



City of Satellite Beach, Florida

FINANCIAL STATEMENTS

Year Ended September 30, 2015



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Year Ended September 30, 2015

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**City of Satellite Beach, Florida
City Officials
Year Ended September 30, 2015**

Mayor
Frank Catino

Vice Mayor
Dominick Montanaro

Council Members
Mark Brimer
Lorraine Gott
Steve Osmer

City Attorney
James P. Beadle

City Manager
Courtney Barker

City Clerk, CMC
Lemon Olexa

Assistant City Manager
Andy Stewart

Comptroller
Jennifer Howland

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, 2015, 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, 2015, and the respective changes in financial position 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 7 to the financial statements, the City implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. Our opinions are 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 9-17, the required budgetary comparison information on pages 68-71, and the pension and the other postemployment benefits information on pages 72-78 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 on pages 1-4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida

April 14, 2016

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City of Satellite Beach, Florida Management's Discussion and Analysis

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, 2015.

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 \$21,181,870 (net position). Of this amount, (\$7,791,388) represents the unrestricted net deficit due to recording of the net OPEB obligation of \$1,766,000, pension liabilities and related deferred inflows of \$5,675,218 and compensated absences of \$721,981 which are not currently funded.
- The City's total net position increased by \$1,070,648. This increase is attributable to fiscal year revenues exceeding expenses, which caused a positive net position increase.
- As of the close of the current fiscal year, the City of Satellite Beach, Florida's governmental funds reported combined ending fund balances of \$5,558,248, an increase of \$3,060,143 in comparison with the prior year.
- The City of Satellite Beach, Florida's total long-term liabilities increased by \$1,985,867 during the current fiscal year. The increase is due to a new \$2.5 million bond issue, an increase in compensated absences of \$41,691 and an increase in OPEB of \$98,000, offset by a decrease in notes payable and capital lease obligations of \$653,824.

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 (GASB-34), 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 (GASB-34). 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.

City of Satellite Beach, Florida Management's Discussion and Analysis

The government-wide financial statements can be found on pages 20-23 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 two categories: governmental funds and fiduciary funds.

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

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

The City of Satellite Beach, Florida, maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the community redevelopment agency fund, and the capital assets fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation called "nonmajor funds".

The basic governmental fund financial statements can be found on pages 24-27 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 28-29 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 31-65 of this report.

City of Satellite Beach, Florida Management's Discussion and Analysis

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 68-78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Satellite Beach, Florida, assets exceeded liabilities by \$21,181,870 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

	2015	2014
Current and other assets	\$ 6,636,503	\$ 3,851,561
Capital assets	30,249,354	30,603,231
Total assets	36,885,857	34,454,792
Deferred outflows of resources	1,422,424	-
Long-term liabilities outstanding	13,364,520	8,350,644
Other liabilities	455,838	928,232
Total liabilities	13,820,358	9,278,876
Deferred inflows of resources	3,306,053	650,166
Net position:		
Net investment in		
Capital assets	24,900,824	24,600,877
Restricted	4,072,434	1,441,474
Unrestricted (deficit)	(7,791,388)	(1,516,601)
Total net position	\$ 21,181,870	\$ 24,525,750

By far the largest portion of the City of Satellite Beach, Florida's net position (100 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment and infrastructure); less any related debt used to acquire those assets that is 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's 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 \$4,072,434 of the City's net position represents resources that are subject to external restrictions on how they may be used.

City of Satellite Beach, Florida Management's Discussion and Analysis

At the end of the current fiscal year, the City of Satellite Beach, Florida, is only able to report a positive balance in its net investment in capital assets and restricted net position. The City reported an unrestricted net deficit of (\$7,791,388) primarily due to recording of the net OPEB obligation of \$1,776,000, compensated absences of \$721,981, and aggregate net pension liability of \$3,028,009 and related deferred inflows of resources of \$2,647,209 which are not currently funded.

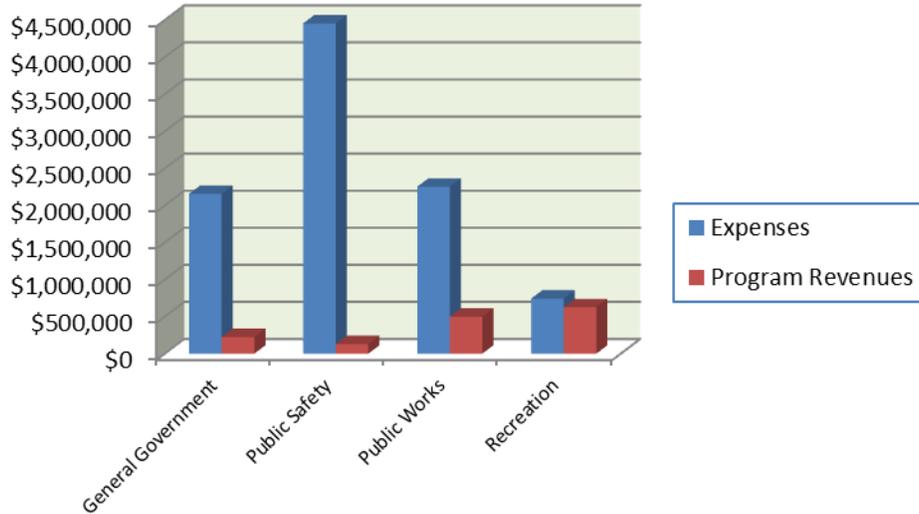
The following table shows condensed revenue and expense data:

	2015	2014
CITY OF SATELLITE BEACH, FLORIDA'S Changes in Net Position		
Revenues:		
Charges for services	\$ 1,477,088	\$ 1,237,032
Operating grants and contributions	475,692	509,784
Capital grants and contributions	180,819	30,373
General revenues:		
Property taxes	5,998,358	5,606,772
Franchise fees	1,588,606	1,616,688
Shared revenues not restricted to specific programs	1,079,262	1,064,902
Grants and contributions not restricted to specific programs	9,850	665
Unrestricted investment earnings	26,277	17,143
Miscellaneous	122,639	154,938
Total revenues	10,958,591	10,238,297
Expenses:		
General government	2,156,505	2,326,720
Public safety	4,454,959	4,260,007
Public works	2,251,199	2,170,032
Recreation	743,255	713,537
Interest on long term debt	282,025	270,351
Total expenses	9,887,943	9,740,647
Increase in net position	1,070,648	497,650
Net position – beginning	24,525,750	24,028,100
Prior period adjustment	(4,414,528)	-
Net position – beginning, as restated	20,111,222	24,028,100
Net position – ending	\$ 21,181,870	\$ 24,525,750

