

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



*The City of Sebastian Elementary School opened in 1927*

## CITY OF SEBASTIAN FLORIDA

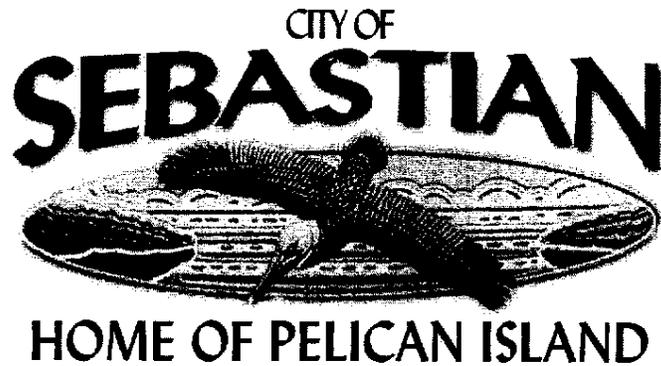
**For the Fiscal Year October 1, 2006 through September 30, 2007**

*The City of Sebastian Elementary School opened in 1927. It served as an elementary school until 1982, when the City of Sebastian administration offices officially moved in. In August 2001, the building was listed as a National Historic Place. In August 2002, the City entered into a grant agreement with the Division of Historical Resources which provided \$250,000 to help pay for building renovations.*

*In September of 2007, renovations were completed and included installing an elevator, making restrooms accessible for the disabled, repairing the roof, re-carpeting and re-finishing all floors, and re-painting the entire inside of the building. The total cost of this project was \$957,000.*

*This historic building is now home to Indian River Community College, the Sebastian Area Historical Museum and the Abilities Resource Center.*

# CITY OF SEBASTIAN, FLORIDA



## Comprehensive Annual Financial Report For the Year Ended September 30, 2007

### CITY COUNCIL

Andrea B. Coy ..... Mayor  
Sal Neglia ..... Vice-Mayor  
Al Paternoster ..... Councilmember  
Dale I. Simchick ..... Councilmember  
Eugene Wolff..... Councilmember

Prepared By: Finance Department



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# **INTRODUCTORY SECTION**

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year Ended September 30, 2005
- Organizational Chart
- List of Officials

**CITY OF SEBASTIAN, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2007**

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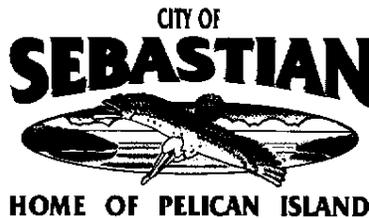
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1225 MAIN STREET • SEBASTIAN, FLORIDA 32958  
TELEPHONE: (772) 589-5330 • FAX (772) 589-5570

February 28, 2008

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, 2007, 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, 2007.

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

Chapter 218.39, Florida Statutes requires that the financial statements of the City of Sebastian be audited by a certified public accountant selected by the City Council. The City's independent Certified Public Accountants, Harris, Cotherman, Jones, Price & Associates, has issued an unqualified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2007. The independent auditors' report is located on page 3 and 4.

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

#### Profile of the Government

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

The City of Sebastian was first incorporated as the Town of Sebastian in 1924. In the late 1950s General Development Corporation purchased the land from the Mackle family of Miami and began the development of a planned community that is now the City of Sebastian. The City has a population of 22,426 living in an area of approximately 14.6 square miles. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

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

#### Local Economy

The region (which includes the City of Sebastian and the surrounding unincorporated area within the same county) has a fluctuating labor force depending on agricultural demand and a strong retirement community. Although the labor force fluctuates, unemployment in the region has been between 4% and 7.9% 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 2004 was \$39,393 per the Florida Research & Economic Database.

#### Long-term Financial Planning

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

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

Strong growth in the City tax base 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 9.58%, although the millage was reduced from 3.9325 to 3.0519. Construction activity in fiscal year 2007 was not as strong as fiscal year 2006, with 116 permits being issued for construction in fiscal year 2007 with a value of \$32.3 million. The decline is primarily attributed to the slowdown of the housing market.

Unreserved, undesignated fund balance in the general fund (42.31% of total general fund expenditure budget) exceeds the policy guidelines set by the Council for budgetary and planning purposes (i.e., minimum of 25% of total general fund expenditure budget). The City is reluctant to spend down these balances due to uncertainty about the future due to the slow down of building activity and because the City has no assurance regarding how severe further State mandated reductions to City tax revenues will be. The State already required a millage reduction and placed a cap on future increases in ad valorem taxes. The City has concerns that some of the proposed measures under discussion may result in revenue reductions that will severely diminish the City's ability to provide the services required by our residents and visitors. The budget for next year incorporates reductions in staffing and elimination of any new capital equipment in anticipation that expenses will have to be further reduced to deal with these restricted measures.

#### Major Initiatives

Stormwater - The main focus of stormwater effort expended for the past fiscal year has continued to be on the City's Stormwater Management Program, including capital projects, maintenance, citizen response and education, and forward planning. In fiscal year 2007, City began a program to upgrade the current swale system by installing ¼ rounds. The City also started outsourcing the swale and ditch maintenance work to enable City crews to focus on different stormwater maintenance practices.

Traffic & Transportation – The City continues working on a long-term street-resurfacing program for the next 10 to 15 years. City administration will also continue to program funding for streetscape projects to help maintain public safety and beautification efforts. In addition, capital improvement programming for sidewalk installation throughout the City will continue for both the short and long term as funding and resources permit.

Airport - The Sebastian Municipal Airport's infrastructure is being developed to attract economic development opportunities that will stimulate the business climate and create jobs in the community. The current Master Plan serves as the guiding document for airport planning and a comprehensive business plan was approved this past year that led to the City Council lifting the previously imposed moratorium on all land leases. This was important because land leases are a primary sources of airport revenues. Also important is the construction of a self-serve fueling facility that recently became operational, which should help diversify the Airport's revenue sources.

The Airport's limited resources continue to be leveraged by aggressively seeking and obtaining grants available from the Florida Department of Transportation (FDOT) and Federal Aviation Administration (FAA) to provide the funding needed to develop the necessary infrastructure. Improvements to lighting and signage have been made, as well as actions to clear vegetation and brush for the purpose of enhancing security. Construction of a maintenance storage building and installation of security upgrades were also completed. These and other ventures will help diversify airport revenues, providing for a stronger enterprise fund that has the potential to increase taxable values.

Public Safety – The Police Department conducted a very successful Citizen’s Academy. This new program was implemented to help citizens understand the functions of a law enforcement agency and encourage assistance with community issues. It was very encouraging that this first class consisted of 22 students. Another initiative was the implementation of the E-911 System that allows the City to receive all 911 calls directly, rather than being forwarded through the Sheriff’s Office. This should provide a quicker response to all emergencies.

The City continues to sponsor the School Resources Officer Program at the two elementary schools located within the City. In addition, the Sebastian Police Department K-9 Unit and the Marine Patrol that were recently initiated is being continued. The K-9 Unit became possible as a result of numerous charitable efforts in the community. It is effective in assisting officers with narcotics detection, location of missing persons and tracking criminal suspects more expeditiously. The Marine Patrol Program was started with a 50% grant from the Florida Inland Navigational District. It includes an educational program as well as enforcement and is well received by most of the boating public.

#### 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, 2006. 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.

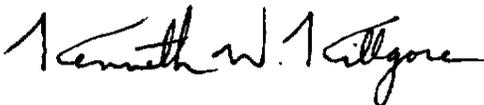
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Winger  
City Manager



Kenneth W. Killgore  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sebastian  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

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.



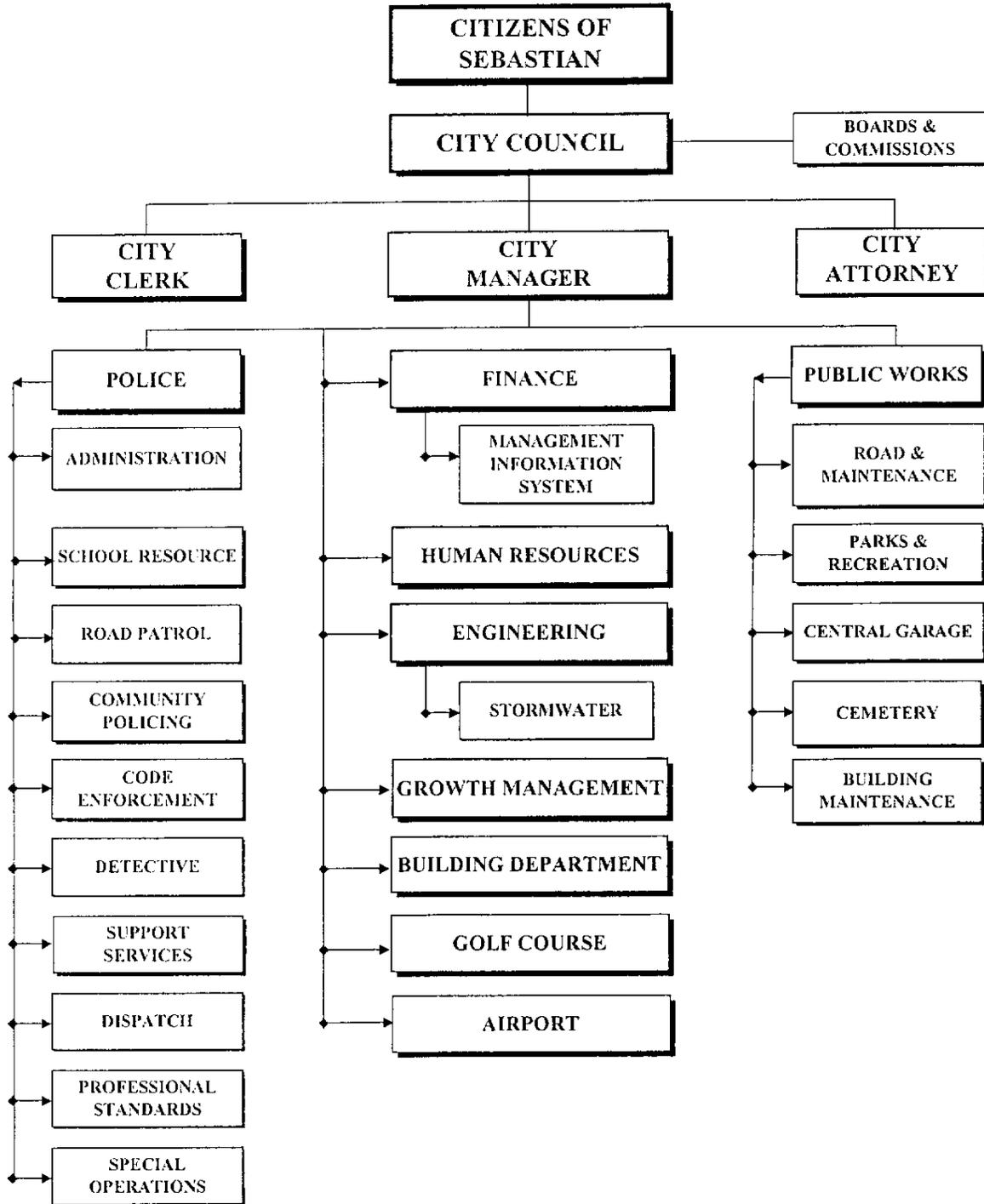
*Charles S. Cox*

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

KENNETH W. KILLGORE

City Engineer

DAVID W. FISHER, P.E.

Public Works Director

JERRY CONVERSE

Growth Management Director

REBECCA GROHALL

Building Director

WAYNE ESELTINE

Human Resources Director

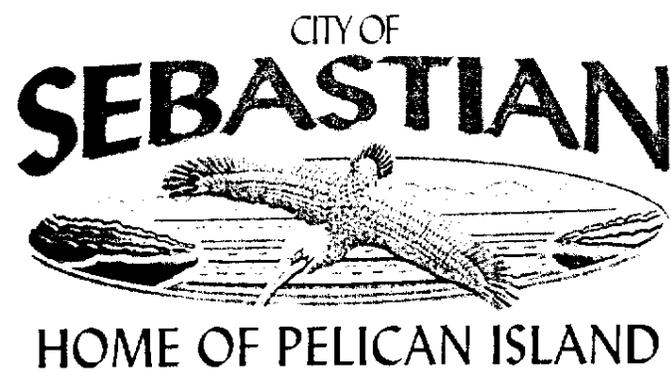
DEBRA KRUEGER

Golf Course Director

GREG GARDNER

Airport Director

JOSEPH GRIFFIN

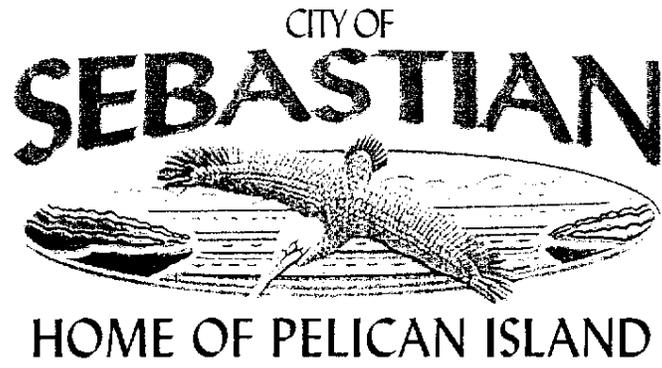


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# **FINANCIAL SECTION**

This section contains the following subsections:

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



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

Certified Public Accountants - Chartered

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

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida, as of and for the year ended September 30, 2007, 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 opinion.

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, 2007, 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 *Governmental Auditing Standards*, we have also issued our report dated February 21, 2008, on our consideration of the City of Sebastian, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information, as listed in the table of contents 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.



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

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 state financial assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act; and Chapter 10.550 Rules of the Auditor General, and is also not a required part of the basic financial statements of the City of Sebastian, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

February 21, 2008

## 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 2007 by \$46,908,860 (net assets). Of this amount, \$6,553,884 (unrestricted net assets) may be used to meet the government's on going obligations to citizens and creditors.
- The city's total net assets increased by \$1,710,985 resulting from an increase of \$2,196,440 from governmental activities and \$485,455 decrease from business-type activities
- As of the close of current fiscal year, the City's governmental funds reported combined ending fund balance of \$20,011,838, a decrease of \$1,906,693 in comparison with the prior year. Approximately 54% of this amount, \$10,745,347, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$5,424,199, or a 17% increase from prior year general fund unreserved and undesignated fund balance. The key factor in this increase was the elimination of the reserve for capital projects that was established as a line of credit reserve for the Airport and was scheduled to expire at the end of fiscal year 2007.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15, 16, and 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

#### Reporting the City as a Whole

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

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

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

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

The City maintains 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, 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 thirteen 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 \$1.7 million from \$45.2 million to \$46.9 million or 4%. Looking at the net assets and net revenues of the governmental and business-type activities, an increase in net assets of governmental-type activities was offset by a decrease in net assets of 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, 2007 and 2006  
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 22,173	\$ 23,313	\$ 2,371	\$ 2,867	\$ 24,544	\$ 26,180
Capital assets	32,942	29,644	10,013	9,909	42,955	39,553
Total assets	<u>\$ 55,115</u>	<u>\$ 52,957</u>	<u>\$ 12,384</u>	<u>\$ 12,776</u>	<u>\$ 67,499</u>	<u>\$ 65,733</u>
Non-current liabilities	\$ 17,110	\$ 17,083	\$ 1,323	\$ 1,259	\$ 18,433	\$ 18,342
Other liabilities	1,866	1,932	291	261	2,157	2,193
Total liabilities	<u>\$ 18,976</u>	<u>\$ 19,015</u>	<u>\$ 1,614</u>	<u>\$ 1,520</u>	<u>\$ 20,590</u>	<u>\$ 20,535</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 21,469	\$ 17,580	\$ 8,896	\$ 8,799	\$ 30,365	\$ 26,379
Restricted	9,420	5,068	570	560	9,990	5,628
Unrestricted	5,250	11,294	1,304	1,897	6,554	13,191
Total net assets	<u>\$ 36,139</u>	<u>\$ 33,942</u>	<u>\$ 10,770</u>	<u>\$ 11,256</u>	<u>\$ 46,909</u>	<u>\$ 45,198</u>

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

Total net assets of the governmental activities increased from \$33.942 million to \$36.139 million. Total net assets for business-type activities decreased from \$11.256 million to \$10.770 million.

The increase in governmental activities capital assets is due to projects that were completed during the period. The increase in governmental activities non-current liabilities is due to the recognition of the unfunded OPEB obligation. The decrease in unrestricted net assets is mainly due to the corresponding increase in restricted net assets caused from investment in capital assets.

The overall decrease in net assets for business-type activities is due to the use of unrestricted assets during the period. 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, 2007 and 2006**  
**(in thousands)**

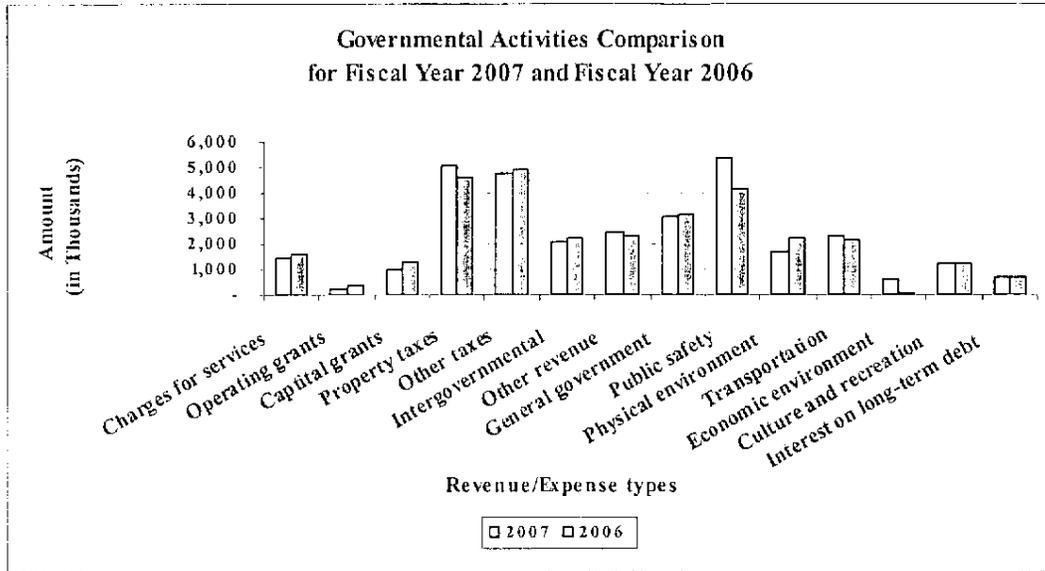
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,493	\$ 1,634	\$ 2,406	\$ 3,177	\$ 3,899	\$ 4,811
Operating grants and contributions	193	408	-	7	193	415
Capital grants and contributions	1,014	1,301	500	1,057	1,514	2,358
General revenues:						
Property taxes	5,090	4,645	-	-	5,090	4,645
Other taxes	4,777	4,908	-	-	4,777	4,908
Intergovernmental	2,084	2,242	-	-	2,084	2,242
Other	2,446	2,338	137	125	2,583	2,463
<b>Total revenues</b>	<b>17,097</b>	<b>17,476</b>	<b>3,043</b>	<b>4,366</b>	<b>20,140</b>	<b>21,842</b>
<b>EXPENSES</b>						
General government	3,084	3,130	-	-	3,084	3,130
Public safety	5,377	4,191	-	-	5,377	4,191
Physical environment	1,695	2,194	-	-	1,695	2,194
Transportation	2,276	2,173	-	-	2,276	2,173
Economic environment	606	99	-	-	606	99
Culture and recreation	1,237	1,208	-	-	1,237	1,208
Golf Course	-	-	1,534	1,558	1,534	1,558
Airport	-	-	1,047	802	1,047	802
Building	-	-	905	937	905	937
Interest and fiscal charges	668	706	-	-	668	706
<b>Total expenses</b>	<b>14,943</b>	<b>13,701</b>	<b>3,486</b>	<b>3,297</b>	<b>18,429</b>	<b>16,998</b>
Change in net assets before transfers	2,154	3,775	(443)	1,069	1,711	4,844
Transfers	43	(1,414)	(43)	1,414	-	-
Increase in net assets	2,197	2,361	(486)	2,483	1,711	4,844
Net assets - October 1, 2006	33,942	31,581	11,256	8,773	45,198	40,354
Net assets - September 30, 2007	<b>\$ 36,139</b>	<b>\$ 33,942</b>	<b>\$ 10,770</b>	<b>\$ 11,256</b>	<b>\$ 46,909</b>	<b>\$ 45,198</b>

Overall the total revenues decreased \$1.702 million from the previous year. The total cost of all programs increased by 8.4% (\$1.431 million). Our analysis below separately considers the operations of governmental and business-type activities.

