



### City of Satellite Beach, Florida

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2017

Prepared by: The Support Services Department

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### CITY OF SATELLITE BEACH, FLORIDA

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FAX: (321) 779-1388



March 7, 2018

To the Honorable Mayor, Members of the Governing Council and the Citizens of the City of Satellite Beach:

We are pleased to submit the Comprehensive Annual Financial Report of the City of Satellite Beach, Florida. State law requires that every general purpose local government publish, within nine months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been 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.

Carr, Riggs & Ingram, LLC, Certified Public Accountants & Advisors, have issued an unmodified ("clean") opinion on the City of Satellite Beach's financial statements for the year ended September 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

### *Profile of the Government*

The City of Satellite Beach, incorporated in 1957, is a coastal community spanning the barrier island between the Banana River segment of the Indian River Lagoon on the west and the Atlantic Ocean on the east. It currently occupies 3.8 square miles, of which 2.9 miles are land and 617 acres are navigable water in the Banana River and the City's Canals. The population for the City of Satellite Beach was 10,504 in 2017.

The City of Satellite Beach operates under the Council-Manager form of government. This form of local government combines the strong political leadership of elected officials in the form of a council, with the strong managerial experience of a City Manager. The City has a five-member Council. All Council Members are elected to four-year terms, and elections are staggered with three elected one year, and two being elected two years later. The City of Satellite Beach Council hires/appoints the City of Satellite Beach Manager, who in turn hires City department directors.

The City of Satellite Beach provides a full range of services, including police and fire, street and storm water maintenance, planning and zoning, recreation; and parks, as well as general administration services. The City of Melbourne provides water to the City of Satellite Beach and is responsible for the maintenance of the water lines, and Brevard County provides sewer services and is responsible for the maintenance of the sewer lines.

The annual budget serves as a foundation for the City's financial planning. Budget requests are required to be submitted to the City Manager by department directors. These requests are used as a starting point for developing the proposed budget. The City Manager is required by City Charter to present the proposed budget to City Council. Public hearings are required to be held by City Council on the proposed budget. The annual budget must be adopted by City Council by September 30, the City's fiscal year end. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

### Local Economy and Outlook

The City of Satellite Beach is primarily a residential community with strong property values, a family-oriented community, and beautiful beaches (40% of the City's 2.8 miles of oceanfront property is City owned for public access). The City is approximately 96% built-out. The largest remaining tract of vacant land includes a nearly 100-acre parcel in the northeast quadrant of the City that was formerly used for Patrick Air Force Base military housing that was demolished in 2012. Although currently no plans have been submitted to the City regarding this parcel, the City has seen an increase in residential, multi-family, and commercial development on remaining available land citywide, as well as significant improvements and renovations made to existing residential properties as property values increase and the City continues to be a highly desirable community within Brevard County.

The Brevard Public School system is ranked third in the state with 98% of schools making a grade of "A" or "B", and all of the schools in Satellite Beach are "A" rated. According to the Space Coast Economic Development Commission, the Space Coast area boasts 48 engineers per 1,000 workers, more than any other metro area in the state. The City's economy has benefited from its close proximity to Patrick Air Force Base, Kennedy Space Center and the growth of the rocket industry out of Cape Canaveral. The City has also been positively impacted by the relocation/expansion of major corporations within Brevard County, including Boeing, Embraer Executive Jets, General Electric, Lockheed Martin, Northrop Grumman, and the world headquarters of Harris Corporation.

#### Long-term Financial Planning and Major Initiatives

The City of Satellite Beach prepared a five-year Capital Improvement Plan (CIP), which is updated annually. The City has not formally adopted a long-term financial plan, however the financial policies and the Capital Improvement Plan (CIP), address the City's long-term financial plans.

The latest CIP was adopted by the City Council for the Fiscal Year 2017-2018 through Fiscal Year 2021-2022. The City desires to maintain current service levels and improve upon and maintain facilities and infrastructure.

In order to achieve long-term plans, the City annually updates its goals and objectives for each calendar year. The City desires to continue to invest in technology and training to consistently improve service delivery and communication. City Council's goals for 2017-2018 included a number

of major initiatives, including using new construction revenue gains to reduce the City's millage rate while preserving services levels, addressing current and long-term storm water solutions for the City and continuing the City's facility renewal program.

#### Relevant Financial Policies

The City of Satellite Beach has adopted comprehensive financial policies. The City of Satellite Beach has a policy that requires the adoption of a balanced annual operating budget. As a result of two hurricanes in one fiscal year, estimated revenues were less than appropriations. The policy allows for the appropriation of fund balance to close the gap. The City ultimately had to spend \$1,089,680 in fund balance over all governmental funds.

The City of Satellite Beach created a Stabilization Reserve Policy in 2013. This policy was created to maintain and manage the General Fund Stabilization Reserve (committed funds in the City's reserves) to help restore stability to the City's finances following several years of economic downturn. This Stabilization Reserve was established to fund expenditures incurred in response to major disasters, fund other non-routine expenditures approved by formal action of the City Council, and to protect the City's credit rating by ensuring the City's ability to continue to make prompt payments to creditors/vendors and employees when emergencies occur. This reserve is not permitted to fund new programs or other expenditures that should be funded with operating revenues, contingences, and unassigned General Fund reserves. By October 1, 2023, at least 60 days of budgeted operating expenditures, excluding capital costs and transfers from the General Fund Balance (City reserves), are planned to be committed to the Stabilization Reserve. To use these funds, City Council is required to formally recognize the natural disaster or other non-routine occasion before making final decisions on using the Stabilization Reserves.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Distinguished Budget Presentation Award to the City of Satellite Beach for its annual budget document dated October 1, 2016. To qualify for the Distinguished Budget Presentation Award, the City's budget document has to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire Support Services Department. We wish to thank the City for their assistance in providing the data necessary to prepare this report. Credit is also due to the Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Satellite Beach's finances.

Respectfully submitted,

Courtney Barker City Manager Suzanne Sherman Assistant City Manager Brittany Jumper Comptroller



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### City of Satellite Beach, Florida City Officials Year Ended September 30, 2017

Mayor Frank Catino

Vice Mayor Steve Osmer

Council Members

Mark Brimer

Mindy Gibson

Dominick Montanaro

<u>City Attorney</u> James P. Beadle

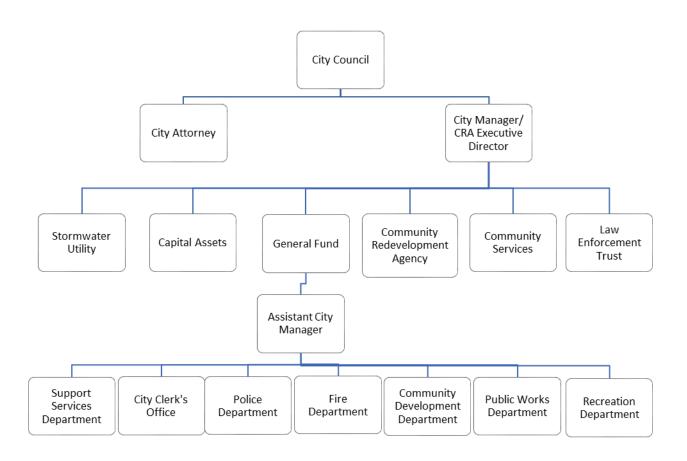
<u>City Manager</u> Courtney Barker

<u>City Clerk</u> Leonor Olexa

Assistant City Manager
Suzanne Sherman

<u>Comptroller</u> Brittany Jumper

### City of Satellite Beach, Florida Organizational Chart Year Ended September 30, 2017





Carr, Riggs & Ingram, LLC 215 Baytree Drive Melboume, Florida 32940

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#### INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council City of Satellite Beach, Florida

#### Report on the Financial Statements

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

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

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

### 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Satellite Beach, Florida as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-23, the budgetary comparison information on pages 79-81, and the defined benefit pension plan information and the other postemployment benefits information on pages 82-87 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's basic financial statements. The introductory section, combining individual nonmajor fund financial statements, budgetary schedules of special revenue funds and capital asset fund 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 nonmajor fund financial statements and budgetary schedules of special revenue funds and capital asset fund 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. Such 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 combining and individual nonmajor fund financial statements and budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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 them.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018 on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Melbourne, Florida

Can Rigge & Ingram, L.L.C.

February 28, 2018



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As management of the City of Satellite Beach, Florida (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Satellite Beach, Florida, for the fiscal year ended September 30, 2017.

### Financial Highlights

- The assets and deferred outflows of the City of Satellite Beach, Florida, exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,892,490 (net position). Of this amount, (\$7,654,678) represents the unrestricted net deficit due to recording of the net OPEB obligation of \$1,935,000; pension liabilities and related deferred inflows and outflows of \$5,675,141; and compensated absences of \$787,891 which are not currently funded.
- The City's total net position decreased by \$1,517,836, primarily due to Hurricane Matthew and Hurricane Irma, as both disasters were in fiscal year 2017.
- As of the close of the current fiscal year, the City of Satellite Beach, Florida's governmental funds reported combined ending fund balances of \$2,181,762, a decrease of \$1,089,680 in comparison with the prior year.
- The City of Satellite Beach, Florida's total long-term liabilities decreased by \$269,116 during the current fiscal year. The decrease is due to a net decrease in notes payable and capital leases of \$364,089 offset by a net increase in compensated absences of \$20,973 and a net increase in OPEB of \$74,000.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Satellite Beach, Florida's basic financial statements. The City of Satellite Beach, Florida's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Satellite Beach, Florida's finances, in a manner similar to a private-sector business. All of the City's activities are reported as governmental activities in the government-wide financial statements.

The statement of net position presents information on all of the City of Satellite Beach, Florida's assets and liabilities, with the difference between the two 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 of Satellite Beach, Florida is improving or deteriorating.

The statement of activities presents information showing how the City'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.

The government-wide financial statements can be found on pages 26-29 of this report.

**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 of Satellite Beach, Florida, 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 of Satellite Beach, Florida 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 of Satellite Beach, Florida, maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Community Redevelopment Agency fund, and the Capital Assets Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation called "nonmajor funds".

The basic governmental fund financial statements can be found on pages 30-33 of this report.

*Proprietary funds.* Proprietary funds are used to account for business-like activities. The City has a proprietary fund called an internal service fund. Internal service funds account for goods and services provided by one department or agency to another department or agency of the governmental unit (or to other governmental units) on a cost-reimbursement basis.

The City of Satellite Beach, Florida, maintains one individual proprietary fund. Information is presented separately in a proprietary fund statement of net position, statement of revenues, expenses and changes in fund net position, and statement of cash flows.

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Satellite Beach, Florida's own programs. Fiduciary fund financial statements are prepared using the accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 37-38 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-76 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the City of Satellite Beach, Florida's budgetary compliance, other postemployment benefits and pension obligations. The City of Satellite Beach, Florida adopts an annual appropriated budget for its general fund and all of its major special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budgets.

Required supplementary information can be found on pages 79-87 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Satellite Beach, Florida, assets exceeded liabilities by \$19,892,490 at the close of the most recent fiscal year.

The following table reflects the condensed statement of net position:

#### **CITY OF SATELLITE BEACH, FLORIDA'S Net Position**

	2017	2016		
Current and other assets	\$ 3,589,545	\$	4,694,853	
Capital assets	32,946,029		32,504,301	
Total assets	36,535,574		37,199,154	
Deferred outflows of resources	5,900,543		5,676,088	
Long-term liabilities outstanding	18,065,627		17,624,085	
Other liabilities	964,026		708,216	
Due to other governments	-		53,594	
Total liabilities	19,029,653		18,385,895	
Deferred inflows of resources	3,513,974		3,079,021	
Net position:				
Net investment in				
capital assets	26,078,307		25,272,490	
Restricted	1,468,861		1,619,299	
Unrestricted (deficit)	(7,654,678)		(5,481,463)	
Total net position	\$ 19,892,490	\$	21,410,326	

By far the largest portion of the City of Satellite Beach, Florida's net position reflects its investment in capital assets (e.g., land, buildings, improvements, equipment and infrastructure); less any related debt used to acquire those assets still outstanding.

The City of Satellite Beach, Florida, uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Satellite

Beach, Florida reports net investment in capital assets, 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 \$1,468,861 of the City's net position represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City of Satellite Beach, Florida, is only able to report a positive balance in its net investment in capital assets and restricted net position. The City reported an unrestricted net deficit of (\$7,654,678) primarily due to recording of the net OPEB obligation of \$1,935,000, compensated absences of \$787,891, and aggregate net pension liability of \$8,475,014 and related deferred inflows of resources of \$3,100,670 offset by deferred outflows of resources of \$5,900,543. These liabilities are not currently funded.

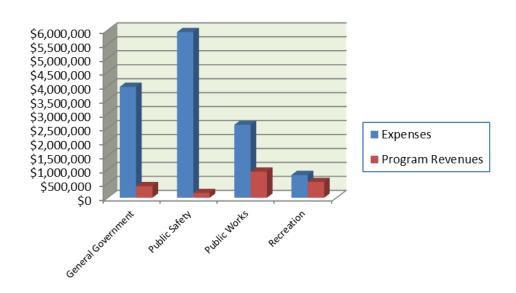
The following table shows condensed revenue and expense data:

#### CITY OF SATELLITE BEACH, FLORIDA'S Changes in Net Position

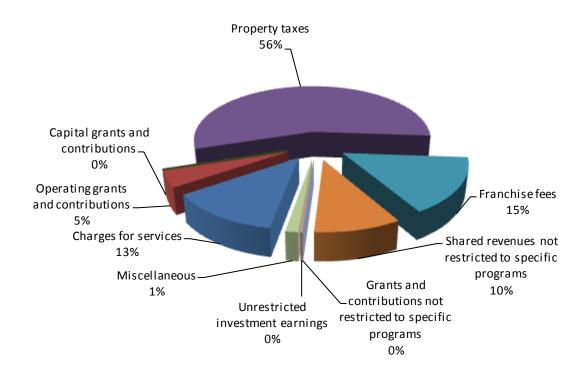
	 2017	2016		
Revenues:				
Charges for services	\$ 1,540,110	\$	1,468,678	
Operating grants and				
contributions	540,871		720,966	
Capital grants and	1,032		51,185	
contributions				
General revenues:				
Property taxes	6,783,312		6,371,353	
Franchise fees	1,864,063		1,874,311	
Shared revenues not restricted				
to specific programs	1,159,627		1,134,819	
Grants and contributions not				
restricted to specific programs	2,051		1,484	
Unrestricted investment				
earnings	27,603		32,328	
Miscellaneous	169,688		124,410	
Total revenues	12,088,357		11,779,534	
Expenses:				
General government	3,973,747		2,825,504	
Public safety	5,935,564		5,170,779	
Public works	2,610,724		2,401,705	
Recreation	815,610		825,813	
Interest and related costs				
on long term debt	270,548		327,277	
Total expenses	13,606,193		11,551,078	
Decrease in net position	 (1,517,836)		228,456	
Net position – beginning	 21,410,326		21,181,870	
Net position – ending	\$ 19,892,490	\$	21,410,326	

The City's net position decreased by \$1,517,836 during the current fiscal year. The decrease in net position was largely attributable to expenses incurred as a result of Hurricane Matthew and Hurricane Irma.

### Statement of Activities – Government-wide Expenses and Program Revenues



### Statement of Activities – Government-wide Revenues by Source



### Financial Analysis of the City's Funds

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

**Governmental funds.** The focus of the City of Satellite Beach, Florida'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 of Satellite Beach, Florida's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Satellite Beach, Florida's governmental funds reported combined ending fund balances of \$2,181,762, a decrease of \$1,089,680 in comparison with the prior year. The fund balances of nonspendable, restricted or committed indicate that it is not available for new spending because it is obligated for prepaid items (\$167,728), restricted for specific purposes (\$1,468,861), or committed to pay for obligations previously authorized by the City (\$852,745). Unrestricted unassigned fund deficit was \$(307,572) at year end.

The General Fund is the chief operating fund of the City of Satellite Beach, Florida. At the end of the current fiscal year, unassigned fund deficit was \$(307,572), while total fund balance was \$632,338. The fund balance of the City of Satellite Beach, Florida's General Fund decreased by \$754,725 during the current fiscal year. The decrease is primarily due to expenses related to Hurricane Matthew and Hurricane Irma. Any FEMA reimbursement, when received, will go directly into the General Fund unassigned fund balance. The decision to discontinue funding of Community Redevelopment Agency projects, will increase amounts returned to taxing authorities and will assist in increasing the unassigned fund balance.

The Community Redevelopment Agency Special Revenue Fund has a total fund balance of \$357,706, which is restricted for the Community Redevelopment Agency special revenue fund activities. The restricted fund balance is the same as last year as the projected projects have not been completed.

The Capital Assets Fund has a total fund balance of \$703,368, all of which is restricted for capital asset purchases. The net decrease in fund balance during the current year in the Capital Assets Fund was \$306,889. This was due primarily to damage from Hurricane Matthew as repairs were made to multiple items in the City.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget (net increase of \$972,349 in appropriated expenditures and transfers out) can be briefly summarized as follows:

- \$202,872 in increases in General Government Services, Legislative, City Clerk's office and Support Services
- \$93,379 in decreases in Recreation
- \$57,668 in increases in Public Works
- \$296,423 in increases allocated to Police and Fire
- \$17,265 in increases in Building and Zoning
- \$491,500 increases in transfers out

This increase in expenditures corresponds to a \$176,793 net increase in revenues and other financing sources as follows: increase of \$18,465 in taxes; \$134,442 increase in licenses and permits; decrease of \$34,599 in intergovernmental revenues; increase of \$57,799 in charges for services; decrease in \$1,787 in fines and forfeitures; and an increase of \$2,473 in interest and other. The above amendments to the budgeted amounts resulted in a net change of \$(795,556) whereby the original adopted budget did not include an appropriation of fund balance reserves.

### Capital Asset and Debt Administration

**Capital assets**. The City of Satellite Beach, Florida's investment in capital assets as of September 30, 2017, amounts to \$32,946,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. The total increase in the City of Satellite Beach, Florida's investment in capital assets for the current fiscal year was approximately 1 percent.

