



CITY OF SATELLITE BEACH, FLORIDA

**Financial Statements
Year Ended September 30, 2009**

CITY OF SATELLITE BEACH, FLORIDA

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As of September 30, 2009

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CITY OF SATELLITE BEACH, FLORIDA

City Officials

As of September 30, 2009

Mayor
Mark Brimer

Vice Mayor
Martha L. Kirby

Council Members
Dominick Montanaro
Michael Chase
Jeffrey Fleis

City Attorney
James P. Beadle

City Manager
Michael P. Crotty

City Clerk, CMC
Barbara Montanaro

Finance Director, CGFO, CFE
Brenda Raver

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Hoyman Dobson

Independent Auditors' Report

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

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, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Satellite Beach, Florida's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2010, on our consideration of the City of Satellite Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604
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The Honorable Mayor and City Council
of the City of Satellite Beach, Florida
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Management's discussion and analysis (pages 7 through 14), and the required supplementary information (pages 50 through 56) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Hoyman Dobson".

Hoyman Dobson
Melbourne, Florida
February 22, 2010

Management's Discussion and Analysis

As management of the City of Satellite Beach, Florida, 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, 2009.

Financial Highlights

- The assets of the City of Satellite Beach, Florida, exceeded its liabilities at the close of the most recent fiscal year by \$22,324,069 (net assets). Of this amount, \$653,680 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$548,145. This increase is attributable to lower fiscal year expenditures, which lowered the overall outflow of resources and encouraged a positive net asset 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 \$2,478,300, a decrease of \$443,692 in comparison with the prior year. Approximately 63 percent of this total amount, \$1,561,824, is available for spending at the City's discretion (unreserved fund balance reported in general fund).
- The City of Satellite Beach, Florida's total long-term liabilities decreased by \$435,156 during the current fiscal year. The decreases are due primarily to payments on capital leases and notes payable, in addition to the net change in accrued compensated absences.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City of Satellite Beach, Florida's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 17-18 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 stormwater utility fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 20-24 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 25-26 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 27-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information 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 50-56 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$22,324,069 at the close of the most recent fiscal year.

The following table reflects the condensed statement of net assets:

CITY OF SATELLITE BEACH, FLORIDA'S Net Assets

	2009	2008
Current and other assets	\$ 3,238,475	\$ 3,511,214
Capital assets	28,520,217	27,629,114
Total assets	<u>31,758,692</u>	<u>31,140,328</u>
Long-term liabilities outstanding	8,299,273	8,734,429
Other liabilities	1,135,350	629,975
Total liabilities	<u>9,434,623</u>	<u>9,364,404</u>
Net assets:		
Invested in capital assets, net of related debt	20,948,558	19,556,867
Restricted	721,831	983,926
Unrestricted	653,680	1,235,131
Total net assets	<u>\$ 22,324,069</u>	<u>\$ 21,775,924</u>

By far the largest portion of the City of Satellite Beach, Florida's net assets (94 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets \$653,680 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Satellite Beach, Florida, is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

The following table shows condensed revenue and expense data:

CITY OF SATELLITE BEACH, FLORIDA'S Changes in Net Assets

	2009	2008
Revenues:		
Charges for services	\$ 1,127,759	\$ 1,100,232
Operating grants and contributions	416,480	836,102
Capital grants and contributions	610,200	2,601,122
General revenues:		
Property taxes	5,994,039	5,865,097
Franchise fees	1,709,870	1,587,775
Shared revenues not restricted to specific programs	985,699	867,582
Grants and contributions not restricted to specific programs	38,851	131,656
Unrestricted investment earnings	37,760	71,927
Miscellaneous	211,603	39,788
Total revenues	<u>11,132,261</u>	<u>13,101,281</u>
Expenses:		
General government	2,748,165	2,572,664
Public safety	4,711,345	4,222,620
Public works	1,960,004	1,908,445
Recreation	821,620	1,169,111
Interest on long term debt	342,982	370,722
Total expenses	<u>10,584,116</u>	<u>10,243,562</u>
Increase in net assets	548,145	2,857,719
Net assets – beginning	<u>21,775,924</u>	<u>18,918,205</u>
Net assets – ending	<u>\$ 22,324,069</u>	<u>\$ 21,775,924</u>

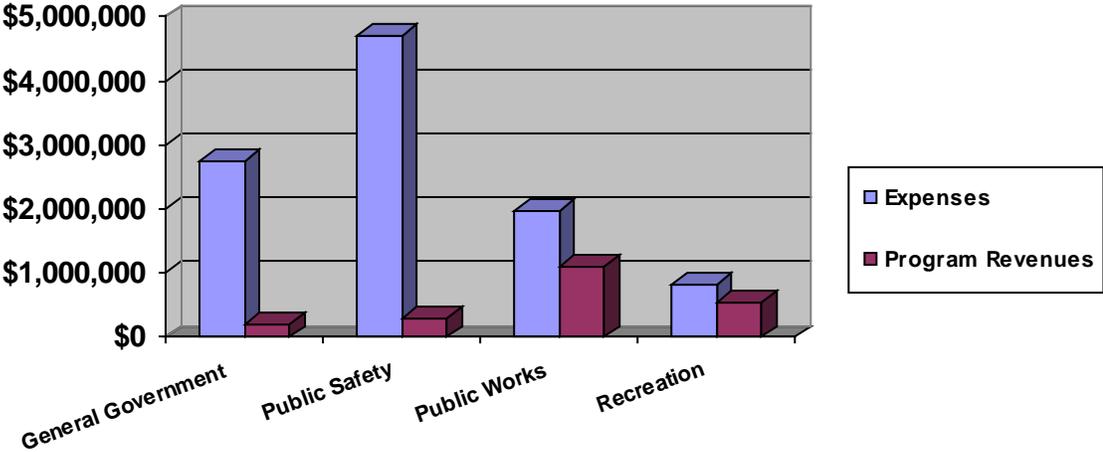
The City's net assets increased by \$548,145 during the current fiscal year. This is mainly due to decreased revenues, followed by lowered overall outflow of resources which encouraged a small positive net asset increase.

