)
Investment earnings	250	26	(224)
Contributions	2,000	-	(2,000)
Other revenues	-	-	-
Total revenues	10,250	906	(9,344)
EXPENDITURES:			
Current:			
Public safety	-	7,481	(7,481)
Total expenditures	-	7,481	(7,481)
Excess of revenues over expenditures	10,250	(6,575)	(16,825)
Fund balances - beginning	73,160	73,160	-
Fund balances - ending	$ 83,410	$ 66,585	$ (16,825)

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, 2011

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Investment earnings	$ 1,122	$ 128	$ (994)
Total revenues	1,122	128	(994)
EXPENDITURES:			
Debt service:			
Principal	270,000	270,000	-
Interest and fiscal charges	169,911	170,077	(166)
Total expenditures	439,911	440,077	(166)
Deficiency of revenues under expenditures	(438,789)	(439,949)	(1,160)
OTHER FINANCING SOURCES			
Transfers in	438,877	440,018	1,141
Total other financing sources	438,877	440,018	1,141
Net changes in fund balances	88	69	(19)
Fund balances - beginning	182,951	182,951	-
Fund balances - ending	$ 183,039	$ 183,020	$ (19)

City of Sebastian, Florida
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2011

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
ASSETS				
Cash and cash equivalents	$ 11,930	$ -	$ -	$ 11,930
Investments, at fair value	220,000	-	-	220,000
Total assets	$ 231,930	$ -	$ -	$ 231,930
LIABILITIES				
Performance deposits held in escrow	$ 231,930	$ -	$ -	$ 231,930
Total liabilities	$ 231,930	$ -	$ -	$ 231,930

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule By Source
September 30, 2011

Governmental Funds capital assets:	FY 2010	FY 2011
Land	$ 8,007,437	$ 8,007,437
Buildings and structures	12,061,711	12,370,759
Improvement other than buildings	5,738,546	5,992,537
Machinery and equipment	7,742,063	8,028,080
Infrastructure	30,891,580	33,628,446
Capital projects	951,144	1,207,848
Total capital assets	$ 65,392,481	$ 69,235,107
Investment in Governmental Funds capital assets by sources:		
Federal grants	$ 6,140,108	$ 6,202,067
State grants	907,755	907,755
County grants	713,359	713,359
General fund	11,296,100	11,280,701
Law enforcement trust fund	49,883	55,764
Recreational impact fee	1,203,687	1,516,679
Stormwater utility fee	4,880,968	4,895,946
Riverfront Redevelopment	1,675,466	1,932,055
Cemetery trust fund	236,479	236,479
Donations	3,165,873	3,196,121
Sales taxes	12,844,066	14,159,551
Motor fuel taxes	5,590,464	6,811,354
Revenue bond debt	15,737,130	16,119,428
Capital projects	951,143	1,207,848
Total investment in capital assets	$ 65,392,481	$ 69,235,107

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2011

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Totals
General government:						
Legislative	$ -	$ -	$ -	$ 4,245	$ -	$ 4,245
City manager	-	-	-	1,612	-	1,612
City clerk	-	-	-	25,817	-	25,817
Finance	-	-	1,100	58,411	-	59,511
MIS	-	5,841	53,131	568,221	-	627,193
Facilities maintenance	-	133,430	15,665	68,250	-	217,345
Growth management	-	85,555	-	35,350	-	120,905
Non-departmental	3,634,769	6,184,990	126,636	204,374	52,700	10,203,469
Subtotal	3,634,769	6,409,816	196,532	966,280	52,700	11,260,097
Public safety:						
Special operations	-	-	-	127,484	-	127,484
Administration	9,560	3,347,152	89,320	282,963	-	3,728,995
School resource	-	-	-	69,943	-	69,943
Road patrol	-	-	-	2,545,372	-	2,545,372
Community policing	-	-	-	42,139	-	42,139
Code enforcement	-	-	-	31,749	-	31,749
Investigations	-	-	1,700	231,355	-	233,055
Support services	-	-	-	59,026	-	59,026
Communications	-	-	16,404	209,808	-	226,212
Building department	-	-	-	37,980	-	37,980
Subtotal	9,560	3,347,152	107,424	3,637,819	-	7,101,955
Transportation:						
Engineering	-	-	-	-	-	-
Central garage	-	130,489	82,419	142,091	674	355,673
Roads and drainage	47,125	162,044	972,302	969,403	13,932,560	16,083,434
Subtotal	47,125	292,533	1,054,721	1,111,494	13,933,234	16,439,107
Economic Environment:						
Non-departmental	2,308,392	1,040,589	-	-	-	3,348,981
Subtotal	2,308,392	1,040,589	-	-	-	3,348,981
Physical Environment:						
Stormwater	-	-	1,850	1,626,449	17,960,496	19,588,795
Cemetery	272,190	82,019	78,354	56,809	22,717	512,089
Subtotal	272,190	82,019	80,204	1,683,258	17,983,213	20,100,884
Culture/Recreation:						
Parks and recreation	1,735,401	1,198,650	4,553,656	629,229	1,659,299	9,776,235
Subtotal	1,735,401	1,198,650	4,553,656	629,229	1,659,299	9,776,235
Total	$ 8,007,437	$ 12,370,759	$ 5,992,537	$ 8,028,080	$ 33,628,446	68,027,259
Construction in progress						1,207,848
Total						$ 69,235,107

City of Sebastian, Florida
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
September 30, 2011