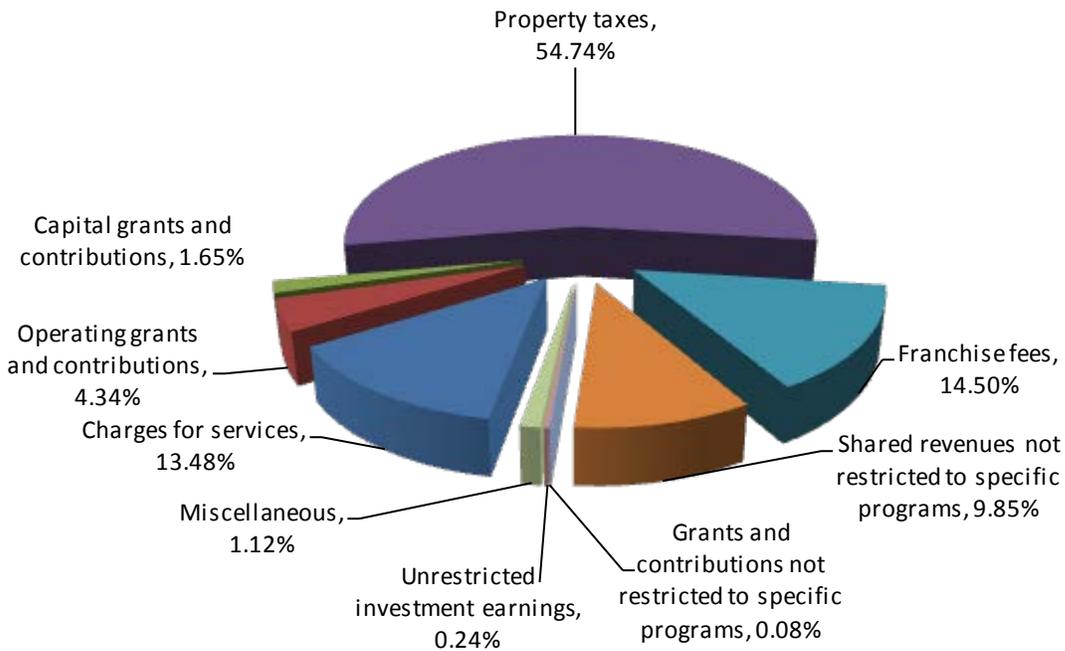
The City's net position increased by \$1,070,648 during the current fiscal year. The increase in net position was largely attributable to increased property tax revenues as a result of increasing property values. Charges for services increased as a result of an increase in program offerings and popularity in 2015.

City of Satellite Beach, Florida Management's Discussion and Analysis

Statement of Activities – Government-wide Expenses and Program Revenues



Statement of Activities – Government-wide Revenues by Source



City of Satellite Beach, Florida Management's Discussion and Analysis

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 \$5,558,248, an increase of \$3,060,143 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 \$100,886, restricted for specific purposes \$4,072,434, or committed to pay for obligations previously authorized by the City \$852,745. Unrestricted unassigned fund balance was \$532,183 at year end.

The general fund is the chief operating fund of the City of Satellite Beach, Florida. At the end of the current fiscal year, unassigned fund balance was \$532,183, while total fund balance was \$1,434,385. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund operating expenditures. Unassigned fund balance is 6.2% of total general fund expenditures. The fund balance of the City of Satellite Beach, Florida's general fund increased by \$273,175 during the current fiscal year. The increase is due to increased ad-valorem revenues as a result of higher property values and the continuation of the Community Redevelopment Agency Tax Increment return to the General Fund.

The community redevelopment agency special revenue fund has a total fund balance of \$1,011,171, which is restricted for the community redevelopment agency special revenue fund activities. The net increase in fund balance during the current year in the community redevelopment agency special revenue fund of \$53,450 was due primarily to an increase in taxes.

The capital assets fund has a total fund balance of \$2,924,583, all of which is restricted for capital asset purchases. The net increase in fund balance during the current year in the capital assets fund was \$2,718,601. This was due mainly to the issuance of a \$2.5 million bond for road improvements and a reduction in capital asset expenditures that had not yet been spent as of the end of the fiscal year.

City of Satellite Beach, Florida Management's Discussion and Analysis

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget (net increase of \$351,372 (in appropriated expenditures and transfers out) can be briefly summarized as follows:

- \$34,806 in increases in general government services, legislative, city clerk's office and support services
- \$14,723 in increases in recreation
- \$17,938 in increases in public works
- \$194,046 in increases allocated to transfers out
- \$82,897 in increases allocated to police and fire
- \$6,962 in increases in building and zoning

This increase in expenditures corresponds to a \$361,371 increase in revenues and other financing sources as follows; decrease of \$18,377 in taxes; \$69,636 increase in licenses and permits; increase of \$67,205 in intergovernmental; increase in \$71,546 in charges for services; decrease in \$3,173 in fines and forfeitures; increase of \$6,896 in interest and other; and an increase of \$167,638 in appropriated transfers into the general fund. The above items resulted in a net change of \$9,999 whereby the original adopted budget included a positive change in fund balance of \$166,845, compared to a net increase in fund balance of \$176,844 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, 2015, amounts to \$30,249,354 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. The total decrease 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)

	2015	2014
Land	\$ 11,680,950	\$ 11,680,950
Buildings	2,503,570	2,598,538
Improvements other than buildings	2,935,290	3,089,890
Equipment	1,777,109	1,995,723
Infrastructure	10,751,805	10,013,721
Construction in progress	600,630	1,224,409
Total	\$ 30,249,354	\$ 30,603,231

Additional information on the City of Satellite Beach, Florida's capital assets can be found in Note 4.B. on page 44 of this report.

City of Satellite Beach, Florida Management's Discussion and Analysis

Notes payable. At the end of the current fiscal year, the City of Satellite Beach, Florida, had notes payable outstanding of \$7,150,490.

The City's notes payable balances increased by \$1,948,457 during the current fiscal year due to the addition of a \$2.5 million capital assets revenue bond offset by scheduled principal payments on the notes.

Capital leases payable. At the end of the current fiscal year, the City of Satellite Beach, Florida, had total capital leases outstanding of \$698,040.

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

	2015	2014
Capital lease City vehicles	353,508	398,979
Capital lease Police Records Mgmt.	344,532	401,342
Total capital leases	\$ 698,040	\$ 800,321

The City's total capital lease obligations had a net decrease of \$102,281 (13%) during the current fiscal year. The City had repayments on all leases of \$102,281 during the fiscal year.

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 \$721,981. Total compensated absences increased by a net amount of \$41,691 during the year, which includes additions of \$395,100 and reductions of \$353,409.

It is estimated that \$387,372 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 45 through 49 of this report.



City of Satellite Beach, Florida Management's Discussion and Analysis

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 2015/16 fiscal year.

The City of Satellite Beach, Florida, in 2015/16 allocated an additional \$196,617 of the total fund balance as a committed balance to be utilized as an emergency reserve per Ordinance 936. In addition, the City increased the unassigned fund balance by \$49,154 from the previous fiscal year. The increases in the general fund balance and the creation of an emergency reserve in 2013 will assist the City in managing any unforeseen future economic factors that may negatively affect the City. In addition, the City anticipates an increase in property values and revenues that will assist the City in maintaining or decreasing millage rates for future budgets while maintaining service delivery.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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

September 30, 2015

ASSETS

Cash and cash equivalents	\$ 5,528,102
Accounts receivable	219,001
Due from other governments	156,326
Prepaid items	100,886
Derivative instrument - interest rate swap	632,188
Capital assets not being depreciated:	
Land	11,680,950
Construction in progress	600,630
Capital assets, net of accumulated depreciation	
Buildings	2,503,570
Improvements other than buildings	2,935,290
Equipment	1,777,109
Infrastructure	10,751,805
<hr/> Total assets	<hr/> 36,885,857

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	1,422,424
<hr/> Total deferred outflows of resources	<hr/> 1,422,424

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

LIABILITIES

Accounts payable	336,564
Accrued expenses	82,847
Accrued interest payable	36,427
Noncurrent liabilities:	
Due within one year	1,004,091
Due in more than one year	9,332,420
Aggregate net pension liability	3,028,009
Total liabilities	13,820,358

DEFERRED INFLOWS OF RESOURCES

Accumulated increase in fair value of derivative instrument - interest rate swap	632,188
Deferred revenue - business tax receipts	26,656
Deferred inflows related to pensions	2,647,209
Total deferred inflows of resources	3,306,053

NET POSITION

Net investment in capital assets	24,900,824
Restricted for:	
Community Redevelopment Agency	1,011,171
Community services	155,833
Law enforcement	27,873
Capital assets	2,877,547
Stormwater	10
Unrestricted (deficit)	(7,791,388)
Total net position	\$ 21,181,870

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

Year ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,156,505	\$ 224,075	\$ -	\$ -	\$ (1,932,430)
Public safety	4,454,959	128,765	36,112	180,104	(4,109,978)
Public works	2,251,199	498,609	439,480	-	(1,313,110)
Recreation	743,255	625,639	100	715	(116,801)
Interest and related costs on long-term debt	282,025	-	-	-	(282,025)
Total governmental activities	\$ 9,887,943	\$ 1,477,088	\$ 475,692	\$ 180,819	(7,754,344)

