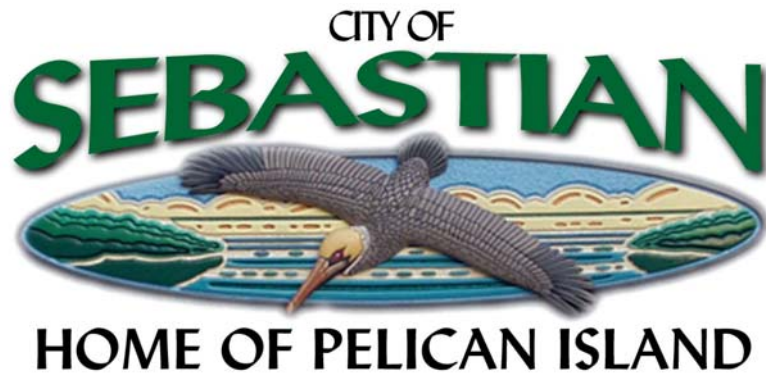


CITY OF SEBASTIAN, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2019

CITY COUNCIL

Ed Dodd
Mayor

Charles Mauti
Vice-Mayor

Damien Gilliams
Council Member

Jim Hill
Council Member

Pamela Parris
Council Member

Prepared by: Administrative Services Department

CITY OF SEBASTIAN, FLORIDA

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INTRODUCTORY SECTION

CITY OF SEBASTIAN, FLORIDA

CITY OFFICIALS

For the Year Ended September 30, 2019

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

Kenneth Griffin
City Engineer

Wayne Eseltine
Building Official

Greg Gardner
Golf Course Director

Scott Baker
Public Facilities Director

Brian Benton
Leisure Services Director



March 4, 2020

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, 2019. 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, 2019.

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. The City's independent Certified Public Accountants, Rehmann Robson, has issued an unqualified ("clean") opinion on the City of Sebastian's financial statements for the year ended September 30, 2019. 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.

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 25,168 residents.

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 and fire 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 and Sebastian Police Officer's Pension Trust Fund.

The Council is required to adopt a final budget no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g., transportation), and department (e.g., public works). Shifts in appropriations within department totals and capital project 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 2019, the Florida Research & Economic Database reported an improved unemployment rate of 3.2%, which corresponds with improvements being enjoyed at the state and national levels. However, the overall unemployment rate for the area has historically not been as good as that of the State of Florida.

The largest major industry sector was Health Care and Social Assistance with 25.26% 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 and the median household income for 2018 was \$52,243, as reported by the U.S. Census Bureau.

Sebastian offers all of the Florida amenities a business needs to consider. Close connection to metropolitan areas without the south Florida hustle and bustle, quality housing for affordable prices, some of the best schools in the State, quality medical services and leisure activities that are second to none. Transportation is easy in Sebastian, offering easy access to major freight transportation routes. Interstate Highway I-95, the major north-south trucking route on the Florida east coast, is just six miles west. The Florida East Coast Railroad (FEC) runs directly through Sebastian. FEC offers freight service from Miami and Ft. Lauderdale ports of entry, as well as direct connections with other major rail lines at Jacksonville.

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 3.1514 for fiscal year 2019. However, the City had an increase in ad valorem values due to improvements and additions to the tax rolls. Construction activity resulted in a total of 170 permits being issued for new construction in fiscal year 2019 with a cost of \$42.4 million compared to a total of 167 permits being issued for new construction in fiscal year 2018 with a cost of \$39.8 million. In reviewing these numbers, new commercial dropped from 2 permits costing \$.8 million in 2018 to 1 permit costing \$.5 million in 2019 and new residential increased from 165 costing \$38.9 million in 2018 to 169 costing \$41.8 in 2019. The increase in residential construction can be primarily attributed to the improved outlook for the housing market.

General Fund unassigned fund balance has been fully restored to an amount above the \$5 million minimum target after being spent down due to Hurricanes Matthew and Irma. By year end, the unassigned fund balance was 49% of the general fund expenditures and transfers out budget. The City has been steadfast and refused to spend down these balances because the City understands reliance on accumulated fund balances to fund operating expenditures is not a prudent fiscal strategy and because having sufficient balances are essential to handle emergencies such as hurricanes. To this end, the budget for fiscal year 2020 was balanced without a reduction of fund balances.

Major Initiatives

Administration

The City continues to pursue the remaining unpaid reimbursements from FEMA and the State related to Hurricane Matthew that occurred in October 2016. The City managed to document about \$1,582,000 of eligible expenditures and has recovered all but about \$144,000 from that event. During the 2019 fiscal year, the City received all the \$533,000 in qualified reimbursements initially documented from Hurricane Irma that occurred in September 2017. A subsequent allocation of another \$14,700 in FEMA's share of the eligible costs was received shortly after year end. In October of 2019, about \$38,000 of expenditures were then experienced as a result of Hurricane Dorian and the reimbursement process for that event has been initiated. Expenditures necessary to handle these storm events are paid from General Fund unassigned fund balance, so it is important to recover these outlays as soon as possible.

During 2019, the development of a business plan for the City was initiated. The business plan is expected to identify key task throughout the organization that will continue to be measured and reported as to progress being made on those items. It is anticipated that regular reporting on these activities will serve to publicize accomplishments and better inform the public. Also during the year, efforts continued to make use of advanced technology by upgrading computer servers, improving the network and acquiring better audio visual equipment.

Stormwater – The City initiated a study to examine alternatives to controlling vegetative overgrowth in the stormwater systems drainage systems. Efforts continued to account for all Stormwater operating expenditures within the Stormwater Revenue fund in order to improve transparency about what stormwater fees are spent on. Preliminary approval was received for a FEMA grant to address drainage improvements that are needed in the Stonecrop area of the City.

Traffic & Transportation – The City continues working on transportation improvements. An inventory of roadway conditions was performed and a six year plan for funding road resurfacing and road reconstruction work. Based on the plan, necessary street repaving work is funded using local option gas taxes and required major road reconstruction is funded by discretionary sales taxes. In addition, discretionary sales taxes are 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. 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. 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. Reimbursements from grants were received during the year for completing construction of additional taxiways and for the construction of Shade Hangars. Planned improvements next year include constructing Hanger "D" with grant funds matched by funds from discretionary sales taxes.

Public Safety – The Building Department continued measures to effectively operate as the City Fire Marshal so we can insure more timely response and review of development plans. 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. In other areas, the City continued supporting the use of Lakefront Park for gatherings organized by various community groups, including the Clam Bake, Chamber of Commerce and Art Club. The City also used recreation impact fees to construct Pickle Ball Courts and to upgrade the scoreboards at the ballfields. Future plans include a program to upgrade the identification signage at all the parks and to focus on one major park each year to address needed major facility improvements and replacements, including "all-inclusive" features to accommodate those with special needs.

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 last year's comprehensive annual financial report for the fiscal year ended September 30, 2018. 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 accounting 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,



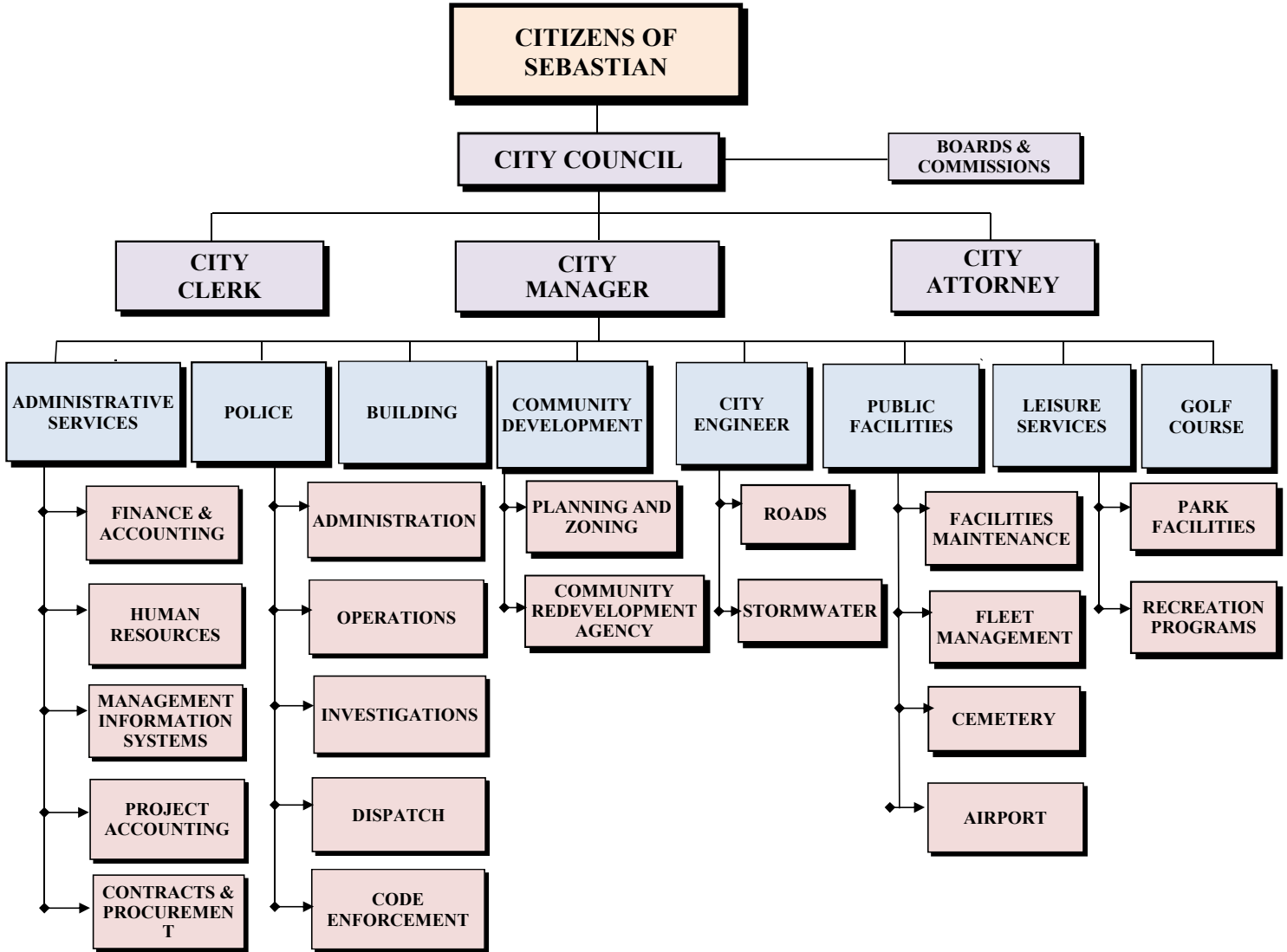
Paul E. Carlisle
City Manager



Kenneth W. Killgore
Administrative Services Director/CFO

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CITY OF SEBASTIAN, FLORIDA
Organizational Chart
Fiscal Year 2018/2019



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, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

March 6, 2020

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, 2019, 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, 2019, 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 XX, 2020, on our consideration of the City of Sebastian, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

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

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2019 by \$64,454,494 (net position). Of this amount, \$1,401,502 (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 \$2,474,895 and from business-type activities increased by \$2,145,556. Net position was increased in governmental activities, primarily as a result of charges for services in the Stormwater Utility Fund being increased so they can be applied to future capital outlays and from public assistance payments received from FEMA and the State in connection with Hurricane Irma. 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 \$15,633,420, an increase of \$3,190,755 from the prior year. Almost 38% of this amount, \$5,982,710 is unassigned and available for spending, a \$938,285 increase from fiscal year 2018, due to a major increase in stormwater utility fees and from FEMA and State payments related to Hurricane Irma.
- The Golf Course Fund reported a small improvement in the unrestricted deficit in net position attributed to an increase in operating revenues. The Airport Fund reported an increase in the deficit in unrestricted net position resulting from the large investments made in capital assets. The Building Fund reported an increase in unrestricted net position, as a result of continued good 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).

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.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

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 Stormwater Utility Fund, 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 \$64,427,700 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 16,404,210	\$ 13,162,247	\$ (86,152)	\$ (387,889)	\$ 16,318,058	\$ 12,774,358
Capital assets, net	39,064,967	40,153,980	17,152,022	15,178,956	56,216,989	55,332,936
Total assets	<u>55,469,177</u>	<u>53,316,227</u>	<u>17,065,870</u>	<u>14,791,067</u>	<u>72,535,047</u>	<u>68,107,294</u>
Deferred outflows of resources	1,123,453	698,053	-	-	1,123,453	698,053
Long-term debt outstanding	3,512,262	4,080,752	376,018	434,845	3,888,280	4,515,597
Other liabilities	4,876,451	4,065,537	348,929	160,855	5,225,380	4,226,392
Total liabilities	<u>8,388,713</u>	<u>8,146,289</u>	<u>724,947</u>	<u>595,700</u>	<u>9,113,660</u>	<u>8,741,989</u>
Deferred inflows of resources	90,346	229,315	-	-	90,346	229,315
Net position						
Net investment in capital assets	37,080,967	37,568,980	16,995,851	14,972,789	54,076,818	52,541,769
Restricted	8,976,174	6,419,900	-	-	8,976,174	6,419,900
Unrestricted	2,056,430	1,649,796	(654,928)	(777,422)	1,401,502	872,374
Total net position	<u>\$ 48,113,571</u>	<u>\$ 45,638,676</u>	<u>\$ 16,340,923</u>	<u>\$ 14,195,367</u>	<u>\$ 64,454,494</u>	<u>\$ 59,834,043</u>

A substantial portion of the City's net position, \$54,076,818 (83.9 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 \$8,976,174 (13.9 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 \$1,401,502 (2.2 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, although not as great as prior years. This was primarily due to the income recorded by the Building Fund.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 2,896,075	\$ 1,657,296	\$ 2,801,449	\$ 2,752,000	\$ 5,697,524	\$ 4,409,296
Operating grants	803,092	1,776,070	46,771	115,907	849,863	1,891,977
Capital grants	251,088	181,050	2,670,116	2,120,953	2,921,204	2,302,003
General revenues:						
Property taxes	4,325,759	4,153,194	-	-	4,325,759	4,153,194
Other taxes	2,882,460	2,808,172	-	-	2,882,460	2,808,172
Intergovernmental	7,109,496	6,887,664	-	-	7,109,496	6,887,664
Other	2,000,371	1,845,378	8,499	8,234	2,008,870	1,853,612
Total revenues	20,268,341	19,308,824	5,526,835	4,997,094	25,795,176	24,305,918
Expenses						
General government	3,970,541	3,926,479	-	-	3,970,541	3,926,479
Public safety	6,613,707	6,227,299	-	-	6,613,707	6,227,299
Physical environment	3,106,764	3,431,933	-	-	3,106,764	3,431,933
Transportation	2,022,117	1,949,882	-	-	2,022,117	1,949,882
Economic environment	402,986	238,597	-	-	402,986	238,597
Cultural and recreation	1,434,296	1,279,635	-	-	1,434,296	1,279,635
Interest and fiscal charges	38,539	56,523	-	-	38,539	56,523
Golf course	-	-	1,533,749	1,555,853	1,533,749	1,555,853
Airport	-	-	1,336,180	1,328,258	1,336,180	1,328,258
Building	-	-	715,846	664,066	715,846	664,066
Total expenses	17,588,950	17,110,348	3,585,775	3,548,177	21,174,725	20,658,525
Change in net position, before transfers	2,679,391	2,198,476	1,941,060	1,448,917	4,620,451	3,647,393
Transfers	(204,496)	(370,457)	204,496	370,457	-	-
Change in net position	2,474,895	1,828,019	2,145,556	1,819,374	4,620,451	3,647,393
Net position, beginning of year	45,638,676	43,810,657	14,195,367	12,375,993	59,834,043	56,186,650
Net position, end of year	\$ 48,113,571	\$ 45,638,676	\$ 16,340,923	\$ 14,195,367	\$ 64,454,494	\$ 59,834,043

The City's net position increased by \$4,593,657 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 the increase in Stormwater Utility fees and reimbursements related to Hurricane Irma. 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.