Function and Activity	Governmental Funds Capital Assets October 1, 2010	Additions	Deletions	Transfers In	Transfers Out	Governmental Funds Capital Assets September 30, 2011
General government:						
Legislative	$ 8,231	$ -	$ 750	$ -	$ 3,236	$ 4,245
City manager	1,612	-	-	-	-	1,612
City clerk	134,766	-	-	-	108,949	25,817
City attorney	-	-	-	-	-	-
Administrative Services	55,306	3,800	695	1,100	-	59,511
MIS	412,728	101,833	1,758	114,389	-	627,192
Facilities maintenance	217,345	-	-	-	-	217,345
Growth management	123,823	-	-	-	2,917	120,906
Non-departmental	10,203,469	-	-	-	-	10,203,469
Subtotal	11,157,280	105,633	3,203	115,489	115,102	11,260,097
Public Safety:						
Special operations	176,393	-	48,909	-	-	127,484
Administration	3,728,994	-	-	-	-	3,728,994
School resource	69,943	-	-	-	-	69,943
Road patrol	2,313,919	342,148	118,490	19,025	11,230	2,545,372
Community policing	42,139	-	-	-	-	42,139
Code enforcement	32,600	-	-	-	851	31,749
Professional standards	19,025	-	-	-	19,025	-
Investigations	242,053	9,034	18,031	-	-	233,056
Support services	59,026	-	-	-	-	59,026
Communications	226,212	-	-	-	-	226,212
Building department	51,838	-	-	-	13,858	37,980
Subtotal	6,962,142	351,182	185,430	19,025	44,964	7,101,955
Transportation:						
Engineering	1,088	-	-	-	1,088	-
Central garage	357,038	-	-	-	1,365	355,673
Roads and drainage	15,391,843	822,188	2,480	2,917	131,034	16,083,434
Subtotal	15,749,969	822,188	2,480	2,917	133,487	16,439,107
Economic Environment:						
Non-departmental	3,092,392	256,589	-	-	-	3,348,981
Subtotal	3,092,392	256,589	-	-	-	3,348,981
Physical Environment:						
Stormwater	17,586,510	1,869,365	11,972	144,892	-	19,588,795
Cemetery	512,089	-	-	-	-	512,089
Subtotal	18,098,599	1,869,365	11,972	144,892	-	20,100,884
Culture & Recreation:						
Parks and recreation	9,380,955	386,390	2,340	11,230	-	9,776,235
Subtotal	9,380,955	386,390	2,340	11,230	-	9,776,235
Total	64,441,337	3,791,347	205,425	293,553	293,553	68,027,259
Construction in progress	951,144	1,025,614	768,910	-	-	1,207,848
Total	$ 65,392,481	$ 4,816,961	$ 974,335	$ 293,553	$ 293,553	$ 69,235,107

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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.

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 Ten Fiscal Years
(accrual basis of accounting)

	2011	2010	2009
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	$ 31,541,953	$ 28,938,587	$ 26,744,896
Restricted	5,668,155	8,757,043	8,197,018
Unrestricted	4,052,751	3,889,011	4,502,440
Total Governmental Activities Net Assets	$ 41,262,859	$ 41,584,641	$ 39,444,354
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	$ 11,850,561	$ 11,389,704	$ 10,725,676
Restricted	-	-	98,320
Unrestricted (deficit)	(644,620)	(342,340)	86,517
Total Business-Type Activities Net Assets	$ 11,205,941	$ 11,047,364	$ 10,910,513
Primary government			
Invested in Capital Assets, Net of Related Debt	$ 43,392,514	$ 40,328,291	$ 37,470,572
Restricted	5,668,155	8,757,043	8,295,338
Unrestricted	3,408,131	3,546,671	4,588,957
Total Primary Government Net Assets	$ 52,468,800	$ 52,632,005	$ 50,354,867

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

2008	2007	2006	2005	2004	2003	2002
$ 24,133,550	$ 21,469,456	$ 17,579,683	$ 17,103,399	$ 16,412,401	$ 16,339,222	$ 14,242,832
9,215,801	9,419,129	5,068,583	5,395,879	4,059,674	3,235,266	3,289,670
5,035,184	5,249,998	11,293,877 [2]	9,081,345 [1]	7,171,123 [1]	5,461,224	5,865,388
$ 38,384,535	$ 36,138,583	$ 33,942,143	$ 31,580,623	$ 27,643,198	$ 25,035,712	$ 23,397,890
$ 9,111,251	$ 8,895,501	$ 8,798,612	$ 7,459,945	$ 4,264,961	$ 1,545,867	$ 363,827
570,149	570,890	560,581	574,105	506,006	505,435	458,014
753,076	1,303,886	1,896,539	738,519	1,712,657	1,471,457	1,120,224
$ 10,434,476	$ 10,770,277	$ 11,255,732	$ 8,772,569	$ 6,483,624	$ 3,522,759	$ 1,942,065
$ 33,244,801	$ 30,364,957	$ 26,378,295	$ 24,563,344	$ 20,677,362	$ 17,885,089	$ 14,606,659
9,785,950	9,990,019	5,629,164	5,969,984	4,565,680	3,740,701	3,747,684
5,788,260	6,553,884	13,190,416	9,819,864	8,883,780	6,932,681	6,985,612
$ 48,819,011	$ 46,908,860	$ 45,197,875	$ 40,353,192	$ 34,126,822	$ 28,558,471	$ 25,339,955

City of Sebastian, Florida

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	2011	2010	2009
Program Revenues			
Governmental Activities:			
Charges for Services:			
General Government	$ 197,945	$ 203,915	$ 220,073
Public Safety	92,350	118,368	95,606
Physical Environment	868,059	881,338	908,829
Economic Environment	-	-	-
Cultural/Recreation	61,353	62,046	66,540
Operating Grants and Contributions	196,534	210,050	228,002
Capital Grants and Contributions	838,242	3,178,618	1,865,174
Total Governmental Activities Program Revenues	2,254,483	4,654,335	3,384,224
Business-Type Activities:			
Charges for Services:			
Golf Course	1,382,421	1,335,647	1,406,956
Airport	485,229	468,698	438,485
Building (1)	401,021	356,264	358,947
Operating Grants and Contributions	-	-	-
Capital Grants and Contributions	900,340	904,853	1,356,914
Total Business-Type Activities Program Revenues	3,169,011	3,065,462	3,561,302
Total Primary Government Program Revenues	$ 5,423,494	$ 7,719,797	$ 6,945,526
Expenses			
Governmental Activities:			
General Government	$ 2,766,575	$ 3,309,381	$ 3,169,851
Public Safety	5,546,632	5,720,933	5,420,585
Physical Environment	1,558,974	1,947,605	1,347,771
Transportation	2,263,367	1,863,551	3,437,724
Economic Environment	208,518	135,885	167,470
Cultural/Recreation	1,227,198	1,240,383	1,073,249
Interest and Fiscal Charges	546,103	566,410	730,100
Total Governmental Activities Expenses	14,117,367	14,784,148	15,346,750
Business-Type Activities:			
Golf Course	1,355,266	1,388,158	1,477,299
Airport	1,188,788	1,067,525	1,079,869
Building (1)	470,406	496,800	533,641
Total Business-Type Activities Expenses	3,014,460	2,952,483	3,090,809
Total Primary Government Expenses	$ 17,131,827	$ 17,736,631	$ 18,437,559

(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.