### **CITY OF SATELLITE BEACH, FLORIDA'S Capital Assets**

(net of depreciation)

	2017	 2016
Land	\$ 11,680,950	\$ 11,680,950
Buildings	2,314,032	2,408,801
Improvements other than buildings	2,846,558	3,078,100
Equipment	2,234,902	1,670,970
Infrastructure	13,304,274	13,044,733
Construction in progress	565,313	620,747
Total	\$ 32,946,029	\$ 32,504,301

Additional information on the City of Satellite Beach, Florida's capital assets can be found in Note 4.B. on page 54 of this report.

**Notes payable.** At the end of the current fiscal year, the City of Satellite Beach, Florida, had notes payable outstanding of \$6,048,060.

The City's notes payable balances decreased by \$585,465 during the current fiscal year due to scheduled principal payments on the notes.

Capital leases payable. At the end of the current fiscal year, the City of Satellite Beach, Florida, had total capital leases outstanding of \$819,662.

### CITY OF SATELLITE BEACH, FLORIDA'S Outstanding Debt - Capital Leases

		2017	2016
Capital lease City vehicles	\$	594,154	\$ 311,085
Capital lease Police Records Mgmt.		225,508	287,201
Total capital leases	\$	819,662	\$ 598,286

The City's total capital lease obligations had a net increase of \$221,376 during the current fiscal year. The City had repayments on all leases, and leased a fire truck.

**Compensated absences.** Employees are permitted to accrue earned and unused vacation leave up to a maximum of one and one-half times the annual rate of accrual.

Sick leave is permitted to accrue up to 1,080 hours for employees who are scheduled for forty (40) hours a week and 1,620 hours for employees who are scheduled for fifty-six (56) hours a week.

Upon termination, with restrictions, employees will be paid fifty percent (50%) of up to seven hundred twenty (720) hours or a maximum of three hundred sixty (360) hours of unused sick leave and one hundred percent (100%) of accrued vacation leave.

At the end of the current fiscal year, the City of Satellite Beach, Florida, had total compensated absences of \$787,891. Total compensated absences increased by a net amount of \$20,973 during the year, which includes additions of \$598,509 and reductions of \$577,536.

It is estimated that \$402,070 of these compensated absences will be due within one year based upon average usage over the three prior years.

Additional information on the City of Satellite Beach, Florida's long-term debt can be found in Note 4.D. on pages 55 through 59 of this report.

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

Inflationary trends in the region compare to national indices. Among other factors, this was considered in preparing the City of Satellite Beach, Florida's budget for the 2017/18 fiscal year.

The City of Satellite Beach, Florida, in fiscal year 2016/17 did not allocate any additional amount of the total fund balance as a committed balance to be utilized as an emergency reserve per Ordinance 936. In addition, the City decreased the unassigned fund balance by \$728,641 from the previous fiscal year. In 2013, City Council adopted Ordinance 936 establishing an emergency reserve to assist in managing future unforeseen circumstances. These reserves will assist the City in managing any unforeseen future economic factors that may negatively affect the City. Based on past experience, FEMA funds are not expected to be received for all of the hurricane-related costs submitted for reimbursement and the City will have to take in consideration other alternatives in order to continue capital projects along with keeping up the services currently provided to our residents.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Satellite Beach, Florida's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Assistant City Manager, City of Satellite Beach, 565 Cassia Blvd., Satellite Beach, Florida, 32937.



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**BASIC FINANCIAL STATEMENTS** 

### City of Satellite Beach, Florida Statement of Net Position - Government-wide

	Governmental
September 30, 2017	Activities
ACCETC	
ASSETS	
Cash and cash equivalents	\$ 1,335,817
Investments	1,240,417
Accounts receivable	280,525
Due from other governments	175,885
Prepaid items	167,728
Derivative instrument - interest rate swap	389,173
Capital assets not being depreciated:	
Land	11,680,950
Construction in progress	565,313
Capital assets, net of accumulated depreciation	
Buildings	2,314,032
Improvements other than buildings	2,846,558
Equipment	2,234,902
Infrastructure	13,304,274
Total assets	36,535,574
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,900,543
Total deferred outflows of resources	5,900,543

September 30, 2017	Governmental Activities
LIABILITIES	
Accounts payable	668,699
Accrued expenses	188,800
Accrued interest payable	106,527
Noncurrent liabilities:	
Due within one year	1,189,273
Due in more than one year	8,401,340
Aggregate net pension liability	8,475,014
Total liabilities	19,029,653
DEFERRED INFLOWS OF RESOURCES  Accumulated increase in fair value of derivative instrument - interest rate swap  Deferred revenue - business tax receipts  Deferred inflows related to pensions	389,173 24,131 3,100,670
Total deferred inflows of resources	3,513,974
NET POSITION  Net investment in capital assets  Restricted for:	26,078,307
Community Redevelopment Agency	357,706
Community services	221,993
Law enforcement	28,204
Capital assets	624,003
Stormwater	236,955
Unrestricted (deficit)	(7,654,678)
Total net position	\$ 19,892,490

# City of Satellite Beach, Florida Statement of Activities - Government-wide

### For the Year ended September 30, 2017

		Program Revenues					
					Operating		Capital
			Charges for		Grants and		Grants and
Functions/Programs	Expenses		Services	C	ontributions	(	Contributions
Governmental activities:							
General government	\$ 3,973,747	\$	414,419	\$	-	\$	-
Public safety	5,935,564		137,209		30,086		1,000
Public works	2,610,724		425,057		510,684		-
Recreation	815,610		563,425		101		32
Interest and related costs							
on long-term debt	270,548		-		-		-
Total governmental activities	\$ 13,606,193	\$	1,540,110	\$	540,871	\$	1,032

### General revenues:

**Property taxes** 

Franchise fees

Shared revenues not restricted to specific programs

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

### Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Change in Net Position

\$ (3,559,328) (5,767,269) (1,674,983)

(252,052)

(270,548) (11,524,180)

> 6,783,312 1,864,063 1,159,627 2,051 27,603 169,688 10,006,344

(1,517,836) 21,410,326 \$ 19,892,490

### City of Satellite Beach, Florida Balance Sheet – Governmental Funds

			Community		
		Re	edevelopment	Capital	Nonmajor
September 30, 2017	General		Agency	Assets	Funds
ASSETS					
Cash and cash equivalents	\$ -	\$	553,685	\$ 133,004	\$ 449,351
Investments	1,078,443		112,347	9,098	40,529
Accounts receivable	202,101		-	76,428	1,996
Due from other funds	-		-	409,398	-
Due from other governments	175,885		-	-	-
Prepaid items	87,165		-	79,365	1,198
Total assets	\$ 1,543,594	\$	666,032	\$ 707,293	\$ 493,074
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 351,724	\$	308,326	\$ 3,925	\$ 4,724
Accrued expenses	126,003		-	-	-
Due to other funds	409,398		-	-	-
Total liabilities	887,125		308,326	3,925	4,724
Deferred inflows of resources:					
Deferred revenue - business tax receipts	24,131		-	-	-
Fund balances:					
Nonspendable	87,165		-	79,365	1,198
Restricted	-		357,706	624,003	487,152
Committed	852,745		-	-	-
Unassigned	(307,572)		-	-	-
Total fund balances	632,338		357,706	703,368	488,350
Total liabilities and fund balances	\$ 1,543,594	\$	666,032	\$ 707,293	\$ 493,074

Amounts reported for governmental activities 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.

Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

Deferred inflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

Internal service funds are used by management to charge the costs of certain activities, such as health care coverage, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.

Long-term liabilities, including net OPEB obligation, net pension liability and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.

Net position of governmental activities

 Total Governmental Funds
\$ 1,136,040 1,240,417 280,525 409,398 175,885 167,728
\$ 3,409,993
\$ 668,699 126,003 409,398
 1,204,100
24,131
167,728 1,468,861 852,745 (307,572) 2,181,762
32,946,029
5,900,543
(3,100,670)
136,980
(18,065,627)
 (106,527) 19,892,490
 10,00E,700

# City of Satellite Beach, Florida Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year ended September 30, 2017

			Community					Total
		Red	evelopment	Capita	I	Nonmajor	Go	overnmental
	General		Agency	Asset		Funds		Funds
Revenues								
Taxes	\$ 7,367,562	\$	525,458	\$ 794,312	2 \$	-	\$	8,687,332
Licenses and permits	1,044,211		-	-		-		1,044,211
Intergovernmental	1,092,446		-	-		-		1,092,446
Charges for services	643,492		-	-		423,939		1,067,431
Fines and forfeitures	45,657		-	-		-		45,657
Interest and other	99,026		3,619	7,744	l .	40,891		151,280
Total revenues	10,292,394		529,077	802,056	5	464,830		12,088,357
Expenditures								
Current:								
General government	2,417,522		323,890	100,494	Ļ	-		2,841,906
Public safety	5,338,365		-	-		36		5,338,401
Public works	1,888,230		-	-		106,101		1,994,331
Recreation	749,825		-	-		-		749,825
Capital outlay	11,513		17,567	1,006,325	;	590,500		1,625,905
Debt service:								
Principal retired	-		313,300	321,988	3	137,165		772,453
Interest and other	-		153,557	88,502	2	22,271		264,330
Total expenditures	10,405,455		808,314	1,517,309	)	856,073		13,587,151
Excess (deficiency) of								
revenues over (under)								
expenditures	(113,061)		(279,237)	(715,253	3)	(391,243)		(1,498,794)
Other financing sources (uses)								
Transfers in	866,164		1,017,078	-		491,500		2,374,742
Transfers out	(1,508,578)		(737,841)	-		(128,323)		(2,374,742)
Capital lease proceeds	-		-	408,364	Ļ	-		408,364
Proceeds from sale of capital assets	750		-	-		-		750
Net other financing								
sources (uses)	(641,664)		279,237	408,364	<u>.                                    </u>	363,177		409,114
Net change in fund balances	(754,725)		-	(306,889	9)	(28,066)		(1,089,680)
Fund balances, beginning of year	1,387,063		357,706	1,010,257	<b>,</b>	516,416		3,271,442
Fund balances, end of year	\$ 632,338	\$	357,706	\$ 703,368	3 :	\$ 488,350	\$	2,181,762

### City of Satellite Beach, Florida

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$ (1,089,680)
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 as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	516,060
In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.	(74,332)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	364,089
Some expenses, such as compensated absences, are reported in the statement of activities when earned or incurred. As they do not require the use of current financial resources, they are not reported as expenditures in governmental funds until they have matured. This is the amount of such expenses reported in the statement of activities in the prior year that have matured in the current year.	(20,973)
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 the governmental funds.	(1,132,583)
Expenses related to the City's net OPEB obligation 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.	(74,000)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and health care expenses, to individual funds.  The net revenue (expense) of the internal service funds is reported with government activities.	(6,417)
Change in net position of governmental activities	\$ (1,517,836)

### City of Satellite Beach, Florida Statement of Net Position – Proprietary Fund

	Governmental				
	Activit	Activities -			
	Inte	Internal			
	Service I	Service Fund			
September 30, 2017	Health Insur	Health Insurance			
ASSETS					
Cash and cash equivalents	\$ 199,	777			
Total assets	199,	777			
LIABILITIES					
Accrued liabilities	62,	797			
Total liabilities	62,	797			
NET POSITION					
Unrestricted	136,	980			
Total net position	\$ 136,	980			

## City of Satellite Beach, Florida Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund

	Governmenta
	Activities -
	Interna
	Service Fund
Year Ended September 30, 2017	Health Insurance
Operating revenues:	
Charges for services	\$ 1,282,521
Total operating revenues	1,282,521
Operating expenses:	
Insurance claims and expenses	1,288,938
Total operating expenses	1,288,938
	/c.aa=1
Change in net position	(6,417)
Net position, beginning of year	143,397
Net position, end of year	\$ 136,980

## City of Satellite Beach, Florida Statement of Cash Flows – Proprietary Fund

		Governmental Activities -
		Internal
		Service Fund
Year Ended September 30, 2017	Н	ealth Insurance
Cash flows from operating activities:		
Cash received from interfund services provided	\$	1,282,521
Cash payments to suppliers for goods and services	·	(1,320,381)
Net cash used in operating activities		(37,860)
<u> </u>		
Net decrease in cash and cash equivalents		(37,860)
Cash and cash equivalents, beginning of year		237,637
Cash and cash equivalents, end of year	\$	199,777
Reconciliation of operating loss to net cash used in		
operating activities:		
Operating loss	\$	(6,417)
Adjustments to reconcile operating loss to net cash provided by		
operating activities:		
Increase (decrease) in liabilities:		
Accounts payable		-
Accrued expenses		(31,443)
Total adjustments		(31,443)
Net cash used in operating activites	\$	(37,860)

## City of Satellite Beach, Florida Statement of Fiduciary Net Position - Pension Trust Funds

September 30, 2017	
ASSETS	
Receivables:	
Contributions	\$ 225,864
Investments, at fair value:	
Florida Municipal Investment Trust Fund	24,588,673
Total assets	24,814,537
LIABILITIES	 
NET POSITION	
Held in trust for pension benefits	\$ 24,814,537

## City of Satellite Beach, Florida Statement of Changes in Fiduciary Net Position - Pension Trust Funds

For the year ended September 30, 2017

, ,	
ADDITIONS	
Contributions:	
Employees	\$ 222,291
City	1,131,257
State	215,523
Total contributions	1,569,071
Investment earnings:	
Net appreciation in fair value of investments	2,901,767
Total additions	4,470,838
DEDUCTIONS	
Benefit payments	1,236,198
Administrative expenses	63,965
Total deductions	1,300,163
Change in net position	3,170,675
Net position held in trust for pension benefits, beginning of year	21,643,862
Net position held in trust for pension benefits, end of year	\$ 24,814,537

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### A. REPORTING ENTITY

The City of Satellite Beach, Florida (the "City") was created pursuant to Chapter 73-129, Laws of Florida, in 1957. The City operates under a chartered council-manager form of government. The accompanying financial statements present the government and its blended component units, an entity for which the government is considered to be financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations.

Blended component units. The Community Redevelopment Agency (the "Agency") was established by the City Council in June 2002 to promote the rehabilitation, conservation and/or redevelopment of the Community Redevelopment Area (the "Area"). The Agency is governed by a board comprised of five commissioners who also serve as members of the City Council. Revenue sources for the Agency consist primarily of property taxes from the Area and support from the City's general fund. Any bond issue authorizations are approved by the City Council and the legal liability for the general obligation portion of the Agency's debt remains with the government. The Agency is reported as a major special revenue fund.

The City of Satellite Beach police officers and firefighters participate in the City of Satellite Beach Police Officers' and Firefighters' Retirement System (Police Officers' and Firefighters' System). The Police Officers' and Firefighters' System functions for the benefit of these employees and are governed by a five-member pension board of trustees. The City appoints two members and the police and firefighters select two members to serve as trustees. The four-member board elects the fifth member who is appointed by City Council in a ministerial duty to serve as a trustee. The City is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels.

The City of Satellite Beach general employees participate in the City of Satellite Beach General Employees' Retirement System (General Employees' System) if they were hired prior to September 30, 1996 or the General Employees' Money Purchase Pension Plan (Money Purchase Plan) if they were hired subsequent to September 30, 1996. Both plans function for the benefit of all regular city employees, but the General Employees' System is governed by a five-member pension board of trustees. The City appoints three members and the employees select two members to serve as trustees. The City is authorized to establish benefit levels and to approve the actuarial assumptions used in the determination of contribution levels for the General Employees' System and also is financially responsible for funding the Money Purchase Plan.

The Police Officers' and Firefighters' System and the General Employees' System are recorded as pension trust funds in the fiduciary funds. Complete financial statements for each of the individual component units may be obtained at the City's administrative offices located at:

565 Cassia Blvd Satellite Beach, Florida 32937

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### A. REPORTING ENTITY (Continued)

#### **Excluded from the reporting entity**

The Satellite Beach Volunteer Fire Department, Inc. is a nonprofit organization separate from the City. This potential component unit is excluded from the reporting entity because the City does not exert significant influence or control over the volunteer fire department, nor does it have the right to the surplus of the volunteer fire department.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are those which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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. 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 or proprietary funds are reported as separate columns in the fund financial statements.

#### C. 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 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.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

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 grant revenues, for which the period is twelve months. 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.

Property taxes, franchise taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 financial resources of the general government, except those required to be accounted for in another fund.

The Community Redevelopment Agency Fund accounts for the resources accumulated and payments made for the rehabilitation, conservation and/or redevelopment of the Community Redevelopment Area. The Community Redevelopment Agency fund is presented separately as a major fund, which is also in compliance with Florida Statute 163.387.

The *Capital Assets Fund* accounts for the proceeds from utility service taxes. These funds are to be used to fund the acquisition and construction of certain capital assets and expenditures for services approved by the City Council that substitute or outsource a capital asset need identified in the capital improvements plan.

Additionally, the government reports the following fund type:

The Internal Service Fund – Health Insurance – Accounts for the activity of the City's self-insurance care program, services are for health care insurance costs provided to other departments of the City on a cost reimbursement basis.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The *pension trust funds* account for the activities of the City's single-employer, defined benefit pension plan that covers all police and fire employees (which includes a defined contribution plan component) and its single-employer, defined benefit pension plan that covers all general employees hired prior to September 30, 1996. The plans accumulate resources for pension benefit payments to qualified employees.

The City's nonmajor governmental funds consist of a community services fund, a stormwater utility fund and a law enforcement trust fund.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and providing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are charges to other funds for services. Operating expenses for the internal service fund include the cost of sales and services as well as administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Expenses for compensated absences are allocated based on a percentage of total salaries and wages for the year for the various functions.

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.

#### D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY

#### 1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

#### 1. Cash, cash equivalents and investments (continued)

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Substantially all deposits at September 30, 2017, were invested using the pooled investment concept. Interest earned was allocated to the various funds based on their average cash and investment balances.

Investments are reported at fair value, with the exception of external investment pools which comply with criteria set forth in Section I50: *Investments* of the GASB Codification and have elected to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the external investment pools having met these criteria is equal to the value of pooled shares.

#### 2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrange ments 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 balance outstanding between the governmental activities and the fiduciary - pension trust funds are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. However, Chapter 74-430, Laws of Florida, a special act applicable only to governmental units in Brevard County, limits the annual increase to 10% of the prior year's millage. During a Special Session in June 2007, the Florida Legislature adopted HB1B, which limits municipal property tax rates effective with the 2007-2008 fiscal year. This legislation establishes reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years. The Legislature did authorize local governments to use the rolled back millage rate if approved by a super majority vote of the governing body. The Satellite Beach City Council tax levy for the fiscal year ended September 30, 2017 was 8.1518 mills, as approved by a majority vote.