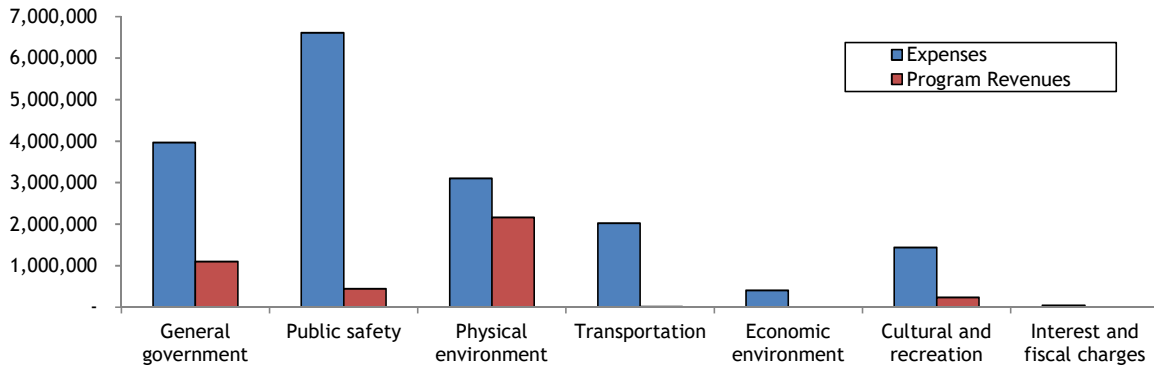
CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

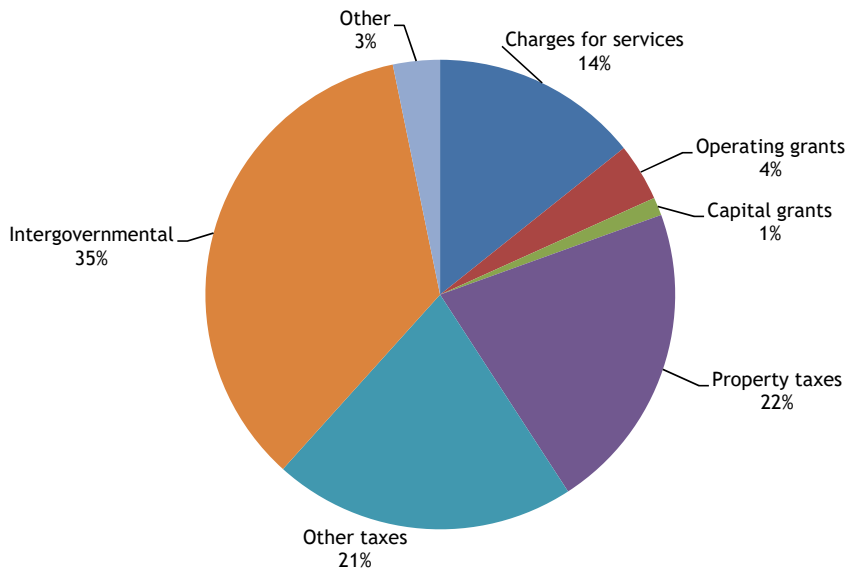
Governmental Activities. Governmental activities increased the City's net position by \$2,474,895. Key elements of this increase are as follows:

- An increase in expenses of \$478,602 due to public safety spending.
- An increase in general revenues of \$623,678, mostly from sales taxes and property taxes.
- An increase in program revenues of \$335,839 due to the increase in stormwater utility fees.
- A change in transfers of (\$165,961) caused by less transfers to the enterprise funds.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



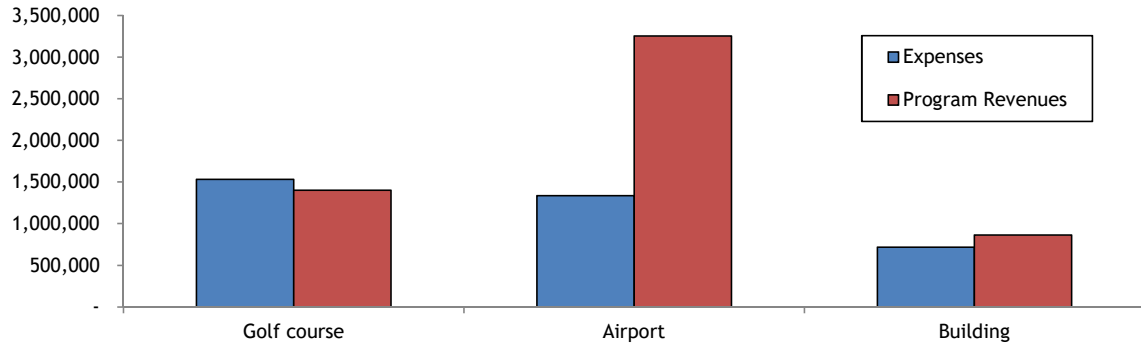
CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

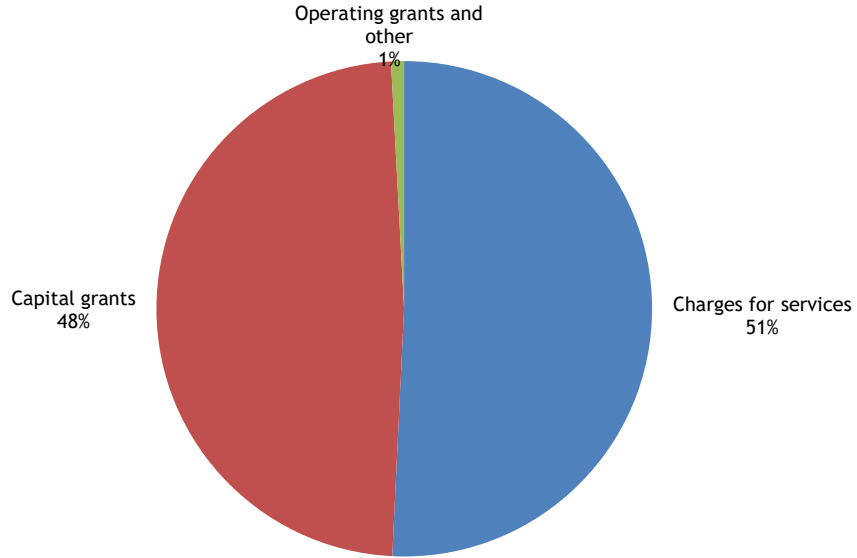
Business-type Activities. Business-type activities increased the City's net position by \$2,145,556. The key elements of this increase are as follows:

- An increase in expenses of \$37,598 primarily in contractual services, material and supplies.
- An increase in program revenues of \$529,476 from an increase in capital grants, building permits and golf course fees.
- A change in transfers in of (\$165,961) 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 \$15,633,420, an increase of \$3,190,755 from the prior year. Of this amount, 38 percent (\$5,982,710) 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 \$5,988,440 while total fund balance amounted to \$6,199,061. 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 49.4 percent of total General Fund expenditures, while total fund balance represents 51.1 percent of that same amount.

The fund balance of the City's General Fund increased by \$825,680 during the current fiscal year. Key factors in this change are as follows:

- Property tax revenues increased by \$154,881.
- Charges for services increased by \$157,044.
- Intergovernmental decreased by \$774,360.
- Public utility taxes increased by \$74,288.
- Franchise fees increased by \$26,952.
- All other revenues increased by \$8,398.
- Transfers in from other funds decreased by \$680,713.
- Transfers out to other funds decreased by \$612,785.
- Expenditures decreased by \$380,170.

The General Fund originally budgeted for no changes in the fund balance. The actual increase in fund balance was \$825,680. Significant changes in budgetary variances are as follows:

- Property tax revenues were slightly more than budgeted due to collections of delinquent accounts, with over 99% 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.
- Investment earnings had a positive budgetary variance from unbudgeted receipts from Hurricane Matthew payments.
- General Fund expenditures had an overall favorable budgetary variance of \$471,521, which was just a 3.7% difference from the amended budget total.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

The Discretionary Sales Tax revenue special revenue fund has a total fund balance \$5,584,628, an increase from the \$3,554,598 total fund balance of the prior year. Funds are restricted for projects that are planned in future years. The larger balance is almost entirely earmarked for the design and construction of a new public facilities compound expected to start construction in the next fiscal year.

The Riverfront Redevelopment Fund ended the year with \$374,104 in fund balance, as a result of expenditures on economic development.

The Stormwater Utility Fund collected additional revenues from a rate increase, which resulted in a fund balance of \$889,713.

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 \$176,340, while the unrestricted net position (deficit) amounted to (\$1,838,094). Compared to the prior year in the same categories, net position decreased from the prior year and the unrestricted net position (deficit) changed from (\$1,859,752) to (\$1,838,094). This is mainly due to the decrease in transfers in to the fund recorded for the fiscal year.

The total net position of the airport fund at the end of the fiscal year amounted to \$14,691,295, while the unrestricted net position (deficit) amounted to (\$606,523). Compared to the prior year in the same category, net position has increased by \$2,114,696 while the unrestricted net position (deficit) has changed from (\$514,253) to (\$606,523). The decrease in the unrestricted net position (deficit) is mainly due to payments made to reduce advances made from another fund.

The total net position of the building fund at the end of the fiscal year amounted to \$1,825,968. This is an increase of \$171,953 from the prior year, which was primarily due to the continuation of healthy levels of operating income.

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

Budgetary Highlights

Over the course of the fiscal year, the City Council formally approved revisions to the City budget four times. These budget adjustments fell into four major categories. The first includes amendments to allocate funds for extraordinary and unexpected expenditures from Reserves or added revenues. 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:

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

Amendments

- \$50,000 to allocate grant revenue to the costs of the Coastal Resiliency Plan.
- \$30,500 to use Discretionary Sales Tax reserves toward Yacht Club Pier improvements.
- \$19,910 to use Recreation Impact Fee Reserves for Barber Street Sports Complex restroom renovations.
- \$80,000 to reduce funding for the Working Waterfront due to a reduction in the approved grant.
- \$11,795 to use Airport reserves to cover replacement/upgrade of the credit card terminal used for fuel sales.
- \$8,000 to allocate grant revenue to the costs of replacing Airport Gate #3.
- \$2,250,000 to allocate grant revenue and Discretionary Sales Tax reserves to the construction of Hangar "D".
- \$55,500 to use General Fund reserves for the development of a business plan.
- \$6,810 to use DST Reserves toward the costs of the CavCorp Parking Lot Project.
- \$532,620 to allocate Hurricane Irma reimbursements to cover overages in General Fund accounts.

General Fund Equipment & Facilities Renewal & Replacement (R&R) Reserve Allocations

- \$24,696 to use R&R Reserve to replace roof at the Barber Street sports complex.
- \$20,457 to use R&R Reserve to repair roof and re-pipe Crab E. Bill's hot water lines.
- \$2,828 to use R&R Reserve to replace the little league scoreboard.
- \$4,705 to use R&R Reserve to replace air conditioners at the Tennis Office and Old School House Museum.
- \$30,775 to use R&R Reserve to replace critical information technology equipment that was failing.
- \$3,384 to use R&R Reserve to replace light lenses at Friendship Park.
- \$2,000 to use R&R Reserve for repairs at Main Street Dock.

Project Budget Transfers

- \$12,500 adjustment from road division vehicles to fund Pavement Management Program.
- \$347 adjustment to close computer upgrades project and return funds to DST Reserves.
- \$3,495 adjustment to record trade-in value of old credit card terminal at the Airport.
- \$32,165 adjustment to reduce other Discretionary Sales Tax projects to cover shortage in the police vehicles project.
- \$3,000 adjustment to record clambake donation to help fund Riverview Park sidewalks.
- \$9,000 adjustment to record grant revenues and Airport matching funds to Tree Removal Project.
- \$21,565 adjustment to close repaving project in the Local Option Gas Tax fund.
- \$2,787 adjustment to close Barber Street restroom project with added funds from Leisure Services budget.
- \$1,470 adjustment to close the radar signs project
- \$7,512 adjustment to close the park improvements project
- \$366,241 adjustment to return unused Stormwater Capital Project to Stormwater Fund Reserves.
- \$282,034 adjustment to return unused Stonecrop Drainage Project to Stormwater Fund Reserves, which is budgeted again in the next year.
- \$114,486 adjustment to return unused grant program funds to Community Redevelopment Agency Reserves, as they are budgeted again next year.

Operating Budget Transfers

- \$4,000 adjustment within Police Department to cover the relocation of the boat lift.
- \$2,000 adjustments within Golf Course accounts to cover irrigation system repairs.
- \$2,600 adjustments within facilities maintenance division to add cleaning of softball field restrooms.
- \$28,850 adjustments within salary accounts for the Holiday bonuses.
- \$13,635 adjustment within leisure services accounts to purchase a vehicle for the new Director.
- \$2,620 adjustment within Golf Course accounts to repair the clubhouse roof overhang damaged by a vendor.
- \$1,150 adjustment within Salary accounts for the quarterly incentive awards.
- \$5,484 adjustment within Airport accounts to install gate #3 and purchase a security camera.
- \$9,000 adjustment to use revenue from Airport equipment sales toward additional grounds maintenance.
- \$78 adjustment to use additional code enforcement receipts to cover lien filing expenditures.
- \$2,750 adjustment within Salary accounts for the quarterly incentive awards.
- \$3,471 adjustment within Management Information Systems accounts to provide cyber security training.

CITY OF SEBASTIAN, FLORIDA

Management's Discussion and Analysis

During the fiscal year, total General Fund actual expenditures were \$471,521 less than final amended budgetary estimates. The overall variance on revenues and expenditures resulted in an increase of \$825,680 to existing fund balances. This was primarily due to the payments received on Hurricane Irma, which were somewhat offset by expenditures incurred on Hurricane Dorian.

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year 2019, the City had \$56,216,989 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 \$884,053, or 1.6%, over last year. The following table illustrates the changes in capital assets. More detailed information regarding capital assets can be found within Note 7 on Capital Assets in the Financial Statements section of the CAFR.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,123,041	\$ 9,123,041	\$ 9,060	\$ 9,060	\$ 9,132,101	\$ 9,132,101
Buildings	7,762,948	7,992,590	7,638,387	7,272,414	15,401,335	15,265,004
Improvements	2,510,563	2,739,476	1,289,371	1,410,023	3,799,934	4,149,499
Equipment	2,472,410	2,223,479	480,781	657,034	2,953,191	2,880,513
Infrastructure	16,990,037	17,886,635	5,253,616	5,774,197	22,243,653	23,660,832
Construction in progress	205,968	188,759	2,480,807	56,228	2,686,775	244,987
Total capital assets, net	\$ 39,064,967	\$ 40,153,980	\$ 17,152,022	\$ 15,178,956	\$ 56,216,989	\$ 55,332,936

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

- A decrease in Buildings mainly due to depreciation.
- A decrease in Improvements mainly due depreciation.
- An increase in Equipment due to replacement of old units.
- A decrease in Infrastructure mainly due to depreciation in excess of additions.

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

- An increase in Buildings due to the completion of the shade hangars.
- A decrease in Equipment due to depreciation.
- A decrease in Infrastructure mainly due to depreciation.
- An increase in Construction in Progress due to the taxiway improvements still underway at year end.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$3,888,280. Of this amount, \$1,984,000 consist of notes pledging specific revenues to the repayment of the debt. More detailed information regarding these activities and funds can be found within Note 8 on Long-term Debt in 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	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 1,984,000	\$ 2,585,000	\$ -	\$ -	\$ 1,984,000	\$ 2,585,000
Compensated absences	1,437,062	1,404,552	219,847	228,678	1,656,909	1,633,230
Pollution remediation	91,200	91,200	-	-	91,200	91,200
Capital lease	-	-	156,171	206,167	156,171	206,167
Total	\$ 3,512,262	\$ 4,080,752	\$ 376,018	\$ 434,845	\$ 3,888,280	\$ 4,515,597

The City's total debt decreased by \$627,317 (13.89%) 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 AAA by rating 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 2020 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 2019 was 3.2 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 9.03% overall increase in property values for 2020. The millage of 2.9399 was levied for taxes to be recorded in fiscal year 2020 that will essentially provide the equivalent revenue from property taxes as received in fiscal year 2019.

The Golf Course reported more revenues from fees in 2019, primarily due to more memberships resulting from the excellent condition of the facility. 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 continue to draw more customers and generate higher revenues that will 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 positive changes 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

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CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,208,688	\$ 848,959	\$ 10,057,647
Restricted cash and cash equivalents	602,706	-	602,706
Investments	3,196,854	223,713	3,420,567
Permanently restricted investments	858,189	-	858,189
Receivables	1,256,295	31,788	1,288,083
Internal balances	1,211,914	(1,211,914)	-
Prepaid items	23,238	5,809	29,047
Inventories	46,326	14,491	60,817
Deposits held in escrow	-	1,002	1,002
Capital assets not being depreciated	9,329,009	2,489,867	11,818,876
Capital assets being depreciated, net	29,735,958	14,662,155	44,398,113
Total assets	55,469,177	17,065,870	72,535,047
Deferred outflows of resources			
Deferred pension amounts	1,123,453	-	1,123,453
Liabilities			
Accounts payable and accrued liabilities	710,713	275,383	986,096
Accrued interest payable	14,643	-	14,643
Unearned revenues	60,077	73,546	133,623
Long-term liabilities:			
Due within one year	747,485	60,397	807,882
Due in more than one year	2,764,777	315,621	3,080,398
Net pension liability (due in more than one year)	4,091,018	-	4,091,018
Total liabilities	8,388,713	724,947	9,113,660
Deferred inflows of resources			
Deferred pension amounts	90,346	-	90,346
Net position			
Net investment in capital assets	37,080,967	16,995,851	54,076,818
Restricted for:			
Debt service	163,919	-	163,919
Perpetual care:			
Nonexpendable	1,036,571	-	1,036,571
Special revenue uses:			
Infrastructure improvements	6,123,739	-	6,123,739
Redevelopment expenses	374,104	-	374,104
Stormwater expenses	1,136,885	-	1,136,885
Law enforcement events	140,956	-	140,956
Unrestricted (deficit)	2,056,430	(654,928)	1,401,502
Total net position	\$ 48,113,571	\$ 16,340,923	\$ 64,454,494

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, 2019

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	\$ 3,970,541	\$ 532,721	\$ 564,257	\$ -	\$ (2,873,563)
Public safety	6,613,707	147,121	225,540	71,538	(6,169,508)
Physical environment	3,106,764	2,161,464	-	-	(945,300)
Transportation	2,022,117	-	13,295	-	(2,008,822)
Economic environment	402,986	-	-	-	(402,986)
Cultural and recreation	1,434,296	54,769	-	179,550	(1,199,977)
Interest and fiscal charges	38,539	-	-	-	(38,539)
Total governmental activities	17,588,950	2,896,075	803,092	251,088	(13,638,695)
Business-type activities:					
Golf course	1,533,749	1,400,939	321	-	(132,489)
Airport	1,336,180	536,442	46,450	2,670,116	1,916,828
Building	715,846	864,068	-	-	148,222
Total business-type activities	3,585,775	2,801,449	46,771	2,670,116	1,932,561
Total primary government	\$ 21,174,725	\$ 5,697,524	\$ 849,863	\$ 2,921,204	\$ (11,706,134)

continued...

