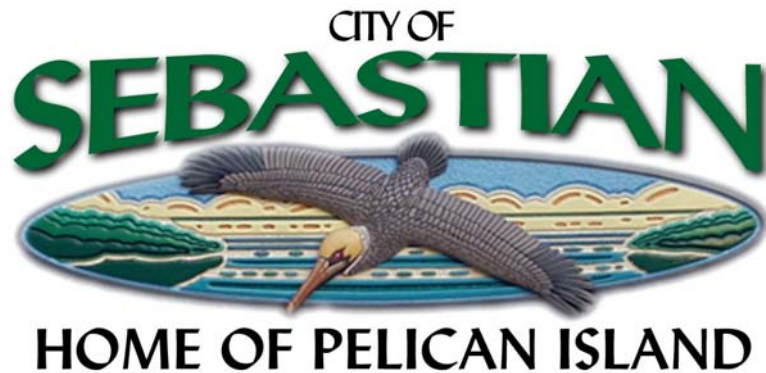


CITY OF SEBASTIAN, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

CITY COUNCIL

Jim Hill
Mayor

Linda Kinchen
Vice-Mayor

Ed Dodd
Council Member

Albert Lovino
Council Member

Bob McPartlan
Council Member

Prepared by: Administrative Services Department

CITY OF SEBASTIAN, FLORIDA

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	1
City Officials	2
Letter of Transmittal	3
Organizational Chart	7
GFOA Certificate of Achievement	8
FINANCIAL SECTION	11
Independent Auditors' Report	12
Management's Discussion and Analysis	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	30
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet - Governmental Funds	33
Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities	36
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	37
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	39
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	40
Discretionary Sales Tax Special Revenue Fund	41
Riverfront Redevelopment Special Revenue Fund	42
Statement of Net Position - Proprietary Funds	43
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	44
Statement of Cash Flows - Proprietary Funds	45
Statement of Fiduciary Net Position	47
Statement of Changes in Fiduciary Net Position	48
Notes to Financial Statements	51

CITY OF SEBASTIAN, FLORIDA

Table of Contents

	<u>Page</u>
Required Supplementary Information:	
Single-employer Pension Trust Fund:	
Schedule of Changes in Net Pension Liability and Related Ratios	83
Schedule of Investment Returns	85
Schedule of Contributions	85
Coastal Florida Public Employees Association Pension Plan:	
Schedule of Employer Contributions	88
Combining and Individual Fund Financial Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	91
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	93
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Local Option Gas Tax Special Revenue Fund	95
Parking In-Lieu-Of Special Revenue Fund	96
Recreation Impact Fee Special Revenue Fund	97
Stormwater Utility Special Revenue Fund	98
Law Enforcement Forfeiture Special Revenue Fund	99
Stormwater Utility Revenue Bonds Debt Service Fund	100
Agency Fund:	
Combining Statement of Changes in Assets and Liabilities	103
Other:	
Capital Assets used in the Operations of Governmental Funds:	
Comparative Schedule by Source	105
Schedule by Function and Activity	106
Schedule of Changes by Function and Activity	107

CITY OF SEBASTIAN, FLORIDA

Table of Contents

Page

STATISTICAL SECTION (UNAUDITED)

Statistical Section Table of Contents	110
Financial Trends Information	
Net Position by Component	111
Changes in Net Position	113
Fund Balances, Governmental Funds	117
Changes in Fund Balances, Governmental Funds	119
Program Revenues by Function/Program	121
Revenue Capacity Information	
Tax Revenues by Source	123
Direct and Overlapping Property Tax Rates	124
Actual and Estimated Value of Taxable Property	125
Principal Property Taxpayers	127
Property Tax Levies and Collections	128
Debt Capacity Information	
Ratios of Outstanding Debt by Type	129
Ratios of General Bonded Debt Outstanding	130
Legal Debt Margin Information	131
Pledged Revenue Coverage	133
Demographic and Economic Information	
Demographic and Economic Statistics	135
Principal Employers	138
Operating Information	
Full-Time Equivalent City Government Employees by Function/Program	139
Operating Indicators by Function/Program	141
Capital Asset Statistics by Function/Program	143
Internal Control and Compliance	
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 <i>Government Auditing Standards</i>	148
Independent Auditors' Management Letter	150
Independent Accountants' Report	152



INTRODUCTORY SECTION

CITY OF SEBASTIAN, FLORIDA

CITY OFFICIALS

For the Year Ended September 30, 2018

Paul Carlisle
City Manager

Jeanette Williams
City Clerk

James Stokes
City Attorney

DEPARTMENT HEADS

Michelle Morris
Police Chief

Kenneth W. Killgore
Administrative Services Director/CFO

Lisa Frazier
Community Development Director

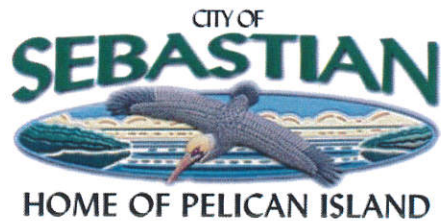
Tim Walker
Stormwater Utilities Director

Wayne Eseltine
Building Official

Greg Gardner
Golf Course Director

Scott Baker
Public Facilities Director

Brian Benton
Leisure Services Director



March 8, 2019

To the Citizens of the City of Sebastian, Florida:

We are submitting the Comprehensive Annual Financial Report of the City of Sebastian, Florida for the fiscal year ended September 30, 2018, as prepared by the City's Administrative Services department. State law requires that every general-purpose local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2018.

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

Chapter 218.39, Florida Statutes requires that the financial statements of the City of Sebastian be audited by a certified public accountant selected by the City Council. The City's independent Certified Public Accountants, Rehmann Robson, has issued an unmodified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2018. The independent auditors' report is located on page 13, 14 and 15. Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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

Profile of the Government

The City of Sebastian, Florida is located in Indian River County approximately midway through the east coast of the Florida Peninsula (between Melbourne and Vero Beach) in an area known as the Treasure Coast. It is recognized as the Home of Pelican Island, the first designated wildlife refuge in the United States, a Millennium City, and a Tree City USA. It was first incorporated as the Town of Sebastian in 1924. In the late 1950s General Development Corporation purchased the land from the Mackle family of Miami and began the development of a planned community that is now the City of Sebastian. The City has a population of 24,630 living in an area of approximately 14.6 square miles.

The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

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

Local Economy

The region (which includes the City of Sebastian and the surrounding unincorporated area within the same county) has a fluctuating labor force depending on agricultural demand and is a strong retirement community. Although the labor force fluctuates, unemployment in the region increased to high levels for several years but has shown good improvement in the last few years. As of September 2018, the Florida Research & Economic Database reported an improved unemployment rate of 3.9%, which corresponds with improvements being enjoyed at the state and national levels. The overall unemployment rate for the area has historically been greater than that of the State of Florida.

The largest major industry sector was Health Care and Social Assistance with 25.2% of the employment, followed by Education with 20.6% of the employment and Public Administration with 14.5% of the employment. According to the U.S. Census Bureau (2000), 86% of the population age 25 or older are high school graduates and 23.1% hold a bachelor's degree or higher. The area median age for 2010 was 50.1 per the U.S. Census Bureau. The median household income for 2017 was \$51,797, as reported by the Florida Research and Economic Database. The geographical area of the City of Sebastian, just north of the Treasure Coast, houses a number of high-tech industries including NASA and various aerospace industry-related businesses. In the past, this attracted a workforce with a higher than average education and technical skills to the vicinity but with the end of the Space Shuttle program, the loss of these activities has affected job availability. Now, the area has diversified to industries focused on building aerospace vehicles rather than just launching activities. This has helped with providing employment for this highly skilled work force.

Long-term Financial Planning

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

The millage was levied at a reduced rate of 3.4000 for fiscal year 2018. However, the City had an increase in ad valorem values due to improvements and additions and the proceeds were about the same as for fiscal year 2017. Construction activity resulted in 167 permits being issued for new construction in fiscal year 2018 with a value of \$39.8 million compared to 147 permits being issued for new construction in fiscal year 2017 with a value of \$37.2 million. These levels can be primarily attributed to the improved outlook for the housing market.

At year end, General Fund unassigned fund balance was \$5,047,473. The financial policies resolution stipulates that \$5,000,000 be maintained for declared national disasters. This is equivalent to about 40% of General Fund expenditures. The City has been steadfast and refused to spend down these balances because the City understands reliance on accumulated fund balances to fund operating expenditures is not a prudent fiscal strategy. To this end, the budget for fiscal year 2018 was balanced without a reduction of fund balances.

Major Initiatives

Administration

The City continued to expend countless hours in pursuit of payments from FEMA and the State related to Hurricane Matthew that occurred in October 2016 and Hurricane Irma that occurred in September 2017. Some success was realized during March and April 2018, when payments were finally received for a majority of eligible submittals on Hurricane Matthew. No payments were received before year end for Hurricane Irma.

Administrative initiatives included improving the City Council Chamber's audio features by adding sound suppression panels and replacing the carpet. In other areas, efforts were made to use technology advances, including upgrades to computer hardware, improvements to the network and acquisition of better audio and visual equipment.

Stormwater

The main focus of stormwater activities continues to be on the City's Stormwater Management Program, which includes capital projects, maintenance, citizen response and education, and forward planning. The City continued an emphasis on mowing and clearing swales and ditches. This is expected to be critical to insuring a smooth flow of stormwater. City crews are now concentrated on the task of keeping those areas clear of vegetation. Toward year end, it was determined to increase the stormwater fee, so additional funds could be applied to capital projects. In addition it was decided that in the future operation and maintenance activities previously accounted for in General Fund, will be recorded within the Stormwater Utility Fund to offer additional transparency on how stormwater fees are being spent.

Traffic & Transportation

The City continues working on transportation improvements. Almost \$850,000 was spent during 2018 from discretionary sales taxes and local option gas taxes for roadway reconstruction and repaving. Other projects planned for future years include repairs to sidewalks, plus additional street repaving that will be funded by local option gas taxes and major road reconstruction by discretionary sales taxes. In addition, discretionary sales taxes will be used to replace heavy construction equipment needed for maintaining City rights-of-way and transportation infrastructure.

Airport

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

Public Safety

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

Culture & Recreation

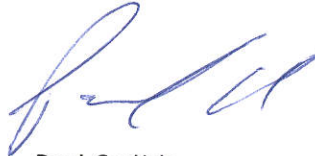
The City continued efforts to promote the “working waterfront” concept on the riverfront properties that were purchased with grant funding, with City matching funds provided by discretionary sales taxes. Additional grants were secured for installation of a baffle box, drainage improvements and other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

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, 2017. This is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



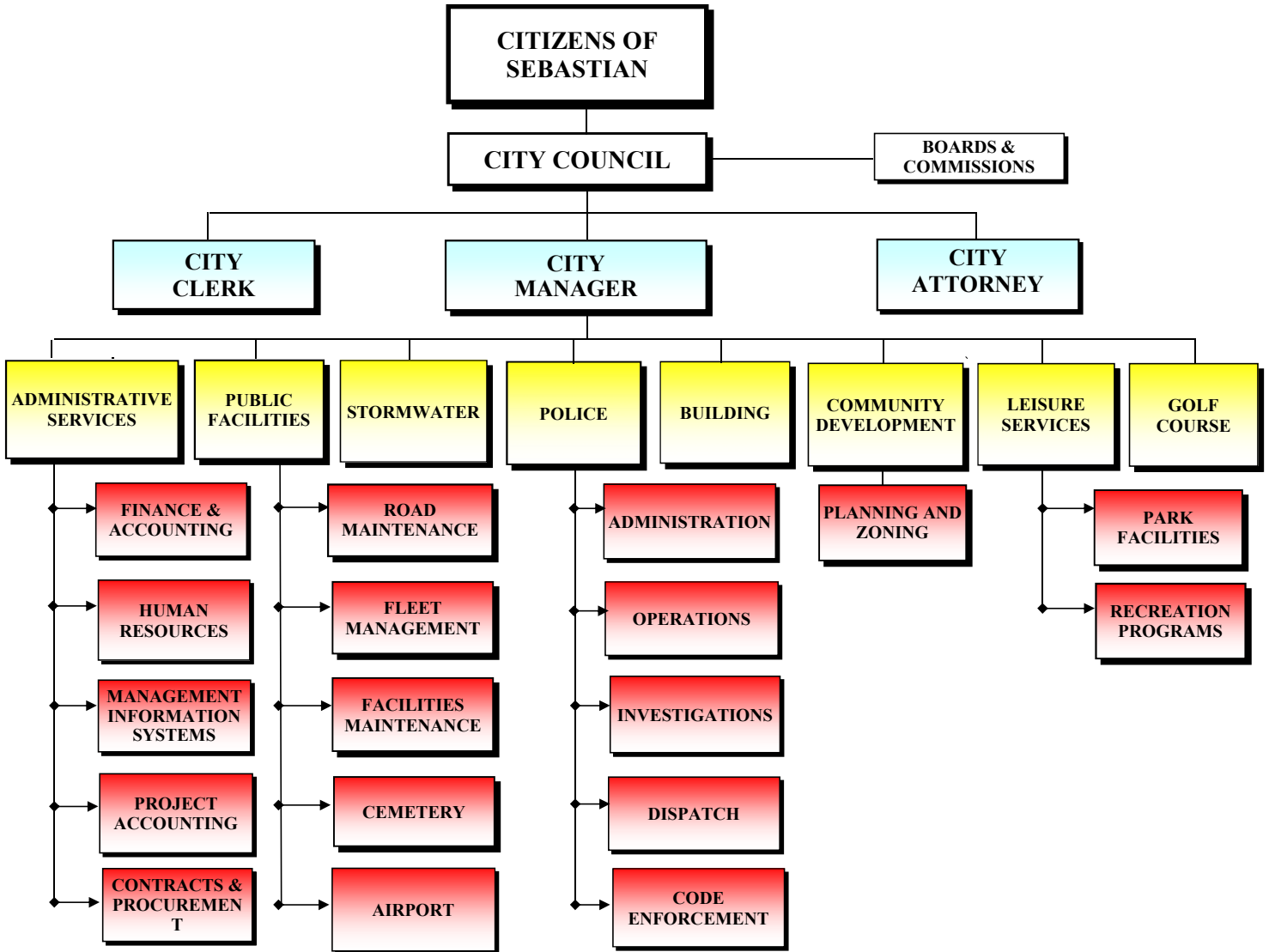
Paul Carlisle
City Manager



Kenneth W. Killgore
Administrative Services Director

CITY OF SEBASTIAN, FLORIDA

Organizational Chart



CITY OF SEBASTIAN, FLORIDA

GFOA Certificate of Achievement



Government Finance Officers Association

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

Presented to

**City of Sebastian
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

This page intentionally left blank.

FINANCIAL SECTION

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

March 8, 2019

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Sebastian, Florida* (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida as of September 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

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

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2019, on our consideration of the City of Sebastian, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

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

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2018 by \$59,834,043 (net position). Of this amount, \$872,374 (unrestricted net position) may be used to meet the City's on-going obligations to citizens and creditors.
- The City's total net position from governmental activities increased by \$1,828,019 and from business-type activities increased by \$1,819,374. Net position was increased in governmental activities, primarily as a result of public assistance payments received from FEMA and the State in connection with Hurricane Matthew. Net position for business-type activities increased due to construction of capital assets at the Airport using substantial funding by grants from Federal and State agencies.
- Governmental funds reported a combined ending fund balance of \$12,442,665, an increase of \$1,894,268 from the prior year. Almost 41% of this amount, \$5,044,425 is unassigned and available for spending, a \$981,520 increase from fiscal year 2017, due to FEMA and State payments related to Hurricane Matthew.
- The Golf Course Fund reported an increase in the deficit in net position attributed to an increase in the depreciation on capital assets. The Airport Fund reported an improvement in the deficit in unrestricted net position resulting from revenues recorded from capital contributions. The Building Enterprise fund reported an increase in unrestricted net position, as a result of an improved levels of construction activity. In total, the City's enterprise funds reported a positive increase in overall net position at the end of the year.

Overview of the Financial Statements

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

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

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

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

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

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Discretionary Sales Tax Fund, Riverfront Redevelopment Fund, and General Capital Projects, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements and schedules* elsewhere in this report.

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

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

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,834,043 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,162,247	\$ 11,632,834	\$ (387,889)	\$ (527,648)	\$ 12,774,358	\$ 11,105,186
Capital assets, net	40,153,980	40,636,026	15,178,956	13,639,422	55,332,936	54,275,448
Total assets	<u>53,316,227</u>	<u>52,268,860</u>	<u>14,791,067</u>	<u>13,111,774</u>	<u>68,107,294</u>	<u>65,380,634</u>
Deferred outflows of resources	698,053	823,292	-	-	698,053	823,292
Long-term debt outstanding	4,080,752	4,661,794	434,845	488,219	4,515,597	5,150,013
Other liabilities	4,065,537	4,390,126	160,855	247,562	4,226,392	4,637,688
Total liabilities	<u>8,146,289</u>	<u>9,051,920</u>	<u>595,700</u>	<u>735,781</u>	<u>8,741,989</u>	<u>9,787,701</u>
Deferred inflows of resources	229,315	229,575	-	-	229,315	229,575
Net position						
Net investment in capital assets	37,568,980	37,461,026	14,972,789	13,384,969	52,541,769	50,845,995
Restricted	6,419,900	5,113,543	-	-	6,419,900	5,113,543
Unrestricted	1,649,796	1,236,088	(777,422)	(1,008,976)	872,374	227,112
Total net position	<u>\$ 45,638,676</u>	<u>\$ 43,810,657</u>	<u>\$ 14,195,367</u>	<u>\$ 12,375,993</u>	<u>\$ 59,834,043</u>	<u>\$ 56,186,650</u>

A substantial portion of the City's net position, \$52,541,769 (87.8 percent), reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$6,419,900 (10.7 percent) represents resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net position of \$872,374 (1.5 percent) to meet its ongoing obligations to citizens and creditors.

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

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 1,657,296	\$ 1,557,250	\$ 2,752,000	\$ 2,306,210	\$ 4,409,296	\$ 3,863,460
Operating grants	1,776,070	250,292	115,907	116,055	1,891,977	366,347
Capital grants	181,050	947,274	2,120,953	1,566,737	2,302,003	2,514,011
General revenues:						
Property taxes	4,153,194	4,147,115	-	-	4,153,194	4,147,115
Other taxes	2,808,172	5,945,386	-	-	2,808,172	5,945,386
Intergovernmental	6,887,664	2,616,522	-	-	6,887,664	2,616,522
Other	1,845,378	1,697,286	8,234	10,787	1,853,612	1,708,073
Total revenues	19,308,824	17,161,125	4,997,094	3,999,789	24,305,918	21,160,914
Expenses						
General government	3,926,479	3,379,369	-	-	3,926,479	3,379,369
Public safety	6,227,299	6,549,037	-	-	6,227,299	6,549,037
Physical environment	3,431,933	3,769,377	-	-	3,431,933	3,769,377
Transportation	1,949,882	2,279,149	-	-	1,949,882	2,279,149
Economic environment	238,597	106,577	-	-	238,597	106,577
Cultural and recreation	1,279,635	1,326,245	-	-	1,279,635	1,326,245
Interest and fiscal charges	56,523	63,141	-	-	56,523	63,141
Golf course	-	-	1,555,853	1,537,332	1,555,853	1,537,332
Airport	-	-	1,328,258	1,361,134	1,328,258	1,361,134
Building	-	-	664,066	586,752	664,066	586,752
Total expenses	17,110,348	17,472,895	3,548,177	3,485,218	20,658,525	20,958,113
Change in net position, before transfers	2,198,476	(311,770)	1,448,917	514,571	3,647,393	202,801
Transfers	(370,457)	(588,809)	370,457	588,809	-	-
Change in net position	1,828,019	(900,579)	1,819,374	1,103,380	3,647,393	202,801
Net position, beginning of year	43,810,657	44,711,236	12,375,993	11,272,613	56,186,650	55,983,849
Net position, end of year	\$45,638,676	\$43,810,657	\$ 14,195,367	\$12,375,993	\$59,834,043	\$56,186,650

The City's net position increased by \$3,647,393 during the current fiscal year. The primary reason for the increase in net position for governmental activities is related to payments received that were related to Hurricane Matthew. For business-type activities, the increase in net position is related to investments made in capital assets made possible by capital grants received for improvements at the Airport.

