

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



**An aerial photograph of the  
City of Sebastian's New Municipal Complex**

**CITY OF  
SEBASTIAN  
FLORIDA**

**For the Fiscal Year October 1, 2004 through September 30, 2005**

*The aerial photograph on the cover of these financial statements views the City of Sebastian's New Municipal Complex completed in 2005.*

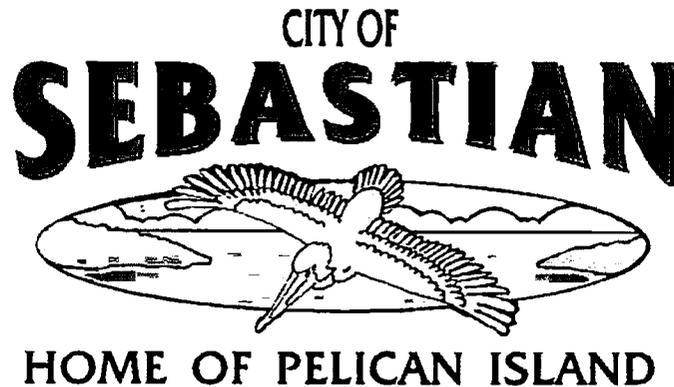
*The photograph captures the City's new City Hall, the renovated and expanded Police Department, the new Friendship Park, a new building to house the Boys and Girls Club of America, the newly resurfaced Main Street, and the old City Hall building.*

*In 2006, the old City Hall building hereinafter referred to as "Old Sebastian Elementary School Rehabilitation Project", with financial assistance provided from the Department of State, Division of Historical Resources, will be restored to its original state. This building will be home to the Sebastian Area Historical Society and the Sebastian Historical Museum.*

*Aerial photograph provided courtesy of:*

*Skydive Sebastian of South Florida, Inc.*

# CITY OF SEBASTIAN, FLORIDA



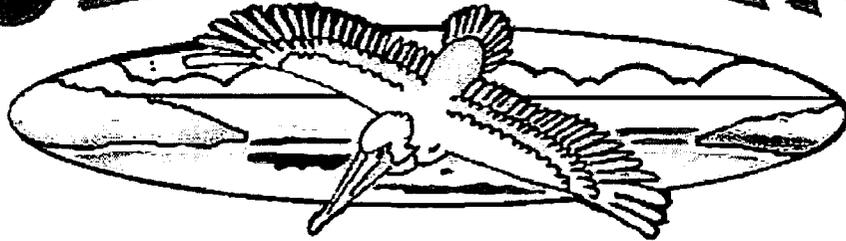
## Comprehensive Annual Financial Report For the Year Ended September 30, 2005

### CITY COUNCIL

**Nathan McCollum.....Mayor**  
**Brian S. Burkeen.....Vice-Mayor**  
**Lisanne Monier .....Councilmember**  
**Sal Neglia .....Councilmember**  
**Andrea Coy.....Councilmember**

Prepared By: Shai Francis, CPA, CGFO  
Director of Finance

CITY OF  
**SEBASTIAN**



**HOME OF PELICAN ISLAND**

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# **INTRODUCTORY SECTION**

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year Ended September 30, 2004
- Organizational Chart
- List of Officials

**CITY OF SEBASTIAN, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2005**  
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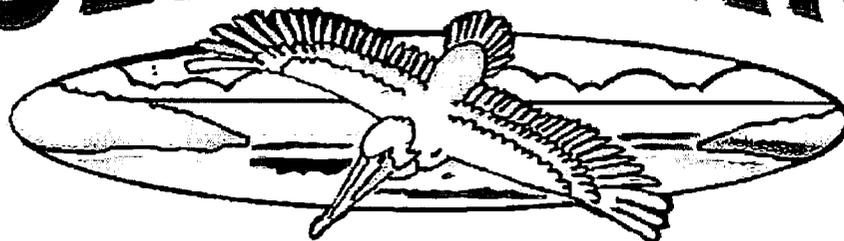
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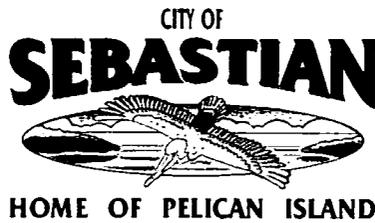
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CITY OF  
**SEBASTIAN**



**HOME OF PELICAN ISLAND**

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1225 MAIN STREET • SEBASTIAN, FLORIDA 32958  
TELEPHONE: (772) 589-5330 • FAX (772) 589-5570

February 10, 2006

Honorable Mayor and City Council  
City of Sebastian, Florida

Dear Council Members:

We are submitting the Comprehensive Annual Financial Report of the City of Sebastian, Florida for the fiscal year ended September 30, 2005, as prepared by the City's Finance department. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2005.

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 it 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, Hoyman, Dobson & Company, P.A., has issued an unqualified ('clean') opinion on the City of Sebastian's financial statements for the year ended September 30, 2005. The independent auditors' report is located on page 3 and 4.

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

#### Profile of the Government

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

The City of Sebastian was first incorporated as the Town of Sebastian in 1924. In the late 1950s General Development Corporation purchased the land from the Mackle family of Miami and began the development of a planned community that is now the City of Sebastian. The City has a population of 20,048 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 has seen rapid growth in the past several years and it is anticipated to continue.

The City is a Florida municipal corporation with a five-member City Council comprised of five council members. Council members serve a four-year term. Annual elections are held on the second Tuesday in March 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 operates under a Council-City Manager form of government since 1999.

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, and a general aviation airport.

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

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

### Local Economy

The region (which includes the City of Sebastian and the surrounding unincorporated area within the same county) has a fluctuating labor force depending on agricultural demand and a strong retirement community. Although the labor force fluctuates, unemployment in the region has been between 4% and 9.7% over the past ten years. Retail sales and the service industries remain the largest sectors of employment in the Sebastian area. The historical overall unemployment rate for the area over the past ten years and the projected unemployment rate for the next ten years are greater than that of the State of Florida. This high number indicates that the influx of residents to the area continues to outpace job creation. According to the U.S. Census Bureau (2000), 86% of the population age 25 or older are high school graduates and 23.1% hold a bachelor's degree or higher. The geographical area of the City of Sebastian, just north of the Treasure Coast, houses a number of high-tech industries including NASA and various aerospace industry-related businesses. This attracts a workforce with a higher than average education and technical skills to the vicinity. The area median age for 2000 was 49.2 per U.S Census Bureau and median household income for 2003 was \$50,900 per the Florida Research & Economic Database.

The City of Sebastian currently enjoys a favorable economic environment and local indicators (building permits, both commercial and residential) suggest continued stability.

### Long-term Financial Planning

The voters of Indian River County in November 2003 extended the Infrastructure Sales Surtax in the amount of \$.01 per \$1.00 sale for an additional fifteen years and seven months beginning in January

2004. This Infrastructure Sales Surtax is estimated to provide the City in excess of \$40 million dollars over the life of the extension for the City's emergency vehicle and capital improvement needs.

Strong growth in the City continued and has provided the City funding for a high level of services to City residents and visitors without increasing the property tax millage rate. Property tax revenues increased 17.4% and the assessed value for real property has increased by 32%. Construction activity in fiscal year 2005 was strong with 774 permits being issued for construction with a value of \$115 million. Unreserved, undesignated fund balance in the general fund (23.3% of total general fund expenditure budget) exceeds the policy guidelines set by the Council for budgetary and planning purposes (i.e., minimum of 15% of total general fund expenditure budget). In an effort to be more in line with the adopted policy guideline, the City Council actually has reduced the fiscal year 2006 millage rate by 14.3%. Two annexations in 2005 added 26 acres of residential land and 3 acres of commercial land. The new residential land, together with the annexations of 2004 will provide 1148 new homes in Sebastian. The development of vacant land already in the city limits has resulted in the completion of an apartment complex containing 150 dwelling units. In addition, a number of commercial projects have been completed or are under construction, including a major grocery store, a professional building, a medical office, a service garage, and five contractor-trade building projects. Currently under review are two banking buildings, two office/retail buildings, and three townhouse developments totaling 244 units. The annexations will have a significant impact on the property tax base and property tax revenues.

### Major Initiatives

Stormwater - The main focus of stormwater effort expended for the past fiscal year has been on the City's Stormwater Management Program, including capital projects, maintenance, citizen response and education, and forward planning. In fiscal year 2005, City Council has reprioritized the stormwater projects with main focus shifted to Collier Creek Improvements, and reallocated the Stormwater Revenue Bonds, Series 2003 bond money to be more in line with community needs. In addition, with the adoption of City Ordinance 05-16 (allows stormwater utility fees to be utilized to fund the General Fund stormwater operation), the City's ability to deal with stormwater maintenance issues is enhanced.

Traffic & Transportation – Up coming traffic and transportation related projects include major corridor projects and special programs involving bridges, sidewalks and bike paths, street paving and maintenance, and forward planning and review. A significant feature of this program is that several projects (Barber Street Realignment, Laconia Street Extension to CR-510, Fleming Street Extension to US 1, and planning and improvements related to CR-512 and CR-510) are being done in a collaborative working arrangement with Indian River County.

Airport - The Airport is undergoing a reconstruction and economic development revitalization, as a result of master planning initiatives, primarily funded with Federal Aviation Administration and Florida State grants. Due to the increase in lease demand, development of a business plan has become critical for establishing minimum standards and guidelines for both aviation and non-aviation development. The plan will be completed in March 2006. Staff anticipates this plan will enhance leasehold opportunities.

### Awards and Acknowledgements

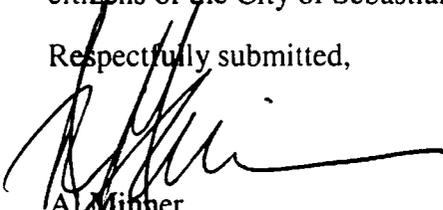
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sebastian for its comprehensive annual financial report for the fiscal year ended September 30, 2004. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of

Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Al Minter  
City Manager



Shai L. Francis, CPA, CGFO  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sebastian,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

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



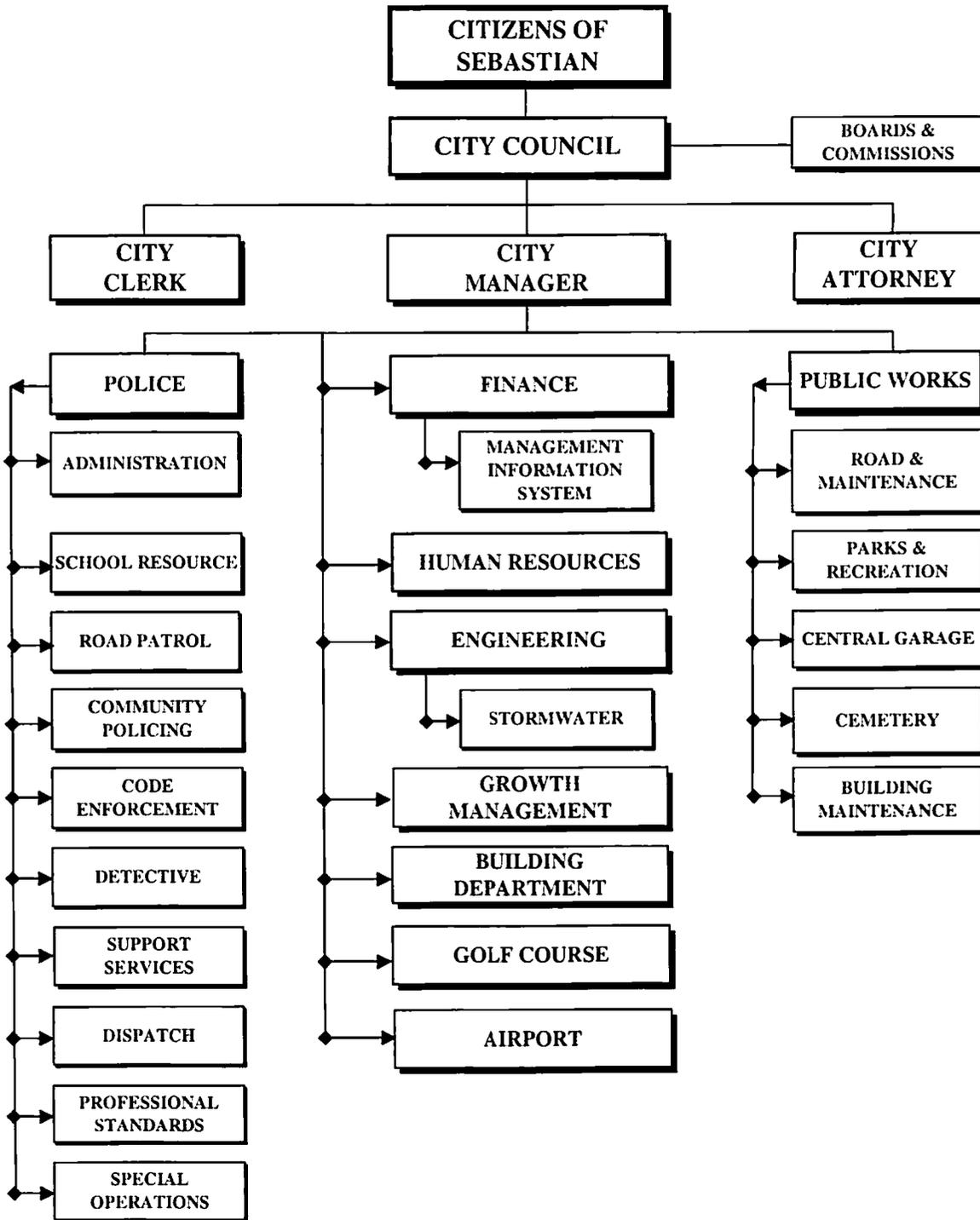
*Nancy L. Zielke*

President

*Jeffrey R. Emer*

Executive Director

# CITY OF SEBASTIAN, FLORIDA ORGANIZATIONAL CHART



# CITY OF SEBASTIAN, FLORIDA

## CITY OFFICIALS

City Manager

AL MINNER

City Clerk

SALLY A. MAIO, MMC

City Attorney

RICH STRINGER

### **DEPARTMENT HEADS:**

Police Chief

JAMES A. DAVIS

Director of Finance

SHAI L. FRANCIS, CPA, CGFO

City Engineer

DAVID W. FISHER, P.E.

Public Works Director

TERRY HILL

Growth Management Director

REBECCA GROHALL

Building Director

WAYNE ESELTINE

Human Resources Director

JAMES SEXTON

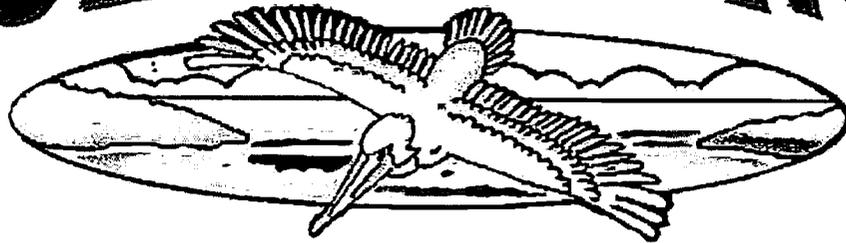
Golf Course Director

GREG GARDNER

Airport Director

JASON MILEWSKI

CITY OF  
**SEBASTIAN**



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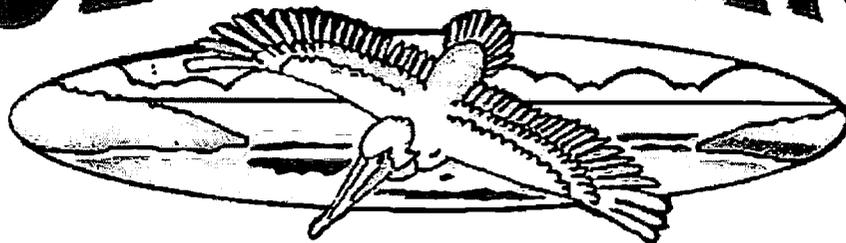
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# **FINANCIAL SECTION**

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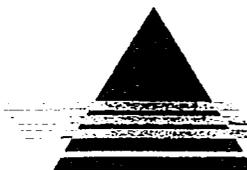
- Independent Auditor's Report
- Management's Discussion and Analysis
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules

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**SEBASTIAN**



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**HOYMAN, DOBSON & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

215 Baytree Drive, Melbourne, Florida 32940, 321-255-0088, Fax 321-259-8648, www.hoyman.com

Charles W. Hoyman, Jr.  
Barbara J. Oswalt  
Thomas L. Kirk  
Karen E. Kirkland  
Deborah A. Bradley  
DIRECTOR EMERITUS  
Roger W. Dobson  
Eugene K. Bjerring

### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sebastian, Florida's, management. Our responsibility is to express 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2006, on our consideration of the City of Sebastian, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5-14 and the required supplementary information on pages 49-54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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 introductory section, combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

*Hoyman, Dobson & Company, P.A.*  
Hoyman, Dobson & Company, P.A.  
January 19, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page v) and the City's financial statements (beginning on page 15).

### HIGHLIGHTS

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year 2005 by \$40,353,192 (net assets). Of this amount, \$9,819,864 (unrestricted net assets) may be used to meet the government's on going obligations to citizens and creditors.
- The city's total net assets increased by \$6,226,370. The increase is mainly attributable to increases in tax revenues and state shared revenues.
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balance of 20,074,635, an increase of \$600,973 in comparison with the prior year. Approximately 82% of this amount, \$16,393,329, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$3,250,980, or a 35% increase from prior year general fund unreserved and undesignated fund balance. The key factor in this increase was the increase in tax revenue collections.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 and 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

#### Reporting the City as a Whole

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

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

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

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

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

## **Fund Financial Statements**

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

## **Governmental Funds**

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, discretionary sales tax special revenue fund, community development block grant special revenue fund, riverfront redevelopment special revenue fund, and stormwater utility improvements capital project fund, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements begins on page 55.

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

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

## **Proprietary Funds**

When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the

City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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

### **Fiduciary Funds**

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

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

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-48 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's major funds budget and actual comparison and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 49-54 of this report.

## **THE CITY AS A WHOLE**

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

The City's combined net assets increased \$6.2 million from \$34.1 million to \$40.3 million or 15%. Looking at the net assets and net revenues of the governmental and business-type activities, the increase occurred in both the governmental-type activities and the business-type activities. Our analysis focuses on net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

## **GOVERNMENT-WIDE STATEMENTS**

### **Statement of Net Assets**

The following table reflects the condensed Statements of Net Assets:

Table 1

**Statements of Net Assets**  
**as of September 30, 2005 and 2004**  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 22,018	\$ 22,069	\$ 2,049	\$ 3,079	\$ 24,067	\$ 25,148
Capital assets	30,331	28,114	8,817	6,105	39,148	34,219
<b>Total assets</b>	<b>\$ 52,349</b>	<b>\$ 50,183</b>	<b>\$ 10,866</b>	<b>\$ 9,184</b>	<b>\$ 63,215</b>	<b>\$ 59,367</b>
Non-current liabilities	\$ 18,385	\$ 19,561	\$ 1,440	\$ 1,663	\$ 19,825	\$ 21,224
Other liabilities	2,383	2,979	653	1,037	3,036	4,016
<b>Total liabilities</b>	<b>\$ 20,768</b>	<b>\$ 22,540</b>	<b>\$ 2,093</b>	<b>\$ 2,700</b>	<b>\$ 22,861</b>	<b>\$ 25,240</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 17,103	\$ 16,412	\$ 7,460	\$ 4,265	\$ 24,563	\$ 20,677
Restricted	5,396	4,060	574	506	5,970	4,566
Unrestricted	9,082	7,171	739	1,713	9,821	8,884
<b>Total net assets</b>	<b>\$ 31,581</b>	<b>\$ 27,643</b>	<b>\$ 8,773</b>	<b>\$ 6,484</b>	<b>\$ 40,354</b>	<b>\$ 34,127</b>

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

Total net assets of the governmental activities increased from \$27.643 million to \$31.581 million. Total net assets for business-type activities increased from \$6.484 million to \$8.773 million.

The increase in governmental activities capital assets is due to public facilities, transportation, and stormwater and drainage projects. The decrease in governmental activities non-current liabilities is due to the payment of long-term debt. The increase in unrestricted net assets is due to the increase in tax revenues, franchise fees, and state shared revenues.

