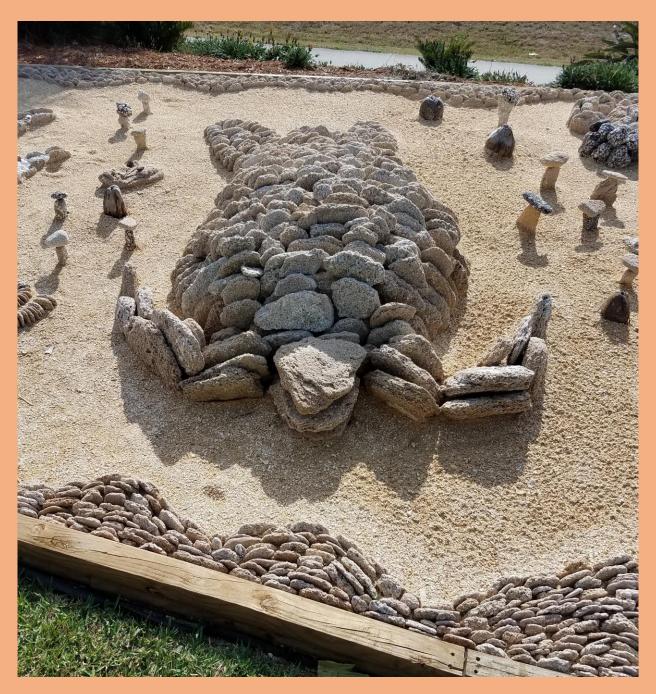
Comprehensive Annual Financial Report City of Satellite Beach, Florida



Fiscal Year Ended September 30, 2018



City of Satellite Beach, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2018

City of Satellite Beach, Florida Table of Contents Year Ended September 30, 2018

INTRODUCTORY SECTION	
Table of Contents	1
Letter of Transmittal	5
City Officials	9
Organizational Chart	10
Certificate of Achievement for Excellence in Financial Reporting	11
FINANCIAL SECTION	
Independent Auditors' Report	13
Management's Discussion and Analysis	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	28
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	32
Statement of Revenues, Expenditures and Changes in	
Fund Balances – Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Net Position – Proprietary Fund	37
Statement of Revenues, Expenses and Changes in Fund	
Net Position – Proprietary Fund	38
Statement of Cash Flows – Proprietary Fund	39
Statement of Fiduciary Net Position - Pension Trust Funds	40
Statement of Changes in Fiduciary Net Position - Pension Trust Funds	41
Notes to Financial Statements	43
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – General Fund	84
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Community Redevelopment Agency Fund	85
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Stormwater Utility Fund	86
Budgetary Notes to Required Supplementary Information	87
Schedule of Changes in Total OPEB Liability and Related Ratios	88
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers'	
and Firefighters' Pension Plan	20

City of Satellite Beach, Florida Table of Contents Year Ended September 30, 2018

FINANCIAL SECTION (Continued)	
Schedule of Changes in Net Pension Liability and Related Ratios – General	
Employees' Pension Plan	90
Schedule of Contributions	91
Schedule of Investment Returns	92
Notes to Schedules	93
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combing Balance Sheet – Nonmajor Governmental Funds	96
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances – Nonmajor Governmental Funds	97
Schedule of Revenues, Expenditures and Changes in Fund Balances –	37
Budget and Actual – Community Services Fund	98
,	30
Schedule of Revenues, Expenditures and Changes in Fund Balances –	00
Budget and Actual – Law Enforcement Trust Fund	99
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Capital Asset Fund	100
STATISTICAL SECTION	
Schedule A1 – Net Position by Component	104
Schedule A2 – Changes in Net Position	106
Schedule A3 – Fund Balances – Governmental Funds	110
Schedule A4 – Changes in Fund Balances – Governmental Funds	112
Schedule B1 – Assessed Value and Estimated Actual Value of Taxable Property	114
Schedule B2 – Tax Revenues by Source – Governmental Funds	116
Schedule B3 – Direct and Overlapping Property Tax Rates	118
Schedule B4 – Principal Property Taxpayers	120
Schedule B5 – Property Tax Levies and Collections	121
Schedule C1 – Ratio of Outstanding Debt by Type	122
Schedule C2 – Direct and Overlapping Governmental Activities Debt	123
Schedule C3 – Pledged Revenue Coverage	124
Schedule C4 – Ratios of General Bonded Debt Outstanding	125
Schedule C5 – Legal Debt Margin Information	126
Schedule D1 – Demographic and Economic Statistics	128
Schedule D2 – Principal Employers	129
Schedule E1 – Employees by Function/Program	130
Schedule E2 – Operating Indicators by Function/Program	132
Schedule E3 – Capital Asset Statistics by Function/Program	134

City of Satellite Beach, Florida Table of Contents Year Ended September 30, 2018

COMPLIANCE SECTION

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	135
Independent Auditors' Management Letter	139
Independent Accountants' Report on Compliance with Local Government	
Investment Policies	145



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CITY OF SATELLITE BEACH, FLORIDA

565 Cassia Boulevard 32937-3116 Satellite Beach, FL 32937 (321) 773-4407

FAX: (321) 779-1388



March 6, 2019

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

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2018.

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 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, 2018. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. 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 10,346 in 2018.

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 2018-2019 through Fiscal Year 2022-2023. 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 2018-2019 included a number of major initiatives, including renewing the City's facilities and infrastructure. Expand outreach and communication with local businesses and focus on growth of the City's commercial sector. Continue to work on projects and strategies to protect and restore the Indian River Lagoon and develop employee training and a citizen's academy focused on sustainable practices, and continue working to complete the City's Sustainability Action Plan Green Achievement Targets.

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 of a result of a few unbudgeted items, due to emergency replacements, and a couple of items which were under budgeted, the policy allows for the appropriation of fund balance to close the gap. The City ultimately had to spend \$396,582 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 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, 2017. 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 Government Finance Officers Association of the United State and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Satellite Beach for its fiscal year 2017 comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by government and its management. The CAFR has been judged by an impartial panel to meet the highest standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

This was the first year the City had developed the Comprehensive Annual Financial Report (CAFR) and submitted the CAFR to the Government Finance Officers Association of the United States and Canada (GFOA) for the Certificate of Achievement for Excellence in Financial Reporting. To receive this award on the first year is an outstanding achievement for the City.

The preparation of these reports 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 **Brittany Jumper**

Support Services Director/Comptroller

City of Satellite Beach, Florida City Officials Year Ended September 30, 2018

Mayor Frank Catino

<u>Vice Mayor</u> Dominick Montanaro

Council Members

Mark Brimer Mindy Gibson Steve Osmer

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

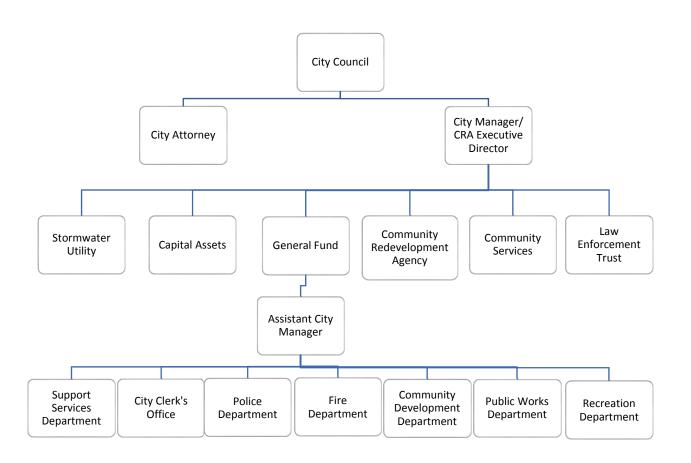
<u>City Manager</u> Courtney Barker

<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, 2018





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Satellite Beach Florida

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill
Executive Director/CEO



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Carr, Riggs & Ingram, LLC 215 Baytree Drive Melbourne, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, 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.

Change in Accounting Principle

As discussed in Note 1.D.10 to the financial statements, in 2018 the City adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 17 – 25, the budgetary comparison information on pages 84 – 87 and the defined benefit pension plan information and the other postemployment benefits information on pages 88 – 93 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 26, 2019 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 26, 2019



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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, 2018.

Financial Highlights

- The assets 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 \$16,495,698 (net position). Of this amount, (\$11,463,063) represents the unrestricted net deficit due to recording of the OPEB liability and related deferred outflows of \$5,523,399; pension liabilities and related deferred inflows and outflows of \$5,984,748; and compensated absences of \$777,507 which are not currently funded.
- The City's total net position decreased by \$3,396,792, primarily due to unfunded emergency infrastructure projects, and due to the implementation of GASB Statement No. 75, which is the reporting of other postemployment benefits other than pensions that required a restatement of net position as of September 30, 2017 of (\$3,478,248).
- As of the close of the current fiscal year, the City of Satellite Beach, Florida's governmental
 funds reported combined ending fund balances of \$1,785,180, a decrease of \$396,582 in
 comparison with the prior year.
- The City of Satellite Beach, Florida's total long-term liabilities decreased by \$85,408 during the current fiscal year. The decrease is due to a net decrease in notes payable and capital leases of \$75,024 offset by a net decrease in compensated absences of \$10,384.

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 28 – 31 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 nearterm 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, the Capital Assets Fund, and the Stormwater Utility 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 32 – 36 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 37 – 39 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 40 – 41 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 43 – 81 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 84 – 93 of this report.

<u>Government-wide Financial Analysis</u>

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 and deferred outflows exceeded liabilities and deferred inflows by \$16,495,698 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

	2018	2017		
Current and other assets	\$ 2,836,144	\$	3,589,545	
Capital assets	 33,810,152		32,946,029	
Total assets	36,646,296		36,535,74	
Deferred outflows of resources	4,127,577		5,900,543	
Long-term liabilities outstanding	20,914,287		18,065,627	
Other liabilities	816,263		964,026	
Total liabilities	 21,730,550		19,029,653	
Deferred inflows of resources	 2,291,642		3,513,947	
Net position:				
Net investment in				
Capital assets	27,017,454		26,078,307	
Restricted	941,307		1,468,861	
Unrestricted (deficit)	(11,463,063)		(7,654,678)	
Total net position	\$ 16,495,698	\$	19,892,490	

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 \$941,307 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 (\$11,463,063) primarily due to recording of the OPEB liability of \$5,589,327 offset by deferred outflows of \$65,928, compensated absences of \$777,507, and aggregate net pension liability of \$7,754,755 and related deferred inflows of resources of \$2,291,642 offset by deferred outflows of resources of \$4,061,649. 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

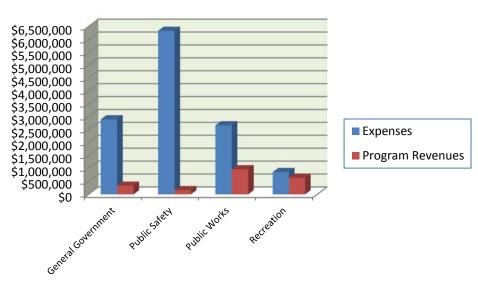
2018		2017	
\$	1,562,501	\$	1,540,110
	491,180		540,871
	41,500		1,032
	7,254,925		6,783,312
	1,918,565		1,864,063
	1,219,827		1,159,627
	10,935		2,051
	36,049		27,603
	587,146		169,688
	13,122,628		12,088,357
	2,904,285		3,973,747
	6,333,268		5,935,564
	2,672,181		2,610,724
	860,047		815,610
	271,391		270,548
	13,041,172		13,606,193
	\$	\$ 1,562,501 491,180 41,500 7,254,925 1,918,565 1,219,827 10,935 36,049 587,146 13,122,628 2,904,285 6,333,268 2,672,181 860,047 271,391	\$ 1,562,501 \$ 491,180 41,500

City of Satellite Beach, Florida's Changes in Net Position (Continued)

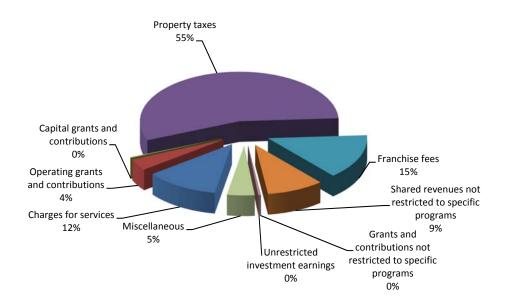
	2018	2017
Change in net position	81,456	(1,517,836)
Net position – beginning	19,892,490	21,410,326
Prior period adjustment (see Note 1.D.10)	(3,478,248)	-
Net position – beginning, as restated	16,414,242	21,410,326
Net position – ending	\$ 16,495,698	\$ 19,892,490

The City's net position increased by \$81,456 during the current fiscal year.

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 \$1,785,180, a decrease of \$396,582 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 (\$204,172), restricted for specific purposes (\$941,307), or committed to pay for obligations previously authorized by the City (\$852,745). Unrestricted, unassigned fund balance was a deficit of \$213,044 at year end.

The General Fund is the chief operating fund of the City of Satellite Beach, Florida. As noted above, at the end of the current fiscal year, unassigned fund balance was (\$213,044), while total fund balance was \$792,266. The fund balance of the City of Satellite Beach, Florida's General Fund increased by \$159,928 during the current fiscal year. The increase is primarily due to FEMA reimbursements from Hurricane Matthew. The decision to discontinue funding of Community Redevelopment Agency projects will increase amounts returned to taxing authorities and will assist in increasing unassigned fund balance.

The Community Redevelopment Agency Special Revenue Fund has a total fund balance of \$488,758, which is restricted for the Community Redevelopment Agency special revenue fund activities. The restricted fund balance increased this year, due to projects budgeted for, which have not been fully expended.

The Capital Assets Fund has a total fund balance of \$215,405, 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 \$487,963. This was due primarily to emergency repairs, which were not budgeted.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget (net increase of \$245,713 in appropriated expenditures and transfers out) can be briefly summarized as follows:

- \$231,509 in increases in General Government Services, Legislative, City Clerk's office and Support Services
- \$49,177 in decreases in Recreation
- \$43,852 in decreases in Public Works
- \$97,041 in increases allocated to Police and Fire
- \$10,192 in increases in Building and Zoning

This increase in expenditures corresponds to a \$373,574 increase in revenues and other financing sources as follows; decrease of \$101,450 in taxes; \$49,524 increase in licenses and permits; increase of \$203,080 in intergovernmental; decrease of \$12,304 in charges for services; decrease of \$5,942 in fines and forfeitures; and an increase of \$240,666 in interest and other. The above items resulted in a net change of \$54,215 whereby the original adopted budget did not include a change in fund balance compared to a net increase in fund balance of \$54,215 per the final amended budget.