#### Governmental Activities

Governmental activities revenues exceed expenses by \$2.154 million. Total revenues decreased approximately \$0.379 million from the previous year. The decline was primarily in categories affected by the slowdown in economic activity. Less was received in Recreation Impact fees and a downturn was noted in sales taxes and state shared revenues. Total expenses increased \$1,242 million from the previous year. The largest increase in spending was in the category of public safety.

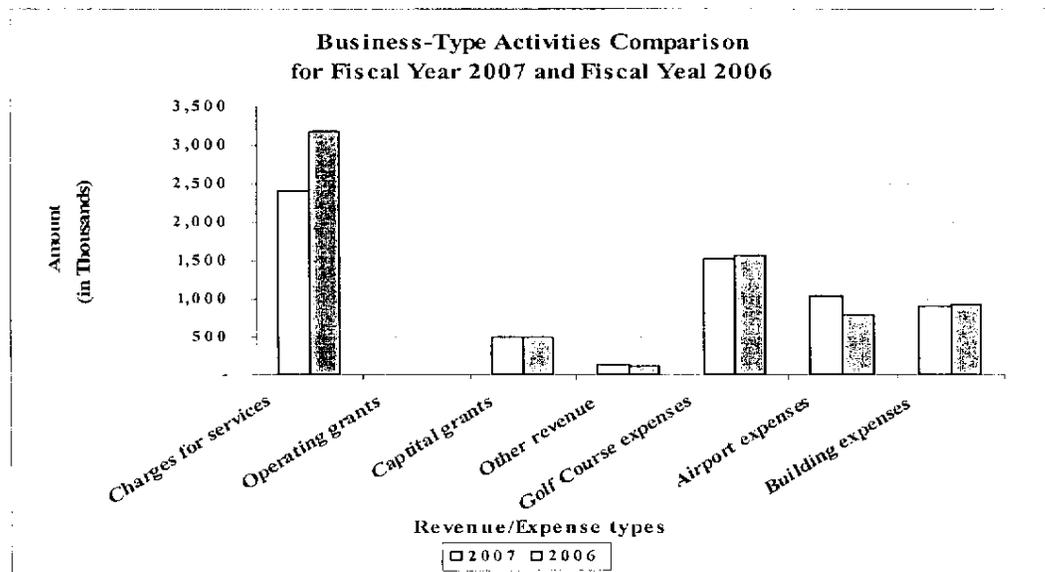
The following is a graphic illustration of the comparison for governmental activities revenue and expenses.



### Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased \$1.323 million primarily because of the reduction in building permit fees as a result of the slowdown in activity. Expenses rose 5.7% for all the City's business-type activities, while expenses for the Building Enterprise fund were held to a 3.3% increase. A substantial payment to settle a legal dispute for the Airport and an increase in depreciation expense caused a significant increase to Airport expense as compared to fiscal year 2006. The City's Municipal Airport enjoys a continued interest by the Florida Department of Transportation-Aviation Section and Federal Aviation Administration to upgrade the airport facilities as evidenced by repeated support via grant funding.

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



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds

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

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on pages 18-19) reported a combined fund balance of \$20.0 million, which is a decrease of \$1.9 million over the prior year of \$21.9 million. Approximately 53.7% of this total amount (\$10.7 million) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$231,894), 2) to fund capital projects (\$6,665,211), 3) to generate income to pay for the perpetual care of the municipal cemetery (\$694,506), or 4) for a variety of other restricted or designated purposes (\$1,674,880).

The **general fund** is the chief operating fund of the City. At the end of the fiscal year, unreserved, undesignated fund balance of the general fund was \$5,424,199, while total fund balance was \$6,390,787. 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 45 percent of total general fund expenditures, while total fund balance represents 53 percent of that same amount.

The fund balance of the City's general fund decreased by \$88,285 during the current fiscal year. Key factors in this reduction are as follows:

- Intergovernmental revenues decreased by \$396,559, as a result of a slowdown in sales activity.
- Public safety expenditures increased by \$867,184, as a result of additional payroll costs.

The **discretionary sales tax revenue special revenue fund** has a total fund balance of \$2,411,939, all of which is unreserved and undesignated. The increase of the total fund balance from prior year (\$607,607) is mainly due to an increase in funds being accumulated for use toward projects scheduled in future years.

The **riverfront redevelopment special revenue fund** has an unreserved and undesignated fund balance of \$249,716, while total fund balance was \$355,965. The decrease of the total fund balance from prior year (\$314,452) is mainly due to capital outlays made during the year.

The **transportation improvements capital project fund** has a total fund balance of \$1,940,466, all of which is encumbered or reserved for transportation related construction such as roads, intersections and sidewalks.

The **stormwater utility improvements capital project fund** has a total fund balance of \$4,619,885, all of which is reserved for stormwater capital projects. The decrease of the total fund balance from the prior year (\$418,629) is due to capital outlays made during the year.

## Proprietary Funds

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

The total net assets of the **golf course fund** at the end of the fiscal year amounted to \$479,090, while the unrestricted net assets amounted to \$237,844. Compared to the prior year in the same category, the net assets has an increase of \$167,271 from the prior year while the unrestricted net assets has an increase of \$231,983 from the prior year. This is mainly due to the improvement in operating income compared to the prior year. Detailed golf course net assets information is presented on page 23.

The total net assets of the **airport fund** at the end of the fiscal year amounted to \$9,239,371, while the unrestricted net assets amounted to \$57,953. Compared to the prior year in the same category, net assets have decreased by \$226,397 while the unrestricted net assets have decreased \$397,361. The decrease in unrestricted net assets is mainly due to the construction of airport capital projects and a substantial payment made in settlement of a legal dispute.

The total net assets of the **building fund** at the end of the fiscal year amounted to \$1,051,816, while the unrestricted net assets amounted to \$1,008,089. The building fund experienced a large operating loss, as a result of the slowdown in activity and drop in building permit fees.

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

## General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council revised the City budget four times. These budget amendments fall into four categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect fund balances carried over from the prior fiscal year to fund outstanding encumbrances. The second category includes adjustments for unanticipated revenues. The third category includes the changes that the Council made during the year to take into account the City's offering of an employee early retirement program and to cover additional costs for ditch and swale mowing. The fourth category includes supplemental appropriations for required police pension contributions. During the fiscal year, the City amended the general fund budget in the amount of \$606,758 for all these items. The main components of the increase are as follows:

- \$58,020 supplemental appropriation to general fund departments for encumbered amounts carried forward from the prior fiscal year.
- \$31,813 supplemental appropriation for FEMA reimbursement for hurricane damage.
- \$26,770 supplemental appropriation for proceeds generated from surplus equipment sales.
- \$211,707 supplemental appropriation for the costs associated with offering an early retirement program.
- \$206,226 supplemental appropriations to the police department for the required pension contribution.
- \$72,222 supplemental appropriations for unanticipated administrative fee revenues, private contributions and additional cost associated with the ditch and swale mowing contract.

During the fiscal year, total general fund actual revenues were less than final amended budgetary estimates and total general fund actual expenditures were less than the final amended budgetary estimates. The shortfall in anticipated revenues was mainly due to a decline in intergovernmental revenues, specifically the City's share of sales tax proceeds. Positive variances on expenditures resulted in a much lower draw on existing fund balances than had been anticipated.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2007 the City had \$62,233,905 invested in a broad range of capital assets, including land, police and public works equipment, buildings, park facilities, roads, bridges, and stormwater drainage structures. This amount represents a net increase (including additions and deductions) of \$4,935,713, or 8.6%, 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	
	2007	2006	2007	2006	2007	2006
Land	\$ 5,696,946	\$ 5,301,947	\$ 9,060	\$ 9,060	\$ 5,706,006	\$ 5,311,007
Buildings	10,996,497	9,958,190	3,232,472	1,832,148	14,228,969	11,790,338
Improvements	4,970,638	4,614,326	1,216,078	1,181,052	6,186,716	5,795,378
Equipment	6,820,051	6,436,238	804,465	638,926	7,624,516	7,075,164
Infrastructure	18,677,191	17,375,199	5,817,369	6,012,963	24,494,560	23,388,162
Construction-in- Progress	2,692,704	1,167,207	1,300,434	2,770,936	3,993,138	3,938,143
<b>Totals</b>	<b>\$ 49,854,027</b>	<b>\$ 44,853,107</b>	<b>\$ 12,379,878</b>	<b>\$ 12,445,085</b>	<b>\$ 62,233,905</b>	<b>\$ 57,298,192</b>

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

- An increase in land due to the acquisition of property.
- An increase in buildings mainly due to renovation of the historic elementary school building (formerly used as the City Hall).
- An increase in improvements mainly due to the capitalization of work completed at the City's parks and playgrounds.
- An increase in equipment mainly due to capitalization of new police vehicles.
- An increase in infrastructure mainly due to the work on roadways and stormwater drainage system.
- An increase in construction in progress due to the capitalization of the Main Street Twin Ditches project.

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

- An increase in buildings mainly due to the completion of the municipal airport administration building.
- A decrease in infrastructure mainly due to adjustments required to the carrying value of the greens at the Golf Course.
- A decrease in construction in progress primarily due to the completion of airport runway and taxiway improvements.

### Debt

On September 30, 2007, the City had \$16,791,805 in bonds, notes and capital leases outstanding versus \$18,068,698 on September 30, 2006 – a decrease of 7.1% – as shown in the table on the following page:

The decrease in debt is solely attributable to the retirement of debts. The Infrastructure Sales Surtax Revenue Bonds, Series 2003 and Series 2003A and the Stormwater Utility Revenue Bonds, Series 2003 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.

Table 4

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Infrastructure sales surtax revenue bonds, Series 2003	\$ 7,405,000	\$ 7,955,000	\$ -	\$ -	\$ 7,405,000	\$ 7,955,000
Infrastructure sales surtax revenue bonds, Series 2003A	1,740,000	1,870,000	-	-	1,740,000	1,870,000
Stormwater utility revenue bonds, Series 2003	4,815,000	5,055,000	-	-	4,815,000	5,055,000
Notes payable (backed by local option gas tax)	1,566,840	1,790,544	-	-	1,566,840	1,790,544
Capital lease obligation (backed by City)	147,539	288,252	-	-	147,539	288,252
Recreational facilities improvements and refunding revenue bonds, series 2001	-	-	1,117,426	1,109,902	1,117,426	1,109,902
Totals	<u>\$ 15,674,379</u>	<u>\$ 16,958,796</u>	<u>\$ 1,117,426</u>	<u>\$ 1,109,902</u>	<u>\$ 16,791,805</u>	<u>\$ 18,068,698</u>

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 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 2007 was 6.0% up from 4.1% in the previous year and down from a high of 8.1% in 1997. This indicates that business growth in the area remains strong. Still, employment in the county fluctuates seasonally due to farm workers. In fiscal year 2007, the city experienced a reduction in property value (2.8% decrease) and a large decrease in construction permits (from 506 to 116). The decrease in construction permits reflects the national trend and is consistent with the national housing market.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2008. Amounts available for appropriation in the General Fund budget are \$11,980,334, a decrease of 2.8% from the original fiscal year 2007 budget of \$12,322,178 and a decrease of 7.3% from the final fiscal year 2007 budget. The 2.8% increase is mainly due to uncertainty about the slowdown of building activity and concerns about measures that may be enacted by the State to limit revenues and spending by local governments. The City has determined that it should proceed cautiously and be in a better position to address those mandates.

The Golf Course has experienced an increase in golf revenues in fiscal year 2007 mainly due to a full recovery from the hurricanes that impacted the City in fiscal year 2005. The increase of revenues has helped the City to 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, 2007**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 192,033	\$ 75,032	\$ 267,065
Investments	11,204,105	1,592,858	12,796,963
Receivables	938,834	233,733	1,172,567
Special assessment receivable	3,849	-	3,849
Internal balances	200,000	(200,000)	-
Prepaid items	116,974	19,771	136,745
Inventory	51,635	37,278	88,913
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	202,822	-	202,822
Investments	8,086,667	570,890	8,657,557
Permanently restricted:			
Investments	603,242	-	603,242
Overfunded pension costs	121,912	-	121,912
Deferred charges	450,841	41,691	492,532
Capital assets not being depreciated:			
Land	5,696,946	9,060	5,706,006
Construction in progress	2,692,704	1,300,434	3,993,138
Capital assets (net of accumulated depreciation):			
Buildings	9,084,860	2,833,569	11,918,429
Improvements other than buildings	3,569,938	948,371	4,518,309
Machinery and equipment	1,787,622	296,453	2,084,075
Infrastructure	10,109,843	4,625,040	14,734,883
Total assets	<u>55,114,827</u>	<u>12,384,180</u>	<u>67,499,007</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,522,532	185,424	1,707,956
Accrued interest payable	257,080	-	257,080
Deferred revenues			
Unearned revenues	67,254	79,581	146,835
Rent concession liability	-	13,000	13,000
Non-current liabilities:			
Due within one year	1,437,238	293,060	1,730,298
Due in more than one year	15,692,140	1,042,838	16,734,978
Total liabilities	<u>18,976,244</u>	<u>1,613,903</u>	<u>20,590,147</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,469,456	8,895,501	30,364,957
Restricted for:			
Capital projects	5,998,366	-	5,998,366
Debt service	231,894	314,490	546,384
Road projects	2,113,300	-	2,113,300
Community redevelopment	355,965	-	355,965
Perpetual care:			
Expendable	91,264	-	91,264
Nonexpendable	603,242	-	603,242
Other purposes	25,098	256,400	281,498
Unrestricted	5,249,998	1,303,886	6,553,884
Total net assets	<u>\$ 36,138,583</u>	<u>\$ 10,770,277</u>	<u>\$ 46,908,860</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, 2007

<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	\$ 3,083,609	\$ 422,897	\$ 27,370	\$ -
Public safety	5,377,107	92,853	147,288	9,615
Physical environment	1,695,066	891,021	-	-
Transportation	2,276,497	-	18,018	703,085
Economic environment	605,510	-	-	-
Cultural/recreation	1,237,398	85,945	-	301,781
Interest and fiscal charges	667,950	-	-	-
Total governmental activities	<u>14,943,137</u>	<u>1,492,716</u>	<u>192,676</u>	<u>1,014,481</u>
Business-type activities:				
Golf Course	1,533,900	1,652,288	-	-
Airport	1,046,994	344,813	-	500,428
Building	905,452	408,875	-	-
Total business-type activities	<u>3,486,346</u>	<u>2,405,976</u>	<u>-</u>	<u>500,428</u>
Total government	<u>\$ 18,429,483</u>	<u>\$ 3,898,692</u>	<u>\$ 192,676</u>	<u>\$ 1,514,909</u>

General Revenues:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,633,342)	\$ -	\$ (2,633,342)
(5,127,351)	-	(5,127,351)
(804,045)	-	(804,045)
(1,555,394)	-	(1,555,394)
(605,510)	-	(605,510)
(849,672)	-	(849,672)
(667,950)	-	(667,950)
<u>(12,243,264)</u>	<u>-</u>	<u>(12,243,264)</u>
-	118,388	118,388
-	(201,753)	(201,753)
-	(496,577)	(496,577)
-	<u>(579,942)</u>	<u>(579,942)</u>
<u>(12,243,264)</u>	<u>(579,942)</u>	<u>(12,823,206)</u>
5,089,841	-	5,089,841
4,776,691	-	4,776,691
1,106,698	-	1,106,698
2,083,523	-	2,083,523
1,147,931	137,207	1,285,138
192,300	-	192,300
<u>14,396,984</u>	<u>137,207</u>	<u>14,534,191</u>
42,720	(42,720)	-
<u>14,439,704</u>	<u>94,487</u>	<u>14,534,191</u>
2,196,440	(485,455)	1,710,985
33,942,143	11,255,732	45,197,875
<u>\$ 36,138,583</u>	<u>\$ 10,770,277</u>	<u>\$ 46,908,860</u>

**City of Sebastian, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2007**

	General	Discretionary Sales Tax	Riverfront Redevelopment	Transportation Improvements	Stormwater Utility Improvements
<b>ASSETS</b>					
Cash and cash equivalents	\$ 81,215	\$ 50,774	\$ 20,009	\$ 35,770	\$ 55,589
Investments	6,164,337	2,142,745	336,726	2,326,336	4,768,989
Accounts receivables	227,950	-	-	-	-
Special assessments receivable	3,849	-	-	-	-
Due from other governments	270,501	211,167	-	-	2,797
Interest receivable	31,212	7,298	2,331	5,514	277
Inventory	51,635	-	-	-	-
Prepaid items	116,974	-	-	-	-
Advance to other funds	200,000	-	-	-	-
Total assets	<u>\$ 7,147,673</u>	<u>\$ 2,411,984</u>	<u>\$ 359,066</u>	<u>\$ 2,367,620</u>	<u>\$ 4,827,652</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 601,223	\$ 45	\$ 3,101	\$ 427,154	\$ 118,802
Retainage payable	-	-	-	-	88,965
Due to other governments	84,560	-	-	-	-
Deferred revenues	3,849	-	-	-	-
Unearned revenues	65,054	-	-	-	-
Other deposits held in escrow	2,200	-	-	-	-
Total liabilities	<u>756,886</u>	<u>45</u>	<u>3,101</u>	<u>427,154</u>	<u>207,767</u>
Fund balances:					
Reserved for:					
Encumbrance	62,445	-	106,249	211,131	316,705
Advance to other funds	200,000	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	1,729,335	4,303,180
Property and casualty	100,000	-	-	-	-
Cemetery care	-	-	-	-	-
Law enforcement	-	-	-	-	-
Emergency services	350,000	-	-	-	-
Equipment replacement	235,088	-	-	-	-
Unreserved:					
Designated for employee events	6,251	-	-	-	-
Designated for law enforcement	12,804	-	-	-	-
Undesignated, reported in:					
General fund	5,424,199	-	-	-	-
Special revenue funds	-	2,411,939	249,716	-	-
Total fund balances	<u>6,390,787</u>	<u>2,411,939</u>	<u>355,965</u>	<u>1,940,466</u>	<u>4,619,885</u>
Total liabilities and fund balances	<u>\$ 7,147,673</u>	<u>\$ 2,411,984</u>	<u>\$ 359,066</u>	<u>\$ 2,367,620</u>	<u>\$ 4,827,652</u>