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

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

Table 2

**Changes in Net Assets**  
**For the Fiscal Years Ended September 30, 2005 and 2004**  
(in thousands)

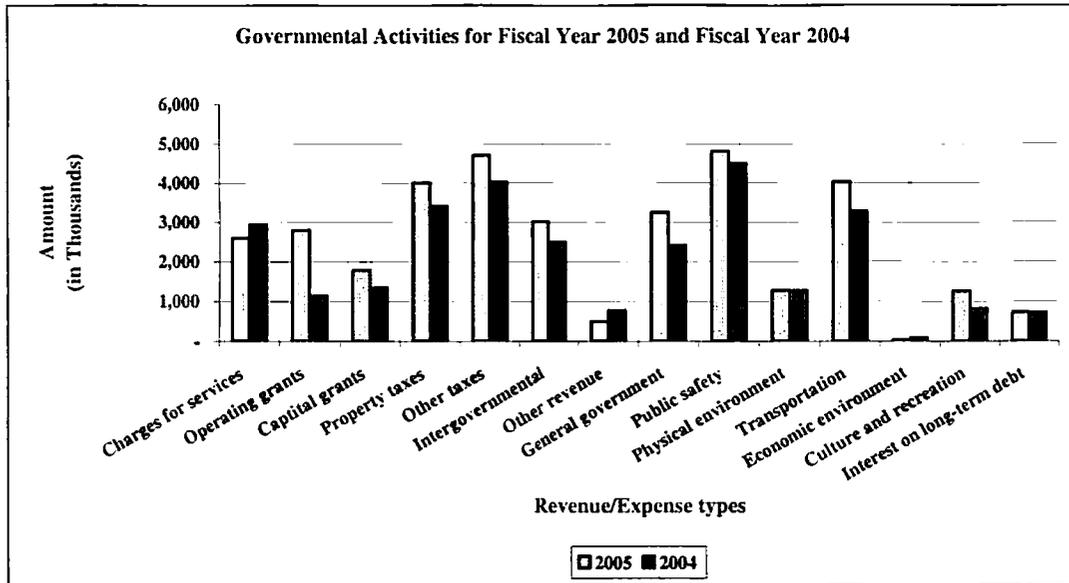
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 2,612	\$ 2,936	\$ 1,817	\$ 1,850	\$ 4,429	\$ 4,786
Operating grants and contributions	2,802	1,145	13	68	2,815	1,213
Capital grants and contributions	1,782	1,354	2,290	2,451	4,072	3,805
General revenues:						
Property taxes	4,018	3,421	-	-	4,018	3,421
Other taxes	4,719	4,035	-	-	4,719	4,035
Intergovernmental	3,024	2,493	-	-	3,024	2,493
Other	517	786	46	24	563	810
<b>Total revenues</b>	<b>19,474</b>	<b>16,170</b>	<b>4,166</b>	<b>4,393</b>	<b>23,640</b>	<b>20,563</b>
<b>EXPENSES</b>						
General government	3,262	2,415	-	-	3,262	2,415
Public safety	4,817	4,502	-	-	4,817	4,502
Physical environment	1,284	1,279	-	-	1,284	1,279
Transportation	4,035	3,289	-	-	4,035	3,289
Economic environment	32	86	-	-	32	86
Culture and recreation	1,260	824	-	-	1,260	824
Golf Course	-	-	1,465	1,527	1,465	1,527
Airport	-	-	519	351	519	351
Interest and fiscal charges	740	722	-	-	740	722
<b>Total expenses</b>	<b>15,430</b>	<b>13,117</b>	<b>1,984</b>	<b>1,878</b>	<b>17,414</b>	<b>14,995</b>
Change in net assets before transfers	4,044	3,053	2,182	2,515	6,226	5,568
Transfers	(107)	(446)	107	446	-	-
Increase in net assets	3,937	2,607	2,289	2,961	6,226	5,568
Net assets - October 1, 2004	27,643	25,036	6,484	3,523	34,127	28,559
Net assets - September 30, 2005	<b>\$ 31,580</b>	<b>\$ 27,643</b>	<b>\$ 8,773</b>	<b>\$ 6,484</b>	<b>\$ 40,353</b>	<b>\$ 34,127</b>

Overall the total revenues increased \$3.077 million from the previous year. The total cost of all programs increased by 16% (\$2.419 million). Our analysis below separately considers the operations of governmental and business-type activities.

### Governmental Activities

Governmental activities revenues exceed expenses by \$4.044 million. Total revenues increased approximately \$3.304 million from the previous year. Increases in grant revenues are mainly due to reimbursements received from FEMA and the State for damages caused by Hurricanes Frances and Jeanne, which impacted the City during the last month of operations in FY 2004. Increase in property values generates an increase in property taxes. The strong local economy plus population growth of the City contributed to increases in sales taxes and state shared revenues. Total expenses increased \$2.313 million from the previous year. Increased spending was primarily due to the hurricanes for debris removal, signage replacements, and repair works for public facilities.

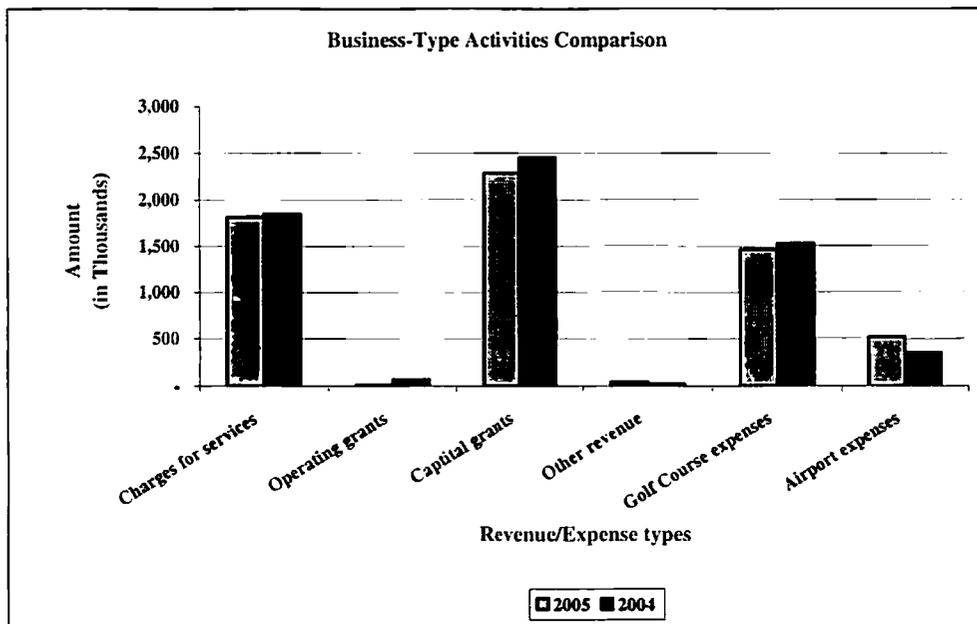
The following is a graphic illustration of the comparison for governmental activities revenue and expenses.



### Business-type Activities

Revenues of the City’s business-type activities (see Table 2) decreased by 5% (a decrease of \$0.227 million in fiscal year 2005 compared to an increase of \$1.667 million in fiscal year 2004) and expenses rose 5.6%. The decrease in revenues is mainly due to a decrease in golf course revenues, which is contributed to the hurricanes. The City’s Municipal Airport enjoys a continued interest by the Florida Department of Transportation-Aviation Section and Federal Aviation Administration to upgrade the airport facilities as evidenced by repeated support via grant funding. Capital contributions remain constant from prior year, which constitutes a major part of the program revenues.

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



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds

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

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on pages 18-19) reported a combined fund balance of \$20 million, which is an increase of \$0.5 million over the prior year of \$19.5 million. Approximately 81.7% of this total amount (\$16.4 million) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$233,411), 2) to fund the advances from general fund to airport capital project (\$1,000,000), 3) to fund the building code enforcement reserve (\$1,139,289), 4) to generate income to pay for the perpetual care of the municipal cemetery (\$578,367), or 5) for a variety of other restricted or designated purposes (\$730,239).

The **general fund** is the chief operating fund of the City. At the end of the fiscal year, unreserved, undesignated fund balance of the general fund was \$3,250,980, while total fund balance reached \$6,103,467. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 47 percent of that same amount.

The fund balance of the City's general fund increased by \$988,575 during the current fiscal year. Key factors in this growth are as follows:

- Tax revenues increased by \$710,432, as a result of property value and population increases.
- Franchise fees increased by \$115,790, as a result of population increase.

The **discretionary sales tax revenue special revenue fund** has a total fund balance of \$1,279,261, all of which is unreserved and undesignated. The increase of the total fund balance from prior year (\$392,988) is mainly due to an increase in discretionary sales surtax collection, which is population driven.

The **community development block grant special revenue fund** has a total fund balance of \$52. The purpose of the fund is to account for the Small Cities reimbursable Grant for infrastructure improvements in the Louisiana Avenue.

The **riverfront redevelopment special revenue fund** has a total fund balance of \$376,682, all of which is unreserved and undesignated. The increase of the total fund balance from prior year (\$90,825) is mainly due to property value increases.

The **stormwater utility improvements capital project fund** has a total fund balance of \$5,148,086, all of which is available for spending at the City's discretion. The decrease of the total fund balance from prior year (\$5,359,493) is due to the spend down on debt proceeds of the Stormwater Utility Revenue Bonds, Series 2003.

## **Proprietary Funds**

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

Unrestricted net assets of the **golf course fund** at the end of the fiscal year amounted to \$71,534, and those for the **airport fund** amounted to \$666,985. The golf course fund has a decrease in unrestricted net assets from prior year (\$589,543) mainly due to the decrease of golf revenues caused by the hurricanes. The airport fund has a decrease in unrestricted net assets from prior year (\$384,595) mainly due to the construction of airport capital projects. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## **General Fund Budgetary Highlights**

Over the course of the fiscal year, the City Council revised the City budget four times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts originally estimated in July 2004). The second category includes the changes that the Council made during the year to take into account the City's staff restructuring efforts. During the fiscal year, the City amended the general fund budget in the amount of \$2,901,391 for encumbrances carried forward, intergovernmental revenues, contributions, and insurance reimbursements. Following are the main components of the increase:

- \$2,384,195 supplemental appropriation to the public works and engineering departments for the debris clean up, property damages, and signage repairs costs associated with the two major hurricanes that impacted the City during the last month of FY 2004.
- \$314,520 supplemental appropriation to general fund departments for encumbered amounts and insurance reimbursements carried forward from the prior fiscal year.
- \$117,621 supplemental appropriation to the police department for the pension contribution.

The increase is possible because of revenues received and anticipated to be received. Those revenues included grant revenues associated with FEMA, State, and Federal Highway Administration for reimbursement of hurricane costs (\$2,384,195), State police pension contributions (\$117,621), insurance reimbursements carried forward from prior fiscal year associated with hurricane damages (\$252,067), and the encumbered amount carried forward from the prior fiscal year (\$62,455).

During the fiscal year, total general fund actual revenues exceeded final amended budgetary estimates and total general fund actual expenditures were less than the final amended budgetary estimates, therefore, eliminating the need to draw upon existing fund balance.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2005 the City had \$54,944,580 invested in a broad range of capital assets, including land, police and public works equipment, buildings, park facilities, roads, bridges, and stormwater drainage structures. This amount represents a net increase (including additions and deductions) of \$6,847,727, or 14%, over last year. The following table illustrates the changes in capital assets. See page 38 and page 39 in the notes to the financial statements for detailed changes in capital assets.

Table 3

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 5,489,774	\$ 4,653,603	\$ 9,060	\$ 9,060	\$ 5,498,834	\$ 4,662,663
Buildings	9,890,903	2,194,247	1,555,358	1,554,008	11,446,261	3,748,255
Improvements	4,152,943	2,431,270	779,905	710,405	4,932,848	3,141,675
Equipment	6,100,906	5,186,908	585,282	560,111	6,686,188	5,747,019
Infrastructure	17,203,261	15,766,358	3,313,755	2,547,667	20,517,016	18,314,025
Construction-in Progress	1,006,241	9,769,145	4,857,192	2,714,071	5,863,433	12,483,216
<b>Totals</b>	<b>\$ 43,844,028</b>	<b>\$ 40,001,531</b>	<b>\$ 11,100,552</b>	<b>\$ 8,095,322</b>	<b>\$ 54,944,580</b>	<b>\$ 48,096,853</b>

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

- An increase in buildings mainly due to the capitalization of new City Hall Complex project and Police Department expansion.
- An increase in infrastructure mainly due to the capitalization of Louisiana Avenue improvements project.
- An increase in land mainly due to the capitalization of new City Hall Complex project land improvements.
- An increase in equipment mainly due to the capitalization of new City Hall Complex project security system and AV equipment.

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

- An increase in construction in progress primarily due to the airport administration-building project.
- An increase in infrastructure primarily due to the completion of the airport access road project.

## Debt

At September 30, 2005, the City had \$19,564,551 in bonds, notes and capital leases outstanding versus \$21,265,049 at September 30, 2004 – a decrease of 8% – as shown in the following table:

Table 4

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Infrastructure sales surtax revenue bonds, Series 2003	\$ 8,490,000	\$ 9,015,000	\$ -	\$ -	\$ 8,490,000	\$ 9,015,000
Infrastructure sales surtax revenue bonds, Series 2003A	2,000,000	2,125,000	-	-	2,000,000	2,125,000
Stormwater utility revenue bonds, Series 2003	5,290,000	5,525,000	-	-	5,290,000	5,525,000
Notes payable (backed by local option gas tax)	2,004,718	2,209,745	-	-	2,004,718	2,209,745
Capital lease obligation (backed by City)	422,456	550,452	-	-	422,456	550,452
Recreational facilities improvements and refunding revenue bonds, series 2001	-	-	1,357,377	1,839,853	1,357,377	1,839,853
<b>Totals</b>	<b>\$ 18,207,174</b>	<b>\$ 19,425,197</b>	<b>\$ 1,357,377</b>	<b>\$ 1,839,853</b>	<b>\$ 19,564,551</b>	<b>\$ 21,265,050</b>

The decrease in debt is solely attributable to the retirement of debts. The Infrastructure Sales Surtax Revenue Bonds, Series 2003 and Series 2003A and the Stormwater Utility Revenue Bonds, Series 2003 are insured by AAA rated insurance agencies, the bonds are all rated AAA, which is the highest rating given by rating agencies. The City's Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 carries an AAA rating from Standard & Poor's, a rating it has held since 1992. All of the City's other debt, primarily notes and a capital lease, are not rated. Other obligations of the City include accrued vacation pay and sick leave.

Additional information on the City's long-term debt can be found on pages 42 through 44 in the notes to the financial statements.

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy.

Sebastian's local economy consists largely of retail and service industries. Less than one percent is devoted to industrial activities. Construction of new homes is the largest single business in the area. Some of the largest retail stores include Publix Supermarket and Wal-Mart Stores, Inc.<sup>®</sup> The Indian River County unemployment rate in 2005 was 4% down from 7.6% in the previous year and down from a high of 11% in 1994. This indicates that business growth in the area remains strong as evidenced by the construction of several new commercial establishments in the area. Still, employment in the county fluctuates seasonally due to farm workers. Continued stability and the increase of annual residential building permits issued provides a trend for steady economic development in the area.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2006. Amounts available for appropriation in the General Fund budget are \$11,975,141, an increase of 7.7% from the original fiscal year 2005 budget of \$11,121,267 and a decrease of 15% from the final fiscal year 2005 budget. The 7.7% increase is mainly due to increases in estimated property taxes and public services taxes to be received due to growth. The 15% decrease from the final fiscal year 2005 budget is mainly due to the hurricane related expenditures in FY 2005. The City will use the increases in tax revenues to finance programs we currently offer, as well as, the effect that we expect inflation to have on program costs.

The Golf Course has experienced a decrease in golf revenues in FY 2005 mainly due to the two hurricanes that impacted the City in the last month of FY 2004. The loss of revenues has caused the City to not meet the Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001 bond coverage requirement, which is the net revenues equal to at least 125% of the annual debt service payment. City staff continues to monitor the revenue stream and intends to adjust rates whenever necessary to meet the bond coverage requirement.

## **REQUEST FOR INFORMATION**

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

**City of Sebastian, Florida**  
**Statement of Net Assets**  
**September 30, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 76,364	\$ 48,603	\$ 124,967
Investments	9,938,932	1,215,227	11,154,159
Receivables	1,907,566	165,552	2,073,118
Special assessment receivable	3,849	-	3,849
Internal balances	35,416	(35,416)	-
Prepaid items	73,537	1,959	75,496
Inventory	52,011	9,140	61,151
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	272,532	-	272,532
Investments	8,486,771	574,105	9,060,876
Permanently restricted:			
Investments	502,688	-	502,688
Overfunded pension costs	122,420	-	122,420
Deferred charges	545,419	69,485	614,904
Capital assets not being depreciated:			
Land	5,489,774	9,060	5,498,834
Construction in progress	1,006,241	4,857,192	5,863,433
Capital assets (net of accumulated depreciation):			
Buildings	8,613,768	1,235,507	9,849,275
Improvements other than buildings	3,190,999	566,327	3,757,326
Machinery and equipment	2,126,619	127,656	2,254,275
Infrastructure	9,903,990	2,021,580	11,925,570
Total assets	<u>52,348,896</u>	<u>10,865,977</u>	<u>63,214,873</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,304,908	561,596	1,866,504
Matured bonds payable	900,000	-	900,000
Accrued interest payable	103,389	-	103,389
Deferred revenues	75,138	91,269	166,407
Non-current liabilities:			
Due within one year	423,384	2,968	426,352
Due in more than one year	17,961,454	1,437,575	19,399,029
Total liabilities	<u>20,768,273</u>	<u>2,093,408</u>	<u>22,861,681</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,103,399	7,459,945	24,563,344
Restricted for:			
Capital projects	2,354,871	-	2,354,871
Debt service	233,411	316,690	550,101
Road projects	1,072,900	-	1,072,900
Perpetual care:			
Expendable	75,679	-	75,679
Nonexpendable	502,688	-	502,688
Building code enforcement	1,139,289	-	1,139,289
Other purposes	17,041	257,415	274,456
Unrestricted	9,081,345	738,519	9,819,864
Total net assets	<u>\$ 31,580,623</u>	<u>\$ 8,772,569</u>	<u>\$ 40,353,192</u>

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

**City of Sebastian, Florida**  
**Statement of Activities**  
**For the year ended September 30, 2005**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,262,276	\$ 370,609	\$ 216,918	\$ -
Public safety	4,816,614	1,356,385	146,311	34,861
Physical environment	1,283,889	828,907	67,116	2,798
Transportation	4,034,900	-	2,038,825	1,354,058
Economic environment	32,128	-	-	-
Cultural/recreation	1,260,395	56,199	333,341	390,237
Interest and fiscal charges	740,372	-	-	-
Total governmental activities	<u>15,430,574</u>	<u>2,612,100</u>	<u>2,802,511</u>	<u>1,781,954</u>
Business-type activities:				
Golf Course	1,464,532	1,381,817	13,582	-
Airport	519,235	434,818	-	2,289,986
Total business-type activities	<u>1,983,767</u>	<u>1,816,635</u>	<u>13,582</u>	<u>2,289,986</u>
Total government	<u>\$ 17,414,341</u>	<u>\$ 4,428,735</u>	<u>\$ 2,816,093</u>	<u>\$ 4,071,940</u>

General Revenues:  
 Property taxes, levied for general purposes  
 Sales and use taxes  
 Franchise fees  
 State shared revenues  
 Interest earnings  
 Miscellaneous  
 Total general revenues

Transfers

Total general revenues and transfers

Change in net assets  
 Net assets - beginning  
 Net assets - ending

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

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

Governmental Activities	Business-type Activities	Total
\$ (2,674,749)	\$ -	\$ (2,674,749)
(3,279,057)	-	(3,279,057)
(385,068)	-	(385,068)
(642,017)	-	(642,017)
(32,128)	-	(32,128)
(480,618)	-	(480,618)
(740,372)	-	(740,372)
<u>(8,234,009)</u>	<u>-</u>	<u>(8,234,009)</u>
-	(69,133)	(69,133)
-	2,205,569	2,205,569
-	2,136,436	2,136,436
<u>(8,234,009)</u>	<u>2,136,436</u>	<u>(6,097,573)</u>
4,017,555	-	4,017,555
4,718,691	-	4,718,691
886,390	-	886,390
2,138,020	-	2,138,020
398,518	45,709	444,227
118,760	300	119,060
<u>12,277,934</u>	<u>46,009</u>	<u>12,323,943</u>
<u>(106,500)</u>	<u>106,500</u>	<u>-</u>
<u>12,171,434</u>	<u>152,509</u>	<u>12,323,943</u>
3,937,425	2,288,945	6,226,370
27,643,198	6,483,624	34,126,822
<u>\$ 31,580,623</u>	<u>\$ 8,772,569</u>	<u>\$ 40,353,192</u>

**City of Sebastian, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2005**

	General	Discretionary Sales Tax	Community Development Block Grant	Riverfront Redevelopment	Stormwater Utility Improvements
<b>ASSETS</b>					
Cash and cash equivalents	\$ 26,269	\$ 12,673	\$ 52	\$ 22,325	\$ 26,081
Investments	5,587,402	1,015,377	-	358,462	5,117,842
Accounts receivables	220,085	-	-	-	-
Special assessments receivable	3,849	-	-	-	-
Due from other funds	244,935	-	-	-	-
Due from other governments	940,128	249,040	235,041	-	2,798
Interest receivable	53,934	2,204	-	908	57,992
Inventory	52,011	-	-	-	-
Prepaid items	73,537	-	-	-	-
Advance to other funds	35,416	-	-	-	-
Total assets	<u>\$ 7,237,566</u>	<u>\$ 1,279,294</u>	<u>\$ 235,093</u>	<u>\$ 381,695</u>	<u>\$ 5,204,713</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 493,739	\$ 33	\$ -	\$ 5,013	\$ 56,627
Retainage payable	-	-	-	-	-
Due to other funds	-	-	235,041	-	-
Due to other governments	561,373	-	-	-	-
Deferred revenues	78,987	-	-	-	-
Total liabilities	<u>1,134,099</u>	<u>33</u>	<u>235,041</u>	<u>5,013</u>	<u>56,627</u>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Advance to other funds	35,416	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	964,584	-	-	-	-
Property and casualty	100,000	-	-	-	-
Cemetery care	-	-	-	-	-
Law enforcement	-	-	-	-	-
Emergency services	350,000	-	-	-	-
Equipment replacement	259,437	-	-	-	-
Building code enforcement	1,139,289	-	-	-	-
<b>Unreserved:</b>					
Designated for employee events	1,830	-	-	-	-
Designated for law enforcement	1,931	-	-	-	-
<b>Undesignated, reported in:</b>					
General fund	3,250,980	-	-	-	-
Special revenue funds	-	1,279,261	52	376,682	-
Capital project funds	-	-	-	-	5,148,086
Total fund balances	<u>6,103,467</u>	<u>1,279,261</u>	<u>52</u>	<u>376,682</u>	<u>5,148,086</u>
<b>Total liabilities and fund balances</b>	<u><b>\$ 7,237,566</b></u>	<u><b>\$ 1,279,294</b></u>	<u><b>\$ 235,093</b></u>	<u><b>\$ 381,695</b></u>	<u><b>\$ 5,204,713</b></u>

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

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

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

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

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

Special assessment receivables are not financial resources in the current period, therefore, are reported as deferred revenues.