Capital Asset and Debt Administration

Capital assets. The City of Satellite Beach, Florida's investment in capital assets as of September 30, 2018, amounts to \$33,810,152 (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)

	 2018	18 2017		
Land	\$ 12,958,748	\$	11,680,950	
Buildings	2,219,263		2,314,032	
Improvements other than buildings	2,802,706		2,846,558	
Equipment	2,363,590		2,234,902	
Infrastructure	12,483,874		13,304,274	
Construction in progress	981,971		565,313	
Total	\$ 33,810,152	\$	32,946,029	

Additional information on the City of Satellite Beach, Florida's capital assets can be found in Note 4.B. on page 58 of this report.

Notes payable. At the end of the current fiscal year, the City of Satellite Beach, Florida, had notes payable outstanding of \$6,384,317.

The City's notes payable balances increased by \$336,257 during the current fiscal year due to borrowing funds for the purchase of land of \$718,505 and new borrowings in the amount of \$947,595, to refinance the debt related to the land purchase of \$718,505 and to pay off a capital lease of \$229,090, offset by current year debt payments of \$1,329,843.

Capital leases payable. At the end of the current fiscal year, the City of Satellite Beach, Florida, had total capital leases outstanding of \$408,381.

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

	2018	2017
Capital lease City vehicles	244,978	 594,154
Capital lease Police Records Mgmt.	163,403	225,508
Total capital leases	\$ 408,381	\$ 819,662

The City's total capital lease obligations had a net decrease of \$411,281 during the current fiscal year due to current year payments and paying off a fire truck lease with note proceeds, as noted above.

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 \$777,507. Total compensated absences decreased by a net amount of \$10,384 during the year, which includes additions of \$474,289 and reductions of \$484,673.

It is estimated that \$394,863 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 60 – 63 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 2018/2019 fiscal year.

The City of Satellite Beach, Florida, in 2017/2018 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 reduced the unassigned fund balance deficit by \$94,528 from the previous fiscal year. In 2013 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 reimbursement is not expected to be completely received 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 Support Services Department, 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, 2018	Activities
ACCETC	
ASSETS	
Cash and cash equivalents	\$ 1,154,735
Investments	810,389
Accounts receivable	284,751
Due from other governments	151,446
Prepaid items	204,172
Derivative instrument - interest rate swap	230,651
Capital assets not being depreciated:	
Land	12,958,748
Construction in progress	981,971
Capital assets, net of accumulated depreciation	
Buildings	2,219,263
Improvements other than buildings	2,802,706
Equipment	2,363,590
Infrastructure	12,483,874
Total assets	36,646,296
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other post employment benefits	65,928
Deferred outflows related to pensions	4,061,649
Total deferred outflows of resources	4,127,577

	Governmental
September 30, 2018	Activities
LIABILITIES	
Accounts payable	453,738
Accrued expenses	274,866
Accrued interest payable	87,659
Noncurrent liabilities:	
Due within one year	1,366,910
Due in more than one year	6,203,295
Other post employment benefits liability	5,589,327
Aggregate net pension liability	7,754,755
Total liabilities	21,730,550
DEFERRED INFLOWS OF RESOURCES	
Accumulated increase in fair value of derivative instrument - interest rate swap	230,651
Deferred revenue - business tax receipts	25,332
Deferred inflows related to pensions	2,291,642
Total deferred inflows of resources	2,547,625
NET POSITION	
Net investment in capital assets	27,017,454
Restricted for:	
Community Redevelopment Agency	488,758
Community services	219,031
Law enforcement	21,440
Capital assets	172,585
Stormwater	39,493
Unrestricted (deficit)	(11,463,063)
Total net position	\$ 16,495,698

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

For the year ended September 30, 2018

		Program Revenues				
			Operating			Capital
			Charges for	Grants and		Grants and
Functions/Programs	Expenses		Services	Contributions	C	Contributions
Governmental activities:						
General government	\$ 2,904,285	\$	329,448	\$ -	\$	-
Public safety	6,333,268		139,136	22,015		-
Public works	2,672,181		498,839	468,865		-
Recreation	860,047		595,078	300		41,500
Interest and related costs						
on long-term debt	271,391		-	-		-
Total governmental activities	\$ 13,041,172	\$	1,562,501	\$ 491,180	\$	41,500

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 as previously reported

Prior period adjustment (see Note 1.D.10)

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Change in Net Position

\$ (2,574,837)

(6,172,117)

(1,704,477)

(223,169)

(271,391)

(10,945,991)

7,254,925

1,918,565

1,219,827

10,935

36,049

587,146

11,027,447

,- ,

81,456

19,892,490 (3,478,248)

16,414,242

\$16,495,698

City of Satellite Beach, Florida Balance Sheet – Governmental Funds

			Community			
		R	edevelopment	Capital	St	tormwater
September 30, 2018	General		Agency	Assets	ı	Utility Fund
ASSETS						
Cash and cash equivalents	\$ -	\$	744,575	\$ 125,290	\$	165,930
Investments	645,472		114,439	9,253		30,862
Accounts receivable	202,644		-	78,042		-
Due from other funds	215,755		-	-		-
Due from other governments	151,440		-	-		6
Prepaid items	152,565		-	42,820		8,787
Total assets	\$ 1,367,876	\$	859,014	\$ 255,405	\$	205,585
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 101,576	\$	154,501	\$ 40,000	\$	157,305
Accrued expenses	122,880		-	-		-
Due to other funds	325,822		215,755	-		
Total liabilities	550,278		370,256	40,000		157,305
Deferred inflows of resources:						
Deferred revenue - business tax receipts	25,332		-	-		-
Fund balances:						
Nonspendable	152,565		-	42,820		8,787
Restricted	-		488,758	172,585		39,493
Committed	852,745		-	-		-
Unassigned	(213,044)		-	-		-
Total fund balances	792,266		488,758	215,405		48,280
Total liabilities and fund balances	\$ 1,367,876	\$	859,014	\$ 255,405	\$	205,585

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 and subsequent contributions for other post employment benefits are not recognized in the governmental funds; however, they are recorded in the statement of net position under full 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 OPEB liability, 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				
	Nonmajor	Governmental				
	Funds		Funds			
\$	118,577	\$	1,154,372			
·	10,363	•	810,389			
	4,065		284,751			
	107,822		323,577			
	,		151,446			
	_		204,172			
\$	240,827	\$	2,928,707			
÷	-,-		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			
\$	356	\$	453,738			
,	-	•	122,880			
	_		541,577			
	356		1,118,195			
	-		25,332			
	_		204,172			
	240,471		941,307			
	240,471		852,745			
	-					
	240,471		(213,044)			
\$	240,471		1,785,180			
_	240,027					
		33,810,152				
			4 427 577			
			4,127,577			
			(2,291,642)			
			66,377			
			(20,914,287)			
			(87,659)			
		\$	16,495,698			

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

For the year ended September 30, 2018

For the year ended September 30, 201	.8				
			Community	6 11 1	.
	_		development	Capital	Stormwater
	Genera	al	Agency	Assets	Utility Fund
Revenues				_	_
Taxes	\$ 7,783,396		574,138	\$ 810,102	\$ -
Licenses and permits	993,205		-	-	-
Intergovernmental	1,361,946	•	-	51,032	-
Charges for services	677,657		-	-	498,715
Fines and forfeitures	38,678	3	-	-	-
Investment and other income	285,040)	3,938	1,977	2,763
Total revenues	11,139,922	2	578,076	863,111	501,478
Expenditures					
Current:					
General government	2,456,209)	340,413	104,567	_
Public safety	5,432,557		-	-	-
Public works	1,889,564		-	_	93,399
Recreation	758,389		-	_	-
Capital outlay	-		218,948	1,515,401	296,082
Debt service:			-		-
Principal retired	-		326,800	1,268,786	145,538
Interest and other	-		146,572	128,420	13,898
Total expenditures	10,536,719)	1,032,733	3,017,174	548,917
Excess (deficiency) of	•		•	•	•
revenues over (under)					
expenditures	603,203	3	(454,657)	(2,154,063)	(47,439)
Other financing sources (uses)					
Transfers in	718,480		1 161 755		
Transfers out	· ·		1,161,755	-	- (1.42.424)
	(1,161,755	"	(576,046)	710 505	(142,434)
Proceeds from long-term debt	-		-	718,505	-
Proceeds from refunding debt	<u>-</u>		-	947,595	-
Net other financing	/442.27	٠,	F0F 700	1 666 100	/4.60 40.4\
sources (uses)	(443,275	-	585,709	1,666,100	(142,434)
Net change in fund balances	159,928		131,052	(487,963)	(189,873)
Fund balances, beginning of year	632,338		357,706	703,368	238,153
Fund balances, end of year	\$ 792,266	\$	488,758	\$ 215,405	\$ 48,280

			Total
Ν	Ionmajor	Govern	mental
	Funds		Funds
\$	-	\$ 9,16	7,636
	-	99	3,205
	-	1,41	2,978
	867	1,17	7,239
	-	3	8,678
	37,805	33	1,523
	38,672	13,12	1,259
	-	2,90	1,189
	1	5,43	2,558
	39,791	2,02	2,754
	-	75	8,389
	8,606	2,03	9,037
	-	1,74	1,124
	-	28	8,890
	48,398	15,18	3,941
	(9,726)	(2,06	2,682)
	-	1,88	0,235
	-	(1,88	80,235)
	-	71	.8,505
	-	94	7,595
	-	1,66	6,100
	(9,726)	(39	6,582)
	250,197	2,18	1,762
\$	240,471	\$ 1,78	5,180

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, 2018	
Net change in fund balances - total governmental funds	\$ (396,582)
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.	897,956
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.	(33,833)
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.	75,024
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.	29,252
Expenses related to the City's net pension obligations 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.	(309,607)
Expenses related to the City's 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.	(110,151)
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.	(70,603)
Change in net position of governmental activities	\$ 81,456

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

	Governmental		
	Activities -		
	In	ternal	
	Service	e Fund	
September 30, 2018	Health Insurance		
ASSETS			
Cash and cash equivalents	\$	363	
Due from other funds	218	8,000	
Total assets	218	8,363	
LIABILITIES			
Accrued liabilities	15:	1,986	
Total liabilities	15:	1,986	
NET POSITION			
Unrestricted	66	6,377	
Total net position		6,377	

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

	•	Governmental
		Activities -
		Internal
		Service Fund
Year Ended September 30, 2018	He	alth Insurance
Operating revenues:		
Charges for services	\$	1,430,281
Total operating revenues		1,430,281
Operating expenses:		
Insurance claims and expenses		1,500,884
Total operating expenses		1,500,884
Change in net position		(70,603)
Net position, beginning of year		136,980
Net position, end of year	\$	66,377

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

		Governmental Activities -
		Internal
		Service Fund
Year Ended September 30, 2018	Не	ealth Insurance
Cash flows from operating activities:		
Cash received from interfund services provided	\$	1,430,281
Cash payments to suppliers for goods and services		(1,629,695)
Net cash used in operating activities		(199,414)
Net decrease in cash and cash equivalents		(199,414)
Cash and cash equivalents, beginning of year		199,777
Cash and cash equivalents, end of year	\$	363
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$	(70,603)
Adjustments to reconcile operating loss to net cash used in	тт	(10,000)
operating activities:		
Change in assets and liabilities:		
(Increase) decrease in assets:		
Due from other funds		(218,000)
Increase (decrease) in liabilities:		
Accrued expenses		89,189
Total adjustments		(128,811)
Net cash used in operating activities	\$	(199,414)

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

September 30, 2018	
ACCETC	
ASSETS	
Receivables:	
Contributions	\$ 33,275
Investments, at fair value:	
Florida Municipal Investment Trust Fund	26,826,331
Total assets	26,859,606
LIABILITIES	
Benefits payable	56,112
Total liabilities	56,112
NET POSITION	
Net position restricted for pensions	\$ 26,803,494

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

For the year ended September 30, 20)18
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ADDITIONS	
Contributions:	
Employees	\$ 221,118
City	1,072,493
State	220,026
Total contributions	1,513,637
Investment earnings:	
Net appreciation in fair value of investments	1,846,121
Total additions	3,359,758
DEDUCTIONS	
Benefit payments	1,310,240
Administrative expenses	60,561
Total deductions	1,370,801
Change in net position	1,988,957
Net position held in trust for pension benefits, beginning of year	24,814,537
Net position held in trust for pension benefits, end of year	\$ 26,803,494



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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, except for interfund services provided and used which are not eliminated in the process of consolidation. *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. This fund receives special incremental ad-valorem tax levies to pay for rehabilitation and redevelopment of the specified area in need of improvement to sustain the tax base.

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.

The Stormwater Utility 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.

Additionally, the government reports the following fund types:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 and a law enforcement trust fund.

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, 2018, 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 arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual 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, 2018 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. Prepaid items are recorded as expenditures when consumed rather than when purchased.

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 acquisition 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 improvement	S	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. Long-term debt and other long-term obligations

<u>Long-term debt</u> – 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.

<u>Compensated absences</u> – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All leave benefits are accrued when incurred in the government-wide financial statements. A liability for this amount is reported in governmental funds only if it has matured or if they will be liquidated with expendable, available financial resources.

<u>Pension and OPEB liabilities</u> – Net pension liabilities and net OPEB liabilities are determined based on actuarial valuations. See Notes 5.B. and 5.C. for additional information.

8. Deferred outflows / 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.

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with Section P20: *Pension Activities – Reporting for Benefits through Trusts That Meet Specified Criteria* of the GASB Codification. Note 5.C. includes a complete discussion of retirement commitments.

The deferred outflows related to other postemployment benefits (OPEB) are an aggregate of items related to OPEB as calculated in accordance with GASB Codification Section P52: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria*. Note 5.B. presents a complete discussion of OPEB commitments.

9. 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:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund equity (continued)

<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.

<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 her 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)

10. Recently issued and implemented accounting pronouncements

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of the GASB Statement are effective for the year ended September 30, 2018.