Key elements of this increase are as follows:

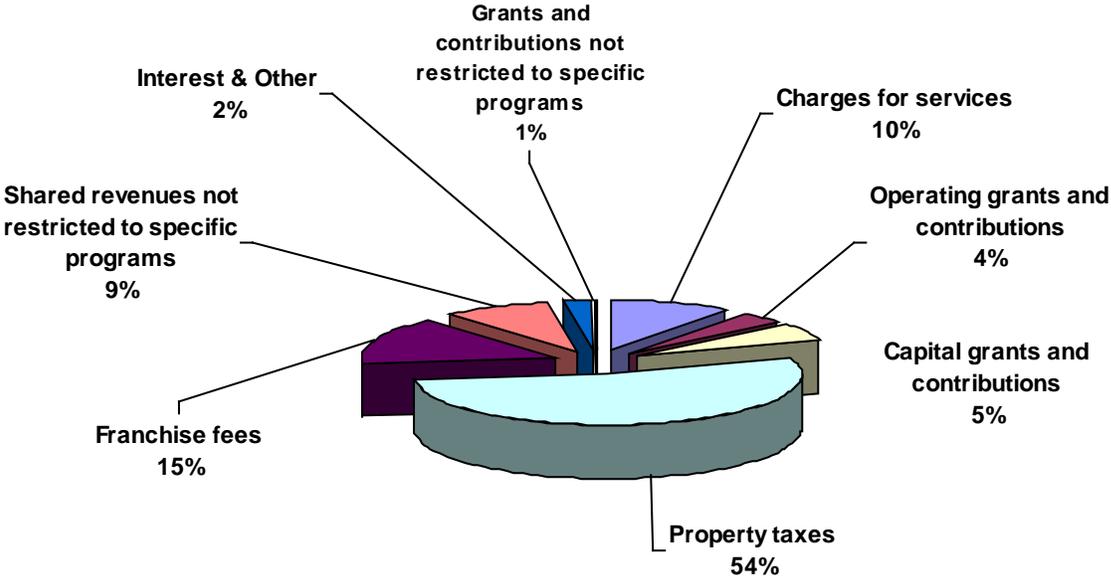
- Property taxes increased by \$128,942. The millage rate increased from 6.1742 in fiscal year 2007/2008 to 7.1207 in fiscal year 2008/2009, the taxable value decreased substantially, due to decreased property values.
- Franchise fees increased by \$122,095 due mainly to an audit of the Communication Services Tax on outside agencies by the State of Florida.
- Miscellaneous revenue increased by \$171,815 due largely to an insurance refund and receipt of a PILOT payment (payment in lieu of taxes).

General government expenses increased \$175,501 due mainly to additional premiums paid for pension costs. Recreation expenditures decreased \$347,491 due primarily to management's efforts to reduce costs. Public safety expenses increased \$488,725 due mainly to additional premiums paid for pension costs.

Expenses and Program Revenues



Revenues by Source



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City of Satellite Beach, Florida's governmental funds reported combined ending fund balances of \$2,478,300, a decrease of \$443,692 in comparison with the prior year. Approximately 63 percent of this total amount \$1,561,824 constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or is in a restricted fund to indicate that it is not available for new spending because it has already been legally committed.

The general fund is the chief operating fund of the City of Satellite Beach, Florida. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,561,824, while total fund balance reached \$1,756,469. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance is 18% of total general fund expenditures. The fund balance of the City of Satellite Beach, Florida's general fund decreased by \$181,597 during the current fiscal year.

The community redevelopment agency special revenue fund has a total fund balance of \$88,005, which is all reserved for the community redevelopment agency special revenue fund activities. The net decrease in fund balance during the current year in the community redevelopment agency special revenue fund of \$343,461 was due primarily to ongoing capital projects within the redevelopment area.

The stormwater utility special revenue fund has a total fund balance of \$98,942, all of which is reserved for stormwater utility projects. The net increase in fund balance during the current year in the stormwater utility special revenue fund was \$89,297. This was a direct consequence of general fund transfers in for initial project funding.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget (net increase of \$1,545,519 in appropriated expenditures) can be briefly summarized as follows:

- \$281,775 in increases in general government activities
- \$857,707 in increases in public safety
- \$87,055 in increases allocated to physical environment
- \$9,687 in increases allocated to recreation
- \$315,000 in increases allocated to transfers between funds
- \$5,705 decrease in capital outlay

This increase in expenditures corresponds to changes in revenues as follows; \$349,459 from taxes; \$18,000 from licenses and permits; \$56,693 from intergovernmental increases; \$40,000 from charges for services increases; \$9,105 from interest and other increases; \$7,524 from insurance proceeds; and a \$700,630 increase in appropriated transfers in to the general fund. The above items resulted in a net change of \$364,108 whereby the original adopted budget included a negative change in fund balance of \$21,353, compared to a net reduction in fund balance of \$385,461 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, 2009, amounts to \$28,520,217 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the City of Satellite Beach, Florida's investment in capital assets for the current fiscal year was approximately 3 percent.

CITY OF SATELLITE BEACH, FLORIDA'S Capital Assets (net of depreciation)

	2009	2008
Land	\$ 11,680,950	\$ 11,680,950
Buildings	3,078,573	3,175,149
Improvements other than buildings	3,530,211	2,729,945
Equipment	1,079,581	1,122,462
Infrastructure	8,017,498	7,995,578
Construction in progress	1,133,404	925,030
Total	<u>\$ 28,520,217</u>	<u>\$ 27,629,114</u>

Additional information on the City of Satellite Beach, Florida's capital assets can be found in Note 4.B. on page 37 of this report.

Notes payable. At the end of the current fiscal year, the City of Satellite Beach, Florida, had notes payable outstanding of \$6,408,382.

The City's notes payable balance decreased by \$331,089 during the current fiscal year, due to scheduled principal payments on the notes.

Capital leases payable. At the end of the current fiscal year, the City of Satellite Beach, Florida, had total capital leases outstanding of \$1,163,277.

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

	2009	2008
Capital lease DRS Comm. Center	\$ 1,004,421	\$ 1,182,162
Capital lease city vehicles	116,407	102,954
Capital lease rescue truck	7,040	34,574
Capital lease defibrillator	9,576	13,086
Capital lease safety gear	25,833	-
Total capital leases	<u>\$ 1,163,277</u>	<u>\$ 1,332,776</u>

The City of Satellite Beach, Florida's total capital lease obligations had a net decrease of \$169,499 (13 percent) during the current fiscal year. This was the result of regularly scheduled lease payments plus the purchase of safety gear and city vehicles.

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 \$727,614. The City's total compensated absences increased by a net amount of \$65,432 during the year, which includes additions of \$512,497 and reductions of \$447,065.

For 2010 it is estimated that \$430,255 of these compensated absences will be due within one year based upon an average of 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 38 through 40 of this report.

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices. Among other factors, this was considered in preparing the City of Satellite Beach, Florida's budget for the 2010 fiscal year.

The City of Satellite Beach, Florida, has appropriated \$76,459 of unreserved fund balance for spending in the 2010 fiscal year budget.

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 Finance Director, City of Satellite Beach, 565 Cassia Blvd., Satellite Beach, Florida, 32937.

