

# Comprehensive Annual Financial Report



*City of Sebastian, Florida*

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For the Fiscal Year October 1, 2009 through September 30, 2010

*The CAFR cover depicts before and after photographs of the City of Sebastian's Collier Canal Retrofit Project completed in Fiscal Year 2010.*

*Collier Canal is the primary detention area for over 50% of the City's stormwater runoff. The canal directly discharges into the Sebastian River, which flows into the Intracoastal Waterway and subsequently into the Atlantic Ocean.*

*Over the past decade, the service life of the seawalls had reached a critical state and started failing. Many of the bulkhead sections along the 2.1 mile stretch of Collier Canal had failed and literally fallen into the canal. Silt had filled in the canal and reduced water storage capacity and compromised the water quality.*

*The main project elements were reconstruction and stabilization of 2.1 miles of canal bank, dredging and disposal of 30,000 cubic yards of silt, as well as continued water quality monitoring of the canal.*

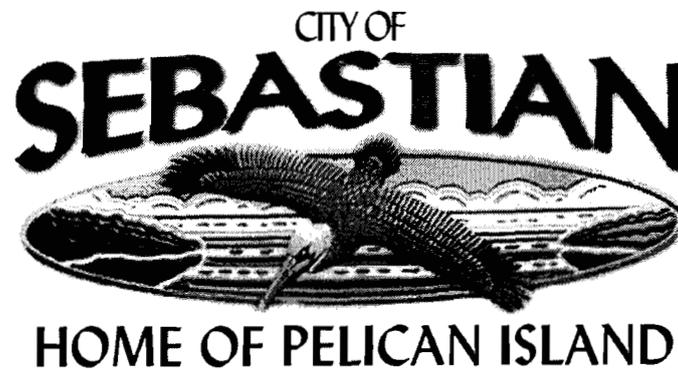
*The project was permitted through St. Johns River Water Management District at the state level, and the U.S. Army Corp of Engineers at the federal level.*

*Funding of this project was made possible by the Florida Department of Environmental Protection. Total project cost was \$4,925,100.*

*Notice to proceed was issued to S.E. Cline Construction, Inc., on March 9, 2009 and the project was completed in July 2010.*

*Photograph provided courtesy of:  
Everlast Synthetic Products, LLC, Vinyl Sheets for Seawalls.*

# CITY OF SEBASTIAN, FLORIDA

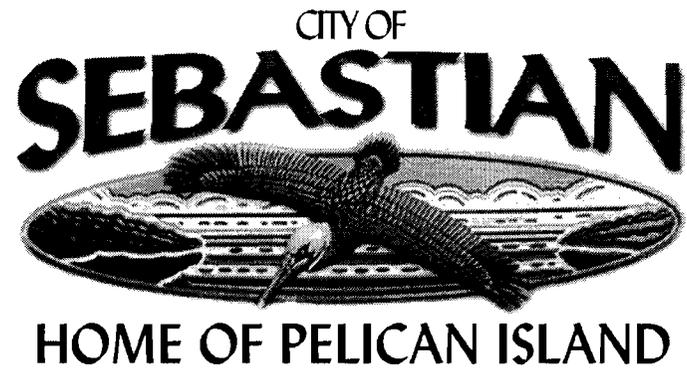


## Comprehensive Annual Financial Report For the Year Ended September 30, 2010

### CITY COUNCIL

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

Prepared By: Administrative Services Department



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# **INTRODUCTORY SECTION**

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Ended September 30, 2009
- 
- Organizational Chart
- List of Officials

**CITY OF SEBASTIAN, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2010**  
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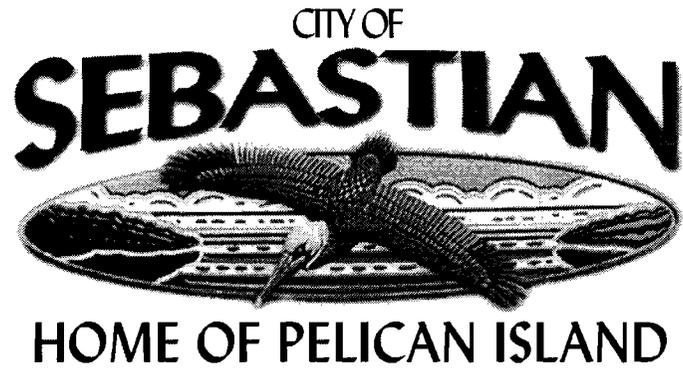
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March 18, 2011

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, 2010, 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, 2010.

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, Cotheman, Jones, Price & Associates, has issued an unqualified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2010. The independent auditors' report is located on page 3 and 4.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

#### Profile of the Government

The City of Sebastian, Florida is located in Indian River County approximately midway through the east coast of the Florida Peninsula (between Melbourne and Vero Beach) in an area known as the Treasure Coast. It is recognized as the Home of Pelican Island, the first designated wildlife refuge in the United States, a Millennium City, and a Tree City USA.

The City of Sebastian was first incorporated as the Town of Sebastian in 1924. In the late 1950s General Development Corporation purchased the land from the Mackle family of Miami and began the development of a planned community that is now the City of Sebastian. The City has a population of 22,922 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 significantly increased over the past four years. Retail sales and the service industries remain the largest sectors of employment in the Sebastian area. The historical overall unemployment rate for the area over the past ten years and the projected unemployment rate for the next ten years are greater than that of the State of Florida. This high number indicates that the influx of residents to the area continues to outpace job creation. According to the U.S. Census Bureau (2000), 86% of the population age 25 or older are high school graduates and 23.1% hold a bachelor's degree or higher. The geographical area of the City of Sebastian, just north of the Treasure Coast, houses a number of high-tech industries including NASA and various aerospace industry-related businesses. This attracts a workforce with a higher than average education and technical skills to the vicinity. The area median age for 2000 was 49.2 per U.S. Census Bureau and median household income for 2008 was \$48,267 per the Florida Research & Economic Database.

#### Long-term Financial Planning

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

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

The millage was maintained at the same 3.3456 as the prior year, although the City experienced another sizable decline in taxable value. Construction activity in fiscal year 2010 continued to be low, with just 36 permits being issued for new construction in fiscal year 2010 with a value of \$6.6 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 25% of the general fund expenditures budget, were 45.7% 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 selected and employed a new financial advisor that assisted with the payoff and financing of a bank note to allow for additional road paving work and also employed a new investment advisor that is assisting with restructuring the investment holdings. In addition, collective bargaining agreements were negotiated that reduced the contract periods to one year, which is considered important to the City's ability to have flexibility in controlling personnel costs during these difficult economic times. Planning also started on other projects, including a detailed study of property values and evaluation of the appropriate amounts of insurance coverage, an organizational review of the City garage operations, 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 ¼ rounds. The City also started outsourcing the swale and ditch maintenance work to enable City crews to focus on different stormwater maintenance practices. During fiscal year 2010, a significant project to replace the canal walls along Collier Creek was accomplished.

Traffic & Transportation – The City continues working on a long-term street-resurfacing program for the next 10 to 15 years. City administration will also continue to program funding for streetscape projects to help maintain public safety and beautification efforts. In addition, capital improvement programming for sidewalk installation throughout the City will continue for both the short and long term as funding and resources permit. \$1,250,000 of additional paving funds was provided in February 2010 by means of refinancing the outstanding bank note.

Airport - The Sebastian Municipal Airport's infrastructure is being developed to attract economic development opportunities that will stimulate the business climate and create jobs in the community. The current Master Plan serves as the guiding document for airport planning. Land leases are a primary source of airport revenues and over 150 acres of property is available for lease, for both aviation and non-aviation businesses. Also important are sales from a self-serve fueling facility.

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

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

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, 2009. 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.

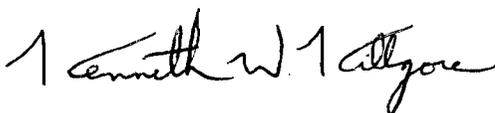
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Art 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, 2009

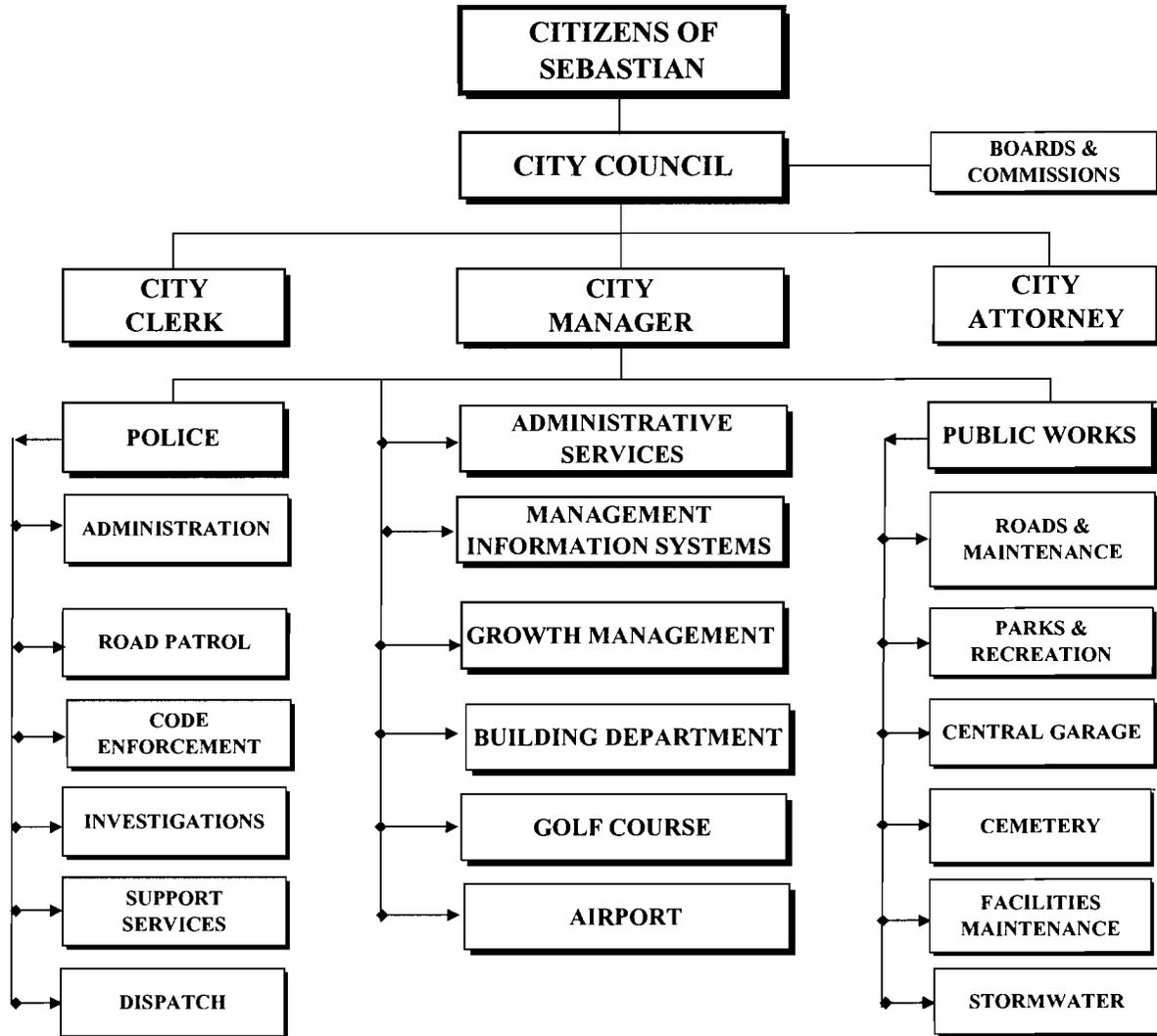
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

MIS Director

FRANK LOSARDO

Public Works Director

JERRY CONVERSE

Growth Management Director

REBECCA GROHALL

Building Official

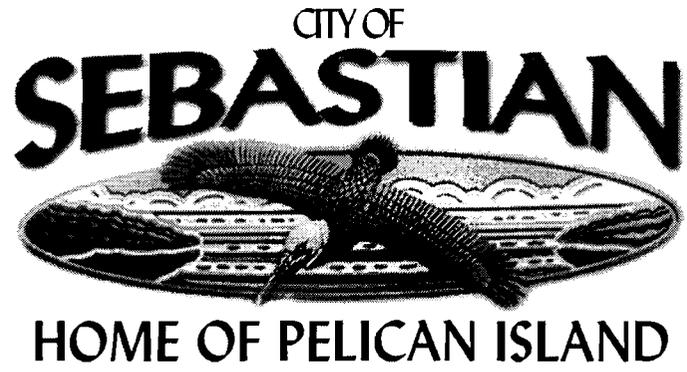
WAYNE ESELTINE

Golf Course Director

GREG GARDNER

Airport Director

JOSEPH GRIFFIN

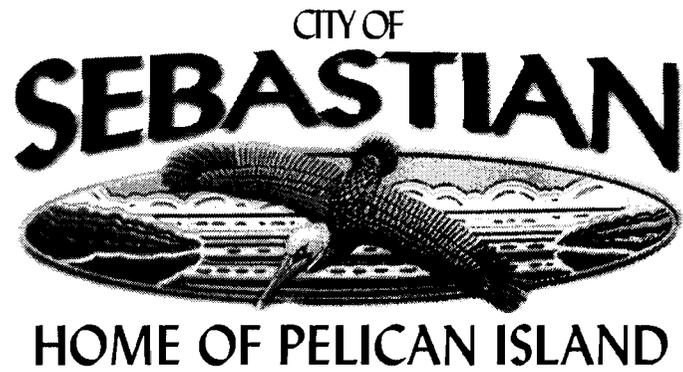


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# **FINANCIAL SECTION**

This section contains the following subsections:

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



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

Certified Public Accountants - Chartered

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

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida (the "City") as of and for the year ended September 30, 2010, 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, 2010, 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 February 24, 2011 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.

The Management's Discussion and Analysis and the required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding

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

the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual 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 combining and individual fund financial statements, the budgetary comparisons, capital asset schedules and other financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, the Florida Single Audit Act and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements of the City of Sebastian, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Vero Beach, Florida  
February 24, 2011

## 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 2010 by \$52,632,005 (net assets). Of this amount, \$3,546,671 (unrestricted net assets) may be used to meet the City's on-going obligations to citizens and creditors.
- The city's total net assets increased by \$2,277,138 resulting from an increase of \$2,140,287 from governmental activities and \$136,851 from business-type activities
- Governmental funds reported a combined ending fund balance of \$14,369,442, a decrease of \$786,090 in comparison with the prior year. Approximately 15% of this amount, \$2,164,910 is unassigned and available for spending, a decrease of \$160,062 from fiscal year 2009 due to less property tax revenue.
- The golf course and airport enterprise funds reported higher deficits in unrestricted net assets. With no longer having debt service payments, it is expected the golf course will be able to reduce that deficit. 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 fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, discretionary sales tax special revenue fund, riverfront redevelopment special revenue fund, transportation improvements capital project fund and stormwater utility improvements capital project fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements beginning on page 60.

Annual budgets are adopted for all governmental funds except the capital project funds, which are approved on a “life of the project basis”, and the permanent fund, which is not budgeted. The budgetary comparison statements have been provided for all governmental funds except capital project funds to demonstrate compliance with the budget.

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

## **Proprietary Funds**

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

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

## **Fiduciary Funds**

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

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

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-50 of this report.

## **Other Information**

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

# **THE CITY AS A WHOLE**

## **Financial Analysis of the City as a Whole**

The City’s combined net assets increased \$2.2 million from \$50.4 million to \$52.6 million or 4%. Looking at the net assets and net revenues of the governmental and business-type activities, the increase occurred in both the net assets of governmental-type activities and the business-type activities. Our analysis focuses on net assets (Table 1) and changes in net assets (Table 2) of the City’s governmental and business-type activities.

## GOVERNMENT-WIDE STATEMENTS

### Statement of Net Assets

The following table reflects the condensed Statements of Net Assets:

**Table 1**

**Statements of Net Assets  
as of September 30, 2010 and 2009  
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 15,664	\$ 17,084	\$ 166	\$ 692	\$ 15,830	\$ 17,776
Capital assets	42,378	38,673	11,390	11,018	53,768	49,691
Total assets	\$ 58,042	\$ 55,757	\$ 11,556	\$ 11,710	\$ 69,598	\$ 67,467
Non-current liabilities	\$ 15,517	\$ 14,782	\$ 232	\$ 534	\$ 15,749	\$ 15,316
Other liabilities	940	1,530	277	265	1,217	1,795
Total liabilities	\$ 16,457	\$ 16,312	\$ 509	\$ 799	\$ 16,966	\$ 17,111
Net assets:						
Invested in capital assets, net of related debt	\$ 28,939	\$ 26,745	\$ 11,390	\$ 10,726	\$ 40,329	\$ 37,471
Restricted	8,757	8,197	-	98	8,757	8,295
Unrestricted	3,889	4,502	(343)	87	3,546	4,589
Total net assets	\$ 41,585	\$ 39,444	\$ 11,047	\$ 10,911	\$ 52,632	\$ 50,355

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

Total net assets of the governmental activities increased from \$39.445 million to \$41.585 million. Total net assets for business-type activities increased from \$10.911 million to \$11.047 million.

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

The increase in net assets for business-type activities is primarily due to the increase in capital assets funded by the Federal Aviation Administration and the Florida Department of Transportation for the City's municipal airport.

