



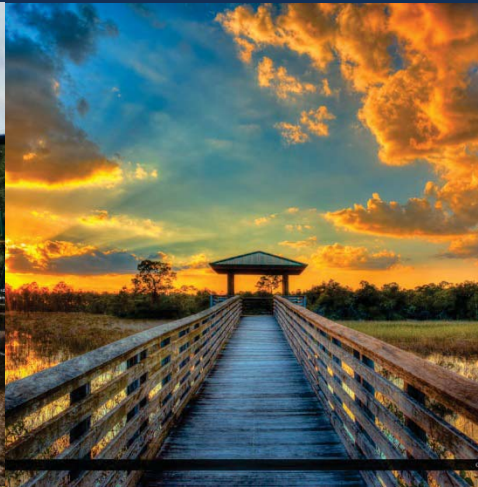
COMPREHENSIVE FINANCIAL  
**ANNUAL  
REPORT**

FOR THE FISCAL YEAR ENDING  
**SEPTEMBER 30, 2016**





# Down to Earth

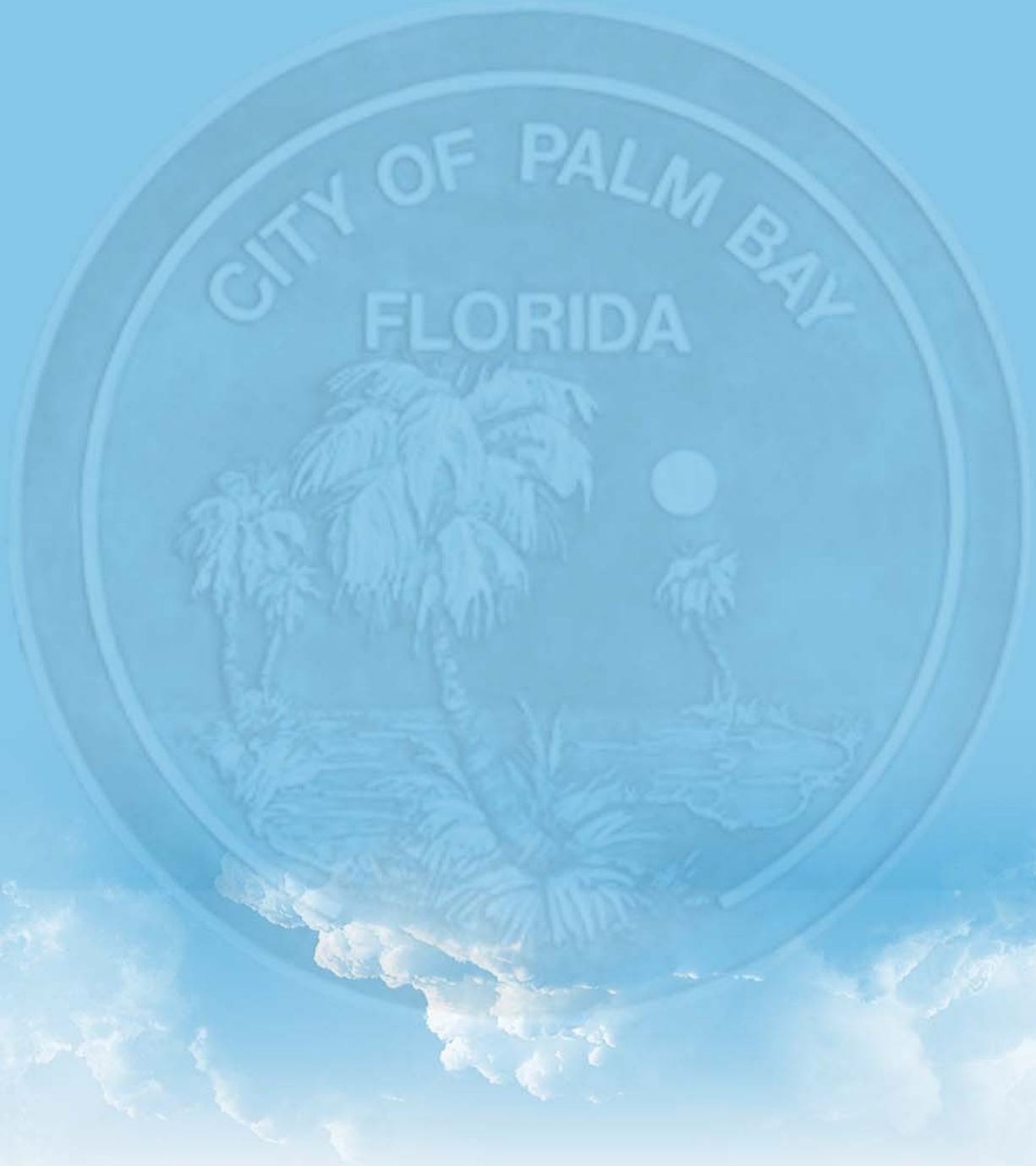


# And Up To Great Things





**CITY OF PALM BAY, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2016



**PREPARED BY: DEPARTMENT OF FINANCE**

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June 15, 2017

The Honorable Mayor Capote and City Council  
City of Palm Bay  
Palm Bay, Florida

The Comprehensive Annual Financial Report (CAFR) of the City of Palm Bay, Florida, for the fiscal year ended September 30, 2016 is hereby submitted pursuant to Florida Statutes Section 218.39, Chapter 10.500 of the Rules of the Auditor General of the State of Florida and Section 4.05 of the City Charter.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and, that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report consists of management's representations concerning the finances of the City of Palm Bay. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. 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). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

As required by Florida Statutes and the City Charter, an audit of the City's CAFR was performed by Carr, Riggs & Ingram, LLC, a firm of licensed, independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Bay for the fiscal year ended September 30, 2016 are free of material misstatement. Based upon the audit, it is anticipated that there will be a reasonable basis for rendering an unmodified opinion that the City of Palm Bay's financial statements for the fiscal year ended September 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report will be presented as the first component of the financial section of this report.



The independent audit of the financial statements of the City of Palm Bay was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statement in the form of 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 Palm Bay’s MD&A can be found immediately following the report of the independent auditors.

## PROFILE OF THE CITY OF PALM BAY

Palm Bay is the largest city in Brevard County and the 18<sup>th</sup> largest in Florida, with approximately 111,500 residents in over 100 square miles. The City is located centrally on Florida’s east coast, midway between Jacksonville and Miami. Port Canaveral and Kennedy Space Center, the nation’s premiere spaceport, are all nearby.

The City operates under the Council-Manager form of government. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council is composed of a Mayor and four Council Members elected at-large for four-year terms. City Council appoints the City Manager, who serves as the City’s Chief Executive Officer and is responsible for the day-to-day administration of the City and the implementation of the policies established by City Council.

The City provides a full range of municipal services as directed by its charter including police and fire, public works, planning, zoning, permitting, parks and recreation, water and sewer services, and general administrative services.

## ECONOMIC CONDITION AND OUTLOOK

Growth and development has returned and is expected to continue, bolstered by renewed efforts to complete large scale mixed-use developments within the City and in the surrounding areas. Fiscal Year 2016 saw an improving economy with property values and new construction increasing over 2015 levels. In 2016, the City issued \$155 million in construction permits. The City’s total taxable property value has increased for the fourth consecutive year. New construction and property values in Palm Bay are trending upward.





The City’s Bayfront Community Redevelopment District continues to invest in economic development and infrastructure improvements to the US 1 corridor, which also has tremendous potential for redevelopment. Each of these areas is experiencing preliminary interest in development activity, and Palm Bay is prepared with staff specifically focused on facilitating growth in these key areas of the City.

A new I-95 interchange will open approximately 24 square miles for mixed-use development. A contract for the construction of the I-95 exit by the Florida Department of Transportation (FDOT) has been awarded and is scheduled to begin in the summer of 2017.

Over the past year, Palm Bay has seen new companies arrive, while some of our major employers have continued to work on expansions. Several major economic drivers including Harris Corporation, Northrop Grumman Corporation, American Title Company, and Embraer continue to expand operations in Palm Bay and South Brevard County, further strengthening the local economic outlook.

The City’s staff and elected officials have worked with the US Economic Development Administration, State of Florida’s Department of Economic Opportunity, Enterprise Florida, Economic Development Commission of Florida Space Coast, Brevard Workforce, Greater Palm Bay Chamber; as well as the private sector to secure new companies in our growing community.

The City’s tax base has moved towards levels last reached in 2008. The FY 2017 adopted budget is based on a tax rate of 8.4500 mils, with .54 mils being dedicated to the Road Maintenance Fund. The 2017 tax rate is a slightly lower than FY 2016’s tax rate of 8.5000 mils. The rollback rate is 7.8365 mils.

Fiscal Year 2016 continued to reflect a stabilizing trend. Over the last few years, the City has been able to add back positions, award an average of 2.5 percent annual pay increases, and fund certain capital acquisitions. Operating expenses were maintained across every department. Road maintenance needs top the list of deferred capital investments. In FY 2016, City Council approved the appropriation of \$1.6 million towards road maintenance. An additional \$1.7 million is appropriated in FY 2017 for road maintenance projects.

## MAJOR INITIATIVES

With stable revenues and rebounding economic activity, the City was able to meet some, but not all of the demands placed upon it in FY 16.

The City revised and updated its Procurement Code of Ordinances and Procurement Procedure Manual to bring the City in-line with benchmarks and best practices that have been established throughout the State of Florida as well as across the nation. The new



Code was modeled after the ABA Model Procurement Code.

The City's Bayfront Community Redevelopment Agency, in collaboration with the City, successfully completed the construction of a new \$2.5 million highway lighting project along US-1. The newly constructed lights along the US-1 corridor are designed to help increase pedestrian and traffic safety.

The Communications and Information Technology Department (C&IT) replaced the City's 12-year old core network switch and moved the City from on premise email servers to hosted cloud services. The core switch is the key in maintaining communications internally between city facilities as well as with our external constituents and partners.

In 2016, the City of Palm Bay began its Sale of Surplus Property program. In accordance with the 2001 General Development Corporation (GDC) court settlement, the City sold \$368,550 in property acquired under the settlement and from foreclosures. The proceeds from the sales are being dedicated to the Road Maintenance Fund.

The Facility Department worked with the area's electric company and city staff electricians to decrease electrical usage at two City parks. Using new technologies and electricity providers programs, the City realized a savings in electricity cost of over \$30,000.

The City acquired ownership and control of capital assets from the County with a net book value of \$11.8 million. The acquisitions consisted of a regional park, a senior center and an aquatic center. The City will receive funding from the County to assist with the operating of the facilities through March 2020, after which time, the City will be responsible for all operating costs.

The Police Department, using a second award of \$800,000 from the State of Florida, completed the Range Training Facility project at a total cost of \$2.6 million. The project, which includes a tactical rappel tower, a tactical simulator, and a live-fire shoot house, has made the Facility one of the most contemporary, all-inclusive, public safety training facilities in the state of Florida. The facility is available for use by local, state and federal law enforcement agencies, as well as, the military.

The Insurance Service Office (ISO) conducted an evaluation of the overall protection classification of the Fire Rescue Department. Palm Bay Fire Rescue (ISO) rating improved from a 3/8B to a citywide rating of 3. This improved rating affects insurance premiums throughout the city.

Phase II of the Palm Bay Parkway (North) from Emerson Drive to the City limit was completed and connected to the Brevard County line creating a parkway from Malabar Road in Palm Bay to U.S. 192 in Melbourne. Upon the County's completion of the





northwest segment of the Parkway, the entire parkway will be opened to the public in 2017, creating new opportunities for residential and commercial growth.

At the end of March 2016, the Utility Department completed the final phase of a nine-year \$5.9 million community investment project to upgrade all water meter assemblies from a manual read system to a mobile automatic read system, thus significantly reducing the number of man-hours to collect consumption data. Three thousand thirty nine (3,039) meters were changed out from April 2015 to March 2016.

## FUTURE PROJECTS

The City's Bayfront Community Redevelopment Agency is working to improve environmental infrastructure with design/permitting efforts currently underway for two new stormwater projects. The goal of the two projects is to reduce untreated stormwater runoff from flowing into the Turkey Creek and the Indian River Lagoon.

C&IT will continue to implement other cloud computing services included with the email service acquired in FY 16. Cloud computing slated to go live in FY17 for citywide enjoyment includes new operating systems, offices suites, video conferencing from desktops, and a plethora of team collaboration software.

The City will start construction of the Design/Build of St. Johns Heritage Parkway from Babcock Street to the new interchange at I-95. This will include completion of all procurement processes award of bid to contractor and ground breaking for construction. The Project will continue into FY 18.

Public Works will complete a Stormwater Utility audit to include implementation of a new business model in support of a concise Stormwater Utility operation and maintenance program.

To accommodate future growth in the southeast, the Utilities Department is in the process of planning and designing the South Regional Water Reclamation Facility to handle wastewater flows in the southeast section of the city. The facility will produce reclaimed water to be used in adjacent neighborhoods and the golf course for irrigation.

With the anticipated growth occurring in the northwest, the Utilities Department is in the process of engineering and soon to follow the construction of a main line water main and force main along the Parkway. This northwest project will accommodate the service needed and improve the water system pressures throughout that region. A regional lift station will be constructed along Malabar Road at the FPL easement to provide the needed wastewater capacity for the area.





## ACCREDITATION AND CERTIFICATIONS



In July of 2008, the Public Works Department became the 51<sup>st</sup> Public Works Department in North America to achieve American Public Works Association Accreditation. The purpose of the accreditation program is to provide a means of formally verifying and recognizing public works agencies for compliance with the recommended practices set forth in the Public Works Management Practices Manual. It is a voluntary, self-motivated approach to objectively evaluate, verify and recognize compliance with the recommended management practices. The Public Works Department was re-accredited in January 2013.



Palm Bay has been named a "Playful City USA" community by KaBoom!. KaBoom! is a national non-profit organization that empowers communities to build playgrounds with the goal of a great place to play within walking distance of every child in America. Palm Bay is one of only 93 communities that have each demonstrated creative commitments to the cause of play and earned this title.



The Police Department became accredited by the Commission for Florida Law Enforcement Accreditation in October of 2007 and reaccredited in October 2010, August 2013, and October 2016.



In July 2016, the Palm Bay Utilities Department was reevaluated under the ISO 14001:2004 environmental standard to continue its registration with NSF. Palm Bay Utilities was the first water *and* wastewater utility in the State of Florida to receive such certification. Through the implementation of the Environmental Management System (EMS) known as Greenway, the Utilities Department has been able to minimize its impact on the environment and establish efficiencies that reduce costs. The program promotes environmental awareness and stewardship among employees by focusing on regulatory compliance, pollution prevention and continual improvement.



In November 2014, the City received the Silver recertification from the Florida Green Building Coalition. The Green Local Government Designation applies to local government functions and their interaction with the surrounding community. A city or county that incorporates multiple environmental, ecological and sustainability features throughout the functions they perform (e.g., conservation of resources, green utilities, pedestrian-oriented circulation) improves the environmental performance considerably over a city or county that just minimally meets state and local regulations.



The City has received the Community Rating System (CRS) Class 6 rating, which is an improvement over the previous rating of 7. The CRS is a voluntary program for National Flood Insurance Program (NFIP)-participating communities. All CRS communities must maintain completed FEMA elevation and flood proofing certificates for all new and substantially improved construction in the Special Flood Hazard Area







after the date of application for CRS classification.

## 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 Palm Bay for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. This was the 30<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada presented an award for Distinguished Budget Presentation to the City of Palm Bay for its annual budget for the fiscal year beginning October 1, 2015 for the 26<sup>th</sup> year. In order 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 communications device.

In 2016, the City's Utility Department received 1) the United Safety Council's International Gold Award for Safety Excellence in the small company category (employees of less than 500), 2) The Florida Water Environment Association (FWEA) Utilities Management Committee Award for Operational Performance Excellence in recognition of Utilities' use of best business practices to advance continuous quality and 3) recognition from the Florida Water Environmental Association (FWEA) for the Utilities Wastewater Treatment Plant for its excellent plant safety record and program.

## ACKNOWLEDGEMENTS

The preparation of this report has been accomplished with the efficient and dedicated service of the City's Finance and Accounting staff. I would like to express my appreciation to all members of the Finance Department staff, as well as other staff members who contributed to its preparation. I would also like to thank the Mayor and City Council for their continued support of City staff as we work through these challenging economic times while building a strong foundation for the City's future.



Respectfully submitted,

Gregg Lynk  
City Manager

Yvonne McDonald, CGFO  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Palm Bay  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

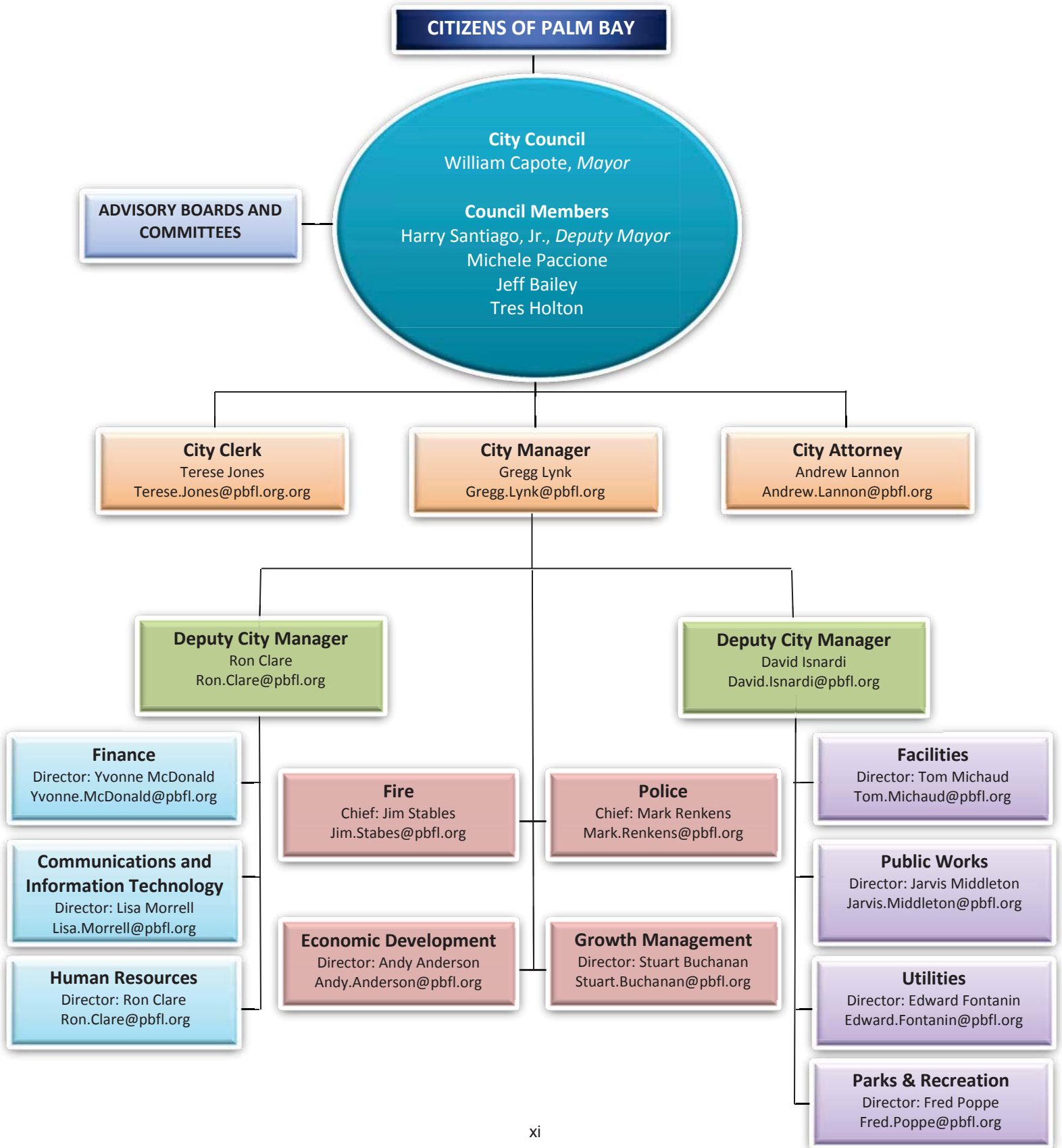
Executive Director/CEO





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# CITY OF PALM BAY ORGANIZATIONAL STRUCTURE FY 2016





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# CITY OF PALM BAY, FLORIDA

## LIST OF PRINCIPAL OFFICIALS

As of date of transmittal

MAYOR	WILLIAM CAPOTE
DEPUTY MAYOR	HARRY SANTIAGO, JR
COUNCIL MEMBER	JEFF BAILEY
COUNCIL MEMBER	TRES HOLTON
COUNCIL MEMBER	BRIAN ANDERSON
CITY MANAGER	GREGG LYNK
DEPUTY CITY MANAGER	DAVID ISNARDI
DEPUTY CITY MANAGER	RON CLARE
CITY ATTORNEY	ANDREW LANNON
CITY CLERK	TERESE JONES
CHIEF PROCUREMENT OFFICER	BOBBYE MARSALA, CPPO
COMMUNICATIONS & INFOMATION TECHNOLOGY DIRECTOR	LISA MORRELL
ECONOMIC DEVELOPMENT	ANDY ANDERSON
FINANCE DIRECTOR	YVONNE MCDONALD, CGFO
FIRE CHIEF	JAMES STABLES, CFO
HUMAN RESOURCES DIRECTOR	RON CLARE
(ACTING) GROWTH MANAGEMENT DIRECTOR	PATRICK MURPHY
PARKS AND RECREATION DIRECTOR	FRED POPPE
POLICE CHIEF	MARK RENKENS
PUBLIC WORKS DIRECTOR	JARVIS MIDDLETON
UTILITIES DIRECTOR	EDWARD FONTANIN, P.E.



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Melbourne, Florida 32940  
(321) 255-0088  
(321) 259-8648 (fax)  
www.cricpa.com

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the City Council  
City of Palm Bay, 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 Palm Bay, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police and Firefighters' Retirement System, which represent 100% of the assets, net position and additions of the pension trust fiduciary fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the Police and Firefighters' Retirement System is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Bay, Florida, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and other required supplementary information on pages 4-19, and pages 90-106 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palm Bay, Florida's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and State of Florida financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550 Rules of the Florida Auditor General, are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards and State of Florida financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards and State of Florida financial assistance are 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017 on our consideration of the City of Palm Bay, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palm Bay's internal control over financial reporting and compliance.

*Cam, Riggs & Ingram, L.L.C.*

Melbourne, Florida  
June 13, 2017

The City of Palm Bay, Florida's (the "City") Management's Discussion and Analysis (the "MD&A") presents this overview and analysis of the City's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the letter of transmittal in the introductory section, and the City's financial statements following the MD&A.

### ***Financial Highlights***

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$129.2 million (net position).

- At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$21.6 million, as compared to \$25.0 million as of September 30, 2015.
- At September 30, 2016, the City's General Fund reported an *unassigned* balance of \$8.9 million or 13.0% of the total 2016 General Fund expenditures and transfers out.
- The City's outstanding long-term debt decreased by \$8.2 million during fiscal year 2016. The decrease was primarily a result of scheduled debt service payments and escrow deposit to facilitate debt refunding.
- The City's business-type activities reported total net position of \$96.4 million, which is an increase of \$6.2 million or 6.9% in comparison to the prior year. Approximately 11% of the total, or \$11.1 million, is *unrestricted*.
- As of February 18, 2016, the City took ownership of the Palm Bay Regional Park and the Greater Palm Bay Senior Center. These facilities were part of an interlocal agreement with Brevard County that conveyed net assets valued at \$11 million to the City and further arranged for custodial and maintenance upkeep of these amenities in addition to that of the Palm Bay Aquatic Center.

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

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

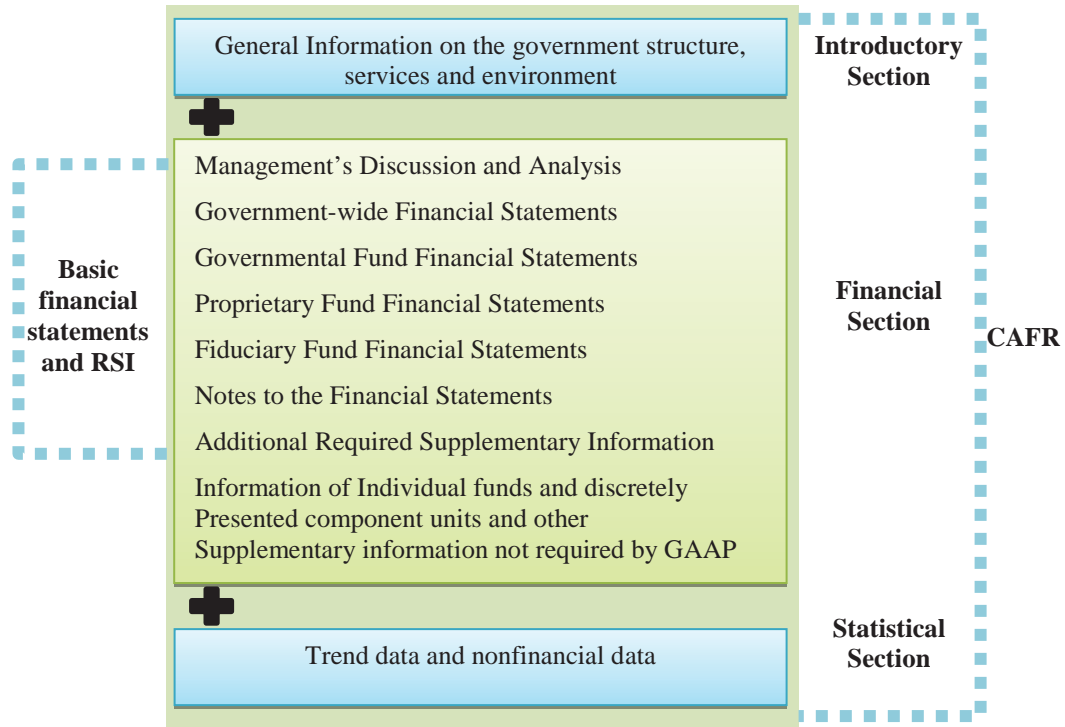
- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The financial statement focus is on both the City as a whole (government-wide) and on the major individual funds. The following chart shows the relationship between the CAFR and the basic financial statements and Required Supplementary Information ("RSI").



**Relationship between Comprehensive Annual  
Financial Report (CAFR)  
And  
Basic Financial Statement and Required  
Supplementary Information (RSI)**



*Government-wide financial statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business. As described below, these statements do not include the City’s fiduciary funds because resources of these funds cannot be used to finance the City’s activities. However, the financial statements of fiduciary funds are included in the City’s fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties. The government-wide financial statements consist of the following two statements:

The *statement of net position* presents information on all of the City’s assets and deferred outflow of resources compared to liabilities and deferred inflows resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The *statement of activities* presents the revenue and expenses of the City. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector in that revenues are recognized when earned and expenses are reported when incurred, regardless of the timing of related cash flows. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City include general government, public safety, physical environment, transportation, economic environment, and culture/recreation. The business-type activities of the City include water, sewer, stormwater utilities; solid waste (formerly known as sanitation) and building inspections. The government-wide financial statements can be found immediately following the MD&A.

### ***Fund financial statements***

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental funds***

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflow 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.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because a different accounting basis is used to prepare the fund financial statements and the government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis after the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column of the statement of activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Bayfront Community Redevelopment Agency and BCRA Construction fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the other supplemental information section of this report. The City adopts an annual appropriated budget for its general, all special revenue (except for the Miscellaneous Donations Fund), all capital projects, and all debt service funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements of this report.

**Proprietary funds**

The City maintains two different types of proprietary funds. The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. These funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities relating to water, sewer, stormwater utilities, solid waste, and the activities of the Building Division. The *internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service funds to account for its risk management, employee benefit programs and fleet services activities. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utilities Fund, and Solid Waste which are majors fund of the City; nonmajor funds are comprised of Building Inspection and Stormwater in addition to the aggregate of the Internal Service Funds.

The City's proprietary fund financial statements are presented on pages 31-36.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The City only has one fiduciary fund, the Pension Trust Fund.

The City's fiduciary fund financial statements are presented on pages 37-38.

**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 40-89 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, *required supplementary information* is included which presents budgetary comparison schedules for the City's General Fund and the major special revenue fund. The City adopts an annual appropriated budget for its governmental funds. This section includes a comparison between the City's adopted and final budget and actual financial results to demonstrate compliance with the budget. In addition, information concerning the City's progress in funding its obligation to provide pension benefits to its employees as well as other post employment benefits is presented. Required supplementary information can be found following the notes to the financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented in the other supplemental information section of this report. Combining and individual fund schedules can be found after the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$129.3 million at the close of the fiscal year ended September 30, 2016. At the end of the fiscal year, the City is able to report positive balances in two categories of net position, both in business-type activities and government as a whole.

As shown in the table below, the largest portion of the City's net position (118%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets, except for some properties held for resale, are *not* available for future spending. Although the City'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 City has *restricted net position* of \$23.4 million for capital improvement projects and special revenues. These resources are subject to external restrictions on how the funds may be used. Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had (\$46.6) million of unrestricted net position as of September 30, 2016. This was primarily due to the reporting requirements of GASB Statement 68.

There was a net increase of \$10.4 million in net position in connection with the City's governmental activities.

There was a net increase of \$6.2 in net position reported in connection with the City's business-type activities, which include the Utilities Fund, Solid Waste Fund, Stormwater Utility Fund and the Building Inspections Fund. A detailed explanation is provided on page 12 of this report.

#### Net Position

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	31,817,380	\$ 33,064,207	\$ 49,329,091	\$ 49,201,014	81,146,471	\$ 82,265,221
Capital Assets (Net)	116,805,419	100,261,198	113,008,698	114,695,671	229,814,117	214,956,869
Deferred Outflow of Resources	26,526,982	25,158,121	2,584,099	2,924,628	29,111,081	28,082,749
<b>Total Assets and Deferrals Outflow of Resources</b>	<b>175,149,781</b>	<b>158,483,526</b>	<b>164,921,888</b>	<b>166,821,313</b>	<b>340,071,669</b>	<b>325,304,839</b>
Current and Other Liabilities	8,542,470	7,579,706	7,703,467	7,788,848	16,245,937	15,368,554
Long-Term Liabilities	129,376,151	126,291,852	60,823,418	68,828,071	190,199,569	195,119,923
Deferred Inflow of Resources	4,402,487	2,192,790	-	-	4,402,487	2,192,790
<b>Total Liabilities and Deferred Inflows or Resources</b>	<b>142,321,108</b>	<b>136,064,348</b>	<b>68,526,885</b>	<b>76,616,919</b>	<b>210,847,993</b>	<b>212,681,267</b>
Net Investment in Capital Assets	84,756,657	70,258,921	67,665,318	58,896,518	152,421,975	129,155,439
Restricted	5,763,641	5,746,759	17,669,639	17,373,682	23,433,280	23,120,441
Unrestricted (Deficit)	(57,691,625)	(53,586,502)	11,060,046	13,934,194	(46,631,579)	(39,652,308)
<b>Total Net Position</b>	<b>\$ 32,828,673</b>	<b>\$ 22,419,178</b>	<b>\$ 96,395,003</b>	<b>\$ 90,204,394</b>	<b>\$ 129,223,676</b>	<b>\$ 112,623,572</b>



There was an overall increase in the City's net position of \$16.6 million. This change is due in large part to the conveyance of capital assets from Brevard County.

A comparative analysis of government-wide changes in net position is as follows:

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 6,981,865	\$ 6,283,957	\$ 37,513,330	\$ 35,731,792	\$ 44,495,195	\$ 42,015,749
Operating Grants and Contributions	1,713,078	780,996	-	-	1,713,078	780,996
Capital Grants and Contributions	14,539,432	3,187,507	1,690,644	1,211,678	16,230,076	4,399,185
<b>General Revenues</b>						
Property Taxes	24,729,117	23,657,324	-	-	24,729,117	23,657,324
Other Taxes	20,265,938	19,837,037	-	-	20,265,938	19,837,037
Other	10,752,584	10,360,981	330,426	319,386	11,083,010	10,680,367
<b>Total Revenues</b>	<b>78,982,014</b>	<b>64,107,802</b>	<b>39,534,400</b>	<b>37,262,856</b>	<b>118,516,414</b>	<b>101,370,658</b>
<b>Expenses:</b>						
General Government	18,278,547	12,492,364	-	-	18,278,547	12,492,364
Public Safety	31,933,038	32,769,687	-	-	31,933,038	32,769,687
Physical Environment	570,447	585,508	-	-	570,447	585,508
Transportation	9,065,890	8,363,210	-	-	9,065,890	8,363,210
Economic Environment	1,181,876	1,313,271	-	-	1,181,876	1,313,271
Culture/Recreation	3,988,802	4,873,978	-	-	3,988,802	4,873,978
Interest on Long-Term Debt	5,102,968	5,017,788	-	-	5,102,968	5,017,788
Water and Wastewater	-	-	21,842,674	22,319,745	21,842,674	22,319,745
Building Inspections	-	-	948,470	761,991	948,470	761,991
Stormwater	-	-	3,635,942	3,684,940	3,635,942	3,684,940
Solid Waste	-	-	5,367,656	5,332,128	5,367,656	5,332,128
<b>Total expenses</b>	<b>70,121,568</b>	<b>65,415,806</b>	<b>31,794,742</b>	<b>32,098,804</b>	<b>101,916,310</b>	<b>97,514,610</b>
Change in Net Position before transfers	8,860,446	(1,308,004)	7,739,658	5,164,052	16,600,104	3,856,048
Transfers	1,549,049	1,607,411	(1,549,049)	(1,607,411)	-	-
<b>Change in Net Position</b>	<b>10,409,495</b>	<b>299,407</b>	<b>6,190,609</b>	<b>3,556,641</b>	<b>16,600,104</b>	<b>3,856,048</b>
<b>Net Position, beginning of year</b>	<b>22,419,178</b>	<b>71,205,279</b>	<b>90,204,394</b>	<b>86,647,753</b>	<b>112,623,572</b>	<b>157,853,032</b>
<b>Prior period adjustment (Note 13)</b>	<b>-</b>	<b>(49,085,508)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,085,508)</b>
<b>Net Position, end of year</b>	<b>\$ 32,828,673</b>	<b>\$ 22,419,178</b>	<b>\$ 96,395,003</b>	<b>\$ 90,204,394</b>	<b>\$ 129,223,676</b>	<b>\$ 112,623,572</b>

### Governmental Activities

Governmental activities increased the City's net position by \$10.4 million, and revenues from governmental activities increased by \$14.9 million or 23.2%. A key element of this change is capital grants and contributions increased by \$11.4 million primarily due to capital asset conveyed by Brevard County.

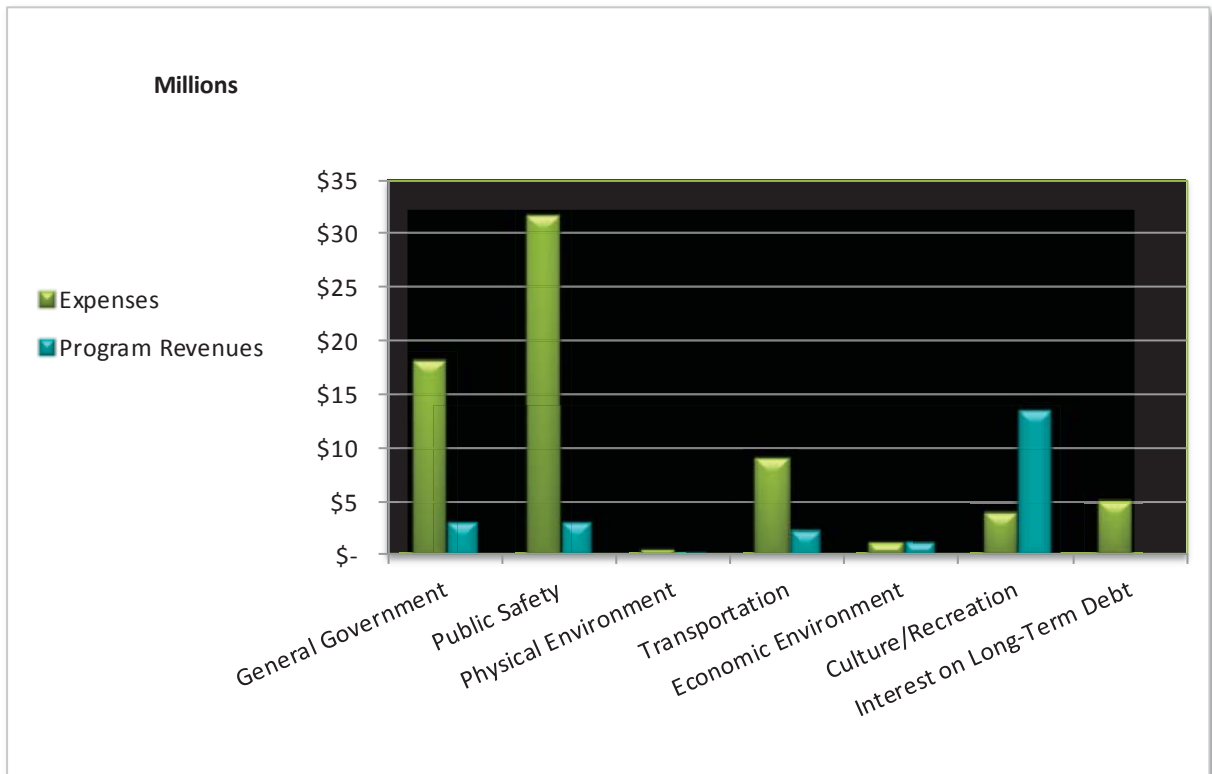
The following tables show the components of program and general revenues as a percentage of total governmental activities:

**Expenses and Program Revenues – Governmental Activities**

Functions/Programs	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
General Government	\$ 18,278,547	26.1%	\$ 3,044,578	13.1%	\$ (15,233,969)
Public Safety	31,933,038	45.5%	3,027,520	13.0%	(28,905,518)
Physical Environment	570,447	0.8%	281,573	1.2%	(288,874)
Transportation	9,065,890	12.9%	2,320,829	10.0%	(6,745,061)
Economic Environment	1,181,876	1.7%	1,244,049	5.4%	62,173
Culture/Recreation	3,988,802	5.7%	13,315,826	57.3%	9,327,024
Interest on Long-Term Debt	5,102,968	7.3%	-	0.0%	(5,102,968)
	<b>\$ 70,121,568</b>	<b>100%</b>	<b>\$ 23,234,375</b>	<b>100%</b>	<b>\$ (46,887,193)</b>

The following chart compares expenses and program revenues for the governmental activities:

**Expenses and Program Revenue – Governmental Activities**



The following table and chart shows revenues by source of governmental activities by percent of total revenues.

**Revenue by Source – Governmental Activities**

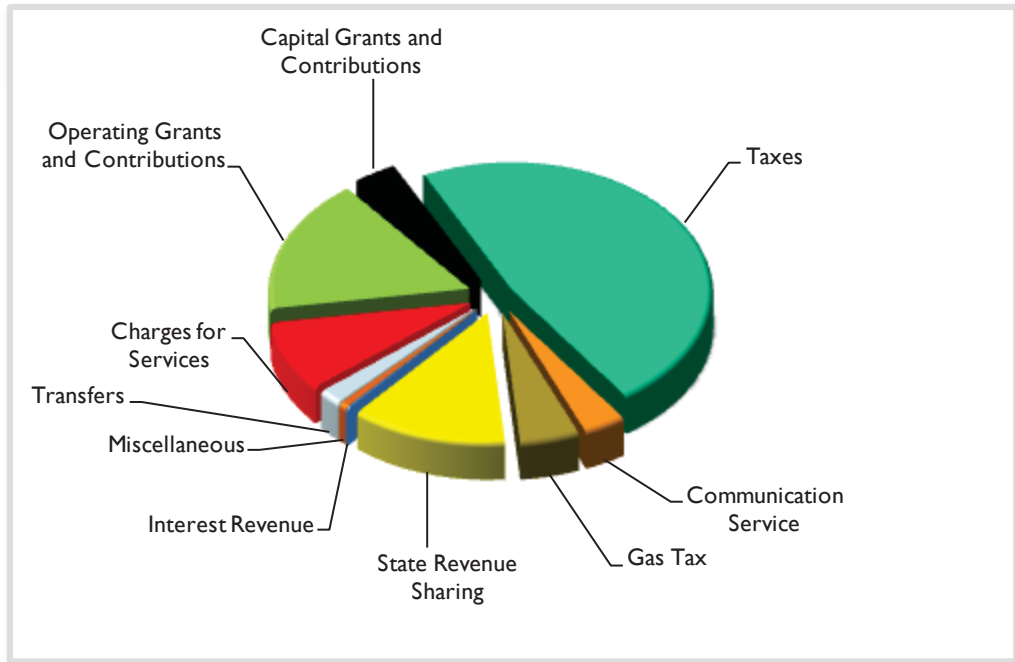
**Program Revenues**

Charges for Services	\$ 6,981,865	8.67%
Operating Grants and Contributions	1,713,078	2.13%
Capital Grants and Contributions	14,539,432	18.05%

**General Revenues**

Property Tax	24,729,117	30.71%
Franchise Fees	5,367,504	6.67%
Utility Service Tax	8,288,194	10.29%
Communication Service Tax	2,756,084	3.42%
Gas Tax	3,854,156	4.79%
State Revenue Sharing	10,074,949	12.51%
Interest Earnings	129,394	0.16%
Miscellaneous	548,241	0.68%
Transfers	1,549,049	1.92%
	\$ 80,531,063	100.00%

**Revenue by Source – Governmental Activities**



**Business-type activities**

As mentioned above, business-type activities increased the City’s total net position by \$6.2 million. Key elements of the increase in business-type activities are as follows:

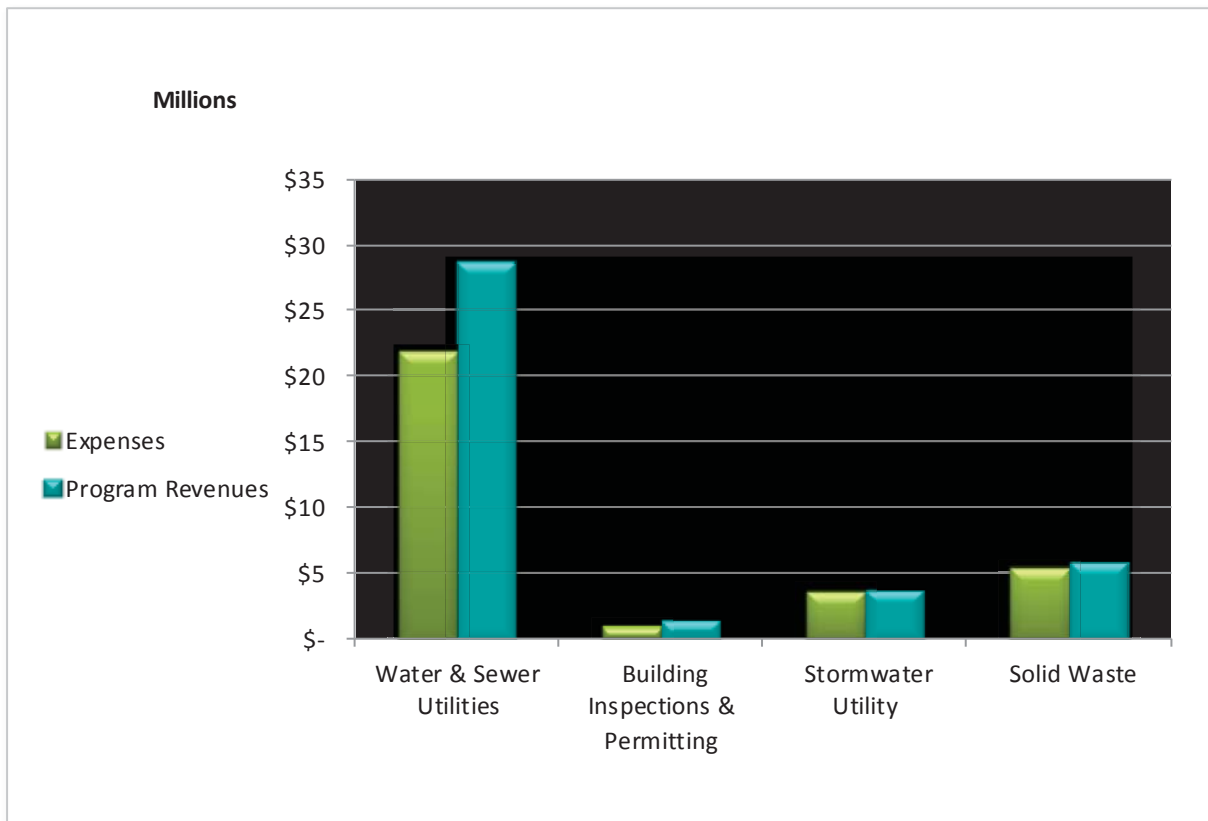
- Increase in charges for service revenue for utilities funds.
- Increase in capital contributions from water and sewer and main-line connections.