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

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

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

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

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

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

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

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
\$ 151,498	\$ 394,855
4,154,881	19,894,014
-	227,950
-	3,849
73,229	557,694
20,670	67,302
-	51,635
-	116,974
-	200,000
<u>\$ 4,400,278</u>	<u>\$ 21,514,273</u>

\$ 68,790	\$ 1,219,115
38,692	127,657
-	84,560
-	3,849
-	65,054
-	2,200
<u>107,482</u>	<u>1,502,435</u>

49,109	745,639
-	200,000
231,894	231,894
632,696	6,665,211
-	100,000
694,506	694,506
25,098	25,098
-	350,000
-	235,088
-	6,251
-	12,804
-	5,424,199
2,659,493	5,321,148
<u>4,292,796</u>	<u>20,011,838</u>
<u>\$ 4,400,278</u>	

32,941,913
121,912
(288,856)
(16,480,881)
(257,080)
85,888
3,849
<u>\$ 36,138,583</u>

**City of Sebastian, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2007**

	General	Discretionary Sales Tax	Riverfront Redevelopment	Transportation Improvements	Stormwater Utility Improvements
<b>REVENUES:</b>					
Taxes:					
Property	\$ 4,537,100	\$ -	\$ 552,741	\$ -	\$ -
Public utility	2,216,381	-	-	-	-
Sales	-	2,560,310	-	-	-
Motor fuel	-	-	-	-	-
Franchise fees	1,106,698	-	-	-	-
Licenses and permits	186,875	-	-	-	-
Intergovernmental	2,221,215	-	-	-	-
Impact fees	-	-	-	-	-
Charges for services	387,058	-	-	-	-
Fines	64,464	-	-	-	-
Investment earnings	340,759	120,198	33,209	25,484	196,923
Contributions and donations	32,876	-	-	15,000	-
Other revenue	170,174	-	100	-	-
Total revenues	<u>11,263,600</u>	<u>2,680,508</u>	<u>586,050</u>	<u>40,484</u>	<u>196,923</u>
<b>EXPENDITURES:</b>					
Current:					
General government	2,999,652	-	-	-	-
Public safety	4,677,832	-	-	-	-
Physical environment	1,301,640	-	-	-	-
Transportation	1,538,322	-	-	-	-
Economic environment	-	-	80,279	-	-
Culture and recreation	975,087	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	587,264	-	609,822	1,056,893	1,722,711
Total expenditures	<u>12,079,797</u>	<u>-</u>	<u>690,101</u>	<u>1,056,893</u>	<u>1,722,711</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(816,197)</u>	<u>2,680,508</u>	<u>(104,051)</u>	<u>(1,016,409)</u>	<u>(1,525,788)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	727,860	517,314	-	1,024,849	1,107,159
Transfers out	-	(2,590,215)	(215,401)	-	-
Total other financing sources (uses)	<u>727,860</u>	<u>(2,072,901)</u>	<u>(215,401)</u>	<u>1,024,849</u>	<u>1,107,159</u>
Net changes in fund balances	(88,337)	607,607	(319,452)	8,440	(418,629)
Fund balances - beginning	6,479,072	1,804,332	675,417	1,932,026	5,038,514
Residual fund equity transfer	52	-	-	-	-
Fund balances - ending	<u>\$ 6,390,787</u>	<u>\$ 2,411,939</u>	<u>\$ 355,965</u>	<u>\$ 1,940,466</u>	<u>\$ 4,619,885</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 5,089,841
-	2,216,381
-	2,560,310
688,085	688,085
-	1,106,698
-	186,875
242,413	2,463,628
56,875	56,875
884,044	1,271,102
6,850	71,314
345,470	1,062,043
26,253	74,129
226	170,500
<u>2,250,216</u>	<u>17,017,781</u>
-	2,999,652
22,615	4,700,447
79	1,301,719
195,375	1,733,697
-	80,279
-	975,087
1,284,418	1,284,418
643,305	643,305
1,271,900	5,248,590
<u>3,417,692</u>	<u>18,967,194</u>
<u>(1,167,476)</u>	<u>(1,949,413)</u>
1,823,834	5,201,016
<u>(2,352,680)</u>	<u>(5,158,296)</u>
<u>(528,846)</u>	<u>42,720</u>
<u>(1,696,322)</u>	<u>(1,906,693)</u>
5,989,170	21,918,531
<u>(52)</u>	<u>-</u>
<u>\$ 4,292,796</u>	<u>\$ 20,011,838</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, 2007**

Net change in fund balances - total governmental funds	\$ (1,906,693)
Amount reported for governmental activities in the statement of activities are different because:	
Some interest revenues reported in the statement of activities do not constitute current financial resources, therefore, are not reported as revenues in governmental funds.	85,888
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	3,303,886
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.	(6,108)
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.	(26,695)
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.	1,284,417
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.	(538,255)
Change in net assets of governmental activities	<u>\$ 2,196,440</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, 2007**

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 21,861	\$ 41,526	\$ 11,645	\$ 75,032
Investments	342,190	128,296	1,122,372	1,592,858
Restricted cash, cash equivalents and investments:				
Revenue bond covenant accounts	570,890	-	-	570,890
Accounts receivable	-	15,896	-	15,896
Due from other governments	-	210,334	-	210,334
Interest receivable	63	127	7,313	7,503
Inventory	10,174	27,104	-	37,278
Prepaid items	6,808	7,911	5,052	19,771
Total current assets	<u>951,986</u>	<u>431,194</u>	<u>1,146,382</u>	<u>2,529,562</u>
Noncurrent assets:				
Deferred charges	41,691	-	-	41,691
Capital assets:				
Land	-	9,060	-	9,060
Buildings	331,228	2,901,244	-	3,232,472
Improvements other than buildings	206,265	1,009,813	-	1,216,078
Machinery and equipment	338,137	405,802	60,526	804,465
Infrastructure	1,100,951	4,716,418	-	5,817,369
Construction in process	-	1,300,434	-	1,300,434
Less accumulated depreciation	(1,188,799)	(1,161,353)	(16,799)	(2,366,951)
Total noncurrent assets	<u>829,473</u>	<u>9,181,418</u>	<u>43,727</u>	<u>10,054,618</u>
Total assets	<u>1,781,459</u>	<u>9,612,612</u>	<u>1,190,109</u>	<u>12,584,180</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	45,705	116,151	29,128	190,984
Advance from other fund	-	200,000	-	200,000
Due to other governments	7,279	321	-	7,600
Unearned revenues	56,140	10,563	12,878	79,581
Compensated absences	1,695	1,801	6,404	9,900
Matured bonds payable	270,000	-	-	270,000
Total current liabilities	<u>380,819</u>	<u>328,836</u>	<u>48,410</u>	<u>758,065</u>
Non-current liabilities:				
Accrued termination benefits	-	-	24,503	24,503
Compensated absences	55,035	28,352	54,157	137,544
Unfunded OPEB obligation	6,089	16,053	11,223	33,365
Rent concession liability	13,000	-	-	13,000
Bonds payable (net of unamortized premium and deferred amount on refunding)	847,426	-	-	847,426
Total non-current liabilities	<u>921,550</u>	<u>44,405</u>	<u>89,883</u>	<u>1,055,838</u>
Total liabilities	<u>1,302,369</u>	<u>373,241</u>	<u>138,293</u>	<u>1,813,903</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(329,644)	9,181,418	43,727	8,895,501
Restricted for:				
Debt service	314,490	-	-	314,490
Other purposes	256,400	-	-	256,400
Unrestricted	237,844	57,953	1,008,089	1,303,886
Total net assets	<u>\$ 479,090</u>	<u>\$ 9,239,371</u>	<u>\$ 1,051,816</u>	<u>\$ 10,770,277</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, 2007**

	<u>Enterprise Funds</u>			
	<u>Golf Course</u>	<u>Airport</u>	<u>Building</u>	<u>Totals</u>
Operating revenues:				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 408,875	\$ 408,875
Golf course fees pledged as security for revenue bonds	1,610,017	-	-	1,610,017
Rents	30,382	271,894	-	302,276
Other revenue	11,889	72,919	-	84,808
Total operating revenues	<u>1,652,288</u>	<u>344,813</u>	<u>408,875</u>	<u>2,405,976</u>
Operating expenses:				
Salaries, wages and employee benefits	344,007	233,117	656,463	1,233,587
Contractual services, materials and supplies	1,036,375	453,757	237,461	1,727,593
Depreciation	85,607	360,120	11,528	457,255
Total operating expenses	<u>1,465,989</u>	<u>1,046,994</u>	<u>905,452</u>	<u>3,418,435</u>
Operating income (loss)	186,299	(702,181)	(496,577)	(1,012,459)
Nonoperating revenues (expenses):				
Interest income	-	18,076	70,248	88,324
Interest income pledged as security for revenue bonds	48,883	-	-	48,883
Interest expense	(54,014)	-	-	(54,014)
Bond amortization expense	(13,897)	-	-	(13,897)
Total nonoperating revenues (expenses)	<u>(19,028)</u>	<u>18,076</u>	<u>70,248</u>	<u>69,296</u>
Income/(loss) before capital contributions and transfers	167,271	(684,105)	(426,329)	(943,163)
Transfer out	-	(42,720)	-	(42,720)
Capital contributions	-	500,428	-	500,428
Change in net assets	167,271	(226,397)	(426,329)	(485,455)
Total net assets - beginning	<u>311,819</u>	<u>9,465,768</u>	<u>1,478,145</u>	<u>11,255,732</u>
Total net assets - ending	<u>\$ 479,090</u>	<u>\$ 9,239,371</u>	<u>\$ 1,051,816</u>	<u>\$ 10,770,277</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, 2007**

	Enterprise Funds			
	Golf Course	Airport	Building	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 1,654,551	\$ 374,877	\$ 407,738	\$ 2,437,166
Cash payments to suppliers	(1,060,030)	(424,141)	(246,511)	(1,730,682)
Cash payments for employee services	(332,792)	(215,461)	(615,708)	(1,163,961)
Net cash provided (used) by operating activities	261,729	(264,725)	(454,481)	(457,477)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfer to other fund	-	(42,720)	-	(42,720)
Net cash provided (used) by noncapital financing activities	-	(42,720)	-	(42,720)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	(18,110)	(513,798)	(12,474)	(544,382)
Receipt from capital grants	-	331,831	-	331,831
Receipt from advance from other fund	-	200,000	-	200,000
Bond issuance costs	7,524	-	-	7,524
Interest paid on revenue bonds	(30,769)	-	-	(30,769)
Capital contributed to others	-	(70,884)	-	(70,884)
Net cash provided (used) by capital and related financing activities	(41,355)	(52,851)	(12,474)	(106,680)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	52,073	18,046	71,855	141,974
Net cash provided by investing activities	52,073	18,046	71,855	141,974
Net decrease in cash and cash equivalents	272,447	(342,250)	(395,100)	(464,903)
Cash and cash equivalents, October 1	662,494	512,072	1,529,117	2,703,683
Cash and cash equivalents, September 30	\$ 934,941	\$ 169,822	\$ 1,134,017	\$ 2,238,780

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, 2007**  
**(Continued)**

	<u>Enterprise Funds</u>			
	<u>Golf Course</u>	<u>Airport</u>	<u>Building</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 186,299	\$ (631,297)	\$ (496,577)	\$ (941,575)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	85,607	360,120	11,528	457,255
(Increase) Decrease in assets:				
Accounts receivable	-	23,276	-	23,276
Prepaid expenses	(5,233)	(7,911)	(5,052)	(18,196)
Inventories	3,514	(27,104)	-	(23,590)
Increase (Decrease) in liabilities:				
Accounts payable	(8,132)	(6,322)	(3,998)	(18,452)
Due to other governments	(804)	69	-	(735)
Rent concession liability	(13,000)	-	-	(13,000)
Accrued termination benefits	-	-	37,663	37,663
Accrued compensated absences	5,126	1,603	(8,131)	(1,402)
Accrued OPEB liability	6,089	16,053	11,223	33,365
Unearned revenues	2,263	6,788	(1,137)	7,914
Total adjustments	<u>75,430</u>	<u>366,572</u>	<u>42,096</u>	<u>484,098</u>
Net cash provided (used) by operating activities	<u>\$ 261,729</u>	<u>\$ (264,725)</u>	<u>\$ (454,481)</u>	<u>\$ (457,477)</u>
Cash and cash equivalents reconciliation:				
Current assets:				
Cash and cash equivalents	\$ 21,861	\$ 41,526	\$ 11,645	\$ 75,032
Investments	342,190	128,296	1,122,372	1,592,858
Restricted asset:				
Investments	570,890	-	-	570,890
Cash and cash equivalents at September 30	<u>\$ 934,941</u>	<u>\$ 169,822</u>	<u>\$ 1,134,017</u>	<u>\$ 2,238,780</u>

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

**City of Sebastian, Florida**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2007**

	<b>Pension Trust Police Officers' Pension</b>	<b>Agency  Performance Deposits</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 828,845	\$ 170,730
Receivables:		
Interest and dividends	26,042	-
Total receivables	854,887	170,730
Investments, at fair value:		
United States treasuries	837,043	-
United States agency notes	492,004	-
Domestic corporate bonds	536,640	-
Domestic corporate equities	2,916,202	-
Total investments	4,781,889	-
Total assets	5,636,776	170,730
<b>LIABILITIES</b>		
Refunds payable	-	170,730
Total liabilities	-	170,730
<b>NET ASSETS</b>		
Held in trust for pension benefits	\$ 5,636,776	\$ -

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, 2007**

		<u>Police Officers' Pension</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$	294,534
Plan members		103,227
State		<u>117,621</u>
Total contributions		<u>515,382</u>
Investment earnings:		
Net increase in fair value of investments		413,377
Interest and dividends		<u>170,261</u>
Total investment earnings		583,638
Less investment expenses		<u>(30,379)</u>
Net investment earnings		<u>553,259</u>
Total additions		<u>1,068,641</u>
<b>DEDUCTIONS</b>		
Benefits		110,677
Refunded contributions		20,146
Administrative expenses		<u>12,336</u>
Total deductions		<u>143,159</u>
Change in net assets		925,482
Net assets - beginning of year		<u>4,711,294</u>
Net assets - end of year	\$	<u><u>5,636,776</u></u>

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

**City of Sebastian, Florida**  
**Notes to the Financial Statements**  
**September 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sebastian (the "City"), a Florida Municipal Corporation, was incorporated in 1924 under Sections 1826-1832 of the Revised Florida Statutes. The City has a population of 22,426 living in an area of approximately 14.6 square miles. The governing body is a five member elected City Council with a mayor elected from the five members. The City Council appoints the City Manager who is responsible for the administration of all City services.

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

**A. Reporting Entity**

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

Blended Component Units

The following component units are blended with the primary government for financial statement purposes because the component unit's governing body is substantially the same as the City Council or because the component unit exclusively serves the City. 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 and the building fund are charges to customers for services and for the airport fund lease revenue. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## 2. Modified Accrual

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period except grant revenues. The City considers grant revenues to be available if they are collected within one year of the end of the current fiscal period. All material revenues, except for 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, 2007. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. An exception to this general rule is principal and interest on general long-term obligations, which are recognized when due.

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

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

Investments consist of U.S. Treasury Securities, U.S. Government Agency Securities, common stock, guaranteed investment contracts and the Local Government Surplus Funds Trust Fund Investment pool (Pool). 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, 2007.

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, 2007, the general fund has \$200,000 advance to the airport fund.

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

Receivables consist of trade receivables, due from other governments and interest receivable (see Note IV.C. on page 38 for detail) and are recorded at the net realizable value. The City, as of September 30, 2007, 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 encumbrance* – represents encumbrances outstanding at year end that the City intends to honor as commitments.

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

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

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

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

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

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

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

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

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

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

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

"Total fund balances" of the City's governmental funds (\$20,011,838) differs from "net assets" of governmental activities (\$36,138,583) 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	\$ 49,854,027
Accumulated depreciation	(16,912,114)
Total	<u>\$ 32,941,913</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>\$ 121,912</u>
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#### Other post employment and termination benefits

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

Other post employment benefits	\$ (248,477)
Termination benefits	(40,379)
Total	<u>\$ (288,856)</u>

#### Long-term debt transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2007 were:

Bonds payable:		
Infrastructure sales surtax revenue bonds, Series 2003	\$(7,405,000)	
Less: Deferred charge for issuance costs	<u>204,677</u>	\$(7,200,323)
Infrastructure sales surtax revenue bonds, Series 2003A	(1,740,000)	
Less: Deferred charge for issuance costs	<u>80,069</u>	(1,659,931)
Stormwater utility revenue bonds, Series 2003	(4,815,000)	
Less: Deferred charge for issuance costs	160,101	
Less: Deferred charge for bond discounts	<u>12,082</u>	(4,642,817)
Notes payable	(1,566,840)	
Less: Deferred charge for issuance costs	<u>4,485</u>	(1,562,355)
Capital lease payable	(147,539)	
Less: Deferred charge for issuance costs	<u>1,509</u>	(146,030)
Contamination liability		(91,200)
Compensated absences		<u>(1,178,225)</u>
Total		<u>\$(16,480,881)</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	\$ (246,756)
Notes	(6,521)
Capital lease	<u>(3,803)</u>
Total	<u>\$ (257,080)</u>

Accrued receivable

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

Interest receivables	<u>\$ 85,888</u>
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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	<u>\$ 3,849</u>
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**B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The "net change in fund balances" for governmental funds (a decrease of \$1,906,693) differs from the "change in net assets" for governmental activities (an increase of \$2,196,440) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Interest receivables

Some interest revenues reported in the statement of activities do not constitute current financial resources, therefore, are not reported as revenues in governmental funds.

Interest receivables	<u>\$ 85,888</u>
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Capital related items

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

Capital outlay	\$ 5,404,581
Depreciation expense	<u>(2,100,695)</u>
Difference	<u>\$ 3,303,886</u>

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

Loss on disposal of fixed assets	<u>\$ (6,108)</u>
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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.

Decrease in negative net pension obligation	<u>\$ (26,695)</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	\$ 920,000
Notes payable principal payment made	223,704
Capital lease principal payment made	<u>140,713</u>
Total	<u>\$ 1,284,417</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	\$ (133,555)
Net accrued bond interest expense	12,044
Net accrued notes interest expense	3,650
Net accrued capital lease interest expense	910
Amortization of issuance costs	(41,248)
Other post employment benefits	(248,477)
Termination benefits	(40,379)
Contamination liabilities	<u>(91,200)</u>
Net adjustment	<u>\$ (538,255)</u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Information

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

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

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

Actual results of operations presented in accordance with U.S. generally accepted accounting principles (GAAP basis) and the City's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the City's legally adopted budget. (See page 52 through page 55)

### IV. DETAIL NOTES ON ALL FUNDS

#### A. Deposits

At September 30, 2007, the carrying amount of the City of Sebastian's deposits with banks was \$468,038 and the bank balance was \$729,287. 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, 2007, the City had the following investments and effective duration presented in terms of years:

Investment Type	Fair Value	Less Than 1	Investment Maturity (Year)		
			From 1-3	From 4-6	Over 7
<b>Government-wide</b>					
U.S Agencies	\$ 7,499,844	\$ 4,499,844	\$ 3,000,000	\$ -	\$ -
Guaranteed investment contract	4,131,347	4,131,347	-	-	-
Certificate of deposit	1,500,000	500,000	1,000,000	-	-
Local government surplus fund trust fund investment pool	9,096,573	9,096,573	-	-	-
	<u>22,227,764</u>	<u>18,227,764</u>	<u>4,000,000</u>	<u>-</u>	<u>-</u>
<b>Fiduciary Funds</b>					
United States Treasuries	837,043	-	431,072	58,351	347,620
United States Agencies	492,004	-	-	-	492,004
Domestic corporate bonds	536,640	-	189,860	92,396	254,384
Domestic corporate equities	2,916,202	2,916,202	-	-	-
	<u>4,781,889</u>	<u>2,916,202</u>	<u>620,932</u>	<u>150,747</u>	<u>1,094,008</u>
Total fair value	<u>\$ 27,009,653</u>	<u>\$ 21,143,966</u>	<u>\$ 4,620,932</u>	<u>\$ 150,747</u>	<u>\$ 1,094,008</u>

Investment holdings consist of \$7,499,844 in United States Government Agencies which are reported at fair value in accordance with GASB Statement No.31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". These investments are held in trust by the City's bank depository in the City's name.

