

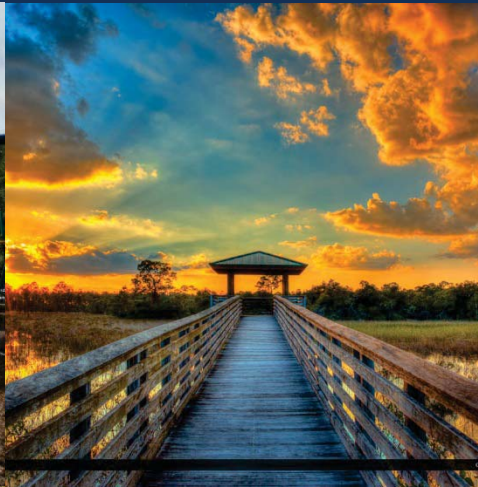


COMPREHENSIVE FINANCIAL
**ANNUAL
REPORT**

FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2017



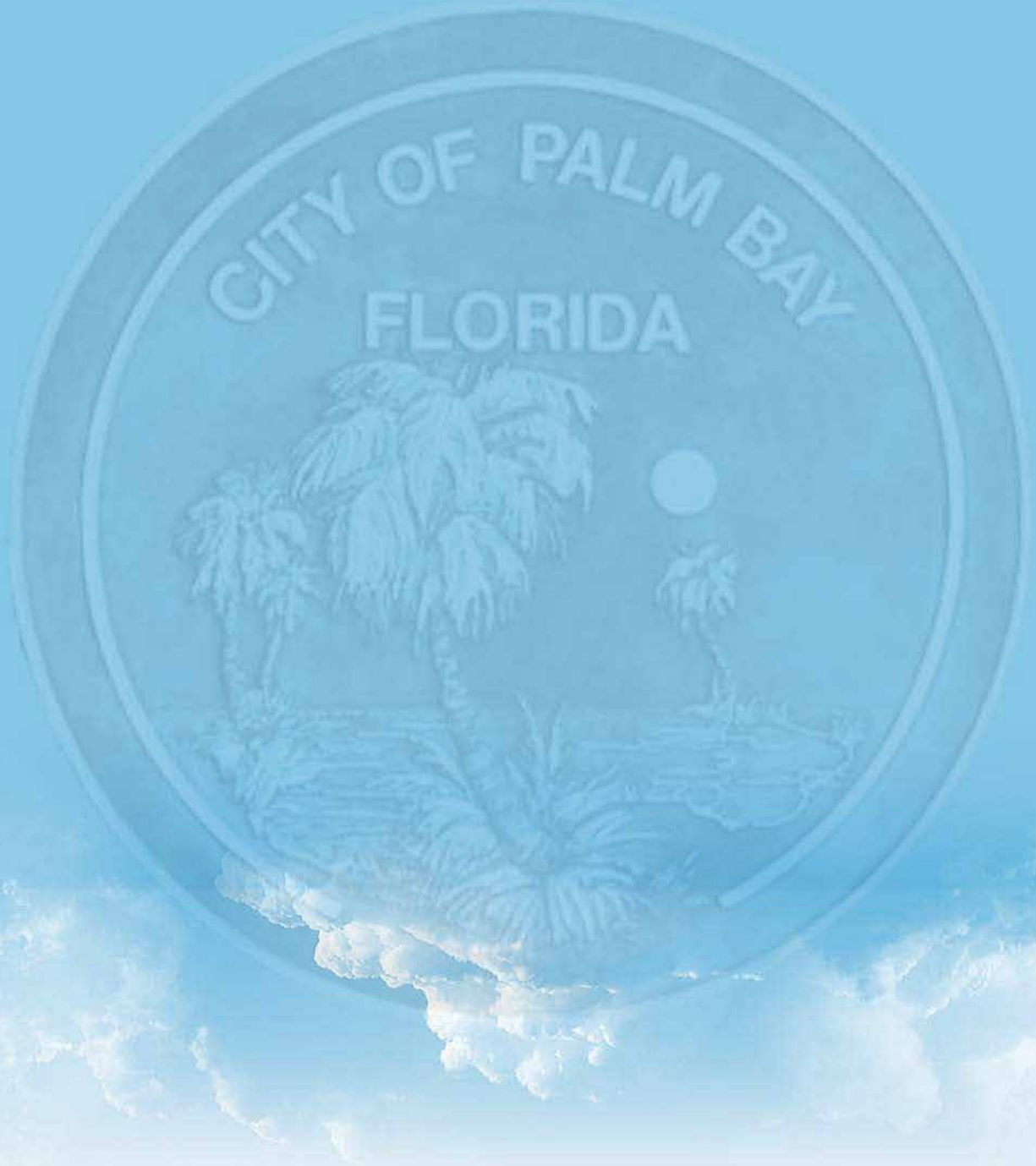
Down to Earth



And Up To Great Things



CITY OF PALM BAY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2017



PREPARED BY: DEPARTMENT OF FINANCE

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May 18, 2018

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, 2017 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, 2017 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, 2017 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 15th largest in Florida, with approximately 113,000 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

Palm Bay is experiencing unquestionable economic growth. All sectors of employment, housing, and industry have consistently trended upward over the past three fiscal years. Barring an adverse national economic event, key indicators suggest that this trend will continue for at least another 24 months.

Over the past two fiscal years, the City of Palm Bay's economic growth has been active, particularly in the commercial sector. Palm Bay has realized a 12% increase in total



construction values, growing from \$155 million the preceding year to \$210 million in the 2016/2017 fiscal year. This includes a 21% increase in permits issued to commercial projects, which represents a \$4.7 million increase in commercial activity throughout the City.

The residential real estate market in Palm Bay continues to increase. Favorable mortgage interest rates, business relocations, and expansions have bolstered the housing sector. The resulting taxable values of residential homes continues to expand as home values increase.

The City's Bayfront Community Redevelopment District (BCRD) located primarily in the northeast quadrant of Palm Bay continues to see favorable improvements in property values, tax base expansion, increased private capital investment, and new redevelopment projects with many being designed to help the City attract/retain a globally competitive workforce. District assessed property value increased 8.5% from \$153M to \$166M with some early estimates indicating that the District could see further valuation acceleration into next year at a rate closer to 20%.

The BCRD continued to invest in its aging infrastructure by completing a multi-year stormwater upgrade project that was designed to provide treatment for a large 350-acre watershed district in effort to help facilitate future redevelopment projects while also treating previously untreated stormwater flowing directly into the Indian River Lagoon. During the year, the City/BCRA began work on a new public infrastructure project intended to help increase public access to the City's namesake bay through the restoration/stabilization of the City's shoreline and initial planning/design of a public pier.