The following tables show the components of program and general revenues as a percentage of total for business-type activities:

**Expenses and Program Revenues – Business-type Activities**

Functions/Programs	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
Water & Sewer Utilities	\$ 21,842,674	68.7%	\$ 28,582,112	72.9%	\$ 6,739,438
Building Inspections & Permitting	948,470	3.0%	1,340,278	3.4%	391,808
Stormwater Utility	3,635,942	11.4%	3,555,441	9.1%	(80,501)
Solid Waste	5,367,656	16.9%	5,726,143	14.6%	358,487
	<u>\$ 31,794,742</u>	<u>100%</u>	<u>\$ 39,203,974</u>	<u>100%</u>	<u>\$ 7,409,232</u>

**Expenses and Program Revenues – Business-type Activities**

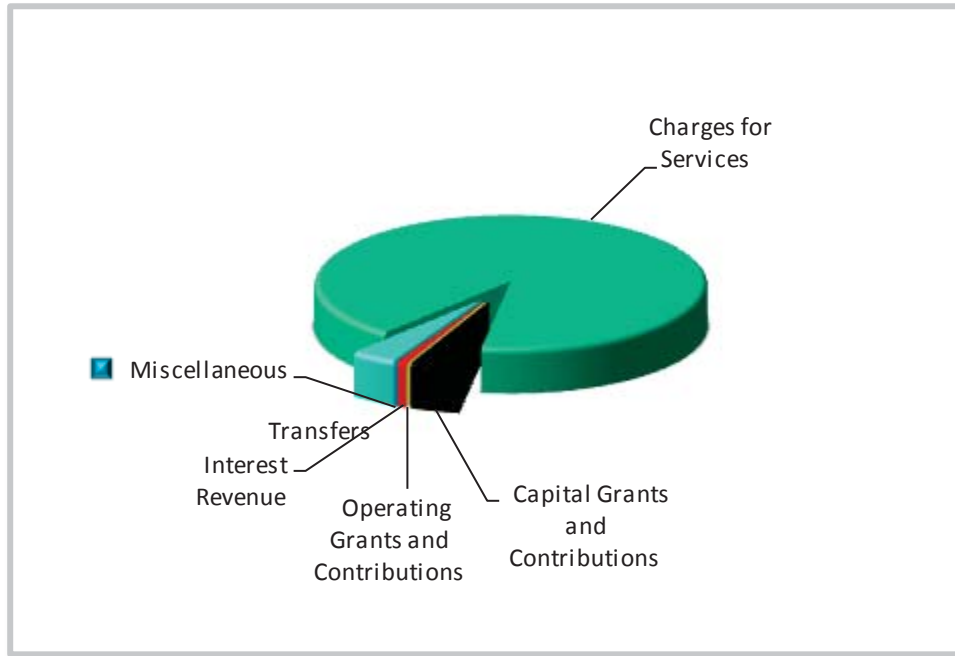




**Revenues by Source – Business-type Activities**

Charges for Services	\$ 37,513,330	98.76%
Capital Grants and Contributions	1,690,644	4.45%
Interest Revenue	318,936	0.84%
Miscellaneous	11,490	0.03%
Transfers	(1,549,049)	-4.08%
	<u>\$ 37,985,351</u>	<u>100.00%</u>

**Revenues by Source – Business-type Activities**



**Financial Analysis of the City’s Funds**

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

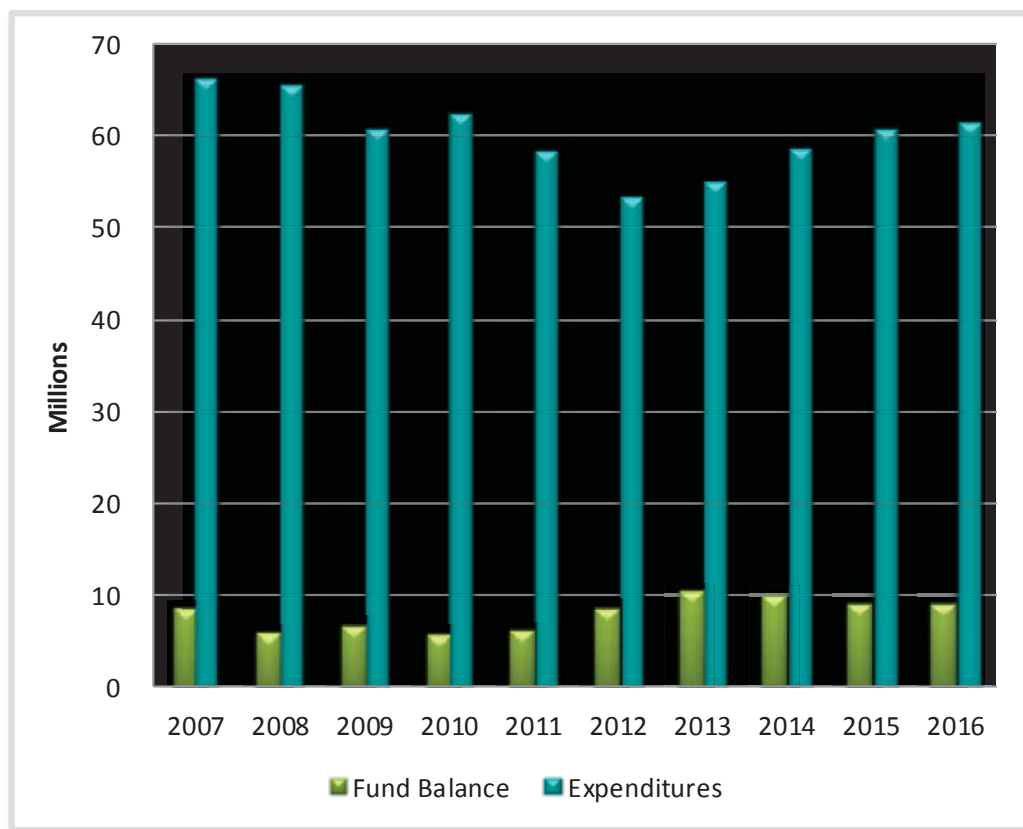
**Governmental funds**

The focus of the City’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’s financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2016, the City’s governmental funds reported combined ending fund balances of \$21.6 million, a decrease of \$3.4 million in comparison with the prior year. A key element of this change is attributable to expenditures for the I-95 Interchange project. *Non-Spendable* fund balance is \$56,291 and is comprised of prepaid items and inventory. *Restricted* fund balance is \$9.6 million and represents 44% of the total fund balance. *Committed* fund balance was \$3.2 million. *Assigned* fund balance is \$698,630. *Unassigned* fund balance, which is the residual, had a balance of approximately \$8.1 million.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2016, *unassigned* fund balance of the General Fund was \$8.9 million, while total fund balance reached \$9.17 million. As a measure of the General Fund’s liquidity, it may be useful to compare both *unrestricted* fund balance and total fund balance to total fund expenditures and transfers out. The City’s General Fund, fund balance increased by \$892,232 during the current fiscal year. Further details and General Fund budgetary highlights can be found pages 15 - 16 of this report.

**General Fund Balance and Expenditures**



The Bayfront Community Redevelopment Agency Fund (BCRA) is used to account for the ad valorem tax increment revenues accumulated for the community development in areas where taxes were assessed. Capital-oriented projects of the BCRA are accounted for in the BCRA Construction Fund. At the end of fiscal year 2016, *restricted* fund balance of the BCRA Fund was \$617,858, which is a decrease of \$31,112. This is primarily due to increased expenditures regarding the US1 Phase II Street Lights project, offset by substantial grant reimbursement of the same.

### ***Enterprise funds***

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has four enterprise funds, of which Utilities and Solid Waste are major funds and the Building Inspections and Stormwater Utility Funds are non-major funds. *Unrestricted* net position of the enterprise funds at the end of the year were \$11.1 million. The total net position of the Utilities Fund increased by \$5.87 million in fiscal year 2016. Solid Waste experienced an increase in net position of \$294,311 over fiscal year 2015. Building Inspection Fund experienced an increase in revenue from charges for service thereby increasing its ending net position by \$372,563 over fiscal year 2015. The Stormwater's decrease in net position of \$349,427 primarily resulted from operating expenses outpacing operating revenues since certain base charges have remained fixed from the inception of the program.

### ***General Fund Budgetary Highlights***

The FY 2016 budget continued essential existing and critical City services while making necessary reduction to meet the fiscal requirements of the state mandated property tax reform and the current economic challenges.

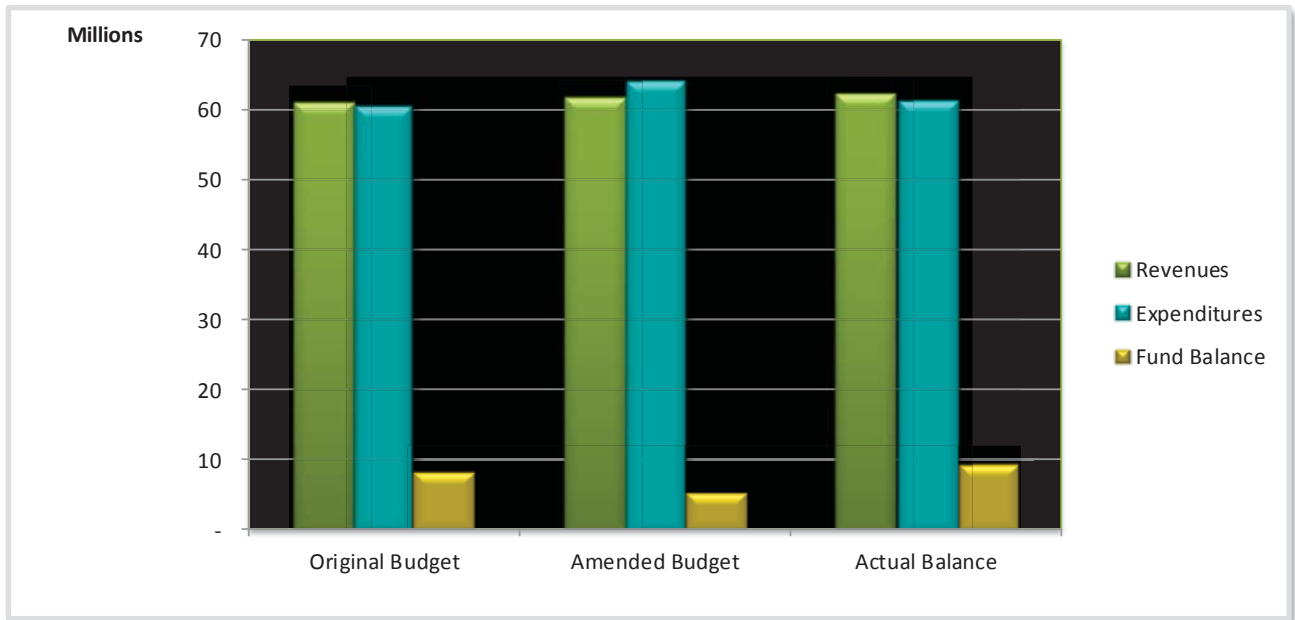
General Fund original budgeted revenue of \$60,949,527 is \$2.4 million more than the prior year. The total final budgeted revenues exceeded actual revenues by \$66,050.

General Fund original budgeted expenditures total \$60,506,305, representing an increase of \$2.0 million or 3% from FY 2015. Actual expenditures were \$2.7 million less than final budget. Public safety expenditures were less than budget by \$1.7 million and are among the major contributing factors for this decrease.

The budget is based upon an estimated unreserved fund balance as of September 30, 2015 of \$7,787,196. The minimum fund balance for FY16, as established by administrative code, is \$5,311,438 and represents 10% of projected operating costs. The approved budget FY16 exceeds the minimum requirement by \$2.5 million. A primary reason for the increase in Fund Balance was due the sale of city owned properties and proceeds from a capital lease agreement.

The City generated positive/(negative) variances in the General Fund. There was a cumulative positive variance of approximately \$2.7 million between the final adopted budget and actual results of operations. This positive variance was primarily a result of reduced personal services and operation expenditures in conformity with the City's cost management efforts.

2016 General Fund Budgetary Comparison



The FY 16 adopted millage rate of 8.5000 mills is a decrease from 8.6326 in FY 15.



## Capital Asset and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$215.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress.

A summary of government-wide capital assets is presented below:

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Land	\$ 17,174,446	\$ 15,855,494	\$ 4,923,881	\$ 4,923,881	\$ 22,098,327	\$ 20,779,375
Construction in Progress	8,386,965	1,843,937	3,427,177	5,787,247	11,814,142	7,631,184
Buildings and Improvements	35,303,267	25,414,119	2,863,766	2,863,766	38,167,033	28,277,885
Water and Sewer System	-	-	160,997,500	157,445,357	160,997,500	157,445,357
Machinery and Equipment	20,808,479	20,422,827	8,609,810	8,655,754	29,418,289	29,078,581
Infrastructure	110,018,490	110,316,541	157,636	157,636	110,176,126	110,474,177
	191,691,647	173,852,918	180,979,770	179,833,641	372,671,417	353,686,559
Less: Accumulated Depreciation	(74,886,228)	(73,591,720)	(67,971,072)	(65,137,970)	(142,857,300)	(138,729,690)
<b>Capital Assets, net</b>	<b>\$ 116,805,419</b>	<b>\$ 100,261,198</b>	<b>\$ 113,008,698</b>	<b>\$ 114,695,671</b>	<b>\$ 229,814,117</b>	<b>\$ 214,956,869</b>

Major capital asset purchases and projects during the current fiscal year include the following:

- Land and building increased by \$899,610 and \$9.0 million respectively, as a result of capital contributions.
- Completed transportation project related to road maintenance, rejuvenation and reconstruction totaled \$3.0 million.
- Land acquisition for road improvement projects was \$458,293.
- Road construction projects still in progress at the end of the year, including I-95 Interchange totaled \$9.5 million.
- Water and sewer improvement projects completed during the year totaled \$5.0 million.

Additional information on the City's capital assets can be found in Note 7 of this report.

**Long-term debt**

At the end of fiscal year 2016, the City had total long-term liabilities of \$149.7 million. Of this amount \$86.8 million is secured solely by specified revenue sources (i.e., revenue bonds).

**Outstanding Long-Term Debt and Claims Payable**

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Revenue Bonds	\$ 76,889,269	\$ 76,977,508	\$ 9,953,729	\$ 26,940,143	\$ 86,842,998	\$ 103,917,651
Notes Payable	10,995,000	12,675,000	37,200,000	28,000,000	48,195,000	40,675,000
Capital Leases	1,382,836	965,385	1,109,260	1,369,194	2,492,096	2,334,579
OPEB Obligation	2,489,964	2,153,422	886,562	780,286	3,376,526	2,933,708
Compensated Absences	5,131,966	4,822,619	864,176	1,001,543	5,996,142	5,824,162
Claims Payable	2,989,625	2,450,000	-	-	2,989,625	2,450,000
	<b>\$ 99,878,660</b>	<b>\$ 100,043,934</b>	<b>\$ 50,013,727</b>	<b>\$ 58,091,166</b>	<b>\$ 149,892,387</b>	<b>\$ 158,135,100</b>

During fiscal year 2016, the City entered a capital lease/purchase agreements in the amount of \$754,000 for the acquisition of fire and police equipment, including bunker gear, communication devices and other safety apparatus.

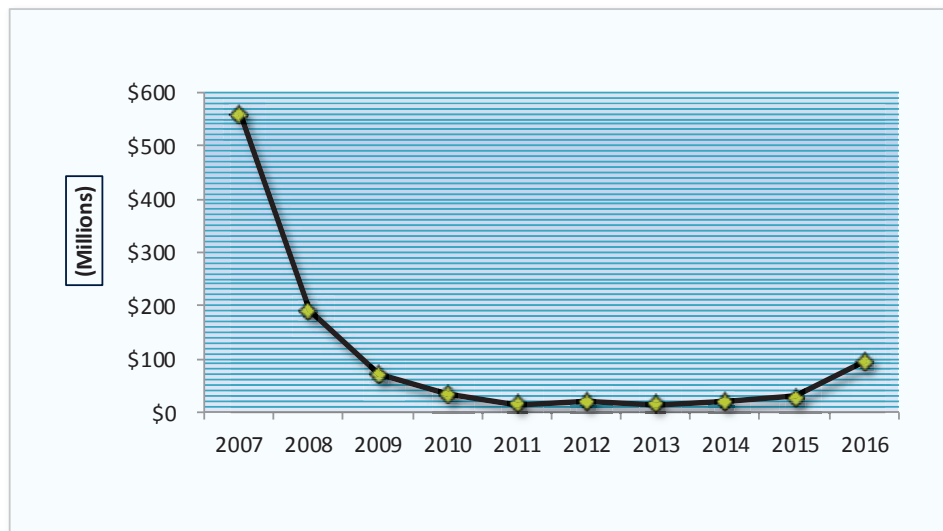
The City also increased claims payable by \$539,625 to reflect accrued litigation costs associated with cases currently under appeal and exposure on settled claims.

Additional information on the City's debt can be found in Note 8 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

- The unemployment rate for the City at September 30, 2016 was 5.4%, a decrease of less than 1% from the prior year. The national average unemployment rate for 2016 was 4.9%
- Population increased approximately 2% from the prior year.
- The taxable value of real property for the City increased by 10.1% in the 2016 fiscal year.
- Building activity resulted in \$95.3 million of new construction during the year, which is an increase of \$67.0 million, or 236.4%, from the previous year. A graphical presentation of the change in taxable value from new construction for the past ten years is presented below:
- In December 2016, the City authorized a refunding of \$3,983,000 for the outstanding Taxable Special Obligation Bonds (Pension Obligation, Series 2004). The refunding resulted in a net present value savings of \$344,441 and a lower interest rate.
- In December 2016, the City also authorized a refunding of \$2,060,000 for the outstanding Special Assessment Bond, Series 2009A (Water Improvement-USA 31). The refunding resulted in a net present value savings of \$257,702 and a lower interest rate.

**Taxable Value from New Construction**



During the current fiscal year, *unassigned* fund balance in the General Fund increased to \$8.90 million.

The ad valorem tax rate for the General Fund was decreased from 8.6326 mills in the prior year to 8.5000 mills in fiscal year 2016.

**Requests for Information**

This financial report is designed to present users with a general overview of the City’s finances and to demonstrate the City’s accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City’s Finance Department, 120 Malabar Road, S.E., Palm Bay, Florida 32907-3009. The Comprehensive Annual Financial Report for fiscal year 2014/2015 can also be found on the City’s website at [www.palmbayflorida.org](http://www.palmbayflorida.org).



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**STATEMENT OF NET POSITION**  
**September 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 24,249,657	\$ 10,081,942	\$ 34,331,599
Investments	4,059,693	5,582,619	9,642,312
Restricted Assets:			
Cash and Cash Equivalents	-	10,762,365	10,762,365
Investments	-	7,169,621	7,169,621
Accounts Receivable (Net)	2,708,048	9,910,170	12,618,218
Internal Balances	(2,745,067)	2,745,067	-
Due from Other Governments	2,851,804	-	2,851,804
Land Held for Resale	15,500	-	15,500
Inventories	218,287	401,837	620,124
Prepaid Items	303,577	1,964	305,541
Other Assets	-	18,441	18,441
Accounts Receivable, Long-term (Net)	-	2,655,066	2,655,066
Capital Assets Not Being Depreciated:			
Land	17,174,446	4,923,881	22,098,327
Construction in Progress	8,386,965	3,427,177	11,814,142
Capital Assets, Net of Accumulated Depreciation:			
Building and Improvements	20,116,491	1,615,033	21,731,524
Water and Sewer Systems	-	100,995,050	100,995,050
Machinery, Equipment and Vehicles	1,409,635	1,892,752	3,302,387
Infrastructure	69,717,882	154,805	69,872,687
Net Pension Asset	155,881	-	155,881
<b>Total Assets</b>	<b>148,622,799</b>	<b>162,337,789</b>	<b>310,960,588</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized Loss from Bond Refunding	11,267,487	2,584,099	13,851,586
Deferred Outflows Related to Pensions	15,259,495	-	15,259,495
<b>Total Deferred Outflows of Resources</b>	<b>26,526,982</b>	<b>2,584,099</b>	<b>29,111,081</b>

*Continued on the next page*

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>LIABILITIES</b>			
Accounts Payable	3,492,373	1,457,772	4,950,145
Accrued Liabilities	1,274,090	343,207	1,617,297
Due to Other Governments	17,100	-	17,100
Unearned Revenues	1,587,332	3,627,228	5,214,560
Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	2,171,575	-	2,171,575
Customer Deposits	-	2,275,260	2,275,260
Long-Term Liabilities:			
Due Within One Year:			
Bonds Payable	842,506	962,565	1,805,071
Notes Payable	1,371,000	4,835,000	6,206,000
Capital Leases Payable	588,895	269,086	857,981
Claims Payable	825,785	-	825,785
Compensated Absences	821,115	138,267	959,382
Due in More Than One Year:			
Bonds Payable	76,046,763	8,991,164	85,037,927
Notes Payable	9,624,000	32,365,000	41,989,000
Capital Leases Payable	793,941	840,174	1,634,115
Accreted Interest Payable	-	10,809,691	10,809,691
Claims Payable	2,163,840	-	2,163,840
Net OPEB Obligation	2,489,964	886,562	3,376,526
Net Pension Liability	29,497,491	-	29,497,491
Compensated Absences	4,310,851	725,909	5,036,760
<b>Total Liabilities</b>	<b>137,918,621</b>	<b>68,526,885</b>	<b>206,445,506</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Business Tax Licenses	390,815	-	390,815
Deferred Inflows from Bond Refunding	235,910	-	235,910
Deferred Inflows Related to Pensions	3,775,762	-	3,775,762
<b>Total Deferred Inflows of Resources</b>	<b>4,402,487</b>	<b>-</b>	<b>4,402,487</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	84,756,657	67,665,318	152,421,975
Restricted for:			
Transportation	2,445,333	-	2,445,333
Economic Development	617,858	-	617,858
Debt Service	2,425,852	-	2,425,852
Building Fund	-	2,012,913	2,012,913
Water and Sewer Utilities System	-	15,656,726	15,656,726
Public Safety	274,598	-	274,598
Unrestricted (Deficit)	(57,691,625)	11,060,046	(46,631,579)
<b>Total Net Position</b>	<b>\$ 32,828,673</b>	<b>\$ 96,395,003</b>	<b>\$ 129,223,676</b>

The notes to the financial statements are an integral part of the financial statements.

**STATEMENT OF ACTIVITIES**  
**For Fiscal Year Ended September 30, 2016**

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 18,278,547	\$ 3,024,578	\$ 20,000	\$ -
Public Safety	31,933,038	824,263	83,678	2,119,579
Physical Environment	570,447	281,573	-	-
Transportation	9,065,890	1,871,355	-	449,474
Economic Environment	1,181,876	109,255	1,134,794	-
Culture/Recreation	3,988,802	870,841	474,606	11,970,379
Interest on Long-Term Debt	5,102,968	-	-	-
<b>Total Governmental Activities</b>	<b>70,121,568</b>	<b>6,981,865</b>	<b>1,713,078</b>	<b>14,539,432</b>
<b>Business-type Activities:</b>				
Water and Sewer Utilities	21,842,674	26,891,468	-	1,690,644
Building Inspections & Permitting	948,470	1,340,278	-	-
Stormwater Utility	3,635,942	3,555,441	-	-
Solid Waste	5,367,656	5,726,143	-	-
<b>Total Business-type Activities</b>	<b>31,794,742</b>	<b>37,513,330</b>	<b>-</b>	<b>1,690,644</b>
<b>Total</b>	<b>\$ 101,916,310</b>	<b>\$ 44,495,195</b>	<b>\$ 1,713,078</b>	<b>\$ 16,230,076</b>

General Revenues:

Taxes:

Property Tax

Franchise Fees

Utility Service Tax

Communication Service Tax

Gas Tax

State Revenue Sharing (unrestricted)

Investment Earnings

Miscellaneous

Transfers

Total General Revenues/Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (15,233,969)	\$ -	\$ (15,233,969)
(28,905,518)	-	(28,905,518)
(288,874)	-	(288,874)
(6,745,061)	-	(6,745,061)
62,173	-	62,173
9,327,024	-	9,327,024
(5,102,968)	-	(5,102,968)
(46,887,193)	-	(46,887,193)
-	6,739,438	6,739,438
-	391,808	391,808
-	(80,501)	(80,501)
-	358,487	358,487
-	7,409,232	7,409,232
(46,887,193)	7,409,232	(39,477,961)
24,729,117	-	24,729,117
5,367,504	-	5,367,504
8,288,194	-	8,288,194
2,756,084	-	2,756,084
3,854,156	-	3,854,156
10,074,949	-	10,074,949
129,394	318,936	448,330
548,241	11,490	559,731
1,549,049	(1,549,049)	-
57,296,688	(1,218,623)	56,078,065
10,409,495	6,190,609	16,600,104
22,419,178	90,204,394	112,623,572
\$ 32,828,673	\$ 96,395,003	\$ 129,223,676

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2016**

	General	Bayfront Community Redevelopment Agency	BCRA Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,737,062	\$ 420,320	\$ 492,237	\$ 14,038,180	\$ 19,687,799
Investments	2,104,401	-	719,426	738,106	3,561,933
Accounts Receivable	2,603,041	-	1,949	3,531	2,608,521
Due from Other Governments	2,557,210	294,594	-	-	2,851,804
Due from Other Funds	215,600	-	-	-	215,600
Land Held for Resale	-	-	-	15,500	15,500
Prepaid Items	35,029	1,789	-	-	36,818
Inventory	3,973	-	-	-	3,973
<b>Total Assets</b>	<b>\$ 12,256,316</b>	<b>\$ 716,703</b>	<b>\$ 1,213,612</b>	<b>\$ 14,795,317</b>	<b>\$ 28,981,948</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 948,553	\$ 95,210	\$ 144,135	\$ 1,734,402	\$ 2,922,300
Accrued Liabilities	1,104,611	3,635	-	25,120	1,133,366
Due to Other Funds	-	-	-	215,600	215,600
Unearned Revenue	134,794	-	-	1,452,538	1,587,332
Advances from Other Funds	502,961	-	-	609,000	1,111,961
Due to Other Governments	-	-	-	17,100	17,100
<b>Total Liabilities</b>	<b>2,690,919</b>	<b>98,845</b>	<b>144,135</b>	<b>4,053,760</b>	<b>6,987,659</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred Business Tax Licenses	390,815	-	-	-	390,815
<b>Total Deferred Inflow of Resources</b>	<b>390,815</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>390,815</b>
Fund Balances:					
Nonspendable	39,002	1,789	-	15,500	56,291
Restricted	-	616,069	1,069,477	7,918,591	9,604,137
Committed	184,628	-	-	2,991,029	3,175,657
Assigned	50,883	-	-	647,747	698,630
Unassigned (Deficit)	8,900,069	-	-	(831,310)	8,068,759
<b>Total Fund Balances</b>	<b>9,174,582</b>	<b>617,858</b>	<b>1,069,477</b>	<b>10,741,557</b>	<b>21,603,474</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,256,316</b>	<b>\$ 716,703</b>	<b>\$ 1,213,612</b>	<b>\$ 14,795,317</b>	<b>\$ 28,981,948</b>

The notes to the financial statements are an integral part of the financial statements.





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**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
September 30, 2016**

**Total fund balances of governmental funds** **\$ 21,603,474**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$182,660,185 and the accumulated depreciation is \$67,578,144. Internal service funds capital assets of \$9,031,462 and accumulated depreciation of \$7,308,084 are included in the internal service funds balances below. 115,082,041

Net pension assets are not financial resources and therefore are not reported in the funds. 155,881

Deferred outflows and inflows of resources for changes in Pension assumptions and projections in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Deferred outflows of resources	15,259,495
Deferred inflows of resources	(3,775,762)

Deferred Inflows of resources for gains on bond refunding (235,910)

Unamortized refunding charges are reported as expenditures in the funds because current financial resources are used. They are amortized over the life of the debt in the government-wide statements. 11,267,487

The internal service fund is used by management to charge the costs of employee benefits and risk management services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 1,354,312

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position. The amount for internal service funds includes compensated absences of \$130,304 (\$20,849 current and \$109,455 long-term) \$ 478,319 lease payable (237,779 current and \$240,540 long-term and net OPEB obligations of \$67,133). Long-term liabilities at year end consist of :

Bonds payable	\$ 76,889,269
Notes payable	10,995,000
Accrued interest payable	2,171,575
Capital leases payable	904,517
Net Pension Liability	29,497,491
Net OPEB obligation	2,422,831
Compensated absences	5,001,662
	(127,882,345)

**Total net position of governmental activities** **\$ 32,828,673**

*The notes to the financial statements are an integral part of the financial statements.*

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For Fiscal Year Ended September 30, 2016**

	General	Bayfront Community Redevelopment	BCRA Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 39,514,823	\$ 661,954	\$ -	\$ -	\$ 40,176,777
Impact Fees	-	-	-	2,176,573	2,176,573
Licenses and Permits	5,376,631	-	-	-	5,376,631
Intergovernmental Revenues	10,281,540	919,759	-	3,377,733	14,579,032
Charges for Services	2,894,245	-	-	487,001	3,381,246
Fines and Forfeitures	395,040	-	-	158,785	553,825
Investment Income	53,820	2,081	14,363	50,567	120,831
Miscellaneous Revenues	472,118	-	-	197,068	669,186
<b>Total Revenues</b>	<b>58,988,217</b>	<b>1,583,794</b>	<b>14,363</b>	<b>6,447,727</b>	<b>67,034,101</b>
<b>EXPENDITURES</b>					
Current:					
General Government	14,317,295	-	184	175,622	14,493,101
Public Safety	31,170,225	-	-	137,215	31,307,440
Transportation	4,599,336	-	-	-	4,599,336
Economic Environment	-	249,600	-	442,230	691,830
Culture/Recreation	2,673,323	-	-	937,254	3,610,577
Debt Service:					
Principal Retirement	-	335,000	-	2,009,046	2,344,046
Interest and Fiscal Charges	-	140,709	-	4,290,473	4,431,182
Capital Outlay	-	993,835	1,575,826	8,669,036	11,238,697
<b>Total Expenditures</b>	<b>52,760,179</b>	<b>1,719,144</b>	<b>1,576,010</b>	<b>16,660,876</b>	<b>72,716,209</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>6,228,038</b>	<b>(135,350)</b>	<b>(1,561,647)</b>	<b>(10,213,149)</b>	<b>(5,682,108)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	2,133,758	104,238	-	8,954,310	11,192,306
Transfers Out	(8,633,064)	-	-	(1,629,481)	(10,262,545)
Proceeds from Sale of Capital Assets	409,500	-	-	-	409,500
Capital Leases	754,000	-	-	-	754,000
Proceeds of Refunding Debt	-	-	-	15,922,652	15,922,652
Payment to Refunded Bond Escrow Agent	-	-	-	(15,723,067)	(15,723,067)
<b>Total Other Financing Sources and (Uses)</b>	<b>(5,335,806)</b>	<b>104,238</b>	<b>-</b>	<b>7,524,414</b>	<b>2,292,846</b>
<b>Net Change in Fund Balances</b>	<b>892,232</b>	<b>(31,112)</b>	<b>(1,561,647)</b>	<b>(2,688,735)</b>	<b>(3,389,262)</b>
<b>Fund Balances - Beginning</b>	<b>8,282,350</b>	<b>648,970</b>	<b>2,631,124</b>	<b>13,430,292</b>	<b>24,992,736</b>
<b>Fund Balances - Ending</b>	<b>\$ 9,174,582</b>	<b>\$ 617,858</b>	<b>\$ 1,069,477</b>	<b>\$ 10,741,557</b>	<b>\$ 21,603,474</b>

The notes to the financial statements are an integral part of the financial statements.



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**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2016**

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

Net change in fund balances - total governmental funds.	\$ (3,389,262)
Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases (\$11,594,326) exceeds depreciation expense (\$6,838,070) in the current period.	4,756,256
Governmental funds report only the proceeds from the sale of capital assets. However, in the Statement of Activities, the amount of the proceeds (if any) are shown net of the remaining book balance of the assets disposed. This is the amount of the gain or (loss) realized on the current year dispositions:	
Neighborhood Stabilization Program (NSP) properties	(80,546)
Proceeds from the sale of capital assets increase financial resources, but in the statement of activities, only a gain or loss is reported.	(409,500)
Pension contribution made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflow of resources in the government-wide financial statements.	2,196
Pension 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.	(3,137,749)
Capital assets contributed to the City in the current year and recognized as revenue in the statement of activities.	11,850,964
The repayment of principal is an expenditure in the governmental funds, but reduces liabilities in the statement of net position. In addition, the issuance of bonds and similar long-term debt provides current financial resources to governmental funds and therefore contribute to an increase in fund balance. In the statement of net position, however, issuing debt increases and payment of debt decreases long-term liabilities and does not affect the statement of activities. The amounts of the items that make up these differences in the treatment of long-term debt and related items are:	
Principal repayments:	
Revenue Bonds	16,010,891
Capital Leases	101,499
Notes Payable	1,680,000
Debt issued or incurred:	
Proceeds from bonds payable	(15,922,652)
Capital Leases	(754,000)
Amortized refunding charges	(537,132)
Unamortized refunding gains	(235,910)
Accrued interest payable on long-term debt	41,789
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Compensated Absences	(310,444)
Net OPEB Obligation	(327,686)
The internal service fund is used by management to charge the costs of risk management services to other funds. The decrease in net position of the internal service fund is reported with governmental activities.	1,070,781
Change in net position of governmental activities.	<u>\$ 10,409,495</u>

*The notes to the financial statements are an integral part of the financial statements.*



**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2016**

	Business Type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Total Enterprise (Nonmajor Funds)		
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 7,530,500	\$ 1,368,871	\$ 1,182,571	\$ 10,081,942	\$ 4,561,858
Investments	4,968,493	100,097	514,029	5,582,619	497,760
Restricted Cash and Cash Equivalents	1,992,546	282,714	-	2,275,260	-
Accounts Receivable - (Net)	6,810,719	597,756	2,501,695	9,910,170	99,527
Advances to Other Funds	301,671	-	-	301,671	-
Inventory	365,509	36,328	-	401,837	214,314
Prepaid Items	-	-	1,964	1,964	266,759
<b>Total Current Assets</b>	<b>21,969,438</b>	<b>2,385,766</b>	<b>4,200,259</b>	<b>28,555,463</b>	<b>5,640,218</b>
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	8,487,105	-	-	8,487,105	-
Investments	7,169,621	-	-	7,169,621	-
<b>Total Restricted Assets</b>	<b>15,656,726</b>	<b>-</b>	<b>-</b>	<b>15,656,726</b>	<b>-</b>
Accounts Receivable (Net)	2,655,066	-	-	2,655,066	-
Advances to Other Funds	1,200,887	-	1,359,984	2,560,871	-
Other Assets	18,441	-	-	18,441	-
<b>Total Other Noncurrent Assets</b>	<b>3,874,394</b>	<b>-</b>	<b>1,359,984</b>	<b>5,234,378</b>	<b>-</b>
Capital Assets:					
Land	4,904,079	-	19,802	4,923,881	-
Construction in Progress	3,424,790	-	2,387	3,427,177	-
Building and Improvements	2,863,766	-	-	2,863,766	-
Water and Sewer Systems Infrastructure	160,997,500	-	-	160,997,500	-
Machinery, Equipment and Vehicles	4,021,662	2,560,000	2,028,148	8,609,810	9,031,462
Less: Accumulated Depreciation	(64,583,320)	(1,536,000)	(1,851,752)	(67,971,072)	(7,308,084)
<b>Total Capital Assets (Net)</b>	<b>111,628,477</b>	<b>1,024,000</b>	<b>356,221</b>	<b>113,008,698</b>	<b>1,723,378</b>
<b>Total Noncurrent Assets</b>	<b>131,159,597</b>	<b>1,024,000</b>	<b>1,716,205</b>	<b>133,899,802</b>	<b>1,723,378</b>
<b>Total Assets</b>	<b>153,129,035</b>	<b>3,409,766</b>	<b>5,916,464</b>	<b>162,455,265</b>	<b>7,363,596</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized loss from bond refunding	2,584,099	-	-	2,584,099	-
<b>Total Deferred Outflows of Resources</b>	<b>2,584,099</b>	<b>-</b>	<b>-</b>	<b>2,584,099</b>	<b>-</b>

Continued on the next page

The notes to the financial statements are an integral part of the financial statements.

**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**September 30, 2016**

	Business Type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Enterprise (Nonmajor Funds)		
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	620,886	753,657	83,229	1,457,772	570,073
Accrued Liabilities	233,897	8,699	100,611	343,207	140,724
Unearned Revenues	583,190	543,255	2,500,783	3,627,228	-
Bonds Payable	962,565	-	-	962,565	-
Notes Payable	4,835,000	-	-	4,835,000	-
Capital Leases Payable	-	269,086	-	269,086	237,779
Compensated Absences	111,141	3,044	24,082	138,267	20,849
Claims Payable	-	-	-	-	825,785
Advances from Other Funds	-	-	117,476	117,476	184,196
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	1,992,546	282,714	-	2,275,260	-
<b>Total Current Liabilities</b>	<b>9,339,225</b>	<b>1,860,455</b>	<b>2,826,181</b>	<b>14,025,861</b>	<b>1,979,406</b>
Noncurrent Liabilities:					
Bonds Payable	8,991,164	-	-	8,991,164	-
Notes Payable	32,365,000	-	-	32,365,000	-
Capital Leases Payable	-	840,174	-	840,174	240,540
Accreted Interest Payable	10,809,691	-	-	10,809,691	-
Net OPEB Obligation	539,784	15,027	331,751	886,562	67,133
Compensated Absences	583,490	15,984	126,435	725,909	109,455
Claims Payable	-	-	-	-	2,163,840
Advances from Other Funds	-	-	-	-	1,448,910
<b>Total Noncurrent Liabilities</b>	<b>53,289,129</b>	<b>871,185</b>	<b>458,186</b>	<b>54,618,500</b>	<b>4,029,878</b>
<b>Total Liabilities</b>	<b>62,628,354</b>	<b>2,731,640</b>	<b>3,284,367</b>	<b>68,644,361</b>	<b>6,009,284</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	67,309,097	-	356,221	67,665,318	1,245,059
Restricted:					
Renewal and Replacement	7,504,146	-	-	7,504,146	-
Capital Improvements	8,152,580	-	-	8,152,580	-
Building Fund	-	-	2,012,913	2,012,913	-
Unrestricted	10,118,957	678,126	262,963	11,060,046	109,253
<b>Total Net Position</b>	<b>\$ 93,084,780</b>	<b>\$ 678,126</b>	<b>\$ 2,632,097</b>	<b>\$ 96,395,003</b>	<b>\$ 1,354,312</b>

The notes to the financial statements are an integral part of the financial statements.