This pronouncement required the restatement of the September 30, 2017 net position in the statement of governmental activities. This change is in accordance with generally accepted accounting principles. The cumulative effect of the change is illustrated below:

	Governmental
	Activities
Net position, September 30, 2017 as previously reported	\$ 19,892,490
Cumulative effect of application of GASBS 75	(3,478,248)
Net position, September 30, 2017 as restated	\$ 16,414,242

The Governmental Accounting Standards Board has issued statements that will become effective in future years. The statements address:

- Asset retirement obligations;
- Fiduciary activities;
- Leases;
- Disclosure related to debt; and
- Accounting for interest cost incurred before the end of a construction period.

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

<u>Budgetary Information</u> – The City has elected, as permitted by Section 2400: *Budgetary Reporting* 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 \$(20,914,287) difference are as follows:

Note payable – CRA	\$ (3,056,300)
Notes payable – Stormwater	(154,422)
Note payable - Capital Asset Fund	(3,173,595)
Capital leases payable	(408,381)
Net pension liability	(7,754,755)
Other postemployment benefit (OPEB) liability	(5,589,327)
Compensated absences	(777,507)
Net adjustment to reduce fund balance - total governmental	
funds to arrive at net position-governmental activities	\$ (20,914,287)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENTWIDE 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 \$897,656 difference are as follows:

Capital outlay	\$ 2,039,037
Depreciation expense	(1,078,068)
Expenses attributed to capital outlay which do not meet the City's	
criteria for capitalization	(63,013)
Net adjustment to increase net changes in fund balances - total governmental	 _
funds to arrive at changes in net position of governmental activities	\$ 897,956

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."

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 (Continued)

Neither transaction, however, has any effect on net position. The details of this \$75,024 difference are as follows:

Note payable	\$ (718,505)
Revenue refunding note	(947,595)
Principal repayments	1,741,124
Net adjustment to increase net changes in fund balances - total governmental	
funds to arrive at changes in net position of governmental activities	\$ 75,024

Another element of that reconciliation states that "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." The details of this \$29,252 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:

Changes in compensated absences	\$ 10,384
Interest expense	18,868
Net adjustment to increase net changes in fund balances - total governmental	
funds to arrive at changes in net position of governmental activities	\$ 29,252

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2018, the primary government's carrying amount of deposits was \$1,154,735 including \$2,295 of petty cash, and the bank balance was \$1,152,440. As of September 30, 2018, \$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

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Deposits (continued)

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, 2018, 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, 2018, 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.

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

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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, 2018, 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.

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.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

At September 30, 2018, the City had the following investments:

			Weighted Average			
Investment type		Fair Value	to Maturity (WAM)	Duration	Rating	Agency
Primary government:						
SBA (Florida PRIME)	\$	106,344	33 days	-	AAAm	S&P
SPIA		704,045	-	2.65 years	A+f	S&P
Primary government total	\$	810,389				
Pension trust funds:						
Florida Municipal						
Investment Trust (FMIvT)	\$2	6,826,331				
Broad Market HQ Bond						
Fund			6.40 years	-	Aaf/S4	Fitch
Core Plus Fixed Income			7.00 years	-	Not r	ated
Diversified Large Cap			-	-	Not r	ated
Diversified Small to Mid			-	-	Not r	ated
Сар			-	-	Not r	ated
International Equity			-	-	Not r	ated
Core Real Estate			-	-	Not r	ated
Pension trust funds total	\$2	6,826,331				

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).

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;

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Fair Value (continued)

Level 2: (Continued):

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of September 30, 2018, 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, 2018, the City had the following investments:

	Fair Value			
Investments excluded from				
fair value hierarchy				
Investments in derivative instruments:				
Interest rate swap	\$ 230,651			
		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Investments measured at net asset value:				
FMIvT	26,826,331	-	Semi-monthly	5-15 days
SPIA	704,045	-	Immediate	6 months*
Total investments measured at				
net asset value	27,530,376			
Total investments excluded				
from fair value hierarchy	\$ 27,761,027			

^{*} For more than 40% withdrawal of the prior 3 months average investment balance

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, 2018:

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.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Fair Value (continued)

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 \$106,344 in the SBA (Florida PRIME) is measured at amortized cost. As of September 30, 2018, 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.

B. CAPITAL ASSETS

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

	Beginning		Decreases/	Ending
	Balance	Increases	Transfers	Balance
Governmental activities:				_
Capital assets, not being depreciated:				
Land	\$ 11,680,950	\$ 786,191	\$ 491,607	\$ 12,958,748
Construction in progress	565,313	515,030	(98,372)	981,971
Total capital assets,				_
not being depreciated	12,246,263	1,301,221	393,235	13,940,719
Capital assets, being depreciated:				
Buildings	4,465,707	-	-	4,465,707
Improvements other than buildings	5,109,444	162,520	(7,273)	5,264,691
Equipment	5,274,279	485,902	(276,300)	5,483,881
Infrastructure	22,692,741	124,753	(491,607)	22,325,887
Total capital assets being depreciated	37,542,171	773,175	(775,180)	37,540,166
Less accumulated depreciation for:				
Buildings	(2,151,675)	(94,769)	-	(2,246,444)
Improvements other than buildings	(2,262,886)	(205,647)	6,548	(2,461,985)
Equipment	(3,039,377)	(324,106)	243,192	(3,120,291)
Infrastructure	(9,388,467)	(453,546)	-	(9,842,013)
Total accumulated depreciation	(16,842,405)	(1,078,068)	249,740	(17,670,733)
Total capital assets				
being depreciated, net	20,699,766	(304,893)	(525,440)	19,869,433
Governmental activities				
capital assets, net	\$ 32,946,029	\$ 996,328	\$ (132,205)	\$ 33,810,152

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

B. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 155,416
Public safety	227,546
Physical environment	623,838
Recreation	71,268
Total depreciation expense - governmental activities	\$ 1,078,068

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances – The composition of interfund balances as of September 30, 2018, is as follows:

	 Due to:								
	General	Nonmajor	Internal						
	Fund		Fund Service Fund				Total		
Due from:									
CRA Fund	\$ 215,755	\$	-	\$	-	\$	215,755		
General Fund	-		107,822		218,000		325,822		
Total	\$ 215,755	\$	107,822	\$	218,000	\$	541,577		

The balances between the general fund, the nonmajor funds and the internal service fund are for interfund loans to cover cash shortfalls. The balance between the general fund and the CRA fund are for unspent funds due back to the taxing authorities pursuant to the CRA master plan document.

Interfund transfers – Interfund transfers for the year ended September 30, 2018:

	Transfers in:							
	Gei	neral Fund	CRA Fund	Total				
Transfers out:								
General Fund	\$	-	\$ 1,161,755	\$ 1,161,755				
CRA Fund		576,046	-	576,046				
Stormwater Utility Fund		142,434	-	142,434				
Total	\$	718,480	\$ 1,161,755	\$ 1,880,235				

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).

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT

Capital leases

During 2014, the City entered into a 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. The City paid the lease off during the year ended September 30, 2018 by issuing the Utility Tax Refunding Note, Series 2018.

During 2014, the City 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.

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	408,364
Less: Accumulated depreciation	(475,211)
Total	\$ 376,003

Obligations of governmental activities under capital lease at September 30, 2018, are as follows:

Fiscal Year Ending September 30,	Principal			Interest	Total	
2019	\$	144,306	\$	7,933	\$	152,239
2020		147,478		4,820		152,298
2021		116,597		1,696		118,293
Total	\$	408,381	\$	14,449	\$	422,830

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, 2018, principal and interest to maturity in 2019 totaled \$159,436.

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 \$407,740 and pledged gross revenues were approximately \$574,138. As of September 30, 2018, principal and interest to maturity in 2026 to be paid from pledged future revenues totaled \$3,458,812.

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 \$3,056,300 as of September 30, 2018. The associated variable-rate note has a \$3,056,300 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 1.94% as of September 30, 2018. Therefore, the interest rate related to the \$6,250,000 swap is 2.29% as of the same date, calculated as the difference between the synthetic fixed rate of 4.23% and the 1.94% variable rate.

The interest rate swap agreement has a negative fair value of \$230,651 as of September 30, 2018. 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, 2018 is a negative of approximately \$158,522.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

Notes payable (continued)

As of September 30, 2018, 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, 2018, the swap's counterparty was rated AA- by Fitch. 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, 2018, 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 \$139,000 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 \$66,112, and pledged gross revenues were approximately \$810,102. As of September 30, 2018, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$2,682,757.

2017 Utility Tax Revenue Note: On December 8, 2017, the City entered into an agreement with a company to finance the purchase of land held by the same company. The note was in the amount of \$718,505 with a fixed interest rate of 4.5%. The note required regular monthly payments of principal and interest with a balloon payment due on December 1, 2022. The City made interest payments of \$18,480 and the principle was subsequently refunded during the year ended September 30, 2018, by issuance of the Utility Tax Revenue Refunding Note, Series 2018.

Utility Tax Revenue Refunding Note, Series 2018: On June 22, 2018 the City entered into an agreement with a bank in an amount of \$947,596 with a fixed interest rate of 3.13% for the purpose of refunding the 2017 Utility Tax Revenue Note, and the 2014 firetruck capital lease.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

Notes payable (continued)

The note requires annual principle payments of \$189,519 beginning on June 1, 2019 and variable biannual payments of interest ranging from \$14,923 to \$5,971 on June 1 and December 1, beginning on December 1, 2018. As of September 30, 2018, principal and interest to maturity in 2023 to be paid from pledged future revenues totaled \$1,034,844.

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

		Interest					
September 30,	Principa	I	Interest		(swap)	Total	
2019	\$ 827,741	\$	156,224	\$	19,394	\$ 1,003,359	
2020	692,119		136,090		18,572	846,781	
2021	711,219		118,834		17,724	847,777	
2022	732,319		101,152		16,825	850,296	
2023	753,819		83,008		15,904	852,731	
2024-2028	2,076,100		199,406		41,713	2,317,219	
Thereafter	591,000		26,686		-	617,686	
Totals	\$ 6,384,317	\$	821,400	\$	130,132	\$ 7,335,849	

Long-term liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning			Ending	Due Within	
	Balance	Additions	Additions Reductions		Balance	One Year
Governmental activities:						
Note payable – CRA	\$ 3,383,100	\$ -	\$	(326,800)	\$ 3,056,300	\$ 340,800
Note payable –						
Stormwater	299,960	-		(145,538)	154,422	154,422
Note payable -						
Capital Asset fund	2,365,000	947,595		(139,000)	3,173,595	332,519
Note payable -						
Capital Asset fund	-	718,505		(718,505)	-	-
Capital leases payable	819,662	-		(411,281)	408,381	144,306
Compensated absences	787,891	474,289		(484,673)	777,507	394,863
Total long-term						
liabilities	\$ 7,655,613	\$ 2,140,389	\$	(2,225,797)	\$ 7,570,205	\$ 1,366,910

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

Long-term liabilities (continued)

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:

	General	Community		Capital	Stormwater		Nonmajor
	Fund	Re	development	Assets		Utility	Funds
Nonspendable:							
Prepaid items	\$152,565	\$	-	\$ 42,820	\$	8,787	\$ -
Restricted for:							
Community services	-		-	-		-	219,031
Community redevelopment							
Economic development	-		488 <i>,</i> 758	-		-	-
Capital assets	-		-	172,585		-	-
Law enforcement	-		-	-		-	21,440
Stormwater	-		-	-		39,493	-
Committed:							
Stabilization	852,745		-	-		-	-
Unassigned	(213,044)		-	-		-	-
Total fund balances	\$792,266	\$	488,758	\$215,405	\$	48,280	\$240,471

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.

NOTE 5: OTHER INFORMATION (Continued)

A. RISK MANAGEMENT (Continued)

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 co-insurance 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 years since the program was established.

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, 2018, the City reported a liability of \$151,986 in the internal service fund which is included in accrued liabilities. Changes in the estimated accrued claims payable in fiscal year 2018 was as follows:

	2018
Balance at beginning of year	\$ 62,797
Current year claims and changes in estimate	1,519,470
Claims payments	(1,430,281)
Balance at end of year	\$ 151,986

B. OTHER POSTEMPLOYMENT BENEFITS

The City follows Section P52: Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria (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 18 retirees and spouses receiving benefits and has a total of 71 active participants and dependents. Of that total, 71 are not yet eligible to receive benefits.

NOTE 5: OTHER INFORMATION (Continued)

B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 and the Plan does not issue stand-alone financial reports.

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. The OPEB liability is expected to be liquidated by the General Fund.

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, 2018, the City will recognize OPEB expense of \$176,481, which includes both an estimate of the implied subsidy contributions described above and the explicit subsidy contributions paid on behalf of eligible retirees. Contributions of plan members not eligible for an explicit subsidy totaled \$8,333 for the year ended September 30, 2018.

Plan membership. Plan membership as of September 30, 2017 (the measurement date) was:

	Number of
	covered individuals
Inactive members currently receiving benefits	18
Inactive members entitled to but not yet receiving benefits	-
Active members	71
Total	89

The OPEB liability was determined based on the following assumptions and information:

Employer's reporting date: September 30, 2018
Measurement date: September 30, 2017
Valuation date: October 1, 2016

Actuarial Assumptions.

Discount rate: 3.35% Salary increases: 4.75%

NOTE 5: OTHER INFORMATION (Continued)

B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The discount rate is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

<u>Cost of living increases:</u> Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.

<u>Healthcare cost trend rate:</u> Increases in healthcare costs are assumed to be 8.00% for the 2016/17 fiscal year graded down by 0.50% per year to 5.00% for the 2022/23 and later fiscal years. Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.

<u>Implied subsidy:</u> Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$375 for the retiree and \$400 for the retiree's spouse has been assumed at age 62 for the 2016/17 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates.

<u>Mortality basis</u>: Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

<u>Retirement</u>: With respect to general employees, retirement is assumed to occur upon the attainment of age 62 with at least five years of service, except that those participants who have attained their normal retirement age as of the valuation date are assumed to retire one year after the valuation date; alternatively with respect to general employees, participants who have earned at least 35 years of service are assumed to retire at the rate of 5.00% per annum and participants who have attained age 55 with between 10 years of service and 35 years of service are assumed to retire at the rate of 2.50% per annum, with respect to public safety employees, retirement is assumed to occur upon the attainment of age 52 with at least five years of service, except that those participants who have attained their normal retirement age as of the valuation date are assumed to retire one year after the valuation date; alternatively with respect to public safety employees, participants who have attained age 50 with at least 10 years of service are assumed to retire at the rate of 2.50% per annum.