Employment continues to grow in relation to the aerospace sector that includes Harris Corporation, Northrup Grumman Corporation, and Embraer. Additionally, Raytheon corporation will establish a new facility in Palm Bay's redevelopment district in 2018. This represents an additional 300 high tech jobs returning to the City's economic corridor. Raytheon has indicated that the number of jobs could grow to 500, as redevelopment efforts continue, with a planned expansion of their facility in the next 24 months.

Construction of the new South Parkway interchange with Interstate 95 has begun. This will open approximately 24 square miles of vacant land for mixed-use development. The County has completed the northwest segment of the Parkway, creating additional opportunities for residential and commercial growth.

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 17.



The City successfully implemented its revised Procurement Code of Ordinances and Procurement Procedure Manual, which brings the City in-line with benchmarks and best practices established throughout the State of Florida as well as across the nation. The new Code, which was modeled after the ABA Model Procurement Code, established Procurement as a stand-alone department and included substantial improvements to pre-existing regulations.

The City's Bayfront Community Redevelopment Agency completed a multi-year stormwater upgrade project that was designed to provide treatment for a 350-acre watershed district. This upgrade will assist in facilitating future redevelopment projects while simultaneously treating previously untreated stormwater with a direct flow into the Indian River Lagoon.

Through the efforts of community development personnel, the Growth Management Department restored compliance with the State Housing Initiatives Partnership (SHIP) program allowing the Florida Housing Finance Corporation to resume distribution of the City's estimated \$2.0 million SHIP funding used to address ownership and rental housing needs of low-and moderate-income households. The City is also poised to reinstate its HUD Neighborhood Stabilization Program (NSP) funding in the estimated amount of \$1.0 million. This funding is primarily used to acquire foreclosures/vacant properties and provide needed home repairs that result in sale or long-term lease options to income-eligible homebuyers/tenants.