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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 For Fiscal Year Ended September 30, 2016**

	Business Type Activities - Enterprise Funds			Governmental	
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Total Enterprise (Nonmajor Funds)	Total Enterprise Funds	Activities - Internal Service Funds
<b>Operating Revenues:</b>					
Charges for Services:					
Water	\$ 15,099,180	\$ -	\$ -	\$ 15,099,180	\$ -
Sewer	11,338,713	-	-	11,338,713	-
Stormwater	-	-	3,518,028	3,518,028	-
Solid Waste	-	5,671,726	-	5,671,726	-
User Fees	-	-	105,618	105,618	18,454,761
Assessments	236,875	-	-	236,875	-
Licenses and Permits	216,700	-	1,251,851	1,468,551	-
Miscellaneous Income	-	54,417	20,222	74,639	1,130
<b>Total Operating Revenues</b>	<b>26,891,468</b>	<b>5,726,143</b>	<b>4,895,719</b>	<b>37,513,330</b>	<b>18,455,891</b>
<b>Operating Expenses:</b>					
Personal Services	7,862,004	313,314	3,243,619	11,418,937	3,528,483
Material, Supplies, and Operating expenses	6,741,681	4,754,999	1,277,783	12,774,463	2,318,587
Claims/Premium Expense	-	-	-	-	11,723,978
Depreciation	4,435,193	256,000	63,010	4,754,203	477,087
<b>Total Operating Expenses</b>	<b>19,038,878</b>	<b>5,324,313</b>	<b>4,584,412</b>	<b>28,947,603</b>	<b>18,048,135</b>
<b>Operating Income</b>	<b>7,852,590</b>	<b>401,830</b>	<b>311,307</b>	<b>8,565,727</b>	<b>407,756</b>
<b>Nonoperating Revenues (Expenses):</b>					
Interest Income	312,228	2,818	3,890	318,936	8,563
Interest Expense and Fiscal Charges	(2,803,796)	(43,343)	-	(2,847,139)	(53,212)
Intergovernmental Revenues	-	-	-	-	49,592
Gain on Sale of Capital Assets	11,490	-	-	11,490	38,794
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,480,078)</b>	<b>(40,525)</b>	<b>3,890</b>	<b>(2,516,713)</b>	<b>43,737</b>
<b>Income Before Contributions and Transfers</b>	<b>5,372,512</b>	<b>361,305</b>	<b>315,197</b>	<b>6,049,014</b>	<b>451,493</b>
Capital Contributions	1,690,644	-	-	1,690,644	-
Transfers In	9,344,088	-	11,257	9,355,345	1,559,981
Transfers Out	(10,534,082)	(66,994)	(303,318)	(10,904,394)	(940,693)
<b>Change in Net Position</b>	<b>5,873,162</b>	<b>294,311</b>	<b>23,136</b>	<b>6,190,609</b>	<b>1,070,781</b>
<b>Net Position - Beginning of year</b>	<b>87,211,618</b>	<b>383,815</b>	<b>2,608,961</b>	<b>90,204,394</b>	<b>283,531</b>
<b>Total Net Position - Ending</b>	<b>\$ 93,084,780</b>	<b>\$ 678,126</b>	<b>\$ 2,632,097</b>	<b>\$ 96,395,003</b>	<b>\$ 1,354,312</b>

The notes to the financial statements are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For Fiscal Year Ended September 30, 2016**

	Business Type Activities - Enterprise Funds			Governmental	
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Total Enterprise (Nonmajor Funds)	Total Enterprise Funds	Activities - Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 27,528,261	\$ 5,744,617	\$ 4,895,346	\$ 38,168,224	\$ 18,448,677
Payments to Suppliers	(6,755,790)	(4,720,288)	(1,307,673)	(12,783,751)	(13,519,624)
Payments to Employees	(7,838,506)	(307,772)	(3,269,384)	(11,415,662)	(3,144,722)
<b>Net Cash Provided by Operating Activities</b>	<b>12,933,965</b>	<b>716,557</b>	<b>318,289</b>	<b>13,968,811</b>	<b>1,784,331</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Interfund Advances	(68,557)	-	(831,622)	(900,179)	68,106
Intergovernmental Revenues	-	-	-	-	49,592
Transfers to Other Funds	(10,534,082)	(66,994)	(303,318)	(10,904,394)	(940,693)
Transfers from Other Funds	9,344,088	-	11,257	9,355,345	1,559,981
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(1,258,551)</b>	<b>(66,994)</b>	<b>(1,123,683)</b>	<b>(2,449,228)</b>	<b>736,986</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition/Construction of Capital Assets	(1,411,272)	-	(10,797)	(1,422,069)	(904,136)
Principal Paid on Capital Debt	(1,037,371)	(259,934)	-	(1,297,305)	(235,050)
Interest Paid on Capital Debt	(2,504,154)	(43,343)	-	(2,547,497)	(53,212)
Contributions	1,690,644	-	-	1,690,644	-
Principal Paid on Notes Payable	(3,990,000)	-	-	(3,990,000)	-
Payment to Escrow Agent	(17,311,046)	-	-	(17,311,046)	-
Proceeds from Sale of Capital Assets	11,490	-	-	11,490	38,794
Proceeds from Refunding of Bonds	13,190,000	-	-	13,190,000	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(11,361,709)</b>	<b>(303,277)</b>	<b>(10,797)</b>	<b>(11,675,783)</b>	<b>(1,153,604)</b>
<b>Cash Flows from Investing Activities</b>					
Investment purchases	(13,203,989)	(100,097)	(12,102)	(13,316,188)	(497,760)
Proceeds from Sale and Maturity of Investments	14,254,382	-	-	14,254,382	-
Interest Income on Investments	318,058	2,818	3,890	324,766	8,563
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1,368,451</b>	<b>(97,279)</b>	<b>(8,212)</b>	<b>1,262,960</b>	<b>(489,197)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,682,156</b>	<b>249,007</b>	<b>(824,403)</b>	<b>1,106,760</b>	<b>878,516</b>
Cash and Cash Equivalents at Beginning of Year	16,327,995	1,402,578	2,006,974	19,737,547	\$ 3,683,342
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 18,010,151</b>	<b>\$ 1,651,585</b>	<b>\$ 1,182,571</b>	<b>\$ 20,844,307</b>	<b>\$ 4,561,858</b>
<b>Cash and Cash Equivalents Classified As:</b>					
Current Assets	\$ 7,530,500	\$ 1,368,871	\$ 1,182,571	\$ 10,081,942	\$ -
Restricted Assets	10,479,651	282,714	-	10,762,365	4,561,858
<b>Total Cash and Cash Equivalents</b>	<b>\$ 18,010,151</b>	<b>\$ 1,651,585</b>	<b>\$ 1,182,571</b>	<b>\$ 20,844,307</b>	<b>\$ 4,561,858</b>

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**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**For Fiscal Year Ended September 30, 2016**

	Business Type Activities - Enterprise Funds			Governmental	
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Total Enterprise (Nonmajor Funds)	Total Enterprise Funds	Activities - Internal Service Funds
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Operating Income	\$ 7,852,590	\$ 401,830	\$ 311,307	\$ 8,565,727	\$ 407,756
Depreciation	4,435,193	256,000	63,010	4,754,203	\$ 477,087
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	684,204	(12,379)	(306,729)	365,096	(7,214)
(Increase) Decrease in Inventory	138,290	47,516	-	185,806	(1,462)
(Increase) Decrease in Prepaid Items	20,556	-	(732)	19,824	66,466
Increase (Decrease) in Accounts Payable	(200,043)	(13,847)	(12,847)	(226,737)	301,170
Increase (Decrease) in Accrued Liabilities	27,087	957	16,998	45,042	(6,858)
Increase (Decrease) in Customer Deposits	(47,410)	4,304	-	(43,106)	-
Increase in OPEB Obligation	70,851	4,428	30,997	106,276	8,856
Increase (Decrease) in Compensated Absences	(47,353)	1,199	(91,213)	(137,367)	(1,095)
Increase in Claims Payable	-	-	-	-	539,625
Increase in Unearned Revenues	-	26,549	307,498	334,047	-
<b>Total Adjustments</b>	<b>5,081,375</b>	<b>314,727</b>	<b>6,982</b>	<b>5,403,084</b>	<b>1,376,575</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 12,933,965</b>	<b>\$ 716,557</b>	<b>\$ 318,289</b>	<b>\$ 13,968,811</b>	<b>\$ 1,784,331</b>

There are no noncash investing, capital, and financing activities.

*The notes to the financial statements are an integral part of the financial statements.*

**STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUND**  
 September 30, 2016

<b>ASSETS</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 7,290,039
Investments, at fair value:	
Common Stock	58,320,707
Domestic Equity Funds	9,614,754
U.S. Government securities	26,441,450
Corporate Bonds	12,974,156
Bond Funds	59,447
International Equity Funds	21,208,845
Real Estate Funds	18,947,829
Convertible Securities	13,898,927
Master Limited Partnership	6,086,431
Total investments	167,552,546
Receivables:	
Accrued Interest and Dividends	295,092
Due from Broker	726,100
State Contributions	52,011
Employer Contributions Receivable	30,292
Other	1,921
Total Receivables	1,105,416
Other assets:	34,411
<b>Total Assets</b>	<b>175,982,412</b>
 <b>LIABILITIES</b>	
Accounts Payable	262,261
Deferred Retirement Option Benefits due and currently payable	411,510
Due to broker	1,872,871
<b>Total Liabilities</b>	<b>2,546,642</b>
 <b>NET POSITION</b>	
<b>Restricted for Pension Benefits</b>	<b>\$ 173,435,770</b>

*The notes to the financial statements are an integral part of the financial statements.*

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUND  
For the Year Ended September 30, 2016**

	<b>Total</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 3,716,857
Employee	1,124,063
State	1,244,750
<b>Total Contributions</b>	<b>6,085,670</b>
Investment Earnings:	
Net Appreciation in Fair Value of Investments	10,836,572
Interest and Dividends	4,872,639
<b>Total Investment Earnings</b>	<b>15,709,211</b>
Less: Investment Expenses	914,981
<b>Net investment Income</b>	<b>14,794,230</b>
<b>Total Additions</b>	<b>20,879,900</b>
<b>DEDUCTIONS</b>	
Benefits	9,374,845
Refunds	251,833
Administrative Expense	508,621
<b>Total Deductions</b>	<b>10,135,299</b>
<b>Change in Net Position</b>	<b>10,744,601</b>
<b>Net Position - Beginning of Year</b>	<b>162,691,169</b>
<b>Net Position - End of Year</b>	<b>\$ 173,435,770</b>

*The notes to the financial statements are an integral part of the financial statements.*



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**NOTE 1 – Summary of Significant Accounting Policies**

The financial statements of the City of Palm Bay, Florida (the “City”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant City accounting policies are described below:

**A. The Reporting Entity**

The City is a political subdivision incorporated on January 1, 1960 in the State of Florida and located in Brevard County. The legislative branch of the City is composed of a five (5) member elected Council, including a city-wide elected mayor. The City Council is governed by the City Charter, and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council appointed city manager.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Although they are separate legal entities, blended component units are in substance part of the City’s operations and are reported as an integral part of the City’s financial statements. The City’s component units are described as follows:

The Bayfront Community Redevelopment Agency (the “BCRA”) is an incremental tax district created by City ordinance pursuant to Section 163.356, Florida Statutes. The City Council appoints an advisory board to administer the activities of the BCRA. The Board approves the budget and provides funding. The City performs all accounting functions as well as facilitates operational responsibilities for the activities of the BCRA. Its services are provided exclusively to the City. The BCRA is classified as a special revenue fund.

The Palm Bay Municipal Foundation Inc. is a Florida 501(c)(3) nonprofit public benefit corporation formed in June 2013 by City Council Legislative Memorandum pursuant to Florida Nonprofit Corporation Laws. The Palm Bay Municipal Foundation was formed exclusively for charitable, educational and cultural purposes for the benefit of the City. City Council members serve as the Foundation’s board of directors. They also approve the budget. The City performs all accounting functions and facilitates operational responsibilities for the activities of the Foundation. Palm Bay Municipal Foundation is classified as a special revenue fund.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements to minimize double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The Statement of Activities demonstrates the degree to which the direct expenses and indirect costs of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those costs that are allocated to functions and activities in accordance with the City’s adopted indirect cost allocation plan. The “expenses” column includes both direct and indirect expenses. 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 or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**NOTE 1 – Summary of Significant Accounting Policies (Continued)****B. Government-wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund. The fiduciary fund is excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The internal service funds are included in governmental activities in the government-wide financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation****Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are user fees between the City's enterprise funds and other governmental functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

**Fund Financial Statements**

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 four months of the end of the current fiscal period. 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.

Taxes when levied, franchise fees, licenses, intergovernmental revenues when eligibility requirements are met, charges for services, and interest associated with the current fiscal period are all considered to be measurable and if available 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 City.



**NOTE 1 – Summary of Significant Accounting Policies (Continued)**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

- The General Fund is the City'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 Bayfront Community Redevelopment Agency Fund is used to account for ad valorem tax increment revenues accumulated for community development in the areas where the taxes were assessed.
- The BCRA Construction Fund is used to account for the proceeds provided for the capital-oriented projects of the Bayfront Community Redevelopment Agency.

The City reports the following major enterprise fund:

- The Utilities Fund, accounts for the fiscal activities of the City's water and wastewater treatment and distribution operations as well as the funding and payment of related debt.
- The Solid Waste Fund is used to account for residential solid waste collection services administered by the City in partnership with Waste Management.

Additionally, the City reports the following fund types:

- The Internal Service Funds account for certain activities of the City's risk management, employee benefit programs and its fleet operations. Activities include premium and benefit payments, legal expenses incurred related to activities not specifically covered by City insurance policies, collections of settlements or refunds from related cases, and charges to City departments for fleet services and a vehicle replacement program.
- The Pension Trust Fund accounts for the activities of the City's Police and Firefighters Retirement System, ("PBP&FPF") which accumulates resources for pension benefit payments to certain general government employees and qualified police and fire employees.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both *restricted* and *unrestricted* resources are available for use, it is the City's policy to use *restricted* resources first for their intended purposes, and then *unrestricted* resources, as they are needed.

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**D. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, money market accounts, money market funds, Negotiable Order of Withdrawal, investments in the Florida State Board of Administration Local Government Pooled Investment Fund, and investments (including *restricted* position) with maturities of three months or less at the time of purchase.

E. Investments

Investments are stated at fair value, with the exception of investments in the Florida State Board of Administration Local Government Pooled Investment Funds (“SBA”), an external investment pool which is presented at share price. All fair market valuations are based on quoted market prices. SBA pool shares are based on amortized cost of the SBA’s underlying portfolio.

F. ReceivablesProperty Taxes Receivable

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City’s millage rate, on which tax collections in fiscal year 2016 are based, is 8.5000.

All real and tangible personal property taxes are due and payable on the levy date of November 1 of each year or as soon thereafter as the assessment roll is certified by the Brevard County Property Appraiser (levy date). The Brevard County Tax Collector collects and distributes all taxes. Taxes may be paid upon receipt of notice from the Tax Collector, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount and all unpaid taxes on real and tangible property become delinquent on April 1 and a lien is executed on or before 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 certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal year end.

Accounts Receivable

Utilities Fund operating revenues are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read by September 30 are accrued based on meter readings for the applicable consumption taken at the beginning of October and billed in October. Accounts receivable balances are shown net of the allowance for uncollectible accounts. The allowances are determined based on management estimates of uncollectible amounts.

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

G. Inventories and prepaid items

Inventories in the governmental, enterprise and internal service funds consist primarily of expendable supplies held for consumption. Inventories are valued at lower of cost or market, using the first-in /first-out (“FIFO”) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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. The cost of a prepaid item is recorded as an expenditure/expense when consumed rather than when purchased.

H. Restricted Assets

The uses of certain assets of the Utilities Fund are restricted by specific provisions of bond resolutions and other agreements. Assets so designated are identified as restricted assets on the statement of net position.

I. Encumbrance

Encumbrance accounting is employed in the general, capital project and special revenue funds. Under this method, purchase orders contracts and other commitments outstanding at year-end do not constitute expenditures for liabilities. GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides additional guidance on the classification within the Net Position section of the amounts that have been encumbered. Encumbrances of balances within the General fund are classified as *assigned*; Special Revenue and Capital Projects funds are classified as *committed* and *restricted*. These encumbrances are not separately stated in the financial statements.

J. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, easements, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$250,000 and have estimated useful lives of more than one year. Capital 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In governmental funds, capital purchases (capital assets) are reported as expenditures.

Capital Assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-50
Utilities System	25-40
Infrastructure	15-20
Equipment	5-20
Vehicles	3-10

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has two items that qualify for reporting in this category; they are deferred charge on refunding and deferred outflows related to pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions, pursuant to GASB 68 are unrealized contributions and losses related to pension costs. See Note 9 Employee Retirement Systems.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents revenue collected that applies to a future period and will not be recognized as revenue until then. The City has three items in this category, which arises under both the full accrual and modified accrual basis of accounting; unavailable revenue regarding business tax licenses that have been paid in advance, deferred amounts related to pensions (difference between projected and actual earnings of plan investments) pursuant to GASB 68 and unamortized gain on refunding, pursuant to GASB 65.

L. Pension

For purpose of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Fire and Police Retirement System and Florida Retirement System ("FRS") plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by PBP&FPF and FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Amortization of Bond Discount and Premium

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the term of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/ expenses when incurred.

N. Compensated Absences

All full-time permanent employees earn annual leave at a rate of 8 to 18 hours per month and earn sick leave at a rate of 8 to 15 hours per month, depending on length of service and position. The annual leave may be accumulated up to a maximum of 320 hours and the sick leave up to a maximum of 1,152 hours. If an employee terminates in good standing, unused annual leave will be paid up to a maximum of 320 hours. Sick leave will be paid up to a maximum of 1,152 hours.

The City records compensated absences in governmental funds as expenditures for the amount accrued during the year that would normally be liquidated with expendable, available financial resources and to the extent they are due as of the end of the fiscal year. The City accrues compensated absences in the period they are earned in the government-wide and enterprise fund financial statements.

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**O. Fair Value Measurement

The City categorizes its fair value measurements with the hierarchy established by GASB 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

P. Capital Contributions

Capital Contributions consist of amounts from federal and state aid programs, developers, and water and sewer stabilization fees charged to customers for initial hookup to the Utilities System's water and sewer lines. Contributions are recognized when earned or when legal title is transferred to the City for contributed capital assets.

Q. Net Position

In the government-wide financial statements and in the proprietary fund statements, net position is classified in the following categories:

*Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted Net Position* – This category represents the net position of the City, which is restricted by constraints placed on the use by external groups such as creditors, grantors, contributors, laws, regulations of other governments, through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents the net position of the City, which can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. Deficit unrestricted net position if any would require future funding.

R. Fund Balance

*Nonspendable* – This category includes items that are not in spendable form because they are either legally or contractually required to be maintained intact such as inventory, prepaid and long-term amounts of loans and notes receivable.

*Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

*Committed* – The portion of fund balance that can be constrained for a specific purpose imposed via resolution by the Palm Bay City Council (the highest level of decision-making authority). Commitment of fund balance may be made for such purposes as a) major maintenance and repair projects, b) meeting obligations resulting from a natural disaster, c) accumulating resources pursuant to stabilization arrangements, d) establishing reserves for disasters and or, e) for specific projects. Any changes or removal of committed fund balance must be sanctioned by the Palm Bay City Council through the same process that facilitated the original commitment.

*Assigned* – Includes items intended for specific uses and authorized by the City Manager and or Finance Director. The Palm Bay City Council designated the aforementioned representatives as the delegated officials that can assign portions of the fund balance as evidenced by Resolution 2011-34.

*Unassigned* – This is the residual classification used for those balances not *assigned* to another category in the General Fund. Deficit fund balance in other governmental funds is also presented as *unassigned*.

**NOTE 1 – Summary of Significant Accounting Policies (Continued)****R. Fund Balance (Continued)**

GASB 54 requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize assignment of fund balance. On August 4, 2011, City Council by resolution 2011-34 authorized the Finance Director rights to assign resources and ending fund balances. GASB 54 also requires a spending policy to ending fund balances. The spending policy states in what order fund balance categories are spent. On August 4, 2011 by resolution 2011-34, the Council approved the following fund balance order of spending: (1) *restricted* fund balance first, and then (2) *committed* fund balance, then (3) *assigned* fund balance, and (4) *unassigned* fund balance. The General Fund maintains a minimum fund balance of 10% of the subsequent year's budgeted expenditures less capital outlay and transfers.

A detailed schedule of Governmental Fund Balances is presented below:

Detailed classifications of the City's Fund Balances, as of September 30, 2016, are as follows:

Function Balance Classification	Major Funds				Total Governmental Funds
	General Fund	Bayfront Community Redevelopment Agency	BCRA Construction Fund	Nonmajor Governmental Funds	
<b>Non-Spendable:</b>					
Items not in spendable form:					
Inventory	\$ 3,973	\$ -	\$ -	\$ -	\$ 3,973
Land Held for Resale	-	-	-	15,500	15,500
Prepaid Items	35,029	1,789	-	-	36,818
<b>Total Nonspendable Fund Balances</b>	<u>39,002</u>	<u>1,789</u>	<u>-</u>	<u>15,500</u>	<u>56,291</u>
<b>Restricted for:</b>					
Debt Service	-	-	-	4,506,596	4,506,596
Citizen Services	-	-	-	22,963	22,963
Forfeited property	-	-	-	274,598	274,598
Redevelopment Activities	-	616,069	-	-	616,069
Other capital projects	-	-	1,069,477	3,114,434	4,183,911
<b>Total Restricted Fund Balances</b>	<u>-</u>	<u>616,069</u>	<u>1,069,477</u>	<u>7,918,591</u>	<u>9,604,137</u>
<b>Committed to:</b>					
Road Maintenance	-	-	-	2,946,470	2,946,470
Various Contracts	184,628	-	-	44,559	229,187
<b>Total Committed Fund Balances</b>	<u>184,628</u>	<u>-</u>	<u>-</u>	<u>2,991,029</u>	<u>3,175,657</u>
<b>Assigned to:</b>					
Various contracts	50,883	-	-	-	50,883
Citizen Services	-	-	-	647,747	647,747
<b>Total Assigned Fund Balances</b>	<u>50,883</u>	<u>-</u>	<u>-</u>	<u>647,747</u>	<u>698,630</u>
<b>Unassigned:</b>					
General government	8,900,069	-	-	-	8,900,069
Other governmental fund deficit residuals	-	-	-	(831,310)	(831,310)
<b>Total Unassigned Fund Balances</b>	<u>8,900,069</u>	<u>-</u>	<u>-</u>	<u>(831,310)</u>	<u>8,068,759</u>
<b>Total Fund Balances</b>	<u>\$ 9,174,582</u>	<u>\$ 617,858</u>	<u>\$ 1,069,477</u>	<u>\$ 10,741,557</u>	<u>\$ 21,603,474</u>



**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from management’s estimates.

**NOTE 2 – Stewardship, Compliance and Accountability**

A. Deficit Fund Equity

At September 30, 2016, the following funds of the City had deficit balances:

<b>Special Revenue Funds:</b>	
Community Development Block Grant	(\$222,330)
Neighborhood Stabilization Program	(113)
Environmental Fee Fund	(\$608,867)
<b>Internal Service Funds:</b>	
Risk Management Fund	(\$27,409)

The deficit in the Community Development Block Grant Fund is expected to be eliminated by future program revenue and grant reimbursement.

The deficit fund balance in the Neighborhood Stabilization Program will be eliminated by a transfer from General Fund.

The deficit in the Environment Fee Fund was a result of an upfront payment of mitigation costs which will be repaid with future dedicated revenue sources.

The deficit in the Risk Management Fund is a result of accruing legal costs associated with litigated transactions.

**NOTE 3 – Deposits and Investments**

A. Cash and Deposits

At September 30, 2016, the carrying amount of the City’s cash deposit accounts was \$18,316,987, and the bank balance was \$13,801,505. The City’s cash deposits are held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The City’s cash deposits are fully insured by the Public Deposits Trust Fund.

Cash Equivalents consist of amounts placed with Florida Education Investment Trust Fund \$13,307,040, and US Bank Money Market Account \$53,506. The City is also invested in the State Board of Administration’s (SBA) Local Government Surplus Funds Trust Fund investment pool, the Florida Prime Fund, created by Section 218.405, Florida Statutes. The Florida Prime Fund operates under investment guidelines established by Section 215.47, Florida Statutes. The City’s investment in the Florida PRIME Fund was \$13,416,431.

B. Investment Portfolio

On September 20, 2012, the City of Palm Bay adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that updated permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect the City’s cash and investment assets. The City maintains a common cash and investment pool for the use of all funds.

**NOTE 3 – Deposits and Investments (Continued)**

**B. Investment Portfolio (Continued)**

Section 218.415, Florida Statutes, limits the types of investments that a government can invest in unless specifically authorized in an investment policy. The City’s investment policy allows for the following investments: The Florida PRIME Fund (“SBA”), United States Government Securities, United States Government Agencies, Federal Instrumentalities, Mortgage Backed Securities, Interest Bearing Time Deposit and Saving Accounts, Repurchase Agreements, Commercial Paper, Corporate Notes, Bankers’ Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies Money Market Mutual Funds and Intergovernmental Investment Pools.

As of September 30, 2016, the City had the following investment types and weighted average maturity presented in terms of years:

Security Type	Fair Value	Weighted Average Duration (Years)
U.S. Treasury Notes	\$ 4,630,545	1.66
Federal Instrumentalities - Notes	7,139,326	2.18
Municipal Obligations	275,113	0.09
Commercial Paper	2,582,694	0.54
Corporate Notes	2,184,255	1.58
Florida Education Investment Trust Fund *	13,307,040	47 days
Florida Prime (“SBA”) Fund **	13,416,431	28 days
US Bank Money Market Account	53,506	0.003
Less: Amounts reported as cash and cash equivalents	(26,776,977)	
<b>Total</b>	<b>\$ 16,811,933</b>	<b>0.71</b>

\* The Florida Education Investment Trust Fund’s Fact Sheet as of September 30, 2016 provided the Weighted Average Maturity (represented in days).

\*\* Florida Prime (SBA)’s September 30, 2016 Monthly Summary Report available on the website, <https://www.sbafla.com/prime/>, is the source of the Fund’s Weighted Average Maturity (represented in days).

**C. Interest Rate Risk**

The City’s investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than five (5) years. Investments of bond reserves, construction funds, and other non-operating funds, “core funds”, shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement. The City utilizes “weighted average duration” as a measurement of interest rate risk and as of September 30, 2016, the investment portfolio had a weighted average duration of 0.71 years.

The City has a Corporate Note with an embedded option consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate. The following details the embedded option:

CUSIP	Description	Maturity Date	Call Date	Call Schedule	Market Value
06406HDB2	Bk of NY Mellon (Callable)	05/22/18	04/22/18	Continuous	\$ 301,788
<b>Total</b>					<b>\$ 301,788</b>

The City has no Federal Instrumentalities Mortgage pass-through securities.

**NOTE 3 – Deposits and Investments (Continued)**D. Credit Risk

The City's investment policy permits the following investments, which are limited to credit quality ratings from nationally recognized rating agencies as described below.

Florida PRIME shall be rated "AAAm" by Standard & Poor's or the equivalent by another Nationally Recognized Statistical Rating Organization ("NRSRO") and the published objectives of the fund must agree with the Securities and Exchange Commission investment requirement for 2a-7.

Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper).

Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum within the single "A" category by any two NRSROs .

Bankers' Acceptances which are issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's and "A-1" Standard & Poor's.

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at the time of purchase, at a minimum within the single "A" category by any two NRSROs, for long-term debt, or rated at least "MIG-1" by Moody's and "SP-1" by Standard & Poor's for short-term debt.

Registered Investment Companies (Money Market Mutual Funds) shares in open-end and no-load funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7. The money market funds shall be rated "AAAm" or better by Standard & Poor's or the equivalent by another NRSRO.

Intergovernmental Investment Pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes. Intergovernmental investment pools shall be rated "AAAm" or better by Standard & Poor's or the equivalent by another NRSRO.

As of September 30, 2016, the City had the following credit exposure as a percentage of total investments:

<b>Security Type</b>	<b>Credit Rating</b>	<b>% of Portfolio</b>
U.S. Treasury Notes	AA+	10.62%
Federal Instrumentalities - Notes	AA+	16.38%
Municipal Obligations	AA-	0.63%
Commercial Paper	A-1+	2.73%
Commercial Paper	A-1	3.20%
Corporate Notes	AAA	0.23%
Corporate Notes	AA+	1.42%
Corporate Notes	AA-	1.38%
Corporate Notes	A+	0.60%
Corporate Notes	A	1.38%
Florida Education Investment Trust Fund *	AAAm	30.53%
Florida Prime ("SBA") Fund **	AAAm	30.78%
US Bank Money Market Account	N/A	0.12%
<b>Total</b>		<b>100%</b>

**NOTE 3 – Deposits and Investments (Continued)**D. Credit Risk (Continued)

- \* The Florida Education Investment Trust Fund's Fact Sheet as of September 30, 2016 provided the Credit Rating from Standard & Poor's.
- \*\* Florida Prime (SBA)'s September 30, 2016 Monthly Summary Report available on the website, <https://www.sbafla.com/prime/>, is the source of the Fund's Credit Rating from Standard & Poor's.

E. Custodial Credit Risk

The City's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits maintained by book-entry at the issuing bank shall clearly identify the City as the owner.

As of September 30, 2016, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

F. Concentration of Credit Risk

The City's investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the City's investment portfolio.

A maximum of 25% of available funds may be invested in the Florida PRIME Fund ("SBA"), 100% of available fund may be invested in United States Government Securities, 50% of available funds may be invested in United States Government Agencies with a 25% limit on individual agency, 80% of available funds may be invested in Federal Instrumentalities with a 50% limit on individual instrumentalities, 20% of available funds may be invested in Mortgage Backed Securities with a 15% limit on individual issuers, 40% of available funds may be invested in interest bearing time deposit or savings accounts with a 15% limit on individual issuers, a maximum of 50% of available funds may be invested in repurchase agreements excluding one (1) business day agreements and overnight sweep agreements with a 25% limit on any one institution, 25% of available funds may be directly invested in prime commercial paper with a 10% limit on individual issuers, 15% of available funds may be invested in corporate notes with a limit of 5% with any one corporate issuer, 25% of available funds may be directly invested in Bankers' Acceptances with a 10% limit on individual issuers, a maximum of 20% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt with a 5% limit on individual issuers, a maximum of 50% of available funds may be invested in Registered Investment Companies (Money Market Mutual Funds) with a limit of 30% with any one money market fund, a maximum of 25% may be invested in intergovernmental investment pools.

**NOTE 3 – Deposits and Investments (Continued)**F. Concentration of Credit Risk (Continued)

As of September 30, 2016, the City had the following issuer concentration based on fair value:

<b>Security Type</b>	<b>Fair Value</b>	<b>% of Portfolio</b>
U.S. Treasury Notes	\$ 4,630,545	27.54%
Federal Home Loan Bank Notes (FHLB)	3,750,542	22.31%
Federal National Mortgage Association Notes (FNMA)	2,708,144	16.11%
Freddie Mac Notes (FHLMC)	680,640	4.05%
Apple Inc. Corporate Notes	169,332	1.01%
Bank of New York Mellon (Callable) Corporate Notes	301,788	1.80%
American Honda Finance Corporate Notes	261,069	1.55%
HSBC USA Corporate Notes	300,615	1.79%
IBM Corporate Notes	474,938	2.83%
Microsoft Corporate Notes	99,681	0.59%
Toyota Motor Credit Corporate Notes	125,469	0.75%
Exxon Mobil Corporate Notes	451,363	2.68%
California State Taxable GO Bonds	275,113	1.64%
Bank of Tokyo Mitsubishi Commercial Paper	448,186	2.67%
BNP Paribas NY Branch Commercial Paper	497,760	2.96%
JP Morgan Commercial Paper	446,936	2.66%
Toyota Motor Credit Commercial Paper	1,189,812	7.08%
	<u>\$ 16,811,933</u>	<u>100.00%</u>

G. Fair Value Measurement and Application

Investments are carried at fair value as defined in GASB Statement 72 “Fair Value Measurement and Application”. Consistent with GASB 72, the City categorizes its fair value measurements within the fair value hierarchy. The City has the following fair value measurements as of September 30, 2016.

<b>Investments by fair value level</b>	<b>9/30/2016</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets</b>	<b>Level 1</b>	<b>Significant Other Observable Inputs</b>
U.S. Treasury securities	\$ 4,630,545	\$ 4,630,545	\$ -	-
Federal Agencies and Instrumentalities	7,139,326	-	7,139,326	
Municipal securities	275,113	-	275,113	
Commercial paper	2,582,694	-	2,582,694	
Corporate notes	2,184,255	-	2,184,255	
Total investments by fair value level	<u>16,811,933</u>	<u>4,630,545</u>	<u>12,181,388</u>	

Level 1 inputs are measured at quoted prices. Level 2 inputs utilize pricing models of similar securities. This includes basing value or yield currently available on comparable securities of issues with similar credit rating.

Level 3 inputs are not traded in an active market. No significant observable market inputs are available as of the reporting date.

**NOTE 3 – Deposits and Investments (Continued)**

G. Investments – Fair Value Measurement and Application (Continued)

The cash equivalents measured at amortized cost meet the requirements under GASB 79, and GASB 31 to be valued at cost and not fair value. Florida Prime Fund, intergovernmental investment pool and money market account have no unfunded commitments and are redeemed daily with a 1-day minimum holding period.

Investments regarding the City’s Police and Fire Pension Plan had the following fair value measurements as of September 30, 2016.

Investments by fair value level	9/30/2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Other Unobservable Inputs
		Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 26,441,450	\$ -	\$ 26,441,450	\$ -
Common Stock	58,320,706	57,983,490	337,216	-
Corporate Bonds	12,974,156	-	12,974,156	-
Real Estate Funds	18,947,829	-	-	18,947,829
Convertible Securities	13,898,928	1,897,555	12,001,373	-
Domestic Equity Funds	110,481	-	110,481	-
<b>Total Investments by net fair value level</b>	<b>130,693,550</b>	<b>59,881,045</b>	<b>51,864,676</b>	<b>18,947,829</b>
<b>Investments measured at net asset value ("NAV")</b>				
Domestic Equity Funds	9,504,273			
International Equity Funds	21,208,845			
Bond Funds	59,447			
Master Limited Partnership	6,086,431			
Total investments measured at NAV	36,858,996			
Total investments	\$ 167,552,546			

The Plan’s valuation methods for investments measured at the net asset value (“NAV”) per share (or its equivalent) as of September 30, 2016 are as follows:

	Investments Measured at the NAV			
	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	
Mutual funds	\$ 24,439,792	\$ -	Daily	Same Day
Commingled domestic equity funds	12,419,204		Monthly	Up to 15 Days
<b>Total investments measured at the NAV</b>	<b>\$ 36,858,996</b>	<b>\$ -</b>		

H. Investments – Investment in Palm Bay Retirement System

1. Investment Authorization

The Palm Bay Retirement System’s (the “Plan”) investment policy is determined by the Board of Trustees (the “Board”). The policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Board determined this policy after evaluating the implications of increased investment return versus increased variability of return for a number of potential investment policies with varying commitments to stocks and bonds. The primary investment objective of the plan is the



**NOTE 3 – Deposits and Investments (Continued)**H. Investments – Investment in Palm Bay Retirement System (Continued)1. Investment Authorization (Continued)

preservation of invested capital. The secondary objective is to achieve moderate long-term real growth of the assets while minimizing the volatility of returns.

The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account. Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 75% (at market) of the Plan's total asset value with no more than 5% at cost value of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 25% (at market) of the investment portfolio. Convertible securities shall be limited to 25% of the Plan's total portfolio. Investment in equity securities whose market capitalization is less than \$3 billion dollars shall be limited to 25% of the total equity portfolio. Investments in those corporations whose stock has been publicly traded for less than one year are limited to 15% of the equity portfolio.

The fixed income portfolio shall be comprised of securities rated "BBB" or higher by Standard & Poor's or Baa or higher by Moody's rating services with no more than 10% at cost of an investment manager's total fixed income portfolio invested in the securities of any single corporate issuer. However, investments in securities rated below "A" shall be limited to 20% of the total fixed income portfolio.

Investments in Collateralized Mortgage Obligations (CMOs) shall not exceed 25% of the fixed income portfolio and real estate shall not exceed 15% of the portfolio or market, respectively.

The Plan has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In this regard, the Plan does utilize mutual funds as the investment vehicles for all its fixed income investments. In addition, the Plan utilizes an investment advisor who monitors the investing activity. The investments owned are held by custodians in the name of the Plan.

2. Types of Investments

Florida Statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocation of these investments at market are as follows:

<b>Authorized Investments</b>	<b>Target % of Portfolio</b>	<b>Actual % of Portfolio</b>
Domestic equities	35%	39%
Fixed income	25%	23%
International equities	15%	12%
Real estate	10%	11%
Convertible securities	10%	8%
Master limited partnership	5%	3%
Cash equivalents	0%	4%
	100%	100%

H. Investments – Palm Bay Retirement System (Continued)3. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

**NOTE 3 – Deposits and Investments (Continued)****H. Investments – Investment in Palm Bay Retirement System (Continued)****3. Interest Rate Risk (Continued)**

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations are provided by the following tables that show the distribution of the Plan's investment by maturity at September 30, 2016:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 15,657,200	\$ 1,942,745	\$ 9,517,075	\$ 2,166,710	\$ 2,030,670
U.S. Agencies	10,784,250	-	-	-	10,784,250
Debt Securities	12,974,156	131,385	2,020,072	4,293,545	6,529,154
Bond Funds	59,447	-	-	-	59,447
Total Fixed Income	\$ 39,475,053	\$ 2,074,130	\$ 11,537,147	\$ 6,460,255	\$ 19,403,521

**4. Credit Risk**

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following tables disclose credit ratings by investment type, at September 30, 2016 as applicable:

Quality Rating of Credit Risk Debt Securities	Fair Value	Percentage of Portfolio
Government	\$ 26,441,450	66.98%
AAA	2,793,111	7.08%
AA+	106,727	0.27%
AA	386,568	0.98%
AA-	1,053,145	2.67%
A+	135,499	0.34%
A	323,546	0.82%
A-	1,569,781	3.98%
BB+	161,081	0.41%
BB	233,553	0.59%
BBB+	1,585,365	4.02%
BBB	2,385,082	6.04%
BBB-	1,954,244	4.95%
Other	345,901	0.87%
Total Fixed Income Securities	\$ 39,475,053	100%

**5. Concentration of Credit Risk**

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net position at September 30, 2016.

**NOTE 3 – Deposits and Investments (Continued)**

H. Investments – Palm Bay Retirement System (Continued)

6. Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its

investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan and are held either by the counterparty or the counterparty’s trust department or agent but not in the Plan’s name.

Consistent with the Plan’s investment policy, substantially all the investments are held by Plan’s custodial bank and registered in the Plan’s name. All the Plan’s deposits are insured and or collateralized by a financial institution separate from the Plan’s depository financial institution.

7. Rate of Return

For the year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 9.81% for Police Officers, 8.44% for Firefighters and 10.02% for General. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount invested.

**NOTE 4 – Receivables**

The City's receivables as of September 30, 2016 are summarized as follows:

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u>	<u>Business-type</u>	
Accounts Receivable:			
Accounts receivable	\$ 2,708,048	\$ 10,033,270	\$ 12,741,318
Due from other Governments	2,851,804	-	2,851,804
Assessments Receivables	-	2,721,145	2,721,145
	<u>5,559,852</u>	<u>12,754,415</u>	<u>18,314,267</u>
Less: Allowances for Uncollectibles	-	(189,179)	(189,179)
Accounts receivable, net	<u>\$ 5,559,852</u>	<u>\$ 12,565,236</u>	<u>\$ 18,125,088</u>

	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Other</u>		
		<u>Governmental</u>	<u>Internal Service</u>	
Accounts Receivable:				
Accounts receivables	\$ 2,603,041	\$ 5,480	\$ 99,527	\$ 2,708,048
Due from State of Florida	2,520,725	294,594	-	2,815,319
Due from Brevard County	32,947	-	-	32,947
Due from Other Governments	3,538	-	-	3,538
Governmental receivable, net	<u>\$ 5,160,251</u>	<u>\$ 300,074</u>	<u>\$ 99,527</u>	<u>\$ 5,559,852</u>

**NOTE 4 – Receivables (Continued)**

The City’s Utilities Fund provides water, sewer and stormwater services to residents in the City. Customers routinely receive services in advance during the ordinary course of business; however, customers’ deposits are available to be applied against amounts owed. Accounts receivable in the Utilities Fund at September 30, 2016 is summarized as follows:

	<b>Business-type Activies</b>			<b>Total</b>
	<b>Utilities Fund (Major Fund)</b>	<b>Solid Waste (Major Fund)</b>	<b>Enterprise (Nonmajor Fund)</b>	
Accounts Receivable:				
Accounts receivables	\$ 4,854,339	\$ 597,756	\$ 2,501,695	\$ 7,953,790
Unbilled receivables	2,079,480	-	-	2,079,480
Assessments receivables	2,721,145	-	-	2,721,145
	<u>9,654,964</u>	<u>597,756</u>	<u>2,501,695</u>	<u>12,754,415</u>
Less: Allowances for uncollectibles	(189,179)	-	-	(189,179)
Business-type receivable, net	<u>\$ 9,465,785</u>	<u>\$ 597,756</u>	<u>\$ 2,501,695</u>	<u>\$ 12,565,236</u>

**NOTE 5 – Restricted Assets**

The use of certain Utilities Fund assets is restricted by specific provisions of the bond resolution authorizing the issuance of the utilities revenue and refunding bonds. In addition, the City restricts funds available for repayment of customer deposits as well as funds required to be placed in special construction accounts, as required by state statutes. Restricted assets at September 30, 2016 are as follows:

<b>Account Description:</b>	<b>Cash and Cash Equivalents</b>
Current:	
Customer Deposits	\$ <u>2,275,260</u>
Total Current Restricted Assets	<u>2,275,260</u>
Noncurrent:	
Renewal, Replacement and Improvement	7,504,146
Connection Fees	5,982,330
Debt Service Reserve	<u>2,170,250</u>
Total Noncurrent Restricted Assets	<u>15,656,726</u>
Total Restricted Assets- Business-type Activities	<u>\$ 17,931,986</u>

**NOTE 6 - Interfund Transfers, Receivables and Payables**

Individual Interfund transfers at September 30, 2016 are presented on the table that follows:

Transfers Out	Transfers In							Total Transfers Out
	General	Nonmajor Governmental	Bayfront Community Redevelopment	Building Inspections	Utilities	Stormwater	Internal Service	
General	\$ -	\$ 7,564,616	\$ 31,003	\$ -	\$ -	\$ -	\$ 1,037,445	\$ 8,633,064
Nonmajor Governmental	49,189	1,370,494	-	9,975	-	1,282	198,541	1,629,481
Building Inspections	29,220	-	-	-	-	-	-	29,220
Utilities	1,251,896	-	-	-	9,282,186	-	-	10,534,082
Stormwater	218,352	-	1,325	-	53,708	-	713	274,098
Solid Waste	58,800	-	-	-	8,194	-	-	66,994
Internal Service	526,301	19,200	71,910	-	-	-	323,282	940,693
<b>Total Transfers In</b>	<b>\$ 2,133,758</b>	<b>\$ 8,954,310</b>	<b>\$ 104,238</b>	<b>\$ 9,975</b>	<b>\$ 9,344,088</b>	<b>\$ 1,282</b>	<b>\$ 1,559,981</b>	<b>\$ 22,107,632</b>

The transfer of approximately \$1.2 million to the General Fund represents annual return on investments (ROI). This amount is based on a percentage of the Utility System’s total gross capital assets and is equivalent to payment in lieu of taxes (PILOT). Transfers to nonmajor funds totaling \$9.1 million covered debt service obligations and Road Program projects. Transfers within utilities in the amount of \$9.3 million covered debt service obligations, supported capital improvement projects and maintained fund balance in accordance with established policies. Internal Services transfers in included \$690K for the vehicles, machine and equipment and an additional \$346K for debt service obligations from the General Fund.

Advances to/from other funds at September 30, 2016 were as follows:

- \$1,385,083 – Balance of a loan from the Utilities Fund to the Fleet Services Fund in 2004 to fund capital acquisitions. In FY14, Council approved Resolution 2013-26, which restructured the loan resulting in a fixed interest rate of 2.35%.
- \$609,000 – Balance of funds advanced by the Building Inspection Fund in FY07 to the Environmental Fee fund to cover the cost of a Federal Fish and Wildlife permit granted by the U.S. Department of Interior.
- \$117,476 – Balance of loan from Utilities Fund to Stormwater Fund in FY15 to cover the cost to refund stormwater fees to certain governmental agencies as established by Resolution 2014-41.
- \$248,023 – Funds advanced by the Building Inspection Fund to Fleet Services Fund to cover capital equipment purchases.
- \$502,961 – Funds advanced by Building Inspection to General Fund to cover the cost of police radio consoles and Microsoft Enterprise Software.

Due to/from other funds balances consist of amounts from General Fund (\$215,600) to Community Development Block Grant and Neighborhood Stabilization Program to cover deficit balances.

**NOTE 7 – Capital Assets**A. Changes in Capital Assets

The following tables show the changes in capital assets by governmental activities and business-type activities. Governmental activities include the capital assets for the Internal Service Funds.