<u>Other decrements</u>: Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1 rates were used for general employees and Class 4 rates were used for public safety employees).

<u>Healthcare coverage elections</u>: 25% of employees who are not eligible for an explicit subsidy from the City are assumed to elect medical coverage until age 65 upon retirement or disability; 100% of employees who are eligible for an explicit subsidy from the City are assumed to elect medical coverage for life upon retirement or disability.

NOTE 5: OTHER INFORMATION (Continued)

B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>Spouses and dependents</u>: Husbands are assumed to be three years older than wives; of those electing coverage, spousal coverage is assumed in accordance with the employee's or retiree's current election; retirees are not assumed to have any dependent children.

<u>COBRA</u>: Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.

Changes: No assumptions were changed since the prior measurement date

The components of the OPEB liability at September 30, 2017 were as follows:

	Total OPEB	F	iduciary net		OPEB	Funded
	liability		position	lia	ability (asset)	percentage
\$	5,589,327	\$	-	\$	5,589,327	0%

The changes in the OPEB liability for the year ended September 30, 2017 were as follows:

	Total OPEB	1	Fiduciary Net	OPEB
	Liability		Position	Liability
Balance as of September 30, 2016	\$ 5,413,248	\$	-	\$ 5,413,248
Service cost	167,637		-	167,637
Interest	184,043		-	184,043
Employer contributions	-		144,073	144,073
Benefit payments	(175,601)		(144,073)	(319,674)
Balance as of September 30, 2017	\$ 5,589,327	\$	-	\$ 5,589,327

Sensitivity of the OPEB Liability

The following presents the City's OPEB liability as if it were calculated using a discount rate that is one percentage point lower or higher than the current discount rate.

	19	% decrease	Di	scount rate	1	% increase
		2.35%		3.35%		4.35%
OPEB liability	\$	6,290,289	\$	5,589,327	\$	5,014,519

NOTE 5: OTHER INFORMATION (Continued)

B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following presents the City's OPEB liability as if it were calculated using a trend rate that is one percentage-point lower or higher than the current trend rate

	1% decrease	Current trend	1% increase	
	in trend rate	rate	in trend rate (6.00% - 9.00%)	
	(4.00% - 7.00%)	(5.00% - 8.00%)		
OPEB liability	\$ 4,956,982	\$ 5,589,327	\$ 6,353,831	

Deferred Inflows and Outflows

On September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Summary of deferred outflows/inflows	Outflows	Inflows
Employer contributions subsequent to the		
measurement date	\$ 65,928	\$ -
Total	\$ 65,928	\$ -

The deferred outflows of resources related to OPEB totaling \$65,928 resulting from the City contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ending September 30, 2019.

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, 2018, there were 43 active plan members.

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Money Purchase Plan (continued)

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 \$90,725 to the Plan for fiscal year 2018.

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.

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 \$220,026 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 Pension liability is expected to be liquidated by the General Fund.

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.

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

<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, 2018:	Plan	Plan
Inactive plan members or beneficiaries currently receiving benefits	23	21
Inactive plan members entitled to but not yet receiving benefits	7	2
Active plan members	37	5
Total	67	28

Plan benefits Employees covered	Police Officers' and Firefighters' Plan Full-time firefighters and police officers employed by the City.	General Employees' Plan Only participants as of September 30, 1986 are eligible to continue
Types of benefits offered	Retirement, disability, and pre-retirement	participation. ent 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	of average earnings. For a non-service	larger of basic pension formula or 42% ce connected disability, provided the ice, the larger of basic pension formula

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

Plan benefits Pre-retirement death benefit	Police Officers' and Firefighters' Plan Basic pension formula payable for 10 participant beginning at the participant return of accumulated employee contrinon-vested participant.	nt's early or normal retirement age or
Normal retirement age	52 with five years of service.	62 with five years of service.
Early retirement age	50 with 10 years of service.	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 annu Actuarially equivalent 50%, 66.67%, annuity; or any other actuarially equiva Board of Trustees.	75%, or 100% joint and contingent
Average earnings	Average of the highest consecutive the of the last 10 years.	ree years of pensionable earnings out
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, 2018	\$255,885	None
Legal authority	Plan was established May 22, 1973 pursuant to City ordinance, and has since amended.	Plan was established May 22, 1973 pursuant to City ordinance, and has since amended.
Changes	No significant plan changes were adopted since the prior measurement date.	The benefit terms did not change from the prior measurement date.

74%

86%

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

total pension liability

<u>Net Pension Liability of the Sponsor</u>. The components of the net pension liability of the sponsor on September 30, 2018 were as follows:

	Police Officers'			General	
	and Firefighters'			Employees'	
		Plan		Plan	
Total pension liability	\$	25,319,474	\$	8,921,121	
Less: Fiduciary net position		(18,845,669)		(7,640,171)	
Net pension liability	\$	6,473,805	\$	1,280,950	

<u>Actuarial assumptions</u>. The total pension liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions:

	Police Officers' and Firefighters' Plan	General Employees' Plan				
Discount rate	7.00% per annum (2.92% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.					
Salary increases	For both plans, 4.75% per annum.					
Cost-of-living increases	ving increases For both plans, none assumed.					
Mortality basis	For both plans, sex-distinct rates set forth in the RP-2000 Combine Mortality Table, with full generational improvements in mortality usin Scale BB.					
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.				

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

	Police Officers' and Firefighters' Plan	General Employees' Plan
Other decrements	Assumed employment termination is based on the Scale 155 Table; assumed disability is based on the Wyatt 1985 Disability Study (Class 4).	Assumed employment termination is based on the Scale 155 Table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1).
Non-investment expenses	1.25% of future payroll.	1.75% of future payroll.
Future contributions	Contributions from the employer made as legally required.	and employees are assumed to be
Changes	a 2007 projection of the RP-2000 N	he mortality basis was changed from Nortality Table for annuitants to the with full generational improvements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce 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, 2018 are summarized in the following table:

		Expected Long-
Investment Category	Target Allocation	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.

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

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 benefit payments to determine the total pension liability.

<u>Sensitivity of the net pension liability to changes in the discount rate</u>. 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%	8.00%
Net pension liability - POFP	\$ 9,605,687	\$ 6,473,805	\$ 3,882,386
General Employees' Plan			
Net pension liability - GEP	2,146,654	1,280,950	539,220
Aggregate net pension liability	\$ 11,752,341	\$ 7,754,755	\$ 4,421,606

<u>Net Pension Liability and Changes in the Net Pension Liability</u>. The City's net pension liability was measured as of September 30, 2018, 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 (Decrease)					
		Total Pension		Plan Fiduciary	Net Pension
		Liability		Net Position	Liability
Police Officers' and Firefighters' Plan		(a)		(b)	(a) - (b)
Reporting period ending September 30, 2017	\$	23,985,721	\$	17,272,112	\$ 6,713,609
Changes due to:					
Service cost		731,362		-	731,362
Expected interest growth		1,702,438		1,221,028	481,410
Unexpected interest income		-		4,354	(4,354)
Demographic experience		(353,509)		-	(353,509)
Contributions - Employer		-		938,295	(938,295)
Contributions - Employee		-		198,453	(198,453)
Benefit payments, including refunds		(746,538)		(746,538)	-
Administrative expenses		-		(42,035)	42,035
Net changes		1,333,753		1,573,557	(239,804)
Reporting period ending September 30, 2018	\$	25,319,474	\$	18,845,669	\$ 6,473,805

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

Increase	(Decrease)
----------	------------

IIICIEdS	פ (שפי	creasej		
		Total Pension	Plan Fiduciary	Net Pension
		Liability	Net Position	Liability
General Employees' Plan		(a)	(b)	(a) - (b)
Reporting period ending September 30, 2017	\$	9,014,540	\$ 7,253,135 \$	1,761,405
Changes due to:				
Service cost		64,653	-	64,653
Expected interest growth		615,783	502,616	113,167
Unexpected interest income		-	32,752	(32,752)
Demographic experience		(266,265)	-	(266,265)
Contributions - Employer		-	354,222	(354,222)
Contributions - Employee		-	23,561	(23,561)
Benefit payments, including refunds		(507,590)	(507,590)	-
Administrative expenses		-	(18,525)	18,525
Net changes		(93,419)	387,036	(480,455)
Reporting period ending September 30, 2018	\$	8,921,121	\$ 7,640,171 \$	1,280,950

<u>Pension Expense and Deferred Outflows and Deferred Inflows of Resources related to pensions</u>. For the year ended September 30, 2018, the City will recognize pension expense of \$1,488,287 and \$113,837 for the Police Officers' and Firefighters' Pension Plan and the General Employees' Pension Plan, respectively. At September 30, 2018, 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	\$ -	\$ 426,094
Demographic gain/loss	223,477	652,119
Assumption changes	3,378,383	874,166
Total - Police Officers' and Firefighters' Plan	3,601,860	1,952,379
General Employees' Plan		
Investment gain/loss	-	208,283
Demographic gain/loss	50,071	-
Assumption changes	409,718	130,980
Total - General Employees' Plan	459,789	339,263
Total deferred outflows and deferred inflows		
of resources related to pensions	\$ 4,061,649	\$ 2,291,642

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

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

	Po	olice Officers'	
		and	General
		Firefighters'	Employees'
Fiscal Year Ending September 30,		Plan	Plan
2019	\$	447,312	\$ 213,781
2020		205,052	5,181
2021		166,530	(91,844)
2022		119,868	(6,592)
2023		354,971	-
Thereafter		355,748	-
Total	\$	1,649,481	\$ 120,526

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>. The City has 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. The changes and balance of the Share Plan is presented in the combining fund schedules on the following page.

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

<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.

<u>Combining Fund Information</u>. The pension trust funds fiduciary net position activity as of September 30, 2018 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	\$	33,275	\$	-	\$	-	\$	33,275	
Investments, at fair value:									
Florida Municipal Investment									
Trust Fund		18,813,193		373,862		7,639,276		26,826,331	
Total assets		18,846,468		373,862		7,639,276		26,859,606	
LIABILITIES								_	
Benefits payable				56,112				56,112	
Total liabilities		-		56,112		-		56,112	
NET POSITION								_	
Held in trust for pension benefits	\$	18,846,468	\$	317,750	\$	7,639,276	\$	26,803,494	

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Defined Benefit Plans (continued)

The pension trust funds change in fiduciary net position activity as of September 30, 2018 was as follows:

	Po	lice Officers'	and	Firefighters'			
		Defined			General		
		Benefit Plan		Share Plan	Employees'		Total
ADDITIONS							
Contributions:							
Employees	\$	198,452	\$	-	\$ 22,666	\$	221,118
City		718,271		-	354,222		1,072,493
State		135,454		84,572	-		220,026
Total contributions		1,052,177		84,572	376,888		1,513,637
Total investment earnings:							
Net appreciation in fair value							
of investments		1,310,753		-	535,368		1,846,121
Total additions		2,362,930		84,572	912,256		3,359,758
DEDUCTIONS							_
Benefit payments		746,538		56,112	507,590		1,310,240
Administrative expenses		42,036		-	18,525		60,561
Total deductions		788,574		56,112	526,115		1,370,801
Change in net position		1,574,356		28,460	386,141		1,988,957
Net position, beginning of year		17,272,112		289,290	7,253,135		24,814,537
Net position, end of year	\$	18,846,468	\$	317,750	\$ 7,639,276	\$	26,803,494

D. COMMITMENTS AND CONTINGENCIES

Operating Leases

The City leases certain equipment under noncancelable operating leases. The total costs of such leases were \$28,540 for the year ended September 30, 2018. The future minimum lease payments for the leases are as follows:

Year Ending September 30:	
2019	\$ 8,643
2020	3,243
Total	\$ 11,886

NOTE 5: OTHER INFORMATION (Continued)

D. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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.

NOTE 5: OTHER INFORMATION (Continued)

D. COMMITMENTS AND CONTINGENCIES (Continued)

Community Redevelopment Agency Fund (continued)

The allocated amounts of TIF funds to be provided to the County for the year ending September 30, 2018 were \$326,184 and have been included with general government expenditures in the Community Redevelopment Agency Fund. Future estimated payments are as follows:

Year ending September 30,	
2019	\$ 277,331

The allocated amounts of TIF funds to be provided to the City for the year ending September 30, 2018 were \$142,564 and have been included with transfers out in the Community Redevelopment Agency Fund.

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.



