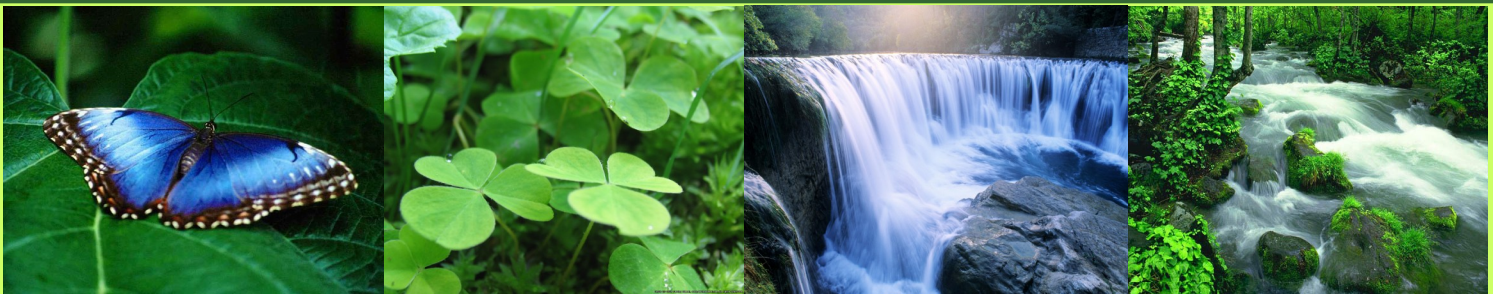


City of Cocoa Beach, Florida

Comprehensive Annual Financial Report
Fiscal Year Ended
September 30, 2010



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended
September 30, 2010



City of Cocoa Beach, Florida

Prepared by:
The City's Finance Department
February, 2011

INTRODUCTORY SECTION

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- Letter of Transmittal
- City Officials & Management Staff
- City Organization Chart
- Certificate of Achievement



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City of Cocoa Beach

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www.cityofcocoabeach.com

February 11, 2011

Mr. Charles J. Billias
City Manager
City of Cocoa Beach
2 South Orlando Avenue
Cocoa Beach, FL 32931

Dear Mr. Billias:

The Comprehensive Annual Financial Report (CAFR) of the City of Cocoa Beach, Florida for the fiscal year ended September 30, 2010 is submitted pursuant to Florida Statutes Chapters 11.45 and 218.39, and Section 3.03(4) of the City Charter.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The report complies in all material respects with the authoritative promulgations by the Governmental Accounting Standards Board (GASB). An explanation of the City's accounting policies is contained in the Notes to Financial Statements, which are an integral part of this Report. These Notes explain the basis of accounting, funds and accounts used, and other significant accounting information.

Internal Controls

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP).

The internal control structure is intended to provide reasonable, but not absolute, assurance that these objectives are met. The inherent limitations of internal control are that:

1. Cost considerations will prevent management from ever installing a "perfect" system. Management will properly and deliberately choose to run certain risks because the cost of preventing such risks cannot be justified, (i.e. costs should not exceed benefits).

2. Control related policies and procedures are subject to management override and
3. Internal controls may be circumvented by collusion between employees.

Independent Audit

Chapter 218.39, Florida Statutes requires that the financial statements of the City be audited by an independent Certified Public Accountant. This audit has been completed by the City's independent Certified Public Accountants, Moore Stephens Lovelace, P.A., and their opinion is included in their report.

Management Discussion and Analysis

Generally Accepted Accounting Principles (GAAP) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This information is referred to as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Cocoa Beach's MD&A can be found immediately following the independent auditors' report.