<b>Governmental Activities</b>	<b>Beginning Balance 9/30/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 9/30/2016</b>
Capital Assets, Not Being Depreciated:				
Land	\$ 15,855,494	\$ 1,808,998	\$ (490,046)	\$ 17,174,446
Construction In Progress	1,843,937	10,332,171	(3,789,143)	8,386,965
<b>Total Capital Assets, Not Being Depreciated</b>	<b>17,699,431</b>	<b>12,141,169</b>	<b>(4,279,189)</b>	<b>25,561,411</b>
Capital Assets, Being Depreciated:				
Buildings and Improvements	25,414,119	9,889,148	-	35,303,267
Machinery, Equipment and Vehicles	20,422,827	1,344,325	(958,673)	20,808,479
Infrastructure	110,316,541	4,763,925	(5,061,976)	110,018,490
<b>Total Capital Assets Being Depreciated</b>	<b>156,153,487</b>	<b>15,997,398</b>	<b>(6,020,649)</b>	<b>166,130,236</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	(14,342,936)	(843,840)	-	(15,186,776)
Machinery and Equipment	(19,092,534)	(1,264,983)	958,673	(19,398,844)
Infrastructure	(40,156,250)	(5,206,334)	5,061,976	(40,300,608)
<b>Total Accumulated Depreciation</b>	<b>(73,591,720)</b>	<b>(7,315,157)</b>	<b>6,020,649</b>	<b>(74,886,228)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>82,561,767</b>	<b>8,682,241</b>	<b>-</b>	<b>91,244,008</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 100,261,198</b>	<b>\$ 20,823,410</b>	<b>\$ (4,279,189)</b>	<b>\$ 116,805,419</b>



**NOTE 7 – Capital Assets (Continued)**

A. Changes in Capital Assets (Continued)

<b>Business-type Activities</b>	<b>Ending Balance 9/30/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 9/30/2016</b>
<b><u>Utility System</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,904,079	\$ -	\$ -	\$ 4,904,079
Construction In Progress	5,786,997	2,670,591	(5,032,798)	3,424,790
<b>Total Capital Assets, Not Being Depreciated</b>	<b>10,691,076</b>	<b>2,670,591</b>	<b>(5,032,798)</b>	<b>8,328,869</b>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,863,766	-	-	2,863,766
Water and Sewer System	157,445,357	5,211,472	(1,659,329)	160,997,500
Machinery and Equipment	3,938,296	207,168	(123,802)	4,021,662
<b>Total Capital Assets Being Depreciated</b>	<b>164,247,419</b>	<b>5,418,640</b>	<b>(1,783,131)</b>	<b>167,882,928</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,179,281)	(69,452)	-	(1,248,733)
Water and Sewer System	(57,490,419)	(4,171,360)	1,659,329	(60,002,450)
Machinery and Equipment	(3,261,558)	(194,381)	123,802	(3,332,137)
<b>Total Accumulated Depreciation</b>	<b>(61,931,258)</b>	<b>(4,435,193)</b>	<b>1,783,131</b>	<b>(64,583,320)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>102,316,161</b>	<b>983,447</b>	<b>-</b>	<b>103,299,608</b>
Utility System Capital Assets, Net	<b>\$ 113,007,237</b>	<b>\$ 3,654,038</b>	<b>\$ (5,032,798)</b>	<b>\$ 111,628,477</b>
<b><u>Solid Waste</u></b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 2,560,000	\$ -	\$ -	\$ 2,560,000
Less Accumulated Depreciation For:				
Machinery and Equipment	(1,280,000)	(256,000)	-	(1,536,000)
<b>Solid Waste Capital Assets, Net</b>	<b>\$ 1,280,000</b>	<b>\$ (256,000)</b>	<b>\$ -</b>	<b>\$ 1,024,000</b>

**NOTE 7 – Capital Assets (Continued)**

A. Changes in Capital Assets (Continued)

<b>Business-type Activities</b>	<b>Ending Balance 9/30/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 9/30/2016</b>
<b><u>Stormwater Utility</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 19,802	\$ -	\$ -	\$ 19,802
Construction in Progress	250	2,137	-	2,387
<b>Total Capital Assets, Not Being Depreciated:</b>	<b>20,052</b>	<b>2,137</b>	<b>-</b>	<b>22,189</b>
Capital Assets, Being Depreciated:				
Infrastructure	157,636	-	-	157,636
Machinery and Equipment	2,157,458	-	(137,970)	2,019,488
<b>Total Capital Assets Being Depreciated</b>	<b>2,315,094</b>	<b>-</b>	<b>(137,970)</b>	<b>2,177,124</b>
Less Accumulated Depreciation For:				
Machinery and Equipment	(1,925,296)	(61,595)	137,970	(1,848,921)
Infrastructure	(1,416)	(1,415)	-	(2,831)
<b>Total Accumulated Depreciation</b>	<b>(1,926,712)</b>	<b>(63,010)</b>	<b>137,970</b>	<b>(1,851,752)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>388,382</b>	<b>(63,010)</b>	<b>-</b>	<b>325,372</b>
<b>Stormwater Utility Capital Assets, Net</b>	<b>\$ 408,434</b>	<b>\$ (60,873)</b>	<b>\$ -</b>	<b>\$ 347,561</b>
<b><u>Building Inspections</u></b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ -	\$ 8,660	\$ -	\$ 8,660
<b>Building Inspections Capital Assets, Net</b>	<b>\$ -</b>	<b>\$ 8,660</b>	<b>\$ -</b>	<b>\$ 8,660</b>

**NOTE 7 – Capital Assets (Continued)**

A. Changes in Capital Assets (Continued)

Shown below is a summary of depreciation expense by function. Depreciation expense for the internal service funds are included in the governmental activities amounts.

**Depreciation Expense By Function**

**Governmental Activities:**

General Government	\$ 850,143
Public Safety	969,540
Physical Environment	570,447
Transportation	4,517,304
Economic Environment	-
Culture/Recreation	<u>407,723</u>
Total Governmental Activities	<u>\$ 7,315,157</u>

**Business-type Activities:**

Utility System	\$ 4,435,193
Stormwater	63,010
Solid Waste Fund	<u>256,000</u>
Total Business-type Activities	<u>\$ 4,754,203</u>

B. Construction Commitments

<b>Projects</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Public Works		
Road Maintenance Program	\$ 2,008,693	\$ 78,084
Utility Improvements		
South Regional Water Reclamation Facility	20,045	379,955
Waste & Wastewater Processing Improvements	<u>2,112,774</u>	<u>7,058,678</u>
<b>Total</b>	<u>\$ 4,141,512</u>	<u>\$ 7,516,717</u>

**NOTE 8 - Long Term Debt****A. Schedule of Changes in Long-Term Debt**

The following is a schedule of changes in the City's long-term debt for the fiscal year ended September 30, 2016:

<b>Governmental Activities:</b>	<b>Balance 9/30/15</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/16</b>	<b>Due Within One Year</b>	<b>Long-Term Portion</b>
Bonds Payable						
Revenue Bonds	\$ 76,618,088	\$ 15,375,000	\$ 15,612,547	\$ 76,380,541	\$ 842,506	\$ 75,538,035
Add Premium	373,121	547,652	399,200	521,573	-	521,573
Less Deferred Amounts:						
For Issuance Discounts	(13,701)	-	(856)	(12,845)	-	(12,845)
Total Bonds Payable	76,977,508	15,922,652	16,010,891	76,889,269	842,506	76,046,763
Notes Payable	12,675,000	-	1,680,000	10,995,000	1,371,000	9,624,000
Capital Leases	965,385	754,000	336,549	1,382,836	588,895	793,941
OPEB Obligation	2,153,422	336,542	-	2,489,964	-	2,489,964
Compensated Absences	4,822,619	3,599,906	3,290,559	5,131,966	821,115	4,310,851
Claims Payable	2,450,000	539,625	-	2,989,625	825,785	2,163,840
Total Governmental Activities	\$ 100,043,934	\$ 21,152,725	\$ 21,317,999	\$ 99,878,660	\$ 4,449,301	\$ 95,429,359
<b>Business-type Activities:</b>						
<b><u>Utility System</u></b>						
Bonds Payable:						
Revenue Bonds	\$ 27,032,579	\$ -	\$ 17,067,371	\$ 9,965,208	\$ 962,565	\$ 9,002,643
For Bond Discounts	(92,436)	-	(80,957)	(11,479)	-	(11,479)
Total Bonds Payable	26,940,143	-	16,986,414	9,953,729	962,565	8,991,164
Notes Payable	28,000,000	13,190,000	3,990,000	37,200,000	4,835,000	32,365,000
OPEB Obligation	468,933	70,851	-	539,784	-	539,784
Compensated Absences	741,984	548,075	595,428	694,631	111,141	583,490
Total Utility System	\$ 56,151,060	\$ 13,808,926	\$ 21,571,842	\$ 48,388,144	\$ 5,908,706	\$ 42,479,438
<b><u>Building Inspection</u></b>						
OPEB Obligation	\$ 89,682	\$ 4,428	\$ -	\$ 94,110	\$ -	\$ 94,110
Compensated Absences	52,981	51,043	65,078	38,946	6,231	32,715
Total Building Inspection	\$ 142,663	\$ 55,471	\$ 65,078	\$ 133,056	\$ 6,231	\$ 126,825
<b><u>Stormwater Utility</u></b>						
OPEB Obligation	\$ 211,072	\$ 26,569	\$ -	\$ 237,641	\$ -	\$ 237,641
Compensated Absences	188,749	166,240	243,418	111,571	17,851	93,720
Total Stormwater Utility	\$ 399,821	\$ 192,809	\$ 243,418	\$ 349,212	\$ 17,851	\$ 331,361
<b><u>Solid Waste</u></b>						
Capital Leasees	\$ 1,369,194	\$ -	\$ 259,934	\$ 1,109,260	\$ 269,086	\$ 840,174
OPEB Obligation	10,599	4,428	-	15,027	-	15,027
Compensated Absences	17,829	17,749	16,550	19,028	3,044	15,984
Total Solid Waste	\$ 1,397,622	\$ 22,177	\$ 276,484	\$ 1,143,315	\$ 272,130	\$ 871,185

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For governmental activities, claims and compensated absences are generally liquidated with resources from the General Fund. It is anticipated that future discharge of net pension and postemployment benefit obligations will also be liquidated with General Fund resources.

**NOTE 8 - Long Term Debt (Continued)**B. Bonds Payable1. Governmental Activities

In September 2004, the City issued \$5,376,447 in special obligations bonds secured by pledged state revenue sharing monies, as defined in Chapter 218, Part II, Florida Statutes, in an amount of up to 50% of the state revenue monies received in the preceding fiscal year. Proceeds from the bonds were used to discharge the unfunded actuarial accrued pension liability of the Palm Bay Police and Firefighters Pension Plan. The bonds are payable solely from the state revenue sharing funds and are payable through 2032. Total principal and interest remaining to be paid on the bonds is \$7,871,020. For the current year, principal and interest of \$392,672 was paid. State revenue sharing monies received in 2016 were \$4,109,953.

The City has pledged public services tax revenues to repay \$5,485,000 in revenue bonds issued in October 2010. Proceeds from the bonds were used to finance the cost of expansion and improvement of the City Hall. The bonds are payable solely from public service tax revenues and are payable through 2041. Total principal and interest remaining to be paid on the bonds is \$10,301,048. Current year interest paid was \$318,877. Public services tax revenues were \$11,044,278.

The City has pledged certain designated revenues, to repay \$50,855,000 in revenue bonds issued November 2013. Proceeds from the bonds were used to a) refund the City's 2008 Series Pension Obligation Bonds and b) pay termination costs in connection with the associated interest rate SWAP agreement. The bonds are payable principally from communication service and public service tax revenues and payable through 2040. Total principal and interest remaining to be paid on the bonds is \$101,866,737. For the current year, interest of \$2,973,201 was paid. Designated Revenues were \$11,044,278.

In October 2015, the City issued Sales Tax Revenue Refunding Bonds, Series 2015, in the par amount of \$15,375,000 plus a premium of \$547,652, to advance refund the City's outstanding Sales Tax Revenue Bonds, Series 2006, and pay costs associated with the issuance of the Series 2015 Bonds. The Bonds have a maturity date of 2036, bear interest rates of 3.000% to 4.000%, and are due semi-annually on March 29 and September 28. The City will reduce its debt service payments over the next 21 years by over \$2.2 million, and achieve a net present value debt service savings of \$1.6 million. The City entered into an escrow deposit agreement whereby the deposits were irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. As such, the Series 2006 Bonds are considered defeased. The Series 2015 Bonds are payable from sales tax revenues and are payable through 2037. Principal and interest remaining on the Series 2015 Bonds is \$21,844,878. Total interest paid on the Refunding Bonds during the year was \$236,029. Sales tax revenues were \$5,900,650.

**NOTE 8 - Long Term Debt (Continued)**

B. Bonds Payable (Continued)

1. Governmental Activities (Continued)

A summary of outstanding governmental bonds payable at September 30, 2016 is as follows:

Governmental Activities:	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
Revenue Bonds:					
Taxable Special Obligation Bonds Series 2004	Discharging of unfunded actuarial accrued pension fund liability	\$ 5,376,447	\$ 4,665,541	4.800-6.040	2032
Public Service Tax Revenue Bonds Series 2010	Finance the cost of expansion and improvement of City Hall	5,485,000	5,485,000	3.063-6.395	2041
Taxable Special Obligation Refunding Bonds Series 2013	Refunding of '08 Pension Bonds and finance termination of SWAP	50,855,000	50,855,000	2.861-6.315	2041
Sales Tax Revenue Refunding Bonds Series 2015	Refunding of '06 Sales Tax Bonds	15,375,000	15,375,000	3.000-4.000	2037
Total Governmental Activities			<u>\$ 76,380,541</u>		

**NOTE 8 - Long Term Debt (Continued)**

B. Bonds Payable (Continued)

2. Business-type Activities

All the outstanding bonds of the Utilities Fund are secured by the water and sewer net operating revenues. In addition, mainline extension charges and water connection fees are pledged for debt coverage.

The City has pledged future special assessment revenues to repay \$3,535,000 in utility special assessment bonds issued in June 2003. Proceeds from the bonds were used to finance water and sewer system improvements. The bonds are payable from proceeds derived from special assessments and are payable through 2025. Total principal and interest remaining to be paid on the bonds is \$2,233,220. Principal and interest paid for the current year was \$246,850. During fiscal year ended September 30, 2016, the City collected \$120,902 in special assessments leaving \$1,376,608 in assessments receivable, net of allowance for uncollectible accounts, to be collected by the City in future years.

The following is a summary of business-type activities bonds payable reflected in the City's Utilities Fund as of September 30, 2016:

<b>Business-type Activities:</b>	<b>Purpose of Issue</b>	<b>Amount Issued</b>	<b>Amount Outstanding</b>	<b>Remaining Interest Rates (Percent)</b>	<b>Annual Maturity To</b>
Revenue Bonds:					
Utility Capital Improvement Revenue Bonds Series 2001	Capital improvements to water system	\$ 21,311,958	\$ 8,130,208	5.000-5.250	2031
Utility Special Assessment Bonds Series 2003	Financing special assessments for water and sewer improvements	3,535,000	1,835,000	3.300-4.125	2025
Total Business-type Activities			<u>\$ 9,965,208</u>		



**NOTE 8 - Long Term Debt (Continued)**

C. Debt Service Requirements

The following are the debt service requirements to maturity on the City's long term debt, excluding premiums and discounts, compensated absences as well as claims payable for governmental activities and business-type activities:

**Governmental Activities:**

Fiscal Year	Revenue/Refunding Bonds		Capital Leases		Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 842,506	\$ 4,099,207	\$ 588,895	\$ 17,334	\$ 1,371,000	\$ 256,816	\$ 7,175,758
2018	833,913	4,081,782	532,524	9,832	1,400,000	225,312	7,083,363
2019	1,407,056	4,050,896	261,417	3,309	1,433,000	192,902	7,348,580
2020	1,469,722	4,012,133	-	-	1,463,000	159,774	7,104,629
2021	1,511,409	3,967,128	-	-	1,503,000	125,223	7,106,760
2022-2026	12,045,935	18,560,415	-	-	3,825,000	217,786	34,649,136
2027-2031	15,815,000	14,432,593	-	-	-	-	30,247,593
2032-2036	20,320,000	9,404,847	-	-	-	-	29,724,847
2037-2041	22,135,000	2,894,141	-	-	-	-	25,029,141
Total	\$ 76,380,541	\$ 65,503,142	\$ 1,382,836	\$ 30,475	\$ 10,995,000	\$ 1,177,813	\$ 155,469,807

**BusinessType Activities:**

Fiscal Year	Capital Lease		Revenue/Refunding Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 269,086	\$ 34,191	\$ 962,565	\$ 1,204,822	\$ 4,835,000	\$ 873,985	\$ 8,179,649
2018	278,560	24,717	925,747	1,240,178	4,945,000	763,693	8,177,895
2019	288,367	14,910	890,672	1,272,304	5,065,000	650,557	8,181,810
2020	273,247	4,757	864,082	1,304,337	5,175,000	534,405	8,155,828
2021	-	-	824,560	1,340,354	5,295,000	415,425	7,875,339
2022-2026	-	-	3,528,270	7,055,401	11,885,000	493,938	22,962,609
2027-2031	-	-	1,969,312	7,625,327	-	-	9,594,639
Total	\$ 1,109,260	\$ 78,574	\$ 9,965,208	\$ 21,042,723	\$ 37,200,000	\$ 3,732,003	\$ 73,127,769

**NOTE 8 - Long Term Debt (Continued)**D. Debt Defeasance and Advance Refunding

The City advance refunds and/or defeases long-term debt primarily to reduce debt service requirements. As of September 30, 2016, the City has the following outstanding bonds, which were funded by the placement of assets in an irrevocable trust to be used for satisfying debt service requirements therefore the debt is not reported in the financial statements.

<u>Description of Obligation</u>	<u>Year Defeased</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
Series 2006 Sales Tax Bonds	2015	18,365,000	15,050,000
		\$ 18,365,000	\$ 15,050,000

E. Notes Payable

The Bayfront Community Redevelopment Agency ("BCRA") entered into a financial arrangement to enter into a special, limited obligation note with a financial institution for \$6,000,000 to fund redevelopment activities of the BCRA. Principal is due annually on August 1<sup>st</sup> and interest payments are due semi-annually on August 1<sup>st</sup> and February 1<sup>st</sup> of each year. The note is collateralized by a lien upon and pledge of ad valorem taxes designated for the BCRA. The principal balance outstanding as of September 30, 2016 is \$3,210,000.

In February 2009, the City issued a \$3,935,000 Special Assessment Note to finance improvements to the City's water and sewer system. The note is secured by a pledge of future special assessment revenues and has a final maturity date of 2024. Principal and interest remaining on the Note is \$3,164,672. Total principal and interest paid during the current year was \$394,482. During the fiscal year, the City collected assessments revenues in the amount of \$283,351 leaving a balance of \$1,224,700 in assessments receivable, net of allowance for uncollectible accounts.

In April 2014, the City issued a \$3,885,000 Local Option Gas Tax Refunding Note. Proceeds from the Note were used to advance refund outstanding Local Option Gas Tax Revenue Bond, Series 2004. The note which has a maturity date of 2021 bears a fixed interest rate of 1.290% and is due semi-annually on April 1 and October 1. The Note is secured by a pledge of Local Option Gas Tax revenues. Principal and interest remaining on the Note is \$3,140,001. The total principal and interest paid during the current year was \$626,996.

In April 2014, the City issued a \$28,800,000 Utility System Refunding Revenue Note, Series 2014. Proceeds from the Note were used to refund outstanding Utility System Refunding Bonds, Series, 2002, partially refund Utility System Refunding Bonds, Series 2003 and advance refund Utility Capital Improvement Bonds, Series 2004. The Note which has a maturity date of 2022 bears a fixed interest rate of 2.060% and is due semi-annually on April 1 and October 1. The Note is secured by pledged revenues from water and sewer connection fee. Principal and interest remaining on the Note is \$23,422,951. The total principal and interest paid during the current year was \$3,955,562

In May 2015, the City issued a \$4,744,000 Franchise Fee Revenue Note, Series, 2015. The proceeds of the Note were used to finance mitigation costs relative to the I-95 Interchange Capital Improvement Project. The note matures in 2026 and bears a fixed interest rate of 2.100%. Principal and interest remaining on the Note is \$5,259,214. The total principal and interest paid during the year was \$86,341.

**NOTE 8 - Long Term Debt (Continued)**E. Notes Payable (Continued)

In March 2016, the City issued a Utility System Revenue Refunding Note, Series 2016, in the par amount of \$13,190,000 less a Lender's Commitment Fee of \$32,975, to refund all the Utility System Capital Improvement Refunding Bonds, Series 2005B, and pay costs associated with the issuance of the Series 2016 Note. The City also contributed \$3,275,049 towards the escrow deposit. The Note, which has a maturity date of 2024, bears a fixed interest rate of 2.200%, and is due semi-annually on March 6 and September 6. The City will reduce its debt service payments over the next eight years by over \$4.2 million, and achieve a net present value debt service savings of \$1.4 million. The City entered into an Escrow Agreement which created an escrow fund irrevocably designated for the benefit of the holders of the Refunded Bonds. As such, the Series 2005B Bonds are considered defeased. Principal and interest remaining on the Series 2016 Refunding Note is \$14,344,380. Total principal and interest paid on the Refunding Note during the year was \$476,211.

The following is a summary of the City's notes payable as of September 30, 2016:

<b>Governmental Activities:</b>	<b>Purpose of Issue</b>	<b>Amount Issue</b>	<b>Amount Outstanding</b>	<b>Remaining Interest Rates (Percent)</b>	<b>Annual Maturity To</b>
Bayfront Community Redevelopment Agency Note Series 2006	Funding redevelopment activities of the BCRA	\$ 6,000,000	\$ 3,210,000	4.100	2024
Local Option Gas Tax Refunding Note Series 2014	Refunding of the Local Option Gas	3,885,000	3,041,000	1.290	2021
Franchise Fee Revenue Note Series 2015	Financing of I-95 Interchange Mitigation costs	4,744,000	4,744,000	2.100	2026
Total Governmental Activities			<u>\$ 10,995,000</u>		
<b>Business-type Activities:</b>	<b>Purpose of Issue</b>	<b>Amount Issue</b>	<b>Amount Outstanding</b>	<b>Remaining Interest Rates (Percent)</b>	<b>Annual Maturity To</b>
Utility Special Assessment Note Series 2009	Financing special assessments for water and sewer improvements	\$ 3,935,000	\$ 2,490,000	5.660	2024
Utility System Refunding Revenue Note Series 2014	Financing special assessments for water and sewer improvements	28,800,000	21,835,000	2.060	2022
Utility System Refunding Revenue Note Series 2016	Refunding of Utility Revenue Bonds Series 2005B	28,800,000	12,875,000	2.200	2024
Total Business -type Activities			<u>\$ 37,200,000</u>		

**NOTE 8 - Long Term Debt (Continued)**

F. Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of heavy transportation equipment, bunker gear and breathing apparatus for the Fire Department, and containers for the Sanitation Cart Program. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments.

Assets acquired through capital leases are as follows:

Asset:	<b>Governmental Activities</b>	<b>Enterprise Activities</b>
Machinery and equipment	\$ 1,470,679	\$ 2,560,000
Less: Accumulated depreciation	<u>(666,336)</u>	<u>(1,536,000)</u>
Net book value	<u>\$ 804,343</u>	<u>\$ 1,024,000</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 were as follows:

<b>Governmental Activities</b>		<b>Enterprise Activities</b>	
<u>Fiscal Year</u>		<u>Fiscal Year</u>	
2017	\$ 606,230	2017	\$ 303,277
2018	542,356	2018	303,277
2019	264,726	2019	303,277
	<u>                    </u>	2020	<u>278,004</u>
Total minimum lease payment	1,413,312	Total minimum lease payment	1,187,835
Less: amount representing interest	<u>(30,476)</u>	Less: amount representing interest	<u>(78,575)</u>
Present value of minimum lease payments	<u>\$ 1,382,836</u>	Present value of minimum lease payments	<u>\$ 1,109,260</u>

**NOTE 9 – Employee Retirement Systems**

All City of Palm Bay full-time employees participate in one of two retirement plans offered by the City. Full-time employees participate in either the Palm Bay Defined Contribution Retirement Plan or the Palm Bay Defined Benefit Police and Firefighters Retirement System. In addition, the City offers its elected officials membership in the Florida Retirement System.

**A. Defined Contribution Retirement Plan**

The City of Palm Bay's general employees' retirement plan is a defined contribution plan administered and maintained by ICMA Retirement Corporation. The City has no fiduciary responsibility for this plan and the assets of the plan are not reported as a pension trust fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full-time general employees are eligible to participate upon employment. Effective May 1, 2001, an executive plan was established which includes the City Manager, Deputy City Managers, City Clerk, City Attorney, Deputy City Attorney and all department heads except the police and fire department chiefs who are covered under the defined benefit plan. Employer contributions are vested according to the following schedule: 20% after one year of service and 20% per year thereafter until fully vested. Contributions under the plan were established by the Plan & Trust adoption agreement with ICMA Retirement Corporation and may be amended at the City's discretion.

As of December 2010, the City modified contributions for members covered under the executive plan (executive) and general employees (general). The City contributes a base of 3.75% for executive and 3% for general, to each individual's retirement account. The employee may elect to contribute an additional percentage of their salary, between 0%-9.75% and 0%-6%, for executive and general respectively. The City will match the employee contribution.

As of August 2010, the City's contribution for NAGE Blue and White employees was modified. The employer contributes a base of 3% to each individual's retirement account. The employee may elect zero to six percent (0-6%) to contribute to their account and the City will match the employee contribution.

In fiscal year 2016, employer and employee contributions to the ICMA defined contributions plan were 1,657,134 and \$718,207 respectively.

**B. Defined Benefit Plan Palm Bay Police and Firefighter Plan**

**Plan Description** - The City of Palm Bay maintains a single-employer defined benefit pension plan, which covers general employees, police officers and firefighters. The Plan for general employees is closed to new employees and consists of retirees only. Coverage for firefighters and police officers is administered by the Board of Trustees of the City of Palm Bay Police and Firefighters Retirement System (the "Plan"). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefits under the plan are established in accordance with City Ordinance No. 74-9 as amended and certain provisions of Florida Statutes Chapters 185 (Police Officers) and 175 (Firefighters).

Benefit provisions of the Plan may be amended by the City Council, but may not be reduced below the minimum specified by Florida Statutes, unless the plan stops receiving 175 and 185 funds. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Board of Trustees:

Board of Trustees of the City of Palm Bay Police and Firefighters Retirement System  
1501 Robert J. Conlan Boulevard NE, Suite 240  
Palm Bay, Florida 32905-3567 <https://www.pbpfpf.org/>

The Plan's Board of Trustee is comprised of 5 members.

- One Chairman Board Appointee
- One Vice Chairman Police Elected Representative
- One Secretary, Fire Elected Representative
- Two City Council Appointees

**NOTE 9 – Employee Retirement Systems (Continued)**

*B. Defined Benefit Palm Bay Police and Firefighter Plan (Continued)*

**Employees Covered** – Based on the Actuarial Valuation Report as of October 1, 2015 the following employees were covered by the benefit terms for the Plan:

	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>General Employees</b>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not et receiving them	105	78	2
Current employees:			
Vested	97	76	-
Nonvested	42	32	-
	139	108	-

**Benefits Provided** - All regular full-time certified police officers and firefighters are eligible to participate in the Plan.

Police officer members:

Normal retirement shall be the earlier of attainment of (1) age 55, (2) completion of 30 years credited service regardless of age, (3) age 52 with 25 years of credited service (4) for police officers who are employed on or after October 1, 2006 and retire after that date, 28 years of credited service, regardless of age, or (5) for police officers who are employed on or after April 5, 2012, completion of 25 years of credited service, regardless of age. Average Final Compensation (AFC) is one and a half times the average of the highest five years of the last ten years of credited service. Payments for used leave are not included in AFC.

Each police officer member with less than 20 years of credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service performed prior to June 1, 1992 and 2½% of the member's AFC multiplied by the member's credited service performed on and after June 1, 1992. For members who have completed 20 years of credited service as sworn police officers, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon completion of 28 years of service.

Firefighter members:

Tier One members - Firefighters hired prior to March 15, 2012.

Normal retirement shall be the earlier of attainment of (1) age 55, (2) completion of 25 years of credited service at 85% of AFC or 28 years regardless of age, or (3) age 52 with 25 years of credited service effective September 30, 2002. Average Final Compensation (AFC) is one and a half times the average of the highest five years of the last ten years of credited service. Payments for used leave are not included in AFC.

Each firefighter member with less than 20 years of credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service performed prior to October 1, 1991, and 2½% of the member's AFC multiplied by the member's credited service performed on and after October 1, 1991. For members who have completed 20 years of credited service as a firefighter, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon completion of 28 years of service.

**NOTE 9 – Employee Retirement Systems (Continued)**B. Defined Benefit Palm Bay Police and Firefighter Plan (Continued)Benefits Provided - Firefighter members (Continued)

Tier Two members – Firefighters hired on or after March 12, 2012.

Normal retirement shall be the first day of the month coincident with or next following the completion of 25 years of credited regardless of age. Provided, however that a vested member who terminates prior to attaining 25 years of credited service shall be eligible for normal retirement benefits upon reaching age 55. Average Final Compensation (AFC) is one and a half times the average of the highest five years of the last ten years of credited service. Payments for unused leave are not included in AFC.

Each firefighter with less than 20 years of credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service. For members who have completed 20 years of credited service as a firefighter, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3.2% of AFC for service after 20 years to a maximum of 90% of the AFC, excluding supplemental benefits.

Deferred Retirement Option Plan (DROP):

Effective September 30, 2000 for police officers and September 30, 2001 for firefighters, members who continue in employment past the normal retirement date may either accrue larger pensions or freeze their accrued benefit and enter the DROP. Each participant in the DROP has an account credited monthly with benefits not received and quarterly with investment earnings net of expenses based on the Plan's earnings. The DROP is administered by the Board of Trustees. Participation in the DROP is limited to 60 months.

Supplemental Benefits*Police officer members:*

Police officers who retire after October 1, 2006 receive a Supplemental Benefit equal to \$25 per month, times completed years of Credited Service. The benefit shall cease upon the retiree reaching age 65. Members approved for disability retirement are ineligible for the supplemental retirement benefit.

*Firefighter members:*Tier One members

Firefighters receive a Supplemental Benefit of \$189 per month payable over the life of the retiree only.

Firefighters who retire on or after October 1, 2006, receive \$458 per month, instead of \$189. Firefighters who terminate after October 1, 2007, receive a Supplemental Benefit equal to \$25 per month times years of credited service earned prior to March 15, 2012. Effective March 15, 2012, firefighters who have not attained age 55 with 10 or more years of credited service or 25 years of credited service regardless of age on that date who either terminate while vested or terminate upon reaching normal or early retirement shall receive a supplemental benefit of \$12 per month for each year of credited service. The benefit shall cease upon the retiree reaching the age of Medicare eligibility and members approved for disability retirement are ineligible for the supplemental retirement benefit.

Tier Two members

Firefighters are eligible to receive a Supplemental Benefit of \$12 per month for each year of credited service. The benefit shall commence upon entry into the DROP or upon receipt of a retirement benefit and separation from the City. This benefit shall only be payable over the life of the member, will cease upon the member reaching the age of Medicare eligibility and members approved for disability retirement are ineligible for the supplemental retirement benefit.



**NOTE 9 – Employee Retirement Systems (Continued)****B. Defined Benefit Palm Bay Police and Firefighter Plan (Continued)****Benefits Provided – Supplementary Benefits (Continued)****Cost of Living Adjustment:*****Police officer members:***

The Plan provides for cost-of-living adjustment to police officers who retire or enter the DROP on or after September 30, 2000. The retirement benefits will increase by 3% each year commencing with the September 30<sup>th</sup> following three years of retirement.

***Firefighter members:*****Tier One members**

The Plan provides for cost-of-living adjustment to firefighters who retire or enter the DROP on or after September 30, 2001. The retirement benefits will increase by 2% each year commencing with the September 30<sup>th</sup> following six years of retirement.

**Tier Two members**

The cost-of-living adjustment will increase by 3% commencing with September 30<sup>th</sup> following six years of retirement.

**Contributions** - Florida Statutes, Chapters 175 and 185 require members to contribute not less than 0.5% of their annual salary. The Plan, as approved by the City Council, requires member police officers and firefighters to contribute 8.76% of their base annual salary. Funding contributions are determined annually on an actuarial basis as of October 1. The City is required to contribute at an actuarially determined amount necessary to finance current costs and amortized unfunded past service cost as provided by Florida Statute, Chapter 112. The City made contributions of \$3,716,857 in fiscal year 2016.

Municipalities that have established pension plans complying with the provisions of Chapters 175 and 185, Florida Statutes, and that have enacted appropriate taxing legislation are eligible to receive revenues generated from excise taxes on gross receipts of certain insurance premiums from policyholders covering property within the City limits. These are the Firefighters' Pension Fund Excise Tax imposed on the gross receipts of property insurance policy premiums and the Police Officers' Pension Fund Excise Tax imposed on the gross receipts of casualty insurance policy premiums. State contributions from excise tax were \$1,244,750.

**Net Pension Liability (Asset)**

The City's net pension liability(asset) for each Plan is measured as the total pension liability less the pension fiduciary net position. The total pension liability, net pension liability(asset) and certain sensitivity information for each of Plan is measured as of October 1, 2015. The total pension liability was rolled forward from each valuation date to the Plan's fiscal year ending September 30, 2016 using generally accepted actuarial principles. Components of the net pension liability(asset) of the City at September 30, 2016 are as follows:

**NOTE 9 – Employee Retirement Systems (Continued)*****B. Defined Benefit Palm Bay Police and Firefighter Plan (Continued)***

**Actuarial Assumptions** - The total pension liabilities were determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following assumptions:

	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>General Employees</b>
Valuation Date	October 1, 2015	October 1, 2015	October 1, 2015
Measurement Date	September 30, 2016	September 30, 2016	September 30, 2016
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions			
Discount Rate	7.75%	7.75%	7.75%
Inflation	2.70%	2.70%	2.70%
Payroll Growth	2.28%	0.21%	N/A
Projected Salary Increase	6.50%	6.50%	N/A
Investment Rate of Return	7.75%	7.75%	7.75%
Mortality	RP2000 (Combined Healthy)	RP2000 (Combined Healthy)	RP2000 (Combined Healthy)
Service Retirement	Members will retire at a rate of 5% per year prior to normal retirement		

Mortality rates were based on the RP-2000 Mortality Table (combined) and based on a study of over 650 public safety funds. The table reflects a 10.00% margin for future mortality improvements, 75.00% of deaths are assumed to be service related. The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial study dated May 14, 2015.

**Discount Rate** - The long-term expected rate of return on pension plan investments were determined using a building block method which best estimates ranges of expected future real rates of return (expected returns, net of pension investment expenses and inflation) are developed for each major asset. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	35%	8.0%
Fixed Income	25%	3.0%
Real Estate	10%	4.4%
International Equity	15%	6.4%
Convertible Security	10%	4.6%
Master Limited Partnership	5%	10.4%
	<u>100%</u>	

**NOTE 9 – Employee Retirement Systems (Continued)**

B. Defined Benefit Palm Bay Police and Firefighter Plan (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed the Plan member’s contributions will be made at the current contribution rates and that contributions from the City will be made at statutorily required rates as actuarially determined. Based on those assumptions, the Plan’s fiduciary Net Position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long term expected rate of return on pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability(Asset)**- The changes in the Net Pension Liability(Asset) for The Plan as of the measurement date of September 30, 2016 are as follows:

	<b>Police</b>		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2015	\$ 101,473,437	\$ 90,683,061	\$ 10,790,376
Changes in the year:			
Service Cost	1,641,528	-	1,641,528
Interest on the total pension liability	8,013,990	-	8,013,990
Change in excess state money	164,106	-	164,106
Difference between expected and actual	(1,049,607)	-	(1,049,607)
Changes in assumptions	3,811,157	-	3,811,157
Contributions - Employer	-	1,651,022	(1,651,022)
Contributions - State	-	684,840	(684,840)
Contributions - Employee	-	589,865	(589,865)
Contributions - Buyback	15,167	15,167	-
Net investment income	-	8,778,963	(8,778,963)
Benefit payments, including refunds of employee contributions	(5,107,223)	(5,107,223)	-
Administration expense	-	(279,039)	279,039
Net Changes	7,489,118	6,333,595	1,155,523
Balance at September 30, 2016	<u>\$ 108,962,555</u>	<u>\$ 97,016,656</u>	<u>\$ 11,945,899</u>

	<b>Fire</b>		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2015	\$ 87,380,409	\$ 71,838,343	\$ 15,542,066
Changes in the year:			
Service Cost	1,460,239	-	1,460,239
Interest on the total pension liability	6,914,011	-	6,914,011
Difference between expected and actual	88,819	-	88,819
Changes in assumptions	2,358,009	-	2,358,009
Contributions - Employer	-	2,065,835	(2,065,835)
Contributions - State	-	559,910	(559,910)
Contributions - Employee	-	500,569	(500,569)
Contributions - Buyback	18,462	18,462	-
Net investment income	-	5,998,705	(5,998,705)
Benefit payments, including refunds of employee contributions	(4,515,339)	(4,515,339)	-
Administration expense	-	(224,986)	224,986
Net Changes	6,324,201	4,403,156	1,921,045
Balance at September 30, 2016	<u>\$ 93,704,610</u>	<u>\$ 76,241,499</u>	<u>\$ 17,463,111</u>

**NOTE 9 – Employee Retirement Systems (Continued)**

***B. Defined Benefit Palm Bay Police and Firefighter Plan (Continued)***

**Changes in Net Pension Liability(Asset) (Continued)**

	General Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Balance at September 30, 2015	\$ 31,818	\$ 169,767	\$ (137,949)
Changes in the year:			
Interest on the total pension liability	2,381	-	2,381
Difference between expected and actual	(10,628)	-	(10,628)
Changes in assumptions	2,080	-	2,080
Net investment income	-	16,561	(16,561)
Benefit payments, including refunds of employee contributions	(4,115)	(4,115)	-
Administration expense	-	(4,796)	4,796
Net Changes	(10,282)	7,650	(17,932)
Balance at September 30, 2016	21,536	177,417	(155,881)
<b>Total of PBP&amp;PBF Plans</b>	<b>\$ 202,688,701</b>	<b>\$ 173,435,572</b>	<b>\$ 29,253,129</b>

***Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate*** - The following presents the net pension liability(asset) of the Plan as of September 30, 2016, calculated using the discount rate of 7.75% as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (6.75%) or 1-percent-point higher (8.75%) than the current rate.

	Discount Rate - 1% 6.75%	Current Discount 7.75%	Discount Rate + 1% 8.75%
Police Officers	\$ 26,993,731	\$ 11,945,899	\$ (256,457)
Fire Fighters	\$ 29,259,691	\$ 17,463,111	\$ 7,848,938
General Employees	\$ (154,898)	\$ (155,881)	\$ (156,783)

***Pension Plan Fiduciary Net Pension***

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Police and Fire Pension Plan’s financial reports.

**NOTE 9 – Employee Retirement Systems (Continued)**

*B. Defined Benefit Palm Bay Police and Firefighter Plan (Continued)*

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

For the year ended September 30, 2016, the City recognized pension expense of \$8,093,003. At September, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Police &amp; Fire and General</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 8,371,839	\$ 1,552,743
Difference between expected and actual experience	1,800,547	2,201,586
Changes in assumptions	5,013,933	
Total	\$ 15,186,319	\$ 3,754,329

The amount reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Police & Fire and General Year ending September 30,	
2017	\$ 3,340,208
2018	3,340,207
2019	3,340,208
2020	1,003,562
2021	407,805
	\$ 11,431,990

**Payable to the Pension Plan**

At September 30, 2016, the City reported a payable of \$30,292 for the outstanding contributions to the pension plan for the year ended September 30, 2016.

**NOTE 9 – Employee Retirement Systems (Continued)****C. Florida Retirement System**

On June 5, 2008, the City passed Resolution 2008-55, authorizing participation of its elected officials in the Florida Retirement System (“FRS”) administered by the State of Florida. Also approved was Resolution 2008-56 providing for membership in the FRS and authorizing execution of all necessary agreements with the administrator of the FRS for the purpose of extending benefits to elected officials of the City pursuant to Chapters 112 and 121, Florida Statutes.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The reports may be obtained by writing to the State of Florida, Division of Retirement:

State of Florida Division of Retirement  
Department of Management Services  
P.O Box 9000  
Tallahassee, Florida 32315-9000  
[www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Plan Description** - The Florida Retirement System is a multiple employer cost sharing public employee retirement system, administered by the Florida Legislature. FRS is available to governmental units within Florida and provides a Deferred Retirement Option Program (DRO) for eligible employees. The Plan affords retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. In addition to the aforementioned benefits, members of the Florida Retirement System are afforded benefits through the Retiree Health Insurance Subsidy (HIS) Program. HIS was established and is administered in accordance with section 112.363, Florida Statutes.

**Benefits Provided** - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service, regardless of age for Elected Officers’ class members. The final average compensation for these members will be based on the eight highest years of salary.

**NOTE 9 – Employee Retirement Systems (Continued)**

C. Florida Retirement System (Continued)

Benefits Provided (Continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is a proportion of 3.0% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3.0%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS trust Fund and accrue interest. There are no required contributions by DROP participants.

HIS membership is available to all members within the FRS. The benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of eligible health insurance coverage, which includes Medicare.

**Contributions** - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3.0% percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contributions rates established by the Florida Legislature. These rates are updated as of July 1 each year. The employer contribution rates for elected officials for the periods October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, were 42.27% and 42.47% respectively. These percentages include a 1.66% contribution rate for HIS.

Article X, Section 14 of the State Constitution and Part VII, Chapter 112 of the Florida Statutes provide the authority to amend the contribution rates and obligations.

The City’s contributions recognized during the fiscal year ended September 30, 2016 by FRS and HIS were \$7,671 and \$398 respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions**

The City’s proportionate share of net pension liability, pension expense related deferrals as of September 30, 2016 are as follows:

	FRS	HIS	Total
Proportionate Share of Net Pension Liability on June 30, 2016	\$ 79,423	\$ 9,058	\$ 88,481
City's portion at June 30, 2016	0.000314544	0.00007772	
City's portion at June 30, 2015	0.000351156	0.00079108	
Change in proportion during current year	-0.000036612	-0.00071336	



**NOTE 9 – Employee Retirement Systems (Continued)**C. Florida Retirement System (Continued)Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$12,320. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS		Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows / Inflows of Resources
Difference between expected and actual experience	\$ 6,081	\$ 739	\$ -	\$ 21	\$ 6,841
Change in assumptions	4,805	-	1,421	-	6,226
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	22,131	4,351	-	314	26,796
City Pension Plan contributions subsequent to the measurement date	2,096	-	100	-	2,196
Net difference between projected actual earnings on plan investments	36,537	16,008	5	-	52,550
Total	<u>\$ 71,650</u>	<u>\$ 21,098</u>	<u>\$ 1,526</u>	<u>\$ 335</u>	<u>\$ 94,609</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,196 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ending September 30	FRS	HIS	Net Pension Expense
2017	\$ 9,376	\$ 178	\$ 9,554
2018	9,376	177	9,553
2019	9,376	177	9,553
2020	9,376	177	9,553
2021	9,375	176	9,551
Thereafter	1,577	206	1,783
	<u>\$ 48,456</u>	<u>\$ 1,091</u>	<u>\$ 49,547</u>

**Actuarial Assumptions** – Actuarial assumptions for both cost-sharing defined benefit plans were reviewed by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. Because the HIS Program is funded on a pay-as-you-go basis, no experience study was completed for that program. The actuarial assumptions used to determine the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

**NOTE 9 – Employee Retirement Systems (Continued)**C. Florida Retirement System (FRS) (Continued)Actuarial Assumptions (Continued)

The total pension liability for FRS and HIS on the July 1, 2016 actuarial valuation was determined using the following assumptions:

	<b>FRS</b>	<b>HIS</b>
Valuation Date	July 1, 2016	July 1, 2016
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions		
Discount Rate	7.60%	2.85%
Inflation	2.60%	2.60%
Projected Salary Increase	3.25%	3.25%
Investment Rate of Return	7.60%	N/A
Mortality	Generational RP-2000 with Projected Scale BB	Generational RP-2000 with Projected Scale BB

The actuarial assumptions used in the July 1, 2016 valuation was based on the results of an actuarial experience study for the period July 1, 2008 through June 20, 2013.

The following changes in key actuarial assumptions occurred in 2016:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.65% to 7.60%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.80% to 2.85%.

The long-term expected rate of return on Pension Plan investments were based on forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for inflation assumption. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric Return)</b>
Cash	1.00%	3.00%	3.00%
Fixed Income	18.00%	4.70%	4.60%
Global Equity	53.00%	8.10%	6.80%
Real Estate	10.00%	6.40%	5.80%
Private Equity	6.00%	11.50%	7.80%
Strategic Investments	12.00%	6.10%	5.60%
	<u>100.00%</u>		

**NOTE 9 – Employee Retirement Systems (Continued)**

C. Florida Retirement System (FRS) (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.60%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return. However, because the HIS program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index).