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

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

Interest receivable on the government-wide and fiduciary investment portfolios amounted to \$160,693 and \$26,042, respectively, as of September 30, 2007.

#### 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 \$7,499,844 in United States Government Agencies 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 in 2007, 2008, 2009, and 2010.

#### 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, 2007, the City's investment securities were all individually rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

The City's \$9,096,573 investment deposit in the Local Government Surplus Funds Trust Fund investment pool was unrated as of September 30, 2007.

The City's \$4,131,347 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 Royal Bank of Canada, which is Aa1/AA-rated Company. The investment was unrated as of September 30, 2007.

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, 2007, 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, 2007, the City had the following issuer concentration based on fair value:

Issuer	Government-wide		Fiduciary Funds	
	Amount	Percentage of Portfolio	Amount	Percentage of Portfolio
Local government surplus funds trust fund ("SBA")	\$ 9,096,573	40.92%	\$ -	0.00%
United States Treasuries	-	0.00%	837,043	17.50%
United States Agencies	7,499,844	33.74%	492,004	10.30%
Guaranteed investment contract	4,131,347	18.59%	-	0.00%
Certificate of deposit	1,500,000	6.75%	-	0.00%
Domestic corporate bonds	-	0.00%	536,640	11.22%
Domestic corporate equities	-	0.00%	2,916,202	60.98%
Total	<u>\$ 22,227,764</u>	<u>100.00%</u>	<u>\$ 4,781,889</u>	<u>100.00%</u>

**C. Receivable and Payable Balances**

**Receivables**

Receivables at September 30, 2007 were as follows:

	Interest	Accounts	Due From Other Governments	Total
Governmental activities:				
General	\$ 117,100	\$ 227,950	\$ 270,501	\$ 615,551
Discretionary sales tax	7,298	-	211,167	218,465
Riverfront redevelopment	2,331	-	-	2,331
Stormwater utility improvements	5,514	-	2,797	8,311
Transportation improvements	277	-	-	277
Other governmental	20,670	-	73,229	93,899
Total - governmental activities	<u>\$ 153,190</u>	<u>\$ 227,950</u>	<u>\$ 557,694</u>	<u>\$ 938,834</u>
Business-type activities:				
Golf course	\$ 63	\$ -	\$ -	\$ 63
Airport	127	15,896	210,334	226,357
Building	7,313	-	-	7,313
Total - business-type activities	<u>\$ 7,503</u>	<u>\$ 15,896</u>	<u>\$ 210,334</u>	<u>\$ 233,733</u>

All receivables are anticipated to be collected.

**Payables**

Payables at September 30, 2007 were as follows:

	Vendors	Retainage	Salaries and Benefits	Due to Other Government	Total
Governmental activities:					
General	\$ 314,938	\$ -	\$ 397,065	\$ 84,560	\$ 796,563
Discretionary sales tax	45	-	-	-	45
Riverfront redevelopment	3,101	-	-	-	3,101
Transportation Improvements	427,154	-	-	-	427,154
Stormwater utility improvements	118,802	88,965	-	-	207,767
Other governmental	68,790	38,692	-	-	107,482
Total - governmental activities	<u>\$ 932,830</u>	<u>\$ 127,657</u>	<u>\$ 397,065</u>	<u>\$ 84,560</u>	<u>\$ 1,542,112</u>
Business-type activities:					
Golf course	\$ 34,366	\$ -	\$ 11,339	\$ 7,279	\$ 52,984
Airport	92,084	17,286	6,781	321	116,472
Building	17,374	-	11,754	-	29,128
Total - business-type activities	<u>\$ 143,824</u>	<u>\$ 17,286</u>	<u>\$ 29,874</u>	<u>\$ 7,600</u>	<u>\$ 198,584</u>

Governmental funds report deferred *revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2007, the various components of *deferred revenues* and *unearned revenue* reported in the governmental funds were as follows:

	Deferred Revenues	Unearned Revenues
Special assessments not yet due (General fund)	\$ 3,849	\$ -
Occupational licenses received in advance (General Fund)	-	65,054
Total deferred/unearned revenue for governmental funds	<u>\$ 3,849</u>	<u>\$ 65,054</u>

#### D. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,301,947	\$ 394,999	\$ -	\$ 5,696,946
Construction in progress	1,167,207	3,803,663	(2,278,166)	2,692,704
Total capital assets, not being depreciated	6,469,154	4,198,662	(2,278,166)	8,389,650
Capital assets, being depreciated:				
Buildings	9,958,190	1,038,307	-	10,996,497
Improvements other than buildings	4,614,326	361,968	(5,656)	4,970,638
Machinery and equipment	6,436,238	709,863	(326,050)	6,820,051
Infrastructure	17,375,199	1,373,947	(71,955)	18,677,191
Total capital assets being depreciated	38,383,953	3,484,085	(403,661)	41,464,377
Less accumulated depreciation for:				
Buildings	(1,585,266)	(326,371)	-	(1,911,637)
Improvements other than buildings	(1,166,996)	(238,417)	4,713	(1,400,700)
Machinery and equipment	(4,502,294)	(851,020)	320,885	(5,032,429)
Infrastructure	(7,954,416)	(684,887)	71,955	(8,567,348)
Total accumulated depreciation	(15,208,972)	(2,100,695)	397,553	(16,912,114)
Total capital assets, being depreciated, net	23,174,981	1,383,390	(6,108)	24,552,263
Governmental activities capital assets, net	\$ 29,644,135	\$ 5,582,052	\$ (2,284,274)	\$ 32,941,913

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,060	\$ -	\$ -	\$ 9,060
Construction in progress	2,770,936	610,631	(2,081,133)	1,300,434
Total capital assets, not being depreciated	2,779,996	610,631	(2,081,133)	1,309,494
Capital assets, being depreciated:				
Buildings	1,832,148	1,400,324	-	3,232,472
Improvements other than buildings	1,181,052	96,571	(61,545)	1,216,078
Machinery and equipment	638,926	223,535	(57,996)	804,465
Infrastructure	6,012,963	320,403	(515,997)	5,817,369
Total capital assets being depreciated	9,665,089	2,040,833	(635,538)	11,070,384
Less accumulated depreciation for:				
Buildings	(356,730)	(42,173)	-	(398,903)
Improvements other than buildings	(235,270)	(85,319)	52,882	(267,707)
Machinery and equipment	(513,542)	(52,466)	57,996	(508,012)
Infrastructure	(1,431,029)	(277,297)	515,997	(1,192,329)
Total accumulated depreciation	(2,536,571)	(457,255)	626,875	(2,366,951)
Total capital assets, being depreciated, net	7,128,518	1,583,578	(8,663)	8,703,433
Business-type activities capital assets, net	\$ 9,908,514	\$ 2,194,209	\$ (2,089,796)	\$ 10,012,927

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

Governmental activities:	
General government	\$ 362,013
Public safety	450,720
Transportation	407,511
Physical environment	536,203
Cultural and recreation	344,248
Total depreciation expense-governmental activities	<u>\$ 2,100,695</u>
Business-type activities:	
Golf Course	\$ 85,607
Airport	360,120
Building	11,528
Total depreciation expense-business-type activities	<u>\$ 457,255</u>

**Construction Commitments**

The City has various construction commitments outstanding at September 30, 2007. The major construction commitments include the following:

<u>Project</u>	<u>Spent-to date</u>	<u>Remaining Commitment</u>	<u>Major Funding Source</u>
Main Street Twin Ditches Improvements	\$ 1,059,761	\$ 96,444	Debt Proceeds - Stormwater Revenue Bonds, Series 2003
Nutrient Separating Baffle Box	15,367	137,588	Stormwater Utility Fund
Municipal Airport Maintenance Building	338,702	130,320	FAA Grant
Total	<u>\$ 1,413,830</u>	<u>\$ 364,352</u>	

**E. Advances**

Advance balances at September 30, 2007 consisted of the following amount:

Advance from General Fund to:

Airport Fund	\$ 200,000
Total	<u>\$ 200,000</u>

The balance of \$200,000 advance to the airport fund from the general fund represents a cash loan that is expected to 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, and 2) utilize discretionary sales tax revenues for infrastructure improvements and equipment purchases which must be accounted for in other funds. Following is a schedule of Interfund Transfers:

<u>Transfers In:</u>	<u>Transfer Out:</u>			
	<u>Discretionary Sales Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Airport Fund</u>	<u>Total</u>
General Fund	\$ 219,738	\$ 508,122	\$ -	\$ 727,860
Discretionary Sales Tax Fund	-	474,594	42,720	517,314
Transportation Improvements	407,501	617,348	-	1,024,849
Stormwater Utility Improvements	653,415	453,744	-	1,107,159
Nonmajor Governmental Funds	1,309,561	514,273	-	1,823,834
Total Transfers Out	<u>\$ 2,590,215</u>	<u>\$ 2,568,081</u>	<u>\$ 42,720</u>	<u>\$ 5,201,016</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 \$224,035 for the fiscal year ended September 30, 2007. 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, 2007:

<u>Year Ending September 30,</u>	<u>Golf Course</u>	
	to: <u>Airport</u>	<u>Golf Carts</u>
2008	\$ 175,000	\$ 71,820
2009	175,000	71,820
2010	175,000	132,075
2011	250,000	-
2012	250,000	-
2013-2015	750,000	-
Totals	<u>\$ 1,775,000</u>	<u>\$ 275,715</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 \$187,619. For fiscal year 2007, total depreciation expense for the leased equipment is \$132,246. The assets acquired through the capital lease are as follows:

<u>Asset:</u>	<u>Activities</u>
Machinery and equipment	\$ 859,859
Less: Accumulated depreciation	(672,240)
Total	<u>\$ 187,619</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2008	154,694
Total minimum lease payments	154,694
Less: amount representing interest	(7,155)
Present value of minimum lease payments	<u>\$ 147,539</u>

**3. Operating Leases-Lessor**

The City is the lessor of two communication tower leases with lease terms of up to fifty-five years. The towers has a cost of \$39,285 and a carrying value of \$10,540. For fiscal year 2007, total depreciation expense for the leased towers is \$1,964. 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>
2008	\$ 58,674
2009	59,798
2010	60,967
2011	62,182
2012	66,326
2013-2017	355,890
2018-2022	389,087
2023-2027	354,943
2028-2032	414,315
2033-2037	486,551
2038-2042	574,436
2048-2052	811,454
2053-2055	560,802
Total minimum future rentals	<u>\$ 4,255,424</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>
2008	282,132
2009	284,847
2010	287,636
2011	365,594
2012	368,895
2013-2017	1,368,267
2018-2022	606,577
2023-2027	695,795
2028-2032	731,177
2033-2037	371,876
Total minimum future rentals	<u>\$ 5,362,795</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, 2007.

Gross revenues available for compliance (charges for services, interest, and rent revenues)	\$ 1,701,171
Operating and maintenance expenses (excluding depreciation expense, amortization, and airport lease payment)	<u>1,218,382</u>
Amount of revenue over direct operating expenses	<u>\$ 482,789</u>
Debt service requirement	<u>\$ 306,590</u>
Percent coverage for the year ended September 30, 2007	<u>157%</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, 2007.

Gross revenues available for compliance	<u>\$ 932,183</u>
Debt service requirement	<u>\$ 437,273</u>
Percent coverage for the year ended September 30, 2007	<u>213%</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, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
Infrastructure Sales Surtax Revenue					
Bonds, Series 2003	\$ 7,955,000	\$ -	\$ 550,000	\$ 7,405,000	\$ 565,000
Infrastructure Sales Surtax Revenue					
Bonds, Series 2003A	1,870,000	-	130,000	1,740,000	135,000
Stormwater Utility Revenue Bonds,					
Series 2003	5,055,000	-	240,000	4,815,000	245,000
Less deferred amount:					
Issuance discount- Stormwater Utility Revenue					
Bonds, Series 2003	(12,915)	-	(833)	(12,082)	-
Total bonds payable	14,867,085	-	919,167	13,947,918	945,000
Notes payable	1,790,544	-	223,704	1,566,840	233,601
Capital leases	288,252	-	140,713	147,539	147,539
Compensated absences	1,044,670	705,416	571,861	1,178,225	91,518
Unfunded OPEB obligation	-	248,477	-	248,477	-
Termination benefits	-	40,379	-	40,379	19,580
Governmental activity					
long-term liabilities	\$ 17,990,551	\$ 994,272	\$ 1,855,445	\$ 17,129,378	\$ 1,437,238
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type activities:					
Bonds payable:					
Recreational Facilities Improvement and					
Refunding Revenue Bonds, Series 2001	\$ 1,140,000	\$ -	\$ -	\$ 1,140,000	\$ 270,000
Less deferred amount:					
Issuance premium	3,190	-	798	2,392	-
Loss on refunding	(33,288)	-	(8,322)	(24,966)	-
Total bonds payable	1,109,902	-	(7,524)	1,117,426	270,000
Compensated absences	148,846	79,462	80,864	147,444	9,900
Unfunded OPEB obligation	-	33,365	-	33,365	-
Termination benefits	-	37,663	-	37,663	13,160
Business-type activity					
long-term liabilities	\$ 1,258,748	\$ 150,490	\$ 73,340	\$ 1,335,898	\$ 293,060

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, 2007, including interest requirements, is as follows:

Governmental Activities

Fiscal Year	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
2008	233,598	66,402	565,000	269,819	135,000	63,800	245,000	191,873
2009	243,990	56,010	585,000	252,869	135,000	60,088	255,000	185,135
2010	254,843	45,157	600,000	233,856	145,000	56,037	260,000	177,485
2011	266,180	33,820	620,000	214,356	145,000	51,325	270,000	169,035
2012	278,019	21,981	645,000	193,276	150,000	46,250	280,000	159,247
2013-2017	290,210	9,790	3,585,000	593,784	845,000	141,013	1,575,000	621,955
2018-2022	-	-	805,000	33,206	185,000	7,400	1,930,000	266,685
	<u>\$ 1,566,840</u>	<u>\$ 233,160</u>	<u>\$ 7,405,000</u>	<u>\$ 1,791,166</u>	<u>\$ 1,740,000</u>	<u>\$ 425,913</u>	<u>\$ 4,815,000</u>	<u>\$ 1,771,415</u>

Business-type Activities

Fiscal Year	Golf Course Refunding Bonds, Series 2001 4% to 4.2%	
		Interest
2008	270,000	41,090
2009	280,000	30,090
2010	290,000	18,545
2011	300,000	6,300
Less unamortized Bond premium	2,392	-
Loss on refunding	(24,966)	-
	<u>\$ 1,117,426</u>	<u>\$ 96,025</u>

**I. Restricted Assets:**

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

	Governmental Activities	Business-type Activities
Debt service	\$ 231,894	\$ 314,490
Capital projects	8,111,666	-
Renewal and replacement	-	81,400
Rent	-	175,000
Cemetery perpetual care	694,506	-
Law enforcement forfeiture fund	25,098	-
Community redevelopment agency	355,965	-
Total	<u>\$ 9,419,129</u>	<u>\$ 570,890</u>

The government-wide statement of net assets reports \$9,990,019 of restricted net assets, of which all is restricted by enabling legislation.

**V. OTHER INFORMATION**

**A. Property Tax**

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. The millage rate levied by the City for the fiscal year ended September 30, 2007, was 3.0519 mills. Total tax collections were approximately 95.36% 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 2007.

<u>Primary Government</u>	<u>Amount</u>
General government	\$ 14,919
Public safety	5,152
Transportation	18,018
Cultural/Recreation	224,395
Airport	500,428
Total reporting entity	<u>\$ 762,912</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 23, 2007. 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, 2006, dated October 23, 2007 is as follows:

	<u>Police Pension Plan 2006</u>
Retirees and beneficiaries currently receiving benefits	4
Terminated employees entitled to refund of employee contribution but not yet received	1
Fully, partially, and non-vested active plan participants	<u>37</u>
Total	<u>42</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 2006-2007 fiscal year. The employer contribution rate, expressed as a percentage of compensation, was 14.25% for the 2006-2007 fiscal year. The employer contribution is \$294,534 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.

Annual pension costs and related information was as follows:

Contribution rates as of 9/30/06

City	15.5%
Plan members	5.0%
Annual pension cost	\$ 243,301
Contributions made	\$ 219,898
Valuation date	10/1/2004
Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	28 Years (as of 10/01/2004)
Asset valuation method	Market Value

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

	<u>Amount</u>
<u>Actuarially Determined Contribution</u>	
2004	\$ 173,025
2005	\$ 212,636
2006	\$ 243,301
 <u>Percentage of APC contributed</u>	
2004	101.00%
2005	113.00%
2006	90.00%

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, 2007, 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, 2007.

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

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

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

Development of Net Pension Obligation (NPO)

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

The funding status as required by GASB Statements No. 25 and 27 is presented in the required supplemental information section on page 56.

The development of the Net Pension Obligation as of September 30, 2007 is as follows:

	9/30/2004	9/30/2005	9/30/2006
Actuarially Determined Contribution (A)	\$ 173,025	\$ 212,636	\$ 243,301
Interest on NPO	(9,760)	(9,794)	(11,889)
Adjustment to (A)	11,100	11,138	15,181
Annual Pension Cost	174,365	213,980	246,593
Contributions made	174,780	240,167	219,898
Increase in NPO	(415)	(26,187)	26,695
NPO beginning of year	(122,005)	(122,420)	(148,607)
NPO end of year	<u>\$ (122,420)</u>	<u>\$ (148,607)</u>	<u>\$ (121,912)</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, 2006, which is negotiated every 3 years, and approved by City Council.

*Funding Policy:* Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.00% for the 2006-2007 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2005, 2006 and 2007 were \$216,464, \$229,159, and 254,909 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 be paid either partially or by total distribution of the employees' account balance.

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

*Benefit Provisions and Contribution Requirements:* The 401 provides retirement benefits to plan members and beneficiaries. The plan is administered by the ICMA Retirement Corporation. Contribution requirements are established by the City of Sebastian, Management Benefit Package, revised October 1, 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 2006-2007 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2005, 2006, and 2007 were \$146,840, \$142,002, and \$136,222 respectively, which are equal to 100% of the required contribution for each year.

#### **F. Other Post Employment Benefits (OPEB)**

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

Employees are eligible to receive benefits from the Retiree Medical Plan upon retirement, if they are enrolled in the active medical plan immediately prior to retiring and at least 20 years of service in a full time capacity. The City pays 50% of the costs of single coverage group health insurance for up to 2 years after retirement. No retirees are currently receiving medical benefits.