As provided by law, the Brevard County Property Appraiser assesses all properties for ad valorem taxing purposes and the Brevard County Tax Collector collects and distributes all taxes. Ad valorem taxes are levied based on property valuation as of January 1. The fiscal year for which ad valorem taxes are levied begins on October 1. Taxes are due beginning November 1, delinquent on April 1, and a lien placed on May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax sale certificates sold on or prior to June 1.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

#### 3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the fund financial statements, payments on notes or capital lease payables that are not due and payable are recorded as prepaid items.

#### 4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,000 or more and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

	Assets	Years
Buildings		20-40
Building improvemen	ts	12-20
Infrastructure		60
Vehicles		5-12
Equipment		3-18
Leased property		3-12

#### 5. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide 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.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

#### 6. Swap agreements

The City has engaged in effective interest rate swap agreements and has recorded the swap agreements at fair value in accordance with Section I50: *Investments* of the GASB Codification.

#### 7. Deferred inflows of resources

Resources received before time requirements have been met, which were previously reported as unearned revenue liabilities in the governmental funds, are classified as deferred inflows of resources.

#### 8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The City has no bond premiums, discounts or issuance costs associated with its long-term obligations.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

#### 9. Deferred outflows / inflows of resources related to pensions

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$5,900,543 and deferred inflows of resources related to pensions were \$3,100,670 for the year ended September 30, 2017. Note 5.C. includes a complete discussion of retirement commitments.

#### 10. Fund equity

The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

<u>Nonspendable Fund Balance</u> – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) as well as property acquired for resale.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

#### 10. Fund equity (continued)

<u>Restricted Fund Balance</u> – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

<u>Committed Fund Balance</u> – Amounts that can be used only for specific purposes determined by a formal action (resolution, etc.) of the City Council, the City's highest level of decision making authority. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

On August 7, 2013, the City adopted a fund balance stabilization policy. The City's General Fund stabilization reserve policy is to commit a minimum of 60 days of the prior year's operating expenditures, excluding capital outlay and transfers from the General Fund balance by October 1, 2023. 80% of the current fiscal year's additions to reserves are to be added to committed fund balance in the General Fund and used to fund expenditures for critical services in response to major natural disasters upon City Council approval.

<u>Assigned Fund Balance</u> – Includes spendable fund balance amounts established by the City Manager or his designee, and/or the City Council that are intended to be used for specific purposes that are neither considered restricted or committed. The City has an assigned fund balance related to health care obligations in the internal service fund.

<u>Unassigned Fund Balance</u> — This is the residual classification for the General Fund. This represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## D. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION OR EQUITY (Continued)

#### 11. Recently issued and implemented accounting pronouncements

The City has implemented GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of the GASB Statement are effective for fiscal year 2016-17. The objective of GASB Statement No. 77 is to improve financial reporting by providing financial statement users information about certain limitations on revenue-raising capacity for a government that has established tax abatement programs to encourage economic development or to induce behavior by individuals or entities that is beneficial to the government or its citizens. During the year ended September 30, 2017, the City had no commitments under such tax abatement programs.

#### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

<u>Budgetary Information</u> – The City has elected, as permitted by Section 2400: <u>Budgetary Reporting</u> of the GASB Codification, to disclose all budgetary information in the notes to the required supplementary information.

#### NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

## A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes reconciliation between *fund balance-total* governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including net OPEB obligation, net pension liability and compensated absences, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(18,065,627) difference are as follows:

Note payable – CRA	\$ (3,383,100)
Notes payable – Stormwater	(299,960)
Note payable - Capital Asset Fund	(2,365,000)
Capital leases payable	(819,662)
Net OPEB obligation	(1,935,000)
Net pension liability	(8,475,014)
Compensated absences	(787,891)
Net adjustment to reduce fund balance - total governmental	
funds to arrive at net position-governmental activities	\$ (18,065,627)

## NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

# B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "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." The details of this \$516,060 difference are as follows:

Capital outlay	\$ 1,354,830
Depreciation expense	(838,770)
Net adjustment to increase net changes in fund balances - total governmental	_
funds to arrive at changes in net position of governmental activities	\$ 516,060

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net position. The details of this \$364,089 difference are as follows:

Debt issued:	
Capital lease	\$ (408,364)
Principal repayments	772,453
Net adjustment to increase net changes in fund balances - total governmental	
funds to arrive at changes in net position of governmental activities	\$ 364,089

Another element of that reconciliation states that "some expenses that do not require the use of current financial resources are not reported as expenditures in the governmental funds until they have matured." The details of this \$(1,132,583) difference, which is the amount of expenses that were reported in the statement of activities in the prior year that have matured in the current year, are as follows:

Pension expense	\$ (1,126,365)
Interest expense	(6,218)
Net adjustment to decrease net changes in fund balances - total governmental	_
funds to arrive at changes in net position of governmental activities	\$ (1,132,583)

#### **NOTE 4: DETAILED NOTES ON ALL FUNDS**

#### A. DEPOSITS AND INVESTMENTS

At September 30, 2017, the primary government's carrying amount of deposits was \$1,335,817 including \$2,295 of petty cash, and the bank balance was \$1,333,199. As of September 30, 2017, \$250,000 of the City's bank balances is covered by the Federal Depository Insurance Corporation (FDIC).

Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

#### Investments

The City's investment policies are governed by state statutes and City policy, except the City's Police Officers' and Firefighters' Pension Trusts and the General Employees' Pension Trust, which are separately managed under the direction of their respective Pension Boards and are restricted to investments as defined under State statutes; specifically, Section 175.071(a) and (b), Florida Statutes, and Section 185.06(a) and (b), Florida Statutes, respectively.

At the close of the fiscal year, the City held investments in the Local Government Surplus Funds Trust Fund ("Florida PRIME") external investment pool. The Florida PRIME is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. Florida PRIME currently meets all of the necessary criteria set forth in Section In5: *Investment Pools (External)* of the GASB Codification to measure its investments at amortized cost; therefore, the City's account balance in the SBA is also reported at amortized cost.

Under GASB Codification Section I50: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost, it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in the external investment pool.

During the year ended September 30, 2017, the City also participated in a Special Purpose Investment Account ("SPIA") of the Florida Treasury Investment Pool, which combines short and intermediate term fixed income investment strategies. The asset structure is designed to provide strong liquidity using short term, high quality investments and additional investment income using intermediate investments. This is a pool of investments in which the City owns a share of the pool and not the underlying securities.

#### NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

#### A. DEPOSITS AND INVESTMENTS (Continued)

#### Investments (continued)

The City pools the investments of its governmental funds. Investment earnings of the pool are allocated to the participating funds at the end of each month based on the ratio of each participant funds' investment to the total pooled investment.

Within the pension trust fund, the City of Satellite Beach Police Officers' and Firefighters' Retirement System is authorized within certain limitations by its governing board to invest in time, savings and money market deposits, obligations of the U.S. government and government agencies, stocks, commingled funds administered by national or state banks, mutual funds, bonds and foreign securities. The City of Satellite Beach General Employees' Retirement System is authorized within certain limitations by its governing board to invest in certificates of deposit, repurchase agreements, commercial paper, obligations of the U.S. government and government agencies, stocks, bonds and foreign securities.

During the year ended September 30, 2017, the investments of both of the Police Officers' and Firefighters' pension plans and the General Employees' pension plans were held with the Florida Municipal Investment Trust (FMIvT). The FMIvT is a Local Government Investment Pool (LGIP) and is considered an external investment pool for reporting purposes. The plans own shares in one or more FMIvT portfolios. The plans' investments are the FMIvT portfolios, not the individual securities held within each FMIvT portfolio. The City owns a share of the portfolio and not the underlying securities.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The General Employees' and the Police Officers' and Firefighters' Retirement Trusts investment policies limits interest rate risk by requiring that securities mature concurrent with cash needs to meet anticipated demands, thereby avoiding the need to sell securities in the open market prior to maturity. The City's investment policy does not address interest rate risk.

Credit risk – Credit rate risk is the risk of losses due to the failure of the security issue or backer. The City's investment policy does not address credit risk; however, investments are limited to state sponsored investment pools, which are diversified in their underlying portfolios so that potential losses will be minimized. The City's Police Officers' and Firefighters' and the General Employees' Pension Trusts do not address credit rate risk.

Foreign currency risk — The City's primary government's and pension trust funds' investments are not exposed to foreign currency risk. The City's investment policy and the investment policy of the City's pension trust funds do not address foreign currency risk.

#### NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

#### **B. DEPOSITS AND INVESTMENTS (Continued)**

#### Investments (continued)

Concentration of credit risk — Concentration of credit risk is an increased risk of loss that occurs as more investments are acquired from one issuer (i.e., lack of diversification). The investment policies for the City's pension trust funds do address concentration risk; however, it is addressed under Sections 175.071(b) and 185.06(b), Florida Statutes, which state the board of trustees may not invest more than 5 percent of its assets in the common stock or capital stock of any one issuing company, nor may the aggregate investment in any one issuing company exceed 5 percent of the outstanding capital stock of that company or the aggregate of its investments under this subparagraph at cost exceed 50 percent of the assets of the fund.

At September 30, 2017, the City had the following investments:

		Weighted Average	Effective		
Investment type	Fair Value	to Maturity (WAM)	Duration	Rating	Agency
Primary government:					
SBA (Florida PRIME)	\$ 104,343	51 days	-	AAAm	S&P
SPIA	1,136,074	-	3.44 years	A+f	S&P
Primary government total	\$ 1,240,417				
Pension trust funds:					
Florida Municipal					
Investment Trust (FMIvT)	\$ 24,588,673	*	-	Unrated	-
Pension trust funds total	\$ 24,588,673				

<sup>\*</sup> Portions of the FMIvT are invested in debt instruments and mutual funds with a weighted average to maturity (WAM) of 6.1 years and 7.4 years, respectively.

#### Fair Value

GASB Codification Section 3100: Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

#### NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

#### C. DEPOSITS AND INVESTMENTS (Continued)

#### Fair Value (continued)

The three levels of the fair value hierarchy under the codification are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the level 2 input must be
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

observable for substantially the full term of the asset or liability.

As of September 30, 2017, the City did not hold any investments which met the criteria set forth in GASB Codification Section 3100 and would be required to be classified within the fair value hierarchy. At September 30, 2017, the City had the following investments:

	Fair Value			
Investments excluded from				
fair value hiearchy				
Investments in derivative instruments:				
Interest rate swap	\$ 389,173			
		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Investments measured at net asset value:				
FMIvT	24,588,673	-	Monthly	Once a month, with advance written notification
SPIA	1,136,074	-	Immediate	Six months for greater than 40% withdrawal of the prior 3 months average investment balance
Total investments measured at net asset value	25,724,747			
Total investments excluded				
from fair value hierarchy	\$ 26,113,920			

#### **NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

#### A. DEPOSITS AND INVESTMENTS (Continued)

### Fair Value (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017:

FMIvT and SPIA: The pool is valued using the quoted value of the underlying assets or similar assets and multiplied by the City's percentage of ownership in the pool.

*Interest rate swap*: The derivative investment is valued using a market approach that considers benchmark interest rates.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City's investment of \$104,343 in the SBA (Florida PRIME) is measured at amortized cost. As of September 30, 2017, there were no redemption fees or maximum transactions amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

## **NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

#### **B. CAPITAL ASSETS**

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

	Beginning					Ending
	Balance		Increases		Decreases	Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$11,680,950	\$	-	\$	-	\$11,680,950
Construction in progress	620,747		-		(55,434)	565,313
Total capital assets,						_
not being depreciated	12,301,697		-		(55,434)	12,246,263
Capital assets, being depreciated:						
Buildings	4,465,707		_		_	4,465,707
Improvements other than buildings	5,330,571		15,269		(236,396)	5,109,444
Equipment	4,738,267		699,300		(163,288)	5,274,279
Infrastructure	21,997,046		695,695		(103,200)	22,692,741
Total capital assets being depreciated	36,531,591		1,410,264		(399,684)	37,542,171
Total capital assets being depreciated	30,331,331		1,410,204		(333,004)	37,342,171
Less accumulated depreciation for:						
Buildings	(2,056,906)		(94,769)		-	(2,151,675)
Improvements other than buildings	(2,252,471)		(207,214)		196,799	(2,262,886)
Equipment	(3,067,297)		(100,633)		128,553	(3,039,377)
Infrastructure	(8,952,313)		(436,154)		-	(9,388,467)
Total accumulated depreciation	(16,328,987)		(838,770)		325,352	(16,842,405)
Total capital assets						
being depreciated, net	20,202,604		571,494		(74,332)	20,699,766
Governmental activities						_
capital assets, net	\$32,504,301	\$	571,494	\$	(129,766)	\$32,946,029
Depreciation expense was charged to fund	rtions/programs	of	the govern	m	ent as follo	ws:
zepresianen enpenee nas enargea te rant	,	•	80			
Governmental activities:						
General government					9	\$ 132,913
Public safety						137,955
Physical environment						533,183
Recreation						34,719
Total depreciation expense - governm	ental activities					\$ 838,770

#### **NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

#### C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2017:

				Tr	ansfers in:		
			Community				_
		R	Redevelopment				
	General		Agency (CRA)		Capital	Nonmajor	
	Fund		Fund	P	Asset Fund	Funds	Total
Transfers out:							_
General Fund	\$ -	\$	1,017,078	\$	-	\$ 491,500	\$ 1,508,578
CRA Fund	737,841		-		-	-	737,841
Nonmajor Funds	128,323		-		-	-	128,323
Total	\$ 866,164	\$	1,017,078	\$	-	\$ 491,500	\$ 2,374,742

Transfers are used to (1) move revenues from the fund that is required (per statute or budget) to collect them to the fund that is required (per statute or budget) to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) return excess revenues not expended during the year back to the general fund at year-end in accordance with state statues (i.e. Community Redevelopment Agency Fund).

#### D. LONG-TERM DEBT

#### Capital leases

The government has entered into certain capital lease agreements as lessee for financing the acquisition of certain vehicles and trucks for the police, fire and public works departments. During 2013, the City entered into a capital lease to finance a police vehicle. The lease requires annual principal payments of \$8,263 and an interest rate of 4.09% through final maturity in fiscal year 2017.

During 2014, the City entered into a new capital lease to finance the purchase of a fire truck. The lease requires annual payments of \$42,661 which includes an annual fixed interest rate of 2.71% through final maturity in fiscal year 2024. During 2014, the City also entered into a new capital lease to finance the purchase of a records management computer aided dispatch system. The lease requires quarterly payments of \$17,004 which includes an annual fixed interest rate of 2.92% through final maturity in fiscal year 2021.

#### **NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

#### D. LONG-TERM DEBT (Continued)

#### <u>Capital leases (continued)</u>

During 2017, the City entered into a new capital lease to finance the purchase of a fire truck. The lease requires annual payments of \$84,284 which includes an annual fixed interest rate of 1.59% through final maturity in fiscal year 2020. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

Asset:
--------

Equipment	\$ 442,850
Vehicles	442,105
Less: Accumulated depreciation	(533,536)
Total	\$ 351,419

Obligations of governmental activities under capital lease at September 30, 2017, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2018	\$ 176,582	\$ 20,157	\$ 196,739
2019	180,641	16,152	196,793
2020	184,798	12,049	196,847
2021	154,928	7,844	162,772
2022	39,371	3,659	43,030
Thereafter	83,342	3,348	86,690
Total	\$ 819,662	\$ 63,209	\$ 882,871

#### Notes payable

**Stormwater Utility Notes Payable**: On October 5, 2009, the City entered into a loan agreement with a bank in the amount of \$1,200,000 with an interest rate of 5.94%. Monthly payments of \$13,286, including interest and principal, are due through maturity of October 5, 2019. The note is secured by equipment. As of September 30, 2017, principal and interest to maturity in 2019 totaled \$478,308.

#### **NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

#### D. LONG-TERM DEBT (Continued)

#### Notes payable (continued)

Community Redevelopment Agency Variable Rate Tax Increment Revenue Note: On May 4, 2006, the Community Redevelopment Agency entered into a loan agreement with a bank in an amount not to exceed \$8,000,000 to purchase real property and various capital improvements. The initial amount drawn on the note was \$6,250,000. Quarterly payments ranging from \$114,291 to \$117,988, including principal and interest, are due through the maturity date of May 1, 2026.

The note is secured by revenues of the Community Redevelopment Agency fund. Principal and interest paid for the current fiscal year was \$439,377 and pledged gross revenues were approximately \$525,458. As of September 30, 2017, principal and interest to maturity in 2026 to be paid from pledged future revenues totaled \$3,873,452.

As a means of lowering its borrowing costs, when compared against fixed rate borrowings at the time of issuance in May 2006, the City entered into an interest rate swap agreement with the bank issuing it a \$6,250,000 variable rate note. The intention of the swap was to effectively change the City's variable rate note to a synthetic fixed rate of 4.23%.

Under the swap agreement, the City pays the counterparty interest calculated at a fixed rate of 4.23%. In return, the counterparty owes the City interest based on 63.7% of the London Interbank Offering Rate (LIBOR) plus a spread of 0.50%. Only the net difference in the interest payments is actually exchanged with the counterparty. The \$6,250,000 in note principal is not exchanged; it is only the basis on which the interest payments are calculated. The swap agreement has a term of 20 years and a notional amount of \$3,383,100 as of September 30, 2017. The associated variable-rate note has a \$3,383,100 principal amount as of the same date and has a like term. There are no embedded options on the swap agreements and no cash was paid or received when the swap agreements were entered into.

The debt service requirements of the variable-rate debt and net swap payments are shown below assuming current interest rates remain the same. The current variable rate on the \$6,250,000 note is 0.62% as of September 30, 2017. Therefore, the interest rate related to the \$6,250,000 swap is 3.61% as of the same date, calculated as the difference between the synthetic fixed rate of 4.23% and the 0.62% variable rate.

The interest rate swap agreement has a negative fair value of \$389,173 as of September 30, 2017. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate note payable, creating lower synthetic rates. Because the payments on the City's variable-rate notes payable adjust to changing interest rates, the note payable does not have corresponding fair value increases. The fair value of the swap was obtained from the counterparty and is based on the quoted market price using the mark-to-market method. The change in fair value for the year ended September 30, 2017 is a negative of approximately \$46,681.

#### NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

#### D. LONG-TERM DEBT (Continued)

#### Notes payable (continued)

As of September 30, 2017, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivatives' fair value. As of September 30, 2017, the swap's counterparty was rated A+ by Standard & Poor's. The calculation of variable interest payments is an estimate. It is calculated based upon the total interest to be paid less the calculated amount of swap interest to be paid.

The derivative (interest rate swap) contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The City or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contracts. If the swaps were terminated, the variable-rate notes and bonds would no longer carry synthetic interest rates. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value as of that date. As of September 30, 2017, the City has no intention of terminating its swap agreements.

**Utility Tax Revenue Note Series 2015:** On August 21, 2015, the City entered into a loan agreement with a bank in an amount of \$2,500,000 with a fixed interest rate of 2.97% to fund various capital improvement projects within the City. The note requires semi-annual interest payments ranging from \$8,250 to \$37,125 and annual principal payments ranging from \$135,000 to \$203,000 through the maturity date of October 1, 2030.

The note is secured by pledged revenues consisting of all utility tax revenues. The first interest payment was paid October 1, 2015 and the first principal payment was paid October 1, 2016. Interest accrued in the current year was \$74,250, and pledged gross revenues were approximately \$794,312. As of September 30, 2017, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$3,134,302.

Annual debt service requirements to maturity for the City's notes payable are as follows:

September 30,         Principal         Interest         (swap)           2018         \$ 610,621         \$ 121,921         \$ 109,617	\$ Total 842,159
	\$ 842,159
620,020 404,520 00,244	
2019 638,939 104,528 98,311	841,778
2020 502,600 90,699 86,522	679,821
2021 521,700 81,571 74,222	677,493
2022 542,800 72,099 61,400	676,299
2023-2028 2,454,400 209,643 105,943	2,769,986
Thereafter 777,000 35,462 -	812,462
Totals \$ 6,048,060 \$ 715,923 \$ 536,015	\$ 7,299,998

#### **NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

#### D. LONG-TERM DEBT (Continued)

#### Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning				E	Inding	Due Within
	Balance		Additions	Reductions	Ва	alance	One Year
<b>Governmental activities:</b>							
Note payable – CRA	\$ 3,696,400	\$	-	\$ (313,300)	3,383	3,100	\$ 326,800
Notes payable –							
Stormwater	437,125		-	(137,165)	299	9,960	144,821
Note payable –							
Capital Asset fund	2,500,000		-	(135,000)	2,365	5,000	139,000
Capital leases payable	598,286		408,364	(186,988)	819	9,662	176,582
Other postemployment							
benefits obligation							
(OPEB)	1,861,000		300,000	(226,000)	1,935	5,000	-
Compensated absences	766,918		598,509	(577,536)	787	7,891	402,070
Total long-term							
liabilities	\$ 9,859,729	\$:	1,306,873	\$ (1,575,989)	\$ 9,590	0,613	\$ 1,189,273

For the governmental activities, compensated absences are generally liquidated by the General fund. Capital leases are generally liquidated by the Capital Assets fund. The note payable – CRA is liquidated by tax revenues received by the Community Redevelopment Agency fund. The notes payable – Stormwater is liquidated by stormwater utility fees. The note payable – Capital Assets fund is liquidated by utility tax revenues.

#### E. GOVERNMENTAL FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the following page:

#### **NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)**

#### E. GOVERNMENTAL FUND BALANCES (Continued)

			Community		
		R	edevelopment	Capital	Nonmajor
	General		Agency	Assets	Funds
Nonspendable:					
Prepaid items	\$ 87,165	\$	- \$	79,365	\$ 1,198
Restricted for:					
Community services	-		-	-	458,948
Community redevelopment					
Economic development	-		357,706	-	-
Capital assets	-		-	624,003	-
Law enforcement	-		-	-	28,204
Committed:					
Stabilization	852,745		-	-	-
Unassigned	(307,572)		-	-	_
Total fund balances	\$ 632,338	\$	357,706 \$	703,368	\$ 488,350

#### **NOTE 5: OTHER INFORMATION**

#### A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance through Preferred Government Insurance Trust (PGIT). Coverage provided by PGIT includes general liability, auto liability, property and workers' compensation. The City has eliminated the limited risk management program for workers' compensation coverage used in prior years and now is fully insured by PGIT.

The City adopted a self-insurance program for employee health insurance coverage effective October 1, 2015, instituting a high deductible, self-funded HRA health insurance program, which pays 100% of a fixed level of claims for each employee, and provides discounted rates and coinsurance capped by a catastrophic claims limit. The uninsured risk of loss is \$30,000 deductible per covered person. Commercial insurance for claims in excess of the coverage provided by the City is supplied by a private insurance company. The City has contracted with outside agencies to perform certain administrative functions, such as monitoring, reviewing and paying claims. Settled claims have not exceeded commercial excess coverage in any of the past year since the program was established.

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### A. RISK MANAGEMENT (Continued)

All departments of the City participate in the program and make payments based on estimates of amounts needed to pay prior and current year claims, claims reserves, and administrative costs. A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable as of fiscal year end. This liability includes an estimate of claims that been incurred but not reported. As of September 30, 2017, the City reported a liability of \$62,797 in the internal service fund which is included in accrued liabilities. Changes in the estimated accrued claims payable in fiscal year 2017 was as follows:

	2017
Balance at beginning of year	\$ 5,945
Current year claims and changes in estimate	1,339,373
Claims payments	(1,282,521)
Balance at end of year	\$ 62,797

#### **B. OTHER POSTEMPLOYMENT BENEFITS**

The City follows Section P50: Postemployment Benefits Other Than Pensions – Employer Reporting (OPEB) of the GASB Codification, for certain postemployment health care benefits provided by the City.

**Plan description.** The City administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the City is required to provide eligible retirees (as defined in the City's pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees.

Employees and their dependents may elect to remain in the Plan upon retirement up to age 65. After age 65, the City's insurance coverage becomes secondary to the retiree's Medicare insurance. At the last valuation, the Plan has 25 retirees and spouses receiving benefits and has a total of 82 active participants and dependents. Of that total, 70 are not yet eligible to receive benefits.

Benefit provisions for the Plan were established by City Council on April 3, 1996 and may only be amended by City Council. The City has not established a trust or agency fund for the Plan. The City does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the City's basic financial statements.

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Funding policy.** The City is funding the Plan on a pay-as-you-go basis. For employees hired prior to April 4, 1996, the City pays 100% of the insurance premiums for those employees' health insurance, which represents an explicit subsidy. Retirees may also elect to have their dependents covered, but must pay the premiums for such coverage. For employees hired April 4, 1996 and after, the employees and their dependents are required to pay 100% of the insurance premiums charged by the carrier. There is an implied subsidy in the insurance premiums for these employees because the premium charged for retirees is the same as the premium charged for active employees, who are younger than retirees on average.

For the year ended September 30, 2017, the City made contributions of \$222,000, which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees. Contributions of plan members not eligible for an explicit subsidy totaled \$9,439 for the year ended September 30, 2017.

Annual OPEB cost and net OPEB obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Section P50: Postemployment Benefits Other Than Pensions – Employer Reporting (OPEB) of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year ended September 30, 2017, the amount actually contributed to the Plan and changes in the City's net OPEB obligation to the Plan:

Annual required contribution	\$ 329,000
Interest on net OPEB obligation	74,000
Adjustment to annual required contribution	(103,000)
Annual OPEB cost (expense)	300,000
Contributions made	(222,000)
Interest on employer contributions	(4,000)
Increase in net OPEB obligation	74,000
Net OPEB obligation, beginning of year	1,861,000
Net OPEB obligation, end of year	\$ 1,935,000

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the past three fiscal years are as follows:

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

		Percentage of Annual	
Year Ending	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
9/30/2017	\$ 300,000	75%	\$ 1,935,000
9/30/2016	284,000	67%	1,861,000
9/30/2015	282,000	65%	1,766,000

**Funded status and funding progress.** Because the Plan has fewer than 200 members, the City is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of October 1, 2017. In fiscal year 2018, the City will implement GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This new standard will require the City to obtain an actuarial valuation at least every two years.

As of October 1, 2017, the actuarial accrued liability for benefits was \$4,265,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$4,265,000 and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 100%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

In the October 1, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (including inflation of 2.75%) and an annual healthcare cost trend rate, ultimate rate of 5.00% per year. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-dollar payment basis over an open period of 30 years.

#### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The City maintains three retirement plans covering its regular employees. A single-employer, defined benefit pension plan that covers all regular police and fire employees, the City of Satellite Beach Police Officers' and Firefighters' Plan"); a single-employer, defined benefit pension plan that covers all general employees hired prior to September 30, 1996, the City of Satellite Beach General Employees' Retirement System (the "General Employees' Plan"); and a defined contribution plan for general employees hired after September 30, 1996, the City of Satellite Beach Money Purchase Plan (the "Money Plan").

#### **Money Purchase Plan**

<u>Plan description and funding requirements</u>. The City of Satellite Beach Money Purchase Plan (the "Money Plan") is a defined contribution pension plan established on October 1, 1996 under City Ordinance No. 655 and is administered by a third party. The Money Plan provides benefits at retirement to all full-time employees, except police officers and firefighters, hired after October 1, 1996. At September 30, 2017, there were 42 active plan members.

The Money Plan members are required to contribute 5% of their annual salary to the Money Plan, and the City is required to contribute a matching amount of 5%. Money Plan provisions and contribution requirements are established and may be amended by the City Council. The City and the employees each contributed \$101,016 to the Plan for fiscal year 2017.

#### **Defined Benefit Plans**

<u>Summary of significant accounting policies basis of accounting and valuation of investments</u>. The financial statements of the plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. The fair value of investments in external investment pools is determined through measurement of the fair value of the underlying securities using market or market-corroborated data.

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

#### **Defined Benefit Plans (continued)**

The City recognized as revenues and expenditures on-behalf payments relating to pension contributions for its public safety employees that the State of Florida paid to the retirement plan in the amount of \$215,523 to partially fund the Police Officers' and Firefighters' Plan. These contributions are funded by an excise tax, collected by the State, on property and casualty insurance gross receipts of premiums from policy holders.

<u>Funding policy</u>. The contribution requirement for the Police Officers' and Firefighters' Plan and the General Employees' Plan employer contributions are actuarially determined; employees must contribute 8.00% of pensionable earnings; employee contribution requirements may be amended by City ordinance, but the employer contribution requirement is subject to State minimums. Administrative costs are financed through investment earnings.

The City uses the Entry Age Normal Cost Method for the Police Officers' and Firefighters' Pension Plan to determine required contributions under its retirement system because it provides for the systematic funding of the normal cost and any unfunded actuarial accrued liabilities. This is an acceptable method to the State of Florida. The liability is being funded over a 30 year period for the Police Officers' and Firefighters' Pension Plan.

The General Employees' Pension Plan uses the Aggregate Cost Method to determine required contributions under its retirement system. This is an acceptable method to the State of Florida. Under this method, the actuarial accrued liability is equal to the accumulated assets, therefore, no unfunded accrued liability is developed.

<u>Police Officers' and Firefighters' and General Employees' Pension Plans description</u>. The Police Officers' and Firefighters' Plan is governed by a Board of Trustees which is comprised of four members appointed by resolution of the City Council. The General Employees' Plan is governed by a Board of Trustees which is comprised of three members appointed by resolution of the City Council.

	Police	
	Officers' and	General
	Firefighters'	Employees'
Plan Membership as of October 1, 2017:	Plan	Plan
Inactive plan members or beneficiaries currently receiving benefits	23	21
Inactive plan members entitled to but not yet receiving benefits	7	2
Inactive plan members due a refund of contributions	3	-
Active plan members	37	5
Total	70	28

## **NOTE 5: OTHER INFORMATION (Continued)**

## C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

## **Defined Benefit Plans (continued)**

Plan benefits	Police Officers' and Firefighters' Plan	General Employees' Plan				
Employees covered	Full-time firefighters and police officers employed by the City.	Only participants as of September 30, 1986 are eligible to continue participation.				
Types of benefits offered	Retirement, disability, and pre-reti	irement death benefits.				
Basic pension formula	3% of average monthly earnings multiplied by years of credited service.	3% of average earnings multiplied by Credited Service prior to October 1, 2010 plus 2% of average earnings multiplied by credited service earned after September 30, 2010.				
Early retirement adjustment	Retirement benefit is reduced by 3% for each year early retirement age precedes normal retirement age.	Basic pension formula is reduced by 1/15 for each of the first 5 years plus 1/30 of the next five years for each year prior to normal retirement age.				
Disability pension	For a service connected disability, the larger of basic per formula or 42% of average earnings. For a non-service conn disability, provided the participant has earned 10 years of set the larger of basic pension formula or 25% of average earning					
Pre-retirement death benefit	nefit Basic pension formula payable for 10 years to the ben vested participant beginning at the participant's early retirement age or return of accumulated employee copayable to the beneficiary of a non-vested participant.					
Normal retirement age	52 with 5 years of service.	62 with five years of service.				

## **NOTE 5: OTHER INFORMATION (Continued)**

## C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

### **Defined Benefit Plans (continued)**

Plan benefits  Early retirement age	Police Officers' and Firefighters' Plan 50 with 10 years of service.	General Employees' Plan 55 with 10 years of service. Any age with 35 years of service.	
Vesting requirement	100% after 5 years of service.	5 years of service.	
Form of payment	Actuarially equivalent single life annuity; 10-year certain and life annuity; Actuarially equivalent 50%, 66.67%, 75%, or 100% joint and contingent annuity; or any other actuarially equivalent form of payment approved by the Board of Trustees.		
Average earnings	Average of the highest consecutive three years of pensionable earnings out of the last 10 years.		
Cost of living adjustment	No automatic cost-of-living adjustment is provided.		
Deferred Retirement Option Plan (DROP)	A DROP is available for those participants who have attained their normal retirement age. Individuals may participate in DROP for up to 60 months. DROP accounts are credited with interest based on the actual investment.	A DROP option is available for those participants who are at least age 57 and have attained early or normal retirement age. Individuals may participate in DROP for up to 60 months. DROP accounts are credited with interest based on the actual investment less a 0.1875% quarterly administrative charge.	
DROP balance as of October 1, 2017	\$ 158,113	None	
Legal authority	Plan was established May 22, 1973 pursuant to City ordinance, and as since amended.	Plan was established May 22, 1973 pursuant to City ordinance, and as since amended.	

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

#### **Defined Benefit Plans (continued)**

	Police Officers' and	General
	Firefighters'	Employees'
Plan benefits	Plan	Plan
Changes	No significant plan changes were adopted since the prior measurement date.	The benefit terms did not change from the prior

<u>Net Pension Liability of the Sponsor</u>. The components of the net pension liability of the sponsor on September 30, 2017 were as follows:

	Police Officers' and Firefighters'		General Employees'	
		Plan	Plan	
Total pension liability	\$	23,985,721 \$	9,014,540	
Less: Fiduciary net position		(17,272,112)	(7,253,135)	
Net pension liability	\$	6,713,609 \$	1,761,405	
Plan Fiduciary Net Position as a percentage of the				

total pension liability 72% 80%

<u>Actuarial assumptions</u>. The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions:

	Police Officers' and	General Employees'
	Firefighters' Plan	Plan
Discount rate	7.00% per annum (2.92% per annum is att	ributable to long-term
	inflation); this rate was used to discoupayments.	int all future benefit
Salary increases	For both plans, 4.75% per annum.	
Cost-of-living increases	For both plans, none assumed.	
Mortality basis	For both plans, sex-distinct rates set f Combined Mortality Table, with full generat mortality using Scale BB.	

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

#### **Defined Benefit Plans (continued)**

	Police Officers' and	General Employees'	
	Firefighters' Plan	Plan	
Retirement	100% retirement is assumed to occur at age 52 with five years of service; participants who are age 50 with 10 years of service are assumed to retire at the rate of 2.50% per year; participants who have attained normal retirement age are assumed to retire no earlier than one year after the valuation date.	100% retirement is assumed at age 62 with five years of service or 5.00% retirement per year is assumed with 35 years of service or 2.50% retirement per year is assumed at age 55 with 10 years of service; a participant who has attained his normal retirement age as of the valuation date is assumed to retire one year later.	
Other decrements  Non-investment expenses	Assumed employment termination is based on the Scale 155 Table; assumed disability is based on the Wyatt 1985 Disability Study (Class 4).  1.25% of future payroll.	Assumed employment termination is based on the Scale 155 Table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1).  1.75% of future payroll.	
Future contributions	Contributions from the employer and employees are assumed to be made as legally required.		
Changes	Since the prior measurement changed from a 2007 projection for annuitants to the RP-2000 Cogenerational improvements in mo	of the RP-2000 Mortality Table ombined Mortality Table with full	

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.

#### **NOTE 5: OTHER INFORMATION (Continued)**

#### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

#### **Defined Benefit Plans (continued)**

These ranges are combined to produce the long term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

		Expected Long-
Investment Category	<b>Target Allocation</b>	Term Real Return
Core bonds	16%	0.58% per annum
Multi-Sector	24%	1.08% per annum
U.S. large cap equity	39%	6.08% per annum
U.S. small cap equity	11%	6.83% per annum
Non U.S. equity	10%	6.83% per annum
Total or weighted arithmetic average	100%	4.08% per annum

<u>Discount rate</u>. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes 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 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 be nefit payments to determine the total pension liability.

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, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Present			
	1% Decrease	Discount Rate		1% Increase
Police Officers' and Firefighters' Plan	6.00%	7.00%		9.00%
Net pension liability - POFP	9,730,695	6,713,609		4,217,648
General Employees' Plan				
Net pension liability - GEP	2,652,144	1,761,405		999,465
Aggregate net pension liability	\$ 12,382,839	\$ 8,475,014	\$	5,217,113

### **NOTE 5: OTHER INFORMATION (Continued)**

### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

### **Defined Benefit Plans (continued)**

<u>Net Pension Liability and Changes in the Net Pension Liability</u>. The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability for the Police Officers' and Firefighters' Plan and for the General Employees' Plan was also determined as of that date.