BASIC FINANCIAL STATEMENTS

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CITY OF SATELLITE BEACH, FLORIDA

Statement of Net Assets - Governmental Activities

September 30, 2009

ASSETS

Cash and cash equivalents	\$	2,038,081
Investments		13,854
Accounts receivable		282,698
Due from other governments		708,197
Prepays		195,645
Capital assets:		
Nondepreciable		
Land		11,680,950
Construction in progress		1,133,404
Depreciable, net of accumulated depreciation		
Buildings		3,078,573
Improvements other than buildings		3,530,211
Equipment		1,079,581
Infrastructure		8,017,498
Total assets		<u>31,758,692</u>

LIABILITIES

Accounts payable		392,528
Accrued expenses		331,167
Accrued interest		39,175
Unearned revenue		36,254
Other post employment benefit obligation		336,000
Due to other governments		226
Noncurrent liabilities:		
Due within one year		1,022,369
Due in more than one year		7,276,904
Total liabilities		<u>9,434,623</u>

NET ASSETS

Invested in capital assets, net of related debt		20,948,558
Restricted for:		
Community Redevelopment Agency		88,005
Community services		262,995
Law enforcement		39,191
Capital assets		232,698
Stormwater		98,942
Unrestricted		653,680
Total net assets	\$	<u><u>22,324,069</u></u>

CITY OF SATELLITE BEACH, FLORIDA

Statement of Activities - Governmental Activities

Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,748,165	\$ 215,020	\$ 2,000	\$ -	\$ (2,531,145)
Public safety	4,711,345	168,559	83,823	56,595	(4,402,368)
Public works	1,960,004	267,048	322,157	503,056	(867,743)
Recreation	821,620	477,132	8,500	50,549	(285,439)
Interest on long term debt	342,982	-	-	-	(342,982)
Total governmental activities	<u>\$10,584,116</u>	<u>\$ 1,127,759</u>	<u>\$ 416,480</u>	<u>\$ 610,200</u>	<u>(8,429,677)</u>
General revenues					
Property taxes					5,994,039
Franchise fees					1,709,870
Shared revenues not restricted to specific programs					985,699
Grants and contributions not restricted to specific programs					38,851
Unrestricted investment earnings					37,760
Miscellaneous					211,603
Total general revenues					<u>8,977,822</u>
Change in net assets					548,145
Net assets, beginning					<u>21,775,924</u>
Net assets, ending					<u>\$ 22,324,069</u>

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CITY OF SATELLITE BEACH, FLORIDA

Balance Sheet - Governmental Funds

September 30, 2009

	General	Community Redevelopment Agency	Stormwater Utility
ASSETS			
Cash and cash equivalents	\$ 1,508,143	\$ 73,777	\$ -
Investments	2,497	11,019	-
Accounts receivable	204,743	-	-
Due from other funds	210,360	-	-
Due from other governments	190,383	147,298	370,516
Prepaid items	194,645	-	-
Total assets	<u>\$ 2,310,771</u>	<u>\$ 232,094</u>	<u>\$ 370,516</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 235,389	\$ 127,917	\$ 28,652
Accrued expenses	282,433	16,172	32,562
Unearned revenue	36,254	-	-
Due to other governments	226	-	-
Due to other funds	-	-	210,360
Total liabilities	<u>554,302</u>	<u>144,089</u>	<u>271,574</u>
Fund balances:			
Reserved for:			
Prepaid items	194,645	-	-
Unreserved, reported in:			
General fund	1,561,824	-	-
Special revenue funds	-	88,005	98,942
Total fund balances	<u>1,756,469</u>	<u>88,005</u>	<u>98,942</u>
Total liabilities and fund balances	<u>\$ 2,310,771</u>	<u>\$ 232,094</u>	<u>\$ 370,516</u>

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

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

Long-term liabilities 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.

The other post employment benefit obligation liability is not due and payable in the current period and therefore is not reported in the funds.

Net assets of governmental activities

Nonmajor Funds	Total Governmental Funds
\$ 456,161	\$ 2,038,081
338	13,854
77,955	282,698
-	210,360
-	708,197
1,000	195,645
<u>\$ 535,454</u>	<u>\$ 3,448,835</u>

\$ 570	\$ 392,528
-	331,167
-	36,254
-	226
-	210,360
<u>570</u>	<u>970,535</u>

1,000	195,645
-	1,561,824
533,884	720,831
<u>534,884</u>	<u>2,478,300</u>
<u>\$ 535,454</u>	

28,520,217

(8,299,273)

(39,175)

(336,000)

\$ 22,324,069

CITY OF SATELLITE BEACH, FLORIDA

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

September 30, 2009

	General	Community Redevelopment Agency	Stormwater Utility
Revenues			
Taxes	\$ 6,562,939	\$ 591,716	\$ -
Licenses and permits	905,674	-	-
Intergovernmental	1,005,116	272,998	187,458
Charges for services	552,964	-	260,711
Fines and forfeitures	89,083	-	-
Interest and other	106,063	25,997	341
Total revenues	<u>9,221,839</u>	<u>890,711</u>	<u>448,510</u>
Expenditures			
Current:			
General government	2,234,309	260,943	-
Public safety	4,330,359	-	-
Public works	1,534,285	-	40,505
Recreation	680,804	-	-
Capital outlay	7,671	938,509	381,606
Debt service:			
Principal retired	-	223,800	107,289
Interest	-	242,616	44,813
Total expenditures	<u>8,787,428</u>	<u>1,665,868</u>	<u>574,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>434,411</u>	<u>(775,157)</u>	<u>(125,703)</u>
Other financing sources (uses)			
Transfers in	824,641	1,232,857	215,000
Transfers out	(1,447,857)	(801,161)	-
Insurance proceeds	7,208	-	-
Capital lease proceeds	-	-	-
Net other financing sources (uses)	<u>(616,008)</u>	<u>431,696</u>	<u>215,000</u>
Net change in fund balances	<u>(181,597)</u>	<u>(343,461)</u>	<u>89,297</u>
Fund balances, beginning of year	<u>1,938,066</u>	<u>431,466</u>	<u>9,645</u>
Fund balances, end of year	<u>\$ 1,756,469</u>	<u>\$ 88,005</u>	<u>\$ 98,942</u>

