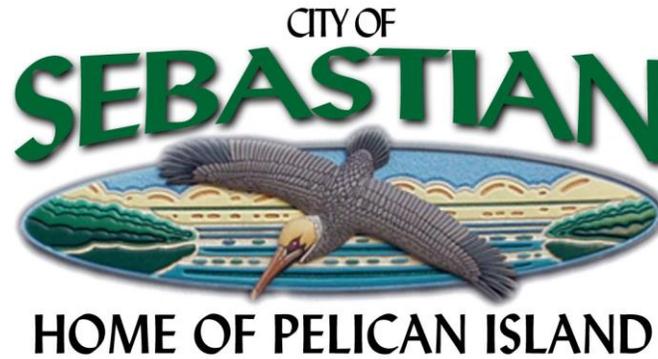


**CITY OF SEBASTIAN, FLORIDA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2017**

**CITY COUNCIL**

Bob McParlan  
*Mayor*

Andrea Coy  
*Vice-Mayor*

Ed Dodd  
*Council Member*

Jim Hill  
*Council Member*

Linda Kinchen  
*Council Member*

Prepared By: Administrative Services Department

# CITY OF SEBASTIAN, FLORIDA

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## INTRODUCTORY SECTION

# CITY OF SEBASTIAN, FLORIDA

## CITY OFFICIALS

For the Year Ended September 30, 2017

Joseph Griffin  
*City Manager*

Sally A. Maio, MMC  
*City Clerk*

Robert Ginsburg  
*City Attorney*

## DEPARTMENT HEADS

Michelle Morris  
*Police Chief*

Kenneth W. Killgore  
*Administrative Services Director*

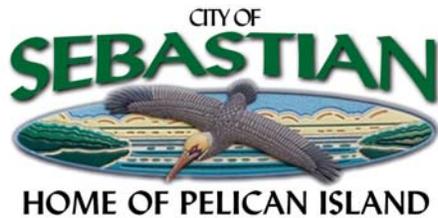
Frank Watanabe  
*City Engineer*

Tim Walker  
*Public Works Director*

Wayne Eseltine  
*Building Official*

Greg Gardner  
*Golf Course Director*

Scott Baker  
*Airport Director*



March 20, 2018

To the Citizens of the City of Sebastian, Florida:

We are submitting the Comprehensive Annual Financial Report of the City of Sebastian, Florida for the fiscal year ended September 30, 2017, as prepared by the City's Administrative Services department. State law requires that every general-purpose local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Chapter 218.39, Florida Statutes requires that the financial statements of the City of Sebastian be audited by a certified public accountant selected by the City Council. The City's independent Certified Public Accountants, Rehmann Robson, has issued an unmodified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2017. The independent auditors' report is located on page 13, 14 and 15. Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

As the recipient of federal and state financial assistance, the City is also responsible for the establishment of an adequate internal control structure to help ensure compliance with applicable laws and regulations related to those programs. The City is required to undergo an annual single audit performed under the provisions of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Rules of the Florida Auditor General*. The City did not meet the threshold to require a federal single audit for the current year. Information related to the state single audit, including the schedule of expenditures of state financial assistance and auditors' reports on the internal control and compliance with applicable laws and regulations are included in a separate report, under separate cover.

Profile of the Government

The City of Sebastian, Florida is located in Indian River County approximately midway through the east coast of the Florida Peninsula (between Melbourne and Vero Beach) in an area known as the Treasure Coast. It is recognized as the Home of Pelican Island, the first designated wildlife refuge in the United States, a Millennium City, and a Tree City USA. It was first incorporated as the Town of Sebastian in 1924. In the late 1950s General Development Corporation purchased the land from the Mackle family of Miami and began the development of a planned community that is now the City of Sebastian. The City has a population of 24,192 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 Community Redevelopment Agency recorded in the Riverfront Redevelopment Fund and Sebastian Police Officer’s Pension Trust Fund.

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

Local Economy

The region (which includes the City of Sebastian and the surrounding unincorporated area within the same county) has a fluctuating labor force depending on agricultural demand and is a strong retirement community. Although the labor force fluctuates, unemployment in the region increased to high levels for several years but has shown good improvement in the last few years. As of September 2017, the Florida Research & Economic Database reported an improved unemployment rate of 4.3%, which corresponds with improvements being enjoyed at the state and national levels. The overall unemployment rate for the area has historically been greater than that of the State of Florida.

The largest major industry sector was Health Care and Social Assistance with 18.6% of the employment, followed by Retail Trade with 16.9% of the employment and Accommodation and food Services with 11.3% of the employment. According to the U.S. Census Bureau (2000), 86% of the population age 25 or older are high school graduates and 23.1% hold a bachelor's degree or higher. The area median age for 2010 was 50.1 per the U.S. Census Bureau. The median household income for 2015 was \$49,887, as reported by the Florida Research and Economic Database. The geographical area of the City of Sebastian, just north of the Treasure Coast, houses a number of high-tech industries including NASA and various aerospace industry-related businesses. In the past, this attracted a workforce with a higher than average education and technical skills to the vicinity but with the end of the Space Shuttle program, the loss of these activities has affected job availability. Now, the area has diversified to industries focused on building aerospace vehicles rather than just launching activities. This has helped with providing employment for this highly skilled work force.

### Long-term Financial Planning

The voters of Indian River County in November 2003 extended the Infrastructure Sales Surtax in the amount of \$.01 per \$1.00 sale for an additional fifteen years and seven months beginning in January 2004. In November 2016, subsequent to this report, the voters once again extended the Surtax for another fifteen-year period. This Infrastructure Sales Surtax is essential in providing for the City's emergency vehicle and capital improvement needs. In addition, the City has funded a number of other capital projects with impact fees and has actively pursued grant funding for some major transportation and environmental improvements. It has also employed the use of a Community Redevelopment Agency that is funded by means of tax-increment financing.

The millage was levied at a reduced rate of 3.80000 for fiscal year 2017. However, the City had an increase in ad valorem values due to improvements and additions. Construction activity resulted in 147 permits being issued for new construction in fiscal year 2017 with a value of \$37.2 million compared to 191 permits being issued for new construction in fiscal year 2016 with a value of \$43.4 million. These levels can be primarily attributed to the improved outlook for the housing market.

General Fund unassigned fund balance and amounts committed by the financial policies resolution based on 30% of the general fund expenditures budget, were 35% of the general fund expenditures budget. The City has been steadfast and refused to spend down these balances because the City understands reliance on accumulated fund balances to fund operating expenditures is not a prudent fiscal strategy. To this end, the budget for fiscal year 2017 was balanced without a reduction of fund balances.

### Major Initiatives

#### *Administration*

The City experienced substantial impacts from Hurricane Matthew and expended countless hours in compiling and submitting funding request to FEMA and the State during the year. A major part of the requested reimbursements related to rebuilding four of the City's fishing piers that were substantially damaged from the storm. Those items added to the usual administrative effort required to manage such projects by the need to adhere to permitting and environmental concerns, while also complying with FEMA and State stipulations.

Administrative initiatives included initiating a competitive process to select an automated payroll system and have it implemented before year end. This system was expected to reduce the time required to submit employee time records and automate human resource activities, such as orientation briefings and performance evaluations. In other areas, efforts were made to use technology advances, including upgrades to computer servers, improvements to the network and acquisition of better audio and visual equipment.

#### *Stormwater*

The main focus of stormwater activities the past fiscal year has continued to be on the City's Stormwater Management Program, which includes capital projects, maintenance, citizen response and education, and forward planning. The City continued an emphasis on mowing and clearing swales and ditches. This is expected to be critical to insuring a smooth flow of stormwater. City crews are now concentrated on the task of keeping those areas clear of vegetation. Operation and maintenance activities are accounted for in General Fund, with about 75% of the costs offset by an annual transfer from the Stormwater Utility Fund. Equipment replacements are being accounted for in the Stormwater Utility Fund.

#### *Traffic & Transportation*

The City continues working on transportation improvements. Almost \$700,000 was spent during 2017 from discretionary sales taxes and local option gas taxes for roadway reconstruction and repaving. Other projects planned for future years include repairs to sidewalks, plus additional street repaving that will be funded by local option gas taxes and major road reconstruction by discretionary sales taxes. In addition, discretionary sales taxes will be used to replace heavy construction equipment needed for maintaining City rights-of-way and transportation infrastructure.

#### *Airport*

The Sebastian Municipal Airport's infrastructure is being developed with the intent of attracting economic development and stimulating the business climate in order to create jobs in the community. The Master Plan serves as the guiding document for airport planning and work has begun to update this important document. Land leases are a primary source of airport revenues and over 150 acres of property is available for lease, for both aviation and non-aviation businesses. Also important are sales from a self-serve fueling facility. The Airport's limited resources continue to be leveraged by aggressively seeking and obtaining grants from the Florida Department of Transportation (FDOT) and Federal Aviation Administration (FAA) to develop the necessary infrastructure. Planned improvements include upgrading the taxiways and constructing another hangar with grant funds matched by funds from discretionary sales taxes.

#### *Public Safety*

The Police Department continues to participate in the accreditation program offered by the commission for Florida Law Enforcement Accreditation. The designation encourages the Police Department to establish goals and objectives with provisions for periodic updating; constant reevaluation of whether departmental resources are being employed in accordance with agency goals, objectives and mission; constant reevaluation of departmental policies and procedures as documented in the department's written directive system; to accommodate correction of internal deficiencies and inefficiencies before they become public problems; and the opportunity to reorganize without the appearance of personal attacks. Standards and performance measurements resulting from the accreditation process will continue to guide both Sebastian Police Department and city administration in alleviating potentially adverse conditions.

### *Culture & Recreation*

The City continued efforts to promote the “working waterfront” concept on the riverfront properties that were purchased with grant funding, with City matching funds provided by discretionary sales taxes. Additional grants were secured for installation of a baffle box, drainage improvements and other enhancements. The City also put emphasis on refurbishing the playground equipment at all the parks to insure it was safe for children to use. In other areas, the City continued supporting the use of Lakefront Park for gatherings organized by various community groups, including the Clam Bake, Chamber of Commerce and Art Club. The City also used discretionary sales taxes and a State grant to allow the Golf Course to totally rehabilitate the Golf Course Clubhouse Restaurant in conjunction with the competitive selection of a new tenant to operate it.

### **Awards and Acknowledgements**

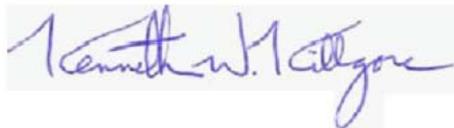
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sebastian for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



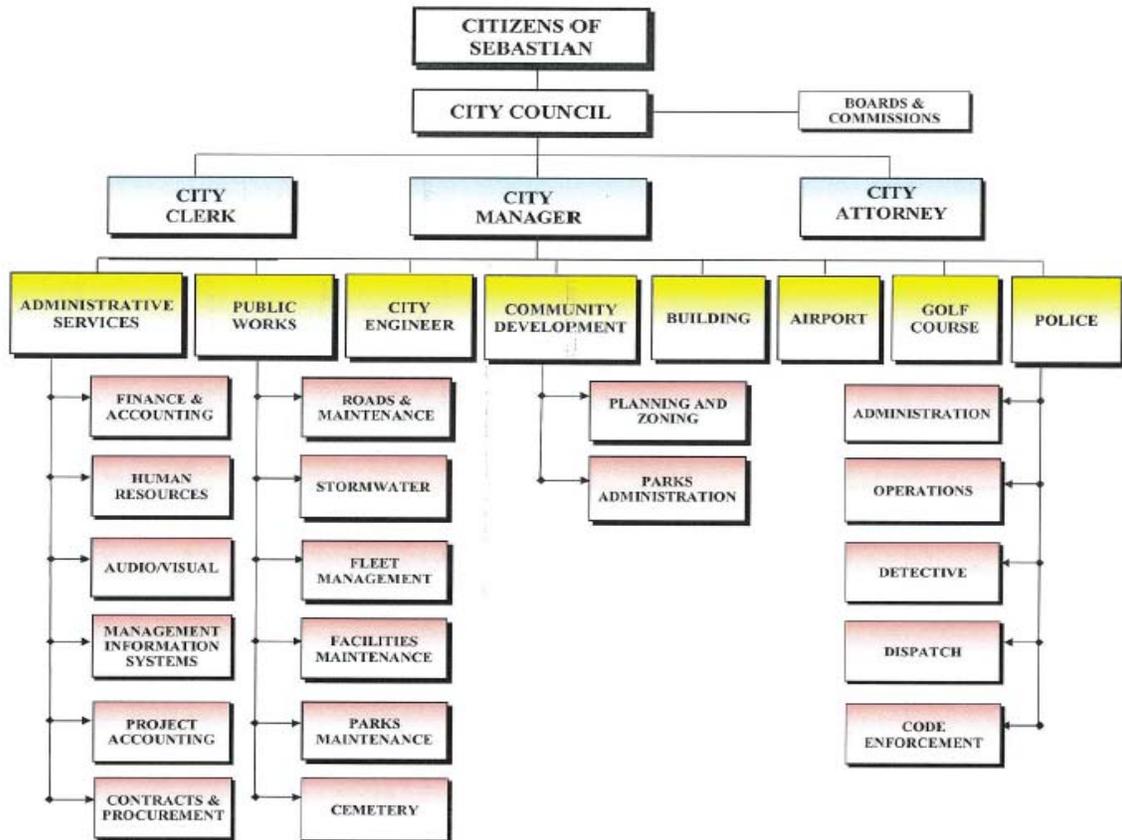
Joseph Griffin  
City Manager



Kenneth W. Killgore  
Administrative Services Director

# CITY OF SEBASTIAN, FLORIDA

## Organizational Chart



CITY OF SEBASTIAN, FLORIDA

GFOA Certificate of Achievement



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sebastian  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

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## FINANCIAL SECTION

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**INDEPENDENT AUDITORS' REPORT**

March 20, 2018

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Sebastian, Florida* (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Independent Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida as of September 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, on our consideration of the City of Sebastian, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

The City of Sebastian's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2017 by \$56,186,650 (net position). Of this amount, \$227,112 (unrestricted net position) may be used to meet the City's on-going obligations to citizens and creditors.
- The City's total net position from governmental activities decreased by \$900,579 and from business-type activities increased by \$1,103,380. Net position was decreased in governmental activities as a result of greater expenditures on public safety and physical environment. Net position for business-type activities increased due to capital grants received at the Airport.
- Governmental funds reported a combined ending fund balance of \$10,548,397, a decrease of \$1,301,929 from the prior year. Almost 39% of this amount, \$4,062,905 is unassigned and available for spending, a \$1,334,369 decrease from fiscal year 2016, due to General Fund outlays related to Hurricane Matthew.
- The Golf Course Fund reported an increase in the deficit in unrestricted net position, due to an operating loss, largely resulting from lower operating revenues attributed to weather and construction activities. The Airport Fund reported an improvement in the deficit in unrestricted net position resulting from revenues recorded from capital contributions. The Building Enterprise fund reported an increase in unrestricted net position, as a result of an improved levels of construction activity. In total, the City's enterprise funds reported a positive increase in overall net position at the end of the year.

### Overview of the Financial Statements

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, physical and economical environment, transportation, cultural and recreation. The business-type activities of the City include the golf course, airport and building operations.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Discretionary Sales Tax Fund, Riverfront Redevelopment Fund, General Capital Projects, and Transportation Improvements, 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 of these nonmajor governmental funds is provided in the form of *combining statements and schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements or schedules have been provided for these funds to demonstrate compliance with this budget.

**Proprietary Funds.** The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the golf course, airport, and buildings department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the City's golf course and airport, which are major funds, and the buildings department, which is a nonmajor fund.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

### Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,186,650 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 11,632,834	\$ 12,603,239	\$ (527,648)	\$ (229,839)	\$ 11,105,186	\$ 12,373,400
Capital assets, net	40,636,026	39,992,087	13,639,422	12,151,911	54,275,448	52,143,998
Total assets	<u>52,268,860</u>	<u>52,595,326</u>	<u>13,111,774</u>	<u>11,922,072</u>	<u>65,380,634</u>	<u>64,517,398</u>
Deferred outflows of resources	823,292	1,050,060	-	-	823,292	1,050,060
Long-term debt outstanding	4,661,794	5,397,721	488,219	373,094	5,150,013	5,770,815
Other liabilities	4,390,126	3,392,050	247,562	276,365	4,637,688	3,668,415
Total liabilities	<u>9,051,920</u>	<u>8,789,771</u>	<u>735,781</u>	<u>649,459</u>	<u>9,787,701</u>	<u>9,439,230</u>
Deferred inflows of resources	229,575	144,379	-	-	229,575	144,379
Net position						
Net investment in capital assets	37,461,026	35,886,087	13,384,969	11,989,666	50,845,995	47,875,753
Restricted	5,113,543	5,209,372	-	-	5,113,543	5,209,372
Unrestricted	1,236,088	3,615,777	(1,008,976)	(717,053)	227,112	2,898,724
Total net position	<u>\$43,810,657</u>	<u>\$44,711,236</u>	<u>\$ 12,375,993</u>	<u>\$ 11,272,613</u>	<u>\$ 56,186,650</u>	<u>\$ 55,983,849</u>

A substantial portion of the City's net position, \$50,845,995 (90.5 percent), reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$5,113,543 (9.1 percent) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net position of \$227,112 (.4 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole and for its separate governmental activities. Unrestricted net position were negative for business-type activities as a whole, primarily due to the substantial investments that have continued to be made in capital assets.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,557,250	\$ 1,576,721	\$ 2,306,210	\$ 2,461,829	\$ 3,863,460	\$ 4,038,550
Operating grants	250,292	323,101	116,055	-	366,347	323,101
Capital grants	947,274	809,932	1,566,737	841,668	2,514,011	1,651,600
General revenues:						
Property taxes	4,147,115	3,942,048	-	-	4,147,115	3,942,048
Other taxes	5,945,386	5,762,921	-	-	5,945,386	5,762,921
Intergovernmental	2,616,522	2,466,546	-	-	2,616,522	2,466,546
Other	1,697,286	1,650,986	10,787	6,787	1,708,073	1,657,773
<b>Total revenues</b>	<b>17,161,125</b>	<b>16,532,255</b>	<b>3,999,789</b>	<b>3,310,284</b>	<b>21,160,914</b>	<b>19,842,539</b>
<b>Expenses</b>						
General government	3,379,369	3,285,607	-	-	3,379,369	3,285,607
Public safety	6,549,037	5,476,136	-	-	6,549,037	5,476,136
Physical environment	3,769,377	2,538,752	-	-	3,769,377	2,538,752
Transportation	2,279,149	1,861,946	-	-	2,279,149	1,861,946
Economic environment	106,577	364,675	-	-	106,577	364,675
Cultural and recreation	1,326,245	1,191,488	-	-	1,326,245	1,191,488
Interest and fiscal charges	63,141	82,943	-	-	63,141	82,943
Golf course	-	-	1,537,332	1,584,214	1,537,332	1,584,214
Airport	-	-	1,361,134	1,197,549	1,361,134	1,197,549
Building	-	-	586,752	546,649	586,752	546,649
<b>Total expenses</b>	<b>17,472,895</b>	<b>14,801,547</b>	<b>3,485,218</b>	<b>3,328,412</b>	<b>20,958,113</b>	<b>18,129,959</b>
Change in net position, before transfers	(311,770)	1,730,708	514,571	(18,128)	202,801	1,712,580
Transfers	(588,809)	(705,067)	588,809	705,067	-	-
<b>Change in net position</b>	<b>(900,579)</b>	<b>1,025,641</b>	<b>1,103,380</b>	<b>686,939</b>	<b>202,801</b>	<b>1,712,580</b>
Net position, beginning of year	44,711,236	43,685,595	11,272,613	10,585,674	55,983,849	54,271,269
<b>Net position, end of year</b>	<b>\$43,810,657</b>	<b>\$44,711,236</b>	<b>\$ 12,375,993</b>	<b>\$11,272,613</b>	<b>\$56,186,650</b>	<b>\$55,983,849</b>

The City's net position increased by \$202,801 during the current fiscal year. The primary reason for the reduction in net position for governmental activities is related to outlays related to Hurricane Matthew. For business-type activities, the increase in net position is related to investments made in capital assets made possible by transfers from governmental funds and capital grants.

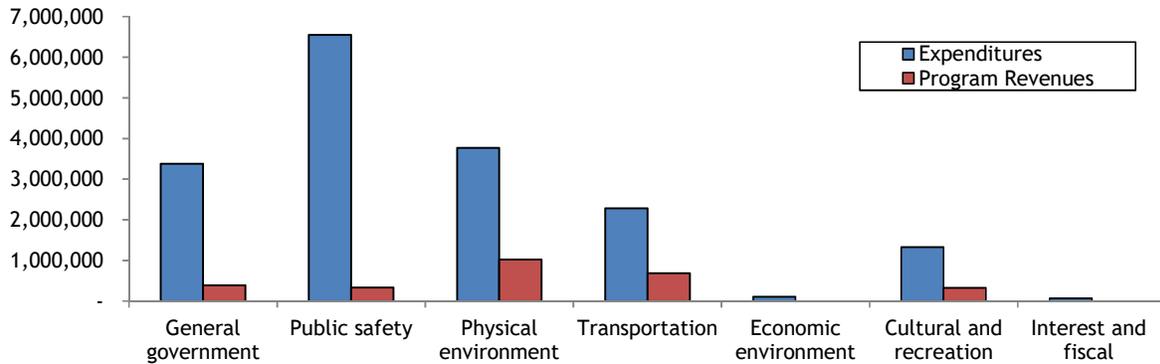
# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

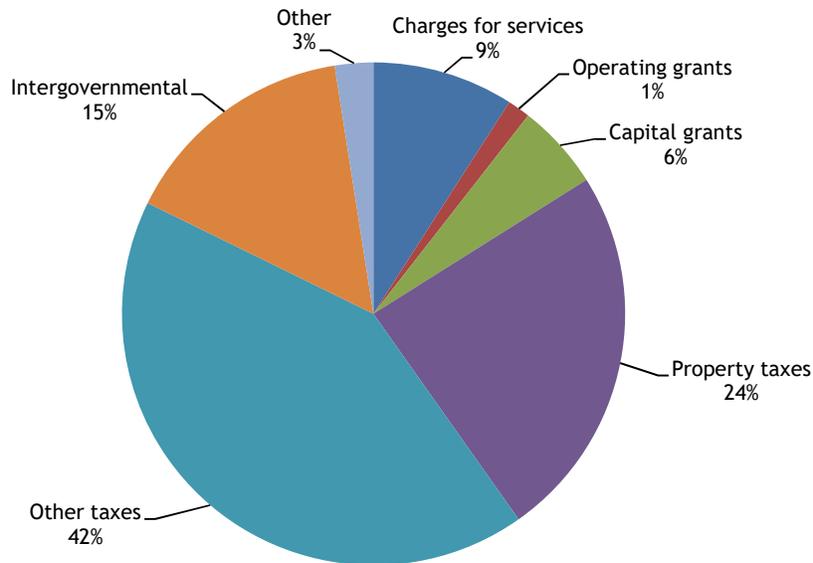
Governmental Activities. Governmental activities decreased the City's net position by \$900,579 as compared to the prior year increase of \$1,025,641. Key elements of this decrease are as follows:

- An increase in expenses of \$2,671,348 primarily attributable to increased payroll costs.
- An increase in general revenues of \$583,808, mostly from sales taxes and intergovernmental receipts.
- An increase in program revenues of \$45,062 due to higher amounts of capital grants received.
- A change in transfers of (\$116,258) caused by less transfers to the enterprise funds.