General revenues	
Property taxes	5,998,358
Franchise fees	1,588,606
Shared revenues not restricted to specific programs	1,079,262
Grants and contributions not restricted to specific programs	9,850
Unrestricted investment earnings	26,277
Miscellaneous	122,639
Total general revenues	8,824,992
Change in net position	1,070,648
Net position, beginning of year as previously reported	24,525,750
Prior period adjustment (see Note 7)	(4,414,528)
Net position, beginning of year as restated	20,111,222
Net position, ending	\$ 21,181,870

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

City of Satellite Beach, Florida
Balance Sheet - Governmental Funds

September 30, 2015

	General	Community Redevelopment Agency	Capital Assets	Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 1,225,001	\$ 1,288,400	\$ 2,833,169	\$ 181,532
Accounts receivable	170,232	-	45,863	2,906
Due from other governments	156,291	-	-	35
Prepaid items	49,457	-	47,036	4,393
Total assets	\$ 1,600,981	\$ 1,288,400	\$ 2,926,068	\$ 188,866
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 57,093	\$ 277,229	\$ 1,485	\$ 757
Accrued expenses	82,847	-	-	-
Total liabilities	139,940	277,229	1,485	757
Deferred inflows of resources:				
Deferred revenue - business tax receipt	26,656	-	-	-
Fund balances:				
Nonspendable	49,457	-	47,036	4,393
Restricted	-	1,011,171	2,877,547	183,716
Committed	852,745	-	-	-
Unassigned	532,183	-	-	-
Total fund balances	1,434,385	1,011,171	2,924,583	188,109
Total liabilities and fund balances	\$ 1,600,981	\$ 1,288,400	\$ 2,926,068	\$ 188,866

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

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

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

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

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

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

Net position of governmental activities

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

Total
Governmental
Funds

\$ 5,528,102

219,001

156,326

100,886

\$ 6,004,315

\$ 336,564

82,847

419,411

26,656

100,886

4,072,434

852,745

532,183

5,558,248

30,249,354

1,422,424

(2,647,209)

(13,364,520)

(36,427)

\$ 21,181,870

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

Year ended September 30, 2015

	General	Community Redevelopment Agency	Capital Assets	Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes	\$ 6,699,290	\$ 424,265	\$ 460,400	\$ -	\$ 7,583,955
Licenses and permits	868,834	-	-	-	868,834
Intergovernmental	1,004,466	-	178,822	-	1,183,288
Charges for services	700,304	-	-	499,058	1,199,362
Fines and forfeitures	40,943	-	-	4,805	45,748
Interest and other	41,890	3,886	9,296	22,332	77,404
Total revenues	9,355,727	428,151	648,518	526,195	10,958,591
Expenditures					
Current:					
General government	1,995,523	145,623	41,805	-	2,182,951
Public safety	4,383,921	-	-	80	4,384,001
Public works	1,521,034	2,679	-	58,248	1,581,961
Recreation	729,883	-	-	1,447	731,330
Capital outlay	7,757	319,373	237,274	24,170	588,574
Debt service:					
Principal retired	-	288,200	102,281	263,343	653,824
Interest and other	-	179,056	48,557	48,194	275,807
Total expenditures	8,638,118	934,931	429,917	395,482	10,398,448
Excess (deficiency) of revenues over (under) expenditures	717,609	(506,780)	218,601	130,713	560,143
Other financing sources (uses)					
Transfers in	517,850	939,284	-	23,000	1,480,134
Transfers out	(962,284)	(379,054)	-	(138,796)	(1,480,134)
Proceeds from issuance of debt	-	-	2,500,000	-	2,500,000
Net other financing sources (uses)	(444,434)	560,230	2,500,000	(115,796)	2,500,000
Net change in fund balances	273,175	53,450	2,718,601	14,917	3,060,143
Fund balances, beginning of year	1,161,210	957,721	205,982	173,192	2,498,105
Fund balances, end of year	\$ 1,434,385	\$ 1,011,171	\$ 2,924,583	\$ 188,109	\$ 5,558,248

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

City of Satellite Beach, Florida

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

Year Ended September 30, 2015

Net change in fund balances - total governmental funds	\$ 3,060,143
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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 depreciation exceeds capital outlay in the current period.</p>	(340,777)
<p>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.</p>	(13,100)
<p>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.</p>	(1,846,176)
<p>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.</p>	(47,909)
<p>Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities and therefore increased net position.</p>	356,467
<p>Expenses related to the City's net OPEB obligation reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	(98,000)
Change in net position of governmental activities	\$ 1,070,648

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

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

September 30, 2015

ASSETS

Cash and cash equivalents	\$ 158,664
Receivables:	
City contributions	13,549
Investments, at fair value:	
U.S. government and other debt securities	7,893,579
Mutual stock funds	11,780,868
<hr/> Total assets	<hr/> 19,846,660

LIABILITIES

-

NET POSITION

Held in trust for pension benefits	\$ 19,846,660
------------------------------------	----------------------

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

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

ADDITIONS

Contributions:	
Employees	\$ 205,781
City	882,455
State	243,715
Total contributions	1,331,951
Investment earnings:	
Net appreciation in fair value of investments	10,666
Total investment earnings	10,666
Total additions	1,342,617
DEDUCTIONS	
Benefit payments	1,248,204
Administrative expenses	59,717
Total deductions	1,307,921
Change in net position	34,696
Net position held in trust for pension benefits, beginning of year	19,811,964
Net position held in trust for pension benefits, end of year	\$ 19,846,660

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

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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 serve also as members of the City Council. Revenue sources for the Agency consist primarily of property taxes from the Area and support from the City’s general fund. Any bond issue authorizations are approved by the City Council and the legal liability for the general obligation portion of the Agency’s debt remains with the government. The Agency is reported as a major special revenue fund.

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

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

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

565 Cassia Blvd
Satellite Beach, Florida 32937

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Excluded from the reporting entity

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 government reports the following major governmental funds:

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

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

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

Additionally, the government reports the following fund type:

Pension trust funds account for the activities of the City's single-employer, defined benefit pension plan that covers all police and fire employees, its single-employer, defined benefit pension plan that covers all general employees if they were hired prior to September 30, 1996. The plans accumulate resources for pension benefit payments to qualified employees.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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 and investments

State statutes authorize the government to invest in the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the U.S. Treasury.

The City invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund ("Florida Prime"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The City's investment in the Florida PRIME is reported at amortized cost. The fair value of the City's position in the pool is equal to the value of pooled shares.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and investments (continued)

During the year ended September 30, 2015, the City participated in 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. Funds of organizations can be used if they are participating in the Treasury Special Purpose Investment Accounts ("SPIA"). This is a pool of investments in which the City owns a share of the pool and not the underlying securities.

Cash and cash equivalents include cash deposits, cash funds held in broker accounts, investments held in Florida PRIME and investments held in the SPIA pool.

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

Pension trust fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. The average cost method is used for computing realized gains and losses on marketable equity securities in the pension funds. The difference between the excess of fair value over cost represents unrealized gains.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables and payables (continued)

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, 2015 was 8.3206 mills, the rolled back rate 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.

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 statement, payments on notes or capital lease payables that are not due and payable are recorded as prepaid items.

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year, except for the Capital Assets fund which uses a \$3,000 threshold. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets (continued)

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

	Assets	Years
Buildings		20-40
Building improvements		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.

6. Swap agreements

The City has engaged in effective interest rate swap agreements and has recorded the swap agreements at fair market value.

7. Deferred inflows of resources

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

8. Long-term obligations

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Deferred outflows / inflows of resources related to pensions

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$1,422,424 and deferred inflows of resources related to pensions were \$2,647,209 for the year ended September 30, 2015. Note 5.C. includes a complete discussion of retirement commitments.