Nonmajor Funds	Total Governmental Funds
\$ 362,588	\$ 7,517,243
-	905,674
163,099	1,628,671
2,789	816,464
12,891	101,974
24,596	156,997
<u>565,963</u>	<u>11,127,023</u>
-	2,495,252
114	4,330,473
11,380	1,586,170
2,688	683,492
309,379	1,637,165
273,311	604,400
57,354	344,783
<u>654,226</u>	<u>11,681,735</u>
<u>(88,263)</u>	<u>(554,712)</u>
-	2,272,498
(23,480)	(2,272,498)
-	7,208
103,812	103,812
<u>80,332</u>	<u>111,020</u>
(7,931)	(443,692)
542,815	2,921,992
<u>\$ 534,884</u>	<u>\$ 2,478,300</u>

CITY OF SATELLITE BEACH, FLORIDA

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

Year Ended September 30, 2009

Net change in fund balances - total governmental funds \$ (443,692)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	902,841
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(11,738)
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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	500,588
Other post employment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(336,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(63,854)</u>
Change in net assets of governmental activities	<u><u>\$ 548,145</u></u>

CITY OF SATELLITE BEACH, FLORIDA

Statement of Fiduciary Net Assets - Pension Trust Funds

September 30, 2009

ASSETS

Cash and cash equivalents	\$ 310,322
Receivables:	
City contributions	147,730
Participant loan	21,141
Investments, at fair value:	
U.S. government and other debt securities	5,014,571
Mutual stock funds	<u>7,289,857</u>
Total assets	<u>12,783,621</u>

LIABILITIES

-

NET ASSETS

Held in trust for pension benefits	<u><u>\$ 12,783,621</u></u>
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CITY OF SATELLITE BEACH, FLORIDA

Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

Year Ended September 30, 2009

ADDITIONS

Contributions:

Employees	\$ 311,765
City	635,061
State	209,311
Total contributions	<u>1,156,137</u>

Investment earnings	283,223
Total additions	<u>1,439,360</u>

DEDUCTIONS

Benefit payments	533,048
Administrative expenses	38,535
Total deductions	<u>571,583</u>

Change in net assets 867,777

Net assets held in trust for pension benefits, beginning of year 11,915,844

Net assets held in trust for pension benefits, end of year \$ 12,783,621

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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' Retirement System functions for the benefit of these employees and is 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 as 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 is financially responsible for also funding the Money Purchase Plan.

The Police Officers' and Firefighters' System, the General Employees' System, and the Money Purchase Plan 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

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

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.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Stormwater Utility Fund accounts for the proceeds from Stormwater Utility assessments. These funds are to be used for the operation and maintenance of the City's stormwater management program.

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, and its defined contribution plan for general employees hired after September 30, 1996. The plans accumulate resources for pension benefit payments to qualified employees.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS 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 of Satellite Beach, Florida invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. During the year ended September 30, 2008, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restriction on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("LPIG" and "Fund B"). During the year ended September 30, 2009, the SBA renamed LPIG to Florida PRIME.

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The City of Satellite Beach, Florida'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 Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

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.

During the year ended September 30, 2009, 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 the Local Government Surplus Funds Trust Fund (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.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

1. *Cash and investments (continued)*

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.

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, 2009 was 7.1207 mills, the rolled back rate as approved by a two-third 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 lien 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; therefore, no material taxes are receivable at fiscal year end.

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.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

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 Asset 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.

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

<u>Assets</u>	<u>Years</u>
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. *Unearned revenues*

Unearned revenues include amounts collected before the revenue recognition criteria are met. The unearned items consist primarily of business tax receipts recorded by the general fund that relate to the subsequent year.

7. *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 assets. The City has no bond premiums, discounts, or issuance costs associated with its long-term obligations.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

7. *Long-term obligations (continued)*

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

8. *Change in presentation*

In the fund financial statements, governmental funds reported approximately \$750,000 of franchise fees as *taxes* in the prior year. However, due to changes in the State Chart of Accounts, current year franchise fees of approximately \$762,000 are reported as *licenses and permits*.

In the fund financial statements, governmental funds reported approximately \$61,000 of local business tax receipts as *licenses and permits* in the prior year. However, due to changes in the State Chart of Accounts, current year local business tax receipts of approximately \$59,000 are reported as *taxes*.

In the fund financial statements, governmental funds reported approximately \$325,000 of local option gas taxes as *intergovernmental revenue* in the prior year. However, due to changes in the State Chart of Accounts, current year local option gas taxes of approximately \$307,000 are reported as *taxes*.

In the fund financial statements, governmental funds reported approximately \$226,000 of casualty insurance taxes as *intergovernmental revenue* in the prior year. However, due to changes in the State Chart of Accounts, current year casualty insurance taxes, which have been renamed insurance premium taxes, of approximately \$209,000 are reported as *taxes*.

9. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves for prepaid expenses represent amounts paid from current resources applicable to future years.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information. The City has elected, as permitted by GASB 34, to disclose all budgetary information in the notes to the required supplementary information.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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 ASSETS

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds and net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, if any, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$(8,299,273) difference are as follows:

Note payable – CRA	\$ (5,556,700)
Note payable	(851,682)
Capital leases payable	(1,163,277)
Compensated absences	<u>(727,614)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets-governmental activities	<u>\$ (8,299,273)</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 assets 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 \$902,841 difference are as follows:

Capital outlay	\$ 1,637,165
Depreciation expense	<u>(734,324)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 902,841</u>

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 assets. The details of this \$500,588 difference are as follows:

Debt issued or incurred:	
Capital lease	\$ (103,812)
Principal repayments	<u>604,400</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 500,588</u>

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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 “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(63,854) difference are as follows:

Compensated absences	\$ (65,432)
Interest expense	<u>1,578</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (63,854)</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At September 30, 2009, the government's carrying amount of deposits was \$1,057,142 and the bank balance was \$1,139,693. At September 30, 2009, the pension trust funds carrying amount of deposits was \$84,583 and the bank balance was \$84,583. In addition, the City reported petty cash of \$1,200. As of September 30, 2009, \$250,000 of the City's bank balances are covered by federal depository insurance (FDIC) through December 31, 2013 at which time it will revert back to \$100,000. 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, 2009, the City had the following investments:

Primary government:	
SBA (Florida PRIME)	\$ 74,619
SBA Fund B	13,854
SPIA	<u>905,120</u>
Primary government total	<u>\$ 993,593</u>
Pension trust funds:	
Bond mutual fund	\$ 5,014,571
Stock mutual fund	6,277,558
International stock mutual fund	<u>1,238,038</u>
Pension trust funds total	<u>\$ 12,530,167</u>

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2009, \$5,014,571 of the City's pension trust funds' investment in bond mutual funds was rated AA/V4 by Fitch Ratings. As of September 30, 2009, the City's investment in the Florida PRIME was rated AAAM by Standard & Poors. As of September 30, 2009, the City's investment in the Fund B was unrated. As of September 30, 2009, the City's investment in the SPIA pool was rated A+f by Standard & Poors.