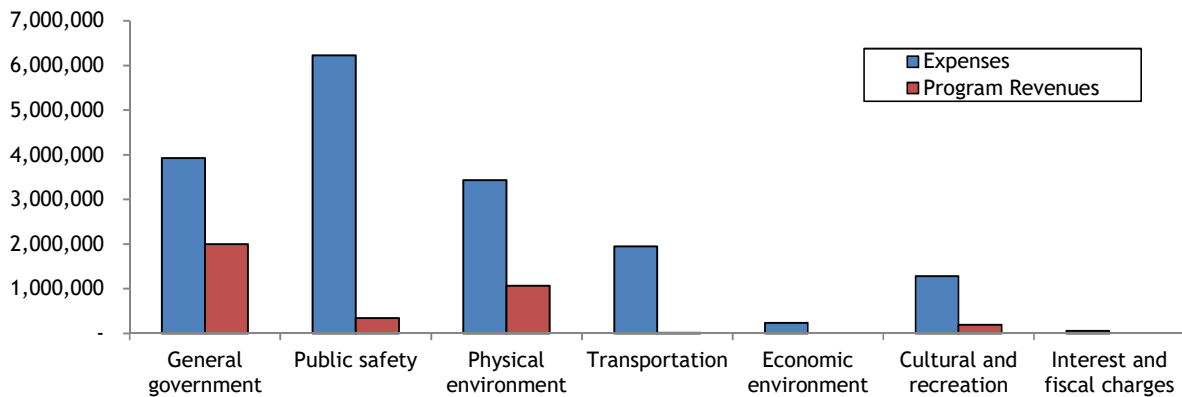
CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

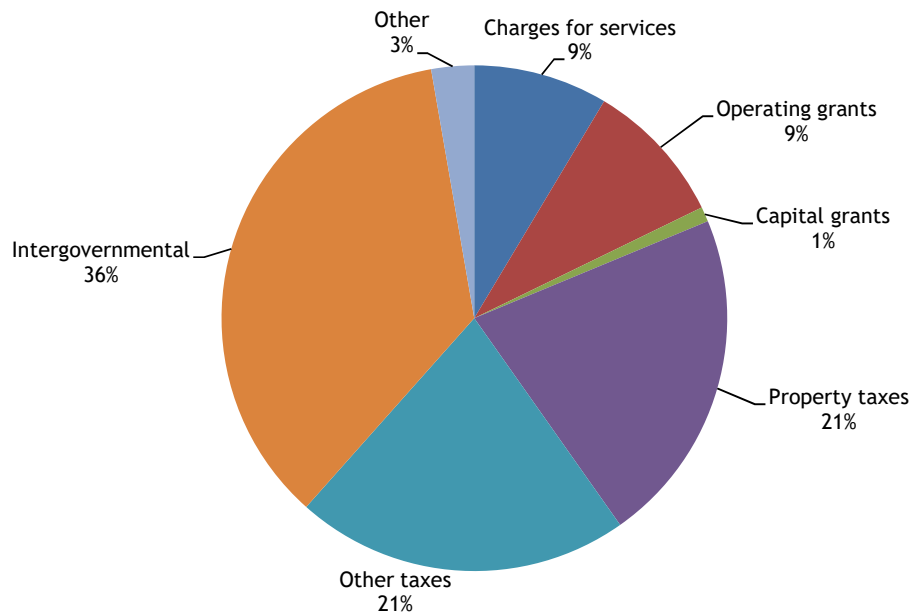
Governmental Activities. Governmental activities increased the City's net position by \$1,828,019 as compared to the prior year decrease of \$900,579. Key elements of this decrease are as follows:

- A decrease in expenses of \$362,547 due lesser outlays for Hurricane Irma than recorded on Hurricane Matthew.
- An increase in general revenues of \$601,767, mostly from sales taxes and franchise fees.
- An increase in program revenues of \$1,545,932 due to payments received on Hurricane Matthew.
- A change in transfers of (\$218,352) caused by less transfers to the enterprise funds.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



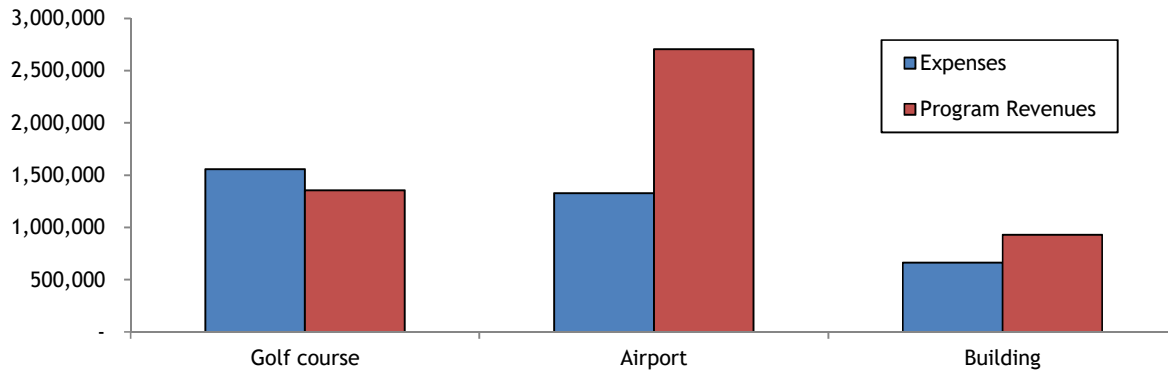
CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

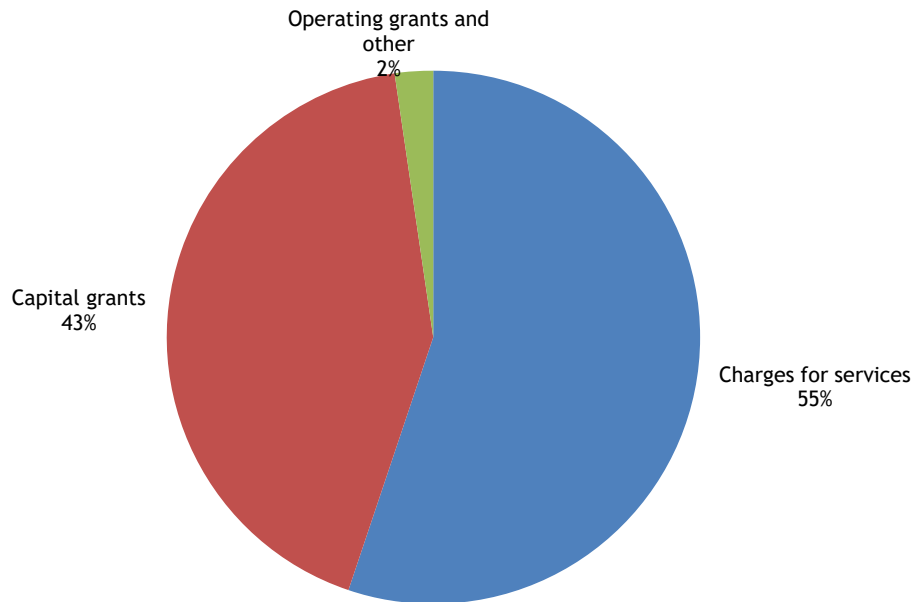
Business-type Activities. Business-type activities increased the City's net position by \$1,819,374. The key elements of this increase are as follows:

- An increase in expenses of \$62,959 primarily in salaries, wages and employee benefits.
- A decrease in general revenues of \$2,553 due to a reduction in interest earnings.
- An increase in program revenues of \$999,858 from an increase in capital grants, building permits and golf course fees.
- A change in transfers in of (\$218,352) from less construction at the golf course being funded by other funds.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,442,665, an increase of \$1,894,268 from the prior year. Of this amount, 41 percent (\$5,044,425) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is classified as one of the following: A) Nonspendable for 1) inventories and prepaids, 2) long-term cash advances, or 3) is nonspendable as permanent fund corpus for cemetery perpetual care; B) Restricted for capital projects or due to debt service and special revenue fund designations; C) is committed for development by local ordinance; or D) has been assigned for other specific uses in the City's general operations.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,047,473 while total fund balance amounted to \$5,373,381. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40.4 percent of total General Fund expenditures, while total fund balance represents 43.0 percent of that same amount.

The fund balance of the City's General Fund increased by \$866,235 during the current fiscal year, as compared to the \$1,304,282 decrease reported in the prior fiscal year. Key factors in this change are as follows:

- Due to a reduction in the millage, property tax revenues decreased by \$18,212.
- Charges for services increased by \$78,295.
- Intergovernmental increased by \$1,580,239.
- Public utility taxes increased by \$99,192.
- Franchise fees increased by \$45,389.
- All other revenues increased by \$91,719.
- Transfers in from other funds increased by \$41,072.
- Transfers out to other funds decreased by \$1,537,561.
- Expenditures increased by \$1,284,738.

The General Fund originally budgeted for no changes in the fund balance. The actual increase in fund balance was \$866,235. Significant changes in budgetary variances are as follows:

- Property tax revenues were slightly less than budgeted due to reductions in property values from the values used to calculate the budgeted revenue, with over 96% of the tax roll being collected. 96% of the tax roll is budgeted as being collected, based on experience. No less than 95% must be budgeted per Florida statutes.
- Intergovernmental revenue had a positive budgetary variance from unbudgeted receipts from Hurricane Matthew payments.
- General Fund expenditures had an overall favorable budgetary variance of \$127,373, which was just a 1.1% difference from the originally budgeted total.
- Transfers out had the largest budgetary variance due to transfers made to cover the unanticipated expenditures on debris removal and facility repairs caused by Hurricane Irma.

The Discretionary Sales Tax revenue special revenue fund has a total fund balance \$3,554,598, an increase from the \$2,643,877 total fund balance of the prior year. Funds are restricted for projects that are planned in future years.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

The Riverfront Redevelopment Fund ended the year with \$423,814 in fund balance, as a result of expenditures on economic development.

The General Capital Projects Fund had been fully reimbursed for expenditures by year end, which resulted in a zero fund balance.

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

The total net position of the golf course fund at the end of the fiscal year amounted to a deficit of \$35,247, while the unrestricted net position (deficit) amounted to (\$1,859,752). Compared to the prior year in the same category, net position decreased from the prior year and the unrestricted net position (deficit) changed from (\$1,681,678) to (\$1,859,752). This is mainly due to the increase in noncurrent assets recorded for the fiscal year.

The total net position of the airport fund at the end of the fiscal year amounted to \$12,576,599, while the unrestricted net position (deficit) amounted to (\$514,253). Compared to the prior year in the same category, net position has increased by \$1,594,163 while the unrestricted net position (deficit) has changed from (\$630,048) to (\$514,253). The improvement in the unrestricted net position (deficit) is mainly due to a reduction in the amount of operating loss.

The total net position of the building fund at the end of the fiscal year amounted to \$1,654,015. This is an increase of \$282,835 from the prior year, which was primarily due to the continuation of healthy levels of operating income.

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

Management's Discussion and Analysis

Budgetary Highlights

Over the course of the fiscal year, the City Council formally approved revisions to the City budget four times. These budget adjustments fell into four major categories. The first includes amendments to allocate funds for extraordinary and unexpected expenditures from Reserves, or to account for unexpected revenues and set up the corresponding appropriation. The second includes new allocations funded by transfers from the Equipment & Facilities R&R Reserve. The third includes project transfers to cancel or close out capital projects or reallocate funds between them to address budget shortages due to higher bids than anticipated and/or other unanticipated expenditures. The fourth includes transfers to address budget shortages in operating budget accounts resulting from properly classifying charges or for unanticipated expenditures. The main components of the increases are as follows:

Amendments

- \$2,279,952 to allocate grant revenues to the Taxiway "C" Construction and Security Systems projects.
- \$800,000 to allocate DST and CRA Reserves for the purchase of the 1215 Indian River Drive property.
- \$149,500 adjustment to cover the costs of City Manager payouts and recruitment of a new City Manager.
- \$128,000 to allocate General Fund Reserves to Police overtime and pension accounts.
- \$49,711 to reallocate funds for incentives and bonuses to the Department accounts where they were charged.
- \$9,651 to allocate Recreation Impact Fee Reserves for additional improvements to the Community Center.
- \$17,853 to allocate Building Fund Reserves to replace an Inspector pickup truck.
- \$40,000 to allocate Cemetery Trust Funds toward the Cemetery Sand Hill Expansion project.
- \$13,000 adjustments to appropriate Arden Greer donation revenue to purchases in the Police Department.
- \$1,000 to allocate a donation for the purchase of a sound system for the Community Center.

General Fund Equipment & Facilities R&R Reserve Allocations

- \$28,053 to use R&R Reserve to replace broken or worn out equipment items.
- \$118,331 to use R&R Reserve for replacement of unbudgeted air conditioning units.
- \$64,687 to use R&R Reserve for other unbudgeted facility repairs or replacements.

Project Budget Transfers

- \$1,125,086 adjustments for uncompleted projects carried forward from the prior years.
- \$169,738 adjustments between projects.
- \$75,368 adjustments to reduce project revenues and budget allocations.
- \$10,400 adjustments to project costs for trade in values.
- \$123,500 adjustments to close out a number of projects.

Operating Budget Transfers

- \$130,357 adjustment to merge the Audio Visual Division into the MIS Division.
- \$332,164 adjustment to merge the Engineering Division into the Public Facilities Division.
- \$343,163 adjustment between Public Facilities and Stormwater accounts to reflect personnel reassignments.
- \$250,164 adjustment between Departmental accounts to cover unexpected expenditures or overages.
- \$161,812 adjustment between Health Insurance accounts to make budget changes match the payroll system.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

During the fiscal year, total General Fund actual expenditures were \$127,373 less than final amended budgetary estimates. The overall variance on revenues and expenditures resulted in an increase of \$866,235 to existing fund balances. This was due to the payments received on Hurricane Matthew, which were somewhat offset by expenditures incurred on Hurricane Irma.

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year 2018, the City had \$55,337,561 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 \$1,062,113, or 2.0%, over last year. The following table illustrates the changes in capital assets. Additional information regarding the City's capital assets can be found in the Notes to the Financial Statements section of the CAFR.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 9,123,041	\$ 8,391,050	\$ 9,060	\$ 19,436	\$ 9,132,101	\$ 8,410,486
Buildings	7,992,590	7,614,058	7,272,414	7,254,214	15,265,004	14,868,272
Improvements	2,739,476	2,641,453	1,410,023	1,511,220	4,149,499	4,152,673
Equipment	2,223,479	2,539,466	657,034	620,309	2,880,513	3,159,775
Infrastructure	17,886,635	19,068,110	5,774,197	3,914,198	23,660,832	22,982,308
Construction in progress	188,759	381,889	56,228	320,045	244,987	701,934
Total capital assets, net	<u>\$40,153,980</u>	<u>\$40,636,026</u>	<u>\$ 15,178,956</u>	<u>\$13,639,422</u>	<u>\$55,332,936</u>	<u>\$54,275,448</u>

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

- An increase in Land due to the purchase of a property.
- An increase in Buildings mainly due to the amount of facility renovations during the fiscal year.
- An increase in Improvements mainly due to the amount of capital renovations.
- Decreases in Equipment and Infrastructure mainly due to depreciation in excess of additions.
- An increase in Construction in Progress due to completing construction of the Police Evidence Garage and Working Waterfront Restrooms.

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

- An increase in Buildings due to the completion of Hangar "C".
- An increase in Equipment due to additional purchases.
- An increase in Infrastructure mainly due to the completion of projects.
- A decrease in Construction in Progress due to the completion of projects.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$4,515,597. Of this amount, \$2,585,000 consist of notes pledging specific revenues to the repayment of the debt. More detailed information regarding these activities and funds can be found in the Notes to the Financial Statements section of the CAFR.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

	Total Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ 2,585,000	\$ 3,175,000	\$ -	\$ -	\$ 2,585,000	\$ 3,175,000
Compensated absences	1,404,552	1,395,594	228,678	233,766	1,633,230	1,629,360
Pollution remediation	91,200	91,200	-	-	91,200	91,200
Capital lease	-	-	206,167	254,453	206,167	254,453
Total	\$ 4,080,752	\$ 4,661,794	\$ 434,845	\$ 488,219	\$ 4,515,597	\$ 5,150,013

The City's total debt decreased by \$634,416 (12.32%) during the current fiscal year. The net decrease was attributable to annual principal payments that occurred during the year.

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

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the next fiscal year 2019 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. Sebastian's local economy consists largely of retail and service industries. Less than one percent is devoted to industrial activities. Construction of new homes is the largest single business in the area. Some of the largest retail stores include Publix Supermarket and Wal-Mart Stores, Inc.® The Indian River County unemployment rate in September 2018 was 3.9 percent and less than the higher levels of previous years, which is a positive sign and analogous to the economic pattern existing throughout the state and nation.

The City experienced a 9.34% overall increase in property values for 2019. The millage of 3.1514 was levied for taxes to be recorded in fiscal year 2019 that will essentially provide the equivalent revenue from property taxes as received in fiscal year 2018.

The Golf Course reported more revenues from fees in 2018, primarily due to not having the temporary closures of greens during reconstruction that occurred during 2017. Although its net position improved with the large investment in capital assets, those investments were primarily accomplished by advances from the Building Fund. The City anticipates the investments made will result in an increase in customers that will generate higher revenues and enable the advances to be repaid.

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,946,524	\$ 506,004	\$ 6,452,528
Restricted cash and cash equivalents	583,211	-	583,211
Investments	3,151,270	119,189	3,270,459
Permanently restricted investments	888,402	-	888,402
Receivables	1,066,597	296,018	1,362,615
Internal balances	1,356,391	(1,356,391)	-
Prepaid items	128,836	23,924	152,760
Inventories	41,016	21,765	62,781
Deposits held in escrow	-	1,602	1,602
Capital assets not being depreciated	9,311,800	65,288	9,377,088
Capital assets being depreciated, net	30,842,180	15,113,668	45,955,848
Total assets	53,316,227	14,791,067	68,107,294
Deferred outflows of resources			
Deferred pension amounts	698,053	-	698,053
Liabilities			
Accounts payable and accrued liabilities	652,370	79,235	731,605
Accrued interest payable	21,950	-	21,950
Unearned revenues	67,212	81,620	148,832
Long-term liabilities:			
Due within one year	720,845	57,314	778,159
Due in more than one year	3,359,907	377,531	3,737,438
Net pension liability (due in more than one year)	3,324,005	-	3,324,005
Total liabilities	8,146,289	595,700	8,741,989
Deferred inflows of resources			
Deferred pension amounts	229,315	-	229,315
Net position			
Net investment in capital assets	37,568,980	14,972,789	52,541,769
Restricted for:			
Debt service	151,893	-	151,893
Perpetual care:			
Nonexpendable	996,875	-	996,875
Special revenue uses:			
Infrastructure improvements	4,107,942	-	4,107,942
Redevelopment expenses	423,814	-	423,814
Stormwater expenses	618,069	-	618,069
Law enforcement events	121,307	-	121,307
Unrestricted (deficit)	1,649,796	(777,422)	872,374
Total net position	\$ 45,638,676	\$ 14,195,367	\$ 59,834,043

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

CITY OF SEBASTIAN, FLORIDA

Statement of Activities
For the Year Ended September 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 3,926,479	\$ 466,261	\$ 1,531,139	\$ -	\$ (1,929,079)
Public safety	6,227,299	74,216	232,023	40,000	(5,881,060)
Physical environment	3,431,933	1,064,659	-	-	(2,367,274)
Transportation	1,949,882	-	12,908	-	(1,936,974)
Economic environment	238,597	-	-	-	(238,597)
Cultural and recreation	1,279,635	52,160	-	141,050	(1,086,425)
Interest and fiscal charges	56,523	-	-	-	(56,523)
Total governmental activities	17,110,348	1,657,296	1,776,070	181,050	(13,495,932)
Business-type activities:					
Golf course	1,555,853	1,257,047	98,605	-	(200,201)
Airport	1,328,258	583,310	-	2,120,953	1,376,005
Building	664,066	911,643	17,302	-	264,879
Total business-type activities	3,548,177	2,752,000	115,907	2,120,953	1,440,683
Total primary government	\$ 20,658,525	\$ 4,409,296	\$ 1,891,977	\$ 2,302,003	\$ (12,055,249)

continued...