2008	2007	2006	2005	2004	2003	2002
$ 353,836	$ 422,897	$ 533,482	$ 370,609	$ 376,327	$ 247,774	$ 172,135
85,009	92,853	140,545	1,356,385	1,660,032	824,821	625,924
903,285	891,021	887,819	828,907	850,887	799,637	785,683
-	-	-	-	-	-	24,869
83,378	85,945	72,472	56,199	48,590	46,736	73,013
786,016	192,676	407,898	2,802,511	1,144,528	920,829	958,229
835,607	1,014,481	1,301,438	1,781,954	1,353,959	640,894	872,490
3,047,131	2,699,873	3,343,654	7,196,565	5,434,323	3,480,691	3,512,343
1,438,233	1,652,288	1,580,407	1,381,817	1,648,308	1,377,245	1,365,027
523,989	344,813	375,768	434,818	201,890	168,451	179,373
347,189	408,875	1,220,823	-	-	-	-
-	-	6,998	13,582	67,576	-	51,087
494,098	500,428	1,056,562	2,289,986	2,451,212	1,149,437	214,175
2,803,509	2,906,404	4,240,558	4,120,203	4,368,986	2,695,133	1,809,662
$ 5,850,640	$ 5,606,277	$ 7,584,212	$ 11,316,768	$ 9,803,309	$ 6,175,824	$ 5,322,005
$ 3,375,178	$ 3,083,609	$ 3,129,723	$ 3,262,276	$ 2,414,865	$ 1,620,616	$ 2,010,288
5,226,512	5,377,107	4,191,295	4,816,614	4,502,109	3,391,831	2,945,701
1,805,755	1,695,066	2,193,589	1,283,889	1,279,257	1,920,200	508,616
2,111,360	2,276,497	2,173,071	4,034,900	3,288,532	2,401,037	2,258,181
113,101	605,510	98,661	32,128	86,041	166,024	223,207
1,420,734	1,237,398	1,208,288	1,260,395	823,974	747,910	881,260
634,891	667,950	706,303	740,372	722,007	312,367	168,749
14,687,531	14,943,137	13,700,930	15,430,574	13,116,785	10,559,985	8,996,002
1,488,472	1,533,900	1,558,338	1,464,532	1,527,051	1,363,359	1,393,551
1,099,653	1,046,994	801,967	519,235	350,949	315,941	283,726
605,422	905,452	936,793	-	-	-	-
3,193,547	3,486,346	3,297,098	1,983,767	1,878,000	1,679,300	1,677,277
$ 17,881,078	$ 18,429,483	$ 16,998,028	$ 17,414,341	$ 14,994,785	$ 12,239,285	$ 10,673,279

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

	2011	2010	2009
Net (Expense)/Revenue			
Governmental Activities	$ (11,862,884)	$ (10,129,813)	$ (11,962,526)
Business-Type Activities	154,551	112,979	470,493
Total Primary Government Net Expense	$ (11,708,333)	$ (10,016,834)	$ (11,492,033)
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Property Taxes, Levied for General Purposes	$ 3,453,778	$ 4,164,128	$ 4,801,924
Sales and Use Taxes	4,751,021	4,765,200	4,670,106
Franchise Fees	1,184,686	1,228,692	1,327,253
State Shared Revenues	1,868,555	1,825,215	1,821,347
Interest Earnings	111,943	144,432	261,203
Miscellaneous	171,119	149,453	140,512
Transfers	-	(7,020)	-
Total Governmental Activities	11,541,102	12,270,100	13,022,345
Business-Type Activities:			
Interest Earnings	4,026	15,658	5,544
Miscellaneous	-	1,194	-
Transfers	-	7,020	-
Total Business-Type Activities	4,026	23,872	5,544
Total Primary Government	$ 11,545,128	$ 12,293,972	$ 13,027,889
Change in Net Assets			
Governmental Activities	$ (321,782) [3]	$ 2,140,287	$ 1,059,819
Business-Type Activities	136,851	136,851	476,037
Total Primary Government Change in Net Assets	$ (184,931)	$ 2,277,138	$ 1,535,856

[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.

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

2008	2007	2006	2005	2004	2003	2002
$ (11,640,400)	$(12,243,264)	$(10,357,276)	$ (8,234,009)	$ (7,682,462)	$ (7,079,294)	$ (5,483,659)
(390,038)	(579,942)	943,460	2,136,436	2,490,986	1,015,833	132,385
$ (12,030,438)	$(12,823,206)	$ (9,413,816)	$ (6,097,573)	$ (5,191,476)	$ (6,063,461)	$ (5,351,274)
$ 5,149,047	$ 5,089,841	$ 4,645,050	$ 4,017,555	$ 3,420,971	$ 2,944,456	$ 2,615,939
4,753,718	4,776,691	4,907,906	4,718,691	4,035,545	3,705,922	2,844,825
1,199,762	1,106,698	1,253,749	886,390	770,600	756,194	766,901
1,989,606	2,083,523	2,242,292	2,138,020	1,721,956	1,523,524	2,068,753
634,919	1,147,931	827,224	398,518	398,158	241,358	118,840
159,300	192,300	256,780	118,760	388,562	79,662	-
-	42,720	(1,414,205)	(106,500)	(445,844)	(534,000)	-
13,886,352	14,439,704	12,718,796	12,171,434	10,289,948	8,717,116	8,415,258
54,237	137,207	125,498	45,709	23,774	21,789	32,122
-	-	-	300	261	9,072	-
-	(42,720)	1,414,205 [2]	106,500	445,844	534,000	-
54,237	94,487	1,539,703	152,509	469,879	564,861	32,122
$ 13,940,589	$ 14,534,191	$ 14,258,499	$ 12,323,943	$ 10,759,827	$ 9,281,977	$ 8,447,380
$ 2,245,952	$ 2,196,440	$ 2,361,520	$ 3,937,425	$ 2,607,486	$ 1,637,822	$ 2,931,599
(335,801)	(485,455)	2,483,163	2,288,945	2,960,865	1,580,694	164,507
$ 1,910,151	$ 1,710,985	$ 4,844,683	$ 6,226,370	$ 5,568,351	$ 3,218,516	$ 3,096,106

City of Sebastian, Florida

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

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

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

(2) The large increase in restricted fund balance for All Other Governmental Funds 2002 to 2003 is due to the issuance of City's Infrastructure Sales Surtax Revenue Bonds, Series 2003.