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, 2009, the City's pension trust fund investments in bond mutual funds had a weighted average maturity of 4.81 years. As of September 30, 2009, the Florida PRIME had a weighted average maturity of 33 days and the Fund B had a weighted average life of 6.69 years. As of September 30, 2009, the SPIA pool had an effective duration of 1.84 years.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 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	925,030	1,348,618	(1,140,244)	1,133,404
Total capital assets, not being depreciated	<u>12,605,980</u>	<u>1,348,618</u>	<u>(1,140,244)</u>	<u>12,814,354</u>
Capital assets, being depreciated:				
Buildings	4,465,707	-	-	4,465,707
Improvements other than buildings	3,532,098	976,860	-	4,508,958
Equipment	3,141,829	184,851	(87,016)	3,239,664
Infrastructure	14,677,607	267,080	-	14,944,687
Total capital assets being depreciated	<u>25,817,241</u>	<u>1,428,791</u>	<u>(87,016)</u>	<u>27,159,016</u>
Less accumulated depreciation for:				
Buildings	(1,290,558)	(96,576)	-	(1,387,134)
Improvements other than buildings	(802,153)	(176,594)	-	(978,747)
Equipment	(2,019,367)	(215,994)	75,278	(2,160,083)
Infrastructure	(6,682,029)	(245,160)	-	(6,927,189)
Total accumulated depreciation	<u>(10,794,107)</u>	<u>(734,324)</u>	<u>75,278</u>	<u>(11,453,153)</u>
Total capital assets, being depreciated, net	<u>15,023,134</u>	<u>694,467</u>	<u>(11,738)</u>	<u>15,705,863</u>
Governmental activities capital assets, net	<u>\$ 27,629,114</u>	<u>\$ 2,043,085</u>	<u>\$ (1,151,982)</u>	<u>\$ 28,520,217</u>

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

Governmental activities:	
General government	\$ 177,612
Public safety	145,335
Physical environment	291,066
Recreation	120,311
Total depreciation expense - governmental activities	<u>\$ 734,324</u>

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances as of September 30, 2009 include a \$210,360 balance due from the stormwater utility fund to the general fund for expenditures paid for by the general fund during the current fiscal year.

Interfund transfers for the year ended September 30, 2009:

	Transfer In:			Total
	General Fund	Community Redevelopment Agency Fund	Stormwater Utility Fund	
<u>Transfer out:</u>				
General Fund	\$ -	\$ 1,232,857	\$ 215,000	\$ 1,447,857
Community Redevelopment Agency Fund	801,161	-	-	801,161
Nonmajor Funds	23,480	-	-	23,480
Total transfers out	<u>\$ 824,641</u>	<u>\$ 1,232,857</u>	<u>\$ 215,000</u>	<u>\$ 2,272,498</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. LONG-TERM DEBT

Capital leases

The government has entered into certain lease agreements as lessee for financing the acquisition of certain vehicles and trucks for the police, fire and public works departments. The government also has financed a recreation center by means of leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	
Building	\$ 2,376,127
Equipment	74,158
Vehicles	319,830
Less: Accumulated depreciation	(541,789)
Total	<u>\$ 2,228,326</u>

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. LONG-TERM DEBT (CONTINUED)

Obligations of governmental activities under capital leases at September 30, 2009, were as follows:

Year Ending Sept. 30,	Principal	Interest	Total
2010	\$ 246,037	\$ 46,824	\$ 292,861
2011	250,059	35,640	285,699
2012	237,170	24,231	261,401
2013	218,417	14,347	232,764
2014	211,594	4,623	216,217
Total	<u>\$ 1,163,277</u>	<u>\$ 125,665</u>	<u>\$ 1,288,942</u>

Notes payable

Stormwater Utility Note 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.

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. The initial amount drawn on the note was \$6,250,000. Quarterly payments ranging from \$114,291 to \$117,988, including principal and interest, are due through the maturity date of May 1, 2026. The note is secured by revenues of the Community Redevelopment Agency fund.

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 its \$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 \$6,250,000. The associated variable-rate note has a \$6,250,000 principal amount with a like term.

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 million bond is 0.66% as of September 30, 2009. Therefore, the interest rate related to the \$6,250,000 swap is 3.57% as of the same date, calculated as the difference between the synthetic fixed rate of 4.23% and the 0.66% variable rate.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. LONG-TERM DEBT (CONTINUED)

The interest rate swap agreement has a negative fair value of approximately \$739,000 as of September 30, 2009. 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.

As of September 30, 2009, 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, 2009, the swaps' counterparty was rated Aa3 by Moody's.

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

September 30,	Principal	Interest	Interest (swap)	Total
2010	\$ 346,077	\$ 76,367	\$ 194,445	\$ 616,889
2011	361,635	69,157	185,965	616,757
2012	378,178	61,596	177,129	616,903
2013	395,520	53,667	167,905	617,092
2014	413,174	45,350	158,278	616,802
2015-2019	1,798,298	132,021	631,990	2,562,309
2020-2024	1,937,100	65,592	321,350	2,324,042
2025-2026	778,400	7,433	25,793	811,626
Totals	\$ 6,408,382	\$ 511,183	\$ 1,862,855	\$ 8,782,420

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable – CRA	\$ 5,780,500	\$ -	\$ (223,800)	\$ 5,556,700	\$ 233,400
Note payable – Stormwater	958,971	-	(107,289)	851,682	112,677
Capital leases payable	1,332,776	103,812	(273,311)	1,163,277	246,037
Compensated absences	662,182	512,497	(447,065)	727,614	430,255
Long-term liabilities	\$ 8,734,429	\$ 616,309	\$ (1,051,465)	\$ 8,299,273	\$ 1,022,369

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

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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 the Florida Municipal Insurance Trust (FMIT), administered by the Florida League of Cities (FLC), Inc. Public Risk Services. Coverage provided through the FMIT includes general liability, auto liability, property and workers' compensation. The City has established a limited risk management program for workers' compensation coverage. The City self-insures the first \$2,500 of each claim. The City budgets for this self-insured portion of workers' compensation and is billed by the FMIT on an annual basis. Annual costs over the last three years for self-insuring the first \$2,500 of each workers' compensation claim totaled \$25,143 or an average of \$8,381 per year.

B. OTHER POSTEMPLOYMENT BENEFITS

As of October 1, 2008, the City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other than Pensions* (OPEB), for certain post-employment health care benefits provided by the City. The City elected to implement this statement prospectively.