10. Fund equity

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

Nonspendable Fund Balance – 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.

Restricted Fund Balance – 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.

Committed Fund Balance – 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund equity (continued)

Assigned Fund Balance – Includes spendable fund balance amounts established by the City Manager or his designee, and/or the City Council that are intended to be used for specific purposes that are neither considered restricted or committed. The City has no assigned fund balance at September 30, 2015.

Unassigned Fund Balance – 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.

11. Accounting changes

The City has implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*, which amends or supersedes the Accounting for Pensions by State and Local Governmental Employers. The statement requires government to record either a net pension liability or a net pension asset for defined benefit pension plans, and to be recorded retrospectively, so a prior period adjustment of \$4,414,528 was recorded for the net pension liability as of September 30, 2014. See Note 7.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – The City has elected, as permitted by GASB No. 34, 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 \$(13,364,520) difference are as follows:

Note payable – CRA	\$ (3,996,800)
Notes payable – Stormwater	(653,690)
Note payable - Capital Asset Fund	(2,500,000)
Capital leases payable	(698,040)
Net OPEB obligation	(1,766,000)
Net pension liability	(3,028,009)
Compensated absences	(721,981)
<hr/>	
Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net position-governmental activities</i>	<u>\$ (13,364,520)</u>

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

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

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(340,777) difference are as follows:

Capital outlay	\$ 588,574
Depreciation expense	(929,351)
<hr/>	
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (340,777)</u>

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)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position. The details of this \$(1,846,176) difference are as follows:

Debt issued:	
Notes payable	\$ (2,500,000)
Principal repayments	653,824
<hr/>	
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	\$ (1,846,176)
<hr/> <hr/>	

Another element of that reconciliation states that “some expenses that do not require the use of current financial resources are not reported as expenditures in the governmental funds until they have matured.” The details of this \$(47,909) 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:

Compensated absences	\$ (41,691)
Interest expense	(6,218)
<hr/>	
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	\$ (47,909)
<hr/> <hr/>	

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2015, the government’s carrying amount of deposits was \$4,319,563 and the bank balance was \$4,478,071. At September 30, 2015, the pension trust funds carrying amount of deposits was \$158,664 and the bank balance was \$158,664. In addition, the City reported petty cash of \$2,600. As of September 30, 2015, \$250,000 of the City’s bank balances are covered by the Federal Depository Insurance Corporation (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

At September 30, 2015, the City had the following investments:

Primary government:	
SBA (Florida PRIME)	\$ 102,663
SPIA	1,103,276
Primary government total	\$ 1,205,939
Pension trust funds:	
Bond mutual fund	\$ 3,331,964
Stock mutual fund	14,478,171
International stock mutual fund	1,864,312
Pension trust funds total	\$ 19,674,447

Credit risk

The City’s investment policy, and the investment policy for the City’s Police Officers’ and Firefighters’ and the General Employees’ Pension Systems, limit investments to securities with specific ranking criteria. As of September 30, 2015, \$3,331,963 of the City’s pension trust funds’ investment in bond mutual funds was rated AA/V4 by Fitch Ratings. As of September 30, 2015, the City’s investment in the Florida PRIME was rated AAAM by Standard & Poor’s. As of September 30, 2015, the City’s investment in the SPIA pool was rated A+f by Standard & Poor’s.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk

The General Employees' Retirement System investment policy 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 and the investment policy of the City's Police Officers' and Firefighters' Pension System do not address interest rate risk. As of September 30, 2015, the City's pension trust fund investments in a pooled trust with underlying investments in bond mutual funds had a weighted average maturity of 5.98 years and fixed income stock mutual funds had a weighted average maturity of 5.41 years. As of September 30, 2015, the Florida PRIME had a weighted average maturity of 34 days. As of September 30, 2015, the SPIA pool had an effective duration of 2.67 years.

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 policy for the City's Police Officers' and Firefighters' and the policy for the City's General Employees' Pension Systems do not allow for an investment in the stock of any one issuer that is in excess of five percent of the respective funds' total investments. The City's investment policy does not specifically address concentration of credit risk.

Foreign currency risk

The City's pension funds contain investments in an international stock mutual fund; however, all of the investments are denominated in U.S. dollars and are not exposed to foreign currency risk.

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

B. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,680,950	\$ -	\$ -	\$ 11,680,950
Construction in progress	1,224,409	417,718	(1,041,497)	600,630
Total capital assets, not being depreciated	12,905,359	417,718	(1,041,497)	12,281,580
Capital assets, being depreciated:				
Buildings	4,465,707	-	-	4,465,707
Improvements other than buildings	4,947,382	35,058	-	4,982,440
Equipment	4,578,383	135,798	(118,861)	4,595,320
Infrastructure	18,301,974	1,041,497	-	19,343,471
Total capital assets being depreciated	32,293,446	1,212,353	(118,861)	33,386,938
Less accumulated depreciation for:				
Buildings	(1,867,169)	(94,968)	-	(1,962,137)
Improvements other than buildings	(1,857,492)	(189,658)	-	(2,047,150)
Equipment	(2,582,660)	(341,312)	105,761	(2,818,211)
Infrastructure	(8,288,253)	(303,413)	-	(8,591,666)
Total accumulated depreciation	(14,595,574)	(929,351)	105,761	(15,419,164)
Total capital assets being depreciated, net	17,697,872	283,002	(13,100)	17,967,774
Governmental activities capital assets, net	\$ 30,603,231	\$ 700,720	\$(1,054,597)	\$ 30,249,354

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

Governmental activities:	
General government	\$ 163,470
Public safety	100,054
Physical environment	655,362
Recreation	10,465
Total depreciation expense - governmental activities	\$ 929,351

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2015:

	Transfer in:				Total
	General Fund	Community Redevelopment Agency (CRA) Fund	Non Major Funds		
<u>Transfer out:</u>					
General Fund	\$ -	\$ 939,284	\$ 23,000		\$ 962,284
CRA Fund	379,054	-	-		379,054
Nonmajor Funds	138,796	-	-		138,796
Total	\$ 517,850	\$ 939,284	\$ 23,000		\$ 1,480,134

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 statutes (i.e. Community Redevelopment Agency Fund).

D. LONG-TERM DEBT

Capital leases

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

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

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

Capital leases (continued)

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 442,850
Vehicles	442,105
Less: Accumulated depreciation	(232,051)
Total	\$ 652,904

Obligations of governmental activities under capital lease at September 30, 2015, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total
2016	\$ 99,754	\$ 19,184	\$ 118,938
2017	102,705	16,234	118,939
2018	97,481	13,194	110,675
2019	100,273	10,402	110,675
2020	103,146	7,529	110,675
2021-2025	194,681	11,337	206,018
Total	\$ 698,040	\$ 77,880	\$ 775,920

Notes payable

Stormwater Utility Notes Payable: On April 20, 2006, the City entered into a loan agreement with a bank in the amount of \$1,200,000 with an interest rate of 4.91%. Monthly payments of \$12,675, including interest and principal, are due through maturity of April 20, 2016. The note is secured by equipment. As of September 30, 2015, principal and interest to maturity in 2016 totaled \$88,725.

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, 2015, principal and interest to maturity in 2019 totaled \$637,744.

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.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

Notes payable (continued)

The note is secured by revenues of the Community Redevelopment Agency fund. Principal and interest paid for the current fiscal year was \$441,574 and pledged gross revenues were approximately \$424,265. As of September 30, 2015, principal and interest to maturity in 2026 to be paid from pledged future revenues totaled \$4,994,667.

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 \$3,996,800 as of September 30, 2015. The associated variable-rate note has a \$3,996,800 principal amount as of the same date and has a like term. There are no embedded options on the swap agreements and no cash was paid or received when the swap agreements were entered into.