Net assets of governmental activities

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

Other Governmental Funds	Total Governmental Funds
\$ 261,496	\$ 348,896
6,849,308	18,928,391
900	220,985
-	3,849
-	244,935
127,961	1,554,968
16,575	131,613
-	52,011
183,922	257,459
-	35,416
<u>\$ 7,440,162</u>	<u>\$ 21,778,523</u>

\$ 172,190	\$ 727,602
90,991	90,991
9,894	244,935
-	561,373
-	78,987
<u>273,075</u>	<u>1,703,888</u>

-	35,416
233,411	233,411
-	964,584
-	100,000
578,367	578,367
17,041	17,041
-	350,000
-	259,437
-	1,139,289
-	1,830
-	1,931
-	3,250,980
3,079,401	4,735,396
3,258,867	8,406,953
<u>7,167,087</u>	<u>20,074,635</u>
<u>\$ 7,440,162</u>	

30,331,391
122,420
(18,664,361)
(287,311)
3,849
<u>\$ 31,580,623</u>

**City of Sebastian, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2005**

	General	Discretionary Sales Tax	Community Development Block Grant	Riverfront Redevelopment	Stormwater Utility Improvements
<b>REVENUES:</b>					
Taxes:					
Property	\$ 3,729,916	\$ -	\$ -	\$ 287,639	\$ -
Public utility	2,005,124	-	-	-	-
Sales	-	2,713,567	-	-	-
Motor fuel	-	-	-	-	-
Franchise fees	886,390	-	-	-	-
Licenses and permits	1,587,675	-	-	-	-
Intergovernmental	4,773,371	-	606,640	-	2,798
Impact fees	-	-	-	-	-
Charges for services	116,893	-	-	-	-
Fines	88,095	-	-	-	-
Special assessments	11,023	-	-	-	-
Investment earnings	88,314	56,225	-	8,748	118,774
Contributions and donations	25,234	-	-	-	-
Other revenue	116,195	-	-	-	-
Total revenues	<u>13,428,230</u>	<u>2,769,792</u>	<u>606,640</u>	<u>296,387</u>	<u>121,572</u>
<b>EXPENDITURES:</b>					
Current:					
General government	2,982,852	-	-	-	-
Public safety	4,613,389	-	-	-	-
Physical environment	940,070	-	-	-	-
Transportation	3,307,923	-	10,211	-	-
Economic environment	-	-	-	32,128	-
Culture and recreation	1,065,122	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital projects	-	-	-	-	475,769
Total expenditures	<u>12,909,356</u>	<u>-</u>	<u>10,211</u>	<u>32,128</u>	<u>475,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>518,874</u>	<u>2,769,792</u>	<u>596,429</u>	<u>264,259</u>	<u>(354,197)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	469,701	-	-	21,598	142,790
Transfers out	-	(1,883,519)	(596,377)	-	-
Total other financing sources (uses)	<u>469,701</u>	<u>(1,883,519)</u>	<u>(596,377)</u>	<u>21,598</u>	<u>142,790</u>
Net changes in fund balances	988,575	886,273	52	285,857	(211,407)
Fund balances - beginning	5,114,892	392,988	-	90,825	5,359,493
Fund balances - ending	<u>\$ 6,103,467</u>	<u>\$ 1,279,261</u>	<u>\$ 52</u>	<u>\$ 376,682</u>	<u>\$ 5,148,086</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,017,555
-	2,005,124
-	2,713,567
747,418	747,418
-	886,390
-	1,587,675
178,886	5,561,695
385,775	385,775
819,637	936,530
7,604	95,699
-	11,023
126,457	398,518
2,363	27,597
265	116,460
<u>2,268,405</u>	<u>19,491,026</u>

-	2,982,852
19,845	4,633,234
4,564	944,634
326,883	3,645,017
-	32,128
-	1,065,122
1,218,023	1,218,023
711,736	711,736
3,075,038	3,550,807
<u>5,356,089</u>	<u>18,783,553</u>

<u>(3,087,684)</u>	<u>707,473</u>
--------------------	----------------

3,111,176	3,745,265
<u>(1,371,869)</u>	<u>(3,851,765)</u>
<u>1,739,307</u>	<u>(106,500)</u>
<u>(1,348,377)</u>	<u>600,973</u>
<u>8,515,464</u>	<u>19,473,662</u>
<u>\$ 7,167,087</u>	<u>\$ 20,074,635</u>

**City of Sebastian, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2005**

Net change in fund balances - total governmental funds	\$ 600,973
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	2,227,074
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(9,243)
Overfunded pension contributions are reported as expenditures in the fund financial statements and recorded as a net pension asset on the statement of net assets.	414
Repayment of bond principal, note principal, and capital lease principal are expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	1,218,023
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental funds.	(88,793)
Some revenues reported in the governmental funds have been recognized as revenues in the prior fiscal year in the statement of activities.	(11,023)
	<hr style="border-top: 1px solid black;"/>
Change in net assets of governmental activities	<u><u>\$ 3,937,425</u></u>

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

**City of Sebastian, Florida**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2005**

	Enterprise Funds		
	Golf Course	Airport	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,821	\$ 46,782	\$ 48,603
Investments	162,182	1,053,045	1,215,227
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	574,105	-	574,105
Accounts receivable	48	2,175	2,223
Due from other governments	-	161,776	161,776
Interest receivable	248	1,305	1,553
Inventory	9,140	-	9,140
Prepaid items	1,575	384	1,959
Total current assets	<u>749,119</u>	<u>1,265,467</u>	<u>2,014,586</u>
Noncurrent assets:			
Deferred charges	69,485	-	69,485
Capital assets:			
Land	-	9,060	9,060
Buildings	334,538	1,220,820	1,555,358
Improvements other than buildings	216,906	562,999	779,905
Machinery and equipment	336,760	248,522	585,282
Infrastructure	1,616,948	1,696,807	3,313,755
Construction in process	-	4,857,192	4,857,192
Less accumulated depreciation	(1,551,272)	(731,958)	(2,283,230)
Total noncurrent assets	<u>1,023,365</u>	<u>7,863,442</u>	<u>8,886,807</u>
Total assets	<u>1,772,484</u>	<u>9,128,909</u>	<u>10,901,393</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	33,240	189,605	222,845
Advance from other fund	-	35,416	35,416
Due to other governments	9,837	333	10,170
Deferred revenues	86,058	5,211	91,269
Compensated absences	1,159	1,809	2,968
Retainage payable	-	328,581	328,581
Total current liabilities	<u>130,294</u>	<u>560,955</u>	<u>691,249</u>
Non-current liabilities:			
Compensated absences	42,671	37,527	80,198
Bonds payable (net of unamortized premium and deferred amount on refunding)	1,357,377	-	1,357,377
Total non-current liabilities	<u>1,400,048</u>	<u>37,527</u>	<u>1,437,575</u>
Total liabilities	<u>1,530,342</u>	<u>598,482</u>	<u>2,128,824</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(403,497)	7,863,442	7,459,945
Restricted for:			
Debt service	316,690	-	316,690
Other purposes	257,415	-	257,415
Unrestricted	71,534	666,985	738,519
Total net assets	<u>\$ 242,142</u>	<u>\$ 8,530,427</u>	<u>\$ 8,772,569</u>

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

**City of Sebastian, Florida**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2005**

	Enterprise Funds		
	Golf Course	Airport	Totals
Operating revenues:			
Charges for fees and rents:			
Golf course fees pledged as security for revenue bonds	\$ 1,341,281	\$ -	\$ 1,341,281
Rents	22,485	213,174	235,659
Other revenue	18,051	221,644	239,695
Total operating revenues	<u>1,381,817</u>	<u>434,818</u>	<u>1,816,635</u>
Operating expenses:			
Salaries, wages and employee benefits	306,448	214,739	521,187
Contractual services, materials and supplies	964,389	111,274	1,075,663
Depreciation	105,583	193,222	298,805
Total operating expenses	<u>1,376,420</u>	<u>519,235</u>	<u>1,895,655</u>
Operating income (loss)	5,397	(84,417)	(79,020)
Nonoperating revenues (expenses):			
Interest income	-	24,368	24,368
Interest income pledged as security for revenue bonds	21,341	-	21,341
Intergovernmental	13,582	-	13,582
Gain on disposal of fixed assets	300	-	300
Interest expense	(74,215)	-	(74,215)
Bond amortization expense	(13,897)	-	(13,897)
Total nonoperating revenues (expenses)	<u>(52,889)</u>	<u>24,368</u>	<u>(28,521)</u>
Loss before capital contributions and transfers	(47,492)	(60,049)	(107,541)
Capital contributions	-	2,289,986	2,289,986
Transfers in	-	106,500	106,500
Change in net assets	(47,492)	2,336,437	2,288,945
Total net assets - beginning	<u>289,634</u>	<u>6,193,990</u>	<u>6,483,624</u>
Total net assets - ending	<u>\$ 242,142</u>	<u>\$ 8,530,427</u>	<u>\$ 8,772,569</u>

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

**City of Sebastian, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2005**

	<b>Enterprise Funds</b>		
	<b>Golf Course</b>	<b>Airport</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers and users	\$ 1,619,757	\$ 442,959	\$ 2,062,716
Cash payments to suppliers	(970,458)	(555,519)	(1,525,977)
Cash payments for employee services	(305,515)	(195,470)	(500,985)
Net cash provided (used) by operating activities	<u>343,784</u>	<u>(308,030)</u>	<u>35,754</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(97,059)	(2,641,041)	(2,738,100)
Receipt from capital grants	81,158	2,780,773	2,861,931
Receipt from capital transfers	-	106,500	106,500
Receipt from sale of assets	300	-	300
Receipt from advance from other fund	-	15,510	15,510
Principal paid on revenue bond maturities	(490,000)	-	(490,000)
Bond issuance costs	7,524	-	7,524
Interest paid on revenue bonds	(112,360)	-	(112,360)
Net cash provided (used) by capital and related financing activities	<u>(610,437)</u>	<u>261,742</u>	<u>(348,695)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	21,094	23,065	44,159
Net cash provided by investing activities	<u>21,094</u>	<u>23,065</u>	<u>44,159</u>
Net decrease in cash and cash equivalents	(245,559)	(23,223)	(268,782)
Cash and cash equivalents, October 1	983,667	1,123,050	2,106,717
Cash and cash equivalents, September 30	<u>\$ 738,108</u>	<u>\$ 1,099,827</u>	<u>\$ 1,837,935</u>

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

**City of Sebastian, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2005**  
**(Continued)**

	Enterprise Funds		
	Golf Course	Airport	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 5,397	\$ (84,417)	\$ (79,020)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	105,583	193,222	298,805
(Increase) Decrease in assets:			
Accounts receivable	165,661	9,749	175,410
Prepaid expenses	-	(384)	(384)
Inventories	49	-	49
Increase (Decrease) in liabilities:			
Accounts payable	14,903	(443,864)	(428,961)
Due to other governments	8,979	3	8,982
Rent concession liability	(30,000)	-	(30,000)
Accrued compensated absences	933	19,269	20,202
Deferred revenues	72,279	(1,608)	70,671
Total adjustments	338,387	(223,613)	114,774
Net cash provided (used) by operating activities	\$ 343,784	\$ (308,030)	\$ 35,754
Cash and cash equivalents reconciliation:			
Current assets:			
Cash and cash equivalents	\$ 1,821	\$ 46,782	\$ 48,603
Investments	162,182	1,053,045	1,215,227
Restricted asset:			
Investments	574,105	-	574,105
Cash and cash equivalents at September 30	\$ 738,108	\$ 1,099,827	\$ 1,837,935

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

**City of Sebastian, Florida**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2005**

	Pension Trust Police Officers' Pension	Agency  Performance Deposits
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,247,907	\$ 165,340
Receivables:		
Interest and dividends	14,296	-
Total receivables	1,262,203	165,340
Investments, at fair value:		
U.S. government obligations	86,639	-
Federal agency notes	179,038	-
Federal agencies - mortgage back	708,638	-
Common stock	1,916,702	-
Total investments	2,891,017	-
Total assets	4,153,220	165,340
<b>LIABILITIES</b>		
Refunds payable	-	165,340
Total liabilities	-	165,340
<b>NET ASSETS</b>		
Held in trust for pension benefits	\$ 4,153,220	\$ -

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

**City of Sebastian, Florida**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund - Pension Trust**  
**For the Year Ended September 30, 2005**

		Police Officers' Pension
<b>ADDITIONS</b>		
Contributions:		
Employer	\$	240,166
Plan members		81,626
State		117,621
Total contributions		439,413
Investment earnings:		
Net increase in fair value of investments		203,012
Interest and dividends		116,086
Total investment earnings		319,098
Less investment expenses		(18,136)
Net investment earnings		300,962
Total additions		740,375
<b>DEDUCTIONS</b>		
Benefits		86,761
Refunded contributions		18,081
Administrative expenses		7,721
Total deductions		112,563
Change in net assets		627,812
Net assets - beginning of year		3,525,408
Net assets - end of year	\$	4,153,220

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

**City of Sebastian, Florida**  
**Notes to the Financial Statements**  
**September 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sebastian (the "City"), a Florida Municipal Corporation, was incorporated in 1924 under Sections 1826-1832 of the Revised Florida Statutes. The City has a population of approximately 20,048 living in an area of approximately 14.6 square miles. The governing body is a five member elected City Council with a mayor elected from the five members. The City Council appoints the City Manager who is responsible for the administration of all City services.

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

**A. Reporting Entity**

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

**Blended Component Units**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2. Modified Accrual

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period except grant revenues. The City considers grant revenues to be available if they are collected within one year of the end of the current fiscal period. All material revenues, except for occupational licenses and property taxes, are considered measurable and available and are thus susceptible to accrual. Occupational licenses are not considered available since neither a legally enforceable claim exists nor were the related services provided before October 1, 2004. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. An exception to this general rule is principal and interest on general long-term obligations, which are recognized when due.

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

The government reports the following major governmental funds:

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

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

The *community redevelopment block grant fund* accounts for the Small Cities Grant for infrastructure improvements in the Louisiana Avenue area of the City.

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

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

##### **2. Investments**

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

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

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Due to and from other funds are eliminated in the Statement of Net Assets. There were no interfund loans between the Governmental funds and Proprietary funds as of September 30, 2005.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. As of September 30, 2005, the General Fund has an advance to the Airport Capital Project Fund in the amount of \$35,416. The advance is a loan authorized by the City Council to the Airport Capital Project Fund for capital improvements.

##### **4. Receivables**

Receivables consist of trade receivables, due from other governments and interest receivable (see Note IV.C. on page 37 for detail) and are recorded at the net realizable value. The City, as of September 30, 2005, has no allowance for doubtful accounts, since all receivables are considered collectible.

##### **5. Inventory and Prepaid Items**

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

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

## 6. Restricted Assets

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

## 7. Capital Assets

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

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

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

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

## 8. Compensated Absences

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

## 9. Long-Term Liabilities

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

## 10. Fund Equity

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

*Reserved for advance to other funds* – represents long-term interfund loan.

*Reserved for debt service* – represents, in accordance with legal restrictions, amounts for payment of principal and interest maturing in later years.

*Reserved for capital projects* – represents amounts restricted for capital projects.

*Reserved for property and casualty* – represents amounts restricted for property and casualty claims.

*Reserved for cemetery care* – represents amounts restricted for use in cemetery maintenance.

*Reserved for law enforcement* – represents, in accordance with State Statutes, funds required to be spent on drug education and awareness activities.

*Reserved for emergency services* – represents amount restricted for natural disasters.

*Reserved for equipment replacement* – represents amounts restricted for the replacement of capital assets.

*Reserved for building code enforcement* – represents, in accordance with Florida Statutes, amount restricted to be spent on building code enforcement.

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

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

“Total fund balances” of the City’s governmental funds (\$20,074,635) differs from “net assets” of governmental activities (\$31,580,623) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

#### Capital related items

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

Cost of capital assets	\$ 43,844,028
Accumulated depreciation	(13,512,637)
Total	<u>\$ 30,331,391</u>

#### Net pension obligation

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

Negative net pension obligation	<u>\$ 122,420</u>
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#### Long-term debt transactions

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2005 were:

Bonds payable:		
Infrastructure sales surtax revenue bonds, Series 2003	\$(8,490,000)	
Less: Deferred charge for issuance costs	<u>243,663</u>	\$(8,246,337)
Infrastructure sales surtax revenue bonds, Series 2003A	(2,000,000)	
Less: Deferred charge for issuance costs	<u>95,321</u>	(1,904,679)
Stormwater utility revenue bonds, Series 2003	(5,290,000)	
Less: Deferred charge for issuance costs	182,185	
Less: Deferred charge for bond discounts	<u>13,748</u>	(5,094,067)
Notes payable	(2,004,718)	
Less: Deferred charge for issuance costs	<u>5,979</u>	(1,998,739)
Capital lease payable	(422,456)	
Less: Deferred charge for issuance costs	<u>4,523</u>	(417,933)
Compensated absences		<u>(1,002,606)</u>
Total		<u><u>\$(18,664,361)</u></u>

#### Accrued interest

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

Bonds	\$ (268,077)
Notes	(8,344)
Capital lease	<u>(10,890)</u>
Total	<u><u>\$ (287,311)</u></u>

Deferred revenues

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

Deferred revenues reduced	\$ 3,849
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**B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The "net change in fund balances" for governmental funds (\$600,973) differs from the "change in net assets" for governmental activities (\$3,937,425) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 3,980,918
Depreciation expense	<u>(1,753,844)</u>
Difference	\$ <u>2,227,074</u>

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

Loss on sale of fixed assets	\$ (9,243)
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Pension obligation

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

Increase in negative net pension obligation	\$ <u>414</u>
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Long-term debt transactions

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

Bond principal payment made	\$ 885,000
Notes payable principal payment made	205,027
Capital lease principal payment made	<u>127,996</u>
Total	\$ <u>1,218,023</u>

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

Net change in compensated absences	\$ (60,157)
Net accrued bond interest expense	8,459
Net accrued notes interest expense	853
Net accrued capital lease interest expense	3,300
Amortization of issuance costs	<u>(41,248)</u>
Net adjustment	\$ <u>(88,793)</u>

Special assessment revenues

Revenues collected on special assessments are reported in the governmental funds. However, in the statement of activities, the assessment revenues are recognized when they are earned.

Special assessment revenues	\$ <u>(11,023)</u>
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### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Information

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

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

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

Actual results of operations presented in accordance with U.S. generally accepted accounting principles (GAAP basis) and the City's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the City's legally adopted budget. (See page 49 through page 53)

### IV. DETAIL NOTES ON ALL FUNDS

#### A. Deposits

At September 30, 2005, the carrying amount of the City of Sebastian's deposits with banks was \$559,861 and the bank balance was \$541,693. All the deposits were covered by the FDIC or collateralized in accordance with the "Florida Security for Public Deposits Act". Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

#### B. Investments

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

As of September 30, 2005, the City had the following investments and effective duration presented in terms of years:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturity (Year)</u>		
			<u>From 1-3</u>	<u>From 4-6</u>	<u>Over 7</u>
<b>Government-wide</b>					
U.S Agencies	\$ 4,428,760	\$ -	\$ 4,428,760	\$ -	\$ -
Guaranteed investment contract	5,529,185	5,529,185	-	-	-
Certificate of deposit	1,500,000	1,500,000	-	-	-
Local government surplus fund trust					
fund investment pool	9,259,778	9,259,778	-	-	-
	<u>20,717,723</u>	<u>16,288,963</u>	<u>4,428,760</u>	<u>-</u>	<u>-</u>
<b>Fiduciary Funds</b>					
United States Treasuries	86,639	-	-	-	86,639
United States Agencies	179,038	-	-	71,438	107,600
Domestic corporate bonds	708,638	-	-	-	708,638
Domestic corporate equities	1,916,702	1,916,702	-	-	-
	<u>2,891,017</u>	<u>1,916,702</u>	<u>-</u>	<u>71,438</u>	<u>902,877</u>
<b>Total fair value</b>	<b>\$ 23,608,740</b>	<b>\$ 18,205,665</b>	<b>\$ 4,428,760</b>	<b>\$ 71,438</b>	<b>\$ 902,877</b>

Investment holdings consist of \$4,428,760 in direct obligations of the United States Treasury Securities and Federal instrumentalities which are reported at fair value in accordance with GASB Statement No.31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". These investments are held in trust by the City's bank depository in the City's name.

Section 218.415, Florida Statutes, limits the types of investments that the City can invest in unless specially authorized in the City's investment policy. The City has a formal investment policy that allows for the following investments: Florida Local Government

Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, High Grade Corporate Notes, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds), and Intergovernmental Investment Pool.

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

Interest receivable on the government-wide and fiduciary investment portfolios amounted to \$133,166 and \$14,296, respectively, as of September 30, 2005.

#### **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.

Included in the government-wide investment portfolio, the City has \$4,428,760 in Federal Instrumentalities that have embedded options consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate. These securities have different call dates, and mature on January 2007, May 2007, and May 2008.

#### **Credit Risk**

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

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

As of September 30, 2005, the City's investment securities were all individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

The City's \$9,259,778 investment deposit in the Local Government Surplus Funds Trust Fund investment pool was unrated as of September 30, 2005.

The City's \$5,529,185 guaranteed investment contract represents the investment of construction funds, which has a term appropriate to the need for funds and in accordance with debt covenants. The investment contract is with Citigroup, which is Aa1/AA-rated Company. The investment was unrated as of September 30, 2005.

Investment in the City's pension trust funds are limited by State Statutes Chapter 185 and by an investment policy adopted by the fund's Board of Trustees. The allowable investment instruments include United States Government Obligations, Certificates of Deposit, and Repurchase Agreements with major money center banks. Commercial Paper rated A-1 by Standard & Poor's or P-1 by Moody's or better, with the exception of the custodian's savings account. In addition, common stocks and equity securities having prospects of attractive returns from a combination of appreciation are also allowed.

#### **Custodial Credit Risk**

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

As of September 30, 2005, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

## Concentration of Credit Risk

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

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

The City's pension trust funds investment policy adopted by the fund's Board of Trustees has established asset allocation and issuer limits on the following investments, which are designed to focus on performance.