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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

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

				Variance with
				Final Budget
	Original	Final		Positive
For the Year Ended September 30, 2018	Budget	Budget	Actual	(Negative)
	<u> </u>	<u> </u>		<u>, , , , , , , , , , , , , , , , , , , </u>
Revenues				
Taxes	\$7,883,733	\$7,782,283	\$7,783,396	\$ 1,113
Licenses and permits	935,029	984,553	993,205	8,652
Intergovernmental	1,117,537	1,320,617	1,361,946	41,329
Charges for services	689,960	677,656	677 <i>,</i> 657	1
Fines and forfeitures	44,620	38,678	38,678	-
Investment and other income	44,117	285,040	285,040	-
Total revenues	10,714,996	11,088,827	11,139,922	51,095
Expenditures				
Departments:				
Legislative	13,315	17,272	17,272	-
Support services	787,588	823,548	818,548	5,000
City Clerk	190,090	196,931	177,310	19,621
General governmental services	1,263,328	1,448,079	1,443,079	5,000
Police	3,089,171	3,109,680	3,104,680	5,000
Fire	2,256,343	2,332,875	2,327,877	4,998
Building and zoning	381,734	391,926	386,926	5,000
Public works	1,551,492	1,507,640	1,502,638	5,002
Recreation	812,564	763,387	758,389	4,998
Total expenditures	10,345,625	10,591,338	10,536,719	54,619
Excess of revenues				
over expenditures	369,371	497,489	603,203	105,714
Other financing sources (uses)				
Transfers in	718,738	718,481	718,480	(1)
Transfers out	(1,161,755)	(1,161,755)	(1,161,755)	
Net other financing sources (uses)	(443,017)	(443,274)	(443,275)	(1)
Net change in fund balances	(73,646)	54,215	159,928	105,713
Fund balances, beginning of year	632,338	632,338	632,338	-
Fund balances, end of year	\$ 558,692	\$ 686,553	\$ 792,266	\$ 105,713

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

							Va	riance with
								inal Budget
		Original		Final		Positive		
For the Year Ended September 30, 2018	Budget		Budget		Actual		(Negative)	
_								
Revenues	_				_		_	
Taxes	\$	602,894	\$.,	\$	574,138	\$	-
Investment and other income		2,500		3,938		3,938		
Total revenues		605,394		578,076		578,076		
Expenditures								
Department:								
General government		410,523		340,413		340,413		-
Capital outlay		275,000		218,948		218,948		-
Debt service:								
Principal retired		326,800		326,800		326,800		-
Interest		166,977		146,572		146,572		-
Total expenditures	1	1,179,300		1,032,733		1,032,733		-
Deficiency of revenues under								
expenditures		(573,906)		(454,657)		(454,657)		
Other financing sources								
Transfers in	1	1,161,755		1,161,755	2	1,161,755		-
Transfers out		(587,849)		(576,046)		(576,046)		-
Net other financing sources		573,906		585,709		585,709		-
Net change in fund balances		-		131,052		131,052		-
Fund balances, beginning of year		357,706		357,706		357,706		-
Fund balances, end of year	\$	357,706	\$	488,758	\$	488,758	\$	

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

						riance with
	Origina	Final		•	Positive	
For the Year Ended September 30, 2018	ŭ		Budget	Actual		(Negative)
Revenues						(-07
Intergovernmental	\$ 790,000	\$	-	\$ -	\$	-
Charges for services	512,000		498,715	498,715		-
Investment and other income	400		2,763	2,763		-
Total revenues	1,302,400		501,478	501,478		-
Expenditures						
Current:						
Public works	145,239		93,399	93,399		-
Capital outlay	1,050,000		296,082	296,082		-
Debt service:						
Principal retired	145,538		145,538	145,538		-
Interest and other	13,898		13,898	13,898		-
Total expenditures	1,354,675		548,917	548,917		-
Deficiency of revenues						
under expenditures	(52,275)		(47,439)	(47,439)		-
Other financing comment (was a)						
Other financing sources (uses) Transfers in	120,000					
Transfers out	130,000		-	- (142 424)		-
	(130,889)		(142,434)	(142,434)		-
Total other financing sources (uses)	(889)		(142,434)	(142,434)		
Net change in fund balances	(53,164)		(189,873)	(189,873)		_
	(30,-31)		(===,0.0)	(===,0.0)		
Fund balances, beginning of year	238,153		238,153	238,153		-
Fund balances, end of year	\$ 184,989	\$	48,280	\$ 48,280	\$	-

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 yearend.

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.

City of Satellite Beach, Florida Required Supplementary OPEB Information Schedule of Changes in Total OPEB Liability and Related Ratios Last Fiscal Year

September 30,	2017
Total OPEB liability - beginning	\$ 5,413,248
Changes due to:	
Service cost	167,637
Interest	184,043
Benefit payments	(175,601)
Net changes in total OPEB liability	176,079
Total OPEB liability - ending (a)	\$ 5,589,327
Plan fiduciary net position	
Contributions - employer	\$ 175,601
Benefit payments	(175,601)
Net changes in plan fiduciary net position	-
Plan fiduciary net position - beginning	
Plan fiduciary net position - ending (b)	\$
OPEB liability - ending (a) - (b)	\$ 5,589,327
Covered-employee payroll for the measurement period	\$ 3,755,183
OPEB Liability as a percentage of covered-employee payroll	148.84%

Notes:

- (1) The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Pensions*, in 2018. The employer must eventually disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.
- (2) The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASBS No. 75 to pay related benefits.
- (3) The amounts shown in this schedule are presented for the measurement period.
- (4) There were no changes in benefit terms.
- (5) There were no changes in assumptions.
- (6) There is no actuarial determined contribution to the OPEB plan.

City of Satellite Beach, Florida Required Supplementary Pension Information Schedule of Changes in Net Pension Liability and Related Ratios - Last Five Fiscal Years

Police Of	ficers' and Fire	fighters' Pensi	on Plan		
For the year ended September 30,	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 731,362	\$ 713,303	\$ 590,076	\$ 372,463	\$ 466,047
Expected interest growth	1,702,438	1,478,789	1,120,821	1,542,236	1,291,782
Demographic experience	(353,509)	377,868	5,636	(724,920)	-
Benefit payments and refunds	(746,538)	(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	1,333,753	3,203,053	4,993,822	(1,162,522)	1,075,805
Total pension liability - beginning	23,985,721	20,782,668	15,788,846	16,951,368	15,875,563
Total pension liability - ending (a)	\$25,319,474	\$23,985,721	\$20,782,668	\$15,788,846	\$16,951,368
Dian Fiduciam, Nat Dacition					
Plan Fiduciary Net Position Expected interest growth	1 221 020	\$ 1,048,032	\$ 940,589	\$ 1,205,916	\$ 977,638
Unexpected investment income	1,221,028 4,354	. , ,	\$ 940,589 200,914	. , ,	93,909
Contributions - Employer	4,354 938,295	974,179 1,085,748	732,952	(1,211,301) 682,374	•
Contributions - Employee	198,453	200,058	189,218	174,323	773,093 170,359
Benefit payments & refunds	(746,538)	(699,053)		(670,595)	(987,787)
Administrative expense	(42,035)	(39,960)	(36,881)	(37,244)	(36,101)
Net change in plan fiduciary net position	1,573,557	2,569,004	1,351,433	143,473	991,111
Plan fiduciary net position - beginning	17,272,112	14,703,108	13,351,435	13,208,202	12,217,091
Plan fiduciary net position - ending (b)	\$18,845,669	\$17,272,112	\$14,703,108	\$13,351,675	\$13,208,202
- tan tan tan y mar passage and tan and tan	+	+ - : / - : - /	+ - 1/1 1/2	+,,	+
Net pension liability - ending (a) - (b)	\$ 6,473,805	\$ 6,713,609	\$ 6,079,560	\$ 2,437,171	\$ 3,743,166
Dien fiele sieme met monition on a monarte co					
Plan fiduciary net position as a percentage of the total pension liability	74.43%	72.01%	70.75%	84.56%	77.92%
	,	, 2.02,70	7017070	0 110070	77.5270
Covered payroll	2,419,522	\$ 2,366,291	\$ 2,102,177	\$ 2,023,912	\$ 1,980,916
Net pension liability as a percentage of					
covered payroll	267.57%	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 Five Fiscal Years

Ger	nera	al Employee	s'	Pension Pla	n			
For the year ended September 30,		2018		2017		2016	2015	2014
Total Pension Liability								
Service cost		64,653	\$	63,643	\$	78,648	\$ 47,281	\$ 57,216
Expected interest growth		615,783		560,761		464,555	636,922	560,156
Demographic experience		(266,265)		101,155		147,878	11,264	-
Benefit payments and refunds		(507,590)		(537,145)		(515,793)	(577,609)	(484,450)
Assumption changes		-		578,190		1,275,317	(574,972)	-
Net change in total pension liability		(93,419)		766,604		1,450,605	(457,114)	132,922
Total pension liability - beginning		9,014,540		8,247,936		6,797,331	7,254,445	7,121,523
Total pension liability - ending (a)	\$	8,921,121	\$	9,014,540	\$	8,247,936	\$ 6,797,331	\$ 7,254,445
Plan Fiduciary Net Position								
Expected interest growth		502,616	\$	452,897	\$	428,775	\$ 571,279	\$ 475,890
Unexpected investment income		32,752		426,663		92,895	(555,367)	32,305
Contributions - Employer		354,222		349,352		341,136	370,855	428,556
Contributions - Employee		23,561		22,233		33,168	31,458	30,262
Benefit payments & refunds		(507,590)		(537,145)		(515,793)	(577,609)	(469,255)
Administrative expense		(18,525)		(24,005)		(23,534)	(22,473)	(22,674)
Net change in plan fiduciary net position		387,036		689,995		356,647	(181,857)	475,084
Plan fiduciary net position - beginning		7,253,135		6,563,140		6,206,493	6,388,350	5,913,266
Plan fiduciary net position - ending (b)	\$	7,640,171	\$	7,253,135	\$	6,563,140	\$ 6,206,493	\$ 6,388,350
Net pension liability - ending (a) - (b)	\$	1,280,950	\$	1,761,405	\$	1,684,796	\$ 590,838	\$ 866,095
Plan fiduciary net position as a percentage		05.640/		00.450/		70.570/	04 040/	00.050/
of the total pension liability		85.64%		80.46%		79.57%	91.31%	88.06%
Covered payroll	\$	281,381	\$	273,990	\$	400,181	\$ 386,980	\$ 366,815
Net pension liability as a percentage of covered payroll		455.24%		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 Five Fiscal Years

Police	Office	rs' and Fire	figl	nters' Pensi	on	Plan		
For the year ended September 30,		2018		2017		2016	2015	2014
Actuarially determined contribution	\$	933,442	\$	796,903	\$	732,952	\$ 745,554	\$ 773,093
Contributions recognized by the plan		938,295		1,085,748		853,725	682,374	483,397
Contribution deficiency (excess)	\$	(4,853)	\$	(288,845)	\$	(120,773)	\$ 63,180	\$ 289,696
Covered payroll	\$	2,419,522	\$	2,366,291	\$	2,102,177	\$ 2,023,912	\$ 1,980,916
Contributions as a percentage of covered payroll		38.78%		45.88%		40.61%	33.72%	24.40%
	Genera	al Employee	es'	Pension Pla	n			
For the year ended September 30,		2018		2017		2016	2015	2014
Actuarially determined contribution	\$	354,222	\$	349,352	\$	341,136	\$ 370,855	\$ 428,556
Contributions recognized by the plan		354,222		349,352		341,136	370,855	428,556
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$ -	\$ -
Covered payroll	\$	281,381	\$	273,990	\$	400,181	\$ 386,980	\$ 366,815
Contributions as a percentage of covered payroll		125.89%		127.51%		85.25%	95.83%	116.83%

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 Five Fiscal Years

018	2017	2016	2015	2014
08%	4.08%	4.08%	5.48%	4.48%
	08%			

General Employees' Pension Plan											
For the year ended September 30,	2018	2017	2016	2015	2014						
Annual expected long-term real return											
on investments											
Weighted arithmetic average	4.08%	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

	Police Officers' and Firefighters' Plan	General Employees' Plan
Valuation date	October 1, 2017	October 1, 2017
	•	rates are calculated as of October 1, al year in which the contributions are
Funding method	Entry Age Normal Cost Method	Aggregate Cost Method
Amortization method	Level dollar	Not applicable
Amortization period	30 years	Not applicable
Asset valuation method	benefit payments and expenses. Thi	ue of assets adjusted for contributions, is is further adjusted by the average for the preceding 4 years. The actuarial 20% of the market value.
Inflation	2.92% per annum	2.92% per annum
Salary increases	4.75% per annum unless a	actual amounts are known.
Interest rate	7% per annum	7% per annum
Retirement age	52 with 5 years of service	62 with 5 years of service
Early retirement rate	50 with 10 years of service	55 with 10 years of service or any age with 35 years of service
Termination rates	Sex-distinct rates set for	th in the Scale 155 Table.
Disability rates	Sex-distinct rates set forth in the Wyatt 1985 Disability Study (Class 4).	Sex-distinct rates set forth in the Wyatt 1985 Disability Study (Class 1).
Mortality	Sex-distinct rates set forth in the RP-full generational improvements in mo	-2000 Combined Mortality Table, with rtality using Scale BB.
Expenses	Administrative expenses are assumed to be 1.25% of future payroll. The interest rate assumed is net of investment expenses and commissions.	Administrative expenses are assumed to be 1.75% of future payroll. The interest rate assumed is net of investment expenses and commissions.
Changes	2007 projection of the RP- 2000 Mo	ne mortality basis was changed from a rtality Table for annuitants to the RP-th full generational improvements in



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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.

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

	Special Revenue						
					Total		
				Law	Nonmajor		
	C	Community	Enf	orcement	Go	vernmental	
September 30, 2018		Services		Trust		Funds	
ASSETS							
Cash and cash equivalents	\$	98,923	\$	19,654	\$	118,577	
Investments		8,577		1,786		10,363	
Accounts receivable		4,065		-		4,065	
Due from other funds		107,822		-		107,822	
Total assets	\$	219,387	\$	21,440	\$	240,827	
LIABILITIES							
Accounts payable	\$	356	\$	-	\$	356	
Total liabilities		356		-		356	
FUND BALANCES							
Restricted		219,031		21,440		240,471	
Total fund balances		219,031		21,440		240,471	
Total liabilities and fund balances	\$	219,387	\$	21,440	\$	240,827	

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

						Total
				Law		Nonmajor
	(Community	En	forcement	G	overnmental
For the year ended September 30, 2018		Services		Trust		Funds
Revenues						
Charges for services	\$	867	\$	-	\$	867
Investment and other income		35,962		1,843		37,805
Total revenues		36,829		1,843		38,672
Expenditures						
Current:						
Public safety		-		1		1
Public works		39,791		-		39,791
Capital outlay		-		8,606		8,606
Total expenditures		39,791		8,607		48,398
Net change in fund balances		(2,962)		(6,764)		(9,726)
Fund balances, beginning of year		221,993		28,204		250,197
Fund balances, end of year	\$	219,031	\$	21,440	\$	240,471

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

				Va	riance with
				F	inal Budget
	Original	Final			Positive
For the Year Ended September 30, 2018	Budget	Budget	Actual		(Negative)
Revenues					
Charges for services	\$ 400	\$ 867	\$ 867	\$	-
Investment and other income	25,730	35,962	35,962		-
Total revenues	26,130	36,829	36,829		-
Expenditures					
Current:					
Public works	31,724	39,791	39,791		-
Capital outlay	6,000	-	-		-
Total expenditures	37,724	39,791	39,791		-
Net change in fund balances	(11,594)	(2,962)	(2,962)		-
Fund balances, beginning of year	221,993	221,993	221,993		-
Fund balances, end of year	\$ 210,399	\$ 219,031	\$ 219,031	\$	-