Based on GASB Statement 43 and 45, which set forth the guidelines and a future implementation timetable (for the City in fiscal year 2008/2009) for treatment of Other Post Employment Benefits. The City had an actuary calculate future funding requirements in 2007. The purpose was to enhance the City's understanding of the OPEB obligation and to revisit potential policy implications associated therewith. The actuary's 2007 estimate, using the Projected Unit Credit Method, produced an unfunded obligation of \$281,842 and an annual required contribution of \$40,089. The City has elected to fund the OPEB obligation on a pay-as-you-go basis. The entire unfunded obligation is recognized in the government-wide financial statements. The enterprise fund portion (\$33,365) is also recognized in the enterprise fund financial statements.

#### **G. Termination Benefits**

The City offered its employees an one time only early retirement incentive program in 2006-2007 fiscal year. The eligibility requirements are that the employee is either an exempt management employee or an hourly employee including police officers with at least 15 years of service in a full time capacity and within three years reaching the age of 65 (the age eligible for Medicare benefit). The benefits include a one time lump sum payment based on the year of service and single coverage group health insurance for up to 3 years after retirement. The lump sum payment is calculated by multiplying \$1,000 for each full year of service. The group health insurance will terminate when the retiree reaches the age of 65 and eligible for Medicare benefits. As of September 30, 2007, the total accrued termination benefits for the government-wide financial statements are \$45,302. The enterprise fund portion (\$24,503) is also recognized in the enterprise fund financial statements.

#### **H. Insurance**

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

#### **I. Litigation**

Various suits and claims are currently pending against the City. It is impossible for the City to accurately quantify the exposure involved given the jury's latitude in assessing compensatory and punitive damages, and the court's latitude in awarding attorney's fees. The City intends to vigorously defend against these lawsuits and believes it has a good chance of prevailing on their merits.

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of management and based on the advice of legal counsel, the ultimate disposition of lawsuits will not have a material adverse effect on the financial position of the City.

**J. Grants**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. If any expenditures were disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, any such adjustments would not be significant.

**K. Subsequent Event**

As discussed in Note IV. B, at September 30, 2007, the city had \$9,096,573 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of December 31, 2007, the city has \$3,590,513 and \$995,804 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.



## **Required Supplemental Information**

**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2007**

	<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	\$ 4,539,000	\$ 4,539,000	\$ 4,537,100	\$ (1,900)
Public utility	2,182,027	2,182,027	2,216,381	34,354
Franchise fees	960,475	960,475	1,106,698	146,223
Licenses and permits	231,200	231,200	186,875	(44,325)
Intergovernmental	2,380,000	2,512,541	2,221,215	(291,326)
Charges for services	441,342	464,334	387,058	(77,276)
Fines	55,900	55,900	64,464	8,564
Investment earnings	273,762	273,762	340,759	66,997
Contributions and donations	20,500	34,620	32,876	(1,744)
Other revenue	103,300	130,070	170,174	40,104
<b>Total revenues</b>	<u>11,187,506</u>	<u>11,383,929</u>	<u>11,263,600</u>	<u>(120,329)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	3,161,611	3,246,326	3,055,114	191,212
Public safety	4,699,494	5,071,528	4,963,851	107,677
Physical environment	1,572,140	1,674,728	1,492,845	181,883
Transportation	1,627,449	1,769,236	1,551,364	217,872
Culture and recreation	1,057,256	1,059,202	1,021,048	38,154
<b>Total expenditures</b>	<u>12,117,950</u>	<u>12,821,020</u>	<u>12,084,222</u>	<u>736,798</u>
Excess (deficiency) of revenues over (under) expenditures	(930,444)	(1,437,091)	(820,622)	616,469
<b>OTHER FINANCING SOURCES</b>				
Transfers in	736,192	781,422	727,860	(53,562)
<b>Total other financing sources</b>	<u>736,192</u>	<u>781,422</u>	<u>727,860</u>	<u>(53,562)</u>
<b>Net changes in fund balances</b>	(194,252)	(655,669)	(92,762)	562,907
Fund balances - beginning	6,479,072	6,479,072	6,479,072	-
Residual fund equity transfer	-	-	52	52
<b>Fund balances - ending</b>	<u>\$ 6,284,820</u>	<u>\$ 5,823,403</u>	<u>6,386,362</u>	<u>\$ 562,959</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

62,445

Prior year encumbrances

(58,020)

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

\$ 6,390,787

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, 2007**

	<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	\$ 3,127,000	\$ 3,127,000	\$ 2,560,310	\$ (566,690)
Investment earnings	113,300	113,300	120,198	6,898
Total revenues	<u>3,240,300</u>	<u>3,240,300</u>	<u>2,680,508</u>	<u>(559,792)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	474,594	474,594	-
Transfers out	(3,240,300)	(2,600,559)	(2,547,495)	53,064
Total other financing sources (uses)	<u>(3,240,300)</u>	<u>(2,125,965)</u>	<u>(2,072,901)</u>	<u>53,064</u>
Net changes in fund balances	-	1,114,335	607,607	(506,728)
Fund balances - beginning	1,804,332	1,804,332	1,804,332	-
Fund balances - ending	<u>\$ 1,804,332</u>	<u>\$ 2,918,667</u>	<u>\$ 2,411,939</u>	<u>\$ (506,728)</u>

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

**City of Sebastian, Florida**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Riverfront Redevelopment Agency Special Revenue Fund**  
**For the Year Ended September 30, 2007**

	<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	\$ 593,329	\$ 593,329	\$ 552,741	\$ (40,588)
Investment earnings	24,000	24,000	33,209	9,209
Other revenue	-	-	100	100
Total revenues	<u>617,329</u>	<u>617,329</u>	<u>586,050</u>	<u>(31,279)</u>
<b>EXPENDITURES:</b>				
Current:				
Economic environment	132,844	159,086	80,279	78,807
Capital outlay	95,256	716,072	620,815	95,257
Total expenditures	<u>228,100</u>	<u>875,158</u>	<u>701,094</u>	<u>174,064</u>
Excess of revenues over over expenditures	389,229	(257,829)	(115,044)	142,785
<b>OTHER FINANCING USES</b>				
Transfers out	-	(215,401)	(215,401)	-
Total other financing (uses)	<u>-</u>	<u>(215,401)</u>	<u>(215,401)</u>	<u>-</u>
Net changes in fund balances	389,229	(473,230)	(330,445)	142,785
Fund balances - beginning	675,417	675,417	675,417	-
Fund balances - ending	<u>\$ 1,064,646</u>	<u>\$ 202,187</u>	<u>344,972</u>	<u>\$ 142,785</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	106,249
Prior year encumbrances	<u>(95,256)</u>

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

\$ 355,965

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, 2007**

**A. Budgetary Basis**

Annual budgets are adopted for all governmental funds except the capital project funds, which are approved on a “life of the project basis”, and the permanent fund, which is not budgeted. Since all accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with U.S. generally accepted accounting principles, reconciliations of the resultant timing differences have been provided on page 51 through page 53. 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 \$58,020 for the general fund, which represents fund balance carried over from prior fiscal year to fund outstanding encumbrances. The 2<sup>nd</sup> quarter budget amendment highlighted a net increase of \$31,813 for the general fund, which represents FEMA reimbursement received in the 2<sup>nd</sup> quarter for hurricane damage. The 3<sup>rd</sup> quarter budget amendment highlighted a net increase of \$26,770 for the general fund, which represents the proceeds generated from surplus equipment sales. The 4<sup>th</sup> quarter budget amendment highlighted a net increase of \$490,155 for the general fund. The main reason for this increase is 1) to recognize a pass through police pension contribution from the State, 2) to fund the additional police pension contribution required by the State, and 3) to fund the costs associated with the employee early retirement program.

**C. Budgeted Expenditures Exceeded Revenues**

Budgeted expenditures exceeded revenues in the general fund, riverfront redevelopment agency special revenue fund, stormwater utility special revenue fund, and the law enforcement forfeiture 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
2006	\$ 360,922	\$ 219,898	\$ 117,621	93.52%
2005	330,257	240,166	117,621	108.34%
2004	279,741	174,780	106,716	100.63%
2003	233,435	153,111	92,714	105.31%
2002	61,342	8,620	82,877	149.16%
2001	80,740	29,134	68,646	121.10%

# **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.

**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, 2007**

	<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>G.R.E.A.T. Program</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,477	\$ 3,609	\$ 22,043	\$ 1,017	\$ 889
Investments	97,586	1,317,514	1,122,011	23,186	-
Due from other governments	62,347	-	10,882	-	-
Interest receivable	1,468	4,006	6,666	3	3
<b>Total assets</b>	<b>\$ 173,878</b>	<b>\$ 1,325,129</b>	<b>\$ 1,161,602</b>	<b>\$ 24,206</b>	<b>\$ 892</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,044	\$ 40	\$ 32	\$ -	\$ -
Retainage payable	-	-	-	-	-
<b>Total liabilities</b>	<b>1,044</b>	<b>40</b>	<b>32</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrance	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Cemetery care	-	-	-	-	-
Law enforcement	-	-	-	24,206	892
Unreserved	172,834	1,325,089	1,161,570	-	-
<b>Total fund balances</b>	<b>172,834</b>	<b>1,325,089</b>	<b>1,161,570</b>	<b>24,206</b>	<b>892</b>
<b>Total liabilities and fund balances</b>	<b>\$ 173,878</b>	<b>\$ 1,325,129</b>	<b>\$ 1,161,602</b>	<b>\$ 24,206</b>	<b>\$ 892</b>

**Debt Service Funds**

Total	Stormwater Utility Revenue Bonds 2003	Discretionary Sales Surtax Revenue Bonds 2003	Total
\$ 40,035	\$ 677	\$ 590	\$ 1,267
2,560,297	19,862	210,761	230,623
73,229	-	-	-
12,146	2	2	4
<u>\$ 2,685,707</u>	<u>\$ 20,541</u>	<u>\$ 211,353</u>	<u>\$ 231,894</u>
\$ 1,116	\$ -	\$ -	\$ -
-	-	-	-
<u>1,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	20,541	211,353	231,894
-	-	-	-
-	-	-	-
25,098	-	-	-
2,659,493	-	-	-
<u>2,684,591</u>	<u>20,541</u>	<u>211,353</u>	<u>231,894</u>
<u>\$ 2,685,707</u>	<u>\$ 20,541</u>	<u>\$ 211,353</u>	<u>\$ 231,894</u>

**City of Sebastian, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2007**  
**(Continued)**

	<u>Capital Projects Funds</u>				<u>Permanent Fund</u>
	<u>General Capital Projects</u>	<u>Capital Improvements</u>	<u>Public Facilities Improvements</u>	<u>Total</u>	<u>Cemetery</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,910	\$ 37,380	\$ 67,210	\$ 106,500	\$ 3,696
Investments	6,900	666,957	-	673,857	690,104
Due from other governments	-	-	-	-	-
Interest receivable	168	7,601	-	7,769	751
 Total assets	 <u>\$ 8,978</u>	 <u>\$ 711,938</u>	 <u>\$ 67,210</u>	 <u>\$ 788,126</u>	 <u>\$ 694,551</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 6,157	\$ 54,888	\$ 6,584	\$ 67,629	\$ 45
Retainage payable	-	-	38,692	38,692	-
 Total liabilities	 <u>6,157</u>	 <u>54,888</u>	 <u>45,276</u>	 <u>106,321</u>	 <u>45</u>
Fund balances:					
Reserved for:					
Encumbrance	-	27,175	21,934	49,109	-
Debt service	-	-	-	-	-
Capital projects	2,821	629,875	-	632,696	-
Cemetery care	-	-	-	-	694,506
Law enforcement	-	-	-	-	-
Unreserved	-	-	-	-	-
 Total fund balances	 <u>2,821</u>	 <u>657,050</u>	 <u>21,934</u>	 <u>681,805</u>	 <u>694,506</u>
 Total liabilities and fund balances	 <u>\$ 8,978</u>	 <u>\$ 711,938</u>	 <u>\$ 67,210</u>	 <u>\$ 788,126</u>	 <u>\$ 694,551</u>

Total  
Other  
Governmental  
Funds

\$ 151,498  
4,154,881  
73,229  
20,670

\$ 4,400,278

\$ 68,790  
38,692

107,482

49,109  
231,894  
632,696  
694,506  
25,098  
2,659,493

4,292,796

\$ 4,400,278

**City of Sebastian, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2007**

	Special Revenue Funds				
	Community Development Block Grant	Local Option Gas Tax	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
<b>REVENUES:</b>					
Taxes:					
Motor fuel	\$ -	\$ 688,085	\$ -	\$ -	\$ -
Intergovernmental	-	18,018	-	-	-
Impact fees	-	-	56,875	-	-
Charges for services	-	-	-	834,039	-
Fines	-	-	-	-	6,850
Investment earnings	-	92,220	67,999	98,143	1,665
Contributions and donations	-	-	-	-	621
Other revenue	-	-	-	1	225
Total revenues	<u>-</u>	<u>798,323</u>	<u>124,874</u>	<u>932,183</u>	<u>9,361</u>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	-	17,494
Physical environment	-	-	-	79	-
Transportation	-	195,375	-	-	-
Debt Service:					
Principal	-	223,704	-	-	-
Interest and fiscal charges	-	76,296	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>495,375</u>	<u>-</u>	<u>79</u>	<u>17,494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>302,948</u>	<u>124,874</u>	<u>932,104</u>	<u>(8,133)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(262,571)	(77,000)	(1,357,593)	-
Total other financing sources (uses)	<u>-</u>	<u>(262,571)</u>	<u>(77,000)</u>	<u>(1,357,593)</u>	<u>-</u>
Net changes in fund balances	-	40,377	47,874	(425,489)	(8,133)
Fund balances - beginning	52	132,457	1,277,215	1,587,059	32,339
Residual fund equity transfer	(52)	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ 172,834</u>	<u>\$ 1,325,089</u>	<u>\$ 1,161,570</u>	<u>\$ 24,206</u>

Debt service Funds

G.R.E.A.T. Program	Total	Stormwater Utility Revenue Bonds 2003	Discretionary Sales Surtax Revenue Bonds 2003	Total
\$ -	\$ 688,085	\$ -	\$ -	\$ -
-	18,018	-	-	-
-	56,875	-	-	-
-	834,039	-	-	-
-	6,850	-	-	-
109	260,136	1,096	7,432	8,528
5,121	5,742	-	-	-
-	226	-	-	-
<u>5,230</u>	<u>1,869,971</u>	<u>1,096</u>	<u>7,432</u>	<u>8,528</u>
5,121	22,615	-	-	-
-	79	-	-	-
-	195,375	-	-	-
-	223,704	240,000	680,000	920,000
-	76,296	198,148	354,881	553,029
-	-	-	-	-
<u>5,121</u>	<u>518,069</u>	<u>438,148</u>	<u>1,034,881</u>	<u>1,473,029</u>
109	1,351,902	(437,052)	(1,027,449)	(1,464,501)
-	-	437,273	1,033,206	1,470,479
-	(1,697,164)	-	-	-
-	(1,697,164)	437,273	1,033,206	1,470,479
109	(345,262)	221	5,757	5,978
783	3,029,905	20,320	205,596	225,916
-	(52)	-	-	-
<u>\$ 892</u>	<u>\$ 2,684,591</u>	<u>\$ 20,541</u>	<u>\$ 211,353</u>	<u>\$ 231,894</u>

**City of Sebastian, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2007**  
**(Continued)**

	Capital Projects Funds				Permanent Fund
	General Capital Projects	Capital Improvements	Public Facilities Improvements	Total	Cemetery
<b>REVENUES:</b>					
Taxes:					
Motor fuel	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	224,395	224,395	-
Impact fees	-	-	-	-	-
Charges for services	-	-	-	-	50,005
Fines	-	-	-	-	-
Investment earnings	1,666	31,753	13,500	46,919	29,887
Contributions and donations	-	20,511	-	20,511	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<b>1,666</b>	<b>52,264</b>	<b>237,895</b>	<b>291,825</b>	<b>79,892</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Debt Service:					
Principal	140,714	-	-	140,714	-
Interest and fiscal charges	13,980	-	-	13,980	-
Capital outlay	132,285	305,408	834,207	1,271,900	-
<b>Total expenditures</b>	<b>286,979</b>	<b>305,408</b>	<b>834,207</b>	<b>1,426,594</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(285,313)</b>	<b>(253,144)</b>	<b>(596,312)</b>	<b>(1,134,769)</b>	<b>79,892</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	276,951	76,404	-	353,355	-
Transfers out	(289,972)	(323,998)	-	(613,970)	(41,546)
Total other financing sources (uses)	(13,021)	(247,594)	-	(260,615)	(41,546)
Net changes in fund balances	(298,334)	(500,738)	(596,312)	(1,395,384)	38,346
Fund balances - beginning	301,155	1,157,788	618,246	2,077,189	656,160
Residual fund equity transfer	-	-	-	-	-
Fund balances - ending	<b>\$ 2,821</b>	<b>\$ 657,050</b>	<b>\$ 21,934</b>	<b>\$ 681,805</b>	<b>\$ 694,506</b>

Total  
Other  
Governmental  
Funds

---

\$ 688,085  
242,413  
56,875  
884,044  
6,850  
345,470  
26,253  
226

---

2,250,216

22,615

79

195,375

1,284,418

643,305

1,271,900

---

3,417,692

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(1,167,476)

1,823,834

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(2,352,680)

(528,846)

---

(1,696,322)

5,989,170

(52)

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\$ 4,292,796

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**City of Sebastian, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Local Option Gas Tax Special Revenue Fund**  
**For the Year Ended September 30, 2007**

	<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	\$ 720,000	\$ 688,085	\$ (31,915)
Intergovernmental	-	18,018	18,018
Investment earnings	45,000	92,220	47,220
Total revenues	<u>765,000</u>	<u>798,323</u>	<u>33,323</u>
<b>EXPENDITURES:</b>			
Current:			
Transportation	202,429	195,375	7,054
Debt service:			
Principal	223,646	223,704	(58)
Interest and fiscal charges	76,354	76,296	58
Total expenditures	<u>502,429</u>	<u>495,375</u>	<u>7,054</u>
Excess of revenues over expenditures	262,571	302,948	40,377
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(262,571)</u>	<u>(262,571)</u>	<u>-</u>
Total other financing (uses)	<u>(262,571)</u>	<u>(262,571)</u>	<u>-</u>
Net changes in fund balances	-	40,377	40,377
Fund balances - beginning	<u>132,457</u>	<u>132,457</u>	<u>-</u>
Fund balances - ending	<u>\$ 132,457</u>	<u>\$ 172,834</u>	<u>\$ 40,377</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, 2007**

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Impact fees	\$ 360,000	\$ 56,875	\$ (303,125)
Investment earnings	45,000	67,999	22,999
Total revenues	<u>405,000</u>	<u>124,874</u>	<u>(280,126)</u>
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(77,000)</u>	<u>(77,000)</u>	<u>-</u>
Total other financing (uses)	<u>(77,000)</u>	<u>(77,000)</u>	<u>-</u>
Net changes in fund balances	328,000	47,874	(280,126)
Fund balances - beginning	<u>1,277,215</u>	<u>1,277,215</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,605,215</u>	<u>\$ 1,325,089</u>	<u>\$ (280,126)</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, 2007**