Increase	(De	crease)		
		Total Pension	Plan Fiduciary	Net Pension
		Liability	<b>Net Position</b>	Liability
Police Officers' and Firefighters' Plan		(a)	(b)	(a) - (b)
Reporting period ending September 30, 2016	\$	20,782,668	\$ 14,703,108	\$ 6,079,560
Changes due to:				
Service cost		713,303	-	713,303
Expected interest growth		1,478,789	1,048,032	430,757
Unexpected interest income		-	974,176	(974,176)
Demographic experience		377,868	-	377,868
Contributions - Employer		-	870,229	(870,229)
Contributions - State		-	215,523	(215,523)
Contributions - Employee		-	200,057	(200,057)
Benefit payments, including refunds		(699,053)	(699,053)	-
Administrative expenses		-	(39,960)	39,960
Changes in benefit terms		-	-	-
Assumption changes		1,332,146	-	1,332,146
Net changes		3,203,053	2,569,004	634,049
Reporting period ending September 30, 2017	\$	23,985,721	\$ 17,272,112	\$ 6,713,609
General Employees' Plan				
Reporting period ending September 30, 2016	\$	8,247,936	\$ 6,563,140	\$ 1,684,796
Changes due to:				
Service cost		63,643	-	63,643
Expected interest growth		560,761	452,898	107,863
Unexpected interest income		-	426,662	(426,662)
Demographic experience		101,155	-	101,155
Contributions - Employer		-	349,352	(349,352)
Contributions - Employee		-	22,233	(22,233)
Benefit payments, including refunds		(537,145)	(537,145)	-
Administrative expenses		-	(24,005)	24,005
Changes in benefit terms		-	-	-
Assumption changes		578,190	<u>-</u>	578,190
Net changes		766,604	689,995	76,609
Reporting period ending September 30, 2017	\$	9,014,540	\$ 7,253,135	\$ 1,761,405

### **NOTE 5: OTHER INFORMATION (Continued)**

### D. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

### **Defined Benefit Plans (continued)**

<u>Pension Expense and Deferred Outflows and Deferred Inflows of Resources related to pensions</u>. For the year ended September 30, 2017, the City will recognize pension expense of \$966,076 and \$403,994 for the Police Officers' and Firefighters' Pension Plan and the General Employees' Pension Plan, respectively. At September 30, 2017, the City reported deferred outflows and deferred inflows of resources from the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
Police Officers' and Firefighters' Plan	Resources	Resources
Investment gain/loss	\$ 484,521	\$ 915,269
Demographic gain/loss	303,170	463,845
Assumption changes	4,106,750	1,076,050
Total - Police Officers' and Firefighters' Plan	4,894,441	2,455,164
General Employees' Plan		
Investment gain/loss	222,148	403,528
Demographic gain/loss	85,703	-
Assumption changes	698,251	241,978
Total - General Employees' Plan	1,006,102	645,506
Total deferred outflows and deferred inflows		_
of resources related to pensions	\$ 5,900,543	\$ 3,100,670

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

	Po	lice Officers'		
		and		
		Firefighters'		General
Fiscal Year Ending September 30,		Plan	Em	ployees' Plan
2018	\$	511,014	\$	213,868
2019		526,393		220,331
2020		284,133		11,731
2021		245,611		(85,334)
2022		161,407		-
Thereafter		710,719		
Total	\$	2,439,277	\$	360,596

### **NOTE 5: OTHER INFORMATION (Continued)**

### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

### **Defined Benefit Plans (continued)**

The Plans' fiduciary net position has been determined on the same basis used by the pension Plans' and is equal to the market value of assets calculated under the accrual basis of accounting.

Required Supplementary Information (RSI) following the notes to the financial statements provides multi-year trend data to help determine whether the actuarial value of the Plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Defined Contribution Plan Component – Share Plan</u>. During the year ended September 30, 2017, the City established a defined contribution plan component (the "Share Plan") as part of the City's Police Officers' and Firefighters' Pension Plan, in accordance with sections 175.351(6) and 185.35(6), Florida Statutes. The Share Plan provides special benefits to firefighters, police officers and public safety officers who are members of the defined benefit plan. The Share Plan is funded solely and entirely by insurance premium tax monies (as set forth in Chapters 175 and 185, Florida Statutes) that have been allocated to the Share Plan either by (1) mutual consent of the City and the Plan members' collective bargaining representative or (2) operation of sections 175.351(1)(a)-(f) and 185.35(1)(a)-(f), Florida Statutes.

To establish the Share Plan, the City allocated \$288,492 from the defined benefit plan to the Share Plan. This amount represents prior years' accumulated excess Chapter 175/185 contributions using a formula mutually agreed upon by the City and the Plan members' collective bargaining representatives. An additional \$89,122 was allocated to the Share Plan for excess Chapter 175/185 monies received during the year ended September 30, 2017.

<u>Fiduciary Fund Financial Statements</u>. The City does not issue separate financial statements for the Police Officers' and Firefighters' Pension Plan or the General Employees' Pension Plan. The basic financial statements of the City include a statement of net position and a statement of changes in fiduciary net position that presents a single column for each fund type for both pension trust funds.

Both Plans hold their investments in the Florida Municipal Pension Trust Fund, an external investment pool established for the purpose of funding individually designed employee pension plans and certain other post-employment benefit plans of participating municipalities, public agencies and political subdivisions of the State of Florida. The Florida Municipal Pension Trust Fund issues a stand-alone financial report each year, which contains a Schedule of Member Balances by Plan Type that lists the Plans' balances. This report is available to the public at the Florida Municipal Pension Trust Fund's administrative office: Retirement Department, Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302.

### **NOTE 5: OTHER INFORMATION (Continued)**

### C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

### **Defined Benefit Plans (continued)**

<u>Combining Fund Information</u>. The pension trust funds fiduciary net position activity as of September 30, 2017 and the change in fiduciary net position for the year ended:

	Police Officers' and Firefighters'						
		Defined				General	
		Benefit Plan		Share Plan		Employees'	Total
ASSETS							_
Receivables:							
Contributions	\$	225,864	\$	-	\$	-	\$ 225,864
Investments, at fair value:							
Florida Municipal Investment							
Trust Fund		17,046,248		289,290		7,253,135	24,588,673
Total assets		17,272,112		289,290		7,253,135	24,814,537
LIABILITIES		-		-		_	
NET POSITION							_
Held in trust for pension benefits	\$	17,272,112	\$	289,290	\$	7,253,135	\$ 24,814,537

The pension trust funds change in fiduciary net position activity as of September 30, 2017 was as follows:

	Police Officers' and					
	Firefighters'					
		Defined			General	
		Benefit Plan		Share Plan	Employees'	Total
ADDITIONS						
Contributions:						
Employees	\$	200,057	\$	-	\$ 22,234	\$ 222,291
City		870,229		(88,324)	349,352	1,131,257
State		215,523		-	-	215,523
Total contributions		1,285,809		(88,324)	371,586	1,569,071
Total investment earnings:						
Net appreciation in fair value						
of investments		2,022,208		-	879,559	2,901,767
Total additions		3,308,017		(88,324)	1,251,145	4,470,838
DEDUCTIONS						
Benefit payments		699,053		-	537,145	1,236,198
Administrative expenses		39,960		-	24,005	63,965
Total deductions		739,013		-	561,150	1,300,163
Change in net position		2,569,004		(88,324)	689,995	3,170,675
Net position, beginning of year		14,703,108		377,614	6,563,140	21,643,862
Net position, end of year	\$	17,272,112	\$	289,290	\$ 7,253,135	\$ 24,814,537

### NOTE 5: OTHER INFORMATION (Continued)

#### C. COMMITMENTS AND CONTINGENCIES

### Operating Leases

The City leases certain equipment under noncancelable operating leases. The total costs of such leases were \$34,950 for the year ended September 30, 2017. The future minimum lease payments for the leases are as follows:

Year Ending September 30:

2018	\$ 8,590
2019	7,155
2020	627
Total	\$ 16,372

### Community Redevelopment Agency Fund

The City received communication from the Joint Legislative Auditing Committee (the "Committee"), dated July 8, 2011, in response to the use of public funds allocated to, and deposited in, the Satellite Beach Community Redevelopment Agency (CRA) Fund. There is a difference of opinion as to whether the City was authorized to transfer restricted CRA funds to the City's General Fund and expend the funds on general government expenditures. The questioned transfers totaled \$2,289,177 for the police department, which were incurred from the 2003/2004 fiscal year through the 2009/2010 fiscal year, and for the fire department from the 2005/2006 fiscal year through the 2009/2010 fiscal year. The Committee suggested to the City to request an opinion of the Attorney General on the matter. The City initially proceeded with the preparation of a letter seeking the Attorney General's opinion, but City Council instead decided to approve a settlement agreement between the City and the CRA. The agreement dated October 4, 2012, states that the City will transfer a total of \$565,408 at zero percent interest. The total is payable annually beginning December 31, 2012 through December 31, 2027, in the amount of \$35,338 per year. Nothing contained in the agreement constitutes a pledge of the full faith and credit of the City, or constitutes or creates a lien on the City's ad valorem revenues, funds, or real, personal, tangible or intangible properties.

The Community Redevelopment Agency continues to utilize tax increment financing to fund redevelopment projects in accordance with Section 163, Florida Statutes.

On August 20, 2013, Brevard County executed an inter-local Agreement with the City of Satellite Beach and the Satellite Beach Community Redevelopment Agency for Tax Increment Financing (TIF) contributions. The purpose of the agreement was to return unused Tax Increment Financing (TIF) to the City and the County from the CRA. In exchange for entering into this agreement, Brevard County agreed not to pursue any future litigation against the City regarding the repayment of questionable transfers identified by the Joint Legislative Auditing Committee in July of 2011. The agreement also assists the City with increasing fund balance by returning the unused tax increment revenue from the Community Redevelopment Agency to the General Fund.

### **NOTE 5: OTHER INFORMATION (Continued)**

### D. COMMITMENTS AND CONTINGENCIES (Continued)

### Community Redevelopment Agency Fund (continued)

The allocated amounts of TIF funds to be provided for fiscal years 2012/2013 through 2018/2019 are \$1,173,688 to the County and \$1,311,213 to the City's reserves. The annual amounts, to be paid each September 30th for the duration of the agreement, are based on anticipated tax revenues and the operating needs of the CRA and, therefore, fluctuate each year. Nothing contained in the agreement constitutes a pledge of the full faith and credit of the City, or constitutes or creates a lien on the City's ad valorem revenues, funds, or real, personal, tangible or intangible properties.

The allocated amounts of TIF funds to be provided to the County for the year ending September 30, 2017 were \$142,923 and have been included with general government expenditures in the Community Redevelopment Agency Fund. Future estimated payments are as follows:

Year Ending September 30:	
2018	\$ 210,008
2019	277.331

The allocated amounts of TIF funds to be provided to the City for the year ending September 30, 2017 were \$243,355 and have been included with transfers out in the Community Redevelopment Agency Fund. Future payments are as follows:

Year Ending September 30:	
2018	\$ 142,564

### **E. LITIGATION**

Various suits in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities that may arise from such action would not result in losses that would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial position of the City or results of operations.

### **NOTE 6: FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in fiscal year 2018. The Statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The City is currently evaluating the effects that these statements will have on its 2018 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS



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## City of Satellite Beach, Florida Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual - General Fund

				Var	iance with
				Fir	nal Budget
	Original	Final			Positive
For the Year Ended September 30, 2017	Budget	Budget	Actual		(Negative)
Revenues					
Taxes	\$ 7,377,979	\$ 7,396,444	\$ 7,367,562	\$	(28,882)
Licenses and permits	880,074	1,014,516	1,044,211		29,695
Intergovernmental	1,052,915	1,018,316	1,092,446		74,130
Charges for services	701,289	759,088	643,492		(115,596)
Fines and forfeitures	43,870	42,083	45,657		3,574
Investment and other income	29,231	31,704	99,026		67,322
Total revenues	10,085,358	10,262,151	10,292,394		30,243
Expenditures					
Departments:					
Legislative	13,315	15,833	15,334		499
Support services	773,234	818,660	828,809		(10,149)
City Clerk	175,421	177,142	178,743		(1,601)
General governmental services	1,241,927	1,395,134	1,394,636		498
Police	2,896,774	3,141,312	3,165,910		(24,598)
Fire	2,099,834	2,151,719	2,172,455		(20,736)
Building and zoning	301,990	319,255	323,374		(4,119)
Public works	1,494,226	1,551,894	1,564,856		(12,962)
Recreation	838,115	744,736	749,825		(5,089)
Total expenditures	9,834,836	10,315,685	10,405,455		(89,770)
Excess of revenues					
over expenditures	250,522	(53,534)	(113,061)		(59,527)
Other financing sources (uses)					
Transfers in	766,556	766,556	866,164		99,608
Transfers out	(1,017,078)	(1,508,578)	(1,508,578)		-
Proceeds from sale of capital assets	-	-	750		750
Net other financing sources (uses)	(250,522)	(742,022)	(641,664)		100,358
Net change in fund balances	-	(795,556)	(754,725)		40,831
Fund balances, beginning of year	1,387,063	1,387,063	1,387,063		
Fund balances, end of year	\$ 1,387,063	\$ 591,507	\$ 632,338	\$	40,831

## City of Satellite Beach, Florida Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual - Community Redevelopment Agency Fund

				Var	iance with
				Fir	nal Budget
	Original	Final			Positive
For the Year Ended September 30, 2017	Budget	Budget	Actual		(Negative)
Revenues					
Taxes	\$ 547,931	\$ 570,404	\$ 525,458	\$	(44,946)
Investment and other income	2,500	1,381	3,619		2,238
Total revenues	550,431	571,785	529,077		(42,708)
Expenditures					
Department:					
General government	131,463	391,035	323,890		67,145
Capital outlay	161,150	248,112	17,567		230,545
Debt service:					
Principal retired	313,300	313,300	313,300		-
Interest	178,440	200,736	153,557		47,179
Total expenditures	784,353	1,153,183	808,314		344,869
Deficiency of revenues under					
expenditures	(233,922)	(581,398)	(279,237)		302,161
Other financing sources					
Transfers in	1,017,078	1,017,078	1,017,078		-
Transfers out	(781,156)	(781,156)	(737,841)		43,315
Net other financing sources	235,922	235,922	279,237		43,315
Net change in fund balances	2,000	(345,476)	-		345,476
Fund balances, beginning of year	357,706	357,706	357,706		-
Fund balances, end of year	\$ 359,706	\$ 12,230	\$ 357,706	\$	345,476

# City of Satellite Beach, Florida Budgetary Notes to Required Supplementary Information

### A. Budgetary information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The City Manager or their designee may make transfers of appropriations within a department as long as the total budget of the department is not increased. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Council made several supplemental budgetary appropriations during the year.

Encumbrance accounting is employed in governmental funds. Open commitments are recognized as expenditures in the period in which the actual goods or services are received and a liability is incurred. Encumbrances (e.g., contracts) outstanding at year end for unfulfilled obligations are cancelled and reappropriated in the succeeding year's budget. Accordingly, there were no encumbrances outstanding at year end.

### B. Excess of expenditures over appropriations

As a result of year-end accruals such as accrued payroll, for the year ended September 30, 2017, expenditures exceeded appropriations in the General Fund as follows:

	Amount
Department	Overexpended
Support services	\$ 10,149
City Clerk	1,601
Police	24,598
Fire	20,736
Building and zoning	4,119
Public works	12,962
Recreation	5,089

## City of Satellite Beach, Florida Schedule of Funding Progress – Other Postemployment Benefits Three Most Recent Actuarial Valuations

						<b>UAAL</b> as
		Actuarial	Unfunded			a % of
Actuarial	Actuarial	Accrued	AAL	Funded		Covered
Valuation	Value of	Liability	(UAAL)	Ratio	Covered	Payroll
Date	Assets (a)	AAL (b)	(b-a)	(a/b)	Payroll (c)	((b-a)/c)
						_
10/1/2017 \$	-	\$ 4,265,000	\$ 4,265,000	0.0%	\$ 4,265,000	100.0%
10/1/2014	-	3,718,000	3,718,000	0.0%	3,635,000	102.3%
10/1/2011	-	4,470,000	4,470,000	0.0%	3,577,000	125.0%

City of Satellite Beach, Florida
Required Supplementary Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios

- Last Four Fiscal Years

Police Officer	s' and Firefight	ers' Pension Pla	n	
For the year ended September 30,	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 713,303	\$ 590,076	\$ 372,463	\$ 466,047
Expected interest growth	1,478,789	1,120,821	1,542,236	1,291,782
Demographic experience	377,868	5,636	(724,920)	-
Benefit payments and refunds	(699,053)	(675,359)	(670,595)	(682,024)
Assumption changes	1,332,146	3,952,648	(1,681,706)	-
Net change in total pension liability	3,203,053	4,993,822	(1,162,522)	1,075,805
Total pension liability - beginning	20,782,668	15,788,846	16,951,368	15,875,563
Total pension liability - ending (a)	\$ 23,985,721	\$ 20,782,668	\$ 15,788,846	\$ 16,951,368
Plan Fiduciary Net Position				
Expected interest growth	\$ 1,048,032	\$ 940,589	\$ 1,205,916	\$ 977,638
Unexpected investment income	974,179	200,914	(1,211,301)	93,909
Contributions - Employer	1,085,748	732,952	682,374	773,093
Contributions - Employee	200,058	189,218	174,323	170,359
Benefit payments & refunds	(699,053)	(675,359)	(670,595)	(987,787)
Administrative expense	(39,960)	(36,881)	(37,244)	(36,101)
Net change in plan fiduciary net position	2,569,004	1,351,433	143,473	991,111
Plan fiduciary net position - beginning	14,703,108	13,351,675	13,208,202	12,217,091
Plan fiduciary net position - ending (b)	\$ 17,272,112	\$ 14,703,108	\$ 13,351,675	\$ 13,208,202
Net pension liability - ending (a) - (b)	\$ 6,713,609	\$ 6,079,560	\$ 2,437,171	\$ 3,743,166
Plan fiduciary net position as a percentag of the total pension liability	<b>e</b> 72.01%	70.75%	84.56%	77.92%
Covered payroll	\$ 2,366,291	\$ 2,102,177	\$ 2,023,912	\$ 1,980,916
Net pension liability as a percentage of covered payroll	283.72%	289.20%	120.42%	188.96%

### Notes to the schedule:

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. Ten-year trend data is presented when available; otherwise, comparative information is presented from September 30, 2014.