CITY OF SEBASTIAN, FLORIDA

Statement of Activities

For the Year Ended September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net revenue (expense)	\$ (13,638,695)	\$ 1,932,561	\$ (11,706,134)
General revenues:			
Property taxes, levied for general purposes	4,325,759	-	4,325,759
Public utility taxes	2,882,460	-	2,882,460
Franchise fees	1,343,744	-	1,343,744
Intergovernmental	7,109,496	-	7,109,496
Interest earnings	378,657	8,499	387,156
Miscellaneous	277,970	-	277,970
Transfers	(204,496)	204,496	-
Total general revenues and transfers	16,113,590	212,995	16,326,585
Change in net position	2,474,895	2,145,556	4,620,451
Net position, beginning of year	45,638,676	14,195,367	59,834,043
Net position, end of year	\$ 48,113,571	\$ 16,340,923	\$ 64,454,494

concluded.

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

CITY OF SEBASTIAN, FLORIDA

Balance Sheet

Governmental Funds
September 30, 2019

	General	Discretionary Sales Tax	Riverfront Redevelopment	Stormwater Utility
Assets				
Cash and cash equivalents	\$ 3,753,045	\$ 4,317,970	\$ 139,233	\$ 305,481
Investments	1,617,598	393,696	254,483	565,389
Accounts receivable	308,536	-	-	-
Due from other funds	650,000	-	-	-
Due from other governments	418,409	341,023	-	42,097
Inventories	46,326	-	-	-
Prepaid items	23,238	-	-	-
Advance to other funds	25,000	536,914	-	-
Total assets	\$ 6,842,152	\$ 5,589,603	\$ 393,716	\$ 912,967
Liabilities				
Accounts payable and accrued liabilities	\$ 440,824	\$ 4,975	\$ 19,612	\$ 23,254
Due to other governments	142,190	-	-	-
Unearned revenue	60,077	-	-	-
Total liabilities	643,091	4,975	19,612	23,254
Fund balances				
Nonspendable	94,564	-	-	-
Restricted	103,900	5,584,628	374,104	889,713
Committed	-	-	-	-
Assigned	12,157	-	-	-
Unassigned (deficit)	5,988,440	-	-	-
Total fund balances	6,199,061	5,584,628	374,104	889,713
Total liabilities and fund balances	\$ 6,842,152	\$ 5,589,603	\$ 393,716	\$ 912,967

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



Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,295,665	\$ 9,811,394
1,223,877	4,055,043
11,780	320,316
-	650,000
134,450	935,979
-	46,326
-	23,238
-	561,914
<u>\$ 2,665,772</u>	<u>\$ 16,404,210</u>
\$ 79,858	\$ 568,523
-	142,190
-	60,077
<u>79,858</u>	<u>770,790</u>
1,036,571	1,131,135
1,001,901	7,954,246
553,172	553,172
-	12,157
(5,730)	5,982,710
<u>2,585,914</u>	<u>15,633,420</u>
<u>\$ 2,665,772</u>	<u>\$ 16,404,210</u>

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CITY OF SEBASTIAN, FLORIDA

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
September 30, 2019

Fund balances - total governmental funds	\$ 15,633,420
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	9,329,009
Capital assets being depreciated, net	29,735,958
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	(1,984,000)
Compensated absences	(1,437,062)
Pollution remediation liability	(91,200)
Accrued interest on long-term debt	(14,643)
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	(4,091,018)
Deferred outflows related to the net pension liability	1,123,453
Deferred inflows related to the net pension liability	(90,346)
Net position of governmental activities	<u>\$ 48,113,571</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, 2019

	General	Discretionary Sales Tax	Riverfront Redevelopment	Stormwater Utility
Revenues				
Taxes:				
Property	\$ 3,941,543	\$ -	\$ 384,216	\$ -
Public utility	2,882,460	-	-	-
Franchise fees	1,343,744	-	-	-
Licenses and permits	146,812	-	-	-
Intergovernmental	3,613,868	3,524,825	-	-
Impact fees	-	-	-	-
Charges for services	548,099	-	-	2,038,668
Fines	50,996	-	-	-
Investment earnings	155,213	115,750	14,101	37,764
Other revenues	237,470	-	39,000	-
Contributions and donations	28,996	-	-	-
Total revenues	12,949,201	3,640,575	437,317	2,076,432
Expenditures				
Current:				
General government	3,475,174	-	2,928	-
Public safety	6,030,609	-	-	-
Physical environment	170,036	-	-	1,403,424
Transportation	1,062,207	-	-	-
Economic environment	-	9,675	393,311	-
Culture and recreation	1,004,381	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	381,798	-	-	-
Total expenditures	12,124,205	9,675	396,239	1,403,424
Revenues over (under) expenditures	824,996	3,630,900	41,078	673,008
Other financing sources (uses)				
Transfers in	23,928	-	20,457	-
Transfers out	(23,244)	(1,600,870)	(111,245)	(133,759)
Total other financing sources (uses)	684	(1,600,870)	(90,788)	(133,759)
Net changes in fund balances	825,680	2,030,030	(49,710)	539,249
Fund balances, beginning of year	5,373,381	3,554,598	423,814	350,464
Fund balances, end of year	\$ 6,199,061	\$ 5,584,628	\$ 374,104	\$ 889,713

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,325,759
-	2,882,460
-	1,343,744
-	146,812
857,637	7,996,330
129,550	129,550
111,350	2,698,117
150	51,146
55,829	378,657
1,500	277,970
8,800	37,796
<u>1,164,816</u>	<u>20,268,341</u>
58,052	3,536,154
5,066	6,035,675
298,393	1,871,853
80,205	1,142,412
-	402,986
22,990	1,027,371
601,000	601,000
45,846	45,846
1,827,995	2,209,793
<u>2,939,547</u>	<u>16,873,090</u>
<u>(1,774,731)</u>	<u>3,395,251</u>
2,407,043	2,451,428
<u>(786,806)</u>	<u>(2,655,924)</u>
<u>1,620,237</u>	<u>(204,496)</u>
(154,494)	3,190,755
<u>2,740,408</u>	<u>12,442,665</u>
<u>\$ 2,585,914</u>	<u>\$ 15,633,420</u>

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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, 2019

Net change in fund balances - total governmental funds \$ 3,190,755

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	2,209,793
Depreciation expense	(3,228,433)
Loss on disposal of capital assets	(70,373)

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	601,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable on long-term debt	7,307
Change in the accrual for compensated absences	(32,510)
Change in the net pension liability and related deferred amounts	(202,644)

Change in net position of governmental activities \$ 2,474,895

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 3,816,814	\$ 3,816,814	\$ 3,941,543	\$ 124,729
Public utility	2,935,950	2,935,950	2,882,460	(53,490)
Franchise fees	1,394,340	1,394,340	1,343,744	(50,596)
Licenses and permits	143,100	143,100	146,812	3,712
Intergovernmental	3,651,250	3,651,250	3,613,868	(37,382)
Charges for services	549,902	549,902	548,099	(1,803)
Fines	50,578	50,578	50,996	418
Investment earnings	80,650	80,650	155,213	74,563
Contributions and donations	48,414	48,414	28,996	(19,418)
Other revenues	207,700	207,700	237,470	29,770
Total revenues	12,878,698	12,878,698	12,949,201	70,503
Expenditures				
Current:				
General government	3,632,313	3,632,313	3,475,174	(157,139)
Public safety	6,148,527	6,148,527	6,030,609	(117,918)
Physical environment	178,475	178,475	170,036	(8,439)
Transportation	1,155,037	1,155,037	1,062,207	(92,830)
Culture and recreation	1,109,181	1,109,181	1,004,381	(104,800)
Capital outlay	372,193	372,193	381,798	9,605
Total expenditures	12,595,726	12,595,726	12,124,205	(471,521)
Revenues over (under) expenditures	282,972	282,972	824,996	542,024
Other financing sources (uses)				
Transfers in	187,513	187,513	23,928	(163,585)
Transfers out	(470,485)	(470,485)	(23,244)	447,241
Total other financing sources (uses)	(282,972)	(282,972)	684	283,656
Net changes in fund balance	-	-	825,680	825,680
Fund balance, beginning of year	5,373,381	5,373,381	5,373,381	-
Fund balance, end of year	\$ 5,373,381	\$ 5,373,381	\$ 6,199,061	\$ 825,680

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 3,572,500	\$ 3,572,500	\$ 3,524,825	\$ (47,675)
Investment earnings	63,107	63,107	115,750	52,643
Total revenues	<u>3,635,607</u>	<u>3,635,607</u>	<u>3,640,575</u>	<u>4,968</u>
Expenditures				
Current:				
Economic environment	30,950	30,950	9,675	(21,275)
Revenues over expenditures	<u>3,604,657</u>	<u>3,604,657</u>	<u>3,630,900</u>	<u>26,243</u>
Other financing sources (uses)				
Transfers in	1,266,331	1,266,331	-	(1,266,331)
Transfers out	(4,870,988)	(4,870,988)	(1,600,870)	3,270,118
Total other financing sources (uses)	<u>(3,604,657)</u>	<u>(3,604,657)</u>	<u>(1,600,870)</u>	<u>2,003,787</u>
Net changes in fund balance	-	-	2,030,030	2,030,030
Fund balance, beginning of year	<u>3,554,598</u>	<u>3,554,598</u>	<u>3,554,598</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,554,598</u>	<u>\$ 3,554,598</u>	<u>\$ 5,584,628</u>	<u>\$ 2,030,030</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 Balance Budget and Actual - Riverfront Redevelopment Special Revenue Fund For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Property	\$ 385,710	\$ 385,710	\$ 384,216	\$ (1,494)
Investment earnings	10,000	10,000	14,101	4,101
Other revenues	39,000	39,000	39,000	-
Total revenues	<u>434,710</u>	<u>434,710</u>	<u>437,317</u>	<u>2,607</u>
Expenditures				
Current:				
General government	1,990	1,990	2,928	938
Economic environment	471,402	471,402	393,311	(78,091)
Total expenditures	<u>473,392</u>	<u>473,392</u>	<u>396,239</u>	<u>(77,153)</u>
Revenues over (under) expenditures	<u>(38,682)</u>	<u>(38,682)</u>	<u>41,078</u>	<u>79,760</u>
Other financing sources (uses)				
Transfers in	220,927	220,927	20,457	(200,470)
Transfers out	(116,245)	(116,245)	(111,245)	5,000
Total other financing sources (uses)	<u>104,682</u>	<u>104,682</u>	<u>(90,788)</u>	<u>(195,470)</u>
Net changes in fund balance	66,000	66,000	(49,710)	(115,710)
Fund balance, beginning of year	<u>423,814</u>	<u>423,814</u>	<u>423,814</u>	<u>-</u>
Fund balance, end of year	<u>\$ 489,814</u>	<u>\$ 489,814</u>	<u>\$ 374,104</u>	<u>\$ (115,710)</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 Balance

Budget and Actual - Stormwater Utility Special Revenue Fund

For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 1,995,000	\$ 1,995,000	\$ 2,038,668	\$ 43,668
Investment earnings	19,000	19,000	37,764	18,764
Total revenues	2,014,000	2,014,000	2,076,432	62,432
Expenditures				
Current:				
Physical environment	1,609,702	1,609,702	1,403,424	(206,278)
Salaries	-	-	-	-
Total expenditures	1,609,702	1,609,702	1,403,424	(206,278)
Revenues over expenditures	404,298	404,298	673,008	268,710
Other financing sources (uses)				
Transfers in	(270,539)	(270,539)	-	270,539
Transfers out	(133,759)	(133,759)	(133,759)	-
Total other financing uses	(404,298)	(404,298)	(133,759)	270,539
Net change in fund balance	-	-	539,249	539,249
Fund balance, beginning of year	350,464	350,464	350,464	-
Fund balance, end of year	\$ 350,464	\$ 350,464	\$ 889,713	\$ 539,249

CITY OF SEBASTIAN, FLORIDA

Statement of Net Position

Proprietary Funds
September 30, 2019

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 22,831	\$ 300,794	\$ 525,334	\$ 848,959
Investments	-	-	223,713	223,713
Accounts receivable	-	8,786	-	8,786
Due from other governments	-	23,002	-	23,002
Inventories	14,491	-	-	14,491
Deposits held in escrow	493	16	493	1,002
Prepaid items	5,028	45	736	5,809
Total current assets	42,843	332,643	750,276	1,125,762
Noncurrent assets:				
Advance to other funds	-	-	1,205,294	1,205,294
Capital assets:				
Land	-	9,060	-	9,060
Buildings	718,983	9,367,542	-	10,086,525
Improvements other than buildings	1,179,193	1,688,866	-	2,868,059
Machinery and equipment	418,908	1,036,253	117,037	1,572,198
Infrastructure	1,438,540	9,596,026	-	11,034,566
Construction in process	-	2,480,807	-	2,480,807
Less accumulated depreciation	(1,937,699)	(8,880,736)	(80,758)	(10,899,193)
Total noncurrent assets	1,817,925	15,297,818	1,241,573	18,357,316
Total assets	1,860,768	15,630,461	1,991,849	19,483,078
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	14,578	222,504	24,752	261,834
Due to other funds	500,000	150,000	-	650,000
Due to other governments	6,023	1,774	5,752	13,549
Unearned revenues	63,830	1,911	7,805	73,546
Current portion of compensated absences	3,580	42	5,007	8,629
Current portion of leases payable	51,768	-	-	51,768
Total current liabilities	639,779	376,231	43,316	1,059,326
Noncurrent liabilities:				
Compensated absences, net of current portion	87,632	1,021	122,565	211,218
Advance from other fund	1,205,294	561,914	-	1,767,208
Leases payable	104,403	-	-	104,403
Net other postemployment benefit obligation	-	-	-	-
Total noncurrent liabilities	1,397,329	562,935	122,565	2,082,829
Total liabilities	2,037,108	939,166	165,881	3,142,155
Net position				
Net investment in capital assets	1,661,754	15,297,818	36,279	16,995,851
Unrestricted (deficit)	(1,838,094)	(606,523)	1,789,689	(654,928)
Total net position	\$ (176,340)	\$ 14,691,295	\$ 1,825,968	\$ 16,340,923

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, 2019

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Operating revenues				
Charges for fees and rents:				
Building permit fees	\$ -	\$ -	\$ 864,068	\$ 864,068
Golf course fees	1,364,555	-	-	1,364,555
Rents	27,463	443,628	-	471,091
Other revenues	8,921	92,814	-	101,735
Total operating revenues	<u>1,400,939</u>	<u>536,442</u>	<u>864,068</u>	<u>2,801,449</u>
Operating expenses				
Salaries, wages and employee benefits	367,734	122,348	593,832	1,083,914
Contractual services, materials and supplies	940,405	318,839	100,861	1,360,105
Depreciation	219,216	873,173	21,153	1,113,542
Total operating expenses	<u>1,527,355</u>	<u>1,314,360</u>	<u>715,846</u>	<u>3,557,561</u>
Operating income (loss)	<u>(126,416)</u>	<u>(777,918)</u>	<u>148,222</u>	<u>(756,112)</u>
Nonoperating revenues (expenses)				
Investment income (loss)	-	(6,628)	15,127	8,499
Interest expense	(6,394)	(21,820)	-	(28,214)
Gain on sale of capital assets	321	46,450	-	46,771
Total nonoperating revenues (expenses)	<u>(6,073)</u>	<u>18,002</u>	<u>15,127</u>	<u>27,056</u>
Income (loss) before capital contributions and transfers	<u>(132,489)</u>	<u>(759,916)</u>	<u>163,349</u>	<u>(729,056)</u>
Capital contributions	-	2,670,116	-	2,670,116
Transfers in	-	204,496	8,604	213,100
Transfers out	<u>(8,604)</u>	<u>-</u>	<u>-</u>	<u>(8,604)</u>
Change in net position	<u>(141,093)</u>	<u>2,114,696</u>	<u>171,953</u>	<u>2,145,556</u>
Net position, beginning of year	<u>(35,247)</u>	<u>12,576,599</u>	<u>1,654,015</u>	<u>14,195,367</u>
Net position, end of year	<u>\$ (176,340)</u>	<u>\$ 14,691,295</u>	<u>\$ 1,825,968</u>	<u>\$ 16,340,923</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, 2019