Profile of the Government

The City of Cocoa Beach has a Commission/Manager form of government. The five (5) member Commission consists of a Mayor and four (4) Commissioners who are elected at large and serve for a period of four (4) years. In the governance of the City, the Commission is charged with the responsibility of establishing policies and enacting ordinances and resolutions. The City Manager is appointed by the Commission, and is charged with the responsibility of administering daily operations and implementing Commission directives. The City provides a range of services normally associated with a municipality, including police, fire, emergency medical services, parks and recreational activities, streets and parks maintenance, traffic engineering and parking, sanitation, wastewater treatment, stormwater improvements, community redevelopment, code enforcement, planning and zoning, and general administration. Wastewater treatment services are also provided to the adjacent unincorporated areas and to Patrick Air Force Base. The City also operates a twenty-seven (27) hole golf course. All monies required to support these services are reflected in this report.

Budgeting Process and Controls

The City maintains budgetary control as part of its fiscal management techniques. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body. Annual budgets are prepared for those funds that require them. Budgetary integration is established in the accounting records with a uniform chart of accounts as required by the state.

The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

Note C of the financial statements contains a more complete discussion of the budget process.

Community Characteristics

The City of Cocoa Beach was incorporated in 1925. With its six (6) miles of highly accessible beaches and laid back beach style, the City is a popular family-oriented tourist destination as well as a residential and resort community situated on the narrow strip of land between the Banana River and the Atlantic Ocean. The small oceanfront community is characterized by a mixed economy of tourism and retirement living, which offers a desirable quality of life for residents and visitors alike. The base population (for state shared revenue purposes in FY 2011) is twelve thousand six hundred thirty-one (12,631) but the number of residents increases to about thirty thousand (30,000) during the tourist season when hotels, motels, timeshares and condominium rentals are full. There are over five thousand seven hundred (5,700) hotel and motel rooms available. In addition, the City is the destination for another two million four hundred thousand (2,400,000) day visitors per year. Most of these day visitors reside in the Orlando metro area, a drive of less than two (2) hours. The preceding numbers were provided by an independent consultant.

Total land area in the City is approximately two thousand seven hundred (2,700) acres of which about nine hundred (900) acres is the area known as The Thousand Islands. A significant portion of The Thousand Islands located on the north side of the City was jointly purchased by the City, Brevard County and the State of Florida several years ago and leased to the City to conserve and protect these natural and historic resources. The islands on the City's southern side were owned by two (2) private sector entities. The Brevard County Environmentally Endangered Lands (EEL) Program purchased one (1) portion in FY 2007 and the remaining portion was purchased in FY 2008. The City Commission approved funds to assist in both purchases. Vacant lands, excluding The Thousand Islands comprise less than five (5%) percent of the City's land area. Land uses are primarily in the form of residential, commercial, public recreation, schools, and public or institutional uses. Industrial uses are not permitted.

Economic Condition and Outlook

The financial condition and economic vitality of the area are influenced by the activities at the Kennedy Space Center and Port Canaveral to the north, and Patrick Air Force Base to the south.

The Kennedy Space Center is both a tourist attraction and a major employment center, with several space and defense contractors located there, supported by numerous local suppliers and support services. There is concern regarding job losses in general and high-wage jobs specifically because of the scheduled phase out (2011) of the existing space shuttle program and the lack of clarity about the scope, location and timing of a replacement program. Currently it appears that considerable uncertainty exists regarding the timing and phase in of a federal replacement program or a private sector space program (or a combination of both). Table D-2 in the statistical section shows the major companies and jobs that might be affected.

Port Canaveral has a favorable area impact with its growth in cruise ship services, port facilities, tonnage processed, and recreational activities. The Port is the 2nd busiest cruise port in the world, with ten (10) beautifully constructed terminals. The Port continues to add cruise ships and currently host ships from most major cruise lines. It has evolved into a major deepwater port of entry with first-class berthing facilities, a marine commercial park and foreign trade zone. It is the world's first quadra-modal hub, interchanging freight among sea, land, air and space transportation modes. The Port continues to increase cargo ship activity, with the combined port costs for tug boats, piloting, line handling, dockage and water among the lowest in the Southeast. Annual cargo tonnage exceeds two million tons with two (2) liquid bulk facilities and nine (9) dry cargo berths with six thousand nine hundred seventy-six (6,976) feet of berthing space, including a Roll On/Roll Off ramp.