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

				Va	riance with
				F	inal Budget
	Original	Final			Positive
For the Year Ended September 30, 2018	Budget	Budget	Actual		(Negative)
Revenues					
Investment and other income	\$ -	\$ 1,843	\$ 1,843	\$	-
Total revenues	-	1,843	1,843		-
Expenditures					
Current:					
Public safety	-	2	1		1
Capital outlay	-	8,606	8,606		-
Total expenditures	-	8,608	8,607		1
Net change in fund balances	-	(6,765)	(6,764)		(1)
Fund balances, beginning of year	28,204	28,204	28,204		-
Fund balances, end of year	\$ 28,204	\$ 21,439	\$ 21,440	\$	(1)

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

						Var	riance with
						Fi	nal Budget
		Original	Final				Positive
For the Year Ended September 30, 2018		Budget	Budget		Actual		(Negative)
Revenues							
Taxes	\$	788,633	\$ 810,102	\$	810,102	\$	-
Intergovernmental		-	51,032		51,032		-
Interest and other		1,000	1,977		1,977		-
Total revenues		789,633	863,111		863,111		-
Expenditures							
Current							
General government		114,456	99,532		104,567		(5,035)
Capital outlay		673,300	742,410	_	1,515,401		(772,991)
Debt service:							
Principal retired		301,966	1,331,683	2	1,268,786		62,897
Interest and other		90,387	125,044		128,420		(3,376)
Total expenditures	-	1,180,109	2,298,669	3	3,017,174		(718,505)
Deficiency of revenues							
under expenditures		(390,476)	(1,435,558)	(2	2,154,063)		(718,505)
Other financing uses							
Transfers out		(130,000)	-		-		-
Proceeds from capital lease		130,000					
Proceeds from long-term debt		-	-		718,505		718,505
Proceeds from refunding		-	947,596		947,595		(1)
Net other financing uses		-	947,596		1,666,100		718,504
Net change in fund balances		(390,476)	(487,962)		(487,963)		(1)
Net change in fund palatices		(330,470)	(407,302)		(407,303)		(1)
Fund balances, beginning of year		703,368	703,368		703,368		-
Fund balances, end of year	\$	312,892	\$ 215,406	\$	215,405	\$	(1)

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,	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ 27,017,454	\$ 26,078,307	\$ 25,272,490	\$ 24,900,824
Restricted	941,307	1,468,861	1,619,299	4,072,434
Unrestricted	(11,463,063)	(7,654,678)	(5,481,463)	(7,791,388)
Total governmental activities				
net position	16,495,698	19,892,490	21,410,326	21,181,870
Primary government				
Net investment in capital assets	27,017,454	26,078,307	25,272,490	24,900,824
Restricted	941,307	1,468,861	1,619,299	4,072,434
Unrestricted	(11,463,063)	(7,654,678)	(5,481,463)	(7,791,388)
Total primary government				
net position	\$ 16,495,698	\$19,892,490	\$21,410,326	\$ 21,181,870

Source: City of Satellite Beach Support Services Department

Schedule A1

2014	2013	2012	2011	2010	2009
\$ 24,600,877	\$ 24,203,216	\$ 23,346,919	\$ 22,048,335	\$ 20,469,966	\$ 20,948,558
1,441,474	1,607,635	2,128,047	1,745,222	1,862,742	721,831
(1,516,601)	(1,782,751)	(1,812,099)	(1,105,710)	85,056	653,680
24,525,750	24,028,100	23,662,867	22,687,847	22,417,764	22,324,069
24,600,877	24,203,216	23,346,919	22,048,335	20,469,966	20,948,558
1,441,474	1,607,635	2,128,047	1,745,222	1,862,742	721,831
(1,516,601)	(1,782,751)	(1,812,099)	(1,105,710)	85,056	653,680
\$ 24,525,750	\$24,028,100	\$ 23,662,867	\$ 22,687,847	\$22,417,764	\$ 22,324,069

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

Fiscal Year ended September 30,	2018	2017	2016	2015
Expenses:				
Governmental activities:				
General government	\$ 2,904,285	\$ 3,973,747	\$ 2,825,504	\$ 2,156,505
Public safety	6,333,268	5,935,564	5,170,779	4,454,959
Public works	2,672,181	2,610,724	2,401,705	2,251,199
Recreation	860,047	815,610	825,813	743,255
Interest on long term debt	271,391	270,548	327,277	282,025
Total expenses -				
governmental activities	13,041,172	13,606,193	11,551,078	9,887,943
Program revenues:				
Governmental activities:				
Charges for Services:				
General Government	\$ 329,448	414,419	207,372	224,075
Public Safety	139,136	137,209	132,088	128,765
Public Works	498,839	425,057	497,699	498,609
Recreation	595,078	563,425	631,519	625,639
Operating Grants and Contributions				
General Government	-	-	-	-
Public Safety	22,015	30,086	213,429	36,112
Public Works	468,865	510,684	507,187	439,480
Recreation	300	101	350	100
Capital Grants and Contributions				
General Government	-	-	-	-
Public Safety	-	1,000	1,000	180,104
Public Works	-	-	-	-
Recreation	41,500	32	50,185	715
Total program revenues -				
governmental activities	2,095,181	2,082,013	2,240,829	2,133,599
Net (expense) revenue -				
governmental activities	(10,945,991)	(11,524,180)	(9,310,249)	(7,754,344)

Schedule A2

2014	2013	2012	2011	2010	2009	
\$ 2,326,720	\$ 2,585,150	\$ 2,382,204	\$ 2,722,538	\$ 2,690,675	\$ 2,748,165	
4,260,007	4,261,342	4,520,260	4,808,480	4,447,626	4,711,345	
2,170,032	1,889,881	1,951,699	2,164,604	2,588,456	1,960,004	
713,537	740,695	691,930	720,816	733,763	821,620	
270,351	287,553	320,364	350,830	395,068	342,982	
9,740,647	9,764,621	9,866,457	10,767,268	10,855,588	10,584,116	
207,424	198,182	176,635	229,026	250,115	215,020	
127,559	130,331	136,460	146,461	149,251	168,559	
315,315	314,332	317,378	314,331	320,049	267,048	
586,734	581,961	532,645	522,132	519,898	477,132	
-	-	-	72,330	38,700	2,000	
68,043	59,145	56,726	55,052	55,777	83,823	
437,120	482,519	392,096	299,118	239,765	322,157	
4,621	-	-	-	-	8,500	
-	-	-	-	-	56,595	
8,607	30,000	1,481	92,671	17,105	503,056	
11,397	266,890	1,163,130	902,301	489,914	50,549	
10,369	6,542	129,550	35,661	141	-	
	-,	- ,	, -	·		
1,777,189	2,069,902	2,906,101	2,669,083	2,080,715	2,154,439	
	, , -	, , -	, ,	, , ,	, , ,	
(7,963,458)	(7,694,719)	(6,960,356)	(8,098,185)	(8,774,873)	(8,429,677)	

(Continued on next page)

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

Fiscal Year ended September 30,	2018	2017	2016	2015	
General revenues:					
Governmental activities:					
Property taxes	\$ 7,254,925	\$ 6,783,312	\$ 6,371,353	\$ 5,998,358	
Franchise fees	1,918,565	1,864,063	1,874,311	1,588,606	
Share revenues not restricted to					
specific programs	1,219,827	1,159,627	1,134,819	1,079,262	
Grants and contributions not					
restricted to specific programs	10,935	2,051	1,484	9,850	
Unrestricted investment earnings	36,049	27,603	32,328	26,277	
Miscellaneous	587,146	169,688	124,410	122,639	
Total general revenues -					
governmental activities	11,027,447	10,006,344	9,538,705	8,824,992	
Change in net position -					
governmental activities	81,456	(1,517,836)	228,456	1,070,648	
Change in net position -					
total government	\$ 81,456	\$ (1,517,836)	\$ 228,456	\$ 1,070,648	

(Continued from previous page)

Source: City of Satellite Beach Support Services Department

Schedule A2 (Continued)

2014	2013	2012		2011	2010	2009	
							-
\$ 5,606,772	\$ 5,283,753	\$	5,255,269	\$ 5,535,868	\$ 5,974,079	\$	5,994,039
1,616,688	1,533,136		1,562,214	1,610,338	1,635,820		1,709,870
1,064,902	1,007,380		904,241	934,766	964,804		985,699
665	23,561		33,437	11,879	112,472		38,851
17,143	18,914		33,867	55,648	85,349		37,760
154,938	193,208		146,348	219,769	96,044		211,603
8,461,108	8,059,952		7,935,376	8,368,268	8,868,568		8,977,822
497,650	365,233		975,020	270,083	93,695		548,145
 <u> </u>	<u>, , , , , , , , , , , , , , , , , , , </u>		•	<u>, , , , , , , , , , , , , , , , , , , </u>	<u>, , , , , , , , , , , , , , , , , , , </u>		· · · · · · · · · · · · · · · · · · ·
\$ 497,650	\$ 365,233	\$	975,020	\$ 270,083	\$ 93,695	\$	548,145

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

Fiscal year ended September 30,	2018	2017	2016	2015
General Fund				_
Nonspendable	\$ 152,565	\$ 87,165	\$ 113,249	\$ 49,457
Restricted	-	-	-	-
Committed	852,745	852,745	852,745	852,745
Assigned	-	-	-	-
Unassigned (deficit)	(213,044)	(307,572)	421,069	532,183
Reserved	-	-	-	-
Unreserved	-	-	-	
Total General Fund	\$ 792,266	\$ 632,338	\$ 1,387,063	\$ 1,434,385
All other governmental funds:				
Nonspendable	\$ 51,607	\$ 80,563	\$ 265,080	\$ 51,429
Restricted	941,307	1,468,861	1,619,299	4,072,434
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Reserved	-	-	-	-
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Total all other governmental funds	\$ 992,914	\$ 1,549,424	\$ 1,884,379	\$ 4,123,863

Source: City of Satellite Beach Support Services Department

^{*} Beginning in FY 2011, GASB Statement No. 54 was implemented, classifying fund balances as nonspendable, restricted, committed, assigned or unassigned

Schedule A3

 2014	2013	2012	2011*	2010	10 2	
\$ 139,410	\$ 81,682	\$ 165,958	\$ 185,908	\$ -	\$	-
149,868	149,868	149,868	-	-		-
562,244	367,274	84,853	6,470	-		-
-	-	-	133,938	-		-
309,688	260,947	-	465,248	-		-
-	-	-	-	186,104		194,645
 -	-	-	-	1,259,021		1,561,824
\$ 1,161,210	\$ 859,771	\$ 400,679	\$ 791,564	\$ 1,445,125	\$	1,756,469
\$ 49,942	\$ 7,959	\$ 870	\$ 4,116	\$ -	\$	-
1,286,953	1,457,767	1,977,309	1,741,106	-		-
-	-	-	-	-		-
-	-	-	-	-		-
-	-	-	-	1,196		1,000
 -	-	-	-	1,861,546		720,831
\$ 1,336,895	\$ 1,465,726	\$ 1,978,179	\$ 1,745,222	\$ 1,862,742	\$	721,831

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

Fiscal year ended September 30,	2018	2017	2016	2015
Revenues:				_
Taxes	\$ 9,167,636	\$ 8,687,332	\$ 8,295,994	\$ 7,583,955
Licenses and permits	993,205	1,044,211	869,543	868,834
Intergovernmental	1,412,978	1,092,446	1,025,845	1,183,288
Charges for services	1,177,239	1,067,431	1,208,085	1,199,362
Fines and forfeitures	38,678	45,657	43,538	45,748
Interest and other	331,523	151,280	336,529	77,404
Total revenues	13,121,259	12,088,357	11,779,534	10,958,591
Expenditures:				
Current:				
General government	2,901,189	2,841,906	2,716,039	2,182,951
Public safety	5,432,558	5,338,401	4,692,448	4,384,001
Public works	2,022,754	1,994,331	1,740,589	1,581,961
Recreation	758,389	749,825	778,573	731,330
Capital outlay - small dollar items	63,013	271,075	-	-
Capital outlay	1,976,024	1,354,830	3,258,577	588,574
Debt service:				
Principal retired	1,741,124	772,453	616,719	653,824
Interest and other	288,890	264,330	263,395	275,807
Total expenditures	15,183,941	13,587,151	14,066,340	10,398,448
Excess (deficiency) of revenues				
over (under) expenditures	(2,062,682)	(1,498,794)	(2,286,806)	560,143
Other financing sources (uses):				
Transfers in	1,880,235	2,374,472	1,877,527	1,480,134
Transfers out	(1,880,235)	(2,374,472)	(1,877,527)	(1,480,134)
Payment to refund capital leases	-	-	-	-
Capital lease proceeds	-	408,364	-	-
Proceeds from refunding	947,595	-	-	2,500,000
Proceeds from long-term debt	718,505	-	-	-
Insurance proceeds	-	-	-	-
Note payable proceeds	-	-	-	-
Gain from sale of fixed assets	-	750	-	-
Total other financing				
sources (uses)	1,666,100	409,114	-	2,500,000
Net change in fund balances	\$ (396,582)	\$ (1,089,680)	\$ (2,286,806)	\$ 3,060,143
Debt Service as a Percentage of				
Noncapital Expenditures	18%	9%	9%	10%
. Tolloupitul Expelluitul Co	10/0	370	370	10/0