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 1,399,615	\$ 793,554	\$ 864,268	\$ 3,057,437
Cash payments to suppliers	(940,435)	(101,626)	(96,339)	(1,138,400)
Cash payments for employee services	(364,055)	(153,204)	(574,886)	(1,092,145)
Net cash provided (used) by operating activities	95,125	538,724	193,043	826,892
Cash flows from noncapital financing activities				
Interest paid on advance from other fund	(6,394)	(21,406)	-	(27,800)
Cash payments to other funds	(44,404)	(60,000)	29,764	(74,640)
Cash receipts from other funds	(29,764)	155,819	8,604	134,659
Net cash provided (used) by noncapital financing activities	(80,562)	74,413	38,368	32,219
Cash flows from capital and related financing activities				
Repayment of long term debt	(49,996)	-	-	(49,996)
Acquisition and construction of capital assets	(10,892)	(3,094,805)	-	(3,105,697)
Proceeds from sale of capital assets	4,744	60,701	-	65,445
Receipts from capital contributions	-	2,670,116	-	2,670,116
Net cash provided (used) by capital and related financing activities	(56,144)	(363,988)	-	(420,132)
Cash flows from investing activities				
Purchase of investments	-	-	(104,524)	(104,524)
Investment income (loss)	-	(6,627)	15,127	8,500
Net cash provided (used) by investing activities	-	(6,627)	(89,397)	(96,024)
Net increase (decrease) in cash and cash equivalents	(41,581)	242,522	142,014	342,955
Cash and cash equivalents, beginning of year	64,412	58,272	383,320	506,004
Cash and cash equivalents, end of year	\$ 22,831	\$ 300,794	\$ 525,334	\$ 848,959

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CITY OF SEBASTIAN, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2019

	Business-type Activities - Enterprise Funds			
	Golf Course	Airport	Building	Total
Cash flow from operating activities:				
Operating income (loss)	\$ (126,416)	\$ (777,918)	\$ 148,222	\$ (756,112)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	219,216	873,173	21,153	1,113,542
Change in:				
Accounts receivable	-	(8,401)	-	(8,401)
Due from other governments	-	272,631	-	272,631
Inventories	(1,671)	8,945	-	7,274
Deposits held in escrow	-	600	-	600
Prepaid items	3,441	11,070	3,604	18,115
Accounts payable and accrued liabilities	(1,800)	197,198	918	196,316
Due to other governments	(424)	311	(55)	(168)
Unearned revenues	(900)	(7,429)	255	(8,074)
Accrued compensated absences	3,679	(31,456)	18,946	(8,831)
Total adjustments	221,541	1,316,642	44,821	1,583,004
Net cash provided (used) by operating activities	\$ 95,125	\$ 538,724	\$ 193,043	\$ 826,892

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, 2019

	Pension Trust	Agency
	Police Officers' Pension	Performance Deposits
Assets		
Cash and cash equivalents	\$ -	\$ 10,750
Receivables:		
Interest and dividends	30,168	-
Investments, at fair value:		
Local government surplus trust funds investment pools	-	92,340
Money market funds	566,238	-
United States treasuries	47,238	-
United States agencies	198,054	-
Collateralized mortgage obligations	1,747,909	-
Unit Investment trusts	163,813	-
Municipal obligations	168,172	-
Domestic corporate bonds	1,248,296	-
Foreign corporate bonds	324,014	-
Domestic corporate equities	9,802,486	-
Foreign corporate equities	784,942	-
Exchange-traded fund equities	14,305	-
Real estate investment trust	718,484	-
Total investments	15,783,951	92,340
Total assets	15,814,119	\$ 103,090
Liabilities		
Refunds payable	-	\$ 103,090
Net position		
Restricted for pension benefits	\$ 15,814,119	

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, 2019

	Police Officers' Pension
Additions	
Contributions:	
Employer	\$ 595,045
Plan members	276,244
State	198,770
Total contributions	<u>1,070,059</u>
Investment income:	
Net increase (decrease) in fair value of investments	(25,372)
Interest and dividends	398,542
Total investment income	<u>373,170</u>
Investment expenses	<u>(111,282)</u>
Net investment earnings	<u>261,888</u>
Total additions	<u>1,331,947</u>
Deductions	
Benefits	617,282
Administrative expenses	67,866
Total deductions	<u>685,148</u>
Change in net position	646,799
Net position, beginning of year	<u>15,167,320</u>
Net position, end of year	<u>\$ 15,814,119</u>

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sebastian (the "City"), a Florida Municipal Corporation, was incorporated in 1924 under Sections 1826-1832 of the Revised Florida Statutes. The City has a population of 24,630 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 *Stormwater Utility 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, 2019, 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. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that 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 was a minor violation in capital outlay. Additionally, there were minor violations in the Riverfront Redevelopment fund, Local Option Gas Tax Fund and the Law Enforcement Forfeiture Fund.

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, 2019:

Statement of Net Position	
Cash and cash equivalents	\$ 10,057,647
Restricted cash and cash equivalents	602,706
Investments	3,420,567
Permanently restricted investments	858,189
Statement of Fiduciary Net Position	
Police Officers' Pension -	
Investments	15,783,951
Agency funds:	
Cash and cash equivalents	10,750
Investments	92,340
Total	<u><u>\$ 30,826,150</u></u>
Deposits and investments	
Bank deposits -	
Checking and savings accounts	\$ 10,668,673
Investments:	
Investments, at fair value	4,371,096
Police officers' pension fund investments	15,783,951
Cash on hand	2,430
Total	<u><u>\$ 30,826,150</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, 2019, the carrying amount of the City of Sebastian's deposits with banks was \$10,668,673 and the bank balance was \$10,917,450. 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, 2019, 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")	\$ 3,843,185	\$ -	\$ 3,843,185	\$ -	\$ -	\$ -
Florida Local Government Investment Trust	527,911	-	527,911	-	-	-
	<u>\$ 4,371,096</u>	<u>\$ -</u>	<u>\$ 4,371,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Police officers' pension fund investments						
Money market	\$ 566,238	\$ -	\$ 566,238	\$ -	\$ -	\$ -
United States treasuries	47,238	-	-	6,030	-	41,208
United States agencies	198,054	-	-	102,642	-	95,412
Collateralized mortgage obligations	1,747,909	-	506	485	280,982	1,465,936
Unit Investment trusts	163,813	-	163,813	-	-	-
Municipal obligations	168,172	-	-	68,120	100,052	-
Domestic corporate bonds	1,248,296	-	-	605,000	270,677	372,619
Foreign corporate bonds	324,014	-	-	161,447	120,920	41,647
Domestic corporate equities	9,802,486	9,802,486	-	-	-	-
Foreign corporate equities	784,942	784,942	-	-	-	-
EFT equities	14,305	14,305	-	-	-	-
Real estate investment trust	718,484	718,484	-	-	-	-
	<u>\$ 15,783,951</u>	<u>\$ 11,320,217</u>	<u>\$ 730,557</u>	<u>\$ 943,724</u>	<u>\$ 772,631</u>	<u>\$ 2,016,822</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, 2019, 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, 2019, the City had \$3,843,185 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, 2019 and amounts may be withdrawn without penalty. Additionally, the City had \$527,911 invested in the Florida Local Government Investment Trust which had a rating by Standard and Poor's Rating Services as "AAA" on September 30, 2019.

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, 2019, 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")	\$ 3,843,185	87.92%	\$ -	0.00%	AAAm
Florida Local Government Investment Trust	527,911	12.08%	-	0.00%	AAAm
Money market	-	0.00%	566,238	3.59%	Not Rated
United States treasuries	-	0.00%	47,238	0.30%	AAA
United States agencies	-	0.00%	198,054	1.25%	AAA/B-
Collateralized mortgage obligations	-	0.00%	1,747,909	11.07%	AAA/A+
Unit Investment trusts	-	0.00%	163,813	1.04%	Not Rated
Municipal obligations	-	0.00%	168,172	1.07%	AAA/BBB
Domestic corporate bonds	-	0.00%	1,248,296	7.91%	AAA/BBB-
Foreign corporate bonds	-	0.00%	324,014	2.05%	AA/BBB-
Domestic corporate equities	-	0.00%	9,802,486	62.10%	Not Rated
Foreign corporate equities	-	0.00%	784,942	4.97%	Not Rated
EFT equities	-	0.00%	14,305	0.09%	Not Rated
Real estate investment trust	-	0.00%	718,484	4.55%	Not Rated
Total	\$ 4,371,096	100.00%	\$ 15,783,951	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, 2019:

	Level 1	Level 2	Level 3	Total
Local government surplus funds trust fund ("SBA")	\$ 3,843,185	\$ -	\$ -	\$ 3,843,185
Florida Local Government Investment Trust	527,911	-	-	527,911
Money market	566,238	-	-	566,238
United States treasuries	47,238	-	-	47,238
United States agencies	198,054	-	-	198,054
Collateralized mortgage obligations	-	1,747,909	-	1,747,909
Unit Investment trusts	163,813	-	-	163,813
Municipal obligations	-	168,172	-	168,172
Domestic corporate bonds	-	1,248,296	-	1,248,296
Foreign corporate bonds	-	324,014	-	324,014
Domestic corporate equities	8,647,248	1,155,238	-	9,802,486
Foreign corporate equities	784,942	-	-	784,942
EFT equities	14,305	-	-	14,305
Real estate investment trust	-	-	718,484	718,484
	<u>\$ 14,792,934</u>	<u>\$ 4,643,629</u>	<u>\$ 718,484</u>	<u>\$ 20,155,047</u>

4. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 320,316	\$ 8,786	\$ 329,102
Due from other governments	935,979	23,002	958,981
	<u>\$ 1,256,295</u>	<u>\$ 31,788</u>	<u>\$ 1,288,083</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	\$ 568,523	\$ 261,834	\$ 830,357
Due to other governments	142,190	13,549	155,739
	<u>\$ 710,713</u>	<u>\$ 275,383</u>	<u>\$ 986,096</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, 2019, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General Fund	\$ 650,000	\$ -
Golf Course	-	500,000
Airport	-	150,000
	<u>\$ 650,000</u>	<u>\$ 650,000</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	\$ -	\$ 25,000
Discretionary Sales Tax	-	536,914
Golf Course	1,205,294	-
Airport	561,914	-
Building	-	1,205,294
	<u>\$ 1,767,208</u>	<u>\$ 1,767,208</u>

The balance of \$536,914 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 \$25,000 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 \$1,205,294 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, 2019, interfund transfers consisted of the following:

	Transfers in	Transfers out
General Fund	\$ 23,928	\$ 23,244
Discretionary Sales Tax Fund	-	1,600,870
Riverfront Redevelopment Fund	20,457	111,245
Stormwater Utility Fund	-	133,759
Nonmajor Governmental Funds	2,407,043	786,806
Golf Course	-	8,604
Airport Fund	204,496	-
Building Fund	8,604	-
	<u>\$ 2,664,528</u>	<u>\$ 2,664,528</u>

7. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 9,123,041	\$ -	\$ -	\$ -	\$ 9,123,041
Construction in progress	188,759	1,852,947	(43,729)	(1,792,009)	205,968
	<u>9,311,800</u>	<u>1,852,947</u>	<u>(43,729)</u>	<u>(1,792,009)</u>	<u>9,329,009</u>
Capital assets, being depreciated:					
Buildings	14,103,789	24,696	(12,500)	153,697	14,269,682
Non-building improvements	7,227,964	38,327	(200,541)	44,338	7,110,088
Machinery and equipment	9,805,299	293,823	(742,017)	905,934	10,263,039
Infrastructure	42,583,530	-	(65,465)	688,040	43,206,105
	<u>73,720,582</u>	<u>356,846</u>	<u>(1,020,523)</u>	<u>1,792,009</u>	<u>74,848,914</u>
Less accumulated depreciation for:					
Buildings	(6,111,199)	(406,108)	10,573	-	(6,506,734)
Non-building improvements	(4,488,488)	(308,621)	197,584	-	(4,599,525)
Machinery and equipment	(7,581,820)	(948,296)	739,487	-	(7,790,629)
Infrastructure	(24,696,895)	(1,565,408)	46,235	-	(26,216,068)
	<u>(42,878,402)</u>	<u>(3,228,433)</u>	<u>993,879</u>	<u>-</u>	<u>(45,112,956)</u>
Total capital assets being depreciated, net	<u>30,842,180</u>	<u>(2,871,587)</u>	<u>(26,644)</u>	<u>1,792,009</u>	<u>29,735,958</u>
Governmental activities capital assets, net	<u>\$ 40,153,980</u>	<u>\$ (1,018,640)</u>	<u>\$ (70,373)</u>	<u>\$ -</u>	<u>\$ 39,064,967</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	\$ 9,060	\$ -	\$ -	\$ -	\$ 9,060
Construction in progress	56,228	3,049,055	-	(624,476)	2,480,807
	<u>65,288</u>	<u>3,049,055</u>	<u>-</u>	<u>(624,476)</u>	<u>2,489,867</u>
Capital assets, being depreciated:					
Buildings	9,447,955	21,700	-	616,870	10,086,525
Non-building improvements	2,864,828	-	(4,375)	7,606	2,868,059
Machinery and equipment	1,625,519	34,942	(88,263)	-	1,572,198
Infrastructure	11,034,566	-	-	-	11,034,566
	<u>24,972,868</u>	<u>56,642</u>	<u>(92,638)</u>	<u>624,476</u>	<u>25,561,348</u>
Less accumulated depreciation for:					
Buildings	(2,175,541)	(272,597)	-	-	(2,448,138)
Non-building improvements	(1,454,805)	(127,067)	3,184	-	(1,578,688)
Machinery and equipment	(968,485)	(193,297)	70,365	-	(1,091,417)
Infrastructure	(5,260,369)	(520,581)	-	-	(5,780,950)
	<u>(9,859,200)</u>	<u>(1,113,542)</u>	<u>73,549</u>	<u>-</u>	<u>(10,899,193)</u>
Total capital assets being depreciated, net	<u>15,113,668</u>	<u>(1,056,900)</u>	<u>(19,089)</u>	<u>624,476</u>	<u>14,662,155</u>
Business-type activities capital assets, net	<u>\$ 15,178,956</u>	<u>\$ 1,992,155</u>	<u>\$ (19,089)</u>	<u>\$ -</u>	<u>\$ 17,152,022</u>

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

Depreciation of governmental activities by function	
General government	\$ 419,304
Public safety	356,175
Physical environment	1,160,455
Transportation	887,069
Cultural and recreation	405,430
Total governmental activities	<u>\$ 3,228,433</u>
Depreciation of business-type activities by function	
Golf course	\$ 219,216
Airport	873,173
Building	21,153
Total business-type activities	<u>\$ 1,113,542</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, 2019, 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, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Notes from direct borrowings and direct placements	\$ 2,585,000	\$ -	\$ (601,000)	\$ 1,984,000	\$ 611,000
Compensated absences	1,404,552	498,245	(465,735)	1,437,062	136,485
Pollution remediation	91,200	-	-	91,200	-
Totals governmental activities	\$ 4,080,752	\$ 498,245	\$ (1,066,735)	\$ 3,512,262	\$ 747,485

Notes payable

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

\$ 820,000

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.

1,164,000

\$ 1,984,000

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, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 228,678	\$ 43,804	\$ (52,635)	\$ 219,847	8,629
Capital lease	206,167	-	(49,996)	156,171	51,768
Totals business-type activities	<u>\$ 434,845</u>	<u>\$ 43,804</u>	<u>\$ (102,631)</u>	<u>\$ 376,018</u>	<u>\$ 60,397</u>

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

Year Ended September 30,	Governmental Activities	
	Principal	Interest
2020	\$ 611,000	\$ 34,939
2021	620,000	23,868
2022	632,000	12,635
2023	121,000	1,174
	<u>\$ 1,984,000</u>	<u>\$ 72,616</u>
Year Ended September 30,	Business-type Activities	
	Principal	Interest
2020	\$ 51,768	\$ 4,623
2021	53,602	2,789
2022	50,801	890
	<u>\$ 156,171</u>	<u>\$ 8,302</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.