A maximum of 100% of available funds may be invested in fixed income securities and a maximum of 50% of available funds may be invested in equity securities.

As of September 30, 2005, the City had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Government-wide</u>		<u>Fiduciary Funds</u>	
	<u>Amount</u>	<u>Percentage of Portfolio</u>	<u>Amount</u>	<u>Percentage of Portfolio</u>
Local government surplus funds trust fund ("SBA")	\$ 9,259,778	44.69%	\$ -	0.00%
United States Treasuries	-	0.00%	86,639	3.00%
United States Agencies	4,428,760	21.38%	179,038	6.19%
Guaranteed investment contract	5,529,185	26.69%	-	0.00%
Certificate of deposit	1,500,000	7.24%	-	0.00%
Domestic corporate bonds	-	0.00%	708,638	24.51%
Domestic corporate equities	-	0.00%	1,916,702	66.30%
<b>Total</b>	<b>\$ 20,717,723</b>	<b>100.00%</b>	<b>\$ 2,891,017</b>	<b>100.00%</b>

## C. Receivable and Payable Balances

### Receivables

Receivables at September 30, 2005 were as follows:

	<u>Interest</u>	<u>Accounts</u>	<u>Due From Other Governments</u>	<u>Total</u>
<b>Governmental activities:</b>				
General	\$ 53,934	\$ 220,085	\$ 940,128	\$ 1,214,147
Discretionary sales tax	2,204	-	249,040	251,244
Community Development Block Grant	-	-	235,041	235,041
Riverfront redevelopment	908	-	-	908
Stormwater utility improvements	57,992	-	2,798	60,790
Other governmental	16,575	900	127,961	145,436
<b>Total - governmental activities</b>	<b>\$ 131,613</b>	<b>\$ 220,985</b>	<b>\$ 1,554,968</b>	<b>\$ 1,907,566</b>
<b>Business-type activities:</b>				
Golf course	\$ 248	\$ 48	\$ -	\$ 296
Airport	1,305	2,175	161,776	165,256
<b>Total - business-type activities</b>	<b>\$ 1,553</b>	<b>\$ 2,223</b>	<b>\$ 161,776</b>	<b>\$ 165,552</b>

All receivables are anticipated to be collected.

## Payables

Payables at September 30, 2005 were as follows:

	Vendors	Retainage	Salaries and Benefits	Due to Other Government	Total
<b>Governmental activities:</b>					
General	\$ 162,516	\$ -	\$ 331,223	\$ 486,315	\$ 980,054
Discretionary sales tax	33	-	-	-	33
Riverfront redevelopment	5,013	-	-	-	5,013
Stormwater utility improvements	56,627	-	-	-	56,627
Other governmental	172,190	90,991	-	-	263,181
<b>Total - governmental activities</b>	<b>\$ 396,379</b>	<b>\$ 90,991</b>	<b>\$ 331,223</b>	<b>\$ 486,315</b>	<b>\$ 1,304,908</b>
<b>Business-type activities:</b>					
Golf course	\$ 23,945	\$ -	\$ 9,295	\$ 9,837	\$ 43,077
Airport	183,493	328,581	6,112	333	518,519
<b>Total - business-type activities</b>	<b>\$ 207,438</b>	<b>\$ 328,581</b>	<b>\$ 15,407</b>	<b>\$ 10,170</b>	<b>\$ 561,596</b>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2005, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Deferred
Special assessments not yet due (General fund)	\$ 3,849	\$ -
Occupational licenses received in advance (General Fund)	-	75,138
<b>Total deferred/unearned revenue for governmental funds</b>	<b>\$ 3,849</b>	<b>\$ 75,138</b>

## D. Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 4,653,603	\$ 836,171	\$ -	\$ 5,489,774
Construction in progress	9,769,145	558,374	(9,321,278)	1,006,241
<b>Total capital assets, not being depreciated</b>	<b>14,422,748</b>	<b>1,394,545</b>	<b>(9,321,278)</b>	<b>6,496,015</b>
<b>Capital assets, being depreciated:</b>				
Buildings	2,194,247	7,756,421	(59,765)	9,890,903
Improvements other than buildings	2,431,270	1,725,695	(4,022)	4,152,943
Machinery and equipment	5,186,908	1,021,316	(107,318)	6,100,906
Infrastructure	15,766,358	1,436,903	-	17,203,261
<b>Total capital assets being depreciated</b>	<b>25,578,783</b>	<b>11,940,335</b>	<b>(171,105)</b>	<b>37,348,013</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,050,758)	(249,131)	22,754	(1,277,135)
Improvements other than buildings	(826,247)	(138,476)	2,779	(961,944)
Machinery and equipment	(3,313,539)	(764,393)	103,645	(3,974,287)
Infrastructure	(6,697,427)	(601,844)	-	(7,299,271)
<b>Total accumulated depreciation</b>	<b>(11,887,971)</b>	<b>(1,753,844)</b>	<b>129,178</b>	<b>(13,512,637)</b>
<b>Total capital assets, being depreciated, net</b>	<b>13,690,812</b>	<b>10,186,491</b>	<b>(41,927)</b>	<b>23,835,376</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 28,113,560</b>	<b>\$ 11,581,036</b>	<b>\$ (9,363,205)</b>	<b>\$ 30,331,391</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,060	\$ -	\$ -	\$ 9,060
Construction in progress	2,714,071	2,909,209	(766,088)	4,857,192
Total capital assets, not being depreciated	2,723,131	2,909,209	(766,088)	4,866,252
Capital assets, being depreciated:				
Buildings	1,554,008	1,350	-	1,555,358
Improvements other than buildings	710,405	69,500	-	779,905
Machinery and equipment	560,111	35,754	(10,583)	585,282
Infrastructure	2,547,667	766,088	-	3,313,755
Total capital assets being depreciated	5,372,191	872,692	(10,583)	6,234,300
Less accumulated depreciation for:				
Buildings	(280,036)	(39,815)	-	(319,851)
Improvements other than buildings	(170,478)	(43,100)	-	(213,578)
Machinery and equipment	(403,483)	(60,226)	6,083	(457,626)
Infrastructure	(1,136,511)	(155,664)	-	(1,292,175)
Total accumulated depreciation	(1,990,508)	(298,805)	6,083	(2,283,230)
Total capital assets, being depreciated, net	3,381,683	573,887	(4,500)	3,951,070
Business-type activities capital assets, net	\$ 6,104,814	\$ 3,483,096	\$ (770,588)	\$ 8,817,322

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

<b>Governmental activities:</b>	
General government	\$ 367,306
Public safety	383,567
Transportation	454,147
Physical environment	326,315
Cultural and recreation	222,509
Total depreciation expense-governmental activities	\$ 1,753,844
<b>Business-type activities:</b>	
Golf Course	\$ 105,583
Airport	193,222
Total depreciation expense-business-type activities	\$ 298,805

### Construction Commitments

The government has active construction projects as of September 30, 2005. The projects include construction of municipal airport administration building and rehabilitation of Municipal Airport runway and taxiway.

Project	Spent-to date	Remaining Commitment	Major Funding Source
Rehab Runway 9-27 Phase II	\$ 1,133,399	\$ 180,803	FAA Grant
Municipal airport administration building	1,168,112	850,493	FDOT Grant
Rehabilitate taxiway A	1,440,937	29,889	FAA Grant
Total	\$ 3,742,448	\$ 1,061,185	

**E. Interfund Balances**

Interfund balances at September 30, 2005 consisted of the following amount:

Due to General Fund from:	
Nonmajor governmental funds:	
G.R.E.A.T. Program Fund	\$ 9,894
Community Development Block Grant	<u>235,041</u>
Total	<u>\$ 244,935</u>

The balance of \$244,935 due to the general fund from the G.R.E.A.T. Program Fund and Community Development Block Grant Fund represents short-term cash loans that will be repaid within the next twelve months.

**F. Interfund Transfers**

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) utilize unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) utilize discretionary sales tax revenues for infrastructure improvements and equipment purchases which must be accounted for in other funds. Following is a schedule of Interfund Transfers:

	Transfers In					Total
	General Fund	Stormwater Utility Improvements Fund	Riverfront Redevelopment	Nonmajor Governmental Funds	Airport Capital Project Fund	
<b>Transfers Out:</b>						
Community Development Block Grant	\$ -	\$ -	\$ -	\$ 596,377	\$ -	\$ 596,377
Discretionary sales tax fund	279,013	-	-	1,498,006	106,500	1,883,519
Nonmajor governmental funds	<u>190,688</u>	<u>142,790</u>	<u>21,598</u>	<u>1,016,793</u>	-	<u>1,371,869</u>
Total transfers out	<u>\$ 469,701</u>	<u>\$ 142,790</u>	<u>\$ 21,598</u>	<u>\$ 3,111,176</u>	<u>\$ 106,500</u>	<u>\$ 3,851,765</u>

**G. Leases**

**1. Operating Leases-Lessee**

The City is obligated under certain leases for land and golf carts accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. Total costs for such leases were \$172,250 for the fiscal year ended September 30, 2005. The following is a schedule by years for future minimum rental payments required under operating leases in the Golf Course Proprietary fund that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2005:

<u>Year Ending September 30,</u>	Golf Course	
	to: Airport	Golf Carts
2006	\$ 175,000	\$ 52,250
2007	175,000	107,988
2008	175,000	-
2009	175,000	-
2010	175,000	-
2011-2015	<u>1,250,000</u>	-
Totals	<u>\$ 2,125,000</u>	<u>\$ 160,238</u>

**2. Capital Leases-Lessee**

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

The property being leased is included in the statement of net assets governmental activities column and has a cost of \$859,859 and a carrying value of \$420,209. For fiscal year 2005, total depreciation expense for the leased equipment is \$100,342. The assets acquired through the capital lease are as follows:

	<u>Activities</u>
Asset:	
Machinery and equipment	\$ 859,859
Less: Accumulated depreciation	(439,650)
Total	<u>\$ 420,209</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005 were as follows:

<u>Year Ending September 30.</u>	<u>Governmental Activities</u>
2006	\$ 154,693
2007	154,694
2008	<u>154,694</u>
Total minimum lease payments	464,081
Less: amount representing interest	(41,625)
Present value of minimum lease payments	<u>\$ 422,456</u>

### 3. Operating Leases-Lessor

The City is the lessor of two communication tower leases with lease terms of twenty-five years. Following is a schedule by year of minimum future rental income on noncancelable operating leases:

<u>Year Ending September 30.</u>	<u>Governmental Activities</u>
2006	\$ 34,965
2007	35,833
2008	39,135
2009	40,073
2010	41,049
2011-2015	229,947
2016-2020	277,041
2021-2025	<u>259,419</u>
Total minimum future rentals	<u>\$ 957,462</u>

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

<u>Year Ending September 30.</u>	<u>Business-type Activities</u>
2006	\$ 276,355
2007	278,214
2008	280,129
2009	282,102
2010	284,134
2011-2015	1,828,343
2016-2020	576,922
2021-2025	627,756
2026-2030	705,906
2031-2035	<u>607,733</u>
Total minimum future rentals	<u>\$ 5,747,594</u>

## H. Long-term Obligations

### 1. Revenue Bonds/Notes

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

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

### 2. Bond Coverage

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

The following table indicates the degree of compliance with the bond resolution covenants in the Golf Course Fund at September 30, 2005.

Gross revenues available for compliance (charges for services, interest, and rent revenues)	\$ 1,395,436
Operating and maintenance expenses (excluding depreciation expense, amortization, airport lease payment, and one time hurricane repair expenses)	<u>1,023,002</u>
Amount of revenue over direct operating expenses	<u>\$ 372,434</u>
Debt service requirement	<u>\$ 306,690</u>
Percent coverage for the year ended September 30, 2005	<u>121%</u>

City management continues to monitor the Golf Course operation and intends to adjust rates whenever necessary to meet the bond coverage requirement.

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

The following table indicates the degree of compliance with the bond resolution covenants in the stormwater utility fund at September 30, 2005.

Gross revenues available for compliance	<u>\$ 792,886</u>
Debt service requirement	<u>\$ 441,673</u>
Percent coverage for the year ended September 30, 2004	<u>180%</u>

### 3. Changes in Long-term Liabilities

The following is a summary of changes in Long-Term Liabilities of the City for the year ended September 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Bonds payable:					
Infrastructure Sales Surtax Revenue Bonds, Series 2003	\$ 9,015,000	\$ -	\$ 525,000	\$ 8,490,000	\$ 535,000
Infrastructure Sales Surtax Revenue Bonds, Series 2003A	2,125,000	-	125,000	2,000,000	130,000
Stormwater Utility Revenue Bonds, Series 2003	5,525,000	-	235,000	5,290,000	235,000
Total bonds payable	<u>16,665,000</u>	<u>-</u>	<u>885,000</u>	<u>15,780,000</u>	<u>900,000</u>
Notes payable	2,209,745	-	205,027	2,004,718	214,122
Capital leases	550,452	-	127,996	422,456	134,204
Compensated absences	1,020,961	658,899	602,196	1,077,664	75,058
Governmental activity long-term liabilities	<u>\$ 20,446,158</u>	<u>\$ 658,899</u>	<u>\$ 1,820,219</u>	<u>\$ 19,284,838</u>	<u>\$ 1,323,384</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities:					
Bonds payable:					
Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001	\$ 1,885,000	\$ -	\$ 490,000	\$ 1,395,000	\$ -
Less deferred amount:					
Issuance premium	4,785	-	798	3,987	-
Loss on refunding	(49,932)	-	(8,322)	(41,610)	-
Total bonds payable	<u>1,839,853</u>	<u>-</u>	<u>482,476</u>	<u>1,357,377</u>	<u>-</u>
Compensated absences	62,964	55,264	35,062	83,166	2,968
Business-type activity long-term liabilities	<u>\$ 1,902,817</u>	<u>\$ 55,264</u>	<u>\$ 517,538</u>	<u>\$ 1,440,543</u>	<u>\$ 2,968</u>

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

#### 4. Debt Service Requirements to Maturity

The annual requirement to amortize all bonded debt outstanding at September 30, 2005, including interest requirements, is as follows:

Fiscal Year	Governmental Activities								
	Roadway Improvement Note Payable 4.40%		Infrastructure Sales Surtax Revenue Bonds, Series 2003 2% to 4.125%		Infrastructure Sales Surtax Revenue Bonds, Series 2003A 2% to 4%		Stormwater Utility Revenue Bonds, Series 2003 2% to 4.5%		Interest
	Interest	Interest	Interest	Interest	Interest	Interest			
2006	\$ 214,121	\$ 85,879	\$ 535,000	\$ 298,356	\$ 130,000	\$ 69,488	\$ 235,000	\$ 201,973	
2007	223,647	76,353	550,000	286,319	130,000	66,888	240,000	197,272	
2008	233,596	66,404	565,000	269,819	135,000	63,800	245,000	191,873	
2009	243,987	56,013	585,000	252,869	135,000	60,088	255,000	185,135	
2010	254,841	45,159	600,000	233,856	145,000	56,037	260,000	177,485	
2011-2015	834,526	65,474	3,335,000	844,348	780,000	201,987	1,460,000	737,788	
2016-2020	-	-	2,320,000	190,274	545,000	44,000	1,775,000	423,335	
2021-2022	-	-	-	-	-	-	820,000	55,800	
	<u>\$ 2,004,718</u>	<u>\$ 395,282</u>	<u>\$ 8,490,000</u>	<u>\$ 2,375,841</u>	<u>\$ 2,000,000</u>	<u>\$ 562,288</u>	<u>\$ 5,290,000</u>	<u>\$ 2,170,661</u>	

Fiscal Year	Business-type Activities	
	Golf Course Refunding Bonds, Series 2001 4% to 4.2%	
		Interest
2006*	\$ -	\$ 28,345
2007	255,000	51,590
2008	270,000	41,090
2009	280,000	30,090
2010	290,000	18,545
2011	300,000	6,300
Less unamortized Bond premium	3,987	-
Loss on refunding	(41,610)	-
	<u>\$ 1,357,377</u>	<u>\$ 175,960</u>

\*principal (\$250,000) and interest (\$33,345) due on October 1, 2005 was paid on September 30, 2005.

#### I. Restricted Assets:

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

	Governmental Activities	Business-type Activities
Debt service	\$ 233,411	\$ 316,690
Road paving	1,072,900	-
Capital projects	2,354,871	-
Building code enforcement	1,139,289	-
Renewal and replacement	-	82,415
Rent	-	175,000
Cemetery perpetual care	578,367	-
Law enforcement	17,041	-
Total	<u>\$ 5,395,879</u>	<u>\$ 574,105</u>

## V. OTHER INFORMATION

### A. Property Tax

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. The millage rate levied by the City for the fiscal year ended September 30, 2005, was 4.5904 mills. Total tax collections were approximately 99.6% of the total tax levy.

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

### B. Grants from Other Governmental Units

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

The following is the amount of grant revenue for fiscal year 2005.

<u>Primary Government</u>	<u>Amount</u>
General government	\$ 202,753
Public safety	167,740
Physical environment	69,914
Transportation	2,645,465
Cultural/Recreation	337,803
Airport	2,289,986
Golf course	13,582
Total reporting entity	<u>\$ 5,727,243</u>

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

*Plan Description.* The Police Officers' Pension Plan is a Florida Statute Chapter 185 single-employer defined benefit plan. Only City police officers participate in the Police Pension Plan. The state provides a contribution to the Police Pension Plan through a distribution of funds collected from insurance premium taxes. The Pension plan data provided in these Financial Statements are from the actuarial report dated October 11, 2005. Although the Police Officers' Pension Plan provides separate reporting, which may be obtained in the Finance department, it is also a component unit (reporting as a Pension Trust Fund) of the City's financial reporting entity.

Employee membership data as of the actuarial report for period ending October 1, 2004, dated October 11, 2005 is as follows:

	<u>Police Pension Plan 2004</u>
Retirees and beneficiaries currently receiving benefits	3
Terminated employees entitled to refund of employee contribution but not yet received	1
Fully, partially, and non-vested active plan participants	<u>33</u>
Total	<u>37</u>

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

*Funding Policy.* The employer, employee, and State contribution requirements are applicable to the Plan and actuarially determined on a bi-annual basis in accordance with Florida State Statute. Administration costs of the pension plan are financed by the Plan. The employee contribution rate, expressed as a percentage of compensation, was 5.0% for the 2004-2005 fiscal year. The employer contribution rate, expressed as a percentage of compensation, was 13.1% for the 2004-2005 fiscal year. The employer contribution is \$240,166 and the State contribution is \$117,621, which represents state shared revenue that is levied on property and casualty insurance premiums and collected by the State. The State contribution was recognized and recorded in the general fund and the

corresponding expenditure was recorded as public safety expenditure. The City is required to contribute the remaining amounts to ensure that the Plan is actuarially sound.

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

<u>Actuarially Determined Contribution</u>	<u>Amount</u>
2002	\$ 0
2003	\$ 140,721
2004	\$ 173,025
<u>Percentage of APC contributed</u>	
2002	100.00%
2003	109.00%
2004	101.00%

Since the employer contribution exceeded the annual pension costs, there is no net pension obligation for the plan.

The annual required contribution for the Police Officers' Pension Plan was determined as part of the October 1, 2004, actuarial valuation using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions included (a) an 8.0% rate of return (net of administrative costs) and (b) projected salary increases of 6% per year, including inflation at 3%. There is no unfunded actuarial accrued liability as of September 30, 2005.

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

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

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

#### Development of Net Pension Obligation (NPO)

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

The development of the Net Pension Obligation as of September 30, 2004 is as follows:

	<u>9/30/2002</u>	<u>9/30/2003</u>	<u>9/30/2004</u>
Actuarially Determined Contribution (A)	\$ -	\$ 140,721	\$ 173,025
Interest on NPO	(8,268)	(8,867)	(9,760)
Adjustment to (A)	9,402	10,083	11,100
	<hr/>	<hr/>	<hr/>
Annual Pension Cost	1,134	141,937	174,365
Contributions made	8,620	153,111	174,780
	<hr/>	<hr/>	<hr/>
Increase in NPO	(7,486)	(11,174)	(415)
NPO beginning of year	(103,346)	(110,832)	(122,006)
	<hr/>	<hr/>	<hr/>
NPO end of year	<u>\$ (110,832)</u>	<u>\$ (122,006)</u>	<u>\$ (122,421)</u>

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

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

**Benefits**

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

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

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

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

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

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

*Benefit Provisions and Contribution Requirements:* The NPP provides retirement and disability benefits to plan members and beneficiaries. The plan is administered at the Plan Office in Colorado Springs, Colorado. Contribution requirements are established by the CWA contract, effective date October 1, 2003, which is negotiated every 3 years, and approved by City Council.

*Funding Policy:* Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2004-2005 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2003, 2004 and 2005 were \$190,422, \$205,056, and \$216,464 respectively, which are equal to 100% of the required contribution for each year.

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

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

**Benefits**

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

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

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

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

*Benefit Provisions and Contribution Requirements:* The 401 provides retirement benefits to plan members and beneficiaries. The plan is administered by the ICMA Retirement Corporation. Contribution requirements are established by the City of Sebastian, Management Benefit Package, revised October 1, 2003, and approved by the City Manager.

*Funding Policy:* Administration costs of the pension plan are financed by the Plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2004-2005 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2003, 2004 and 2005 were \$113,653, \$125,745, and \$146,840 respectively, which are equal to 100% of the required contribution for each year.

**F. Insurance**

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

**G. Subsequent Events**

On January 11, 2006, City Council approved the cancellation of an agreement with E & D Contracting for the Historic School House Renovation Project. The total project was estimated to be \$736,400. The cancellation was due to the inability of E&D Contracting to obtain a state contractor's license.

In October 2005, the City was impacted by hurricane Wilma. The total financial impact is estimated to be approximately \$220,000.

On October 1, 2005, the building department has been reclassified as an enterprise fund of the City. The building department's residual operating fund balance \$1,139,289 has been restricted in the statement of net assets.