Patrick Air Force Base is one of the area's major employers, as well as a provider of services to the area's military veterans and retirees.

State shared revenues (sales tax & fuel tax) have fallen each year since FY 2007 because of the recession induced decline in travel and tourism. High fuel prices early in FY 2008 appear to have permanently reduced miles driven and therefore reduced fuel tax receipts. Falling interest rates are reducing revenues earned by our pooled funds and investment accounts. Fuel prices are creeping upwards again, and low interest rates are forecast for the foreseeable future.

The FY 2011 fiscal year budget has a drop (for the fourth consecutive year) in Brevard County property taxable values as well as declines in state shared revenue because of the recession. This drop along with another tax cut reduces FY 2011 revenues about two hundred thousand (\$200,000) dollars. Actual ad valorem tax collections in FY 2007 were \$7,341,256; in FY 2011 they are projected to be \$6,256,616. This is a drop of \$1,084,640 or about fifteen (15%) percent. The cumulative effect since FY 2007 exceeds two million (\$2,000,000) dollars. Property values are projected to decrease for at least one more year in Brevard County.

The coming session of the Legislature will consider some tax measures. Florida is one of the lowest tax states¹ already, and recessionary times will make tax increases or revenue enhancements politically difficult. A high degree of uncertainty exists regarding the effects of the economic downturn on our community.

Long-term Financial Planning

With a stable population base, the City does not face the problem of adding significant infrastructure faced by other rapidly growing neighboring municipalities. We also are able to avoid the payroll costs associated with an expanding infrastructure. Since the City is essentially fully developed, there is little potential for significant major additions to the tax roll and increases will come primarily from redevelopment and re-evaluations of existing properties. The stable population base restricts growth in state shared revenue (allocated on a per capita basis).

We do have the problems of an aging infrastructure. We have already completed a new Public Works Complex and a tennis building, both projects replacing 1950s – 1960s era facilities. The golf & pool buildings have been renovated with modern aluminum roofs and some park bathhouses were renovated or replaced. We demolished two (2) buildings to avoid renovation costs for outdated facilities no longer meeting our needs.

The Administrative Complex and Police and Fire Stations also date from the 1950s – 1960s and will require extensive renovation and/or replacement. The order of magnitude (i.e. plus/minus thirty (\pm 30%) percent) estimate for replacement of the facilities is twenty million (\$20,000,000) dollars. An additional two million (\$2,000,000) dollars is estimated as the replacement cost for the other fire station. The challenge of accumulating & setting aside funding sources for debt service in the face of rising operating costs while maintaining service levels is severe.

The sewer plant (a 1960s era facility) will also require extensive capital upgrades to deal with increased regulatory requirements. The order of magnitude estimate (i.e. plus/minus thirty (\pm 30%) percent) for these facilities is sixteen million one hundred thirty-seven thousand (\$16,137,000) dollars. At this time we anticipate using both the state revolving loan program and either a bank loan or bond issue for funding.

¹ Tax Foundation, Special Report, August 2008 No. 163 & Background Paper, October 2008, No. 58.

The golf course continues to be a challenge and some fee structure issues will require attention in FY 2011. Specifically the loss of revenue associated with closing the course to replace the old greens with salt resistant greens has resulted in another loan from the General Fund. This dependence on the General Fund to cover shortfalls is not sustainable for either fund.

The financial position of the City has remained strong and sound with a stable economic base. It is influenced by the proximity of both the major tourist attractions such as the beaches and Port Canaveral, and the proximity to major employers such as the Kennedy Space Center and Patrick Air Force Base. This position is subject to compromise if the space program problems mentioned in the preceding section create sufficient ripple effects in the local economy. The tourist business, already affected by the recessionary environment, will cause a drop in the state shared revenue as mentioned above. The extent of the drop in property values will also be a factor.

The planned increases in parking meter fees & parking fines were implemented for FY 2011.