	<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	\$ 820,000	\$ 834,039	\$ 14,039
Investment earnings	86,200	98,143	11,943
Miscellaneous	-	1	1
Total revenues	<u>906,200</u>	<u>932,183</u>	<u>25,983</u>
<b>EXPENDITURES:</b>			
Current:			
Physical environment	<u>3,500</u>	<u>79</u>	<u>3,421</u>
Total expenditures	<u>3,500</u>	<u>79</u>	<u>3,421</u>
Excess of revenues over expenditures	902,700	932,104	29,404
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(1,357,593)</u>	<u>(1,357,593)</u>	<u>-</u>
Total other financing (uses)	<u>(1,357,593)</u>	<u>(1,357,593)</u>	<u>-</u>
Net changes in fund balances	(454,893)	(425,489)	29,404
Fund balances - beginning	<u>1,587,059</u>	<u>1,587,059</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,132,166</u>	<u>\$ 1,161,570</u>	<u>\$ 29,404</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, 2007**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Fines	\$ 8,000	\$ 6,850	\$ (1,150)
Investment earnings	1,000	1,665	665
Contributions	2,500	621	(1,879)
Other revenues	-	225	225
Total revenues	<u>11,500</u>	<u>9,361</u>	<u>(2,139)</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	<u>22,500</u>	<u>17,494</u>	<u>5,006</u>
Total expenditures	<u>22,500</u>	<u>17,494</u>	<u>5,006</u>
Excess of revenues over expenditures	(11,000)	(8,133)	2,867
Fund balances - beginning	<u>32,339</u>	<u>32,339</u>	<u>-</u>
Fund balances - ending	<u>\$ 21,339</u>	<u>\$ 24,206</u>	<u>\$ 2,867</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, 2007**

	<u>Final Budget</u>	<u>Actual Amounts on a Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental	\$ 10,000	\$ -	\$ (10,000)
Investment earnings	-	109	109
Contributions	<u>4,155</u>	<u>5,121</u>	<u>966</u>
Total revenues	<u>14,155</u>	<u>5,230</u>	<u>(8,925)</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	<u>14,155</u>	<u>5,121</u>	<u>9,034</u>
Total expenditures	<u>14,155</u>	<u>5,121</u>	<u>9,034</u>
Excess of revenues over expenditures	-	109	109
Fund balances - beginning	<u>783</u>	<u>783</u>	<u>-</u>
Fund balances - ending	<u>\$ 783</u>	<u>\$ 892</u>	<u>\$ 109</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, 2007**

	<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	\$ 875	\$ 1,096	\$ 221
Total revenues	<u>875</u>	<u>1,096</u>	<u>221</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal	240,000	240,000	-
Interest and fiscal charges	198,148	198,148	-
Total expenditures	<u>438,148</u>	<u>438,148</u>	<u>-</u>
Deficiency of revenues under expenditures	(437,273)	(437,052)	221
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>437,273</u>	<u>437,273</u>	<u>-</u>
Total other financing sources	<u>437,273</u>	<u>437,273</u>	<u>-</u>
Net changes in fund balances	-	221	221
Fund balances - beginning	20,320	20,320	-
Fund balances - ending	<u>\$ 20,320</u>	<u>\$ 20,541</u>	<u>\$ 221</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, 2007**

	Final Budget	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Investment earnings	\$ 1,975	\$ 7,432	\$ 5,457
Total revenues	<u>1,975</u>	<u>7,432</u>	<u>5,457</u>
<b>EXPENDITURES:</b>			
Current:			
Physical environment	300	-	300
Debt service:			
Principal	680,000	680,000	-
Interest and fiscal charges	354,882	354,881	1
Total expenditures	<u>1,035,182</u>	<u>1,034,881</u>	<u>301</u>
Deficiency of revenues under expenditures	(1,033,207)	(1,027,449)	5,758
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,033,207	1,033,206	(1)
Total other financing sources	<u>1,033,207</u>	<u>1,033,206</u>	<u>(1)</u>
Net changes in fund balances	-	5,757	5,757
Fund balances - beginning	205,596	205,596	-
Fund balances - ending	<u>\$ 205,596</u>	<u>\$ 211,353</u>	<u>\$ 5,757</u>

**City of Sebastian, Florida**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended September 30, 2007**

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2007</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 165,090	\$ 29,615	\$ 23,975	\$ 170,730
Total assets	<u>\$ 165,090</u>	<u>\$ 29,615</u>	<u>\$ 23,975</u>	<u>\$ 170,730</u>
<b>LIABILITIES</b>				
Performance deposits held in escrow	<u>165,090</u>	<u>29,615</u>	<u>23,975</u>	<u>170,730</u>
Total liabilities	<u>\$ 165,090</u>	<u>\$ 29,615</u>	<u>\$ 23,975</u>	<u>\$ 170,730</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedule By Source**  
**September 30, 2007**

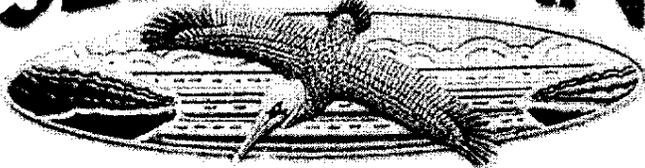
Governmental Funds capital assets:	<u>FY 2006</u>	<u>FY 2007</u>
Land	\$ 5,301,947	\$ 5,696,946
Buildings and structures	9,958,190	10,996,496
Improvement other than buildings	4,614,326	4,970,638
Machinery and equipment	6,436,238	6,820,051
Infrastructure	17,375,199	18,677,191
Capital projects	<u>1,167,207</u>	<u>2,692,704</u>
 Total capital assets	 <u>\$ 44,853,107</u>	 <u>\$ 49,854,026</u>
 Investment in Governmental Funds capital assets by sources:		
Federal grants	\$ 1,888,342	\$ 2,138,342
State grants	1,278,258	858,210
County grants	715,009	713,359
General fund	10,588,964	11,650,738
Law enforcement trust fund	42,953	42,953
Recreational impact fee	400,532	552,890
Stormwater utility fee	16,255	16,255
Riverfront Redevelopment	-	754,056
Cemetery trust fund	181,463	180,963
Donations	2,324,027	2,858,177
Sales taxes	7,779,639	8,249,499
Motor fuel taxes	4,378,033	5,053,455
Revenue bond debt	14,092,425	14,092,425
Capital projects	<u>1,167,207</u>	<u>2,692,704</u>
 Total investment in capital assets	 <u>\$ 44,853,107</u>	 <u>\$ 49,854,026</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**September 30, 2007**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Totals
<b>General government:</b>						
Legislative	\$ -	\$ -	\$ 1,100	\$ 2,886	\$ -	\$ 3,986
City manager	-	-	-	2,826	-	2,826
City clerk	-	-	-	143,134	-	143,134
City attorney	-	-	-	599	-	599
Finance	-	-	-	55,623	-	55,623
MIS	-	5,841	9,800	78,466	-	94,107
Human resources	-	2,050	-	3,704	-	5,754
Building maintenance	-	130,220	4,926	69,775	-	204,921
Growth management	-	85,555	-	48,317	-	133,872
Non-departmental	3,634,769	6,008,200	260,202	425,140	212,700	10,541,011
Subtotal	<u>3,634,769</u>	<u>6,231,866</u>	<u>276,028</u>	<u>830,470</u>	<u>212,700</u>	<u>11,185,833</u>
<b>Public safety:</b>						
Special operations	-	-	-	178,366	-	178,366
Administration	9,560	3,347,151	81,014	273,962	-	3,711,687
School resource	-	-	-	71,469	-	71,469
Road patrol	-	-	-	1,464,867	-	1,464,867
Community policing	-	-	-	144,836	-	144,836
Code enforcement	-	-	-	30,444	-	30,444
Professional Std.	-	-	-	21,288	-	21,288
Investigations	-	-	-	164,711	-	164,711
Support services	-	-	-	73,426	-	73,426
Communications	-	-	11,272	211,793	-	223,065
Building department	-	-	-	71,228	-	71,228
Subtotal	<u>9,560</u>	<u>3,347,151</u>	<u>92,286</u>	<u>2,706,390</u>	<u>-</u>	<u>6,155,387</u>
<b>Transportation:</b>						
Engineering	78	146,361	155,293	166,676	271,810	740,218
Central garage	-	111,654	82,419	142,768	-	336,841
Roads and drainage	47,047	102,784	614,253	956,087	10,219,267	11,939,438
Subtotal	<u>47,125</u>	<u>360,799</u>	<u>851,965</u>	<u>1,265,531</u>	<u>10,491,077</u>	<u>13,016,497</u>
<b>Physical Environment:</b>						
Stormwater	-	-	-	1,368,132	6,567,262	7,935,394
Cemetery	272,190	47,519	78,354	38,200	22,717	458,980
Subtotal	<u>272,190</u>	<u>47,519</u>	<u>78,354</u>	<u>1,406,332</u>	<u>6,589,979</u>	<u>8,394,374</u>
<b>Culture/Recreation:</b>						
Parks and recreation	1,733,302	1,009,161	3,672,005	611,328	1,383,435	8,409,231
Subtotal	<u>1,733,302</u>	<u>1,009,161</u>	<u>3,672,005</u>	<u>611,328</u>	<u>1,383,435</u>	<u>8,409,231</u>
Total	<u>\$ 5,696,946</u>	<u>\$ 10,996,496</u>	<u>\$ 4,970,638</u>	<u>\$ 6,820,051</u>	<u>\$ 18,677,191</u>	<u>\$ 47,161,322</u>
Construction in progress						2,692,704
Total						<u>\$ 49,854,026</u>

**City of Sebastian, Florida**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**September 30, 2007**

Function and Activity	Governmental Funds Capital Assets October 1, 2006	Additions	Deletions	Transfers In	Transfers Out	Governmental Funds Capital Assets September 30, 2007
<b>General government:</b>						
Legislative	\$ 3,986	\$ -	\$ -	\$ -	\$ -	\$ 3,986
City manager	4,341	-	-	-	1,515	2,826
City clerk	166,998	-	21,436	-	2,428	143,134
City attorney	2,114	-	-	-	1,515	599
Finance	56,063	1,357	558	-	1,239	55,623
MIS	119,662	19,351	30,683	1,000	15,223	94,107
Human resources	4,942	2,050	-	-	1,238	5,754
Building maintenance	213,388	11,678	14,238	20,393	26,300	204,921
Growth management	108,983	32,810	2,648	-	5,273	133,872
Non-departmental	9,251,950	1,288,237	46,503	47,327	-	10,541,011
Subtotal	<u>9,932,427</u>	<u>1,355,483</u>	<u>116,066</u>	<u>68,720</u>	<u>54,731</u>	<u>11,185,833</u>
<b>Public Safety:</b>						
Special operations	33,674	68,072	14,115	90,735	-	178,366
Administration	3,720,806	9,995	3,304	-	15,810	3,711,687
School resource	45,383	2,612	-	48,826	25,352	71,469
Road patrol	1,371,890	215,866	1,530	70,515	191,874	1,464,867
Community policing	123,243	-	-	52,314	30,721	144,836
Code enforcement	36,583	-	-	2,553	8,692	30,444
Professional Std.	20,651	-	-	15,810	15,173	21,288
Investigations	179,131	25,168	25,625	-	13,963	164,711
Support services	60,757	1,407	-	12,433	1,171	73,426
Communications	81,829	142,776	-	-	1,540	223,065
Building department	90,752	-	13,751	-	5,773	71,228
Subtotal	<u>5,764,699</u>	<u>465,896</u>	<u>58,325</u>	<u>293,186</u>	<u>310,069</u>	<u>6,155,387</u>
<b>Transportation:</b>						
Engineering	748,739	-	1,219	12,840	20,142	740,218
Central garage	329,298	8,093	550	-	-	336,841
Roads and drainage	11,784,473	238,128	73,113	41,676	51,726	11,939,438
Subtotal	<u>12,862,510</u>	<u>246,221</u>	<u>74,882</u>	<u>54,516</u>	<u>71,868</u>	<u>13,016,497</u>
<b>Physical Environment:</b>						
Stormwater	6,797,766	1,254,007	123,541	54,657	47,495	7,935,394
Building maintenance	-	-	-	-	-	-
Cemetery	459,480	-	500	-	-	458,980
Subtotal	<u>7,257,246</u>	<u>1,254,007</u>	<u>124,041</u>	<u>54,657</u>	<u>47,495</u>	<u>8,394,374</u>
<b>Culture &amp; Recreation:</b>						
Parks and recreation	7,869,018	557,477	30,348	35,098	22,014	8,409,231
Subtotal	<u>7,869,018</u>	<u>557,477</u>	<u>30,348</u>	<u>35,098</u>	<u>22,014</u>	<u>8,409,231</u>
Total	43,685,900	3,879,084	403,662	506,177	506,177	47,161,322
Construction in progress	1,167,207	3,803,663	2,278,166	-	-	2,692,704
Total	<u>\$ 44,853,107</u>	<u>\$ 7,682,747</u>	<u>\$ 2,681,828</u>	<u>\$ 506,177</u>	<u>\$ 506,177</u>	<u>\$ 49,854,026</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.

<u>Contents</u>	<u>Page(s)</u>
<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.	80-91
<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.	92-97
<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.	98-103
<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.	104-106
<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.	107-109

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Governmental Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 21,469,456	\$ 17,579,683	\$ 17,103,399
Restricted	9,419,129	5,068,583	5,395,879
Unrestricted	<u>5,249,998</u>	<u>11,293,877 (2)</u>	<u>9,081,345 (1)</u>
<i>Total Governmental Activities Net Assets</i>	<u>\$ 36,138,583</u>	<u>\$ 33,942,143</u>	<u>\$ 31,580,623</u>
<b>Business-Type Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 8,895,501	\$ 8,798,612	\$ 7,459,945
Restricted	570,890	560,581	574,105
Unrestricted	<u>1,303,886</u>	<u>1,896,539</u>	<u>738,519</u>
<i>Total Business-Type Activities Net Assets</i>	<u>\$ 10,770,277</u>	<u>\$ 11,255,732</u>	<u>\$ 8,772,569</u>
<b>Primary government</b>			
Invested in Capital Assets, Net of Related Debt	\$ 30,364,957	\$ 26,378,295	\$ 24,563,344
Restricted	9,990,019	5,629,164	5,969,984
Unrestricted	<u>6,553,884</u>	<u>13,190,416</u>	<u>9,819,864</u>
<i>Total Primary Government Net Assets</i>	<u>\$ 46,908,860</u>	<u>\$ 45,197,875</u>	<u>\$ 40,353,192</u>

(1) The large increases in unrestricted net assets from 2003 to 2004 and from 2004 to 2005 are mainly due to increase in State revenue sharing, sales and use taxes, and tax revenues.

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

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 16,412,401	\$ 16,339,222	\$ 14,242,832	\$ 12,778,007
4,059,674	3,235,266	3,289,670	2,270,654
<u>7,171,123 (1)</u>	<u>5,461,224</u>	<u>5,865,388</u>	<u>5,417,630</u>
<u>\$ 27,643,198</u>	<u>\$ 25,035,712</u>	<u>\$ 23,397,890</u>	<u>\$ 20,466,291</u>
\$ 4,264,961	\$ 1,545,867	\$ 363,827	\$ 150,722
506,006	505,435	458,014	640,973
<u>1,712,657</u>	<u>1,471,457</u>	<u>1,120,224</u>	<u>985,863</u>
<u>\$ 6,483,624</u>	<u>\$ 3,522,759</u>	<u>\$ 1,942,065</u>	<u>\$ 1,777,558</u>
\$ 20,677,362	\$ 17,885,089	\$ 14,606,659	\$ 12,928,729
4,565,680	3,740,701	3,747,684	2,911,627
<u>8,883,780</u>	<u>6,932,681</u>	<u>6,985,612</u>	<u>6,403,493</u>
<u>\$ 34,126,822</u>	<u>\$ 28,558,471</u>	<u>\$ 25,339,955</u>	<u>\$ 22,243,849</u>

**City of Sebastian, Florida**

Changes in Net Assets  
Last Seven Fiscal Years  
(accrual basis of accounting)

	2007	2006	2005
<b>Program Revenues</b>			
Governmental Activities:			
Charges for Services:			
General Government	\$ 422,897	\$ 533,482	\$ 370,609
Public Safety	92,853	140,545	1,356,385
Physical Environment	891,021	887,819	828,907
Economic Environment	-	-	-
Cultural/Recreation	85,945	72,472	56,199
Operating Grants and Contributions	192,676	407,898	2,802,511
Capital Grants and Contributions	1,014,481	1,301,438	1,781,954
<i>Total Governmental Activities Program Revenues</i>	<u>\$ 2,699,873</u>	<u>\$ 3,343,654</u>	<u>\$ 7,196,565</u>
Business-Type Activities:			
Charges for Services:			
Golf Course	\$ 1,652,288	\$ 1,580,407	\$ 1,381,817
Airport	344,813	375,768	434,818
Building	408,875	1,220,823	(1)
Operating Grants and Contributions	-	6,998	13,582
Capital Grants and Contributions	500,428	1,056,562	2,289,986
<i>Total Business-Type Activities Program Revenues</i>	<u>\$ 2,906,404</u>	<u>\$ 4,240,558</u>	<u>\$ 4,120,203</u>
<i>Total Primary Government Program Revenues</i>	<u>\$ 5,606,277</u>	<u>\$ 7,584,212</u>	<u>\$ 11,316,768</u>
<b>Expenses</b>			
Governmental Activities:			
79 General Government	\$ 3,083,609	\$ 3,129,723	\$ 3,262,276
Public Safety	5,377,107	4,191,295	4,816,614
Physical Environment	1,695,066	2,193,589	1,283,889
Transportation	2,276,497	2,173,071	4,034,900
Economic Environment	605,510	98,661	32,128
Cultural/Recreation	1,237,398	1,208,288	1,260,395
Interest and Fiscal Charges	667,950	706,303	740,372
<i>Total Governmental Activities Expenses</i>	<u>\$ 14,943,137</u>	<u>\$ 13,700,930</u>	<u>\$ 15,430,574</u>
Business-Type Activities:			
Golf Course	\$ 1,533,900	\$ 1,558,338	\$ 1,464,532
Airport	1,046,994	801,967	519,235
Building	905,452	936,793	(1)
<i>Total Business-Type Activities Expenses</i>	<u>\$ 3,486,346</u>	<u>\$ 3,297,098</u>	<u>\$ 1,983,767</u>
<i>Total Primary Government Expenses</i>	<u>\$ 18,429,483</u>	<u>\$ 16,998,028</u>	<u>\$ 17,414,341</u>

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

2004	2003	2002	2001
\$ 376,327	\$ 247,774	\$ 172,135	\$ 183,502
1,660,032	824,821	625,924	554,350
850,887	799,637	785,683	-
-	-	24,869	18,753
48,590	46,736	73,013	35,050
1,144,528	920,829	958,229	902,001
1,353,959	640,894	872,490	581,941
<u>\$ 5,434,323</u>	<u>\$ 3,480,691</u>	<u>\$ 3,512,343</u>	<u>\$ 2,275,597</u>
\$ 1,648,308	\$ 1,377,245	\$ 1,365,027	\$ 1,088,104
201,890	168,451	179,373	193,649
(1)	(1)	(1)	(1)
67,576	-	51,087	123,673
2,451,212	1,149,437	214,175	299,334
<u>\$ 4,368,986</u>	<u>\$ 2,695,133</u>	<u>\$ 1,809,662</u>	<u>\$ 1,704,760</u>
<u>\$ 9,803,309</u>	<u>\$ 6,175,824</u>	<u>\$ 5,322,005</u>	<u>\$ 3,980,357</u>
\$ 2,414,865	\$ 1,620,616	\$ 2,010,288	\$ 1,676,383
4,502,109	3,391,831	2,945,701	2,526,514
1,279,257	1,920,200	508,616	452,116
3,288,532	2,401,037	2,258,181	1,630,098
86,041	166,024	223,207	241,692
823,974	747,910	881,260	768,802
722,007	312,367	168,749	160,954
<u>\$ 13,116,785</u>	<u>\$ 10,559,985</u>	<u>\$ 8,996,002</u>	<u>\$ 7,456,559</u>
\$ 1,527,051	\$ 1,363,359	\$ 1,393,551	\$ 1,341,001
350,949	315,941	283,726	313,877
(1)	(1)	(1)	(1)
<u>\$ 1,878,000</u>	<u>\$ 1,679,300</u>	<u>\$ 1,677,277</u>	<u>\$ 1,654,878</u>
<u>\$ 14,994,785</u>	<u>\$ 12,239,285</u>	<u>\$ 10,673,279</u>	<u>\$ 9,111,437</u>