CITY OF SEBASTIAN, FLORIDA

Statement of Activities

For the Year Ended September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net revenue (expense)	\$ (13,495,932)	\$ 1,440,683	\$ (12,055,249)
General revenues:			
Property taxes, levied for general purposes	4,153,194	-	4,153,194
Public utility taxes	2,808,172	-	2,808,172
Franchise fees	1,316,792	-	1,316,792
Intergovernmental	6,887,664	-	6,887,664
Interest earnings	216,185	8,234	224,419
Miscellaneous	312,401	-	312,401
Transfers	(370,457)	370,457	-
Total general revenues and transfers	15,323,951	378,691	15,702,642
Change in net position	1,828,019	1,819,374	3,647,393
Net position, beginning of year	43,810,657	12,375,993	56,186,650
Net position, end of year	\$ 45,638,676	\$ 14,195,367	\$ 59,834,043

concluded.

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

CITY OF SEBASTIAN, FLORIDA

Balance Sheet

Governmental Funds
September 30, 2018

	General	Discretionary Sales Tax	Riverfront Redevelopment	General Capital Projects
Assets				
Cash and cash equivalents	\$ 2,582,497	\$ 1,862,531	\$ 324,023	\$ 41,756
Investments	1,810,264	818,302	100,173	-
Accounts receivable, net	312,724	-	-	-
Due from other funds	745,800	-	-	-
Due from other governments	330,817	328,174	-	-
Deposits held in escrow	-	-	-	-
Inventories	41,016	-	-	-
Prepaid items	128,836	-	-	-
Advance to other funds	65,000	545,591	-	-
Total assets	\$ 6,016,954	\$ 3,554,598	\$ 424,196	\$ 41,756
Liabilities				
Accounts payable and accrued liabilities	\$ 440,924	\$ -	\$ 382	\$ 41,756
Due to other governments	135,437	-	-	-
Unearned revenue	67,212	-	-	-
Total liabilities	643,573	-	382	41,756
Fund balances				
Nonspendable	234,852	545,591	-	-
Restricted	77,185	3,009,007	423,814	-
Committed	-	-	-	-
Assigned	13,871	-	-	-
Unassigned (deficit)	5,047,473	-	-	-
Total fund balances	5,373,381	3,554,598	423,814	-
Total liabilities and fund balances	\$ 6,016,954	\$ 3,554,598	\$ 424,196	\$ 41,756

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$ 1,718,928		\$ 6,529,735	
1,310,933		4,039,672	
-		312,724	
-		745,800	
94,882		753,873	
-		-	
-		41,016	
-		128,836	
-		610,591	
<hr/>		<hr/>	
\$ 3,124,743		\$ 13,162,247	
<hr/>		<hr/>	
\$ 33,871		\$ 516,933	
-		135,437	
-		67,212	
<hr/>		<hr/>	
33,871		719,582	
<hr/>		<hr/>	
996,875		1,777,318	
1,389,378		4,899,384	
707,667		707,667	
-		13,871	
(3,048)		5,044,425	
<hr/>		<hr/>	
3,090,872		12,442,665	
<hr/>		<hr/>	
\$ 3,124,743		\$ 13,162,247	
<hr/>		<hr/>	

This page intentionally left blank.

CITY OF SEBASTIAN, FLORIDA

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
September 30, 2018

Fund balances - total governmental funds	\$ 12,442,665
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Capital assets not being depreciated	9,311,800
Capital assets being depreciated, net	30,842,180
Certain liabilities, such as notes payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Notes payable	(2,585,000)
Compensated absences	(1,404,552)
Pollution remediation liability	(91,200)
Accrued interest on long-term debt	(21,950)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(3,324,005)
Deferred outflows related to the net pension liability	698,053
Deferred inflows related to the net pension liability	(229,315)
Net position of governmental activities	<u>\$ 45,638,676</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2018

	General	Discretionary Sales Tax	Riverfront Redevelopment	General Capital Projects
Revenues				
Taxes:				
Property	\$ 3,786,662	\$ -	\$ 366,532	\$ -
Public utility	2,808,172	-	-	-
Franchise fees	1,316,792	-	-	-
Licenses and permits	165,922	-	-	-
Intergovernmental	4,388,228	3,417,586	-	-
Impact fees	-	-	-	-
Charges for services	391,055	-	-	-
Fines	47,701	-	-	-
Investment earnings	89,571	56,847	10,616	-
Contributions and donations	45,270	-	-	10,400
Other revenues	262,625	-	36,000	-
Total revenues	13,301,998	3,474,433	413,148	10,400
Expenditures				
Current:				
General government	3,490,893	-	1,990	-
Public safety	5,593,859	-	-	-
Physical environment	1,287,644	-	-	635,263
Transportation	1,027,928	-	-	-
Economic environment	-	-	238,597	-
Culture and recreation	875,172	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	228,879	-	-	1,342,854
Total expenditures	12,504,375	-	240,587	1,978,117
Revenues over (under) expenditures	797,623	3,474,433	172,561	(1,967,717)
Other financing sources (uses)				
Transfers in	704,641	-	-	1,988,267
Transfers out	(636,029)	(2,563,712)	(289,495)	-
Total other financing sources (uses)	68,612	(2,563,712)	(289,495)	1,988,267
Net changes in fund balances	866,235	910,721	(116,934)	20,550
Fund balances, beginning of year	4,507,146	2,643,877	540,748	(20,550)
Fund balances, end of year	\$ 5,373,381	\$ 3,554,598	\$ 423,814	\$ -

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,153,194
-	2,808,172
-	1,316,792
-	165,922
842,250	8,648,064
141,050	141,050
1,052,068	1,443,123
550	48,251
59,151	216,185
-	55,670
13,776	312,401
<u>2,108,845</u>	<u>19,308,824</u>
-	3,492,883
66,002	5,659,861
272,425	2,195,332
51,581	1,079,509
-	238,597
-	875,172
590,000	590,000
56,523	56,523
1,284,489	2,856,222
<u>2,321,020</u>	<u>17,044,099</u>
<u>(212,175)</u>	<u>2,264,725</u>
1,734,129	4,427,037
<u>(1,308,258)</u>	<u>(4,797,494)</u>
<u>425,871</u>	<u>(370,457)</u>
213,696	1,894,268
<u>2,877,176</u>	<u>10,548,397</u>
<u>\$ 3,090,872</u>	<u>\$ 12,442,665</u>

CITY OF SEBASTIAN, FLORIDA

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ 1,894,268

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

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

Capital assets purchased/constructed	2,856,222
Depreciation expense	(3,263,778)
Loss on disposal of capital assets	(74,490)

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

Principal payments on long-term liabilities	590,000
---	---------

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

Change in the accrual for compensated absences	(8,958)
Change in the accrual for other postemployment benefits	33,757
Change in the net pension liability and related deferred amounts	(199,002)

Change in net position of governmental activities	\$ 1,828,019
---	--------------

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 3,799,624	\$ 3,799,624	\$ 3,786,662	\$ (12,962)
Public utility	2,751,498	2,751,498	2,808,172	56,674
Franchise fees	1,333,454	1,333,454	1,316,792	(16,662)
Licenses and permits	138,500	138,500	165,922	27,422
Intergovernmental	2,608,036	2,796,959	4,388,228	1,591,269
Charges for services	404,140	404,140	391,055	(13,085)
Fines	55,000	55,000	47,701	(7,299)
Investment earnings	34,431	34,431	89,571	55,140
Contributions and donations	12,200	36,200	45,270	9,070
Other revenues	182,000	187,771	262,625	74,854
Total revenues	11,318,883	11,537,577	13,301,998	1,764,421
Expenditures				
Current:				
General government	3,417,264	3,598,817	3,490,893	(107,924)
Public safety	5,226,339	5,539,935	5,593,859	53,924
Physical environment	1,096,634	1,329,555	1,287,644	(41,911)
Transportation	1,270,856	1,048,595	1,027,928	(20,667)
Culture and recreation	901,176	900,679	875,172	(25,507)
Capital outlay	45,000	214,167	228,879	14,712
Total expenditures	11,957,269	12,631,748	12,504,375	(127,373)
Revenues over (under) expenditures	(638,386)	(1,094,171)	797,623	1,891,794
Other financing sources (uses)				
Transfers in	729,638	1,259,475	704,641	(554,834)
Transfers out	(91,252)	(165,304)	(636,029)	(470,725)
Total other financing sources (uses)	638,386	1,094,171	68,612	(1,025,559)
Net changes in fund balance	-	-	866,235	866,235
Fund balance, beginning of year	4,507,146	4,507,146	4,507,146	-
Fund balance, end of year	\$ 4,507,146	\$ 4,507,146	\$ 5,373,381	\$ 866,235

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Discretionary Sales Tax Special Revenue Fund For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 3,187,750	\$ 3,187,750	\$ 3,417,586	\$ 229,836
Investment earnings	27,708	27,708	56,847	29,139
Total revenues	3,215,458	3,215,458	3,474,433	258,975
Other financing sources (uses)				
Transfers in	-	1,185,889	-	(1,185,889)
Transfers out	(3,215,458)	(4,401,347)	(2,563,712)	1,837,635
Total other financing sources (uses)	(3,215,458)	(3,215,458)	(2,563,712)	651,746
Net changes in fund balance	-	-	910,721	910,721
Fund balance, beginning of year	2,643,877	2,643,877	2,643,877	-
Fund balance, end of year	\$ 2,643,877	\$ 2,643,877	\$ 3,554,598	\$ 910,721

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Riverfront Redevelopment Special Revenue Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 349,989	\$ 349,989	\$ 366,532	\$ 16,543
Investment earnings	1,878	1,878	10,616	8,738
Other revenues	36,000	36,000	36,000	-
Total revenues	<u>387,867</u>	<u>387,867</u>	<u>413,148</u>	<u>25,281</u>
Expenditures				
Current:				
General government	2,067	2,067	1,990	(77)
Economic environment	255,125	322,125	238,597	(83,528)
Total expenditures	<u>257,192</u>	<u>324,192</u>	<u>240,587</u>	<u>(83,605)</u>
Revenues over expenditures	<u>130,675</u>	<u>63,675</u>	<u>172,561</u>	<u>108,886</u>
Other financing sources (uses)				
Transfers in	-	469,234	-	(469,234)
Transfers out	-	(439,234)	(289,495)	149,739
Total other financing sources (uses)	<u>-</u>	<u>30,000</u>	<u>(289,495)</u>	<u>(319,495)</u>
Net changes in fund balance	<u>130,675</u>	<u>93,675</u>	<u>(116,934)</u>	<u>(210,609)</u>
Fund balance, beginning of year	<u>540,748</u>	<u>540,748</u>	<u>540,748</u>	<u>-</u>
Fund balance, end of year	<u>\$ 671,423</u>	<u>\$ 634,423</u>	<u>\$ 423,814</u>	<u>\$ (210,609)</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

Proprietary Funds
September 30, 2018

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 64,412	\$ 58,272	\$ 383,320	\$ 506,004
Investments	-	-	119,189	119,189
Accounts receivable	-	385	-	385
Due from other governments	-	295,633	-	295,633
Inventories	12,820	8,945	-	21,765
Deposits held in escrow	493	616	493	1,602
Prepaid items	8,469	11,115	4,340	23,924
Total current assets	<u>86,194</u>	<u>374,966</u>	<u>507,342</u>	<u>968,502</u>
Noncurrent assets:				
Advance to other funds	-	-	1,235,058	1,235,058
Capital assets:				
Land	-	9,060	-	9,060
Buildings	718,983	8,728,972	-	9,447,955
Improvements other than buildings	1,183,568	1,681,260	-	2,864,828
Machinery and equipment	417,672	1,089,115	118,732	1,625,519
Infrastructure	1,438,540	9,596,026	-	11,034,566
Construction in process	-	56,228	-	56,228
Less accumulated depreciation	(1,728,091)	(8,069,809)	(61,300)	(9,859,200)
Total noncurrent assets	<u>2,030,672</u>	<u>13,090,852</u>	<u>1,292,490</u>	<u>16,414,014</u>
Total assets	<u>2,116,866</u>	<u>13,465,818</u>	<u>1,799,832</u>	<u>17,382,516</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	16,378	25,306	23,834	65,518
Due to other funds	535,800	210,000	-	745,800
Due to other governments	6,447	1,463	5,807	13,717
Unearned revenues	64,730	9,340	7,550	81,620
Current portion of compensated absences	2,801	1,041	3,476	7,318
Current portion of leases payable	49,996	-	-	49,996
Total current liabilities	<u>676,152</u>	<u>247,150</u>	<u>40,667</u>	<u>963,969</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	84,732	31,478	105,150	221,360
Advance from other fund	1,235,058	610,591	-	1,845,649
Leases payable	156,171	-	-	156,171
Total noncurrent liabilities	<u>1,475,961</u>	<u>642,069</u>	<u>105,150</u>	<u>2,223,180</u>
Total liabilities	<u>2,152,113</u>	<u>889,219</u>	<u>145,817</u>	<u>3,187,149</u>
Net position				
Net investment in capital assets	1,824,505	13,090,852	57,432	14,972,789
Unrestricted (deficit)	(1,859,752)	(514,253)	1,596,583	(777,422)
Total net position	<u>\$ (35,247)</u>	<u>\$ 12,576,599</u>	<u>\$ 1,654,015</u>	<u>\$ 14,195,367</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Operating revenues				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 911,643	\$ 911,643
Golf course fees	1,229,330	-	-	1,229,330
Rents	17,592	406,064	-	423,656
Other revenues	10,125	177,246	-	187,371
Intergovernmental	50,000	-	-	50,000
Total operating revenues	<u>1,307,047</u>	<u>583,310</u>	<u>911,643</u>	<u>2,802,000</u>
Operating expenses				
Salaries, wages and employee benefits	347,580	141,253	530,924	1,019,757
Contractual services, materials and supplies	985,998	396,317	114,414	1,496,729
Depreciation	214,170	771,240	18,728	1,004,138
Total operating expenses	<u>1,547,748</u>	<u>1,308,810</u>	<u>664,066</u>	<u>3,520,624</u>
Operating income (loss)	<u>(240,701)</u>	<u>(725,500)</u>	<u>247,577</u>	<u>(718,624)</u>
Nonoperating revenues (expenses)				
Investment income (loss)	-	(2,604)	10,838	8,234
Interest expense	(8,105)	(19,448)	-	(27,553)
Gain on sale of capital assets	48,605	-	17,302	65,907
Total nonoperating revenues (expenses)	<u>40,500</u>	<u>(22,052)</u>	<u>28,140</u>	<u>46,588</u>
Income (loss) before capital contributions and transfers	<u>(200,201)</u>	<u>(747,552)</u>	<u>275,717</u>	<u>(672,036)</u>
Capital contributions	-	2,120,953	-	2,120,953
Transfers in	149,695	220,762	7,118	377,575
Transfers out	<u>(7,118)</u>	<u>-</u>	<u>-</u>	<u>(7,118)</u>
Change in net position	<u>(57,624)</u>	<u>1,594,163</u>	<u>282,835</u>	<u>1,819,374</u>
Net position, beginning of year	<u>22,377</u>	<u>10,982,436</u>	<u>1,371,180</u>	<u>12,375,993</u>
Net position, end of year	<u>\$ (35,247)</u>	<u>\$ 12,576,599</u>	<u>\$ 1,654,015</u>	<u>\$ 14,195,367</u>

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

CITY OF SEBASTIAN, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 1,315,871	\$ 600,640	\$ 912,088	\$ 2,828,599
Cash payments to suppliers	(1,048,278)	(422,867)	(110,381)	(1,581,526)
Cash payments for employee services	(353,585)	(146,310)	(526,324)	(1,026,219)
Net cash provided (used) by operating activities	(85,992)	31,463	275,383	220,854
Cash flows from noncapital financing activities				
Interest paid on advance from other fund	(8,105)	(19,448)	-	(27,553)
Cash payments to other funds	(7,118)	(80,000)	(211,740)	(298,858)
Cash receipts from other funds	361,435	180,715	7,118	549,268
Net cash provided (used) by noncapital financing activities	346,212	81,267	(204,622)	222,857
Cash flows from capital and related financing activities				
Repayment of long term debt	(48,286)	-	-	(48,286)
Acquisition and construction of capital assets	(320,032)	(2,345,376)	(18,108)	(2,683,516)
Proceeds from sale of capital assets	82,303	95,860	27,678	205,841
Receipts from capital contributions	-	2,120,953	-	2,120,953
Net cash provided (used) by capital and related financing activities	(286,015)	(128,563)	9,570	(405,008)
Cash flows from investing activities				
Purchase of investments	-	-	(2,243)	(2,243)
Investment income (loss)	-	(2,696)	10,840	8,144
Net cash provided (used) by investing activities	-	(2,696)	8,597	5,901
Net increase (decrease) in cash and cash equivalents	(25,795)	(18,529)	88,928	44,604
Cash and cash equivalents, beginning of year	90,207	76,801	294,392	461,400
Cash and cash equivalents, end of year	\$ 64,412	\$ 58,272	\$ 383,320	\$ 506,004

continued...

CITY OF SEBASTIAN, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Cash flow from operating activities:				
Operating income (loss)	\$ (240,701)	\$ (725,500)	\$ 247,577	\$ (718,624)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	214,170	771,240	18,728	1,004,138
Change in:				
Accounts receivable	10,823	118	-	10,941
Due from other governments	-	16,642	-	16,642
Inventories	268	(3,265)	-	(2,997)
Prepaid items	(2,148)	1,350	3,347	2,549
Accounts payable and accrued liabilities	(60,400)	(24,635)	686	(84,349)
Due to other governments	1,790	324	227	2,341
Unearned revenues	(3,789)	246	218	(3,325)
Accrued compensated absences	(5,588)	(4,838)	5,338	(5,088)
Net other postemployment benefit obligation	(417)	(219)	(738)	(1,374)
Total adjustments	154,709	756,963	27,806	939,478
Net cash provided (used) by operating activities	\$ (85,992)	\$ 31,463	\$ 275,383	\$ 220,854

concluded.

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

CITY OF SEBASTIAN, FLORIDA

Statement of Fiduciary Net Position

Fiduciary Funds

September 30, 2018

	Pension Trust	Agency
	Police Officers' Pension	Performance Deposits
Assets		
Cash and cash equivalents	\$ -	\$ 1,750
Receivables:		
Interest and dividends	31,326	-
Investments, at fair value:		
Local government surplus trust funds investment pools	-	92,340
Money market funds	561,632	-
United States treasuries	106,381	-
United States agencies	442,181	-
Collateralized mortgage obligations	1,082,401	-
Unit Investment trusts	111,257	-
Municipal obligations	162,443	-
Domestic corporate bonds	1,256,896	-
Foreign corporate bonds	372,130	-
Domestic corporate equities	9,714,680	-
Foreign corporate equities	625,661	-
EFT equities	8,960	-
Real estate investment trust	691,372	-
Total investments	15,135,994	92,340
Total assets	15,167,320	\$ 94,090
Liabilities		
Refunds payable	-	\$ 94,090
Net position		
Restricted for pension benefits	\$ 15,167,320	

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

CITY OF SEBASTIAN, FLORIDA

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Pension Trust
 For the Year Ended September 30, 2018

	Police Officers' Pension
Additions	
Contributions:	
Employer	\$ 525,296
Plan members	204,854
State	188,923
Total contributions	<u>919,073</u>
Investment income:	
Net increase in fair value of investments	806,079
Interest and dividends	359,060
Total investment income	<u>1,165,139</u>
Investment expenses	<u>(136,590)</u>
Net investment earnings	<u>1,028,549</u>
Total additions	<u>1,947,622</u>
Deductions	
Benefits	700,733
Administrative expenses	82,088
Total deductions	<u>782,821</u>
Change in net position	1,164,801
Net position, beginning of year	<u>14,002,519</u>
Net position, end of year	<u>\$ 15,167,320</u>

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

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sebastian (the "City"), a Florida Municipal Corporation, was incorporated in 1924 under Sections 1826-1832 of the Revised Florida Statutes. The City has a population of 24,630 living in an area of approximately 14.6 square miles. The governing body is a five member elected City Council with a mayor elected from the five members. The City Council appoints the City Manager who is responsible for the administration of all City services.