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

**Table 2**  
**Changes in Net Assets**  
**For the Fiscal Years Ended September 30, 2010 and 2009**  
**(in thousands)**

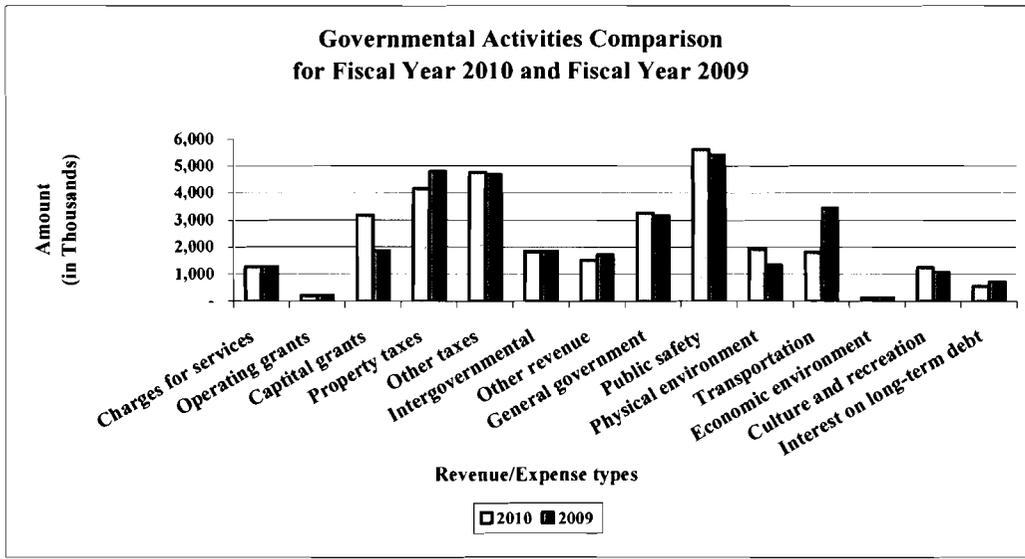
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,266	\$ 1,291	\$ 1,959	\$ 2,205	\$ 3,225	\$ 3,496
Operating grants and contributions	210	228	-	-	210	228
Capital grants and contributions	3,179	1,865	905	1,357	4,084	3,222
General revenues:						
Property taxes	4,164	4,802	-	-	4,164	4,802
Other taxes	4,765	4,670	-	-	4,765	4,670
Intergovernmental	1,825	1,821	-	-	1,825	1,821
Other	1,523	1,729	218	6	1,741	1,735
<b>Total revenues</b>	<b>16,932</b>	<b>16,406</b>	<b>3,082</b>	<b>3,568</b>	<b>20,014</b>	<b>19,974</b>
<b>EXPENSES</b>						
General government	3,309	3,170	-	-	3,309	3,170
Public safety	5,721	5,421	-	-	5,721	5,421
Physical environment	1,948	1,348	-	-	1,948	1,348
Transportation	1,864	3,438	-	-	1,864	3,438
Economic environment	136	167	-	-	136	167
Culture and recreation	1,240	1,073	-	-	1,240	1,073
Golf Course	-	-	1,388	1,477	1,388	1,477
Airport	-	-	1,068	1,080	1,068	1,080
Building	-	-	497	534	497	534
Interest and fiscal charges	566	730	-	-	566	730
<b>Total expenses</b>	<b>14,784</b>	<b>15,347</b>	<b>2,953</b>	<b>3,091</b>	<b>17,737</b>	<b>18,438</b>
Change in net assets before transfers	2,148	1,059	129	477	2,277	1,536
Transfers	(7)	-	7	-	-	-
Increase in net assets	2,141	1,059	136	477	2,277	1,536
Net assets - October 1, 2009	39,444	38,385	10,911	10,434	50,355	48,819
<b>Net assets - September 30, 2010</b>	<b>\$ 41,585</b>	<b>\$ 39,444</b>	<b>\$ 11,047</b>	<b>\$ 10,911</b>	<b>\$ 52,632</b>	<b>\$ 50,355</b>

Overall the total revenues increased \$40 thousand from the previous year but only as a result of an increase in capital grants that more than offset declines in almost every other revenue source categories. The total expenses of all programs decreased by 4.0% (\$701 thousand) because of a reduction in transportation expenses. Our analysis below separately considers the operations of governmental and business-type activities.

### Governmental Activities

Governmental activities revenues exceed expenses by \$2.148 million. Total revenues increased approximately \$526 thousand from the previous year. The increase was primarily due to receiving capital grant proceeds. More revenues were received in other taxes but less was received in other categories, particularly property taxes. Total expenses decreased \$563 thousand from the previous year. The largest decreased in spending was in the category of transportation.

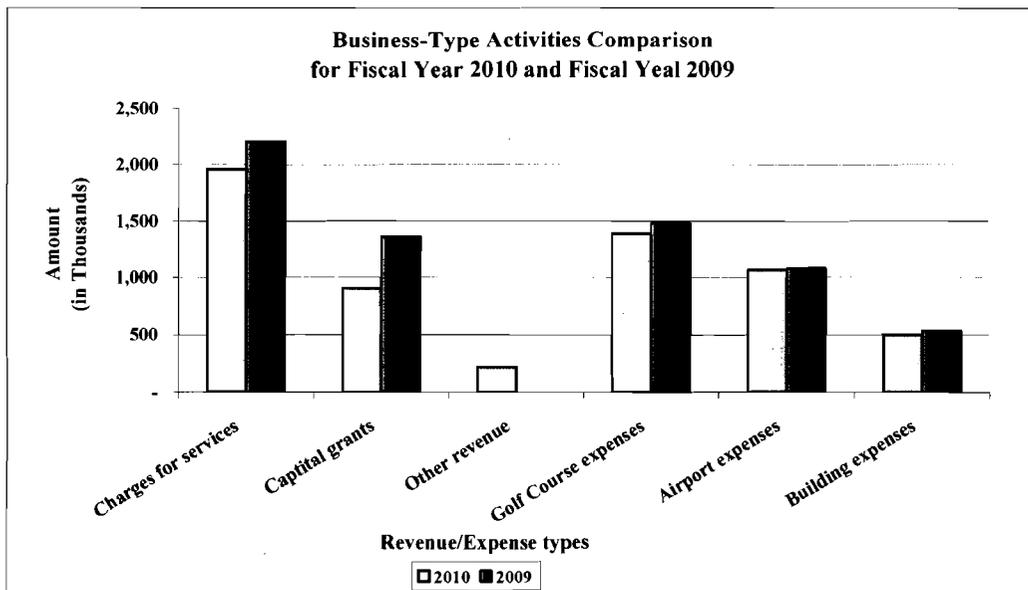
The following is a graphic illustration of the comparison for governmental activities revenue and expenses.



**Business-type Activities**

Revenues of the City’s business-type activities (see Table 2) decreased \$486 thousand primarily because of capital grants received by the Airport in the prior year. Expenses fell by 4.5% for all the City’s business-type activities, with reductions in charges by General Fund being the primary cause of expenses for the Building Enterprise and Airport expenses declining by 6.9% and 1.1% respectively; Golf Course expenses declined by 6.0% due to reductions in personnel costs, savings by rebidding the groundskeeping service contract and a reduction in rent paid to the Airport. The Building Enterprise has been reduced to minimal staffing in order to preserve it’s cash reserves until the economy and building activity resumes. The Golf Course has also minimized staffing and operating expenses until it made the final debt service payment and until it sees an improvement in revenue, which is anticipated with better weather and an improved economy. The City’s Municipal Airport enjoys a continued interest by the Florida Department of Transportation-Aviation Section and Federal Aviation Administration to upgrade the airport facilities as evidenced by repeated support via grant funding.

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



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$14.4 million, which is a decrease of \$0.8 million from the prior year of \$15.2 million. Approximately 15.1% of this total amount (\$2.2 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is classified as nonspendable (\$1.2 million), restricted (\$7.9 million), committed (\$3.1 million) or assigned (\$.03 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 \$2,164,910, while total fund balance was \$5,612,399. 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 20 percent of total general fund expenditures, while total fund balance represents 51 percent of that same amount.

The fund balance of the City's general fund decreased by \$155,715 during the current fiscal year. Key factors in this reduction are as follows:

- Property tax revenues decreased by \$542,402 due to reductions in taxable property values.
- Fines increased due to collections of code enforcement fines.
- Investment earnings decreased \$39,872 due to lower rates of return.
- Contributions and donations decreased \$15,020 because of unusually large contributions the prior year.
- Public utility taxes increased \$95,592 and franchise fees decreased \$98,561.
- All other revenues decreased by \$4,051.
- Transfers in from other Funds decreased \$56,650 because of higher than normal transfers the prior year.
- Expenditures decreased \$1,033,314 due to reductions in employees and cuts in other operating accounts.

The **discretionary sales tax revenue special revenue fund** has a total unreserved and undesignated fund balance of \$1,094,095. The increase from the \$673,676 total fund balance of the prior year is mainly due to transfers made back to this fund from previously funded projects that ended up being funded by grants.

The **riverfront redevelopment special revenue fund** has an unreserved and undesignated fund balance of \$682,591. The decrease from the \$984,638 total fund balance of the prior year is mainly due to the required matching portion to grants received for the purchase of certain properties on the riverfront.

The **transportation improvements capital project fund** has a total fund balance of \$488,988, 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 \$157,471, all of which is reserved for stormwater capital projects. The decrease from the \$2,080,225 total fund balance of the prior year is due to large expenditures made on the stormwater capital project to make improvements to Collier Canal.

## 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 \$331,000, while the unrestricted net assets (deficit) amounted to (\$335,947). Compared to the prior year in the same category, net assets are \$46,603 less than the prior year, while the unrestricted net assets has a decrease of \$175,347 from the prior year. This is mainly due to the use of funds for the final payment 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 \$10,190,162, while the unrestricted net assets (deficit) amounted to (\$525,184). Compared to the prior year in the same category, net assets have increased by \$313,253 while the unrestricted net assets decreased \$135,816. 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 \$526,202, while the unrestricted net assets amounted to \$518,791. 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 capital projects. The second category includes adjustments for unanticipated revenues. The third category includes supplemental appropriations to cover unanticipated items or costs that were in excess of budgeted amounts. The main components of the increase are as follows:

- \$715,923 supplemental appropriation to the Discretionary Sales Tax, Recreation Impact Fee and Stormwater Utility Funds to cover transfers for capital projects that were carried forward from the prior fiscal year.
- \$28,329 supplemental appropriation for proceeds from a JAG Grant for equipment purchases.
- \$3,179 supplemental appropriation to the Law Enforcement Forfeiture Fund for expenditures on vehicle towing charges and drug investigation monies.
- \$10,000 supplemental appropriation to the Golf Course for an emergency purchase of a reconditioned fairway cutting unit.
- \$2,349,006 supplemental appropriation to the Local Option Gas Tax Fund related to the pay off of the former bank note and to establish appropriations necessary for the new bank note.
- \$281,174 reduction to the Discretionary Sales Tax Fund to reflect the cancellation of a project.
- \$16,350 supplemental appropriation to the Recreation Impact Fee Fund for construction of a public park at the Airport and for fencing at the Dog Park and Barber Street Sports Complex.
- \$6,400 supplemental appropriation to the Riverfront Redevelopment Fund to complete the Yacht Club Finger Piers project.
- \$23,636 supplemental appropriation for a project related to the Schumann Park restrooms.
- \$134,852 and \$149,082 supplemental appropriations for insurance premiums received from the State and transferred to the Police Pension Plan and to fund additional required employer contributions to the Police Pension Plan.
- \$85,850 supplemental appropriations to cleanup transfer accounts in several Special Revenue Funds for differences in amounts budgeted and expended toward projects during the year.

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 received from Florida Power and Light Company. Lower than anticipated investment earnings also contributed to the shortfall. A positive overall variance on expenditures resulted in a lower draw on existing fund balances than had been anticipated.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2010 the City had \$80,942,105 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 \$6,846,603, or 9.2%, over last year. The following table illustrates the changes in capital assets. See page 40 and page 41 in the notes to the financial statements for detailed changes in capital assets.

**Table 3**

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 8,007,437	\$ 5,699,045	\$ 9,060	\$ 9,060	\$ 8,016,497	\$ 5,708,105
Buildings	12,061,711	11,284,488	5,083,230	5,082,120	17,144,941	16,366,608
Improvements	5,738,546	5,704,686	1,942,229	1,940,103	7,680,775	7,644,789
Equipment	7,742,063	7,784,213	1,033,439	1,062,333	8,775,502	8,846,546
Infrastructure	30,891,580	25,125,625	7,477,976	6,237,799	38,369,556	31,363,424
Construction-in-Progress	951,144	3,958,971	3,690	207,059	954,834	4,166,030
<b>Totals</b>	<b>\$ 65,392,481</b>	<b>\$ 59,557,028</b>	<b>\$ 15,549,624</b>	<b>\$ 14,538,474</b>	<b>\$ 80,942,105</b>	<b>\$ 74,095,502</b>

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

- An increase in land mainly due to the purchase of property at the riverfront.
- An increase in buildings mainly due to the purchase of a building at the riverfront.
- An increase in infrastructure mainly due to making improvements to Schumann Park and other recreational facilities.

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

- An increase in infrastructure mainly due to the construction on an access road.

### Debt

On September 30, 2010, the City had \$13,449,000 in bonds and notes outstanding versus \$13,421,679 on September 30, 2009 – as shown in the table on the following page:

The slight increase in debt is attributable to the retirement of debts and the issuance during the year of a note. The Infrastructure Sales Surtax Revenue Bonds, Series 2003 and Series 2003A and the Stormwater Utility Revenue Bonds, Series 2003 were initially insured by AAA rated insurance agencies and rated AAA, which is the highest rating given by rating agencies. The City's Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 received a AAA rating from Standard & Poor's. However, ratings on the insurance agencies have 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.

Table 4

	Governmental		Business-type		Totals	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Infrastructure sales surtax revenue bonds, Series 2003	\$ 5,655,000	\$ 6,255,000	\$ -	\$ -	\$ 5,655,000	\$ 6,255,000
Infrastructure sales surtax revenue bonds, Series 2003A	1,325,000	1,470,000	-	-	1,325,000	1,470,000
Stormwater utility revenue bonds, Series 2003	4,055,000	4,315,000	-	-	4,055,000	4,315,000
Notes payable (backed by local option gas tax)	2,414,000	1,089,203	-	-	2,414,000	1,089,203
Recreational facilities improvements and refunding revenue bonds, series 2001	-	-	-	292,476	-	292,476
<b>Totals</b>	<b>\$ 13,449,000</b>	<b>\$ 13,129,203</b>	<b>\$ -</b>	<b>\$ 292,476</b>	<b>\$ 13,449,000</b>	<b>\$ 13,421,679</b>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 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.<sup>®</sup> The Indian River County unemployment rate in 2010 was 15.4% up from 14.1% in the previous year. This is analogous to the economic slowdown being experienced throughout the state and nation. Again in fiscal year 2010, the city experienced a major reduction in property value (14.13% decrease) and a small decline in new construction permits (from 58 to 36). The low number of new construction permits reflects the state and national trend and is consistent with the overall housing market.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2011. Amounts available for appropriation in the General Fund budget are \$10,454,340, a decrease of 3.3% from the original fiscal year 2010 budget of \$10,809,831. 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 decrease in golf revenues in fiscal year 2010 mainly due to a slight reduction in number of rounds being played. Although it has reduced operating expenses as much as possible, revenues have been inadequate to provide sufficient funds to also cover the payments on long term debt. A temporary interfund loan from General Fund was made at the end of the year to provide sufficient cash for the final payment. With no longer having to cover the debt service payment, it is expected that a reasonably good level of revenues will enable repayment of the loan.

### 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, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,677,857	\$ 289,785	\$ 3,967,642
Investments	6,369,253	428,393	6,797,646
Receivables	755,966	92,088	848,054
Internal balances	685,000	(685,000)	-
Prepaid items	86,520	17,366	103,886
Inventory	65,728	24,152	89,880
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,738,756	-	2,738,756
Investments	20,772	-	20,772
Permanently restricted:			
Investments	674,193	-	674,193
Overfunded pension costs	165,630	-	165,630
Deferred charges	424,714	-	424,714
Capital assets not being depreciated:			
Land	8,007,437	9,060	8,016,497
Construction in progress	951,144	3,690	954,834
Capital assets (net of accumulated depreciation):			
Buildings	9,013,439	4,332,040	13,345,479
Improvements other than buildings	3,564,503	1,357,388	4,921,891
Machinery and equipment	1,426,286	302,808	1,729,094
Infrastructure	19,415,195	5,384,718	24,799,913
Total assets	<u>58,042,393</u>	<u>11,556,488</u>	<u>69,598,881</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	703,471	136,520	839,991
Accrued interest payable	236,077	-	236,077
Unearned revenues	1,132	140,891	142,023
Non-current liabilities:			
Due within one year	1,415,713	11,111	1,426,824
Due in more than one year	14,101,359	220,602	14,321,961
Total liabilities	<u>16,457,752</u>	<u>509,124</u>	<u>16,966,876</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	28,938,587	11,389,704	40,328,291
Restricted for:			
Debt service	1,737,605	-	1,737,605
Capital	3,422,728	-	3,422,728
Perpetual care:			
Expendable	185,270	-	185,270
Nonexpendable	674,193	-	674,193
Other expenditures	2,737,247	-	2,737,247
Unrestricted	3,889,011	(342,340)	3,546,671
Total net assets	<u>\$ 41,584,641</u>	<u>\$ 11,047,364</u>	<u>\$ 52,632,005</u>

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

**City of Sebastian, Florida**  
**Statement of Activities**  
**For the year ended September 30, 2010**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,309,381	\$ 203,915	\$ 5,229	\$ -
Public safety	5,720,933	118,368	186,262	-
Physical environment	1,947,605	881,338	-	-
Transportation	1,863,551	-	18,559	595,746
Economic environment	135,885	-	-	2,556,872
Cultural/recreation	1,240,383	62,046	-	26,000
Interest and fiscal charges	566,410	-	-	-
Total governmental activities	<u>14,784,148</u>	<u>1,265,667</u>	<u>210,050</u>	<u>3,178,618</u>
Business-type activities:				
Golf Course	1,388,158	1,335,647	-	-
Airport	1,067,525	468,698	-	904,853
Building	496,800	356,264	-	-
Total business-type activities	<u>2,952,483</u>	<u>2,160,609</u>	<u>-</u>	<u>904,853</u>
Total government	<u>\$ 17,736,631</u>	<u>\$ 3,426,276</u>	<u>\$ 210,050</u>	<u>\$ 4,083,471</u>

General Revenues:

Property taxes, levied for general purposes  
Sales and use taxes  
Franchise fees  
State shared revenues not restricted to specific programs  
Interest earnings  
Miscellaneous  
Total general revenues

Transfers

Total general revenues and transfers

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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,100,237)	\$ -	\$ (3,100,237)
(5,416,303)	-	(5,416,303)
(1,066,267)	-	(1,066,267)
(1,249,246)	-	(1,249,246)
2,420,987	-	2,420,987
(1,152,337)	-	(1,152,337)
(566,410)	-	(566,410)
<u>(10,129,813)</u>	<u>-</u>	<u>(10,129,813)</u>
-	(52,511)	(52,511)
-	306,026	306,026
-	(140,536)	(140,536)
<u>-</u>	<u>112,979</u>	<u>112,979</u>
<u>(10,129,813)</u>	<u>112,979</u>	<u>(10,016,834)</u>
4,164,128	-	4,164,128
4,765,200	-	4,765,200
1,228,692	-	1,228,692
1,825,215	-	1,825,215
144,432	15,658	160,090
149,453	1,194	150,647
<u>12,277,120</u>	<u>16,852</u>	<u>12,293,972</u>
<u>(7,020)</u>	<u>7,020</u>	<u>-</u>
<u>12,270,100</u>	<u>23,872</u>	<u>12,293,972</u>
2,140,287	136,851	2,277,138
39,444,354	10,910,513	50,354,867
<u>\$ 41,584,641</u>	<u>\$ 11,047,364</u>	<u>\$ 52,632,005</u>

**City of Sebastian, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2010**

	<u>General</u>	<u>Discretionary Sales Tax</u>	<u>Riverfront Redevelopment</u>	<u>Transportation Improvements</u>	<u>Stormwater Utility Improvements</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,357,145	\$ 598,080	\$ 408,957	\$ 494,178	\$ 32,093
Investments	3,757,222	296,983	276,382	-	209,056
Accounts receivables	254,429	-	3,326	-	-
Due from other funds	200,000	-	-	-	-
Due from other governments	239,359	198,890	-	-	-
Interest receivable	199	142	55	-	-
Inventory	65,728	-	-	-	-
Prepaid items	86,520	-	-	-	-
Advance to other funds	200,000	285,000	-	-	-
Total assets	<u>6,160,602</u>	<u>1,379,095</u>	<u>688,720</u>	<u>494,178</u>	<u>241,149</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	532,006	-	6,129	5,190	83,678
Due to other governments	15,065	-	-	-	-
Other deposits held in escrow	1,132	-	-	-	-
Total liabilities	<u>548,203</u>	<u>-</u>	<u>6,129</u>	<u>5,190</u>	<u>83,678</u>
Fund balances:					
Nonspendable	352,248	-	-	-	-
Restricted	-	1,379,095	682,591	488,988	157,471
Committed	3,063,585	-	-	-	-
Assigned	31,656	-	-	-	-
Unassigned	2,164,910	-	-	-	-
Total fund balances	<u>5,612,399</u>	<u>1,379,095</u>	<u>682,591</u>	<u>488,988</u>	<u>157,471</u>
Total liabilities and fund balances	<u>\$ 6,160,602</u>	<u>\$ 1,379,095</u>	<u>\$ 688,720</u>	<u>\$ 494,178</u>	<u>\$ 241,149</u>

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

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.