The debt service requirements of the variable-rate debt and net swap payments are shown below assuming current interest rates remain the same. The current variable rate on the \$6,250,000 note is 0.62% as of September 30, 2015. Therefore, the interest rate related to the \$6,250,000 swap is 3.61% as of the same date, calculated as the difference between the synthetic fixed rate of 4.23% and the 0.62% variable rate.

The interest rate swap agreement has a negative fair value of \$632,188 as of September 30, 2015. 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, 2015 is a negative of approximately \$13,243.

As of September 30, 2015, 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, 2015, the swap's counterparty was rated A+ by Standard & Poor's. The calculation of variable interest payments is an estimate. It is calculated based upon the total interest to be paid less the calculated amount of swap interest to be paid.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

Notes payable (continued)

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, 2015, the City has no intention of terminating its swap agreements.

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

The note is secured by pledged revenues consisting of all utility tax revenues. The first interest payment is due October 1, 2015 and the first principal payment is due October 1, 2016. Interest accrued in the current year was \$8,250, and pledged gross revenues were approximately \$460,400. As of September 30, 2015, principal and interest to maturity in 2030 to be paid from pledged future revenues totaled \$3,142,552.

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

<i>September 30,</i>	Principal	Interest	Interest (swap)	Total
2016	\$ 516,965	\$ 101,751	\$ 139,570	\$ 758,286
2017	585,465	117,434	128,522	831,421
2018	611,338	103,049	117,002	831,389
2019	638,222	87,951	104,983	831,156
2020	502,600	76,518	92,451	671,569
2021 - 2025	2,823,300	278,429	254,536	3,356,265
2026 - 2030	1,269,600	102,907	5,079	1,377,586
Thereafter	203,000	3,016	-	206,016
Totals	\$ 7,150,490	\$ 871,055	\$ 842,143	\$ 8,863,688

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. LONG-TERM DEBT (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable – CRA	\$4,285,000	\$ -	\$ (288,200)	\$ 3,996,800	\$ 300,400
Notes payable – Stormwater	917,033	-	(263,343)	653,690	216,565
Note payable – Capital Assets fund	-	2,500,000	-	2,500,000	-
Capital leases payable	800,321		(102,281)	698,040	99,754
Other postemployment benefits	1,668,000	282,000	(184,000)	1,766,000	-
Compensated absences	680,290	395,100	(353,409)	721,981	387,372
Long-term liabilities	\$8,350,644	\$3,177,100	\$(1,191,233)	\$10,336,511	\$1,004,091

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 Asset 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:

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

E. GOVERNMENTAL FUND BALANCES (Continued)

	General	Community Redevelopment Agency	Capital Asset	Nonmajor Funds
Nonspendable:				
Prepaid items	\$ 49,457	\$ -	\$ 47,036	\$ 4,393
Restricted for:				
Community services	-	-	-	155,843
Community redevelopment				
Economic development	-	1,011,171	-	-
Capital assets	-	-	2,877,547	-
Law enforcement	-	-	-	27,873
Committed:				
For reserves	852,745	-	-	-
Unassigned	532,183	-	-	-
Total fund balances	\$ 1,434,385	\$ 1,011,171	\$ 2,924,583	\$ 188,109

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.

B. OTHER POSTEMPLOYMENT BENEFITS

The City follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB), for certain postemployment health care benefits provided by the City. The City elected to implement this statement prospectively.

NOTE 5: OTHER INFORMATION (Continued)

B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 22 retirees and spouses receiving benefits and has a total of 72 active participants and dependents. Of that total, 68 are not yet eligible to receive benefits.

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

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

For the year ended September 30, 2015, the City made contributions of \$180,000, which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees. Contributions of plan members not eligible for an explicit subsidy totaled \$11,656 for the year ended September 30, 2015.

Annual OPEB cost and net OPEB obligation. The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year ended September 30, 2015, the amount actually contributed to the Plan and changes in the City’s net OPEB obligation to the Plan:

NOTE 5: OTHER INFORMATION (Continued)

B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual required contribution	\$ 308,000
Interest on net OPEB obligation	67,000
Adjustment to annual required contribution	(93,000)
Annual OPEB cost (expense)	282,000
Contributions made	(180,000)
Interest on employer contributions	(4,000)
Increase in net OPEB obligation	98,000
Net OPEB obligation – beginning of year	1,668,000
Net OPEB obligation – end of year	\$ 1,766,000

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

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 282,000	64%	\$ 1,766,000
9/30/2014	281,000	64%	1,668,000
9/30/2013	408,000	38%	1,571,000

Funded status and funding progress. Because the Plan has fewer than 200 members, the City is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of October 1, 2014. Accordingly, the City will be required to obtain a subsequent actuarial valuation within three years of that date. As of October 1, 2014, the actuarial accrued liability for benefits was \$3,718,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,635,000 and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 102.3%.

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

NOTE 5: OTHER INFORMATION (Continued)

B. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

In the October 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (including inflation of 2.75%) and an annual healthcare cost trend rate, ultimate rate of 5.00% per year. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-dollar payment basis over an open period of 30 years.

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

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

Money Purchase Plan

Plan description and funding requirements. The City of Satellite Beach Money Purchase Plan (the "Plan") is a defined contribution pension plan established on October 1, 1996 under City Ordinance No. 655 and is administered by the City. The Plan provides benefits at retirement to all full-time employees, except police officers and firefighters, hired after October 1, 1996. At September 30, 2015, there were 38 active plan members. Plan members are required to contribute 5% of their annual salary to the Plan, and the City is required to contribute a matching amount. State statutes require the government to contribute 4% of the annual covered payroll of Plan participants.

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Plan provisions and contribution requirements are established and may be amended by the City Council. The City and the employees contributed \$136,147 and \$75,576, respectively, to the Plan for fiscal year 2015. Beginning with the year ended September 30, 2015, the City will no longer include the net position and changes in fiduciary net position for the Money Purchase Plan in its annual financial statements, as the funds held in the plan are held for the custody of the beneficiary and the City has no fiduciary responsibility for the assets once the contributions have been remitted to the plan trustee.

Defined Benefit Plans

Summary of significant accounting policies basis of accounting and valuation of investments.

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. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market are reported at estimated fair value.

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 \$243,715 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.

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

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

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

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Police Officers' and Firefighters' and General Employees' Pension Plans Description. 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.

<i>Plan Membership as of October 1, 2015:</i>	Police Officers' and Firefighters' Plan	General Employees' Plan
Inactive plan members or beneficiaries currently receiving benefits	22	6
Inactive plan members entitled to but not yet receiving benefits	6	3
Inactive plan members due a refund of contributions	2	-
Active plan members	37	23
	<u>67</u>	<u>32</u>

<i>Plan benefits</i>	Police Officers' and Firefighters' Plan	General Employees' Plan
Employees covered	Full-time firefighters and police officers employed by the City.	Only participants as of September 30, 1986 are eligible to continue participation.
Types of benefits offered	Retirement, disability, and pre-retirement death benefits.	
Basic pension formula	3% of average earnings multiplied by service.	3% of average earnings multiplied by service prior to October 1, 2010 plus 2% of average earnings multiplied by service 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.

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

<i>Plan benefits</i>	Police Officers' and Firefighters' Plan	General Employees' Plan
Disability pension	For a service connected disability, the larger of basic pension formula or 42% of average earnings. For a non-service connected disability, provided the participant has earned 10 years of service the larger of basic pension formula or 25% of average earnings.	
Pre-retirement death benefit	Basic pension formula payable for 10 years to the beneficiary of a vested participant beginning at the participant's early or normal retirement age or return of accumulated employee contributions payable to the beneficiary of a non-vested participant.	
Normal retirement age	52 with 5 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 increased single life annuity. 10-year certain and life annuity. Actuarially equivalent 50%, 66%, 75%, or 100% joint and contingent annuity. Any other actuarially equivalent form of payment approved by the Board of Trustees.	
Average earnings	Average of the highest consecutive three years of pensionable earnings out of the last 10 years.	
Cost of living adjustment	No automatic cost-of-living adjustment is provided.	
Deferred Retirement Option Plan (DROP)	A DROP is available for those participants who have attained their normal retirement age. Individuals may participate in DROP for up to 60 months. DROP accounts are credited with interest based on the actual investment.	A DROP option is available for those participants who are at least age 57 and have attained early or normal retirement age. Individuals may participate in DROP for up to 60 months. DROP accounts are credited with interest based on the actual investment less a 0.1875% quarterly administrative charge.