Plan description. The City of Satellite Beach, Florida 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. The Plan has 20 retirees and spouses receiving benefits and has a total of 83 active participants and dependents. Of that total, 77 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, 2009, the City's contribution is \$117,000, 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 approximately \$7,000 for the year ended September 30, 2009.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2009, the amount actually contributed to the Plan, and changes in the City’s net OPEB obligation to the Plan:

Annual required contribution	\$ 456,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>456,000</u>
Contributions made	(117,000)
Interest on employer contributions	<u>(3,000)</u>
Increase in net OPEB obligation	336,000
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 336,000</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending September 30, 2009 was as follows:

Year Ending	Annual Pension Cost (APC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/09	\$ 456,000	26%	\$ 336,000

Fiscal year 2009 was the year of implementation of GASB Statement No. 45. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

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, 2007. Accordingly, the City will be required to obtain a subsequent actuarial valuation within three years of that date. As of October 1, 2007, the actuarial accrued liability for benefits was \$3,449,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,844,000, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 89.7%.

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.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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. Because fiscal year 2009 was the year of implementation of GASB Statement No 45 and the City elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

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, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return (including inflation of 3.0%) and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years. 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 15 years.

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The government maintains a single-employer, defined benefit pension plan that covers its entire police and fire employees, a single-employer, defined benefit pension plan that covers all general employees if they were hired prior to September 30, 1996, and a defined contribution plan for general employees hired after September 30, 1996.

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

Plan description. All regular employees are covered by retirement plans. Police and fire employees are covered by the Police Officers' and Firefighters' Pension Plan, while the other employees are covered by the General Employees' Pension Plan. These are single employer, defined benefit pension plans. Both the Police Officers' and Firefighters' Pension Plan and the General Employees' Pension Plan provide for a reduction of benefits if early retirement is taken. Both plans also provide for death and disability benefits. All benefits for these pension plans are established by City ordinance. These plans are governed by a local Board of Trustees which is autonomous. As previously outlined in Note 1.A, complete financial statements for the plans may be obtained at the City's administrative offices.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

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.

Funding policy. To participate, police and firefighters and general employees are required to contribute 8% of their annual salary to the respective pension plans. The City levies a tax, collected by the State, on property and casualty insurance premiums which partially fund the Police Officers' and Firefighters' Pension Plan. The City is required to contribute the remaining amounts to ensure that these pension plans are actuarially sound. Administrative costs are financed through investment earnings.

Annual pension cost. The City's annual contributions equaled the annual pension cost for each of the pension plans for the year ended September 30, 2009. The City's contributions to the Police Officers' and Firefighters' Pension Plan for the year ended September 30, 2009 were \$491,402, including State contributions made on-behalf of the City of \$209,311. The City's contributions to the General Employees' Pension Plan for the year ended September 30, 2009 were \$289,685 and include no State contributions made on-behalf of the City. Since the employer contributions equaled the annual pension cost, there is no net pension obligation for either plan. The annual required contributions for both plans for the current year, as established by ordinance, were determined as part of the October 1, 2008 actuarial valuations using the entry age normal actuarial cost method. The City normally receives an actuarial valuation every year. However, the City elected not to receive an actuarial valuation for fiscal year 2009 (as of October 1, 2009), as the most recent actuarial valuation (as of October 1, 2008) provided annual required contributions for both fiscal years 2008 and 2009. The actuarial assumptions include an (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.0% per year. The Police Officers' and Firefighters' Pension Plan and General Employees' Pension Plan have unfunded accrued actuarial liabilities of \$2,524,283 and \$1,194,894, respectively, as of October 1, 2008.

Required trend information for both plans for the three most recent fiscal years is presented below:

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Police Officers' and Firefighters' Plan	9/30/07	\$ 428,082	100.00%
	9/30/08	470,284	100.00%
	9/30/09	452,296	100.00%
General Employees' Plan	9/30/07	242,393	100.00%
	9/30/08	323,399	100.00%
	9/30/09	289,431	100.00%

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

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, 2009, there were 35 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 percent of the annual covered payroll of plan participants. Plan provisions and contribution requirements are established and may be amended by the City Council. The City and the employees each contributed \$63,285 to the Plan for the fiscal year 2009.

Combining Fund Information

	<u>Police Officers' and Firefighters'</u>	<u>General Employees'</u>	<u>Money Purchase Plan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 57,544	\$ 27,039	\$ 225,739	\$ 310,322
Receivables:				
City contributions	70,381	72,358	4,991	147,730
Participant loan	-	-	21,141	21,141
Investments: U.S. government and other debt securities	3,411,559	1,603,012	-	5,014,571
Investments: mutual stock funds	4,751,521	2,232,629	305,707	7,289,857
Total assets	<u>8,291,005</u>	<u>3,935,038</u>	<u>557,578</u>	<u>12,783,621</u>
LIABILITIES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 8,291,005</u>	<u>\$ 3,935,038</u>	<u>\$ 557,578</u>	<u>\$ 12,783,621</u>

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

	Police Officers' and Firefighters'	General Employees'	Money Purchase Plan	Total
ADDITIONS				
Contributions:				
Employees	\$ 180,527	\$ 67,953	\$ 63,285	\$ 311,765
City	282,091	289,685	63,285	635,061
State	209,311	-	-	209,311
Total contributions	671,929	357,638	126,570	1,156,137
Total investment earnings	183,721	90,192	9,310	283,223
Total additions	855,650	447,830	135,880	1,439,360
DEDUCTIONS				
Benefit payments	272,545	218,387	42,116	533,048
Administrative expenses	25,262	13,273	-	38,535
Total deductions	297,807	231,660	42,116	571,583
Change in net assets	557,843	216,170	93,764	867,777
Net assets, beginning of year	7,733,162	3,718,868	463,814	11,915,844
Net assets, end of year	\$ 8,291,005	\$ 3,935,038	\$ 557,578	\$ 12,783,621

D. COMMITMENTS AND CONTINGENCIES

Operating Leases

The City leases certain equipment under noncancelable operating leases. The total costs of such leases were \$22,111 for the year ended September 30, 2009. The future minimum lease payments for the leases are as follows:

Year Ending September 30:	
2010	\$ 10,033
2011	5,580
2012	5,580
2013	5,580
2014	4,185
Total	\$ 30,958

Construction Commitments

Commitments for the repair, modification, improvements, materials and new construction of City-owned property at September 30, 2009 totaled approximately \$80,000.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

NOTE 6 – SUBSEQUENT EVENTS

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 purpose of the loan agreement is to finance various stormwater projects within the City.

On December 2, 2009, the City entered into a Local Agency Program Supplemental Agreement with the Florida Department of Transportation for paving a portion of Jackson Avenue. This supplemental agreement uses American Recovery and Reinvestment Act funds of approximately \$137,000.