Negative net pension obligation resulting from overfunding of the police officers' pension plan.

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

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued long term debt interest expenses are not financial uses, therefore, are not reported in the funds.

Net assets of governmental activities

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,526,160	\$ 6,416,613
2,524,575	7,064,218
-	257,755
-	200,000
59,084	497,333
482	878
-	65,728
-	86,520
-	485,000
6,110,301	15,074,045

61,403	688,406
-	15,065
-	1,132
61,403	704,603

859,463	1,211,711
5,189,435	7,897,580
-	3,063,585
-	31,656
-	2,164,910
6,048,898	14,369,442
\$ 6,110,301	

42,378,004
165,630
(334,664)
(14,757,694)
(236,077)
\$ 41,584,641

**City of Sebastian, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2010**

	General	Discretionary Sales Tax	Riverfront Redevelopment	Transportation Improvements	Stormwater Utility Improvements
<b>REVENUES:</b>					
Taxes:					
Property	\$ 3,734,398	\$ -	\$ 429,730	\$ -	\$ -
Public utility	2,437,050	-	-	-	-
Sales	-	2,328,150	-	-	-
Motor fuel	-	-	-	-	-
Franchise fees	1,228,692	-	-	-	-
Licenses and permits	33,182	-	-	-	-
Intergovernmental	1,997,119	-	2,556,872	-	-
Impact fees	-	-	-	-	-
Charges for services	282,530	-	-	-	-
Fines	71,415	-	-	-	-
Investment earnings	127,524	25,465	3,056	-	2,202
Contributions and donations	13,442	-	-	-	-
Other revenue	145,929	-	3,781	-	-
Total revenues	<u>10,071,281</u>	<u>2,353,615</u>	<u>2,993,439</u>	<u>-</u>	<u>2,202</u>
<b>EXPENDITURES:</b>					
Current:					
General government	2,699,289	-	-	-	-
Public safety	4,932,132	-	-	-	-
Physical environment	1,196,595	-	-	-	14,131
Transportation	1,080,786	-	-	-	-
Economic environment	-	-	129,352	-	-
Culture and recreation	977,780	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	105,302	-	3,096,416	130,868	2,618,030
Total expenditures	<u>10,991,884</u>	<u>-</u>	<u>3,225,768</u>	<u>130,868</u>	<u>2,632,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(920,603)</u>	<u>2,353,615</u>	<u>(232,329)</u>	<u>(130,868)</u>	<u>(2,629,959)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	764,888	559,446	111	90,145	1,229,205
Transfers out	-	(2,492,642)	(69,829)	(37,596)	(522,000)
Debt proceeds	-	-	-	-	-
Total other financing sources (uses)	<u>764,888</u>	<u>(1,933,196)</u>	<u>(69,718)</u>	<u>52,549</u>	<u>707,205</u>
Net changes in fund balances	<u>(155,715)</u>	<u>420,419</u>	<u>(302,047)</u>	<u>(78,319)</u>	<u>(1,922,754)</u>
Fund balances - beginning	<u>5,768,114</u>	<u>958,676</u>	<u>984,638</u>	<u>567,307</u>	<u>2,080,225</u>
Fund balances - ending	<u>\$ 5,612,399</u>	<u>\$ 1,379,095</u>	<u>\$ 682,591</u>	<u>\$ 488,988</u>	<u>\$ 157,471</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,164,128
-	2,437,050
-	2,328,150
595,746	595,746
-	1,228,692
-	33,182
18,559	4,572,550
26,000	26,000
872,209	1,154,739
19,533	90,948
69,969	228,216
5,887	19,329
-	149,710
<u>1,607,903</u>	<u>17,028,440</u>
-	2,699,289
6,015	4,938,147
97	1,210,823
324,524	1,405,310
-	129,352
-	977,780
2,142,190	2,142,190
577,593	577,593
238,410	6,189,026
<u>3,288,829</u>	<u>20,269,510</u>
<u>(1,680,926)</u>	<u>(3,241,070)</u>
1,842,831	4,486,626
(1,371,579)	(4,493,646)
<u>2,462,000</u>	<u>2,462,000</u>
<u>2,933,252</u>	<u>2,454,980</u>
1,252,326	(786,090)
<u>4,796,572</u>	<u>15,155,532</u>
<u>\$ 6,048,898</u>	<u>\$ 14,369,442</u>

**City of Sebastian, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2010**

Net change in fund balances - total governmental funds	\$ (786,090)
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.	(83,784)
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.	3,706,111
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(1,391)
Issuance of long-term debt is recorded as revenue and expense in the governmental funds, but the proceeds increase long-term debt liabilities and deferred charges in the statement of net assets.	(2,362,282)
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.	2,142,203
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.	(474,480)
Change in net assets of governmental activities	\$ 2,140,287

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, 2010**

**Enterprise Funds**

	<b>Golf Course</b>	<b>Airport</b>	<b>Building</b>	<b>Totals</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 9,410	\$ 5,273	\$ 275,102	\$ 289,785
Investments	-	-	428,393	428,393
Accounts receivable	-	34,456	-	34,456
Due from other governments	-	57,593	-	57,593
Interest receivable	-	2	37	39
Inventory	12,117	12,035	-	24,152
Prepaid items	9,492	5,682	2,192	17,366
Total current assets	<u>31,019</u>	<u>115,041</u>	<u>705,724</u>	<u>851,784</u>
Noncurrent assets:				
Capital assets:				
Land	-	9,060	-	9,060
Buildings	331,228	4,752,002	-	5,083,230
Improvements other than buildings	271,475	1,670,754	-	1,942,229
Machinery and equipment	321,924	650,989	60,526	1,033,439
Infrastructure	1,100,951	6,377,025	-	7,477,976
Construction in process	-	3,690	-	3,690
Less accumulated depreciation	(1,358,631)	(2,748,174)	(53,115)	(4,159,920)
Total noncurrent assets	<u>666,947</u>	<u>10,715,346</u>	<u>7,411</u>	<u>11,389,704</u>
Total assets	<u>697,966</u>	<u>10,830,387</u>	<u>713,135</u>	<u>12,241,488</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	27,790	84,673	17,864	130,327
Due to other funds	200,000	-	-	200,000
Advance from other fund	-	485,000	-	485,000
Due to other governments	5,835	358	-	6,193
Unearned revenues	62,295	3,792	74,804	140,891
Accrued compensated absences	220	2,056	8,835	11,111
Total current liabilities	<u>296,140</u>	<u>575,879</u>	<u>101,503</u>	<u>973,522</u>
Non-current liabilities:				
Compensated absences	62,563	50,833	77,982	191,378
Unfunded OPEB obligation	8,263	13,513	7,448	29,224
Total non-current liabilities	<u>70,826</u>	<u>64,346</u>	<u>85,430</u>	<u>220,602</u>
Total liabilities	<u>366,966</u>	<u>640,225</u>	<u>186,933</u>	<u>1,194,124</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	666,947	10,715,346	7,411	11,389,704
Unrestricted (deficit)	(335,947)	(525,184)	518,791	(342,340)
Total net assets	<u>\$ 331,000</u>	<u>\$ 10,190,162</u>	<u>\$ 526,202</u>	<u>\$ 11,047,364</u>

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

**City of Sebastian, Florida**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	<b>Enterprise Funds</b>			
	<b>Golf Course</b>	<b>Airport</b>	<b>Building</b>	<b>Totals</b>
Operating revenues:				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 356,264	\$ 356,264
Golf course fees pledged as security for revenue bonds	1,297,783	-	-	1,297,783
Rents	29,744	304,100	-	333,844
Other revenue	8,120	164,805	-	172,925
Total operating revenues	<u>1,335,647</u>	<u>468,905</u>	<u>356,264</u>	<u>2,160,816</u>
Operating expenses:				
Salaries, wages and employee benefits	333,105	233,677	375,458	942,240
Contractual services, materials and supplies	933,121	223,049	109,237	1,265,407
Depreciation	87,910	602,249	12,105	702,264
Total operating expenses	<u>1,354,136</u>	<u>1,058,975</u>	<u>496,800</u>	<u>2,909,911</u>
Operating income (loss)	(18,489)	(590,070)	(140,536)	(749,095)
Nonoperating revenues (expenses):				
Interest income	4,921	-	10,737	15,658
Intergovernmental	-	-	-	-
Gain on disposal of fixed assets	987	-	-	987
Interest expense	(20,125)	(8,550)	-	(28,675)
Bond amortization expense	(13,897)	-	-	(13,897)
Total nonoperating revenues (expenses)	<u>(28,114)</u>	<u>(8,550)</u>	<u>10,737</u>	<u>(25,927)</u>
Income/(loss) before capital contributions and transfers	(46,603)	(598,620)	(129,799)	(775,022)
Transfer in	-	7,020	-	7,020
Capital contributions	-	904,853	-	904,853
Change in net assets	(46,603)	313,253	(129,799)	136,851
Total net assets - beginning	<u>377,603</u>	<u>9,876,909</u>	<u>656,001</u>	<u>10,910,513</u>
Total net assets - ending	<u>\$ 331,000</u>	<u>\$ 10,190,162</u>	<u>\$ 526,202</u>	<u>\$ 11,047,364</u>

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

**City of Sebastian, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	<b>Enterprise Funds</b>			
	<b>Golf Course</b>	<b>Airport</b>	<b>Building</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 1,337,499	\$ 438,240	\$ 344,347	\$ 2,120,086
Cash payments to suppliers	(966,894)	(160,326)	(108,661)	(1,235,881)
Cash payments for employee services	(335,103)	(233,837)	(383,260)	(952,200)
Net cash provided (used) by operating activities	<u>35,502</u>	<u>44,077</u>	<u>(147,574)</u>	<u>(67,995)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Loan from other fund	200,000	-	-	200,000
Interest paid on advance from other funds	-	(8,550)	-	(8,550)
Net cash provided (used) by noncapital financing activities	<u>200,000</u>	<u>(8,550)</u>	<u>-</u>	<u>191,450</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(22,499)	(1,051,318)	-	(1,073,817)
Receipt from capital grants	-	923,444	-	923,444
Receipt from sale of assets	987	-	-	987
Receipt from transfer from other fund	-	7,020	-	7,020
Principal paid on revenue bond maturities	(300,000)	-	-	(300,000)
Interest paid on revenue bonds	(12,600)	-	-	(12,600)
Net cash provided (used) by capital and related financing activities	<u>(334,112)</u>	<u>(120,854)</u>	<u>-</u>	<u>(454,966)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments	-	-	382,976	382,976
Interest on investments	4,921	-	14,199	19,120
Net cash provided by investing activities	<u>4,921</u>	<u>-</u>	<u>397,175</u>	<u>402,096</u>
Net increase (decrease) in cash and cash equivalents	(93,689)	(85,327)	249,601	70,585
Cash and cash equivalents, October 1	103,099	90,600	25,501	219,200
Cash and cash equivalents, September 30	<u>\$ 9,410</u>	<u>\$ 5,273</u>	<u>\$ 275,102</u>	<u>\$ 289,785</u>

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

**City of Sebastian, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**  
**(Continued)**

	<b>Enterprise Funds</b>			
	<b>Golf Course</b>	<b>Airport</b>	<b>Building</b>	<b>Totals</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (18,489)	\$ (590,070)	\$ (140,536)	\$ (749,095)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	87,910	602,249	12,105	702,264
(Increase) Decrease in assets:				
Accounts receivable	-	(34,456)	-	(34,456)
Inventories	931	833	-	1,764
Prepaid expenses	3,698	5,362	(145)	8,915
Increase (Decrease) in liabilities:				
Accounts payable	(37,758)	57,001	721	19,964
Due to other governments	(644)	(474)	-	(1,118)
Unearned revenues	1,852	3,792	(11,917)	(6,273)
Accrued termination benefits	-	-	(6,171)	(6,171)
Accrued compensated absences	(2,611)	5,828	4,464	7,681
Accrued OPEB liability	613	(5,988)	(6,095)	(11,470)
Total adjustments	53,991	634,147	(7,038)	681,100
Net cash provided (used) by operating activities	<u>35,502</u>	<u>44,077</u>	<u>(147,574)</u>	<u>(67,995)</u>
Cash and cash equivalents reconciliation:				
Current assets:				
Cash and cash equivalents	9,410	5,273	275,102	289,785
Cash and cash equivalents at September 30	<u>\$ 9,410</u>	<u>\$ 5,273</u>	<u>\$ 275,102</u>	<u>\$ 289,785</u>

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

**City of Sebastian, Florida**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2010**

	<b>Pension Trust</b>	<b>Agency</b>
	<b>Police Officers' Pension</b>	<b>Performance Deposits</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 692,069	\$ 11,930
Interest and dividends receivable	30,185	-
Investments, at fair value:		
Local government surplus trust funds investment pool	-	220,000
United States treasuries	399,758	-
United States agency notes	1,068,413	-
Domestic corporate bonds	1,493,858	-
Municipal Obligations	102,963	-
Domestic corporate equities	3,299,056	-
Total investments	6,364,048	220,000
Total assets	7,086,302	231,930
<b>LIABILITIES</b>		
Refunds payable	-	231,930
Total liabilities	-	231,930
<b>NET ASSETS</b>		
Held in trust for pension benefits	\$ 7,086,302	\$ -

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, 2010**

	<u>Police Officers' Pension</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 566,910
Plan members	115,421
State	<u>134,852</u>
Total contributions	<u>817,183</u>
Investment earnings:	
Net increase in fair value of investments	260,719
Interest and dividends	<u>185,647</u>
Total investment earnings	446,366
Less investment expenses	<u>(37,448)</u>
Net investment earnings	<u>408,918</u>
Total additions	<u>1,226,101</u>
 <b>DEDUCTIONS</b>	
Benefits	119,131
Refunded contributions	10,653
Administrative expenses	<u>10,969</u>
Total deductions	<u>140,753</u>
Change in net assets	1,085,348
Net assets - beginning of year	<u>6,000,955</u>
Net assets - end of year	<u><u>\$ 7,086,303</u></u>

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, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sebastian (the “City”), a Florida Municipal Corporation, was incorporated in 1924 under Sections 1826-1832 of the Revised Florida Statutes. The City has a population of 22,922 living in an area of approximately 14.6 square miles. The governing body is a five member elected City Council with a mayor elected from the five members. The City Council appoints the City Manager who is responsible for the administration of all City services.

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The more significant of the City’s accounting policies are described below:

**A. Reporting Entity**

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

**Blended Component Units**

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

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

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

**B. Government-wide and fund financial statements**

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

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

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

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

### 1. Economic Resources Measurement Focus and Accrual Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. This means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

### 2. Modified Accrual

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period except grant revenues. The City considers grant revenues to be available if they are collected within one year of the end of the current fiscal period. All material revenues, except for property taxes, are considered measurable and available and are thus susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. An exception to this general rule is principal and interest on general long-term obligations, which are recognized when due.

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

The government reports the following major governmental funds:

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

The *discretionary sales tax fund* accounts for the financial resources used for infrastructure improvements and equipment purchases.

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

## **D. Assets, Liabilities and Fund Equity**

### **1. Cash and cash equivalents**

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

### **2. Investments**

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

### **3. Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Due to and from other funds are eliminated in the Statement of Net Assets. As of September 30, 2010, the golf course fund was loaned \$200,000 from the general fund to cover the final bond payment. 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, 2010, the airport fund has been advanced \$200,000 from the general fund and \$285,000 from the discretionary sales tax fund.

**4. Receivables**

Receivables consist of trade receivables, due from other governments and interest receivable (see Note IV.C. on page 39 for detail) and are recorded at the net realizable value. The City, as of September 30, 2010, has no allowance for doubtful accounts, since all receivables are considered collectible.

**5. Inventory and Prepaid Items**

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

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

**6. Restricted Assets**

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

**7. Capital Assets**

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

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

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

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

**8. Compensated Absences**

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

**9. Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 10. Fund Balances

GASB Statement No. 54, Fund Balance Reporting and Governmental Type Definitions is 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 establishes 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 (\$14,369,442) differs from “net assets” of governmental activities (\$41,584,641) 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	\$ 65,392,481
Accumulated depreciation	(23,014,477)
Total	<u>\$ 42,378,004</u>

#### Net pension obligation

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

Negative net pension obligation	<u>\$ 165,630</u>
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#### Other post employment and termination benefits

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

Other post employment benefits	\$ (310,541)
Termination benefits	(24,123)
Total	<u>\$ (334,664)</u>

Long-term debt transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2010 were:

Bonds payable:		
Infrastructure sales surtax revenue bonds, Series 2003	\$ (5,655,000)	
Less: Deferred charge for issuance costs	<u>146,198</u>	\$(5,508,802)
Infrastructure sales surtax revenue bonds, Series 2003A	(1,325,000)	
Less: Deferred charge for issuance costs	<u>57,191</u>	(1,267,809)
Stormwater utility revenue bonds, Series 2003	(4,055,000)	
Less: Deferred charge for issuance costs	126,975	
Less: Deferred charge for bond discounts	<u>9,583</u>	(3,918,442)
Notes payable	(2,414,000)	
Less: Deferred charge for issuance costs	29,426	
Deferred charge for refunding costs	<u>64,924</u>	(2,319,650)
Contamination liability		(91,200)
Compensated absences		<u>(1,651,791)</u>
Total		<u>\$(14,757,694)</u>

Accrued interest

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

Bonds	\$ (203,272)
Notes	<u>(32,805)</u>
Total	<u>\$ (236,077)</u>

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

The “net change in fund balances” for governmental funds (a decrease of \$786,089) differs from the “change in net assets” for governmental activities (an increase of \$2,339,537) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Interest receivables

Some interest earnings reported in the statement of activities the prior year were reported as revenues in governmental funds.

Interest earnings	<u>\$ (83,784)</u>
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Capital related items

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

Capital outlay	\$ 6,189,026
Depreciation expense	<u>(2,482,915)</u>
Difference	<u>\$ 3,706,111</u>

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

Loss on disposal of fixed assets	<u>\$ (1,391)</u>
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Long-term debt transactions

Issuance of long-term debt is recorded as revenue for the principal received and expense for the issuance costs in the governmental funds and, thus, has the effect of increasing fund balance because of a net increase to current financial resources. However, the proceeds increase long-term debt and the expense is amortized in the statement of net assets and do not result in a revenue in the statement of activities.