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

CITY OF SEBASTIAN, FLORIDA

Notes to Financial Statements

9. LEASES

Operating Leases - Lessee

The City is obligated under a lease for land accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations. Total costs for the lease was \$100,000 for the fiscal year ended September 30, 2019. 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, 2019:

Year Ended September 30,	Golf Course Lessee
2020	\$ 100,000
2021	100,000
2022	100,000
2023	100,000
2024	100,000
2025-2029	500,000
2030-2034	500,000
2035-2039	500,000
2040-2044	500,000
2045	<u>100,000</u>
Total	<u>\$ 2,600,000</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
2020	\$ 233,859
2021	236,460
2022	239,373
2023	221,667
2024	206,367
2025-2029	991,438
2030-2034	1,091,410
2035-2039	1,213,041
2040-2044	1,361,023
2045-2049	1,117,067
2050-2054	1,230,118
2055	<u>276,318</u>
Total	<u>\$ 8,418,141</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
2020	\$ 344,557
2021	351,856
2022	351,856
2023	351,856
2024	289,536
2025-2029	1,249,093
2030-2034	1,034,452
2035-2039	404,183
2040-2044	258,975
2045	<u>51,795</u>
Total	<u>\$ 4,688,159</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, 2019, was 3.1514 mills. Total tax collections were approximately 101% 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, 2018 to determine the required contribution for the fiscal year ending September 30, 2019. 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, 2019, 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, 2019, employee membership data was as follows:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	41
Total membership	<u>69</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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.79 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, 2019, were as follows:

Total pension liability	\$ 19,905,138
Less: Plan fiduciary net position	<u>(15,814,120)</u>
City's net pension liability	<u>\$ 4,091,018</u>
Plan fiduciary net position as percentage of total pension liability	79.45%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019 (the measurement date) using the following actuarial assumptions applied to all measurement periods.

Inflation	2.30%
Salary increases	Service based
Discount rate	7.20%
Investment rate of return	7.20%

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 13, 2019, 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, 2019 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%	5.32%	2.79%
International equity	12.50%	4.63%	0.58%
Fixed income	25.00%	1.50%	0.38%
Real Estate	5.00%	4.96%	0.25%
Master Limited Partnerships	5.00%	4.60%	0.23%
Total	<u>100.00%</u>		4.23%
Inflation			2.30%
Risk adjustments			0.67%
Investment rate of return			<u>7.20%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.20 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate.

	One Percent Decrease 6.20%	Current Discount Rate 7.20%	One Percent Increase 8.20%
Net Pension Liability	\$ 6,681,777	\$ 4,091,018	\$ 1,953,764

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, 2018	\$ 18,491,325	\$ 15,167,320	\$ 3,324,005
Changes for the year:			
Service cost	609,880	-	609,880
Interest on total pension liability	1,371,857	-	1,371,857
Differences between expected and actual experience	(25,912)	-	(25,912)
Assumption changes	22,520	-	22,520
Benefit payments, including refunds of employee contributions	(617,282)	(617,282)	-
Employer contributions	-	595,045	(595,045)
State contributions	-	198,770	(198,770)
Employee contributions	-	223,495	(223,495)
Buy back contributions	52,749	52,749	-
Pension plan net investment income	-	261,888	(261,888)
Administrative expense	-	(67,866)	67,866
Net changes	1,413,812	646,799	767,013
Balances at September 30, 2019	\$ 19,905,137	\$ 15,814,119	\$ 4,091,018

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, 2019, the City recognized pension expense of \$1,136,848. At September 30, 2019, 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	\$ 145,470	\$ 90,346	\$ 55,124
Changes in assumptions	542,267	-	542,267
Net difference between projected and actual earnings on pension plan investments	435,716	-	435,716
	<u>\$ 1,123,453</u>	<u>\$ 90,346</u>	<u>\$ 1,033,107</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
2020	\$ 219,159
2021	264,072
2022	357,512
2023	<u>192,364</u>
Total	<u>\$ 1,033,107</u>

Payable to the Pension Plan. At September 30, 2019, 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, 2019, was 69.

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 2018-2019 fiscal year. Employees do not contribute to this plan. Contributions to the CWA Pension Plan for the fiscal years ended September 30, 2016, 2017, 2018, and 2019 were \$200,889, \$204,035, \$217,695, and \$241,992, 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, 2019, 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 2018-2019 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, 2018, and 2019 were \$151,891, \$120,879, \$142,347, and \$151,754 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	Stormwater Utility	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 46,326	\$ -	\$ -	\$ -	\$ -	\$ 46,326
Prepays	23,238	-	-	-	-	23,238
Long-term advances	25,000	-	-	-	-	25,000
Permanent fund corpus	-	-	-	-	1,036,571	1,036,571
Total nonspendable	94,564	-	-	-	1,036,571	1,131,135
Restricted for:						
Debt service	-	-	-	-	178,562	178,562
Infrastructure	-	5,584,628	-	-	539,111	6,123,739
Redevelopment	-	-	374,104	-	-	374,104
Stormwater	-	-	-	889,713	247,172	1,136,885
Law enforcement	103,900	-	-	-	37,056	140,956
Total restricted	103,900	5,584,628	374,104	889,713	1,001,901	7,954,246
Committed for:						
Recreational system development	-	-	-	-	497,181	497,181
Development of public parking	-	-	-	-	55,991	55,991
Total committed	-	-	-	-	553,172	553,172
Assigned for:						
Law enforcement events	12,157	-	-	-	-	12,157
Unassigned (deficit)	5,988,440	-	-	-	(5,730)	5,982,710
Total fund balances, governmental funds	\$ 6,199,061	\$ 5,584,628	\$ 374,104	\$ 889,713	\$ 2,585,914	\$ 15,633,420

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, 2019, was as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets:			
Capital assets not being depreciated	\$ 9,329,009	\$ 2,489,867	\$ 11,818,876
Capital assets being depreciated, net	29,735,958	14,662,155	44,398,113
	<u>39,064,967</u>	<u>17,152,022</u>	<u>56,216,989</u>
Related debt:			
Notes payable	1,984,000	-	1,984,000
Capital lease	-	156,171	156,171
	<u>1,984,000</u>	<u>156,171</u>	<u>2,140,171</u>
Net investment in capital assets	<u>\$ 37,080,967</u>	<u>\$ 16,995,851</u>	<u>\$ 54,076,818</u>

17. COMMITMENTS AND CONTINGENCIES

Contracts and Other Commitments

The City has various contracts and commitments outstanding as of September 30, 2019. In the Capital Projects Fund, there are contracts for street repaving and reconstruction, replacing the Public Facilities Compound, making improvements to the Cemetery, constructing Pickleball Courts, improving the Working Waterfront, completing construction of Taxiway C and constructing Hangar D.

A summary of these projects at September 30, 2019 is as follows:

	Total Contract Price	Total Paid as of September 30, 2019	Encumbered at September 30, 2019
General Capital Projects - Major Fund			
Street Repaving & Reconstruction	\$ 414,750	\$ 8,000	\$ -
Public Facilities Compound	1,737,649	-	-
Pickleball Courts	479,762	120,751	326,929
Working Waterfront Phase 3	420,000	19,671	2,997
Taxiway C Construction	2,503,596	2,211,833	291,763
Construction of Hangar D	2,250,000	69,199	4,579
	<u>\$ 7,805,757</u>	<u>\$ 2,429,454</u>	<u>\$ 626,268</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, 2019	Fiscal Year Ending September 30, 2018	Fiscal Year Ending September 30, 2017
Total pension liability			
Service cost	\$ 609,880	\$ 589,149	\$ 479,778
Interest on total pension liability	1,371,857	1,270,670	1,179,511
Change in excess state money	-	(84,863)	-
Changes of benefit terms	-	-	613,973
Differences between expected and actual experience	(25,912)	164,601	20,758
Changes of assumptions	22,520	-	382,825
Contributions - buy back	52,749	-	-
Benefit payments, including refunds of employee contributions	(617,282)	(700,733)	(495,629)
Net change in total pension liability	1,413,812	1,238,824	2,181,216
Total pension liability, beginning of year	18,491,326	17,252,502	15,071,286
Total pension liability, end of year	19,905,138	18,491,326	17,252,502
Plan fiduciary net position			
Employer contributions	595,045	525,296	337,201
State contributions	198,770	188,923	168,628
Employee contributions	223,495	204,854	177,585
Buy back contributions	52,749	-	-
Pension plan net investment income (loss)	261,888	1,028,549	1,371,657
Benefit payments	(617,282)	(700,733)	(495,629)
Administrative expense	(67,866)	(82,088)	(45,633)
Net change in plan fiduciary net position	646,799	1,164,801	1,513,809
Plan fiduciary net position, beginning of year	15,167,321	14,002,520	12,488,711
Plan fiduciary net position, end of year	15,814,120	15,167,321	14,002,520
Net pension liability	\$ 4,091,018	\$ 3,324,005	\$ 3,249,982
Plan fiduciary net position as a percentage of total pension liability	79.45%	82.02%	81.16%
Covered payroll	\$ 2,793,692	\$ 2,560,670	\$ 2,438,012
Net pension liability as a percentage of covered payroll	146.44%	129.81%	133.30%

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

Changes in assumptions - The City revised certain actuarial assumptions in the October 1, 2018 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 7.30% to 7.20%.

Fiscal Year Ending September 30, 2016	Fiscal Year Ending September 30, 2015	Fiscal Year Ending September 30, 2014	Fiscal Year Ending September 30, 2013
\$ 418,143	\$ 403,611	\$ 396,147	\$ 367,653
1,027,558	979,259	914,243	853,018
-	22,218	24,386	-
-	(4,316)	-	-
59,175	(240,633)	-	-
626,069	223,200	-	-
-	-	-	-
<u>(493,765)</u>	<u>(496,363)</u>	<u>(452,892)</u>	<u>(465,435)</u>
1,637,180	886,976	881,884	755,236
<u>13,434,106</u>	<u>12,547,130</u>	<u>11,665,246</u>	<u>10,910,010</u>
<u>15,071,286</u>	<u>13,434,106</u>	<u>12,547,130</u>	<u>11,665,246</u>
322,998	320,179	401,103	396,603
169,027	145,700	147,868	145,961
167,309	161,270	160,494	154,683
-	-	-	-
1,067,139	(60,326)	951,910	1,029,818
(493,765)	(496,363)	(452,892)	(465,435)
<u>(28,025)</u>	<u>(39,673)</u>	<u>(27,815)</u>	<u>(32,153)</u>
1,204,683	30,787	1,180,668	1,229,477
<u>11,284,028</u>	<u>11,253,241</u>	<u>10,072,573</u>	<u>8,843,096</u>
<u>12,488,711</u>	<u>11,284,028</u>	<u>11,253,241</u>	<u>10,072,573</u>
<u>\$ 2,582,575</u>	<u>\$ 2,150,078</u>	<u>\$ 1,293,889</u>	<u>\$ 1,592,673</u>
82.86%	84.00%	89.69%	86.35%
\$ 2,263,866	\$ 2,154,612	\$ 2,106,767	\$ 2,131,399
114.08%	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%
2019	1.79%

(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%
2019	793,409	595,045	198,770	(406)	2,793,692	28.41%

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 15 Years (as of October 1, 2019)
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 2 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	10.00%
	Less than 2 years	0.00%
Payroll growth	2.41% 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
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
2019	241,992

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.

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

CITY OF SEBASTIAN, FLORIDA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2019

	Special Revenue Funds				Debt Service
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Law Enforcement Forfeiture	Stormwater Utility Revenue Bonds 2003
Assets					
Cash and cash equivalents	\$ 427,022	\$ -	\$ 261,757	\$ 4,180	\$ 178,562
Investments	53,177	55,991	235,424	21,096	-
Accounts receivable	-	-	-	11,780	-
Due from other governments	62,912	-	-	-	-
Total assets	<u>\$ 543,111</u>	<u>\$ 55,991</u>	<u>\$ 497,181</u>	<u>\$ 37,056</u>	<u>\$ 178,562</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 4,000	\$ -	\$ -	\$ -	\$ -
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	539,111	-	-	37,056	178,562
Committed	-	55,991	497,181	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>539,111</u>	<u>55,991</u>	<u>497,181</u>	<u>37,056</u>	<u>178,562</u>
Total liabilities and fund balances	<u>\$ 543,111</u>	<u>\$ 55,991</u>	<u>\$ 497,181</u>	<u>\$ 37,056</u>	<u>\$ 178,562</u>

Capital Projects Funds				Permanent	Total Nonmajor Governmental Funds
Capital Projects	Capital Improvements	Transportation Improvements	Stormwater Utility Improvements	Cemetery	
\$ -	\$ 68,605	\$ -	\$ 177,157	\$ 178,382	\$ 1,295,665
-	-	-	-	858,189	1,223,877
-	-	-	-	-	11,780
-	-	-	71,538	-	134,450
<u>\$ -</u>	<u>\$ 68,605</u>	<u>\$ -</u>	<u>\$ 248,695</u>	<u>\$ 1,036,571</u>	<u>\$ 2,665,772</u>
\$ -	\$ 74,335	\$ -	\$ 1,523	\$ -	\$ 79,858
-	-	-	-	1,036,571	1,036,571
-	-	-	247,172	-	1,001,901
-	-	-	-	-	553,172
-	(5,730)	-	-	-	(5,730)
-	(5,730)	-	247,172	1,036,571	2,585,914
<u>\$ -</u>	<u>\$ 68,605</u>	<u>\$ -</u>	<u>\$ 248,695</u>	<u>\$ 1,036,571</u>	<u>\$ 2,665,772</u>

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2019

	Special Revenue Funds				Debt Service
	Local Option Gas Tax	Parking In-Lieu-of	Recreation Impact Fee	Law Enforcement Forfeiture	Stormwater Utility Revenue Bonds 2003
Revenues					
Intergovernmental	\$ 724,318	\$ -	\$ -	\$ 11,780	\$ -
Impact fees	-	-	129,550	-	-
Charges for services	-	-	-	-	-
Fines	-	-	-	150	-
Investment earnings	8,902	1,393	14,251	995	5,464
Other revenues	-	-	-	1,500	-
Contributions and donations	-	-	-	-	-
Total revenues	733,220	1,393	143,801	14,425	5,464
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	5,066	-
Physical environment	-	-	-	-	-
Transportation	80,205	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	224,000	-	-	-	377,000
Interest and fiscal charges	19,187	-	-	-	26,659
Capital outlay	-	-	-	16,425	-
Total expenditures	323,392	-	-	21,491	403,659
Revenues over (under) expenditures	409,828	1,393	143,801	(7,066)	(398,195)
Other financing sources (uses)					
Transfers in	-	-	-	-	402,914
Transfers out	(424,061)	-	(299,689)	-	-
Total other financing sources (uses)	(424,061)	-	(299,689)	-	402,914
Net change in fund balances	(14,233)	1,393	(155,888)	(7,066)	4,719
Fund balances, beginning of year	553,344	54,598	653,069	44,122	173,843
Fund balances, end of year	\$ 539,111	\$ 55,991	\$ 497,181	\$ 37,056	\$ 178,562

Capital Projects Funds				Permanent	Total Nonmajor Governmental Funds
Capital Projects	Capital Improvements	Transportation Improvements	Stormwater Utility Improvements	Cemetery	
\$ -	\$ 50,001	\$ -	\$ 71,538	\$ -	\$ 857,637
-	-	-	-	-	129,550
-	-	-	-	111,350	111,350
-	-	-	-	-	150
-	-	-	-	24,824	55,829
-	-	-	-	-	1,500
8,800	-	-	-	-	8,800
<u>8,800</u>	<u>50,001</u>	<u>-</u>	<u>71,538</u>	<u>136,174</u>	<u>1,164,816</u>
58,052	-	-	-	-	58,052
-	-	-	-	-	5,066
-	55,480	-	187,913	55,000	298,393
-	-	-	-	-	80,205
-	22,990	-	-	-	22,990
-	-	-	-	-	601,000
-	-	-	-	-	45,846
799,191	343,008	449,127	217,894	2,350	1,827,995
<u>857,243</u>	<u>421,478</u>	<u>449,127</u>	<u>405,807</u>	<u>57,350</u>	<u>2,939,547</u>
<u>(848,443)</u>	<u>(371,477)</u>	<u>(449,127)</u>	<u>(334,269)</u>	<u>78,824</u>	<u>(1,774,731)</u>
848,443	368,795	449,127	337,764	-	2,407,043
-	-	-	(23,928)	(39,128)	(786,806)
<u>848,443</u>	<u>368,795</u>	<u>449,127</u>	<u>313,836</u>	<u>(39,128)</u>	<u>1,620,237</u>
-	(2,682)	-	(20,433)	39,696	(154,494)
-	(3,048)	-	267,605	996,875	2,740,408
<u>\$ -</u>	<u>\$ (5,730)</u>	<u>\$ -</u>	<u>\$ 247,172</u>	<u>\$ 1,036,571</u>	<u>\$ 2,585,914</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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 753,595	\$ 753,595	\$ 724,318	\$ (29,277)
Investment earnings	3,764	3,764	8,902	5,138
Total revenues	757,359	757,359	733,220	(24,139)
Expenditures				
Current:				
Transportation	102,700	102,700	80,205	(22,495)
Debt service:				
Principal	224,000	224,000	224,000	-
Interest and fiscal charges	19,177	19,177	19,187	10
Capital outlay	3,200	3,200	-	(3,200)
Total expenditures	349,077	349,077	323,392	(25,685)
Revenues over expenditures	408,282	408,282	409,828	1,546
Other financing uses				
Transfers out	(877,392)	(877,392)	(424,061)	453,331
Net changes in fund balance	(469,110)	(469,110)	(14,233)	454,877
Fund balance, beginning of year	553,344	553,344	553,344	-
Fund balance, end of year	\$ 84,234	\$ 84,234	\$ 539,111	\$ 454,877