Fiduciary Funds - Pension Trust Funds & OPEB Trust Fund

The City provides three (3) separate pension plans: general employees, police, and firefighters. Each plan is a contributory defined benefit plan administered by its own Board of Trustees. Each plan maintains separate investment pools, although the same investment manager is used by the police and firefighters. Specific details are addressed in Note L of the financial statements and Required Supplementary Information (RSI).

In addition to providing pension benefits, the City provides other non pension benefits, collectively referred to as other post employment benefits (OPEB). Beginning in October 2008, a fiduciary trust fund is used to aid in accounting for these benefits. Specific details are addressed in Note M of the financial statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cocoa Beach for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the twenty-eighth (28th) consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. We believe our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

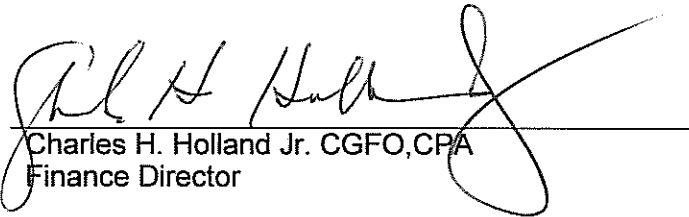
For the tenth year, the City also received the GFOA Distinguished Budget Presentation Award. This was for the fiscal year 2009 annual budget. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication medium. It is valid for a period of one year. We believe our current budget continues to conform to program requirements, and it has been submitted to GFOA to determine its eligibility for another award.

Acknowledgements

Preparation of this Comprehensive Annual Financial Report on a timely basis is made possible through the efficient, dedicated and professional efforts of the Finance Department staff. The significant amount of year-end closing procedures required prior to the audit would not have been accomplished without much hard work and personal sacrifice. I am grateful for the contributions they made in the preparation of this report and for their untiring efforts towards improving the Finance Department's operations.

Other City Departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult. Appreciation must also be expressed to the City's auditors whose suggestions and attention to detail enhanced the quality of this report. In closing, special thanks go to the Mayor and Commission for their unyielding support and steadfast commitment to maintaining the financial integrity of the City. We can all share in the success we have experienced.

Respectfully submitted,



Charles H. Holland Jr. CGFO, CPA
Finance Director



CITY OF COCOA BEACH

City Officials & Management Staff

Mayor and City Commission

Leon “Skip” Beeler		Mayor
Kenneth Griffin	(Appointed 11/4/10)	Vice Mayor
Don John	(Retired 11/4/10)	Commissioner
David Netterstrom	(Elected 11/4/10)	Commissioner
Kevin Pruett		Commissioner
Skip Williams		Commissioner