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

DROP balance as of October 1, 2015	\$ 36,221	\$ -
Legal authority	Plan was established May 22, 1972 pursuant to City ordinance, and as since amended.	Plan was established May 22, 1973 pursuant to City ordinance, and as since amended.
Changes	Since the prior measurement date, the 0.1875% administrative charge on the DROP account was eliminated for the period December 6, 2004 through July 2, 2013.	The benefit terms did not change from the prior measurement date.

The components of the net pension liability of the sponsor on September 30, 2015 were as follows:

	Police Officers' and Firefighters' Plan	General Employees' Plan
Total pension liability	\$ 15,788,846	\$ 6,797,331
Less: Fiduciary net position	(13,351,675)	(6,206,493)
Net pension liability	\$ 2,437,171	\$ 590,838
 Plan Fiduciary Net Position as a percentage of the total pension liability	 85%	 91%

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

	Police Officers' and Firefighters' Plan	General Employees' Plan
Discount rate	9.08% per annum (3.60% 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	For both plans, not assumed.	
Mortality basis	For both plans, sex-distinct rates set forth in the RP-2000 Mortality Table for non-annuitants and annuitants, projected to 2007 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.	
Retirement	100% retirement is assumed to occur at age 52 with five years of service; participants who are age 50 with 10 years of service are assumed to retire at the rate of 2.50% per year; participants who have attained normal retirement age are assumed to retire no earlier than one year after the valuation date.	100% retirement is assumed at age 62 with five years of service or 5.00% retirement per year is assumed with 35 years of service or 2.50% retirement per year is assumed at age 55 with 10 years of service; a participant who has attained his normal retirement age as of the valuation date is assumed to retire one year later.
Other decrements	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).

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

	Police Officers' and Firefighters' Plan	General Employees' Plan
Non-investment expenses	1.25% of future payroll.	1.75% of future payroll.
Future contributions	Contributions from the employer and employees are assumed to be made as legally required.	
Changes	Since the prior measurement date, the discount was increased from 8.07% per annum to 9.08% per annum.	

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, 2015 are summarized in the following table:

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	16%	2.48% per annum
Multi-Sector	24%	2.20% per annum
U.S. large cap equity	39%	7.14% per annum
U.S. small cap equity	11%	8.45% per annum
Non U.S. equity	10%	8.43% per annum
Total or weighted arithmetic average	100%	5.48% per annum

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

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Comparison of net pension liability using alternative discount rates:

	1% Decrease	Present Discount Rate	1% Increase
<i>Police Officers' and Firefighters' Plan</i>	8.08%	9.08%	10.08%
Total pension liability	\$ 17,452,508	\$ 15,788,846	\$ 14,368,220
Less: fiduciary net position	(13,351,675)	(13,351,675)	(13,351,675)
Net pension liability - POFP	4,100,833	2,437,171	1,016,545
<i>General Employees' Plan</i>			
Total pension liability	7,366,209	6,797,331	6,300,060
Less: fiduciary net position	(6,206,493)	(6,206,493)	(6,206,493)
Net pension liability - GEP	1,159,716	590,838	93,567
Aggregate net pension liability	\$ 5,260,549	\$ 3,028,009	\$ 1,110,112

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City will recognize pension expense of \$506,675 and \$99,728 for the Police Officers' and Firefighters' Pension Plan and the General Employees' Pension Plan, respectively. At September 30, 2015, the City reported deferred outflows and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Police Officers' and Firefighters' Plan</i>		
Amortization payments	\$ (242,260)	\$ (304,289)
Investment gain/loss	1,211,301	61,515
Demographic gain/loss	-	724,920
Assumption changes	-	1,681,706
Total - Police Officers' and Firefighters' Plan	969,041	2,163,852
<i>General Employees' Plan</i>		
Amortization payments	(113,248)	(117,459)
Investment gain/loss	555,367	25,844
Demographic gain/loss	11,264	-
Assumption changes	-	574,972
Total - General Employees' Plan	453,383	483,357
Total deferred outflows and deferred inflows of resources related to pensions	\$ 1,422,424	\$ 2,647,209

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

<i>Fiscal Year Ending September 30,</i>	Police Officers' and Firefighters' Plan	General Employees' Plan
2016	\$ (62,029)	\$ (4,211)
2017	(62,029)	(4,211)
2018	(62,028)	(4,211)
2019	(46,649)	2,252
2020	(288,910)	(19,593)
Thereafter	(673,166)	-
Total	\$ (1,194,811)	\$ (29,974)

Both Plans' issue a stand-alone financial report each year, which contains information about the Plans' fiduciary net position. 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. These reports are available to the public at the Plans' administrative office: Retirement Department, Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302, (800) 342-8112.

Combining Fund Information

	Police Officers' and Firefighters'	General Employees'	Total
ASSETS			
Cash and cash equivalents	\$ 109,029	\$ 49,635	\$ 158,664
Receivables:			
City contributions	11,482	2,067	13,549
Investments: U.S. government and other debt securities	5,424,217	2,469,362	7,893,579
Investments: mutual stock funds	8,095,439	3,685,429	11,780,868
Total assets	13,640,167	6,206,493	19,846,660
LIABILITIES			
	-	-	-
NET POSITION			
Held in trust for pension benefits	\$ 13,640,167	\$ 6,206,493	\$ 19,846,660

City of Satellite Beach, Florida
Notes to Financial Statements

NOTE 5: OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

	Police Officers' and Firefighters'	General Employees'	Total
ADDITIONS			
Contributions:			
Employees	\$ 174,323	\$ 31,458	\$ 205,781
City	511,600	370,855	882,455
State	243,715	-	243,715
Total contributions	929,638	402,313	1,331,951
Total investment earnings:			
Net appreciation in fair market value of investments	(5,384)	16,050	10,666
Total investment earnings	(5,384)	16,050	10,666
Total additions	924,254	418,363	1,342,617
DEDUCTIONS			
Benefit payments	670,595	577,609	1,248,204
Administrative expenses	37,244	22,473	59,717
Total deductions	707,839	600,082	1,307,921
Change in net position	216,415	(181,719)	34,696
Net position, beginning of year	13,423,752	6,388,212	19,811,964
Net position, end of year	\$ 13,640,167	\$ 6,206,493	\$ 19,846,660

D. COMMITMENTS AND CONTINGENCIES

Operating Leases

The City leases certain equipment under noncancelable operating leases. The total costs of such leases were \$38,493 for the year ended September 30, 2015. The future minimum lease payments for the leases are as follows:

<i>Year Ending September 30:</i>	
2016	\$ 30,809
2017	12,662
2018	4,665
2019	4,665
Total	\$ 52,801

NOTE 5: OTHER INFORMATION (Continued)

D. COMMITMENTS AND CONTINGENCIES (Continued)

Construction Projects

The City has an active construction project as of September 30, 2015. At year-end, the City's outstanding commitment with the contractor amounted to \$274,857. The commitment for the project is being funded by utility tax revenues and impact fees.

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 F.S. 163.