Expenditures and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



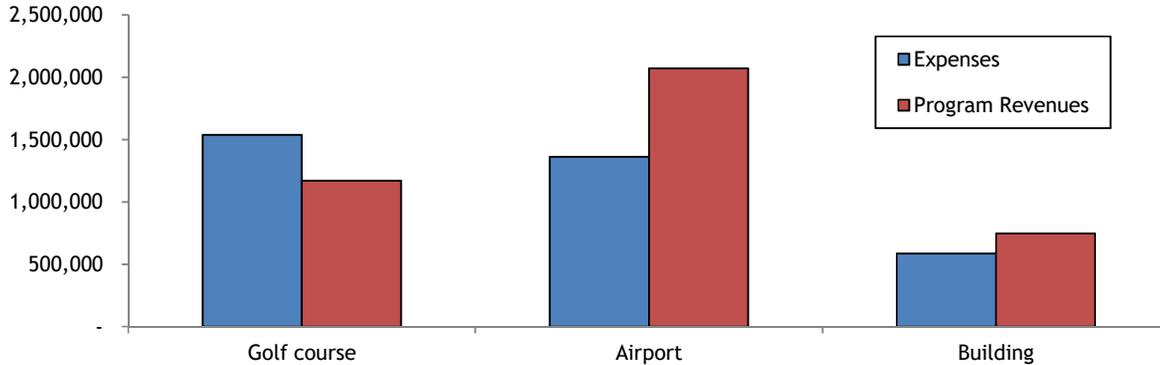
# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

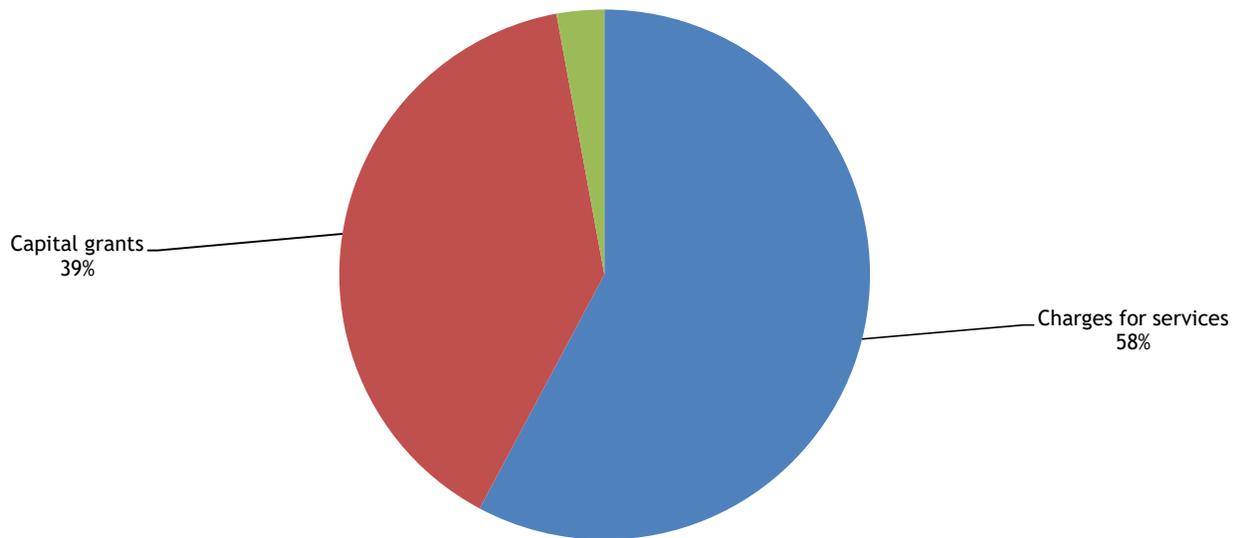
Business-type Activities. Business-type activities increased the City's net position by \$1,103,380. The key elements of this increase are as follows:

- An increase in expenses of \$156,806 primarily in salaries, wages and employee benefits.
- An increase in general revenues of \$4,000 due to rents and other revenues.
- A decrease in charges for services of \$39,564 from a reduction in building permits and golf course fees.
- An increase in capital grants of \$725,069 resulting from grants to the airport.
- A change in transfers in of (\$116,258) from less construction of the golf course that was funded by other funds.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

### Financial Analysis of the City's Funds

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

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,548,397, a decrease of \$1,301,929 from the prior year. Of this amount, 39 percent (\$4,062,905) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is classified as one of the following: A) Nonspendable for 1) inventories and prepaids, 2) long-term cash advances, or 3) is nonspendable as permanent fund corpus for cemetery perpetual care; B) Restricted for capital projects or due to debt service and special revenue fund designations; C) is committed for development by local ordinance; or D) has been assigned for other specific uses in the City's general operations.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,089,275 while total fund balance amounted to \$4,507,146. 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 36.4 percent of total General Fund expenditures, while total fund balance represents 40.2 percent of that same amount.

The fund balance of the City's General Fund decreased by \$1,304,282 during the current fiscal year, as compared to the \$158,834 increase reported in the prior fiscal year. Key factors in this change are as follows:

- Due to additions to taxable property values, property tax revenues increased by \$201,850
- Charges for services decreased by \$14,015
- Intergovernmental increased by \$153,183
- Public utility taxes increased by \$22,658
- Franchise fees increased by \$13,973
- All other revenues decreased by \$17,374
- Transfers in from other funds decreased by \$12,184
- Transfers out from other funds decreased by \$1,829,890
- Expenditures decreased by \$18,683

The General Fund originally budgeted for no changes in the fund balance. The actual decrease in fund balance was \$1,304,282. Significant changes in budgetary variances are as follows:

- Property tax revenues had a positive budgetary variance of \$9,349, with 96% of the tax roll being collected. 96% of the tax roll is budgeted as being collected, based on experience. No less than 95% must be budgeted per Florida statutes.
- Intergovernmental revenue had a positive budgetary variance from higher than anticipated receipts from municipal revenue sharing and local half-cent sales taxes transmitted by the state.
- General Fund expenditures had an overall favorable budgetary variance of \$412,435, which was just a 3.6% difference from the originally budgeted total.
- Transfers out had the largest budgetary variance due to transfers made to cover the unanticipated expenditures on fishing piers and debris removal caused by Hurricane Matthew.

The Discretionary Sales Tax revenue special revenue fund has a total fund balance \$2,643,877, a decrease from the \$2,709,105 total fund balance of the prior year. Funds are restricted for projects that are planned in future years.

# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

The Riverfront Redevelopment Fund ended the year with \$540,748 in fund balance, as a result of the transfers out for pending construction projects being less than budgeted.

The General Capital Projects Fund had not been fully reimbursed for expenditures by year end, which resulted in a \$20,550 negative fund balance.

The Transportation Improvements Fund received reimbursement for expenditures incurred the prior year, which resolved the \$46,493 negative fund balance that had been recorded.

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

The total net position of the golf course fund at the end of the fiscal year amounted to \$22,377, while the unrestricted net position (deficit) amounted to (\$1,681,678). Compared to the prior year in the same category, net position decreased from the prior year and the unrestricted net position (deficit) changed from (\$1,095,926) to (\$1,681,678). This is mainly due to the increase in noncurrent assets recorded for the fiscal year.

The total net position of the airport fund at the end of the fiscal year amounted to \$10,982,436, while the unrestricted net position (deficit) amounted to (\$630,048). Compared to the prior year in the same category, net position has increased by \$1,143,781 while the unrestricted net position (deficit) has changed from (\$708,735) to (\$630,048). The change in the unrestricted net position (deficit) is mainly due to an increase in amounts invested in capital assets resulting from capital contributions.

The total net position of the building fund at the end of the fiscal year amounted to \$1,371,180. This is an increase of \$200,245 from the prior year, which was primarily due to the continuation of healthy levels of operating income.

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

### Budgetary Highlights

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

#### Amendments

- \$4,475 to record reimbursement for damaged Airport perimeter gates.
- \$500 to reflect donation from the Senior Activity Center toward computer accessories.
- \$132,925 to apply additional funds to street reconstruction.
- \$34,107 to reallocate funds budgeted for Senior Center Restrooms project the prior year.
- \$12,000 to reflect donation from the Greer Trust.
- \$100,000 to reflect acceptance of Indian River Lagoon Council Grant for Septic-to-Sewer program.
- \$72,000 creates project for the purchase of 190 Sebastian Boulevard property.
- \$800 increases amounts budgeted for the Golf Course Regrassing project.
- \$130,000 allocates Recreation Impact Fees to renovate the Barber Street Complex Football Field Restrooms.
- \$9,374 increases loan to Golf Course from Building Fund for materials needed for Greens Rebuilding project.
- \$76,000 increases grant and DST Fund match to add environmental study to Airport Master Plan project.
- \$79,007 allocates additional funds to cover actual bid amount for Police Evidence Building project.
- \$9,041 decreases the project for Painting City Hall to actual bid amount.
- \$49,134 allocates additional funds to cover actual bid amount for the Columbariums project.

## Management's Discussion and Analysis

### Amendments (Concluded)

- \$129,433 allocates additional funds to cover actual bid amount for the Working Waterfront Restrooms project.
- \$96,454 applies portion of Building Fund loan for Golf Course improvements to Rebuilding Greens project.
- \$68,592 applies portion of Building Fund loan for Golf Course improvements to Cart Path Repair Project.
- \$26,838 to apply proceeds from vehicle sales to replace the City Engineer's vehicle.
- \$19,600 to use Recreation Impact Fees to do Recreation Element of the Comprehensive Plan.
- \$22,000 to apply additional discretionary sales tax receipts to Stonecrop Drainage Design project.
- \$7,990 to reflect JAG Grant for Police equipment.
- \$1,000 to reflect donation from the Senior Center to the Barber Street Restroom project.
- \$100,000 to allocate DST Funds to cover replacement of Golf Clubhouse flooring, range hood, restrooms, etc.
- \$1,230 to record acquisition of a vehicle for Police Department by a final judgement of forfeiture.
- \$6,708 to reflect JAG Grant revenue received to purchase bulletproof vest.
- \$168,628 to record receipt of State Shared Revenue contributed to the Police Pension Plan.
- \$4,999 to reflect Safety Grant by Insurance Carrier to purchase AED units and supplies.
- \$5,200 to record recovery of the cost of demolishing a condemned structure.
- \$47,928 to reflect Indian River Lagoon Council Grant and use of Lagoon funds to create Oyster Bags project.
- \$8,141 to reflect JAG Grant for purchase of Police Department equipment.
- \$10,899 to create a project to account for the Chamber of Commerce Sign.
- \$38,197 to record adjustment to Tulip Street Grant to cover additional project costs.
- \$100,000 to reflect Grant for Restaurant Upgrades and use of additional DST monies for renovations.
- \$135,000 to allocate DST Funds toward additional Restaurant renovations.

### Operating Budget Transfers

- \$26,226 to adjust departmental charges to properly code computer license charges.
- \$135,179 adjustments within various department accounts to properly code expenditures.
- \$81,382 to adjust City Manager and Administrative Services budgets for transfer of Procurement Manager.
- \$105,899 adjustments with Police Department budgets for transfer of Police Commander.
- \$5,527 adjustment to reflect interest due on interfund loan to Golf Course from Building Fund.
- \$14,805 to adjust accounts within Public Works to hire an Engineering Intern for the summer.

### R&R Reserve Allocations

- \$32,247 to use Equipment & Facilities R&R Reserve for City Council Chambers Air Conditioner.
- \$94,521 to reduce Equipment & Facilities R&R Reserve to a \$275,000 maximum.
- \$33,495 to use Equipment & Facilities R&R Reserve to replace the Construction Inspector's vehicle.
- \$44,420 to use Equipment & Facilities R&R Reserve to replace Police Air Conditioning Unit.
- \$20,683 to use Equipment & Facilities R&R Reserve to replace various small equipment items.
- \$18,871 to use Equipment & Facilities R&R Reserve for playground components and irrigation well.
- \$28,605 to use Equipment & Facilities R&R Reserve for replacing a Police Department air conditioner.
- \$1,874 to use Equipment & Facilities R&R Reserve for repairing the Golf Course irrigation pump's intake line.
- \$33,000 to use Equipment & Facilities R&R Reserve to replace Riverview Park Playground.
- \$5,950 to use Equipment & Facilities R&R Reserve to replace Pro Shop Air Conditioner.
- \$22,514 to use Equipment & Facilities R&R Reserve to replace Airport truck.
- \$9,427 to use Equipment & Facilities R&R Reserve to replace air conditioner unit in the Airport vault.
- \$71,583 to use Equipment & Facilities R&R Reserve to repair Clubhouse restrooms, hallway and doors.

### Project Budget Transfers

- \$46,726 reallocates remaining balances of amounts budgeted for sign grants.
- \$62,440 combined unspent balances for computer upgrades into the current year project.
- \$84,000 cancels PW Compound projects to enable purchase of additional dump truck.
- \$106,000 allocates funds to proceed with Airport AWAS II project.
- \$44,703 reallocates funding for Indian River Drive Angled Parking budgeted the prior year.
- \$21,346 applies savings from other projects to overages on CavCorp Parking and Police Equipment projects.
- \$99,414 reallocates unexpended balance of funds budgeted toward All Aboard Florida issues.
- \$164,500 uses funds for Working Waterfront Phase 3 project to create Oyster Pointe Baffle Box project.
- \$49,134 changes Columbariums to Trust Fund and applies those DST funds to Police Evidence Building.
- \$990,472 closes out a large number of completed, cancelled or deferred projects.

# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

During the fiscal year, total General Fund actual expenditures were \$412,435 less than final amended budgetary estimates. The overall variance on revenues and expenditures resulted in an unexpected \$1,304,282 reduction to existing fund balances. This was due to the amounts that were transferred out to cover the expenditures resulting from Hurricane Matthew.

### Capital Asset and Debt Administration

**Capital Assets.** At the end of fiscal year 2017, the City had \$54,275,448 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 \$2,131,450, or 4.1%, over last year. The following table illustrates the changes in capital assets. Additional information regarding the City's capital assets can be found in Footnote 7 of the of the Notes to the Financial Statements section of the CAFR.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 8,391,050	\$ 8,319,588	\$ 19,436	\$ 19,436	\$ 8,410,486	\$ 8,339,024
Buildings	7,614,058	7,755,514	7,254,214	4,923,679	14,868,272	12,679,193
Improvements	2,641,453	2,950,753	1,511,220	1,590,742	4,152,673	4,541,495
Equipment	2,539,466	2,083,959	620,309	489,079	3,159,775	2,573,038
Infrastructure	19,068,110	18,655,238	3,914,198	4,048,111	22,982,308	22,703,349
Construction in progress	381,889	227,035	320,045	1,080,864	701,934	1,307,899
<b>Total capital assets, net</b>	<b>\$40,636,026</b>	<b>\$39,992,087</b>	<b>\$ 13,639,422</b>	<b>\$12,151,911</b>	<b>\$54,275,448</b>	<b>\$52,143,998</b>

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

- A decrease in buildings mainly due to the amount of depreciation expense for the fiscal year.
- A decrease in improvements mainly due to the amount of depreciation.
- An increase in equipment and infrastructure mainly due to the additional of capital assets.
- An increase in construction in progress due to the construction underway on the Police Evidence Garage and Working Waterfront Restrooms.

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

- An increase in buildings due to the construction of Hangar "C".
- A decrease in improvements due to the amount of depreciation expense for the fiscal year.
- An increase in equipment due to acquiring the automated weather system.
- A decrease in infrastructure mainly due to the amount of depreciation.
- A decrease in construction in progress due to the completion of projects.

**Long-Term Debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$5,150,013. Of this amount, \$3,175,000 consist of notes pledging specific revenues to the repayment of the debt. More detailed information regarding these activities and funds can be found in Footnote 8 of the of the Notes to the Financial Statements section of the CAFR.

# CITY OF SEBASTIAN, FLORIDA

## Management's Discussion and Analysis

	Total Long-Term Debt					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 3,175,000	\$ 4,106,000	\$ -	\$ 162,245	\$ 3,175,000	\$ 4,268,245
Compensated absences	1,395,594	1,200,521	233,766	210,849	1,629,360	1,411,370
Pollution remediation	91,200	91,200	-	-	91,200	91,200
Capital lease	-	-	254,453	-	254,453	-
<b>Total</b>	<b>\$ 4,661,794</b>	<b>\$ 5,397,721</b>	<b>\$ 488,219</b>	<b>\$ 373,094</b>	<b>\$ 5,150,013</b>	<b>\$ 5,770,815</b>

The City's total debt decreased by \$620,802 (10.76%) during the current fiscal year. The net decrease was attributable to annual principal payments that occurred during the year.

The City's debt is primarily bank notes which are not rated by AAA rated insurance agencies. Other obligations of the City include accrued vacation pay and sick leave.

### Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. Sebastian's local economy consists largely of retail and service industries. Less than one percent is devoted to industrial activities. Construction of new homes is the largest single business in the area. Some of the largest retail stores include Publix Supermarket and Wal-Mart Stores, Inc.® The Indian River County unemployment rate in September 2017 was 4.3 percent and less than the higher levels of previous years, which is a positive sign and analogous to the economic pattern existing throughout the state and nation.

The City experienced a 12.27% overall increase in property values for 2018. The millage of 3.4000 was levied for taxes to be recorded in fiscal year 2018 that will essentially provide the equivalent revenue from property taxes as received in fiscal year 2017.

The Golf Course reported less revenues from fees in 2017, primarily due to temporary closures during reconstruction of the greens. Although its net position improved with the large investment in capital assets, those investments were accomplished by advances from the Building Fund. The City anticipates the investments made will result in an increase in customers that will generate higher revenues and enable the advances to be repaid.

Sizable operating losses for the Airport are primarily the result of depreciation on capital assets. The City actively pursues grant funds for construction new facilities that can generate additional rental revenues.

With a good level of revenues from building permit fees, the Building Enterprise Fund continued to report a positive change in net position. There are signs that steady activity in the local housing market can be expected to continue, which is encouraging.

### Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Services Department at City of Sebastian, 1225 Main Street, Sebastian, Florida 32958.

## BASIC FINANCIAL STATEMENTS

CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,899,956	\$ 461,400	\$ 4,361,356
Restricted cash and cash equivalents	924,503	-	924,503
Investments	3,113,789	116,946	3,230,735
Permanently restricted investments	876,216	-	876,216
Receivables	1,098,228	323,601	1,421,829
Internal balances	1,476,438	(1,476,438)	-
Prepaid items	187,497	26,473	213,970
Inventories	55,008	18,768	73,776
Deposits held in escrow	1,199	1,602	2,801
Capital assets not being depreciated	8,772,939	339,481	9,112,420
Capital assets being depreciated, net	31,863,087	13,299,941	45,163,028
<b>Total assets</b>	<b>52,268,860</b>	<b>13,111,774</b>	<b>65,380,634</b>
<b>Deferred outflows of resources</b>			
Deferred pension amounts	823,292	-	823,292
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,012,418	160,826	1,173,244
Accrued interest payable	21,950	417	22,367
Unearned revenues	72,019	84,945	156,964
Long-term liabilities:			
Due within one year	695,151	48,286	743,437
Due in more than one year	3,966,643	439,933	4,406,576
Net other postemployment benefits obligation	33,757	1,374	35,131
Net pension liability	3,249,982	-	3,249,982
<b>Total liabilities</b>	<b>9,051,920</b>	<b>735,781</b>	<b>9,787,701</b>
<b>Deferred inflows of resources</b>			
Deferred pension amounts	229,575	-	229,575
<b>Net position</b>			
Net investment in capital assets	37,461,026	13,384,969	50,845,995
Restricted for:			
Debt service	148,407	-	148,407
Perpetual care:			
Nonexpendable	941,061	-	941,061
Special revenue uses:			
Infrastructure improvements	2,854,881	-	2,854,881
Redevelopment expenses	540,748	-	540,748
Stormwater expenses	516,204	-	516,204
Law enforcement events	112,242	-	112,242
Unrestricted (deficit)	1,236,088	(1,008,976)	227,112
<b>Total net position</b>	<b>\$ 43,810,657</b>	<b>\$ 12,375,993</b>	<b>\$ 56,186,650</b>

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

CITY OF SEBASTIAN, FLORIDA

**Statement of Activities**  
For the Year Ended September 30, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 3,379,369	\$ 362,631	\$ 28,290	\$ -	\$ (2,988,448)
Public safety	6,549,037	124,800	209,470	-	(6,214,767)
Physical environment	3,769,377	1,021,038	-	-	(2,748,339)
Transportation	2,279,149	-	12,532	674,778	(1,591,839)
Economic environment	106,577	-	-	-	(106,577)
Cultural and recreation	1,326,245	48,781	-	272,496	(1,004,968)
Interest and fiscal charges	63,141	-	-	-	(63,141)
<b>Total governmental activities</b>	<b>17,472,895</b>	<b>1,557,250</b>	<b>250,292</b>	<b>947,274</b>	<b>(14,718,079)</b>
Business-type activities:					
Golf course	1,537,332	1,058,939	111,652	-	(366,741)
Airport	1,361,134	499,321	4,403	1,566,737	709,327
Building	586,752	747,950	-	-	161,198
<b>Total business-type activities</b>	<b>3,485,218</b>	<b>2,306,210</b>	<b>116,055</b>	<b>1,566,737</b>	<b>503,784</b>
<b>Total primary government</b>	<b>\$ 20,958,113</b>	<b>\$ 3,863,460</b>	<b>\$ 366,347</b>	<b>\$ 2,514,011</b>	<b>\$ (14,214,295)</b>

continued...