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2005**

	<u>Budget Amounts</u>		<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property	\$ 3,744,564	\$ 3,744,564	\$ 3,729,916	\$ (14,648)
Public utility	1,978,986	1,978,986	2,005,124	26,138
Franchise fees	844,293	844,293	886,390	42,097
Licenses and permits	1,317,494	1,321,494	1,587,675	266,181
Intergovernmental	1,929,834	4,464,266	4,773,371	309,105
Charges for services	174,937	187,425	116,893	(70,532)
Fines	118,615	118,615	88,095	(30,520)
Special assessments	-	-	11,023	11,023
Investment earnings	102,844	102,844	88,314	(14,530)
Contributions and donations	18,000	28,700	25,234	(3,466)
Other revenue	47,747	52,956	116,195	63,239
<b>Total revenues</b>	<u>10,277,314</u>	<u>12,844,143</u>	<u>13,428,230</u>	<u>584,087</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	2,553,711	3,207,665	3,008,791	198,874
Public safety	4,571,364	4,891,841	4,634,723	257,118
Physical environment	1,187,595	1,230,452	944,570	285,882
Transportation	1,702,228	3,445,058	3,284,226	160,832
Culture and recreation	936,369	1,191,993	1,055,222	136,771
<b>Total expenditures</b>	<u>10,951,267</u>	<u>13,967,009</u>	<u>12,927,532</u>	<u>1,039,477</u>
Excess (deficiency) of revenues over (under) expenditures	(673,953)	(1,122,866)	500,698	1,623,564
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	527,828	547,870	469,701	(78,169)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>527,828</u>	<u>547,870</u>	<u>469,701</u>	<u>(78,169)</u>
<b>Net changes in fund balances</b>	(146,125)	(574,996)	970,399	1,545,395
Fund balances - beginning	5,114,892	5,114,892	5,114,892	-
Fund balances - ending	<u>\$ 4,968,767</u>	<u>\$ 4,539,896</u>	<u>6,085,291</u>	<u>\$ 1,545,395</u>

**Explanation of differences:**

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

Current year encumbrances

81,153

Prior year encumbrances

(62,977)

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

\$ 6,103,467

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

**City of Sebastian, Florida**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretionary Sales Tax Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	<u>Budget Amounts</u>		<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Sales	\$ 2,250,000	\$ 2,250,000	\$ 2,713,567	\$ 463,567
Investment earnings	15,000	15,000	56,225	41,225
Total revenues	<u>2,265,000</u>	<u>2,265,000</u>	<u>2,769,792</u>	<u>504,792</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(2,027,596)</u>	<u>(2,197,463)</u>	<u>(1,883,519)</u>	<u>313,944</u>
Net changes in fund balances	237,404	67,537	886,273	818,736
Fund balances - beginning	392,988	392,988	392,988	-
Fund balances - ending	<u>\$ 630,392</u>	<u>\$ 460,525</u>	<u>\$ 1,279,261</u>	<u>\$ 818,736</u>

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

**City of Sebastian, Florida**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	<u>Budget Amounts</u>		<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 636,699	\$ 636,699	\$ 606,640	\$ (30,059)
Total revenues	<u>636,699</u>	<u>636,699</u>	<u>606,640</u>	<u>(30,059)</u>
<b>EXPENDITURES:</b>				
Current:				
Transportation	40,322	40,322	34,211	6,111
Total expenditures	<u>40,322</u>	<u>40,322</u>	<u>34,211</u>	<u>6,111</u>
Excess (deficiency) of revenues over (under) expenditures	596,377	596,377	572,429	(23,948)
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(596,377)</u>	<u>(596,377)</u>	<u>(596,377)</u>	<u>-</u>
Net changes in fund balances	-	-	(23,948)	(23,948)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>(23,948)</u>	<u>\$ (23,948)</u>

**Explanation of differences:**

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

Current year encumbrances 24,000

Amount reported as ending fund balance in the statement of revenues, expenditures and changes in fund balance for the Community Development Block Grant Fund. \$ 52

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

**City of Sebastian, Florida**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Riverfront Redevelopment Agency Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	<u>Budget Amounts</u>		<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 288,139	\$ 288,139	\$ 287,639	\$ (500)
Investment earnings	3,000	3,000	8,748	5,748
Total revenues	<u>291,139</u>	<u>291,139</u>	<u>296,387</u>	<u>5,248</u>
<b>EXPENDITURES:</b>				
Current:				
Economic environment	64,440	64,440	32,128	32,312
Total expenditures	<u>64,440</u>	<u>64,440</u>	<u>32,128</u>	<u>32,312</u>
Excess of revenues over over expenditures	226,699	226,699	264,259	37,560
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	21,598	21,598	-
Net changes in fund balances	226,699	248,297	285,857	37,560
Fund balances - beginning	90,825	90,825	90,825	-
Fund balances - ending	<u>\$ 317,524</u>	<u>\$ 339,122</u>	<u>\$ 376,682</u>	<u>\$ 37,560</u>

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

**City of Sebastian, Florida**  
**Notes to the Required Supplementary Information – Budget Comparisons**  
**September 30, 2005**

**A. Budgetary Basis**

Annual budgets are adopted for all governmental funds except the capital project funds, which are approved on a “life of the project basis”, and the permanent fund, which is not budgeted. Since all accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with U.S. generally accepted accounting principles, reconciliations of the resultant timing differences have been provided on page 49 through page 52. All annual appropriations lapse at year-end.

**B. Budgetary Information**

The appropriated budget is prepared by fund, function, and department. The government’s department heads, with the City manager’s approval, may make transfers of appropriations within a department or division. Transfers of appropriations between departments and/or divisions require approval of the City council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made four supplementary budgetary appropriations throughout the year. The 1<sup>st</sup> quarter budget amendment highlighted a net increase of \$329,695, which represents fund balance carried over from prior fiscal year to fund outstanding encumbrances and hurricane repairs. The 3<sup>rd</sup> quarter budget amendment highlighted a net increase of \$1,349,682, which represents FEMA and State reimbursement received in the 3<sup>rd</sup> quarter for hurricane damage. The 4<sup>th</sup> quarter budget amendment highlighted a net increase of \$1,181,061, which represents FEMA, Federal Highway Administration, and State reimbursement received in the 4<sup>th</sup> quarter due to hurricanes. Other supplemental budgetary appropriations made in the general fund were not material.

**C. Budgeted Expenditures Exceeded Revenues**

Budgeted expenditures exceeded revenues in the Community Development Block Grant special revenue fund. However, this is pursuant to the legally adopted budget to expend available fund equity (cash carry forward) and does not constitute a deficit.

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

**Police Officers' Pension Plan**

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

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

Fiscal Year	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2004	\$ 279,741	\$ 174,780	\$ 106,716	100.63
2003	233,435	153,111	92,714	105.31%
2002	61,342	8,620	82,877	149.16%
2001	80,740	29,134	68,646	121.10%
2000	68,954	27,704	112,773	203.73%
1999	129,435	103,548	46,790	116.15%

The information presented in the required supplementary schedules was determined as part of the actuarial evaluation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Contribution rates as of 9/30/04

City	13.1%
Plan members	5.0%
Annual pension cost	\$ 173,025
Contributions made	\$ 174,780
Valuation date	10/1/2002
Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage of Pay. Closed
Remaining amortization period	30 Years (as of 1/01/2002)
Asset valuation method	Market Value

# **Nonmajor Governmental Funds**

## **Special Revenue Funds**

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

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

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

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

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

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

## **Debt Service Fund**

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

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

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

## **Capital Projects Funds**

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

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

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

Transportation Improvements Fund – This fund is used to account for transportation related construction such as, roads, intersections, and sidewalks and is funded with governmental resources, impact fees and State grants.

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

## **Permanent Fund**

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

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

**City of Sebastian, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2005**

	<b>Special Revenue Funds</b>			
	<b>Local Option Gas Tax</b>	<b>Recreation Impact Fee</b>	<b>Stormwater Utility</b>	<b>Law Enforcement Forfeiture</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,255	\$ 6,491	\$ 4,520	\$ 45
Investments	242,992	960,906	1,757,143	16,650
Receivables - net	-	-	-	-
Due from other governments	104,749	-	8,856	-
Interest receivable	207	3,234	2,386	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>\$ 351,203</b>	<b>\$ 970,631</b>	<b>\$ 1,772,905</b>	<b>\$ 16,695</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 11	\$ 55	\$ 15,272	\$ 390
Retainage payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>11</b>	<b>55</b>	<b>15,272</b>	<b>390</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Debt service	-	-	-	-
Cemetery care	-	-	-	-
Law enforcement	-	-	-	16,305
Unreserved	351,192	970,576	1,757,633	-
<b>Total fund balances</b>	<b>351,192</b>	<b>970,576</b>	<b>1,757,633</b>	<b>16,305</b>
<b>Total liabilities and fund balances</b>	<b>\$ 351,203</b>	<b>\$ 970,631</b>	<b>\$ 1,772,905</b>	<b>\$ 16,695</b>

Debt Service Funds

G.R.E.A.T. Program	Total	Stormwater Utility Revenue Bonds 2003	Discretionary Sales Surtax Revenue Bonds 2003	Total
\$ 734	\$ 15,045	\$ 315	\$ 101	\$ 416
-	2,977,691	19,907	29,165	49,072
-	-	-	-	-
9,894	123,499	-	-	-
2	5,829	1	-	1
-	-	-	183,922	183,922
<b>\$ 10,630</b>	<b>\$ 3,122,064</b>	<b>\$ 20,223</b>	<b>\$ 213,188</b>	<b>\$ 233,411</b>

\$ -	\$ 15,728	\$ -	\$ -	\$ -
-	-	-	-	-
9,894	9,894	-	-	-
<b>9,894</b>	<b>25,622</b>	<b>-</b>	<b>-</b>	<b>-</b>

-	-	20,223	213,188	233,411
-	-	-	-	-
736	17,041	-	-	-
-	3,079,401	-	-	-
<b>736</b>	<b>3,096,442</b>	<b>20,223</b>	<b>213,188</b>	<b>233,411</b>
<b>\$ 10,630</b>	<b>\$ 3,122,064</b>	<b>\$ 20,223</b>	<b>\$ 213,188</b>	<b>\$ 233,411</b>

**City of Sebastian, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2005**  
**(Continued)**

**Capital Projects Funds**

	<b>General Capital Projects</b>	<b>Capital Improvements</b>	<b>Transportation Improvements</b>	<b>Public Facilities Improvements</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 11,497	\$ 4,077	\$ 225,034	\$ 240,608
Investments	-	1,524,255	1,312,950	417,435	3,254,640
Receivables - net	-	-	-	900	900
Due from other governments	-	4,462	-	-	4,462
Interest receivable	-	3,050	1,998	590	5,638
Prepaid items	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,543,264</b>	<b>\$ 1,319,025</b>	<b>\$ 643,959</b>	<b>\$ 3,506,248</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 1,256	\$ 155,134	\$ -	\$ 156,390
Retainage payable	-	-	90,991	-	90,991
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>1,256</b>	<b>246,125</b>	<b>-</b>	<b>247,381</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Debt service	-	-	-	-	-
Cemetery care	-	-	-	-	-
Law enforcement	-	-	-	-	-
Unreserved	-	1,542,008	1,072,900	643,959	3,258,867
<b>Total fund balances</b>	<b>-</b>	<b>1,542,008</b>	<b>1,072,900</b>	<b>643,959</b>	<b>3,258,867</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 1,543,264</b>	<b>\$ 1,319,025</b>	<b>\$ 643,959</b>	<b>\$ 3,506,248</b>

<u>Permanent Fund</u>	<u>Total Other Governmental Funds</u>
Cemetery	
\$ 5,427	\$ 261,496
567,905	6,849,308
-	900
-	127,961
5,107	16,575
-	183,922
<u>\$ 578,439</u>	<u>\$ 7,440,162</u>

\$ 72	\$ 172,190
-	90,991
-	9,894
<u>72</u>	<u>273,075</u>

-	233,411
578,367	578,367
-	17,041
-	6,338,268
<u>578,367</u>	<u>7,167,087</u>
<u>\$ 578,439</u>	<u>\$ 7,440,162</u>

**City of Sebastian, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2005**

	<b>Special Revenue Funds</b>					<b>Total</b>
	<b>Local Option Gas Tax</b>	<b>Recreation Impact Fee</b>	<b>Stormwater Utility</b>	<b>Law Enforcement Forfeiture</b>	<b>G.R.E.A.T. Program</b>	
<b>REVENUES:</b>						
Taxes:						
Motor fuel	\$ 747,418	\$ -	\$ -	\$ -	\$ -	\$ 747,418
Intergovernmental	163,770	-	-	-	10,654	174,424
Impact fees	-	385,775	-	-	-	385,775
Charges for services	-	-	758,887	-	-	758,887
Fines	-	-	-	7,604	-	7,604
Investment earnings	27,934	19,482	33,999	320	11	81,746
Contributions and donations	-	-	-	2,363	-	2,363
Other revenue	-	-	-	265	-	265
<b>Total revenues</b>	<b>939,122</b>	<b>405,257</b>	<b>792,886</b>	<b>10,552</b>	<b>10,665</b>	<b>2,158,482</b>
<b>EXPENDITURES:</b>						
Current:						
Public safety	-	-	-	9,182	10,663	19,845
Physical environment	-	-	1,789	-	-	1,789
Transportation	326,883	-	-	-	-	326,883
Debt Service:						
Principal	205,027	-	-	-	-	205,027
Interest and fiscal charges	94,973	-	-	-	-	94,973
Capital projects	-	-	-	-	-	-
<b>Total expenditures</b>	<b>626,883</b>	<b>-</b>	<b>1,789</b>	<b>9,182</b>	<b>10,663</b>	<b>648,517</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>312,239</b>	<b>405,257</b>	<b>791,097</b>	<b>1,370</b>	<b>2</b>	<b>1,509,965</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(240,000)	(335,121)	(745,458)	-	-	(1,320,579)
<b>Total other financing sources (uses)</b>	<b>(240,000)</b>	<b>(335,121)</b>	<b>(745,458)</b>	<b>-</b>	<b>-</b>	<b>(1,320,579)</b>
<b>Net changes in fund balances</b>	<b>72,239</b>	<b>70,136</b>	<b>45,639</b>	<b>1,370</b>	<b>2</b>	<b>189,386</b>
Fund balances - beginning	278,953	900,440	1,711,994	14,935	734	2,907,056
Fund balances - ending	<b>\$ 351,192</b>	<b>\$ 970,576</b>	<b>\$ 1,757,633</b>	<b>\$ 16,305</b>	<b>\$ 736</b>	<b>\$ 3,096,442</b>

**Debt service Funds**

<u>Stormwater Utility Revenue Bonds 2003</u>	<u>Discretionary Sales Surtax Revenue Bonds 2003</u>	<u>Total</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
422	4,326	4,748
-	-	-
-	-	-
<u>422</u>	<u>4,326</u>	<u>4,748</u>
-	-	-
-	-	-
-	-	-
235,000	650,000	885,000
207,547	382,519	590,066
-	-	-
<u>442,547</u>	<u>1,032,519</u>	<u>1,475,066</u>
<u>(442,125)</u>	<u>(1,028,193)</u>	<u>(1,470,318)</u>
441,672	793,313	1,234,985
-	-	-
<u>441,672</u>	<u>793,313</u>	<u>1,234,985</u>
(453)	(234,880)	(235,333)
20,676	448,068	468,744
<u>\$ 20,223</u>	<u>\$ 213,188</u>	<u>\$ 233,411</u>

**City of Sebastian, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2005**  
**(Continued)**

	Capital Projects Funds				Total
	General Capital Projects	Capital Improvements	Transportation Improvements	Public Facilities Improvements	
<b>REVENUES:</b>					
Taxes:					
Motor fuel	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	4,462	-	-	4,462
Impact fees	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	-	702	4,059	28,117	32,878
Contributions and donations	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>5,164</b>	<b>4,059</b>	<b>28,117</b>	<b>37,340</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Debt Service:					
Principal	127,996	-	-	-	127,996
Interest and fiscal charges	26,697	-	-	-	26,697
Capital outlay	-	92,503	1,033,832	1,948,703	3,075,038
<b>Total expenditures</b>	<b>154,693</b>	<b>92,503</b>	<b>1,033,832</b>	<b>1,948,703</b>	<b>3,229,731</b>
Excess (deficiency) of revenues over (under) expenditures	(154,693)	(87,339)	(1,029,773)	(1,920,586)	(3,192,391)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	154,693	375,121	1,146,377	200,000	1,876,191
Transfers out	-	(21,598)	-	-	(21,598)
<b>Total other financing sources (uses)</b>	<b>154,693</b>	<b>353,523</b>	<b>1,146,377</b>	<b>200,000</b>	<b>1,854,593</b>
Net changes in fund balances	-	266,184	116,604	(1,720,586)	(1,337,798)
Fund balances - beginning	-	1,275,824	956,296	2,364,545	4,596,665
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ 1,542,008</b>	<b>\$ 1,072,900</b>	<b>\$ 643,959</b>	<b>\$ 3,258,867</b>

<u>Permanent Fund</u>	<u>Total Other Governmental Funds</u>
<u>Cemetery</u>	
\$ -	\$ 747,418
-	178,886
-	385,775
60,750	819,637
-	7,604
7,085	126,457
-	2,363
-	265
<u>67,835</u>	<u>2,268,405</u>
-	19,845
2,775	4,564
-	326,883
-	1,218,023
-	711,736
-	3,075,038
<u>2,775</u>	<u>5,356,089</u>
<u>65,060</u>	<u>(3,087,684)</u>
-	3,111,176
<u>(29,692)</u>	<u>(1,371,869)</u>
<u>(29,692)</u>	<u>1,739,307</u>
<u>35,368</u>	<u>(1,348,377)</u>
<u>542,999</u>	<u>8,515,464</u>
<u>\$ 578,367</u>	<u>\$ 7,167,087</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Local Option Gas Tax Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Motor fuel taxes	\$ 750,000	\$ 747,418	\$ (2,582)
Intergovernmental	161,906	163,770	1,864
Investment earnings	12,000	27,934	15,934
Total revenues	<u>923,906</u>	<u>939,122</u>	<u>15,216</u>
<b>EXPENDITURES:</b>			
Current:			
Transportation	390,006	326,883	63,123
Debt service:			
Principal	205,027	205,027	-
Interest and fiscal charges	94,973	94,973	-
Total expenditures	<u>690,006</u>	<u>626,883</u>	<u>63,123</u>
Excess of revenues over expenditures	233,900	312,239	78,339
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(240,000)</u>	<u>(240,000)</u>	<u>-</u>
Net changes in fund balances	(6,100)	72,239	78,339
Fund balances - beginning	<u>278,953</u>	<u>278,953</u>	<u>-</u>
Fund balances - ending	<u>\$ 272,853</u>	<u>\$ 351,192</u>	<u>\$ 78,339</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Recreation Impact Fee Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Impact fees	\$ 360,000	\$ 385,775	\$ 25,775
Investment earnings	4,500	19,482	14,982
Total revenues	<u>364,500</u>	<u>405,257</u>	<u>40,757</u>
<b>EXPENDITURES:</b>			
Current:			
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	364,500	405,257	40,757
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(335,121)</u>	<u>(335,121)</u>	<u>-</u>
Net changes in fund balances	29,379	70,136	40,757
Fund balances - beginning	<u>900,440</u>	<u>900,440</u>	<u>-</u>
Fund balances - ending	<u>\$ 929,819</u>	<u>\$ 970,576</u>	<u>\$ 40,757</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Stormwater Utility Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for services	\$ 804,980	\$ 758,887	\$ (46,093)
Investment earnings	<u>27,000</u>	<u>33,999</u>	<u>6,999</u>
Total revenues	<u>831,980</u>	<u>792,886</u>	<u>(39,094)</u>
<b>EXPENDITURES:</b>			
Current:			
Physical environment	<u>3,500</u>	<u>1,789</u>	<u>1,711</u>
Total expenditures	<u>3,500</u>	<u>1,789</u>	<u>1,711</u>
Excess of revenues over expenditures	828,480	791,097	(37,383)
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(745,458)</u>	<u>(745,458)</u>	<u>-</u>
Total other financing uses	<u>(745,458)</u>	<u>(745,458)</u>	<u>-</u>
Net changes in fund balances	83,022	45,639	(37,383)
Fund balances - beginning	<u>1,711,994</u>	<u>1,711,994</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,795,016</u>	<u>\$ 1,757,633</u>	<u>\$ (37,383)</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Law Enforcement Forfeiture Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Fines	\$ 5,000	\$ 7,604	\$ 2,604
Investment earnings	-	320	320
Contributions	5,000	2,363	(2,637)
Other revenues	-	265	265
Total revenues	<u>10,000</u>	<u>10,552</u>	<u>552</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	12,348	9,182	3,166
Total expenditures	<u>12,348</u>	<u>9,182</u>	<u>3,166</u>
Excess (deficiency) of revenues over (under) expenditures	(2,348)	1,370	3,718
Fund balances - beginning	14,935	14,935	-
Fund balances - ending	<u>\$ 12,587</u>	<u>\$ 16,305</u>	<u>\$ 3,718</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**G.R.E.A.T. Program Special Revenue Fund**  
**For the Year Ended September 30, 2005**

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental	\$ 10,654	\$ 10,654	\$ -
Investment earnings	9	11	2
Total revenues	<u>10,663</u>	<u>10,665</u>	<u>2</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	10,663	10,663	-
Total expenditures	<u>10,663</u>	<u>10,663</u>	<u>-</u>
Excess of revenues over expenditures	-	2	2
Fund balances - beginning	734	734	-
Fund balances - ending	<u>\$ 734</u>	<u>\$ 736</u>	<u>\$ 2</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Stormwater Utility Revenue Bonds 2003 Debt Service Fund**  
**For the Year Ended September 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Investment earnings	\$ 301	\$ 422	\$ 121
Total revenues	<u>301</u>	<u>422</u>	<u>121</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal	235,000	235,000	-
Interest and fiscal charges	<u>207,548</u>	<u>207,547</u>	<u>1</u>
Total expenditures	<u>442,548</u>	<u>442,547</u>	<u>1</u>
 Deficiency of revenues under expenditures	 (442,247)	 (442,125)	 122
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>441,672</u>	<u>441,672</u>	<u>-</u>
Total other financing sources	<u>441,672</u>	<u>441,672</u>	<u>-</u>
 Net changes in fund balances	 (575)	 (453)	 122
 Fund balances - beginning	 20,676	 20,676	 -
 Fund balances - ending	 <u>\$ 20,101</u>	 <u>\$ 20,223</u>	 <u>\$ 122</u>