(3) Reduction in unassigned fund balance to fund operations.

2006	2005		2004		2003		2002
$ 106,192	$ 160,964		$ 59,921		$ 141,667		$ 28,147
4,844,674	5,546,959	(3)	5,411,621	(3)	3,924,363	(3)	2,743,933
9,856	3,761		5,140		7,706		8,221
1,518,350	391,783	(3)	(361,790)	(3)	(191,886)	(3)	1,142,446
6,479,072	6,103,467		5,114,892		3,881,850		3,922,747
656,160	578,367		542,999		463,402		445,939
14,783,299	13,392,801		13,815,771		13,339,097	(2)	5,250,078
15,439,459	13,971,168		14,358,770		13,802,499		5,696,017
$ 21,918,531	$ 20,074,635		$ 19,473,662		$ 17,684,349		$ 9,618,764

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

	2011	2010	2009
Revenues			
Property and Other Local Taxes	$ 8,762,729	$ 9,525,074	$ 10,065,806
Franchise Fees	1,184,686	1,228,692	1,327,253
Charges for Services	1,121,967	1,154,739	1,186,161
Licenses and Permits	23,646	33,182	29,151
Fines	81,534	90,948	88,938
Intergovernmental	2,249,447	4,572,550	3,270,854
Impact Fees	42,250	26,000	13,975
Special Assessments	-	-	3,849
Investment Earnings	103,795	228,216	250,914
Miscellaneous	224,823	169,039	176,430
Total Revenues	13,794,877	17,028,440	16,413,331
Expenditures			
Current:			
General Government	2,539,211	2,699,289	2,976,896
Public Safety	5,030,708	4,938,147	4,926,714
Physical Environment	1,166,309	1,210,823	1,448,067
Transportation	1,217,521	1,405,310	1,696,254
Economic Environment	188,918	129,352	167,470
Cultural and Recreation	903,836	977,780	1,148,408
Debt service:			
Principal Retirement	1,203,000	2,142,190	1,218,995
Interest and Fiscal Charges	521,152	577,593	706,093
Capital Outlay	4,048,051	6,189,026	6,495,271
Total Expenditures	16,818,706	20,269,510	20,784,168
Excess of Revenues Over (Under) Expenditures	(3,023,829)	(3,241,070)	(4,370,837)
Other Financing Sources (Uses)			
Debt Proceeds	-	2,462,000	-
Transfers In	5,376,658	4,486,626	5,196,376
Transfers Out	(5,376,658)	(4,493,646)	(5,196,376)
Total Other Financing Sources (Uses)	-	2,454,980	-
Net Change in Fund Balances	$ (3,023,829)	$ (786,090)	$ (4,370,837)
Debt Service as a Percentage of Noncapital Expenditures	13.5%	19.3%	13.5%

2008	2007	2006	2005	2004	2003	2002
$ 10,504,155	$ 10,554,617	$ 10,269,451	$ 9,483,664	$ 8,179,344	$ 7,325,932	$ 6,228,107
1,199,762	1,106,698	1,253,749	886,390	770,600	756,194	766,901
1,209,617	1,271,102	517,605	936,530	962,677	921,119	1,123,670
163,471	186,875	244,370	1,587,675	1,867,920	878,097	578,695
65,246	71,314	77,776	95,699	118,918	119,752	127,027
2,674,761	2,463,628	2,852,293	5,561,695	3,115,520	1,785,237	2,841,315
32,825	56,875	337,675	385,775	557,700	395,850	255,775
-	-	819,286	11,023	28,424	22,560	31,756
647,312	1,062,043	827,224	398,518	398,158	241,358	206,567
461,553	244,629	294,695	144,057	378,268	91,078	126,823
16,958,702	17,017,781	17,494,124	19,491,026	16,377,529	12,537,177	12,286,636
3,087,789	2,999,652	2,494,863	2,974,736	2,231,532	1,977,033	2,230,870
4,677,618	4,700,447	3,813,908	4,349,639	3,950,228	3,427,711	2,588,526
1,368,593	1,301,719	1,850,642	910,794	1,125,727	1,247,452	508,616
1,545,045	1,733,697	1,672,983	3,616,076	2,863,397	1,610,761	1,427,992
113,101	80,279	98,661	32,128	86,041	166,024	327,911
1,079,379	975,087	926,846	995,406	747,131	629,835	732,729
1,326,182	1,284,418	1,248,378	1,218,023	985,974	361,024	344,553
611,554	643,305	678,682	711,736	887,564	158,043	174,864
3,634,910	5,242,590	1,451,060	3,975,015	9,021,558	3,859,709	2,322,794
17,444,171	18,961,194	14,236,023	18,783,553	21,899,152	13,437,592	10,658,855
(485,469)	(1,943,413)	3,258,101	707,473	(5,521,623)	(900,415)	1,627,781
-	-	-	-	7,756,780	9,500,000	-
5,679,896	5,158,296	3,785,981	3,745,265	2,745,754	2,992,908	2,009,173
(5,679,896)	(5,115,576)	(5,200,186)	(3,851,765)	(3,191,598)	(3,526,908)	(2,009,173)
-	42,720	(1,414,205)	(106,500)	7,310,936	8,966,000	-
$ (485,469)	$ (1,900,693)	$ 1,843,896	$ 600,973	$ 1,789,313	$ 8,065,585	$ 1,627,781
14.0%	14.1%	15.1%	13.0%	14.5%	5.4%	6.2%

City of Sebastian, Florida

Program Revenues by Function/Program

Last Ten Fiscal Years

(accrual basis of accounting)

	2011	2010	2009
Function/Program			
Governmental Activities:			
General Government	$ 243,039	$ 209,144	$ 226,003
Public Safety	234,437	304,630	299,119
Physical Environment	930,018	881,338	1,408,829
Transportation	743,383	614,305	612,335
Economic Environment	-	2,556,872	6,000
Cultural/Recreation	103,606	88,046	831,938
Total Governmental Activities	2,254,483	4,654,335	3,384,224
Business-type activities:			
Golf Course	1,382,421	1,335,647	1,406,955
Airport	1,385,569	1,373,551	1,795,399 (2)
Building (1)	401,021	356,264	358,948
Total Business-Type Activities	3,169,011	3,065,462	3,561,302
Total Primary Government	$ 5,423,494	$ 7,719,797	$ 6,945,526