CITY OF SEBASTIAN, FLORIDA

Statement of Activities

For the Year Ended September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net revenue (expense)	\$ (14,718,079)	\$ 503,784	\$ (14,214,295)
General revenues:			
Property taxes, levied for general purposes	4,147,115	-	4,147,115
Sales and use taxes	5,945,386	-	5,945,386
Franchise fees	1,271,403	-	1,271,403
State shared revenues not restricted to specific programs	2,616,522	-	2,616,522
Interest earnings	135,614	10,787	146,401
Miscellaneous	290,269	-	290,269
Transfers	(588,809)	588,809	-
Total general revenues and transfers	13,817,500	599,596	14,417,096
Change in net position	(900,579)	1,103,380	202,801
Net position, beginning of year	44,711,236	11,272,613	55,983,849
Net position, end of year	\$ 43,810,657	\$ 12,375,993	\$ 56,186,650

concluded

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

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CITY OF SEBASTIAN, FLORIDA

**Balance Sheet**

Governmental Funds  
September 30, 2017

	General	Discretionary Sales Tax	Riverfront Redevelopment	General Capital Projects
<b>Assets</b>				
Cash and cash equivalents	\$ 1,222,758	\$ 983,818	\$ 442,764	\$ 436,303
Investments	1,941,795	802,906	98,288	-
Accounts receivable, net	371,067	-	-	-
Due from other funds	886,970	-	-	-
Due from other governments	284,790	310,265	-	-
Deposits held in escrow	1,199	-	-	-
Inventories	55,008	-	-	-
Prepaid items	187,497	-	-	-
Advance to other funds	100,000	550,638	-	-
<b>Total assets</b>	<b>5,051,084</b>	<b>2,647,627</b>	<b>541,052</b>	<b>436,303</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	421,511	3,750	304	456,853
Due to other funds	-	-	-	-
Due to other governments	50,408	-	-	-
Unearned revenue	72,019	-	-	-
<b>Total liabilities</b>	<b>543,938</b>	<b>3,750</b>	<b>304</b>	<b>456,853</b>
<b>Fund balances (deficit)</b>				
Nonspendable	342,505	-	-	-
Restricted	63,016	2,643,877	540,748	-
Committed	-	-	-	-
Assigned	12,350	-	-	-
Unassigned	4,089,275	-	-	(20,550)
<b>Total fund balances</b>	<b>4,507,146</b>	<b>2,643,877</b>	<b>540,748</b>	<b>(20,550)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,051,084</b>	<b>\$ 2,647,627</b>	<b>\$ 541,052</b>	<b>\$ 436,303</b>

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

Transportation Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,738,816	\$ 4,824,459
-	1,147,016	3,990,005
-	-	371,067
-	-	886,970
9,870	122,236	727,161
-	-	1,199
-	-	55,008
-	-	187,497
-	-	650,638
<u>9,870</u>	<u>3,008,068</u>	<u>11,694,004</u>
-	79,592	962,010
9,870	51,300	61,170
-	-	50,408
-	-	72,019
<u>9,870</u>	<u>130,892</u>	<u>1,145,607</u>
-	941,061	1,283,566
-	946,791	4,194,432
-	995,144	995,144
-	-	12,350
-	(5,820)	4,062,905
-	<u>2,877,176</u>	<u>10,548,397</u>
<u>\$ 9,870</u>	<u>\$ 3,008,068</u>	<u>\$ 11,694,004</u>

## CITY OF SEBASTIAN, FLORIDA

### Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
September 30, 2017

Fund balances - total governmental funds	\$ 10,548,397
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	8,772,939
Capital assets being depreciated, net	31,863,087
Certain liabilities, such as notes payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Notes payable	(3,175,000)
Compensated absences	(1,395,594)
Net other postemployment benefits obligation	(33,757)
Pollution remediation liability	(91,200)
Accrued interest on long-term debt	(21,950)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(3,249,982)
Deferred outflows related to the net pension liability	823,292
Deferred inflows related to the net pension liability	<u>(229,575)</u>
Net position of governmental activities	<u>\$ 43,810,657</u>

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

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CITY OF SEBASTIAN, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Governmental Funds  
 For the Year Ended September 30, 2017

	General	Discretionary Sales Tax	Riverfront Redevelopment	General Capital Projects
<b>Revenues</b>				
Taxes:				
Property	\$ 3,804,874	\$ -	\$ 342,241	\$ -
Public utility	2,708,980	-	-	-
Sales	-	3,207,905	-	-
Motor fuel	-	-	-	-
Franchise fees	1,271,403	-	-	-
Licenses and permits	135,900	-	-	-
Intergovernmental	2,807,989	-	-	-
Impact fees	-	-	-	-
Charges for services	312,760	-	-	-
Fines	70,411	-	-	-
Investment earnings	59,845	39,963	5,758	-
Contributions and donations	25,420	-	-	20,000
Other revenues	227,794	-	36,000	-
<b>Total revenues</b>	<b>11,425,376</b>	<b>3,247,868</b>	<b>383,999</b>	<b>20,000</b>
<b>Expenditures</b>				
Current:				
General government	2,941,723	-	2,067	-
Public safety	5,068,912	-	-	-
Physical environment	871,521	-	-	1,619,942
Transportation	1,204,258	-	-	-
Economic environment	-	3,750	69,741	-
Culture and recreation	912,599	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	220,624	-	-	1,509,623
<b>Total expenditures</b>	<b>11,219,637</b>	<b>3,750</b>	<b>71,808</b>	<b>3,129,565</b>
<b>Revenues over (under) expenditures</b>	<b>205,739</b>	<b>3,244,118</b>	<b>312,191</b>	<b>(3,109,565)</b>
<b>Other financing sources (uses)</b>				
Transfers in	663,569	-	-	3,089,015
Transfers out	(2,173,590)	(3,309,346)	(229,496)	-
<b>Total other financing sources (uses)</b>	<b>(1,510,021)</b>	<b>(3,309,346)</b>	<b>(229,496)</b>	<b>3,089,015</b>
<b>Net changes in fund balances</b>	<b>(1,304,282)</b>	<b>(65,228)</b>	<b>82,695</b>	<b>(20,550)</b>
<b>Fund balances, beginning of year</b>	<b>5,811,428</b>	<b>2,709,105</b>	<b>458,053</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 4,507,146</b>	<b>\$ 2,643,877</b>	<b>\$ 540,748</b>	<b>\$ (20,550)</b>

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

Transportation Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,147,115
-	-	2,708,980
-	-	3,207,905
-	674,778	674,778
-	-	1,271,403
-	-	135,900
108,699	74,502	2,991,190
-	102,700	102,700
-	1,040,249	1,353,009
-	26,431	96,842
-	30,048	135,614
-	-	45,420
-	26,475	290,269
<u>108,699</u>	<u>1,975,183</u>	<u>17,161,125</u>
-	-	2,943,790
-	65,476	5,134,388
-	74,069	2,565,532
8,841	120,828	1,333,927
-	-	73,491
-	14,775	927,374
-	931,000	931,000
-	68,512	68,512
<u>1,924,348</u>	<u>241,636</u>	<u>3,896,231</u>
<u>1,933,189</u>	<u>1,516,296</u>	<u>17,874,245</u>
<u>(1,824,490)</u>	<u>458,887</u>	<u>(713,120)</u>
<u>1,874,525</u>	<u>1,557,749</u>	<u>7,184,858</u>
<u>(3,542)</u>	<u>(2,057,693)</u>	<u>(7,773,667)</u>
<u>1,870,983</u>	<u>(499,944)</u>	<u>(588,809)</u>
46,493	(41,057)	(1,301,929)
<u>(46,493)</u>	<u>2,918,233</u>	<u>11,850,326</u>
<u>\$ -</u>	<u>\$ 2,877,176</u>	<u>\$ 10,548,397</u>

# CITY OF SEBASTIAN, FLORIDA

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ (1,301,929)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,896,231
Depreciation expense	(3,225,067)
Loss on disposal of capital assets	(27,225)

Bond note proceeds provide current financial resources to governmental funds in the period issued, but issuing bond notes increases long-term liabilities in the statement of net position. Repayment of bond note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	931,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable on long-term debt	5,371
Change in the accrual for compensated absences	(195,073)
Change in the accrual for other postemployment benefits	(4,516)
Change in the net pension liability and related deferred amounts	(979,371)

Change in net position of governmental activities \$ (900,579)

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

# CITY OF SEBASTIAN, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Property	\$ 3,795,525	\$ 3,795,525	\$ 3,804,874	\$ 9,349
Public utility	2,749,536	2,749,536	2,708,980	(40,556)
Franchise fees	1,325,971	1,325,971	1,271,403	(54,568)
Licenses and permits	139,500	139,500	135,900	(3,600)
Intergovernmental	2,519,300	2,710,767	2,807,989	97,222
Charges for services	321,102	321,102	312,760	(8,342)
Fines	55,000	55,000	70,411	15,411
Investment earnings	34,000	34,000	59,845	25,845
Contributions and donations	11,100	24,600	25,420	820
Other revenues	221,454	253,678	227,794	(25,884)
<b>Total revenues</b>	<b>11,172,488</b>	<b>11,409,679</b>	<b>11,425,376</b>	<b>15,697</b>
<b>Expenditures</b>				
Current:				
General government	2,964,800	2,998,384	2,941,723	(56,661)
Public safety	4,844,135	5,045,554	5,068,912	23,358
Physical environment	1,062,852	1,047,547	871,521	(176,026)
Transportation	1,370,287	1,384,747	1,204,258	(180,489)
Culture and recreation	925,284	937,032	912,599	(24,433)
Capital outlay	157,925	218,808	220,624	1,816
<b>Total expenditures</b>	<b>11,325,283</b>	<b>11,632,072</b>	<b>11,219,637</b>	<b>(412,435)</b>
<b>Revenues over (under) expenditures</b>	<b>(152,795)</b>	<b>(222,393)</b>	<b>205,739</b>	<b>428,132</b>
<b>Other financing sources (uses)</b>				
Transfers in	663,569	982,532	663,569	(318,963)
Transfers out	(510,774)	(760,139)	(2,173,590)	(1,413,451)
<b>Total other financing sources (uses)</b>	<b>152,795</b>	<b>222,393</b>	<b>(1,510,021)</b>	<b>(1,732,414)</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>-</b>	<b>(1,304,282)</b>	<b>(1,304,282)</b>
<b>Fund balance, beginning of year</b>	<b>5,811,428</b>	<b>5,811,428</b>	<b>5,811,428</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 5,811,428</b>	<b>\$ 5,811,428</b>	<b>\$ 4,507,146</b>	<b>\$ (1,304,282)</b>

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

# CITY OF SEBASTIAN, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Discretionary Sales Tax Special Revenue Fund

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Sales	\$ 3,004,788	\$ 3,004,788	\$ 3,207,905	\$ 203,117
Investment earnings	27,418	27,418	39,963	12,545
<b>Total revenues</b>	<b>3,032,206</b>	<b>3,032,206</b>	<b>3,247,868</b>	<b>215,662</b>
Expenditures				
Current:				
Economic environment	-	-	3,750	3,750
<b>Revenues over expenditures</b>	<b>3,032,206</b>	<b>3,032,206</b>	<b>3,244,118</b>	<b>211,912</b>
Other financing sources (uses)				
Transfers in	-	2,352,410	-	(2,352,410)
Transfers out	(3,032,206)	(5,384,616)	(3,309,346)	2,075,270
<b>Total other financing uses</b>	<b>(3,032,206)</b>	<b>(3,032,206)</b>	<b>(3,309,346)</b>	<b>(277,140)</b>
<b>Net changes in fund balance</b>	<b>-</b>	<b>-</b>	<b>(65,228)</b>	<b>(65,228)</b>
Fund balance, beginning of year	2,709,105	2,709,105	2,709,105	-
<b>Fund balance, end of year</b>	<b>\$ 2,709,105</b>	<b>\$ 2,709,105</b>	<b>\$ 2,643,877</b>	<b>\$ (65,228)</b>

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

# CITY OF SEBASTIAN, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Riverfront Redevelopment Special Revenue Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Property	\$ 343,707	\$ 343,707	\$ 342,241	\$ (1,466)
Investment earnings	1,322	1,322	5,758	4,436
Other revenues	36,000	36,000	36,000	-
<b>Total revenues</b>	<u>381,029</u>	<u>381,029</u>	<u>383,999</u>	<u>2,970</u>
<b>Expenditures</b>				
Current:				
General government	2,500	2,500	2,067	(433)
Economic environment	369,087	221,313	69,741	(151,572)
<b>Total expenditures</b>	<u>371,587</u>	<u>223,813</u>	<u>71,808</u>	<u>(152,005)</u>
<b>Revenues over expenditures</b>	<u>9,442</u>	<u>157,216</u>	<u>312,191</u>	<u>154,975</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	270,955	-	(270,955)
Transfers out	-	(418,729)	(229,496)	189,233
<b>Total other financing uses</b>	<u>-</u>	<u>(147,774)</u>	<u>(229,496)</u>	<u>(81,722)</u>
<b>Net changes in fund balance</b>	<u>9,442</u>	<u>9,442</u>	<u>82,695</u>	<u>73,253</u>
<b>Fund balance, beginning of year</b>	<u>458,053</u>	<u>458,053</u>	<u>458,053</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 467,495</u>	<u>\$ 467,495</u>	<u>\$ 540,748</u>	<u>\$ 73,253</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

Proprietary Funds  
September 30, 2017

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 90,207	\$ 76,801	\$ 294,392	\$ 461,400
Investments	-	-	116,946	116,946
Accounts receivable	10,823	503	-	11,326
Due from other governments	-	312,275	-	312,275
Inventories	13,088	5,680	-	18,768
Deposits held in escrow	493	616	493	1,602
Prepaid items	6,321	12,465	7,687	26,473
<b>Total current assets</b>	<b>120,932</b>	<b>408,340</b>	<b>419,518</b>	<b>948,790</b>
Noncurrent assets:				
Advance to other funds	-	-	1,023,318	1,023,318
Capital assets:				
Land	-	9,060	10,376	19,436
Buildings	437,153	8,728,972	-	9,166,125
Improvements other than buildings	1,183,568	1,666,973	-	2,850,541
Machinery and equipment	494,864	903,624	112,738	1,511,226
Infrastructure	1,369,779	7,362,883	-	8,732,662
Construction in process	65,212	254,833	-	320,045
Less accumulated depreciation	(1,592,068)	(7,313,861)	(54,684)	(8,960,613)
<b>Total noncurrent assets</b>	<b>1,958,508</b>	<b>11,612,484</b>	<b>1,091,748</b>	<b>14,662,740</b>
<b>Total assets</b>	<b>2,079,440</b>	<b>12,020,824</b>	<b>1,511,266</b>	<b>15,611,530</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	76,778	49,941	23,148	149,867
Due to other funds	535,800	290,000	-	825,800
Due to other governments	4,657	1,139	5,580	11,376
Unearned revenues	68,519	9,094	7,332	84,945
Current portion of notes payable	48,286	-	-	48,286
<b>Total current liabilities</b>	<b>734,040</b>	<b>350,174</b>	<b>36,060</b>	<b>1,120,274</b>
Noncurrent liabilities:				
Compensated absences, net of current portion	93,121	37,357	103,288	233,766
Advance from other fund	1,023,318	650,638	-	1,673,956
Notes payable	206,167	-	-	206,167
Net other postemployment benefit obligation	417	219	738	1,374
<b>Total noncurrent liabilities</b>	<b>1,323,023</b>	<b>688,214</b>	<b>104,026</b>	<b>2,115,263</b>
<b>Total liabilities</b>	<b>2,057,063</b>	<b>1,038,388</b>	<b>140,086</b>	<b>3,235,537</b>
<b>Net position</b>				
Net investment in capital assets	1,704,055	11,612,484	68,430	13,384,969
Unrestricted (deficit)	(1,681,678)	(630,048)	1,302,750	(1,008,976)
<b>Total net position</b>	<b>\$ 22,377</b>	<b>\$ 10,982,436</b>	<b>\$ 1,371,180</b>	<b>\$ 12,375,993</b>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
Operating revenues				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 747,950	\$ 747,950
Golf course fees	1,018,066	-	-	1,018,066
Rents	26,999	343,646	-	370,645
Other revenues	13,874	155,675	-	169,549
Total operating revenues	<u>1,058,939</u>	<u>499,321</u>	<u>747,950</u>	<u>2,306,210</u>
Operating expenses				
Salaries, wages and employee benefits	357,558	216,085	454,375	1,028,018
Contractual services, materials and supplies	1,019,164	429,903	117,480	1,566,547
Depreciation	155,240	690,642	14,897	860,779
Total operating expenses	<u>1,531,962</u>	<u>1,336,630</u>	<u>586,752</u>	<u>3,455,344</u>
Operating income (loss)	<u>(473,023)</u>	<u>(837,309)</u>	<u>161,198</u>	<u>(1,149,134)</u>
Nonoperating revenues (expenses)				
Investment income	-	1,284	9,503	10,787
Interest expense	(5,370)	(24,504)	-	(29,874)
Gain on sale of capital assets	111,652	4,403	-	116,055
Total nonoperating revenues (expenses)	<u>106,282</u>	<u>(18,817)</u>	<u>9,503</u>	<u>96,968</u>
Income (loss) before capital contributions and transfers	<u>(366,741)</u>	<u>(856,126)</u>	<u>170,701</u>	<u>(1,052,166)</u>
Capital contributions	-	1,566,737	-	1,566,737
Transfers in	192,370	498,097	29,544	720,011
Transfers out	(66,275)	(64,927)	-	(131,202)
Change in net position	<u>(240,646)</u>	<u>1,143,781</u>	<u>200,245</u>	<u>1,103,380</u>
Net position, beginning of year	<u>263,023</u>	<u>9,838,655</u>	<u>1,170,935</u>	<u>11,272,613</u>
Net position, end of year	<u>\$ 22,377</u>	<u>\$ 10,982,436</u>	<u>\$ 1,371,180</u>	<u>\$ 12,375,993</u>

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

CITY OF SEBASTIAN, FLORIDA

**Statement of Cash Flows**  
 Proprietary Funds  
 For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 1,045,758	\$ 329,087	\$ 746,884	\$ 2,121,729
Cash payments to suppliers	(1,006,391)	(453,180)	(119,241)	(1,578,812)
Cash payments for employee services	(349,307)	(209,188)	(446,425)	(1,004,920)
Net cash (used) provided by operating activities	(309,940)	(333,281)	181,218	(462,003)
Cash flows from noncapital financing activities				
Interest paid on advance from other fund	(5,370)	(24,503)	-	(29,873)
Cash payments to other funds	(39,362)	(264,927)	(666,618)	(970,907)
Cash receipts from other funds	832,075	498,097	29,544	1,359,716
Net cash provided (used) by noncapital financing activities	787,343	208,667	(637,074)	358,936
Cash flows from capital and related financing activities				
Repayment of long term debt	(220,944)	-	-	(220,944)
Acquisition and construction of capital assets	(382,991)	(1,945,121)	-	(2,328,112)
Proceeds from sale of capital assets	215,241	193,787	-	409,028
Receipts from capital contributions	-	1,566,737	-	1,566,737
Net cash used by capital and related financing activities	(388,694)	(184,597)	-	(573,291)
Cash flows from investing activities				
Sale of investments	-	-	595,747	595,747
Purchase of investments	-	-	(954)	(954)
Investment income	-	1,284	9,503	10,787
Net cash provided by investing activities	-	1,284	604,296	605,580
Net increase (decrease) in cash and cash equivalents	88,709	(307,927)	148,440	(70,778)
Cash and cash equivalents, beginning of year	1,498	384,728	145,952	532,178
Cash and cash equivalents, end of year	\$ 90,207	\$ 76,801	\$ 294,392	\$ 461,400

continued...

# CITY OF SEBASTIAN, FLORIDA

## Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Nonmajor - Building	Total
Cash flow from operating activities:				
Operating income (loss)	\$ (473,023)	\$ (837,309)	\$ 161,198	\$ (1,149,134)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	155,240	690,642	14,897	860,779
Change in:				
Accounts receivable	(10,590)	4,785	-	(5,805)
Inventories	(217)	13,245	-	13,028
Due from other governments	-	(169,454)	-	(169,454)
Prepaid items	1,798	(2,576)	(4,753)	(5,531)
Accounts payable	11,192	(33,946)	2,992	(19,762)
Due to other governments	(1,389)	14	(378)	(1,753)
Unearned revenues	(1,202)	(5,579)	(688)	(7,469)
Accrued compensated absences	8,196	6,868	7,853	22,917
Net other postemployment benefit obligation	55	29	97	181
Total adjustments	163,083	504,028	20,020	687,131
Net cash (used) provided by operating activities	\$ (309,940)	\$ (333,281)	\$ 181,218	\$ (462,003)
Noncash transactions:				concluded

The Golf Course Fund financed the acquisition of capital assets with noncash capital leases of \$313,152 for the year ended September 30, 2017.

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

CITY OF SEBASTIAN, FLORIDA

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 September 30, 2017

	Pension Trust	Agency
	Police Officers' Pension	Performance Deposits
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 6,930
Receivables:		
Interest and dividends	34,918	-
Investments, at fair value:		
Local government surplus trust funds investment pools	-	73,750
Money market funds	1,469,539	-
United States treasuries	713,872	-
United States agencies	257,300	-
Collateralized mortgage obligations	473,057	-
Unit Investment trusts	125,087	-
Municipal obligations	169,518	-
Domestic corporate bonds	1,670,219	-
Foreign corporate bonds	433,423	-
Domestic corporate equities	8,232,558	-
Foreign corporate equities	414,998	-
EFT equities	8,030	-
Total investments	13,967,601	73,750
<b>Total assets</b>	<b>14,002,519</b>	<b>\$ 80,680</b>
<b>Liabilities</b>		
Refunds payable	-	\$ 80,680
<b>Net position</b>		
Restricted for pension benefits	\$ 14,002,519	

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

CITY OF SEBASTIAN, FLORIDA

**Statement of Changes in Fiduciary Net Position**  
 Fiduciary Fund - Pension Trust  
 For the Year Ended September 30, 2017

	Police Officers' Pension
<b>Additions</b>	
Contributions:	
Employer	\$ 337,201
Plan members	177,585
State	168,628
Total contributions	<u>683,414</u>
Investment income:	
Net increase in fair value of investments	1,113,659
Interest and dividends	341,050
Total investment income	<u>1,454,709</u>
Investment expenses	<u>(73,317)</u>
Net investment earnings	<u>1,381,392</u>
<b>Total additions</b>	<u>2,064,806</u>
<b>Deductions</b>	
Benefits	493,765
Refunded contributions	1,864
Administrative expenses	55,368
<b>Total deductions</b>	<u>550,997</u>
<b>Change in net position</b>	1,513,809
Net position, beginning of year	<u>12,488,710</u>
<b>Net position, end of year</b>	<u>\$ 14,002,519</u>

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

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## NOTES TO FINANCIAL STATEMENTS

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sebastian (the "City"), a Florida Municipal Corporation, was incorporated in 1924 under Sections 1826-1832 of the Revised Florida Statutes. The City has a population of 24,192 living in an area of approximately 14.6 square miles. The governing body is a five member elected City Council with a mayor elected from the five members. The City Council appoints the City Manager who is responsible for the administration of all City services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government. The City has no discretely presented component units.

#### *Blended Component Units*

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

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

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### Government-wide and Fund Financial Statements

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

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

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

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

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

Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, and expenditure-driven grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *Discretionary Sales Tax Fund* accounts for the financial resources used for infrastructure improvements and equipment purchases.

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

The *General Capital Projects Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Transportation Improvements Capital Projects Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for improvement and construction of transportation assets.

The City reports the following major proprietary funds:

The *Golf Course Fund* accounts for the activities of the municipal golf course.

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

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *permanent fund* is used to record the activity and balance of the Cemetery Trust which provides funds for perpetual care of cemetery lots.

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The General Fund provides certain central services to other funds of the City which are presented as program expenses in the funds receiving services. The related General Fund revenue has been netted against program expense in the government-wide statement of activities.

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

Restricted net position represents resources that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

#### *Deposits and Investments*

The City considers cash on hand and demand deposits, restricted cash deposits, and short-term investments with maturities of three months or less when purchased to be cash for the statement of cash flows. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### *Internal Balances*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by nonspendable fund balance in General Fund and restricted fund balance in other applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

### *Restricted Assets*

Certain amounts reported as cash and cash equivalents are classified as restricted assets. These include balances in the debt service funds that are set aside to meet bonded debt requirements, balances in the capital projects funds to be used for the payment of project costs and balances in the Cemetery Fund that are either not permitted to be spent or can only be spent for items incidental to cemetery expansions. The amount of the Cemetery Fund investments is also classified as restricted assets and reported as restricted investments.

### *Receivables and Payables*

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are deferred. Receivables consist of trade receivables, due from other governments and interest receivable and are recorded at the net realizable value. As of September 30, 2017, the City has no allowance for doubtful accounts, since all receivables are considered collectible.