Increase in long-term debt	\$ (2,462,000)
Issuance costs of new debt	<u>99,718</u>
	<u>\$ (2,362,282)</u>

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	\$ 1,005,000
Notes payable principal payment made	<u>1,137,203</u>
Total	<u>\$ 2,142,203</u>

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

Net change in compensated absences	\$ (405,986)
Net accrued bond interest expense	15,627
Net accrued notes interest expense	(28,272)
Amortization of issuance costs/discouts	(47,353)
Other post employment benefits	(6,252)
Termination benefits	<u>(2,244)</u>
Net adjustment	<u>\$ (474,480)</u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information**

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

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

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

Actual results of operations presented in accordance with U.S. generally accepted accounting principles (GAAP basis) and the City’s accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the City’s legally adopted budget. (See page 52 through page 54)

### IV. DETAIL NOTES ON ALL FUNDS

#### **A. Deposits**

At September 30, 2010, the carrying amount of the City of Sebastian’s deposits with banks was \$6,715,899 and the bank balance was \$6,706,793. 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, 2010, 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
<b>Government-wide</b>					
Local government surplus fund trust fund investment pool	\$ 5,837,453	\$ 5,837,453	\$ -	\$ -	\$ -
Certificate of deposit	1,736,484	1,736,484	-	-	-
	<u>7,573,937</u>	<u>7,573,937</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fiduciary Funds</b>					
Local government surplus funds trust fund ("SBA")	220,000	220,000	-	-	-
United States Treasuries	399,758	-	204,110	-	195,648
United States Agencies	1,068,413	-	174,576	79,319	814,518
Municipal Obligations	102,963	-	-	-	102,963
Domestic corporate bonds	1,493,858	-	210,645	754,384	528,829
Domestic corporate equities	3,299,056	3,299,056	-	-	-
	<u>6,584,048</u>	<u>3,519,056</u>	<u>589,331</u>	<u>833,703</u>	<u>1,641,958</u>
Total fair value	<u>\$ 14,157,985</u>	<u>\$ 11,092,993</u>	<u>\$ 589,331</u>	<u>\$ 833,703</u>	<u>\$ 1,641,958</u>

Interest receivable on the government-wide and fiduciary investment portfolios amounted to \$917 and \$30,185, respectively, as of September 30, 2010.

#### 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, 2010, the City's investment securities were all individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

As of September 30, 2010, the city had \$6,057,453 invested in the State Board of Administration's Local Government Surplus Trust Funds Investment Pool, which consist of accounts in Pool A and Pool B. \$5,779,840 is in Pool A and \$277,613 is in Pool B. Pool A had a rating by Standard and Poor's Rating Services as "AAA" on September 30, 2009 and amounts may be withdrawn without penalty. Pool B participants are prohibited from making withdrawals. Pool B is not rated by any nationally recognized statistical rating agency. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Investment in the City's pension trust funds are limited by State Statutes Chapter 185 and by an investment policy adopted by the fund's Board of Trustees 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 Pools. 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, 2010, 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, 2010, the City had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Government-wide</u>		<u>Fiduciary Funds</u>	
	<u>Amount</u>	<u>Percentage of Portfolio</u>	<u>Amount</u>	<u>Percentage of Portfolio</u>
Local government surplus funds trust fund ("SBA")	\$ 5,837,453	77.07%	\$ 220,000	3.34%
United States Treasuries	-	-	399,758	6.07%
United States Agencies	-	-	1,068,413	16.23%
Municipal Obligations	-	-	102,963	1.56%
Certificate of deposit	1,736,484	22.93%	-	0.00%
Domestic corporate bonds	-	-	1,493,858	22.69%
Domestic corporate equities	-	-	3,299,056	50.11%
<b>Total</b>	<b>\$ 7,573,937</b>	<b>100.00%</b>	<b>\$ 6,584,048</b>	<b>100.00%</b>

**C. Receivable and Payable Balances**

**Receivables**

Receivables at September 30, 2010 were as follows:

	Interest Receivable	Accounts Receivable	Due From Other Governments	Total
Governmental activities:				
General	\$ 199	\$ 254,429	\$ 239,359	\$ 493,987
Discretionary sales tax	142	-	198,890	199,032
Riverfront redevelopment	55	3,326	-	3,381
Other governmental	482	-	59,084	59,566
Total - governmental activities	<u>\$ 878</u>	<u>\$ 257,755</u>	<u>\$ 497,333</u>	<u>\$ 755,966</u>
Business-type activities:				
Airport	\$ 2	\$ 34,456	\$ 57,593	\$ 92,051
Building	37	-	-	37
Total - business-type activities	<u>\$ 39</u>	<u>\$ 34,456</u>	<u>\$ 57,593</u>	<u>\$ 92,088</u>

All receivables are anticipated to be collected.

**Accounts Payable and Other Current Liabilities**

Amounts at September 30, 2010 were as follows:

	Vendors	Salaries and Benefits	Due to Other Government	Total
Governmental activities:				
General	\$ 148,760	\$ 383,246	\$ 15,065	\$ 547,071
Riverfront redevelopment	6,129	-	-	6,129
Transportation improvements	5,190	-	-	5,190
Stormwater utility improvements	83,678	-	-	83,678
Other governmental	61,403	-	-	61,403
Total - governmental activities	<u>\$ 305,160</u>	<u>\$ 383,246</u>	<u>\$ 15,065</u>	<u>\$ 703,471</u>
Business-type activities:				
Golf course	\$ 11,944	\$ 15,846	\$ 5,835	\$ 33,625
Airport	74,548	10,125	358	85,031
Building	753	17,111	-	17,864
Total - business-type activities	<u>\$ 87,245</u>	<u>\$ 43,082</u>	<u>\$ 6,193</u>	<u>\$ 136,520</u>

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, 2010, there was \$1,132 reported as unearned revenues.

## D. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,699,045	\$ 2,308,392	\$ -	\$ 8,007,437
Construction in progress	3,958,971	676,247	(3,684,074)	951,144
Total capital assets, not being depreciated	<u>9,658,016</u>	<u>2,984,639</u>	<u>(3,684,074)</u>	<u>8,958,581</u>
Capital assets, being depreciated:				
Buildings	11,284,488	787,843	(10,620)	12,061,711
Improvements other than buildings	5,704,686	50,935	(17,075)	5,738,546
Machinery and equipment	7,784,213	282,778	(324,928)	7,742,063
Infrastructure	25,125,625	5,766,905	(950)	30,891,580
Total capital assets being depreciated	<u>49,899,012</u>	<u>6,888,461</u>	<u>(353,573)</u>	<u>56,433,900</u>
Less accumulated depreciation for:				
Buildings	(2,670,647)	(386,986)	9,361	(3,048,272)
Improvements other than buildings	(1,907,223)	(283,866)	17,046	(2,174,043)
Machinery and equipment	(6,006,364)	(634,341)	324,928	(6,315,777)
Infrastructure	(10,299,510)	(1,177,722)	847	(11,476,385)
Total accumulated depreciation	<u>(20,883,744)</u>	<u>(2,482,915)</u>	<u>352,182</u>	<u>(23,014,477)</u>
Total capital assets, being depreciated, net	<u>29,015,268</u>	<u>4,405,546</u>	<u>(1,391)</u>	<u>33,419,423</u>
Governmental activities capital assets, net	<u>\$ 38,673,284</u>	<u>\$ 7,390,185</u>	<u>\$ (3,685,465)</u>	<u>\$ 42,378,004</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,060	\$ -	\$ -	\$ 9,060
Construction in progress	207,059	3,690	(207,059)	3,690
Total capital assets, not being depreciated	<u>216,119</u>	<u>3,690</u>	<u>(207,059)</u>	<u>12,750</u>
Capital assets, being depreciated:				
Buildings	5,082,120	1,110	-	5,083,230
Improvements other than buildings	1,940,103	8,241	(6,115)	1,942,229
Machinery and equipment	1,062,333	27,660	(56,554)	1,033,439
Infrastructure	6,237,799	1,240,177	-	7,477,976
Total capital assets being depreciated	<u>14,322,355</u>	<u>1,277,188</u>	<u>(62,669)</u>	<u>15,536,874</u>
Less accumulated depreciation for:				
Buildings	(607,730)	(143,460)	-	(751,190)
Improvements other than buildings	(469,473)	(122,146)	6,778	(584,841)
Machinery and equipment	(667,835)	(119,350)	56,554	(730,631)
Infrastructure	(1,775,285)	(317,973)	-	(2,093,258)
Total accumulated depreciation	<u>(3,520,323)</u>	<u>(702,929)</u>	<u>63,332</u>	<u>(4,159,920)</u>
Total capital assets, being depreciated, net	<u>10,802,032</u>	<u>574,259</u>	<u>663</u>	<u>11,376,954</u>
Business-type activities capital assets, net	<u>\$ 11,018,151</u>	<u>\$ 577,949</u>	<u>\$ (206,396)</u>	<u>\$ 11,389,704</u>

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

Governmental activities:	
General government	\$ 267,412
Public safety	526,240
Transportation	615,551
Physical environment	703,098
Economic environment	6,533
Cultural and recreation	364,081
Total depreciation expense-governmental activities	<u>\$ 2,482,915</u>
Business-type activities:	
Golf Course	\$ 87,910
Airport	602,249
Building	12,105
Total depreciation expense-business-type activities	<u>\$ 702,264</u>

**Construction Commitments**

The City has various construction commitments outstanding at September 30, 2010. The major commitments include the following:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>	<u>Major Funding Source</u>
Hardee Park Improvements	\$ 14,295	\$ 35,705	Recreation Impact Fees
Schumann Park Improvements	142,653	61,807	Recreation Impact Fees
Splash Park Canopy	-	50,000	Recreation Impact Fees
Skate Park Office	15,525	34,475	Recreation Impact Fees
Powerline Road	152,133	1,009,117	Contributions and DST (Discretionary Sales Tax)
512 Corridor Improvements	23,989	255,539	DST (Discretionary Sales Tax)
2010 Paving Note Improvements	13,026	1,237,435	LOGT (Local Option Gas Tax)
Other Paving Improvements	8,336	81,219	LOGT (Local Option Gas Tax)
Sidewalk/Bikepath Program	54,131	4,888	LOGT (Local Option Gas Tax)
Middle Stonecrop Improvements	191,862	190,439	Stormwater Fees
1/4 Round Swale Rehabilitation	1,654,139	43,581	DST (Discretionary Sales Tax)
Potomac Road Crossing	34,510	90,490	DST (Discretionary Sales Tax)
Airport Access Road	937,899	52,187	Grant and Airport Funds
Total	<u>\$ 3,242,498</u>	<u>\$ 3,146,882</u>	

**E. Advances**

Advance balances at September 30, 2010 consisted of the following amounts:

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

The balance of \$285,000 advanced to the airport fund from the discretionary sales tax fund is to be repaid over a thirty year period in accordance with Resolution No. R-08-20. The balance of \$200,000 advanced to the airport from general fund represents a cash loan made in 2007 without any specified terms for repayment.

**F. Interfund Transfers**

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

<u>Transfers In:</u>	Transfer Out:					Total
	Discretionary Sales Tax Fund	Riverfront Redevelopment	Transportation Improvements	Stormwater Utility Improvements	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 60,000	\$ -	\$ -	\$ 704,888	\$ 764,888
Discretionary Sale Tax Fund	-	-	37,446	522,000	-	559,446
Riverfront Redevelopment	-	-	111	-	-	111
Transportation Improvements	-	-	-	-	90,145	90,145
Stormwater Utility Improvements	1,148,218	-	-	-	80,987	1,229,205
Nonmajor Governmental Funds	1,344,424	9,829	39	-	488,539	1,842,831
Airport	-	-	-	-	7,020	7,020
<b>Total Transfers Out</b>	<b>\$ 2,492,642</b>	<b>\$ 69,829</b>	<b>\$ 37,596</b>	<b>\$ 522,000</b>	<b>\$ 1,371,579</b>	<b>\$ 4,493,646</b>

**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 \$197,873 for the fiscal year ended September 30, 2010. 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, 2010:

<u>Year Ending September 30,</u>	Golf Course	
	Airport	Golf Carts
2011	135,000	62,935
2012	135,000	62,935
2013	135,000	160,890
2014	135,000	-
2015	135,000	-
<b>Totals</b>	<b>\$ 675,000</b>	<b>\$ 286,760</b>

**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 2010, total depreciation expense for the leased tower is \$1,865. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

<u>Year Ending September 30,</u>	Governmental Activities
2011	62,182
2012	66,326
2013	67,641
2014	69,008
2015	70,430
2016-2020	389,374
2021-2025	355,004
2026-2030	389,161
2031-2035	455,947
2036-2040	537,202
2041-2045	636,061
2046-2050	756,338
2051-2055	902,674
<b>Total minimum future rentals</b>	<b>\$ 4,757,348</b>

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

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>
2011	413,071
2012	416,964
2013	420,957
2014	425,051
2015	414,319
2016-2020	798,779
2021-2025	829,535
2026-2030	689,987
2031-2035	620,284
Total minimum future rentals	<u>\$ 5,028,947</u>

## **H. Long-term Obligations**

### **1. Revenue Bonds/Notes**

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

- a. The City entered into a 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, 2010.

Gross revenues available for compliance	<u>\$ 858,664</u>
Debt service requirement	<u>\$ 437,485</u>
Percent coverage for the year ended September 30, 2009	<u>196%</u>

### 3. Changes in Long-term Liabilities

The following is a summary of changes in Long-Term Liabilities of the City for the year ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Infrastructure Sales Surtax Revenue Bonds, Series 2003	\$ 6,255,000	\$ -	\$ 600,000	\$ 5,655,000	\$ 620,000
Infrastructure Sales Surtax Revenue Bonds, Series 2003A	1,470,000	-	145,000	1,325,000	145,000
Stormwater Utility Revenue Bonds, Series 2003	4,315,000	-	260,000	4,055,000	270,000
Less deferred amount:					
Issuance discount- Stormwater Utility Revenue Bonds, Series 2003	(10,416)	-	(833)	(9,583)	-
Total bonds payable	12,029,584	-	1,004,167	11,025,417	1,035,000
Notes payable	1,089,203	2,462,000	1,137,203	2,414,000	168,000
Compensated absences	1,245,805	850,741	444,755	1,651,791	199,249
Unfunded OPEB obligation	304,288	6,253	-	310,541	-
Termination benefits	21,879	2,244	-	24,123	13,464
Pollution Remediation Liability	91,200	-	-	91,200	-
Governmental activity long-term liabilities	<u>\$ 14,781,959</u>	<u>\$ 3,321,238</u>	<u>\$ 2,586,125</u>	<u>\$ 15,517,072</u>	<u>\$ 1,415,713</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Business-type activities:</b>					
Bonds payable:					
Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -
Less deferred amount:					
Issuance premium	796	-	796	-	-
Loss on refunding	(8,320)	-	(8,320)	-	-
Total bonds payable	292,476	-	292,476	-	-
Compensated absences	194,807	61,831	65,260	191,378	11,111
Unfunded OPEB obligation	40,694	-	11,470	29,224	-
Termination benefits	6,171	-	6,171	-	-
Business-type activity long-term liabilities	<u>\$ 534,148</u>	<u>\$ 61,831</u>	<u>\$ 375,377</u>	<u>\$ 220,602</u>	<u>\$ 11,111</u>

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

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

**4. Debt Service Requirements to Maturity**

The annual requirement to amortize all bonded debt outstanding at September 30, 2010, including interest requirements, is as follows:

Fiscal Year	Governmental Activities							
	Roadway Improvement		Infrastructure SalesSurtax		Infrastructure SalesSurtax		Stormwater Utility	
	Note Payable		Revenue Bonds, Series 2003		Revenue Bonds, Series 2003A		Revenue Bonds, Series 2003	
	4.01%	Interest	2% to 4.125%	Interest	2% to 4%	Interest	2% to 4.5%	Interest
2011	\$ 168,000	\$ 96,463	\$ 620,000	\$ 203,816	\$ 145,000	\$ 48,788	\$ 270,000	\$ 169,089
2012	176,000	89,792	645,000	181,828	150,000	43,531	280,000	159,248
2013	182,000	82,335	665,000	158,243	155,000	37,906	290,000	148,048
2014	190,000	74,855	690,000	133,169	160,000	31,800	305,000	136,448
2015	198,000	67,049	715,000	106,646	170,000	25,200	315,000	125,010
2016-2020	1,118,000	206,658	2,320,000	143,743	545,000	33,100	1,775,000	423,335
2021-2023	382,000	15,647	-	-	-	-	820,000	55,800
	<u>\$ 2,414,000</u>	<u>\$ 632,799</u>	<u>\$ 5,655,000</u>	<u>\$ 927,445</u>	<u>\$ 1,325,000</u>	<u>\$ 220,325</u>	<u>\$ 4,055,000</u>	<u>\$ 1,216,978</u>

**I. Restricted Assets:**

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

	Governmental Activities
Debt service	\$ 1,737,605
Capital	3,422,728
Cemetery perpetual care	859,463
Other expenditures	2,737,247
Total	<u>\$ 8,757,043</u>

The government-wide statement of net assets reports \$8,757,043 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	\$ 65,728
Prepaid items	86,520
Advance to other funds	200,000
Permanent funds	859,463
Total	<u>\$ 1,211,711</u>
Restricted:	
Debt service funds	\$ 1,737,605
Special revenue funds	5,222,652
Capital project funds	937,323
Total	<u>\$ 7,897,580</u>
Committed:	
Working capital	\$ 2,613,585
Emergency services reserve	350,000
Property casualty claims	100,000
Total	<u>\$ 3,063,585</u>
Assigned:	
General employee events	\$ 4,900
Law enforcement events	2,693
Greer donations for police	24,063
Total	<u>\$ 31,656</u>
Unassigned:	
General fund residual	\$ 2,464,910

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 financial policies state that 25% of general fund expenditures will be for working capital. In addition, it says an emergency services reserve will be maintained to ensure continue operations of programs should a natural disaster or significant changes in the weather pattern occur. Furthermore, it says a property/casualty claims amount will be set aside for deductibles incurred on claims not covered by insurance policies. Changes to these 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, 2010, was 3.3456 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 2010.

	<u>Amount</u>
Public safety	\$ 37,052
Transportation	18,559
Economic environment	2,556,872
Airport	904,853
Total reporting entity	<u>\$ 3,517,336</u>

### C. Police Pension Plan - Defined Benefit Plan

*Plan Description.* The Police Officers' Pension Plan is a Florida Statute Chapter 185 single-employer defined benefit plan. Only City police officers participate in the Police Pension Plan. The state provides a contribution to the Police Pension Plan through a distribution of funds collected from insurance premium taxes. The Pension plan data provided in these Financial Statements are from the actuarial valuation as of October 1, 2008 to determine the required contribution for the fiscal year ending September 30, 2010. Although the Police Officers' Pension Plan provides separate reporting, which may be obtained in the Finance department, it is also a component unit (reporting as a Pension Trust Fund) of the City's financial reporting entity.

Employee membership data as of the October 1, 2008 actuarial valuation is as follows:

Retirees and beneficiaries currently receiving benefits	4
Terminated employees entitled to refund of employee Contribution but not yet received	1
Fully, partially, and non-vested active plan participants	<u>38</u>
Total	<u>43</u>

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

*Funding Policy.* The employer, employee, and State contribution requirements are applicable to the Plan and actuarially determined on a 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 2009-2010 fiscal year, the employee contribution rate, expressed as a percentage of compensation, was 5.0% and the employer contribution rate was 24.7%. The employer contribution amounted to \$566,910. The State contribution was \$134,852, 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	10/1/2008
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, 2008, actuarial valuation using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions included (a) an 8.0% rate of return (net of administrative costs) and (b) projected salary increases of 6% per year, including inflation at 3%.

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

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

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

Development of Net Pension Obligation (NPO)

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

The development of the Net Pension Obligation as provided for disclosure by the actuary is as follows:

	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
Actuarially Determined Contribution (A)	\$ 289,390	\$ 334,128	\$ 419,657	\$ 567,146
Interest on NPO	(9,753)	(9,948)	(13,250)	(11,700)
Adjustment to (A)	<u>12,454</u>	<u>11,314</u>	<u>17,073</u>	<u>16,380</u>
Annual Pension Cost	292,091	335,494	423,480	571,826
Contributions made	<u>294,534</u>	<u>376,769</u>	<u>404,104</u>	<u>566,910</u>
Increase in NPO	(2,443)	(41,275)	19,376	4,916
NPO beginning of year	<u>(121,912)</u>	<u>(124,355)</u>	<u>(165,630)</u>	<u>(146,254)</u>
NPO end of year	<u>\$ (124,355)</u>	<u>\$ (165,630)</u>	<u>\$ (146,254)</u>	<u>\$ (141,338)</u>

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 in the required supplemental information section on page 56.