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

Reporting Entity

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

Blended Component Units

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

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

The *Building Fund* accounts for the activities of the municipality's building department that enforces state and local regulations pertaining to construction.

Additionally, the City reports the following fund types:

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

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

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

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

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

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

Deposits and Investments

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Internal Balances

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

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

Restricted Assets

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

Receivables and Payables

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

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are deferred. Receivables consist of trade receivables, due from other governments and interest receivable and are recorded at the net realizable value. As of September 30, 2018, the City has no allowance for doubtful accounts, since all receivables are considered collectible.

Other Assets

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Capital Assets

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

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

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

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

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

Deferred Outflows of Resources

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

Compensated Absences

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Unearned Revenue

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The City reports deferred inflows of resources for changes in expected and actual investment returns, assumptions and benefits provided in its pension plans.

Long-term Obligations

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

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

Fund Equity

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

2. BUDGETARY INFORMATION

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

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2018:

Statement of Net Position	
Cash and cash equivalents	\$ 6,452,528
Restricted cash and cash equivalents	583,211
Investments	3,270,459
Restricted investments	888,402
 Statement of Fiduciary Net Position	
Police Officers' Pension -	
Investments	15,135,994
Agency funds:	
Cash and cash equivalents	1,750
Investments	92,340
Total	<u><u>\$ 26,424,684</u></u>
 Deposits and investments	
Bank deposits -	
Checking and savings accounts	\$ 7,035,059
Investments:	
Investments, at fair value	4,251,201
Police officers' pension fund investments	15,135,994
Cash on hand	2,430
Total	<u><u>\$ 26,424,684</u></u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. At September 30, 2018, the carrying amount of the City of Sebastian's deposits with banks was \$7,035,059 and the bank balance was \$7,323,941. All the deposits were covered by the FDIC or collateralized in accordance with the "Florida Security for Public Deposits Act". Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

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

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

As of September 30, 2018, the City had the following investments and effective duration presented in terms of years:

Investment Type	Fair Value	No Maturities	Investment Maturity (Years)			
			Less than 1	From 1-3	From 4-6	Over 7
General investments						
Local government surplus funds trust fund ("SBA")	\$ 3,744,684	\$ -	\$ 3,744,684	\$ -	\$ -	\$ -
Florida Local Government Investment Trust	506,517	-	506,517	-	-	-
	<u>\$ 4,251,201</u>	<u>\$ -</u>	<u>\$ 4,251,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Police officers' pension fund investments						
Money market	\$ 561,632	\$ -	\$ 561,632	\$ -	\$ -	\$ -
United States treasuries	106,381	-	-	34,402	38,207	33,772
United States agencies	442,181	-	-	203,456	133,625	105,100
Collateralized mortgage obligations	1,082,401	-	747	3,724	68,450	1,009,480
Unit Investment trusts	111,257	-	111,257	-	-	-
Municipal obligations	162,443	-	-	36,958	60,562	64,923
Domestic corporate bonds	1,256,896	-	-	490,811	328,133	437,952
Foreign corporate bonds	372,130	-	-	155,156	-	216,974
Domestic corporate equities	9,714,680	9,714,680	-	-	-	-
Foreign corporate equities	625,661	625,661	-	-	-	-
EFT equities	8,960	8,960	-	-	-	-
Real estate investment trust	691,372	691,372	-	-	-	-
	<u>\$ 15,135,994</u>	<u>\$ 11,040,673</u>	<u>\$ 673,636</u>	<u>\$ 924,507</u>	<u>\$ 628,977</u>	<u>\$ 1,868,201</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

Credit Risk. The City investment policy that covers all investments, except the Pension Trust Fund, permits investments in the following securities, which are limited to credit quality ratings from nationally recognized agencies as follows:

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

As of September 30, 2018, the City's investment securities, for all investments except the Pension Trust Fund, were all individually rated AAA by Standard & Poor's. The investment ratings for the Pension Trust Fund ranged between AAA through BBB.

As of September 30, 2018, the City had \$3,744,684 invested in the State Board of Administration's Local Government Surplus Trust Funds Investment Pool, which consist of accounts in Pool A. Pool A had a rating by Standard and Poor's Rating Services as "AAA" on September 30, 2018 and amounts may be withdrawn without penalty. Additionally, the City had \$506,517 invested in the Florida Local Government Investment Trust which had a rating by Standard and Poor's Rating Services as "AAA" on September 30, 2018.

Investment in the City's pension trust funds are limited by State Statutes Chapter 185 and by an investment policy adopted by the fund's Board of Trustees on December 31, 2016. The allowable investment instruments include: United States government and agency issues, bankers acceptances and certificates of deposit by United States banks, savings accounts with banks or other financial institutions incorporated in the United States and commercial paper rated A-2 or P-2 or higher by Moody's or Standard and Pooers. See table below for credit ratings by investment type. In addition, common stocks of corporations listed on a recognized national stock exchange, plus issues convertible into common stock are also allowed. No more than ten percent (10%) of the cost value of total assets may be invested in foreign securities.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

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

A maximum of 100% of available funds may be invested in the SBA and in the United States Government Securities, 50% of available funds may be invested in United States Government agencies with a 25% limit on individual issuers, 80% of available funds may be invested in Federal Instrumentalities with a 40% limit on individual issuers, 25% of available funds may be invested in non-negotiable interest bearing time certificates of deposits with a 15% limit 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 fund's investment policy adopted by the fund's Board of Trustees has established asset allocation and issuer limits on the following investments, which are designed to focus on performance. A maximum of 100% of available funds may be invested in fixed income securities and a maximum of 60% of available funds may be invested in equity securities.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

As of September 30, 2018, the City had the following issuer concentration based on fair value and investment ratings:

Issuer	General Investments		Pension Investments		S&P/Moody Ratings
	Amount	Percentage of Portfolio	Amount	Percentage of Portfolio	
Local government surplus funds trust fund ("SBA")	\$ 3,744,684	88.09%	\$ -	0.00%	AAAm
Florida Local Government Investment Trust	506,517	11.91%	-	0.00%	AAAm
Money market	-	0.00%	561,632	3.71%	Not Rated
United States treasuries	-	0.00%	106,381	0.70%	AA+
United States agencies	-	0.00%	442,181	2.92%	AA+
Collateralized mortgage obligations	-	0.00%	1,082,401	7.15%	AAA through A
Unit Investment trusts	-	0.00%	111,257	0.74%	Not Rated
Municipal obligations	-	0.00%	162,443	1.07%	AAA/AA/A/A-
Domestic corporate bonds	-	0.00%	1,256,896	8.30%	BBB thru AAA
Foreign corporate bonds	-	0.00%	372,130	2.46%	A- thru AAA
Domestic corporate equities	-	0.00%	9,714,680	64.18%	Not Rated
Foreign corporate equities	-	0.00%	625,661	4.13%	Not Rated
EFT equities	-	0.00%	8,960	0.06%	Not Rated
Real estate investment trust	-	0.00%	691,372	4.57%	Not Rated
Total	\$ 4,251,201	100.00%	\$ 15,135,994	100.00%	

Fair Value Measurement

The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs - other than quoted prices included within Level 1- that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the City. Level 2 inputs use one of the following valuation techniques depending on the investment: a) traditional net asset valuation (dividing the asset value by the number of units owned), b) matrix pricing technique (relying on the securities' relationship to other benchmark quoted securities instead of exclusively on quoted prices for specific securities), or c) quoted market prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The City has the following recurring fair value measurements as of September 30, 2018:

	Level 1	Level 2	Level 3	Total
Local government surplus funds trust fund ("SBA")	\$ 3,744,684	\$ -	\$ -	\$ 3,744,684
Florida Local Government Investment Trust	506,517	-	-	506,517
Money market	561,632	-	-	561,632
United States treasuries	106,381	-	-	106,381
United States agencies	-	442,181	-	442,181
Collateralized mortgage obligations	-	1,082,401	-	1,082,401
Unit Investment trusts	111,257	-	-	111,257
Municipal obligations	-	162,443	-	162,443
Domestic corporate bonds	-	1,256,896	-	1,256,896
Foreign corporate bonds	-	372,130	-	372,130
Domestic corporate equities	8,464,033	1,250,647	-	9,714,680
Foreign corporate equities	625,661	-	-	625,661
EFT equities	8,960	-	-	8,960
Real estate investment trust	-	-	691,372	691,372
	<u>\$ 14,129,125</u>	<u>\$ 4,566,698</u>	<u>\$ 691,372</u>	<u>\$ 19,387,195</u>

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 312,724	\$ 385	\$ 313,109
Due from other governments	753,873	295,633	1,049,506
	<u>\$ 1,066,597</u>	<u>\$ 296,018</u>	<u>\$ 1,362,615</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Governmental Activities	Business-type Activities	Total
Accounts payable and accrued liabilities	\$ 516,933	\$ 65,518	\$ 582,451
Due to other governments	135,437	13,717	149,154
	<u>\$ 652,370</u>	<u>\$ 79,235</u>	<u>\$ 731,605</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2018, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General Fund	\$ 745,800	\$ -
Golf Course	-	535,800
Airport	-	210,000
	<u>\$ 745,800</u>	<u>\$ 745,800</u>

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

Advances to and from primary government funds

	Advance from Other Funds	Advance to Other Funds
General Fund	\$ -	\$ 65,000
Discretionary Sales Tax	-	545,591
Golf Course	1,235,058	-
Airport	610,591	-
Building	-	1,235,058
	<u>\$ 1,845,649</u>	<u>\$ 1,845,649</u>

The balance of \$545,591 advanced to the airport fund from the discretionary sales tax fund is being repaid in accordance with Resolution No. R-08-20 for the initial \$285,000 advance and with Resolution No. R-10-22 authorizing an additional \$290,000 advance. Both of these advances provided for repayment over a thirty year period. The \$65,000 advanced to the airport from general fund represents the balance of a \$200,000 cash loan made in 2007 without any specified terms for repayment. The \$1,235,058 was advanced from the Building Fund to replace the irrigation system and make other improvements at the Golf Course.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

For the year ended September 30, 2018, interfund transfers consisted of the following:

	Transfers in	Transfers out
General Fund	\$ 704,641	\$ 636,029
Discretionary Sales Tax Fund	-	2,563,712
Riverfront Redevelopment Fund	-	289,495
Capital Projects Fund	1,988,267	-
Nonmajor Governmental Funds	1,734,129	1,308,258
Golf Course	149,695	7,118
Airport Fund	220,762	-
Building Fund	7,118	-
	<u>\$ 4,804,612</u>	<u>\$ 4,804,612</u>

7. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 8,391,050	\$ 756,069	\$ (24,078)	\$ -	\$ 9,123,041
Construction in progress	381,889	843,315	(19,346)	(1,017,099)	188,759
	<u>8,772,939</u>	<u>1,599,384</u>	<u>(43,424)</u>	<u>(1,017,099)</u>	<u>9,311,800</u>
Capital assets, being depreciated:					
Buildings	13,342,052	3,200	(2,931)	761,468	14,103,789
Non-building improvements	6,871,238	424,006	(78,179)	10,899	7,227,964
Machinery and equipment	9,644,089	468,936	(429,835)	122,109	9,805,299
Infrastructure	42,100,211	360,696	-	122,623	42,583,530
	<u>71,957,590</u>	<u>1,256,838</u>	<u>(510,945)</u>	<u>1,017,099</u>	<u>73,720,582</u>
Less accumulated depreciation for:					
Buildings	(5,727,994)	(385,420)	2,215	-	(6,111,199)
Non-building improvements	(4,229,785)	(313,707)	55,004	-	(4,488,488)
Machinery and equipment	(7,104,623)	(899,857)	422,660	-	(7,581,820)
Infrastructure	(23,032,101)	(1,664,794)	-	-	(24,696,895)
	<u>(40,094,503)</u>	<u>(3,263,778)</u>	<u>479,879</u>	<u>-</u>	<u>(42,878,402)</u>
Total capital assets being depreciated, net	<u>31,863,087</u>	<u>(2,006,940)</u>	<u>(31,066)</u>	<u>1,017,099</u>	<u>30,842,180</u>
Governmental activities capital assets, net	<u>\$ 40,636,026</u>	<u>\$ (407,556)</u>	<u>\$ (74,490)</u>	<u>\$ -</u>	<u>\$ 40,153,980</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 19,436	\$ -	\$ (10,376)	\$ -	\$ 9,060
Construction in progress	320,045	2,639,470	(107,788)	(2,795,499)	56,228
	<u>339,481</u>	<u>2,639,470</u>	<u>(118,164)</u>	<u>(2,795,499)</u>	<u>65,288</u>
Capital assets, being depreciated:					
Buildings	9,166,126	-	-	281,829	9,447,955
Non-building improvements	2,850,542	-	-	14,286	2,864,828
Machinery and equipment	1,511,226	31,119	(118,962)	202,136	1,625,519
Infrastructure	8,732,662	13,017	(8,361)	2,297,248	11,034,566
	<u>22,260,556</u>	<u>44,136</u>	<u>(127,323)</u>	<u>2,795,499</u>	<u>24,972,868</u>
Less accumulated depreciation for:					
Buildings	(1,911,912)	(263,629)	-	-	(2,175,541)
Non-building improvements	(1,339,322)	(115,483)	-	-	(1,454,805)
Machinery and equipment	(890,917)	(174,760)	97,192	-	(968,485)
Infrastructure	(4,818,464)	(450,266)	8,361	-	(5,260,369)
	<u>(8,960,615)</u>	<u>(1,004,138)</u>	<u>105,553</u>	<u>-</u>	<u>(9,859,200)</u>
Total capital assets being depreciated, net	<u>13,299,941</u>	<u>(960,002)</u>	<u>(21,770)</u>	<u>2,795,499</u>	<u>15,113,668</u>
Business-type activities capital assets, net	<u>\$ 13,639,422</u>	<u>\$ 1,679,468</u>	<u>\$ (139,934)</u>	<u>\$ -</u>	<u>\$ 15,178,956</u>

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

Depreciation of governmental activities by function	
General government	\$ 432,559
Public safety	378,699
Physical environment	1,163,661
Transportation	882,007
Cultural and recreation	406,852
Total governmental activities	<u>\$ 3,263,778</u>
Depreciation of business-type activities by function	
Golf course	\$ 214,170
Airport	771,240
Building	18,728
Total business-type activities	<u>\$ 1,004,138</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

8. LONG-TERM DEBT

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

- The City entered into a nine (9) year loan agreement in 2012 with a local bank for \$2,296,000 to provide financing to repave certain roads in the City and payoff an outstanding loan. The City pledged Local Option Gas Tax revenues to repay the note payable. The funds are accumulated in the Local Option Gas Tax Special Revenue fund for repayment of principal and interest.
- The City issued a nine (9) year, \$3,096,000 Stormwater Utility Refunding Revenue Note, Series 2013 in December 2013. The City has pledged stormwater fee revenues for repayment of principal and interest. These proceeds and other stormwater fee revenues were used to totally advance refund all of the outstanding Stormwater Utility Revenue Bonds prior to September 30, 2014.
- As of September 30, 2018, there was no outstanding in-substance defeased debt.

The following is a summary of governmental activities long-term debt transactions for the year ended September 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable	\$ 3,175,000	\$ -	\$ (590,000)	\$ 2,585,000	\$ 601,000
Compensated absences	1,395,594	424,205	(415,247)	1,404,552	119,845
Pollution remediation	91,200	-	-	91,200	-
Totals governmental activities	<u>\$ 4,661,794</u>	<u>\$ 424,205</u>	<u>\$ (1,005,247)</u>	<u>\$ 4,080,752</u>	<u>\$ 720,845</u>

Notes payable

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

\$ 1,044,000

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

1,541,000

\$ 2,585,000

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The following is a summary of business-type activities long-term debt transactions for the year ended September 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 233,766	\$ 39,772	\$ (44,860)	\$ 228,678	7,318
Capital lease	254,453	-	(48,286)	206,167	49,996
Totals business-type activities	<u>\$ 488,219</u>	<u>\$ 39,772</u>	<u>\$ (93,146)</u>	<u>\$ 434,845</u>	<u>\$ 57,314</u>

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

Year Ended September 30,	Governmental Activities	
	Principal	Interest
2019	\$ 601,000	\$ 45,836
2020	611,000	34,939
2021	620,000	23,868
2022	632,000	12,635
2023	121,000	1,174
	<u>\$ 2,585,000</u>	<u>\$ 118,452</u>
Year Ended September 30,	Business-type Activities	
	Principal	Interest
2019	\$ 49,996	\$ 6,394
2020	51,768	4,623
2021	53,602	2,789
2022	50,801	890
	<u>\$ 206,167</u>	<u>\$ 14,696</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund. For business-type activities, compensated absences are allocated to and liquidated by the Golf Course, Airport or Building funds.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

9. LEASES

Operating Leases - Lessee

The City is obligated under a lease for land accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations. Total costs for the lease was \$100,000 for the fiscal year ended September 30, 2018. This represents the Golf Fund's lease obligation for the property used as the City's golf course which resides partially on the Airport Fund's grounds. The following is a schedule by years for future minimum rental payments required under the operating lease that has initial or remaining noncancelable lease terms in excess of one year at September 30, 2018:

Year Ended September 30,	Golf Course Lessee
2019	\$ 100,000
2020	100,000
2021	100,000
2022	100,000
2023	100,000
2024-2028	500,000
2029-2033	500,000
2034-2038	500,000
2039-2043	500,000
2044-2045	<u>200,000</u>
Total	<u>\$ 2,700,000</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Operating Leases - Lessor

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

Year Ended September 30,	Governmental Activities
2019	\$ 232,944
2020	230,969
2021	233,106
2022	235,771
2023	217,833
2024-2028	970,228
2029-2033	1,045,957
2034-2038	1,166,155
2039-2043	1,319,562
2044-2048	1,197,352
2049-2053	1,235,235
2054-2055	<u>578,936</u>
Total	<u>\$ 8,664,047</u>

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

Future minimum rental commitments are as follows:

Year Ended September 30,	Business-type Activities
2019	\$ 314,526
2020	314,322
2021	314,322
2022	314,322
2023	314,322
2024-2028	1,320,834
2029-2033	1,080,922
2034-2038	439,805
2039-2043	184,500
2044-2045	<u>73,800</u>
Total	<u>\$ 4,671,675</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

10. PROPERTY TAXES

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. The millage rate levied by the City for the fiscal year ended September 30, 2018, was 3.4000 mills. Total tax collections were approximately 96.58% of the total tax levy.

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

11. CONTINGENT LIABILITIES

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

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

12. RISK MANAGEMENT

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

13. BENEFIT PLANS

Police Officer's Pension Plan

Defined Benefit Pension Plan

Plan Description. The Police Officers' Pension Plan is a Florida Statute Chapter 185 single-employer defined benefit plan. Only City police officers participate in the Police Pension Plan. The state provides a contribution to the Police Pension Plan through a distribution of funds collected from insurance premium taxes. The pension plan data provided in these financial statements are from the actuarial valuation as of October 1, 2017 to determine the required contribution for the fiscal year ending September 30, 2018. Although the Police Officers' Pension Plan provides separate reporting, which may be obtained in the Finance department, it is also a component unit (reporting as a Pension Trust Fund) of the City's financial reporting entity.

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

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

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

Concentrations. At September 30, 2018, the plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5 percent or more of the plan's fiduciary net position. Please see Note 3 for details of these concentrations.

Plan Membership. As of September 30, 2018, employee membership data was as follows:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	39
Total membership	<u>65</u>

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

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

Rate of Return. For the year ended September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City. The components of the net pension liability of the City at September 30, 2018, were as follows:

Total pension liability	\$ 18,491,325
Less: Plan fiduciary net position	<u>15,167,320</u>
City's net pension liability	<u>\$ 3,324,005</u>
Plan fiduciary net position as percentage of total pension liability	82.02%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 (the measurement date) using the following actuarial assumptions applied to all measurement periods.