City of Satellite Beach, Florida
Required Supplementary Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios

- Last Four Fiscal Years

Genera	l En	nployees' Pe	nsi	on Plan		
For the year ended September 30,		2017		2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$	63,643	\$	78,648	\$ 47,281	\$ 57,216
Expected interest growth		560,761		464,555	636,922	560,156
Demographic experience		101,155		147,878	11,264	-
Benefit payments and refunds		(537,145)		(515,793)	(577,609)	(484,450)
Assumption changes		578,190		1,275,317	(574,972)	-
Net change in total pension liability		766,604		1,450,605	(457,114)	132,922
Total pension liability - beginning		8,247,936		6,797,331	7,254,445	7,121,523
Total pension liability - ending (a)	\$	9,014,540	\$	8,247,936	\$ 6,797,331	\$ 7,254,445
Plan Fiduciary Net Position						
Expected interest growth	\$	452,897	\$	428,775	\$ 571,279	\$ 475,890
Unexpected investment income		426,663		92,895	(555,367)	32,305
Contributions - Employer		349,352		341,136	370,855	428,556
Contributions - Employee		22,233		33,168	31,458	30,262
Benefit payments & refunds		(537,145)		(515,793)	(577,609)	(469,255)
Administrative expense		(24,005)		(23,534)	(22,473)	(22,674)
Net change in plan fiduciary net position		689,995		356,647	(181,857)	475,084
Plan fiduciary net position - beginning		6,563,140		6,206,493	6,388,350	5,913,266
Plan fiduciary net position - ending (b)	\$	7,253,135	\$	6,563,140	\$ 6,206,493	\$ 6,388,350
Net pension liability - ending (a) - (b)	\$	1,761,405	\$	1,684,796	\$ 590,838	\$ 866,095
Plan fiduciary net position as a percentag	e					
of the total pension liability		80.46%		79.57%	91.31%	88.06%
Covered payroll	\$	273,990	\$	400,181	\$ 386,980	\$ 366,815
Net pension liability as a percentage of covered payroll		642.87%		421.01%	152.68%	236.11%

### Notes to the schedule:

(1) The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in 2015. Ten-year trend data is presented when available; otherwise, comparative information is presented from September 30, 2014.

# City of Satellite Beach, Florida Required Supplementary Pension Information Schedule of Contributions - Last Four Fiscal Years

Police Officers' and Firefighters' Pension Plan									
For the year ended September 30,		2017		2016		2015		2014	
Actuarially determined contribution	\$	796,903	\$	732,952	\$	745,554	\$	773,093	
Contributions recognized by the plan		1,085,748		1,085,752		682,374		483,397	
Contribution deficiency (excess)	\$	(288,845)	\$	(352,800)	\$	63,180	\$	289,696	
Covered payroll	\$	2,366,291	\$	2,102,177	\$	2,023,912	\$	1,980,916	
Contributions as a percentage of covered payroll		45.88%		51.65%		33.72%		24.40%	
Genera	ıl En	nployees' Pe	nsi	on Plan					
For the year ended September 30,		2017		2016		2015		2014	
Actuarially determined contribution	\$	349,352	\$	341,136	\$	370,855	\$	428,556	
Actuarially determined contribution Contributions recognized by the plan	\$	349,352 349,352	\$	341,136 341,136	\$		\$		
•	\$	•	\$	•	\$	370,855	\$	428,556	
Contributions recognized by the plan	•	•	\$	341,136		370,855	\$	428,556	

### Notes to the schedule:

(1) The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in 2015. Ten-year trend data is presented when available; otherwise, comparative information is presented from September 30, 2014.

## City of Satellite Beach, Florida Required Supplementary Pension Information – Schedule of Investment Returns Last Four Fiscal Years

Police Officers' and Firefighters' Pension Plan									
For the year ended September 30,	2017	2016	2015	2014					
Annual expected long-term real return									
on investments									
Weighted arithmetic average	4.08%	4.08%	5.48%	4.48%					

General Employees' Pension Plan								
For the year ended September 30,	2017	2016	2015	2014				
Annual expected long-term real return								
on investments								
Weighted arithmetic average	4.08%	4.08%	5.48%	4.48%				

### Notes to the schedule:

(1) The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in 2015. Ten-year trend data is presented when available; otherwise, comparative information is presented from September 30, 2014.

## City of Satellite Beach, Florida **Required Supplementary Pension Information Notes to Schedules**

Valuation date	October 1 2016	October 1 2016	
	F	irefighters' Plan	Employees' Plan
	Poli	ice Officers' and	General

October 1, 2016

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which the contributions are reported.

Funding method Entry Age Normal Cost Method Aggregate Cost Method

Amortization method Level dollar Not applicable 29 years as of 10/01/2015 Amortization period Not applicable

Asset valuation method Equal to the prior year's actuarial value of assets adjusted for contributions,

benefit payments and expenses. This is further adjusted by the average return on the market value of assets for the preceding 4 years. The actuarial value of

assets is restricted to 80% - 120% of the market value.

Inflation 2.92% per annum 2.92% per annum

Salary increases 4.75% per annum unless actual amounts are known.

7% per annum Interest rate 7% per annum

52 with 5 years of service Retirement age 62 with 5 years of service

50 with 10 years of service Early retirement rate 55 with 10 years of service or any age

with 35 years of service

Sex-distinct rates set forth in the Scale 155 Table. Termination rates

Disability rates Sex-distinct rates set forth in the Sex-distinct rates set forth in the

> Wyatt 1985 Disability Study (Class 4). Wyatt 1985 Disability Study (Class 1).

Mortality Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full

generational improvements in mortality using Scale BB.

**Expenses** Administrative expenses are assumed Administrative expenses are assumed

> to be 1.25% of future payroll. The to be 1.75% of future payroll. The interest rate assumed is net of interest rate assumed is net of investment expenses and cominvestment expenses and com-

missions. missions.

Changes Since the prior measurement date, the mortality basis was changed from a 2007

> projection of the RP- 2000 Mortality Table for annuitants to the RP-2000 Combined Mortality Table with full generational improvements in mortality

using Scale BB.



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## CITY OF SATELLITE BEACH, FLORIDA

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

**Community Services Fund** — With revenues obtained primarily from donations, this fund aggregates the activity of the following six funds: the Advanced Life Support Trust Fund, the Beautification Trust Fund, the Police Donations Trust Fund, the Recreation Trust Fund, the Recycling Trust Fund and the Samsons Island Trust Fund.

These funds are used to purchase advanced life support equipment for the Satellite Beach Fire Department, items for the police department not covered by other funds, improvements to the City's recreation facilities and for the development and maintenance of Samsons Island Nature Park.

Law Enforcement Trust Fund — The Law Enforcement Trust Fund is used primarily to account for the proceeds of forfeitures from felony arrests which, pursuant to State law, can only be used for law enforcement investigations, training and equipment not normally funded by the General Fund.

**Stormwater Utility Fund** – The Stormwater Fund is used to account for the proceeds of the stormwater utility fee – an annual assessment on each property in the City – to pay for stormwater-drainage system improvements and maintenance within the City.



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## City of Satellite Beach, Florida Combining Balance Sheet – Nonmajor Governmental Funds

		9		_				
							_	Total
				Law				Nonmajor
	C	•	En	forcement	S			vernmental
September 30, 2017		Services		Trust		Utility		Funds
ASSETS								
Cash and cash equivalents	\$	211,802	\$	26,448	\$	211,101	\$	449,351
Investments		8,428		1,756		30,345		40,529
Accounts receivable		1,996		-		-		1,996
Prepaid items		-		-		1,198		1,198
Total assets	\$	222,226	\$	28,204	\$	242,644	\$	493,074
LIABILITIES								
Accounts payable	\$	233	\$	-	\$	4,491	\$	4,724
Total liabilities		233		-		4,491		4,724
FUND BALANCES								
Nonspendable		-		-		1,198		1,198
Restricted		221,993		28,204		236,955		487,152
Total fund balances		221,993		28,204		238,153		488,350
Total liabilities and fund balances	\$	222,226	\$	28,204	\$	242,644	\$	493,074

## City of Satellite Beach, Florida Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

Special Revenue							
							Total
			Law				Nonmajor
(	Community	En	forcement	;	Stormwater	G	overnmental
	Services		Trust		Utility		Funds
\$	618	\$	-	\$	423,321	\$	423,939
	39,696		342		853		40,891
	40,314		342		424,174		464,830
	-		36		-		36
	60,616		-		45,485		106,101
	23,998		-		566,502		590,500
	-		-		137,165		137,165
	-		-		22,271		22,271
	84,614		36		771,423		856,073
					<b></b>		
	(44,300)		306		(347,249)		(391,243)
					401 E00		491,500
	-		-		-		-
					• •		(128,323)
			-		303,177		363,177
	(44,300)		306		15,928		(28,066)
	266 202		27 909		222 225		516,416
Ś		Ś	-	Ś	-	\$	488,350
		Community Services  \$ 618 39,696 40,314  - 60,616 23,998 84,614  (44,300) (44,300) 266,293	Community Enservices  \$ 618 \$ 39,696	Community Services	Community Services	Community Services         Enforcement Trust         Stormwater Utility           \$ 618         \$ -         \$ 423,321           39,696         342         853           40,314         342         424,174           -         36         -           60,616         -         45,485           23,998         -         566,502           -         -         137,165           -         -         22,271           84,614         36         771,423           (44,300)         306         (347,249)           -         -         491,500           -         -         (128,323)           -         -         363,177           (44,300)         306         15,928           266,293         27,898         222,225	Community Services         Enforcement Trust         Stormwater Utility         Government Utility           \$ 618         \$ -         \$ 423,321         \$ 39,696         342         853           40,314         342         424,174         424,174         444,174         444,174           -         36         -         45,485         45,485         45,485         45,485         45,485         45,485         45,485         45,485         45,485         47,165         47,165         47,165         47,1423

## City of Satellite Beach, Florida Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Services Fund

								riance with inal Budget
		Original		Final			Г	Positive
For the Year Ended September 30, 2017		Budget		_		Actual		
· · · · · · · · · · · · · · · · · · ·		buuget		Budget		Actual		(Negative)
Revenues	۲.		۲.		<u>۲</u>	640	,	640
Charges for services	\$	-	\$	-	\$	618	\$	618
Investment and other income		37,447		40,314		39,696		(618)
Total revenues		37,447		40,314		40,314		
Expenditures								
Current:								
Public works		10,967		62,616		60,616		2,000
Capital outlay		7,500		23,998		23,998		-
Total expenditures		18,467		86,614		84,614		2,000
Excess (deficiency) of revenues								
over (under) expenditures		18,980		(46,300)		(44,300)		(71,620)
		·						
Other financing sources (uses)								
Transfers in		-		-		-		-
Transfers out		-		-		-		-
Total other financing sources (uses)		-		-		-		-
Net change in fund balances		18,980		(46,300)		(44,300)		(71,620)
_				•				
Fund balances, beginning of year		266,293		266,293		266,293		
Fund balances, end of year	\$	285,273	\$	219,993	\$	221,993	\$	(71,620)

## City of Satellite Beach, Florida Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Law Enforcement Trust Fund

For the Year Ended September 30, 2017		Original Budget	Final Budget	Fi	riance with nal Budget Positive (Negative)
Revenues		Dauget	Dauget	Actual	(Negative)
Investment and other income	\$	- \$	- \$	342 \$	342
Total revenues	'	-	-	342	342
Expenditures					
Current:					
Public safety		-	-	36	(36)
Total expenditures		-	-	36	(36)
Excess of revenues over expenditures		-	-	306	378
Other financing sources (uses) Transfers in					
Transfers out		-	-	-	-
Total other financing sources (uses)		<u>-</u>	<u>-</u> -	-	
Net change in fund balances		-	-	306	378
Fund balances, beginning of year		27,898	27,898	27,898	-
Fund balances, end of year	\$	27,898 \$	27,898 \$	28,204 \$	378

## City of Satellite Beach, Florida Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Stormwater Utility Fund

								riance with
	Original			Final			Г	nal Budget Positive
For the Year Ended September 30, 2017	Budget		Budget		Actual		(Negative)	
Revenues		buuget		buuget		Actual		(INEGative)
Intergovernmental	\$	560,000	\$	_	\$	_	\$	
Charges for services	٦	512,303	۲	512,303	Ą	423,321	Ą	(88,982)
Investment and other income		400		853		853		(00,302)
Total revenues		1,072,703		513,156		424,174		(00 002)
Total revenues		1,072,703		513,150		424,174		(88,982)
Expenditures								
Current:								
Public works		173,473		45,983		45,485		498
Capital outlay		1,050,000		566,502		566,502		-
Debt service:								
Principal retired		137,166		137,166		137,165		1
Interest and other		22,271		22,271		22,271		-
Total expenditures		1,382,910		771,922		771,423		499
Deficiency of revenues								
under expenditures		(310,207)		(258,766)		(347,249)		(916,222)
-								
Other financing sources (uses)								
Transfers in		280,680		491,500		491,500		-
Transfers out		-		(128,323)		(128,323)		-
Total other financing sources (uses)		280,680		363,177		363,177		-
Net change in fund balances		(29,527)		104,411		15,928		(916,222)
		222 225		222 225		222 225		
Fund balances, beginning of year		222,225		222,225		222,225	<u>,</u>	- /01C 222\
Fund balances, end of year	\$	192,698	\$	326,636	\$	238,153	\$	(916,222)

## City of Satellite Beach, Florida Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Asset Fund

				Variance with	
	Original	Final		Final Budget Positive	
For the Year Ended September 30, 2017	Budget	_	Actual		
	buuget	Budget	Actual	(Negative)	
Revenues	ć C11 100	ć <b>7</b> 00.244	ć 704.212	ć 25.000	
Taxes	\$ 611,198	\$ 768,314	\$ 794,312	\$ 25,998	
Interest and other	50,939	56,924	7,744	(49,180)	
Total revenues	662,137	825,238	802,056	(23,182)	
Expenditures					
Current					
General government	50,981	87,981	100,494	(12,513)	
Capital outlay	2,225,000	2,764,170	1,006,325	1,757,845	
Debt service:					
Principal retired	99,755	99,755	321,988	(222,233)	
Interest and other	64,561	64,561	88,502	(23,941)	
Total expenditures	2,440,297	3,016,467	1,517,309	1,499,158	
Deficiency of revenues					
under expenditures	(1,778,160)	(2,191,229)	(715,253)	1,475,976	
				_	
Other financing uses					
Transfers in	178,870	188,870	-	(188,870)	
Transfers out	(120,000)	(120,000)	-	120,000	
Capital lease proceeds	-	-	408,364	408,364	
Net other financing uses	58,870	68,870	408,364	339,494	
Net change in fund balances	(1,719,290)	(2,122,359)	(306,889)	1,815,470	
Fund balances, beginning of year	1,010,257	1,010,257	1,010,257	-	
Fund balances, end of year	\$ (709,033)	\$ (1,112,102)	\$ 703,368	\$ 1,815,470	

### STATISTICAL SECTION

This part of the City of Satellite Beach, Florida's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **Table of Contents**

### A. Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Schedule A1 Net Position by Component

Schedule A2 Changes in Net Position

**Schedule A3** Fund Balances – Governmental Funds

**Schedule A4** Changes in Fund Balances – Governmental Funds

### **B. Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local ownsource revenues - ad valorem property taxes, occupational license taxes, and building permits revenues.

**Schedule B1** Assessed Value and Estimated Actual Value of Taxable Property

**Schedule B2** Tax Revenues by Source – Governmental Funds

**Schedule B3** Direct and Overlapping Property Tax Rates

**Schedule B4** Principal Property Taxpayers

**Schedule B5** Property Tax Levies and Collections

### C. Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of debt outstanding and the City's ability to issue additional debt in the future, as necessary.

**Schedule C1** Ratio of Outstanding Debt by Type

**Schedule C2** Direct and Overlapping Governmental Activities Debt

Schedule C3 Pledged Revenue Coverage

**Schedule C4** Ratios of General Bonded Debt Outstanding

Schedule C5 Legal Debt Margin Information

### D. Demographic and Economic Information Financial Trends

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Schedule D1** Demographic and Economic Statistics

Schedule D2 Principal Employers

### **E. Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Schedule E1** Employees by Function/Program

**Schedule E2** Operating Indicators by Function/Program

**Schedule E3** Capital Asset Statistics by Function/Program

### **Additional Notes**

Unless otherwise noted, the information in these schedules is derived from the City's Comprehensive Annual Financial Report (CAFR) (or financial statements) for the relevant year.