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

NOTE 5: OTHER INFORMATION (Continued)

D. COMMITMENTS AND CONTINGENCIES (Continued)

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

The allocated amounts of TIF funds to be provided to the County for the year ending September 30, 2015 were \$126,974 and have been included with general government expenditures in the Community Redevelopment Agency Fund. Future estimated payments are as follows:

<u>Year Ending September 30:</u>	
2016	\$ 144,341
2017	142,923
2018	210,008
2019	277,331

The allocated amounts of TIF funds to be provided to the City for the year ending September 30, 2015 were \$173,195 and have been included with transfers out in the Community Redevelopment Agency Fund. Future payments are as follows:

<u>Year Ending September 30:</u>	
2016	\$ 245,771
2017	243,355
2018	142,564

E. LITIGATION

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

NOTE 6: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (“GASB”) has issued statements that will become effective in fiscal year 2016. The Statements address:

- Fair value measurement and application; and
- GAAP hierarchy.

The City is currently evaluating the effects that these statements will have on its 2016 financial statements.

NOTE 7: CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement required the restatement of the September 30, 2014 net position in governmental activities. This change is in accordance with generally accepted accounting principles.

	Governmental Activities
Net position, September 30, 2014 as previously reported	\$ 24,525,750
Cumulative effect of application of GASB 68	(4,414,528)
Net position, September 30, 2014 as restated	\$ 20,111,222

NOTE 8: SUBSEQUENT EVENTS

The City has evaluated subsequent events through the date which the financial statements were issued. Subsequent to September 30, 2015, the City entered into contracts and related change orders for the Roosevelt improvement project totaling \$1,975,624.

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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

<i>For the Year Ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 6,718,897	\$ 6,700,520	\$ 6,699,290	\$ (1,230)
Licenses and permits	800,600	870,236	868,834	(1,402)
Intergovernmental	934,994	1,002,199	1,004,466	2,267
Charges for services	626,119	697,665	700,304	2,639
Fines and forfeitures	44,620	41,447	40,943	(504)
Interest and other	25,894	32,790	41,890	9,100
Total revenues	9,151,124	9,344,857	9,355,727	10,870
Expenditures				
Departments:				
Legislative	12,356	16,897	16,318	579
Administrative and finance	684,493	712,436	698,441	13,995
City Clerk	193,843	185,037	179,423	5,614
General governmental services	1,111,435	1,122,563	1,101,341	21,222
Police	2,651,470	2,689,790	2,661,214	28,576
Fire	1,749,682	1,794,259	1,722,707	71,552
Building and zoning	254,383	261,345	243,776	17,569
Public works	1,309,237	1,327,175	1,277,258	49,917
Recreation	726,212	740,935	729,883	11,052
Capital outlay	6,350	6,350	7,757	(1,407)
Total expenditures	8,699,461	8,856,787	8,638,118	218,669
Excess of revenues over expenditures	451,663	488,070	717,609	229,539
Other financing sources (uses)				
Transfers in	501,962	669,600	517,850	(151,750)
Transfers out	(786,780)	(980,826)	(962,284)	18,542
Net other financing sources (uses)	(284,818)	(311,226)	(444,434)	(133,208)
Net change in fund balances	166,845	176,844	273,175	96,331
Fund balances, beginning of year	1,161,210	1,161,210	1,161,210	-
Fund balances, end of year	\$ 1,328,055	\$ 1,338,054	\$ 1,434,385	\$ 96,331

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

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

<i>For the Year Ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 443,093	\$ 424,265	\$ 424,265	\$ -
Interest and other	4,666	5,860	3,886	(1,974)
Total revenues	447,759	430,125	428,151	(1,974)
Expenditures				
Department:				
General government	141,318	170,114	145,623	24,491
Physical environment	-	2,679	2,679	
Capital outlay	1,138,116	431,905	319,373	112,532
Debt service:				
Principal retired	288,200	288,200	288,200	-
Interest	200,736	179,056	179,056	-
Total expenditures	1,768,370	1,071,954	934,931	137,023
Deficiency of revenues under expenditures	(1,320,611)	(641,829)	(506,780)	135,049
Other financing sources				
Transfers in	1,661,780	939,284	939,284	-
Transfers out	(341,169)	(379,054)	(379,054)	-
Net other financing sources	1,320,611	560,230	560,230	-
Net change in fund balances	-	(81,599)	53,450	135,049
Fund balances, beginning of year	957,721	957,721	957,721	-
Fund balances, end of year	\$ 957,721	\$ 876,122	\$ 1,011,171	\$ 135,049

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

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

<i>For the Year Ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 381,999	\$ 460,468	\$ 460,400	\$ (68)
Intergovernmental	-	178,822	178,822	-
Interest and other	939	1,000	9,296	8,296
Total revenues	382,938	640,290	648,518	8,228
Expenditures				
Current				
General government	52,881	49,232	41,805	7,427
Capital outlay	211,119	286,679	237,274	49,405
Debt service:				
Principal retired	102,385	102,281	102,281	-
Interest and other	16,553	48,557	48,557	-
Total expenditures	382,938	486,749	429,917	56,832
Excess of revenues over expenditures	-	153,541	218,601	65,060
Other financing uses				
Proceeds from issuance of debt	-	2,500,000	2,500,000	-
Net other financing uses	-	2,500,000	2,500,000	-
Net change in fund balances	-	2,653,541	2,718,601	65,060
Fund balances, beginning of year	205,982	205,982	205,982	-
Fund balances, end of year	\$ 205,982	\$ 2,859,523	\$ 2,924,583	\$ 65,060

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



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

A. BUDGETARY INFORMATION

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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2014	\$ -	\$ 3,718,000	\$ 3,718,000	0.0%	\$ 3,635,000	102.3%
10/1/2011	-	4,470,000	4,470,000	0.0%	3,577,000	125.0%
10/1/2009	-	4,227,000	4,227,000	0.0%	4,060,000	104.1%

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

City of Satellite Beach, Florida
Required Supplementary Pension Information
Schedules of Contributions from the Employer and Other Contributing Entities –
Last Ten Fiscal Years

<i>Year Ended September 30,</i>	Annual Required Contribution	City Contribution	State Contribution ⁽¹⁾	Percentage Contributed
2015	\$ 745,554	\$ 511,600	\$ 170,774	92%
2014	773,093	312,623	170,774	63%
2013	721,253	560,152	170,774	101%
2012	707,447	707,925	170,774	124%
2011	652,228	654,482	163,393	125%
2010	584,160	424,435	166,029	101%
2009	452,865	282,091	170,774	100%
2008	473,396	302,622	170,774	100%
2007	428,148	257,374	170,774	100%
2006	665,232	310,379	354,853	100%

GENERAL EMPLOYEES' PENSION PLAN

<i>Year Ended September 30,</i>	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2015	\$ 370,855	\$ 370,855	\$ -	100%
2014	428,556	428,556	-	100%
2013	274,264	274,264	-	100%
2012	455,194	455,194	-	100%
2011	316,270	316,270	-	100%
2010	247,064	247,064	-	100%
2009	289,431	289,431	-	100%
2008	324,935	324,935	-	100%
2007	243,190	243,190	-	100%
2006	254,068	254,068	-	100%

⁽¹⁾ "Frozen" per Chapter 175 and 185, F.S., as amended.