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretionary Sales Surtax Revenue Bonds 2003 Debt Service Fund**  
**For the Year Ended September 30, 2005**

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Investment earnings	\$ 3,000	\$ 4,326	\$ 1,326
Total revenues	<u>3,000</u>	<u>4,326</u>	<u>1,326</u>
<b>EXPENDITURES:</b>			
Current:			
Physical environment	300	-	300
Debt service:			
Principal	650,000	650,000	-
Interest and fiscal charges	383,544	382,519	1,025
Total expenditures	<u>1,033,844</u>	<u>1,032,519</u>	<u>1,325</u>
Deficiency of revenues under expenditures	(1,030,844)	(1,028,193)	2,651
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,030,844	793,313	(237,531)
Total other financing sources	<u>1,030,844</u>	<u>793,313</u>	<u>(237,531)</u>
Net changes in fund balances	-	(234,880)	(234,880)
Fund balances - beginning	448,068	448,068	-
Fund balances - ending	<u>\$ 448,068</u>	<u>\$ 213,188</u>	<u>\$ (234,880)</u>

**City of Sebastian, Florida**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended September 30, 2005**

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 148,760	\$ 18,735	\$ 2,155	\$ 165,340
Total assets	<u>\$ 148,760</u>	<u>\$ 18,735</u>	<u>\$ 2,155</u>	<u>\$ 165,340</u>
 <b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 3,030	\$ 3,030	\$ -
Performance deposits held in escrow	<u>148,760</u>	<u>18,985</u>	<u>2,405</u>	<u>165,340</u>
Total liabilities	<u>\$ 148,760</u>	<u>\$ 22,015</u>	<u>\$ 5,435</u>	<u>\$ 165,340</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedule By Source**  
**September 30, 2005**

Governmental Funds capital assets:	<u>FY 2004</u>	<u>FY 2005</u>
Land	\$ 4,653,603	\$ 5,489,774
Buildings and structures	2,194,246	9,890,903
Improvement other than buildings	2,431,270	4,152,943
Machinery and equipment	5,186,908	6,100,906
Infrastructure	15,766,359	17,203,261
Capital projects	<u>9,769,145</u>	<u>1,006,241</u>
 Total capital assets	 <u>\$ 40,001,531</u>	 <u>\$ 43,844,028</u>
 Investment in Governmental Funds capital assets by sources:		
Federal grants	\$ 903,074	\$ 1,725,772
State grants	1,005,706	1,278,258
County grants	712,211	712,211
General fund	10,324,160	10,469,659
Law enforcement trust fund	58,377	48,737
Recreational impact fee	164,063	200,186
Stormwater utility fee	-	16,241
Cemetery trust fund	186,395	184,185
Donations	2,319,828	2,296,054
Sales taxes	6,917,821	7,314,896
Motor fuel taxes	4,377,844	4,378,033
Revenue bond debt	3,262,907	14,213,555
Capital projects	<u>9,769,145</u>	<u>1,006,241</u>
 Total investment in capital assets	 <u>\$ 40,001,531</u>	 <u>\$ 43,844,028</u>

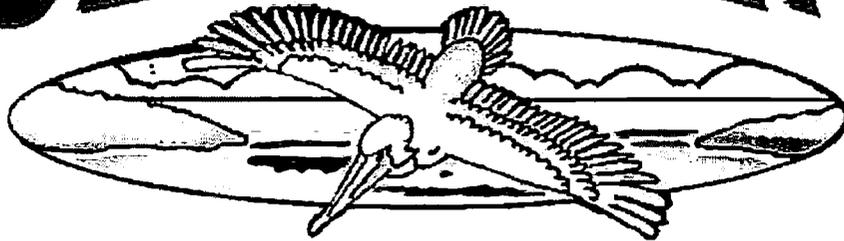
**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**September 30, 2005**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Totals
<b>General government:</b>						
Legislative	\$ -	\$ -	\$ 1,100	\$ 11,482	\$ -	\$ 12,582
City manager	-	-	-	4,341	-	4,341
City clerk	-	-	-	184,324	-	184,324
City attorney	-	-	-	5,970	-	5,970
Finance	-	-	-	60,521	-	60,521
MIS	-	-	-	100,096	-	100,096
Human resources	-	-	-	5,467	-	5,467
Building maintenance	-	45,000	4,926	71,519	-	121,445
Growth management	-	85,555	-	19,704	-	105,259
Non-departmental	3,427,598	5,114,963	260,202	426,481	212,700	9,441,944
Subtotal	<u>3,427,598</u>	<u>5,245,518</u>	<u>266,228</u>	<u>889,905</u>	<u>212,700</u>	<u>10,041,949</u>
<b>Public safety:</b>						
Special operations	-	-	-	2,051	-	2,051
Administration	9,560	3,343,047	74,514	283,082	-	3,710,203
School resource	-	-	-	26,855	-	26,855
Road patrol	-	-	-	1,196,867	-	1,196,867
Community policing	-	-	-	162,581	-	162,581
Code enforcement	-	-	-	49,277	-	49,277
Professional Std.	-	-	-	21,822	-	21,822
Investigations	-	-	-	175,098	-	175,098
Support services	-	-	-	58,304	-	58,304
Communications	-	-	-	80,860	-	80,860
Building department	-	15,183	-	92,169	-	107,352
Subtotal	<u>9,560</u>	<u>3,358,230</u>	<u>74,514</u>	<u>2,148,966</u>	<u>-</u>	<u>5,591,270</u>
<b>Transportation:</b>						
Engineering	78	146,361	155,293	180,031	276,100	757,863
Central garage	-	111,654	82,419	134,448	-	328,521
Roads and drainage	47,047	201,623	594,865	892,017	10,135,057	11,870,609
Subtotal	<u>47,125</u>	<u>459,638</u>	<u>832,577</u>	<u>1,206,496</u>	<u>10,411,157</u>	<u>12,956,993</u>
<b>Physical Environment:</b>						
Stormwater	-	-	-	1,377,466	5,242,000	6,619,466
Cemetery	272,190	47,519	78,354	31,074	22,717	451,854
Subtotal	<u>272,190</u>	<u>47,519</u>	<u>78,354</u>	<u>1,408,540</u>	<u>5,264,717</u>	<u>7,071,320</u>
<b>Culture/Recreation:</b>						
Parks and recreation	1,733,301	779,998	2,901,270	446,999	1,314,687	7,176,255
Subtotal	<u>1,733,301</u>	<u>779,998</u>	<u>2,901,270</u>	<u>446,999</u>	<u>1,314,687</u>	<u>7,176,255</u>
Total	<u>\$ 5,489,774</u>	<u>\$ 9,890,903</u>	<u>\$ 4,152,943</u>	<u>\$ 6,100,906</u>	<u>\$ 17,203,261</u>	<u>\$ 42,837,787</u>
Construction in progress						1,006,241
Total						<u>\$ 43,844,028</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**September 30, 2005**

Function and Activity	Governmental Funds Capital Assets October 1, 2004	Additions	Deletions	Transfers In	Transfers Out	Governmental Funds Capital Assets September 30, 2005
<b>General government:</b>						
Legislative	\$ 17,181	\$ -	\$ 4,599	\$ -	\$ -	\$ 12,582
City manager	22,075	-	1,750	1,612	17,596	4,341
City clerk	74,728	111,111	-	-	1,515	184,324
City attorney	2,114	-	-	5,784	1,928	5,970
Finance	62,541	2,281	2,650	1,476	3,127	60,521
MIS	95,405	3,673	5,712	9,502	2,772	100,096
Human resources	6,982	-	-	-	1,515	5,467
Building maintenance	-	23,042	-	98,403	-	121,445
Growth management	108,253	-	698	-	2,296	105,259
Non-departmental	3,517,536	5,931,246	25,542	20,629	1,928	9,441,941
Subtotal	<u>3,906,815</u>	<u>6,071,353</u>	<u>40,951</u>	<u>137,406</u>	<u>32,677</u>	<u>10,041,946</u>
<b>Public Safety:</b>						
Special operations	-	1,200	-	2,779	1,928	2,051
Administration	696,060	3,078,322	55,175	-	9,006	3,710,201
School resource	46,866	-	20,011	-	-	26,855
Road patrol	1,047,273	196,195	1,721	-	44,880	1,196,867
Community policing	134,796	-	2,048	29,833	-	162,581
Code enforcement	33,227	-	-	16,050	-	49,277
Professional Stnd.	18,607	-	-	3,215	-	21,822
Investigations	154,561	61,979	42,242	800	-	175,098
Support services	58,304	-	-	-	-	58,304
Communications	73,362	6,904	-	594	-	80,860
Building department	92,720	14,583	-	1,417	1,368	107,352
Subtotal	<u>2,355,776</u>	<u>3,359,183</u>	<u>121,197</u>	<u>54,688</u>	<u>57,182</u>	<u>5,591,268</u>
<b>Transportation:</b>						
Engineering	441,534	9,555	4,090	312,379	1,515	757,863
Central garage	288,508	40,014	-	-	-	328,522
Roads and drainage	16,188,279	1,268,051	840	3,030	5,587,911	11,870,609
Subtotal	<u>16,918,321</u>	<u>1,317,620</u>	<u>4,930</u>	<u>315,409</u>	<u>5,589,426</u>	<u>12,956,994</u>
<b>Physical Environment:</b>						
Stormwater	1,438,551	48,837	-	5,133,593	1,515	6,619,466
Building maintenance	-	-	-	-	-	-
Cemetery	453,726	1,244	3,116	-	-	451,854
Subtotal	<u>1,892,277</u>	<u>50,081</u>	<u>3,116</u>	<u>5,133,593</u>	<u>1,515</u>	<u>7,071,320</u>
<b>Culture &amp; Recreation:</b>						
Parks and recreation	5,159,197	1,978,269	911	43,537	3,833	7,176,259
Subtotal	<u>5,159,197</u>	<u>1,978,269</u>	<u>911</u>	<u>43,537</u>	<u>3,833</u>	<u>7,176,259</u>
Total	30,232,386	12,776,506	171,105	5,684,633	5,684,633	42,837,787
Construction in progress	9,769,145	558,374	9,321,278	-	-	1,006,241
Total	<u>\$ 40,001,531</u>	<u>\$ 13,334,880</u>	<u>\$ 9,492,383</u>	<u>\$ 5,684,633</u>	<u>\$ 5,684,633</u>	<u>\$ 43,844,028</u>

CITY OF  
**SEBASTIAN**



**HOME OF PELICAN ISLAND**

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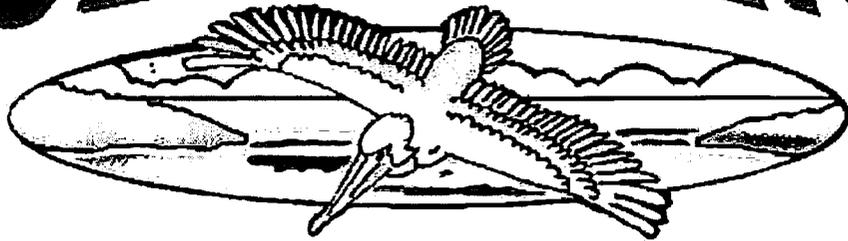
# Statistical Section

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

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	<b>79-86</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax, and the municipal sales tax.	<b>87-93</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	<b>94-99</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the city's financial activities take place.	<b>100-102</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	<b>103-105</b>

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

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**HOME OF PELICAN ISLAND**

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 17,103,399	\$ 16,412,401	\$ 16,339,222	\$ 14,242,832	\$12,778,007
Restricted	5,395,879	4,059,674	3,235,266	3,289,670	2,270,654
Unrestricted	<u>9,081,345</u>	<u>7,171,123</u> (1)	<u>5,461,224</u>	<u>5,865,388</u>	<u>5,417,630</u>
<b>Total Governmental Activities Net Assets</b>	<u>\$ 31,580,623</u>	<u>\$ 27,643,198</u>	<u>\$ 25,035,712</u>	<u>\$ 23,397,890</u>	<u>\$20,466,291</u>
<b>Business-Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 7,459,945	\$ 4,264,961	\$ 1,545,867	\$ 363,827	\$ 150,722
Restricted	574,105	506,006	505,435	458,014	640,973
Unrestricted	<u>738,519</u>	<u>1,712,657</u>	<u>1,471,457</u>	<u>1,120,224</u>	<u>985,863</u>
<b>Total Business-Type Activities Net Assets</b>	<u>\$ 8,772,569</u>	<u>\$ 6,483,624</u>	<u>\$ 3,522,759</u>	<u>\$ 1,942,065</u>	<u>\$ 1,777,558</u>
<b>Primary government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 24,563,344	\$ 20,677,362	\$ 17,885,089	\$ 14,606,659	\$12,928,729
Restricted	5,969,984	4,565,680	3,740,701	3,747,684	2,911,627
Unrestricted	<u>9,819,864</u>	<u>8,883,780</u>	<u>6,932,681</u>	<u>6,985,612</u>	<u>6,403,493</u>
<b>Total Primary Government Net Assets</b>	<u>\$ 40,353,192</u>	<u>\$ 34,126,822</u>	<u>\$ 28,558,471</u>	<u>\$ 25,339,955</u>	<u>\$22,243,849</u>

(1) The large increase for unrestricted net assets from 2003 to 2004 is mainly due to increase in State revenue sharing and tax revenues.

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

	2005	2004	2003	2002	2001
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
<b>Charges for Services:</b>					
General Government	\$ 370,609	\$ 376,327	\$ 247,774	\$ 172,135	\$ 183,502
Public Safety	1,356,385	1,660,032	824,821	625,924	554,350
Physical Environment	828,907	850,887	799,637	785,683	-
Economic Environment	-	-	-	24,869	18,753
Cultural/Recreation	56,199	48,590	46,736	73,013	35,050
Operating Grants and Contributions	2,802,511	1,144,528	920,829	958,229	902,001
Capital Grants and Contributions	1,781,954	1,353,959	640,894	872,490	581,941
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 7,196,565</b>	<b>\$ 5,434,323</b>	<b>\$ 3,480,691</b>	<b>\$ 3,512,343</b>	<b>\$ 2,275,597</b>
<b>Business-Type Activities:</b>					
<b>Charges for Services:</b>					
Golf Course	\$ 1,381,817	\$ 1,648,308	\$ 1,377,245	\$ 1,365,027	\$ 1,088,104
Airport	434,818	201,890	168,451	179,373	193,649
Operating Grants and Contributions	13,582	67,576	-	51,087	123,673
Capital Grants and Contributions	2,289,986	2,451,212	1,149,437	214,175	299,334
<b>Total Business-Type Activities Program Revenues</b>	<b>\$ 4,120,203</b>	<b>\$ 4,368,986</b>	<b>\$ 2,695,133</b>	<b>\$ 1,809,662</b>	<b>\$ 1,704,760</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 11,316,768</b>	<b>\$ 9,803,309</b>	<b>\$ 6,175,824</b>	<b>\$ 5,322,005</b>	<b>\$ 3,980,357</b>
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$ 3,262,276	\$ 2,414,865	\$ 1,620,616	\$ 2,010,288	\$ 1,676,383
Public Safety	4,816,614	4,502,109	3,391,831	2,945,701	2,526,514
Physical Environment	1,283,889	1,279,257	1,920,200	508,616	452,116
Transportation	4,034,900	3,288,532	2,401,037	2,258,181	1,630,098
Economic Environment	32,128	86,041	166,024	223,207	241,692
Cultural/Recreation	1,260,395	823,974	747,910	881,260	768,802
Interest and Fiscal Charges	740,372	722,007	312,367	168,749	160,954
<b>Total Governmental Activities Expenses</b>	<b>\$ 15,430,574</b>	<b>\$ 13,116,785</b>	<b>\$ 10,559,985</b>	<b>\$ 8,996,002</b>	<b>\$ 7,456,559</b>
<b>Business-Type Activities:</b>					
Golf Course	\$ 1,464,532	\$ 1,527,051	\$ 1,363,359	\$ 1,393,551	\$ 1,341,001
Airport	519,235	350,949	315,941	283,726	313,877
<b>Total Business-Type Activities Expenses</b>	<b>\$ 1,983,767</b>	<b>\$ 1,878,000</b>	<b>\$ 1,679,300</b>	<b>\$ 1,677,277</b>	<b>\$ 1,654,878</b>
<b>Total Primary Government Expenses</b>	<b>\$ 17,414,341</b>	<b>\$ 14,994,785</b>	<b>\$ 12,239,285</b>	<b>\$ 10,673,279</b>	<b>\$ 9,111,437</b>

(continued)

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

	2005	2004	2003	2002	2001
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (8,234,009)	\$ (7,682,462)	\$ (7,079,294)	\$ (5,483,659)	\$ (5,180,962)
Business-Type Activities	2,136,436	2,490,986	1,015,833	132,385	49,882
<i>Total Primary Government Net Expense</i>	<u>\$ (6,097,573)</u>	<u>\$ (5,191,476)</u>	<u>\$ (6,063,461)</u>	<u>\$ (5,351,274)</u>	<u>\$ (5,131,080)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental Activities:</b>					
Property Taxes, Levied for General Purposes	\$ 4,017,555	\$ 3,420,971	\$ 2,944,456	\$ 2,615,939	\$ 2,557,333
Sales and Use Taxes	4,718,691	4,035,545	3,705,922	2,844,825	3,013,293
Franchise Fees	886,390	770,600	756,194	766,901	753,024
State Shared Revenues	2,138,020	1,721,956	1,523,524	2,068,753	1,336,046
Interest Earnings	398,518	398,158	241,358	118,840	236,307
Miscellaneous	118,760	388,562	79,662	-	-
Transfers	(106,500)	(445,844)	(534,000)	-	-
<i>Total Governmental Activities</i>	<u>\$ 12,171,434</u>	<u>\$ 10,289,948</u>	<u>\$ 8,717,116</u>	<u>\$ 8,415,258</u>	<u>\$ 7,896,003</u>
<b>Business-Type Activities:</b>					
Interest Earnings	\$ 45,709	\$ 23,774	\$ 21,789	\$ 32,122	\$ 99,521
Miscellaneous	300	261	9,072	-	-
Transfers	106,500	445,844	534,000	-	-
<i>Total Business-Type Activities</i>	<u>\$ 152,509</u>	<u>\$ 469,879</u>	<u>\$ 564,861</u>	<u>\$ 32,122</u>	<u>\$ 99,521</u>
<i>Total Primary Government</i>	<u>\$ 12,323,943</u>	<u>\$ 10,759,827</u>	<u>\$ 9,281,977</u>	<u>\$ 8,447,380</u>	<u>\$ 7,995,524</u>
<b>Change in Net Assets</b>					
Governmental Activities	\$ 3,937,425	\$ 2,607,486	\$ 1,637,822	\$ 2,931,599	\$ 2,715,041
Business-Type Activities	2,288,945	2,960,865	1,580,694	164,507	149,403
<i>Total Primary Government Change in Net Assets</i>	<u>\$ 6,226,370</u>	<u>\$ 5,568,351</u>	<u>\$ 3,218,516</u>	<u>\$ 3,096,106</u>	<u>\$ 2,864,444</u>

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>General Fund</b>					
Reserved	\$ 2,848,726	\$ 2,693,710	\$ 1,402,398	\$ 232,088	\$ 121,256
Unreserved	<u>3,254,741</u>	<u>2,421,182</u>	<u>2,479,452</u>	<u>3,690.659</u>	<u>3,406,083</u>
<b>Total General Fund</b>	<u>\$ 6,103,467</u>	<u>\$ 5,114,892</u>	<u>\$ 3,881,850</u>	<u>\$ 3,922,747</u>	<u>\$ 3,527,339</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 828,819	\$ 4,208,170	\$ 1,596,981	\$ 1,503,172	\$ 1,306,269
Unreserved, Reported in:					
Special Revenue funds	4,735,396	3,355,229	2,211,585	1,808,288	548,174
Capital Projects funds	<u>8,406,953</u>	<u>6,795,371</u>	<u>9,993,933</u> (1)	<u>2,384,557</u>	<u>2,609,201</u>
<b>Total All Other Governmental Funds</b>	<u>\$ 13,971,168</u>	<u>\$ 14,358,770</u>	<u>\$ 13,802,499</u>	<u>\$ 5,696,017</u>	<u>\$ 4,463,644</u>
<b>Total Governmental Funds</b>	<u><u>\$ 20,074,635</u></u>	<u><u>\$ 19,473,662</u></u>	<u><u>\$ 17,684,349</u></u>	<u><u>\$ 9,618,764</u></u>	<u><u>\$ 7,990,983</u></u>

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

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 64,341	\$ 43,113	\$ 3,303,761	\$ 7,940	\$ 6,666
<u>2,786,252</u>	<u>2,699,955</u>	<u>3,468,381</u>	<u>3,710,621</u>	<u>3,072,721</u>
<u>\$ 2,850,593</u>	<u>\$ 2,743,068</u>	<u>\$ 6,772,142</u>	<u>\$ 3,718,561</u>	<u>\$ 3,079,387</u>
\$ 2,021,740	\$ 605,270	\$ 168,093	\$ 167,980	\$ 144,320
456,461	217,969	-	-	-
<u>1,562,299</u>	<u>4,027,673</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,040,500</u>	<u>\$ 4,850,912</u>	<u>\$ 168,093</u>	<u>\$ 167,980</u>	<u>\$ 144,320</u>
<u><u>\$ 6,891,093</u></u>	<u><u>\$ 7,593,980</u></u>	<u><u>\$ 6,940,235</u></u>	<u><u>\$ 3,886,541</u></u>	<u><u>\$ 3,223,707</u></u>