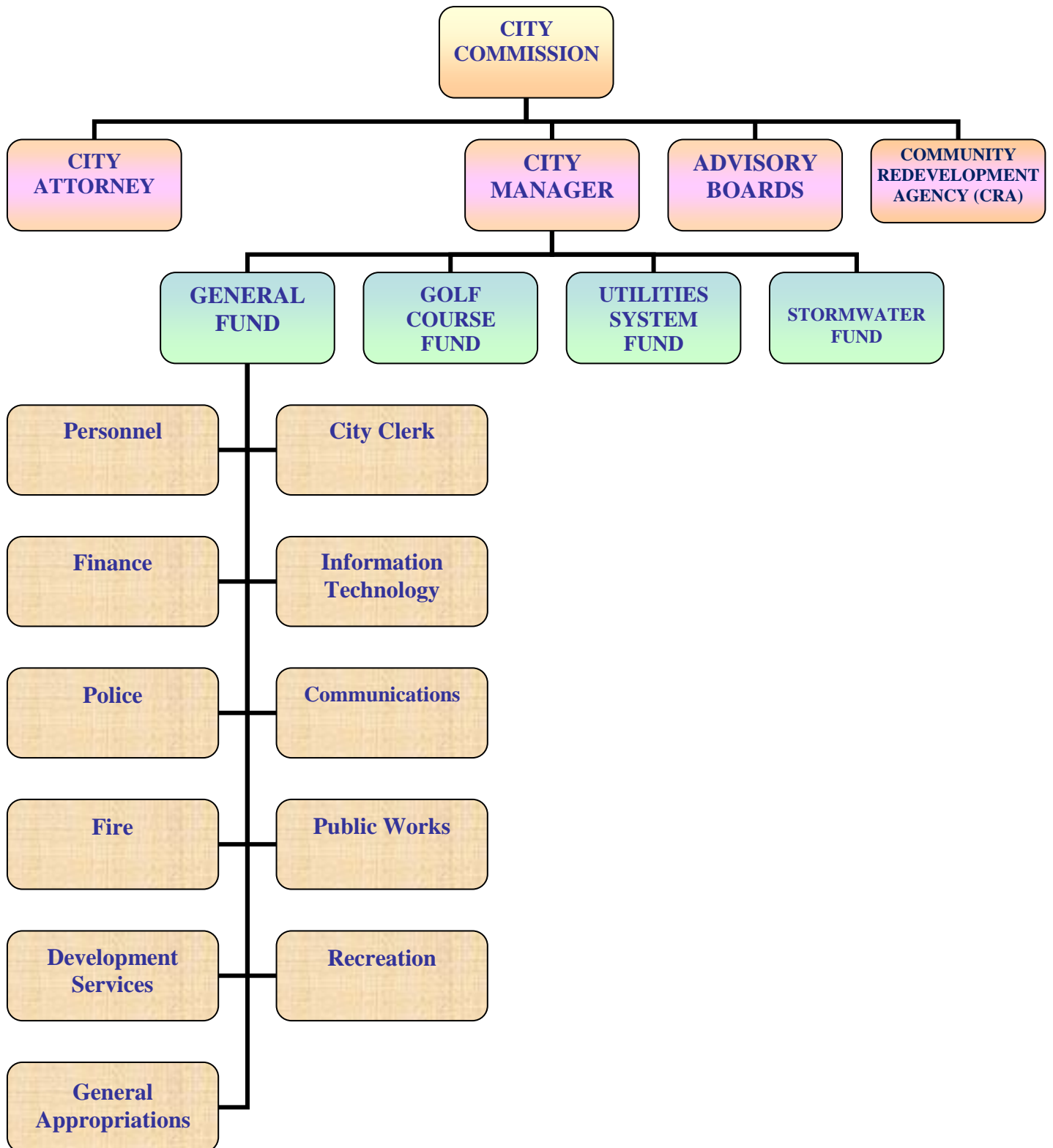
Charles J. “Chuck” Billias, City Manager

Management Team

Darby Blanchard	Director of Water Reclamation
Tony Caravella	Development Services Director
Charles H. Holland, Jr.	Finance Director
Bryan Holmes	Police Chief
A. J. Hutson	Asst. City Manager/Personnel Director
Lori Kalaghchy	City Clerk
Laird McLean	Recreation Supervisor
Joanie Regan	Stormwater Program Coordinator
Scott Shear	(Vested terminee 11/2010) Fire Chief
Jerry Stansfield	Public Information Officer/Grant Writer
Jeff Thiel	Information Technology Director
Robert Torres	Public Works Director
Joe Tucker	Golf Course Manager
Sara Joyce-Webb	Pool Manager
G. C. Wine	Deputy Fire Chief

City Organization Chart

September 30, 2010



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cocoa Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information (RSI)
- Other Supplemental Information





INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Commission
City of Cocoa Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cocoa Beach, Florida (the "City"), as of and for the year ended September 30, 2010, 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'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, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows, thereof and the budgetary comparison for the general fund 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 11, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Honorable Mayor and
Members of the City Commission
City of Cocoa Beach, Florida

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the other supplementary information section, and the statistical section, listed in the table of contents, are presented for additional analysis and are not a required part of the financial statements. The other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida
February 11, 2011