(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

2008	2007	2006	2005	2004	2003	2002
$ 377,305	$ 450,267	$ 579,591	$ 587,527	$ 392,471	$ 1,095,902	$ 172,135
515,997	249,756	306,702	1,537,557	1,850,710	929,952	785,373
1,256,277	891,021	890,092	898,821	914,318	1,136,507	785,683
619,949	721,103	900,365	3,392,883	1,670,534	1,580,076	3,038,913
-	-	30,059	-	-	-	24,869
277,603	387,726	636,845	779,777	606,290	663,459	566,959
3,047,131	2,699,873	3,343,654	7,196,565	5,434,323	5,405,896	5,373,932
1,438,233	1,652,288	1,587,405	1,395,399	1,715,884	1,377,245	1,365,517
1,018,087	845,241	1,432,330	2,724,804	2,653,102	1,317,888	444,145
347,189	408,875	1,220,823	-	-	-	-
2,803,509	2,906,404	4,240,558	4,120,203	4,368,986	2,695,133	1,809,662
$ 5,850,640	$ 5,606,277	$ 7,584,212	$ 11,316,768	$ 9,803,309	$ 8,101,029	$ 7,183,594

City of Sebastian, Florida

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

Fiscal Year		Property Taxes	Public Utility	Sales Tax	Motor Fuel	Total
2011	(6)	$ 3,453,778	$ 2,392,345	$ 2,358,676	$ 557,930	$ 8,762,729
2010		4,164,128	2,437,050	2,328,150	595,746	9,525,074
2009	(5)	4,801,924	2,341,458	2,328,648	593,776	10,065,806
2008	(4)	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	(2)	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	(1)	2,717,564	983,236	1,861,589	665,718	6,228,107

(1) Fiscal Year 2002 property tax revenue reflects a change in the property tax millage rate from 5.0000 to 4.5904.
(2) Fiscal Year 2006 property tax revenue reflects a change in the property tax millage rate from 4.5904 to 3.9325.
(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 2008 property tax revenue reflects a change in the property tax millage rate from 3.0519 to 2.9917.
(5) Fiscal Year 2009 property tax revenue reflects a change in the property tax millage rate from 2.9917 to 3.3456.
(6) Fiscal Year 2011 property tax revenue reflects a change in the property tax millage rate from 3.3456 to 3.3041.

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

	City of Sebastian				Indian River County School Board			
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Total County[1] Millage	Operating Millage	Debt Service Millage	Total School Millage	Other[2]
2011	3.3041	-	3.3041	6.28600	7.92000	0.00000	7.92000	1.35050
2010	3.3456	-	3.3456	6.26930	7.29600	0.30000	7.59600	1.33570
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

(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

	Real Property		Personal Property	
Fiscal Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2011	$ 1,392,267,434	$ 1,740,334,293	$ 55,234,086	$ 55,234,086
2010	1,650,311,449	2,062,889,311	56,920,223	56,920,223
2009	1,933,934,630	2,417,418,288	62,476,508	62,476,508
2008	2,054,408,055	2,568,010,069	64,899,942	64,899,942
2007	2,124,615,672	2,655,769,590	55,913,696	55,913,696
2006	1,526,923,406	1,908,654,258	51,827,624	51,827,624
2005	1,157,275,164	1,446,593,955	51,330,277	51,330,277
2004	946,293,950	1,182,867,438	48,613,628	48,613,628
2003	829,224,615	1,036,530,769	45,355,170	45,355,170
2002	754,577,150	943,221,438	45,195,579	45,195,579

Source: Indian River County Property Appraiser

Fiscal Year information is provided from previous Tax Year.

Tax Exempt Property	Total Taxable Value	Total Estimated Actual Value
$ 460,752,786	$ 986,748,734	$ 1,795,568,379
558,090,532	1,149,141,140	2,119,809,534
676,808,522	1,319,602,616	2,479,894,796
334,302,515	1,785,005,482	2,632,910,011
322,318,753	1,858,210,615	2,711,683,286
271,466,364	1,307,284,666	1,960,481,882
228,262,825	980,342,616	1,497,924,232
217,554,663	777,352,915	1,231,481,066
205,977,066	668,602,719	1,081,885,939
198,445,669	601,327,060	988,417,017

City of Sebastian, Florida

Principal Taxpayers

Fiscal Year 2011 and 2002

Taxpayer & (Business Type)	2011 Real Property Assessed Valuation	2011 Rank	2011 Percentage of Total Assessed Valuation	2002 Real Property Assessed Valuation	2002 Rank	2002 Percentage of Total Assessed Valuation
Florida Power & Light (Utility/Electric)	$ 14,770,105	1	13.98%	$ 10,610,764	2	1.21%
Wal-Mart Stores Inc. (Retail)	12,118,757	2	11.47%	11,455,234	1	1.31%
Park Place Community LLC (Rental/Retail)	6,838,017	3	6.47%	-		
BW US 1 Inc. (Commerical)	6,486,540	4	6.14%	6,081,550	4	0.70%
Bellsouth Communications (Utility/Telephone)	6,291,362	5	5.96%	8,326,393	3	0.95%
IPF / Sebastian LLC (Retail)	6,166,560	6	5.84%	-		
Pelican Isles Limited Partnership (Rental)	4,843,970	7	4.59%	-		
Hartwell Groves, Inc. (Commercial)	4,589,390	8	4.34%			
Sebastian Inlet Marina & Trading Co., Inc. (Restaurant/Hotel)	4,332,598	9	4.10%	3,119,345	8	0.36%
Sebastian Medical Suites (Healthcare)	3,891,480	10	3.68%	-		
James T Turner (MHP/Rentals)	-		-	3,784,200	5	0.43%
Ruth Guest House, Inc. (Rental/Retail)	-		-	3,748,510	6	0.43%
Oyster Point Resort Condo (Time Share/Rental)	-		-	3,249,733	7	0.37%
Henry A. Fisher (Real Estate)				3,115,000	9	0.36%
Charter Communications (Utility / Cable)				2,904,492	10	0.33%
	$ 70,328,779		66.57%	$ 56,395,221		6.45%
Total Assessed Valuation	$105,630,210			$874,445,310		