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

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

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

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

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

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

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

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

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

*Funding Policy:* Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2009-2010 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2008, 2009 and 2010 were \$241,718, \$254,997, and \$234,219 respectively, which are equal to 100% of the required contribution for each year.

**E. 401 Plan – Defined Contribution Plan**

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

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

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

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

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

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

*Funding Policy:* Administration costs of the pension plan are financed by the Plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2009-2010 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2008, 2009, and 2010 were \$145,596, \$152,078, and \$126,377 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 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:

	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
Annual required contribution	\$ 40,089	\$ 40,089	\$ 26,557
Interest on Net OPEB obligation	-	-	13,799
Adjustment to annual required contribution	-	-	(13,182)
Annual OPEB cost	<u>40,089</u>	<u>40,089</u>	<u>27,174</u>
Less assumed contributions	9,146	7,892	32,391
Increase (decrease) in net OPEB obligation	<u>30,943</u>	<u>32,197</u>	<u>(5,217)</u>
Net OPEB obligation - beginning of year	<u>281,842</u>	<u>312,785</u>	<u>344,982</u>
Net OPEB obligation - end of year	\$ 312,785	\$ 344,982	\$ 339,765
Percentage of annual OPEB cost contributed	23%	20%	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, 2010, the total accrued termination benefits for the government-wide financial statements were \$24,123. 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, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 3,704,546	\$ 3,704,546	\$ 3,734,398	\$ 29,852
Public utility	2,474,668	2,474,668	2,437,050	(37,618)
Franchise fees	1,352,216	1,352,216	1,228,692	(123,524)
Licenses and permits	51,400	51,400	33,182	(18,218)
Intergovernmental	1,694,776	1,857,957	1,997,119	139,162
Charges for services	289,147	289,147	282,530	(6,617)
Fines	55,000	55,000	71,415	16,415
Investment earnings	220,000	220,000	127,524	(92,476)
Contributions and donations	24,350	24,350	13,442	(10,908)
Other revenue	178,840	178,840	145,929	(32,911)
	<u>10,044,943</u>	<u>10,208,124</u>	<u>10,071,281</u>	<u>(136,843)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	2,820,407	2,820,407	2,717,290	103,117
Public safety	4,647,459	4,959,722	4,968,164	(8,442)
Physical environment	1,309,392	1,309,392	1,198,164	111,228
Transportation	1,100,399	1,100,399	1,125,067	(24,668)
Culture and recreation	1,016,195	1,016,195	983,199	32,996
	<u>10,893,852</u>	<u>11,206,115</u>	<u>10,991,884</u>	<u>214,231</u>
Excess (deficiency) of revenues over (under) expenditures	(848,909)	(997,991)	(920,603)	77,388
<b>OTHER FINANCING SOURCES</b>				
Transfers in	764,888	764,888	764,888	-
	<u>764,888</u>	<u>764,888</u>	<u>764,888</u>	<u>-</u>
Net changes in fund balances	(84,021)	(233,103)	(155,715)	77,388
Fund balances - beginning	5,768,114	5,768,114	5,768,114	-
Fund balances - ending	<u>\$ 5,684,093</u>	<u>\$ 5,535,011</u>	<u>\$ 5,612,399</u>	<u>\$ 77,388</u>

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

**City of Sebastian, Florida**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretionary Sales Tax Special Revenue Fund**  
**For the Year Ended September 30, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Sales	\$ 2,460,000	\$ 2,460,000	\$ 2,328,150	\$ (131,850)
Investment earnings	50,445	50,445	25,465	(24,980)
Total revenues	<u>2,510,445</u>	<u>2,510,445</u>	<u>2,353,615</u>	<u>(156,830)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	484,554	484,554	559,446	74,892
Transfers out	(2,883,210)	(2,883,210)	(2,492,642)	390,568
Total other financing sources (uses)	<u>(2,398,656)</u>	<u>(2,398,656)</u>	<u>(1,933,196)</u>	<u>465,460</u>
Net changes in fund balances	111,789	111,789	420,419	308,630
Fund balances - beginning	958,676	958,676	958,676	-
Fund balances - ending	<u>\$ 1,070,465</u>	<u>\$ 1,070,465</u>	<u>\$ 1,379,095</u>	<u>\$ 308,630</u>

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

**City of Sebastian, Florida**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Riverfront Redevelopment Agency Special Revenue Fund**  
**For the Year Ended September 30, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 437,768	\$ 437,768	\$ 429,730	\$ (8,038)
Intergovernmental	-	-	2,556,872	2,556,872
Investment earnings	2,767	2,767	3,056	289
Other revenue	-	-	3,781	3,781
Total revenues	<u>440,535</u>	<u>440,535</u>	<u>2,993,439</u>	<u>2,552,904</u>
<b>EXPENDITURES:</b>				
Current:				
Economic environment	<u>692,638</u>	<u>692,638</u>	<u>3,225,768</u>	<u>(2,533,130)</u>
Total expenditures	<u>692,638</u>	<u>692,638</u>	<u>3,225,768</u>	<u>(2,533,130)</u>
Excess of revenues over over expenditures	(252,103)	(252,103)	(232,329)	19,774
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	111	111
Transfers out	<u>(69,830)</u>	<u>(69,830)</u>	<u>(69,829)</u>	<u>1</u>
Total other financing sources (uses)	<u>(69,830)</u>	<u>(69,830)</u>	<u>(69,718)</u>	<u>112</u>
Net changes in fund balances	(321,933)	(321,933)	(302,047)	19,886
Fund balances - beginning	<u>984,638</u>	<u>984,638</u>	<u>984,638</u>	<u>-</u>
Fund balances - ending	<u>\$ 662,705</u>	<u>\$ 662,705</u>	<u>\$ 682,591</u>	<u>\$ 19,886</u>

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

**City of Sebastian, Florida**  
**Notes to the Required Supplementary Information – Budget Comparisons**  
**September 30, 2010**

**A. Budgetary Basis**

Annual budgets are adopted for all governmental funds except the capital project funds, which are approved on a “life of the project basis”, and the permanent fund, which is not budgeted. Since all accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with U.S. generally accepted accounting principles, reconciliations of the resultant timing differences have been provided on page 51 through page 54. All annual appropriations lapse at year-end.

**B. Budgetary Information**

The appropriated budget is prepared by fund, function, and department. The government’s department heads, with the City Manager’s approval, may make transfers of appropriations within a department or division. 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 1<sup>st</sup> quarter budget amendment highlighted an increase of \$715,923 to cover transfers for unfinished capital projects that were carried forward from the prior fiscal year. The 2<sup>nd</sup> quarter budget amendment highlighted an increase of \$2,349,006 related to the pay off of the former bank note and to establish appropriations necessary for the new bank note. The 3<sup>rd</sup> quarter budget amendment made adjustments of \$30,036 to a couple of capital projects. The 4<sup>th</sup> quarter budget amendment highlighted an increase of \$283,934 to the amounts budgeted for payment to the Police Officers’ Pension Fund.

**C. Budgeted Expenditures Exceeded Revenues**

Budgeted expenditures exceeded revenues in the general fund, riverfront redevelopment special revenue fund and the local option gas tax special revenue fund. However, this is pursuant to the legally adopted budget to expend available fund equity (cash carry forward) and does not constitute a deficit.

**City of Sebastian, Florida**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**Police Officers' Pension Plan**

Governmental Accounting Standards Board Statements No. 25 and 27, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Accounting for Pensions by State and Local Governmental Employers require supplementary information be reported on the local pension plans in addition to that provided in the Notes to the Financial Statements. This information, as amended by Statement No. 50, is presented in the following schedules:

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2010	\$ 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%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES

Fiscal Year	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
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 FUNDING PROGRESS

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b)
2010	\$ -	\$ 306,554	\$ 306,554	0.00%
2009	-	377,118	377,118	0.00%
2008	-	343,587	343,587	0.00%

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER

Fiscal Year	Annual Required Contributions	City Contribution	Percentage Contributed
2010	\$ 26,557	\$ 26,557	100.00%
2009	40,089	40,089	100.00%
2008	40,089	40,089	100.00%

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

# **Nonmajor Governmental Funds**

## **Special Revenue Funds**

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

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

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

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

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

## **Debt Service Fund**

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

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

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

## **Capital Projects Funds**

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

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

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

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

## **Permanent Fund**

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

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

**City of Sebastian, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2010**

**Special Revenue Funds**

	<b>Local Option Gas Tax</b>	<b>Recreation Impact Fee</b>	<b>Stormwater Utility</b>	<b>Law Enforcement Forfeiture</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 468,309	\$ 855,366	\$ (34,744)	\$ 24,744	\$ 1,313,675
Investments	917,252	250,829	612,760	48,769	1,829,610
Due from other governments	48,162	-	10,922	-	59,084
Interest receivable	130	115	-	3	248
Total assets	<u>1,433,853</u>	<u>1,106,310</u>	<u>588,938</u>	<u>73,516</u>	<u>3,202,617</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	41,198	-	97	356	41,651
Total liabilities	<u>41,198</u>	<u>-</u>	<u>97</u>	<u>356</u>	<u>41,651</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	1,392,655	1,106,310	588,841	73,160	3,160,966
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>1,392,655</u>	<u>1,106,310</u>	<u>588,841</u>	<u>73,160</u>	<u>3,160,966</u>
Total liabilities and fund balances	<u>\$ 1,433,853</u>	<u>\$ 1,106,310</u>	<u>\$ 588,938</u>	<u>\$ 73,516</u>	<u>\$ 3,202,617</u>

<b>Debt Service Funds</b>		
<b>Stormwater Utility Revenue Bonds 2003</b>	<b>Discretionary Sales Surtax Revenue Bonds 2003</b>	<b>Total</b>
\$ 182,931	\$ 1,554,462	\$ 1,737,393
-	-	-
-	-	-
20	192	212
<u>182,951</u>	<u>1,554,654</u>	<u>1,737,605</u>
-	-	-
-	-	-
-	-	-
182,951	1,554,654	1,737,605
-	-	-
-	-	-
-	-	-
<u>182,951</u>	<u>1,554,654</u>	<u>1,737,605</u>
<u>\$ 182,951</u>	<u>\$ 1,554,654</u>	<u>\$ 1,737,605</u>

**City of Sebastian, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2010**  
**(Continued)**

	Capital Projects Funds			Permanent Fund
	General Capital Projects	Capital Improvements	Total	Cemetery
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,167	\$ 305,049	\$ 309,216	\$ 165,876
Investments	-	-	-	694,965
Due from other governments	-	-	-	-
Interest receivable	-	-	-	22
Total assets	4,167	305,049	309,216	860,863
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	4,167	14,185	18,352	1,400
Total liabilities	4,167	14,185	18,352	1,400
Fund balances:				
Nonspendable	-	-	-	859,463
Restricted	-	290,864	290,864	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	-	290,864	290,864	859,463
Total liabilities and fund balances	\$ 4,167	\$ 305,049	\$ 309,216	\$ 860,863

**Total  
Other  
Governmental  
Funds**

\$ 3,526,160  
2,524,575  
59,084  
482

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6,110,301

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61,403

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61,403

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859,463  
5,189,435  
-  
-  
-

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6,048,898

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\$ 6,110,301

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**City of Sebastian, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**

**Special Revenue Funds**

	<b>Local Option Gas Tax</b>	<b>Recreation Impact Fee</b>	<b>Stormwater Utility</b>	<b>Law Enforcement Forfeiture</b>	<b>Total</b>
<b>REVENUES:</b>					
Taxes:					
Motor fuel	\$ 595,746	\$ -	\$ -	\$ -	\$ 595,746
Intergovernmental	18,559	-	-	-	18,559
Impact fees	-	26,000	-	-	26,000
Charges for services	-	-	819,859	-	819,859
Fines	-	-	-	19,533	19,533
Special assessments	-	-	-	-	-
Investment earnings	4,287	12,256	38,806	155	55,504
Contributions and donations	-	-	-	5,887	5,887
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<b>618,592</b>	<b>38,256</b>	<b>858,665</b>	<b>25,575</b>	<b>1,541,088</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	6,015	6,015
Physical environment	-	-	97	-	97
Transportation	324,524	-	-	-	324,524
Debt Service:					
Principal	1,137,190	-	-	-	1,137,190
Interest and fiscal charges	119,770	-	-	-	119,770
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>1,581,484</b>	<b>-</b>	<b>97</b>	<b>6,015</b>	<b>1,587,596</b>
Excess (deficiency) of revenues over (under) expenditures	(962,892)	38,256	858,568	19,560	(46,508)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	39	-	-	39
Transfers out	(189,032)	(19,338)	(1,057,208)	-	(1,265,578)
Debt proceeds	2,462,000	-	-	-	2,462,000
<b>Total other financing sources (uses)</b>	<b>2,272,968</b>	<b>(19,299)</b>	<b>(1,057,208)</b>	<b>-</b>	<b>1,196,461</b>
Net changes in fund balances	1,310,076	18,957	(198,640)	19,560	1,149,953
Fund balances - beginning	82,579	1,087,353	787,481	53,600	2,011,013
<b>Fund balances - ending</b>	<b>\$ 1,392,655</b>	<b>\$ 1,106,310</b>	<b>\$ 588,841</b>	<b>\$ 73,160</b>	<b>\$ 3,160,966</b>

<b>Debt service Funds</b>		
<b>Stormwater Utility Revenue Bonds 2003</b>	<b>Discretionary Sales Surtax Revenue Bonds 2003</b>	<b>Total</b>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
455	7,038	7,493
-	-	-
-	-	-
<u>455</u>	<u>7,038</u>	<u>7,493</u>
-	-	-
-	-	-
-	-	-
260,000	745,000	1,005,000
178,360	279,463	457,823
-	-	-
<u>438,360</u>	<u>1,024,463</u>	<u>1,462,823</u>
<u>(437,905)</u>	<u>(1,017,425)</u>	<u>(1,455,330)</u>
476,221	1,162,586	1,638,807
-	-	-
-	-	-
<u>476,221</u>	<u>1,162,586</u>	<u>1,638,807</u>
38,316	145,161	183,477
144,635	1,409,493	1,554,128
<u>\$ 182,951</u>	<u>\$ 1,554,654</u>	<u>\$ 1,737,605</u>

**City of Sebastian, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2010**  
**(Continued)**

	Capital Projects Funds			Permanent Fund
	General Capital Projects	Capital Improvements	Total	Cemetery
<b>REVENUES:</b>				
Taxes:				
Motor fuel	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Impact fees	-	-	-	-
Charges for services	-	-	-	52,350
Fines	-	-	-	-
Special assessments	-	-	-	-
Investment earnings	-	-	-	6,972
Contributions and donations	-	-	-	-
Other revenue	-	-	-	-
Total revenues	-	-	-	59,322
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	181,838	56,572	238,410	-
Total expenditures	181,838	56,572	238,410	-
Excess (deficiency) of revenues over (under) expenditures	(181,838)	(56,572)	(238,410)	59,322
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	181,838	22,147	203,985	-
Transfers out	-	(76,113)	(76,113)	(29,888)
Debt proceeds	-	-	-	-
Total other financing sources (uses)	181,838	(53,966)	127,872	(29,888)
Net changes in fund balances	-	(110,538)	(110,538)	29,434
Fund balances - beginning	-	401,402	401,402	830,029
Fund balances - ending	\$ -	\$ 290,864	\$ 290,864	\$ 859,463

**Total  
Other  
Governmental  
Funds**

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\$ 595,746  
18,559  
26,000  
872,209  
19,533  
-  
69,969  
5,887  
-

---

1,607,903

---

6,015  
97  
324,524

2,142,190  
577,593  
238,410

---

3,288,829

---

(1,680,926)

---

1,842,831  
(1,371,579)  
2,462,000

---

2,933,252

---

1,252,326  
4,796,572

---

\$ 6,048,898

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**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, 2010**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Motor fuel taxes	\$ 676,500	\$ 595,746	\$ (80,754)
Intergovernmental	19,523	18,559	(964)
Investment earnings	8,983	4,287	(4,696)
Total revenues	<u>705,006</u>	<u>618,592</u>	<u>(86,414)</u>
<b>EXPENDITURES:</b>			
Current:			
Transportation	324,100	324,524	(424)
Debt service:			
Principal	1,137,190	1,137,190	-
Interest and fiscal charges	119,770	119,770	-
Total expenditures	<u>1,581,060</u>	<u>1,581,484</u>	<u>(424)</u>
Excess of revenues over expenditures	(876,054)	(962,892)	(86,838)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(1,475,461)	(189,032)	1,286,429
Debt proceeds	2,462,000	2,462,000	-
Total other financing sources (uses)	<u>986,539</u>	<u>2,272,968</u>	<u>1,286,429</u>
Net changes in fund balances	110,485	1,310,076	1,199,591
Fund balances - beginning	82,579	82,579	-
Fund balances - ending	<u>\$ 193,064</u>	<u>\$ 1,392,655</u>	<u>\$ 1,199,591</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Recreation Impact Fee Special Revenue Fund**  
**For the Year Ended September 30, 2010**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Impact fees	\$ 53,480	\$ 26,000	\$ (27,480)
Investment earnings	2,767	12,256	9,489
Total revenues	<u>56,247</u>	<u>38,256</u>	<u>(17,991)</u>
<b>EXPENDITURES:</b>			
Current:			
Culture and recreation	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	56,247	38,256	(17,991)
<b>OTHER FINANCING (USES)</b>			
Transfers in	-	39	39
Transfers out	<u>(190,088)</u>	<u>(19,338)</u>	<u>170,750</u>
Total other financing (uses)	<u>(190,088)</u>	<u>(19,299)</u>	<u>170,789</u>
Net changes in fund balances	(133,841)	18,957	152,798
Fund balances - beginning	<u>1,087,353</u>	<u>1,087,353</u>	<u>-</u>
Fund balances - ending	<u>\$ 953,512</u>	<u>\$ 1,106,310</u>	<u>\$ 152,798</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Stormwater Utility Special Revenue Fund**  
**For the Year Ended September 30, 2010**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for services	\$ 850,000	\$ 819,859	\$ (30,141)
Investment earnings	27,344	38,806	11,462
Total revenues	<u>877,344</u>	<u>858,665</u>	<u>(18,679)</u>
<b>EXPENDITURES:</b>			
Current:			
Physical environment	<u>100</u>	<u>97</u>	<u>3</u>
Total expenditures	<u>100</u>	<u>97</u>	<u>3</u>
Excess of revenues over expenditures	877,244	858,568	(18,676)
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(1,019,228)</u>	<u>(1,057,208)</u>	<u>(37,980)</u>
Total other financing (uses)	<u>(1,019,228)</u>	<u>(1,057,208)</u>	<u>(37,980)</u>
Net changes in fund balances	(141,984)	(198,640)	(56,656)
Fund balances - beginning	<u>787,481</u>	<u>787,481</u>	<u>-</u>
Fund balances - ending	<u>\$ 645,497</u>	<u>\$ 588,841</u>	<u>\$ (56,656)</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Law Enforcement Forfeiture Special Revenue Fund**  
**For the Year Ended September 30, 2010**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Fines	\$ 8,000	\$ 19,533	\$ 11,533
Investment earnings	200	155	(45)
Contributions	2,000	5,887	3,887
Other revenues	-	-	-
Total revenues	<u>10,200</u>	<u>25,575</u>	<u>15,375</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	<u>3,179</u>	<u>6,015</u>	<u>(2,836)</u>
Total expenditures	<u>3,179</u>	<u>6,015</u>	<u>(2,836)</u>
Excess of revenues over expenditures	7,021	19,560	12,539
Fund balances - beginning	<u>53,600</u>	<u>53,600</u>	<u>-</u>
Fund balances - ending	<u>\$ 60,621</u>	<u>\$ 73,160</u>	<u>\$ 12,539</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Stormwater Utility Revenue Bonds 2003 Debt Service Fund**  
**For the Year Ended September 30, 2010**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Investment earnings	\$ 120	\$ 455	\$ 335
Total revenues	<u>120</u>	<u>455</u>	<u>335</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal	260,000	260,000	-
Interest and fiscal charges	<u>178,360</u>	<u>178,360</u>	<u>-</u>
Total expenditures	<u>438,360</u>	<u>438,360</u>	<u>-</u>
 Deficiency of revenues under expenditures	 (438,240)	 (437,905)	 335
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>438,240</u>	<u>476,221</u>	<u>37,981</u>
Total other financing sources	<u>438,240</u>	<u>476,221</u>	<u>37,981</u>
 Net changes in fund balances	 -	 38,316	 38,316
 Fund balances - beginning	 <u>144,635</u>	 <u>144,635</u>	 <u>-</u>
Fund balances - ending	<u>\$ 144,635</u>	<u>\$ 182,951</u>	<u>\$ 38,316</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretionary Sales Surtax Revenue Bonds 2003 Debt Service Fund**  
**For the Year Ended September 30, 2010**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Investment earnings	\$ 1,000	\$ 7,038	\$ 6,038
Total revenues	<u>1,000</u>	<u>7,038</u>	<u>6,038</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal	745,000	745,000	-
Interest and fiscal charges	291,569	279,463	12,106
Total expenditures	<u>1,036,569</u>	<u>1,024,463</u>	<u>12,106</u>
Deficiency of revenues under expenditures	(1,035,569)	(1,017,425)	18,144
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,035,869	1,162,586	126,717
Total other financing sources	<u>1,035,869</u>	<u>1,162,586</u>	<u>126,717</u>
Net changes in fund balances	300	145,161	144,861
Fund balances - beginning	1,409,493	1,409,493	-
Fund balances - ending	<u>\$ 1,409,793</u>	<u>\$ 1,554,654</u>	<u>\$ 144,861</u>