### *Other Assets*

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

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### *Capital Assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10-40
Public domain infrastructure	40-50
System infrastructure	15-30
Improvements other than buildings	10-40
Machinery, equipment and other	5-15
Airport runways	20

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City reports deferred outflows of resources related to the net pension liability.

### *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.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### *Unearned Revenue*

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

### *Deferred Inflows of Resources*

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

### *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Fund Equity*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City Council has the authority and reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## 2. BUDGETARY INFORMATION

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

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

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

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

The legal level of budgetary control is at the departmental level. As reported on the General Fund budget and actual statement, there were minor violations for the public safety department and capital outlay accounts.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2017:

<b>Statement of Net Position</b>	
Cash and cash equivalents	\$ 4,361,356
Restricted cash and cash equivalents	924,503
Investments	3,230,735
Restricted investments	876,216
 <b>Statement of Fiduciary Net Position</b>	
Police Officers' Pension -	
Investments	13,967,601
Agency funds:	
Cash and cash equivalents	6,930
Investments	73,750
<b>Total</b>	<u><u>\$ 23,441,091</u></u>
 <b>Deposits and investments</b>	
Bank deposits -	
Checking and savings accounts	\$ 5,290,359
Investments:	
Investments, at fair value	4,180,701
Police officers' pension fund investments	13,967,601
Cash on hand	2,430
<b>Total</b>	<u><u>\$ 23,441,091</u></u>

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. At September 30, 2017, the carrying amount of the City of Sebastian's deposits with banks was \$5,290,359 and the bank balance was \$5,292,789. All the deposits were covered by the FDIC or collateralized in accordance with the "Florida Security for Public Deposits Act". Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

*Custodial Credit Risk - Investments.* On April 23, 2003, Sebastian City Council formally adopted an investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits for all investments except the Pension Trust Funds. The City maintains a common cash and investment pool for the use of all funds, except the Pension Trust Funds, which are held with third party trustees and are governed by rules established by Florida Statute Chapter 185.

## CITY OF SEBASTIAN, FLORIDA

### Notes to Financial Statements

Investment holdings during the year included United States Government Agencies which were reported at fair value in accordance with GASB Statement No.31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". These investments were held in trust by the City's bank depository in the City's name or by the Custodian of the Pension Trust Funds.

Section 218.415, Florida Statutes, limits the types of investments that the City can invest in unless specially authorized in the City's investment policy. The City's formal investment policy, for all investments except the Pension Trust Fund, allows for the following investments: Florida Local Government Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, High Grade Corporate Notes, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds), and Intergovernmental Investment Pool.

Florida Statutes Chapter 185 regulates the types of investment that may be held by the Police Pension Trust Fund. The investment guidelines have been augmented by City ordinance that have adopted specific investment policies. Compliance with the policies and guidelines has been evaluated by the pension board.

As of September 30, 2017, the City had the following investments and effective duration presented in terms of years:

Investment Type	Fair Value	No Maturities	Investment Maturity (Years)			
			Less than 1	From 1-3	From 4-6	Over 7
<b>General investments</b>						
Local government surplus funds trust fund ("SBA")	\$ 4,180,701	\$ 4,180,701	\$ 4,180,701	\$ -	\$ -	\$ -
<b>Police officers' pension fund investments</b>						
Money market	\$ 1,469,539	\$ 1,469,539	\$ -	\$ -	\$ -	\$ -
United States treasuries	713,872	-	29,874	173,977	328,309	181,712
United States agencies	257,300	-	2,039	11,029	-	244,232
Collateralized mortgage obligations	473,057	473,057	-	-	-	-
Unit Investment trusts	125,087	8,030	-	-	-	-
Municipal obligations	169,518	-	-	-	101,682	67,836
Domesti corporate bonds	1,670,219	-	-	322,112	674,619	673,488
Foreign corporate bonds	433,423	-	-	79,797	125,421	228,205
Domestic corporate equities	8,232,558	8,232,558	-	-	-	-
Foreign corporate equities	414,998	414,998	-	-	-	-
EFT equities	8,030	125,087	-	-	-	-
	<u>\$ 13,967,601</u>	<u>\$ 10,723,269</u>	<u>\$ 31,913</u>	<u>\$ 586,915</u>	<u>\$ 1,230,031</u>	<u>\$ 1,395,473</u>

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

*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 that covers all investments, except the Pension Trust Fund, permits investments in the following securities, which are limited to credit quality ratings from nationally recognized agencies as follows:

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

As of September 30, 2017, the City's investment securities, for all investments except the Pension Trust Fund, were all individually rated AAA by Standard & Poor's. The investment ratings for the Pension Trust Fund ranged between AAA through BBB.

As of September 30, 2017, the City had \$4,180,701 invested in the State Board of Administration's Local Government Surplus Trust Funds Investment Pool, which consist of accounts in Pool A. Pool A had a rating by Standard and Poor's Rating Services as "AAA" on September 30, 2017 and amounts may be withdrawn without penalty.

Investment in the City's pension trust funds are limited by State Statutes Chapter 185 and by an investment policy adopted by the fund's Board of Trustees on December 31, 2016. The allowable investment instruments include: United States government and agency issues, bankers acceptances and certificates of deposit by United States banks, savings accounts with banks or other financial institutions incorporated in the United States and commercial paper rated A-2 or P-2 or higher by Moody's or Standard and Poors. See table below for credit ratings by investment type. 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.

## CITY OF SEBASTIAN, FLORIDA

### Notes to Financial Statements

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

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

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

The City's pension trust funds investment policy adopted by the fund's Board of Trustees has established asset allocation and issuer limits on the following investments, which are designed to focus on performance. A maximum of 100% of available funds may be invested in fixed income securities and a maximum of 60% of available funds may be invested in equity securities.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

As of September 30, 2017, the City had the following issuer concentration based on fair value and investment ratings:

Issuer	General Investments		Pension Investments		S&P/Moody Ratings
	Amount	Percentage of Portfolio	Amount	Percentage of Portfolio	
Local government surplus funds trust fund ("SBA")	\$ 4,180,701	100.00%	\$ -	0.00%	
Money market	-	0.00%	1,469,539	10.52%	Not Rated
United States treasuries	-	0.00%	713,872	5.11%	AA+
United States agencies	-	0.00%	257,300	1.84%	Not Rated
Collateralized mortgage obligations	-	0.00%	473,057	3.39%	AAA
Unit Investment trusts	-	0.00%	125,087	0.90%	Not Rated
Municipal obligations	-	0.00%	169,518	1.21%	AA-/AA+
Domestic corporate bonds	-	0.00%	1,670,219	11.96%	BBB thru AAA
Foreign corporate bonds	-	0.00%	433,423	3.10%	AA-/AAA
Domestic corporate equities	-	0.00%	8,232,558	58.94%	Not Rated
Foreign corporate equities	-	0.00%	414,998	2.97%	Not Rated
EFT equities	-	0.00%	8,030	0.06%	Not Rated
<b>Total</b>	<b>\$ 4,180,701</b>	<b>100.00%</b>	<b>\$ 13,967,601</b>	<b>100.00%</b>	

### *Fair Value Measurement*

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

The City has the following recurring fair value measurements as of September 30, 2017:

	Level 1	Level 2	Level 3	Total
Local government surplus funds				
trust fund ("SBA")	\$ 4,180,701	\$ -	\$ -	\$ 4,180,701
Money market	1,469,539	-	-	1,469,539
United States treasuries	713,872	-	-	713,872
United States agencies	-	257,300	-	257,300
Collateralized mortgage	-	473,057	-	473,057
Unit Investment trusts	125,087	-	-	125,087
Municipal obligations	-	169,518	-	169,518
Domestic corporate bonds	-	1,670,219	-	1,670,219
Foreign corporate bonds	-	433,423	-	433,423
Domestic corporate equities	7,111,317	1,121,241	-	8,232,558
Foreign corporate equities	414,998	-	-	414,998
EFT equities	8,030	-	-	8,030
	<u>\$ 14,023,544</u>	<u>\$ 4,124,758</u>	<u>\$ -</u>	<u>\$ 18,148,302</u>

## 4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 371,067	\$ 11,326	\$ 382,393
Due from other governments	727,161	312,275	1,039,436
	<u>\$ 1,098,228</u>	<u>\$ 323,601</u>	<u>\$ 1,421,829</u>

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 656,663	\$ 107,924	\$ 764,587
Accrued liabilities	305,347	41,526	346,873
Due to other governments	50,408	11,376	61,784
	<u>\$ 1,012,418</u>	<u>\$ 160,826</u>	<u>\$ 1,173,244</u>

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### 6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2017, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General Fund	\$ 886,970	\$ -
Transportation Improvements Fund	-	9,870
Nonmajor Governmental Funds	-	51,300
Golf Course	-	535,800
Airport	-	290,000
	<u>\$ 886,970</u>	<u>\$ 886,970</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to and from primary government funds

	Advance from Other Funds	Advance to Other Funds
General Fund	\$ -	\$ 100,000
Discretionary Sales Tax	-	550,638
Golf Course	1,023,318	-
Airport	650,638	-
Building	-	1,023,318
	<u>\$ 1,673,956</u>	<u>\$ 1,673,956</u>

The balance of \$550,638 advanced to the airport fund from the discretionary sales tax fund is to be repaid over a thirty year period in accordance with Resolution No. R-08-20 for the initial \$285,000 advance and with Resolution No. R-10-22 authorizing an additional \$290,000 advance. The \$100,000 advanced to the airport from general fund represents a cash loan made in 2007 without any specified terms for repayment. The \$1,023,318 was advanced from the Building Fund to replace the irrigation system and make other improvements at the Golf Course.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

For the year ended September 30, 2017, interfund transfers consisted of the following:

Transfers in	General Fund	Discretionary Sales Tax Fund	Riverfront Redevelopment Fund	Transportation Improvements Fund	Nonmajor Governmental Funds	Golf Course Fund	Airport Fund	Totals
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 653,569	\$ -	\$ 10,000	\$ 663,569
Capital Projects Fund	1,603,353	1,137,676	-	-	347,986	-	-	3,089,015
Transportation Improvements Fund	132,925	856,622	188,730	3,542	692,706	-	-	1,874,525
Nonmajor Governmental Funds	305,449	848,102	40,766	-	363,432	-	-	1,557,749
Golf Course	78,823	51,816	-	-	-	61,731	-	192,370
Airport Fund	28,040	415,130	-	-	-	-	54,927	498,097
Building Fund	25,000	-	-	-	-	4,544	-	29,544
	<u>\$ 2,173,590</u>	<u>\$ 3,309,346</u>	<u>\$ 229,496</u>	<u>\$ 3,542</u>	<u>\$ 2,057,693</u>	<u>\$ 66,275</u>	<u>\$ 64,927</u>	<u>\$ 7,904,869</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as required by debt covenants.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### 7. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 8,319,588	\$ 71,462	\$ -	\$ -	\$ 8,391,050
Construction in progress	227,035	1,421,138	-	(1,266,284)	381,889
	<u>8,546,623</u>	<u>1,492,600</u>	<u>-</u>	<u>(1,266,284)</u>	<u>8,772,939</u>
Capital assets, being depreciated:					
Buildings	13,110,829	38,933	-	192,290	13,342,052
Non-building improvements	6,869,838	1,400	-	-	6,871,238
Machinery and equipment	8,668,356	1,275,314	(299,581)	-	9,644,089
Infrastructure	39,938,233	1,087,984	-	1,073,994	42,100,211
	<u>68,587,256</u>	<u>2,403,631</u>	<u>(299,581)</u>	<u>1,266,284</u>	<u>71,957,590</u>
Less accumulated depreciation for:					
Buildings	(5,355,315)	(372,679)	-	-	(5,727,994)
Non-building improvements	(3,919,085)	(310,700)	-	-	(4,229,785)
Machinery and equipment	(6,584,397)	(792,582)	272,356	-	(7,104,623)
Infrastructure	(21,282,995)	(1,749,106)	-	-	(23,032,101)
	<u>(37,141,792)</u>	<u>(3,225,067)</u>	<u>272,356</u>	<u>-</u>	<u>(40,094,503)</u>
Total capital assets being depreciated, net	<u>31,445,464</u>	<u>(821,436)</u>	<u>(27,225)</u>	<u>1,266,284</u>	<u>31,863,087</u>
Governmental activities capital assets, net	<u>\$ 39,992,087</u>	<u>\$ 671,164</u>	<u>\$ (27,225)</u>	<u>\$ -</u>	<u>\$ 40,636,026</u>

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 19,436	\$ -	\$ -	\$ -	\$ 19,436
Construction in progress	1,080,864	2,292,915	(203,566)	(2,850,168)	320,045
	<u>1,100,300</u>	<u>2,292,915</u>	<u>(203,566)</u>	<u>(2,850,168)</u>	<u>339,481</u>
Capital assets, being depreciated:					
Buildings	6,685,840	-	(61,070)	2,541,356	9,166,126
Non-building improvements	2,809,818	4,826	-	35,898	2,850,542
Machinery and equipment	1,428,430	343,523	(264,813)	4,086	1,511,226
Infrastructure	8,463,834	-	-	268,828	8,732,662
	<u>19,387,922</u>	<u>348,349</u>	<u>(325,883)</u>	<u>2,850,168</u>	<u>22,260,556</u>
Less accumulated depreciation for:					
Buildings	(1,762,161)	(210,821)	61,070	-	(1,911,912)
Non-building improvements	(1,219,076)	(120,246)	-	-	(1,339,322)
Machinery and equipment	(939,351)	(126,971)	175,405	-	(890,917)
Infrastructure	(4,415,723)	(402,741)	-	-	(4,818,464)
	<u>(8,336,311)</u>	<u>(860,779)</u>	<u>236,475</u>	<u>-</u>	<u>(8,960,615)</u>
Total capital assets being depreciated, net	<u>11,051,611</u>	<u>(512,430)</u>	<u>(89,408)</u>	<u>2,850,168</u>	<u>13,299,941</u>
Business-type activities capital assets, net	<u>\$ 12,151,911</u>	<u>\$ 1,780,485</u>	<u>\$ (292,974)</u>	<u>\$ -</u>	<u>\$ 13,639,422</u>

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

<b>Depreciation of governmental activities by function</b>	
General government	\$ 350,400
Public safety	321,420
Transportation	890,511
Physical environment	1,236,570
Economic environment	33,088
Cultural and recreation	393,078
	<u>3,225,067</u>
<b>Total governmental activities</b>	<u>\$ 3,225,067</u>
<b>Depreciation of business-type activities by function</b>	
Golf course	\$ 155,240
Airport	690,642
Building	14,897
	<u>860,779</u>
<b>Total business-type activities</b>	<u>\$ 860,779</u>

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### 8. LONG-TERM DEBT

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

- The City entered into a nine (9) year loan agreement in 2012 with a local bank for \$2,296,000 to provide financing to repave certain roads in the City and payoff an outstanding loan. The City pledged Local Option Gas Tax revenues to repay the note payable. The funds are accumulated in the Local Option Gas Tax Special Revenue fund for repayment of principal and interest.
- The City issued a four (4) year, \$2,893,000 Infrastructure Sales Surtax Refunding Revenue Note, Series 2013 in December 2013. The City has pledged Infrastructure Sales Surtax revenues for repayment of principal and interest. These proceeds and other Infrastructure Sales Surtax revenues were used to totally refund or advance refund all of the outstanding Infrastructure Sales Surtax Bonds prior to September 30, 2014.
- The City issued a nine (9) year, \$3,096,000 Stormwater Utility Refunding Revenue Note, Series 2013 in December 2013. The City has pledged Stormwater Fee Revenues for repayment of principal and interest. These proceeds and other Stormwater Fee revenues were used to totally advance refund all of the outstanding Stormwater Utility Revenue Bonds prior to September 30, 2014.
- The City entered into a four (4) year loan agreement in 2013 with a local bank for \$299,050 to provide financing to purchase equipment for the Golf Course. Repayment of principal and interest will be made from Golf Course revenues.
- As of September 30, 2017, there was no outstanding in-substance defeased debt.

The following is a summary of governmental activities long-term debt transactions for the year ended September 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable	\$ 4,106,000	\$ -	\$ (931,000)	\$ 3,175,000	\$ 590,000
Compensated absences	1,200,021	498,984	(303,411)	1,395,594	105,151
Pollution remediation	91,200	-	-	91,200	-
Totals governmental activities	<u>\$ 5,397,221</u>	<u>\$ 498,984</u>	<u>\$ (1,234,411)</u>	<u>\$ 4,661,794</u>	<u>\$ 695,151</u>

#### Notes payable

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

\$ 1,263,000

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

1,912,000

\$ 3,175,000

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

The following is a summary of business-type activities long-term debt transactions for the year ended September 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Note payable	\$ 162,245	\$ -	\$ (162,245)	\$ -	\$ -
Compensated absences	210,849	61,367	(38,450)	233,766	-
Capital lease	-	313,152	(58,699)	254,453	48,286
<b>Totals business-type activities</b>	<u>\$ 373,094</u>	<u>\$ 374,519</u>	<u>\$ (259,394)</u>	<u>\$ 488,219</u>	<u>\$ 48,286</u>

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

Year Ended September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 590,000	\$ 56,523
2019	601,000	45,836
2020	611,000	34,939
2021	620,000	23,868
2022	632,000	12,635
Thereafter	121,000	1,174
	<u>\$ 3,175,000</u>	<u>\$ 174,975</u>

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

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### 9. LEASES

#### *Operating Leases - Lessee*

The City is obligated under a lease for land accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations. Total costs for the lease was \$100,000 for the fiscal year ended September 30, 2017. This represents the Airport Fund's lease obligation for the property used as the City's golf course. The following is a schedule by years for future minimum rental payments required under the operating lease that has initial or remaining noncancelable lease terms in excess of one year at September 30, 2017:

Year Ended September 30,	Airport
2018	\$ 100,000
2019	100,000
2020	100,000
2021	100,000
2022	100,000
2023-2027	500,000
2028-2032	500,000
2033-2037	500,000
2038-2042	500,000
2043-2045	<u>200,000</u>
Total	<u>\$ 2,700,000</u>

#### *Operating Leases - Lessor*

The City is the lessor in two communication tower leases with terms of up to fifty-five years. The towers have a cost of \$39,285 and have been fully depreciated. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

Year Ended September 30,	Governmental Activities
2018	\$ 227,030
2019	222,272
2020	224,689
2021	227,106
2022	229,771
2023-2027	960,896
2028-2032	995,240
2033-2037	1,109,714
2038-2042	1,255,816
2043-2047	1,242,283
2048-2052	1,180,267
2053-2055	<u>849,042</u>
Total	<u>\$ 8,724,125</u>

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

The Airport Fund is the lessor of various properties (land with a cost basis of \$9,060) with lease terms varying from twenty to thirty years. These include the lease to the Golf Course Fund requiring annual payments of \$100,000 through 2045. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

Future minimum rental commitments are as follows:

Year Ended September 30,	Business-type Activities
2018	\$ 283,832
2019	249,534
2020	249,534
2021	249,534
2022	249,534
2023-2027	1,069,013
2028-2032	963,452
2033-2037	552,625
2038-2042	138,375
2043-2045	83,025
Total	<u>\$ 4,088,458</u>

## 10. PROPERTY TAXES

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. The millage rate levied by the City for the fiscal year ended September 30, 2017, was 3.8000 mills. Total tax collections were approximately 96.38% of the total tax levy.

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

## 11. CONTINGENT LIABILITIES

Various suits and claims are currently pending against the City. It is impossible for the City to accurately quantify the exposure involved given the jury's latitude in assessing compensatory and punitive damages, and the court's latitude in awarding attorney's fees. The City intends to vigorously defend against these lawsuits and believes it has a good chance of prevailing on their merits. The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of management and based on the advice of legal counsel, the ultimate disposition of lawsuits will not have a material adverse effect on the financial position of the City.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

### 12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; and natural disasters. The City purchases commercial insurance with various deductibles for different types of losses. The cost of this insurance is accounted for in the General Fund, Golf Course Fund, Airport Fund, and Building Fund. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

### 13. BENEFIT PLANS

#### Police Officer's Pension Plan

##### *Defined Benefit Pension Plan*

*Plan Description.* The Police Officers' Pension Plan is a Florida Statute Chapter 185 single-employer defined benefit plan. Only City police officers participate in the Police Pension Plan. The state provides a contribution to the Police Pension Plan through a distribution of funds collected from insurance premium taxes. The pension plan data provided in these financial statements are from the actuarial valuation as of October 1, 2016 to determine the required contribution for the fiscal year ending September 30, 2017. Although the Police Officers' Pension Plan provides separate reporting, which may be obtained in the Finance department, it is also a component unit (reporting as a Pension Trust Fund) of the City's financial reporting entity.

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

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

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

*Concentrations.* At September 30, 2017, the plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5 percent or more of the plan's fiduciary net position. Please see Note 3 for details of these concentrations.

*Plan Membership.* As of September 30, 2017, employee membership data was as follows:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	12
Active plan members	<u>37</u>
Total membership	<u><u>61</u></u>

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

*Contributions.* Members contribute 8% of their salary. City and state contributions consist of the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over a period not exceeding 30 years. State contributions are reported as revenues and expenditures in the General Fund before being reported in the Pension Trust Fund.

*Rate of Return.* For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net Pension Liability of the City.* The components of the net pension liability of the City at September 30, 2017, were as follows:

Total pension liability	\$ 17,252,501
Less: Plan fiduciary net position	<u>14,002,519</u>
City's net pension liability	<u><u>\$ 3,249,982</u></u>
Plan fiduciary net position as percentage of total pension liability	81.16%

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.30%
Salary increases	3.80% - 16.00%
Discount rate	7.30%
Investment rate of return	7.30%

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce a long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	52.50%	5.99%	3.14%
International equity	12.50%	5.60%	0.70%
Fixed income	25.00%	1.85%	0.46%
Real Estate	5.00%	2.90%	0.15%
Master Limited Partnerships	5.00%	5.00%	0.25%
Total	<u>100.00%</u>		4.70%
Inflation			2.50%
Risk adjustments			<u>-0.10%</u>
Investment rate of return			<u>7.30%</u>

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

**Discount Rate.** The discount rate used to measure the total pension liability was 7.30 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

*Changes in Assumptions.* The City revised certain actuarial assumptions in the October 31, 2016 valuation that had an impact on the total pension liability from the prior measurement date. The most significant change was a decrease in the expected investment rate of return from 7.45% to 7.30%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.30 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.30 percent) or one percentage point higher (8.30 percent) than the current rate.

	One Percent Decrease 6.30%	Current Discount Rate 7.30%	One Percent Increase 8.30%
Net Pension Liability	\$ 5,578,152	\$ 3,249,982	\$ 1,326,059

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 15,071,285	\$ 12,488,710	\$ 2,582,575
Changes for the year:			
Service cost	479,778	-	479,778
Interest on total pension liability	1,179,511	-	1,179,511
Changes of benefit terms	613,973	-	613,973
Differences between expected and actual experience	20,758	-	20,758
Assumption changes	382,825	-	382,825
Benefit payments, including refunds of employee contributions	(495,629)	(495,629)	-
Employer contributions	-	337,201	(337,201)
State contributions	-	168,628	(168,628)
Employee contributions	-	177,585	(177,585)
Pension plan net investment income	-	1,381,392	(1,381,392)
Administrative expense	-	(55,368)	55,368
Net changes	2,181,216	1,513,809	667,407
Balances at September 30, 2017	\$ 17,252,501	\$ 14,002,519	\$ 3,249,982

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

Changes of benefit terms resulted from an amendment to the plan to provide a cost-of-living adjustment and modify the member contribution rate and benefit accrued rate.