Source: City of Satellite Beach Support Services Department

Schedule A4

2014	2013	2012	2011	2010	2009
\$ 7,209,037	\$ 6,817,904	\$ 6,730,617	\$ 6,954,861	\$ 7,354,916	\$ 7,517,243
866,435	802,064	791,982	870,355	896,375	905,674
1,027,435	1,320,520	2,218,402	2,017,769	1,506,253	1,628,671
976,143	970,811	922,994	902,859	921,432	816,464
47,522	54,415	63,729	83,418	75,024	101,974
87,918	149,240	99,746	196,456	176,854	156,997
10,214,490	10,114,954	10,827,470	11,025,718	10,930,854	11,127,023
2,209,815	2,241,669	2,285,849	2,378,062	2,387,503	2,495,252
4,104,501	4,010,613	4,276,053	4,467,050	4,308,185	4,330,473
1,515,572	1,324,307	1,436,564	1,605,184	1,863,945	1,586,170
697,086	727,624	683,080	707,615	723,251	683,492
-	-	-	-	-	-
1,245,634	838,416	1,243,026	1,582,202	1,111,348	1,637,165
837,949	787,186	746,726	715,862	691,817	604,400
272,298	290,512	323,187	353,217	398,838	344,783
10,882,855	10,220,327	10,994,485	11,809,192	11,484,887	11,681,735
(668,365)	(105,373)	(167,015)	(783,474)	(554,033)	(554,712)
1,073,342	1,048,402	862,015	1,257,519	1,883,125	2,272,498
(1,073,342)	(1,048,402)	(862,015)	(1,257,519)	(1,883,125)	(2,272,498)
-	-	-	-	(1,079,041)	-
796,141	38,193	-	_	1,254,942	103,812
-	-	-	_	- -	-
-	-	-	_	-	-
11,232	10,919	6,987	8,393	7,699	7,208
-	-	-	-	1,200,000	-
33,600	2,900	2,100	4,000	-	-
840,973	52,012	9,087	12,393	1,383,600	111,020
\$ 172,608	\$ (53,361)	\$ (157,928)	\$ (771,081)	\$ 829,567	\$ (443,692)
13%	13%	12%	12%	12%	10%
1370	1370	12/0	12/0	12/0	10/0

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

Fiscal Year Ended	Taxable Value Real Property for Operating	Personal Property for Operating	Gross Taxable	New Construction
September 30,	Purposes	Purposes	Value	Taxable Value
2018	\$ 904,489,814 \$	13,121,899 \$	\$ 917,611,713	\$ 2,318,960
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

Source: Brevard County Property Appraiser

Schedule B1

Adjusted	Final Taxable	Millage Rate Per
Taxable Value	Value	\$1,000
\$ 915,292,753 \$	846,112,825	8.1518
843,719,554	846,368,915	8.1518
727,438,190	783,329,385	8.2900
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

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

Fiscal Year Ended				Community	Loca	al Option Gas	Cor	nmunications
September 30,	P	roperty Taxes	Re	edevelopment		Taxes		Service Tax
2018	\$	6,680,787	\$	574,138	\$	446,200	\$	393,709
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

Source: City of Satellite Beach Support Services Department

Schedule B2

	Insurance				% Change
Local Business	Premium Tax	Premium Tax Utility and			over Prior
Tax	(Pension)	Franchise Taxes		Total	Year
\$ 42,674 \$	220,026	\$ 810,102	\$	9,167,636	6%
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	0%

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

City of	Satellite Beach	Overlapping Rates			
Fiscal Year ended	Operating		Brevard County		
Steptember 30,	Millage	Total Direct Rate	School Board	Brevard County	
2018	8.1518	8.1518	6.2990	3.9456	
2017	8.1518	8.1518	6.5680	4.1550	
2016	8.2900	8.2900	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	

Source: Brevard County Tax Collector

Schedule B3

Over	lanı	ning	Rates
OVCI	upp	אוווע	Nates

_				
		St. Johns Water	Fla Inland	
	Brevard County	Management	Navigation	Total Direct and
	Special Districts	District	District	Overlapping
	1.4084	0.2562	0.0320	20.0930
	1.4475	0.2724	0.0320	20.6267
	1.4917	0.2885	0.0320	21.3813
	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

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

	Septem	ber 30, 2	2018	September 30, 2009		
			Percentage			Percentage
	Taxable		of Total	Taxable		of Total
	Assessed		Assesed	Assessed		Assessed
Taxpayer	Value	Rank	Value	Value	Rank	Value
Woodshire Brevard LLC	\$ 10,566,160	1	1.25%	\$ -		0.00%
New Plan Venture Direct	7,376,390	2	0.87%	6,800,000	3	0.86%
Las Olas Beach Club Assoc. Inc.	5,794,750	3	0.68%	7,376,550	2	0.94%
Oceana Oceanfront Dev. LLC	3,019,500	4	0.36%			0.00%
Regency Center, LLC	2,326,500	5	0.27%	2,400,000	5	0.31%
304 Lansing Island Revocable Tst	2,060,440	6	0.24%			0.00%
Robert A. Martin	1,978,640	7	0.23%			0.00%
Rahul Chopra	1,900,000	8	0.22%			0.00%
Walgreens, Co.	1,883,720	9	0.22%	1,922,550	8	0.24%
Mauricio Castellon	1,834,440	10	0.22%			0.00%
Satellite Beach Partners, LLc				8,937,080	1	1.14%
Oceana Beach Club, LLC				3,202,500	4	0.41%
Thomas Vice				2,079,720	6	0.26%
Richard Love Jr.				1,993,350	7	0.25%
Thomas Wienckoski				1,837,030	9	0.23%
Robert Shaprio Trustee				1,828,030	10	0.23%
Total taxable assessed value for					•	
principal property taxpayers	\$ 38,740,540		4.56%	\$ 38,376,810		4.87%

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

	Year 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
2018	\$ 6,897,343	\$6,595,105	96%	\$ 85,682	\$6,680,787	97%
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%

Source: Brevard County Tax Collector

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

Governmental Activities

			Total		Percentage	
Fiscal Year Ended		Capital	Outstanding	Total Personal	of Personal	Debt Per
September 30,	Note Payable	Leases	Debt	Income	Income	Capita
2018	\$6,384,317	\$ 408,381	\$6,792,698	\$ 346,508,232	1.96%	657
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

Source: City of Satellite Beach Support Services Department

City of Satellite Beach, Florida Direct and Overlapping Governmental Activities Debt As of September 30, 2018 Schedule C2

				Ci	ty's Estimated Share
	D	ebt Outstanding	Applicable Percentage		of Direct and
Governmental Unit		(1)	(2)		Overlapping Debt
Brevard County	\$	46,145,107	2.45%	\$	1,129,009
City of Satellite Beach Dire	ect De	ot (Governmental	Activity)		
Total Note Payable & Ca	pital L	eases			6,792,698
Total Direct and Overlapp	ing De	ebt		\$	7,921,707

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	Debt Service	Debt Service
September 30,	Revenues	Requirements	Coverage
2018	1,384,240	1,152,074	1.20
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

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

Source: City of Satellite Beach Support Services Department

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	Population	Assessed	Net Bonded	Bonded Debt to	Debt Per
September 30,	(2)	Value(1)	Debt	Assessed Value	Capita
2018	10,346	\$ 846,112,825	-	0.00%	0.00
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

As of September 30, 2018 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 Reasearch

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

Fiscal year ended September 30,	2018	2017	2016	2015
Debt limit	\$42,305,641	\$42,318,446	\$ 39,166,469	\$ 34,727,945
Total net debt applicable to limit	\$ 6,792,698	6,867,722	7,231,811	7,848,530
Legal debt margin	\$ 35,512,943	\$ 35,450,724	\$31,934,658	\$ 26,879,415
Total net debt applicable to the limit as a percentage of the debt limit	16%	16%	18%	23%

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

2014	2013	2012	2011	2010	2009
					-
\$ 32,558,137	\$ 30,666,773	\$ 29,689,620	\$32,597,382	\$ 36,174,277	\$ 39,307,747
6,002,354	6,044,162	6,793,155	7,539,881	8,255,743	7,571,659
					-
\$ 26,555,783	\$ 24,622,611	\$ 22,896,465	\$ 25,057,501	\$ 27,918,534	\$31,736,088
18%	20%	23%	23%	23%	19%

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)
2018	10,346	43.1	\$ 33,492	\$ 63,793	2,910	5.2%
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%

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

(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

	2018		2009	
	Number of		Number of	
Employer	Employees	Rank	Employees	Rank
School Board of Brevard County	9,000	1		
Health First Inc.	8,000	2	6,420	2
Harris Corporation	6,000	3	6,550	1
Northrop Grumman Corporation	2,000	4	1,560	5
Bevard County	2,000	5		
Department of Defense	2,000	6		
NASA	1,000	7		
Rockwell Collins Inc.	1,000	8	1,450	6
Steward Medical Group, Inc.	1,000	9		
Eastern Florida State College	1,000	10		
United Space Alliance			6,000	3
Wuesthoff Health System			2,440	4
Parrish Medical Center			1,180	7
DRS Optronics			1,090	8
Florida Institute of Technology			1,040	9
Melbourne Internal Medicine Assc.			950	10
Total number of employees	33,000		28,680	

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	2018	2017	2016	2015	2014
Function					
General Government					
City Clerk	2	2	2	3	3
Support Services	8	9	7	7	6
Police	38	38	38	35	33
Fire	18	18	18	17	17
Community Redevelopment	5	4	4	3	3
Public Works	18	18	17	17	16
Recreation	8	8	8	9	13
Total	97	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
3	3	3	3	3
6	6	8	8	8
32	32	40	39	39
17	18	18	18	18
4	4	5	5	5
16	18	19	19	19
13	13	13	15	15
91	94	106	107	107

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

Function/Program	2018	2017	2016	2015
Community Development				
Building permits issued	2,006	1,594	1,366	1,582
Building inspections conducted	3,408	2,232	2,023	2,126
Police				
Arrests/Traffic Arrests	322	327	325	325
DUI's	91	71	76	67
Tickets	1,348	1,263	1,494	1,453
Fire				
Structure/Other Fires	13	1,513	1,412	1,382
Incidents/Call Outs	1,408	1,428	1,229	1,139
Annual Inspections	603	235	252	251
Public Works				
Replacement stormwater pipe (feet)	40	775	398	180
Replacement of storm drain inlets	10	15	16	7
Replacement of curbs (feet)	-	295	1,181	-
Replacement of sidewalk (feet)	208	230	984	300
Replacement of gutter (feet)	97	-	-	80
Asphalt patching (tons)	21	-	10	16

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

2014	2013	2012	2011	2010	2009
1,477	1,408	1,316	1,268	1,422	1,296
2,036	1,908	1,644	1,914	2,292	2,191
310	313	379	406	409	451
71	88	97	82	101	95
1,664	1,846	2,074	2,951	3,013	3,628
1,430	1,240	[A]	[A]	[A]	[A]
1,092	1,060	[A]	[A]	[A]	[A]
192	173	[A]	[A]	[A]	[A]
451	316	[A]	[A]	[A]	[A]
13	10	[A]	[A]	[A]	[A]
492	246	[A]	[A]	[A]	[A]
505	402	[A]	[A]	[A]	[A]
27	53	[A]	[A]	[A]	[A]
8	12	[A]	[A]	[A]	[A]

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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

Source: Various City of Satellite Beach Departments



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

Honorable Mayor and 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, 2018, 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 26, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described below as IC 2018-001 to be a material weakness.

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. We consider the deficiency described below as IC 2017-001 to be a significant deficiency.

IC 2018-001 CAPITAL OUTLAY FOR PURCHASE OF LAND

<u>Criteria</u>: The purchase of land via debt financing should be recorded as revenue from debt proceeds and the purchase of land recorded as capital outlay.

<u>Condition</u>: The City did not record capital outlay related to the purchase of land nor the related debt proceeds.

<u>Cause</u>: The capital outlay related to the purchase of land was not recorded as the land was purchased with debt proceeds and the entry inadvertently overlooked.

<u>Effect</u>: The capital asset fund other financing sources and uses was understated by the proceeds of the debt issuance, and the capital outlay expense account was understated by the value of the land purchased. The net effect of these transactions did not affect ending fund balance.

<u>Recommendation</u>: We recommend the City maintain their budget on the modified accrual basis of accounting so that the management reports more closely resemble financial reporting in accordance with generally accepted accounting principles.

Management Response: The original transaction for the purchase of the land was not a typical transaction for our City. Normal debt taken on would have been through a banking institution and the bank would have loaned money to the City to pay for the land. This specific transaction was completed through an LLC, and therefore the City did not record revenue as it did not receive income, but it should have been recorded that way and therefore the offsetting entry would have been an expense. The land purchase was recorded in a debt line item, and when the City paid the loan off with the LLC in July 2018, it should have been moved from a debt expense, to a capital expense line item. Staff understands the issue, and has put the proper procedures in place in the Support Services department to account for future transactions correctly.

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. This significant deficiency, was initially identified in the fiscal 2017 audit, and was partially remediated in the recreation department. However the revenue collected through the building department was not remediated.

<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: The City recognized the internal control issue. The challenge is the software used for community development department allows for transactions to be deleted. Staff is working together to put a segregation of duties in place so neither recreation department or community development department can void or delete without additional review by the Comptroller or Accountant in their individual software. Currently they are not able to void in the Fund Balance accounting software without the Comptroller or Accountant completing the process, and therefore the Cash Receipts always tie to 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, Florida's Responses to Findings

The City of Satellite Beach, Florida's responses to the findings identified in our audit are described in IC 2018-001 and IC 2017-001 above. The City of Satellites Beach, Florida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Caux Rigge & Ingram, L.L.C.

February 26, 2019



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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, 2018, and have issued our report thereon dated February 26, 2019.

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 Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 26, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Management Letter Comments: *

IC 2017-001 Revenue receipting and reconciliation

Partially

Corrected/Revised

ML 2017-002 Expenditures in excess of appropriations

ML 2017-003 Financial Condition

Uncorrected

Uncorrected

^{*} The findings listed above originated in the fiscal year 2017 audit.

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:
 City of Satellite Beach Police Officers' and Firefighters' Retirement System 	City Ordinance
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 us to apply appropriate procedures and communicate 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 to identify 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Satellite Beach, Florida. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we 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> Expenditures for Capital Outlay exceeded the budgeted amounts in the Capital Asset fund due to audit adjustments.

Cause: The City did not consider the purchase of land when adopting its final amendment.

<u>Effect:</u> The City was out of compliance with its Charter and with Florida Statutes. <u>Recommendation:</u> We recommend a review of the final budget amendment.

Management Response: The original transaction for the purchase of the land was not a typical transaction for our City. Normal debt taken on would have been through a banking institution and the bank would have loaned money to the City to pay for the land. This specific transaction was completed through an LLC, and therefore the City did not record revenue as it did not receive income, but it should have been recorded that way and therefore the offsetting entry would have been a capital outlay expense to show the land was an asset of the City.

ML 2017-003 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 2016 to 2018, and is below the recommended minimum at September 30, 2018 of approximately \$1,756,000. 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.