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 & Penalty Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
2011	$ 3,260,316	$ 3,144,864	96 %	$ 11,294	$ 3,156,158	97 %
2010	3,844,658	3,716,797	97	17,723	3,734,520	97
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

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

City of Sebastian, Florida

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					Business-type Activities			
Year	Water Line Assessment Bonds	Roadway Improvement Notes	Infrastructure Sales Tax Bonds	Heavy Equipment Lease	Stormwater Utility Revenue Bonds	Golf Course Revenue Bonds	Total Primary Government	Percent of Personal Income	Per Capita
2011	$ -	$2,246,000	$ 6,215,000	$ -	$ 3,785,000	$ -	$ 12,246,000	(2)	558
2010	-	2,414,000	6,980,000	-	4,055,000	-	13,449,000	(2)	587
2009	-	1,089,203	7,725,000	-	4,315,000	300,000	13,429,203	0.18%	591
2008	-	1,333,197	8,445,000	-	4,570,000	590,000	14,938,197	0.19%	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

(2) Information not available yet.

City of Sebastian, Florida

Computation of Legal Debt Margin

September 30, 2011

Assessed Valuation				
Assessed property value for tax year 2010			$	1,447,501,520
Deduct: exempt property				460,752,786
Total Operating Taxable Value for Debt Service			$	986,748,734
Legal debt margin:				
Debt limitation - 5 percent of total assessed real property value [1]			$	49,337,437
Debt applicable to limitation				
Total bonded debt	$	12,246,000		
Less: revenue bonds		(10,000,000)		
Total applicable to limitation				2,246,000
Legal debt margin			$	47,091,437

[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, 2011

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

	2011	2010	2009	2008
Debt Limit (1)	$ 49,337,437	$ 57,457,057	$ 65,980,131	$ 89,250,274
Total net debt applicable to limit	(2,246,000)	2,414,000	1,089,203	1,333,197
Legal debt margin	$ 51,583,437	$ 55,043,057	$ 64,890,928	$ 87,917,077
Total net debt applicable to the limit as a percentage of debt limit	-4.55%	4.20%	1.65%	1.49%

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

2007		2006		2005		2004		2003		2002
$	92,910,531	$	65,364,233	$	49,017,131	$	38,867,646	$	33,430,136	$	30,066,353
	1,566,840		1,790,544		2,004,718		2,209,745		2,406,028		2,593,939
$	91,343,691	$	63,573,689	$	47,012,413	$	36,657,901	$	31,024,108	$	27,472,414
	1.69%		2.74%		4.09%		5.69%		7.20%		8.63%

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 Principal	Debt Service Interest	Debt Service Total	Coverage
2011 [5]	$ -	$ -	$ -	$ -	$ -	$ -	0.00
2010 [5]	1,341,555	1,129,651	211,904	300,000	21,700	321,700	0.66
2009	1,408,535	1,178,144	230,391	570,000	49,860	619,860	0.37
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 [3]	1.48 [4]
2005	1,395,436	1,023,002	372,434	240,000	71,490	311,490 [3]	1.20 [4]
2004	1,497,053	1,108,770	388,283	230,000	80,890	310,890 [3]	1.25 [4]
2003	1,400,154	968,052	432,102	220,000	89,890	309,890 [3]	1.39 [4]
2002	1,386,424	1,020,640	365,784	100,000	104,481	204,481 [3]	1.79 [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 1992 refunded with Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001.

(4) Required coverage is 1.25.

(5) Final payment was paid on September 30, 2010.

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

(7) Required coverage is 1.35.

Stormwater Utility Revenue Bonds, Series 2003				
Gross	Debt Service			
Revenues[(6)]	Principal	Interest	Total	Coverage[(7)]
$ 816,415	$ 270,000	$ 169,035	$ 439,035	1.86
858,664	260,000	177,485	437,485	1.96
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]	School Enrollment [2]
2011	21,929	[4]	[4]	[4]	5,228
2010	22,922	[4]	[4]	[4]	5,167
2009	22,722	$ 7,610,327,000	$ 56,303	$ 43,685 [5]	3,751
2008	22,924	7,669,062,000	57,107	48,267 [5]	4,710
2007	22,426	7,810,408,000	59,419	47,563	5,117
2006	21,666	7,217,159,000	55,817	45,034	5,604
2005	20,048	6,386,893,000	50,369	44,450	5,258
2004	19,365	5,071,395,000	40,677	41,522	4,917
2003	18,425	4,831,037,000	40,162	40,291	4,340
2002	17,167	4,680,414,000	39,683	39,615	4,309

Sources:

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

(2) Indian River County School Board

(3) Indian River County Property Appraiser

(4) Information not available yet

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

Unemployment Rate (1)	State Unemployment Rate	Property Taxes Per Capita	Total Taxable Property Value (3)
12.9 %	10.6 %	$ 157.50	$ 986,748,734
14.4	11.9	181.67	1,149,141,140
13.0	10.5	211.33	1,319,602,616
7.9	6.3	224.61	1,785,005,482
5.5	4.1	226.96	1,858,210,615
4.1	3.4	214.39	1,307,284,666
4.7	3.8	200.40	980,342,616
6.7	4.7	176.66	777,352,915
6.8	5.3	159.81	668,602,719
7.2	5.7	158.30	601,327,060

City of Sebastian, Florida

Principal Employers in Indian River County

Year 2011 and 2002

2011

Employer	Number of Employees	Percentage of Total County Employment
School District of Indian River County (Government)	2,013	3.26 %
Indian River County (Government)	1,354	2.19
Indian River Medical Center (Healthcare)	1,608	2.61
Publix Supermarkets (Food / Beverage)	1,006	1.63
Wal-Mart (Retail)	727	1.18
Piper Aircraft, Inc. (Manufacturer)	700	1.13
Sebastian River Medical Center (Healthcare)	569	0.92
John's Island (Residential / Resort)	550	0.89
City of Vero Beach (Government)	492	0.80
Visiting Nurse Association (Healthcare)	399	0.65
Sun Ag, Inc (Agricultural)	380	0.62
Indian River Estates (Retirement / Life Care)	350	0.57
Disney'Vero Beach Resort (Resort Hotel)	300	0.49
CVS Warehouse/Distribution (Distribution)	300	0.49
Grand Harbor Management (Developer)	295	0.48
City of Sebastian (Government)	166	0.27
Total	11,209	18.17 %
Total County Employees	61,700	