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

	2005	2004	2003
<b>Revenues</b>			
Property and Other Local Taxes	\$9,483,664	\$8,179,344	\$7,325,932
Franchise Fees	886,390	770,600	756,194
Charges for Services	936,530	962,677	921,119
Licenses and Permits	1,587,675	1,867,920	878,097
Fines	95,699	118,918	119,752
Intergovernmental	5,561,695	3,115,520	1,785,237
Impact Fees	385,775	557,700	395,850
Special Assessments	11,023	28,424	22,560
Investment Earnings	398,518	398,158	241,358
Miscellaneous	144,057	378,268	91,078
<b>Total Revenues</b>	<b>19,491,026</b>	<b>16,377,529</b>	<b>12,537,177</b>
<b>Expenditures</b>			
Current:			
General Government	2,982,852	2,269,656	2,001,823
Public Safety	4,633,234	4,159,619	3,689,170
Physical Environment	944,634	1,142,905	1,392,071
Transportation	3,645,017	2,913,935	1,646,304
Economic Environment	32,128	86,041	166,024
Cultural and Recreation	1,065,122	771,219	672,179
Debt service:			
Principal Retirement	1,218,023	985,974	361,024
Interest and Fiscal Charges	711,736	887,564	158,043
Capital Projects	3,550,807	8,682,239	3,350,954
<b>Total Expenditures</b>	<b>18,783,553</b>	<b>21,899,152</b>	<b>13,437,592</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>707,473</b>	<b>(5,521,623)</b>	<b>(900,415)</b>
<b>Other Financing Sources (Uses)</b>			
Debt Proceeds	-	7,756,780	9,500,000
Lease Proceeds	-	-	-
Transfers In	3,745,265	2,745,754	2,992,908
Transfers Out	(3,851,765)	(3,191,598)	(3,526,908)
<b>Total Other Financing Sources (Uses)</b>	<b>(106,500)</b>	<b>7,310,936</b>	<b>8,966,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ 600,973</b>	<b>\$ 1,789,313</b>	<b>\$ 8,065,585</b>
Debt Service as a Percentage of Noncapital Expenditures	20.9%	15.2%	5.4%

2002	2001	2000	1999	1998	1997	1996
\$6,228,107	\$6,223,280	\$6,273,070	\$5,837,968	\$5,612,313	\$5,250,861	\$4,931,996
766,901	753,024	-	-	-	-	-
1,123,670	300,046	159,701	33,097	74,485	84,051	74,657
578,695	487,618	475,345	448,928	388,936	345,463	321,149
127,027	148,676	140,672	89,697	72,723	59,198	82,477
2,841,315	1,968,416	2,318,091	1,865,375	1,697,747	1,332,676	1,166,881
255,775	-	-	-	-	-	-
31,756	28,528	128,154	44,964	30,522	68,474	135,336
206,567	417,707	689,395	512,407	290,406	261,548	260,414
126,823	196,311	246,774	650	-	-	-
<u>12,286,636</u>	<u>10,523,606</u>	<u>10,431,202</u>	<u>8,833,086</u>	<u>8,167,132</u>	<u>7,402,271</u>	<u>6,972,910</u>
2,230,870	1,647,858	1,946,702	1,837,031	2,074,479	1,879,432	2,625,066
2,588,526	2,482,393	2,129,662	2,122,823	1,847,503	1,706,546	1,627,955
508,616	452,116	345,844	412,990	82,699	79,528	80,941
1,427,992	1,084,401	1,228,234	1,007,426	1,160,404	1,273,318	1,187,354
327,911	273,927	617	4,830	8,492	64,657	26,342
732,729	612,038	555,584	488,499	348,546	190,651	174,303
344,553	222,954	212,860	225,243	182,434	173,471	227,526
174,864	152,093	151,536	160,940	29,522	40,704	27,771
2,322,794	3,402,365	4,713,604	1,915,620	2,640,389	1,331,130	1,124,542
<u>10,658,855</u>	<u>10,330,145</u>	<u>11,284,643</u>	<u>8,175,402</u>	<u>8,374,468</u>	<u>6,739,437</u>	<u>7,101,800</u>
<u>1,627,781</u>	<u>193,461</u>	<u>(853,441)</u>	<u>657,684</u>	<u>(207,336)</u>	<u>662,834</u>	<u>(128,890)</u>
-	900,000	-	-	3,261,030	-	527,993
-	-	-	-	-	-	34,942
2,009,173	2,130,744	2,134,510	1,861,364	258	2,720	4,030
<u>(2,009,173)</u>	<u>(2,130,744)</u>	<u>(2,134,510)</u>	<u>(1,861,364)</u>	<u>(258)</u>	<u>(2,720)</u>	<u>(4,030)</u>
-	900,000	-	-	3,261,030	-	562,935
<u>\$ 1,627,781</u>	<u>\$ 1,093,461</u>	<u>\$ (853,441)</u>	<u>\$ 657,684</u>	<u>\$ 3,053,694</u>	<u>\$ 662,834</u>	<u>\$ 434,045</u>
6.3%	5.4%	5.5%	6.2%	3.7%	4.0%	4.3%

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Function/Program</b>					
<b>Governmental Activities:</b>					
General Government	\$ 587,527	\$ 392,471	\$ 1,095,902	\$ 172,135	\$ 226,786
Public Safety	1,537,557	1,850,710	929,952	785,373	633,230
Physical Environment	898,821	914,318	1,136,507	785,683	779,837
Transportation	3,392,883	1,670,534	1,580,076	3,038,913	2,285,809
Economic Environment	-	-	-	24,869	18,753
Cultural/Recreation	779,777	606,290	663,459	566,959	168,335
<b>Total Governmental Activities</b>	<u>\$ 7,196,565</u>	<u>\$ 5,434,323</u>	<u>\$ 5,405,896</u>	<u>\$ 5,373,932</u>	<u>\$ 4,112,750</u>
<b>Business-type activities:</b>					
Golf Course	\$ 1,395,399	\$ 1,715,884	\$ 1,377,245	\$ 1,365,517	\$ 1,088,104
Airport	2,724,804	2,653,102	1,317,888	444,145	616,656
<b>Total Business-Type Activities</b>	<u>\$ 4,120,203</u>	<u>\$ 4,368,986</u>	<u>\$ 2,695,133</u>	<u>\$ 1,809,662</u>	<u>\$ 1,704,760</u>
<b>Total Primary Government</b>	<u>\$ 11,316,768</u>	<u>\$ 9,803,309</u>	<u>\$ 8,101,029</u>	<u>\$ 7,183,594</u>	<u>\$ 5,817,510</u>

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Public Utility</u>	<u>Sales Tax</u>	<u>Motor Fuel</u>	<u>Total</u>
2005	\$ 4,017,555	\$ 2,005,124	\$ 2,713,567	\$ 747,418	\$ 9,483,664
2004	3,420,971	1,854,632	2,180,913	722,828	8,179,344
2003	2,944,456	1,780,717	1,925,205	675,554	7,325,932
2002 (1)	2,717,564	983,236	1,861,589	665,718	6,228,107
2001	2,608,989	1,151,685	1,861,608	600,998	6,223,280
2000 (2)	2,323,566	1,044,595	1,704,749	549,800	5,622,710
1999 (3)	2,734,068	413,045	1,553,672	484,054	5,184,839
1998	2,810,622	370,170	1,412,207	440,843	5,033,842
1997	2,664,153	345,977	1,244,543	453,858	4,708,531
1996	2,619,790	335,240	1,059,291	381,131	4,395,452

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

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

(3) Fiscal Year 1999 property tax revenue reflects a change in the property tax millage rate from 6.9000 to 6.5000.

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

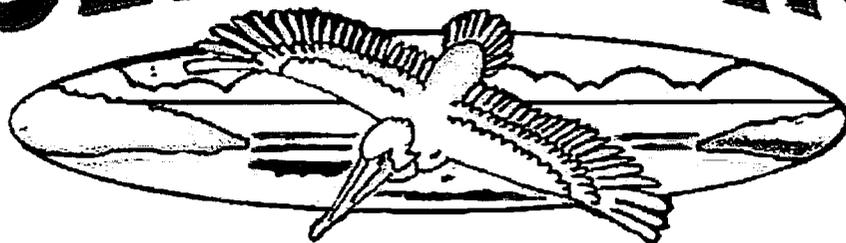
**City of Sebastian, Florida**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

Fiscal Year	City of Sebastian			Total County <sup>(1)</sup>	Indian River County School Board			Other <sup>(2)</sup>
	Operating Millage	Debt Service Millage	Total City Millage		Operating Millage	Debt Service Millage	Total School Millage	
1996	6.9000	--	6.9000	8.66433	9.13800	1.21000	10.34800	2.74083
1997	6.9000	--	6.9000	8.56874	9.15400	1.16500	10.31900	2.64544
1998	6.9000	--	6.9000	8.30490	9.00300	1.13700	10.14000	2.49690
1999	6.5000	--	6.5000	8.33160	8.61400	1.00000	9.61400	<sup>(3)</sup>
2000	5.0000	--	5.0000	8.24360	8.61400	1.00000	9.61400	1.52091
2001	5.0000	--	5.0000	8.24860	8.67700	0.88000	9.55700	1.62899
2002	4.5904	--	4.5904	8.08410	8.40200	0.68000	9.08200	1.14845
2003	4.5904	--	4.5904	8.03020	8.10200	0.63000	8.73200	1.43875
2004	4.5904	--	4.5904	7.93960	8.17900	0.53100	8.71000	1.69278
2005	4.5904	--	4.5904	7.35050	8.01900	0.48000	8.49900	1.43029

- (1) Millage includes General Fund, M.S.T.U.s. Emergency Services District and Land Bonds.
- (2) All Special Taxing Districts.
- (3) Information not available.

Source: Indian River County Property Appraiser's Office

CITY OF  
**SEBASTIAN**



**HOME OF PELICAN ISLAND**

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

Fiscal Year	Real Property		Personal Property		Exemptions Real Property
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1996	\$ 531,461.580	\$ 664,326,975	\$ 24,774,960	\$ 24,774,960	\$ 161,007,095
1997	563,855.210	704,819,013	30,303,882	30,303,882	172,478,432
1998	587,811,960	734,764,950	31,210,876	31,210,876	177,515,747
1999	626,274,970	782,843,713	46,027,721	46,027,721	187,751,454
2000	656,619,860	820,774,825	42,216,162	41,533,985	190,327,263
2001	754,577,150	943,221,438	45,195,579	45,195,579	198,445,669
2002	829,224,615	1,036,530,769	45,355,170	45,355,170	205,977,066
2003	946,293,950	1,182,867,438	48,613,628	48,613,628	217,554,663
2004	1,157,275,164	1,446,593,955	51,330,277	51,330,277	228,262,825
2005	1,526,923,406	1,908,654,258	51,827,624	51,827,624	271,466,364

Source: Indian River County Property Appraiser

(1) Total assessed value based on approximately 80 percent of estimated actual value.

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<u>Total Assessed Value</u>	<u>Total Estimated Actual Value</u>
\$ 556,236,540	\$ 689,101,935
594,159,092	735,122,895
619,022,836	765,975,826
672,302,691	828,871,434
698,836,022	862,308,810
799,772,729	988,417,017
874,579,785	1,081,885,939
994,907,578	1,231,481,066
1,208,605,441	1,497,924,232
1,578,751,030	1,960,481,882

**City of Sebastian, Florida**

Principal Taxpayers

Year 2005 and Year 1998

Taxpayer	2005			1998		
	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Florida Power & Light	\$ 15,407,800	1	2.19%	\$ 6,448,890	3	1.02%
Wal-Mart Stores Inc.	12,001,110	2	1.70%	7,843,080	2	1.24%
Maronda Homes Inc.	10,549,810	3	1.50%	--		--
BellSouth Communications	8,086,380	4	1.15%	7,930,440	1	1.26%
512 Commerce Center LLC	6,897,720	5	0.98%	--		--
BW US 1 Inc	5,712,340	6	0.81%	--		--
Adams Homes Of Northwest FL	5,558,050	7	0.79%	--		--
Fischer, Henry Anthony	4,987,844	8	0.71%	--		--
Sandy Pines LTD	4,728,268	9	0.67%	--		--
Mercedes Homes Inc.	4,245,330	10	0.60%	--		--
Lynch, Robert N. (Bishop)	--		--	3,665,790	4	0.58%
Park Place MHP Ltd	--		--	2,737,650	5	0.43%
Grace's Landing Ltd	--		--	2,111,580	6	0.34%
Falcon Cable Media	--		--	1,618,367	7	0.26%
Winn Dixie Stores Inc.	--		--	1,586,073	8	0.25%
Sebastian Center Ltd	--		--	1,316,420	9	0.21%
Ringhaver Equipment	--		--	780,155	10	0.12%
	<u>\$ 78,174,652</u>		<u>11.10%</u>	<u>\$ 36,038,445</u>		<u>5.71%</u>
Total Assessed Valuation	<u>\$ 850,999,257</u>			<u>\$ 630,218,290</u>		

(1) Principal property tax payers for nine years ago is not available. The information is available from 1998 and forward.

Source: Indian River County Property Appraiser's Office

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

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections To Tax Levy</u>	<u>Delinquent Tax Collections (1)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
2005	\$ 3,888,488	\$ 3,723,912	96 %	\$ 1,712	\$ 3,725,624	95.81 %
2004	3,216,940	3,130,521	97	34,247	3,164,768	98.38
2003	2,862,650	2,725,515	95	26,908	2,752,423	96.15
2002	2,635,277	2,489,854	94	36,421	2,526,275	95.86
2001	2,542,544	2,455,930	97	51,690	2,507,620	98.63
2000	2,422,756	2,283,898	94	35,050	2,318,948	95.72
1999	2,869,796	2,726,857	95	2,912	2,729,769	95.12
1998	2,909,597	2,679,819	92	130,803	2,810,622	96.60
1997	2,727,083	2,513,627	92	150,526	2,664,153	97.69
1996	2,667,313	2,463,039	92	156,752	2,619,791	98.22

Source: Indian river County Property Appraiser and Tax Collector

(1) Does not include penalties and interest on delinquent taxes.

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

Year	Governmental Activities				Business-type	Total Primary Government	Per Capita
	Water Line Assessment Bonds	Roadway Improvement Notes	Infrastructure Sales Tax Bonds	Stormwater Utility Revenue Bonds	Golf Course Revenue Bonds		
2005	\$ -	\$ 2,004,718	\$ 10,490,000	\$ 5,290,000	\$ 1,395,000	\$ 19,179,718	\$ 957
2004	-	2,209,745	11,140,000	5,525,000	1,885,000	20,759,745	1,072
2003	77,615	2,406,028	9,500,000	-	2,115,000	14,098,643	765
2002	134,299	2,593,939	-	-	2,335,000	5,063,238	295
2001	187,901	2,773,847	-	-	2,435,000	5,396,748	324
2000	238,589	2,946,113	-	-	1,500,000 (1)	4,684,702	290
1999	286,521	3,111,041	-	-	1,610,000	5,007,562	319
1998	322,044	3,268,890 (2)	-	-	1,715,000	5,305,934	351
1997	367,764	158,250	-	-	1,815,000	2,341,014	162
1996	415,303 (3)	276,566	-	-	1,910,000	2,601,869	186

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

(2)The City issued a \$3,268,890 promissory note to finance costs of roadway improvements in 1998.

(3) The City issued a \$527,993 Revenue Bonds in 1996 for the the costs to construct a waterline along the riverfront.

**City of Sebastian, Florida**  
**Computation of Legal Debt Margin**  
**September 30, 2005**

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Assessed Valuation		
Assessed taxable real property value	\$	1,255,457.042
Add back: exempt real property		271,466.364
Total assessed value of real property	\$	<u>1,526,923.406</u>
Legal debt margin:		
Debt limitation - 5 percent of total assessed real property value (1)	\$	76,346,170
Debt applicable to limitation		
Total bonded debt	\$	18,207.174
Less: revenue bonds		<u>(15,780.000)</u>
Total applicable to limitation		<u>2,427.174</u>
Legal debt margin	\$	<u>73,918.996</u>

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

**City of Sebastian, Florida**  
**Direct and Overlapping Governmental Activities Debt**  
**General Obligation Bonds**  
**September 30, 2005**

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

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Debt Limit (1)	\$ 76,346,170	\$ 57,863,758	\$ 47,314,698	\$ 82,922,462
Total net debt applicable to limit	<u>2,427,174</u>	<u>2,760,196</u>	<u>3,078,556</u>	<u>3,382,896</u>
Legal debt margin	<u>\$ 73,918,996</u>	<u>\$ 55,103,562</u>	<u>\$ 44,236,142</u>	<u>\$ 79,539,566</u>
Total net debt applicable to the limit as a percentage of debt limit	3.18%	4.77%	6.51%	4.08%

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

\*Data from 1996 through 1998 not available

<u>2.001</u>	<u>2,000</u>	<u>1999</u>
\$ 75,457,715	\$ 65,661,986	\$ 62,627,497
<u>3,673,847</u>	<u>2,946,113</u>	<u>3,111,041</u>
<u>\$ 71,783,868</u>	<u>\$ 62,715,873</u>	<u>\$ 59,516,456</u>
4.87%	4.49%	4.97%

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

<b>Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001</b>							
Fiscal Year	Gross Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
1996	\$1,213,952	\$ 808,254	\$405,698	\$ 90,000	\$ 116,830	\$ 206,830 <sup>(3)</sup>	1.96 <sup>(4)</sup>
1997	1,356,609	833,382	523,227	95,000	112,600	207,600 <sup>(3)</sup>	2.52 <sup>(4)</sup>
1998	1,351,368	874,334	477,034	100,000	107,850	207,850 <sup>(3)</sup>	2.30 <sup>(4)</sup>
1999	1,414,976	891,914	523,062	105,000	102,650	207,650 <sup>(3)</sup>	2.52 <sup>(4)</sup>
2000	1,450,487	947,145	503,342	110,000	96,980	206,980 <sup>(3)</sup>	2.43 <sup>(4)</sup>
2001	1,165,091 <sup>(5)</sup>	1,043,741 <sup>(5)</sup>	121,350	--	--	-- <sup>(6)</sup>	-- <sup>(7)</sup>
2002	1,386,424	1,020,640	365,784	100,000	94,290	194,290 <sup>(6)</sup>	1.88 <sup>(7)</sup>
2003	1,400,154	968,052	432,102	220,000	85,490	305,490 <sup>(6)</sup>	1.41 <sup>(7)</sup>
2004	1,497,053	1,108,770	388,283	230,000	76,290	306,290 <sup>(6)</sup>	1.27 <sup>(7)</sup>
2005	1,395,436	1,023,002	372,434	240,000	66,690	306,690 <sup>(6)</sup>	1.21 <sup>(7)</sup>

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

- (1) Total revenues including charges for services, rents, and interest.
- (2) Total direct operating expenses excludes depreciation, amortization, annual Airport lease payment, and one time hurricane repairs and upgrade.
- (3) Golf Course Bond, Series 1985 refunded in 1992 with Series 1992.
- (4) Required coverage is 1.0.
- (5) Golf Course closed for four months for renovations.  
Golf Course Bond, Series 1992 refunded with Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001.
- (6) Required coverage is 1.25.
- (7) Total revenues consist of stormwater utility fees and interest.
- (8) Required coverage is 1.35.

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Stormwater Utility Revenue Bonds, Series 2003

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Gross Revenues <sup>(8)</sup>	Debt Service			Coverage <sup>(9)</sup>
	Principal	Interest	Total	
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ 779,724	\$ 105,000	\$ 104,386	\$ 209,386	3.72
792,886	235,000	206,673	441,673	1.80

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

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Year	Population	Total Personal Income (1)	Per Capita Personal Income (1)	Median Household Income (1)	Median Age (2)
2005	20,048	(5)	(5)	(5)	(5)
2004	19,365	(5)	(5)	(5)	(5)
2003	18,425	\$4,804,190,000	\$39,953	\$50,900	(5)
2002	17,167	4,592,277,000	\$38,925	(5)	(5)
2001	16,667	4,552,238,000	\$39,462	(5)	(5)
2000	16,181	4,207,683,000	\$37,110	\$40,063	49.2
1999	15,707	3,983,019,000	\$35,788	\$37,947	(5)
1998	15,115	3,770,896,000	\$34,608	\$37,398	(5)
1997	14,470	3,494,975,000	\$32,881	\$35,895	(5)
1996	13,967	3,260,652,000	\$31,479	(5)	(5)

**Sources:**

- (1) Florida Research & Economic Database. Information available for Indian River County only.
- (2) U.S. Census Bureau
- (3) Indian River County School Board
- (4) Indian River County Property Appraiser
- (5) Information not available

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Educational Attainment: Bachelor's Degree or higher (2)	School Enrollment (3)	Unemployment Rate (1)	Total Assessed Property Value (4)
(5) %	5,258	4 %	\$ 1,578,751.030
(5)	4,917	7.6	1,208,605,441
(5)	4,340	7.5	994,907,578
(5)	4,309	7.8	874,579,785
(5)	1,371	7.4	799,772,729
23.1	1,342	6.5	698,836,022
(5)	1,383	7.5	672,302,691
(5)	1,410	7.9	619,022,836
(5)	1,324	8.1	594,159,092
(5)	1,313	9.0	556,236,540

**City of Sebastian, Florida**  
Principal Employers  
Year 2004 and Five Years Ago

<b>2004</b>		
Employer	Number of Employees	Percentage of Total County Employment
Publix Supermarket	931	1.64 %
Gracewood Fruit Packing	700	1.24
The New Piper Aircraft	688	1.21
Wal-Mart	540	0.95
Hale Indian River Groves	500	0.88
Sebastian River Medical Center	500	0.88
John's Island	500	0.88
Winn-Dixie	306	0.54
Indian River Estate	399	0.70
Disney's Vero Beach Resort	375	0.66
Visiting Nurse Association	332	0.59
<b>Total</b>	<u><u>5,771</u></u>	<u><u>10.18 %</u></u>
<b>Total County Employees</b>	<u><u>56,681</u></u>	

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

Source: Indian River County Chamber of Commerce

\* Principal employers information available for Indian River County only.