State statutes mandate that the State contribution be recorded as revenue to the General Fund and then paid to the Pension Trust Fund.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended September 30, 2017, the City recognized pension expense of \$550,997. At September 30, 2017, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ 52,111	\$ 96,252	\$ (44,141)
Changes in assumptions	771,181	-	771,181
Net difference between projected and actual earnings on pension plan investments	-	133,323	(133,323)
	<u>\$ 823,292</u>	<u>\$ 229,575</u>	<u>\$ 593,717</u>

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

Year Ended September 30,	Amount
2018	\$ 260,755
2019	260,755
2020	82,452
2121	<u>(10,245)</u>
Total	<u>\$ 593,717</u>

*Payable to the Pension Plan.* At September 30, 2017, the City reported \$0 payable to the police officers pension plan.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### Coastal Florida Public Employees Association

#### *Negotiated Defined Benefit Pension Plan*

*Plan Description.* The Communication Workers of America / International Typographical Union Negotiated Pension Plan (NPP), which began in 1967, is a multi-employer cost-sharing, defined benefit plan. The plan is available to any Coastal Florida Public Employees Association bargaining unit member and benefits are portable from one contributing employer to another. The plan is not a state or local governmental plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, has no predominant state or local governmental employer and issues audited financials following FASB guidelines, which can be obtained at <http://www.cwaitu.com>. The City of Sebastian approved the plan by Resolution No. R-01-36, effective April 29, 2001. There is currently no expiration date of the collective-bargaining agreement requiring contributions to the pension plan. The total number of governmental employees covered as of September 30, 2017, was 66. The City chose to early implement the GASB 78 disclosure requirements in FY15.

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

*Early Pension.* Minimum age 62: 20 years of service credit required if employed after January 1, 1989, and 25 years of service credit required if employment ended before January 1, 1993. Pension amounts are permanently reduced based on age on the effective date, because the payments are expected to be made for a longer period of time.

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

*Lump Sum Disability Benefit.* If the employee has been awarded a Social Security Disability Award with the date of entitlement before May 1, 2009 and is vested, but not immediately eligible to receive any pension described above, the employee may be eligible for a lump sum disability benefit.

*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.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

*Withdrawal Benefit.* If the employee did not earn enough service credit to qualify for a normal pension, the employee may be eligible for a lump sum withdrawal benefit, based on total contributions, after the employee has incurred a break in service. Benefit Provisions and Contribution Requirements: The NPP provides retirement and disability benefits to plan members and beneficiaries. The plan is administered at the plan office in Colorado Springs, Colorado. Contribution requirements are established by the CWA contract, effective date October 1, 2011, which is negotiated every 3 years, and approved by City Council.

*Benefit Provisions and Contribution Requirements.* The NPP provides retirement and disability benefits to plan members and beneficiaries. The plan is administered at the plan office in Colorado Springs, Colorado. Contribution requirements are established by the CWA contract, effective date October 1, 2013, which is negotiated every 3 years, and approved by City Council.

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

*Funding Policy.* Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.0% for the 2016-2017 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2015, 2016 and 2017 were \$217,916, \$200,889 and \$204,035 respectively, which are equal to 100% of the required contribution for each year.

### Defined Contribution 401(a) Plan

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

*Plan Participation.* As of September 30, 2017, there were a total of 18 employees participating in the plan.

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

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

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

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

## CITY OF SEBASTIAN, FLORIDA

### Notes to Financial Statements

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

*Funding Policy.* The administration costs of the pension plan are financed by the Plan. The employer contribution rate, expressed as a percentage of compensation, was 9% for the 2016-2017 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2015, 2016 and 2017 were \$130,719, \$151,891 and \$120,879 respectively, which are equal to 100% of the required contribution for each year.

#### 14. OTHER POSTEMPLOYMENT BENEFITS

*Plan Description.* Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The City, by policy, has elected to provide qualified retirees with partial subsidy. In this respect, the City operates a single-employer plan.

Employees are eligible to receive a partial subsidy from the Retiree Medical Plan upon retirement, if they are enrolled in the active medical plan immediately prior to retiring and achieved at least 20 years of service in a full time capacity. If eligible, the City pays 50% of the costs of single coverage group health insurance for up to 2 years after retirement.

*Funding Policy.* Based on GASB Statement 43 and 45, which set forth the guidelines for treatment of other postemployment benefits, the City had an actuary calculate future funding requirements, using the Entry Age Normal (level percentage of pay) Method. The City elected to fund the OPEB obligation on a pay-as-you-go basis. The general fund portion is calculated to be \$4,515 and the enterprise portion is \$181. The entire unfunded obligation was recognized in the government-wide financial statements. As such, a separate audited GAAP basis postemployment benefit plan report is not available.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

The following table shows the components of the City's annual OPEB cost for the year ended September 30, 2017, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 5,024
Interest on net OPEB obligation	841
Adjustment to annual required contribution	<u>(1,168)</u>
Net OPEB cost	4,697
Contributions made	<u>-</u>
Increase in net OPEB obligation	4,697
Net OPEB obligation, beginning of year	<u>30,434</u>
Net OPEB obligation, end of year	<u><u>\$ 35,131</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the previous two years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 4,696	0.0%	\$ 25,718
2016	4,716	0.0%	30,434
2017	4,697	0.0%	35,131

*Funded Status and Funding Progress.* As of October 1, 2015, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$50,901, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,147,250, and the ratio of the UAAL to the covered payroll was 0.8 percent.

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

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the October 1, 2015 actuarial valuation using the entry age normal (level percentage of pay) actuarial funding method. The actuarial assumptions included (a) 4 percent investment rate of return (net of administrative expenses), (b) a 3 percent payroll growth rate, (c) a 3 percent inflation rate, and (d) an annual healthcare trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2017. The actuarial assumptions utilized the RP-2000 Combined Healthy Mortality Table projected to 2014. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at October 1, 2015 was 29 years.

### Termination Benefits

The City offers to pay 50% of the cost of single coverage group (health only) insurance for up to two years for employees retiring after twenty years of service in a full-time capacity. During the year ended September 30, 2017, no retiring employees made this election, and \$0 was recorded at year end as the total accrued termination benefits in the governmental activities of the government-wide financial statements.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Discretionary Sales Tax	Riverfront Redevelopment	General Capital Projects	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 55,008	\$ -	\$ -	\$ -	\$ -	\$ 55,008
Prepays	187,497	-	-	-	-	187,497
Long-term advances	100,000	-	-	-	-	100,000
Permanent fund corpus	-	-	-	-	941,061	941,061
Total nonspendable	<u>342,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>941,061</u>	<u>1,283,566</u>
Restricted for:						
Debt service	-	-	-	-	170,357	170,357
Infrastructure	-	2,643,877	-	-	211,004	2,854,881
Redevelopment	-	-	540,748	-	-	540,748
Stormwater	-	-	-	-	516,204	516,204
Law enforcement	63,016	-	-	-	49,226	112,242
Total restricted	<u>63,016</u>	<u>2,643,877</u>	<u>540,748</u>	<u>-</u>	<u>946,791</u>	<u>4,194,432</u>
Committed for:						
Recreational system development	-	-	-	-	955,251	955,251
Development of public parking	-	-	-	-	39,893	39,893
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>995,144</u>	<u>995,144</u>
Assigned for:						
Law enforcement events	12,350	-	-	-	-	12,350
Unassigned (deficit)	<u>4,089,275</u>	<u>-</u>	<u>-</u>	<u>(20,550)</u>	<u>(5,820)</u>	<u>4,062,905</u>
Total fund balances, governmental funds	<u>\$ 4,507,146</u>	<u>\$ 2,643,877</u>	<u>\$ 540,748</u>	<u>\$ (20,550)</u>	<u>\$ 2,877,176</u>	<u>\$ 10,548,397</u>

# CITY OF SEBASTIAN, FLORIDA

## Notes to Financial Statements

### 16. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of September 30, 2017, was as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets:			
Capital assets not being depreciated	\$ 8,772,939	\$ 339,481	\$ 9,112,420
Capital assets being depreciated, net	31,863,087	13,299,941	45,163,028
	<u>40,636,026</u>	<u>13,639,422</u>	<u>54,275,448</u>
Related debt:			
Notes payable	3,175,000	-	3,175,000
Capital lease	-	254,453	254,453
	<u>3,175,000</u>	<u>254,453</u>	<u>3,429,453</u>
Net investment in capital assets	<u>\$ 37,461,026</u>	<u>\$ 13,384,969</u>	<u>\$ 50,845,995</u>

### 17. COMMITMENTS AND CONTINGENCIES

#### A. Contracts and Other Commitments

The City has various contracts and commitments outstanding as of September 30, 2017. In the Capital Projects Fund, there are contracts for constructing an evidence garage for use by the Police Department, restrooms and other amenities at the Working Waterfront facility, developing an update to the master plan for the Airport and an update to the Parks and Recreation Comprehensive Plan.

A summary of these projects at September 30, 2017 is as follows:

	Total Contract Price	Total Paid as of September 30, 2017	Remaining Balance at September 30, 2017
Evidence Garage	\$ 461,411	\$ (246,578)	\$ 214,833
Working Waterfront	306,535	(73,425)	233,110
Master Plan	291,000	(188,325)	102,675
Comprehensive Plan	19,600	-	19,600
Total	<u>\$ 1,078,546</u>	<u>\$ (508,328)</u>	<u>\$ 570,218</u>



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## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information  
Single-employer Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending September 30, 2017	Fiscal Year Ending September 30, 2016	Fiscal Year Ending September 30, 2015	Fiscal Year Ending September 30, 2014	Fiscal Year Ending September 30, 2013
<b>Total pension liability</b>					
Service cost	\$ 479,778	\$ 418,143	\$ 403,611	\$ 396,146	\$ 367,653
Interest on total pension liability	1,179,511	1,027,558	979,259	914,243	853,018
Change in excess state money	-	-	22,218	24,386	-
Changes of benefit terms	613,973	-	(4,316)	-	-
Differences between expected and actual experience	20,758	59,175	(240,633)	-	-
Changes of assumptions	382,825	626,069	223,200	-	-
Benefit payments, including refunds of employee contributions	(495,629)	(493,765)	(496,363)	(452,892)	(465,435)
<b>Net change in total pension liability</b>	<b>2,181,216</b>	<b>1,637,180</b>	<b>886,976</b>	<b>881,883</b>	<b>755,236</b>
<b>Total pension liability, beginning of year</b>	<b>15,071,285</b>	<b>13,434,105</b>	<b>12,547,129</b>	<b>11,665,246</b>	<b>10,910,010</b>
<b>Total pension liability, end of year</b>	<b>17,252,501</b>	<b>15,071,285</b>	<b>13,434,105</b>	<b>12,547,129</b>	<b>11,665,246</b>
<b>Plan fiduciary net position</b>					
Employer contributions	337,201	322,998	320,179	401,103	396,603
State contributions	168,628	169,027	145,700	147,868	145,961
Employee contributions	177,585	167,309	161,270	160,494	154,683
Pension plan net investment income (loss)	1,381,392	1,067,139	(60,326)	951,910	1,029,818
Benefit payments	(495,629)	(493,765)	(496,363)	(452,892)	(465,435)
Administrative expense	(55,368)	(28,025)	(39,673)	(27,815)	(32,153)
<b>Net change in plan fiduciary net position</b>	<b>1,513,809</b>	<b>1,204,683</b>	<b>30,787</b>	<b>1,180,668</b>	<b>1,229,477</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>12,488,710</b>	<b>11,284,027</b>	<b>11,253,240</b>	<b>10,072,572</b>	<b>8,843,096</b>
<b>Plan fiduciary net position, end of year</b>	<b>14,002,519</b>	<b>12,488,710</b>	<b>11,284,027</b>	<b>11,253,240</b>	<b>10,072,573</b>
<b>Net pension liability</b>	<b>\$ 3,249,982</b>	<b>\$ 2,582,575</b>	<b>\$ 2,150,078</b>	<b>\$ 1,293,889</b>	<b>\$ 1,592,673</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>81.16%</b>	<b>82.86%</b>	<b>84.00%</b>	<b>89.69%</b>	<b>86.35%</b>
<b>Covered payroll</b>	<b>\$ 2,438,012</b>	<b>\$ 2,263,866</b>	<b>\$ 2,154,612</b>	<b>\$ 2,106,767</b>	<b>\$ 2,131,399</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>133.30%</b>	<b>114.08%</b>	<b>99.79%</b>	<b>61.42%</b>	<b>74.72%</b>

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

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information  
Single-employer Pension Trust Fund

Schedule of the Net Pension Liability

Fiscal Year Ending September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2013	\$ 11,665,246	\$ 10,072,573	\$ 1,592,673	86.35%	\$ 2,131,399	74.72%
2014	12,547,129	11,253,240	1,293,889	89.69%	2,106,767	61.42%
2015	13,434,105	11,284,027	2,150,078	84.00%	2,154,612	99.79%
2016	15,071,285	12,488,710	2,582,575	82.86%	2,154,612	119.86%
2017	17,252,501	14,002,519	3,249,982	81.16%	2,438,012	133.30%

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

Schedule of Investment Returns

Fiscal Year Ending September 30,	Annual Return <sup>(1)</sup>
2013	11.51%
2014	9.42%
2015	-0.45%
2016	9.39%
2017	10.90%

<sup>(1)</sup> Annual money-weighted rate of return, net of investment expenses

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

CITY OF SEBASTIAN, FLORIDA

**Required Supplementary Information**  
Single-employer Pension Trust Fund

Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	City Contribution	State Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2013	\$ 506,560	\$ 396,603	\$ 145,961	\$ (36,004)	\$ 2,131,399	25.46%
2014	524,585	401,103	147,868	(24,386)	2,106,767	26.06%
2015	596,502	320,179	145,700	130,623	2,154,612	21.62%
2016	667,764	322,998	169,027	175,739	2,263,866	21.73%
2017	768,277	337,201	168,628	262,448	2,438,012	20.75%

Notes to Schedule of Contributions

Valuation date: October 1, 2016  
 Notes: Actuarially determined contribution amounts are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method: Individual entry age normal actuarial cost  
 Amortization method: Level percentage of pay, closed  
 Remaining amortization period: 29 Years (as of October 1, 2015)  
 Mortality: RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).  
 Interest rate: 7.60% per year compounded annually, net of investment related expenses  
 Inflation: 2.30% per year  
 Retirement age: Earlier of: 1) age 55 and 10 years of credited service, or 2) age 52 and 25 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.  
 Early retirement: Commencing at the assumed Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.  
 Disability rates: Age based rates with increasing probability of disablement at higher ages. A sample of rates are shown below:

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

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

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

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

Final salary load	Service on 10/1/14	Load Assumption
	5 or more year	20.00%
	More than 2, less than 5 years	10.00%
	Less than 2 years	0.00%

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

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information  
Other Postemployment Benefits Plan

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2010	10/1/2009	\$ -	\$ 98,100	\$ 98,100	-	\$ 6,424,614	1.5%
2011	10/1/2010	-	67,500	67,500	-	6,426,614	1.1%
2012	10/1/2010	-	50,901	50,901	-	5,933,331	0.9%
2013	10/1/2013	-	50,901	50,901	-	5,693,181	0.9%
2014	10/1/2014	-	50,901	50,901	-	6,044,900	0.8%
2015	10/1/2015	-	50,901	50,901	-	6,213,151	0.8%
2016	10/1/2015	-	50,901	50,901	-	6,561,930	0.8%
2017	10/1/2015	-	50,901	50,901	-	6,147,250	0.8%

Schedule of Employer Contributions

Fiscal Year Ending September 30,	Annual Required Contributions	Percentage Contributed
2010	\$ 4,600	0%
2011	4,700	0%
2012	3,800	0%
2013	3,674	0%
2014	4,207	0%
2015	5,024	0%
2016	5,024	0%
2017	5,024	0%

**Required Supplementary Information**  
 Coastal Florida Public Employees Association Pension Plan

Schedule of Employer Contributions

Fiscal Year Ending September 30,	Annual Required Contributions
2007	\$ 254,909
2008	241,718
2009	254,997
2010	234,219
2011	223,113
2012	210,258
2013	202,612
2014	204,361
2015	217,916
2016	200,889
2017	204,035

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 September 30, 2017

	Special Revenue Funds				
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
<b>Assets</b>					
Cash and cash equivalents	\$ 221,727	\$ -	\$ 758,998	\$ 255,319	\$ 14,572
Investments	-	39,893	196,253	-	34,654
Due from other governments	61,171	-	-	11,284	-
<b>Total assets</b>	<b>\$ 282,898</b>	<b>\$ 39,893</b>	<b>\$ 955,251</b>	<b>\$ 266,603</b>	<b>\$ 49,226</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	71,894	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>71,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted	211,004	-	-	266,603	49,226
Committed	-	39,893	955,251	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>211,004</b>	<b>39,893</b>	<b>955,251</b>	<b>266,603</b>	<b>49,226</b>
<b>Total liabilities and fund balances</b>	<b>\$ 282,898</b>	<b>\$ 39,893</b>	<b>\$ 955,251</b>	<b>\$ 266,603</b>	<b>\$ 49,226</b>

Debt Service		Capital Projects Funds		Permanent	Total Nonmajor Governmental Funds
Discretionary Sales Surtax Revenue Note 2013	Stormwater Utility Revenue Bonds 2003	Capital Improvements	Stormwater Utility Improvements	Cemetery	
\$ -	\$ 170,357	\$ 74	\$ 252,924	\$ 64,845	\$ 1,738,816
-	-	-	-	876,216	1,147,016
-	-	49,781	-	-	122,236
<u>\$ -</u>	<u>\$ 170,357</u>	<u>\$ 49,855</u>	<u>\$ 252,924</u>	<u>\$ 941,061</u>	<u>\$ 3,008,068</u>
-	-	4,375	3,323	-	79,592
-	-	51,300	-	-	51,300
-	-	55,675	3,323	-	130,892
-	-	-	-	941,061	941,061
-	170,357	-	249,601	-	946,791
-	-	-	-	-	995,144
-	-	(5,820)	-	-	(5,820)
-	170,357	(5,820)	249,601	941,061	2,877,176
<u>\$ -</u>	<u>\$ 170,357</u>	<u>\$ 49,855</u>	<u>\$ 252,924</u>	<u>\$ 941,061</u>	<u>\$ 3,008,068</u>

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended September 30, 2017

	Special Revenue Funds				
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
Revenues					
Taxes:					
Motor fuel	\$ 674,778	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12,532	-	-	-	-
Impact fees	-	-	102,700	-	-
Charges for services	-	-	-	992,839	-
Fines	-	-	-	-	26,431
Investment earnings	947	468	8,888	9,300	571
Other revenues	-	24,945	-	-	1,530
<b>Total revenues</b>	<b>688,257</b>	<b>25,413</b>	<b>111,588</b>	<b>1,002,139</b>	<b>28,532</b>
Expenditures					
Current:					
Public safety	-	-	-	-	5,476
Physical environment	-	-	-	12,016	-
Transportation	120,828	-	-	-	-
Culture and recreation	-	-	14,775	-	-
Debt Service:					
Principal	215,000	-	-	-	-
Interest and fiscal charges	27,635	-	-	-	-
Capital outlay	14,268	44,703	-	-	10,524
<b>Total expenditures</b>	<b>377,731</b>	<b>44,703</b>	<b>14,775</b>	<b>12,016</b>	<b>16,000</b>
Revenues over (under) expenditures	310,526	(19,290)	96,813	990,123	12,532
Other financing sources (uses)					
Transfers in	200,000	-	-	100,000	-
Transfers out	(663,422)	(13,792)	(46,455)	(1,198,076)	-
<b>Total other financing sources (uses)</b>	<b>(463,422)</b>	<b>(13,792)</b>	<b>(46,455)</b>	<b>(1,098,076)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(152,896)</b>	<b>(33,082)</b>	<b>50,358</b>	<b>(107,953)</b>	<b>12,532</b>
Fund balances, beginning of year	363,900	72,975	904,893	374,556	36,694
<b>Fund balances, end of year</b>	<b>\$ 211,004</b>	<b>\$ 39,893</b>	<b>\$ 955,251</b>	<b>\$ 266,603</b>	<b>\$ 49,226</b>

Debt Service		Capital Projects Funds		Permanent	Total Nonmajor Governmental Funds
Discretionary Sales Surtax Revenue Note 2013	Stormwater Utility Revenue Bonds 2003	Capital Improvements	Stormwater Utility Improvements	Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,778
-	-	61,970	-	-	74,502
-	-	-	-	-	102,700
-	-	-	-	47,410	1,040,249
-	-	-	-	-	26,431
(335)	1,316	-	-	8,893	30,048
-	-	-	-	-	26,475
(335)	1,316	61,970	-	56,303	1,975,183
-	-	-	60,000	-	65,476
-	-	25,670	36,383	-	74,069
-	-	-	-	-	120,828
-	-	-	-	-	14,775
353,000	363,000	-	-	-	931,000
1,519	39,358	-	-	-	68,512
-	-	63,602	108,539	-	241,636
354,519	402,358	89,272	204,922	-	1,516,296
(354,854)	(401,042)	(27,302)	(204,922)	56,303	458,887
354,854	402,963	104,390	395,542	-	1,557,749
-	-	-	(23,928)	(112,020)	(2,057,693)
354,854	402,963	104,390	371,614	(112,020)	(499,944)
-	1,921	77,088	166,692	(55,717)	(41,057)
-	168,436	(82,908)	82,909	996,778	2,918,233
\$ -	\$ 170,357	\$ (5,820)	\$ 249,601	\$ 941,061	\$ 2,877,176

# CITY OF SEBASTIAN, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Local Option Gas Tax Special Revenue Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Motor fuel	\$ 665,600	\$ 665,599	\$ 674,778	\$ 9,179
Intergovernmental	12,532	12,532	12,532	-
Investment earnings	97	97	947	850
<b>Total revenues</b>	<b>678,229</b>	<b>678,228</b>	<b>688,257</b>	<b>10,029</b>
<b>Expenditures</b>				
Current:				
Transportation	95,103	180,249	120,828	(59,421)
Debt service:				
Principal	215,000	215,000	215,000	-
Interest and fiscal charges	27,635	27,635	27,635	-
Capital outlay	-	14,268	14,268	-
<b>Total expenditures</b>	<b>337,738</b>	<b>437,152</b>	<b>377,731</b>	<b>(59,421)</b>
<b>Revenues over (under) expenditures</b>	<b>340,491</b>	<b>241,076</b>	<b>310,526</b>	<b>69,450</b>
<b>Other financing sources (uses)</b>				
Transfers in	200,000	200,000	200,000	-
Transfers out	(750,000)	(663,422)	(663,422)	-
<b>Total other financing sources (uses)</b>	<b>(550,000)</b>	<b>(463,422)</b>	<b>(463,422)</b>	<b>-</b>
<b>Net changes in fund balance</b>	<b>(209,509)</b>	<b>(222,346)</b>	<b>(152,896)</b>	<b>69,450</b>
Fund balance, beginning of year	363,900	363,900	363,900	-
<b>Fund balance, end of year</b>	<b>\$ 154,391</b>	<b>\$ 141,554</b>	<b>\$ 211,004</b>	<b>\$ 69,450</b>