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment earnings	\$ 406	\$ 406	\$ 1,393	\$ 987
Fund balance, beginning of year	<u>54,598</u>	<u>54,598</u>	<u>54,598</u>	<u>-</u>
Fund balance, end of year	<u>\$ 55,004</u>	<u>\$ 55,004</u>	<u>\$ 55,991</u>	<u>\$ 987</u>

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Impact fees	\$ 163,800	\$ 163,800	\$ 129,550	\$ (34,250)
Investment earnings	10,428	10,428	14,251	3,823
Total revenues	174,228	174,228	143,801	(30,427)
Other financing uses				
Transfers out	(592,643)	(592,643)	(299,689)	292,954
Net change in fund balance	(418,415)	(418,415)	(155,888)	262,527
Fund balance, beginning of year	653,069	653,069	653,069	-
Fund balance, end of year	\$ 234,654	\$ 234,654	\$ 497,181	\$ 262,527

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 11,780	\$ 11,780
Fines	1,000	1,000	150	(850)
Investment earnings	145	145	995	850
Other revenues	-	-	1,500	1,500
Total revenues	1,145	1,145	14,425	13,280
Expenditures				
Current:				
Public safety	-	-	5,066	5,066
Capital outlay	-	-	16,425	16,425
Total expenditures	-	-	21,491	21,491
Net change in fund balance	1,145	1,145	(7,066)	(8,211)
Fund balance, beginning of year	44,122	44,122	44,122	-
Fund balance, end of year	\$ 45,267	\$ 45,267	\$ 37,056	\$ (8,211)

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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment earnings	\$ 900	\$ 900	\$ 5,464	\$ 4,564
Expenditures				
Debt service:				
Principal	377,000	377,000	377,000	-
Interest and fiscal charges	26,659	26,659	26,659	-
Total expenditures	403,659	403,659	403,659	-
Revenues under expenditures	(402,759)	(402,759)	(398,195)	4,564
Other financing sources				
Transfers in	403,792	403,792	402,914	(878)
Net change in fund balance	1,033	1,033	4,719	3,686
Fund balance, beginning of year	173,843	173,843	173,843	-
Fund balance, end of year	\$ 174,876	\$ 174,876	\$ 178,562	\$ 3,686

AGENCY FUND

CITY OF SEBASTIAN, FLORIDA

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended September 30, 2019

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
<i>Performance Deposits</i>				
Assets				
Cash and cash equivalents	\$ 6,930	\$ -	\$ 3,820	\$ 10,750
Investments, at fair value	73,750	18,590	-	92,340
Total assets	<u>\$ 80,680</u>	<u>\$ 18,590</u>	<u>\$ 3,820</u>	<u>\$ 103,090</u>
Liabilities				
Refunds payable	<u>\$ 80,680</u>	<u>\$ 18,590</u>	<u>\$ 3,820</u>	<u>\$ 103,090</u>

CAPITAL ASSETS

CITY OF SEBASTIAN, FLORIDA

Comparative Schedule by Source

Capital Assets Used in the Operation of Governmental Funds
September 30, 2019

	2019	2018
Governmental funds capital assets		
Land	\$ 9,123,041	\$ 9,123,041
Buildings and structures	14,269,682	14,103,789
Non-building improvements	7,110,088	7,227,964
Machinery and equipment	10,263,039	9,805,299
Infrastructure	43,206,105	42,583,530
Construction in progress	205,968	188,759
	<u>84,177,923</u>	<u>83,032,382</u>
Total governmental funds capital assets	\$ 84,177,923	\$ 83,032,382
Investment in governmental funds capital assets (by sources)		
Federal grants	\$ 4,479,115	\$ 4,483,123
State grants	2,940,621	2,940,621
County grants	507,031	507,031
General Fund	12,142,790	12,817,734
Law enforcement trust fund	102,460	97,815
Recreational impact fee	3,124,996	2,849,566
Stormwater utility fee	8,490,537	8,347,685
Riverfront redevelopment	2,693,061	2,693,061
Cemetery trust fund	634,728	599,879
Donations	2,931,511	2,931,511
Sales taxes	26,508,741	25,566,085
Motor fuel taxes	4,925,363	4,501,302
Revenue bond debt	13,816,786	13,816,786
Parking in Lieu of Fee	90,621	90,621
Capital projects	789,562	789,562
	<u>84,177,923</u>	<u>83,032,382</u>
Total investment in governmental funds capital assets	\$ 84,177,923	\$ 83,032,382

CITY OF SEBASTIAN, FLORIDA

Schedule by Function and Activity

Capital Assets Used in the Operation of Governmental Funds
September 30, 2019

Functions / Programs	Land	Buildings	Non-Building Improvements	Machinery and Equipment	Infrastructure	Total
General government:						
City manager	\$ -	\$ -	\$ -	\$ 49,954	\$ -	\$ 49,954
City clerk	-	-	-	4,003	-	4,003
Administrative services	-	-	1,100	2,294	-	3,394
MIS	-	5,841	56,151	1,252,728	-	1,314,720
Audio visual/broadcast	-	-	-	18,420	-	18,420
Facilities maintenance	-	1,092,733	32,086	431,872	-	1,556,691
Community development	-	84,426	-	55,374	-	139,800
Non-departmental	4,474,459	6,184,992	143,042	209,000	52,699	11,064,192
Total general government	4,474,459	7,367,992	232,379	2,023,645	52,699	14,151,174
Public safety:						
Special operations	-	-	-	29,993	-	29,993
Administration	9,560	3,799,272	89,320	345,328	-	4,243,480
School resource	-	-	-	37,520	-	37,520
Road patrol	-	-	-	3,296,288	-	3,296,288
Community policing	-	-	-	7,260	-	7,260
Code enforcement	-	-	-	54,856	-	54,856
Investigations	-	-	1,700	394,504	-	396,204
Communications	-	-	-	20,286	-	20,286
Building department	-	-	-	6,295	-	6,295
Total public safety	9,560	3,799,272	91,020	4,192,330	-	8,092,182
Transportation:						
Central garage	-	130,489	114,192	229,999	674	475,354
Roads and drainage	47,125	166,907	1,087,622	1,255,235	20,374,216	22,931,105
Total transportation	47,125	297,396	1,201,814	1,485,234	20,374,890	23,406,459
Economic environment:						
Non-departmental	2,308,392	1,040,590	6,562	-	-	3,355,544
Physical environment:						
Stormwater	-	-	3,870	1,812,886	20,392,692	22,209,448
Cemetery	572,181	201,153	110,204	84,271	22,717	990,526
Total physical environment	572,181	201,153	114,074	1,897,157	20,415,409	23,199,974
Culture/recreation:						
Parks and recreation	1,711,324	1,563,279	5,464,239	664,673	2,363,107	11,766,622
Total	\$ 9,123,041	\$ 14,269,682	\$ 7,110,088	\$ 10,263,039	\$ 43,206,105	83,971,955
Construction in progress						205,968
Total						\$ 84,177,923

CITY OF SEBASTIAN, FLORIDA

Schedule of Changes by Function and Activity
 Capital Assets Used in the Operation of Governmental Funds
 September 30, 2019

Functions / Programs	Capital Assets October 1, 2018	Additions	Disposals	Transfers In	Transfers Out	Capital Assets September 30, 2019
General government:						
City manager	\$ 49,954	\$ -	\$ -	\$ -	\$ -	\$ 49,954
City clerk	4,003	-	-	-	-	4,003
Administrative services	4,744	-	-	-	1,350	3,394
MIS	1,039,037	127,701	150,663	298,645	-	1,314,720
Audio visual/broadcast	18,420	-	-	-	-	18,420
Facilities maintenance	1,542,392	42,424	14,225	6,895	20,795	1,556,691
Community development	139,800	-	-	-	-	139,800
Non-departmental	11,047,789	16,403	-	-	-	11,064,192
Total general government	13,846,139	186,528	164,888	305,540	22,145	14,151,174
Public safety:						
Special operations	33,480	-	3,487	-	-	29,993
Administration	4,331,608	15,530	48,027	-	55,631	4,243,480
School resource	40,132	-	2,612	-	-	37,520
Road patrol	3,007,420	611,395	282,549	-	39,978	3,296,288
Community policing	11,507	-	4,247	-	-	7,260
Code enforcement	54,856	-	-	-	-	54,856
Investigations	279,207	160,908	43,911	-	-	396,204
Support services	50,516	-	2,529	-	47,987	-
Communications	284,449	3,320	83,247	-	184,236	20,286
Building department	6,295	-	-	-	-	6,295
Total public safety	8,099,470	791,153	470,609	-	327,832	8,092,182
Transportation:						
Central garage	459,281	21,131	8,335	28,209	24,932	475,354
Roads and drainage	22,283,680	564,265	2,313	90,000	4,527	22,931,105
Total transportation	22,742,961	585,396	10,648	118,209	29,459	23,406,459
Economic environment:						
Non-departmental	3,355,544	-	-	-	-	3,355,544
Physical environment:						
Stormwater	22,121,785	243,018	82,616	35,230	107,969	22,209,448
Cemetery	947,388	31,851	-	23,582	12,295	990,526
Total physical environment	23,069,173	274,869	82,616	58,812	120,264	23,199,974
Culture/recreation:						
Parks and recreation	11,730,336	315,532	296,385	31,574	14,435	11,766,622
Total	82,843,623	2,153,478	1,025,146	514,135	514,135	83,971,955
Construction in progress	188,759	17,209	-	-	-	205,968
Total	\$ 83,032,382	\$ 2,170,687	\$ 1,025,146	\$ 514,135	\$ 514,135	\$ 84,177,923

STATISTICAL SECTION

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CITY OF SEBASTIAN, FLORIDA

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand and evaluate how the City’s financial condition, performance and well-being have changed over time.	112
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.	124
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.	131
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.	136
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.	140

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				
	2019	2018	2017	2016	2015
Governmental activities					
Net investment in capital assets	\$ 37,080,967	\$ 37,568,980	\$ 37,461,026	\$ 35,886,087	\$ 35,220,857
Restricted	8,976,174	6,419,900	5,113,543	5,209,372	4,997,724
Unrestricted	2,056,430	1,649,796	1,236,088	3,615,777	3,467,014
Total governmental activities net position	<u>\$ 48,113,571</u>	<u>\$ 45,638,676</u>	<u>\$ 43,810,657</u>	<u>\$ 44,711,236</u>	<u>\$ 43,685,595</u>
Business-type activities					
Net investment in capital assets	\$ 16,995,851	\$ 14,972,789	\$ 13,384,969	\$ 11,989,666	\$ 10,517,895
Restricted	-	-	-	-	-
Unrestricted	(654,928)	(777,422)	(1,008,976)	(717,053)	67,779
Total business-type activities net position	<u>\$ 16,340,923</u>	<u>\$ 14,195,367</u>	<u>\$ 12,375,993</u>	<u>\$ 11,272,613</u>	<u>\$ 10,585,674</u>
Primary Government					
Net investment in capital assets	\$ 54,076,818	\$ 52,541,769	\$ 50,845,995	\$ 47,875,753	\$ 45,738,752
Restricted	8,976,174	6,419,900	5,113,543	5,209,372	4,997,724
Unrestricted	1,401,502	872,374	227,112	2,898,724	3,534,793
Total primary government net position	<u>\$ 64,454,494</u>	<u>\$ 59,834,043</u>	<u>\$ 56,186,650</u>	<u>\$ 55,983,849</u>	<u>\$ 54,271,269</u>

Table 1 - Unaudited

Fiscal Year				
2014	2013	2012	2011	2010
\$ 35,210,526	\$ 32,038,749	\$ 31,500,173	\$ 31,541,953	\$ 28,938,587
5,115,627	5,839,440	6,192,777	5,668,155	8,757,043
3,330,400	4,577,440	3,607,228	4,052,751	3,889,011
<u>\$ 43,656,553</u>	<u>\$ 42,455,629</u>	<u>\$ 41,300,178</u>	<u>\$ 41,262,859</u>	<u>\$ 41,584,641</u>
\$ 10,439,804	\$ 10,846,501	\$ 11,181,823	\$ 11,850,561	\$ 11,389,704
-	-	-	-	-
(103,116)	(306,497)	(490,298)	(644,620)	(342,340)
<u>\$ 10,336,688</u>	<u>\$ 10,540,004</u>	<u>\$ 10,691,525</u>	<u>\$ 11,205,941</u>	<u>\$ 11,047,364</u>
\$ 45,650,330	\$ 42,885,250	\$ 42,681,996	\$ 43,392,514	\$ 40,328,291
5,115,627	5,839,440	6,192,777	5,668,155	8,757,043
3,227,284	4,270,943	3,116,930	3,408,131	3,546,671
<u>\$ 53,993,241</u>	<u>\$ 52,995,633</u>	<u>\$ 51,991,703</u>	<u>\$ 52,468,800</u>	<u>\$ 52,632,005</u>

CITY OF SEBASTIAN, FLORIDA

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year				
	2019	2018	2017	2016	2015
Expenses					
Governmental activities:					
General government	\$ 3,970,541	\$ 3,926,479	\$ 3,379,369	\$ 3,285,607	\$ 3,015,536
Public safety	6,613,707	6,227,299	6,549,037	5,476,136	5,164,197
Physical environment	3,106,764	3,431,933	3,769,377	2,538,752	2,759,461
Transportation	2,022,117	1,949,882	2,279,149	1,861,946	2,024,814
Economic environment	402,986	238,597	106,577	364,675	194,630
Culture and recreation	1,434,296	1,279,635	1,326,245	1,191,488	1,293,246
Interest on debt	38,539	56,523	63,141	82,943	100,468
Total governmental activities expenses	17,588,950	17,110,348	17,472,895	14,801,547	14,552,352
Business-type activities:					
Golf Course	1,533,749	1,555,853	1,537,332	1,584,214	1,409,829
Airport	1,336,180	1,328,258	1,361,134	1,197,549	1,038,361
Building	715,846	664,066	586,752	546,649	531,087
Total business-type activities expenses	3,585,775	3,548,177	3,485,218	3,328,412	2,979,277
Total primary government expenses	21,174,725	20,658,525	20,958,113	18,129,959	17,531,629
Program revenue					
Governmental activities:					
Charges for services:					
General government	532,721	466,261	362,631	374,581	372,255
Public safety	147,121	74,216	124,800	98,446	80,763
Physical environment	2,161,464	1,064,659	1,021,038	1,049,735	1,087,642
Culture and recreation	54,769	52,160	48,781	53,959	67,940
Operating grants and contributions	803,092	1,776,070	250,292	323,101	345,937
Capital grants and contributions	251,088	181,050	947,274	809,932	994,546
Total governmental activities program revenue	3,950,255	3,614,416	2,754,816	2,709,754	2,949,083
Business-type activities:					
Charges for services:					
Golf Course	1,400,939	1,257,047	1,058,939	1,135,357	1,333,189
Airport	536,442	583,310	499,321	516,403	457,318
Building	864,068	911,643	747,950	810,069	712,620
Operating grants and contributions	46,771	115,907	116,055	-	-
Capital grants and contributions	2,670,116	2,120,953	1,566,737	841,668	702,154
Total business-type activities program revenue	5,518,336	4,988,860	3,989,002	3,303,497	3,205,281
Total primary government program revenue	9,468,591	8,603,276	6,743,818	6,013,251	6,154,364
Net (expense) revenue					
Governmental activities	(13,638,695)	(13,495,932)	(14,718,079)	(12,091,793)	(11,603,269)
Business-type activities	1,932,561	1,440,683	503,784	(24,915)	226,004
Total primary government net (expense) revenue	(11,706,134)	(12,055,249)	(14,214,295)	(12,116,708)	(11,377,265)

Table 2 - Unaudited

Fiscal Year				
2014	2013	2012	2011	2010
\$ 2,923,398	\$ 2,784,485	\$ 2,640,677	\$ 2,766,575	\$ 3,309,381
4,908,374	4,928,203	5,025,274	5,546,632	5,720,933
2,310,539	2,039,380	2,007,902	1,558,974	1,947,605
1,828,569	1,845,429	1,800,432	2,263,367	1,863,551
247,891	155,214	170,960	208,518	135,885
1,229,369	1,232,345	1,239,512	1,227,198	1,240,383
235,071	368,432	562,496	546,103	566,410
<u>13,683,211</u>	<u>13,353,488</u>	<u>13,447,253</u>	<u>14,117,367</u>	<u>14,784,148</u>
1,406,770	1,377,039	1,394,731	1,355,266	1,388,158
1,031,464	1,146,905	1,166,588	1,188,788	1,067,525
465,717	417,887	397,295	470,406	496,800
<u>2,903,951</u>	<u>2,941,831</u>	<u>2,958,614</u>	<u>3,014,460</u>	<u>2,952,483</u>
16,587,162	16,295,319	16,405,867	17,131,827	17,736,631
407,068	314,158	214,488	197,945	203,915
76,132	67,297	66,474	92,350	118,368
1,073,015	1,101,864	876,693	868,059	881,338
67,371	70,982	66,954	61,353	62,046
186,295	332,627	187,333	196,534	210,050
739,785	770,123	791,265	838,242	3,178,618
<u>2,549,666</u>	<u>2,657,051</u>	<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>
1,277,660	1,302,441	1,394,844	1,382,421	1,335,647
470,703	481,759	491,367	485,229	468,698
700,751	706,964	419,705	401,021	356,264
-	-	-	-	-
235,215	230,868	150,083	900,340	904,853
<u>2,684,329</u>	<u>2,722,032</u>	<u>2,455,999</u>	<u>3,169,011</u>	<u>3,065,462</u>
5,233,995	5,379,083	4,659,206	5,423,494	7,719,797
(11,133,545)	(10,696,437)	(11,244,046)	(11,862,884)	(10,129,813)
<u>(219,622)</u>	<u>(219,799)</u>	<u>(502,615)</u>	<u>154,551</u>	<u>112,979</u>
<u>(11,353,167)</u>	<u>(10,916,236)</u>	<u>(11,746,661)</u>	<u>(11,708,333)</u>	<u>(10,016,834)</u>

continued...