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Net (Expense)/Revenue</b>			
Governmental Activities	\$(12,243,264)	\$(10,357,276)	\$ (8,234,009)
Business-Type Activities	(579,942)	943,460	2,136,436
<i>Total Primary Government Net Expense</i>	<u>\$(12,823,206)</u>	<u>\$ (9,413,816)</u>	<u>\$ (6,097,573)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental Activities:			
Property Taxes, Levied for General Purposes	\$ 5,089,841	\$ 4,645,050	\$ 4,017,555
Sales and Use Taxes	4,776,691	4,907,906	4,718,691
Franchise Fees	1,106,698	1,253,749	886,390
State Shared Revenues	2,083,523	2,242,292	2,138,020
Interest Earnings	1,147,931	827,224	398,518
Miscellaneous	192,300	256,780	118,760
Transfers	42,720	(1,414,205) (2)	(106,500)
<i>Total Governmental Activities</i>	<u>\$ 14,439,704</u>	<u>\$ 12,718,796</u>	<u>\$ 12,171,434</u>
Business-Type Activities:			
Interest Earnings	\$ 137,207	\$ 125,498	\$ 45,709
Miscellaneous	0	-	300
Transfers	(42,720)	1,414,205	106,500
<i>Total Business-Type Activities</i>	<u>\$ 94,487</u>	<u>\$ 1,539,703</u>	<u>\$ 152,509</u>
<i>Total Primary Government</i>	<u>\$ 14,534,191</u>	<u>\$ 14,258,499</u>	<u>\$ 12,323,943</u>
<b>Change in Net Assets</b>			
Governmental Activities	\$ 2,196,440	\$ 2,361,520	\$ 3,937,425
Business-Type Activities	(485,455)	2,483,163	2,288,945
<i>Total Primary Government Change in Net Assets</i>	<u>\$ 1,710,985</u>	<u>\$ 4,844,683</u>	<u>\$ 6,226,370</u>

(2) The large increase in transfers from 2005 to 2006 is mainly due to the one time transfer of building reserve to building fund due to the reclassification of fund type for the building operation.

2004	2003	2002	2001
\$ (7,682,462)	\$ (7,079,294)	\$ (5,483,659)	\$ (5,180,962)
2,490,986	1,015,833	132,385	49,882
<u>\$ (5,191,476)</u>	<u>\$ (6,063,461)</u>	<u>\$ (5,351,274)</u>	<u>\$ (5,131,080)</u>
\$ 3,420,971	\$ 2,944,456	\$ 2,615,939	\$ 2,557,333
4,035,545	3,705,922	2,844,825	3,013,293
770,600	756,194	766,901	753,024
1,721,956	1,523,524	2,068,753	1,336,046
398,158	241,358	118,840	236,307
388,562	79,662	-	-
(445,844)	(534,000)	-	-
<u>\$ 10,289,948</u>	<u>\$ 8,717,116</u>	<u>\$ 8,415,258</u>	<u>\$ 7,896,003</u>
\$ 23,774	\$ 21,789	\$ 32,122	\$ 99,521
261	9,072	-	-
445,844	534,000	-	-
<u>\$ 469,879</u>	<u>\$ 564,861</u>	<u>\$ 32,122</u>	<u>\$ 99,521</u>
<u>\$ 10,759,827</u>	<u>\$ 9,281,977</u>	<u>\$ 8,447,380</u>	<u>\$ 7,995,524</u>
\$ 2,607,486	\$ 1,637,822	\$ 2,931,599	\$ 2,715,041
2,960,865	1,580,694	164,507	149,403
<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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund					
Reserved	\$ 947,533	\$ 1,815,187	\$ 2,848,726	\$ 2,693,710	\$ 1,402,398
Unreserved	<u>5,443,254</u>	<u>4,663,885</u>	<u>3,254,741</u>	<u>2,421,182</u>	<u>2,479,452</u>
<i>Total General Fund</i>	<u>\$ 6,390,787</u>	<u>\$ 6,479,072</u>	<u>\$ 6,103,467</u>	<u>\$ 5,114,892</u>	<u>\$ 3,881,850</u>
All Other Governmental Funds					
Reserved	\$ 8,299,903	\$ 10,058,183 (1)	\$ 828,819	\$ 4,208,170	\$ 1,596,981
Unreserved, Reported in:					
Special Revenue funds	5,321,148	5,381,276	4,735,396	3,355,229	2,211,585
Capital Projects funds	<u>-</u>	<u>- (2)</u>	<u>8,406,953</u>	<u>6,795,371</u>	<u>9,993,933 (3)</u>
Total All Other Governmental Funds	<u>\$ 13,621,051</u>	<u>\$ 15,439,459</u>	<u>\$ 13,971,168</u>	<u>\$ 14,358,770</u>	<u>\$ 13,802,499</u>
<i>Total Governmental Funds</i>	<u>\$ 20,011,838</u>	<u>\$ 21,918,531</u>	<u>\$ 20,074,635</u>	<u>\$ 19,473,662</u>	<u>\$ 17,684,349</u>

(1) The significant change in reserved fund balance from 2005 to 2006 is due to the reclassification of unreserved reported in capital projects funds to reserved.

(2) The significant change in unreserved reported in capital projects funds from 2005 to 2006 is due to the reclassification of unreserved reported in capital projects funds to reserved.

(3) 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>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ 232,088	\$ 121,256	\$ 64,341	\$ 43,113	\$ 3,303,761
<u>3,690,659</u>	<u>3,406,083</u>	<u>2,786,252</u>	<u>2,699,955</u>	<u>3,468,381</u>
<u>\$ 3,922,747</u>	<u>\$ 3,527,339</u>	<u>\$ 2,850,593</u>	<u>\$ 2,743,068</u>	<u>\$ 6,772,142</u>
\$ 1,503,172	\$ 1,306,269	\$ 2,021,740	\$ 605,270	\$ 168,093
1,808,288	548,174	456,461	217,969	-
<u>2,384,557</u>	<u>2,609,201</u>	<u>1,562,299</u>	<u>4,027,673</u>	<u>-</u>
<u>\$ 5,696,017</u>	<u>\$ 4,463,644</u>	<u>\$ 4,040,500</u>	<u>\$ 4,850,912</u>	<u>\$ 168,093</u>
<u>\$ 9,618,764</u>	<u>\$ 7,990,983</u>	<u>\$ 6,891,093</u>	<u>\$ 7,593,980</u>	<u>\$ 6,940,235</u>

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

	2007	2006	2005
<b>Revenues</b>			
Property and Other Local Taxes	\$ 10,554,617	\$ 10,269,451	\$ 9,483,664
Franchise Fees	1,106,698	1,253,749	886,390
Charges for Services	1,271,102	517,605	936,530
Licenses and Permits	186,875	244,370	1,587,675
Fines	71,314	77,776	95,699
Intergovernmental	2,463,628	2,852,293	5,561,695
Impact Fees	56,875	337,675	385,775
Special Assessments	-	819,286	11,023
Investment Earnings	1,062,043	827,224	398,518
Miscellaneous	244,629	294,695	144,057
<i>Total Revenues</i>	<u>17,017,781</u>	<u>17,494,124</u>	<u>19,491,026</u>
<b>Expenditures</b>			
Current:			
General Government	2,999,652	2,494,863	2,974,736
Public Safety	4,700,447	3,813,908	4,349,639
Physical Environment	1,301,719	1,850,642	910,794
Transportation	1,733,697	1,672,983	3,616,076
Economic Environment	80,279	98,661	32,128
Cultural and Recreation	975,087	926,846	995,406
Debt service:			
Principal Retirement	1,284,418	1,248,378	1,218,023
## Interest and Fiscal Charges	643,305	678,682	711,736
Capital Outlay	5,242,590	1,451,060	3,975,015
<i>Total Expenditures</i>	<u>18,961,194</u>	<u>14,236,023</u>	<u>18,783,553</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,943,413)</u>	<u>3,258,101</u>	<u>707,473</u>
<b>Other Financing Sources (Uses)</b>			
Debt Proceeds			
Transfers In	5,158,296	3,785,981	3,745,265
Transfers Out	(5,115,576)	(5,200,186)	(3,851,765)
<i>Total Other Financing Sources (Uses)</i>	<u>42,720</u>	<u>(1,414,205)</u>	<u>(106,500)</u>
<i>Net Change in Fund Balances</i>	<u>\$ (1,900,693)</u>	<u>\$ 1,843,896</u>	<u>\$ 600,973</u>
Debt Service as a Percentage of Noncapital Expenditures	14.1%	15.1%	13.0%

2004	2003	2002	2001	2000	1999	1998
\$ 8,179,344	\$ 7,325,932	\$ 6,228,107	\$ 6,223,280	\$ 6,273,070	\$ 5,837,968	\$ 5,612,313
770,600	756,194	766,901	753,024	-	-	-
962,677	921,119	1,123,670	300,046	159,701	33,097	74,485
1,867,920	878,097	578,695	487,618	475,345	448,928	388,936
118,918	119,752	127,027	148,676	140,672	89,697	72,723
3,115,520	1,785,237	2,841,315	1,968,416	2,318,091	1,865,375	1,697,747
557,700	395,850	255,775	-	-	-	-
28,424	22,560	31,756	28,528	128,154	44,964	30,522
398,158	241,358	206,567	417,707	689,395	512,407	290,406
378,268	91,078	126,823	196,311	246,774	650	-
<u>16,377,529</u>	<u>12,537,177</u>	<u>12,286,636</u>	<u>10,523,606</u>	<u>10,431,202</u>	<u>8,833,086</u>	<u>8,167,132</u>
2,231,532	1,977,033	2,230,870	1,647,858	1,946,702	1,837,031	2,074,479
3,950,228	3,427,711	2,588,526	2,482,393	2,129,662	2,122,823	1,847,503
1,125,727	1,247,452	508,616	452,116	345,844	412,990	82,699
2,863,397	1,610,761	1,427,992	1,084,401	1,228,234	1,007,426	1,160,404
86,041	166,024	327,911	273,927	617	4,830	8,492
747,131	629,835	732,729	612,038	555,584	488,499	348,546
985,974	361,024	344,553	222,954	212,860	225,243	182,434
887,564	158,043	174,864	152,093	151,536	160,940	29,522
9,021,558	3,859,709	2,322,794	3,402,365	4,713,604	1,915,620	2,640,389
<u>21,899,152</u>	<u>13,437,592</u>	<u>10,658,855</u>	<u>10,330,145</u>	<u>11,284,643</u>	<u>8,175,402</u>	<u>8,374,468</u>
<u>(5,521,623)</u>	<u>(900,415)</u>	<u>1,627,781</u>	<u>193,461</u>	<u>(853,441)</u>	<u>657,684</u>	<u>(207,336)</u>
7,756,780	9,500,000	-	900,000	-	-	3,261,030
2,745,754	2,992,908	2,009,173	2,130,744	2,134,510	1,861,364	258
<u>(3,191,598)</u>	<u>(3,526,908)</u>	<u>(2,009,173)</u>	<u>(2,130,744)</u>	<u>(2,134,510)</u>	<u>(1,861,364)</u>	<u>(258)</u>
<u>7,310,936</u>	<u>8,966,000</u>	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>3,261,030</u>
<u>\$ 1,789,313</u>	<u>\$ 8,065,585</u>	<u>\$ 1,627,781</u>	<u>\$ 1,093,461</u>	<u>\$ (853,441)</u>	<u>\$ 657,684</u>	<u>\$ 3,053,694</u>
14.5%	5.4%	6.2%	5.4%	5.5%	6.2%	3.7%

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Function/Program</b>				
<b>Governmental Activities:</b>				
General Government	\$ 450,267	\$ 579,591	\$ 587,527	\$ 392,471
Public Safety	249,756	306,702	1,537,557	1,850,710
Physical Environment	891,021	890,092	898,821	914,318
Transportation	721,103	900,365	3,392,883	1,670,534
Economic Environment	-	30,059	-	-
Cultural/Recreation	387,726	636,845	779,777	606,290
<i>Total Governmental Activities</i>	<u>\$ 2,699,873</u>	<u>\$ 3,343,654</u>	<u>\$ 7,196,565</u>	<u>\$ 5,434,323</u>
<b>Business-type activities:</b>				
Golf Course	\$ 1,652,288	\$ 1,587,405	\$ 1,395,399	\$ 1,715,884
Airport	845,241	1,432,330	2,724,804	2,653,102
Building	408,875	1,220,823	(1)	(1)
<i>Total Business-Type Activities</i>	<u>\$ 2,906,404</u>	<u>\$ 4,240,558</u>	<u>\$ 4,120,203</u>	<u>\$ 4,368,986</u>
<i>Total Primary Government</i>	<u>\$ 5,606,277</u>	<u>\$ 7,584,212</u>	<u>\$ 11,316,768</u>	<u>\$ 9,803,309</u>

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

2003	2002	2001
\$ 1,095,902	\$ 172,135	\$ 226,786
929,952	785,373	633,230
1,136,507	785,683	779,837
1,580,076	3,038,913	2,285,809
-	24,869	18,753
663,459	566,959	168,335
<u>\$ 5,405,896</u>	<u>\$ 5,373,932</u>	<u>\$ 4,112,750</u>
\$ 1,377,245	\$ 1,365,517	\$ 1,088,104
1,317,888	444,145	616,656
(1)	(1)	(1)
<u>\$ 2,695,133</u>	<u>\$ 1,809,662</u>	<u>\$ 1,704,760</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>
2007 (1)	\$ 5,089,841	\$ 2,216,381	\$ 2,560,310	\$ 688,085	\$ 10,554,617
2006 (2)	4,645,050	2,183,164	2,724,742	716,495	10,269,451
2005	4,017,555	2,005,124	2,713,567	747,418	9,483,664
2004	3,420,971	1,854,632	2,180,913	722,828	8,179,344
2003	2,944,456	1,780,717	1,925,205	675,554	7,325,932
2002 (3)	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 (4)	2,323,566	1,044,595	1,704,749	549,800	5,622,710
1999 (5)	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

- (1) Fiscal Year 2007 property tax revenue reflects a change in the property tax millage rate from 3.9325 to 3.0519.  
(2) Fiscal Year 2006 property tax revenue reflects a change in the property tax millage rate from 4.5904 to 3.9325.  
(3) Fiscal Year 2002 property tax revenue reflects a change in the property tax millage rate from 5.0000 to 4.5904.  
(4) Fiscal Year 2000 property tax revenue reflects a change in the property tax millage rate from 6.5000 to 5.0000.  
(5) 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> Millage	Indian River County School Board			Other <sup>(2)</sup>
	Operating Millage	Debt Service Millage	Total City Millage		Operating Millage	Debt Service Millage	Total School Millage	
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
2006	3.9325	--	3.9325	5.69040	7.88000	0.36000	8.24000	1.60850
2007	3.0519	--	3.0519	5.36610	7.16300	0.28000	7.44300	1.47940

- (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, Florida**  
 Assessed Valuation and Estimated True Values of Taxable Property (1)  
 Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Exemptions Real Property
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
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
2006	2,124,615,672	2,655,769,590	55,913,696	55,913,696	322,318,753
2007	2,054,408,055	2,568,010,069	64,899,942	64,899,942	334,302,515

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>
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
2,180,529,368	2,711,683,286
2,119,307,997	2,632,910,011

**City of Sebastian, Florida**

Principal Taxpayers

Year 2007 and Year 1998

Taxpayer	2007			1998		
	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Real Property Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Florida Power & Light (Utility / Electric)	\$ 19,621,470	1	1.27%	\$ 6,448,890	3	1.02%
Wal-Mart Stores Inc. (Retail)	15,159,607	2	0.98%	7,843,080	2	1.24%
KB Homes Treasure Coast LLC (Construction)	13,128,500	3	0.85%	--	--	--
Chance Holdings LLC (Development)	11,151,290	4	0.72%	--	--	--
Sebastian Crossings LLC (Construction)	8,797,890	5	0.57%	--	--	--
Adams Homes of Northwest FL (Construction)	8,724,593	6	0.56%	--	--	--
IPF / Sebastian LLC (Retail)	8,708,020	7	0.56%	--	--	--
512 Commerce Center LLC	8,184,770	8	0.53%	--	--	--
Park Place Community LLC (Rent / Retail)	7,814,264	9	0.50%	2,737,650	5	0.43%
Bellsouth Communications (Communication)	7,790,960	10	0.50%	7,930,440	1	1.26%
Lynch, Robert N. (Bishop)	--	--	--	3,665,790	4	0.58%
Grace's Landing Ltd	--	--	--	2,111,580	6	0.34%
Falcon Cable Media	--	--	--	1,618,367	7	0.26%
Winn Dixie Stores Inc.	--	--	--	1,586,073	8	0.25%
Sebastian Center Ltd	--	--	--	1,316,420	9	0.21%
Ringhaver Equipment	--	--	--	780,155	10	0.12%
	<u>\$ 109,081,364</u>		<u>7.04%</u>	<u>\$ 36,038,445</u>		<u>5.71%</u>
Total Assessed Valuation	<u>\$1,547,382,611</u>			<u>\$630,218,290</u>		

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>
2007	\$ 4,747,938	\$ 4,537,100	96 %	\$ 9,429	\$ 4,546,529	96 %
2006	4,426,281	4,300,217	97	39	4,300,256	97
2005	3,888,488	3,723,912	96	1,712	3,725,624	96
2004	3,216,940	3,130,521	97	34,247	3,164,768	98
2003	2,862,650	2,725,515	95	26,908	2,752,423	96
2002	2,635,277	2,489,854	94	36,421	2,526,275	96
2001	2,542,544	2,455,930	97	51,690	2,507,620	99
2000	2,422,756	2,283,898	94	35,050	2,318,948	96
1999	2,869,796	2,726,857	95	2,912	2,729,769	95
1998	2,909,597	2,679,819	92	130,803	2,810,622	97

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

Source: Indian River County Property Appraiser and Tax Collector

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

Year	Governmental Activities					Business-type	Total Primary Government	Per Capita
	Water Line Assessment Bonds	Roadway Improvement Notes	Infrastructure Sales Tax Bonds	Heavy Equipment Lease	Stormwater Utility Revenue Bonds	Golf Course Revenue Bonds		
2007	\$ -	\$1,566,839	\$ 9,145,000	\$ 147,538	\$ 4,815,000	\$ 870,000	\$16,544,377	738
2006	-	1,790,544	9,825,000	288,251	5,055,000	1,140,000	18,098,795	835
2005	-	2,004,718	10,490,000	422,455	5,290,000	1,395,000	19,179,718	957
2004	-	2,209,745	11,140,000	550,452	5,525,000	1,885,000	20,759,745	1,072
2003	77,615	2,406,028	9,500,000	672,528	-	2,115,000	14,098,643	765
2002	134,299	2,593,939	-	788,957	-	2,335,000	5,063,238	295
2001	187,901	2,773,847	-	-	-	2,435,000 (1)	5,396,748	324
2000	238,589	2,946,113	-	-	-	1,500,000	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

(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.