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

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce a long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity	52.50%	6.65%	3.49%
International equity	12.50%	6.09%	0.76%
Fixed income	25.00%	2.20%	0.55%
Real Estate	5.00%	3.30%	0.17%
Master Limited Partnerships	5.00%	5.50%	0.28%
Total	<u>100.00%</u>		5.25%
Inflation			2.30%
Risk adjustments			<u>-0.25%</u>
Investment rate of return			<u>7.30%</u>

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

	One Percent Decrease 6.30%	Current Discount Rate 7.30%	One Percent Increase 8.30%
Net Pension Liability	\$ 5,827,857	\$ 3,324,005	\$ 1,254,101

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2017	\$ 17,252,501	\$ 14,002,519	\$ 3,249,982
Changes for the year:			
Service cost	589,149	-	589,149
Interest on total pension liability	1,270,670	-	1,270,670
Change in excess state money	(84,863)	-	(84,863)
Differences between expected and actual experience	164,601	-	164,601
Benefit payments, including refunds of employee contributions	(700,733)	(700,733)	-
Employer contributions	-	525,296	(525,296)
State contributions	-	188,923	(188,923)
Employee contributions	-	204,854	(204,854)
Pension plan net investment income	-	1,028,549	(1,028,549)
Administrative expense	-	(82,088)	82,088
Net changes	1,238,824	1,164,801	74,023
Balances at September 30, 2018	\$ 18,491,325	\$ 15,167,320	\$ 3,324,005

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2018, the City recognized pension expense of \$913,221. At September 30, 2018, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 173,291	\$ 48,125	\$ 125,166
Changes in assumptions	524,762	-	524,762
Net difference between projected and actual earnings on pension plan investments	-	181,190	(181,190)
	<u>\$ 698,053</u>	<u>\$ 229,315</u>	<u>\$ 468,738</u>

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

Year Ended September 30,	Amount
2019	\$ 287,913
2020	109,610
2021	16,909
2022	27,154
2023	<u>27,152</u>
Total	<u>\$ 468,738</u>

Payable to the Pension Plan. At September 30, 2018, the City reported \$0 payable to the police officer's pension plan.

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

Coastal Florida Public Employees Association

Negotiated Defined Benefit Pension Plan

Plan Description. The Communication Workers of America / International Typographical Union Negotiated Pension Plan (NPP), which began in 1967, is a multi-employer cost-sharing, defined benefit plan. The plan is available to any Coastal Florida Public Employees Association bargaining unit member and benefits are portable from one contributing employer to another. The plan is not a state or local governmental plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, has no predominant state or local governmental employer and issues audited financials following FASB guidelines, which can be obtained at <http://www.cwaitu.com>. The City of Sebastian approved the plan by Resolution No. R-01-36, effective April 29, 2001. There is currently no expiration date of the collective-bargaining agreement requiring contributions to the pension plan. The total number of governmental employees covered as of September 30, 2018, was 65. The City chose to early implement the GASB 78 disclosure requirements in FY15.

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

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

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

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

Funding Policy. Administration costs of the pension plan are financed by the plan. The employer contribution rate, expressed as a percentage of compensation, was 9.0% for the 2017-2018 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2016, 2017 and 2018 were \$200,889, \$204,035 and \$217,695 respectively, which are equal to 100% of the required contribution for each year.

Defined Contribution 401(a) Plan

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

Plan Participation. As of September 30, 2018, there were a total of 18 employees participating in the plan.

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

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

Funding Policy. The administration costs of the pension plan are financed by the Plan. The employer contribution rate, expressed as a percentage of compensation, was 9% for the 2017-2018 fiscal year. Employees do not contribute to this Plan. Contributions to the 401 Defined Contribution Plan for the fiscal years ended September 30, 2016, 2017 and 2018 were \$151,891, \$120,879 and \$142,347 respectively, which are equal to 100% of the required contribution for each year.

14. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 13, the City provides postemployment benefits pursuant to Section 112.0801, Florida Statutes. This permits participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The City, by policy, has elected to provide qualified retirees with partial subsidy. In this respect, the City operates a single-employer plan. Employees are eligible to receive a partial subsidy from the Retiree Medical Plan upon retirement, if they are enrolled in the active medical plan immediately prior to retiring and achieved at least 20 years of service in a full time capacity. If eligible, the City pays 50% of the costs of single coverage group health insurance for up to 2 years after retirement. Such premiums are expected to be funded on a pay-as-you-go basis. An actuarial valuation of the City's liability for these benefits in accordance with GASB Statement No. 75 has not been performed. Inasmuch as the plan is only open to a small number of City employees, management has determined that the net other postemployment benefit liability would be immaterial to the financial statements taken as a whole.

15. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Discretionary Sales Tax	Riverfront Redevelopment	General Capital Projects	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 41,016	\$ -	\$ -	\$ -	\$ -	\$ 41,016
Prepays	128,836	-	-	-	-	128,836
Long-term advances	65,000	545,591	-	-	-	610,591
Permanent fund corpus	-	-	-	-	996,875	996,875
Total nonspendable	234,852	545,591	-	-	996,875	1,777,318
Restricted for:						
Debt service	-	-	-	-	173,843	173,843
Infrastructure	-	3,009,007	-	-	553,344	3,562,351
Redevelopment	-	-	423,814	-	-	423,814
Stormwater	-	-	-	-	618,069	618,069
Law enforcement	77,185	-	-	-	44,122	121,307
Total restricted	77,185	3,009,007	423,814	-	1,389,378	4,899,384
Committed for:						
Recreational system development	-	-	-	-	653,069	653,069
Development of public parking	-	-	-	-	54,598	54,598
Total committed	-	-	-	-	707,667	707,667
Assigned for:						
Law enforcement events	13,871	-	-	-	-	13,871
Unassigned (deficit)	5,047,473	-	-	-	(3,048)	5,044,425
Total fund balances, governmental funds	\$ 5,373,381	\$ 3,554,598	\$ 423,814	\$ -	\$ 3,090,872	\$ 12,442,665

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

16. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of September 30, 2018, was as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets:			
Capital assets not being depreciated	\$ 9,311,800	\$ 65,288	\$ 9,377,088
Capital assets being depreciated, net	30,842,180	15,113,668	45,955,848
	<u>40,153,980</u>	<u>15,178,956</u>	<u>55,332,936</u>
Related debt:			
Notes payable	2,585,000	-	2,585,000
Capital lease	-	206,167	206,167
	<u>2,585,000</u>	<u>206,167</u>	<u>2,791,167</u>
Net investment in capital assets	<u>\$ 37,568,980</u>	<u>\$ 14,972,789</u>	<u>\$ 52,541,769</u>

17. COMMITMENTS AND CONTINGENCIES

Contracts and Other Commitments

The City has various contracts and commitments outstanding as of September 30, 2018. In the Capital Projects Fund, there are contracts for constructing restrooms at the Barber Street Sports Complex, shade hangars at the Airport, drainage improvements in the Stonecrop area and replacing Police Department vehicles.

A summary of these projects at September 30, 2018 is as follows:

	Total Contract Price	Total Paid as of September 30, 2018	Encumbered at September 30, 2018
General Capital Projects - Major Fund			
Sports Complex Restrooms	\$ 135,910	\$ -	\$ 135,910
Shade Hangars	569,928	(29,960)	539,968
Stonecrop Drainage	19,145	(10,804)	8,341
Police Vehicles	270,822	(81,008)	189,814
	<u>995,805</u>	<u>(121,772)</u>	<u>874,033</u>
Total	<u>\$ 995,805</u>	<u>\$ (121,772)</u>	<u>\$ 874,033</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information Single-employer Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending September 30, 2018	Fiscal Year Ending September 30, 2017	Fiscal Year Ending September 30, 2016
Total pension liability			
Service cost	\$ 589,149	\$ 479,778	\$ 418,143
Interest on total pension liability	1,270,670	1,179,511	1,027,558
Change in excess state money	(84,863)	-	-
Changes of benefit terms	-	613,973	-
Differences between expected and actual experience	164,601	20,758	59,175
Changes of assumptions	-	382,825	626,069
Benefit payments, including refunds of employee contributions	(700,733)	(495,629)	(493,765)
Net change in total pension liability	1,238,824	2,181,216	1,637,180
Total pension liability, beginning of year	17,252,501	15,071,285	13,434,105
Total pension liability, end of year	18,491,325	17,252,501	15,071,285
Plan fiduciary net position			
Employer contributions	525,296	337,201	322,998
State contributions	188,923	168,628	169,027
Employee contributions	204,854	177,585	167,309
Pension plan net investment income (loss)	1,028,549	1,371,657	1,067,139
Benefit payments	(700,733)	(495,629)	(493,765)
Administrative expense	(82,088)	(45,633)	(28,025)
Net change in plan fiduciary net position	1,164,801	1,513,809	1,204,683
Plan fiduciary net position, beginning of year	14,002,519	12,488,710	11,284,027
Plan fiduciary net position, end of year	15,167,320	14,002,519	12,488,710
Net pension liability	\$ 3,324,005	\$ 3,249,982	\$ 2,582,575
Plan fiduciary net position as a percentage of total pension liability	82.02%	81.16%	82.86%
Covered payroll	\$ 2,560,670	\$ 2,438,012	\$ 2,263,866
Net pension liability as a percentage of covered payroll	129.81%	133.30%	114.08%

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

Changes in assumptions - The City revised certain actuarial assumptions in the October 1, 2017 valuation that had an impact on the total pension liability from the prior measurement date. The most significant change was a decrease in the expected investment rate of return from 7.45% to 7.30%.

Fiscal Year Ending September 30, 2015	Fiscal Year Ending September 30, 2014	Fiscal Year Ending September 30, 2013
\$ 403,611	\$ 396,147	\$ 367,653
979,259	914,243	853,018
22,218	24,386	-
(4,316)	-	-
(240,633)	-	-
223,200	-	-
(496,363)	(452,892)	(465,435)
<u>886,976</u>	<u>881,884</u>	<u>755,236</u>
<u>12,547,129</u>	<u>11,665,246</u>	<u>10,910,010</u>
<u>13,434,105</u>	<u>12,547,130</u>	<u>11,665,246</u>
320,179	401,103	396,603
145,700	147,868	145,961
161,270	160,494	154,683
(60,326)	951,910	1,029,818
(496,363)	(452,892)	(465,435)
(39,673)	(27,815)	(32,153)
<u>30,787</u>	<u>1,180,668</u>	<u>1,229,477</u>
<u>11,253,240</u>	<u>10,072,573</u>	<u>8,843,096</u>
<u>11,284,027</u>	<u>11,253,241</u>	<u>10,072,573</u>
<u>\$ 2,150,078</u>	<u>\$ 1,293,889</u>	<u>\$ 1,592,673</u>
84.00%	89.69%	86.35%
\$ 2,154,612	\$ 2,106,767	\$ 2,131,399
99.79%	61.42%	74.72%

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information
Single-employer Pension Trust Fund

Schedule of Investment Returns

Fiscal Year Ending September 30,	Annual Return (¹)
2013	11.51%
2014	9.42%
2015	-0.45%
2016	9.39%
2017	10.90%
2018	7.35%

(¹) Annual money-weighted rate of return, net of investment expenses

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

Schedule of Contributions

Fiscal Year Ending September 30,	Actuarially Determined Contribution	City Contribution	State Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2013	\$ 506,560	\$ 396,603	\$ 145,961	\$ (36,004)	\$ 2,131,399	25.46%
2014	524,585	401,103	147,868	(24,386)	2,106,767	26.06%
2015	596,502	320,179	145,700	130,623	2,154,612	21.62%
2016	667,764	322,998	169,027	175,739	2,263,866	21.73%
2017	768,277	337,201	168,628	262,448	2,438,012	20.75%
2018	673,456	525,296	188,923	(40,763)	2,560,670	27.89%

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information

Single-employer Pension Trust Fund

Notes to Schedule of Contributions

Valuation date October 1, 2017
 Notes Actuarially determined contribution amounts are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method Individual entry age normal actuarial cost
 Amortization method Level percentage of pay, closed
 Remaining amortization period 26 Years (as of October 1, 2018)
 Mortality RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).
 Interest rate 7.30% per year compounded annually, net of investment related expenses
 Inflation 2.30% per year
 Retirement age Earlier of: 1) age 55 and 10 years of credited service, or 2) age 52 and 25 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
 Early retirement Commencing at the assumed Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
 Disability rates Age based rates with increasing probability of disablement at higher ages. A sample of rates are shown below:

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

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

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

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

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information Single-employer Pension Trust Fund

	Service on 10/1/14	Load Assumption
Final salary load	5 or more years	20.00%
	More than 2, less than 5 years	10.00%
	Less than 2 years	0.00%
Payroll growth	2.36% for amortization of all UAAL bases	
Actuarial asset method	Market Value, net of investment-related expenses	

CITY OF SEBASTIAN, FLORIDA

Required Supplementary Information

Coastal Florida Public Employees Association Pension Plan

Schedule of Employer Contributions

Fiscal Year Ending September 30,	Annual Required Contributions
2007	\$ 254,909
2008	241,718
2009	254,997
2010	234,219
2011	223,113
2012	210,258
2013	202,612
2014	204,361
2015	217,916
2016	200,889
2017	204,035
2018	217,695

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

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

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

This page intentionally left blank.

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

CITY OF SEBASTIAN, FLORIDA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2018

	Special Revenue Funds				
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
Assets					
Cash and cash equivalents	\$ 338,377	\$ -	\$ 471,907	\$ 358,385	\$ 8,804
Investments	151,453	54,598	181,162	-	35,318
Due from other governments	63,514	-	-	11,368	-
Total assets	\$ 553,344	\$ 54,598	\$ 653,069	\$ 369,753	\$ 44,122
Liabilities					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 19,289	\$ -
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	553,344	-	-	350,464	44,122
Committed	-	54,598	653,069	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	553,344	54,598	653,069	350,464	44,122
Total liabilities and fund balances	\$ 553,344	\$ 54,598	\$ 653,069	\$ 369,753	\$ 44,122

Debt Service	Capital Projects Funds			Permanent	Total Nonmajor Governmental Funds
Stormwater Utility Revenue Bonds 2003	Capital Improvements	Transportation Improvements	Stormwater Utility Improvements	Cemetery	
\$ 173,843	\$ 1,725	\$ 6,475	\$ 250,939	\$ 108,473	\$ 1,718,928
-	-	-	-	888,402	1,310,933
-	-	-	20,000	-	94,882
<u>\$ 173,843</u>	<u>\$ 1,725</u>	<u>\$ 6,475</u>	<u>\$ 270,939</u>	<u>\$ 996,875</u>	<u>\$ 3,124,743</u>
\$ -	\$ 4,773	\$ 6,475	\$ 3,334	\$ -	\$ 33,871
-	-	-	-	996,875	996,875
173,843	-	-	267,605	-	1,389,378
-	-	-	-	-	707,667
-	(3,048)	-	-	-	(3,048)
<u>173,843</u>	<u>(3,048)</u>	<u>-</u>	<u>267,605</u>	<u>996,875</u>	<u>3,090,872</u>
<u>\$ 173,843</u>	<u>\$ 1,725</u>	<u>\$ 6,475</u>	<u>\$ 270,939</u>	<u>\$ 996,875</u>	<u>\$ 3,124,743</u>

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2018

	Special Revenue Funds				
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Stormwater Utility	Law Enforcement Forfeiture
Revenues					
Intergovernmental	\$ 728,219	\$ -	\$ -	\$ -	\$ -
Impact fees	-	-	141,050	-	-
Charges for services	-	-	-	999,092	-
Fines	-	-	-	-	550
Investment earnings	6,685	929	12,552	15,888	853
Other revenues	-	13,776	-	-	-
Total revenues	734,904	14,705	153,602	1,014,980	1,403
Expenditures					
Current:					
Public safety	-	-	-	-	6,507
Physical environment	-	-	-	231,119	-
Transportation	25,756	-	-	-	-
Debt Service:					
Principal	219,000	-	-	-	-
Interest and fiscal charges	23,445	-	-	-	-
Capital outlay	27,570	-	-	-	-
Total expenditures	295,771	-	-	231,119	6,507
Revenues over (under) expenditures	439,133	14,705	153,602	783,861	(5,104)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(96,793)	-	(455,784)	(700,000)	-
Total other financing sources (uses)	(96,793)	-	(455,784)	(700,000)	-
Net change in fund balances	342,340	14,705	(302,182)	83,861	(5,104)
Fund balances, beginning of year	211,004	39,893	955,251	266,603	49,226
Fund balances, end of year	\$ 553,344	\$ 54,598	\$ 653,069	\$ 350,464	\$ 44,122

Debt Service	Capital Projects Funds			Permanent	Total Nonmajor Governmental Funds
Stormwater Utility Revenue Bonds 2003	Capital Improvements	Transportation Improvements	Stormwater Utility Improvements	Cemetery	
\$ -	\$ 74,031	\$ -	\$ 40,000	\$ -	\$ 842,250
-	-	-	-	-	141,050
-	-	-	-	52,976	1,052,068
-	-	-	-	-	550
3,772	-	-	-	18,472	59,151
-	-	-	-	-	13,776
<u>3,772</u>	<u>74,031</u>	<u>-</u>	<u>40,000</u>	<u>71,448</u>	<u>2,108,845</u>
-	-	-	59,495	-	66,002
-	39,309	-	1,997	-	272,425
-	-	25,825	-	-	51,581
371,000	-	-	-	-	590,000
33,078	-	-	-	-	56,523
-	758,950	460,689	30,154	7,126	1,284,489
<u>404,078</u>	<u>798,259</u>	<u>486,514</u>	<u>91,646</u>	<u>7,126</u>	<u>2,321,020</u>
<u>(400,306)</u>	<u>(724,228)</u>	<u>(486,514)</u>	<u>(51,646)</u>	<u>64,322</u>	<u>(212,175)</u>
403,792	727,001	486,514	116,822	-	1,734,129
-	-	-	(47,173)	(8,508)	(1,308,258)
<u>403,792</u>	<u>727,001</u>	<u>486,514</u>	<u>69,649</u>	<u>(8,508)</u>	<u>425,871</u>
3,486	2,773	-	18,003	55,814	213,696
170,357	(5,821)	-	249,602	941,061	2,877,176
<u>\$ 173,843</u>	<u>\$ (3,048)</u>	<u>\$ -</u>	<u>\$ 267,605</u>	<u>\$ 996,875</u>	<u>\$ 3,090,872</u>

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Local Option Gas Tax Special Revenue Fund For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Intergovernmental	695,909	695,909	728,219	32,310
Investment earnings	1,182	1,182	6,685	5,503
Total revenues	697,091	697,091	734,904	37,813
Expenditures				
Current:				
Transportation	100,103	42,605	25,756	(16,849)
Debt service:				
Principal	219,000	219,000	219,000	-
Interest and fiscal charges	23,445	23,445	23,445	-
Capital outlay	-	27,498	27,570	72
Total expenditures	342,548	312,548	295,771	(16,777)
Revenues over expenditures	354,543	384,543	439,133	54,590
Other financing uses				
Transfers out	(451,000)	(476,000)	(96,793)	379,207
Net changes in fund balance	(96,457)	(91,457)	342,340	433,797
Fund balance, beginning of year	211,004	211,004	211,004	-
Fund balance, end of year	\$ 114,547	\$ 119,547	\$ 553,344	\$ 433,797

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Parking In-Lieu-Of Special Revenue Fund For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment earnings	\$ 429	\$ 429	\$ 929	\$ 500
Other revenues	13,775	13,775	13,776	1
Total revenues	14,204	14,204	14,705	501
Fund balance, beginning of year	39,893	39,893	39,893	-
Fund balance, end of year	\$ 54,097	\$ 54,097	\$ 54,598	\$ 501

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Recreation Impact Fee Special Revenue Fund For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Impact fees	\$ 163,800	\$ 163,800	\$ 141,050	\$ (22,750)
Investment earnings	4,880	4,880	12,552	7,672
Total revenues	168,680	168,680	153,602	(15,078)
Other financing uses				
Transfers out	(455,000)	(653,045)	(455,784)	197,261
Net change in fund balance	(286,320)	(484,365)	(302,182)	182,183
Fund balance, beginning of year	955,251	955,251	955,251	-
Fund balance, end of year	\$ 668,931	\$ 470,886	\$ 653,069	\$ 182,183

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Stormwater Utility Special Revenue Fund For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 998,000	\$ 998,000	\$ 999,092	\$ 1,092
Investment earnings	3,535	3,535	15,888	12,353
Total revenues	1,001,535	1,001,535	1,014,980	13,445
Expenditures				
Current:				
Physical environment	417,988	417,988	231,119	(186,869)
Revenues over expenditures	583,547	583,547	783,861	200,314
Other financing sources (uses)				
Transfers in	116,453	116,453	-	(116,453)
Transfers out	(700,000)	(700,000)	(700,000)	-
Other financing uses	(583,547)	(583,547)	(700,000)	(116,453)
Net change in fund balance	-	-	83,861	83,861
Fund balance, beginning of year	266,603	266,603	266,603	-
Fund balance, end of year	\$ 266,603	\$ 266,603	\$ 350,464	\$ 83,861

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Law Enforcement Forfeiture Special Revenue Fund For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines	\$ 1,000	\$ 1,000	\$ 550	\$ (450)
Investment earnings	145	145	853	708
Total revenues	1,145	1,145	1,403	258
Expenditures				
Current:				
Public safety	-	-	6,507	6,507
Net change in fund balance	1,145	1,145	(5,104)	(6,249)
Fund balance, beginning of year	49,226	49,226	49,226	-
Fund balance, end of year	\$ 50,371	\$ 50,371	\$ 44,122	\$ (6,249)

CITY OF SEBASTIAN, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Stormwater Utility Revenue Bonds Debt Service Fund For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment earnings	\$ 900	\$ 900	\$ 3,772	\$ 2,872
Expenditures				
Debt service:				
Principal	371,000	371,000	371,000	-
Interest and fiscal charges	33,078	33,078	33,078	-
Total expenditures	404,078	404,078	404,078	-
Revenues under expenditures	(403,178)	(403,178)	(400,306)	2,872
Other financing sources				
Transfers in	403,792	403,792	403,792	-
Net change in fund balance	614	614	3,486	2,872
Fund balance, beginning of year	170,357	170,357	170,357	-
Fund balance, end of year	\$ 170,971	\$ 170,971	\$ 173,843	\$ 2,872

This page intentionally left blank.