CITY OF SEBASTIAN, FLORIDA

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year				
	2019	2018	2017	2016	2015
General revenue and other changes in net position					
Governmental activities:					
Property taxes, levied for general purposes	\$ 4,325,759	\$ 4,153,194	\$ 4,147,115	\$ 3,942,048	\$ 3,594,210
Sales and use taxes	2,882,460	2,808,172	5,945,386	5,762,921	5,555,270
Franchise fees	1,343,744	1,316,792	1,271,403	1,257,430	1,241,515
State shared revenues not restricted to specific programs	7,109,496	6,887,664	2,616,522	2,466,546	2,365,137
Investment earnings	378,657	216,185	135,614	77,317	65,256
Miscellaneous	277,970	312,401	290,269	316,239	240,179
Transfers	(204,496)	(370,457)	(588,809)	(705,067)	2,988
Total governmental activities	16,113,590	15,323,951	13,817,500	13,117,434	13,064,555
Business-type activities:					
Investment earnings	8,499	8,234	10,787	6,787	5,368
Miscellaneous	-	-	-	-	20,602
Transfers	204,496	370,457	588,809	705,067	(2,988)
Total business-type activities	212,995	378,691	599,596	711,854	22,982
Total primary government general revenue	16,326,585	15,702,642	14,417,096	13,829,288	13,087,537
Change in net position					
Governmental activities	2,474,895	1,828,019	(900,579)	1,025,641	1,461,286
Business-type activities	2,145,556	1,819,374	1,103,380	686,939	248,986
Total primary government change in net position	\$ 4,620,451	\$ 3,647,393	\$ 202,801	\$ 1,712,580	\$ 1,710,272

Table 2 - Unaudited

Fiscal Year				
2014	2013	2012	2011	2010
\$ 3,248,113	\$ 3,221,304	\$ 3,063,495	\$ 3,453,778	\$ 4,164,128
5,320,051	5,123,046	4,852,413	4,751,021	4,765,200
1,190,233	1,118,886	1,124,568	1,184,686	1,228,692
2,208,700	2,063,450	1,934,733	1,868,555	1,825,215
43,293	74,650	82,129	111,943	144,432
338,901	315,296	201,538	171,119	149,453
(14,822)	(37,734)	22,489	-	(7,020)
<u>12,334,469</u>	<u>11,878,898</u>	<u>11,281,365</u>	<u>11,541,102</u>	<u>12,270,100</u>
1,484	4,391	6,563	4,026	15,658
-	274	4,125	-	1,194
14,822	37,734	(22,489)	-	7,020
<u>16,306</u>	<u>42,399</u>	<u>(11,801)</u>	<u>4,026</u>	<u>23,872</u>
<u>12,350,775</u>	<u>11,921,297</u>	<u>11,269,564</u>	<u>11,545,128</u>	<u>12,293,972</u>
1,200,924	1,182,461	37,319	(321,782)	2,140,287
(203,316)	(177,400)	(514,416)	158,577	136,851
<u>\$ 997,608</u>	<u>\$ 1,005,061</u>	<u>\$ (477,097)</u>	<u>\$ (163,205)</u>	<u>\$ 2,277,138</u>

concluded.

CITY OF SEBASTIAN, FLORIDA

Fund Balances, Governmental Funds Last Ten Fiscal Years

	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental funds					
General fund:					
Nonspendable	\$ 94,564	\$ 234,852	\$ 342,505	\$ 227,651	\$ 316,036
Restricted	103,900	77,185	63,016	46,262	38,544
Committed	-	-	-	-	-
Assigned	12,157	13,871	12,350	10,840	8,692
Unassigned	5,988,440	5,047,473	4,089,275	5,526,675	5,289,322
Total General fund	6,199,061	5,373,381	4,507,146	5,811,428	5,652,594
All other governmental funds:					
Nonspendable	1,036,571	1,542,466	941,061	996,778	928,758
Restricted	7,850,346	4,822,199	4,131,416	4,193,653	4,181,787
Committed	553,172	707,667	995,144	977,868	815,688
Unassigned	(5,730)	(3,048)	(26,370)	(129,401)	(58,618)
Total all other governmental funds	9,434,359	7,069,284	6,041,251	6,038,898	5,867,615
Total governmental funds	\$ 15,633,420	\$ 12,442,665	\$ 10,548,397	\$ 11,850,326	\$ 11,520,209

Table 3 - Unaudited

Fiscal Year				
2014	2013	2012	2011	2010
\$ 369,329	\$ 368,564	\$ 370,450	\$ 346,995	\$ 352,248
7,969	28,632	-	-	-
-	-	2,861,708	2,949,139	3,063,585
7,129	7,020	35,707	21,911	31,656
<u>5,348,905</u>	<u>5,065,242</u>	<u>1,734,307</u>	<u>1,784,413</u>	<u>2,164,910</u>
<u>5,733,332</u>	<u>5,469,458</u>	<u>5,002,172</u>	<u>5,102,458</u>	<u>5,612,399</u>
1,390,073	1,323,838	1,289,693	1,494,779	859,463
3,756,950	4,647,950	4,371,826	4,748,376	7,897,580
625,007	589,364	719,686	-	-
(64,875)	-	-	-	-
<u>5,707,155</u>	<u>6,561,152</u>	<u>6,381,205</u>	<u>6,243,155</u>	<u>8,757,043</u>
<u>\$ 11,440,487</u>	<u>\$ 12,030,610</u>	<u>\$ 11,383,377</u>	<u>\$ 11,345,613</u>	<u>\$ 14,369,442</u>

CITY OF SEBASTIAN, FLORIDA

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues					
Taxes	\$ 7,208,219	\$ 6,961,366	\$ 10,738,778	\$ 10,326,654	\$ 9,782,109
Franchise fees	1,343,744	1,316,792	1,271,403	1,257,430	1,241,515
Licenses, fees and permits	146,812	165,922	135,900	136,614	147,219
Intergovernmental	7,996,330	8,648,064	2,991,190	2,709,066	2,742,950
Impact fees	129,550	141,050	102,700	163,800	281,450
Charges for services	2,698,117	1,443,123	1,353,009	1,391,495	1,397,395
Fines	51,146	48,251	96,842	73,059	63,035
Investment earnings	378,657	216,185	135,614	77,317	65,256
Contributions and donations	277,970	55,670	45,420	80,581	48,124
Other revenues	37,796	312,401	290,269	316,239	241,597
Total revenues	20,268,341	19,308,824	17,161,125	16,532,255	16,010,650
Expenditures					
Current:					
General government	3,536,154	3,492,883	2,943,790	3,053,554	2,717,049
Public safety	6,035,675	5,659,861	5,134,388	4,968,258	4,666,343
Physical environment	1,871,853	2,195,332	2,565,532	1,316,697	1,498,706
Transportation	1,142,412	1,079,509	1,333,927	1,168,919	1,187,871
Economic environment	402,986	238,597	73,491	331,589	161,545
Culture and recreation	1,027,371	875,172	927,374	849,789	893,394
Debt service:					
Principal	601,000	590,000	931,000	1,935,000	1,567,000
Interest	45,846	56,523	68,512	92,907	108,678
Capital outlay	2,209,793	2,856,222	3,896,231	1,780,358	3,133,330
Total expenditures	16,873,090	17,044,099	17,874,245	15,497,071	15,933,916
Revenues over (under) expenditures	3,395,251	2,264,725	(713,120)	1,035,184	76,734
Other financing sources (Uses)					
Issuance of long-term debt	-	-	-	-	-
Transfers in	2,451,428	4,427,037	7,184,858	3,694,279	4,989,726
Transfers out	(2,655,924)	(4,797,494)	(7,773,667)	(4,399,346)	(4,986,738)
Total other financing sources (uses)	(204,496)	(370,457)	(588,809)	(705,067)	2,988
Net change in fund balances	\$ 3,190,755	\$ 1,894,268	\$ (1,301,929)	\$ 330,117	\$ 79,722
Debt service as a percentage of noncapital expenditures ⁽¹⁾	4.4%	4.6%	7.2%	14.8%	13.1%

⁽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				
2014	2013	2012	2011	2010
\$ 9,123,879	\$ 8,894,880	\$ 8,465,990	\$ 8,762,729	\$ 9,525,074
1,190,233	1,118,886	1,124,568	1,184,686	1,228,692
138,564	45,500	22,431	1,121,967	1,154,739
2,373,695	2,411,395	2,088,038	23,646	33,182
168,350	169,000	58,500	81,534	90,948
1,431,101	1,462,522	1,158,075	2,249,447	4,572,550
54,140	60,190	57,575	42,250	26,000
43,293	78,411	86,516	-	-
36,801	22,406	216,091	103,795	228,216
338,901	315,296	201,888	224,823	169,039
<u>14,898,957</u>	<u>14,578,486</u>	<u>13,479,672</u>	<u>13,794,877</u>	<u>17,028,440</u>
2,575,605	2,447,893	2,410,345	2,539,211	2,699,289
4,623,060	4,425,000	4,523,802	5,030,708	4,938,147
1,110,788	1,075,162	1,042,349	1,166,309	1,210,823
1,165,004	1,158,945	1,208,411	1,217,521	1,405,310
144,612	122,730	138,531	188,918	129,352
888,795	847,781	876,502	903,836	977,780
2,306,000	1,307,000	3,321,000	1,203,000	2,142,190
413,995	393,447	472,399	521,152	577,593
2,246,399	2,115,561	1,767,058	4,048,051	6,189,026
<u>15,474,258</u>	<u>13,893,519</u>	<u>15,760,397</u>	<u>16,818,706</u>	<u>20,269,510</u>
<u>(575,301)</u>	<u>684,967</u>	<u>(2,280,725)</u>	<u>(3,023,829)</u>	<u>(3,241,070)</u>
-	-	2,296,000	-	2,462,000
3,903,204	3,598,949	3,694,765	5,376,658	4,486,626
<u>(3,918,026)</u>	<u>(3,636,683)</u>	<u>(3,672,276)</u>	<u>(5,376,658)</u>	<u>(4,493,646)</u>
<u>(14,822)</u>	<u>(37,734)</u>	<u>2,318,489</u>	<u>-</u>	<u>2,454,980</u>
<u>\$ (590,123)</u>	<u>\$ 647,233</u>	<u>\$ 37,764</u>	<u>\$ (3,023,829)</u>	<u>\$ (786,090)</u>
20.6%	14.4%	27.1%	13.5%	19.3%

CITY OF SEBASTIAN, FLORIDA

Program Revenues by Function/Program
Last Ten Fiscal Years

	Fiscal Year				
	2019	2018	2017	2016	2015
Program revenues					
Governmental activities:					
General government	\$ 1,096,978	\$ 1,997,400	\$ 390,921	\$ 479,395	\$ 534,524
Public safety	444,199	346,239	334,270	306,381	254,381
Physical environment	2,161,464	1,064,659	1,021,038	1,049,735	1,087,642
Transportation	13,295	12,908	687,310	656,484	643,146
Economic environment	-	-	-	-	-
Culture and recreation	234,319	193,210	321,277	217,759	429,390
Total governmental activities	<u>3,950,255</u>	<u>3,614,416</u>	<u>2,754,816</u>	<u>2,709,754</u>	<u>2,949,083</u>
Business-type activities:					
Charges for services:					
Golf Course	1,401,260	1,355,652	1,170,591	1,135,357	1,333,189
Airport	3,253,008	2,704,263	2,070,461	1,358,071	1,159,472
Building ¹	864,068	928,945	747,950	810,069	712,620
Total business-type activities	<u>5,518,336</u>	<u>4,988,860</u>	<u>3,989,002</u>	<u>3,303,497</u>	<u>3,205,281</u>
Total primary government	<u>\$ 9,468,591</u>	<u>\$ 8,603,276</u>	<u>\$ 6,743,818</u>	<u>\$ 6,013,251</u>	<u>\$ 6,154,364</u>

Table 5 - Unaudited

Fiscal Year				
2014	2013	2012	2011	2010
\$ 413,727	\$ 471,299	\$ 230,550	\$ 243,039	\$ 209,144
246,010	233,309	228,392	234,437	304,630
1,073,015	1,101,864	876,693	930,018	881,338
565,692	560,713	560,055	743,383	614,305
15,501	-	13,998	-	2,556,872
235,721	289,866	293,519	103,606	88,046
<u>2,549,666</u>	<u>2,657,051</u>	<u>2,203,207</u>	<u>2,254,483</u>	<u>4,654,335</u>
1,277,660	1,302,441	1,394,892	1,382,421	1,335,647
705,918	712,627	641,455	1,385,569	1,373,551
700,751	706,964	426,215	401,021	356,264
<u>2,684,329</u>	<u>2,722,032</u>	<u>2,462,562</u>	<u>3,169,011</u>	<u>3,065,462</u>
<u>\$ 5,233,995</u>	<u>\$ 5,379,083</u>	<u>\$ 4,665,769</u>	<u>\$ 5,423,494</u>	<u>\$ 7,719,797</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
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
2018	2019	2,882,460	4,325,759	7,208,219	3.1514

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	
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
2018	2019	3.1514	0.0000	3.1514	6.1086	6.7930	-	6.7930	1.53960

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
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
2018	2019	1,843,910,442	2,304,888,053	73,492,650	73,492,650

Source: Indian River County Property Appraiser

Ratio of Taxable to Actual Value

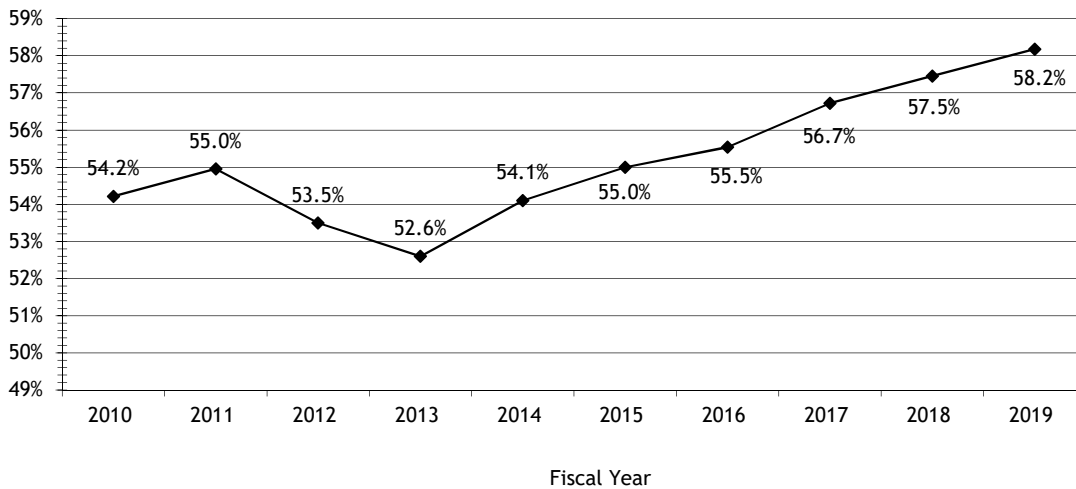


Table 8 - Unaudited

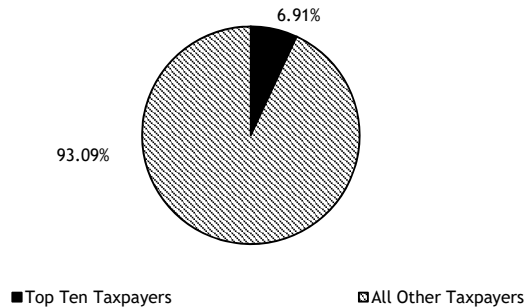
Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate	Total Estimated Actual Value	Ratio of Taxable to Actual Value
\$ 558,090,532	\$ 1,149,141,140	3.3456	\$ 2,119,809,534	54.2%
460,752,786	986,748,734	3.3041	1,795,568,379	55.0%
444,524,142	877,458,060	3.3041	1,640,247,130	53.5%
437,040,114	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%
533,734,358	1,383,688,734	3.1514	2,378,380,703	58.2%