**City of Sebastian, Florida**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended September 30, 2010**

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2010</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,760	\$ 5,000	\$ 5,830	\$ 11,930
Investments, at fair value	220,000	-	-	220,000
Total assets	<u>\$ 232,760</u>	<u>\$ 5,000</u>	<u>\$ 5,830</u>	<u>\$ 231,930</u>
<b>LIABILITIES</b>				
Performance deposits held in escrow	<u>\$ 232,760</u>	<u>\$ 5,000</u>	<u>\$ 5,830</u>	<u>\$ 231,930</u>
Total liabilities	<u>\$ 232,760</u>	<u>\$ 5,000</u>	<u>\$ 5,830</u>	<u>\$ 231,930</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedule By Source**  
**September 30, 2010**

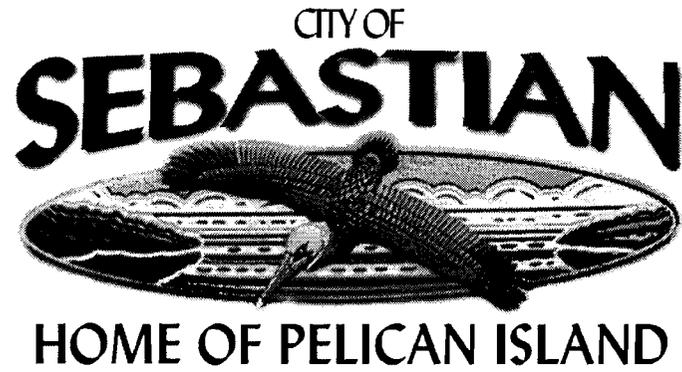
Governmental Funds capital assets:	<u>FY 2009</u>	<u>FY 2010</u>
Land	\$ 5,699,045	\$ 8,007,437
Buildings and structures	11,284,488	12,061,711
Improvement other than buildings	5,704,686	5,738,546
Machinery and equipment	7,784,213	7,742,063
Infrastructure	25,125,625	30,891,580
Capital projects	<u>3,958,971</u>	<u>951,144</u>
 Total capital assets	 <u>\$ 59,557,028</u>	 <u>\$ 65,392,481</u>
 Investment in Governmental Funds capital assets by sources:		
Federal grants	\$ 3,062,044	\$ 6,140,108
State grants	907,755	907,755
County grants	713,359	713,359
General fund	11,552,446	11,296,100
Law enforcement trust fund	61,068	49,883
Recreational impact fee	1,179,319	1,203,687
Stormwater utility fee	387,153	4,880,968
Riverfront Redevelopment	1,097,069	1,675,466
Cemetery trust fund	237,479	236,479
Donations	3,159,873	3,165,873
Sales taxes	11,911,948	12,844,066
Motor fuel taxes	5,591,414	5,590,464
Revenue bond debt	15,737,130	15,737,130
Capital projects	<u>3,958,971</u>	<u>951,143</u>
 Total investment in capital assets	 <u>\$ 59,557,028</u>	 <u>\$ 65,392,481</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**September 30, 2010**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Totals
<b>General government:</b>						
Legislative	\$ -	\$ -	\$ 1,100	\$ 7,131	\$ -	\$ 8,231
City manager	-	-	-	1,612	-	1,612
City clerk	-	-	-	134,766	-	134,766
Finance	-	-	-	55,306	-	55,306
MIS	-	5,841	53,131	353,756	-	412,728
Facilities maintenance	-	133,430	15,665	68,250	-	217,345
Growth management	-	85,555	-	38,268	-	123,823
Non-departmental	3,634,769	6,184,990	126,636	204,374	52,700	10,203,469
Subtotal	<u>3,634,769</u>	<u>6,409,816</u>	<u>196,532</u>	<u>863,463</u>	<u>52,700</u>	<u>11,157,280</u>
<b>Public safety:</b>						
Special operations	-	-	-	176,393	-	176,393
Administration	9,560	3,347,152	89,320	282,962	-	3,728,994
School resource	-	-	-	69,943	-	69,943
Road patrol	-	-	-	2,313,919	-	2,313,919
Community policing	-	-	-	42,139	-	42,139
Code enforcement	-	-	-	32,600	-	32,600
Professional Std.	-	-	-	19,025	-	19,025
Investigations	-	-	1,700	240,353	-	242,053
Support services	-	-	-	59,026	-	59,026
Communications	-	-	16,404	209,808	-	226,212
Building department	-	-	-	51,838	-	51,838
Subtotal	<u>9,560</u>	<u>3,347,152</u>	<u>107,424</u>	<u>3,498,006</u>	<u>-</u>	<u>6,962,142</u>
<b>Transportation:</b>						
Engineering	-	-	-	1,088	-	1,088
Central garage	-	130,489	82,419	143,456	674	357,038
Roads and drainage	47,125	162,044	970,637	1,100,000	13,112,037	15,391,843
Subtotal	<u>47,125</u>	<u>292,533</u>	<u>1,053,056</u>	<u>1,244,544</u>	<u>13,112,711</u>	<u>15,749,969</u>
<b>Economic Environment:</b>						
Non-departmental	2,308,392	784,000	-	-	-	3,092,392
Subtotal	<u>2,308,392</u>	<u>784,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,092,392</u>
<b>Physical Environment:</b>						
Stormwater	-	-	1,850	1,478,551	16,106,109	17,586,510
Cemetery	272,190	82,019	78,354	56,809	22,717	512,089
Subtotal	<u>272,190</u>	<u>82,019</u>	<u>80,204</u>	<u>1,535,360</u>	<u>16,128,826</u>	<u>18,098,599</u>
<b>Culture/Recreation:</b>						
Parks and recreation	1,735,401	1,146,191	4,301,330	600,690	1,597,343	9,380,955
Subtotal	<u>1,735,401</u>	<u>1,146,191</u>	<u>4,301,330</u>	<u>600,690</u>	<u>1,597,343</u>	<u>9,380,955</u>
Total	<u>\$ 8,007,437</u>	<u>\$ 12,061,711</u>	<u>\$ 5,738,546</u>	<u>\$ 7,742,063</u>	<u>\$ 30,891,580</u>	64,441,337
Construction in progress						951,144
Total						<u>\$ 65,392,481</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**September 30, 2010**

Function and Activity	Governmental Funds Capital Assets October 1, 2009	Additions	Deletions	Transfers In	Transfers Out	Governmental Funds Capital Assets September 30, 2010
<b>General government:</b>						
Legislative	\$ 3,986	\$ 784	\$ -	\$ 3,461	\$ -	\$ 8,231
City manager	2,826	-	1,214	-	-	1,612
City clerk	136,974	-	2,208	-	-	134,766
City attorney	599	-	-	-	599	-
Finance	55,306	-	-	-	-	55,306
MIS	125,721	17,217	7,906	280,558	2,862	412,728
Facilities maintenance	218,295	-	-	-	950	217,345
Growth management	135,739	-	11,916	-	-	123,823
Non-departmental	10,754,554	-	-	-	551,085	10,203,469
Subtotal	<u>11,434,000</u>	<u>18,001</u>	<u>23,244</u>	<u>284,019</u>	<u>555,496</u>	<u>11,157,280</u>
<b>Public Safety:</b>						
Special operations	176,393	-	-	-	-	176,393
Administration	3,728,994	-	-	-	-	3,728,994
School resource	71,469	-	-	-	1,526	69,943
Road patrol	2,392,531	153,527	232,139	-	-	2,313,919
Community policing	95,917	-	53,778	-	-	42,139
Code enforcement	34,302	-	-	-	1,702	32,600
Professional Std.	19,025	-	-	-	-	19,025
Investigations	182,360	63,986	-	-	4,293	242,053
Support services	59,877	-	-	-	851	59,026
Communications	228,059	-	-	-	1,847	226,212
Building department	51,838	-	-	-	-	51,838
Subtotal	<u>7,040,765</u>	<u>217,513</u>	<u>285,917</u>	<u>-</u>	<u>10,219</u>	<u>6,962,142</u>
<b>Transportation:</b>						
Engineering	2,216	-	-	-	1,128	1,088
Central garage	346,403	12,000	-	-	1,365	357,038
Roads and drainage	15,157,776	68,143	15,717	160,000	811	15,369,391
Subtotal	<u>15,506,395</u>	<u>80,143</u>	<u>15,717</u>	<u>160,000</u>	<u>3,304</u>	<u>15,727,517</u>
<b>Economic Environment:</b>						
Non-departmental	-	3,092,392	-	-	-	3,092,392
Subtotal	<u>-</u>	<u>3,092,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,092,392</u>
<b>Physical Environment:</b>						
Stormwater	11,872,323	5,714,187	-	-	-	17,586,510
Cemetery	512,089	-	-	-	-	512,089
Subtotal	<u>12,384,412</u>	<u>5,714,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,098,599</u>
<b>Culture &amp; Recreation:</b>						
Parks and recreation	9,232,485	74,617	28,695	125,000	-	9,403,407
Subtotal	<u>9,232,485</u>	<u>74,617</u>	<u>28,695</u>	<u>125,000</u>	<u>-</u>	<u>9,403,407</u>
<b>Total</b>	<b>55,598,057</b>	<b>9,196,853</b>	<b>353,573</b>	<b>569,019</b>	<b>569,019</b>	<b>64,441,337</b>
Construction in progress	3,958,971	676,247	3,684,074	-	-	951,144
<b>Total</b>	<b>\$ 59,557,028</b>	<b>\$ 9,873,100</b>	<b>\$ 4,037,647</b>	<b>\$ 569,019</b>	<b>\$ 569,019</b>	<b>\$ 65,392,481</b>



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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.

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

**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)*

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Governmental Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 28,938,587	\$ 26,744,896	\$ 24,133,550
Restricted	8,757,043	8,197,018	9,215,801
Unrestricted	<u>3,889,011</u>	<u>4,502,440</u>	<u>5,035,184</u>
<i>Total Governmental Activities Net Assets</i>	<u>\$ 41,584,641</u>	<u>\$ 39,444,354</u>	<u>\$ 38,384,535</u>
<b>Business-Type Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 11,389,704	\$ 10,725,676	\$ 9,111,251
Restricted	-	98,320	570,149
Unrestricted (deficit)	<u>(342,340)</u>	<u>86,517</u>	<u>753,076</u>
<i>Total Business-Type Activities Net Assets</i>	<u>\$ 11,047,364</u>	<u>\$ 10,910,513</u>	<u>\$ 10,434,476</u>
<b>Primary government</b>			
Invested in Capital Assets, Net of Related Debt	\$ 40,328,291	\$ 37,470,572	\$ 33,244,801
Restricted	8,757,043	8,295,338	9,785,950
Unrestricted	<u>3,546,671</u>	<u>4,588,957</u>	<u>5,788,260</u>
<i>Total Primary Government Net Assets</i>	<u>\$ 52,632,005</u>	<u>\$ 50,354,867</u>	<u>\$ 48,819,011</u>

<sup>(1)</sup> 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

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

2007	2006	2005	2004	2003	2002	2001
\$ 21,469,456	\$ 17,579,683	\$ 17,103,399	\$ 16,412,401	\$ 16,339,222	\$ 14,242,832	\$ 12,778,007
9,419,129	5,068,583	5,395,879	4,059,674	3,235,266	3,289,670	2,270,654
5,249,998	11,293,877 #	9,081,345 #	7,171,123 #	5,461,224	5,865,388	5,417,630
<u>\$ 36,138,583</u>	<u>\$ 33,942,143</u>	<u>\$ 31,580,623</u>	<u>\$ 27,643,198</u>	<u>\$ 25,035,712</u>	<u>\$ 23,397,890</u>	<u>\$ 20,466,291</u>
\$ 8,895,501	\$ 8,798,612	\$ 7,459,945	\$ 4,264,961	\$ 1,545,867	\$ 363,827	\$ 150,722
570,890	560,581	574,105	506,006	505,435	458,014	640,973
1,303,886	1,896,539	738,519	1,712,657	1,471,457	1,120,224	985,863
<u>\$ 10,770,277</u>	<u>\$ 11,255,732</u>	<u>\$ 8,772,569</u>	<u>\$ 6,483,624</u>	<u>\$ 3,522,759</u>	<u>\$ 1,942,065</u>	<u>\$ 1,777,558</u>
\$ 30,364,957	\$ 26,378,295	\$ 24,563,344	\$ 20,677,362	\$ 17,885,089	\$ 14,606,659	\$ 12,928,729
9,990,019	5,629,164	5,969,984	4,565,680	3,740,701	3,747,684	2,911,627
6,553,884	13,190,416	9,819,864	8,883,780	6,932,681	6,985,612	6,403,493
<u>\$ 46,908,860</u>	<u>\$ 45,197,875</u>	<u>\$ 40,353,192</u>	<u>\$ 34,126,822</u>	<u>\$ 28,558,471</u>	<u>\$ 25,339,955</u>	<u>\$ 22,243,849</u>

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

	2010	2009	2008
<b>Program Revenues</b>			
Governmental Activities:			
Charges for Services:			
General Government	\$ 203,915	\$ 220,073	\$ 353,836
Public Safety	118,368	95,606	85,009
Physical Environment	881,338	908,829	903,285
Economic Environment	-	-	-
Cultural/Recreation	62,046	66,540	83,378
Operating Grants and Contributions	210,050	228,002	786,016
Capital Grants and Contributions	3,178,618	1,865,174	835,607
<i>Total Governmental Activities Program Revenues</i>	<u>4,654,335</u>	<u>3,384,224</u>	<u>3,047,131</u>
Business-Type Activities:			
Charges for Services:			
Golf Course	1,335,647	1,406,956	1,438,233
Airport	468,698	438,485	523,989
Building <sup>(1)</sup>	356,264	358,947	347,189
Operating Grants and Contributions	-	-	-
Capital Grants and Contributions	904,853	1,356,914	494,098
<i>Total Business-Type Activities Program Revenues</i>	<u>3,065,462</u>	<u>3,561,302</u>	<u>2,803,509</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 7,719,797</u>	<u>\$ 6,945,526</u>	<u>\$ 5,850,640</u>
<b>Expenses</b>			
Governmental Activities:			
General Government	\$ 3,309,381	\$ 3,169,851	\$ 3,375,178
Public Safety	5,720,933	5,420,585	5,226,512
Physical Environment	1,947,605	1,347,771	1,805,755
Transportation	1,863,551	3,437,724	2,111,360
Economic Environment	135,885	167,470	113,101
Cultural/Recreation	1,240,383	1,073,249	1,420,734
Interest and Fiscal Charges	566,410	730,100	634,891
<i>Total Governmental Activities Expenses</i>	<u>14,784,148</u>	<u>15,346,750</u>	<u>14,687,531</u>
Business-Type Activities:			
Golf Course	1,388,158	1,477,299	1,488,472
Airport	1,067,525	1,079,869	1,099,653
Building <sup>(1)</sup>	496,800	533,641	605,422
<i>Total Business-Type Activities Expenses</i>	<u>2,952,483</u>	<u>3,090,809</u>	<u>3,193,547</u>
<i>Total Primary Government Expenses</i>	<u>\$ 17,736,631</u>	<u>\$ 18,437,559</u>	<u>\$ 17,881,078</u>

<sup>(1)</sup> 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.