# CITY OF SEBASTIAN, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Parking In-Lieu-Of Special Revenue Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment earnings	\$ 107	\$ 107	\$ 468	\$ 361
Other revenues	19,730	19,730	24,945	5,215
<b>Total revenues</b>	<b>19,837</b>	<b>19,837</b>	<b>25,413</b>	<b>5,576</b>
<b>Expenditures</b>				
Capital outlay	-	44,703	44,703	-
<b>Revenues over (under) expenditures</b>	<b>19,837</b>	<b>(24,866)</b>	<b>(19,290)</b>	<b>5,576</b>
<b>Other financing sources (uses)</b>				
Transfers out	-	(44,703)	(13,792)	30,911
<b>Net change in fund balance</b>	<b>19,837</b>	<b>(69,569)</b>	<b>(33,082)</b>	<b>36,487</b>
<b>Fund balance, beginning of year</b>	<b>72,975</b>	<b>72,975</b>	<b>72,975</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 92,812</b>	<b>\$ 3,406</b>	<b>\$ 39,893</b>	<b>\$ 36,487</b>

# CITY OF SEBASTIAN, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Recreation Impact Fee Special Revenue Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Impact fees	\$ 135,200	\$ 135,200	\$ 102,700	\$ (32,500)
Investment earnings	2,112	2,112	8,888	6,776
<b>Total revenues</b>	<b>137,312</b>	<b>137,312</b>	<b>111,588</b>	<b>(25,724)</b>
<b>Expenditures</b>				
Current:				
Culture and recreation	-	-	14,775	14,775
<b>Revenue over expenditures</b>	<b>137,312</b>	<b>137,312</b>	<b>96,813</b>	<b>(40,499)</b>
<b>Other financing uses</b>				
Transfers out	(275,000)	(232,542)	(46,455)	186,087
<b>Net change in fund balances</b>	<b>(137,688)</b>	<b>(95,230)</b>	<b>50,358</b>	<b>145,588</b>
Fund balance, beginning of year	904,893	904,893	904,893	-
<b>Fund balance, end of year</b>	<b>\$ 767,205</b>	<b>\$ 809,663</b>	<b>\$ 955,251</b>	<b>\$ 145,588</b>

# CITY OF SEBASTIAN, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Stormwater Utility Special Revenue Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Charges for services	\$ 993,000	\$ 993,000	\$ 992,839	\$ (161)
Investment earnings	3,875	3,875	9,300	5,425
<b>Total revenues</b>	<b>996,875</b>	<b>996,875</b>	<b>1,002,139</b>	<b>5,264</b>
<b>Expenditures</b>				
<b>Current:</b>				
Physical environment	20,000	20,000	12,016	(7,984)
<b>Revenues over expenditures</b>	<b>976,875</b>	<b>976,875</b>	<b>990,123</b>	<b>13,248</b>
<b>Other financing sources (uses)</b>				
Transfers in	163,125	221,199	100,000	(121,199)
Transfers out	(1,140,000)	(1,198,074)	(1,198,076)	(2)
<b>Other financing uses</b>	<b>(976,875)</b>	<b>(976,875)</b>	<b>(1,098,076)</b>	<b>(121,201)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(107,953)</b>	<b>(107,953)</b>
Fund balance, beginning of year	374,556	374,556	374,556	-
<b>Fund balance, end of year</b>	<b>\$ 374,556</b>	<b>\$ 374,556</b>	<b>\$ 266,603</b>	<b>\$ (107,953)</b>

## CITY OF SEBASTIAN, FLORIDA

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Law Enforcement Forfeiture Special Revenue Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Fines	\$ 1,000	\$ 1,000	\$ 26,431	\$ 25,431
Investment earnings	145	145	571	426
Other revenues	-	1,230	1,530	300
<b>Total revenues</b>	<b>1,145</b>	<b>2,375</b>	<b>28,532</b>	<b>26,157</b>
<b>Expenditures</b>				
Current:				
Public safety	-	-	5,476	5,476
Capital outlay	-	1,230	10,524	9,294
<b>Total expenditures</b>	<b>-</b>	<b>1,230</b>	<b>16,000</b>	<b>14,770</b>
<b>Net change in fund balance</b>	<b>1,145</b>	<b>1,145</b>	<b>12,532</b>	<b>11,387</b>
Fund balance, beginning of year	36,694	36,694	36,694	-
<b>Fund balance, end of year</b>	<b>\$ 37,839</b>	<b>\$ 37,839</b>	<b>\$ 49,226</b>	<b>\$ 11,387</b>

# CITY OF SEBASTIAN, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Discretionary Sales Surtax Revenue Bonds 2013 Debt Service Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment earnings	\$ 1,591	\$ 1,591	\$ (335)	\$ (1,926)
<b>Expenditures</b>				
Debt service:				
Principal	706,000	706,000	353,000	(353,000)
Interest and fiscal charges	4,554	4,554	1,519	(3,035)
<b>Total expenditures</b>	<b>710,554</b>	<b>710,554</b>	<b>354,519</b>	<b>(356,035)</b>
Revenues under expenditures	(708,963)	(708,963)	(354,854)	354,109
<b>Other financing sources</b>				
Transfers in	352,927	352,927	354,854	1,927
<b>Net change in fund balance</b>	<b>(356,036)</b>	<b>(356,036)</b>	<b>-</b>	<b>356,036</b>
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ (356,036)</b>	<b>\$ (356,036)</b>	<b>\$ -</b>	<b>\$ 356,036</b>

# CITY OF SEBASTIAN, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Stormwater Utility Revenue Bonds Debt Service Fund For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Investment earnings	\$ 112	\$ 112	\$ 1,316	\$ 1,204
<b>Expenditures</b>				
Debt service:				
Principal	363,000	363,000	363,000	-
Interest and fiscal charges	40,132	40,132	39,358	(774)
<b>Total expenditures</b>	<b>403,132</b>	<b>403,132</b>	<b>402,358</b>	<b>(774)</b>
Revenues under expenditures	(403,020)	(403,020)	(401,042)	1,978
<b>Other financing sources</b>				
Transfers in	403,020	403,020	402,963	(57)
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>1,921</b>	<b>1,921</b>
Fund balance, beginning of year	168,436	168,436	168,436	-
<b>Fund balance, end of year</b>	<b>\$ 168,436</b>	<b>\$ 168,436</b>	<b>\$ 170,357</b>	<b>\$ 1,921</b>

## AGENCY FUND

# CITY OF SEBASTIAN, FLORIDA

## Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended September 30, 2017

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
<i>Performance Deposits</i>				
<b>Assets</b>				
Cash and cash equivalents	\$ 32,841	\$ -	\$ (25,911)	\$ 6,930
Investments, at fair value	73,750	-	-	73,750
<b>Total assets</b>	<u>\$ 106,591</u>	<u>\$ -</u>	<u>\$ (25,911)</u>	<u>\$ 80,680</u>
<b>Liabilities</b>				
Performance deposits held in escrow	<u>\$ 106,591</u>	<u>\$ -</u>	<u>\$ (25,911)</u>	<u>\$ 80,680</u>

## CAPITAL ASSETS

# CITY OF SEBASTIAN, FLORIDA

## Comparative Schedule by Source

Capital Assets Used in the Operation of Governmental Funds  
September 30, 2017

	2017	2016
<b>Governmental funds capital assets</b>		
Land	\$ 8,391,050	\$ 8,319,588
Buildings and structures	13,342,052	13,110,829
Non-building improvements	6,871,238	6,869,838
Machinery and equipment	9,644,089	8,668,356
Infrastructure	42,100,211	39,938,233
Construction in progress	381,889	227,035
	<u>\$ 80,730,529</u>	<u>\$ 77,133,879</u>
<b>Total governmental funds capital assets</b>		
<b>Investment in governmental funds capital assets (by sources)</b>		
Federal grants	\$ 4,507,200	\$ 4,550,000
State grants	2,852,055	2,750,000
County grants	507,031	725,000
General Fund	13,039,005	11,100,000
Law enforcement trust fund	97,815	87,000
Recreational impact fee	2,432,716	2,200,000
Stormwater utility fee	8,347,685	6,600,000
Riverfront redevelopment	2,693,061	2,200,000
Cemetery trust fund	592,753	485,000
Donations	2,938,942	2,600,000
Sales taxes	23,648,358	22,100,000
Motor fuel taxes	4,376,938	7,375,000
Revenue bond debt	13,816,786	13,850,000
Parking in Lieu of Fee	90,621	36,879
Capital projects	789,563	475,000
	<u>\$ 80,730,529</u>	<u>\$ 77,133,879</u>
<b>Total investment in governmental funds capital assets</b>		

CITY OF SEBASTIAN, FLORIDA

**Schedule by Function and Activity**

Capital Assets Used in the Operation of Governmental Funds  
September 30, 2017

Functions / Programs	Land	Buildings	Non-Building Improvements	Machinery and Equipment	Infrastructure	Total
General government:						
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City manager	-	-	-	49,954	-	49,954
City clerk	-	-	-	4,003	-	4,003
Administrative services	-	-	1,100	49,254	-	50,354
MIS	-	5,841	56,151	623,753	-	685,745
Audio visual/broadcast	-	-	-	307,888	-	307,888
Facilities maintenance	-	795,885	21,187	275,468	-	1,092,540
Community development	-	84,426	-	52,944	-	137,370
Non-departmental	3,718,391	6,184,989	126,636	204,375	52,700	10,287,091
<b>Total general government</b>	<b>3,718,391</b>	<b>7,071,141</b>	<b>205,074</b>	<b>1,567,639</b>	<b>52,700</b>	<b>12,614,945</b>
Public safety:						
Special operations	-	-	-	38,621	-	38,621
Administration	9,560	3,347,152	89,320	416,014	-	3,862,046
School resource	-	-	-	42,661	-	42,661
Road patrol	-	-	-	2,934,173	-	2,934,173
Community policing	-	-	-	13,863	-	13,863
Code enforcement	-	-	-	54,856	-	54,856
Investigations	-	-	1,700	254,273	-	255,973
Support services	-	-	-	50,516	-	50,516
Communications	-	-	16,404	272,358	-	288,762
Building department	-	-	-	20,106	-	20,106
<b>Total public safety</b>	<b>9,560</b>	<b>3,347,152</b>	<b>107,424</b>	<b>4,097,441</b>	<b>-</b>	<b>7,561,577</b>
Transportation:						
Engineering	-	-	-	109,158	2,257	111,415
Central garage	-	130,489	115,231	213,687	674	460,081
Roads and drainage	47,125	166,909	1,087,624	1,017,528	20,119,105	22,438,291
<b>Total transportation</b>	<b>47,125</b>	<b>297,398</b>	<b>1,202,855</b>	<b>1,340,373</b>	<b>20,122,036</b>	<b>23,009,787</b>
Economic environment:						
Non-departmental	2,308,392	1,040,590	6,562	-	-	3,355,544
Physical environment:						
Stormwater	-	-	3,870	1,972,608	19,828,160	21,804,638
Cemetery	572,181	201,153	78,354	67,316	22,717	941,721
<b>Total physical environment</b>	<b>572,181</b>	<b>201,153</b>	<b>82,224</b>	<b>2,039,924</b>	<b>19,850,877</b>	<b>22,746,359</b>
Culture/recreation:						
Parks and recreation	1,735,401	1,384,618	5,267,099	598,712	2,074,598	11,060,428
<b>Total</b>	<b>\$ 8,391,050</b>	<b>\$ 13,342,052</b>	<b>\$ 6,871,238</b>	<b>\$ 9,644,089</b>	<b>\$ 42,100,211</b>	<b>80,348,640</b>
Construction in progress						381,889
<b>Total</b>						<b>\$ 80,730,529</b>

CITY OF SEBASTIAN, FLORIDA

**Schedule of Changes by Function and Activity**  
 Capital Assets Used in the Operation of Governmental Funds  
 September 30, 2017

Functions / Programs	Capital Assets October 1, 2016	Additions	Disposals	Transfers In	Transfers Out	Capital Assets September 30, 2017
<b>General government:</b>						
Legislative	\$ 784	\$ -	\$ -	\$ -	\$ 784	\$ -
City manager	24,443	-	-	25,511	-	49,954
City clerk	235,585	-	-	-	231,582	4,003
Administrative services	49,004	1,350	-	-	-	50,354
MIS	650,218	21,763	7,331	33,215	12,120	685,745
Audio visual/broadcast	35,819	28,367	-	243,702	-	307,888
Facilities maintenance	872,134	220,561	1,284	1,129	-	1,092,540
Community development	146,382	-	975	-	8,037	137,370
Non-departmental	10,215,628	71,463	-	-	-	10,287,091
<b>Total general government</b>	<b>12,229,997</b>	<b>343,504</b>	<b>9,590</b>	<b>303,557</b>	<b>252,523</b>	<b>12,614,945</b>
<b>Public safety:</b>						
Special operations	43,532	-	4,911	-	-	38,621
Administration	3,862,593	9,294	9,841	-	-	3,862,046
School resource	42,661	-	-	-	-	42,661
Road patrol	2,746,835	336,061	124,500	-	24,223	2,934,173
Community policing	13,863	-	-	-	-	13,863
Code enforcement	54,856	-	-	-	-	54,856
Investigations	265,880	5,188	13,795	-	1,300	255,973
Support services	50,516	-	-	-	-	50,516
Communications	225,373	63,389	-	-	-	288,762
Building department	20,106	-	-	-	-	20,106
<b>Total public safety</b>	<b>7,326,215</b>	<b>413,932</b>	<b>153,047</b>	<b>-</b>	<b>25,523</b>	<b>7,561,577</b>
<b>Transportation:</b>						
Engineering	6,478	79,187	27,225	53,349	374	111,415
Central garage	445,011	28,570	13,500	-	-	460,081
Roads and drainage	20,564,290	2,039,548	87,061	374	78,860	22,438,291
<b>Total transportation</b>	<b>21,015,779</b>	<b>2,147,305</b>	<b>127,786</b>	<b>53,723</b>	<b>79,234</b>	<b>23,009,787</b>
<b>Economic environment:</b>						
Non-departmental	3,355,544	-	-	-	-	3,355,544
<b>Physical environment:</b>						
Stormwater	21,376,799	432,074	4,235	-	-	21,804,638
Cemetery	822,824	119,134	237	-	-	941,721
<b>Total physical environment</b>	<b>22,199,623</b>	<b>551,208</b>	<b>4,472</b>	<b>-</b>	<b>-</b>	<b>22,746,359</b>
<b>Culture/recreation:</b>						
Parks and recreation	10,779,686	285,428	4,686	-	-	11,060,428
<b>Total</b>	<b>76,906,844</b>	<b>3,741,377</b>	<b>299,581</b>	<b>357,280</b>	<b>357,280</b>	<b>80,348,640</b>
Construction in progress	227,035	3,896,230	3,741,376	-	-	381,889
<b>Total</b>	<b>\$ 77,133,879</b>	<b>\$ 7,637,607</b>	<b>\$ 4,040,957</b>	<b>\$ 357,280</b>	<b>\$ 357,280</b>	<b>\$ 80,730,529</b>

## STATISTICAL SECTION

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# CITY OF SEBASTIAN, FLORIDA

## Statistical Section Table of Contents

This part of the City's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the City of Sebastian, Florida.

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand and evaluate how the City's financial condition, performance and well-being have changed over time.	114
Revenue Capacity	These schedules contain information to help the reader assess the City's ability to generate its most significant local revenue source, the property tax.	126
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	132
Demographic and Economic Information	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City's financial activities.	138
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	142

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement No. 34 in 2001; schedules presenting government-wide information include data beginning in that year.

# CITY OF SEBASTIAN, FLORIDA

## Net Position by Component Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Governmental activities</b>					
Net investment in capital assets	\$ 37,461,026	\$ 35,886,087	\$ 35,220,857	\$ 35,210,526	\$ 32,038,749
Restricted	5,113,543	5,209,372	4,997,724	5,115,627	5,839,440
Unrestricted	1,236,088	3,615,777	3,467,014	3,330,400	4,577,440
<b>Total governmental activities net position</b>	<b>\$ 43,810,657</b>	<b>\$ 44,711,236</b>	<b>\$ 43,685,595</b>	<b>\$ 43,656,553</b>	<b>\$ 42,455,629</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 13,384,969	\$ 11,989,666	\$ 10,517,895	\$ 10,439,804	\$ 10,846,501
Restricted	-	-	-	-	-
Unrestricted	(1,008,976)	(717,053)	67,779	(103,116)	(306,497)
<b>Total business-type activities net position</b>	<b>\$ 12,375,993</b>	<b>\$ 11,272,613</b>	<b>\$ 10,585,674</b>	<b>\$ 10,336,688</b>	<b>\$ 10,540,004</b>
<b>Primary Government</b>					
Net investment in capital assets	\$ 50,845,995	\$ 47,875,753	\$ 45,738,752	\$ 45,650,330	\$ 42,885,250
Restricted	5,113,543	5,209,372	4,997,724	5,115,627	5,839,440
Unrestricted	227,112	2,898,724	3,534,793	3,227,284	4,270,943
<b>Total primary government net position</b>	<b>\$ 56,186,650</b>	<b>\$ 55,983,849</b>	<b>\$ 54,271,269</b>	<b>\$ 53,993,241</b>	<b>\$ 52,995,633</b>

Table 1 - Unaudited

Fiscal Year				
2012	2011	2010	2009	2008
\$ 31,500,173	\$ 31,541,953	\$ 28,938,587	\$ 26,744,896	\$ 24,133,550
6,192,777	5,668,155	8,757,043	8,197,018	9,215,801
3,607,228	4,052,751	3,889,011	4,502,440	5,035,184
<u>\$ 41,300,178</u>	<u>\$ 41,262,859</u>	<u>\$ 41,584,641</u>	<u>\$ 39,444,354</u>	<u>\$ 38,384,535</u>
\$ 11,181,823	\$ 11,850,561	\$ 11,389,704	\$ 10,725,676	\$ 9,111,251
-	-	-	98,320	570,149
(490,298)	(644,620)	(342,340)	86,517	753,076
<u>\$ 10,691,525</u>	<u>\$ 11,205,941</u>	<u>\$ 11,047,364</u>	<u>\$ 10,910,513</u>	<u>\$ 10,434,476</u>
\$ 42,681,996	\$ 43,392,514	\$ 40,328,291	\$ 37,470,572	\$ 33,244,801
6,192,777	5,668,155	8,757,043	8,295,338	9,785,950
3,116,930	3,408,131	3,546,671	4,588,957	5,788,260
<u>\$ 51,991,703</u>	<u>\$ 52,468,800</u>	<u>\$ 52,632,005</u>	<u>\$ 50,354,867</u>	<u>\$ 48,819,011</u>

CITY OF SEBASTIAN, FLORIDA

**Changes in Net Position**  
Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Expenses</b>					
Governmental activities:					
General government	\$ 3,379,369	\$ 3,285,607	\$ 3,015,536	\$ 2,923,398	\$ 2,784,485
Public safety	6,549,037	5,476,136	5,164,197	4,908,374	4,928,203
Physical environment	3,769,377	2,538,752	2,759,461	2,310,539	2,039,380
Transportation	2,279,149	1,861,946	2,024,814	1,828,569	1,845,429
Economic environment	106,577	364,675	194,630	247,891	155,214
Culture and recreation	1,326,245	1,191,488	1,293,246	1,229,369	1,232,345
Interest on debt	63,141	82,943	100,468	235,071	368,432
Total governmental activities expenses	<u>17,472,895</u>	<u>14,801,547</u>	<u>14,552,352</u>	<u>13,683,211</u>	<u>13,353,488</u>
Business-type activities:					
Golf Course	1,537,332	1,584,214	1,409,829	1,406,770	1,377,039
Airport	1,361,134	1,197,549	1,038,361	1,031,464	1,146,905
Building	586,752	546,649	531,087	465,717	417,887
Total business-type activities expenses	<u>3,485,218</u>	<u>3,328,412</u>	<u>2,979,277</u>	<u>2,903,951</u>	<u>2,941,831</u>
Total primary government expenses	<u>20,958,113</u>	<u>18,129,959</u>	<u>17,531,629</u>	<u>16,587,162</u>	<u>16,295,319</u>
<b>Program revenue</b>					
Governmental activities:					
Charges for services:					
General government	362,631	374,581	372,255	407,068	314,158
Public safety	124,800	98,446	80,763	76,132	67,297
Physical environment	1,021,038	1,049,735	1,087,642	1,073,015	1,101,864
Culture and recreation	48,781	53,959	67,940	67,371	70,982
Operating grants and contributions	250,292	323,101	345,937	186,295	332,627
Capital grants and contributions	947,274	809,932	994,546	739,785	770,123
Total governmental activities program revenue	<u>2,754,816</u>	<u>2,709,754</u>	<u>2,949,083</u>	<u>2,549,666</u>	<u>2,657,051</u>
Business-type activities:					
Charges for services:					
Golf Course	1,058,939	1,135,357	1,333,189	1,277,660	1,302,441
Airport	499,321	516,403	457,318	470,703	481,759
Building	747,950	810,069	712,620	700,751	706,964
Capital grants and contributions	1,566,737	841,668	702,154	235,215	230,868
Total business-type activities program revenue	<u>3,989,002</u>	<u>3,303,497</u>	<u>3,205,281</u>	<u>2,684,329</u>	<u>2,722,032</u>
Total primary government program revenue	<u>6,743,818</u>	<u>6,013,251</u>	<u>6,154,364</u>	<u>5,233,995</u>	<u>5,379,083</u>
<b>Net (expense) revenue</b>					
Governmental activities	(14,718,079)	(12,091,793)	(11,603,269)	(11,133,545)	(10,696,437)
Business-type activities	<u>503,784</u>	<u>(24,915)</u>	<u>226,004</u>	<u>(219,622)</u>	<u>(219,799)</u>
Total primary government net (expense) revenue	<u>\$ (14,214,295)</u>	<u>\$ (12,116,708)</u>	<u>\$ (11,377,265)</u>	<u>\$ (11,353,167)</u>	<u>\$ (10,916,236)</u>

Table 2 - Unaudited

Fiscal Year				
2012	2011	2010	2009	2008
\$ 2,640,677	\$ 2,766,575	\$ 3,309,381	\$ 3,169,851	\$ 3,375,178
5,025,274	5,546,632	5,720,933	5,420,585	5,226,512
2,007,902	1,558,974	1,947,605	1,347,771	1,805,755
1,800,432	2,263,367	1,863,551	3,437,724	2,111,360
170,960	208,518	135,885	167,470	113,101
1,239,512	1,227,198	1,240,383	1,073,249	1,420,734
562,496	546,103	566,410	730,100	634,891
<u>13,447,253</u>	<u>14,117,367</u>	<u>14,784,148</u>	<u>15,346,750</u>	<u>14,687,531</u>
1,394,731	1,355,266	1,388,158	1,477,299	1,488,472
1,166,588	1,188,788	1,067,525	1,079,869	1,099,653
397,295	470,406	496,800	533,641	605,422
<u>2,958,614</u>	<u>3,014,460</u>	<u>2,952,483</u>	<u>3,090,809</u>	<u>3,193,547</u>
<u>16,405,867</u>	<u>17,131,827</u>	<u>17,736,631</u>	<u>18,437,559</u>	<u>17,881,078</u>
214,488	197,945	203,915	220,073	353,836
66,474	92,350	118,368	95,606	85,009
876,693	868,059	881,338	908,829	903,285
66,954	61,353	62,046	66,540	83,378
187,333	196,534	210,050	228,002	786,016
791,265	838,242	3,178,618	1,865,174	835,607
<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>	<u>3,047,131</u>
1,394,844	1,382,421	1,335,647	1,406,956	1,438,233
491,367	485,229	468,698	438,485	523,989
419,705	401,021	356,264	358,947	347,189
150,083	900,340	904,853	1,356,914	494,098
<u>2,455,999</u>	<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>	<u>2,803,509</u>
<u>4,659,206</u>	<u>5,423,494</u>	<u>7,719,797</u>	<u>6,945,526</u>	<u>5,850,640</u>
(11,244,046)	(11,862,884)	(10,129,813)	(11,962,526)	(11,640,400)
(502,615)	154,551	112,979	470,493	(390,038)
<u>\$ (11,746,661)</u>	<u>\$ (11,708,333)</u>	<u>\$ (10,016,834)</u>	<u>\$ (11,492,033)</u>	<u>\$ (12,030,438)</u>

continued...