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following represents the City’s proportionate share of the net pension liability as of June 30, 2016 calculated using the discount rate, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>FRS Net Pension Liability</u>			<u>HIS Net Pension Liability</u>		
	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Employer's proportionate share of the net pension liability	\$ 146,223	\$ 79,423	\$ 23,821	\$ 10,392	\$ 9,058	\$ 7,951

**Pension Plan Fiduciary Net Position** - Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**D. Post-Employment Benefits Other Than Pensions (“OPEB”)**

**Plan Description** - The City of Palm Bay administers an employee group medical insurance plan (the “Plan”) that provides medical insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City. The Plan does not issue a publicly available financial report.

**Contributions** - Contribution rates for the Plan are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an “implicit” subsidy. This implicit subsidy is considered to be an Other Post Employment Benefit (OPEB) obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. For the year ended September 30, 2016, the City estimated it subsidized \$265,302 of medical costs for its retirees and their covered dependents.

**Actuarial Cost Method and Assumptions** - Annual requirements are determined in accordance with the actuarial assumptions and the Projected Unit Credit Actuarial Cost Method. The actuarial assumptions include a 4.5% discount rate, compounded annually, and it is based on the City’s expected rate of discount, based on the assumption that the plan will not be funded. The annual health care cost trend is 5%. The economic rates are based on an assumed long-term medical inflation rate of 5% per annum.

**NOTE 9 – Employee Retirement Systems (Continued)**

**D. Post-Employment Benefits Other Than Pensions (“OPEB”) (Continued)**

**Annual OPEB cost and Net OPEB Obligation** - The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize an unfunded liability of the plan over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the City’s Plan, including the implicit rate subsidy for medical insurance:

Annual Required Contribution (ARC)	\$ 756,208
Interest on net OPEB Obligation	132,017
Adjustment to annual required contribution	<u>(180,105)</u>
Annual OPEB cost (expense)	708,120
Contributions made	<u>(265,302)</u>
Increase in net OPEB obligation	442,818
Net OPEB obligation - Beginning of Year	<u>2,933,708</u>
Net OPEB obligation - End of Year	<u><u>\$ 3,376,526</u></u>

As of September 30, 2016, no trust has been established for the Plan.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years, are presented below.

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Costs Contributed	Net OPEB Obligation
9/30/2014	\$ 669,789	26%	\$ 2,462,421
9/30/2015	706,725	33%	2,933,708
9/30/2016	708,120	37%	3,376,526

The schedule of funding progress, presented as required supplementary information (“RSI”) following the notes to the financial statements, presents multilayer trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the AAL for benefits.

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past experiences and new estimates are made about the future. As of September 30, 2016, the most recent actuarial valuation date, the accrued liability for benefits was \$8,579,901 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$35,406,254 million and the ratio of the unfunded actuarial liability (“UAL”) to covered payroll was 24.23%.

**NOTE 10 – Restricted Net Position**

The City maintains several special revenue funds to account for external and internal restrictions placed on revenue sources. In addition, the City has two debt service funds that account for proceeds that are restricted as to the repayment of bonds. A summary of restrictions that meet the criteria for restricted net position are as follows:

**Governmental Activities**

Special Revenue Funds:

Law Enforcement Trust Fund	Forfeited property accounted for and used according to Federal and Florida laws	\$ 274,598
Impact Fee Funds	Levied pursuant to Florida Statutes, must be used for allowable improvements	2,445,333
Bayfront Community Redevelopment Agency	Levied pursuant to County and City Ordinance, must be used for activities of the redevelopment agency	<u>617,858</u>
		3,337,789
<u>Debt Service Funds:</u>		
Debt Service Funds	Restricted pursuant to bond covenants for payment of principal and interest	<u>2,425,852</u>
	Total Restricted Net Position - Governmental Activities	<u><u>\$ 5,763,641</u></u>

**Business-type Activities**

Renewal and Replacement	Funds required to be placed in special construction accounts pursuant to Bond Covenants	\$ 7,504,146
Building Fund	Funds required to be spent on building code activities pursuant to Section 166.222, Florida Statutes	2,012,913
Capital Improvements	Water and sewer connection fees and mainline extension charges pledged for repayment of bond debt incurred for capital expansion and system improvements	<u>8,152,580</u>
	Total Restrictred Net Positon - Business-type Activities	<u><u>\$ 17,669,639</u></u>

**NOTE 11 – 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; injuries to employees; third party injuries and or property damage; information security and privacy; Law Enforcement Practices and natural disasters. The Risk Management program began on October 1, 1989. Historically under this program, the Risk Management Fund operated primarily as a self-insurance program. Maximum Fund amounts thru December 30, 2009 were as follows:

<b>Coverage</b>	<b>Self-Insured Retentions</b>
Worker's Compensation	\$350,000 each claim
General / Auto Liability	\$250,000 each claim
Theft, Disappearance & Dishonesty	\$ 25,000 each claim
Property Damage – Building	\$ 2,500 each claim
Property Damage – Auto	\$500 each claim / \$1,000 each claim (trucks)

During the first quarter of fiscal year 2010, a decision was made to transition the Worker's Compensation, General Liability and Automobile Liability lines of coverage from a self-insured program with the above mentioned self-insured retentions, to an essentially fully-insured program with no self-insured retention amounts for Worker's Compensation and Automobile Liability. General Liability covered the first \$100,000 as self-insured claims. This program was effective for all claims dated January 1, 2010 and beyond.

Beginning Fiscal year October 1, 2015, the City purchased coverage levels under which the Fund will only provide coverage as follows with self-insured retention amounts once again applying to all lines of coverage:

<b>Coverage</b>	<b>Self-Insured Retentions</b>
Worker's Compensation	\$350,000 each claim
*General / Auto Liability	\$200,000 each claim
Theft, Disappearance & Dishonesty	\$ 5,000 each claim
Property Damage – Building	\$2,500 each claim exception of "Named Storm"
Property Damage – Building	3% of Total Insured Value for "Named Storm"
Property Damage – Auto	\$500 each claim

Claims exceeding the self-insured retention thresholds are under the umbrella of commercial coverage purchased by the City. Open claims for Worker's Compensation are currently administered by a third party administrator.

\*The City is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, which limits the amount of liability of governmental entities for tort claims to \$200,000 per claim and \$300,000 per accident.

All departments of the City participate in the program. Payments are made by various funds to the Risk Management Fund based on past experience and actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$2,989,625 reported in the Risk Management Fund at September 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City's claims liability at year end is actuarially determined and includes incurred but not reported losses. Prior years' liabilities are undiscounted. Changes in the fund's claim liability are as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Less Claims Payments	Balance at Fiscal Year End
2013-2014	\$ 2,599,000	\$ 365,466	\$ (504,466)	\$ 2,460,000
2014-2015	2,460,000	847,032	(857,032)	2,450,000
2015-2016	2,450,000	2,042,692	(1,503,067)	2,989,625

**NOTE 12 – Commitments and Contingencies**

Intergovernmental Grants - Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The City is engaging auditors to audit the grant funds as requested by the Florida Housing Finance Corporation pursuant to their required procedures. The precise amounts are not known and will depend on the outcome of the audit.

Litigation - Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of management, upon consultation with legal counsel, the City has sufficient insurance coverage to cover any claims and/or the liabilities that may arise from such action. The effect of such losses would not materially affect the financial position of the City or the results of its operations.

Encumbrance – The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts and other commitments are recorded in order to reserve the portion of applicable appropriations. Outstanding encumbrances at yearend are recorded as *restricted, committed, or assigned* fund balances, depending on the classification of the resources to be used to liquidate the encumbrance. Encumbrances outstanding as of September 30, 2016 are as follows:

Major Governmental Funds		
General Fund	\$	235,511
BCRA Construction		21,529
Non-major Governmental Funds		496,012
	\$	753,052

**NOTE 13 – Subsequent Events**

On December 21, 2016, the City issued \$3,983,000 in Taxable Franchise Fee Revenue Refunding Note, Series 2016 to partially refund Taxable Special Obligation Bonds, Series 2004. The Refunding resulted in an overall net present value savings of \$344,441 or 4.25% in savings. The City has pledged state revenue sharing funds in connection with this obligation. The interest rate of the Taxable Franchise Fee Revenue Refunding Note is 4.070% with maturity dates ranging from 2017 to 2030.

The City also issued \$2,060,000 in Special Assessment Revenue Refunding Note, Series 2016, which closed on December 21, 2016 to refund Taxable Special Obligation Bonds, Series 2004. The coupon rate of the Note is 5.660% with final maturity on July 1, 2024. The City realized an overall net present value saving of \$257,702 or 3.04% savings on the refunded note. The City has pledged future special assessment revenues to satisfy this obligation.

In early October 2016, the City was impacted by Hurricane Matthew. The estimated costs of overtime, debris removal and other costs associated with the hurricane were \$1.5 million as of the date of this report. The City believes that it will be able to obtain reimbursement of approximately \$250,000 through insurance and agreements with FEMA and with the State.

**NOTE 14 – Other Required Disclosures**

***New Pronouncements***

GASB Statement No. 72, *Fair Value Measurement and Application*. The City implemented the provisions of this GASB which provides guidance for determining fair value measurement for financial reporting purposes and applying fair value to certain investments, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB 72 also changes the measurement guidance for donated capital assets and works of art, historical treasures, and capital assets received in a service concession. Although the adoption of GASB 72 resulted in enhanced disclosures, Management has determined that the impact of the Statement did not have a material effect on the City.



**NOTE 14 – Other Required Disclosures (Continued)**

GASB Statement No. 73 - In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68 and amendments to certain provisions of GASB Statement No. 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes for providing those pensions. It amends certain provisions of Statement No. 68 for pension plans and pensions that are within its scope. The Statement also clarifies the application of certain provisions of Statement No. 68. Management has determined that the impact of the Statement did not have a material effect on the City.

GASB Statement No. 76 - In June 2015, GASB issued Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. Management has determined that the impact of the Statement did not have a material effect on the City.

GASB Statement No.82 – In March 2016, GASB issued Statement No. 82, *Pension Issues- An Amendment to GASB No. 67, No.68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this Statement were implemented by the City's Police & Fire Pension Plan and is included with the required supplementary information.

**Future Accounting Pronouncements**

GASB Statement No. 74 - In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and TSI related to the measurement of the OPEB liabilities for which assets have been accumulated. This Statement is effective for the City's fiscal year ending September 30, 2017.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for OPEB benefits provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the City's fiscal year ending September 30, 2017.

GASB Statement No. 77 - In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. This Statement is effective for the City's fiscal year ending September 30, 2017.

GASB Statement No. 78 - In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This is associated with pensions provided through certain multiple-employer defined benefit plans to state or local governmental employers whose employees are provided such pensions. This Statement is effective for the City's fiscal year ending September 30, 2017.

**NOTE 14 – Other Required Disclosures (Continued)**

## Future Accounting Pronouncements (Continued)

GASB Statement No. 79 – December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Participants*. The objective of the Statement is to provide guidance on how certain state and local government external investment pools and participants in external investment pools may measure and report investment. The Statement permits qualifying external investment pools to measure pool investments at amortized costs for financial reporting. This Statement is effective for the City's fiscal year ending September 30, 2017.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement is effective for the City's fiscal year ending September 30, 2017.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. The objective of this Statement is to improve accounting and financial reporting of irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for the City's fiscal year ending September 30, 2018.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligation*. The objective of this Statement is to establish criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). The Statement requires that recognition occur when the liability is both incurred and reasonably estimable. Additionally, the Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. This Statement is effective for the City's fiscal year ending September 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for the City's fiscal year ending September 30, 2019.

Management has not determined the impact implementation of GASB 78 to GASB 84 will have on the City's financial statements.

***REQUIRED SUPPLEMENTARY INFORMATION***

## Budgetary Comparison Schedules:

- General Fund
- Bayfront Community Redevelopment Agency

## Schedule of Changes in Net Pension Liability &amp; Related Ratios:

- City of Palm Bay Retirement System

## Schedule of Proportionate Share of Net Pension Liability:

- City of Palm Bay Retirement System

## Schedule of Pension Contributions:

- City of Palm Bay Retirement System

## Schedule of Funding Progress:

- Other Post-Employment Benefits

## Schedule of Investment Returns:

- City of Palm Bay Retirement System

## Notes to Required Supplementary Information

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND  
For Fiscal Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES/TRANSFERS IN</b>				
<b>Taxes:</b>				
Ad Valorem	\$ 24,471,077	\$ 24,471,077	\$ 24,067,163	\$ (403,914)
Local Option Fuel	3,560,238	3,560,238	3,854,156	293,918
Utility Service	8,222,000	8,222,000	8,288,194	66,194
Communication Service	2,953,575	2,953,575	2,756,084	(197,491)
Business Tax Receipts	535,400	535,400	549,226	13,826
	<u>39,742,290</u>	<u>39,742,290</u>	<u>39,514,823</u>	<u>(227,467)</u>
<b>Licenses and Permits:</b>				
Franchise Fees	5,390,000	5,390,000	5,367,505	(22,495)
Other Licenses and Permits	8,120	8,120	9,126	1,006
	<u>5,398,120</u>	<u>5,398,120</u>	<u>5,376,631</u>	<u>(21,489)</u>
<b>Intergovernmental Revenues:</b>				
Federal Grants	91,575	132,920	65,876	(67,044)
State Revenue Sharing	9,826,918	9,826,918	10,074,949	248,031
Shared Taxes and Licenses	130,900	130,900	140,715	9,815
	<u>10,049,393</u>	<u>10,090,738</u>	<u>10,281,540</u>	<u>190,802</u>
<b>Charges for Services:</b>				
General Government Charges	362,785	362,785	381,332	18,547
Public Safety Charges	89,500	89,500	102,443	12,943
Physical Environment Charges	212,000	212,000	264,586	52,586
Transportation Charges	133,057	133,057	186,954	53,897
Culture/Recreation Charges	293,080	407,080	335,199	(71,881)
Charges to Other Funds	1,623,731	1,623,731	1,623,731	-
	<u>2,714,153</u>	<u>2,828,153</u>	<u>2,894,245</u>	<u>66,092</u>
<b>Fines and Forfeitures:</b>				
Court Fines and Costs	536,200	536,200	395,040	(141,160)
<b>Miscellaneous Revenue:</b>				
Investment income	16,500	16,500	53,820	37,320
Rents	215,000	215,000	253,543	38,543
Sales of Surplus	10,000	10,000	73,916	63,916
Contributions	5,500	5,500	23,007	17,507
Other Revenue	200,860	200,860	121,652	(79,208)
	<u>447,860</u>	<u>447,860</u>	<u>525,938</u>	<u>78,078</u>
<b>Other Sources:</b>				
Proceeds from Sale of Capital Assets	-	671,445	409,500	(261,945)
Capital Leases	-	-	754,000	754,000
		<u>671,445</u>	<u>1,163,500</u>	<u>492,055</u>
<b>Transfers In:</b>				
Code Enforcement Fund	20,000	20,000	20,000	-
Debt Service Fund	-	23,215	23,215	-
Building Fund	-	532,181	29,220	(502,961)
Capital Improvement Fund	-	5,975	5,975	-
Fleet Service Fund	22,300	22,300	22,300	-
Employee Benefits Fund	500,000	504,000	504,000	-
Utilities Operating Fund	1,242,059	1,251,896	1,251,896	-
Stormwater Fund	218,352	218,352	218,352	-
Solid Waste Fund	58,800	58,800	58,800	-
	<u>2,061,511</u>	<u>2,636,719</u>	<u>2,133,758</u>	<u>(502,961)</u>
<b>Total Revenues and Transfers In</b>	<b>60,949,527</b>	<b>62,351,525</b>	<b>62,285,475</b>	<b>(66,050)</b>

Continued on the next page

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**  
For Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>EXPENDITURES/TRANSFERS OUT</b>				
<b>General Government:</b>				
Legislative:				
Personal Services	481,179	479,535	476,253	3,282
Operating	195,495	186,086	153,910	32,176
Contributions	-	225	225	-
	<u>676,674</u>	<u>665,846</u>	<u>630,388</u>	<u>35,458</u>
City Manager:				
Personal Services	722,502	508,526	505,640	2,886
Operating	281,921	99,785	115,790	(16,005)
Contributions	15,000	-	-	-
	<u>1,019,423</u>	<u>608,311</u>	<u>621,430</u>	<u>(13,119)</u>
City Attorney:				
Personal Services	321,173	312,968	312,072	896
Operating	301,730	877,730	882,563	(4,833)
Contributions	-	1,000	1,000	-
	<u>622,903</u>	<u>1,191,698</u>	<u>1,195,635</u>	<u>(3,937)</u>
Finance:				
Personal Services	1,599,592	1,579,710	1,560,187	19,523
Operating	130,022	143,226	122,448	20,778
	<u>1,729,614</u>	<u>1,722,936</u>	<u>1,682,635</u>	<u>40,301</u>
Information and Innovation:				
Personal Services	1,246,769	1,231,140	1,157,825	73,315
Operating	945,805	1,342,406	1,265,944	76,462
Capital Outlay	150,000	111,956	105,371	6,585
	<u>2,342,574</u>	<u>2,685,502</u>	<u>2,529,140</u>	<u>156,362</u>
Human Resources:				
Personal Services	461,441	449,182	447,560	1,622
Operating	120,688	132,788	131,124	1,664
	<u>582,129</u>	<u>581,970</u>	<u>578,684</u>	<u>3,286</u>
Growth Management:				
Personal Services	445,838	442,898	442,616	282
Operating	64,023	115,978	124,079	(8,101)
Contributions	15,000	22,175	4,878	17,297
Capital Outlay	7,500	7,500	7,500	-
	<u>532,361</u>	<u>588,551</u>	<u>579,073</u>	<u>9,478</u>
Economic Development:				
Personal Services	-	361,892	345,971	15,921
Operating	-	291,859	295,257	(3,398)
Contributions	-	15,000	10,000	5,000
	<u>-</u>	<u>668,751</u>	<u>651,228</u>	<u>17,523</u>
Facility Maintenance				
Personal Services	820,925	889,693	881,991	7,702
Operating	1,120,949	1,430,747	1,262,261	168,486
Capital Outlay	-	102,996	39,113	63,883
	<u>1,941,874</u>	<u>2,423,436</u>	<u>2,183,365</u>	<u>240,071</u>
Non-Departmental:				
Personal Services	-	-	(24,614)	24,614
Operating	3,694,831	3,694,831	3,690,331	4,500
	<u>3,694,831</u>	<u>3,694,831</u>	<u>3,665,717</u>	<u>29,114</u>
<b>Total General Government</b>	<b>13,142,383</b>	<b>14,831,832</b>	<b>14,317,295</b>	<b>514,537</b>

Continued on the next page

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
For Fiscal Year Ended September 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>Public Safety:</b>				
Police:				
Personal Services	17,950,992	17,627,141	16,502,216	1,124,925
Operating	923,559	1,098,720	839,583	259,137
Capital Outlay	-	157,200	-	157,200
	<u>18,874,551</u>	<u>18,883,061</u>	<u>17,341,799</u>	<u>1,541,262</u>
Fire:				
Personal Services	12,736,126	12,648,031	12,539,040	108,991
Operating	497,451	744,351	481,973	262,378
Capital Outlay	-	-	250,415	(250,415)
	<u>13,233,577</u>	<u>13,392,382</u>	<u>13,271,428</u>	<u>120,954</u>
Code Compliance:				
Personal Services	554,100	542,602	528,200	14,402
Operating	33,335	33,335	28,798	4,537
	<u>587,435</u>	<u>575,937</u>	<u>556,998</u>	<u>18,939</u>
<b>Total Public Safety</b>	<u>32,695,563</u>	<u>32,851,380</u>	<u>31,170,225</u>	<u>1,681,155</u>
<b>Transportation:</b>				
Public Works - Transportation				
Personal Services	3,576,722	3,515,901	3,320,096	195,805
Operating	1,270,139	1,304,746	1,279,240	25,506
<b>Total Transportation</b>	<u>4,846,861</u>	<u>4,820,647</u>	<u>4,599,336</u>	<u>221,311</u>
<b>Culture/Recreation:</b>				
Parks & Recreation				
Personal Services	2,185,821	2,145,718	2,121,124	24,594
Operating	401,253	576,433	552,199	24,234
<b>Total Culture / Recreation</b>	<u>2,587,074</u>	<u>2,722,151</u>	<u>2,673,323</u>	<u>48,828</u>
<b>Transfers Out:</b>				
Debt Service Fund	5,490,672	5,194,937	5,169,587	25,350
BCRA Fund	-	31,003	31,003	-
Neighborhood Stabilization Program	-	1,954	1,954	-
Parks Recreation Fund	-	402,439	402,439	-
Fleet Services Fund	121,666	1,037,445	1,037,445	-
Road Maintenance CIP Fund	1,622,086	2,226,387	1,990,636	235,751
Total Transfers Out	<u>7,234,424</u>	<u>8,894,165</u>	<u>8,633,064</u>	<u>261,101</u>
<b>Total Expenditures and Transfers Out</b>	<u>60,506,305</u>	<u>64,120,175</u>	<u>61,393,243</u>	<u>2,726,932</u>
<b>Excess (Deficiency) of Revenues and Transfers In Over (Under) Expenditures and Transfers Out</b>	<u>\$ 443,222</u>	<u>\$ (1,768,650)</u>	<u>\$ 892,232</u>	<u>\$ 2,660,882</u>
<b>Fund Balance - Beginning of Year</b>			<u>8,282,350</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 9,174,582</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL - BAYFRONT COMMUNITY REDEVELOPMENT AGENCY  
For Fiscal Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 661,954	\$ 661,954	\$ -
Intergovernmental Revenues	1,014,896	919,759	(95,137)
Investment Income	150	2,081	1,931
<b>Total Revenues</b>	<b>1,677,000</b>	<b>1,583,794</b>	<b>(93,206)</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	274,839	249,600	25,239
Capital Outlay	1,472,130	993,835	478,295
Debt Service:			
Principal Retirement	335,000	335,000	-
Interest and Fiscal Charges	140,824	140,709	115
<b>Total Expenditures</b>	<b>2,222,793</b>	<b>1,719,144</b>	<b>503,649</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(545,793)</b>	<b>(135,350)</b>	<b>410,443</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	104,238	104,238	-
<b>Total Other Financing Sources</b>	<b>104,238</b>	<b>104,238</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (441,555)</b>	<b>\$ (31,112)</b>	<b>\$ 410,443</b>
<b>Fund Balance - Beginning</b>		<b>648,970</b>	
<b>Fund Balance - Ending</b>		<b>\$ 617,858</b>	



**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
September 30, 2016**

	Police			
	2016	2015	2014	2013
<b>Total Pension Liability</b>				
Service Cost	\$ 1,641,528	\$ 1,627,434	\$ 1,682,546	\$ 1,557,913
Interest	8,013,990	7,846,279	7,499,442	7,164,797
Change in Excess State Money	164,106	97,949	84,152	-
Difference between expected & actual experience	(1,049,607)	(2,269,835)	-	-
Changes in assumptions	3,811,157	-	-	-
Contributions Buy Back	15,167	5,777	-	-
Benefit payments, including refunds of member contributions	(5,107,223)	(5,147,483)	(4,435,345)	(4,893,215)
<b>Net Change in Total Pension Liability</b>	<b>7,489,118</b>	<b>2,160,121</b>	<b>4,830,795</b>	<b>3,829,495</b>
<b>Total Pension Liability - Beginning</b>	<b>101,473,437</b>	<b>99,313,316</b>	<b>94,482,521</b>	<b>90,653,026</b>
<b>Total Pension Liability - Ending (a)</b>	<b>108,962,555</b>	<b>101,473,437</b>	<b>99,313,316</b>	<b>94,482,521</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	1,651,022	1,811,984	1,698,539	1,301,878
Contributions - State	684,840	618,683	604,886	572,954
Contributions - Employee	589,865	605,581	599,342	603,410
Contributions - Buy Back	15,167	5,777	-	-
Net Investment (loss) income	8,778,963	(435,284)	9,243,488	10,689,706
Benefit payments, including refunds of contributions	(5,107,223)	(5,147,483)	(4,435,345)	(4,893,215)
Administrative Expenses	(279,039)	(252,632)	(245,600)	(232,438)
<b>Net Change in Plan Fiduciary Net Pension</b>	<b>6,333,595</b>	<b>(2,793,374)</b>	<b>7,465,310</b>	<b>8,042,295</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>90,683,061</b>	<b>93,476,435</b>	<b>86,011,125</b>	<b>77,968,830</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>97,016,656</b>	<b>90,683,061</b>	<b>93,476,435</b>	<b>86,011,125</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 11,945,899</b>	<b>\$ 10,790,376</b>	<b>\$ 5,836,881</b>	<b>\$ 8,471,396</b>
Plan fiduciary net position as a percentage of the total pension liability	89.04%	89.37%	94.12%	91.03%
Covered Payroll	N/A	N/A	\$ 6,841,804	\$ 6,877,781
Net pension liability as a percentage of covered employee payroll	N/A	N/A	85.31%	123.17%

**Notes to Schedule:**

The Covered Employee Payroll numbers shown are in compliance with GASB 82. For the 2015 and 2016 year, the information was not available.

*Changes of assumptions:*

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study issued on May 14, 2015. The following assumptions have been updated based on the result of that study:

- Investment return assumption was updated from 8.00% to 7.75%.
- Retirement rates were updated to better reflect actual experience.
- Mortality rates were updated to the mortality assumptions required by Florida Statutes Chapter 2015-137.
- Assumed salary increases were updated from a flat 6.50% to a table of rates that vary by age.

The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
September 30, 2016**

	Fire			
	2016	2015	2014	2013
<b>Total Pension Liability</b>				
Service Cost	\$ 1,460,239	\$ 1,396,536	\$ 1,299,634	\$ 1,203,365
Interest	6,914,011	6,469,622	6,293,170	6,027,029
Change in Excess State Money	-	-	-	-
Difference between expected & actual experience	88,819	2,589,797	-	-
Changes in assumptions	2,358,009	-	-	-
Contributions Buy Back	18,462	-	-	-
Benefit payments, including refunds of member contributions	(4,515,339)	(5,414,256)	(5,553,839)	(2,445,969)
<b>Net Change in Total Pension Liability</b>	<b>6,324,201</b>	<b>5,041,699</b>	<b>2,038,965</b>	<b>4,784,425</b>
<b>Total Pension Liability - Beginning</b>	<b>87,380,409</b>	<b>82,338,710</b>	<b>80,299,745</b>	<b>75,515,320</b>
<b>Total Pension Liability - Ending (a)</b>	<b>93,704,610</b>	<b>87,380,409</b>	<b>82,338,710</b>	<b>80,299,745</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	2,065,835	1,976,329	1,889,000	1,479,896
Contributions - State	559,910	590,203	639,518	622,786
Contributions - Employee	500,569	474,486	426,764	432,695
Contributions - Buy Back	18,462	-	-	-
Net Investment (loss) income	5,998,705	(251,532)	7,612,697	8,696,509
Benefit payments, including refunds of contributions	(4,515,339)	(5,414,256)	(5,553,839)	(2,445,969)
Administrative Expenses	(224,986)	(205,617)	(187,613)	(175,031)
<b>Net Change in Plan Fiduciary Net Pension</b>	<b>4,403,156</b>	<b>(2,830,387)</b>	<b>4,826,527</b>	<b>8,610,886</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>71,838,343</b>	<b>74,668,730</b>	<b>69,842,203</b>	<b>61,231,317</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>76,241,499</b>	<b>71,838,343</b>	<b>74,668,730</b>	<b>69,842,203</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 17,463,111</b>	<b>\$ 15,542,066</b>	<b>\$ 7,669,980</b>	<b>\$ 10,457,542</b>
Plan fiduciary net position as a percentage of the total pension liability	81.36%	82.21%	90.68%	86.98%
Covered Payroll	N/A	N/A	\$ 4,871,735	\$ 4,937,031
Net pension liability as a percentage of covered employee payroll	N/A	N/A	157.44%	211.82%

**Notes to Schedule:**

The Covered Employee Payroll numbers shown are in compliance with GASB 82. For the 2015 and 2016 year, the information was not available.

*Changes of assumptions:*

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study issued on May 14, 2015. The following assumptions have been updated based on the result of that study:

- Investment return assumption was updated from 8.00% to 7.75%.
- Retirement rates were updated to better reflect actual experience.
- Mortality rates were updated to the mortality assumptions required by Florida Statutes Chapter 2015-137.
- Assumed salary increases were updated from a flat 6.50% to a table of rates that vary by age.

The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**September 30, 2016**

	General			
	2016	2015	2014	2013
<b>Total Pension Liability</b>				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	2,381	2,247	2,564	3,019
Difference between expected & actual experience	(10,628)	4,093	-	-
Changes in assumptions	2,080	-	-	-
Benefit payments, including refunds of member contributions	(4,115)	(5,213)	(7,835)	(9,586)
<b>Net Change in Total Pension Liability</b>	<b>(10,282)</b>	<b>1,127</b>	<b>-</b>	<b>(6,567)</b>
<b>Total Pension Liability - Beginning</b>	<b>31,818</b>	<b>30,691</b>	<b>35,962</b>	<b>42,529</b>
<b>Total Pension Liability - Ending (a)</b>	<b>21,536</b>	<b>31,818</b>	<b>30,691</b>	<b>35,962</b>
<b>Plan Fiduciary Net Position</b>				
Net Investment (loss) income	16,561	1,776	18,826	20,163
Benefit payments, including refunds of contributions	(4,115)	(5,213)	(7,835)	(9,586)
Administrative Expenses	(4,796)	(6,130)	(455)	(1,950)
<b>Net Change in Plan Fiduciary Net Pension</b>	<b>7,650</b>	<b>(9,567)</b>	<b>10,536</b>	<b>8,627</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>169,767</b>	<b>179,334</b>	<b>168,798</b>	<b>160,171</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>177,417</b>	<b>169,767</b>	<b>179,334</b>	<b>168,798</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ (155,881)</b>	<b>\$ (137,949)</b>	<b>\$ (148,643)</b>	<b>\$ (132,836)</b>
Plan fiduciary net position as a percentage of the total pension liability	823.82%	533.56%	584.32%	469.38%
Covered Payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

**Notes to Schedule:***Changes of assumptions:*

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from the following changes:

- Investment return assumption was lowered from 8.00% to 7.75%.
- As amended by Chapter 2015-37, Laws of Florida, the assumed rates of mortality were changed to the mortality table used by Florida Retirement System.

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY FLORIDA RETIREMENT SYSTEM (FRS)  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 September 30, 2016**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability (asset)	0.000314544%	0.000351156%	0.000307215%
City's proportionate share of the net pension liability (asset)	\$ 79,423	\$ 45,357	\$ 18,745
City's covered-employee payroll	\$ 30,877	\$ 30,227	\$ 31,818
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	257.22%	150.05%	58.91%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Note: 1) This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

2) The Plan's fiduciary net position as a percentage of total pension liability is published in Note 4 of the Plan's Comprehensive Annual Financial Report.

3) These amounts are of June 30, the Plan's fiscal year end.

**CITY OF PALM BAY HEALTH INSURANCE SUBSIDY (HIS)  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
September 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.000077720%	0.000079108%	0.000080777%
City's proportionate share of the net pension liability (asset)	\$ 9,058	\$ 8,068	\$ 7,553
City's covered-employee payroll	\$ 30,877	\$ 30,227	\$ 31,818
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.34%	26.69%	23.74%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

Note: 1) This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

2) The Plan's fiduciary net position as a percentage of total pension liability is published in Note 4 of the Plan's Comprehensive Annual Financial Report.

3) These amounts are of June 30, the Plan's fiscal year end.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM  
 SCHEDULE OF CONTRIBUTIONS  
 September 30, 2016**

	Police			
	2016	2015	2014	2013
Actuarially determined contributions	\$ 2,171,756	\$ 2,332,718	\$ 2,219,273	\$ 1,822,612
Contributions in relation to the actuarially determined contribution	(2,171,756)	(2,332,718)	(2,219,273)	(1,822,612)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Actuarially computed - employee payroll	N/A	N/A	\$ 6,841,804	\$ 6,877,781
Contributions as a percentage of covered employee payroll	N/A	N/A	32.44%	26.50%

**Notes to Schedule**

Valuation Date 10/1/2014  
 Actuarially determined contributions rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll - Closed
Remaining amortization period	30 years (as of 10/01/2014)
Asset valuation method	Market Value
Inflation	2.70%
Salary Increase	6.50%
Investment Rate of Return	7.75%

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM  
 SCHEDULE OF CONTRIBUTIONS  
 September 30, 2016**

	Fire			
	2016	2015	2014	2013
Actuarially determined contributions	\$ 2,625,745	\$ 2,566,532	\$ 2,528,518	\$ 2,102,682
Contributions in relation to the actuarially determined contribution	(2,625,745)	(2,566,532)	(2,528,518)	(2,102,682)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Actuarially computed - employee payroll	N/A	N/A	\$ 4,871,735	\$ 4,937,031
Contributions as a percentage of covered employee payroll	N/A	N/A	51.90%	42.59%

**Notes to Schedule**

Valuation Date 10/1/2014  
 Actuarially determined contributions rates are calculated as of October 1, two years prior to the the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll - Closed
Remaining amortization period	30 years (as of 10/01/2014)
Asset valuation method	Market Value
Inflation	2.70%
Salary Increase	6.50%

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.



**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM  
 SCHEDULE OF CONTRIBUTIONS  
 September 30, 2016**

	General			
	2016	2015	2014	2013
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Actuarially computed - employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

**Notes to Schedule**

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Aggregate Actuarial Cost Method.
Amortization method	N/A
Asset valuation method	Market Value
Investment Rate of Return	7.75%
Mortality	RP2000

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY FLORIDA RETIREMENT SYSTEM (FRS)  
 SCHEDULE OF CONTRIBUTIONS  
 September 30, 2016**

	<b>2016</b>		<b>2015</b>		<b>2014</b>
Contractually required contribution	\$ 7,671	\$	8,561	\$	6,729
Contributions in relation to the contractually required contribution	\$ (7,671)	\$	(8,561)	\$	(6,729)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
City's covered-employee payroll	\$ 30,877	\$	30,885	\$	31,818
Contributions as a percentage of covered-employee payroll	24.84%		27.72%		21.15%

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY HEALTH INSURANCE SUBSIDY (HIS)  
SCHEDULE OF CONTRIBUTIONS  
September 30, 2016**

	<u>2016</u>		<u>2015</u>		<u>2014</u>
Contractually required contribution	\$ 398	\$	302	\$	277
Contributions in relation to the contractually required contribution	\$ (398)	\$	(302)	\$	(277)
Contribution deficiency (excess)	<u>\$ -</u>	\$	<u>-</u>	\$	<u>-</u>
City's covered-employee payroll	\$ 30,877	\$	30,885	\$	31,818
Contributions as a percentage of covered-employee payroll	1.29%		0.98%		0.87%

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM  
SCHEDULE OF INVESTMENT RETURNS  
September 30, 2016**

<u>Annual money-weighted rate of return, net of investment expense</u>	<b>Police</b>	<b>Fire</b>	<b>General</b>
2016	9.81%	8.44%	10.02%
2015	-0.47%	-0.34%	1.02%
2014	10.82%	11.04%	11.43%

Note: This is the second year of implementation for GASB 68. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY OTHER POST EMPLOYMENT BENEFITS  
 SCHEDULE OF FUNDING PROGRESS  
 September 30, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Cost</b>	<b>Unfunded AAL (UAAL)</b>	<b>Percentage Funded</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
2014	\$ -	\$ 7,891,399	\$ 7,891,399	0.0%	\$ 32,735,072	24.11%
2015	-	8,230,925	8,230,925	0.0%	34,044,475	24.18%
2016	-	8,579,901	8,579,901	0.0%	35,406,254	24.23%

The preceding schedule of Funding Progress presents, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**NOTE 1 – BUDGETARY REQUIREMENTS**

## A. Budgetary Information

The following procedures are used to establish the budgetary data reflected in the financial statements:

- 1) No later than August 10<sup>th</sup> of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1.
- 2) Public hearings are held to obtain taxpayer comments.
- 3) Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4) Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the general fund, all special revenue funds (except for the miscellaneous donations fund), all capital projects fund, and all debt service funds. The budgets adopted for the enterprise fund and internal service funds are for managerial control purposes.
- 5) Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 6) The City Manager is authorized to transfer part or all of an unencumbered appropriation balance between activities of a department within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the City Council. The classification detail at which expenditures may not legally exceed appropriations is at the fund level. During the fiscal year ended, various appropriations were approved in accordance with this policy. Budgeted amounts shown in the financial statements are as originally adopted and as further amended.
- 7) Appropriations lapse at the close of the fiscal year.



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## **OTHER SUPPLEMENTAL INFORMATION**

Budgetary Comparison Schedule:

- BCRA Construction Fund

Nonmajor Governmental Funds:

Combining Financial Statements for All Nonmajor Governmental Funds and Individual Budgetary Comparison Schedules for All Budgeted Nonmajor Governmental Funds

Nonmajor Enterprise Funds:

Combining Financial Statements for All Nonmajor Enterprise Funds

Nonmajor Enterprise Funds:

Combining Financial Statements for All Nonmajor Enterprise Funds

Fiduciary Funds:

Combining Statements for Fiduciary Funds



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**BUDGET AND ACTUAL  
BCRA CONSTRUCTION FUND  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ 5,850	\$ 14,363	\$ 8,513
<b>Total Revenues</b>	<b>5,850</b>	<b>14,363</b>	<b>8,513</b>
<b>EXPENDITURES</b>			
Current:			
General Government	439	184	255
Capital Outlay	2,608,449	1,575,826	1,032,623
<b>Total Expenditures</b>	<b>2,608,888</b>	<b>1,576,010</b>	<b>1,032,878</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(2,603,038)</b>	<b>(1,561,647)</b>	<b>1,041,391</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,603,038)</b>	<b>\$ (1,561,647)</b>	<b>\$ 1,041,391</b>
<b>Fund Balance - Beginning</b>		<b>2,631,124</b>	
<b>Fund Balance - Ending</b>		<b>\$ 1,069,477</b>	



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**NONMAJOR GOVERNMENTAL FUNDS****SPECIAL REVENUE FUNDS**

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources which, by law are designated to finance particular functions or activities of government. The City has the following nonmajor special revenue funds:

**Law Enforcement Trust** – This fund is used to account for proceeds obtained through the sale of confiscated and unclaimed property turned over to the City through court judgments. The proceeds are to be used solely for crime fighting purposes.

**Palm Bay Municipal Foundation Fund** – Established under Section 501(c)(3). This component unit was established to raise funds for charitable, educational, scientific and literary pursuits. It avails contributors to tax write-offs; and is the beneficiary of revenues generated from Red Light Camera violations.

**Code Nuisance Fund** – This fund is used to account for transactions related to properties with code violations where the owners are unwilling to abate the problems.

**SHIP Program** – This fund is used to account for proceeds received from the State for the City's State Housing Initiative Partnership (SHIP) program.

**Community Development Block Grant** – This fund is used to account for proceeds received from a Housing and Community Development Grant program for common residential improvements.

**HOME Grant** – This fund is used to account for the proceeds received from the State for the City's HOME Grant.

**Neighborhood Stabilization Program** – This fund accounts for Neighborhood Stabilization Program (NSP) a transaction which is a federally funded initiative. NSP 1 authorized funding of \$5.2M to acquire and or rehabilitate up to 45 residential properties, NSP 3 authorized \$1.7M in funding for the purchase of foreclosed or abandoned homes and to rehabilitate, resell or redevelop these homes in order to promote equipoise in local areas.

**Miscellaneous Donations** – This fund is used to account for proceeds received as donations to the Police, Fire and Parks Departments.

**Parks Recreation Facility Fund** – This fund is used to account for transactions associated with the activities and facilities conveyed to the City by Brevard County in February 2016.

**Impact Fee Trust** – This fund is used to account for proceeds provided for the acquisition and/or improvement of urban district park facilities, police capital facilities, fire capital facilities, and the expansion of the City's major road network system.

**Environmental Fee Fund** – This fund is used to account for transactions related to the City's Incidental Take Permit issued by the United States Fish and Wildlife Service.



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**DEBT SERVICE FUNDS**

The City has one debt service fund. It is used to account for the payment of principal and interest on outstanding general governmental revenue bonds.

**Debt Service Fund** – This fund is used to account for the principal and interest payments of the Taxable Special Obligation Revenue Bonds, Series 2004; Public Service Tax Revenue Bonds, Series 2010; 2013 Taxable Special Obligation Refunding Bonds; 2014 Local Option Gas Tax Refunding Note, 2015 Franchise Fee Revenue Note; 2015 Sales Tax Refunding Bonds, and debt service on capital leases.

**CAPITAL PROJECTS FUNDS**

**Community Investment 06 Bond CIP Fund** – This fund is used to account for the proceeds of the 2006 Sales Tax Bond earmarked for community related capital improvement projects.

**Community Investment Fund** - This fund is used to account for financial resources earmarked for the acquisition or construction of major capital facilities or other project oriented activities.

**I-95 Interchange Fund** - This fund is used to account for financial resources earmarked for the construction of an interchange between St. John's Heritage Parkway (Palm Bay Parkway) and Mico Road.

**Road Maintenance CIP Fund** - This fund is used to account for financial resources earmarked for the maintenance and repair of existing roadways.