On December 2, 2009, the City awarded a contract for paving Jackson Avenue and other streets damaged by Tropical Storm Fay for approximately \$351,000.

On January 27, 2010, the City awarded a contract for phases I and II of the Cassia drainage project for approximately \$914,000.

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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

Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 6,382,404	\$ 6,731,863	\$ 6,562,939	\$ (168,924)
Licenses and permits	897,681	915,681	905,674	(10,007)
Intergovernmental	923,781	980,474	1,005,116	24,642
Charges for services	533,588	573,588	552,964	(20,624)
Fines and forfeitures	126,550	126,550	89,083	(37,467)
Interest and other	101,703	110,808	106,063	(4,745)
Total revenues	<u>8,965,707</u>	<u>9,438,964</u>	<u>9,221,839</u>	<u>(217,125)</u>
Expenditures				
Departments:				
Legislative	16,250	17,750	16,505	1,245
Administrative and finance	773,218	833,855	832,113	1,742
General governmental services	1,194,645	1,414,283	1,385,691	28,592
Police	2,178,128	2,625,926	2,547,062	78,864
Fire	1,457,922	1,867,831	1,783,297	84,534
Building and zoning	246,863	254,127	245,290	8,837
Public works	1,339,195	1,418,986	1,288,995	129,991
Recreation	690,248	699,935	680,804	19,131
Capital outlay	14,480	8,775	7,671	1,104
Total expenditures	<u>7,910,949</u>	<u>9,141,468</u>	<u>8,787,428</u>	<u>354,040</u>
Excess of revenues over expenditures	<u>1,054,758</u>	<u>297,496</u>	<u>434,411</u>	<u>136,915</u>
Other financing sources (uses)				
Transfers in	124,011	824,641	824,641	-
Transfers out	(1,200,122)	(1,515,122)	(1,447,857)	67,265
Insurance proceeds	-	7,524	7,208	(316)
Net other financing sources (uses)	<u>(1,076,111)</u>	<u>(682,957)</u>	<u>(616,008)</u>	<u>66,949</u>
Net change in fund balances	<u>(21,353)</u>	<u>(385,461)</u>	<u>(181,597)</u>	<u>203,864</u>
Fund balances, beginning of year	<u>1,938,066</u>	<u>1,938,066</u>	<u>1,938,066</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,916,713</u>	<u>\$ 1,552,605</u>	<u>\$ 1,756,469</u>	<u>\$ 203,864</u>

CITY OF SATELLITE BEACH, FLORIDA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Community Redevelopment Agency

Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 584,010	\$ 591,716	\$ 591,716	\$ -
Intergovernmental	200,000	200,000	272,998	72,998
Interest and other	475,000	201,698	25,997	(175,701)
Total revenues	<u>1,259,010</u>	<u>993,414</u>	<u>890,711</u>	<u>(102,703)</u>
Expenditures				
Department:				
General government	1,210,861	281,525	260,943	20,582
Capital outlay	1,950,000	982,539	938,509	44,030
Debt service:				
Principal retired	223,800	223,800	223,800	-
Interest	241,004	242,616	242,616	-
Total expenditures	<u>3,625,665</u>	<u>1,730,480</u>	<u>1,665,868</u>	<u>64,612</u>
Deficiency of revenues under expenditures	<u>(2,366,655)</u>	<u>(737,066)</u>	<u>(775,157)</u>	<u>(38,091)</u>
Other financing sources (uses)				
Transfers in	1,200,122	1,300,122	1,232,857	67,265
Transfers out	-	(801,161)	(801,161)	-
Proceeds from the sale of assets	1,200,000	-	-	-
Net other financing sources (uses)	<u>2,400,122</u>	<u>498,961</u>	<u>431,696</u>	<u>67,265</u>
Net change in fund balances	33,467	(238,105)	(343,461)	(105,356)
Fund balances, beginning of year	431,466	431,466	431,466	-
Fund balances, end of year	<u>\$ 464,933</u>	<u>\$ 193,361</u>	<u>\$ 88,005</u>	<u>\$ (105,356)</u>

CITY OF SATELLITE BEACH, FLORIDA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Stormwater Utility

Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$2,629,733	\$2,514,733	\$ 187,458	\$ (2,327,275)
Charges for services	303,959	303,959	260,711	(43,248)
Interest and other	15,000	15,000	341	(14,659)
Total revenues	<u>2,948,692</u>	<u>2,833,692</u>	<u>448,510</u>	<u>(2,385,182)</u>
Expenditures				
Department:				
Public works	40,000	45,800	40,505	5,295
Capital outlay	3,785,019	2,806,404	381,606	2,424,798
Debt service:				
Principal retired	134,156	134,156	107,289	26,867
Interest	62,332	62,332	44,813	17,519
Total expenditures	<u>4,021,507</u>	<u>3,048,692</u>	<u>574,213</u>	<u>2,474,479</u>
Deficiency of revenues under expenditures	<u>(1,072,815)</u>	<u>(215,000)</u>	<u>(125,703)</u>	<u>89,297</u>
Other financing sources (uses)				
Transfers in	-	-	215,000	215,000
Transfers out	(100,531)	-	-	-
Capital lease proceeds	1,173,346	-	-	-
Net other financing sources (uses)	<u>1,072,815</u>	<u>-</u>	<u>215,000</u>	<u>215,000</u>
Net change in fund balances	<u>-</u>	<u>(215,000)</u>	<u>89,297</u>	<u>304,297</u>
Fund balances, beginning of year	<u>9,645</u>	<u>9,645</u>	<u>9,645</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,645</u>	<u>\$ (205,355)</u>	<u>\$ 98,942</u>	<u>\$ 304,297</u>

CITY OF SATELLITE BEACH, FLORIDA

Schedule of Funding Progress - Other Postemployment Benefits

Three Most Recent Actuarial Valuations

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL a % of Covered Payroll ((b-a)/c)</u>
10/1/2007	\$ -	\$ 3,449,000	\$ 3,449,000	0.0%	\$ 3,844,000	89.72%

Note: Because fiscal year 2009 was the year of implementation of GASB Statement No 45 and the City elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

CITY OF SATELLITE BEACH, FLORIDA

Schedules of Funding Progress – Pensions

Required Supplementary Pension Information - For the Last Six Fiscal Years

September 30, 2009

POLICE OFFICERS' AND FIREFIGHTERS' PENSION PLAN

Actuarial Valuation Date	(**)					
	(**) Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/ c)
10/01/08	\$ 8,687,759	\$ 11,212,042	\$ 2,524,283	77.5%	\$ 2,181,995	115.7%
10/01/07	8,060,797	10,284,753	2,223,956	78.4%	1,941,552	114.5%
10/01/06	7,275,600	9,672,616	2,397,016	75.2%	1,913,857	125.2%
10/01/05	6,307,516	9,092,287	2,784,771	69.4%	1,794,494	155.2%
10/01/04 (*)	5,786,524	8,245,194	2,458,670	70.2%	1,535,936	160.1%
10/01/03	5,792,236	5,792,236	-	100.0%	1,333,916	0.0%

* Actuarial valuations have been recalculated to be consistent with actuarial assumptions used as of the October 1, 2005 actuarial valuation date.