# CITY OF SEBASTIAN, FLORIDA

## Changes in Net Position Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>General revenue and other changes in net position</b>					
Governmental activities:					
Property taxes, levied for general purposes	\$ 4,147,115	\$ 3,942,048	\$ 3,594,210	\$ 3,248,113	\$ 3,221,304
Sales and use taxes	5,945,386	5,762,921	5,555,270	5,320,051	5,123,046
Franchise fees	1,271,403	1,257,430	1,241,515	1,190,233	1,118,886
State shared revenues not restricted to specific programs	2,616,522	2,466,546	2,365,137	2,208,700	2,063,450
Investment earnings	135,614	77,317	65,256	43,293	74,650
Miscellaneous	290,269	316,239	240,179	338,901	315,296
Transfers	(588,809)	(705,067)	2,988	(14,822)	(37,734)
<b>Total governmental activities</b>	<b>13,817,500</b>	<b>13,117,434</b>	<b>13,064,555</b>	<b>12,334,469</b>	<b>11,878,898</b>
Business-type activities:					
Investment earnings	10,787	6,787	5,368	1,484	4,391
Miscellaneous	-	-	20,602	-	274
Transfers	588,809	705,067	(2,988)	14,822	37,734
<b>Total business-type activities</b>	<b>599,596</b>	<b>711,854</b>	<b>22,982</b>	<b>16,306</b>	<b>42,399</b>
<b>Total primary government general revenue</b>	<b>14,417,096</b>	<b>13,829,288</b>	<b>13,087,537</b>	<b>12,350,775</b>	<b>11,921,297</b>
<b>Change in net position</b>					
Governmental activities	(900,579)	1,025,641	1,461,286	1,200,924	1,182,461
Business-type activities	1,103,380	686,939	248,986	(203,316)	(177,400)
<b>Total primary government change in net position</b>	<b>\$ 202,801</b>	<b>\$ 1,712,580</b>	<b>\$ 1,710,272</b>	<b>\$ 997,608</b>	<b>\$ 1,005,061</b>

Fiscal Year				
2012	2011	2010	2009	2008
\$ 3,063,495	\$ 3,453,778	\$ 4,164,128	\$ 4,801,924	\$ 5,149,047
4,852,413	4,751,021	4,765,200	4,670,106	4,753,718
1,124,568	1,184,686	1,228,692	1,327,253	1,199,762
1,934,733	1,868,555	1,825,215	1,821,347	1,989,606
82,129	111,943	144,432	261,203	634,919
201,538	171,119	149,453	140,512	159,300
22,489	-	(7,020)	-	-
<u>11,281,365</u>	<u>11,541,102</u>	<u>12,270,100</u>	<u>13,022,345</u>	<u>13,886,352</u>
6,563	4,026	15,658	5,544	54,237
4,125	-	1,194	-	-
(22,489)	-	7,020	-	-
<u>(11,801)</u>	<u>4,026</u>	<u>23,872</u>	<u>5,544</u>	<u>54,237</u>
<u>11,269,564</u>	<u>11,545,128</u>	<u>12,293,972</u>	<u>13,027,889</u>	<u>13,940,589</u>
37,319	(321,782)	2,140,287	1,059,819	2,245,952
(514,416)	158,577	136,851	476,037	(335,801)
<u>\$ (477,097)</u>	<u>\$ (163,205)</u>	<u>\$ 2,277,138</u>	<u>\$ 1,535,856</u>	<u>\$ 1,910,151</u>

concluded

# CITY OF SEBASTIAN, FLORIDA

## Fund Balances, Governmental Funds Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Governmental funds</b>					
General fund:					
Nonspendable	\$ 342,505	\$ 227,651	\$ 316,036	\$ 369,329	\$ 368,564
Restricted	63,016	46,262	38,544	7,969	28,632
Committed	-	-	-	-	-
Assigned	12,350	10,840	8,692	7,129	7,020
Unassigned	4,089,275	5,526,675	5,289,322	5,348,905	5,065,242
<b>Total General fund</b>	<b>4,507,146</b>	<b>5,811,428</b>	<b>5,652,594</b>	<b>5,733,332</b>	<b>5,469,458</b>
All other governmental funds:					
Nonspendable	941,061	996,778	928,758	1,390,073	1,323,838
Restricted	4,131,416	4,193,653	4,181,787	3,756,950	4,647,950
Committed	995,144	977,868	815,688	625,007	589,364
Assigned	-	-	-	-	-
Unassigned	(26,370)	(129,401)	(58,618)	(64,875)	-
<b>Total all other governmental funds</b>	<b>6,041,251</b>	<b>6,038,898</b>	<b>5,867,615</b>	<b>5,707,155</b>	<b>6,561,152</b>
<b>Total governmental funds</b>	<b>\$ 10,548,397</b>	<b>\$ 11,850,326</b>	<b>\$ 11,520,209</b>	<b>\$ 11,440,487</b>	<b>\$ 12,030,610</b>

<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> Reduction in unassigned fund balance to fund operations.

Table 3 - Unaudited

Fiscal Year				
2012	2011	2010	2009	2008
\$ 370,450	\$ 346,995	\$ 352,248	\$ 357,696	\$ 381,528
-	-	-	-	-
2,861,708	2,949,139	3,063,585	3,083,463	3,502,560
35,707	21,911	31,656	1,983	33,453
<u>1,734,307</u>	<u>1,784,413</u> <sup>z</sup>	<u>2,164,910</u>	<u>2,324,972</u>	<u>2,390,641</u>
<u>5,002,172</u>	<u>5,102,458</u>	<u>5,612,399</u>	<u>5,768,114</u>	<u>6,308,182</u>
1,289,693	1,494,779	859,463	830,029	771,927
4,371,826	4,748,376	7,897,580	8,557,389 <sup>1</sup>	12,446,260
719,686	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>6,381,205</u>	<u>6,243,155</u>	<u>8,757,043</u>	<u>9,387,418</u>	<u>13,218,187</u>
<u>\$ 11,383,377</u>	<u>\$ 11,345,613</u>	<u>\$ 14,369,442</u>	<u>\$ 15,155,532</u>	<u>\$ 19,526,369</u>

# CITY OF SEBASTIAN, FLORIDA

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

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 10,738,778	\$ 10,326,654	\$ 9,782,109	\$ 9,123,879	\$ 8,894,880
Franchise fees	1,271,403	1,257,430	1,241,515	1,190,233	1,118,886
Licenses, fees and permits	135,900	136,614	147,219	138,564	45,500
Intergovernmental	2,991,190	2,709,066	2,742,950	2,373,695	2,411,395
Impact fees	102,700	163,800	281,450	168,350	169,000
Charges for services	1,353,009	1,391,495	1,397,395	1,431,101	1,462,522
Fines	96,842	73,059	63,035	54,140	60,190
Investment earnings	135,614	77,317	65,256	43,293	78,411
Contributions and donations	45,420	80,581	48,124	36,801	22,406
Other revenues	290,269	316,239	241,597	338,901	315,296
<b>Total revenues</b>	<b>17,161,125</b>	<b>16,532,255</b>	<b>16,010,650</b>	<b>14,898,957</b>	<b>14,578,486</b>
<b>Expenditures</b>					
Current:					
General government	2,943,790	3,053,554	2,717,049	2,575,605	2,447,893
Public safety	5,134,388	4,968,258	4,666,343	4,623,060	4,425,000
Physical environment	2,565,532	1,316,697	1,498,706	1,110,788	1,075,162
Transportation	1,333,927	1,168,919	1,187,871	1,165,004	1,158,945
Economic environment	73,491	331,589	161,545	144,612	122,730
Culture and recreation	927,374	849,789	893,394	888,795	847,781
Debt service:					
Principal	931,000	1,935,000	1,567,000	2,306,000	1,307,000
Interest	68,512	92,907	108,678	413,995	393,447
Capital outlay	3,896,231	1,780,358	3,133,330	2,246,399	2,115,561
<b>Total expenditures</b>	<b>17,874,245</b>	<b>15,497,071</b>	<b>15,933,916</b>	<b>15,474,258</b>	<b>13,893,519</b>
Revenues over (under) expenditures	(713,120)	1,035,184	76,734	(575,301)	684,967
<b>Other financing sources (Uses)</b>					
Issuance of long-term debt	-	-	-	-	-
Transfers in	7,184,858	3,694,279	4,989,726	3,903,204	3,598,949
Transfers out	(7,773,667)	(4,399,346)	(4,986,738)	(3,918,026)	(3,636,683)
<b>Total other financing sources (uses)</b>	<b>(588,809)</b>	<b>(705,067)</b>	<b>2,988</b>	<b>(14,822)</b>	<b>(37,734)</b>
<b>Net change in fund balances</b>	<b>\$ (1,301,929)</b>	<b>\$ 330,117</b>	<b>\$ 79,722</b>	<b>\$ (590,123)</b>	<b>\$ 647,233</b>
Debt service as a percentage of noncapital expenditures <sup>(1)</sup>	7.2%	14.8%	13.1%	20.6%	14.4%

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

Table 4 - Unaudited

		Fiscal Year				
		2012	2011	2010	2009	2008
\$	8,465,990	\$ 8,762,729	\$ 9,525,074	\$ 10,065,806	\$ 10,504,155	
	1,124,568	1,184,686	1,228,692	1,327,253	1,199,762	
	22,431	1,121,967	1,154,739	1,186,161	1,209,617	
	2,088,038	23,646	33,182	29,151	163,471	
	58,500	81,534	90,948	88,938	65,246	
	1,158,075	2,249,447	4,572,550	3,270,854	2,674,761	
	57,575	42,250	26,000	13,975	32,825	
	86,516	-	-	3,849	-	
	216,091	103,795	228,216	250,914	647,312	
	201,888	224,823	169,039	176,430	461,553	
	<u>13,479,672</u>	<u>13,794,877</u>	<u>17,028,440</u>	<u>16,413,331</u>	<u>16,958,702</u>	
	2,410,345	2,539,211	2,699,289	2,976,896	3,087,789	
	4,523,802	5,030,708	4,938,147	4,926,714	4,677,618	
	1,042,349	1,166,309	1,210,823	1,448,067	1,368,593	
	1,208,411	1,217,521	1,405,310	1,696,254	1,545,045	
	138,531	188,918	129,352	167,470	113,101	
	876,502	903,836	977,780	1,148,408	1,079,379	
	3,321,000	1,203,000	2,142,190	1,218,995	1,326,182	
	472,399	521,152	577,593	706,093	611,554	
	1,767,058	4,048,051	6,189,026	6,495,271	3,634,910	
	<u>15,760,397</u>	<u>16,818,706</u>	<u>20,269,510</u>	<u>20,784,168</u>	<u>17,444,171</u>	
	<u>(2,280,725)</u>	<u>(3,023,829)</u>	<u>(3,241,070)</u>	<u>(4,370,837)</u>	<u>(485,469)</u>	
	2,296,000	-	2,462,000	-	-	
	3,694,765	5,376,658	4,486,626	5,196,376	5,679,896	
	<u>(3,672,276)</u>	<u>(5,376,658)</u>	<u>(4,493,646)</u>	<u>(5,196,376)</u>	<u>(5,679,896)</u>	
	<u>2,318,489</u>	<u>-</u>	<u>2,454,980</u>	<u>-</u>	<u>-</u>	
\$	<u>37,764</u>	<u>\$ (3,023,829)</u>	<u>\$ (786,090)</u>	<u>\$ (4,370,837)</u>	<u>\$ (485,469)</u>	
	27.1%	13.5%	19.3%	13.5%	14.0%	

# CITY OF SEBASTIAN, FLORIDA

## Program Revenues by Function/Program Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
Program revenues					
Governmental activities:					
General government	\$ 390,921	\$ 479,395	\$ 534,524	\$ 413,727	\$ 471,299
Public safety	334,270	306,381	254,381	246,010	233,309
Physical environment	1,021,038	1,049,735	1,087,642	1,073,015	1,101,864
Transportation	687,310	656,484	643,146	565,692	560,713
Economic environment	-	-	-	15,501	-
Culture and recreation	321,277	217,759	429,390	235,721	289,866
Total governmental activities	<u>2,754,816</u>	<u>2,709,754</u>	<u>2,949,083</u>	<u>2,549,666</u>	<u>2,657,051</u>
Business-type activities:					
Charges for services:					
Golf Course	1,170,591	1,135,357	1,333,189	1,277,660	1,302,441
Airport	2,070,461	1,358,071	1,159,472	705,918	712,627
Building <sup>1</sup>	747,950	810,069	712,620	700,751	706,964
Total business-type activities	<u>3,989,002</u>	<u>3,303,497</u>	<u>3,205,281</u>	<u>2,684,329</u>	<u>2,722,032</u>
Total primary government	<u>\$ 6,743,818</u>	<u>\$ 6,013,251</u>	<u>\$ 6,154,364</u>	<u>\$ 5,233,995</u>	<u>\$ 5,379,083</u>

<sup>1</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.

Table 5 - Unaudited

Fiscal Year				
2012	2011	2010	2009	2008
\$ 230,550	\$ 243,039	\$ 209,144	\$ 226,003	\$ 377,305
228,392	234,437	304,630	299,119	515,997
876,693	930,018	881,338	1,408,829	1,256,277
560,055	743,383	614,305	612,335	619,949
13,998	-	2,556,872	6,000	-
293,519	103,606	88,046	831,938	277,603
<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>	<u>3,047,131</u>
1,394,892	1,382,421	1,335,647	1,406,955	1,438,233
641,455	1,385,569	1,373,551	1,795,399	1,018,087
426,215	401,021	356,264	358,948	347,189
<u>2,462,562</u>	<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>	<u>2,803,509</u>
<u>\$ 4,665,769</u>	<u>\$ 5,423,494</u>	<u>\$ 7,719,797</u>	<u>\$ 6,945,526</u>	<u>\$ 5,850,640</u>

**Tax Revenues by Source**

Governmental Funds

For the Last Ten Fiscal Years

(Rate per \$1,000 of assessed value)

Tax Year	Fiscal Year	Property Taxes <sup>1</sup>	Public Utility <sup>2</sup>	Sales Tax <sup>3</sup>	Motor Fuel	Total	Millage Rate
2007	2008	\$ 5,149,047	\$ 2,250,781	\$ 2,502,937	\$ 601,390	\$ 10,504,155	2.9917
2008	2009	4,801,924	2,341,458	2,328,648	593,776	10,065,806	3.3456
2009	2010	4,164,128	2,437,050	2,328,150	595,746	9,525,074	3.3456
2010	2011	3,453,778	2,392,345	2,358,676	557,930	8,762,729	3.3041
2011	2012	3,063,495	2,387,553	2,464,240	550,702	8,465,990	3.3041
2012	2013	3,221,304	2,534,434	2,587,903	551,239	8,894,880	3.7166
2013	2014	3,248,113	2,581,427	2,738,405	555,934	9,123,879	3.7166
2014	2015	3,594,210	2,638,711	2,916,092	633,096	9,782,109	3.8556
2015	2016	3,942,048	2,686,322	3,052,152	646,132	10,326,654	3.8556
2016	2017	4,147,115	2,708,980	3,207,905	674,778	10,738,778	3.8000

<sup>1</sup> Property taxes comprise the City's largest and most significant own-source revenue.

<sup>2</sup> Public utility taxes include a 10% tax on electric, water, gas and propane purchases.

<sup>3</sup> Sales taxes are a one-cent tax on the first \$5,000 sales price of any single taxable item.

**Direct and Overlapping Property Tax Rates**  
 For the Last Ten Fiscal Years  
 (Rate per \$1,000 of taxable value)

Tax Year	Fiscal Year	City Direct Rates			Overlapping Rates				
		Basic Rate	Debt Service	Total Direct	Total County <sup>1</sup>	County School Board			Other <sup>2</sup>
						Basic Rate	Debt Service	Total	
2007	2008	2.9917	0.0000	2.9917	5.1485	7.2680	0.2700	7.5380	1.38160
2008	2009	3.3456	0.0000	3.3456	6.2861	6.7600	0.2800	7.0400	1.11204
2009	2010	3.3456	0.0000	3.3456	6.2693	7.2960	0.3000	7.5960	1.33570
2010	2011	3.3041	0.0000	3.3041	6.2860	7.9200	0.3000	8.2200	1.35050
2011	2012	3.3041	0.0000	3.3041	6.9590	7.8940	0.3500	8.2440	1.35460
2012	2013	3.7166	0.0000	3.7166	6.2572	7.9230	0.3900	8.3130	1.35460
2013	2014	3.7166	0.0000	3.7166	5.6207	8.1160	-	8.1160	1.71280
2014	2015	3.8556	0.0000	3.8556	5.6868	7.9950	-	7.9950	1.71260
2015	2016	3.8556	0.0000	3.8556	5.9468	7.9550	-	7.9550	1.69930
2016	2017	3.8000	0.0000	3.8000	5.9755	7.4100	-	7.4100	1.51700

Note:  
 Tax rates are uniformly applied to taxable values based on a single millage rate determined by each taxing entity. The millage rate is expressed as \$1.00 per \$1,000 of the taxable value.

<sup>1</sup> Millage includes General Fund, MSTUs, Emergency Services District and Land Bonds  
<sup>2</sup> All Special Taxing Districts

Source: Indian River County Property Tax Collector's Office

# CITY OF SEBASTIAN, FLORIDA

## Actual and Estimated Value of Taxable Property For the Last Ten Fiscal Years

Tax Year	Fiscal Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2007	2008	\$ 2,054,408,055	\$ 2,568,010,069	\$ 64,899,942	\$ 64,899,942
2008	2009	1,933,934,630	2,417,418,288	62,476,508	62,476,508
2009	2010	1,650,311,449	2,062,889,311	56,920,223	56,920,223
2010	2011	1,392,267,434	1,740,334,293	55,234,086	55,234,086
2011	2012	1,273,059,710	1,591,324,639	48,922,492	48,922,492
2012	2013	1,210,328,690	1,512,910,863	47,410,545	47,410,545
2013	2014	1,267,035,970	1,583,794,963	53,045,209	53,045,209
2014	2015	1,363,105,220	1,703,881,525	55,646,868	55,646,868
2015	2016	1,447,311,640	1,809,139,550	59,305,756	59,305,756
2016	2017	1,578,743,546	1,973,429,433	62,277,711	62,277,711

Source: Indian River County Property Appraiser

Ratio of Taxable to Actual Value

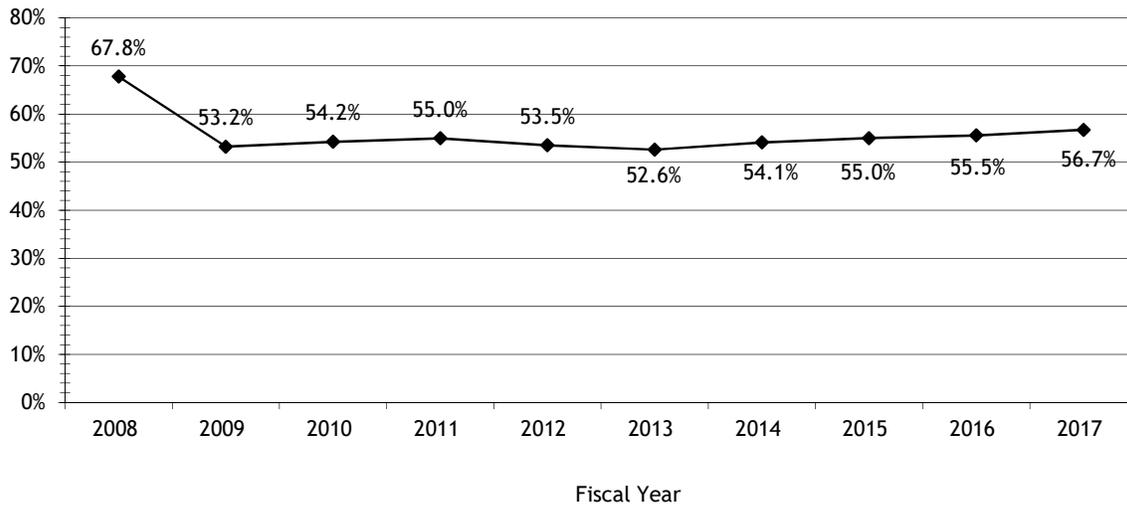


Table 8 - Unaudited



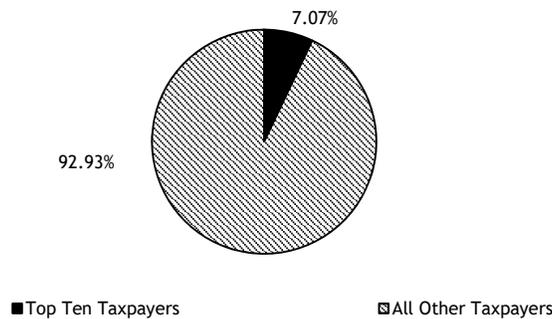
Less: Tax-Exempt Property	Total Taxable Value	Total Estimated Actual Value	Ratio of Taxable to Actual Value
\$ 334,302,515	\$ 1,785,005,482	\$ 2,632,910,011	67.8%
676,808,522	1,319,602,616	2,479,894,796	53.2%
558,090,532	1,149,141,140	2,119,809,534	54.2%
460,752,786	986,748,734	1,795,568,379	55.0%
444,524,142	877,458,060	1,640,247,130	53.5%
437,040,114	820,699,121	1,560,321,408	52.6%
435,071,311	885,009,868	1,636,840,172	54.1%
451,939,888	966,812,200	1,759,528,393	55.0%
468,930,126	1,037,687,270	1,868,445,306	55.5%
486,428,425	1,154,592,832	2,035,707,144	56.7%