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## City of Satellite Beach, Florida Net Position by Component Last Ten Fiscal Years

Fiscal Year ended September 30,	2017	2016	2015	2014
Governmental activities				
Net investment in capital assets	\$ 26,078,307	\$ 25,272,490	\$ 24,900,824	\$ 24,600,877
Restricted	1,468,861	1,619,299	4,072,434	1,441,474
Unrestricted	(7,654,678)	(5,481,463)	(7,791,388)	(1,516,601)
Total governmental activities				
net position	19,892,490	21,410,326	21,181,870	24,525,750
				_
Primary government				
Net investment in capital assets	26,078,307	25,272,490	24,900,824	24,600,877
Restricted	1,468,861	1,619,299	4,072,434	1,441,474
Unrestricted	(7,654,678)	(5,481,463)	(7,791,388)	(1,516,601)
Total primary government				
net position	\$ 19,892,490	\$ 21,410,326	\$ 21,181,870	\$ 24,525,750

Source: City of Satellite Beach Support Services Department

## **Schedule A1**

2013	2012	2011	2010	2009	2008
\$ 24,203,216	\$ 23,346,919	\$ 22,048,335	\$ 20,469,966	\$ 20,948,558	\$ 19,556,867
1,607,635	2,128,047	1,745,222	1,862,742	721,831	983,926
(1,782,751)	(1,812,099)	(1,105,710)	85,056	653,680	1,235,131
					_
24,028,100	23,662,867	22,687,847	22,417,764	22,324,069	21,775,924
24,203,216	23,346,919	22,048,335	20,469,966	20,948,558	19,556,867
1,607,635	2,128,047	1,745,222	1,862,742	721,831	983,926
(1,782,751)	(1,812,099)	(1,105,710)	85,056	653,680	1,235,131
\$ 24,028,100	\$ 23,662,867	\$ 22,687,847	\$ 22,417,764	\$ 22,324,069	\$ 21,775,924

## City of Satellite Beach, Florida Changes in Net Position Last Ten Fiscal Years

Fiscal Year ended September 30,	2017		2016		2015	2014
Expenses:						_
Governmental activities:						
General government	\$ 3,973,747	\$	2,825,504	\$	2,156,505	\$ 2,326,720
Public safety	5,935,564		5,170,779		4,454,959	4,260,007
Public works	2,610,724		2,401,705		2,251,199	2,170,032
Recreation	815,610		825,813		743,255	713,537
Interest on long term debt	270,548		327,277		282,025	270,351
Total expenses -						
governmental activities	13,606,193		11,551,078		9,887,943	9,740,647
Program revenues:						
Governmental activities:						
Charges for Services:						
General Government	414,419		207,372		224,075	207,424
Public Safety	137,209		132,088		128,765	127,559
Public Works	425,057		497,699		498,609	315,315
Recreation	563,425		631,519		625,639	586,734
Operating Grants and Contributions	555,125		00 = ,0 = 0		0_0,000	200,70
General Government	_		_		_	-
Public Safety	30,086		213,429		36,112	68,043
Public Works	510,684		507,187		439,480	437,120
Recreation	101		350		100	4,621
Capital Grants and Contributions						•
General Government	-		_		-	-
Public Safety	1,000		1,000		180,104	8,607
Public Works	-		-		-	11,397
Recreation	32		50,185		715	10,369
Total program revenues -						 
governmental activities	2,082,013		2,240,829		2,133,599	1,777,189
Net (expense) revenue -		_		_		 
governmental activities	(11,524,180)		(9,310,249)		(7,754,344)	(7,963,458)

## **Schedule A2**

	2013	2012	2011	2010 2009		2008		
,								
\$	2,585,150	\$ 2,382,204	\$ 2,722,538	\$	2,690,675	\$ 2,748,165	\$	2,572,664
	4,261,342	4,520,260	4,808,480		4,447,626	4,711,345		4,222,260
	1,889,881	1,951,699	2,164,604		2,588,456	1,960,004		1,908,445
	740,695	691,930	720,816		733,763	821,620		1,169,111
	287,553	320,364	350,830		395,068	342,982		370,722
	9,764,621	9,866,457	10,767,268		10,855,588	10,584,116		10,243,202
	400 400	476.605	222.026		250.445	245.000		240.040
	198,182	176,635	229,026		250,115	215,020		249,848
	130,331	136,460	146,461		149,251	168,559		200,283
	314,332	317,378	314,331		320,049	267,048		208,223
	581,961	532,645	522,132		519,898	477,132		441,878
			72 220		20.700	2 000		404 220
	-	-	72,330		38,700	2,000		181,230
	59,145	56,726	55,052		55,777	83,823		327,101
	482,519	392,096	299,118		239,765	322,157		324,808
	-	-	_		-	8,500		2,963
						F.C. F.O.F.		
	20.000	1 401	- 02 671		- 17 10F	56,595		- 200
	30,000	1,481	92,671		17,105	503,056		3,280
	266,890	1,163,130	902,301		489,914	50,549		2,286,415
	6,542	129,550	35,661		141	-		311,427
	2 060 002	2 006 101	2 660 002		2 000 715	2 154 420		1 E27 1E6
	2,069,902	2,906,101	2,669,083		2,080,715	2,154,439		4,537,456
	/7 60 <i>/</i> / 710\	(6 060 2E6)	/Q NOO 10E\		(0 774 072)	(0 120 677)		(5 705 746\
	(7,694,719)	(6,960,356)	(8,098,185)		(8,774,873)	(8,429,677)		(5,705,746)

(Continued on next page)

## City of Satellite Beach, Florida Changes in Net Position (Continued) Last Ten Fiscal Years

Fiscal Year ended September 30,	2017	2016	2015	2014	
General revenues:					
Governmental activities:					
Property taxes	\$ <b>6,783,312</b> \$	6,371,353	\$ 5,998,358	\$	5,606,772
Franchise fees	1,864,063	1,874,311	1,588,606		1,616,688
Share revenues not restricted to					
specific programs	1,159,627	1,134,819	1,079,262		1,064,902
Grants and contributions not					
restricted to specific programs	2,051	1,484	9,850		665
Unrestricted investment earnings	27,603	32,328	26,277		17,143
Miscellaneous	169,688	124,410	122,639		154,938
Total general revenues -					_
governmental activities	10,006,344	9,538,705	8,824,992		8,461,108
					_
Change in net position -					
governmental activities	(1,517,836)	228,456	1,070,648		497,650
·					·
Change in net position -					
total government	\$ <b>(1,517,836)</b> \$	228,456	\$ 1,070,648	\$	497,650

(Continued from previous page)

Source: City of Satellite Beach Support Services Department

## **Schedule A2 (Continued)**

 2013	2012	2011	2010 200			9 2008		
\$ 5,283,753	\$ 5,255,269	\$ 5,535,868	\$ 5,974,079	\$	5,994,039	\$	5,865,097	
1,533,136	1,562,214	1,610,338	1,635,820		1,709,870		1,587,775	
1 007 200	004 241	024.766	064.004		005 600		067 503	
1,007,380	904,241	934,766	964,804		985,699		867,582	
23,561	33,437	11,879	112,472		38,851		131,656	
18,914	33,867	55,648	85,349		37,760		71,927	
 193,208	146,348	219,769	96,044		211,603		39,788	
							_	
 8,059,952	7,935,376	8,368,268	8,868,568		8,977,822		8,563,825	
 365,233	975,020	270,083	93,695		548,145		2,858,079	
\$ 365,233	\$ 975,020	\$ 270,083	\$ 93,695	\$	548,145	\$	2,858,079	

## City of Satellite Beach, Florida Fund Balances – Governmental Funds Last Ten Fiscal Years

Fiscal year ended September 30,	2017	2016	2015			2014	
General Fund							
Nonspendable	\$ 87,165	\$ 113,249	\$	49,457	\$	139,410	
Restricted	-	-		-		149,868	
Committed	852,745	852,745		852,745		562,244	
Assigned	-	-		-		-	
Unassigned (deficit)	(307,572)	421,069		532,183		309,688	
Reserved	-	-		-		-	
Unreserved	-	-		-		-	
Total General Fund	\$ 632,338	\$ 1,387,063	\$	1,434,385	\$	1,161,210	
All other governmental funds:							
Nonspendable	\$ 80,563	\$ 265,080	\$	51,429	\$	49,942	
Restricted	1,468,861	1,619,299		4,072,434		1,286,953	
Committed	-	-		-		-	
Unassigned (deficit)	-	-		-		-	
Reserved	-	-		-		-	
Unreserved, reported in:							
Special revenue funds	-	-		-			
Total all other governmental funds	\$ 1,549,424	\$ 1,884,379	\$	4,123,863	\$	1,336,895	

Source: City of Satellite Beach Support Services Department

<sup>\*</sup> Beginning in FY 2011, GASB Statement No. 54 was implemented, classifying fund balances as nonspendable, restricted, committed, assigned or unassigned

## **Schedule A3**

	2013		2012		2011*	2011*			2009		2008	
											_	
\$	81,682	\$	165,958	\$	185,908	\$	-	\$	-	\$	-	
	149,868		149,868		-		-		-		-	
	367,274		84,853		6,470		-	-			-	
	-		-		133,938		-		-		-	
	260,947		-		465,248		-		-		-	
	-		-		-		186,104		194,645		87,480	
	-		-		-		1,259,021		1,561,824		1,850,586	
\$	859,771	\$	400,679	\$	791,564	\$	1,445,125	\$	1,756,469	\$	1,938,066	
-												
\$	7,959	\$	870	\$	4,116	\$	-	\$	-	\$	-	
	1,457,767		1,977,309		1,741,106		-		=		-	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	-		-		-		1,196		1,000		1,300	
							1 001 540		720 024		002.626	
	=		-		-		1,861,546		720,831		982,626	

# City of Satellite Beach, Florida Changes in Fund Balances – Governmental Funds Last Ten Fiscal Years

Fiscal year ended September 30,		2017		2016	2015			2014
Revenues:								
Taxes	\$	8,687,332	\$	8,295,994	\$	7,583,955	\$	7,209,037
Licenses and permits		1,044,211		869,543		868,834		866,435
Intergovernmental		1,092,446		1,025,845		1,183,288		1,027,435
Charges for services		1,067,431		1,208,085		1,199,362		976,143
Fines and forfeitures		45,657		43,538		45,748		47,522
Interest and other		151,280		336,529		77,404		87,918
Total revenues		12,088,357		11,779,534		10,958,591		10,214,490
Expenditures:								
Current:								
General government		2,841,906		2,716,039		2,182,951		2,209,815
Public safety		5,338,401		4,692,448		4,384,001		4,104,501
Public works		1,994,331		1,740,589		1,581,961		1,515,572
Recreation		749,825		778,573		731,330		697,086
Capital outlay		1,625,905		3,258,577		588,574		1,245,634
Debt service:								
Principal retired		772,453		616,719		653,824		837,949
Interest and other		264,330		263,395		275,807		272,298
Total expenditures		13,587,151		14,066,340		10,398,448		10,882,855
Excess (deficiency) of revenues								
over (under) expenditures		(1,498,794)		(2,286,806)		560,143		(668,365)
Other financing sources (uses):								
Transfers in		2,374,472		1,877,527		1,480,134		1,073,342
Transfers out		(2,374,472)		(1,877,527)		(1,480,134)		(1,073,342)
Payment to refund capital								
leases payable		-		-		-		-
Proceeds from issurance of debt		-		-		2,500,000		-
Capital lease proceeds		408,364		-		-		796,141
Insurance proceeds		-		-		-		11,232
Note payable proceeds		-		-		-		-
Gain from sale of fixed assets		750		-		-		33,600
Total other financing			_				_	_
sources (uses)		409,114		-		2,500,000		840,973
Net change in fund balances	\$	(1,089,680)	\$	(2,286,806)	\$	3,060,143	\$	172,608
Debt Service as a Percentage of								
Noncapital Expenditures		9%		9%		10%		13%

Source: City of Satellite Beach Support Services Department

## **Schedule A4**

	2013	2012			2011		2010		2009	2008
\$	6,817,904	\$		\$		\$	7,354,916	\$	7,517,243	\$ 7,452,872
	802,064		791,982		870,355		896,375		905,674	231,092
	1,320,520		2,218,402		2,017,769		1,506,253		1,628,671	2,268,362
	970,811		922,994		902,859		921,432		816,464	724,011
	54,415		63,729		83,418		75,024		101,974	142,833
	149,240		99,746		196,456		176,854		156,997	154,671
	10,114,954		10,827,470		11,025,718		10,930,854		11,127,023	10,973,841
	2,241,669		2,285,849		2,378,062		2,387,503		2,495,252	2,737,786
	4,010,613		4,276,053		4,467,050		4,308,185		4,330,473	4,032,987
	1,324,307		1,436,564		1,605,184		1,863,945		1,586,170	1,615,348
	727,624		683,080		707,615		723,251		683,492	676,694
	838,416		1,243,026		1,582,202		1,111,348		1,637,165	470,988
	290,512 323		746,726		715,862		691,817		604,400	598,075
			323,187		353,217		398,838		344,783	372,675
	10,220,327		10,994,485		11,809,192		11,484,887		11,681,735	10,504,553
	(105,373)	105,373) (167,015)			(783,474)		(554,033)		(554,712)	469,288
	(103,373)		(107,013)		(703,474)		(334,033)		(334,712)	403,200
	1 049 402		962.015		4 257 540		1 002 125		2 272 400	2 077 756
	1,048,402 (1,048,402)		862,015 (862,015)		1,257,519		1,883,125		2,272,498	2,077,756
	(1,040,402)		(802,013)		(1,257,519)		(1,883,125)	(2,272,498)		(2,077,756)
	-		-		-		(1,079,041)		-	-
	-		-		-		-		-	-
	38,193		-		-		1,254,942		103,812	-
	10,919		6,987		8,393		7,699		7,208	24,510
	-		-		-		1,200,000		-	-
	2,900		2,100		4,000		-		-	-
	F2 043		0.007		42.202		4 202 602		444.020	 24.540
	52,012		9,087		12,393		1,383,600		111,020	24,510
\$	(53,361)	\$	(157,928)	\$	(771,081)	\$	829,567	\$	(443,692)	\$ 493,798
	13%		% 12%		12%		12%	10%		11%

# City of Satellite Beach, Florida Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year Ended September 30,	Taxable Value al Property for Operating Purposes	Personal Property for Operating Purposes		Gross Taxable Value		New onstruction xable Value
2017	\$ 834,517,167	\$	12,832,337	\$	847,349,504	\$ 3,629,950
2016	725,000,652		12,007,698		737,008,350	9,570,160
2015	677,596,138		18,663,326		696,259,464	2,826,100
2014	634,110,040		17,507,111		651,617,151	4,342,390
2013	594,293,870		16,119,343		610,413,213	8,942,693
2012	578,336,330		11,777,901		590,114,231	9,136,790
2011	640,672,110		13,350,053		654,022,163	7,448,920
2010	710,484,890		14,280,846		724,765,736	9,248,150
2009	777,698,000		13,023,208		790,721,208	48,435,032
2008	875,483,393		-		875,483,393	17,556,960

Source: Brevard County Property Appraiser

## **Schedule B1**

Adjusted Taxable	Final Taxable	Millage Rate Per		
Value	Value	\$1,000		
843,719,554	846,368,915	8.1518		
727,438,190	783,329,385	8.1518		
693,433,364	694,558,891	8.2900		
647,274,761	651,162,743	8.3206		
601,470,520	613,335,462	8.3206		
580,997,441	593,792,397	8.3979		
646,573,243	651,947,637	8.5285		
715,517,586	723,485,530	8.1439		
742,286,176	786,154,949	7.8193		
857,926,433	877,123,302	7.1207		

# City of Satellite Beach, Florida Tax Revenues by Source – Governmental Funds Last Ten Fiscal Years

Fiscal Year Ended				Community	Loc	al Option Gas	Communications		
September 30,	Pr	roperty Taxes		Redevelopment		Taxes		Service Tax	
2017	\$	6,257,854	\$	525,458	\$	481,213	\$	377,634	
2016		5,895,283		476,070		483,307		403,528	
2015		5,574,093		424,265		437,585		428,137	
2014		5,229,663		377,109		412,020		452,746	
2013		4,948,763		334,990		392,344		492,286	
2012		4,922,711		332,558		392,096		497,722	
2011		5,140,035		395,833		299,118		504,326	
2010		5,494,548		479,531		239,765		516,952	
2009		5,402,323		591,716		307,157		585,586	
2008		5,241,150		623,947		-		481,521	

Source: City of Satellite Beach Support Services Department

## **Schedule B2**

		Insurance			% Change
Loc	al Business	Premium Tax	<b>Utility</b> and		over Prior
	Tax	(Pension)	Franchise Taxes	Total	Year
\$	48,583	\$ 202,278	\$ 794,312	\$ 8,687,332	5%
	40,597	235,710	761,499	8,295,994	9%
	50,817	208,658	460,400	7,583,955	5%
	43,679	238,563	455,258	7,209,038	6%
	47,566	219,955	382,000	6,817,904	1%
	50,388	145,565	389,577	6,730,617	-3%
	55,022	163,393	397,134	6,954,861	-5%
	52,647	166,029	405,444	7,354,916	-2%
	58,562	209,311	362,588	7,517,243	1%
	60,516	-	1,045,738	7,452,872	

City of Satellite Beach, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

_	C	ity of Satellite Beach	Overlapping Rates						
	Fiscal Year ended			Brevard County					
_	Steptember 30,	Operating Millage	Total Direct Rate	School Board	Brevard County				
-	2017	8.1518	8.1518	6.5680	4.1550				
	2016	8.1518	8.1518	6.9160	4.3631				
	2015	8.2900	8.2900	7.2750	4.5497				
	2014	8.3206	8.3206	7.3390	4.6814				
	2013	8.3206	8.3206	7.6060	4.8239				
	2012	8.3559	8.3559	8.0960	4.9063				
	2011	8.5285	8.5285	8.1120	4.9063				
	2010	8.1439	8.1439	7.6530	4.2717				
	2009	7.8193	7.8193	7.6870	3.7161				
	2008	7.1207	7.1207	7.6610	3.7193				

Source: Brevard County Tax Collector

## **Schedule B3**

	Overlapping Rates		
	St. Johns Water	Fla Inland	
<b>Brevard County</b>	Management	Navigation	Total Direct and
Special Districts	District	District	Overlapping
1.4475	0.2724	0.0320	20.6267
1.4917	0.2885	0.0320	21.2431
1.5195	0.3023	0.0320	21.9685
1.5496	0.3164	0.0345	22.2415
1.5740	0.3283	0.0345	22.6873
1.6136	0.3313	0.0345	23.3376
1.6136	0.3313	0.0345	23.5262
1.5532	0.4158	0.0345	22.0721
1.3916	0.4158	0.0345	21.0643
1.5435	0.4158	0.0345	20.4948

# City of Satellite Beach, Florida Principal Property Taxpayers Current Year and Nine Years Prior Schedule B4

	Septe	mber 30,	2017	September 30, 2008					
			Percentage			Percentage			
			of Total			of Total			
	Taxable		Assesed	Taxable		Assessed			
Taxpayer	Assessed Value	Rank	Value	Assessed Value	Rank	Value			
New Plan Venture Direct	\$ 7,140,000	1	0.84%	\$ 7,800,000	2	0.89%			
Las Olas Beach Club	5,267,960	2	0.62%	7,380,000	3	0.84%			
Satellite Beach Partners, LLC	4,100,000	3	0.48%	13,600,000	1	1.55%			
Oceana Oceanfront Dev. LLC	2,745,000	4	0.32%						
Regency Center, LLC	2,115,000	5	0.25%	2,600,000	5	0.30%			
Whitworth Ruben Leon	2,071,380	6	0.24%						
Robert A. Martin	1,937,950	7	0.23%						
Walgreens CO.	1,830,000	8	0.22%	1,970,000	7	0.22%			
Mauricio J. Castellon	1,757,960	9	0.21%	1,741,220	10	0.20%			
Richard P. Love Jr.	1,695,670	10	0.20%						
Oceana Beach Club LLC				3,670,000	4	0.42%			
Thomas J. Wienckoski				2,029,100	6	0.23%			
Walmerall				1,850,000	9	0.21%			
Robert F. Brennan				1,853,150	8	0.21%			
Total taxable assessed value for									
principal property taxpayers	\$ 30,660,920		3.61%	\$ 44,493,470		5.07%			