**COMBINING BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2016**

	Special Revenue Funds									
	Law Enforcement Trust	PB Municipal Foundation Fund	Code Nuisance Fund	SHIP Program	Community Development Block Grant	HOME Grant	Neighborhood Stabilization Program	Misc. Donations	Parks Recreation Fund	Impact Fee Trust
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 468,786	\$ 49,270	\$ 141,315	\$ 1,230,031	\$ -	\$ 87,287	\$ -	\$ 87,672	\$ 181,083	\$ 3,321,590
Investments	-	-	-	-	-	-	-	-	-	254,483
Accounts Receivable	2,004	-	-	9	91	3	-	-	-	592
Land Held for Resale	-	15,500	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 470,790</b>	<b>\$ 64,770</b>	<b>\$ 141,315</b>	<b>\$ 1,230,040</b>	<b>\$ 91</b>	<b>\$ 87,290</b>	<b>\$ -</b>	<b>\$ 87,672</b>	<b>\$ 181,083</b>	<b>\$ 3,576,665</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts Payable	\$ 5,909	\$ 5,091	\$ 2,852	\$ 29,283	\$ 6,167	\$ 30	\$ -	\$ 1,267	\$ 48,817	\$ 1,131,332
Accrued Liabilities	-	-	-	2,607	767	192	-	-	21,554	-
Due to Other Funds	-	-	-	-	215,487	-	113	-	-	-
Advances from Other Funds	-	-	-	-	-	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	190,283	-	-	1,198,150	-	64,105	-	-	-	-
<b>Total Liabilities</b>	<b>196,192</b>	<b>5,091</b>	<b>2,852</b>	<b>1,230,040</b>	<b>222,421</b>	<b>64,327</b>	<b>113</b>	<b>1,267</b>	<b>70,371</b>	<b>1,131,332</b>
Fund Balances:										
Nonspendable	-	15,500	-	-	-	-	-	-	-	-
Restricted	274,598	-	-	-	-	22,963	-	-	-	2,445,333
Committed	-	-	-	-	-	-	-	-	44,559	-
Assigned	-	44,179	138,463	-	-	-	-	86,405	66,153	-
Unassigned (Deficit)	-	-	-	-	(222,330)	-	(113)	-	-	-
<b>Total Fund Balances (Deficit)</b>	<b>274,598</b>	<b>59,679</b>	<b>138,463</b>	<b>-</b>	<b>(222,330)</b>	<b>22,963</b>	<b>(113)</b>	<b>86,405</b>	<b>110,712</b>	<b>2,445,333</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 470,790</b>	<b>\$ 64,770</b>	<b>\$ 141,315</b>	<b>\$ 1,230,040</b>	<b>\$ 91</b>	<b>\$ 87,290</b>	<b>\$ -</b>	<b>\$ 87,672</b>	<b>\$ 181,083</b>	<b>\$ 3,576,665</b>

**COMBINING BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
September 30, 2016**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds			
	Environmental Fee Fund	Debt Service Funds	Community Investment Fund	I-95 Interchange Fund	Road Maintenance Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 17,233	\$ 4,025,571	\$ 312,547	\$ 669,414	\$ 3,446,381	\$ 14,038,180
Investments	-	483,623	-	-	-	738,106
Accounts Receivable	-	832	-	-	-	3,531
Land Held for Resale	-	-	-	-	-	15,500
<b>Total Assets</b>	<b>\$ 17,233</b>	<b>\$ 4,510,026</b>	<b>\$ 312,547</b>	<b>\$ 669,414</b>	<b>\$ 3,446,381</b>	<b>\$ 14,795,317</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ -	\$ 3,430	\$ -	\$ 313	\$ 499,911	\$ 1,734,402
Accrued Liabilities	-	-	-	-	-	25,120
Due to Other Funds	-	-	-	-	-	215,600
Advances from Other Funds	609,000	-	-	-	-	609,000
Due to Other Governments	17,100	-	-	-	-	17,100
Unearned Revenue	-	-	-	-	-	1,452,538
<b>Total Liabilities</b>	<b>626,100</b>	<b>3,430</b>	<b>-</b>	<b>313</b>	<b>499,911</b>	<b>4,053,760</b>
Fund Balances:						
Nonspendable	-	-	-	-	-	15,500
Restricted	-	4,506,596	-	669,101	-	7,918,591
Committed	-	-	-	-	2,946,470	2,991,029
Assigned	-	-	312,547	-	-	647,747
Unassigned (Deficit)	(608,867)	-	-	-	-	(831,310)
<b>Total Fund Balances (Deficit)</b>	<b>(608,867)</b>	<b>4,506,596</b>	<b>312,547</b>	<b>669,101</b>	<b>2,946,470</b>	<b>10,741,557</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,233</b>	<b>\$ 4,510,026</b>	<b>\$ 312,547</b>	<b>\$ 669,414</b>	<b>\$ 3,446,381</b>	<b>\$ 14,795,317</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2016**

Special Revenue Funds						
	Law Enforcement Trust	PB Municipal Foundation Fund	Code Nuisance Fund	SHIP Program	Community Development Block Grant	HOME Grant
<b>REVENUES</b>						
Impact Fees	\$ -	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental Revenues	-	-	-	479,295	534,560	-
Charges for Services	-	-	149,294	68,975	885	39,395
Fines and Forfeitures	158,785	-	-	-	-	-
Investment Income	1,940	2	-	1,837	-	-
Miscellaneous Revenues	2,751	41,921	-	-	54	-
<b>Total Revenues</b>	<b>163,476</b>	<b>41,923</b>	<b>149,294</b>	<b>550,107</b>	<b>535,499</b>	<b>39,395</b>
<b>EXPENDITURES</b>						
Current:						
General Government	-	-	-	-	-	-
Public Safety	71,840	9,559	40,391	-	-	-
Economic Environment	-	-	-	182,058	177,905	16,432
Culture/Recreation	-	-	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay	-	-	-	370,426	549,862	-
<b>Total Expenditures</b>	<b>71,840</b>	<b>9,559</b>	<b>40,391</b>	<b>552,484</b>	<b>727,767</b>	<b>16,432</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	91,636	32,364	108,903	(2,377)	(192,268)	22,963
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	-	19,201	-
Transfers Out	-	-	(20,000)	-	(1,282)	-
Proceeds of Refunding Debt	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>17,919</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>91,636</b>	<b>32,364</b>	<b>88,903</b>	<b>(2,377)</b>	<b>(174,349)</b>	<b>22,963</b>
Fund Balances (Deficit) - Beginning	182,962	27,315	49,560	2,377	(47,981)	-
<b>Fund Balances (Deficit) - Ending</b>	<b>\$ 274,598</b>	<b>\$ 59,679</b>	<b>\$ 138,463</b>	<b>\$ -</b>	<b>(222,330)</b>	<b>\$ 22,963</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
For the Year Ended September 30, 2016**

	Special Revenue Funds				
	Neighborhood Stabilization Program	Misc. Donations	Parks Recreation	Impact Fee Trust	Environmental Fee Fund
<b>REVENUES</b>					
Impact Fees	\$ -	\$ -	\$ -	2,176,573	\$ -
Intergovernmental Revenues	120,939	-	474,230	-	-
Charges for Services	-	400	211,065	-	16,987
Fines and Forfeitures	-	-	-	-	-
Investment Income	21	-	-	5,512	-
Miscellaneous Revenues	-	18,178	404	-	-
<b>Total Revenues</b>	<b>120,960</b>	<b>18,578</b>	<b>685,699</b>	<b>2,182,085</b>	<b>16,987</b>
<b>EXPENDITURES</b>					
Current:					
General Government	-	-	-	-	-
Public Safety	-	15,425	-	-	-
Transportation	-	-	-	-	-
Economic Environment	65,835	-	-	-	-
Culture/Recreation	-	-	937,254	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay	57,192	-	40,172	1,023,565	-
<b>Total Expenditures</b>	<b>123,027</b>	<b>15,425</b>	<b>977,426</b>	<b>1,023,565</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,067)</b>	<b>3,153</b>	<b>(291,727)</b>	<b>1,158,520</b>	<b>16,987</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,954	-	402,439	-	-
Transfers Out	-	-	-	(1,216,374)	(9,975)
Proceeds of Refunding Debt	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,954</b>	<b>-</b>	<b>402,439</b>	<b>(1,216,374)</b>	<b>(9,975)</b>
<b>Net Change in Fund Balances</b>	<b>(113)</b>	<b>3,153</b>	<b>110,712</b>	<b>(57,854)</b>	<b>7,012</b>
<b>Fund Balances (Deficit) - Beginning</b>	<b>-</b>	<b>83,252</b>	<b>-</b>	<b>2,503,187</b>	<b>(615,879)</b>
<b>Fund Balances (Deficit) - Ending</b>	<b>\$ (113)</b>	<b>\$ 86,405</b>	<b>\$ 110,712</b>	<b>\$ 2,445,333</b>	<b>\$ (608,867)</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
For the Year Ended September 30, 2016**

	Debt Service Funds		Capital Project Funds			Total Nonmajor Governmental Funds
	Debt Service Funds	Community Investment Fund	I-95 Interchange Fund	Road Maintenance Fund		
<b>REVENUES</b>						
Impact Fees	\$ -	\$ -	\$ -	\$ -	\$ -	2,176,573
Intergovernmental Revenues	-	1,768,709	-	-	-	3,377,733
Charges for Services	-	-	-	-	-	487,001
Fines and Forfeitures	-	-	-	-	-	158,785
Investment Income	15,655	28	18,112	7,460	-	50,567
Miscellaneous Revenues	133,737	-	-	23	-	197,068
<b>Total Revenues</b>	<b>149,392</b>	<b>1,768,737</b>	<b>18,112</b>	<b>7,483</b>		<b>6,447,727</b>
<b>EXPENDITURES</b>						
Current:						
General Government	175,622	-	-	-	-	175,622
Public Safety	-	-	-	-	-	137,215
Economic Environment	-	-	-	-	-	442,230
Culture/Recreation	-	-	-	-	-	937,254
Debt Service:						
Principal Retirement	2,009,046	-	-	-	-	2,009,046
Interest and Fiscal Charges	4,290,473	-	-	-	-	4,290,473
Capital Outlay	-	884,259	3,697,234	2,046,326	-	8,669,036
<b>Total Expenditures</b>	<b>6,475,141</b>	<b>884,259</b>	<b>3,697,234</b>	<b>2,046,326</b>		<b>16,660,876</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,325,749)	884,478	(3,679,122)	(2,038,843)		(10,213,149)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	6,036,603	191,449	-	2,302,664	-	8,954,310
Transfers Out	(28,847)	(318,003)	-	(35,000)	-	(1,629,481)
Proceeds of Refunding Debt	15,922,652	-	-	-	-	15,922,652
Payment to Refunded Bond Escrow Agent	(15,723,067)	-	-	-	-	(15,723,067)
<b>Total Other Financing Sources (Uses)</b>	<b>6,207,341</b>	<b>(126,554)</b>	<b>-</b>	<b>2,267,664</b>		<b>7,524,414</b>
<b>Net Change in Fund Balances</b>	<b>(118,408)</b>	<b>757,924</b>	<b>(3,679,122)</b>	<b>228,821</b>		<b>(2,688,735)</b>
<b>Fund Balances (Deficit) - Beginning</b>	<b>4,625,004</b>	<b>(445,377)</b>	<b>4,348,223</b>	<b>2,717,649</b>		<b>13,430,292</b>
<b>Fund Balances (Deficit) - Ending</b>	<b>\$ 4,506,596</b>	<b>\$ 312,547</b>	<b>\$ 669,101</b>	<b>\$ 2,946,470</b>		<b>\$ 10,741,557</b>



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**BUDGETARY COMPARISON SCHEDULE  
LAW ENFORCEMENT TRUST  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Fines and Forfeitures	\$ -	\$ 158,785	\$ 158,785
Investment Income	-	1,940	1,940
Miscellaneous Revenues	-	2,751	2,751
<b>Total Revenues</b>	<b>-</b>	<b>163,476</b>	<b>163,476</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	101,451	71,840	29,611
Capital Outlay	-	-	-
<b>Total Expenditures</b>	<b>101,451</b>	<b>71,840</b>	<b>29,611</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(101,451)</b>	<b>91,636</b>	<b>193,087</b>
<b>Net Change in Fund Balance</b>	<b>\$ (101,451)</b>	<b>91,636</b>	<b>\$ 193,087</b>
<b>Fund Balance - Beginning</b>		<b>182,962</b>	
<b>Fund Balance - Ending</b>		<b>\$ 274,598</b>	

**BUDGETARY COMPARISON SCHEDULE  
PALM BAY MUNICIPAL FOUNDATION  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ -	\$ 2	\$ 2
Miscellaneous Revenues	31,000	41,921	10,921
<b>Total Revenues</b>	<b>31,000</b>	<b>41,923</b>	<b>10,923</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	30,800	9,559	21,241
<b>Total Expenditures</b>	<b>30,800</b>	<b>9,559</b>	<b>21,241</b>
<b>Excess of Revenues Over Expenditures</b>	<b>200</b>	<b>32,364</b>	<b>32,164</b>
<b>Net Change in Fund Balance</b>	<b>\$ 200</b>	<b>32,364</b>	<b>\$ 32,164</b>
<b>Fund Balance - Beginning</b>		<b>27,315</b>	
<b>Fund Balance - Ending</b>		<b>\$ 59,679</b>	



**BUDGETARY COMPARISON SCHEDULE  
CODE NUISANCE FUND  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 250,000	\$ 149,294	\$ (100,706)
<b>Total Revenues</b>	<b>250,000</b>	<b>149,294</b>	<b>(100,706)</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	214,000	40,391	173,609
<b>Total Expenditures</b>	<b>214,000</b>	<b>40,391</b>	<b>173,609</b>
<b>Excess of Revenues Over Expenditures</b>	<b>36,000</b>	<b>108,903</b>	<b>72,903</b>
<b>OTHER FINANCING USES</b>			
Transfers Out	(20,000)	(20,000)	-
<b>Net Change in Fund Balance</b>	<b>\$ 16,000</b>	<b>88,903</b>	<b>\$ 72,903</b>
<b>Fund Balance - Beginning</b>		<b>49,560</b>	
<b>Fund Balance - Ending</b>		<b>\$ 138,463</b>	

**BUDGETARY COMPARISON SCHEDULE  
SHIP PROGRAM  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 509,824	\$ 479,295	\$ (30,529)
Charges for Services	25,000	68,975	43,975
Investment Income	200	1,837	1,637
<b>Total Revenues</b>	<b>535,024</b>	<b>550,107</b>	<b>15,083</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	593,483	182,058	411,425
Capital Outlay	-	370,426	(370,426)
<b>Total Expenditures</b>	<b>593,483</b>	<b>552,484</b>	<b>40,999</b>
<b>Net Change in Fund Balance</b>	<b>\$ (58,459)</b>	<b>(2,377)</b>	<b>\$ 56,082</b>
<b>Fund Balance - Beginning</b>		<b>2,377</b>	
<b>Fund Balance - Ending</b>		<b>\$ -</b>	

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 326,343	\$ 534,560	\$ 208,217
Charges for Services	-	885	885
Miscellaneous Revenue	-	54	54
<b>Total Revenues</b>	<b>326,343</b>	<b>535,499</b>	<b>209,156</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	180,109	177,905	2,204
Capital Outlay	1,428,548	549,862	878,686
<b>Total Expenditures</b>	<b>1,608,657</b>	<b>727,767</b>	<b>880,890</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,282,314)</b>	<b>(192,268)</b>	<b>1,090,046</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	19,201	19,201	-
Transfers Out	(1,282)	(1,282)	-
<b>Total Other Financing Sources and (Uses)</b>	<b>17,919</b>	<b>17,919</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,264,395)</b>	<b>(174,349)</b>	<b>\$ 1,090,046</b>
<b>Fund Balance (Deficit) - Beginning</b>		<b>(47,981)</b>	
<b>Fund Balance (Deficit) - Ending</b>		<b>\$ (222,330)</b>	

**BUDGETARY COMPARISON SCHEDULE  
HOME GRANT  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 173,746	\$ -	\$ (173,746)
Charges for Services	2,000	39,395	37,395
<b>Total Revenues</b>	<b>175,746</b>	<b>39,395</b>	<b>(136,351)</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	196,925	16,432	180,493
<b>Total Expenditures</b>	<b>196,925</b>	<b>16,432</b>	<b>180,493</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(21,179)</b>	<b>22,963</b>	<b>44,142</b>
<b>Net Change in Fund Balance</b>	<b>\$ (21,179)</b>	<b>22,963</b>	<b>\$ 44,142</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance - Ending</b>		<b>\$ 22,963</b>	

**BUDGETARY COMPARISON SCHEDULE  
NEIGHBORHOOD STABILIZATION PROGRAM  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ 120,939	\$ 120,939
Investment Income	-	21	21
<b>Total Revenues</b>	<b>-</b>	<b>120,960</b>	<b>120,960</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	77,804	65,835	11,969
Capital Outlay	57,193	57,192	1
<b>Total Expenditures</b>	<b>134,997</b>	<b>123,027</b>	<b>11,970</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(134,997)</b>	<b>(2,067)</b>	<b>132,930</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	1,954	1,954	-
<b>Total Other Financing Sources</b>	<b>1,954</b>	<b>1,954</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (133,043)</b>	<b>(113)</b>	<b>\$ 132,930</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance (Deficit) - Ending</b>		<b>\$ (113)</b>	

**BUDGETARY COMPARISON SCHEDULE  
MISCELLANEOUS DONATIONS  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ -	\$ 400	\$ 400
Miscellaneous Revenues	-	18,178	18,178
<b>Total Revenues</b>	<b>-</b>	<b>18,578</b>	<b>18,578</b>
<b>EXPENDITURES</b>			
Public Safety	-	15,425	(15,425)
<b>Total Expenditures</b>	<b>-</b>	<b>15,425</b>	<b>(15,425)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>3,153</b>	<b>\$ 3,153</b>
<b>Fund Balance - Beginning</b>		<u>83,252</u>	
<b>Fund Balance - Ending</b>		<u>\$ 86,405</u>	

**BUDGETARY COMPARISON SCHEDULE  
PARKS RECREATION FACILITY  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 502,235	\$ 474,230	\$ (28,005)
Charges for Services	273,333	211,065	(62,268)
Miscellaneous Revenue	-	404	404
<b>Total Revenues</b>	<b>775,568</b>	<b>685,699</b>	<b>(89,869)</b>
<b>EXPENDITURES</b>			
Current:			
Culture and Recreation	1,111,357	937,254	174,103
Capital Outlay	66,650	40,172	26,478
<b>Total Expenditures</b>	<b>1,178,007</b>	<b>977,426</b>	<b>200,581</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(402,439)</b>	<b>(291,727)</b>	<b>110,712</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	402,439	402,439	-
<b>Total Other Financing Sources</b>	<b>402,439</b>	<b>402,439</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>110,712</b>	<b>\$ 110,712</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance - Ending</b>		<b>\$ 110,712</b>	

**BUDGETARY COMPARISON SCHEDULE  
IMPACT FEE TRUST  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Impact Fees	\$ 795,000	\$ 2,176,573	\$ 1,381,573
Investment Income	6,000	5,512	(488)
<b>Total Revenues</b>	<b>801,000</b>	<b>2,182,085</b>	<b>1,381,085</b>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	1,176,279	1,023,565	152,714
<b>Total Expenditures</b>	<b>1,176,279</b>	<b>1,023,565</b>	<b>152,714</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(375,279)</b>	<b>1,158,520</b>	<b>1,533,799</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(1,216,431)	(1,216,374)	57
<b>Total Other Financing Sources (Uses)</b>	<b>(1,216,431)</b>	<b>(1,216,374)</b>	<b>57</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,591,710)</b>	<b>(57,854)</b>	<b>\$ 1,533,856</b>
<b>Fund Balance - Beginning</b>		<b>2,503,187</b>	
<b>Fund Balance - Ending</b>		<b>\$ 2,445,333</b>	



**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL FEE  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 12,475	\$ 16,987	\$ 4,512
<b>OTHER FINANCING (USES)</b>			
Transfers Out	(9,975)	(9,975)	-
<b>Net Change in Fund Balance</b>	<u>\$ 2,500</u>	7,012	<u>\$ 4,512</u>
<b>Fund Balance (Deficit) - Beginning</b>		<u>(615,879)</u>	
<b>Fund Balance (Deficit) - Ending</b>		<u>\$ (608,867)</u>	

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUNDS  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ -	\$ 15,655	\$ 15,655
Miscellaneous Revenues	130,739	133,737	2,998
<b>Total Revenues</b>	<b>130,739</b>	<b>149,392</b>	<b>18,653</b>
<b>EXPENDITURES</b>			
Current:			
General Government	205,197	175,622	29,575
Debt Service:			
Principal Retirement	2,009,046	2,009,046	-
Interest and Fiscal Charges	4,367,747	4,290,473	77,274
<b>Total Expenditures</b>	<b>6,581,990</b>	<b>6,475,141</b>	<b>106,849</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(6,451,251)</b>	<b>(6,325,749)</b>	<b>125,502</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	6,062,011	6,036,603	(25,408)
Transfers Out	(28,848)	(28,847)	1
Proceeds of Refunding Debt	15,922,652	15,922,652	-
Payment to Refunded Bond Escrow Agent	(15,723,067)	(15,723,067)	-
<b>Total Other Financing Sources</b>	<b>6,232,748</b>	<b>6,207,341</b>	<b>(25,407)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (218,503)</b>	<b>(118,408)</b>	<b>\$ 100,095</b>
<b>Fund Balance - Beginning</b>		<b>4,625,004</b>	
<b>Fund Balance - Ending</b>		<b>\$ 4,506,596</b>	

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY INVESTMENT FUND  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 1,038,006	\$ 1,768,709	\$ 730,703
Investment Income	-	28	28
<b>Total Revenues</b>	<b>1,038,006</b>	<b>1,768,737</b>	<b>730,731</b>
<b>EXPENDITURES</b>			
Capital Outlay	912,765	884,259	28,506
<b>Total Expenditures</b>	<b>912,765</b>	<b>884,259</b>	<b>28,506</b>
<b>Excess of Revenues Over Expenditures</b>	<b>125,241</b>	<b>884,478</b>	<b>759,237</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	191,449	191,449	-
Transfers Out	(318,003)	(318,003)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(126,554)</b>	<b>(126,554)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,313)</b>	<b>757,924</b>	<b>\$ 759,237</b>
<b>Fund Balance (Deficit) - Beginning</b>		<b>(445,377)</b>	
<b>Fund Balance - Ending</b>		<b>\$ 312,547</b>	

**BUDGETARY COMPARISON SCHEDULE  
I-95 INTERCHANGE FUND  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ 8,631	\$ 18,112	\$ 9,481
<b>Total Revenues</b>	<u>8,631</u>	<u>18,112</u>	<u>9,481</u>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	4,354,957	3,697,234	657,723
	<u>4,354,957</u>	<u>3,697,234</u>	<u>657,723</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(4,354,957)</u>	<u>(3,679,122)</u>	<u>667,204</u>
<b>Net Change in Fund Balance</b>	<u>\$ (4,354,957)</u>	<u>(3,679,122)</u>	<u>\$ 667,204</u>
<b>Fund Balance - Beginning</b>		<u>4,348,223</u>	
<b>Fund Balance - Ending</b>		<u>\$ 669,101</u>	

**BUDGETARY COMPARISON SCHEDULE  
ROAD MAINTENANCE CIP FUND  
For the Year Ended September 30, 2016**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ -	\$ 7,460	\$ 7,460
Miscellaneous Revenues	-	23	23
<b>Total Revenues</b>	<b>-</b>	<b>7,483</b>	<b>7,483</b>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	1,622,086	2,046,326	(424,240)
Debt Service:			
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<b>1,622,086</b>	<b>2,046,326</b>	<b>(424,240)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(1,622,086)</b>	<b>(2,038,843)</b>	<b>(416,757)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,538,415	2,302,664	(235,751)
Transfers Out	(35,000)	(35,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,503,415</b>	<b>2,267,664</b>	<b>(235,751)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 881,329</b>	<b>228,821</b>	<b>\$ (652,508)</b>
<b>Fund Balance - Beginning</b>		<b>2,717,649</b>	
<b>Fund Balance - Ending</b>		<b>\$ 2,946,470</b>	



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**NONMAJOR ENTERPRISE FUNDS**

Enterprise Funds are used to account for the acquisition, operation and maintenance of government facilities and services, which are entirely or predominantly self-supported, by user fee and charges. The operations of Enterprise Funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The City maintains the following Nonmajor Enterprise Funds:

**Building Inspection Fund** – This fund is used to account for building-related activities within the City. Revenues are primarily generated by user licenses and permits.

**Stormwater Utility Fund** – This fund is used to account stormwater services in the City.

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
September 30, 2016**

	Nonmajor Enterprise Fund		
	Building Inspection Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 853,077	\$ 329,494	\$ 1,182,571
Investments	-	514,029	514,029
Accounts Receivable - (Net)	-	2,501,695	2,501,695
Prepaid Items	464	1,500	1,964
<b>Total Current Assets</b>	<b>853,541</b>	<b>3,346,718</b>	<b>4,200,259</b>
Noncurrent Assets:			
Advances to Other Funds	1,359,984	-	1,359,984
Capital Assets:			
Land	-	19,802	19,802
Construction in Progress	-	2,387	2,387
Infrastructure	-	157,636	157,636
Machinery, Equipment and Vehicles	8,660	2,019,488	2,028,148
Less: Accumulated Depreciation	-	(1,851,752)	(1,851,752)
<b>Total Capital Assets (Net)</b>	<b>8,660</b>	<b>347,561</b>	<b>356,221</b>
<b>Total Noncurrent Assets</b>	<b>1,368,644</b>	<b>347,561</b>	<b>1,716,205</b>
<b>Total Assets</b>	<b>2,222,185</b>	<b>3,694,279</b>	<b>5,916,464</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	43,782	39,447	83,229
Accrued Liabilities	23,774	76,837	100,611
Unearned Revenues	-	2,500,783	2,500,783
Advances from other Funds	-	117,476	117,476
Compensated Absences	6,231	17,851	24,082
<b>Total Current Liabilities</b>	<b>73,787</b>	<b>2,752,394</b>	<b>2,826,181</b>
Noncurrent Liabilities:			
Net OPEB Obligation	94,110	237,641	331,751
Compensated Absences	32,715	93,720	126,435
<b>Total Noncurrent Liabilities</b>	<b>126,825</b>	<b>331,361</b>	<b>458,186</b>
<b>Total Liabilities</b>	<b>200,612</b>	<b>3,083,755</b>	<b>3,284,367</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,660	347,561	356,221
Restricted:			
Building Fund	2,012,913	-	2,012,913
Unrestricted	-	262,963	262,963
<b>Total Net Position</b>	<b>\$ 2,021,573</b>	<b>\$ 610,524</b>	<b>\$ 2,632,097</b>



**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For Fiscal Year Ended September 30, 2016**

	Nonmajor Enterprise Fund		
	Building Inspection Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>			
Charges for Services:			
Stormwater	\$ -	\$ 3,518,028	\$ 3,518,028
User Fees	105,618	-	105,618
Licenses and Permits	1,217,889	33,962	1,251,851
Miscellaneous Income	16,771	3,451	20,222
<b>Total Operating Revenues</b>	<b>1,340,278</b>	<b>3,555,441</b>	<b>4,895,719</b>
<b>Operating Expenses:</b>			
Personal Services	757,871	2,485,748	3,243,619
Material, Supplies, and Operating expenses	190,599	1,087,183	1,277,782
Depreciation	-	63,011	63,011
<b>Total Operating Expenses</b>	<b>948,470</b>	<b>3,635,942</b>	<b>4,584,412</b>
<b>Operating Income (Loss)</b>	<b>391,808</b>	<b>(80,501)</b>	<b>311,307</b>
<b>Nonoperating Revenues:</b>			
Interest Income	-	3,890	3,890
<b>Total Nonoperating Revenues</b>	<b>-</b>	<b>3,890</b>	<b>3,890</b>
<b>Income Before Contributions and Transfers</b>	<b>391,808</b>	<b>(76,611)</b>	<b>315,197</b>
Transfers In	9,975	1,282	11,257
Transfers Out	(29,220)	(274,098)	(303,318)
<b>Change in Net Position</b>	<b>372,563</b>	<b>(349,427)</b>	<b>23,136</b>
<b>Total Net Position - Beginning</b>	<b>1,649,010</b>	<b>959,951</b>	<b>2,608,961</b>
<b>Total Net Position - Ending</b>	<b>\$ 2,021,573</b>	<b>\$ 610,524</b>	<b>\$ 2,632,097</b>

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For Fiscal Year Ended September 30, 2016**

	NonMajor Enterprise Funds		
	Building Inspection Fund	Stormwater Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers and Users	\$ 1,340,278	\$ 3,555,068	\$ 4,895,346
Payments to Suppliers	(203,637)	(1,104,035)	(1,307,672)
Payments to Employees	(738,511)	(2,530,873)	(3,269,384)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>398,130</b>	<b>(79,840)</b>	<b>318,290</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund Advances	(715,984)	(115,638)	(831,622)
Transfers to Other Funds	(29,220)	(274,098)	(303,318)
Transfers from Other Funds	9,975	1,282	11,257
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>(735,229)</b>	<b>(388,454)</b>	<b>(1,123,683)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition/Construction of Capital Assets	(8,660)	(2,137)	(10,797)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(8,660)</b>	<b>(2,137)</b>	<b>(10,797)</b>
<b>Cash Flows from Investing Activities</b>			
Investment purchases	-	(12,103)	(12,103)
Interest Income on Investments	-	3,890	3,890
<b>Net Cash Used by Investing Activities</b>	<b>-</b>	<b>(8,213)</b>	<b>(8,213)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(345,759)</b>	<b>(478,644)</b>	<b>(824,403)</b>
Cash and Cash Equivalents at Beginning of Year	1,198,836	808,138	2,006,974
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 853,077</b>	<b>\$ 329,494</b>	<b>\$ 1,182,571</b>
<b>Cash and Cash Equivalents Classified As:</b>			
Current Assets	\$ 853,077	\$ 329,494	\$ 1,182,571
<b>Total Cash and Cash Equivalents</b>	<b>\$ 853,077</b>	<b>\$ 329,494</b>	<b>\$ 1,182,571</b>

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**STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS (CONTINUED)**  
 For Fiscal Year Ended September 30, 2016

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>Building Inspection Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 391,808	\$ (80,501)	\$ 311,307
Depreciation	-	63,011	63,011
Change in Assets and Liabilities:			
Increase in Accounts Receivable	-	(306,729)	(306,729)
(Increase) Decrease in Prepaid Items	410	(1,142)	(732)
Increase (Decrease) in Accounts Payable	9,534	(22,381)	(12,847)
Increase in Accrued Liabilities	5,985	11,013	16,998
Increase in OPEB Obligation	4,428	26,569	30,997
Decrease in Compensated Absences	(14,035)	(77,178)	(91,213)
Increase in Deferred Revenue	-	307,498	307,498
<b>Total Adjustments</b>	<b>6,322</b>	<b>661</b>	<b>6,983</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 398,130</b>	<b>\$ (79,840)</b>	<b>\$ 318,290</b>



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## INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis.

**Risk Management** – This fund is used to account for the expenses incurred for workers' compensation claims, general and auto liability claims and property damage claims and the related administrative expenses to operate the City's risk management program. Revenues are generated by charges to the various departments and funds based on past experience and actuarial estimates.

**Employee Benefit** – This fund is used to account for expenses incurred for insured and self-insured benefits under the City's Section 125 "cafeteria" benefits plan maintained for City employees.

**Fleet Services** – This fund is used to account for the fiscal activity related to meeting the automotive and other vehicular needs of the City. This fund purchase vehicles, maintains them and charges user departments for the vehicular usage.

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**September 30, 2016**

	Risk Management	Employee Benefit	Fleet Services	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,348,002	\$ 907,812	\$ 1,306,044	\$ 4,561,858
Investments	497,760	-	-	497,760
Accounts Receivable (Net)	-	99,527	-	99,527
Inventory	-	-	214,314	214,314
Prepaid Items	227,099	39,350	310	266,759
<b>Total Current Assets</b>	<b>3,072,861</b>	<b>1,046,689</b>	<b>1,520,668</b>	<b>5,640,218</b>
Capital Assets:				
Machinery, Equipment and Vehicles	-	-	9,031,462	9,031,462
Less Accumulated Depreciation	-	-	(7,308,084)	(7,308,084)
<b>Total Capital Assets (Net)</b>	<b>-</b>	<b>-</b>	<b>1,723,378</b>	<b>1,723,378</b>
<b>Total Assets</b>	<b>3,072,861</b>	<b>1,046,689</b>	<b>3,244,046</b>	<b>7,363,596</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	248,282	156,015	165,776	570,073
Accrued Liabilities	25,988	81,166	33,570	140,724
Capital Leases Payable	-	-	237,779	237,779
Compensated Absences	-	-	20,849	20,849
Claims Payable	825,785	-	-	825,785
Advances from Other Funds	-	-	184,196	184,196
<b>Total Current Liabilities</b>	<b>1,100,055</b>	<b>237,181</b>	<b>642,170</b>	<b>1,979,406</b>
Noncurrent Liabilities:				
Capital Leases Payable	-	-	240,540	240,540
Net OPEB Obligation	-	-	67,133	67,133
Compensated Absences	-	-	109,455	109,455
Claims Payable	2,163,840	-	-	2,163,840
Advances from Other Funds	-	-	1,448,910	1,448,910
<b>Total Noncurrent Liabilities</b>	<b>2,163,840</b>	<b>-</b>	<b>1,866,038</b>	<b>4,029,878</b>
<b>Total Liabilities</b>	<b>3,263,895</b>	<b>237,181</b>	<b>2,508,208</b>	<b>6,009,284</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	-	1,245,059	1,245,059
Unrestricted (Deficit)	(191,034)	809,508	(509,221)	109,253
<b>Total Net Position (Deficit)</b>	<b>\$ (191,034)</b>	<b>\$ 809,508</b>	<b>\$ 735,838</b>	<b>\$ 1,354,312</b>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
For Fiscal Year Ended September 30, 2016**

	Risk Management	Employee Benefit	Fleet Services	Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 3,644,881	\$ 11,831,117	\$ 2,978,763	\$ 18,454,761
Miscellaneous Income	1,002	128	-	1,130
<b>Total Operating Revenues</b>	<b>3,645,883</b>	<b>11,831,245</b>	<b>2,978,763</b>	<b>18,455,891</b>
<b>Operating Expenses:</b>				
Personal Services	976,164	1,539,864	1,012,455	3,528,483
Contracted Services	212,598	76,619	2,251	291,468
Supplies and Materials	87,657	-	1,457,246	1,544,903
Repairs and Maintenance	8,101	-	322,547	330,648
Other Services and Charges	106,125	30,183	15,260	151,568
Claims/Premium Expense	1,364,260	10,359,718	-	11,723,978
Depreciation	-	-	477,087	477,087
<b>Total Operating Expenses</b>	<b>2,754,905</b>	<b>12,006,384</b>	<b>3,286,846</b>	<b>18,048,135</b>
<b>Operating Income (Loss)</b>	<b>890,978</b>	<b>(175,139)</b>	<b>(308,083)</b>	<b>407,756</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	6,374	-	2,189	8,563
Interest Expense and Fiscal Charges	-	-	(53,212)	(53,212)
Intergovernmental Revenues	-	-	49,592	49,592
Gain on Sale of Capital Assets	-	-	38,794	38,794
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,374</b>	<b>-</b>	<b>37,363</b>	<b>43,737</b>
<b>Income (Loss) Before Transfers</b>	<b>897,352</b>	<b>(175,139)</b>	<b>(270,720)</b>	<b>451,493</b>
Transfers In	-	-	1,559,981	1,559,981
Transfers Out	(323,282)	(595,111)	(22,300)	(940,693)
<b>Change in Net Position</b>	<b>574,070</b>	<b>(770,250)</b>	<b>1,266,961</b>	<b>1,070,781</b>
<b>Total Net Position (Deficit) - Beginning</b>	<b>(765,104)</b>	<b>1,579,758</b>	<b>(531,123)</b>	<b>283,531</b>
<b>Total Net Position (Deficit) - Ending</b>	<b>\$ (191,034)</b>	<b>\$ 809,508</b>	<b>\$ 735,838</b>	<b>\$ 1,354,312</b>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For Fiscal Year Ended September 30, 2016**

	Risk Management	Employee Benefit	Fleet Services	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 3,645,883	\$ 11,811,681	\$ 2,991,113	\$ 18,448,677
Payments to Suppliers	(1,264,023)	(10,478,295)	(1,777,306)	(13,519,624)
Payments to Employees	(600,164)	(1,539,864)	(1,004,694)	(3,144,722)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,781,696</b>	<b>(206,478)</b>	<b>209,113</b>	<b>1,784,331</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Interfund Advances	-	-	68,106	68,106
Intergovernmental Revenues	-	-	49,592	49,592
Transfers from Other Funds	(323,282)	(595,111)	1,537,681	619,288
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(323,282)</b>	<b>(595,111)</b>	<b>1,655,379</b>	<b>736,986</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition/Construction of Capital Assets	-	-	(904,136)	(904,136)
Principal Paid on Capital Debt	-	-	(235,050)	(235,050)
Interest Paid on Capital Debt	-	-	(53,212)	(53,212)
Proceeds from Sales of Capital Assets	-	-	38,794	38,794
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(1,153,604)</b>	<b>(1,153,604)</b>
<b>Cash Flows from Investing Activities</b>				
Investment purchases	(497,760)	-	-	(497,760)
Interest Income on Investments	6,374	-	2,189	8,563
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(491,386)</b>	<b>-</b>	<b>2,189</b>	<b>(489,197)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>967,028</b>	<b>(801,589)</b>	<b>713,077</b>	<b>878,516</b>
Cash and Cash Equivalents at Beginning of Year	1,380,974	1,709,401	592,967	3,683,342
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,348,002</b>	<b>\$ 907,812</b>	<b>\$ 1,306,044</b>	<b>\$ 4,561,858</b>

*Continued on the next page*



**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**INTERNAL SERVICE FUNDS**  
**For Fiscal Year Ended September 30, 2016**

	Risk Management	Employee Benefit	Fleet Services	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating Income (Loss)	\$ 890,978	\$ (175,139)	\$ (308,083)	\$ 407,756
Depreciation	-	-	477,087	477,087
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	-	(19,564)	12,350	(7,214)
(Increase) in Inventory	-	-	(1,462)	(1,462)
(Increase) Decrease in Prepaid Expenses	105,995	(39,330)	(199)	66,466
Increase in Accounts Payable	236,582	48,278	16,310	301,170
Increase (Decrease) in Accrued Liabilities	8,516	(20,723)	5,349	(6,858)
Increase in OPEB Obligation	-	-	8,856	8,856
Decrease in Compensated Absences	-	-	(1,095)	(1,095)
Increase in Claims Payable	539,625	-	-	539,625
<b>Total Adjustments</b>	<b>890,718</b>	<b>(31,339)</b>	<b>517,196</b>	<b>1,376,575</b>
<b>Net Cash Provided by (Used) in Operating Activities</b>	<b>\$ 1,781,696</b>	<b>\$ (206,478)</b>	<b>\$ 209,113</b>	<b>\$ 1,784,331</b>

There are no noncash investing, capital, and financing activities.

## PENSION TRUST FUNDS

Pension Trust Funds hold assets to be used to pay pension benefits to participants of the City's Police and Firefighters Retirement System.

**Police Officers** – This trust fund holds, invests and disburses funds to participants in the Plan who are Police Officers.

**Fire Fighters** – This trust fund holds, invests and disburses funds to participants in the Plan who are Fire Fighters.

**General Employees** – This trust fund holds, invests and disburses funds to participants in the Plan who are General Employees.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
September 30, 2016**

<b>ASSETS</b>	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>General Employees</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 3,914,049	\$ 3,369,813	\$ 6,177	\$ 7,290,039
Investments, at fair value:				
Common Stock	34,472,258	23,848,449	-	58,320,707
Domestic Equity Funds	5,617,886	3,881,260	115,608	9,614,754
U.S. Government securities	15,803,124	10,638,326	-	26,441,450
Corporate Bonds	7,754,096	5,220,060	-	12,974,156
Bond Funds	-	-	59,447	59,447
International Equity Funds	10,604,724	10,604,121	-	21,208,845
Real Estate Funds	9,473,915	9,473,914	-	18,947,829
Convertible Securities	6,965,587	6,933,340	-	13,898,927
Master Limited Partnership	3,044,614	3,041,817	-	6,086,431
Total investments	93,736,204	73,641,287	175,055	167,552,546
Receivables:				
Accrued Interest and Dividends	168,523	126,476	93	295,092
Due from Broker	420,418	305,682	-	726,100
State Contributions	-	52,011	-	52,011
Employer Contributions Receivable	-	30,292	-	30,292
Other	1,012	909	-	1,921
Total Receivables	591,718	517,500	(3,802)	1,105,416
Other assets:	19,339	15,024	48	34,411
<b>Total Assets</b>	<b>98,261,310</b>	<b>77,543,624</b>	<b>177,478</b>	<b>175,982,412</b>
<b>LIABILITIES</b>				
Accounts Payable	145,604	116,596	61	262,261
Deferred Retirement Option Benefits due and currently payable	-	411,510	-	411,510
Due to broker	1,098,939	773,932	-	1,872,871
<b>Total Liabilities</b>	<b>1,244,543</b>	<b>1,302,038</b>	<b>61</b>	<b>2,546,642</b>
<b>NET POSITION</b>				
<b>Restricted for Pension Benefits</b>	<b>\$ 97,016,767</b>	<b>\$ 76,241,586</b>	<b>\$ 177,417</b>	<b>\$ 173,435,770</b>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
For Fiscal Year Ended September 30, 2016**

	Police Officers	Fire Fighters	General Employees	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 1,651,022	\$ 2,065,835	\$ -	\$ 3,716,857
Employee	605,032	519,031	-	1,124,063
State	684,840	559,910	-	1,244,750
<b>Total Contributions</b>	<b>2,940,894</b>	<b>3,144,776</b>	<b>-</b>	<b>6,085,670</b>
Investment Earnings:				
Net Appreciation in Fair Value of Investments	6,621,550	4,211,868	3,154	10,836,572
Interest and Dividends	2,666,123	2,192,994	13,522	4,872,639
<b>Total Investment Earnings</b>	<b>9,287,673</b>	<b>6,404,862</b>	<b>16,676</b>	<b>15,709,211</b>
Less: Investment Expenses	508,709	406,157	115	914,981
<b>Net investment Income</b>	<b>8,778,964</b>	<b>5,998,705</b>	<b>16,561</b>	<b>14,794,230</b>
<b>Total Additions</b>	<b>11,719,858</b>	<b>9,143,481</b>	<b>16,561</b>	<b>20,879,900</b>
<b>DEDUCTIONS</b>				
Benefits	4,856,501	4,514,229	4,115	9,374,845
Refunds	250,723	1,110	-	251,833
Administrative Expense	278,927	224,898	4,796	508,621
<b>Total Deductions</b>	<b>5,386,151</b>	<b>4,740,237</b>	<b>8,911</b>	<b>10,135,299</b>
<b>Change in Net Position</b>	<b>6,333,707</b>	<b>4,403,244</b>	<b>7,650</b>	<b>10,744,601</b>
<b>Net Position - Beginning of Year</b>	<b>90,683,060</b>	<b>71,838,342</b>	<b>169,767</b>	<b>162,691,169</b>
<b>Net Position - End of Year</b>	<b>\$ 97,016,767</b>	<b>\$ 76,241,586</b>	<b>\$ 177,417</b>	<b>\$ 173,435,770</b>



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**STATISTICAL SECTION****FINANCIAL TRENDS**

These schedules contain tend information to help the reader understand how the City's financial performance and condition have changed over time.

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances, Governmental Funds

**REVENUE CAPACITY**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

5. Assessed and Estimated Actual Value of Taxable Property
6. Direct and Overlapping Property Tax Rates
7. Principal Property Taxpayers
8. Property Tax Levies and Collections

**DEBT CAPACITY**

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

9. Ratios of Outstanding Debt by Type
10. Direct and Overlapping Bonded Debt – General Obligation Bonds
11. Pledged Revenue Coverage

**DEMOGRAPHIC, ECONOMIC AND OPERATING INFORMATION**

These schedules offer demographic and economic indicators in addition to service and infrastructure data to help the reader understand the environment within which the City's financial activities take place and how the information in the report relates to services provided and activities performed.

12. Demographic and Economic Statistics
13. Principal Employers in the City of Palm Bay
14. FTEs of City Government Employees by Function/Program
15. Capital Asset Statistics
16. Operating Indicators by Function/Program

**OTHER**

These schedules offer additional financial information and the data required to be disclosed for the City's outstanding debt.

17. Impact Fee Revenues Collections and Balances
18. Utilities Debt Service Applicable to Transportation Projects
19. Historical Public Service Tax Collections by Category
20. Gallons of Taxable Fuel Sold Brevard County
21. Certified LOGT Revenues
22. Utility Debt Service Coverage
23. Utility Rate Comparison with Neighboring Utilities
24. Ten Largest Water and Wastewater System Customers

**ADDITIONAL NOTES**

The following schedules were omitted because they do not apply to the City:

- Ratios of General Bonded Debt Outstanding
- Legal Debt Margin Information

The City has not issued General Bonded Debt for the last (10) years. Neither the City Charter or Code, nor the Florida Statutes limit the amount of debt the City can issue, therefore tables showing the legal debt limit and debt margins are not applicable.