2002

Employer	Number of Employees	Percentage of Total County Employment
School District of Indian River County (Government)	1860	3.78 %
Indian River Memorial Hospital (Healthcare)	1451	2.95
Indian River County (Government)	1372	2.79
The New Piper Aircraft (Manufacturer)	1000	2.03
Publix Supermarkets (Food / Beverage)	715	1.45
City of Vero Beach (Government)	681	1.38
Wal-Mart (Retail)	672	1.37
Sun Ag, Inc (Agricultural)	550	1.12
Hale Indian River Groves (Agricultural)	672	1.37
John's Island (Residential / Resort)	475	0.97
Gracewood Fruit Packing (Agricultural)	465	0.95
Dodgertown Complex (Convention / Sports)	450	0.91
Total	10,363	21.07 %
Total County Employees	49,195	

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

Function/program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
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	2.0	2.5	2.5	2.5	2.0	2.0	5.0	4.0	4.0	4.0
City Clerk	3.0	3.0	3.0	3.0	4.0	4.5	4.0	4.0	4.0	5.0
City Attorney	0.0	0.0 (5)	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
Administrative Services	5.0	5.0								
Finance	0.0	0.0 (3)	5.0	5.0	5.0	6.0	5.0	5.0	5.0	6.0
Mgmt Information Svcs	4.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	0.0
Human Resources	0.0	0.0 (3)	2.0	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	2.0	2.0	0.0	4.0	4.0
Growth Management	4.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0
Public Safety:										
Police Department	58.0	58.0	59.0	58.0	57.0	58.0 (2)	59.0	56.5	54.5	53.0
Building Department	5.0	5.0	5.0	6.0	11.0	11.0	9.0	8.0	7.0	7.0
Code Enforcement	3.0 (5)	2.5	2.5	2.5	3.0	3.0 (2)	0.0	0.0	0.0	0.0
Transportation:										
Roads & Drainage	12.0	12.0 (4)	10.0	10.0	11.5	12.5	12.5	14.5	11.5	23.5
Central Garage	2.5	3.5	3.5	2.5	3.5	3.5	3.0	3.0	3.0	3.0
Airport	3.0	3.0	3.0	3.0	3.0	3.5	3.5	2.5	2.5	1.5
Physical Environment:										
Cemetery	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Engineering	0.0	0.0 (4)	7.0	7.0	9.0	8.0	8.0	8.0	7.5	8.0
Stormwater Utility	12.0	12.0	11.0	13.0	13.0	13.0	13.0	12.0	12.0 (1)	1.0
Cultural/Recreation:										
Parks & Recreation	21.0	23.0	23.5	23.5	23.5	24.5	23.5	17.5	16.5	14.0
Golf Course	10.5	10.5	9.0	9.0	12.5	12.5	12.5	13.5	13.5	14.5
Totals:	150.5	154.5	162.5	164.5	177.5	180.5	175.5	163.0	159.5	157.0

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

(2) Code enforcement division was transferred out of the Police Department starting fiscal year 2006, and transferred back in fiscal year 2009

(3) Finance and Human Resources were combined to form Administrative Services starting fiscal year 2010.

(4) Engineering department was dismantled, intern program was ceased, and (2) employees were transferred to Roads & Drainage and (1) employee was transferred to Stormwater

(5) City Attorney position was contracted out, and assistant went full time to code enforcement.

Source: City of Sebastian, Florida 2002-2012 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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Number of Annexations Approved	0	1	3	0	1	1	1	6	3	0
Acres of Annexed Property	0	5.9	26	0	3.87	3.3	25.55	484	80	0
Purchase Orders Issued	228	216	288	254	284	293	369	408	372	357
Public Safety										
Police Department										
Physical Arrest	500	487	543	662	697	744	786	653	557	515
Traffic Violations	5,941	4,083	4,849	4,418	7,221	6,291	5,457	5,431	1,939	2,528
Parking Violations	242	87	50	208	289	880	303	3,801	632	207
Building Department										
Construction Permits Issued (3)	51	36	23	55	104	506	774	577	544	363
Estimated Value of Construction (in millions)	$ 10.2	$ 6.6	$ 5.1	$ 13.3	$ 22.5	$ 88.3	$114.7	$112.3	$82.7	$38.9
Transportation										
Road Maintenance (man hours)	700	1,264	600	538	888	512	100	878	850	827
Asphalt for road maintenance (tons)	50	103	328	358	210	127	125	88	79	75
Concrete for road maintenance (yards) (2)	0	0	0	0	0	300	0	283	277	275
Physical Environment										
Cemetery										
Cemetery Internments	54	66	74	68	69	76	79	86	81	73
Grave Deeds Sold	34	33	39	46	49	56	56	69	45	54
Stormwater										
Mile of Swales Maintained	280	280	280	280	280	280	280	280	280	280
Mile of Ditches Maintained	50	50	50	50	50	50	50	50	50	50
Road Crossing Maintained	40	40	30	30	30	30	30	30	30	30
Catch Basins/Culverts	325	315	275	275	275	275	275	275	275	250
Recreation										
Recreation Center attendance	8,649	11,701	13,465	12,910	14,177	8,004	5,504	7,498	(1)	(1)
Number of Discount Cards	735	844	879	950	1,004	2,690	1,000	993	855	890
Number of Golf Course Memberships	94	96	95	97	108	119	85	116	137	169
Average daily golf revenue	$3,787	$3,673	$4,000	$3,988	$4,661	$4,441	$3,844	$4,551	$3,836	$3,798

(1) Information not available

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

(3) New Commercial and Residential Only

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Square Footage Occupied	21,500	21,500	21,500	21,500	21,500	21,500	21,500	5,516	5,516	5,516
Departmental Vehicles	3	3	3	3	3	3	5	2	2	2
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	25,600	25,600	8,700	8,700	8,700
Square Footage of Building Department	2,500	2,500	2,500	2,500	2,500	2,500	2,500	1,716	1,716	1,716
Police Vehicles	67	63	63	62	57	53	52	47	42	40
Building Inspector Vehicles	3	3	4	4	5	6	5	4	4	5
Transportation										
Streets (miles)	156	156	156	156	156	156	156	156	149.6	140.0
Number of Streetlights (1)	1,236	1,230	1,240	1,229	1,309	3,808	3,555	3,543	3,543	3,531
Airport	1	1	1	1	1	1	1	1	1	1
Public Service Vehicles	19	22	18	23	21	19	14	24	18	22
Physical Environment										
Public Service Vehicles	9	15	7	11	10	12	13	6	7	4
Recreation										
Number of Parks	18	18	18	15	14	14	12	12	12	10
Recreation Centers	2	2	2	2	2	2	2	2	2	2
Park Acreage	315.01	315.01	233.79	233.79	229.37	229.37	223.37	223.37	223.37	207.85
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	14	13	13	13	12	11	10	8	6	6
Golf Course	1	1	1	1	1	1	1	1	1	1

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

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

CITY OF SEBASTIAN

HOME OF PELICAN ISLAND

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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

CITY OF

SEBASTIAN

HOME OF PELICAN ISLAND

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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, 2011, and have issued our report thereon dated March 13, 2012. 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, 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 13, 2012.