AGENCY FUND

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended September 30, 2018

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<i>Performance Deposits</i>				
Assets				
Cash and cash equivalents	\$ 6,930	\$ -	\$ (5,180)	\$ 1,750
Investments, at fair value	73,750	18,590	-	92,340
Total assets	<u>\$ 80,680</u>	<u>\$ 18,590</u>	<u>\$ (5,180)</u>	<u>\$ 94,090</u>
Liabilities				
Refunds payable	<u>\$ 80,680</u>	<u>\$ 18,590</u>	<u>\$ (5,180)</u>	<u>\$ 94,090</u>

CAPITAL ASSETS

CITY OF SEBASTIAN, FLORIDA

Comparative Schedule by Source

Capital Assets Used in the Operation of Governmental Funds
September 30, 2018

	2018	2017
Governmental funds capital assets		
Land	\$ 9,123,041	\$ 8,391,050
Buildings and structures	14,103,789	13,342,052
Non-building improvements	7,227,964	6,871,238
Machinery and equipment	9,805,299	9,644,089
Infrastructure	42,583,530	42,100,211
Construction in progress	188,759	381,889
	<u>\$ 83,032,382</u>	<u>\$ 80,730,529</u>
Total governmental funds capital assets		
Investment in governmental funds capital assets (by sources)		
Federal grants	\$ 4,483,123	\$ 4,507,200
State grants	2,940,621	2,852,055
County grants	507,031	507,031
General Fund	12,817,734	13,039,005
Law enforcement trust fund	97,815	97,815
Recreational impact fee	2,849,566	2,432,716
Stormwater utility fee	8,347,685	8,347,685
Riverfront redevelopment	2,693,061	2,693,061
Cemetery trust fund	599,879	592,753
Donations	2,931,511	2,938,942
Sales taxes	25,566,085	23,648,358
Motor fuel taxes	4,501,302	4,376,938
Revenue bond debt	13,816,786	13,816,786
Parking in Lieu of Fee	90,621	90,621
Capital projects	789,562	789,563
	<u>\$ 83,032,382</u>	<u>\$ 80,730,529</u>
Total investment in governmental funds capital assets		

CITY OF SEBASTIAN, FLORIDA

Schedule by Function and Activity

Capital Assets Used in the Operation of Governmental Funds
September 30, 2018

Functions / Programs	Land	Buildings	Non-Building Improvements	Machinery and Equipment	Infrastructure	Total
General government:						
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City manager	-	-	-	49,954	-	49,954
City clerk	-	-	-	4,003	-	4,003
Administrative services	-	-	1,100	3,644	-	4,744
MIS	-	5,841	56,151	977,045	-	1,039,037
Audio visual/broadcast	-	-	-	18,420	-	18,420
Facilities maintenance	-	1,105,233	32,086	405,073	-	1,542,392
Community development	-	84,426	-	55,374	-	139,800
Non-departmental	4,474,459	6,184,991	126,638	209,002	52,699	11,047,789
Total general government	4,474,459	7,380,491	215,975	1,722,515	52,699	13,846,139
Public safety:						
Special operations	-	-	-	33,480	-	33,480
Administration	9,560	3,799,272	89,320	433,456	-	4,331,608
School resource	-	-	-	40,132	-	40,132
Road patrol	-	-	-	3,007,420	-	3,007,420
Community policing	-	-	-	11,507	-	11,507
Code enforcement	-	-	-	54,856	-	54,856
Investigations	-	-	1,700	277,507	-	279,207
Support services	-	-	-	50,516	-	50,516
Communications	-	-	16,404	268,045	-	284,449
Building department	-	-	-	6,295	-	6,295
Total public safety	9,560	3,799,272	107,424	4,183,214	-	8,099,470
Transportation:						
Central garage	-	130,489	115,231	212,887	674	459,281
Roads and drainage	47,125	166,907	1,087,622	1,064,871	19,917,155	22,283,680
Total transportation	47,125	297,396	1,202,853	1,277,758	19,917,829	22,742,961
Economic environment:						
Non-departmental	2,308,392	1,040,590	6,562	-	-	3,355,544
Physical environment:						
Stormwater	-	-	3,870	1,950,042	20,167,873	22,121,785
Cemetery	572,181	201,153	78,354	72,983	22,717	947,388
Total physical environment	572,181	201,153	82,224	2,023,025	20,190,590	23,069,173
Culture/recreation:						
Parks and recreation	1,711,324	1,384,887	5,612,926	598,787	2,422,412	11,730,336
Total	\$ 9,123,041	\$ 14,103,789	\$ 7,227,964	\$ 9,805,299	\$ 42,583,530	82,843,623
Construction in progress						188,759
Total						\$ 83,032,382

CITY OF SEBASTIAN, FLORIDA

Schedule of Changes by Function and Activity
 Capital Assets Used in the Operation of Governmental Funds
 September 30, 2018

Functions / Programs	Capital Assets October 1, 2017	Additions	Disposals	Transfers In	Transfers Out	Capital Assets September 30, 2018
General government:						
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City manager	49,954	-	-	-	-	49,954
City clerk	4,003	-	-	-	-	4,003
Administrative services	50,354	-	45,610	-	-	4,744
MIS	685,745	152,195	19,744	220,841	-	1,039,037
Audio visual/broadcast	307,888	-	65,182	-	224,286	18,420
Facilities maintenance	1,092,540	450,966	1,114	-	-	1,542,392
Community development	137,370	-	-	2,430	-	139,800
Non-departmental	10,287,091	760,698	-	-	-	11,047,789
Total general government	12,614,945	1,363,859	131,650	223,271	224,286	13,846,139
Public safety:						
Special operations	38,621	-	5,141	-	-	33,480
Administration	3,862,046	465,353	-	4,209	-	4,331,608
School resource	42,661	-	2,529	-	-	40,132
Road patrol	2,934,173	204,909	131,662	-	-	3,007,420
Community policing	13,863	-	2,356	-	-	11,507
Code enforcement	54,856	-	-	-	-	54,856
Investigations	255,973	32,925	8,927	-	764	279,207
Support services	50,516	-	-	-	-	50,516
Communications	288,762	3,308	7,621	-	-	284,449
Building department	20,106	-	13,811	-	-	6,295
Total public safety	7,561,577	706,495	172,047	4,209	764	8,099,470
Transportation:						
Engineering	111,415	-	-	-	111,415	-
Central garage	460,081	-	800	-	-	459,281
Roads and drainage	22,438,291	462,214	64,782	80,707	632,750	22,283,680
Total transportation	23,009,787	462,214	65,582	80,707	744,165	22,742,961
Economic environment:						
Non-departmental	3,355,544	-	-	-	-	3,355,544
Physical environment:						
Stormwater	21,804,638	2,263	53,957	374,184	5,343	22,121,785
Cemetery	941,721	15,617	9,950	-	-	947,388
Total physical environment	22,746,359	17,880	63,907	374,184	5,343	23,069,173
Culture/recreation:						
Parks and recreation	11,060,428	484,188	106,463	292,183	-	11,730,336
Total	80,348,640	3,034,636	539,649	974,554	974,558	82,843,623
Construction in progress	381,889	843,316	1,036,446	-	-	188,759
Total	\$ 80,730,529	\$ 3,877,952	\$ 1,576,095	\$ 974,554	\$ 974,558	\$ 83,032,382

STATISTICAL SECTION

This page intentionally left blank.

CITY OF SEBASTIAN, FLORIDA

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand and evaluate how the City’s financial condition, performance and well-being have changed over time.	111
Revenue Capacity	These schedules contain information to help the reader assess the City’s ability to generate its most significant local revenue source, the property tax.	123
Debt Capacity	These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and its ability to issue additional debt in the future.	129
Demographic and Economic Information	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City’s financial activities.	135
Operating Information	These schedules contain information about the City’s operations and resources to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	139

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

CITY OF SEBASTIAN, FLORIDA

Net Position by Component Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental activities					
Net investment in capital assets	\$ 37,568,980	\$ 37,461,026	\$ 35,886,087	\$ 35,220,857	\$ 35,210,526
Restricted	6,419,900	5,113,543	5,209,372	4,997,724	5,115,627
Unrestricted	1,649,796	1,236,088	3,615,777	3,467,014	3,330,400
Total governmental activities net position	\$ 45,638,676	\$ 43,810,657	\$ 44,711,236	\$ 43,685,595	\$ 43,656,553
Business-type activities					
Net investment in capital assets	\$ 14,972,789	\$ 13,384,969	\$ 11,989,666	\$ 10,517,895	\$ 10,439,804
Restricted	-	-	-	-	-
Unrestricted	(777,422)	(1,008,976)	(717,053)	67,779	(103,116)
Total business-type activities net position	\$ 14,195,367	\$ 12,375,993	\$ 11,272,613	\$ 10,585,674	\$ 10,336,688
Primary Government					
Net investment in capital assets	\$ 52,541,769	\$ 50,845,995	\$ 47,875,753	\$ 45,738,752	\$ 45,650,330
Restricted	6,419,900	5,113,543	5,209,372	4,997,724	5,115,627
Unrestricted	872,374	227,112	2,898,724	3,534,793	3,227,284
Total primary government net position	\$ 59,834,043	\$ 56,186,650	\$ 55,983,849	\$ 54,271,269	\$ 53,993,241

Table 1 - Unaudited

Fiscal Year				
2013	2012	2011	2010	2009
\$ 32,038,749	\$ 31,500,173	\$ 31,541,953	\$ 28,938,587	\$ 26,744,896
5,839,440	6,192,777	5,668,155	8,757,043	8,197,018
4,577,440	3,607,228	4,052,751	3,889,011	4,502,440
<u>\$ 42,455,629</u>	<u>\$ 41,300,178</u>	<u>\$ 41,262,859</u>	<u>\$ 41,584,641</u>	<u>\$ 39,444,354</u>
\$ 10,846,501	\$ 11,181,823	\$ 11,850,561	\$ 11,389,704	\$ 10,725,676
-	-	-	-	98,320
(306,497)	(490,298)	(644,620)	(342,340)	86,517
<u>\$ 10,540,004</u>	<u>\$ 10,691,525</u>	<u>\$ 11,205,941</u>	<u>\$ 11,047,364</u>	<u>\$ 10,910,513</u>
\$ 42,885,250	\$ 42,681,996	\$ 43,392,514	\$ 40,328,291	\$ 37,470,572
5,839,440	6,192,777	5,668,155	8,757,043	8,295,338
4,270,943	3,116,930	3,408,131	3,546,671	4,588,957
<u>\$ 52,995,633</u>	<u>\$ 51,991,703</u>	<u>\$ 52,468,800</u>	<u>\$ 52,632,005</u>	<u>\$ 50,354,867</u>

CITY OF SEBASTIAN, FLORIDA

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses					
Governmental activities:					
General government	\$ 3,926,479	\$ 3,379,369	\$ 3,285,607	\$ 3,015,536	\$ 2,923,398
Public safety	6,227,299	6,549,037	5,476,136	5,164,197	4,908,374
Physical environment	3,431,933	3,769,377	2,538,752	2,759,461	2,310,539
Transportation	1,949,882	2,279,149	1,861,946	2,024,814	1,828,569
Economic environment	238,597	106,577	364,675	194,630	247,891
Culture and recreation	1,279,635	1,326,245	1,191,488	1,293,246	1,229,369
Interest on debt	56,523	63,141	82,943	100,468	235,071
Total governmental activities expenses	<u>17,110,348</u>	<u>17,472,895</u>	<u>14,801,547</u>	<u>14,552,352</u>	<u>13,683,211</u>
Business-type activities:					
Golf Course	1,555,853	1,537,332	1,584,214	1,409,829	1,406,770
Airport	1,328,258	1,361,134	1,197,549	1,038,361	1,031,464
Building	664,066	586,752	546,649	531,087	465,717
Total business-type activities expenses	<u>3,548,177</u>	<u>3,485,218</u>	<u>3,328,412</u>	<u>2,979,277</u>	<u>2,903,951</u>
Total primary government expenses	<u>20,658,525</u>	<u>20,958,113</u>	<u>18,129,959</u>	<u>17,531,629</u>	<u>16,587,162</u>
Program revenue					
Governmental activities:					
Charges for services:					
General government	466,261	362,631	374,581	372,255	407,068
Public safety	74,216	124,800	98,446	80,763	76,132
Physical environment	1,064,659	1,021,038	1,049,735	1,087,642	1,073,015
Culture and recreation	52,160	48,781	53,959	67,940	67,371
Operating grants and contributions	1,776,070	250,292	323,101	345,937	186,295
Capital grants and contributions	181,050	947,274	809,932	994,546	739,785
Total governmental activities program revenue	<u>3,614,416</u>	<u>2,754,816</u>	<u>2,709,754</u>	<u>2,949,083</u>	<u>2,549,666</u>
Business-type activities:					
Charges for services:					
Golf Course	1,257,047	1,058,939	1,135,357	1,333,189	1,277,660
Airport	583,310	499,321	516,403	457,318	470,703
Building	911,643	747,950	810,069	712,620	700,751
Operating grants and contributions	115,907	116,055	-	-	-
Capital grants and contributions	2,120,953	1,566,737	841,668	702,154	235,215
Total business-type activities program revenue	<u>4,988,860</u>	<u>3,989,002</u>	<u>3,303,497</u>	<u>3,205,281</u>	<u>2,684,329</u>
Total primary government program revenue	<u>8,603,276</u>	<u>6,743,818</u>	<u>6,013,251</u>	<u>6,154,364</u>	<u>5,233,995</u>
Net (expense) revenue					
Governmental activities	(13,495,932)	(14,718,079)	(12,091,793)	(11,603,269)	(11,133,545)
Business-type activities	<u>1,440,683</u>	<u>503,784</u>	<u>(24,915)</u>	<u>226,004</u>	<u>(219,622)</u>
Total primary government net (expense) revenue	<u>(12,055,249)</u>	<u>(14,214,295)</u>	<u>(12,116,708)</u>	<u>(11,377,265)</u>	<u>(11,353,167)</u>

Table 2 - Unaudited

Fiscal Year				
2013	2012	2011	2010	2009
\$ 2,784,485	\$ 2,640,677	\$ 2,766,575	\$ 3,309,381	\$ 3,169,851
4,928,203	5,025,274	5,546,632	5,720,933	5,420,585
2,039,380	2,007,902	1,558,974	1,947,605	1,347,771
1,845,429	1,800,432	2,263,367	1,863,551	3,437,724
155,214	170,960	208,518	135,885	167,470
1,232,345	1,239,512	1,227,198	1,240,383	1,073,249
368,432	562,496	546,103	566,410	730,100
<u>13,353,488</u>	<u>13,447,253</u>	<u>14,117,367</u>	<u>14,784,148</u>	<u>15,346,750</u>
1,377,039	1,394,731	1,355,266	1,388,158	1,477,299
1,146,905	1,166,588	1,188,788	1,067,525	1,079,869
417,887	397,295	470,406	496,800	533,641
<u>2,941,831</u>	<u>2,958,614</u>	<u>3,014,460</u>	<u>2,952,483</u>	<u>3,090,809</u>
<u>16,295,319</u>	<u>16,405,867</u>	<u>17,131,827</u>	<u>17,736,631</u>	<u>18,437,559</u>
314,158	214,488	197,945	203,915	220,073
67,297	66,474	92,350	118,368	95,606
1,101,864	876,693	868,059	881,338	908,829
70,982	66,954	61,353	62,046	66,540
332,627	187,333	196,534	210,050	228,002
770,123	791,265	838,242	3,178,618	1,865,174
<u>2,657,051</u>	<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>
1,302,441	1,394,844	1,382,421	1,335,647	1,406,956
481,759	491,367	485,229	468,698	438,485
706,964	419,705	401,021	356,264	358,947
-	-	-	-	-
230,868	150,083	900,340	904,853	1,356,914
<u>2,722,032</u>	<u>2,455,999</u>	<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>
<u>5,379,083</u>	<u>4,659,206</u>	<u>5,423,494</u>	<u>7,719,797</u>	<u>6,945,526</u>
(10,696,437)	(11,244,046)	(11,862,884)	(10,129,813)	(11,962,526)
(219,799)	(502,615)	154,551	112,979	470,493
<u>(10,916,236)</u>	<u>(11,746,661)</u>	<u>(11,708,333)</u>	<u>(10,016,834)</u>	<u>(11,492,033)</u>

continued...