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

City of Satellite Beach, Florida
Required Supplementary Pension Information
Schedules of Changes in Net Pension Liability and Related Ratios
– Last Two Fiscal Years

Police Officers' and Firefighters' Pension Plan

Total Pension Liability	9/30/2015	9/30/2014
Service cost	\$ 372,463	\$ 466,047
Expected interest growth	1,542,236	1,291,782
Demographic experience	(724,920)	-
Benefit payments and refunds	(670,595)	(682,024)
Assumption changes	(1,681,706)	-
Net Change in Total Pension Liability	(1,162,522)	1,075,805
Total Pension Liability - Beginning	16,951,368	15,875,563
Total Pension Liability - Ending (a)	\$ 15,788,846	\$ 16,951,368

Plan Fiduciary Net Position

Expected interest growth	\$ 1,205,916	\$ 977,638
Unexpected investment income	(1,211,301)	93,909
Contributions - Employer	682,374	773,093
Contributions - Employee	174,323	170,359
Benefit payments & refunds	(670,595)	(987,787)
Administrative Expense	(37,244)	(36,101)
Net Change in Plan Fiduciary Net Position	143,473	991,111
Plan Fiduciary Net Position - Beginning	13,208,202	12,217,091
Plan Fiduciary Net Position - Ending (b)	\$ 13,351,675	\$ 13,208,202

Net Pension Liability - Ending (a) - (b)	\$ 2,437,171	\$ 3,743,166
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**Plan Fiduciary Net Position as a Percentage of
the Total Pension Liability**

84.56% 77.92%

Covered payroll	\$ 2,023,912	\$ 1,980,916
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Net pension liability as a percentage of covered payroll	120.42%	188.96%
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The accompanying notes to required supplementary information are an integral part of this schedule.

City of Satellite Beach, Florida
Required Supplementary Pension Information
Schedules of Changes in Net Pension Liability and Related Ratios
– Last Two Fiscal Years

General Employees' Pension Plan

Total Pension Liability	9/30/2015	9/30/2014
Service cost	\$ 47,281	\$ 57,216
Expected interest growth	636,922	560,156
Demographic experience	11,264	-
Benefit payments and refunds	(577,609)	(484,450)
Assumption changes	(574,972)	-
Net Change in Total Pension Liability	(457,114)	132,922
Total Pension Liability - Beginning	7,254,445	7,121,523
Total Pension Liability - Ending (a)	\$ 6,797,331	\$ 7,254,445

Plan Fiduciary Net Position

Expected interest growth	\$ 571,279	\$ 475,890
Unexpected investment income	(555,367)	32,305
Contributions - Employer	370,855	428,556
Contributions - Employee	31,458	30,262
Benefit payments & refunds	(577,609)	(469,255)
Administrative Expense	(22,473)	(22,674)
Net Change in Plan Fiduciary Net Position	(181,857)	475,084
Plan Fiduciary Net Position - Beginning	6,388,350	5,913,266
Plan Fiduciary Net Position - Ending (b)	\$ 6,206,493	\$ 6,388,350

Net Pension Liability - Ending (a) - (b)	\$ 590,838	\$ 866,095
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Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.31%	88.06%
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Covered payroll	\$ 386,980	\$ 366,815
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Net pension liability as a percentage of covered payroll	152.68%	236.11%
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The accompanying notes to required supplementary information are an integral part of this schedule.

City of Satellite Beach, Florida
Required Supplementary Pension Information
Schedules of Changes in Net Pension Liability and Related Ratios
– Last Two Fiscal Years

Police Officers' and Firefighters' Pension Plan	9/30/2015	9/30/2014
Actuarially Determined Contribution	\$ 745,554	\$ 773,093
Contributions Recognized by the Plan	682,374	483,397
Contribution Deficiency (Excess)	\$ 63,180	\$ 289,696
<hr/>		
Covered Payroll	\$ 2,023,912	\$ 1,980,916
Contributions as a Percentage of Covered Payroll	33.72%	24.40%
General Employees' Pension Plan	9/30/2015	9/30/2014
Actuarially Determined Contribution	\$ 370,855	\$ 428,556
Contributions Recognized by the Plan	370,855	428,556
Contribution Deficiency (Excess)	\$ -	\$ -
<hr/>		
Covered Payroll	\$ 386,980	\$ 366,815
Contributions as a Percentage of Covered Payroll	95.83%	116.83%

Additional Note:

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.

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

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

	Police Officers' and Firefighters' Plan	General Employees' Plan
Valuation date	October 1, 2014	October 1, 2014
	<i>Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which the contributions are reported.</i>	
Funding method	Entry Age Actuarial Cost Method	Aggregate Cost Method
Amortization method	Level dollar	Not applicable
Remaining amortization period	29 years as of 10/01/2015	Not applicable
Asset valuation method	Equal to the prior year's actuarial value of assets adjusted for contributions, benefit payments and expenses. This is further adjusted by the average return on the market value of assets for the preceding 4 years. The actuarial value of assets is restricted to 80% - 120% of the market value.	
Inflation	3.60% per annum	3.60% per annum
Salary increases	4.75% per annum unless actual amounts are known. <i>Average monthly earnings have been adjusted to reflect anticipated payment of accrued sick and annual leave accumulated as of June 30, 2011.</i>	
Interest rate	7.5% per annum	7.5% 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 ten years of service or any age with 35 years of service
Termination rates	Sex-distinct rates set forth 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-2000 Mortality Table, projected to 2007 by Scale AA.	
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.

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

Police Officers' and Firefighters' Pension Plan	9/30/2015	9/30/2014
Annual Expected Long-Term Real Return on Investments		
Weighted Arithmetic Average	5.48%	4.48%

General Employees' Pension Plan	9/30/2015	9/30/2014
Annual Expected Long-Term Real Return on Investments		
Weighted Arithmetic Average	5.48%	4.48%

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, 2015, 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 April 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, 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 the City of Satellite Beach, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Satellite Beach, Florida's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below in IC 2015-001, that we consider to be a significant deficiency.

IC 2015-001 CASH RECEIPTS

Criteria: A fundamental element of internal control is the separation of duties so that no one individual has physical custody of assets as well as the related record keeping. Currently, monies collected outside of the Clerk's office, such as building permits and recreation fee collections, are not being reconciled to subsidiary records by someone independent of the person collecting the receipts.

Cause: Modifications to the City's policies and procedures have not been made to reflect the City's current organizational structure. As growth and personnel changes have occurred over recent years, adjustments to procedures were necessary to ensure transactions were being processed timely; however, some of these procedures are not providing the City with optimal segregation of duties.

Effect: Reconciliations are not consistently performed by someone independent of the cash collections process. Additionally, reconciliations are not always being performed between cash collections and subsidiary records such as the City's licensing system.

Recommendation: Current policies and procedures should be reviewed and modified, as necessary, to provide for reconciliations to be performed by someone independent of the cash collection process. Further, the procedures should include reconciliation of cash receipts to subsidiary systems.

Management Response: *Staff is addressing the issues as recommended. Current policies and procedures have been reviewed and modified. Cash receipts are reconciled against the subsidiary system on a deposit-by-deposit basis and on a monthly basis. Additionally, each deposit is reviewed by two people in each department and by support services staff.*

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*.

The City of Satellite Beach's Response to the Finding

The City's response to the finding identified in our audit is described previously. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Caru, Riggs & Ingram, L.L.C.

Melbourne, Florida

April 14, 2016

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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, 2015, and have issued our report thereon dated April 14, 2016.

Auditors’ Responsibility

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

Other Reports

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 14, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Management Letter Comments:	
ML 2013-02 Expenditures in Excess of Appropriations	Corrected

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the City of Satellite Beach, Florida and its component units is disclosed in the footnotes. The City of Satellite Beach, Florida includes the following component units:

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

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures report the results of our determination as to whether the annual financial report for the City of Satellite Beach, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the recommendation presented as IC 2015-001, Cash Receipts.

In connection with our audit of the City, we conducted a limited IT risk assessment by applying both a data security and business view of IT risk. We noted some areas where controls over the IT department could be improved.

The subject matter of some of the areas of risk identified are confidential in nature, and thus specific details of these risks are disclosed in a separate report in order to avoid the possibility of compromising City information and security. This separate report is exempt from public access provided by Florida Statutes 119.07(1) and 286.001 and other laws and rules requiring public access or disclosure. This exemption is addressed under Florida Statute 281.301, Security systems; records and meetings exempt from public access or disclosure.

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

Purpose of this Letter

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

Caru, Riggs & Ingram, L.L.C.

Melbourne, Florida
April 14, 2016

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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 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, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 aforementioned requirements for the year ended September 30, 2015.

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.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
April 14, 2016