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

Vero Beach, Florida
March 13, 2012

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with the Department of Financial Services State Projects Compliance Supplement

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

Compliance

We have audited the compliance of the City of Sebastian, Florida (the "City") with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement, that are applicable to each of its major state projects for the year ended September 30, 2011. The City's major 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 state projects is the responsibility of the City of Sebastian, Florida's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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; Chapter 69I-5, Schedule of Expenditures of State Financial Assistance, Rules of the Department of Financial Services; and Chapter 10.550, *Rules of the Auditor General*. These standards, Chapter 69I-5 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 state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City'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 state projects for the year ended September 30, 2011.

Honorable Mayor and Members of City Council
City of 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 state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major 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 our 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 type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a 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 more than a remote likelihood that material noncompliance with a type of compliance requirement of a 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 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.

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Vero Beach, Florida
March 13, 2012

Section I - Summary of Auditors' Results

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 projects: Unqualified Opinion

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

The audit did not disclose any noncompliance that is material to the financial statements.

Identification of major State projects:

State CFDA Number	Name of State Project
55.004	Joint Participation Agreement with Florida Department of Transportation Aviation Administration

Dollar threshold used to distinguish between Type A and Type B projects: $300,000

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, 2011

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA No.	Contract Grant No.	Expenditures	Transfers to Subrecipients
Federal Highway Administration				
Indirect Program:				
Passed through Florida Department of Transportation				
Landscaping Improvements on CR512	20.205	APZ-00, FM No. 418031-1-58-01	$ 176,100	
Total Federal Highway Administration			176,100	
U.S. Department of Housing & Urban Development				
Direct Programs:				
Community Development Block Grant	14.216	B-10-MC-12-0058	61,959	
Total U.S. Department of Housing & Urban Development			61,959	-
TOTAL EXPENDITURES OF FEDERAL AWARDS:			$ 238,059	$ -

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, 2011

State Agency Pass-through Entity State Project	CSFA No.	Contract Grant No.	Expenditures
Department of Transportation			
Direct Projects:			
Joint Participation Agreement with Florida Department of Transportation Aviation Administration:			
Construct Hangars	55.004	416287-1-94-01	$ 899,700
District Maintenance			
Lighting Maintenance and Compensation Agreement	55.023	405122-1-78-10	9,553
Total Department of Transportation			909,253
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:			$ 909,253

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, 2011

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, 2011 and have issued our report thereon dated March13, 2012.

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 13, 2012, should be considered in conjunction with this management letter.

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

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

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

The *Rules of the Auditor General* (Section 10.554(1)(i)3) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. The following finding came to our attention during the audit:

We noted that the City is not properly maintaining all documentation required under the City's purchasing card policy. The policy requires that requests for new cardholders be made by submitting a "Purchasing Card Request". Additionally, the policy requires that each cardholder sign a "Cardholder Agreement". We noted several instances where these two forms were not maintained for various cardholders. We suggest that the City request that all current cardholders sign new forms. In the future, these agreements should be maintained for all cardholders. This same issue was identified in the previous year's audit and has not been corrected.

The *Rules of the Auditor General* (Section 10.554(1)(i)4) require that we address violations of provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

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

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

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the City of Sebastian, Florida for the year ended September 30, 2011, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2011.

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.

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

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

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

Vero Beach, Florida
March 13, 2012

CITY OF
SEBASTIAN
HOME OF PELICAN ISLAND

March 21, 2012

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

Subject: Response to Management Letter Comments

Dear Mayor and City Council Members:

The Auditors have provided a management letter comment which was noted during the course of the audit for the 2010-2011 fiscal year. A management letter comment is a recommendation for improvement of the City's financial management, accounting procedures and internal control. The response below is provided to document the City's actions as a result of that comment.

Documentation Required By The City's Purchasing Card Policy

The City has consolidated the two documents that were previously required into one form and is in the process of having all current card holders sign the new form and acknowledge that they have received a copy of the current policy document. It is expected that this task will be complete before March 28, 2012 and that any new cardholders will be properly documented in order to resolve this comment.

Sincerely,

Al Minner
City Manager
City of Sebastian

CITY OF
SEBASTIAN
HOME OF PELICAN ISLAND

To: City Council

From: Ken Killgore, Finance Director

Date: March 21, 2012

Subject: Comprehensive Annual Financial Report for FY2011

Enclosed is a printed copy of the City's Comprehensive Annual Financial Report for FY2011, as well as a letter to the City Council from the City's auditing firm.

No action is expected from the City Council regarding the letter. It is just a requirement by their professional standards that the letter be provided to you at the time the audit is completed.

The printed Report will be formally presented by the auditors at the March 28th City Council meeting.

Please let me know, should you need any further information.

Cc: City Manager
City Clerk
Director of Administrative Services

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March13, 2012

City Council
City of Sebastian
Sebastian, Florida

We have audited the 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 for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 11, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Sebastian, Florida are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Sebastian, Florida's financial statements were the overfunded pension costs, the unfunded OPEB obligation, and the pollution remediation liability.

Management's estimate of the overfunded pension costs is based on an actuarial valuation. Management's estimate of the unfunded OPEB obligations is based on an actuarial valuation. Management's estimate of the pollution remediation liability is based on the City of Sebastian, Florida's best estimate of its share of the clean-up costs. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation
We have requested certain representations from management that are included in the management representation letter dated March13, 2012.

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Certified Public Accountants - Chartered

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

P. Ross Cotherman, II, CPA
Director