CITY OF SEBASTIAN, FLORIDA

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
General revenue and other changes in net position					
Governmental activities:					
Property taxes, levied for general purposes	\$ 4,153,194	\$ 4,147,115	\$ 3,942,048	\$ 3,594,210	\$ 3,248,113
Sales and use taxes	2,808,172	5,945,386	5,762,921	5,555,270	5,320,051
Franchise fees	1,316,792	1,271,403	1,257,430	1,241,515	1,190,233
State shared revenues not restricted to specific programs	6,887,664	2,616,522	2,466,546	2,365,137	2,208,700
Investment earnings	216,185	135,614	77,317	65,256	43,293
Miscellaneous	312,401	290,269	316,239	240,179	338,901
Transfers	(370,457)	(588,809)	(705,067)	2,988	(14,822)
Total governmental activities	15,323,951	13,817,500	13,117,434	13,064,555	12,334,469
Business-type activities:					
Investment earnings	8,234	10,787	6,787	5,368	1,484
Miscellaneous	-	-	-	20,602	-
Transfers	370,457	588,809	705,067	(2,988)	14,822
Total business-type activities	378,691	599,596	711,854	22,982	16,306
Total primary government general revenue	15,702,642	14,417,096	13,829,288	13,087,537	12,350,775
Change in net position					
Governmental activities	1,828,019	(900,579)	1,025,641	1,461,286	1,200,924
Business-type activities	1,819,374	1,103,380	686,939	248,986	(203,316)
Total primary government change in net position	\$ 3,647,393	\$ 202,801	\$ 1,712,580	\$ 1,710,272	\$ 997,608

Fiscal Year				
2013	2012	2011	2010	2009
\$ 3,221,304	\$ 3,063,495	\$ 3,453,778	\$ 4,164,128	\$ 4,801,924
5,123,046	4,852,413	4,751,021	4,765,200	4,670,106
1,118,886	1,124,568	1,184,686	1,228,692	1,327,253
2,063,450	1,934,733	1,868,555	1,825,215	1,821,347
74,650	82,129	111,943	144,432	261,203
315,296	201,538	171,119	149,453	140,512
(37,734)	22,489	-	(7,020)	-
<u>11,878,898</u>	<u>11,281,365</u>	<u>11,541,102</u>	<u>12,270,100</u>	<u>13,022,345</u>
4,391	6,563	4,026	15,658	5,544
274	4,125	-	1,194	-
37,734	(22,489)	-	7,020	-
<u>42,399</u>	<u>(11,801)</u>	<u>4,026</u>	<u>23,872</u>	<u>5,544</u>
<u>11,921,297</u>	<u>11,269,564</u>	<u>11,545,128</u>	<u>12,293,972</u>	<u>13,027,889</u>
1,182,461	37,319	(321,782)	2,140,287	1,059,819
(177,400)	(514,416)	158,577	136,851	476,037
<u>\$ 1,005,061</u>	<u>\$ (477,097)</u>	<u>\$ (163,205)</u>	<u>\$ 2,277,138</u>	<u>\$ 1,535,856</u>

concluded.

CITY OF SEBASTIAN, FLORIDA

Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental funds					
General fund:					
Nonspendable	\$ 234,852	\$ 342,505	\$ 227,651	\$ 316,036	\$ 369,329
Restricted	77,185	63,016	46,262	38,544	7,969
Committed	-	-	-	-	-
Assigned	13,871	12,350	10,840	8,692	7,129
Unassigned	5,047,473	4,089,275	5,526,675	5,289,322	5,348,905
Total General fund	5,373,381	4,507,146	5,811,428	5,652,594	5,733,332
All other governmental funds:					
Nonspendable	1,542,466	941,061	996,778	928,758	1,390,073
Restricted	4,822,199	4,131,416	4,193,653	4,181,787	3,756,950
Committed	707,667	995,144	977,868	815,688	625,007
Unassigned	(3,048)	(26,370)	(129,401)	(58,618)	(64,875)
Total all other governmental funds	7,069,284	6,041,251	6,038,898	5,867,615	5,707,155
Total governmental funds	\$ 12,442,665	\$ 10,548,397	\$ 11,850,326	\$ 11,520,209	\$ 11,440,487

Table 3 - Unaudited

Fiscal Year				
2013	2012	2011	2010	2009
\$ 368,564	\$ 370,450	\$ 346,995	\$ 352,248	\$ 357,696
28,632	-	-	-	-
-	2,861,708	2,949,139	3,063,585	3,083,463
7,020	35,707	21,911	31,656	1,983
5,065,242	1,734,307	1,784,413	2,164,910	2,324,972
5,469,458	5,002,172	5,102,458	5,612,399	5,768,114
1,323,838	1,289,693	1,494,779	859,463	830,029
4,647,950	4,371,826	4,748,376	7,897,580	8,557,389
589,364	719,686	-	-	-
-	-	-	-	-
6,561,152	6,381,205	6,243,155	8,757,043	9,387,418
\$ 12,030,610	\$ 11,383,377	\$ 11,345,613	\$ 14,369,442	\$ 15,155,532

CITY OF SEBASTIAN, FLORIDA

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues					
Taxes	\$ 6,961,366	\$ 10,738,778	\$ 10,326,654	\$ 9,782,109	\$ 9,123,879
Franchise fees	1,316,792	1,271,403	1,257,430	1,241,515	1,190,233
Licenses, fees and permits	165,922	135,900	136,614	147,219	138,564
Intergovernmental	8,648,064	2,991,190	2,709,066	2,742,950	2,373,695
Impact fees	141,050	102,700	163,800	281,450	168,350
Charges for services	1,443,123	1,353,009	1,391,495	1,397,395	1,431,101
Fines	48,251	96,842	73,059	63,035	54,140
Investment earnings	216,185	135,614	77,317	65,256	43,293
Contributions and donations	55,670	45,420	80,581	48,124	36,801
Other revenues	312,401	290,269	316,239	241,597	338,901
Total revenues	19,308,824	17,161,125	16,532,255	16,010,650	14,898,957
Expenditures					
Current:					
General government	3,492,883	2,943,790	3,053,554	2,717,049	2,575,605
Public safety	5,659,861	5,134,388	4,968,258	4,666,343	4,623,060
Physical environment	2,195,332	2,565,532	1,316,697	1,498,706	1,110,788
Transportation	1,079,509	1,333,927	1,168,919	1,187,871	1,165,004
Economic environment	238,597	73,491	331,589	161,545	144,612
Culture and recreation	875,172	927,374	849,789	893,394	888,795
Debt service:					
Principal	590,000	931,000	1,935,000	1,567,000	2,306,000
Interest	56,523	68,512	92,907	108,678	413,995
Capital outlay	2,856,222	3,896,231	1,780,358	3,133,330	2,246,399
Total expenditures	17,044,099	17,874,245	15,497,071	15,933,916	15,474,258
Revenues over (under) expenditures	2,264,725	(713,120)	1,035,184	76,734	(575,301)
Other financing sources (Uses)					
Issuance of long-term debt	-	-	-	-	-
Transfers in	4,427,037	7,184,858	3,694,279	4,989,726	3,903,204
Transfers out	(4,797,494)	(7,773,667)	(4,399,346)	(4,986,738)	(3,918,026)
Total other financing sources (uses)	(370,457)	(588,809)	(705,067)	2,988	(14,822)
Net change in fund balances	\$ 1,894,268	\$ (1,301,929)	\$ 330,117	\$ 79,722	\$ (590,123)
Debt service as a percentage of noncapital expenditures ⁽¹⁾	4.6%	7.2%	14.8%	13.1%	20.6%

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

Table 4 - Unaudited

		Fiscal Year							
		2013	2012	2011	2010	2009			
\$	8,894,880	\$	8,465,990	\$	8,762,729	\$	9,525,074	\$	10,065,806
	1,118,886		1,124,568		1,184,686		1,228,692		1,327,253
	45,500		22,431		1,121,967		1,154,739		1,186,161
	2,411,395		2,088,038		23,646		33,182		29,151
	169,000		58,500		81,534		90,948		88,938
	1,462,522		1,158,075		2,249,447		4,572,550		3,270,854
	60,190		57,575		42,250		26,000		13,975
	78,411		86,516		-		-		3,849
	22,406		216,091		103,795		228,216		250,914
	315,296		201,888		224,823		169,039		176,430
	<u>14,578,486</u>		<u>13,479,672</u>		<u>13,794,877</u>		<u>17,028,440</u>		<u>16,413,331</u>
	2,447,893		2,410,345		2,539,211		2,699,289		2,976,896
	4,425,000		4,523,802		5,030,708		4,938,147		4,926,714
	1,075,162		1,042,349		1,166,309		1,210,823		1,448,067
	1,158,945		1,208,411		1,217,521		1,405,310		1,696,254
	122,730		138,531		188,918		129,352		167,470
	847,781		876,502		903,836		977,780		1,148,408
	1,307,000		3,321,000		1,203,000		2,142,190		1,218,995
	393,447		472,399		521,152		577,593		706,093
	2,115,561		1,767,058		4,048,051		6,189,026		6,495,271
	<u>13,893,519</u>		<u>15,760,397</u>		<u>16,818,706</u>		<u>20,269,510</u>		<u>20,784,168</u>
	<u>684,967</u>		<u>(2,280,725)</u>		<u>(3,023,829)</u>		<u>(3,241,070)</u>		<u>(4,370,837)</u>
	-		2,296,000		-		2,462,000		-
	3,598,949		3,694,765		5,376,658		4,486,626		5,196,376
	<u>(3,636,683)</u>		<u>(3,672,276)</u>		<u>(5,376,658)</u>		<u>(4,493,646)</u>		<u>(5,196,376)</u>
	<u>(37,734)</u>		<u>2,318,489</u>		<u>-</u>		<u>2,454,980</u>		<u>-</u>
\$	<u>647,233</u>	\$	<u>37,764</u>	\$	<u>(3,023,829)</u>	\$	<u>(786,090)</u>	\$	<u>(4,370,837)</u>
	14.4%		27.1%		13.5%		19.3%		13.5%

CITY OF SEBASTIAN, FLORIDA

Program Revenues by Function/Program Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Program revenues					
Governmental activities:					
General government	\$ 1,997,400	\$ 390,921	\$ 479,395	\$ 534,524	\$ 413,727
Public safety	346,239	334,270	306,381	254,381	246,010
Physical environment	1,064,659	1,021,038	1,049,735	1,087,642	1,073,015
Transportation	12,908	687,310	656,484	643,146	565,692
Economic environment	-	-	-	-	15,501
Culture and recreation	193,210	321,277	217,759	429,390	235,721
Total governmental activities	<u>3,614,416</u>	<u>2,754,816</u>	<u>2,709,754</u>	<u>2,949,083</u>	<u>2,549,666</u>
Business-type activities:					
Charges for services:					
Golf Course	1,355,652	1,170,591	1,135,357	1,333,189	1,277,660
Airport	2,704,263	2,070,461	1,358,071	1,159,472	705,918
Building ¹	928,945	747,950	810,069	712,620	700,751
Total business-type activities	<u>4,988,860</u>	<u>3,989,002</u>	<u>3,303,497</u>	<u>3,205,281</u>	<u>2,684,329</u>
Total primary government	<u>\$ 8,603,276</u>	<u>\$ 6,743,818</u>	<u>\$ 6,013,251</u>	<u>\$ 6,154,364</u>	<u>\$ 5,233,995</u>

Table 5 - Unaudited

Fiscal Year				
2013	2012	2011	2010	2009
\$ 471,299	\$ 230,550	\$ 243,039	\$ 209,144	\$ 226,003
233,309	228,392	234,437	304,630	299,119
1,101,864	876,693	930,018	881,338	1,408,829
560,713	560,055	743,383	614,305	612,335
-	13,998	-	2,556,872	6,000
289,866	293,519	103,606	88,046	831,938
<u>2,657,051</u>	<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>	<u>3,384,224</u>
1,302,441	1,394,892	1,382,421	1,335,647	1,406,955
712,627	641,455	1,385,569	1,373,551	1,795,399
706,964	426,215	401,021	356,264	358,948
<u>2,722,032</u>	<u>2,462,562</u>	<u>3,169,011</u>	<u>3,065,462</u>	<u>3,561,302</u>
<u>\$ 5,379,083</u>	<u>\$ 4,665,769</u>	<u>\$ 5,423,494</u>	<u>\$ 7,719,797</u>	<u>\$ 6,945,526</u>

Tax Revenues by Source

Governmental Funds
 For the Last Ten Fiscal Years
 (Rate per \$1,000 of assessed value)

Tax Year	Fiscal Year	Public Utility ²	Property Taxes ¹	Total	Millage Rate
2008	2009	\$ 2,341,458	\$ 4,801,924	\$ 7,143,382	3.3456
2009	2010	2,437,050	4,164,128	6,601,178	3.3456
2010	2011	2,392,345	3,453,778	5,846,123	3.3041
2011	2012	2,387,553	3,063,495	5,451,048	3.3041
2012	2013	2,534,434	3,221,304	5,755,738	3.7166
2013	2014	2,581,427	3,248,113	5,829,540	3.7166
2014	2015	2,638,711	3,594,210	6,232,921	3.8556
2015	2016	2,686,322	3,942,048	6,628,370	3.8556
2016	2017	2,708,980	4,147,115	6,856,095	3.8000
2017	2018	2,808,172	4,153,194	6,961,366	3.4000

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

² Public utility taxes include a 10% tax on electric, water, gas and propane purchases, plus a communication services tax.

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

Tax Year	Fiscal Year	City Direct Rates			Overlapping Rates				
		Basic Rate	Debt Service	Total Direct	Total County ¹	County School Board			Other ²
						Basic Rate	Debt Service	Total	
2008	2009	3.3456	0.0000	3.3456	6.2861	6.7600	0.2800	7.0400	1.11204
2009	2010	3.3456	0.0000	3.3456	6.2693	7.2960	0.3000	7.5960	1.33570
2010	2011	3.3041	0.0000	3.3041	6.2860	7.9200	0.3000	8.2200	1.35050
2011	2012	3.3041	0.0000	3.3041	6.9590	7.8940	0.3500	8.2440	1.35460
2012	2013	3.7166	0.0000	3.7166	6.2572	7.9230	0.3900	8.3130	1.35460
2013	2014	3.7166	0.0000	3.7166	5.6207	8.1160	-	8.1160	1.71280
2014	2015	3.8556	0.0000	3.8556	5.6868	7.9950	-	7.9950	1.71260
2015	2016	3.8556	0.0000	3.8556	5.9468	7.9550	-	7.9550	1.69930
2016	2017	3.8000	0.0000	3.8000	5.9755	7.4100	-	7.4100	1.51700
2017	2018	3.4000	0.0000	3.4000	6.1214	7.0530	-	7.0530	1.53900

Note:

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

¹ Millage includes General Fund, MSTUs, Emergency Services District and Land Bonds

² All Special Taxing Districts

Source: Indian River County Property Tax Collector's Office

CITY OF SEBASTIAN, FLORIDA

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

Tax Year	Fiscal Year	Real Property		Personal Property	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2008	2009	\$ 1,933,934,630	\$ 2,417,418,288	\$ 62,476,508	\$ 62,476,508
2009	2010	1,650,311,449	2,062,889,311	56,920,223	56,920,223
2010	2011	1,392,267,434	1,740,334,293	55,234,086	55,234,086
2011	2012	1,273,059,710	1,591,324,639	48,922,492	48,922,492
2012	2013	1,210,328,690	1,512,910,863	47,410,545	47,410,545
2013	2014	1,267,035,970	1,583,794,963	53,045,209	53,045,209
2014	2015	1,363,105,220	1,703,881,525	55,646,868	55,646,868
2015	2016	1,447,311,640	1,809,139,550	59,305,756	59,305,756
2016	2017	1,578,743,546	1,973,429,433	62,277,711	62,277,711
2017	2018	1,705,459,458	2,131,824,323	66,819,663	66,819,663

Source: Indian River County Property Appraiser

Ratio of Taxable to Actual Value

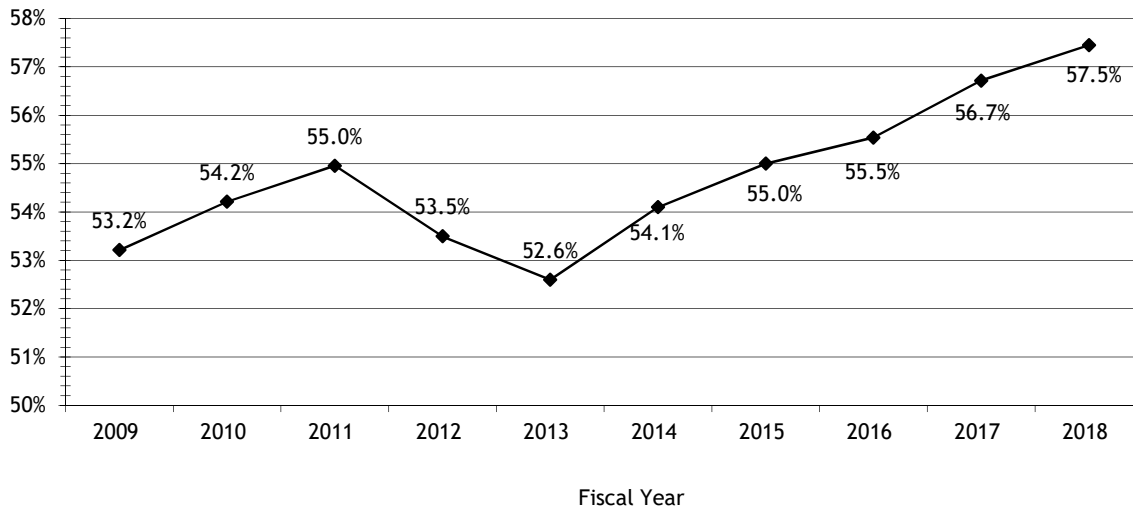


Table 8 - Unaudited

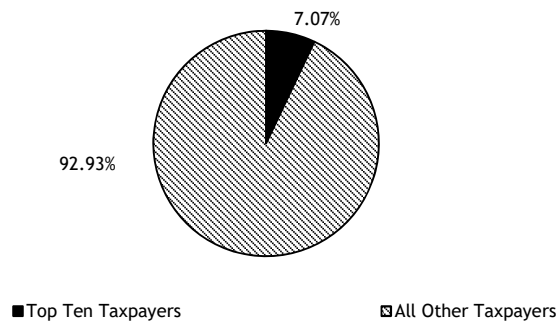
Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate	Total Estimated Actual Value	Ratio of Taxable to Actual Value
\$ 676,808,522	\$ 1,319,602,616	3.3456	\$ 2,479,894,796	53.2%
558,090,532	1,149,141,140	3.3456	2,119,809,534	54.2%
460,752,786	986,748,734	3.3041	1,795,568,379	55.0%
444,524,142	877,458,060	3.3041	1,640,247,130	53.5%
437,040,114	820,699,121	3.7166	1,560,321,408	52.6%
435,071,311	885,009,868	3.7166	1,636,840,172	54.1%
451,939,888	966,812,200	3.8556	1,759,528,393	55.0%
468,930,126	1,037,687,270	3.8556	1,868,445,306	55.5%
486,428,425	1,154,592,832	3.8000	2,035,707,144	56.7%
509,133,351	1,263,145,770	3.4000	2,198,643,986	57.5%

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018 Fiscal Year			2009 Fiscal Year		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Florida Power & Light (Utility/Electric)	\$ 29,340,544	1	2.32 %	\$ 15,809,386	1	1.38 %
Comcast of Florida, Inc. (Communications)	10,594,162	2	0.84	-	-	-
Wal-Mart Stores, Inc. (Retail)	8,673,428	3	0.69	13,404,610	2	1.17
Sebastian Senior Real Estate, LLC (Senior Group Home)	7,743,469	4	0.61	-	-	-
Park Place Community, LLC (Rental/Retail)	6,698,973	5	0.53	6,896,210	6	0.60
BW US 1, Inc. (Commercial)	6,107,095	6	0.48	6,946,560	5	0.60
PSM Sebastian, LLC	5,584,728	7	0.44	-	-	-
MPA Sebastian, LLC	5,062,258	8	0.40	-	-	-
Hartwell Groves, Inc. (Agriculture)	5,014,395	9	0.40	-	-	-
Sebastian Inlet Marina & Trading Co, Inc. (Restaurant/Hotel)	4,561,540	10	0.36	-	-	-
IPF/Sebastian LLC (Retail)	-	-	-	9,743,746	3	0.85
Bellsouth Communications (Utility/Telephone)	-	-	-	7,153,062	4	0.62
KB Homes Treasure Coast LLC (Construction)	-	-	-	6,600,600	7	0.57
512 Commerce Center LLC (Construction)	-	-	-	6,177,200	8	0.54
Chance Holding LLC (Development)	-	-	-	5,492,320	9	0.48
Pelican Isles Limited Partnership (Rental)	-	-	-	5,066,610	10	0.44
	<u>\$ 89,380,592</u>		<u>7.07 %</u>	<u>\$ 83,290,304</u>		<u>7.25 %</u>
Total Taxable Value	<u>\$1,263,145,770</u>			<u>\$ 1,149,141,140</u>		