2007	2006	2005	2004	2003	2002	2001
\$ 422,897	\$ 533,482	\$ 370,609	\$ 376,327	\$ 247,774	\$ 172,135	\$ 183,502
92,853	140,545	1,356,385	1,660,032	824,821	625,924	554,350
891,021	887,819	828,907	850,887	799,637	785,683	-
-	-	-	-	-	24,869	18,753
85,945	72,472	56,199	48,590	46,736	73,013	35,050
192,676	407,898	2,802,511	1,144,528	920,829	958,229	902,001
1,014,481	1,301,438	1,781,954	1,353,959	640,894	872,490	581,941
<u>2,699,873</u>	<u>3,343,654</u>	<u>7,196,565</u>	<u>5,434,323</u>	<u>3,480,691</u>	<u>3,512,343</u>	<u>2,275,597</u>
1,652,288	1,580,407	1,381,817	1,648,308	1,377,245	1,365,027	1,088,104
344,813	375,768	434,818	201,890	168,451	179,373	193,649
408,875	1,220,823	-	-	-	-	(1)
-	6,998	13,582	67,576	-	51,087	123,673
500,428	1,056,562	2,289,986	2,451,212	1,149,437	214,175	299,334
<u>2,906,404</u>	<u>4,240,558</u>	<u>4,120,203</u>	<u>4,368,986</u>	<u>2,695,133</u>	<u>1,809,662</u>	<u>1,704,760</u>
\$ 5,606,277	\$ 7,584,212	\$ 11,316,768	\$ 9,803,309	\$ 6,175,824	\$ 5,322,005	\$ 3,980,357
\$ 3,083,609	\$ 3,129,723	\$ 3,262,276	\$ 2,414,865	\$ 1,620,616	\$ 2,010,288	\$ 1,676,383
5,377,107	4,191,295	4,816,614	4,502,109	3,391,831	2,945,701	2,526,514
1,695,066	2,193,589	1,283,889	1,279,257	1,920,200	508,616	452,116
2,276,497	2,173,071	4,034,900	3,288,532	2,401,037	2,258,181	1,630,098
605,510	98,661	32,128	86,041	166,024	223,207	241,692
1,237,398	1,208,288	1,260,395	823,974	747,910	881,260	768,802
667,950	706,303	740,372	722,007	312,367	168,749	160,954
<u>14,943,137</u>	<u>13,700,930</u>	<u>15,430,574</u>	<u>13,116,785</u>	<u>10,559,985</u>	<u>8,996,002</u>	<u>7,456,559</u>
1,533,900	1,558,338	1,464,532	1,527,051	1,363,359	1,393,551	1,341,001
1,046,994	801,967	519,235	350,949	315,941	283,726	313,877
905,452	936,793	-	-	-	-	(1)
<u>3,486,346</u>	<u>3,297,098</u>	<u>1,983,767</u>	<u>1,878,000</u>	<u>1,679,300</u>	<u>1,677,277</u>	<u>1,654,878</u>
\$ 18,429,483	\$ 16,998,028	\$ 17,414,341	\$ 14,994,785	\$ 12,239,285	\$ 10,673,279	\$ 9,111,437

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

	2010	2009	2008
<b>Net (Expense)/Revenue</b>			
Governmental Activities	\$ (10,129,813)	\$ (11,962,526)	\$ (11,640,400)
Business-Type Activities	112,979	470,493	(390,038)
<i>Total Primary Government Net Expense</i>	<u>\$ (10,016,834)</u>	<u>\$ (11,492,033)</u>	<u>\$ (12,030,438)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental Activities:			
Property Taxes, Levied for General Purposes	\$ 4,164,128	\$ 4,801,924	\$ 5,149,047
Sales and Use Taxes	4,765,200	4,670,106	4,753,718
Franchise Fees	1,228,692	1,327,253	1,199,762
State Shared Revenues	1,825,215	1,821,347	1,989,606
Interest Earnings	144,432	261,203	634,919
Miscellaneous	149,453	140,512	159,300
Transfers	(7,020)	-	-
<i>Total Governmental Activities</i>	<u>12,270,100</u>	<u>13,022,345</u>	<u>13,886,352</u>
Business-Type Activities:			
Interest Earnings	15,658	5,544	54,237
Miscellaneous	1,194	-	-
Transfers	7,020	-	-
<i>Total Business-Type Activities</i>	<u>23,872</u>	<u>5,544</u>	<u>54,237</u>
<i>Total Primary Government</i>	<u>\$ 12,293,972</u>	<u>\$ 13,027,889</u>	<u>\$ 13,940,589</u>
<b>Change in Net Assets</b>			
Governmental Activities	\$ 2,140,287	\$ 1,059,819	\$ 2,245,952
Business-Type Activities	136,851	476,037	(335,801)
<i>Total Primary Government Change in Net Assets</i>	<u>\$ 2,277,138</u>	<u>\$ 1,535,856</u>	<u>\$ 1,910,151</u>

<sup>(2)</sup> 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.

2007	2006	2005	2004	2003	2002	2001
\$(12,243,264)	\$(10,357,276)	\$ (8,234,009)	\$ (7,682,462)	\$ (7,079,294)	\$ (5,483,659)	\$ (5,180,962)
(579,942)	943,460	2,136,436	2,490,986	1,015,833	132,385	49,882
<u>\$(12,823,206)</u>	<u>\$ (9,413,816)</u>	<u>\$ (6,097,573)</u>	<u>\$ (5,191,476)</u>	<u>\$ (6,063,461)</u>	<u>\$ (5,351,274)</u>	<u>\$ (5,131,080)</u>
\$ 5,089,841	\$ 4,645,050	\$ 4,017,555	\$ 3,420,971	\$ 2,944,456	\$ 2,615,939	\$ 2,557,333
4,776,691	4,907,906	4,718,691	4,035,545	3,705,922	2,844,825	3,013,293
1,106,698	1,253,749	886,390	770,600	756,194	766,901	753,024
2,083,523	2,242,292	2,138,020	1,721,956	1,523,524	2,068,753	1,336,046
1,147,931	827,224	398,518	398,158	241,358	118,840	236,307
192,300	256,780	118,760	388,562	79,662	-	-
42,720	(1,414,205)	(106,500)	(445,844)	(534,000)	-	-
<u>14,439,704</u>	<u>12,718,796</u>	<u>12,171,434</u>	<u>10,289,948</u>	<u>8,717,116</u>	<u>8,415,258</u>	<u>7,896,003</u>
137,207	125,498	45,709	23,774	21,789	32,122	99,521
-	-	300	261	9,072	-	-
(42,720)	1,414,205 <sup>(2)</sup>	106,500	445,844	534,000	-	-
<u>94,487</u>	<u>1,539,703</u>	<u>152,509</u>	<u>469,879</u>	<u>564,861</u>	<u>32,122</u>	<u>99,521</u>
<u>\$ 14,534,191</u>	<u>\$ 14,258,499</u>	<u>\$ 12,323,943</u>	<u>\$ 10,759,827</u>	<u>\$ 9,281,977</u>	<u>\$ 8,447,380</u>	<u>\$ 7,995,524</u>
\$ 2,196,440	\$ 2,361,520	\$ 3,937,425	\$ 2,607,486	\$ 1,637,822	\$ 2,931,599	\$ 2,715,041
(485,455)	2,483,163	2,288,945	2,960,865	1,580,694	164,507	149,403
<u>\$ 1,710,985</u>	<u>\$ 4,844,683</u>	<u>\$ 6,226,370</u>	<u>\$ 5,568,351</u>	<u>\$ 3,218,516</u>	<u>\$ 3,096,106</u>	<u>\$ 2,864,444</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>General Fund</b>					
Nonspendable	\$ 352,248	\$ 357,696	\$ 381,528	\$ 368,609	\$ 106,192
Committed	3,063,585	3,083,463	3,502,560	3,742,617	4,844,674
Assigned	31,656	1,983	33,453	19,055	9,856
Unassigned	<u>2,164,910</u>	<u>2,324,972</u>	<u>2,390,641</u>	<u>2,260,507</u>	<u>1,518,350</u>
<b>Total General Fund</b>	<u>5,612,399</u>	<u>5,768,114</u>	<u>6,308,182</u>	<u>6,390,788</u>	<u>6,479,072</u>
<b>All Other Governmental Funds</b>					
Nonspendable	859,463	830,029	771,927	694,506	656,160
Restricted	<u>7,897,580</u>	<u>8,557,389</u> <sup>(1)</sup>	<u>12,446,260</u>	<u>12,926,545</u>	<u>14,783,299</u>
<b>Total All Other Governmental Funds</b>	<u>8,757,043</u>	<u>9,387,418</u>	<u>13,218,187</u>	<u>13,621,051</u>	<u>15,439,459</u>
<b>Total Governmental Funds</b>	<u>\$ 14,369,442</u>	<u>\$ 15,155,532</u>	<u>\$ 19,526,369</u>	<u>\$ 20,011,839</u>	<u>\$ 21,918,531</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> The increase in committed fund balance and the negative unassigned fund balance in the General Fund is a result of Resolution R-02-42, which established a line of credit reserve in the amount of \$1M within the general fund to fund improvements at the Sebastian Municipal Airport, in anticipation of grant funding.

2005	2004	2003	2002	2001
\$ 160,964	\$ 59,921	\$ 141,667	\$ 28,147	\$ 27,224
5,546,959 <sup>(3)</sup>	5,411,621 <sup>(3)</sup>	3,924,363 <sup>(3)</sup>	2,743,933	2,362,161
3,761	5,140	7,706	8,221	8,067
391,783 <sup>(3)</sup>	(361,790) <sup>(3)</sup>	(191,886) <sup>(3)</sup>	1,142,446	1,129,887
<u>6,103,467</u>	<u>5,114,892</u>	<u>3,881,850</u>	<u>3,922,747</u>	<u>3,527,339</u>
578,367	542,999	463,402	445,939	406,986
<u>13,392,801</u>	<u>13,815,771</u>	<u>13,339,097</u> <sup>(2)</sup>	<u>5,250,078</u>	<u>4,056,658</u>
<u>13,971,168</u>	<u>14,358,770</u>	<u>13,802,499</u>	<u>5,696,017</u>	<u>4,463,644</u>
<u>\$ 20,074,635</u>	<u>\$ 19,473,662</u>	<u>\$ 17,684,349</u>	<u>\$ 9,618,764</u>	<u>\$ 7,990,983</u>

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

	2010	2009	2008
<b>Revenues</b>			
Property and Other Local Taxes	\$ 9,525,074	\$ 10,065,806	\$ 10,504,155
Franchise Fees	1,228,692	1,327,253	1,199,762
Charges for Services	1,154,739	1,186,161	1,209,617
Licenses and Permits	33,182	29,151	163,471
Fines	90,948	88,938	65,246
Intergovernmental	4,572,550	3,270,854	2,674,761
Impact Fees	26,000	13,975	32,825
Special Assessments	-	3,849	-
Investment Earnings	228,216	250,914	647,312
Miscellaneous	169,039	176,430	461,553
<i>Total Revenues</i>	<u>17,028,440</u>	<u>16,413,331</u>	<u>16,958,702</u>
<b>Expenditures</b>			
Current:			
General Government	2,699,289	2,976,896	3,087,789
Public Safety	4,938,147	4,926,714	4,677,618
Physical Environment	1,210,823	1,448,067	1,368,593
Transportation	1,405,310	1,696,254	1,545,045
Economic Environment	129,352	167,470	113,101
Cultural and Recreation	977,780	1,148,408	1,079,379
Debt service:			
Principal Retirement	2,142,190	1,218,995	1,326,182
Interest and Fiscal Charges	577,593	706,093	611,554
Capital Outlay	6,189,026	6,495,271	3,634,910
<i>Total Expenditures</i>	<u>20,269,510</u>	<u>20,784,168</u>	<u>17,444,171</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,241,070)</u>	<u>(4,370,837)</u>	<u>(485,469)</u>
<b>Other Financing Sources (Uses)</b>			
Debt Proceeds	2,462,000		
Transfers In	4,486,626	5,196,376	5,679,896
Transfers Out	(4,493,646)	(5,196,376)	(5,679,896)
<i>Total Other Financing Sources (Uses)</i>	<u>2,454,980</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>\$ (786,090)</u>	<u>\$ (4,370,837)</u>	<u>\$ (485,469)</u>
Debt Service as a Percentage of Noncapital Expenditures	19.3%	13.5%	14.0%

2007	2006	2005	2004	2003	2002	2001
\$ 10,554,617	\$ 10,269,451	\$ 9,483,664	\$ 8,179,344	\$ 7,325,932	\$ 6,228,107	\$ 6,223,280
1,106,698	1,253,749	886,390	770,600	756,194	766,901	753,024
1,271,102	517,605	936,530	962,677	921,119	1,123,670	300,046
186,875	244,370	1,587,675	1,867,920	878,097	578,695	487,618
71,314	77,776	95,699	118,918	119,752	127,027	148,676
2,463,628	2,852,293	5,561,695	3,115,520	1,785,237	2,841,315	1,968,416
56,875	337,675	385,775	557,700	395,850	255,775	-
-	819,286	11,023	28,424	22,560	31,756	28,528
1,062,043	827,224	398,518	398,158	241,358	206,567	417,707
244,629	294,695	144,057	378,268	91,078	126,823	196,311
<u>17,017,781</u>	<u>17,494,124</u>	<u>19,491,026</u>	<u>16,377,529</u>	<u>12,537,177</u>	<u>12,286,636</u>	<u>10,523,606</u>
2,999,652	2,494,863	2,974,736	2,231,532	1,977,033	2,230,870	1,647,858
4,700,447	3,813,908	4,349,639	3,950,228	3,427,711	2,588,526	2,482,393
1,301,719	1,850,642	910,794	1,125,727	1,247,452	508,616	452,116
1,733,697	1,672,983	3,616,076	2,863,397	1,610,761	1,427,992	1,084,401
80,279	98,661	32,128	86,041	166,024	327,911	273,927
975,087	926,846	995,406	747,131	629,835	732,729	612,038
1,284,418	1,248,378	1,218,023	985,974	361,024	344,553	222,954
643,305	678,682	711,736	887,564	158,043	174,864	152,093
5,242,590	1,451,060	3,975,015	9,021,558	3,859,709	2,322,794	3,402,365
<u>18,961,194</u>	<u>14,236,023</u>	<u>18,783,553</u>	<u>21,899,152</u>	<u>13,437,592</u>	<u>10,658,855</u>	<u>10,330,145</u>
<u>(1,943,413)</u>	<u>3,258,101</u>	<u>707,473</u>	<u>(5,521,623)</u>	<u>(900,415)</u>	<u>1,627,781</u>	<u>193,461</u>
	-	-	7,756,780	9,500,000	-	900,000
5,158,296	3,785,981	3,745,265	2,745,754	2,992,908	2,009,173	2,130,744
<u>(5,115,576)</u>	<u>(5,200,186)</u>	<u>(3,851,765)</u>	<u>(3,191,598)</u>	<u>(3,526,908)</u>	<u>(2,009,173)</u>	<u>(2,130,744)</u>
42,720	(1,414,205)	(106,500)	7,310,936	8,966,000	-	900,000
<u>\$ (1,900,693)</u>	<u>\$ 1,843,896</u>	<u>\$ 600,973</u>	<u>\$ 1,789,313</u>	<u>\$ 8,065,585</u>	<u>\$ 1,627,781</u>	<u>\$ 1,093,461</u>
14.1%	15.1%	13.0%	14.5%	5.4%	6.2%	5.4%

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

	2010	2009	2008
<b>Function/Program</b>			
<b>Governmental Activities:</b>			
General Government	\$ 209,144	\$ 226,003	\$ 377,305
Public Safety	304,630	299,119	515,997
Physical Environment	881,338	1,408,829	1,256,277
Transportation	614,305	612,335	619,949
Economic Environment	2,556,872	6,000	-
Cultural/Recreation	88,046	831,938	277,603
<i>Total Governmental Activities</i>	<u>4,654,335</u>	<u>3,384,224</u>	<u>3,047,131</u>
<b>Business-type activities:</b>			
Golf Course	1,335,647	1,406,955	1,438,233
Airport	1,373,551	1,795,399	1,018,087
Building <sup>(1)</sup>	356,264	358,948	347,189
<i>Total Business-Type Activities</i>	<u>3,065,462</u>	<u>3,561,302</u>	<u>2,803,509</u>
<i>Total Primary Government</i>	<u>\$ 7,719,797</u>	<u>\$ 6,945,526</u>	<u>\$ 5,850,640</u>

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

<sup>(2)</sup> 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

	2007	2006	2005	2004	2003	2002	2001
\$	450,267	\$ 579,591	\$ 587,527	\$ 392,471	\$ 1,095,902	\$ 172,135	\$ 226,786
	249,756	306,702	1,537,557	1,850,710	929,952	785,373	633,230
	891,021	890,092	898,821	914,318	1,136,507	785,683	779,837
	721,103	900,365	3,392,883	1,670,534	1,580,076	3,038,913	2,285,809
	-	30,059	-	-	-	24,869	18,753
	387,726	636,845	779,777	606,290	663,459	566,959	168,335
	<u>2,699,873</u>	<u>3,343,654</u>	<u>7,196,565</u>	<u>5,434,323</u>	<u>5,405,896</u>	<u>5,373,932</u>	<u>4,112,750</u>
	1,652,288	1,587,405	1,395,399	1,715,884	1,377,245	1,365,517	1,088,104
	845,241	1,432,330	2,724,804	2,653,102	1,317,888	444,145	616,656
	408,875	1,220,823	-	-	-	-	-
	<u>2,906,404</u>	<u>4,240,558</u>	<u>4,120,203</u>	<u>4,368,986</u>	<u>2,695,133</u>	<u>1,809,662</u>	<u>1,704,760</u>
\$	<u>5,606,277</u>	<u>7,584,212</u>	<u>11,316,768</u>	<u>9,803,309</u>	<u>8,101,029</u>	<u>7,183,594</u>	<u>5,817,510</u>

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

Fiscal Year	Property Taxes	Public Utility	Sales Tax	Motor Fuel	Total
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
2001	2,608,989	1,151,685	1,861,608	600,998	6,223,280

(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.

Millage Rate represents the dollar of tax per one thousand dollars of taxable valuation.

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

Fiscal Year	City of Sebastian			Total County <sup>(1)</sup> Millage	Indian River County School Board			Other <sup>(2)</sup>
	Operating Millage	Debt Service Millage	Total City Millage		Operating Millage	Debt Service Millage	Total School Millage	
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
2001	5.0000	-	5.0000	8.24860	8.67700	0.88000	9.55700	1.62899

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

<sup>(2)</sup> 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**

Fiscal Year	Real Property		Personal Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
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
2001	656,619,860	820,774,825	42,216,162	41,533,985

Source: Indian River County Property Appraiser  
 Fiscal Year information is provided from previous Tax Year.

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Exemptions Property	Total Taxable Value	Total Estimated Actual Value
558,090,532	1,707,231,672	2,119,809,534
676,808,522	1,996,411,138	2,479,894,796
334,302,515	2,119,307,997	2,632,910,011
322,318,753	2,180,529,368	2,711,683,286
271,466,364	1,578,751,030	1,960,481,882
228,262,825	1,208,605,441	1,497,924,232
217,554,663	994,907,578	1,231,481,066
205,977,066	874,579,785	1,081,885,939
198,445,669	799,772,729	988,417,017
190,327,263	698,836,022	862,308,810

**City of Sebastian, Florida**  
Principal Taxpayers  
Fiscal Year 2010 and 2001

Taxpayer & (Business Type)	2010			2001		
	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Florida Power & Light (Utility/Electric)	\$ 15,809,386	1	13.33%	\$ 10,348,995	2	1.29%
Wal-Mart Stores Inc. (Retail)	13,404,610	2	11.30%	10,784,171	1	1.35%
IPF / Sebastian LLC (Retail)	9,743,746	3	8.22%	-	-	-
Bellsouth Communications (Utility/Telephone)	7,153,062	4	6.03%	8,784,704	3	1.10%
BW US 1 Inc. (Commerical)	6,946,560	5	5.86%	-	-	-
Park Place Community LLC (Rental/Retail)	6,896,210	6	5.82%	-	-	-
KB Homes Treasure Coast LLC (Construction)	6,600,600	7	5.57%	-	-	-
512 Commerce Center LLC (Commercial)	6,177,200	8	5.21%	-	-	-
Chance Holdings LLC (Development)	5,492,320	9	4.63%	-	-	-
Pelican Isles Limited Partnership (Rental)	5,066,610	10	4.27%	-	-	-
James T Turner (MHP/Rentals)	-	-	-	3,784,200	4	0.47%
Ruth Guest House, Inc. (Rental/Retail)	-	-	-	3,750,750	5	0.47%
Oyster Point Resort Condo (Time Share/Rental)	-	-	-	3,739,840	6	0.47%
Sebastian Inlet Marina & Trading Co., Inc. (Restaurant/Hotel)	-	-	-	3,158,810	7	0.39%
Charter Communications (Utility/Cable)	-	-	-	3,051,071	8	0.38%
Sebastian Resort Property Inc. (Rental)	-	-	-	2,644,330	9	0.33%
Sandy Pines Ltd. (Rental)	-	-	-	2,617,500	10	0.33%
	<u>\$ 83,290,304</u>		<u>70.24%</u>	<u>\$ 52,664,371</u>		<u>6.58%</u>
Total Assessed Valuation	<u>\$118,591,735</u>			<u>\$ 799,772,729</u>		

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
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
2001	2,542,544	2,455,930	97	51,690	2,507,620	99

Source: Indian River County Property Appraiser and Tax Collector

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

Year	Governmental Activities					Business-type	Total Primary Government	Percent of Personal Income	Per Capita
	Water Line Assessment Bonds	Roadway Improvement Notes	Infrastructure Sales Tax Bonds	Heavy Equipment Lease	Stormwater Utility Revenue Bonds	Golf Course Revenue Bonds			
2010	\$ -	\$2,414,000	\$ 6,980,000	\$ -	\$ 4,055,000	\$ -	\$ 13,449,000	( <sup>2</sup> )	587
2009	-	1,089,203	7,725,000	-	4,315,000	300,000	13,429,203	( <sup>2</sup> )	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
2001	187,901	2,773,847	-	-	-	2,435,000 ( <sup>1</sup> )	5,396,748	0.12%	324

(<sup>1</sup>) Golf Course Revenue Bonds, Series 1996 was refunded in 2001.