** Actuarial valuations have been adjusted to eliminate assets and liabilities related to excess State contributions received by the Plan.

GENERAL EMPLOYEES' PENSION PLAN

Actuarial Valuation Date	(**)					
	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/ c)
10/01/08	\$ 4,487,893	\$ 5,682,787	\$ 1,194,894	79.0%	\$ 858,236	139.2%
10/01/07	4,171,919	5,454,487	1,282,568	76.5%	821,201	156.2%
10/01/06	3,756,549	4,834,074	1,077,525	77.7%	798,644	134.9%
10/01/05	3,225,943	4,535,312	1,309,369	71.1%	748,340	175.0%
10/01/04 (*)	2,888,391	3,952,947	1,064,556	73.1%	663,697	160.4%
10/01/03	2,958,377	2,958,377	-	100.0%	613,375	0.0%

* Actuarial valuations have been recalculated to be consistent with actuarial assumptions used as of the October 1, 2005 actuarial valuation date.

CITY OF SATELLITE BEACH, FLORIDA

Schedules of Contributions from the Employer and Other Contributing Entities
 Required Supplementary Pension Information - For the Last Six Fiscal Years

September 30, 2009

POLICE OFFICERS' AND FIREFIGHTERS' PENSION PLAN

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 452,296	\$ 282,091	\$ 170,774 *	100%
2008	470,284	302,622	170,774 *	100%
2007	428,082	257,308	170,774 *	100%
2006	411,213	240,439	170,774 *	100%
2005	362,862	260,531	102,331 *	100%
2004	290,530	188,199	102,331 *	100%

GENERAL EMPLOYEES' PENSION PLAN

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 289,431	\$ 289,685	\$ -	100%
2008	323,399	323,399	-	100%
2007	242,393	242,393	-	100%
2006	207,985	207,985	-	100%
2005	181,519	181,519	-	100%
2004	148,723	148,723	-	100%

* "Frozen" per Chapter 175 and 185, F.S., as amended.

CITY OF SATELLITE BEACH, FLORIDA

Notes to Required Supplementary Information

September 30, 2009

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 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 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.

Encumbrances 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.

Budgeted expenditures exceeded revenues in the stormwater utility special revenue fund. Budgeted and actual expenditures exceeded revenues in the general fund and community redevelopment agency special revenue fund. However, this is pursuant to the legally adopted budget to expend available fund equity (cash carry forward) and does not constitute a deficit.

B. ADDITIONAL ACTUARIAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Police Officers' and Firefighters' Pension Plan	General Employees' Pension Plan
Actuarial valuation date	10/01/08	10/01/08
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage Closed	Level Percentage Closed
Remaining amortization period	30 years	30 years
Asset valuation method	Four year smoothed market	Four year smoothed market
Actuarial assumptions:		
Investment rate of return*	8.0%	8.0%
Projected salary increases*	5.0%	5.0%
*Includes inflation at:	3.0%	3.0%



Hoyman Dobson

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*

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

We have audited 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 22, 2010. 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.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Satellite Beach, Florida's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Satellite Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Satellite Beach, Florida's financial statements that is more than inconsequential will not be prevented or detected by the City of Satellite Beach, Florida's internal control. We noted no control deficiencies that we consider to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Satellite Beach, Florida's internal control.

Certified Public Accountants

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

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 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*.

We noted a certain other matter that was reported to management of the City of Satellite Beach, Florida in a separate letter, Independent Auditors' Management Letter, dated February 22, 2010.

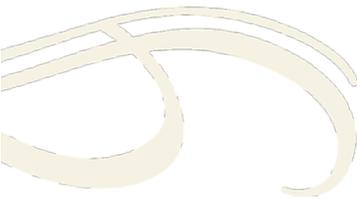
This report is intended solely for the information and use of the City of Satellite Beach, Florida and management, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.



Hoyman Dobson
Melbourne, Florida
February 22, 2010



Hoyman Dobson



**Independent Auditors’
Management Letter**

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

We have audited the financial statements of the City of Satellite Beach, Florida as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated February 22, 2010.

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. We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 22, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors’ report:

- ❖ 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 actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below:

Internal Control Findings:

- | | |
|--|-----------|
| 1. Year end analytic procedures | Corrected |
| 2. Capital assets system | Corrected |
| 3. Review of accounting for grant revenues | Corrected |

Compliance Findings:

- | | |
|---|-----------|
| 1. Expenditures in excess of appropriations | Corrected |
|---|-----------|

- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Satellite Beach, Florida complied with Section 218.415, Florida Statutes.



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- ❖ Section 10.554(1)(i)3., 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 did not have any such recommendations.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did have one such finding:

2009-1 TRAVEL EXPENDITURES

Context: In accordance with Section 218.08, Florida Statutes, the City is exempt from paying sales tax on purchases made in the State of Florida.

Condition: During the audit, we noted that the City incurred sales taxes of approximately \$24 on certain travel expenditures incurred in Florida.

Cause: The charges in question were paid on a City-issued credit card. We note that the credit card invoice was reviewed, approved, and paid without the related travel receipt, which would have indicated the inappropriate taxes charged to the City.

Effect: Failure to submit the related receipt caused the City to be out of compliance with the City's policies and with Florida Statutes.

Recommendation: We recommend management obtain, review, and approve all credit card receipts prior to paying credit card bills to ensure compliance with the City's policies and with Florida Statutes.

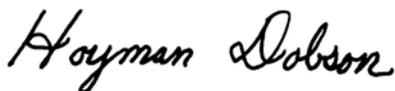
Management Response: We concur with the recommendation of our auditors. The policy regarding travel and credit card receipts states that travel documentation including all associated receipts shall be completed and turned into the Finance Department for a final accounting within five working days of the last day of travel. The Finance Department has established a travel database to ensure the timeliness of the receipt of these documents from employees. Further, the City has taken steps to recover the sales tax that was paid out in error.

- ❖ Section 10.554(1)(i)6., 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 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

- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special 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.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Satellite Beach, Florida for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City of Satellite Beach, Florida and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Hoyman Dobson
Melbourne, Florida
February 22, 2010