Source: Brevard County Tax Collector

# City of Satellite Beach, Florida Property Tax Levies and Collections Last Ten Fiscal Years Schedule B5

# Collected Within the Fiscal

	Y	ear of the Levy			Total Collecti	ons to Date
				Delinquent		
Fiscal Year Ended	Total Tax Levy	Amount	Percentage	Taxes	Amount	Percentage
September 30,	for Fiscal Year	Collected	of Levy	Collected	Collected	of Levy
2017	\$ 6,385,544	\$ 6,257,854	98%	\$ -	\$ 6,257,854	98%
2016	6,090,664	5,857,461	96%	37,822	5,895,283	97%
2015	5,780,423	5,452,035	94%	122,058	5,574,093	96%
2014	5,418,481	5,229,663	97%	-	5,229,663	97%
2013	5,125,099	4,805,952	94%	142,811	4,948,763	97%
2012	5,560,135	4,744,055	85%	178,656	4,922,711	89%
2011	5,891,994	4,891,647	83%	248,388	5,140,035	87%
2010	6,147,181	5,418,924	88%	75,624	5,494,548	89%
2009	6,245,732	5,309,652	85%	92,671	5,402,323	86%
2008	5,263,125	5,225,038	99%	16,112	5,241,150	100%

Source: Brevard County Tax Collector

City of Satellite Beach, Florida Ratios of Outstanding Debt by Type Last Ten Fiscal Years Schedule C1

	Government	Activities	_							
				Total			Percentage			
Fiscal Year Ended			Capital	Outstanding	T	otal Personal	of Personal	Deb	t Per	
September 30,	Note Payable		Leases	Debt		Income	Income	Capita		
2017	\$ 6,048,060	\$	819,662	\$ 6,867,722	\$	368,427,800	1.86%	\$	654	
2016	6,633,525		598,286	7,231,811		367,761,375	1.97%		690	
2015	7,150,490		698,040	7,848,530		373,540,521	2.10%		754	
2014	5,202,033		800,321	6,002,354		344,632,680	1.74%		583	
2013	5,730,034		314,128	6,044,162		338,530,634	1.79%		586	
2012	6,233,775		559,380	6,793,155		337,548,060	2.01%		659	
2011	6,713,947		825,934	7,539,881		320,757,632	2.35%		742	
2010	7,171,709	-	1,084,034	8,255,743		316,745,297	2.61%		817	
2009	6,408,382	-	1,163,277	7,571,659		260,312,437	2.91%		791	
2008	6,739,471		1,332,776	8,072,247		260,312,437	3.10%		843	

Source: City of Satellite Beach Support Services Department

# City of Satellite Beach, Florida Direct and Overlapping Governmental Activities Debt As of September 30, 2017 Schedule C2

	Del	ot Outstanding	Applicable Percentage	Ci	ty's Estimated Share of Direct and
Governmental Unit		(1)	(2)		Overlapping Debt
Brevard County	\$	79,072,359	1.34%	\$	1,063,381
City of Satellite Beach Dir Total Note Payable & Ca		Activity)		6,867,722	
Total Direct and Overlapp	ing Del	ot		\$	7,931,103

Sources: (1) City of Satellite Beach Support Services Department

(2) Brevard County Finance Department

# City of Satellite Beach, Florida Pledged Revenue Coverage Last Ten Fiscal Years Schedule C3

Fiscal Year Ended	[	Debt Coverage	<b>Debt Service</b>		Debt Service	
September 30,		Revenues	Requirements		(	Coverage
2017	\$	1,319,770	\$	674,125		1.96
2016		1,237,569		513,014		2.41
2015		884,665		467,256		1.89
2014		406,296		467,325		0.87
2013		433,799		467,780		0.93
2012		345,150		468,317		0.74
2011		409,828		467,843		0.88
2010		497,199		468,107		1.06
2009		591,716		466,416		1.27
2008		623,947		468,742		1.33

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

# City of Satellite Beach, Florida Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years Schedule C4

				Ratio of Net	Net Bonded
Fiscal Year Ended		Assessed	Net Bonded	Bonded Debt to	Debt Per
September 30,	Population (2)	Value(1)	Debt	Assessed Value	Capita
2017	10,504	\$ 846,368,915	-	0.00%	0.00
2016	10,485	783,329,385	-	0.00%	0.00
2015	10,403	694,558,891	-	0.00%	0.00
2014	10,290	651,162,743	-	0.00%	0.00
2013	10,322	613,335,462	-	0.00%	0.00
2012	10,315	593,792,397	-	0.00%	0.00
2011	10,166	651,947,637	-	0.00%	0.00
2010	10,109	723,485,530	-	0.00%	0.00
2009	9,577	786,154,949	-	0.00%	0.00
2008	9,577	877,123,302	-	0.00%	0.00

As of September 30, 2017 the City of Satellite Beach has no General Bonded Debt.

Sources: (1) Brevard County Property Appraiser

(2) University of Florida Bureau of Economic and Business Research

# City of Satellite Beach, Florida Legal Debt Margin Information Last Ten Fiscal Years

Fiscal year ended September 30,	2017	2016	2015	2014
Debt limit	\$42,318,446	\$39,166,469	\$34,727,945	\$32,558,137
Total net debt applicable to limit	6,867,722	7,231,811	7,848,530	6,002,354
Legal debt margin	\$35,450,724	\$31,934,658	\$26,879,415	\$26,555,783
Total net debt applicable to the				
limit as a percentage of the				
debt limit	16%	18%	23%	18%

Source: City Ordinance 1019 limits the City's total outstanding indebtedness to less than 5% of the assessed value of all taxable property, as determined by the most recent assessment.

## **Schedule C5**

2013	2012	2011	2010	2009	2008	
\$30,666,773	\$29,689,620	\$32,597,382	\$36,174,277	\$39,307,747	\$43,856,165	
6,044,162	6,793,155	7,539,881	8,255,743	7,571,659	8,072,247	
					_	
\$24,622,611	\$22,896,465	\$25,057,501	\$27,918,534	\$31,736,088	\$35,783,918	
20%	23%	23%	23%	19%	18%	

# City of Satellite Beach, Florida Demographic and Economic Statistics Last Ten Fiscal Years Schedule D1

	Median							
Fiscal Year Ended		Median	Per Capita	Household	Public School	Unemployment		
September 30,	Population (1)	Age (2)	Income (2)	Income (2)	Enrollment (2)	Rate (3)		
2017	10,504	43.1	\$ 35,075	\$ 63,170	2,697	3.6%		
2016	10,485	43.1	35,075	63,170	2,697	5.2%		
2015	10,403	42.9	35,907	65,000	2,694	5.8%		
2014	10,290	43.9	33,492	63,793	2,623	6.7%		
2013	10,322	45.3	32,797	63,014	2,470	8.1%		
2012	10,315	45.0	32,724	61,712	2,545	9.0%		
2011	10,166	45.2	31,552	60,870	2,661	11.0%		
2010	10,109	45.7	31,333	55,552	2,717	11.1%		
2009	9,577	45.4	27,181	52,175	3,253	10.7%		
2008	9,577	45.4	27,181	52,175	3,253	7.5%		

Sources: (1) University of Florida Bureau of Economic and Business Research

(2) US Census Bureau

(3) Bureau of Labor Statistics (Not Seasonally Adjusted)

# City of Satellite Beach, Florida Principal Employers Current Year and Nine Years Prior Schedule D2

_	2017		2008	
	Number of		Number of	_
Employer	Employees	Rank	Employees	Rank
School Board of Brevard County	8,000	1	8,000	1
Health First Inc.	8,000	2		
Harris Corporation	6,000	3	5,000	2
Northrop Grumman Corporation	2,000	4	1,000	5
Bevard County	2,000	5	2,000	3
Department of Defense	2,000	6	1,000	6
NASA	2,000	7		
Rockledge Regional Medical Center	1,000	8		
Rockwell Collin Inc.	1,000	9	1,000	7
Brevard County Sheriff Office	1,000	10	1,000	8
National Aeronautics/Space Admin.			2,000	4
Brevard County College			1,000	9
North Brevard County Hospital			1,000	10
Total number of employees	33,000	_	23,000	

Source: Economic Development Commission of Florida's Space Coast

Note: Figures are for Brevard County. No City figures are available.

# City of Satellite Beach, Florida Employees by Function/Program Last Ten Fiscal Years

Full-time Equivalent Employees	2017	2016	2015	2014
				_
Function				
General Government				
City Clerk	2	2	3	3
Support Services	9	7	7	6
Police	38	38	35	33
Fire	18	18	17	17
Community Redevelopment	4	4	3	3
Public Works	18	17	17	16
Recreation	8	8	9	13
Total	97	94	91	91

Source: City Support Services Department

Notes: Full-Time Equivalents are calculated, every 3 part time equals 1 full time.

## **Schedule E1**

2013	2012	2011	2010	2009	2008
3	3	3	3	3	3
6	6	8	8	8	8
32	32	40	39	39	37
17	18	18	18	18	18
4	4	5	5	5	5
16	18	19	19	19	21
13	13	13	15	15	15
91	94	106	107	107	107

# City of Satellite Beach, Florida Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	
Community Development					
Building permits issued	1,594	1,366	1,582	1,477	
Building inspections conducted	2,232	2,023	2,126	2,036	
Police					
Arrests/Traffic Arrests	327	325	325	310	
DUI's	71	76	67	71	
Tickets	1,263	1,494	1,453	1,664	
Fire					
Structure/Other Fires	1,513	1,412	1,382	1,430	
Incidents/Call Outs	1,428	1,229	1,139	1,092	
Annual Inspections	235	252	251	192	
Public Works					
Replacement stormwater pipe (feet)	775	398	180	451	
Replacement of storm drain inlets	15	16	7	13	
Replacement of curbs (feet)	295	1,181	-	492	
Replacement of sidewalk (feet)	230	984	300	505	
Replacement of gutter (feet)	-	-	80	27	
Asphalt patching (tons)	-	10	16	8	

Source: Various City of Satellite Beach Departments

Note [A]: Indicates data was stored on a previous computer software and is no longer available.

## **Schedule E2**

2013	2012	2011	2010	2009	2008	
4 400	1 216	1 260	4 422	1 200	4 5 6 4	
1,408	1,316	1,268	1,422	1,296	1,561	
1,908	1,644	1,914	2,292	2,191	2,509	
242	270	406	400	454	545	
313	379	406	409	451	515	
88	97	82	101	95	139	
1,846	2,074	2,951	3,013	3,628	3,939	
1,240	[A]	[A]	[A]	[A]	[A]	
1,060	[A]	[A]	[A]	[A]	[A]	
173	[A]	[A]	[A]	[A]	[A]	
316	[A]	[A]	[A]	[A]	[A]	
10	[A]	[A]	[A]	[A]	[A]	
246	[A]	[A]	[A]	[A]	[A]	
402	[A]	[A]	[A]	[A]	[A]	
53	[A]	[A]	[A]	[A]	[A]	
12						
12	[A]	[A]	[A]	[A]	[A]	

City of Satellite Beach, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
Schedule E3

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Schools										
Elementary	2	2	2	2	2	2	2	2	2	2
Middle School		1	1	1	1		1	1		
	1					1			1	1
High School	1	1	1	1	1	1	1	1	1	1
Police										
Station	1	1	1	1	1	1	1	1	1	1
Police Officers	21	21	21	21	21	21	21	21	21	21
Fire										
Station	1	1	1	1	1	1	1	1	1	1
Firefighters	15	15	15	15	15	15	15	15	15	15
Other Public Works										
Streets (linear miles)	37	37	37	37	37	37	37	37	37	37
Streetlights	435	435	435	435	435	435	435	435	435	435
Parks and Recreation										
Oceanfront Parks	4	4	4	4	4	4	4	4	4	4
Desoto Park Tennis Courts	8	8	8	8	8	8	8	8	8	8
Samsons Island Nature Park	1	1	1	1	1	1	1	1	1	1
Football Field	1	1	1	1	1	1	1	1	1	1
Soccer Field	3	3	3	3	3	3	3	3	3	3
Skatepark	1	1	1	1	1	1	1	1	1	1
Dog Park	1	1	1	1	1	1	1	1	1	1
2087411		_		_	_				_	

Source: Various City of Satellite Beach Departments



Carr, Riggs & Ingram, LLC 215 Baytree Drive Melboume, Florida 32940

(321) 255-0088 (321) 259-8648 (fax) www.cricpa.com

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

Honorable Mayor and City Council City of Satellite Beach, 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, each major fund and the aggregate remaining fund information of the City of Satellite Beach, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Satellite Beach, Florida's basic financial statements, and have issued our report thereon dated February 28, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Satellite Beach, Florida'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 City of Satellite Beach, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Satellite Beach, Florida'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 over compliance, 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below in IC 2017-001, that we consider to be a significant deficiency.

### IC 2017-001 REVENUE RECEIPTING AND RECONCILIATION

<u>Criteria</u>: Fundamental elements of internal control include (a) the segregation of duties and (b) regular reconciliation of revenue generated to revenue recorded.

<u>Condition</u>: During the audit, we noted there was not adequate segregation of duties between those who receive funds and those who can void or alter transactions. We also noted there was not adequate reconciliation between funds received and funds recorded into the general ledger.

<u>Cause</u>: Revenue is collected in various locations and in disparate software applications. The lack of centralized cashiering or software application requires employees to be able to void their own transactions and perform their own refunds. In addition, there is not adequate reconciliation of voided transactions and revenue recorded in these other applications to the general ledger.

<u>Effect</u>: There is the potential that errors or defalcation could occur and not be found by the City's system of internal control.

<u>Recommendation</u>: We recommend the City implement procedures to segregate the cash collected from the refund/void process. In addition, we recommend revenue is reconciled to the general ledger monthly.

Management Response: Two specific departments each had a single process that was identified under this criteria. The City has implemented procedures at the department level for those voided/modified transactions to be reviewed by a person other than the one performing the task. The voided/modified transactions will then be signed off on by both staff members, and the paperwork will be attached to the weekly deposit. This will create a clear paper trail of a voided/modified transaction reflecting how and when it happened. The City has also implemented a procedure to run reports from each of the different software applications and to reconcile to confirm revenues match the general ledger monthly.

### **Compliance and Other Matters**

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

### City of Satellite Beach's Responses to Findings

The City of Satellite Beach, Florida's response to the finding identified in our audit is described in IC 2017-001 above. The City of Satellites Beach, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Melbourne, Florida February 28, 2018

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### INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable Mayor and City Council City of Satellite Beach, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the City of Satellite Beach, Florida (the "City") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February 28, 2018.

### Auditors' Responsibility

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

### **Other Reports**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 28, 2018, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

Prior Year Management Letter Comments:	_
ML 2016-001 Bank Reconciliations	Corrected

### 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 of the City of Satellite Beach, Florida and its component units is disclosed in the footnotes. The City of Satellite Beach, Florida includes the following component units:

Component Unit:	Established by:
1. City of Satellite Beach Police Officers' and Firefighters'	
Retirement System	City Ordinance
2. City of Satellite Beach General Employees Retirement System	City Ordinance
3. City of Satellite Beach Community Redevelopment Agency	City Ordinance

#### **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Satellite Beach, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Satellite Beach, 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 City of Satellite Beach, 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.

### **Annual Financial Report**

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

#### Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following recommendations:

### ML 2017-002 EXPENDITURES IN EXCESS OF APPROPRIATIONS

<u>Criteria:</u> The City's legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is defined by the City's Charter as being at the department level. The City Council is required to approve all adjustments to the budget at or above the department level. The City Manager is authorized to make budget line item adjustments, so long as total appropriations for the department are not changed.

<u>Condition:</u> During the audit, we noted expenditures exceeded appropriations for Legislative, Support services, City Clerk, Police, Fire, Building and Zoning, Public works, and recreation departments.

<u>Cause:</u> The City did not consider the accrued payroll when adopting its final amendment.

Effect: The City was out of compliance with its Charter and with Florida Statutes.

Recommendation: We recommend a review of the final budget amendment.

Management Response: The City recognizes the compliance issue. Due to a staffing change, it was known that the accrual needed to be completed, but it was not understood at the time that there would be a timing issue by recording it after the final budget amendment. Staff is now aware and the City has put the proper process reminders in place to insure the City will stay in compliance in the future.

### ML 2017-03 FINANCIAL CONDITION

<u>Criteria:</u> It is essential that governments maintain adequate levels of fund balance to mitigate risks and provide a back-up for revenue shortfalls. The Government Finance Officers Association recommends, at a minimum, that a general-purpose government, regardless of size, maintain unrestricted fund balance in its General Fund of no less than two months of General Fund operating expenditures.

<u>Condition</u>: The City's General Fund committed and unassigned fund balance (unrestricted fund balance), cash, cash equivalents and investments decreased from 2015 to 2017, and is below the recommended minimum at September 30, 2017 of approximately \$1,734,000. The City implemented a General Fund Stabilization Reserve Policy in fiscal year 2013 to commit a minimum of 60 days of the prior year's operating expenditures, excluding capital outlay and transfers from the General Fund Balance by October 1, 2023 and the current trend indicates the City's fund balance is not going in the right direction in order to achieve the objective of the Policy.

	September 30,		September 30,		September 30,	
General fund		2017	2016		2015	
Unassigned and committed						
fund balance	\$	545,173	\$ 1,273,814	\$	1,384,928	
Cash, cash equivalents, and						
investments	\$	1,078,443	\$ 1,105,803	\$	1,225,001	

<u>Cause:</u> Expenditures have exceeded revenues in the General Fund between 2016 and 2017 resulting in fund balance decreasing over time.

<u>Effect:</u> The City does not have adequate levels of fund balance to mitigate risks and provide a backup for revenue shortfalls.

<u>Recommendation</u>: We recommend that the City continue to implement its action plan to increase fund balance by increasing revenue, reducing costs, limiting additional debt and increasing cash reserves or some combination of these actions.

Management Response: Fiscal year 2017 started and ended with Hurricanes. The City is aware the fund balance was depleted due to these two natural disasters and is working on ways to replenish the reserves. Even though there is no time frame on when FEMA will reimburse for expenses, all reimbursements will be put in the reserves. It also has been decided that the City will shut the CRA projects down early in order to send the remaining tax revenues back to the taxing authorities, which will increase General Fund revenues.

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 which warrants the attention of those charged with governance. In connection with our audit, we did not have 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 the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Melbourne, Florida February 28, 2018

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# INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

The Honorable Mayor and City Council City of Satellite Beach, Florida

We have examined the City of Satellite Beach, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2017. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified 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's complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City's complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence 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.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

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

Melbourne, Florida February 28, 2018

Caux Rigge & Ingram, L.L.C.