**City of Sebastian, Florida**  
**Computation of Legal Debt Margin**  
**September 30, 2007**

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Assessed Valuation		
Assessed taxable real property value	\$	1,720,105,540
Add back: exempt real property		334,302,515
Total assessed value of real property	\$	<u>2,054,408,055</u>
Legal debt margin:		
Debt limitation - 5 percent of total assessed real property value (1)	\$	102,720,403
Debt applicable to limitation		
Total bonded debt	\$	15,674,377
Less: revenue bonds		<u>(13,960,000)</u>
Total applicable to limitation		<u>1,714,377</u>
Legal debt margin	\$	<u>101,006,026</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, 2007**

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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 Nine Fiscal Year**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt Limit (1)	\$ 102,720,403	\$ 76,346,170	\$ 76,346,170	\$ 57,863,758
Total net debt applicable to limit	<u>1,714,377</u>	<u>2,078,796</u>	<u>2,427,174</u>	<u>2,760,196</u>
Legal debt margin	<u>\$ 101,006,026</u>	<u>\$ 74,267,374</u>	<u>\$ 73,918,996</u>	<u>\$ 55,103,562</u>
Total net debt applicable to the limit as a percentage of debt limit	1.67%	2.72%	3.18%	4.77%

(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.

2003	2002	2001	2000	1999
\$ 47,314,698	\$ 82,922,462	\$ 75,457,715	\$ 65,661,986	\$ 62,627,497
3,078,556	3,382,896	3,673,847	2,946,113	3,111,041
<u>\$ 44,236,142</u>	<u>\$ 79,539,566</u>	<u>\$ 71,783,868</u>	<u>\$ 62,715,873</u>	<u>\$ 59,516,456</u>
6.51%	4.08%	4.87%	4.49%	4.97%

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

Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001							
Fiscal Year	Gross Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
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	104,481	204,481 <sup>(6)</sup>	1.79 <sup>(7)</sup>
2003	1,400,154	968,052	432,102	220,000	89,890	309,890 <sup>(6)</sup>	1.39 <sup>(7)</sup>
2004	1,497,053	1,108,770	388,283	230,000	80,890	310,890 <sup>(6)</sup>	1.25 <sup>(7)</sup>
2005	1,395,436	1,023,002	372,434	240,000	71,490	311,490 <sup>(6)</sup>	1.20 <sup>(7)</sup>
2006	1,628,015	1,165,411	462,604	250,000	61,690	311,690 <sup>(6)</sup>	1.48 <sup>(7)</sup>
2007	1,701,171	1,218,382	482,789	255,000	51,590	306,590	1.57

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) Bonds, Series 2001.
- (7) Required coverage is 1.25.
- (8) Total revenues consist of stormwater utility fees and interest.
- (9) Required coverage is 1.35.

Stormwater Utility Revenue Bonds, Series 2003

Gross Revenues <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
908,576	235,000	201,973	436,973	2.08
932,183	240,000	197,273	437,273	2.13

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

Year	Population	Total Personal Income (1)	Per Capita Personal Income (1)	Median Household Income (1)	Median Age (2)
2007	22,426	(5)	(5)	(5)	(5)
2006	21,666	(5)	(5)	(5)	(5)
2005	20,048	(5)	(5)	(5)	(5)
2004	19,365	\$ 5,071,395,000	\$ 40,677	(5)	(5)
2003	18,425	4,831,037,000	40,162	\$ 40,291	(5)
2002	17,167	4,680,414,000	39,683	39,615	(5)
2001	16,667	4,552,238,000	39,470	39,359	(5)
2000	16,181	4,207,683,000	37,110	40,063	49.2
1999	15,707	3,983,019,000	35,788	37,947	(5)
1998	15,115	3,770,896,000	34,608	37,398	(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
- (6) The school population appears to have declined due to rezoning. The City of Sebastian has only one (1) middle school, and the overflow students have been rezoned to the county.

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Educational Attainment: Bachelor's Degree or higher (2)	School Enrollment (3)	Unemployment Rate (1)	Total Assessed Property Value (4)	
(5) %	5,117	(6)	6 %	\$ 2,119,307,997
(5)	5,604	4.1	2,180,529,368	
(5)	5,258	4.0	1,578,751,030	
(5)	4,917	7.6	1,208,605,441	
(5)	4,340	7.5	994,907,578	
(5)	4,309	7.8	874,579,785	
(5)	1,371	7.4	799,772,729	
23.1	1,342	6.5	698,836,022	
(5)	1,383	7.5	672,302,691	
(5)	1,410	7.9	619,022,836	

**City of Sebastian, Florida**  
**Principal Employers**  
**Year 2007 and Eight Years Ago**

<b>2007</b>		
Employer	Number of Employees	Percentage of Total County Employment
Indian River Memorial Hospital	1,300	2.24 %
Publix Supermarket	1,104	1.90
The New Piper Aircraft	1,045	1.80
Sebastian River Medical Center	530	0.91
Hale Indian River Groves	450	0.78
Wal-Mart	449	0.77
John's Island	446	0.77
Indian River Estates	442	0.76
Sun Ag, Inc.	350	0.60
Disney's Vero Beach Resort	315	0.54
Total	<u>5,131</u>	<u>8.85 %</u>
Total County Employees	<u>58,001</u>	

<b>1999 (1)</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 Supermarkets	520	1.19
Hale Indian River Groves	505	1.16
Gracewood Fruit Packing	500	1.15
Dodgertown Complex	438	1.00
John's Island	415	0.95
Graves Brothers	400	0.92
Total	<u>6,143</u>	<u>14.09 %</u>
Total County Employees	<u>43,592</u>	

(1) Principal employers for nine years ago (1998) is not available. The information is available from 1999.

**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>2007</u>	<u>2006</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>
<b>General Government:</b>										
City Council	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
City Manager	2.0	2.0	5.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
City Clerk	4.0	4.5	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0
City Attorney	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Finance	5.0	6.0	5.0	5.0	5.0	6.0	6.0	5.0	5.0	5.0
Mgmt Information Svcs	3.0	3.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0
Human Resources	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Building Maintenance	2.0	2.0	2.0	0.0	4.0	4.0	4.0	4.0	4.0	4.0
Growth Management	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0	0.0
<b>Public Safety:</b>										
Police Department	57.0	58.0 (2)	59.0	56.5	54.5	53.0	52.5	50.0	47.0	45.0
Building Department	11.0	11.0	9.0	8.0	7.0	7.0	6.0	6.0	6.0	0.0
Code Enforcement	3.0	3.0 (2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Transportation:</b>										
Roads & Drainage	11.5	12.5	12.5	14.5	11.5 (1)	23.5	26.5	27.5	24.0	22.0
Central Garage	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5
Airport	3.0	3.5	3.5	2.5	2.5	1.5	1.0	0.5	0.5	0.5
<b>Physical Environment:</b>										
Engineering	9.0	8.0	8.0	8.0	7.5	8.0	6.5	6.5	6.0	6.0
Stormwater Utility	13.0	13.0	13.0	12.0	12.0 (1)	1.0	0.0	0.0	0.0	0.0
<b>Cultural/Recreation:</b>										
Parks & Recreation	23.5	24.5	23.5	17.5	16.5	14.0	14.0	10.0	10.0	10.0
Cemetery	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Golf Course	12.5	12.5	12.5	13.5	13.5	14.5	12.5	12.5	11.5	11.5
<b>Totals:</b>	<u>177.5</u>	<u>180.5</u>	<u>175.5</u>	<u>163.0</u>	<u>159.5</u>	<u>157.0</u>	<u>153.5</u>	<u>145.5</u>	<u>138.0</u>	<u>122.0</u>

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

(2) Code enforcement division was transferred out from the Police Department starting fiscal year 2006.

**Source:** City of Sebastian, Florida 1998-2008 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 Nine Fiscal Years**

<b>Function/program</b>	<b>2007</b>	<b>2006</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>									
Number of Annexation Approved	1	1	1	6	3	0	1	1	0
Acres of Annexed Property	3.87	3.3	25.55	484	80	0	80	6	0
Purchase Orders Issued	284	293	369	408	372	357	411	406	397
<b>Public Safety</b>									
<b>Police Department</b>									
Physical Arrest	697	744	786	653	557	515	627	738	481
Traffic Violations	7,221	6,291	5,457	5,431	1,939	2,528	2,781	3,562	2,413
Parking Violations	289	880	303	3,801	632	207	198	305	53
<b>Building Department</b>									
Construction Permits Issued	116	506	774	577	544	363	315	317	210
Estimated Value of Construction (in millions)	\$ 32.3	\$ 88.3	\$114.7	\$112.3	\$ 82.7	\$ 38.9	\$ 29.0	(1)	\$ 9.8
<b>Transportation</b>									
Road Maintenance (man hours)*	888	512	100	878	850	827	(1)	(1)	(1)
Asphalt for road maintenance (tons)	210	127	125	88	79	75	(1)	(1)	(1)
Concrete for road maintenance (yards) (2)	0	300	0	283	277	275	(1)	(1)	(1)
<b>Physical Environment</b>									
<b>Cemetery</b>									
Cemetery Internments	69	76	79	86	81	73	78	85	52
Grave Deeds Sold	49	56	56	69	45	54	67	77	34
<b>Stormwater</b>									
Mile of Swales Maintained	280	280	280	280	280	280	280	(1)	(1)
Mile of Ditches Maintained	50	50	50	50	50	50	50	(1)	(1)
Road Crossing Maintained	30	30	30	30	30	30	30	(1)	(1)
Catch Basins/Culverts	275	275	275	275	275	250	248	(1)	(1)
<b>Recreation</b>									
Recreation Center attendance	14,177	8,004	5,504	7,498	(1)	(1)	(1)	(1)	(1)
Number of Discount Cards	1,004	2,690	1,000	993	855	890	746	791	(1)
Number of Golf Course Memberships	108	119	85	116	137	169	190	212	(1)
Average daily golf revenue	\$4,661	\$4,209	\$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.

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

<b>Function/program</b>	<b>2007</b>	<b>2006</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	21,500	21,500	5,516	5,516	5,516	5,516	5,516	5,516
Departmental Vehicles	3	3	5	2	2	2	3	3	3
<b>Public Safety</b>									
Police Stations	1	1	1	1	1	1	1	1	1
Square Footage of Police Department	25,600	25,600	25,600	8,700	8,700	8,700	8,700	8,700	8,700
Square Footage of Building Department	2,500	2,500	2,500	1,716	1,716	1,716	1,716	1,716	1,716
Police Vehicles	57	53	52	47	42	40	33	32	24
Building Inspector Vehicles	5	6	5	4	4	5	4	3	2
<b>Transportation</b>									
Streets (miles)	156	156	156	156	149.6	140.0	140.0	140.0	140.0
Number of Streetlights	1,309 (1)	3,808	3,555	3,543	3,543	3,531	3,531	3,319	1,156
Airport	1	1	1	1	1	1	1	1	1
Public Service Vehicles	21	19	14	24	18	22	19	16	16
<b>Physical Environment</b>									
Public Service Vehicles	10	12	13	6	7	4	4	4	4
<b>Recreation</b>									
Number of Parks	14	14	12	12	12	10	10	10	9
Recreation Centers	2	2	2	2	2	2	2	2	2
Park Acreage	229.37	229.37	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	4,859	4,859
Park Maintenance Vehicles	12	11	10	8	6	6	5	5	5
Golf Course	1	1	1	1	1	1	1	1	1

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

\*Data from 1998 not available

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

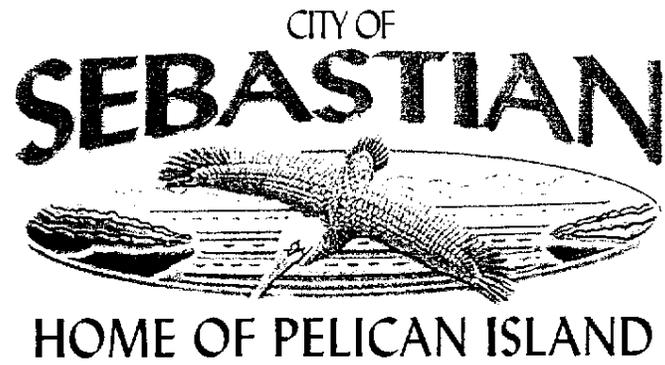


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## **SINGLE AUDIT SECTION**

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 and Internal Control over Compliance to Each Major State Project
- Schedule of Findings and Questioned Costs – State Projects
- Schedule of Expenditures of State Financial Assistance



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Jones, Price & Associates**

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Tel 772-234-8484  
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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***

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 (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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



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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City of Sebastian, Florida in a separate letter, Independent Auditors' Management Letter Comments, dated February 21, 2008.

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

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

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

February 21, 2008



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

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

**Compliance**

We have audited the compliance of the City of Sebastian, Florida with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement, that are applicable to each of its major state projects for the year ended September 30, 2007. The City of Sebastian, Florida's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state projects is the responsibility of the City of Sebastian, Florida's management. Our responsibility is to express an opinion on the City of Sebastian, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Chapter 69I-5, Schedule of Expenditures of State Financial Assistance, Rules of the Department of Financial Services, and Chapter 10.550, Rules of the Auditor General. These standards, Chapter 69I-5 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City 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 state projects for the year ended September 30, 2007.



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

### Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

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

February 21, 2008

**CITY OF SEBASTIAN, FLORIDA**  
**Schedule of Findings and Questioned Costs**  
**State Projects**  
**Fiscal Year Ended September 30, 2007**

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

Internal control over major State projects:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

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

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

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

Identification of major State projects:

<u>Name of State Project</u>	<u>State CSFA No.</u>
Florida Department of Transportation:	
Security Improvements	55.004
Construct Fuel Farm	55.004
Hurricane Damage Repair	55.004
T-Hangar Construction	55.004
Lighting Maintenance	55.004
Business Plan	55.004
Install Airfield Signage and Lighting	55.004
Florida Department of State:	
2002 Historic Preservation Special Category Grant	45.032
Dollar threshold used to distinguish between Type A and Type B projects:	<u>\$152,253</u>

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS**

No matters were reported.

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

No matters were reported.

**City of Sebastian, Florida**  
**Schedule of Expenditures of State Financial Assistance**  
**For the year ended September 30, 2007**

<b>State Agency</b>		<b>Contract</b>	
<b>Pass-through Entity</b>	<b>CSFA</b>	<b>Grant</b>	
<b><u>State Project</u></b>	<b><u>No.</u></b>	<b><u>No.</u></b>	<b><u>Expenditures</u></b>
<b>Department of Transportation</b>			
Direct Projects:			
Joint Participation Agreement with Florida			
Department of Transportation Aviation			
Administration:			
Security Improvements	55.004	236232-1-94-01	6,828
Construct Fuel Farm	55.004	412399-1-94-01	186,387
Business Plan	55.004	236223-1-94-01	13,596
Install Airfield Signage and Lighting	55.004	412374-1-94-01	11,170
Hurricane Damage Repair	55.004	405122-1-72-10	18,887
T-Hangar Construction	55.004	409863-1-94-01	432
District Maintenance			
Lighting Maintenance and Compensation Agreement	55.023	405122-1-72-10	<u>18,018</u>
<b>Total Department of Transportation</b>			<u>255,318</u>
<b>Department of State</b>			
Direct Project			
Division of Historical Resources			
2002 Special Category Grant	45.032	SC356	<u>224,395</u>
<b>Total Department of State</b>			<u>224,395</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE:</b>			<u>\$ 479,713</u>

The accompanying notes are an integral part of the audit.

**City of Sebastian, Florida**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**September 30, 2007**

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

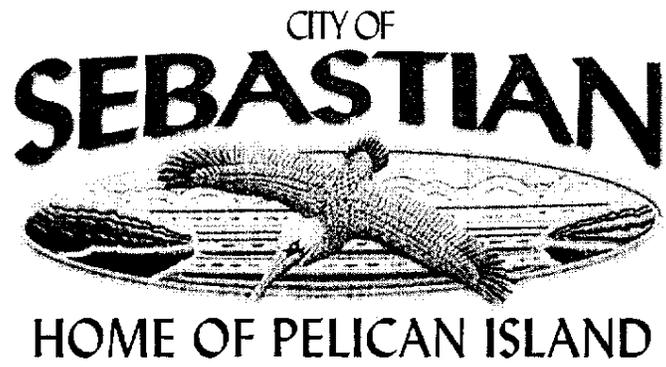
**A. Reporting Entity**

The reporting entity consists of City of Sebastian, the primary government, and each of its component units. The City includes a Schedule of Expenditures of State Financial Assistance in the Single Audit Section. For FY 2006-07, none of the federal awarded program expenditures has met the Federal Single Audit threshold; therefore, the Schedule of Expenditures of Federal Awards is not applicable in the Single Audit Section.

**B. Basis of Accounting**

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

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



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**Independent Auditors'  
Management Letter**

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

We have audited the financial statements of the City of Sebastian, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 21, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Florida Single Audit Act. We have issued our Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 21, 2008, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General (Section 10.554(1)(i)1) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. All findings and comments in the prior year have been resolved to our satisfaction.

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

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

Currently the City does have a process for tracking projects that do not fall within the standard purchase order system. However, we recommend the City develop a better tracking process for these type projects. This process would include determining percentage of completion periodically throughout the year. This will aid in ensuring liability amounts are captured prior to year-end close out.



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

The Rules of the Auditor General (Section 10.554(1)(i)5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal 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) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

The Rules of the Auditor General (Section 10.554(1)(i)6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the City of Sebastian, Florida is disclosed in the 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)(i)7.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the City of Sebastian, Florida has not met any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the City of Sebastian, Florida for the fiscal year ended September 30, 2007, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007.

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

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

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

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

February 21, 2008



HOME OF PELICAN ISLAND

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

February 28, 2008

Harris, Cotheman, Jones, Price, & Associates  
5070 North Highway, A1A, Suite 250  
Vero Beach, Florida 32963

Gentlemen:

The following is my response to the management comment for the FY 2006-2007.

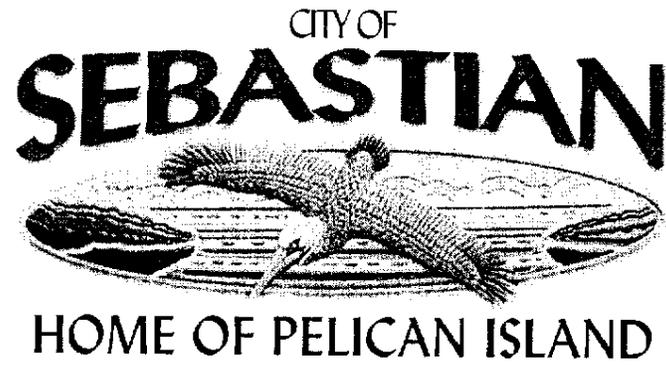
Process for Tracking Projects:

The City has established a process to obtain a brief status report on all currently budgeted projects from the relevant project managers. This will assist the Finance Department in ensuring that liability amounts are captured for work that is performed in accordance with contractual documents, rather than by purchase order commitments.

Sincerely,

A handwritten signature in black ink, appearing to read "El Winner", is written over the word "Sincerely,".

El Winner  
City Manager



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