	Sej	September 30, September 30,		September 30,	
General fund		2018		2017	2016
Unassigned and committed					
fund balance	\$	639,701	\$	545,173	\$ 1,273,814
Cash, cash equivalents, and					
investments	\$	645,472	\$	1,078,443	\$ 1,105,803

<u>Cause:</u> In the response to this finding in the prior year, management indicated it would increase reserves by placing all FEMA reimbursements into reserves as a way of increasing fund balance. However, the increase in unassigned and committed fund balance increased by less than the reimbursement received as reflected in the table below.

Increase in General Fund assigned and unassigned fund balance	\$ 94,528
FEMA and State of Florida hurricane related proceeds	233,951
Difference	\$ (139,423)

<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.

<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 2018 started with some additional hurricane expenses of about \$82,000, there was a ground water issue that quickly turned into the City spending additional dollars for ground water testing which was unbudgeted. There was additional legal cost to the City in regards to the ground water testing and social media discussions. Revenue projections ended up lower than the original budget as well. The City is working hard to be able to correct the issue of Fund Balance, the council approved raising the millage rate from 8.15 to 8.8 to help begin replenishing the reserves.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted one such finding.

IC 2018-002 REVIEW OF PURCHASING CARD TRANSACTIONS

<u>Criteria</u>: All purchases on a purchasing card or from discretionary accounts should be reviewed for determination the purchase is in compliance with State Statutes and the City's policies and procedures.

<u>Condition</u>: Review was not performed in sufficient detail to determine if the City was in compliance with State Statute and the City's policies and procedures.

<u>Cause</u>: Information provided for the reviewer was not consistently in sufficient detail for the reviewer to conclude on compliance.

<u>Effect</u>: There is the potential that the City may expend funds in a manner not consistent with State Statute or the City's policies and procedures.

<u>Recommendation</u>: We recommend the City require detailed receipts and explanation of the purpose of the expense so it can be determined the expenditure was compliant with State Statute and the City's policies and procedures.

<u>Management Response</u>: The City recognizes the issue of not being compliant with State Statue and the City's policies and procedures. Staff has continued to discuss the importance of the detailed, itemize receipts, and an explanation of the purpose of the expense. Staff will continue to make this a priority and those who are not able to comply will have their City purchasing card privileges revoked.

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

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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, 2018. 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, 2018.

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 26, 2019

Can Rigge & Ingram, L.L.C.





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February 26, 2019

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

We are pleased to present the results of our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Satellite Beach, Florida (the "City") for the year ended September 30, 2018.

This report to the Mayor and the City Council summarizes our audit, the reports issued and various analyses and observations related to the City's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the City's basic financial statements for the year ended September 30, 2018. We considered the City's current and emerging needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Mayor and City Council, expect. We received the full support and assistance of City personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

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

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 321.255.0088 or yclayborne@cricpa.com.

Very truly yours,

Yvonne M. Clayborne, CPA

Partner

Carr, Riggs & Ingram, LLC

As discussed with management during our planning process and communicated to the City Council in our engagement letter to you dated July 24, 2017, our audit plan represented an approach responsive to the assessment of risk for the City. Specifically, we planned and performed our audit to:

- Perform audit services, as required by Section 218.39 of the Florida Statutes, in accordance
 with auditing standards generally accepted in the United States of America, Government
 Auditing Standards and Chapter 10.550 of the Rules of the Florida Auditor General, in order
 to express an opinion on the City's basic financial statements for the year ended September
 30, 2018;
- Communicate directly with the Mayor, City Council and management regarding the results of our procedures;
- Address with the Mayor, City Council and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Mayor, City Council and management; and
- Other audit-related projects as they arise and upon request.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements of the City of Satellite Beach, Florida for the year ended September 30, 2018, and have issued our report thereon dated February 26, 2019. Professional standards also require that we communicate to you the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards, Government Auditing Standards and Chapter 10.550, Rules of the Florida Auditor General	As stated in our engagement letter dated July 24, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) and to report on the fairness of supplementary information as described in the engagement letter when considered in relation to the financial statements as a whole. Our audit of the financial statements does not relieve you or management of your responsibilities. Required supplementary information, such as management's discussion and analysis is required by general accepted accounted principals and will be subjected to certain limited procedures, but will not be audited. As part of our audit, we considered the internal control and compliance with laws and regulations of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control and compliance with laws and regulations.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position and results of operations in conformity with the applicable framework. Management, with oversight from those charged with governance, is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Management judgments and accounting estimates The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates. Potential effect on the financial statements	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality." No such risks or exposures were noted.
of any significant risks and exposures Major risks and exposures facing the City and how they are disclosed.	
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles • The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. • Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor.	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. During the fiscal year ended September 30, 2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.
Significant difficulties encountered in the audit Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.	None.
Disagreements with management Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.	None.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Other findings or issues Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS. Matters arising from the audit that were discussed with, or the subject of correspondence with, management	None.
Conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.	
Corrected and uncorrected misstatements All significant audit adjustments arising from the audit, whether or not recorded by the City, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Mayor and City Council about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.	During the course of our audit, we accumulate differences between amounts recorded by the City and amounts that we believe are required to be recorded under GAAP and GASB reporting guidelines. Those adjustments are either recorded (corrected) by the City or passed (uncorrected). Please see the following section titled "Summary of Audit Adjustments."
Major issues discussed with management prior to retention Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Consultations with other accountants When management has consulted with other accountants about significant accounting or auditing matters.	In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Written representations A description of the written representations the auditor requested (or a copy of the representation letter).	See "Draft Management Representation Letter" section.
Internal control deficiencies Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.	See "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" and the "Independent Auditors' Management Letter" in the City's CAFR document.
Fraud and illegal acts Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and
	 We believe such information represents a material misstatement of fact. We applied certain limited procedures to management's discussion and analysis and the required supplementary information ("RSI") as listed in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We are required to communicate our judgments about the quality, not just the acceptability, of the City's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Mayor, City Council and management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of Capital Assets	The City follows the provisions of Section 1400: Reporting Capital Assets, of the GASB Codification when reporting depreciation of its capital assets.	Yes	Management's estimate of the useful lives of capital assets is based on the historical lives of similar assets and market prices.	We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements taken as a whole. Based on the audit procedures we performed with respect to the City's capital assets, we noted that the City estimates the useful lives of capital assets in accordance with all applicable standards and guidelines of GASB.
Compensated Absences	Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits. The City follows the provisions of Section C60: Compensated Absences, of the GASB Codification when reporting these liabilities.	Yes	The City estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year multiplied by the pay rate in effect for each employee as of the end of the fiscal year.	The City's policies are in accordance with all applicable accounting guidelines and GASB.

AREA	ACCOUNTING POLICY	CRITICAL	JUDGMENTS &	COMMENTS ON QUALITY OF
		POLICY?	SENSITIVE ESTIMATE	ACCOUNTING POLICY & APPLICATION
Investments	For investments in external investment pools that do not meet the criteria set forth in Section In5: Investment Pools (External) of the GASB Codification, the fair value of the investment is determined by the fair value per share of the pool's underlying portfolio. Investments in external investment pools that that meet the criteria set forth in Section In5: Investment Pools (External) of the GASB Codification are reported at amortized cost. The City follows the provisions of Section I50: Investments, of the GASB Codification when reporting investments.	Yes	The City relies on investment valuation information from the investment pool sponsors based on financial market information.	The City's policies are in accordance with all applicable accounting guidelines and GASB.
Net Pension Liability and Related Deferred Outflows and Deferred Inflows of Resources	The City follows the provisions of Section P20: Reporting for Benefits Provided through Trusts That Meet Specified Criteria, of the GASB Codification when reporting net pension liabilities.	Yes The City relies on valuations from the Pension Plan's actuary for the estimated value of the City's net pension liability. The actuarial valuation is based on financial information, utilizing assumptions developed by management.		The City's policies are in accordance with all applicable accounting guidelines and GASB. Based on the audit procedures we performed with respect to the City's Police Officers' and Firefighters' Pension Plans, we noted that it appears the City accounts for its net pension liability in accordance with all applicable standards and guidelines of GASB.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Other Post- Employment Benefits (OPEB) and Related Deferred Outflows of Resources	The City follows the provisions of Section P52: Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts, of the GASB Codification when reporting its OPEB liability and related costs.	Yes	Management's estimate of the other postemployment benefit liability is based on healthcare costs and employment assumptions developed by management. A third party actuary utilized these assumptions to calculate the year-end liability.	We evaluated the key factors and assumptions in determining they are reasonable in relation to the financial statements taken as a whole. Based on the audit procedures we performed with respect to the City's OPEB Plan, we noted that it appears the City accounts for its OPEB liability and related costs in accordance with all applicable standards and guidelines of GASB.
Deferred Inflows (related to interest rate swap)	The City follows the provisions of Section D40: Derivative Instruments, of the GASB Codification when reporting its activity related to the interest rate swap.	Yes	Management's estimate of the value of the interest rate swap asset and related deferred outflow is based on a calculation performed by the counterparty to the swap.	We evaluated the key factors and assumptions in determining they are reasonable in relation to the financial statements taken as a whole. Based on the audit procedures we performed with respect to the City's blended component unit Community Redevelopment Agency (CRA) interest rate swap, we noted that it appears the CRA accounts for its SWAP liability and related costs in accordance with all applicable standards and guidelines of GASB.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of pension trust funds in Note 5.C. to the financial statements due to the reported performance of plan assets.

The disclosure of the OPEB liability in Note 5.B. to the financial statements due to the significance of the assumptions used in the actuarial valuation.

The disclosure of the inter-local agreement between Brevard County, the City and the Community Redevelopment Agency in Note 5.D. to the financial statements related to the tax incremental financing (TIF) contributions.

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the City and amounts that we believe are required to be recorded under GAAP reporting guidelines. For the fiscal year ended September 30, 2018, the City has elected to record the following adjustments:

Adjusting Journal Entries JE # 4 Adjust for refunding of capital lease				
	<u>*</u>	,	<u>*</u>	2 ., .30
150-082-517.71.26 Lease Principal Jack Ave FS Total	\$	54,485	\$ \$	54,485 54,485
150-000-761.01.00 Land Exp.	\$	54,485	ć	E4 405
Costs associated with land purchase that should have been recorded as capital outlay.				
Adjusting Journal Entries JE # 3				
Total	\$	718,505	\$	718,505
150-082-517.71.26 Lease Principal Jack Ave FS 150-000-384.00.00 Debt Issued	\$	718,505	\$	718,505
Recognize issuance of debt for land purchase				
Adjusting Journal Entries JE # 2				
Total	\$	718,505	\$	718,505
150-082-517.71.26 Lease Principal Jack Ave FS			\$	718,505
150-000-761.01.00 Land Exp.	\$	718,505		
Adjusting Journal Entries JE # 1 Move Land purchase from Lease account to capital outlay.				

During fiscal year ended September 30, 2018, the City has elected not to record the following adjustment:

Revenues received for classes hosted by the City's Recreation Department are supported by attendance logs and/or sign-up sheets. During our test of revenue transactions, we noted one class for which the revenues received did not agree to the recalculation based on the attendance log by \$55. This error was projected based on the sample population to be \$4,132. The City considers the amount, individually and in the aggregate, to be immaterial and has elected not to record an adjustment for this difference.

Summary of Audit Adjustments

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the City's operating environment that has been identified as playing a significant role in the City's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

February 26, 2019 Carr, Riggs & Ingram, LLC

215 Baytree Drive Melbourne, FL 32940

This representation letter is provided in connection with your audit of the financial statements of the City of Satellite Beach, Florida (the "City"), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 26, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 24, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.
- 11) Expenditures of federal awards and state programs were below the \$750,000 threshold in the fiscal year ended September 30, 2018, and we were not required to have an audit in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) or the Florida Single Audit Act.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the City and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

- 19) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.
- 20) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 21) We do not plan to make frequent amendments to our pension or other postemployment benefit plans.

Government-specific

- 22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23) We have a process to track the status of audit findings and recommendations.
- 24) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 25) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 26) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 27) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 29) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 30) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 31) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 32) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

- 33) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statement.
- 34) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 35) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 36) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 37) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments and derivative instruments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 45) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 46) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 47) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 48) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 49) With respect to the introductory and statistical sections:

- a) We acknowledge our responsibility for presenting the introductory and statistical in accordance with accounting principles generally accepted in the United States of America, and we believe the introductory and statistical sections, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the introductory and statistical sections have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the introductory and statistical section is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

Compliance with Florida Statute 218.415

- 50) The City is in compliance with Florida Statute 218.415, *Local Government Investment Policies*, in all respects.
- 51) We are responsible for complying with Florida Statute 218.415, *Local Government Investment Policies*.
- 52) We are responsible for establishing and maintaining effective internal control over compliance.
- 53) We have performed an evaluation of the City's compliance with Florida Statute 218.415, *Local Government Investment Policies*.
- 54) All relevant matters are reflected in the measurement or evaluation of the City's compliance with the specified requirements.
- 55) We are responsible for selecting the specified requirements and for determining that the specified requirements are appropriate for our purposes.
- 56) We have disclosed to you all known noncompliance with Florida Statute 218.415, *Local Government Investment Policies*, including noncompliance occurring after September 30, 2018, if any.
- 57) We have provided you with all relevant information and access to information and personnel in connection with your examination of compliance with Florida Statute 218.415, *Local Government Investment Policies*.
- 58) Our interpretation of Florida Statute 218.415, Local Government Investment Policies is as follows:
 - a) As the City has elected to invest surplus funds in compliance with section 218.415(17) of the Florida Statutes, the provisions of section 218.415(14) requiring a minimum number of hours of completion of continuing professional education do not apply.
- 59) We have disclosed to you all known matters that may contradict the City's compliance with the specified requirements and we have disclosed to you all communications from regulatory agencies, consultants and others regarding possible noncompliance with Florida Statute 218.415, Local Government Investment Policies, including communications received between September 30, 2018 and February 26, 2019.

Signature:	Signature:
Title:	Title:

Attachment A

Revenues received for classes hosted by the City's Recreation Department are supported by attendance logs and/or sign-up sheets. During our test of revenue transactions, we noted one class for which the revenues received did not agree to the recalculation based on the attendance log by \$55. This error was projected based on the sample population to be \$4,132. The City considers the amount, individually and in the aggregate, to be immaterial and has elected not to record an adjustment for this difference.