(<sup>2</sup>) Information not available yet.

**City of Sebastian, Florida**  
**Computation of Legal Debt Margin**  
**September 30, 2010**

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Assessed Valuation		
Assessed taxable property value for tax year 2009	\$	1,707,231,672
Deduct: exempt property		558,090,532
Total Operating Taxable Value for Debt Service	\$	<u>1,149,141,140</u>
Legal debt margin:		
Debt limitation - 5 percent of total assessed real property value <sup>(1)</sup>	\$	57,457,057
Debt applicable to limitation		
Total bonded debt	\$	13,449,000
Less: revenue bonds		<u>(11,035,000)</u>
Total applicable to limitation		<u>2,414,000</u>
Legal debt margin	\$	<u>55,043,057</u>

<sup>(1)</sup> 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, 2010**

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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt Limit (1)	\$ 82,515,572	\$ 96,696,732	\$ 102,720,403	\$ 106,230,784
Total net debt applicable to limit	<u>2,414,000</u>	<u>1,078,787</u>	<u>1,333,197</u>	<u>1,714,377</u>
Legal debt margin	<u>\$ 80,101,572</u>	<u>\$ 95,617,945</u>	<u>\$ 101,387,206</u>	<u>\$ 104,516,407</u>
Total net debt applicable to the limit as a percentage of debt limit	2.93%	1.12%	1.30%	1.61%

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

2006	2005	2004	2003	2002	2001
\$ 76,346,170	\$ 57,863,758	\$ 47,314,698	\$ 41,461,231	\$ 37,728,858	\$ 32,830,993
2,078,796	2,427,174	2,760,196	3,078,556	3,382,896	3,673,847
<u>\$ 74,267,374</u>	<u>\$ 55,436,584</u>	<u>\$ 44,554,502</u>	<u>\$ 38,382,675</u>	<u>\$ 34,345,962</u>	<u>\$ 29,157,146</u>
2.72%	4.19%	5.83%	7.43%	8.97%	11.19%

**City of Sebastian, Florida**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001							
Fiscal Year	Gross Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2010 <sup>(6)</sup>	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 <sup>(4)</sup>	1.48 <sup>(5)</sup>
2005	1,395,436	1,023,002	372,434	240,000	71,490	311,490 <sup>(4)</sup>	1.20 <sup>(5)</sup>
2004	1,497,053	1,108,770	388,283	230,000	80,890	310,890 <sup>(4)</sup>	1.25 <sup>(5)</sup>
2003	1,400,154	968,052	432,102	220,000	89,890	309,890 <sup>(4)</sup>	1.39 <sup>(5)</sup>
2002	1,386,424	1,020,640	365,784	100,000	104,481	204,481 <sup>(4)</sup>	1.79 <sup>(5)</sup>
2001	1,165,091 <sup>(3)</sup>	1,043,741 <sup>(3)</sup>	121,350	-	-	- <sup>(4)</sup>	- <sup>(5)</sup>

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

<sup>(1)</sup> Total revenues including charges for services, rents, and interest.

<sup>(2)</sup> Total direct operating expenses excludes depreciation, amortization, annual Airport lease payment, and one time hurricane repair and upgrade.

<sup>(3)</sup> Golf Course closed for four months for renovations.

<sup>(4)</sup> Golf Course Bond, Series 1992 refunded with Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001.

<sup>(5)</sup> Required coverage is 1.25.

<sup>(6)</sup> Final payment was paid on September 30, 2010.

<sup>(7)</sup> Total revenues consist of stormwater utility fees and interest.

<sup>(8)</sup> Required coverage is 1.35.

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Stormwater Utility Revenue Bonds, Series 2003

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Gross Revenues <sup>(7)</sup>	Debt Service			Coverage <sup>(8)</sup>
	Principal	Interest	Total	
\$ 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 <sup>(1)</sup>	Per Capita Personal Income <sup>(1)</sup>	Median Household Income <sup>(1)</sup>	School Enrollment <sup>(2)</sup>
2010	22,922	(4)	(4)	(4)	5,167
2009	22,722	(4)	(4)	(4)	(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
2001	16,667	4,552,238,000	39,470	39,359	1,371

**Sources:**

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

<sup>(2)</sup> Indian River County School Board

<sup>(3)</sup> Indian River County Property Appraiser

<sup>(4)</sup> Information not available yet

<sup>(5)</sup> 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

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Unemployment Rate <sup>(1)</sup>		State Unemployment Rate		Property Taxes Per Capita	Total Assessed Property Value <sup>(3)</sup>
14.4	%	11.9	%	\$ 181.67	\$ 1,707,231,672
13.0		10.5		211.33	1,996,411,138
7.9		6.3		224.61	2,119,307,997
5.5		4.1		226.96	2,180,529,368
4.1		3.4		214.39	1,578,751,030
4.7		3.8		200.40	1,208,605,441
6.7		4.7		176.66	994,907,578
6.8		5.3		159.81	874,579,785
7.2		5.7		158.30	799,772,729
5.8		4.7		156.54	698,836,022

**City of Sebastian, Florida**  
**Principal Employers in Indian River County**  
**Year 2010 and 2001**

<b>2010</b>		
Employer	Number of Employees	Percentage of Total County Employment
School District of Indian River County	2,080	3.34 %
Indian River County	1,411	2.26
Indian River Medical Center	1,334	2.14
Publix Supermarkets	960	1.54
Piper Aircraft, Inc.	850	1.36
Sebastian River Medical Center	600	0.96
John's Island	550	0.88
City of Vero Beach	505	0.81
Visiting Nurse Association	475	0.76
Wal-Mart	384	0.62
Disney/Vero Beach Resort	300	0.48
Grand Harbor Management	295	0.47
CVS Warehouse/Distribution	278	0.45
Sun Ag, Inc	240	0.39
City of Sebastian	155	0.25
<b>Total</b>	<b>10,417</b>	<b>16.71 %</b>
<b>Total County Employees</b>	<b>62,329</b>	

<b>2001</b>		
Employer	Number of Employees	Percentage of Total County Employment
School District of Indian River County	1800	3.85 %
Indian River Memorial Hospital	1538	3.29
Indian River County	1464	3.13
The New Piper Aircraft	1349	2.89
Gracewood Fruit Packing	800	1.71
Publix Supermarkets	792	1.70
Wal-Mart	774	1.66
Hale Indian River Groves	675	1.45
City of Vero Beach	606	1.30
Indian River Estates	492	1.05
<b>Total</b>	<b>10,290</b>	<b>22.03 %</b>
<b>Total County Employees</b>	<b>46,700</b>	

**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**

<b>Function/program</b>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>General Government:</b>										
City Council	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
City Manager	2.5	2.5	2.5	2.0	2.0	5.0	4.0	4.0	4.0	4.0
City Clerk	3.0	3.0	3.0	4.0	4.5	4.0	4.0	4.0	5.0	5.0
City Attorney	-	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
Administrative Services	5.0									
Finance	-	5.0	5.0	5.0	6.0	5.0	5.0	5.0	6.0	6.0
Mgmt Information Svcs	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	0.0	0.0
Human Resources	-	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Facilities Maintenance	2.0	2.0	2.0	2.0	2.0	2.0	0.0	4.0	4.0	4.0
Growth Management	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>Public Safety:</b>										
Police Department	58.0	59.0	58.0	57.0	58.0	59.0	56.5	54.5	53.0	52.5
Building Department	5.0	5.0	6.0	11.0	11.0	9.0	8.0	7.0	7.0	6.0
Code Enforcement	2.5	2.5	2.5	3.0	3.0	0.0	0.0	0.0	0.0	0.0
<b>Transportation:</b>										
Roads & Drainage	12.0	10.0	10.0	11.5	12.5	12.5	14.5	11.5	23.5	26.5
Central Garage	3.5	3.5	2.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0
Airport	3.0	3.0	3.0	3.0	3.5	3.5	2.5	2.5	1.5	1.0
<b>Physical Environment:</b>										
Cemetery	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Engineering	-	7.0	7.0	9.0	8.0	8.0	8.0	7.5	8.0	6.5
Stormwater Utility	12.0	11.0	13.0	13.0	13.0	13.0	12.0	12.0	1.0	0.0
<b>Cultural/Recreation:</b>										
Parks & Recreation	23.0	23.5	23.5	23.5	24.5	23.5	17.5	16.5	14.0	14.0
Golf Course	10.5	9.0	9.0	12.5	12.5	12.5	13.5	13.5	14.5	12.5
<b>Totals:</b>	<u>154.5</u>	<u>162.5</u>	<u>164.5</u>	<u>177.5</u>	<u>180.5</u>	<u>175.5</u>	<u>163.0</u>	<u>159.5</u>	<u>157.0</u>	<u>153.5</u>

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

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

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

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

**Source:** City of Sebastian, Florida 2002-2011 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

<b>Function/program</b>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>General Government</b>										
Number of Annexations Approved	1	3	0	1	1	1	6	3	0	1
Acres of Annexed Property	5.9	26	0	3.87	3.3	25.55	484	80	0	80
Purchase Orders Issued	216	288	254	284	293	369	408	372	357	411
<b>Public Safety</b>										
<b>Police Department</b>										
Physical Arrest	487	543	662	697	744	786	653	557	515	627
Traffic Violations	4,083	4,849	4,418	7,221	6,291	5,457	5,431	1,939	2,528	2,781
Parking Violations	87	50	208	289	880	303	3,801	632	207	198
<b>Building Department</b>										
Construction Permits Issued <sup>(3)</sup>	36	23	55	104	506	774	577	544	363	315
Estimated Value of Construction (in millions)	\$ 6.6	\$ 5.1	\$ 13.3	\$ 22.5	\$ 88.3	\$114.7	\$112.3	\$ 82.7	\$ 38.9	\$ 29.0
<b>Transportation</b>										
Road Maintenance (man hours)	1,264	600	538	888	512	100	878	850	827	(1)
Asphalt for road maintenance (tons)	103	328	358	210	127	125	88	79	75	(1)
Concrete for road maintenance (yards) <sup>(2)</sup>	0	0	0	0	300	0	283	277	275	(1)
<b>Physical Environment</b>										
<b>Cemetery</b>										
Cemetery Internments	66	74	68	69	76	79	86	81	73	78
Grave Deeds Sold	33	39	46	49	56	56	69	45	54	67
<b>Stormwater</b>										
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	30	30	30	30	30	30	30	30	30
Catch Basins/Culverts	315	275	275	275	275	275	275	275	250	248
<b>Recreation</b>										
Recreation Center attendance	11,701	13,465	12,910	14,177	8,004	5,504	7,498	(1)	(1)	(1)
Number of Discount Cards	844	879	950	1,004	2,690	1,000	993	855	890	746
Number of Golf Course Memberships	96	95	97	108	119	85	116	137	169	190
Average daily golf revenue	\$3,673	\$4,000	\$3,988	\$4,661	\$4,441	\$3,844	\$4,551	\$3,836	\$3,798	\$3,192

<sup>(1)</sup> Information not available

<sup>(2)</sup> All road maintenance utilized asphalt, no concrete curbing was installed.

<sup>(3)</sup> New Commercial and Residential Only

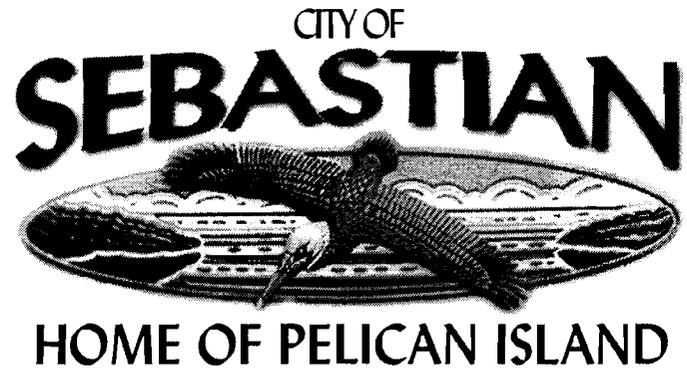
**Sources:** City of Sebastian Police Department, Growth Management, Public Works, Golf Course, and Building Department.

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

<b>Function/program</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>General Government</b>										
Square Footage Occupied	21,500	21,500	21,500	21,500	21,500	21,500	5,516	5,516	5,516	5,516
Departmental Vehicles	3	3	3	3	3	5	2	2	2	3
<b>Public Safety</b>										
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	8,700	8,700	8,700	8,700
Square Footage of Building Department	2,500	2,500	2,500	2,500	2,500	2,500	1,716	1,716	1,716	1,716
Police Vehicles	63	63	62	57	53	52	47	42	40	33
Building Inspector Vehicles	3	4	4	5	6	5	4	4	5	4
<b>Transportation</b>										
Streets (miles)	156	156	156	156	156	156	156	149.6	140.0	140.0
Number of Streetlights (1)	1,230	1,240	1,229	1,309	3,808	3,555	3,543	3,543	3,531	3,531
Airport	1	1	1	1	1	1	1	1	1	1
Public Service Vehicles	22	18	23	21	19	14	24	18	22	19
<b>Physical Environment</b>										
Public Service Vehicles	15	7	11	10	12	13	6	7	4	4
<b>Recreation</b>										
Number of Parks	19	18	15	14	14	12	12	12	10	10
Recreation Centers	2	2	2	2	2	2	2	2	2	2
Park Acreage	316.01	233.79	233.79	229.37	229.37	223.37	223.37	223.37	207.85	196.47
Recreation Center Square Footage	4,859	4,859	4,859	4,859	4,859	4,859	4,859	4,859	4,859	4,859
Park Maintenance Vehicles	13	13	13	12	11	10	8	6	6	5
Golf Course	1	1	1	1	1	1	1	1	1	1

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

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

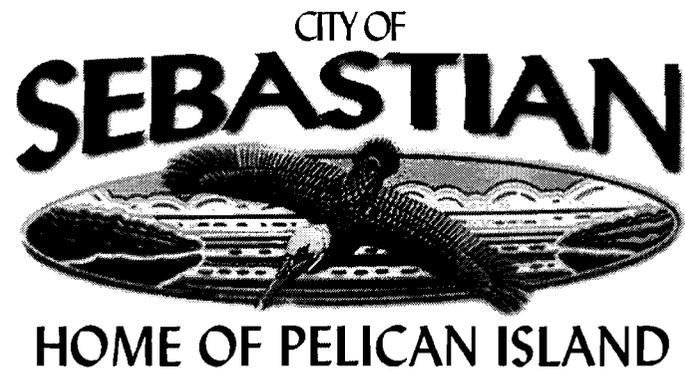


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# **SINGLE AUDIT SECTION**

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

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



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**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

**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, 2010, and have issued our report thereon dated February 24, 2011. 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*.



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

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

We noted certain matters that we reported to management of the City of Sebastian, Florida in a separate letter, Independent Auditors' Management Letter, dated February 24, 2011.

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  
February 24, 2011



**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 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, 2010. 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 non-compliance 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, 2010.



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

*Harris, Cotherman, Jones, Price & Associates*  
*Certified Public Accountants - Chartered*  
February 24, 2011



**City of Sebastian, Florida**  
**Schedule of Expenditures of Federal Awards**  
**and State Financial Assistance**  
**For the year ended September 30, 2010**

<b>Federal / State Agency</b>		<b>Contract</b>		
<b>Pass-through Entity</b>	<b>CFDA</b>	<b>Grant</b>		<b>Transfers to</b>
<b><u>Federal Program / State Project</u></b>	<b><u>No.</u></b>	<b><u>No.</u></b>	<b><u>Expenditures</u></b>	<b><u>Subrecipients</u></b>
<b>U.S. Department of Justice</b>				
Direct Programs:				
Office of Justice Programs				
Bulletproof Vest Partnership	16.607	N/A	\$ 2,100	\$ -
ARRA - FY2009 Recovery Act Justice Assistance Grant Program	16.804	2009-SB-B9-2156	789	-
Indirect Programs:				
Passed through Florida Department of Law Enforcement				
ARRA - Recovery Act Justice Assistance Grant	16.803	2010-ARRC-INRI-4-W&-152	28,329	-
Justice Assistance Grant	16.738	2010-JAGD-INRI-4-4Y-067	5,834	-
<b>Total U.S. Department of Justice</b>			<u>37,052</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Direct Programs:				
Design East Access Road	20.106	12-0145-008-2008	51,627	-
Runway 4/22 Improvements	20.106	12-0145-009-2009	342,066	-
<b>Total U.S. Department of Transportation</b>			<u>393,693</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS:</b>			<u>\$ 430,745</u>	<u>\$ -</u>

The accompanying notes are an integral part of the audit.

**City of Sebastian, Florida**  
**Schedule of Expenditures of State Financial Assistance**  
**For the year ended September 30, 2010**

<b>State Agency Pass-through Entity <u>State Project</u></b>	<b>CSFA <u>No.</u></b>	<b>Contract Grant <u>No.</u></b>	<b><u>Expenditures</u></b>
<b>Department of Transportation</b>			
Direct Projects:			
Joint Participation Agreement with Florida			
Department of Transportation Aviation			
Administration:			
Construct Access Road	55.004	407706-1-94-01	\$ 495,780
Construct Hangars	55.004	418164-1-94-01	3,426
Construct Hangars	55.004	416287-1-94-01	2,952
Design Runway Rehab, Lighting & Marking	55.004	426172-1-94-01	9,002
District Maintenance			
Lighting Maintenance and Compensation Agreement	55.023	405122-1-78-10	<u>18,559</u>
<b>Total Department of Transportation</b>			<u>529,719</u>
<b>Florida Department of Community Affairs</b>			
Florida Communities Trust (FCT)			
Stan Mayfield Working Waterfront Grant Contract			
Sebastian Working Waterfront Collaborative	52.013	08-003-WW1	<u>2,556,872</u>
<b>Total Florida Department of Community Affairs</b>			<u>2,556,872</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:</b>			<u><u>\$ 3,086,590</u></u>

The accompanying notes are an integral part of the audit.

**City of Sebastian, Florida**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**September 30, 2010**

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.



**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'  
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, 2010 and have issued our report thereon dated February 24, 2011.

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 February 24, 2011, should be considered in conjunction with this management letter.

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

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

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

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



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

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

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

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the City of Sebastian, Florida for the fiscal year ended September 30, 2010, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010.

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

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

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

Vero Beach, Florida  
February 24, 2011