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**City of Palm Bay, Florida**

**Statistical Section**

**NET POSITION BY COMPONENT  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 55,772,824	\$ 36,132,923	\$ 39,382,891	\$ 45,103,439	\$ 64,944,616	\$ 62,197,018	\$ 66,933,138	\$ 71,988,153	\$ 70,258,921	\$ 84,756,657
Restricted	9,967,111	16,765,888	13,186,748	11,054,682	8,965,925	7,900,735	7,587,515	5,964,416	5,746,759	5,763,641
Unrestricted	(1,981,340)	12,438,266	9,530,166	9,184,015	(4,638,406)	47,211	(3,145,670)	(6,747,290)	(53,586,502)	(57,691,625)
<b>Total Governmental Activities Net Position</b>	<b>\$ 63,758,595</b>	<b>\$ 65,337,077</b>	<b>\$ 62,099,805</b>	<b>\$ 65,342,136</b>	<b>\$ 69,272,135</b>	<b>\$ 70,144,964</b>	<b>\$ 71,374,983</b>	<b>\$ 71,205,279</b>	<b>\$ 22,419,178</b>	<b>\$ 32,828,673</b>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$ 27,892,942	\$ 27,930,259	\$ 37,816,839	\$ 43,159,143	\$ 48,685,483	\$ 60,343,032	\$ 62,299,381	\$ 61,749,179	\$ 58,896,518	\$ 67,665,318
Restricted	28,448,684	24,283,483	23,554,282	18,902,136	14,989,123	14,318,054	14,614,847	16,204,682	17,373,682	17,669,639
Unrestricted	24,254,476	27,415,051	20,824,288	21,647,095	20,437,168	9,337,659	8,798,590	8,693,892	13,934,194	11,060,046
<b>Total Business-Type Activities Net Position</b>	<b>\$ 80,596,102</b>	<b>\$ 79,628,793</b>	<b>\$ 82,195,409</b>	<b>\$ 83,708,374</b>	<b>\$ 84,111,774</b>	<b>\$ 83,998,745</b>	<b>\$ 85,712,818</b>	<b>\$ 86,647,753</b>	<b>\$ 90,204,394</b>	<b>\$ 96,395,003</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 83,665,766	\$ 64,063,182	\$ 77,199,730	\$ 88,262,582	\$ 113,630,099	\$ 122,540,050	\$ 129,232,519	\$ 133,737,332	\$ 129,155,439	\$ 152,421,975
Restricted	38,415,795	41,049,371	36,741,030	29,956,818	23,955,048	22,218,789	22,202,362	22,169,098	23,120,441	23,433,280
Unrestricted	22,273,136	39,853,317	30,354,454	30,831,110	15,798,762	9,384,870	5,652,920	1,946,602	(39,652,308)	(46,631,579)
<b>Total Primary Government Net Position</b>	<b>\$ 144,354,697</b>	<b>\$ 144,965,870</b>	<b>\$ 144,295,214</b>	<b>\$ 149,050,510</b>	<b>\$ 153,383,909</b>	<b>\$ 154,143,709</b>	<b>\$ 157,087,801</b>	<b>\$ 157,853,032</b>	<b>\$ 112,623,572</b>	<b>\$ 129,223,676</b>

Source: City of Palm Bay Finance Department



**CHANGES IN NET POSITION  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 12,351,486	\$ 12,379,684	\$ 10,488,716	\$ 8,294,658	\$ 9,660,449	\$ 7,838,165	\$ 15,899,479	\$ 11,320,574	\$ 12,492,364	\$ 18,278,547
Public Safety	38,161,047	34,673,552	36,258,434	34,825,258	37,294,661	33,687,869	33,939,602	34,103,180	32,769,687	31,933,038
Physical Environment	1,171,817	1,258,063	1,208,284	555,383	490,105	872,935	769,669	677,359	585,508	570,447
Transportation	12,721,189	12,887,696	11,440,490	13,021,454	13,676,102	12,984,446	9,036,843	8,442,089	8,363,210	9,065,890
Economic Environment	3,707,562	3,478,848	3,080,806	1,228,397	2,360,314	1,576,831	2,337,960	1,154,870	1,313,271	1,181,876
Culture/Recreation	11,575,119	11,181,805	10,279,722	9,601,349	8,992,328	3,890,650	3,899,965	4,098,455	4,873,978	3,988,802
Interest on Long-Term Debt	3,737,766	4,825,864	5,835,068	4,888,851	4,449,497	3,441,661	3,149,007	5,263,276	5,017,788	5,102,968
Total Governmental Activities Expenses	83,425,986	80,685,512	78,591,520	72,415,350	76,923,456	64,292,557	69,032,525	65,059,803	65,415,806	70,121,568
Business-Type Activities:										
Water and Wastewater	20,767,536	22,436,363	22,821,351	24,197,960	24,178,305	23,238,071	22,726,306	22,780,534	22,319,745	21,842,674
Building Inspections & Permitting	2,861,371	2,597,130	2,223,127	1,233,060	892,279	712,026	703,220	694,894	761,991	948,470
Stormwater Utility	-	-	-	-	3,564,481	3,164,194	3,408,174	3,547,693	3,684,940	3,635,942
Solid Waste	-	-	-	-	-	-	5,050,744	5,107,458	5,332,128	5,367,656
Total Business-Type Activities Expenses	23,628,907	25,033,493	25,044,478	25,431,020	28,635,065	27,114,291	31,888,444	32,130,579	32,098,804	31,794,742
Total Primary Government Expenses	\$ 107,054,893	\$ 105,719,005	\$ 103,635,998	\$ 97,846,370	\$ 105,558,521	\$ 91,406,848	\$ 100,920,969	\$ 97,190,382	\$ 97,514,610	\$ 101,916,310
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,755,122	\$ 2,814,961	\$ 2,847,118	\$ 2,799,160	\$ 2,739,313	\$ 2,902,743	\$ 2,927,501	\$ 3,196,240	\$ 3,014,113	\$ 3,024,578
Public Safety	1,782,292	1,790,158	2,026,650	2,167,865	1,453,430	1,383,344	1,269,430	2,050,531	764,000	824,263
Physical Environment	115,428	127,513	111,135	135,167	4,979,119	5,136,773	223,441	226,297	232,242	281,573
Transportation	3,220,267	3,095,516	715,740	782,820	1,894,626	1,055,081	952,387	597,809	1,710,317	1,871,355
Economic Environment	636,839	597,228	1,348,931	687,998	45,299	27,433	72,764	139,089	103,081	109,255
Culture/Recreation	1,125,600	1,309,147	5,790,251	5,322,674	5,674,661	259,619	336,261	383,348	460,205	870,841
Operating Grants and Contributions	9,812,445	10,484,540	5,586,975	7,310,174	6,585,450	3,139,324	1,938,613	1,095,233	780,996	1,713,078
Capital Grants and Contributions	1,295,525	1,211,333	1,733,106	574,722	469,643	610,535	10,132,184	6,137,400	3,187,506	14,539,432
Total Governmental Activities Program Revenues	20,743,518	21,430,396	20,159,906	19,780,580	23,831,541	14,514,852	17,852,581	13,825,947	10,252,460	23,234,375
Business-Type Activities:										
Charges for Services	23,296,325	22,952,062	22,200,034	23,477,022	27,785,064	26,861,196	33,812,755	34,289,146	35,731,792	37,513,330
Operating Grant and Contributions	-	-	183,392	24,862	-	54,425	-	19,965	-	-
Capital Grants and Contributions	3,649,696	2,502,916	6,374,906	4,505,547	3,078,516	921,157	259,698	562,976	1,211,678	1,690,644
Total Business-Type Activities Program Revenues	26,946,011	25,454,978	28,758,332	28,007,431	30,843,580	27,836,778	34,072,453	34,872,087	36,943,470	39,203,974
Total Primary Government Program Revenues	\$ 47,689,529	\$ 46,885,374	\$ 48,918,238	\$ 47,788,011	\$ 54,675,121	\$ 42,351,630	\$ 51,925,034	\$ 48,698,034	\$ 47,195,930	\$ 62,438,349
Net (Expense)/Revenue										
Governmental Activities	\$ (62,682,468)	\$ (59,255,116)	\$ (58,431,614)	\$ (52,634,770)	\$ (53,091,915)	\$ (49,777,705)	\$ (51,179,944)	\$ (51,233,856)	\$ (55,163,346)	\$ (46,887,193)
Business-Type Activities	3,317,104	421,485	3,713,854	2,576,411	2,208,515	722,487	2,184,009	2,741,508	4,844,666	7,409,232
Total Primary Government Net Expense	\$ (59,365,364)	\$ (58,833,631)	\$ (54,717,760)	\$ (50,058,359)	\$ (50,883,400)	\$ (49,055,218)	\$ (48,995,935)	\$ (48,492,348)	\$ (50,318,680)	\$ (39,477,961)

	Fiscal Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<b>General Revenues and Other Changes in Net Position</b>											
Governmental Activities:											
Property Taxes	\$ 25,941,327	\$ 27,335,274	\$ 25,912,020	\$ 27,399,051	\$ 24,606,678	\$ 22,759,737	\$ 22,247,692	\$ 22,257,795	\$ 23,657,324	\$ 24,729,117	
Franchise Fees	6,261,214	6,212,976	6,361,164	5,731,594	5,281,867	4,935,960	4,958,135	5,330,303	5,414,637	5,367,504	
Utility Service Taxes	6,223,557	6,138,775	6,317,399	6,847,450	6,732,890	6,865,192	7,304,617	7,883,592	7,978,611	8,288,194	
Communication Service Taxes	3,579,131	4,452,802	3,766,126	3,739,028	3,521,956	3,446,340	3,313,753	3,014,756	2,953,713	2,756,084	
State Revenue Sharing	2,643,050	7,414,286	6,932,441	6,966,869	7,221,568	7,633,919	8,282,875	8,848,921	9,691,968	10,074,949	
Gas Tax	7,858,684	2,389,461	2,421,074	2,369,610	2,390,212	3,105,994	3,284,506	3,287,172	3,490,076	3,854,156	
Investment Earnings	3,670,356	1,885,623	518,729	305,744	122,491	90,002	33,628	72,435	108,870	129,394	
Miscellaneous	333,071	1,270,735	415,116	322,372	637,595	486,691	1,146,588	783,037	560,143	548,241	
Transfers	4,107,511	3,379,970	2,550,273	2,195,383	2,480,899	1,326,699	903,994	1,170,069	1,607,411	1,549,049	
Total Governmental Activities	60,617,901	60,479,902	55,194,342	55,877,101	52,996,156	50,650,534	51,475,788	52,648,080	55,462,754	57,296,688	
Business-Type Activities:											
Investment Earnings	3,082,050	1,951,287	1,386,789	1,163,855	649,777	473,724	399,973	246,593	287,353	318,936	
Miscellaneous	16,114	39,889	16,246	(31,918)	26,007	17,459	34,085	21,271	32,033	11,490	
Transfers	(4,107,511)	(3,379,970)	(2,550,273)	(2,195,383)	(2,480,899)	(1,326,699)	(903,994)	(1,170,069)	(1,607,411)	(1,549,049)	
Total Business-Type Activities	(1,009,347)	(1,388,794)	(1,147,238)	(1,063,446)	(1,805,115)	(835,516)	(469,936)	(902,205)	(1,288,025)	(1,218,623)	
Total Primary Government	\$ 59,608,554	\$ 59,091,108	\$ 54,047,104	\$ 54,813,655	\$ 51,191,041	\$ 49,815,018	\$ 51,005,852	\$ 51,745,875	\$ 54,174,729	\$ 56,078,065	
Special Item	\$ -	\$ -	\$ -	\$ -	\$ 4,025,658	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Change in Net Position</b>											
Governmental Activities											
Governmental Activities	\$ (2,064,567)	\$ 1,224,786	\$ (3,237,272)	\$ 3,242,331	\$ 3,929,999	\$ 872,829	\$ 295,844	\$ 1,414,224	\$ 299,407	\$ 10,409,495	
Business-Type Activities	2,307,757	(967,309)	2,566,616	1,512,965	403,400	(113,029)	1,714,073	1,839,303	3,556,641	6,190,609	
Total Primary Government	\$ 243,190	\$ 257,477	\$ (670,656)	\$ 4,755,296	\$ 4,333,399	\$ 759,800	\$ 2,009,917	\$ 3,253,527	\$ 3,856,048	\$ 16,600,104	

City of Palm Bay, Florida

Statistical Section

FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 102,494	\$ 75,216	\$ 34,259	\$ 20,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,468,675	5,839,920	6,653,481	5,769,980	-	-	-	-	-	-
Nonspendable	-	-	-	-	7,836	5,743	1,647,185	61,938	46,334	39,002
Committed	-	-	-	-	-	-	-	227,109	184,176	184,628
Assigned	-	-	-	-	1,539,853	1,525,044	525,456	82,644	152,211	50,883
Unassigned	-	-	-	-	4,530,160	7,069,823	9,833,161	9,668,623	7,899,629	8,900,069
<b>Total General Fund</b>	<b>\$ 8,571,169</b>	<b>\$ 5,915,136</b>	<b>\$ 6,687,740</b>	<b>\$ 5,790,912</b>	<b>\$ 6,077,849</b>	<b>\$ 8,600,610</b>	<b>\$ 12,005,802</b>	<b>\$ 10,040,314</b>	<b>\$ 8,282,350</b>	<b>\$ 9,174,582</b>
All Other Governmental Funds										
Reserved	\$ 17,710,408	\$ 18,045,827	\$ 16,479,904	\$ 14,891,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	6,541,669	1,224,581	2,169,036	535,780	-	-	-	-	-	-
Special Revenue Funds	6,207,813	11,063,763	8,770,729	9,221,859	-	-	-	-	-	-
Debt Service Funds	2,499,421	4,505,645	3,528,314	3,246,773	-	-	-	-	-	-
Capital Projects Funds	21,908,906	14,067,769	9,167,355	7,903,411	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	1,048,796	15,980	17,289
Restricted	-	-	-	-	16,747,649	12,669,953	10,664,652	9,875,846	14,941,367	9,604,137
Committed	-	-	-	-	11,126	11,126	-	22,320	2,717,649	2,991,029
Assigned	-	-	-	-	201,780	391,769	-	82,497	144,627	647,747
Unassigned	-	-	-	-	(917,839)	(1,945,502)	(1,849,913)	(883,982)	(1,109,237)	(831,310)
<b>Total All Other Governmental Funds</b>	<b>\$ 54,868,217</b>	<b>\$ 48,907,585</b>	<b>\$ 40,115,338</b>	<b>\$ 35,799,345</b>	<b>\$ 16,042,716</b>	<b>\$ 11,127,346</b>	<b>\$ 8,814,739</b>	<b>\$ 10,145,477</b>	<b>\$ 16,710,386</b>	<b>\$ 12,428,892</b>

The City implemented the provisions of GASB 54 in fiscal year 2011. Fiscal years prior to 2011 have not been retroactively restated.

Source: City of Palm Bay Finance Department

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 44,648,280	\$ 40,572,979	\$ 39,099,824	\$ 41,039,594	\$ 37,925,252	\$ 36,710,391	\$ 36,679,583	\$ 36,976,223	\$ 38,618,035	\$ 40,176,777
Impact Fees	3,866,131	3,582,210	965,755	960,804	1,027,028	372,457	720,155	639,943	1,877,655	2,176,573
Licenses and Permits	672,806	6,224,611	6,395,039	5,760,068	5,304,766	4,955,478	4,970,086	5,335,605	5,423,766	5,376,631
Intergovernmental Revenues	18,770,124	18,231,502	18,131,733	18,122,233	18,295,184	11,413,620	20,481,781	16,274,115	13,756,149	14,579,032
Charges for Services	3,582,326	3,884,461	4,159,430	3,292,144	8,684,082	9,237,360	3,975,672	3,555,264	3,060,208	3,381,246
Fines and Forfeitures	963,720	1,007,287	1,294,766	1,577,268	1,020,034	1,011,608	791,871	1,553,992	527,797	553,825
Investment Income	3,287,437	1,716,830	484,511	291,246	121,702	88,203	32,488	72,233	105,157	120,831
Contributions	-	1,412,220	1,281,897	1,704,617	1,281,897	-	-	-	-	-
Miscellaneous Revenues	994,983	2,701,459	793,161	659,167	994,753	745,030	1,213,985	1,050,804	674,725	669,186
<b>Total Revenues</b>	<b>76,785,807</b>	<b>77,921,339</b>	<b>72,736,439</b>	<b>73,407,141</b>	<b>74,654,698</b>	<b>64,534,147</b>	<b>68,865,621</b>	<b>65,458,179</b>	<b>64,043,492</b>	<b>67,034,101</b>
<b>Expenditures</b>										
General Government	10,789,021	46,800,984	9,949,203	9,127,668	9,337,427	7,526,638	7,753,501	10,628,283	10,823,743	14,493,101
Public Safety	34,387,867	35,076,923	34,201,555	34,312,623	34,586,291	32,154,990	33,402,862	33,218,144	32,918,077	31,307,440
Physical Environment	946,157	1,072,281	991,306	301,606	211,012	92,382	990	12,711	-	-
Transportation	9,333,319	9,176,293	8,041,241	9,413,087	9,642,321	9,429,373	5,282,387	4,580,076	4,624,274	4,599,336
Economic Environment	3,703,908	3,475,194	3,079,893	1,228,397	1,733,091	1,574,094	1,096,703	988,309	1,001,717	691,830
Culture/Recreation	10,752,234	10,320,295	9,377,080	8,585,222	7,714,253	3,392,219	3,510,980	3,791,612	4,550,190	3,610,577
Debt Service:										
Principal Retirement	1,427,666	1,838,015	2,368,676	3,682,804	16,351,987	2,221,789	2,217,335	2,460,197	1,967,805	2,344,046
Interest and Fiscal Charges	3,275,808	4,679,932	5,668,839	4,768,607	4,518,073	3,339,325	3,219,159	3,959,193	4,505,412	4,431,182
Bond Issue Costs	427,809	1,116,931	2,000	-	133,096	-	-	-	-	-
Capital Outlay	20,536,615	13,003,559	9,067,321	11,389,623	14,314,045	6,696,831	14,120,928	8,360,630	4,788,835	11,238,697
<b>Total Expenditures</b>	<b>95,580,404</b>	<b>126,560,407</b>	<b>82,747,114</b>	<b>82,809,637</b>	<b>98,541,596</b>	<b>66,427,641</b>	<b>70,604,845</b>	<b>67,999,155</b>	<b>65,180,053</b>	<b>72,716,209</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(18,794,597)</b>	<b>(48,639,068)</b>	<b>(10,010,675)</b>	<b>(9,402,496)</b>	<b>(23,886,898)</b>	<b>(1,893,494)</b>	<b>(1,739,224)</b>	<b>(2,540,976)</b>	<b>(1,136,561)</b>	<b>(5,682,108)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	11,146,679	13,660,907	10,333,769	10,967,555	9,474,108	7,048,290	9,253,219	11,746,077	10,416,938	11,192,306
Transfers Out	(7,542,101)	(12,223,856)	(8,645,122)	(9,802,172)	(8,117,209)	(7,547,405)	(7,915,475)	(10,484,089)	(9,217,429)	(10,262,545)
Proceeds From Sale of Capital Assets	34,396,033	38,345,000	-	-	5,485,000	-	-	-	4,744,000	409,500
Issuance of Debt	-	-	-	-	-	-	2,268,000	54,740,000	-	15,922,652
Proceeds From Capital Leases	145,832	240,352	302,655	3,024,022	-	-	506,890	-	-	754,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	(2,215,000)	(54,095,765)	-	(15,723,067)
<b>Total Other Financing Sources (Uses)</b>	<b>38,146,443</b>	<b>40,022,403</b>	<b>1,991,302</b>	<b>4,189,405</b>	<b>6,841,899</b>	<b>(499,115)</b>	<b>1,897,634</b>	<b>1,906,223</b>	<b>5,943,509</b>	<b>2,292,846</b>
Special Item	-	-	-	-	(2,424,693)	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>\$ 19,351,846</b>	<b>\$ (8,616,665)</b>	<b>\$ (8,019,373)</b>	<b>\$ (5,213,091)</b>	<b>\$ (19,469,692)</b>	<b>\$ (2,392,609)</b>	<b>\$ 158,410</b>	<b>\$ (634,753)</b>	<b>\$ 4,806,948</b>	<b>\$ (3,389,262)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	6.62%	6.72%	10.90%	12.46%	24.33%	9.36%	9.73%	10.79%	10.76%	11.08%

General Government expenditures in fiscal year 2008 include \$36.2 million in pension obligation debt that was used to discharge the unfunded actuarial accrued liability of the Police and Firefighter's retirement plan.

Bond principal retirement in fiscal year 2011 includes the prepayment of the Palm Bay Road Loan fund.

Source: City of Palm Bay Finance Department

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
Last Ten Fiscal Years**

Fiscal Year Ended September 30	Centrally Assessed	Real Property	Personal Property	Total Estimated Actual Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
<b>2016</b>	<b>\$ 4,043,730</b>	<b>\$ 5,826,201,100</b>	<b>\$ 302,075,674</b>	<b>\$ 6,132,320,504</b>	<b>\$ 2,864,512,704</b>	<b>\$ 3,267,807,800</b>	<b>8.5000</b>
2015	3,680,627	5,004,843,870	285,414,593	5,293,938,790	2,325,206,127	2,968,732,663	8.6326
2014	2,770,508	4,482,050,210	305,316,609	4,790,137,327	1,994,187,604	2,795,949,723	8.6326
2013	2,339,055	3,974,742,930	302,825,423	4,279,907,408	1,640,796,077	2,639,111,331	9.0000
2012	2,845,608	3,742,718,710	299,963,912	4,045,528,230	1,531,329,937	2,514,198,293	9.0000
2011	3,045,632	3,881,723,920	267,824,965	4,152,594,517	1,565,788,444	2,586,806,073	7.5000
2010	2,922,219	4,807,504,670	312,268,802	5,122,695,691	1,787,027,471	3,335,668,220	6.8165
2009	3,242,757	5,803,424,830	350,996,460	6,157,664,047	2,099,481,373	4,058,182,674	5.3000
2008	3,349,136	7,363,902,660	337,146,083	7,704,397,879	2,657,033,779	5,047,364,100	4.7429
2007	3,372,809	8,062,779,760	343,715,447	8,409,868,016	2,564,030,503	5,845,837,513	4.6000

Source: Brevard County Property Appraiser

**PROPERTY TAX RATES – DIRECT AND OVERLAPPING PROPERTY TAX RATES  
Last Ten Fiscal Years**

Fiscal Year	City of Palm Bay Direct Rates			Overlapping Rates Brevard County			Total Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Total Direct Rates	Operating Millage	School District	Special Districts	
<b>2016</b>	<b>8.5000</b>	-	<b>8.5000</b>	<b>6.0692</b>	<b>7.2750</b>	<b>0.4412</b>	<b>22.2854</b>
2015	8.6326	-	8.6326	6.2310	7.3390	0.4633	22.6659
2014	8.6326	-	8.6326	6.3979	7.6060	0.4752	23.1117
2013	9.0000	-	9.0000	6.5199	8.0960	0.4782	24.0941
2012	9.0000	-	9.0000	6.5199	8.1120	0.4782	24.1101
2011	7.5000	-	7.5000	5.8249	7.6530	0.5627	21.5406
2010	6.8165	-	6.8165	5.1077	7.6870	0.5627	20.1739
2009	5.3000	-	5.3000	5.2628	7.6610	0.5627	18.7865
2008	4.7429	-	4.7429	5.2210	7.5310	0.5627	18.0576
2007	4.6000	-	4.6000	5.5370	7.6670	0.6600	18.4640

Source: Brevard County Tax Collector

**PRINCIPAL PROPERTY TAXPAYERS**  
September 30, 2016

Taxpayers	2016			2007		
	Taxes Assessed	Rank	Percentage of Total Taxes Levied	Taxes Assessed	Rank	Percentage of Total Taxes Levied
Harris Corporation	\$ 314,247	1	1.1%	\$ 188,227	1	0.7%
Intersil Corporation	129,285	2	0.5%	118,573	2	0.4%
WRH Madalyn Landings LLP	125,905	3	0.5%	-	-	-
815 Briar Creek Blvd & Holdings	112,316	4	0.4%	-	-	-
Palm Bay Shopping Plaza LLC	98,865	5	0.4%	-	-	-
Vinings Palm Bay Investment	98,020	6	0.4%	64,029	5	0.2%
Wal-Mart Stores East LP	81,543	7	0.3%	59,761	6	0.2%
Rivera Terrace Properties LLC	72,501	8	0.3%	-	-	-
RE Asset Holdings 2016-1 LLC	71,572	9	0.3%	-	-	-
H F Partnership LLP	69,713	10	0.3%	54,069	9.00	0.2%
Palm Bay Storage 18 (FL) LLC	69,713	11	0.3%	-	-	-
Bayside Lakes LLP	67,600	12	0.2%	-	-	-
Palm Bay Improvements LLC	67,178	13	0.2%	-	-	-
Bass Pro Outdoor World LLC	61,494	14	0.2%	-	-	-
Pavillions Manor Six LLC	58,682	15	0.2%	-	-	-
Creative Choice Homes XXV LTD	58,305	16	0.2%	-	-	-
Palm Bay Partners LLC	57,460	17	0.2%	-	-	-
Harris Corporation	56,615	18	0.2%	-	-	-
Park at Palm Bay LP	56,235	19	0.2%	-	-	-
Southern Malabar Cove LLC	54,080	20	0.2%	-	-	-
Edens & Avant	-	-	-	117,624	3	0.4%
Moallem, David	-	-	-	99,711	4	0.4%
WSL Glenbrook Investors V LLC	-	-	-	57,389	7	0.2%
Capstone Capital Corp	-	-	-	55,113	8	0.2%
Lighthouse Pointe Project	-	-	-	49,800	10	0.2%

Source: Brevard County Tax Collector

**PROPERTY TAX LEVIES AND COLLECTIONS**  
Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
<b>2016</b>	<b>\$ 25,627,882</b>	<b>\$ 24,629,466</b>	<b>96.1%</b>	<b>\$99,652</b>	<b>\$ 24,729,118</b>	<b>96.5%</b>
2015	24,125,115	23,528,650	97.5%	128,672	23,657,322	98.1%
2014	22,774,824	22,130,096	97.2%	127,699	22,257,795	97.7%
2013	22,782,392	21,817,153	95.8%	430,539	22,247,692	97.7%
2012	23,274,819	22,608,173	97.1%	151,563	22,759,737	97.8%
2011	25,012,443	24,376,725	97.5%	299,953	24,676,678	98.7%
2010	27,672,368	26,742,020	96.6%	657,032	27,399,052	99.0%
2009	26,663,652	25,099,966	94.1%	812,054	25,912,020	97.2%
2008	27,706,586	25,821,447	93.2%	1,513,827	27,335,274	98.7%
2007	26,301,541	24,662,850	93.8%	1,278,477	25,941,327	98.6%

Source: City of Palm Bay Finance Department



City of Palm Bay, Florida

RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities										Business-Type Activities					% of Personal Income	Per Capita	
	Municipal Service Tax Bonds	Local Option Gas Tax Bonds	Taxable Special Obligation Bonds	Sales Tax Revenue Bonds	TSO Refunding Bonds	Sales Tax Refunding Bonds	Capital Leases	BCRA Notes Payable	PST Loan Payable	FMLC Comm Paper Notes	LOGT Refunding Notes	Franchise Fee Revenue Notes	Utility Revenue Bonds	Utility Notes	Capital Leases			Total Primary Government
2016	\$ 5,485,000	\$ -	\$ 4,652,695	\$ -	\$ 50,855,000	\$ 15,896,573	\$ 1,382,836	\$ 3,210,000	\$ -	\$ -	\$ 3,041,000	\$ 4,744,000	\$ 20,765,420	\$ 37,200,000	\$ 1,109,260	\$ 148,339,784	6.51%	1,359
2015	5,485,000	-	4,784,387	15,853,121	50,855,000	-	965,385	3,545,000	761,000	-	3,625,000	4,744,000	26,940,143	28,000,000	1,369,194	146,927,230	6.46%	1,367
2014	5,485,000	-	4,917,880	15,890,000	50,855,000	-	379,686	3,865,000	1,519,000	-	3,885,000	-	29,197,731	31,590,000	1,620,288	149,204,585	7.03%	1,410
2013	5,485,000	4,455,000	42,999,258	16,285,000	-	-	606,146	4,170,000	2,268,000	-	-	-	63,561,079	-	-	139,829,483	6.56%	1,336
2012	8,370,000	4,905,000	43,226,447	16,665,000	-	-	2,436,369	4,465,000	-	-	-	-	68,686,012	-	-	148,653,828	7.37%	1,434
2011	9,015,000	5,340,000	43,351,447	17,030,000	-	-	2,827,874	4,750,000	-	-	-	-	73,234,911	-	-	155,549,232	7.59%	1,503
2010	4,150,000	5,755,000	43,421,447	17,380,000	-	-	23,861,281	5,020,000	-	-	-	-	95,658,103	-	-	209,226,831	9.71%	2,023
2009	4,745,000	6,160,000	43,506,447	17,720,000	-	-	21,405,525	5,280,000	-	-	-	-	100,344,685	-	-	214,659,657	10.14%	2,096
2008	5,310,000	6,560,000	43,701,447	18,045,000	-	-	21,694,100	5,530,000	-	-	-	-	104,567,561	-	-	220,906,108	10.83%	2,155
2007	5,855,000	6,945,000	5,371,447	18,365,000	-	-	21,808,038	5,770,000	-	-	-	-	108,601,249	-	-	188,213,734	9.32%	1,849

General Obligation Debt: The City has had no general obligation debt in the past ten years

Debt Limitation: The City does not have a legal debt limit

Source: City of Palm Bay Finance Department

**DIRECT AND OVERLAPPING BONDED DEBT – GENERAL OBLIGATION BONDS**  
September 30, 2015

Taxing District	Assessed Valuation	Net Debt Outstanding	Overlapping	City's Share of Debt
Brevard County	\$ 31,955,961,369	\$ 79,072,359	10.23%	\$ 8,089,102
City of Palm Bay Governmental Activities Direct Debt				
Bonds Payable		\$ 76,889,269		
Notes Payable		10,995,000		
Capital Leases		1,382,836		<u>89,267,105</u>
Total Direct and Overlapping Governmental Activities Debt				<u>\$ 97,356,207</u>

Notes: Based on 2016 estimated taxable assessed valuation.  
The percentage of overlapping debt is estimated using taxable property values.  
The calculation was derived by dividing the City's total taxable value by the total Outstanding debt for Brevard County

Sources: City of Palm Bay Finance Department  
Brevard County Finance Department

**PLEDGED REVENUE COVERAGE**  
Last Ten Fiscal Years

Fiscal Year	Water and Sewer System Revenue Bonds						Coverage
	Operating Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			
				Principal	Interest		
<b>2016</b>	<b>\$ 26,930,542</b>	<b>\$ 13,565,725</b>	<b>\$ 13,364,817</b>	<b>\$ 4,622,371</b>	<b>\$ 2,072,108</b>	<b>2.00</b>	
2015	25,606,702	13,713,299	11,893,403	5,365,152	2,282,307	1.56	
2014	24,556,798	13,261,955	11,294,843	4,608,347	2,937,545	1.50	
2013	23,869,662	12,972,795	10,896,867	4,874,933	3,679,346	1.27	
2012	23,351,079	12,772,311	10,578,768	4,503,899	3,396,741	1.34	
2011	23,092,830	11,926,644	11,166,186	4,728,192	3,894,598	1.29	
2010	23,521,722	12,148,574	11,373,148	4,546,582	4,373,963	1.27	
2009	22,093,387	11,751,890	10,341,497	4,152,876	4,250,357	1.23	
2008	22,582,007	12,252,791	10,329,216	4,033,688	4,268,957	1.24	
2007	23,027,583	11,248,146	11,779,437	3,657,584	4,281,261	1.48	

Notes:

- (1) Operating Revenue includes interest income.
- (2) Direct Operating Expenses are operating expenses excluding depreciation and amortization.

Calculations for item (1) and (2) exclude construction and assessment fund activities; therefore, it will not tie directly to the Statement of Revenues, Expenses and Change in Fund Positions Proprietary Funds

This table does not include the full provisions of the bond covenants.

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Years**

Year	Population	Personal Income (thousands)	Per Capita Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
<b>2016</b>	<b>109,162</b>	<b>\$ 2,277,447</b>	<b>\$ 20,863</b>	<b>40.7</b>	<b>14.1</b>	<b>14,661</b>	<b>5.4%</b>
2015	107,481	2,276,018	21,176	40.6	14.0	14,896	5.9%
2014	105,815	2,121,273	20,047	40.3	14.0	14,618	6.5%
2013	104,693	2,130,607	20,351	39.9	14.0	14,386	7.4%
2012	103,681	2,017,529	19,459	38.7	14.1	14,422	9.4%
2011	103,504	2,048,448	19,791	38.9	14.1	13,386	10.3%
2010	103,422	2,155,004	20,837	38.0	14.1	14,677	12.1%
2009	102,397	2,117,774	20,682	38.1	13.9	14,612	11.9%
2008	102,519	2,040,231	19,901	38.1	13.9	15,014	7.3%
2007	101,793	2,019,878	19,843	38.0	13.9	14,130	5.0%

Sources:  
 Florida Department of Education  
 Bureau of Economics and Business Research, University of Florida  
 US Department of Labor  
 City of Palm Bay Growth Management Department

**PRINCIPAL EMPLOYERS IN THE CITY OF PALM BAY**  
Current Year and Nine Years Ago

Employer	2016			2007		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% Total Employment
Harris Corporation	3,322	1	7.00%	3,927	1	7.94%
Brevard County School Board	1,884	2	3.97%	1,444	2	2.92%
City of Palm Bay	787	3	1.66%	901	3	1.82%
Palm Bay Hospital	639	4	1.35%	396	8	0.80%
Publix (3 of 3 locations reported)	452	5	0.95%	377	9	0.76%
Wal*Mart	388	6	0.82%	400	7	0.81%
Intersil	377	7	0.79%	669	5	1.35%
Winn Dixie (2 locations)	201	8	0.42%	187	11	0.38%
Eastern Florida State College	223	9	0.47%	230	10	0.47%
AAR Corp	140	10	0.29%			
Home Depot	160	11	0.34%	150	12	0.30%
Bass Pro Shop	123	12	0.26%			
MC Assembly				826	1	1.67%
DRS Optronics (2 locations)				526	6	1.06%
Palm Bay Ford				89	14	0.18%
Midwest Research				82	15	0.17%
Palm Bay Comm.Charter Sch.-Patriot				107	13	0.22%
Totals	<u>8,696</u>		<u>18.32%</u>	<u>10,311</u>		<u>20.86%</u>

Note:  
Number of employees listed is employed within the City of Palm Bay

Sources:  
US Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics  
City of Palm Bay Growth Management Department  
City of Palm Bay Budget Division

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Legislative Management	4	4	4	4	4	4	4	4	4	4
Finance	5	6	6	7	7	10	11	12	14	12
Community Planning	22	20	19	18	36	35	32	32	32	32
Other	2	2	2	2	2	2	2	15	15	14
	<b>58</b>	<b>38</b>	<b>36</b>	<b>32</b>	<b>29</b>	<b>31</b>	<b>31</b>	<b>36</b>	<b>33</b>	<b>35</b>
Public Safety										
Police	243	249	249	251	250	261	265	271	274	262
Fire	136	134	133	133	138	130	131	139	141	143
Code Enforcement Building	17	15	14	13	14	17	24	29	41	42
Physical Environment										
Utilities	135	135	134	133	118	120	118	118	119	108
Economic Environment										
Economic/Neighborhood Development	7	4	4	5	6	9	9	9	11	14
Transportation										
Public Works	126	120	120	121	117	127	120	131	140	139
Culture/Recreation										
Parks	52	52	50	50	54	58	58	71	80	85
<b>Total</b>	<b>807</b>	<b>779</b>	<b>771</b>	<b>768</b>	<b>775</b>	<b>804</b>	<b>805</b>	<b>867</b>	<b>904</b>	<b>901</b>

Note: The methodology for calculating the full-time equivalents was changed in fiscal year 2007 to include part-time employees.

City of Palm Bay, Florida

CAPITAL ASSETS STATISTICS  
Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol Units	125	125	127	127	127	127	127	127	127	127
Policemen and Officers	160	160	160	152	160	166	166	166	165	163
Fire										
Stations	6	6	6	5	5	5	5	5	5	5
Firefighters and Officers	123	135	123	122	122	127	118	118	122	125
Public Works										
Streets (miles)	865	865	865	862	862	862	862	862	862	862
Street lights	5108	3968	3960	3960	3960	3960	3960	3960	3960	3960
Parks and Recreation										
Community Centers	2	1	1	1	1	1	1	1	1	1
Developed Parks	32	31	31	31	31	25	25	25	22	19
Acreeage of developed parks	515	315	314	314	314	241	241	241	234	233
Acreeage of all park land	2225	2025	2025	2025	2025	1674	1674	1674	1500	1500
Water System										
Water mains (miles)	617	614	614	604	603	596	580	551	545	539
Fire hydrants	2899	2888	2888	2886	2886	2833	2739	2746	2570	2347
Treatment plants	3	3	3	3	3	3	3	3	3	3
Service connections	33221	32812	32495	32232	31811	31630	31145	30339	29840	29389
Capacity (mgd)	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Wastewater System										
Sanitary sewer lines (miles)	301	295	295	295	290	290	290	290	296	296
Treatment plants	2	2	2	2	2	2	2	2	2	2
Service connections - sewer	16484	16221	16023	15323	15031	14909	14807	14455	14316	14077
Service connections - reclaimed water	427	425	425	424	421	420	416	105	96	82
Treatment capacity (mgd)	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2

Source: Various City Department

**OPERATING INDICATORS BY FUNCTION/PROGRAM  
Last Ten Fiscal Years**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Police</b>										
Physical Arrests	2,530	3,076	3,612	3,295	3,504	4,655	3,715	3,805	3,648	3,805
Parking Violations (1)	0	11	11	5	10	257	317	24	68	54
Traffic Tickets (1)	3,842	4,847	5,765	6,361	6,626	9,998	16,785	17,394	19,392	20,243
Total Traffic Stops (1)	11,075	10,568	12,731	12,009	22,117	22,424	39,851	31,685	30,482	27,183
Calls for Service (1)	87,635	143,882	159,576	148,938	229,903	243,417	195,756	202,348	196,688	187,854
<b>Fire</b>										
Number of calls for service	14,443	13,408	12,285	11,683	11,317	11,115	10,520	10,263	9,780	9,441
Number of fires extinguished	405	280	275	275	251	450	455	320	335	419
<b>Public Works</b>										
Refuse Collection (pounds) (5)	-	-	-	-	-	61,540	115,690	138,913	N/A	218,149
New Street Miles	-	-	-	-	-	-	-	-	-	-
Canal Clearing (6)	716,105	16,888	4,820	34,071	67,238	N/A	N/A	N/A	N/A	N/A
New Street (2)	-	-	1	-	-	-	-	-	-	864
Potholes repaired	1,275	1,441	1,286	1,108	888	620	946	1,190	1,106	1,051
<b>Parks and Recreation</b>										
Community Center Attendance (3)	12,989	18,690	20,341	18,827	15,614	20,545	26,501	23,701	29,182	27,704
Camp Programs (3)	1,160	790	566	457	405	87	275	303	881	1,066
Program Membership (3)	6,764	4,363	4,344	2,031	928	1,341	1,396	1,328	1,594	1,361
<b>Water System</b>										
New Connections	409	317	263	421	181	485	806	499	451	1,054
Water main breaks	0	1	1	1	1	8	16	8	15	20
Average daily consumption (millions of gallons)	7	6	6	6	6	6	6	6	6	6
Active accounts	33,221	32,812	32,495	32,232	31,811	31,630	31,145	30,339	29,840	29,389
<b>Wastewater System</b>										
Average daily sewage treatment (millions of gallons)	3	3	3	3	3	3	3	3	4	4
Active Accounts	16,484	16,221	16,023	15,323	15,031	14,949	14,807	14,455	14,316	14,077
<b>Building</b>										
Total Inspections	12,874	10,461	9,783	8,006	7,990	8,497	8,851	9,216	15,493	21,084
Permits Issued	6,328	5,468	4,823	4,131	3,980	4,332	4,473	4,328	5,442	6,836

Source: Various City Departments  
 (1) Information prior to 2007 could not be retrieved  
 (2) Information could not be retrieved  
 (3) Information prior to 2007 unavailable due to change in software system  
 (5) No longer being tracked  
 (6) Started tracking in 2012 - decrease in 2014 due to concentration on drainage cleaning. In 2016, canal clearing transitioned to a more accurate GIS information tracking system. This accounts for the large variance.

Source: Various City Departments



**IMPACT FEE COLLECTIONS AND BALANCES**  
Last Ten Fiscal Years

<b>Collections</b>						
Fiscal Year	Police Impact Fees	Fire Impact Fees	Parks Impact Fees	Transportation Impact Fees	Total Collections	
<b>2016</b>	<b>\$ 21,970</b>	<b>\$ 145,907</b>	<b>\$ 325,258</b>	<b>\$ 1,688,950</b>	<b>\$ 2,182,085</b>	
2015	19,636	121,065	189,269	1,574,917	1,904,887	
2014	10,714	61,972	119,130	454,802	646,618	
2013	7,621	54,444	128,377	529,713	720,155	
2012	2,396	15,885	42,650	311,526	372,457	
2011	6,417	40,492	105,915	1,105,388	1,258,212	
2010	7,114	49,204	121,662	906,921	1,084,901	
2009	13,370	82,651	153,867	859,033	1,108,920	
2008	27,498	173,904	296,432	7,491,291	7,989,125	
2007	39,090	261,595	390,840	4,190,909	4,882,434	

<b>Balances</b>					
Type	Balance at beginning of Fiscal Year	Collections	Uses	Balance at end of Fiscal Year	
Police Impact Fees	\$ 38,075	\$ 21,970	\$ 41,875	\$ 18,170	
Fire Impact Fees	177,663	145,907	121,666	201,904	
Parks Impact Fees	454,406	325,258	191,525	588,139	
Transportation Impact Fees	1,833,043	1,688,950	1,884,873	1,637,120	
<b>Totals</b>	<b>\$ 2,503,187</b>	<b>\$ 2,182,085</b>	<b>\$ 2,239,939</b>	<b>\$ 2,445,333</b>	

<b>Significant Usage</b>	
St. Johns Heritage Parkway North Extension	733,352
Parkway-Malabar North	98,688
Transfer to Debt Service for 2015 Sales Tax Bond	227,212
Transfer to Debt Service for 2014 LOGT Gas Tax Note	634,172
Transfer to Community Investment Fund	191,449

Note: Collections include interest earnings

Sources: City of Palm Bay Finance Department

**UTILITIES DEBT SERVICE APPLICABLE TO TRANSPORTATION PROJECTS**  
Last Ten Fiscal Years

Fiscal Year	Debt Service		
	Refunding Bonds Series 2005B	Special Assessment Bonds Series 2003	Portion Related To Road Improvements
<b>2016</b>	<b>\$ 3,658,917</b>	<b>\$ 246,850</b>	<b>\$ 1,677,011</b>
2015	1,777,681	248,250	868,668
2014	1,774,082	248,365	867,169
2013	1,818,251	248,053	886,030
2012	1,465,189	247,403	733,941
2011	1,774,308	246,393	866,437
2010	1,648,158	250,043	813,726
2009	1,656,558	183,274	789,295
2008	1,654,208	111,747	758,243
2007	1,388,458	115,176	645,411

Note:  
Portion of project costs related to roadway restoration and drainage improvements:  
43% for 1998 Utility Revenue Bonds  
42% for 2003 Utility Assessment Bonds

Portion of principal for Special Assessment Bonds was prepaid in fiscal year 2006.