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2019 Fiscal Year			2010 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)	\$ 32,855,822	1	2.37 %	\$ 15,809,386	1	1.38 %
Comcast of Florida, Inc. (Communications)	12,079,335	2	0.87	-	-	-
Wal-Mart Stores, Inc. (Retail)	9,055,048	3	0.65	13,404,610	2	1.17
Sebastian Senior Real Estate, LLC (Senior Group Home)	7,663,180	4	0.55	-	-	-
Park Place Community, LLC (Rental/Retail)	7,032,157	5	0.51	6,896,210	6	0.60
BW US 1, Inc. (Commercial)	6,135,815	6	0.44	6,946,560	5	0.60
Hartwell Groves, Inc. (Agriculture)	5,515,835	7	0.40	-	-	-
PSM Sebastian, LLC	5,274,324	8	0.38	-	-	-
CSGBSH Sebastian, LLC	5,207,727	9	0.38	-	-	-
MPA Sebastian, LLC	5,035,459	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>\$ 95,854,702</u>		<u>6.91 %</u>	<u>\$ 83,290,304</u>		<u>7.25 %</u>
Total Taxable Value	<u>\$1,383,688,734</u>			<u>\$ 1,149,141,140</u>		

Source: Indian River County Property Appraiser

Concentration of 2019 Taxpayers

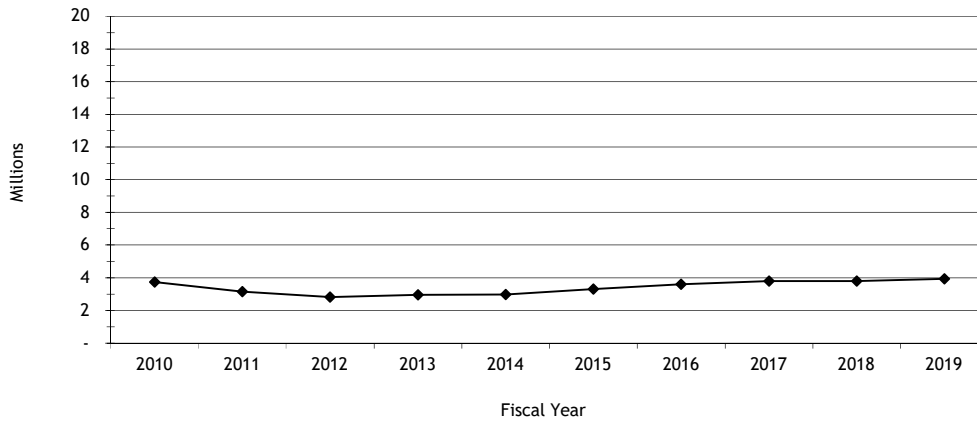


Property Tax Levies and Collections
For the Last Ten Fiscal Years

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
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	94.00%	72,789	3,603,024	96.38%
2016	2017	3,943,212	3,726,976	95.00%	77,898	3,804,874	96.49%
2017	2018	3,920,640	3,703,536	94.00%	83,126	3,786,662	96.58%
2018	2019	3,974,853	3,861,686	97.00%	79,857	3,941,543	99.16%

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

Total Tax Collections

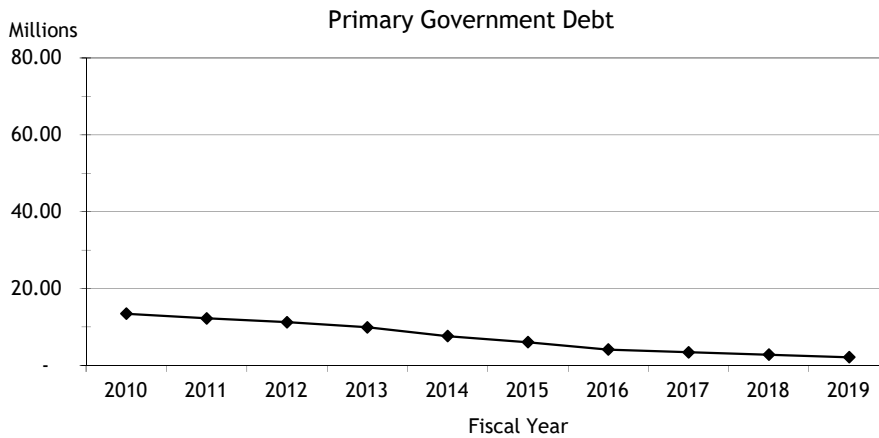


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Ratios of Outstanding Debt By Type
For the Last Ten Fiscal Years

Fiscal Year	Roadway Improvement Notes	Infrastructure Sales Tax Bonds/Notes ¹	Stormwater Utility Revenue Bonds/Notes ¹	Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
				Golf Course Capital Lease			
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	254,453	3,429,453	0.0003%	142
2018	1,044,000	-	1,541,000	206,167	2,791,167	0.0002%	113
2019	820,000	-	1,164,000	156,171	2,140,171	²	85

¹ The Infrastructure Sales Tax and Stormwater Utility Revenue Bonds were refunded in 2014 with Bank Notes.
² Information not yet available.



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				
	2019	2018	2017	2016	2015
Debt limit	\$ 69,183,437	\$ 63,157,289	\$ 57,729,642	\$ 48,340,610	\$ 48,340,610
Total net debt applicable to limit	<u>1,984,000</u>	<u>2,585,000</u>	<u>3,175,000</u>	<u>6,041,000</u>	<u>6,041,000</u>
Legal debt margin	<u>\$ 67,199,437</u>	<u>\$ 60,572,289</u>	<u>\$ 54,554,642</u>	<u>\$ 42,299,610</u>	<u>\$ 42,299,610</u>
Total net debt applicable to the limit as a percentage of debt limit	2.87%	4.09%	5.50%	12.50%	12.50%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$1,917,403,092
Less: Exempt property	<u>(533,734,358)</u>
Taxable Value	1,383,668,734
Debt limit (5% of taxable value)	69,183,437
Debt applicable to limit:	
Revenue bonds/notes	<u>1,984,000</u>
Total net debt applicable to limit	<u>1,984,000</u>
Legal debt margin	<u>\$ 67,199,437</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, 2019.

Table 13 - Unaudited



Fiscal Year				
2014	2013	2012	2011	2010
\$ 44,250,493	\$ 41,034,956	\$ 43,872,903	\$ 49,337,437	\$ 57,457,057
<u>7,608,000</u>	<u>9,914,000</u>	<u>11,221,000</u>	<u>12,246,000</u>	<u>13,449,000</u>
<u>\$ 36,642,493</u>	<u>\$ 31,120,956</u>	<u>\$ 32,651,903</u>	<u>\$ 37,091,437</u>	<u>\$ 44,008,057</u>
17.19%	24.16%	25.58%	24.82%	23.41%

CITY OF SEBASTIAN, FLORIDA

Pledged Revenue Coverage
For the Last Ten Fiscal Years

Fiscal Year	Recreational Facilities Improvement and Refunding Revenue Bonds, Series 2001							Coverage ³
	Gross Revenue ¹	Less: Operating Expenses ²	Net Available Revenue	Debt Service				
				Principal	Interest	Total		
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	-	-	-	-	-	-	-	
2019	-	-	-	-	-	-	-	

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	
\$ 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
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	11,972,663	76,059	52,243	6,459	3.9	3.3
2019	25,168	⁴	⁴	⁴	6,186	3.2	2.7

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
\$ 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
171.88	1,383,668,734

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Principal Employers

Current Year and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
School District of Indian River County (Government)	2,121	1	3.23 %	2,080	1	3.34 %
Indian River Medical Center (Healthcare)	2,027	2	3.09	1,334	3	2.14
Indian River County (Government)	1,521	3	2.32	1,411	2	2.26
Publix Supermarkets (Food/Beverage)	1,380	4	2.10	960	4	1.54
Piper Aircraft, Inc. (Manufacturer)	1,000	5	1.52	850	5	1.36
Wal-Mart (Retail)	806	6	1.23	384	9	0.62
Sebastian River Medical Center (Healthcare)	595	7	0.91	600	10	0.96
John's Island (Residential/Resort)	589	8	0.90	550	7	0.88
Indian River Estates (Retirement/Life care)	486	9	0.74	442	8	0.71
Visiting Nurse Association (Healthcare)	484	10	0.74	475	11	0.76
City of Vero Beach (Government)	380	11	0.58	505	6	0.81
CVS Warehouse/Distribution (Distribution)	378	12	0.58	278	12	0.45
Saint Edward's School (Education)	290	13	0.44	112	16	0.18
Disney Vero Beach (Resort Hotel)	279	14	0.42	300	14	0.48
Flight Safety International (Education)	250	15	0.38	168	21	0.27
B&W Quality Growers (Agricultural)	230	16	0.35	240	17	0.39
City of Sebastian (Government)	182	17	0.28	174	18	0.28
Captain Hiram's (Restaurant/Resort)	174	18	0.26	161	-	-
Vero Beach Hotel and Spa	135	19	0.21	-	-	0.00
Grand Harbor Management (Developer)	125	20	0.19	295	13	0.47
Medical Data Systems (Collection Agency)	-		0.00	133	20	0.21
	<u>13,432</u>		<u>20.47 %</u>	<u>11,452</u>		<u>18.11 %</u>
Total Average County Employees	<u>65,666</u>			<u>62,329</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					
	2019	2018	2017	2016	2015	2014
General government						
City council	2.5	2.5	2.5	2.5	2.5	2.5
City manager	2.0	2.0	2.5	2.5	2.0	2.0
City clerk	2.5	2.5	2.5	3.0	5.0	5.0
Administrative Services	6.0	6.0	6.0	4.0	5.5	5.5
Management information	5.0	5.0	2.0	2.0	2.0	2.0
Audio/visual	-	-	2.5	1.0	-	-
Human resources	-	-	-	-	-	-
Facilities maintenance	3.0	3.0	2.5	3.5	5.0	5.0
Community development	4.0	4.0	3.0	2.0	4.0	4.0
Public safety						
Police	64.0	64.0	57.5	57.5	57.0	57.0
Building	7.5	7.5	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	9.5	11.5	11.0	10.0	10.0
Fleet management	3.5	3.5	3.5	3.5	3.5	3.5
Airport	1.5	2.0	3.0	1.0	1.0	1.0
Physical environment						
Cemetery	2.0	2.0	1.5	2.0	2.0	2.0
Stormwater utility	14.5	14.5	8.0	9.0	9.0	9.0
Culture and recreation						
Leisure services	21.0	21.0	18.0	19.0	20.0	20.0
Golf course	9.0	11.0	13.0	10.0	10.0	10.0
Total	160.5	163.0	147.5	141.5	146.5	146.5

Source: City of Sebastian, Florida 2010-2019 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			
2013	2012	2011	2010
2.5	2.5	2.5	2.5
2.0	2.0	2.0	2.5
3.0	3.0	3.0	3.0
5.0	5.0	5.0	5.0
3.0	3.0	4.0	3.0
-	-	-	-
-	-	-	-
4.0	3.0	2.0	2.0
3.0	3.0	4.0	5.0
55.5	55.0	58.0	58.0
5.0	4.0	5.0	5.0
3.0	3.0	3.0	2.5
10.0	10.0	12.0	12.0
3.5	3.5	2.5	3.5
2.0	3.0	3.0	3.0
2.0	1.0	1.0	2.0
9.0	9.0	12.0	12.0
20.0	20.0	21.0	23.0
10.0	10.0	10.5	10.5
142.5	140.0	150.5	154.5

CITY OF SEBASTIAN, FLORIDA

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

Function	Fiscal Year				
	2019	2018	2017	2016	2015
General government					
Number of annexations approved	1	-	-	-	-
Acres of annexed property	1,118	-	-	-	-
Purchase orders issued	293	355	289	328	254
Public Safety					
Police					
Physical arrests	525	516	356	258	287
Traffic violations	4,627	3,678	3,192	3,065	3,725
Parking violations	30	55	49	73	60
Building					
New construction permits issued ¹	170	167	147	191	142
Estimated value of construction (in millions) \$	42.4	\$ 39.8	\$ 37.2	\$ 43.4	\$ 40.6
Transportation					
Road maintenance (man hours)	2,496	1,600	250	250	200
Asphalt for road maintenance (tons)	188	120	20	20	10
Physical environment					
Cemetery					
Cemetery internments	74	60	62	61	71
Grave deeds sold	59	30	29	39	43
Stormwater					
Swales maintained (miles)	150	150	300	300	300
Ditches maintained (miles)	80	80	80	75	75
Road crossings maintained	50	50	70	68	68
Culture and recreation					
Program participants	6,823	6,495	6,268	7,280	7,647
Number of discount cards	690	643	657	631	653
Number of golf course memberships	134	123	119	127	93
Average daily golf revenue	\$ 3,837	\$ 3,100	\$ 3,100	\$ 3,100	\$ 3,653

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				
2014	2013	2012	2011	2010
-	2	-	-	1
-	4.00	-	-	5.90
242	233	201	228	216
347	440	441	500	487
4,587	4,491	4,319	5,941	4,083
29	80	167	242	87
175	170	66	51	36
\$ 40.0	\$ 35.9	\$ 14.7	\$ 10.2	\$ 6.6
200	300	500	700	1,264
20	30	50	50	103
67	65	65	54	66
47	38	38	34	33
280	280	280	280	280
50	50	50	50	50
68	50	50	40	40
7,571	8,113	9,713	8,649	11,701
653	710	786	735	844
84	86	88	94	96
\$ 3,500	\$ 3,569	\$ 3,822	\$ 3,787	\$ 3,673

CITY OF SEBASTIAN, FLORIDA

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

Function	Fiscal Year				
	2019	2018	2017	2016	2015
General Government					
Square footage occupied	21,500	21,500	21,500	21,500	21,500
Departmental vehicles	3	6	6	4	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	78	71	71	70	66
Building inspector vehicles	4	4	4	4	4
Transportation					
Streets (miles)	156	156	156	156	156
Streetlights ¹	1,100	1,100	1,100	1,085	1,085
Airport vehicles	3	5	4	4	3
Public service vehicles	16	13	12	12	12
Physical environment					
Public service vehicles	18	18	19	17	17
Culture and recreation					
Parks vehicles	8	5	5	6	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	9	-	12	12	12
Golf course vehicles	-	-	-	-	-

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				
2014	2013	2012	2011	2010
21,500	21,500	21,500	21,500	21,500
5	6	1	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
62	61	66	67	63
3	3	3	3	3
156	156	156	156	156
1,085	1,080	1,228	1,236	1,230
1	1	1	1	1
15	17	17	19	22
10	10	9	9	15
18	18	18	18	18
2	2	2	2	2
315.01	315.01	315.01	315.01	315.01
4,859	4,859	4,859	4,859	4,859
9	12	13	14	13
1	1	1	1	1

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INTERNAL CONTROL AND COMPLIANCE

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

March 6, 2020

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, 2019, 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 6, 2020.

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 6, 2020

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, 2019 and have issued our report thereon dated March 6, 2020.

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 6, 2020, 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.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive style with a large initial 'R' and 'J'.

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INDEPENDENT ACCOUNTANTS' REPORT

March 6, 2020

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, 2019. 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, 2019.

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.



City of Sebastian,
Florida



Year Ended
September 30,
2019

Single Audit Act
Compliance

CITY OF SEBASTIAN, FLORIDA

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

March 6, 2020

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Sebastian, Florida* (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 6, 2020 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CITY OF SEBASTIAN, FLORIDA

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Grant Number	Federal Expenditures
U.S. Department of Transportation				
Airport Improvement Program:				
Airport Master Plan Update	20.106	Direct	3-12-0145-011-2016	\$ 6,120
Construct Taxiway C	20.106	Direct	3-12-0145-014-2018	<u>1,975,185</u>
Total U.S. Department of Transportation				<u>1,981,305</u>
U.S. Department of Commerce				
Coastal Resiliency Plan	11.419	FDEP	CM746	<u>50,000</u>
U.S. Department of Justice				
Bulletproof Vest Partnership	16.607	Direct	OMB 1121-0235	<u>5,388</u>
Law enforcement	16.738	FDLE	2019-JAGC-INRI-2-N2-135	11,780
Law enforcement	16.738	FDLE	2019-JAGD-INRI-4-N3-073	<u>3,442</u>
				<u>15,222</u>
Total U.S. Department of Justice				<u>20,610</u>
Total Expenditures of Federal Awards				<u><u>\$ 2,051,915</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF SEBASTIAN, FLORIDA

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Sebastian, Florida (the "City") under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

2. INDIRECT COST RATES

In the absence of a negotiated federal indirect cost rate, the City has elected to use a de minimis rate of 10% of modified total direct costs.

3. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviations	Pass-through Agency Name
FDEP	Florida Department of Environmental Protection
FDLE	Florida Department of Law Enforcement



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 6, 2020

Honorable Mayor and
Members of the City Council
City of 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, 2019, 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 6, 2020.

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 "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 6, 2020

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *City of Sebastian, Florida* (the "City") with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature of Rehman Lohman LLC in black ink.

CITY OF SEBASTIAN, FLORIDA

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF SEBASTIAN, FLORIDA

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

CITY OF SEBASTIAN, FLORIDA

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

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CITY OF SEBASTIAN, FLORIDA

Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2019

None noted.