Source: Indian River County Property Appraiser

Concentration of 2018 Taxpayers

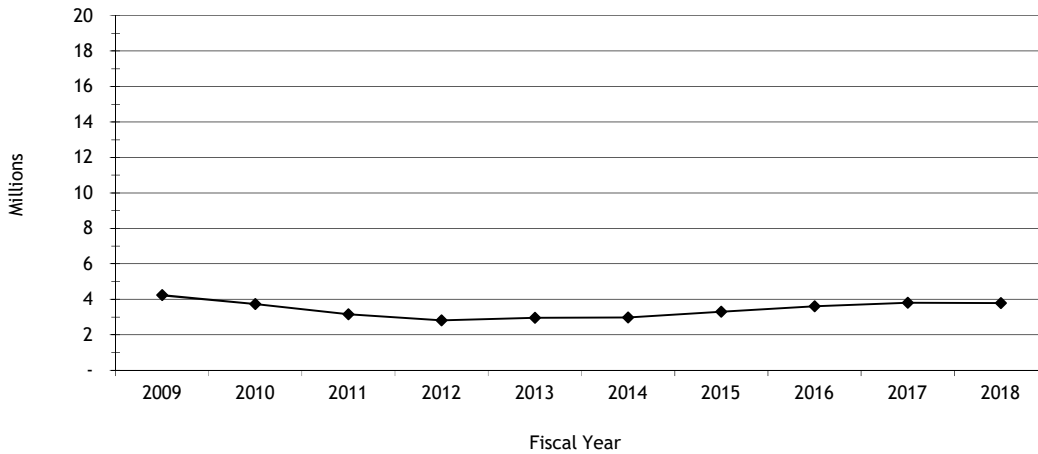


Property Tax Levies and Collections
For the Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent and Penalty Tax Collections	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	2009	\$ 4,441,535	\$ 4,225,106	95.13	\$ 1,694	\$ 4,226,800	95.17
2009	2010	3,844,658	3,716,797	96.67	17,723	3,734,520	97.14
2010	2011	3,260,316	3,144,864	96.46	11,294	3,156,158	96.81
2011	2012	2,899,209	2,799,146	96.55	9,279	2,808,425	96.87
2012	2013	3,050,099	2,947,248	96.63	7,733	2,954,981	96.88
2013	2014	3,074,729	2,975,299	96.77	754	2,976,053	96.79
2014	2015	3,422,716	3,295,549	96.28	2,241	3,297,790	96.35
2015	2016	3,738,202	3,530,235	94.44	72,789	3,603,024	96.38
2016	2017	3,943,212	3,726,976	94.52	77,898	3,804,874	96.49
2017	2018	3,920,640	3,703,536	94.46	83,126	3,786,662	96.58

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

Total Tax Collections

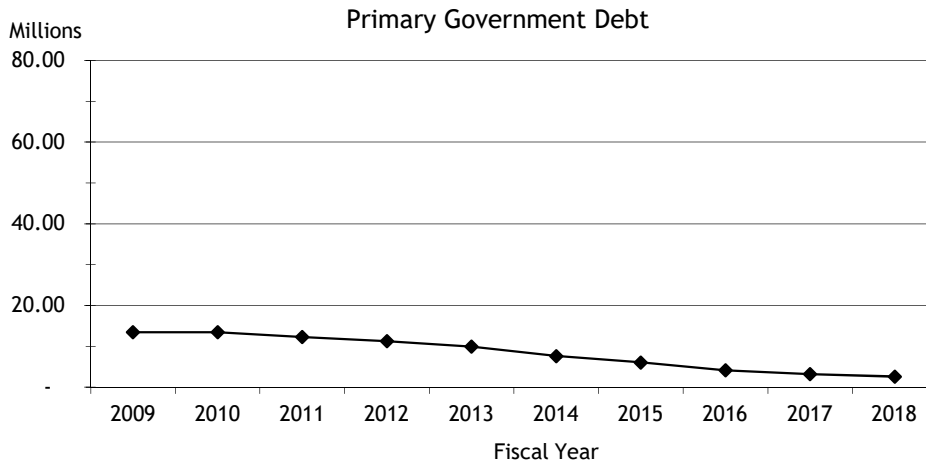


Ratios of Outstanding Debt By Type
For the Last Ten Fiscal Years

Fiscal Year	Roadway Improvement Notes	Infrastructure Sales Tax Bonds/Notes	Stormwater Utility Revenue Bonds/Notes	Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
				Golf Course Revenue Bonds			
2009	\$ 1,089,203	\$ 7,725,000	\$ 4,315,000	\$ 300,000	\$ 13,429,203	0.0021%	591
2010	2,414,000	6,980,000	4,055,000	-	13,449,000	0.0020%	587
2011	2,246,000	6,215,000	3,785,000	-	12,246,000	0.0017%	558
2012	2,296,000	5,420,000	3,505,000	-	11,221,000	0.0015%	510
2013	2,099,000	4,600,000	3,215,000	-	9,914,000	0.0013%	447
2014	1,896,000	2,730,000	2,982,000	-	7,608,000	0.0008%	341
2015	1,689,000	1,722,000	2,630,000	-	6,041,000	0.0006%	267
2016	1,478,000	353,000	2,275,000	-	4,106,000	0.0003%	193
2017	1,263,000	-	1,912,000	-	3,175,000	0.0003%	131
2018	1,044,000	-	1,541,000	-	2,585,000	²	105

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

² Information not yet available.



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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Debt Limit	Per Capita
	Debt Limit	Applicable to Limit	Legal Debt Margin		
2009	\$ 65,980,131	\$ 13,129,203	\$ 52,850,928	19.90%	\$ 2,326
2010	57,457,057	13,449,000	44,008,057	23.41%	1,920
2011	49,337,437	12,246,000	37,091,437	24.82%	1,691
2012	43,872,903	11,221,000	32,651,903	25.58%	1,485
2013	41,034,956	9,914,000	31,120,956	24.16%	1,403
2014	44,250,493	7,608,000	36,642,493	17.19%	1,643
2015	48,340,610	6,041,000	42,299,610	12.50%	1,870
2016	51,884,364	4,106,000	47,778,364	7.91%	2,065
2017	57,729,642	3,175,000	54,554,642	5.50%	2,255
2018	63,157,289	2,585,000	60,572,289	4.09%	2,459

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

CITY OF SEBASTIAN, FLORIDA

Legal Debt Margin Information For the Last Ten Fiscal Years

Legal Debt Margin as a Percentage of Debt Limit

	Fiscal Year				
	2018	2017	2016	2015	2014
Debt limit	\$ 63,157,289	\$ 57,729,642	\$ 48,340,610	\$ 48,340,610	\$ 44,250,493
Total net debt applicable to limit	<u>2,585,000</u>	<u>3,175,000</u>	<u>6,041,000</u>	<u>6,041,000</u>	<u>7,608,000</u>
Legal debt margin	<u>\$ 60,572,289</u>	<u>\$ 54,554,642</u>	<u>\$ 42,299,610</u>	<u>\$ 42,299,610</u>	<u>\$ 36,642,493</u>
Total net debt applicable to the limit as a percentage of debt limit	4.09%	5.50%	12.50%	12.50%	17.19%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$1,772,279,121
Less: Exempt property	<u>(509,133,351)</u>
	1,263,145,770
Debt limit (5% of assessed value)	63,157,289
Debt applicable to limit:	
Revenue bonds/notes	<u>2,585,000</u>
Total net debt applicable to limit	<u>2,585,000</u>
Legal debt margin	<u>\$ 60,572,289</u>

Direct and Overlapping Governmental Activities Debt - General Obligations Bonds

The City of Sebastian has no overlapping general obligation bonded debt for the year ended September 30, 2018.

Table 13 - Unaudited



Fiscal Year				
2013	2012	2011	2010	2009
\$ 41,034,956	\$ 43,872,903	\$ 49,337,437	\$ 57,457,057	\$ 65,980,131
<u>9,914,000</u>	<u>11,221,000</u>	<u>12,246,000</u>	<u>13,449,000</u>	<u>13,129,203</u>
<u>\$ 31,120,956</u>	<u>\$ 32,651,903</u>	<u>\$ 37,091,437</u>	<u>\$ 44,008,057</u>	<u>\$ 52,850,928</u>
24.16%	25.58%	24.82%	23.41%	19.90%

CITY OF SEBASTIAN, FLORIDA

Pledged Revenue Coverage
For the Last Ten Fiscal Years

Fiscal Year	Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001						
	Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service			Coverage ³
				Principal	Interest	Total	
2009	\$ 1,408,535	\$ 1,178,144	\$ 230,391	\$ 570,000	\$ 49,860	\$ 619,860	0.37
2010	1,341,555	1,129,651	211,904	300,000	21,700	321,700	0.66
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-

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

¹ Total revenues including charges for services, rents and interest.

² Total direct operating expenses excludes depreciation, amortization, annual Airport lease payment and one time hurricane repair cost.

³ Required coverage was 1.25. Final payment was made on September 30, 2010.

⁴ Total revenues consist of stormwater utility fees and interest.

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

Table 14 - Unaudited

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

CITY OF SEBASTIAN, FLORIDA

Demographic and Economic Statistics For the Last Ten Calendar Years

Year	Population	Personal Income (thousands of dollars) ¹	Per Capita Personal Income ¹	Median Household Income ¹	School Enrollment ²	Unemployment Rate ¹	State Unemployment Rate
2009	22,722	\$ 6,534,146	\$ 47,689	\$ 43,685	3,751	14.5	11.2
2010	22,922	6,737,286	48,276	47,525	5,167	14.5	11.3
2011	21,929	7,080,348	50,977	42,053	5,228	13.4	10.6
2012	21,995	7,429,653	52,855	42,638	5,208	11.8	8.6
2013	22,188	7,731,263	54,448	44,326	6,739	8.8	6.9
2014	22,296	9,139,902	63,140	47,548	6,034	6.5	5.6
2015	22,622	10,055,169	68,653	49,887	5,930	6.1	4.8
2016	23,137	10,380,777	71,181	49,813	6,132	6.2	4.8
2017	24,192	11,312,198	73,274	51,797	6,122	4.3	3.7
2018	24,630	⁴	⁴	⁴	6,459	3.9	3.3

Sources:

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

² Indian River County School Board

³ Indian River County Property Appraiser

⁴ Information not yet available.

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

Table 15 - Unaudited

Property Taxes Per Capita	Total Taxable Property Value ³
211.33	\$ 1,319,602,616
181.67	1,149,141,140
157.50	986,748,734
139.28	877,458,060
145.18	820,699,121
145.68	885,009,868
158.88	966,812,200
170.38	1,037,687,270
171.43	1,154,592,832
168.62	1,263,145,770

This page intentionally left blank.

Principal Employers Current Year and Nine Years Ago						
Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
School District of Indian River County (Government)	2,407	1	3.87 %	2,295	1	3.69 %
Indian River Medical Center (Healthcare)	2,099	2	3.37	1,671	3	2.68
Indian River County (Government)	1,441	3	2.32	1,706	2	2.74
Publix Supermarkets (Food/Beverage)	1,300	4	2.09	1,104	4	1.77
Piper Aircraft, Inc. (Manufacturer)	950	5	1.53	1,063	5	1.71
Wal-Mart (Retail)	736	6	1.18	404	9	0.65
Sebastian River Medical Center (Healthcare)	595	7	0.96	380	10	0.61
John's Island (Residential/Resort)	580	8	0.93	475	7	0.76
Medical Data Systems (Collection Agency)	500	9	0.80	188	20	0.30
Visiting Nurse Association (Healthcare)	432	10	0.69	348	11	0.56
City of Vero Beach (Government)	395	11	0.63	561	6	0.90
Indian River Estates (Retirement/Life care)	350	12	0.56	442	8	0.71
CVS Warehouse/Distribution (Distribution)	300	13	0.48	325	12	0.52
B&W Quality Growers (Agricultural)	230	14	0.37	235	17	0.38
Flight Safety International (Education)	180	15	0.29	155	21	0.25
City of Sebastian (Government)	178	16	0.29	199	18	0.32
Captain Hiram's (Restaurant/Resort)	174	17	0.28	-	-	-
Disney Vero Beach (Resort Hotel)	155	18	0.25	301	14	0.48
Saint Edward's School (Education)	150	19	0.24	237	16	0.38
Grand Harbor Management (Developer)	139	20	0.22	312	13	0.50
Dodgertown Complex (Sports)	-	-	-	293	15	0.47
Macho Products, Inc./MDI (Manufacture)	-	-	-	185	19	0.30
	<u>13,291</u>		<u>21.35 %</u>	<u>12,879</u>		<u>20.68 %</u>
Total Average County Employees	<u>62,239</u>			<u>62,237</u>		

Source: Indian River County Community Development Report
 Note: Principal employers information available for Indian River County Only

CITY OF SEBASTIAN, FLORIDA

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

Function	Full-time Equivalent Employees as of September 30					
	2018	2017	2016	2015	2014	2013
General government						
City council	2.5	2.5	2.5	2.5	2.5	2.5
City manager	2.0	2.5	2.5	2.0	2.0	2.0
City clerk	2.5	2.5	3.0	5.0	5.0	3.0
City attorney	-	-	-	-	-	-
Administrative Services	6.0	6.0	4.0	5.5	5.5	5.0
Finance	-	-	-	-	-	-
Management information	5.0	2.0	2.0	2.0	2.0	3.0
Audio/visual	-	2.5	1.0	-	-	-
Human resources	-	-	-	-	-	-
Facilities maintenance	3.0	2.5	3.5	5.0	5.0	4.0
Community development	4.0	3.0	2.0	4.0	4.0	3.0
Public safety						
Police	64.0	57.5	57.5	57.0	57.0	55.5
Building	7.5	5.0	5.0	5.0	5.0	5.0
Code enforcement	3.0	3.0	3.0	3.0	3.0	3.0
Transportation						
Roads and drainage	9.5	11.5	11.0	10.0	10.0	10.0
Fleet management	3.5	3.5	3.5	3.5	3.5	3.5
Airport	2.0	3.0	1.0	1.0	1.0	2.0
Physical environment						
Cemetery	2.0	1.5	2.0	2.0	2.0	2.0
Engineering	-	-	-	-	-	-
Stormwater utility	14.5	8.0	9.0	9.0	9.0	9.0
Culture and recreation						
Leisure services	21.0	18.0	19.0	20.0	20.0	20.0
Golf course	11.0	13.0	10.0	10.0	10.0	10.0
Total	163.0	147.5	141.5	146.5	146.5	142.5

Source: City of Sebastian, Florida 2009-2018 Annual Budgets

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

Table 17 - Unaudited

Full-time Equivalent Employees as of September 30			
2012	2011	2010	2009
2.5	2.5	2.5	2.5
2.0	2.0	2.5	2.5
3.0	3.0	3.0	3.0
-	-	-	2.0
5.0	5.0	5.0	-
-	-	-	5.0
3.0	4.0	3.0	3.0
-	-	-	-
-	-	-	2.0
3.0	2.0	2.0	2.0
3.0	4.0	5.0	5.0
55.0	58.0	58.0	59.0
4.0	5.0	5.0	5.0
3.0	3.0	2.5	2.5
10.0	12.0	12.0	10.0
3.5	2.5	3.5	3.5
3.0	3.0	3.0	3.0
1.0	1.0	2.0	2.0
-	-	-	7.0
9.0	12.0	12.0	11.0
20.0	21.0	23.0	23.5
10.0	10.5	10.5	9.0
140.0	150.5	154.5	162.5

CITY OF SEBASTIAN, FLORIDA

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

Function	Fiscal Year				
	2018	2017	2016	2015	2014
General government					
Number of annexations approved	-	-	-	-	-
Acres of annexed property	-	-	-	-	-
Purchase orders issued	355	289	328	254	242
Public Safety					
Police					
Physical arrests	516	356	258	287	347
Traffic violations	3,678	3,192	3,065	3,725	4,587
Parking violations	55	49	73	60	29
Building					
Construction permits issued ¹	167	147	191	142	175
Estimated value of construction (in millions)	\$ 39.8	\$ 37.2	\$ 43.4	\$ 40.6	\$ 40.0
Transportation					
Road maintenance (man hours)	1,600	250	250	200	200
Asphalt for road maintenance (tons)	120	20	20	10	20
Physical environment					
Cemetery					
Cemetery internments	60	62	61	71	67
Grave deeds sold	30	29	39	43	47
Stormwater					
Swales maintained (miles)	150	300	300	300	280
Ditches maintained (miles)	80	80	75	75	50
Road crossings maintained	50	70	68	68	68
Culture and recreation					
Program participants	6,495	6,268	7,280	7,647	7,571
Number of discount cards	643	657	631	653	653
Number of golf course memberships	123	119	127	93	84
Average daily golf revenue	\$ 3,100	\$ 3,100	\$ 3,100	\$ 3,653	\$ 3,500

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

¹ New commercial and residential only.

Table 18 - Unaudited

Fiscal Year				
2013	2012	2011	2010	2009
2	-	-	1	3
4.00	-	-	5.90	26.00
233	201	228	216	288
440	441	500	487	543
4,491	4,319	5,941	4,083	4,849
80	167	242	87	50
170	66	51	36	23
\$ 35.9	\$ 14.7	\$ 10.2	\$ 6.6	\$ 5.1
300	500	700	1,264	600
30	50	50	103	328
65	65	54	66	74
38	38	34	33	39
280	280	280	280	280
50	50	50	50	50
50	50	40	40	30
8,113	9,713	8,649	11,701	13,465
710	786	735	844	879
86	88	94	96	95
\$ 3,569	\$ 3,822	\$ 3,787	\$ 3,673	\$ 4,000

CITY OF SEBASTIAN, FLORIDA

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

Function	Fiscal Year				
	2018	2017	2016	2015	2014
General Government					
Square footage occupied	21,500	21,500	21,500	21,500	21,500
Departmental vehicles	6	6	4	5	5
Public safety					
Police stations	1	1	1	1	1
Police department Square footage	25,600	25,600	25,600	25,600	25,600
Building department Square footage	2,500	2,500	2,500	2,500	2,500
Police vehicles	71	71	70	66	62
Building inspector vehicles	4	4	4	4	3
Transportation					
Streets (miles)	156	156	156	156	156
Streetlights ¹	1,100	1,100	1,085	1,085	1,085
Airport vehicles	5	4	4	3	1
Public service vehicles	13	12	12	12	15
Physical environment					
Public service vehicles	18	19	17	17	10
Culture and recreation					
Parks vehicles	5	5	6	18	18
Recreation centers	2	2	2	2	2
Park acreage	315.01	315.01	315.01	315.01	315.01
Recreation center square footage	4,859	4,859	4,859	4,859	4,859
Park maintenance vehicles	12	12	12	12	9
Golf course vehicles	-	-	-	-	1

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

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

Table 19 - Unaudited

Fiscal Year				
2013	2012	2011	2010	2009
21,500	21,500	21,500	21,500	21,500
6	1	3	3	3
1	1	1	1	1
25,600	25,600	25,600	25,600	25,600
2,500	2,500	2,500	2,500	2,500
61	66	67	63	63
3	3	3	3	4
156	156	156	156	156
1,080	1,228	1,236	1,230	1,240
1	1	1	1	1
17	17	19	22	18
10	9	9	15	7
18	18	18	18	18
2	2	2	2	2
315.01	315.01	315.01	315.01	233.79
4,859	4,859	4,859	4,859	4,859
12	13	14	13	13
1	1	1	1	1

This page intentionally left blank.

INTERNAL CONTROL AND COMPLIANCE

This page intentionally left blank.

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

March 8, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastian, Florida (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

**INDEPENDENT AUDITORS'
MANAGEMENT LETTER**

March 8, 2019

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

Report on the Financial Statements

We have audited the financial statements of the City of Sebastian, Florida as of and for the fiscal year ended September 30, 2018 and have issued our report thereon dated March 8, 2019.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent 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; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 8, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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

INDEPENDENT ACCOUNTANTS' REPORT

March 8, 2019

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

We have examined the compliance of the City of Sebastian, Florida (the "City") with Sections 218.415, 28.35 and 28.36, Florida Statutes, during the year ended September 30, 2018. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Independent Accountants' Responsibility

Our responsibility is to express an opinion on the City's compliance with those requirements based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City is in compliance with specified requirements established by Florida Statute and performing such procedures as we considered necessary in the circumstances.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

Purpose of this Report

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



This page intentionally left blank.