Source: City of Palm Bay Utilities

Historical Public Service Tax Receipts By Category

Last Ten Fiscal Years		Communication Services					Total		Historical Sales Tax Revenue and Debt Service Coverage	
Fiscal Year	Electricity	Gas	Water	Gas	Water	Total	Fiscal Year	Sales Tax Revenue	Max Annual Debt Service 2006 Bonds	Debt Service Coverage
2016	\$ 6,862,108	\$ 2,756,084	\$ 1,328,805	\$ 97,281	\$ 1,328,805	\$ 11,044,278	2016	\$ 5,900,650	\$ 1,054,406	5.60
2015	6,597,099	2,953,713	1,281,256	100,256	1,281,256	10,932,324	2015	5,627,552	1,162,250	4.84
2014	6,533,657	3,014,756	1,234,210	115,725	1,234,210	10,898,348	2014	5,245,081	1,162,250	4.51
2013	5,994,198	3,313,753	1,219,386	91,033	1,219,386	10,618,370	2013	5,012,444	1,162,250	4.31
2012	5,538,018	3,446,340	1,206,514	120,661	1,206,514	10,311,533	2012	4,790,989	1,162,250	4.12
2011	5,523,218	3,637,601	1,129,285	80,387	1,129,285	10,370,491	2011	4,555,098	1,162,250	3.92
2010	5,691,766	3,854,672	1,059,474	96,210	1,059,474	10,702,122	2010	4,456,874	1,162,250	3.83
2009	5,182,844	3,833,585	1,040,217	94,338	1,040,217	10,150,984	2009	4,484,366	1,162,250	3.86
2008	5,000,445	4,105,868	1,036,524	101,806	1,036,524	10,244,643	2008	4,698,617	1,162,250	4.04
2007	5,077,133	3,579,131	1,053,058	93,367	1,053,058	9,802,689	2007	4,916,124	1,162,250	4.23

Historical Pledged State Revenue Sharing Funds

Last Ten Fiscal Years	State Revenue Sharing
2016	\$ 4,109,953
2015	3,997,325
2014	3,603,840
2013	3,270,431
2012	2,842,930
2011	2,666,470
2010	2,509,995
2009	2,448,073
2008	2,715,669
2007	2,942,559

Source: City of Palm Bay Finance Department

**CERTIFIED GALLONS OF TAXABLE FUEL SOLD IN BREVARD COUNTY, FLORIDA AND LOCAL  
 OPTION GAS TAX REVENUE  
 Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Motor Fuel</b>	<b>Diesel Fuel</b>	<b>Total</b>	<b>Annual Local Option Gas Tax Revenue</b>
<b>2016</b>	<b>\$ 251,459,738</b>	<b>\$ 149,535,894</b>	<b>\$ 400,995,632</b>	<b>\$ 3,854,156</b>
2015	235,247,029	127,886,050	363,133,079	3,490,076
2014	132,380,145	19,992,183	152,372,328	3,287,172
2013	234,444,633	115,596,498	350,041,132	3,284,506
2012	236,330,147	106,207,434	342,537,581	3,105,994
2011	239,919,288	37,011,535	276,930,822	2,390,212
2010	247,235,293	32,236,346	279,471,639	2,369,610
2009	240,360,931	33,874,396	274,235,327	2,421,074
2008	247,296,412	37,893,942	285,190,354	2,389,461
2007	259,371,190	40,972,456	300,343,646	2,643,050

Sources:  
 Florida Department of Revenue  
 City of Palm Bay Finance Department

**DISTRIBUTION OF BREVARD COUNTY LOCAL OPTION GAS TAX REVENUES**  
Fiscal Year Ended September 30, 2016

Jurisdiction	Percent Share Total	Percent Share Municipalities	2016 Revenue Share
Brevard County	47.14	0.000%	\$ 9,534,259
Cape Canaveral	1.43	2.710%	289,683
Cocoa	2.26	4.270%	456,472
Cocoa Beach	1.54	2.910%	311,147
Grant-Valkaria	0.50	0.946%	101,091
Indialantic	0.47	0.882%	94,293
Indian Harbor Beach	1.46	2.768%	295,914
Malabar	0.46	0.868%	92,850
Melbourne	13.90	26.304%	2,812,222
Melbourne Beach	0.29	0.548%	58,629
Melbourne Village	0.08	0.145%	15,491
<b>Palm Bay</b>	<b>17.68</b>	<b>33.448%</b>	<b>3,575,926</b>
Palm Shores	0.11	0.205%	21,920
Rockledge	3.75	7.101%	759,184
Satellite Beach	2.08	3.938%	421,056
Titusville	4.25	8.036%	859,099
West Melbourne	2.60	4.921%	526,158
Total	100.00	100.00%	\$ 20,225,394

Source: Brevard County Board of County Commissioners

City of Palm Bay, Florida

UTILITIES DEBT SERVICE COVERAGE  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues	\$ 20,470,562	\$ 20,823,230	\$ 21,238,898	\$ 22,626,385	\$ 22,511,829	\$ 22,931,067	\$ 23,488,824	\$ 24,336,022	\$ 25,381,193	\$ 26,654,593
Interest Income	2,557,021	1,758,777	854,489	895,337	581,001	420,012	380,838	220,776	225,509	275,950
Operating Expenses (excl. depreciation/amortization)	(11,248,146)	(12,252,791)	(11,751,890)	(12,148,574)	(11,926,644)	(12,772,311)	(12,972,795)	(13,261,955)	(13,713,299)	(13,565,725)
Net Revenues	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818
Restricted MLE Account Balance	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,771,681	1,768,801
MLE Portion Attributable to MLE Expansion %	1,388,458	1,654,207	1,656,558	1,648,158	1,089,046	1,465,189	1,773,251	1,774,082	1,777,681	818,917
Connection Fees Available for Debt Service	3,075,233	3,995,072	4,076,150	4,505,572	4,080,322	3,666,511	3,665,453	3,662,264	3,133,651	3,372,758
<b>Parity Debt Service</b>	\$ 7,938,844	\$ 8,302,645	\$ 8,403,233	\$ 8,920,545	\$ 7,937,528	\$ 7,900,640	\$ 8,205,614	\$ 7,545,892	\$ 7,647,459	\$ 6,694,479
1998 Revenue Bonds	1,200,000	1,300,000	1,400,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000
2001 Revenue Bonds	534,125	533,900	532,888	536,088	528,238	534,863	535,175	520,000	-	-
2002 Refunding Bonds	3,785,388	3,786,288	3,783,688	3,784,500	3,787,900	3,787,900	3,784,500	3,298,600	-	-
2003 Refunding Bonds	191,162	188,538	190,387	192,087	192,488	192,688	192,688	28,744	-	-
2004 Revenue Bonds	839,712	839,712	839,712	839,712	419,856	-	-	-	-	-
2005 A Revenue Bonds	1,388,457	1,654,207	1,656,558	1,648,158	1,089,046	1,465,189	1,773,251	1,774,082	1,777,681	342,706
2005 B Refunding Bonds	-	-	-	-	-	-	-	451,808	3,949,778	3,955,562
2014 Refunding Note	-	-	-	-	-	-	-	-	-	476,211
2016 Refunding Note	-	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	\$ 7,938,844	\$ 8,302,645	\$ 8,403,233	\$ 8,920,545	\$ 7,937,528	\$ 7,900,640	\$ 8,205,614	\$ 7,545,892	\$ 7,647,459	\$ 6,694,479
<b>DEBT SERVICE COVERAGE</b>										
<b>PART A: Parity Debt Service</b>										
<b>Test 1</b>										
Parity Debt Service Less Portion Attributable to MLE Expansion %	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818
Actual Required	1.80	1.55	1.53	1.56	1.63	1.64	1.69	1.96	2.03	2.27
Required	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
<b>Test 2</b>										
Net Revenues	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818
Restricted MLE Account Balance	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,771,681	1,768,801
Total	\$ 13,463,137	\$ 12,012,916	\$ 12,025,197	\$ 13,056,848	\$ 12,849,886	\$ 12,262,468	\$ 12,580,567	\$ 12,978,543	\$ 13,665,084	\$ 15,133,619
Parity Debt Service	7,938,844	8,302,645	8,403,233	8,920,545	7,937,528	7,900,640	8,205,614	7,545,892	7,647,459	6,694,479
Actual Required	1.70	1.45	1.43	1.46	1.62	1.55	1.53	1.72	1.79	2.26
Required	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
<b>or</b>										
<b>PART B: Parity Debt Service</b>										
<b>Test 1</b>										
Net Revenues	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818
Connection Fees Available for Debt Service	3,075,233	3,995,072	4,076,150	4,505,572	4,080,322	3,666,511	3,665,453	3,662,264	3,133,651	3,372,758
Total	\$ 14,854,670	\$ 14,324,288	\$ 14,417,647	\$ 15,878,720	\$ 15,246,508	\$ 14,245,279	\$ 14,562,320	\$ 14,957,107	\$ 15,027,054	\$ 16,737,576
Parity Debt Service Less Portion Attributable to MLE Expansion %	6,550,386	6,648,438	6,746,675	7,272,387	6,848,482	6,435,451	6,432,363	5,771,810	5,869,778	5,875,562
Actual Required	2.27	2.15	2.14	2.18	2.23	2.21	2.26	2.59	2.56	2.85
Required	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
<b>Test 2</b>										
Net Revenues	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818
Connection Fees Available for Debt Service	3,075,233	3,995,072	4,076,150	4,505,572	4,080,322	3,666,511	3,665,453	3,662,264	3,133,651	3,372,758
Restricted MLE Account Balance	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,771,681	1,768,801
Total	\$ 16,538,370	\$ 16,007,988	\$ 16,101,347	\$ 17,562,420	\$ 16,930,208	\$ 15,928,979	\$ 16,246,020	\$ 16,640,807	\$ 16,798,735	\$ 18,506,377
Parity Debt Service	7,938,844	8,302,645	8,403,233	8,920,545	7,937,528	7,900,640	8,205,614	7,545,892	7,647,459	6,694,479
Actual Required	2.08	1.93	1.92	1.97	2.13	2.02	1.98	2.21	2.20	2.76
Required	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
<b>Proviso</b>										
Net Revenues	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818
Parity Debt Service	7,938,844	8,302,645	8,403,233	8,920,545	7,937,528	7,900,640	8,205,614	7,545,892	7,647,459	6,694,479
Actual Required	1.48	1.24	1.23	1.27	1.41	1.33	1.33	1.50	1.56	2.00
Required	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Note: The calculation of Net Revenue only includes utility water and sewer fund activities.  
Source: City of Palm Bay

UTILITY RATE COMPARISON WITH NEIGHBORING UTILITIES  
September 30, 2016

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<u>Neighboring Utilities</u>			
City of West Melbourne	\$ 45.63	\$ 38.52	\$ 84.15
City of Daytona Beach	35.33	47.22	82.55
City of Port St. Lucie	27.76	52.85	80.61
<b>City of Palm Bay</b>	<b>31.57</b>	<b>45.68</b>	<b>77.25</b>
City of Melbourne	30.85	46.08	76.93
City of Cocoa	27.86	44.50	72.36
City of Edgewater	30.53	43.67	74.20
City of Holly Hill	33.87	38.94	72.81
Brevard County	24.31	39.60	63.91
Indian River County	19.20	28.88	48.08
City of Vero Beach	17.75	37.84	55.59
City of New Smyrna Bch	16.92	38.96	55.88
City of Ormond Beach	23.62	31.08	54.70
City of Port Orange	24.50	33.45	57.95
Average of Neighboring Utilities	\$ 27.55	\$ 40.12	\$ 67.67

Note:  
Amounts shown are for 5,000 gallons monthly service and reflect standard residential single family rates effective October 1, 2015 and are exclusive of taxes.

Source: City of Palm Bay Billing & Collections Division

TEN LARGEST WATER AND WASTEWATER SYSTEM CUSTOMERS  
September 30, 2016

Water Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	32,484	1.67%	\$ 136,600	0.98%
Woodlake Village Apts.	26,456	1.36%	164,832	1.19%
Bridlewood Real Estate LLC	17,830	0.91%	109,197	0.79%
School Board of Brevard County	17,713	0.91%	108,401	0.78%
The Park at Palm Bay	16,518	0.85%	93,563	0.67%
Palm Bay Community Hosp	16,229	0.83%	110,779	0.80%
Vinings Palm Bay Investment LLC	14,081	0.72%	78,820	0.57%
WRH Madalyn Landing	12,889	0.66%	69,811	0.50%
The Pines of Palm Bay LLC	12,334	0.63%	80,742	0.58%
CG I & II Condo Association Inc.	11,268	0.58%	67,258	0.48%
<b>Total</b>	<b>177,802</b>	<b>9.12%</b>	<b>\$ 1,020,003</b>	<b>7.35%</b>

Wastewater Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	32,484	3.14%	\$ 242,812	2.42%
Woodlake Village Apts.	26,456	2.56%	162,160	1.61%
Bridlewood Real Estate LLC	17,830	1.73%	113,434	1.13%
School Board of Brevard County	17,005	1.65%	140,321	1.40%
The Park at Palm Bay	16,518	1.60%	108,601	1.08%
Palm Bay Community Hosp	16,229	1.57%	80,338	0.80%
Vinings Palm Bay Investment LLC	14,081	1.36%	109,775	1.09%
WRH Madalyn Landing	12,889	1.25%	89,173	0.89%
The Pines of Palm Bay LLC	12,334	1.19%	72,593	0.72%
CG I & II Condo Association Inc.	11,268	1.09%	100,841	1.00%
<b>Total</b>	<b>177,094</b>	<b>17.14%</b>	<b>\$ 1,220,048</b>	<b>12.13%</b>

(1) In thousands of gallons

Source: City of Palm Bay





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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the year ended September 30, 2016**

FEDERAL AWARDS				
<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number / Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Pass Through to Subrecipients</u>
<b><u>U.S. Department of Housing &amp; Urban Development</u></b>				
Community Development Block Grant	14.218	B-14-MC-12-0032	\$ 221,991	\$ 89,710
Community Development Block Grant	14.218	B-15-MC-12-0032	312,569	-
Community Development Block Grant (NSP)	14.218	B-11-MN-12-0021	123,027	-
Total Community Development Block Grant Cluster			657,587	89,710
Passed through Brevard County:				
HOME Grant	14.239	M-12-DC-12-0200	16,432	-
<b>Total Department of Housing &amp; Urban Development</b>			<b>674,019</b>	<b>89,710</b>
<b><u>U.S. Department of Justice</u></b>				
Passed through the Florida Office of the Attorney General:				
Victim Crime Act Grant	16.575	V170-15113	20,428	-
Bulletproof Vest Partnership Program	16.607	03/04	3,057	-
2014 Edward Byrne Memorial Justice	16.738	2014-DJ-BX-0386	42,390	-
Total Passed through the Florida Office of the Attorney General			65,875	-
Equitable Sharing Program	16.922	FL0051200	350	-
<b>Total U.S. Department of Justice</b>			<b>66,225</b>	-
<b><u>U.S. Department of Transportation</u></b>				
Passed through Florida Department of Transportation:				
Highway Planning and Construction (SR 5/US 1 Lighting)	20.205	AR 305	964,387	-
Passed through Florida Department of Environmental Protection:				
Recreation Trails Program (Cross City Trail - Phase 1)	20.219	T12014	63,712	-
Total Highway Planning and Construction Cluster			1,028,099	-
<b>Total U.S. Department of Transportation</b>			<b>1,028,099</b>	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,768,343</b>	<b>\$ 89,710</b>

Continued on the next page

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)**  
**For the year ended September 30, 2016**

STATE AWARDS				
Agency/Program	<u>CSFA Number</u>	<u>Grantor Number</u>	<u>State Expenditure</u>	<u>Pass Through to Subrecipients</u>
<u>Florida Department of Environmental Protection</u>				
Bayfront Community Stormwater Improvements	37.039	S0801	\$ 2,137	\$ -
<b>Total Florida Department of Environmental Protection</b>			<u>2,137</u>	<u>-</u>
<u>Florida Department of Economic Opportunity</u>				
The Range-Regional Training Complex	40.038	HL009	799,983	-
<b>Total Florida Department of Economic Opportunity</b>			<u>799,983</u>	<u>-</u>
<u>Florida Department of Transportation</u>				
Malabar Parkway	55.032	AR464	449,474	-
<b>Total Florida Department of Transportation</b>			<u>449,474</u>	<u>-</u>
<u>Florida Housing Finance Agency</u>				
State Housing Initiatives Partnership Program	40.901	N/A	552,484	-
<b>Total Florida Housing Finance Agency</b>			<u>552,484</u>	<u>-</u>
<b>TOTAL STATE EXPENDITURES</b>			<u>\$ 1,804,078</u>	<u>\$ -</u>
 <b>TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			 <u>\$ 3,572,421</u>	 <u>\$ 89,710</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND FINANCIAL STATE ASSISTANCE  
For Fiscal Year Ended September 30, 2016****NOTE 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state assistance is presented using the modified basis of accounting for grants accounted for in governmental funds and the accrual basis of accounting for grants accounted for in proprietary funds.

**NOTE 2 - Indirect Cost Rate**

The Uniform Guidance allows a City to elect a 10% de minimus indirect cost rate. For the year ended September 30, 2016, the City elected not to use this rate.

**NOTE 3 - Non-cash Awards**

The City did not receive any non-cash federal awards.



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

Honorable Mayor and Members of the City Council  
City of Palm Bay, Florida

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Bay, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Palm Bay, Florida's basic financial statements, and have issued our report thereon dated June 13, 2017. Our report includes a reference to other auditors who audited the financial statements of Police and Firefighters' Retirement System, as described in our report on the City of Palm Bay, Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Palm Bay, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Palm Bay, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Palm Bay, Florida's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Organization's Response to Findings**

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

## **Purpose of this Report**

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

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida

June 13, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL**

Honorable Mayor and Members of the City Council  
City of Palm Bay, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the City of Palm Bay, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Palm Bay, Florida's major federal programs and state projects for the year ended September 30, 2016. The City of Palm Bay, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal programs and state projects.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Palm Bay, Florida's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements of Chapter 10.550, Rules of the Auditor General. Those standards and audit requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of Palm Bay, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City of Palm Bay, Florida's compliance.



## **Opinion on Each Major Federal Program**

In our opinion, the City of Palm Bay, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, and which are described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, and 2016-007. Our opinion on each major federal program and state project is not modified with respect to these matters.

## **Report on Internal Control over Compliance**

Management of the City of Palm Bay, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City of Palm Bay, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Palm Bay, Florida's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items IC 2015-002, IC 2016-001 and IC 2016-002 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs IC 2015-003, IC 2016-003, IC 2016-004, 2016-005, 2016-006, and 2016-007 to be significant deficiencies.

The City of Palm Bay Florida's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Palm Bay, Florida's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida

June 13, 2017

**THE CITY OF PALM BAY, FLORIDA**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended September 30, 2016**

**Section I—Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes    X no
- Significant deficiency(ies) identified? \_\_\_ yes    X no

Noncompliance material to financial statements noted? \_\_\_ yes    X no

*Federal Awards and State Projects*

Internal control over major federal programs and state projects:

- Material weakness(es) identified? X yes    \_\_\_ no
- Significant deficiency(ies) identified? X yes    \_\_\_ no

Type of auditors’ report issued on compliance for major Federal programs and state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance and/or Chapter 10.550? X yes    \_\_\_ no

Identification of major federal programs and state projects:

<u>Federal CFDA Numbers</u>	<u>Federal Program or Cluster 2016</u>
14.218	Community Development Block Grant Cluster
20.205/20.219	Highway Planning and Construction Cluster (US1 Lighting/Recreation Trails)

<u>State CSFA Numbers</u>	<u>Name of State Project</u>
40.038	The Range-Regional Training Complex
40.901	State Housing Initiatives Program

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs and \$300,000 for major state projects.

Auditee qualified as a low-risk auditee for federal purposes? X yes    \_\_\_ no

**THE CITY OF PALM BAY, FLORIDA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Fiscal Year Ended September 30, 2016**

**Section II—Financial Statement Findings**

None

**Section III—Federal Award and State Project Findings and Questioned Costs**

**Material Weaknesses**

Questioned  
Costs

**IC 2015-002 Federal and State Grant Reports Were Not Submitted On Time  
In Compliance With Grant Requirements**

CFDA 14.218 Community Development Block Grant (CDBG) B-14-MC-12-0021,  
B-15-MC-12-0032, B-11-MN-12-0021 for 2014 and 2015

Federal Agency: Department of Housing and Urban Development

CSFA 40.901 State Housing Initiatives Partnership Program (SHIP)

State Agency: Florida Housing Finance Corporation

**Criteria:** The City is required to file quarterly HUD reports within 30 days after each quarter for the CDBG grant CFDA #14.218, and the City is required to file an annual report by September 15 to Florida Housing each year for the SHIP grant CSFA #40.901.

**Condition:** For the CDBG grant, CRI noted during review of all the quarterly SF-425 reports that the reports all listed award # B13-MC-12-0032, but the spending of awards was actually related to award # B14-MC-12-0032 and B15-MC-12-0032 and the reports did not segregate between awards. Furthermore, one of the quarterly reports was due 1/30/16 and was not submitted until 2/26/16. CRI noted testing that the annual close out report was never completed and submitted to the granting agency. The report was due by September 15, 2016.

**Cause:** The City did not have an employee in charge of ensuring grant reports were completed and filed on time throughout the year.

**Effect:** HUD suspended the City's CDBG grant during 2016 until the required reports are submitted. The SHIP grant was also suspended during 2017.

**Recommendation:** In order to properly monitor grant projects and ensure that all grant requirements are met the City should create a position directly responsible for overseeing the grant projects and/or should utilize the consultant that was hired during the year to oversee other grants besides just the CDBG grant project.

None

**Management's response:** The City has recently employed a professional administrator with over 25 years of experience working with SHIP and CDBG programs. It's anticipated that this addition to staff will ensure timely expenditure, consistent compliance, and superior financial tracking of this grant.

**IC 2016-001 Expenditure of SHIP Funds**

CSFA 40.901 State Housing Initiatives Partnership Program (SHIP)  
State Agency: Florida Housing Finance Corporation

**Criteria:** The City must expend SHIP funds within 2 fiscal years of receiving the funds from the State.

**Condition:** CRI noted during fiscal year 2016 testing that the City had unspent funds still recorded in unearned revenue that were over 2 years old, and totaled approximately \$560,000.

**Cause:** The City did not spend the SHIP funds within the 2 year timeframe as required by the grant as spending of the funds are not being tracked.

**Effect:** The City could accidentally spend funds over 2 years old that the City no longer has the right to spend.

**Recommendation:** We recommend that the City inquire with the State if they are allowed to keep the funds and use them past the two year allowed period or remit the funds back to the State. Going forward the City should carefully track which fiscal year funds are being spent from since funds are received from the State in advance.

None

**Management's response:** Florida Rule 67-37.005(1)(f): "The funds deposited to the local housing assistance trust fund must be spent within twenty-four months from the end of the applicable State fiscal year." (i.e. Funds allocated in state fiscal year beginning July 1, 2014 must be encumbered by June 30, 2016 [one year from *end* of the applicable State fiscal year] and expended by June 30, 2017).

In addition, the City has been working with the Florida Housing Coalition, a non-profit statewide organization that provides consultation services through training and technical assistance on affordable housing and related issues; specifically the state's SHIP Program. Continued coordination with the Florida Housing Coalition will result in the creation of efficient tracking systems and protocols that will ensure continued compliance in the future.

**IC 2016-002 Payroll Allocations**

CFDA 14.218 Community Development Block Grant (CDBG) B-14-MC-12-0021,  
B-15-MC-12-0032, B-11-MN-12-0021 for 2014 and 2015  
Federal Agency: Department of Housing and Urban Development  
CSFA 40.901 State Housing Initiatives Partnership Program (SHIP)  
State Agency: Florida Housing Finance Corporation

**Criteria:** The City must track and document employees' time for each pay period that an employee works directly on a grant.

**Condition:** CRI noted during fiscal year 2016 testing that the payroll allocations for the CDBG and SHIP grants were percent allocations all year long for all the employees that worked on the grants. Time per pay period was not tracked at a detailed level or documented. For CDBG there were 15 expenses selected relating to payroll for a total of \$16,545 and for SHIP there were 8 expenses selected for a total of \$11,621.

**Cause:** The City did not require employees to track their time per pay period by the grant projects that they worked on.

**Effect:** Grants could have an over or understatement of payroll allocation expenses, and there is no documentation for hours worked on a grant if a granting agency required support.

**Recommendation:** We recommend that the City require employees that work on grants to track their hours on a timecard or in a similar format so that there is documentation for time worked on a grant for each pay period. \$16,545

**Management's response:** A recent product delivered by the City's consultant for its CDBG and HOME Program grants is a comprehensive Policy and Procedures Manual that delineates responsibilities of all city staff responsible for compliant administration of these grants. Included in the Manual is the requirement for use of timesheets that will delineate time spent on each grant, each day, every pay period. The City will be immediately implementing the use of this documentation.

**Significant Deficiencies**

**IC 2015-003 Debarred and Excluded Vendors**

CFDA 14.218 Community Development Block Grant (CDBG) B-14-MC-12-0021, B-15-MC-12-0032, B-11-MN-12-0021 for 2014 and 2015  
Federal Agency: Department of Housing and Urban Development

**Criteria:** Recipients of Federal and State grants are required to run excluded and debarred checks on SAM.gov for any vendor that receives more than \$25,000 of grant money.

**Condition:** The City did not properly run checks on SAM.gov for 5 of the 8 required vendors prior to contracting the vendors; however, the SAM.gov checks were run after the fact and no debarred vendors were noted.

**Cause:** The SAM check is a step during the regular RFP procurement process; however, the City passed ordinance 2015-31 that exempts departments from this process. When the expenses were not obtained through the purchasing department the SAM checks were not completed.

**Effect:** If the City does not properly run SAM checks there could potentially be disallowed costs. The City did check the expenses in question for fiscal year 2016 and no debarred vendors had been utilized.

**Recommendation:** All departments should be required to go through the procurement process. None

**Management's response:** Procurement received notice of the deficiency audit comment on May 12, 2016. Procurement met with a member of the Growth Management staff shortly thereafter and walked the employee through the on-line process of checking SAMS.gov website to research and print-out the information regarding vendor inquiries. In addition (as stated in the current audit comment) – SAMS checks were done on the vendors that had not been previously researched.

A new check-sheet has been created for the competitive solicitation folders that are processed through the Procurement Department. Included on the check list is a section entitled "VENDOR CHECKS". This is a process that will be followed by Procurement Staff once the responses are received from vendors – documentation will be included in the files.

Procurement is working with the Legislative Department to identify the process required for removal of the following language from the current Procurement Code, Section 38.06 Application and Exclusions and the Procurement Manual, Section "X-Exempt from Competition".

### IC 2016-003 Review of Reports

CFDA 20.219 Recreation Trails Program T12014

Passed through Florida Department of Environmental Protection

Federal Agency: U.S. Department of Transportation for 2014

**Criteria:** The City must report on the status of the Cross City Trails Project to the Florida Department of Environmental Protection on a quarterly basis.

**Condition:** CRI noted that the two quarterly reports selected for testing were submitted during fiscal year 2016 were prepared and submitted by the same person, and there was no evidence of review.

**Cause:** The City does not have a formal review process for the quarterly reports that requires evidence of review.

**Effect:** Submitted reports could contain errors due to lack of review.

**Recommendation:** We recommend that the City establish and implement a formal review process of the reports. None

**Management's response:** During the course of the project, Public Works experienced a period of time with limited staff not allowing for a formal review process for the quarterly reports that requires evidence of review. However, verbal communication and awareness of project status was made on a weekly basis to the Acting Director.

Going forward the quarterly report will be prepared by the project manager and reviewed and signed by the Engineering Manager before submission.

**IC 2016-004 Wage Rate Requirements**

CFDA 20.219 Recreation Trails Program T12014

Passed through Florida Department of Environmental Protection

Federal Agency: U.S. Department of Transportation for 2014

**Criteria:** The City must comply with the Wage Rate Requirements as established by the Department of Labor (40 USC 3141-3144, 3146, and 3147) when they pay a contractor for construction with federal grant money.

**Condition:** CRI noted during fiscal year 2016 testing that one of the two contractors was not submitting weekly certified payroll reports for the Cross City Trails Project.

**Cause:** The City was not requiring the contractor to submit the weekly certified payroll reports.

**Effect:** The City is not complying with the requirements of the grant program.

**Recommendation:** In order to properly monitor grant projects and ensure that all grant requirements are met the City should create a position directly responsible for overseeing the grant projects and/or should utilize the consultant that was hired during the year to oversee other grants besides just the CDBG grant project. \$12,450

**Management's response:** In-house labor was utilized for the project excluding the installation of the pedestrian cross-walk bridge. This bridge cast pilings were installed by Schopke & Maguire who responded to request for quote advertised through Demandstar on January 26, 2016. This was a lump sum project described as Auger Cast Pile Installation.

Public Works has since acquired a contract focused accountant with knowledge of grant funding sources that will assure Public Works complies with the Wage Rate Requirements as established by the Department of Labor (40 USC 3141-3144, 3146, and 3147) when they pay a contractor for construction with federal grant money.



**IC 2016-005 Retention of Grant Documents**

CSFA 40.901 State Housing Initiatives Partnership Program

State Agency: Florida Housing Finance Corporation

**Criteria:** The City must retain copies of grant award documents such as agreements issued by the grantor in order to remain in compliance with the grant requirements.

**Condition:** CRI noted that the City did not maintain a copy of the SHIP Program grant documents, such as notifications of awards, or any additional communication from the grantor.

**Cause:** The City does not have a process in place to ensure that all grant documents related to federal awards are properly retained and maintained on file.

**Effect:** The City may not be complying with all the requirements of the grant program that are not listed in the Florida Statutes.

**Recommendation:** We recommend that the City develop a process to ensure that all grant documents related to federal awards are properly retained and maintained on file.

None

**Management's response:** The State Housing Initiatives Partnership (SHIP) program is a state award. The Florida Housing Finance Corporation does not provide entitlement grantees with any type of formal Grant Agreement. Email notifications regarding grant allocations for the year are sent out to program administrators from the Florida Housing Finance Corporation.

Newly established Policy and Procedure Manuals for all grant programs require orderly filing of all grant agreements that will remain easily accessible for review.

**IC 2016-006 Housing Limits**

CSFA 40.901 State Housing Initiatives Partnership Program

State Agency: Florida Housing Finance Agency

**Criteria:** The SHIP grant requires that the City create and follow a local housing assistance plan.

**Condition:** CRI noted that three of the fourteen properties chosen received funding in excess of the limits outlined in the City's local housing assistance plan at the time the funds were disbursed.

**Cause:** The City does not have a process in place to ensure the amounts spent on an individual house are less than the limits stated in the City's local housing assistance plan at the time of spending.

**Effect:** The City is not complying with the requirements of the grant program.

**Recommendation:** We recommend that the City develop a process to ensure that all projects completed on properties are within the limits set forth in the City's local housing assistance plan.

None

**Management's response:** The City is preparing and will submit Policy and Procedures Manuals for each Strategy outlined in its SHIP Local Housing Assistance Plan (LHAP) that will provide structure necessary to maintain statutory compliance. These Policy and Procedures Manuals will also include detailed instructions regarding maximum award amounts by Strategy and additional instruction for case-by-case evaluation when a Strategy's maximum award may/may not be exceeded.

### IC 2016-007 Liens

CSFA 40.901 State Housing Initiatives Partnership Program  
State Agency: Florida Housing Finance Corporation

**Criteria:** The City must comply with Florida Statute 420.9075 and have documents filed with the County in order to recapture the loan assistance, if necessary.

**Condition:** CRI noted that one of the properties that received funds had a liens filed with the County for less than the total amount of assistance, and did not file another lien to increase the amount for additional assistance until the State notified the City that it was not filed.

**Cause:** The City does not have a process in place to ensure that liens were filed for all properties that received funding in the correct amounts.

**Effect:** The City is not complying with the requirements of the grant program.

**Recommendation:** We recommend that the City develop a process to ensure that all properties have a lien filed with the County.

None

**Management's response:** Customarily, mortgage documents are originally executed at the time of purchase; at the beginning of rehabilitation; etc. Often, once rehabilitation is underway additional items of concern arise that result in Change Orders to original bids based upon the Scope of Work.

The City will adopt procedure that provides for review of actual cost versus original bid to ensure that all recorded documents reflect true expenditure. When Change Orders occur, the City will utilize a Mortgage Modification document, recorded upon completion of all SHIP-funded work on the home, to ensure that actual expenditures match the funding provided to the SHIP recipient (minus allowable program delivery costs).

**Section IV- Prior Findings and Questioned Costs for Federal Awards and State Projects**

**IC 2014-001 INVENTORY CONTROLS OVER GAS TANKS**

Status: Cleared

**IC 2015-001 Review of Bayfront CRA Fund Administrative Expenses**

Status: Cleared

**IC 2015-002 Federal and State Grant Reports Were Not Submitted On Time In Compliance With Grant Requirements**

Status: Repeated (see Section III above)

**IC 2015-003 Debarred and Excluded Vendors**

Status: Repeated (see Section III above)

## **CORRECTIVE ACTION PLAN**

**June 13, 2017**

The City of Palm Bay, Florida respectfully submits the following corrective action plan for the year ended September 30, 2016.

Name and address of independent public accounting firm:

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

Audit Period:

Fiscal Year October 1, 2015 – September 30, 2016

The findings from the June 13, 2017 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### **IC 2015-002 Federal and State Grant Reports Were Not Submitted on Time In Compliance With Grant Requirements**

**Recommendation:** In order to properly monitor grant projects and ensure that all grant requirements are met, the City should create a position directly responsible for overseeing the grant projects and/or should utilize the consultant that was hired during the year to oversee other grants besides just the CDBG grant project.

**Action Taken:** The City has recently employed a professional administrator with over 25 years of experience working with SHIP and CDBG programs. It's anticipated that this addition to staff will ensure timely expenditure, consistent compliance, and superior financial tracking of this grant.

### **IC 2015-003 Debarred and Excluded Vendors**

**Recommendation:** All departments should be required to go through the procurement process.

**Action Taken:** Procurement received notice of the deficiency audit comment on May 12, 2016. Procurement met with a member of the Growth Management staff shortly thereafter and walked the employee through the on-line process of checking SAM.gov website to research and print-out the information regarding vendor inquiries. In addition (as stated in the current audit comment) – SAM checks were done on the vendors that had not been previously researched.

A new check-sheet has been created for the competitive solicitation folders that are processed through the Procurement Department. Included on the check list is a section entitled "VENDOR CHECKS". This is a process that will be followed by Procurement Staff once the responses are received from vendors – documentation will be included in the files.

Procurement is working with the Legislative Department to identify the process required for removal of the following language from the current Procurement Code, Section 38.06 Application and Exclusions and the Procurement Manual, Section "X-Exempt from Competition".

#### IC 2016-001 Expenditure of SHIP Funds

**Recommendation:** We recommend that the City inquire with the State if they are allowed to keep the funds and use them past the two year allowed period or remit the funds back to the State. Going forward, the City should carefully track which fiscal year funds are being spent from, since funds are received from the State in advance.

**Action Taken:** Florida Rule 67-37.005(1)(f): "The funds deposited to the local housing assistance trust fund must be spent within twenty-four months from the end of the applicable State fiscal year." (i.e. Funds allocated in state fiscal year beginning July 1, 2014 must be encumbered by June 30, 2016 [one year from *end* of the applicable State fiscal year] and expended by June 30, 2017).

In addition, the City has been working with the Florida Housing Coalition, a non-profit statewide organization that provides consultation services through training and technical assistance on affordable housing and related issues; specifically the state's SHIP Program. Continued coordination with the Florida Housing Coalition will result in the creation of efficient tracking systems and protocols that will ensure continued compliance in the future.

#### IC 2016-002 Payroll Allocations

**Recommendation:** We recommend that the City require employees that work on grants to track their hours on a timecard or in a similar format so that there is documentation for time worked on a grant for each pay period.

**Action Taken:** A recent product delivered by the City's consultant for its CDBG and HOME Program grants is a comprehensive Policy and Procedures Manual that delineates responsibilities of all city staff responsible for compliant administration of these grants. Included in the Manual is the requirement for use of timesheets that will delineate time spent on each grant, each day, every pay period. The City will be immediately implementing the use of this documentation.

#### IC 2016-003 Review of Reports

**Recommendation:** We recommend that the City establish and implement a formal review process of the reports.

**Action Taken:** During the course of the project, Public Works experienced a period of time with limited staff not allowing for a formal review process for the quarterly reports that requires evidence of review. However, verbal communication and awareness of project status was made on a weekly basis to the Acting Director.

Going forward the quarterly report will be prepared by the project manager and reviewed and signed by the Engineering Manager before submission.



## IC 2016-004 Wage Rate Requirements

**Recommendation:** In order to properly monitor grant projects and ensure that all grant requirements are met, the City should create a position directly responsible for overseeing the grant projects and/or should utilize the consultant that was hired during the year to oversee other grants besides just the CDBG grant project.

**Action Taken:** In-house labor was utilized for the project excluding the installation of the pedestrian cross-walk bridge. This bridge cast pilings were installed by Schopke & Maguire who responded to request for quote advertised through Demandstar on January 26, 2016. This was a lump sum project described as Auger Cast Pile Installation.

Public Works has since acquired a contract focused accountant with knowledge of grant funding sources that will assure Public Works complies with the Wage Rate Requirements as established by the Department of Labor (40 USC 3141-3144, 3146, and 3147) when they pay a contractor for construction with federal grant money.

## IC 2016-005 Retention of Grant Documents

**Recommendation:** We recommend that the City develop a process to ensure that all grant documents related to federal awards are properly retained and maintained on file.

**Management's response:** The State Housing Initiatives Partnership (SHIP) program is a state award. The Florida Housing Finance Corporation does not provide entitlement grantees with any type of formal Grant Agreement. Email notifications regarding grant allocations for the year are sent out to program administrators from the Florida Housing Finance Corporation.

Newly established Policy and Procedure Manuals for all grant programs require orderly filing of all grant agreements that will remain easily accessible for review.

## IC 2016-006 Housing Limits

**Recommendation:** We recommend that the City develop a process to ensure that all projects completed on properties are within the limits set forth in the City's local housing assistance plan.

**Action Taken:** The City is preparing and will submit Policy and Procedures Manuals for each Strategy outlined in its SHIP Local Housing Assistance Plan (LHAP) that will provide structure necessary to maintain statutory compliance. These Policy and Procedures Manuals will also include detailed instructions regarding maximum award amounts by Strategy and additional instruction for case-by-case evaluation when a Strategy's maximum award may/may not be exceeded.



## IC 2016-007 Liens

**Recommendation:** We recommend that the City develop a process to ensure that all properties have a lien filed with the County.

**Action Taken:** Customarily, mortgage documents are originally executed at the time of purchase; at the beginning of rehabilitation; etc. Often, once rehabilitation is underway additional items of concern arise that result in Change Orders to original bids based upon the Scope of Work.

The City will adopt procedure that provides for review of actual cost versus original bid to ensure that all recorded documents reflect true expenditure. When Change Orders occur, the City will utilize a Mortgage Modification document, recorded upon completion of all SHIP-funded work on the home, to ensure that actual expenditures match the funding provided to the SHIP recipient (minus allowable program delivery costs).

Contact Person:  
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Finance Director  
120 Malabar Road  
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321.952.3418  
[Mcdony@pbfl.org](mailto:Mcdony@pbfl.org)



## **Independent Auditors' Management Letter**

To the Honorable Mayor and Members of City Council  
City of Palm Bay, Florida

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

We have audited the financial statements of the City of Palm Bay, Florida as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 13, 2017.

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)* and Chapter 10.550, Rules of the Florida Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project; Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an Examination Conducted in Accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated June 13, 2017, should be considered in conjunction with this management letter.



## Prior Audit Findings

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

### Tabulation of Uncorrected Audit Findings, partially addressed

<u>Current Year Finding #</u>	<u>2014-15 FISCAL YEAR Finding #</u>	<u>2013-14 FISCAL YEAR Finding #</u>
Cleared, no longer a finding	IC 2014-01	IC 2014-01
Cleared, no longer a finding	IC 2015-001	Not applicable
IC 2015-002	IC 2015-002	Not applicable
IC 2015-003	IC 2015-003	Not applicable

## Official Title and Legal Authority

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

## Financial Condition

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

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

## Annual Financial Report

Section 10.554(1)(i)5.b., and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Palm Bay, Florida for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

## Other Matters

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

### IC 2016-008 Building Fund Advances

**Criteria:** The City's building fund has three advances outstanding to one nonmajor governmental fund in the amount of \$609,000, one internal service fund in the amount of \$248,023 and to the General fund in the amount of \$502,961, and there are no agreements or terms governing the advances.

**Condition:** When there are long-term advances from one fund to another, especially between proprietary funds and governmental funds, there should be a related agreement with the stated terms and a nominal interest rate charged.

**Cause:** The three governmental funds needed money for specific projects and were advanced money from the building fund to pay for the projects.

**Effect:** The advances could remain unpaid and outstanding for several years with no agreement terms that specify how and when the advances are to be repaid.

**Recommendation:** We recommend that agreements are created with terms that specify how and when the advances are to be repaid.

**Management's response:** Customarily, mortgage documents are originally executed at the time of purchase; at the beginning of rehabilitation; etc. Often, once rehabilitation is underway additional items of concern arise that result in Change Orders to original bids based upon the Scope of Work.

The City will adopt procedure that provides for review of actual cost versus original bid to ensure that all recorded documents reflect true expenditure. When Change Orders occur, the City will utilize a Mortgage Modification document, recorded upon completion of all SHIP-funded work on the home, to ensure that actual expenditures match the funding provided to the SHIP recipient (minus allowable program delivery costs).

### 2016-009 Purchasing

**Criteria:** CFR 200.320 will require for small purchases (purchases in between the micro purchase threshold and the simplified acquisition threshold) that management would be required to obtain price quotes. For items procured with grant money less than the micro purchase threshold, they would need to, the extent practical, distribute these purchases among qualified suppliers.

**Condition:** Small purchases should go through the purchasing department, to ensure purchases with grant funds meet the requirements of CFR 200.320.

**Cause:** Currently there is Ordinance 2015-31 that allows certain purchases to be approved by the City Manager and bypass the purchasing department.

**Effect:** An expense could be approved that utilizes grant funds by the City Manager, without obtaining the proper quotes or using multiple suppliers as applicable.

**Recommendation:** We recommend that all small purchases made with grant funds be processed through the purchasing department. In addition, micro purchases should be tracked, and periodically monitored by the purchasing department to ensure diversity among qualified suppliers.

**Management's response:** Procurement is working with the Legislative Department to identify the process required for removal of the language from the current Procurement Code, Section 38.06, Application and Exclusions, and the Procurement Manual, Section "X-Exempt from Competition"

Effective October 1, 2016, via Resolution Number 2016-32, the City's adopted C.F.R. 200.318 through C.F.R. 200.326, as contained in its new Procurement Manual, Section AA-GRANTS. An update to the Procurement Manual will be made to reflect the Procurement Department's ability to take the necessary steps to assume responsibility for all federal small purchasing processes. Additionally, Procurement staff will provide review and oversight of individual department expenditures to evaluate and assist with diversity in their purchases for federal micro-purchases.

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

#### **Purpose of this Letter**

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

*Cam, Riggs & Ingram, L.L.C.*

Melbourne, Florida

June 13, 2017



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

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

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

To the Honorable Mayor and Members of City Council  
City of Palm Bay, Florida

We have examined the City of Palm Bay's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2016. Management is responsible for the City of Palm Bay's compliance with those requirements. Our responsibility is to express an opinion on the City of Palm Bay's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Palm Bay's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Palm Bay's compliance with specified requirements.

In our opinion, the City of Palm Bay complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

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

Melbourne, Florida  
June 13, 2017