**Principal Property Taxpayers**  
Current Year and Nine Years Ago

Taxpayer	2017 Fiscal Year			2008 Fiscal Year		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Florida Power & Light (Utility/Electric)	\$ 23,600,954	1	2.04 %	\$ 15,508,499	1	1.18 %
Comcast of Florida, Inc. (Communications)	9,479,934	2	0.82	-	-	-
Wal-Mart Stores, Inc. (Retail)	8,463,707	3	0.73	14,155,041	2	1.07
Sebastian Senior Real Estate, LLC (Senior Group Home)	7,925,066	4	0.69	-	-	-
Park Place Community, LLC (Rental/Retail)	6,606,477	5	0.57	7,620,573	8	0.58
PSM Sebastian, LLC	6,159,680	6	0.53	8,089,710	6	0.61
BW US 1, Inc. (Commercial)	6,139,869	7	0.53	7,361,730	9	0.56
Hartwell Groves, Inc. (Agriculture)	4,558,541	8	0.39	-	-	-
CREARX	4,544,251	9	0.39	-	-	-
Sebastian Inlet Marina & Trading Co, Inc. (Restaurant/Hotel)	4,406,676	10	0.38	-	-	-
Chance Holding LLC (Development)	-	-	-	9,358,870	3	0.71
IPF/Sebastian LLC (Retail)	-	-	-	8,606,240	4	0.65
KB Homes Treasure Coast LLC (Construction)	-	-	-	8,227,760	5	0.62
Bellsouth Communications (Utility/Telephone)	-	-	-	7,772,461	7	0.59
Sebastian Crossing LLC (Construction)	-	-	-	6,741,200	10	0.51
	<u>\$ 81,885,155</u>		<u>7.07 %</u>	<u>\$ 93,442,084</u>		<u>7.08 %</u>
<b>Total Taxable Value</b>	<u>\$1,154,592,832</u>			<u>\$ 1,319,602,616</u>		

Source: Indian River County Property Appraiser

Concentration of 2017 Taxpayers

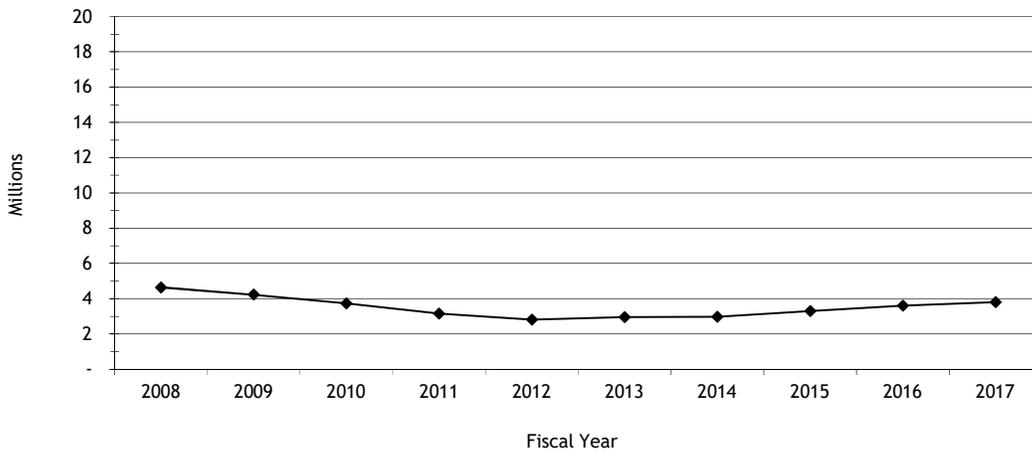


**Property Tax Levies and Collections**  
For the Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
			Amount	Percentage of Levy	Delinquent and Penalty Tax Collections	Amount	Percentage of Levy
2007	2008	\$ 4,919,994	\$ 4,634,338	94.19	\$ 2,906	\$ 4,637,244	94.25
2008	2009	4,441,535	4,225,106	95.13	1,694	4,226,800	95.17
2009	2010	3,844,658	3,716,797	96.67	17,723	3,734,520	97.14
2010	2011	3,260,316	3,144,864	96.46	11,294	3,156,158	96.81
2011	2012	2,899,209	2,799,146	96.55	9,279	2,808,425	96.87
2012	2013	3,050,099	2,947,248	96.63	7,733	2,954,981	96.88
2013	2014	3,074,729	2,975,299	96.77	754	2,976,053	96.79
2014	2015	3,422,716	3,295,549	96.28	2,241	3,297,790	96.35
2015	2016	3,738,202	3,530,235	94.44	72,789	3,603,024	96.38
2016	2017	3,943,212	3,726,976	94.52	77,898	3,804,874	96.49

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

Total Tax Collections

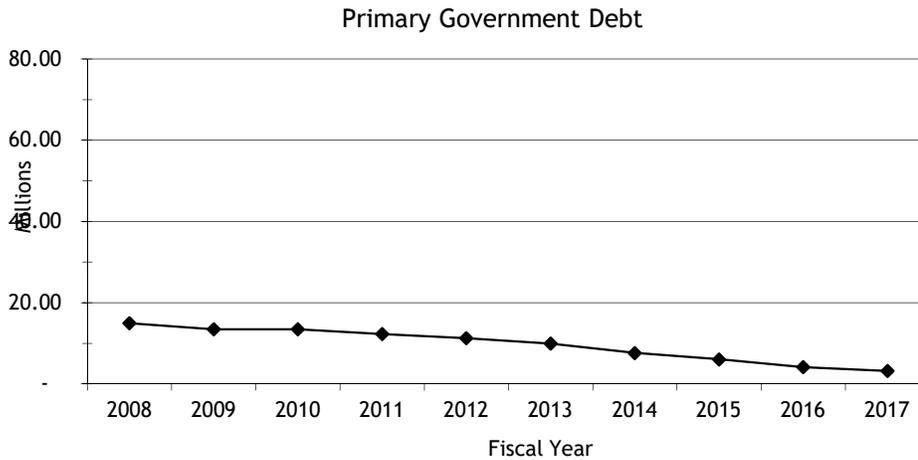


**Ratios of Outstanding Debt By Type**  
For the Last Ten Fiscal Years

Fiscal Year	Roadway Improvement Notes	Infrastructure Sales Tax Bonds/Notes <sup>1</sup>	Stormwater Utility Revenue Bonds/Notes <sup>1</sup>	Business-Type Activities	Total Primary Government <sup>2</sup>	Percentage of Personal Income	Per Capita
				Golf Course Revenue Bonds			
2008	\$ 1,333,197	\$ 8,445,000	\$ 4,570,000	\$ 590,000	\$ 14,938,197	19%	652
2009	1,089,203	7,725,000	4,315,000	300,000	13,429,203	21%	591
2010	2,414,000	6,980,000	4,055,000	-	13,449,000	20%	587
2011	2,246,000	6,215,000	3,785,000	-	12,246,000	17%	558
2012	2,296,000	5,420,000	3,505,000	-	11,221,000	15%	510
2013	2,099,000	4,600,000	3,215,000	-	9,914,000	13%	447
2014	1,896,000	2,730,000	2,982,000	-	7,608,000	8%	341
2015	1,689,000	1,722,000	2,630,000	-	6,041,000	6%	267
2016	1,478,000	353,000	2,275,000	-	4,106,000	3%	193
2017	1,263,000	-	1,912,000	-	3,175,000	3%	131

<sup>1</sup> The Infrastructure Sales Tax and Stormwater Utility Revenue Bonds were refunded in 2014 with Bank Notes.

<sup>2</sup> A bank note was issued in 2014 for the purchase of golf carts.



**Ratios of General Bonded Debt Outstanding**  
For the Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Debt Limit	Per Capita
	Debt Limit	Applicable to Limit	Legal Debt Margin		
2008	\$ 89,250,574	\$ 14,348,197	\$ 74,902,377	16.08%	\$ 3,267
2009	65,980,131	13,129,203	52,850,928	19.90%	2,326
2010	57,457,057	13,449,000	44,008,057	23.41%	1,920
2011	49,337,437	12,246,000	37,091,437	24.82%	1,691
2012	43,872,903	11,221,000	32,651,903	25.58%	1,485
2013	41,034,956	9,914,000	31,120,956	24.16%	1,403
2014	44,250,493	7,608,000	36,642,493	17.19%	1,643
2015	48,340,610	6,041,000	42,299,610	12.50%	1,870
2016	51,884,364	4,106,000	47,778,364	7.91%	2,065
2017	57,729,642	3,175,000	54,554,642	5.50%	2,255

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

## CITY OF SEBASTIAN, FLORIDA

### Legal Debt Margin Information For the Last Ten Fiscal Years

#### Legal Debt Margin as a Percentage of Debt Limit

	Fiscal Year				
	2017	2016	2015	2014	2013
Debt limit	\$ 57,729,642	\$ 48,340,610	\$ 48,340,610	\$ 44,250,493	\$ 41,034,956
Total net debt applicable to limit	<u>3,175,000</u>	<u>6,041,000</u>	<u>6,041,000</u>	<u>7,608,000</u>	<u>9,914,000</u>
Legal debt margin	<u>\$ 54,554,642</u>	<u>\$ 42,299,610</u>	<u>\$ 42,299,610</u>	<u>\$ 36,642,493</u>	<u>\$ 31,120,956</u>
Total net debt applicable to the limit as a percentage of debt limit	5.50%	12.50%	12.50%	17.19%	24.16%

#### Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$1,641,021,257
Less: Exempt property	<u>(486,428,425)</u>
	1,154,592,832
Debt limit (5% of assessed value)	57,729,642
Debt applicable to limit:	
Revenue bonds/notes	<u>3,175,000</u>
Total net debt applicable to limit	<u>3,175,000</u>
Legal debt margin	<u>\$ 54,554,642</u>

#### Direct and Overlapping Governmental Activities Debt - General Obligations Bonds

The City of Sebastian has no overlapping general obligation bonded debt for the year ended September 30, 2017.

Table 13 - Unaudited



Fiscal Year				
2012	2011	2010	2009	2008
\$ 43,872,903	\$ 49,337,437	\$ 57,457,057	\$ 65,980,131	\$ 89,250,274
<u>11,221,000</u>	<u>12,246,000</u>	<u>13,449,000</u>	<u>13,129,203</u>	<u>14,348,197</u>
<u>\$ 32,651,903</u>	<u>\$ 37,091,437</u>	<u>\$ 44,008,057</u>	<u>\$ 52,850,928</u>	<u>\$ 74,902,077</u>
25.58%	24.82%	23.41%	19.90%	16.08%

CITY OF SEBASTIAN, FLORIDA

**Pledged Revenue Coverage**  
For the Last Ten Fiscal Years

Fiscal Year	Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001						
	Gross Revenue <sup>1</sup>	Less: Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service			Coverage <sup>3</sup>
				Principal	Interest	Total	
2008	\$ 1,455,749	\$ 1,174,169	\$ 281,580	\$ 270,000	\$ 41,090	\$ 311,090	0.91
2009	1,408,535	1,178,144	230,391	570,000	49,860	619,860	0.37
2010	1,341,555	1,129,651	211,904	300,000	21,700	321,700	0.66
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-

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 cost.

<sup>3</sup> Required coverage was 1.25. Final payment was made on September 30, 2010.

<sup>4</sup> Total revenues consist of stormwater utility fees and interest.

<sup>5</sup> Required coverage was 1.35. Bank notes were used in 2011 to refund the bonds.

Table 14 - Unaudited

Stormwater Utility Revenue Bonds, Series 2003				
Gross Revenues <sup>4</sup>	Debt Service			Coverage <sup>5</sup>
	Principal	Interest	Total	
\$ 856,568	\$ 245,000	\$ 191,873	\$ 436,873	1.96
814,419	255,000	185,135	440,135	1.85
858,664	260,000	177,485	437,485	1.96
816,415	270,000	169,035	439,035	1.86
810,382	280,000	159,248	439,248	1.84
1,007,221	290,000	148,048	438,048	2.30
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

## CITY OF SEBASTIAN, FLORIDA

### Demographic and Economic Statistics For the Last Ten Calendar Years

Year	Population	Personal Income (thousands of dollars) <sup>1</sup>	Per Capita Personal Income <sup>1</sup>	Median Household Income <sup>1</sup>	School Enrollment <sup>2</sup>	Unemployment Rate <sup>1</sup>	State Unemployment Rate
2008	22,924	\$ 7,976,086	\$ 58,528	\$ 48,267	4,710	9.8	7.1
2009	22,722	6,534,146	47,689	43,685 <sup>5</sup>	3,751	14.5	11.2
2010	22,922	6,737,286	48,276	47,525	5,167	14.5	11.3
2011	21,929	7,080,348	50,977	42,053	5,228	13.4	10.6
2012	21,995	7,429,653	52,855	42,638	5,208	11.8	8.6
2013	22,188	7,731,263	54,448	44,326	6,739	8.8	6.9
2014	22,296	9,139,902	63,140	47,548	6,034	6.5	5.6
2015	22,622	10,055,169	67,978	49,887	5,930	6.1	4.8
2016	23,137	10,380,777	68,491	47,446	6,132	6.2	4.8
2017	24,192	<sup>4</sup>	<sup>4</sup>	<sup>4</sup>	6,122	4.3	3.7

#### 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 yet available.

<sup>5</sup> The school population appears to have declined as a result of loss of job opportunities. Our community lost many construction jobs as a result of the declining economy.

Note: School enrollment consists of Sebastian River High School, Sebastian River Middle School, Liberty Magnet, Treasure Coast Elementary, Pelican Island Elementary, Sebastian Elementary, Storm Grove Middle School and Sebastian Charter Junior High School.

Table 15 - Unaudited

Property Taxes Per Capita	Total Taxable Property Value <sup>3</sup>
224.61	\$ 1,785,005,482
211.33	1,319,602,616
181.67	1,149,141,140
157.50	986,748,734
139.28	877,458,060
145.18	820,699,121
145.68	885,009,868
158.88	966,812,200
170.38	1,037,687,270
171.43	1,154,592,832

**Principal Employers**

Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
School District of Indian River County (Government)	2,073	1	3.26 %	2,295	1	4.41 %
Indian River Medical Center (Healthcare)	1,753	2	2.76	1,671	3	3.21
Publix Supermarkets (Food/Beverage)	1,250	3	1.97	1,104	4	2.12
Indian River County (Government)	820	4	1.29	1,706	2	3.28
Piper Aircraft, Inc. (Manufacturer)	720	5	1.13	1,063	5	2.04
Sebastian River Medical Center (Healthcare)	595	6	0.94	565	6	1.09
John's Island (Residential/Resort)	584	7	0.92	475	8	0.91
Medical Data Systems (Collection Agency)	500	8	0.79	188	19	0.36
City of Vero Beach (Government)	409	9	0.64	561	7	1.08
Visiting Nurse Association (Healthcare)	396	10	0.62	348	11	0.67
Wal-Mart (Retail)	378	11	0.59	404	10	0.78
Indian River Estates (Retirement/Life care)	350	12	0.55	442	9	0.85
CVS Warehouse/Distribution (Distribution)	260	13	0.41	297	14	0.57
Captain Hiram's (Restaurant/Resort)	240	14	0.38	-	-	-
Disney Vero Beach (Resort Hotel)	237	15	0.37	301	13	0.58
Sun Ag, Inc. (Agricultural)	210	16	0.33	235	17	0.45
City of Sebastian (Government)	179	17	0.28	199	18	0.38
Flight Safety International (Education)	155	18	0.24	155	-	0.30
Grand Harbor Management (Developer)	145	19	0.23	312	12	0.60
Saint Edward's School (Education)	120	20	0.19	237	16	0.46
Dodgertown Complex (Sports)	-	-	-	293	15	0.56
Macho Products, Inc./MDI (Manufacture)	-	-	-	185	20	0.36
	<u>11,374</u>		<u>17.89 %</u>	<u>13,036</u>		<u>25.06 %</u>
Total Average County Employees	<u>63,597</u>			<u>52,042</u>		

Source: Indian River County Community Development Report

Note: Principal employers information available for Indian River County Only

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# CITY OF SEBASTIAN, FLORIDA

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

Function	Full-time Equivalent Employees as of September 30					
	2017	2016	2015	2014	2013	2012
General government						
City council	2.5	2.5	2.5	2.5	2.5	2.5
City manager	2.5	2.5	2.0	2.0	2.0	2.0
City clerk	2.5	3.0	5.0	5.0	3.0	3.0
City attorney	-	-	-	-	-	-
Administrative Services	6.0	4.0	5.5	5.5	5.0	5.0
Finance	-	-	-	-	-	-
Management information	2.0	2.0	2.0	2.0	3.0	3.0
Audio/visual	2.5	1.0	-	-	-	-
Human resources	-	-	-	-	-	-
Facilities maintenance	2.5	3.5	5.0	5.0	4.0	3.0
Community development	3.0	2.0	4.0	4.0	3.0	3.0
Public safety						
Police	57.5	57.5	57.0	57.0	55.5	55.0
Building	5.0	5.0	5.0	5.0	5.0	4.0
Code enforcement	3.0	3.0	3.0	3.0	3.0	3.0
Transportation						
Roads and drainage	11.5	11.0	10.0	10.0	10.0	10.0
Fleet management	3.5	3.5	3.5	3.5	3.5	3.5
Airport	3.0	1.0	1.0	1.0	2.0	3.0
Physical environment						
Cemetery	1.5	2.0	2.0	2.0	2.0	1.0
Engineering	-	-	-	-	-	-
Stormwater utility	8.0	9.0	9.0	9.0	9.0	9.0
Culture and recreation						
Parks and recreation	18.0	19.0	20.0	20.0	20.0	20.0
Golf course	13.0	10.0	10.0	10.0	10.0	10.0
<b>Total</b>	<b>147.5</b>	<b>141.5</b>	<b>146.5</b>	<b>146.5</b>	<b>142.5</b>	<b>140.0</b>

Source: City of Sebastian, Florida 2008-2017 Annual Budgets

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

Table 17 - Unaudited

Full-time Equivalent Employees as of September 30			
2011	2010	2009	2008
2.5	2.5	2.5	2.5
2.0	2.5	2.5	2.5
3.0	3.0	3.0	3.0
-	-	2.0	2.0
5.0	5.0	-	-
-	-	5.0	5.0
4.0	3.0	3.0	3.0
-	-	-	-
-	-	2.0	3.0
2.0	2.0	2.0	2.0
4.0	5.0	5.0	5.0
58.0	58.0	59.0	58.0
5.0	5.0	5.0	6.0
3.0	2.5	2.5	2.5
12.0	12.0	10.0	10.0
2.5	3.5	3.5	2.5
3.0	3.0	3.0	3.0
1.0	2.0	2.0	2.0
-	-	7.0	7.0
12.0	12.0	11.0	13.0
21.0	23.0	23.5	23.5
10.5	10.5	9.0	9.0
150.5	154.5	162.5	164.5

# CITY OF SEBASTIAN, FLORIDA

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

Function	Fiscal Year				
	2017	2016	2015	2014	2013
<b>General government</b>					
Number of annexations approved	-	-	-	-	2
Acres of annexed property	-	-	-	-	4.00
Purchase orders issued	289	328	254	242	233
<b>Public Safety</b>					
<b>Police</b>					
Physical arrests	356	258	287	347	440
Traffic violations	3,192	3,065	3,725	4,587	4,491
Parking violations	49	73	60	29	80
<b>Building</b>					
Construction permits issued <sup>1</sup>	147	191	142	175	170
Estimated value of construction (in millions)	\$ 37.2	\$ 43.4	\$ 40.6	\$ 40.0	\$ 35.9
<b>Transportation</b>					
Road maintenance (man hours)	250	250	200	200	300
Asphalt for road maintenance (tons)	20	20	10	20	30
<b>Physical environment</b>					
<b>Cemetery</b>					
Cemetery internments	62	61	71	67	65
Grave deeds sold	29	39	43	47	38
<b>Stormwater</b>					
Swales maintained (miles)	300	300	300	280	280
Ditches maintained (miles)	80	75	75	50	50
Road crossings maintained	70	68	68	68	50
<b>Culture and recreation</b>					
Program participants	6,268	7,280	7,647	7,571	8,113
Number of discount cards	657	631	653	653	710
Number of golf course memberships	119	127	93	84	86
Average daily golf revenue	\$ 3,100	\$ 3,100	\$ 3,653	\$ 3,500	\$ 3,569

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

<sup>1</sup> New commercial and residential only.

Table 18 - Unaudited

Fiscal Year				
2012	2011	2010	2009	2008
-	-	1	3	-
-	-	5.90	26.00	-
201	228	216	288	254
441	500	487	543	662
4,319	5,941	4,083	4,849	4,418
167	242	87	50	208
66	51	36	23	55
\$ 14.7	\$ 10.2	\$ 6.6	\$ 5.1	\$ 13.3
500	700	1,264	600	538
50	50	103	328	358
65	54	66	74	68
38	34	33	39	46
280	280	280	280	280
50	50	50	50	50
50	40	40	30	30
9,713	8,649	11,701	13,465	12,910
786	735	844	879	950
88	94	96	95	97
\$ 3,822	\$ 3,787	\$ 3,673	\$ 4,000	\$ 3,988

# CITY OF SEBASTIAN, FLORIDA

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

Function	Fiscal Year				
	2017	2016	2015	2014	2013
<b>General Government</b>					
Square footage occupied	21,500	21,500	21,500	21,500	21,500
Departmental vehicles	6	4	5	5	6
<b>Public safety</b>					
Police stations	1	1	1	1	1
Police department Square footage	25,600	25,600	25,600	25,600	25,600
Building department Square footage	2,500	2,500	2,500	2,500	2,500
Police vehicles	71	70	66	62	61
Building inspector vehicles	4	4	4	3	3
<b>Transportation</b>					
Streets (miles)	156	156	156	156	156
Streetlights <sup>1</sup>	1,100	1,085	1,085	1,085	1,080
Airport vehicles	4	4	3	1	1
Public service vehicles	12	12	12	15	17
<b>Physical environment</b>					
Public service vehicles	19	17	17	10	10
<b>Culture and recreation</b>					
Parks vehicles	5	6	18	18	18
Recreation centers	2	2	2	2	2
Park acreage	315.01	315.01	315.01	315.01	315.01
Recreation center square footage	4,859	4,859	4,859	4,859	4,859
Park maintenance vehicles	12	12	12	9	12
Golf course vehicles	-	-	-	1	1

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

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

Table 19 - Unaudited

Fiscal Year				
2012	2011	2010	2009	2008
21,500	21,500	21,500	21,500	21,500
1	3	3	3	3
1	1	1	1	1
25,600	25,600	25,600	25,600	25,600
2,500	2,500	2,500	2,500	2,500
66	67	63	63	62
3	3	3	4	4
156	156	156	156	156
1,228	1,236	1,230	1,240	1,229
1	1	1	1	1
17	19	22	18	23
9	9	15	7	11
18	18	18	18	15
2	2	2	2	2
315.01	315.01	315.01	233.79	233.79
4,859	4,859	4,859	4,859	4,859
13	14	13	13	13
1	1	1	1	1

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## INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

March 20, 2018

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2018.

#### Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*Rehmann Johnson LLC*

**INDEPENDENT AUDITORS'  
MANAGEMENT LETTER**

March 20, 2018

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

**Report on the Financial Statements**

We have audited the financial statements of the City of Sebastian, Florida as of and for the fiscal year ended September 30, 2017 and have issued our report thereon dated March 20, 2018.

**Auditors' Responsibility**

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 20, 2018, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

## Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the City of Sebastian, Florida is disclosed in the notes to the financial statements. The City of Sebastian, Florida's component unit, the Police Officer's Pension Plan, was established under Section 58-46 through 58-54 Code of Ordinances in October 1989.

## Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Sebastian, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

## Annual Financial Report

Section 10.554(1)(i)5.b., and 10.556(7) Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City of Sebastian, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

## Special District Component Units

Section 10.554(1)(i)5.d. Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

#### Additional Matters

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

#### Purpose of this Letter

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

*Rehmann Robson LLC*

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**INDEPENDENT ACCOUNTANTS' REPORT**

March 20, 2018

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

We have examined the compliance of the City of Sebastian, Florida (the "City") with Sections 218.415, 28.35 and 28.36, Florida Statutes, during the year ended September 30, 2017. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