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

<u>Function/program</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>General Government:</b>										
City Council	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
City Manager	5.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	4.0
City Clerk	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
City Attorney	2.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Finance	5.0	5.0	5.0	6.0	6.0	5.0	5.0	5.0	5.0	7.0
Mgmt Information Svcs	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0
Building Maintenance	2.0	0.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Growth Management	4.0	4.0	4.0	4.0	4.0	4.0	6.0	0.0	0.0	0.0
<b>Public Safety:</b>										
Police Department	59.0	56.5	54.5	53.0	52.5	50.0	47.0	45.0	43.0	40.5
Building Department	9.0	8.0	7.0	7.0	6.0	6.0	6.0	0.0	0.0	0.0
<b>Transportation:</b>										
Roads & Drainage	12.5	14.5	11.5 (1)	23.5	26.5	27.5	24.0	22.0	27.0	26.0
Central Garage	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.5	3.5
Airport	3.5	2.5	2.5	1.5	1.0	0.5	0.5	0.5	0.5	0.0
<b>Physical Environment:</b>										
Engineering	8.0	8.0	7.5	8.0	6.5	6.5	6.0	6.0	6.5	6.0
Stormwater Utility	13.0	12.0	12.0 (1)	1.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cultural/Recreation:</b>										
Parks & Recreation	23.5	17.5	16.5	14.0	14.0	10.0	10.0	10.0	5.0	5.0
Cemetery	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Golf Course	12.5	13.5	13.5	14.5	12.5	12.5	11.5	11.5	11.5	11.5
<b>Totals:</b>	<u>175.5</u>	<u>163.0</u>	<u>159.5</u>	<u>157.0</u>	<u>153.5</u>	<u>145.5</u>	<u>138.0</u>	<u>122.0</u>	<u>120.5</u>	<u>119.0</u>

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

Source: City of Sebastian, Florida 1997-2006 Annual Budgets

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

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

Function/program	2005	2004	2003	2002	2001	2000	1999
<b>General Government</b>							
Number of Annexation Approved	1	6	3	0	1	1	0
Acres of Annexed Property	26	484	80	0	80	6	0
Purchase Orders Issued	369	408	372	357	411	406	397
<b>Public Safety</b>							
<b>Police Department</b>							
Physical Arrest	786	653	557	515	627	738	481
Traffic Violations	5,457	5,431	1,939	2,528	2,781	3,562	2,413
Parking Violations	303	3,801	632	207	198	305	53
<b>Building Department</b>							
Construction Permits Issued	774	577	544	363	315	317	210
Estimated Value of Construction (in millions)	\$ 114.7	\$ 112.3	\$ 82.7	\$ 38.9	\$ 29.0	(1)	\$ 9.8
<b>Transportation</b>							
Road Maintenance (man hours)*	100	878	850	827	(1)	(1)	(1)
Asphalt for road maintenance (tons)	125	88	79	75	(1)	(1)	(1)
Concrete for road maintenance (yards) (2)	0	283	277	275	(1)	(1)	(1)
<b>Physical Environment</b>							
<b>Cemetery</b>							
Cemetery Internments	79	69	81	73	78	77	52
Grave Deeds Sold	56	86	45	54	67	85	34
<b>Stormwater</b>							
Mile of Swales Maintained	280	280	280	280	280	(1)	(1)
Mile of Ditches Maintained	50	50	50	50	50	(1)	(1)
Road Crossing Maintained	30	30	30	30	30	(1)	(1)
Catch Basins/Culverts	275	275	275	250	248	(1)	(1)
<b>Recreation</b>							
Recreation Center attendance	5,504	7,498	(1)	(1)	(1)	(1)	(1)
Number of Discount Cards	1,000	993	855	890	746	791	(1)
Number of Golf Course Memberships	85	116	137	169	190	212	(1)
Average daily golf revenue	\$3,854	\$4,207	\$3,693	\$3,588	\$2,844	\$8,348	\$4,996

(1) Information not available

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

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

\*Data from 1996 through 1998 not available

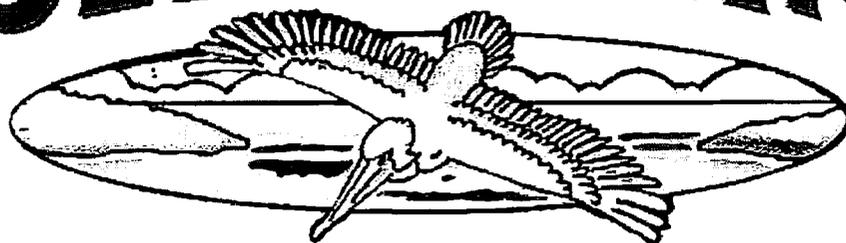
**City of Sebastian, Florida**  
**Capital Asset Statistics by Function/Program**  
**Last Seven Fiscal Years**

<b>Function/program</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>General Government</b>							
Square Footage Occupied	21,500	5,516	5,516	5,516	5,516	5,516	5,516
Departmental Vehicles	5	2	2	2	3	3	3
<b>Public Safety</b>							
Police Stations	1	1	1	1	1	1	1
Square Footage of Police Department	25,600	8,700	8,700	8,700	8,700	8,700	8,700
Square Footage of Building Department	2,500	1,716	1,716	1,716	1,716	1,716	1,716
Police Vehicles	52	47	42	40	33	32	24
Building Inspector Vehicles	5	4	4	5	4	3	2
<b>Transportation</b>							
Streets (miles)	156	156	149.6	140.0	140.0	140.0	140.0
Number of Streetlights	3,555	3,543	3,543	3,531	3,531	3,319	1,156
Airport	1	1	1	1	1	1	1
Public Service Vehicles	14	24	18	22	19	16	16
<b>Physical Environment</b>							
Public Service Vehicles	13	6	7	4	4	4	4
<b>Recreation</b>							
Number of Parks	12	12	12	10	10	10	9
Recreation Centers	2	2	2	2	2	2	2
Park Acreage	223.37	223.37	223.37	207.85	196.47	196.47	194.38
Recreation Center Square Footage	4,859	4,859	4,859	4,859	4,859	4,859	4,859
Park Maintenance Vehicles	10	8	6	6	5	5	5
Golf Course	1	1	1	1	1	1	1
Golf Course Maintenance Vehicles	0	0	0	0	0	0	0

**Sources: City of Sebastian Finance Department and Growth Management Department**

\*Data from 1996 through 1998 not available

CITY OF  
**SEBASTIAN**



**HOME OF PELICAN ISLAND**

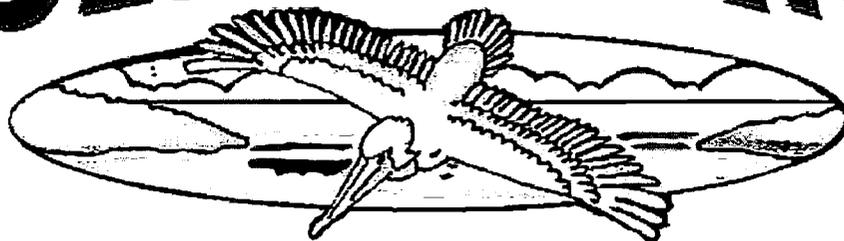
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# **SINGLE AUDIT SECTION**

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

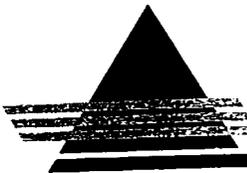
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards
- Independent Auditor's Report on Compliance with requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs – Federal Programs and State Projects
- Schedule of Expenditures of Federal Awards and State Financial Assistance

CITY OF  
**SEBASTIAN**



**HOME OF PELICAN ISLAND**

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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**

Charles W. Hoyman, Jr.  
Barbara J. Oswalt  
Thomas I. Kirk  
Karen E. Kirkland  
Deborah A. Bradley  
DIRECTOR EMERITUS  
Roger W. Dobson  
Eugene K. Bjerning

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Sebastian, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

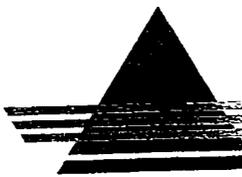
As part of obtaining reasonable assurance about whether the City of Sebastian, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

We noted certain matters that we reported to management of the City of Sebastian in a separate letter, Independent Auditors' Management Letter Comments, dated January 19, 2006.

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

*Hoyman, Dobson & Company, P.A.*  
Hoyman, Dobson & Company, P.A.  
January 19, 2006

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**HOYMAN, DOBSON & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

215 Baytree Drive, Melbourne, Florida 32940, 321-255-0088, Fax 321-259-8648, www.hoyman.com

Charles W. Hoyman, Jr.  
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Eugene K. Bjerning

**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the City of Sebastian, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2005. The City of Sebastian, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City of Sebastian, Florida's management. Our responsibility is to express an opinion on the City of Sebastian, Florida's compliance based on our audit.

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

In our opinion, the City of Sebastian, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2005. However, we noted a certain matter that we reported to management of the City of Sebastian in a separate letter, Independent Auditors' Management Letter Comments, dated January 19, 2006.

### Internal Control Over Compliance

The management of the City of Sebastian, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City of Sebastian, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Hoyman, Dobson & Company, P.A.*  
Hoyman, Dobson & Company, PA  
January 19, 2006

CITY OF SEBASTIAN, FLORIDA  
 Schedule of Findings and Questioned Costs –  
 Federal Programs And State Projects  
 Fiscal Year Ended September 30, 2005

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements

Type of Auditors’ report issued:

Internal control over financial reporting:

**Unqualified**

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Reportable conditions(s) identified not considered  
to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

Federal Awards

Internal control over major programs and projects:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Reportable conditions(s) identified not considered  
to be material weaknesses? \_\_\_\_\_ yes   X   none reported

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

**Unqualified**

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal CFDA No.</u>
U.S. Department of Transportation – Airport Improvement Program	20.106
Department of Homeland Security – Federal Emergency Management Agency	97.036
 <u>Dollar threshold used to distinguish between Type A and Type B programs</u>	 <u>\$300.000</u>
Auditee qualified as low-risk auditee?	_____ <u>  X  </u> yes _____ no

**CITY OF SEBASTIAN, FLORIDA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Federal Programs And State Projects**  
**Fiscal Year Ended September 30, 2005**

State Awards

Internal control over major projects:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Reportable conditions(s) identified not considered  
 To be material weaknesses? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required  
 to be reported in accordance with Chapter 10.550,  
 Rules of the Auditor General? \_\_\_\_\_ yes  X  no

Identification of major projects:

<u>Name of State Project</u>	<u>State CSFA No.</u>
Florida Department of Transportation -	
Clear Runway 9/27 Safety Areas	55.004
Wetland and Environmental Mapping & Reports	55.004
Infrastructure Development	55.004
Construct Access Roads	55.004
Install Security Upgrades	55.004
Construct Administration Building	55.004
Reactivate Runway 9/27, Phase II	55.004
Rehab Taxiway A and Apron and Construct Administration Building Apron	55.004
 Dollar threshold used to distinguish Between Type A and Type B Projects:	 <u>\$182,388</u>

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**CITY OF SEBASTIAN, FLORIDA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Federal Programs And State Projects**  
**Fiscal Year Ended September 30, 2005**

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS**

No matters were reported.

**SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS**

No matters were reported.

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**CITY OF SEBASTIAN, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

Federal / State Agency Pass-through Entity <u>Federal Program / State Project</u>	CFDA CSFA <u>No.</u>	Contract Grant <u>No.</u>	<u>Expenditures</u>	<u>State Matching</u>
<b>U.S. Department of Justice</b>				
<b>Direct Programs:</b>				
Office of Justice Programs				
COPS Secure Our Schools	16.710	2004CKWX0453	\$ 32,616	\$ -
Bulletproof Vest Partnership	16.607	N/A	2,246	-
Gang Resistance Education & Training (G.R.E.A.T.)	21.053	2004-JV-FX-0136	760	-
Gang Resistance Education & Training (G.R.E.A.T.)	21.053	2005-JV-FX-0029	9,894	-
<b>Indirect Programs:</b>				
Passed through Florida Department of Law Enforcement				
Local Law Enforcement Block Grant	16.592	2005-LEBG-INRI-3-1.4-140	<u>4,604</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>50,120</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
<b>Direct Programs:</b>				
Federal Aviation Administration - Airport Improvement Program				
Clear Runway 9/27 Safety Areas	20.106	3-12-0145-003-2002	48,175	-
Rehabilitate Runway 9/27; Construct Taxiway "B"	20.106	3-12-0145-004-2003	420,263	-
Rehabilitate Taxiway A; Construct General Aviation Terminal Apron	20.106	3-12-0145-005-2004	1,195,671	-
Hurricane Grant Offer	20.106	12-0145-E1-2005	38,413	-
<b>Indirect Program: Pass thru Indian River County</b>				
Federal Highway Administration				
Disaster Relief Funding	20.205	FL-04-04	<u>168,106</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>1,870,628</u>	<u>-</u>
<b>Department of Homeland Security</b>				
<b>Indirect Program - Pass thru Florida Department of Community Affairs</b>				
Federal Emergency Management Agency				
Hurricane Frances	97.036	FEMA-1545-DR-FL	624,129	30,682
Hurricane Jeanne	97.036	FEMA-1561-DR-FL	<u>1,794,882</u>	<u>85,361</u>
<b>Total Department of Homeland Security</b>			<u>2,419,011</u>	<u>116,043</u>
<b>U.S. Department of Housing and Urban Development</b>				
<b>Indirect Program - Pass thru Florida Department of Community Affairs</b>				
Small Cities Community Development Block Grant				
Louisiana Avenue Improvement Program	14.228	03DB-1A-10-40-02-N34	<u>606,640</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>606,640</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS:</b>			<u>\$ 4,946,399</u>	<u>\$ 116,043</u>

**CITY OF SEBASTIAN, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

Federal / State Agency Pass-through Entity <u>Federal Program / State Project</u>	CFDA CSFA <u>No.</u>	Contract Grant <u>No.</u>	<u>Expenditures</u>
<b>Department of Environmental Protection</b>			
Direct Projects:			
Florida Recreation Development Assistance Program			
Riverview Park Expansion	37.017	F03394	\$ 4,462
<b>Total Department of Environmental Protection</b>			<u>4,462</u>
 <b>Department of Transportation</b>			
Direct Projects:			
Joint Participation Agreement with Florida			
Department of Transportation Aviation			
Administration:			
Clear Runway 9/27 Safety Areas	55.004	407552-1-94-01	3,400
Wetland and Environmental Mapping & Reports	55.004	407632-1-94-01	1,009
Infrastructure Development	55.004	407682-1-94-01	324,759
Construct Access Roads	55.004	407706-1-94-01	19,333
Install Security Upgrades	55.004	412373-1-94-01	1,045
Construct Administration Building	55.004	412382-1-94-01	185,050
Reactivate Runway 9/27, Phase II	55.004	412384-1-94-01	21,402
Rehab Taxiway A & Apron and Construct Administration Building Apron	55.004	415216-1-94-01	31,465
 District Maintenance			
Lighting Maintenance and Compensation Agreement	55.023	405122-1-72-63	16,036
<b>Total Department of Transportation</b>			<u>603,499</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:</b>			<u>\$ 607,961</u>

The accompanying notes are an integral part of the audit.

**CITY OF SEBASTIAN, FLORIDA**  
**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**September 30, 2005**

The accounting policies and presentation of the Single Audit Report of City of Sebastian, Florida, (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental unites, including the reporting and compliance requirements of the Audits of State, Local Governments, and Non-Profit Organizations and Office of management and Budget Circular A-133.

**A. Reporting Entity**

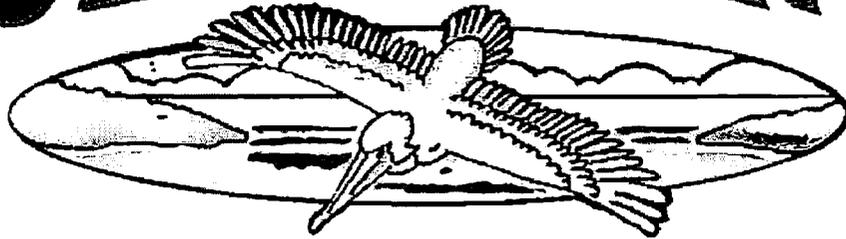
The reporting entity consists of City of Sebastian, the primary government, and each of its component units. The City includes a Schedule of Expenditures of federal Awards and State Financial Assistance in the Single Audit Section.

**B. Basis of Accounting**

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

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

CITY OF  
**SEBASTIAN**



**HOME OF PELICAN ISLAND**

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Charles W. Hoyman, Jr.  
Barbara J. Oswald  
Thomas L. Kirk  
Karen E. Kirkland  
Deborah A. Bradley  
DIRECTOR EMERITUS  
Roger W. Dobson  
Eugene K. Bjerning

### Independent Auditors' Management Letter

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

We have audited the financial statements of the City of Sebastian, Florida, as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated January 19, 2006.

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 OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance with OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 19, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(l)(g)l.a.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no findings of this nature in the prior year audit report.

The Rules of the Auditor General (Section 10.554(l)(g)l.b.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The status of the findings from the prior year management letter is as follows:

<u>Finding</u>	<u>Status</u>
1. Grant compliance	Repeated/Revised/Renamed Purchasing
2. Information Technology – Logical Access Controls	
A. through D.	Cleared
E.	Repeated/Revised
3. Information Technology – Operations	Cleared
4. FEMA Expenditure	Cleared

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

The Rules of the Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures, (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. We noted the following matters:

#### 1. Purchasing

Criteria: An objective of internal control is to ensure purchasing transactions are executed in compliance with laws, regulations, and the provisions of grant agreements and contracts.

Condition: The system to monitor compliance with laws, regulations, grant agreements and contracts could be strengthened.

Context: The decentralized system places accountability with the individual departments requiring more individuals to be knowledgeable of the City's purchasing policies.

Effect: Failure to monitor the bid process could result in the City being in non-compliance with State statutes or grant agreements and a reduction in federal or state grant funding.

Recommendation: Although we noted no significant issues during our testing, we recommend that the City develop policies and procedures to strengthen internal controls over the bid process that allow for the best performance of the decentralized system while enabling management to monitor compliance with State Statutes, grant agreements and City policies. We recommend that clear guidelines be provided to the departments enabling them to consistently follow the City's existing procurement policies and procedures. A checklist in the front of each bid file could be one form of guidance. We further recommend implementing a central numbering system to index all bids as a management tool for monitoring the bid process.

Management response: Since changing the process, to date, no violations of state statutes or grant agreements have occurred. To assist in this transition, City management will centralize a "filing" station for the procurement process where bids will be filed and indexed in the City Manager's office.

## 2. Information Technology – Logical Access Controls

E. Criteria: Access to the network is authorized only to active employees with a job requirement for access.

Condition: Network access authorization was not updated.

Context: We noted from the list of terminated employees we reviewed that only one still had an active account on the network. We also noted that there were some accounts that had either NEVER accessed the organization's network or had not done so for over 30 days which poses the risk of these accounts being used to access the organization's systems without being noticed.

Recommendation: We recommend that policies governing the termination of employees clearly outline how to handle the password for terminated employees. The account should at a minimum be disabled and the password changed. The security officer should be provided with names of terminated employees as soon as administratively possible and then should perform periodic reviews of the active accounts on the network and in the various applications.

Management response: A Management Information System Policy and Procedure has been developed and implemented to address the security issues. MIS staff will follow the policy and procedure more closely in the future to make sure network access authorization is updated as soon as the notice has been received from the Human Resources Department.

## 3. Rental Agreement

Criteria: Generally, rent expense under non-cancelable operating leases should be recognized on a straight-line method over the period of the lease.

Condition: Management did not record the rental expense or the related liability for the golf course lease with the airport based on generally accepted accounting principles. These principles require the expense be recorded on a straight-line basis over the life of the lease and a liability should be recognized. In addition, the revenue to the airport also was not recognized on a straight-line basis and the receivable was not recorded. The accounting treatment by management was based on obtaining FAA approval of a new lease agreement that would not require rent increases.

Context: The adjustment to straight-line for fiscal year 2005 is \$20,000 and for fiscal year 2004 is \$30,000.

Effect: The golf course expenses are understated by \$50,000. The airport revenue is understated by \$20,000. If the rent concession liability had been recorded the golf course loss would have increased from \$47,492 to \$97,492 reducing the unrestricted fund balance from \$71,534 to \$21,534.

Cause: The City contends the \$120,000 is the fair rental amount based on the operations of the golf course and investigation of other golf courses paying rent to FAA funded comparable airports and believes the FAA will approve removing the rent increases from the agreement. The City has been in verbal communication with the FAA regarding changing the rental agreement.

Recommendation: We recommend the City follow the terms of the existing lease, account for the rental payments following the generally accepted method of recording the rent using the straight-line basis over the life of the lease and only implement the change after a new lease is in place.

Management response: The generally accepted accounting principle to straight-line an anticipated expense has no pragmatic approach to the overall financial well being of the Golf Course Fund, except to "smooth-out" the effects of a scheduled increasing expense. The method implemented by management was reviewed and approved by financial advisors. Management staff is currently reviewing the potential of a fund merger, which will make obsolete the current lease schedule. The FAA has reviewed and approved this proposal. This merger has not been made by the end of FY 05 and once implemented will make null and void the necessity of this accounting practice.

The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the City of Sebastian, Florida is disclosed in the footnotes. The City of Sebastian, Florida's component unit, the Police Officer's Pension Plan, was established under Section 58-46 through 58-54 Code of Ordinances in October 1989.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the City of Sebastian, Florida has not met any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b.), we determined that the annual financial report for the City of Sebastian, Florida for the fiscal year ended September 30, 2005, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

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

As required by the Rules of the Auditor General (Section 10.554(l)(g)6.c. and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

*Hoyman, Dobson & Company, P.A.*  
Hoyman, Dobson & Company, PA  
January 19, 2006