The Communications and Information Technology Department (C&IT) supported various departments to address and enhance their core functions of city business. C&IT assisted the Economic Development and External Affairs Department in launching a stand-alone website, www.developpalmbay.org, to enhance the online presence for the City's current and prospective business community. With C&IT's support, the Parks and Recreation Department successfully onboarded a new operational software designed to increase the efficiency of managing activities, programs and classes. C&IT also focused on cybersecurity by procuring and implementing a cost-effective solution to protect the City's electronic data and assets.

Parks and Recreation focused on aging facilities by replacing the roof of the Greater Palm Bay Senior Center and replacing 40-year old bleachers at the Tony Rosa Community Center. The Department also completed the Turkey Creek Board Walk Assessment and ADA Audit and Transition Plan to identify future necessary upgrades to all Park facilities and play areas.

The Police Department expanded its focus on citizen outreach by increased operational personnel attendance at local meetings, events and community programs. Police personnel used their time to teach children to read, serve on panels to address questions about police enforcement activities and philosophy, and promote the Department's



summer months “Safe Park” initiative used to enhance youth interaction. Drug Agents and Patrol personnel also conducted an integrated anti-opiate campaign directed at identifying and arresting heroin dealers to reduce crime and drug overdoses.

The Fire Rescue Department successfully implemented a new ESO Fire/EMS reporting software system which incorporates two systems into one, captures more detailed information, increases efficiency, and meets all NFIRS and EMSTARS reporting requirements. The system allows tablets, placed on all first-run units citywide along with updated defibrillators/monitors, to interface directly with the software. The Department also upgraded the emergency radio P-25 program which allows for interoperability on large-scale incidents state-wide.

The new Stormwater Utility Program, successfully restructured and implemented by the Public Works Department, utilizes the uniform method of collecting non-ad valorem special assessments for the cost of providing stormwater services to properties within the City of Palm Bay. The Program provides the needed funds to repair and improve the City’s aging stormwater infrastructure. Public Works also implemented a city-wide \$4.8 million Road Maintenance Program formulated by the Local Advisory Board (LRAB) and approved by City Council. The program is a fiscally responsible plan that consists of three major road improvement processes: rejuvenation, full-depth reclamation, and complete reconstruction.

FUTURE PROJECTS

The City’s Bayfront Community Redevelopment Agency continues to actively work on a new public infrastructure project intended to help increase public access to the City’s namesake bay through the restoration/stabilization of the City’s shoreline and initial planning/design of a public pier.

Through the Growth Management Department, it is anticipated that the City will soon be partnering with non-profit and for-profit developers to assist in expedient, compliant expenditures of community development funds that will produce new and/or improved housing opportunities.

To address the City’s basic telephone and data needs, the Communications and Information Technology Department (C&IT) will upgrade the City’s telephone communications system and all network endpoints across all departments and their respective facilities in FY 18. The upgrade is imperative for basic needs, complex call routing, and accounting services. Two IBM servers, serving the public administration applications/modules and public safety system, are also slated for replacement by February 2018.



The City of **Palm Bay** Florida
www.palmbayflorida.org



Through a \$1.7 million Tourism Development Council (TDC) grant awarded to the City, the Parks and Recreation Department will begin construction on a new campground facility that includes a Welcome Station, Nature Center, 135 full hook-up campsites, restrooms, laundry facilities and an Activity Area. Reservations can easily be made online via the new operational software onboarded during FY 17.


The Fire Rescue Department has an increased focus on grant applications for FY 18. Through newly-staffed departmental personnel, grant application submittals through various agencies and foundations have become a forefront priority. While grants will not address all the department's critical needs of modernizing equipment and replacing aging vehicles, the funding is received with a reduced impact on the City's financials.

In addition to continuing their focus on the Stormwater Utility Program and Road Maintenance Program, the Public Works Department plans to implement a new Stormwater Maintenance and Capital Improvement Projects Program through the utilization of the previously approved citywide stormwater assessment fee. In addition, the department is in the process of implementing Cityworks, a new asset and work-order management program to support Road Maintenance, Stormwater, Solid Waste and the Public Works Customer Service areas.

Construction of the Design/Build of St. Johns Heritage Parkway from Babcock Street to the new southern interchange at I-95 is scheduled to start. This will include completion of all procurement processes, award-of-bid to the contractor, and the ground breaking for construction. The project, spearheaded through the Public Works Department, will continue into FY 19.

The Utilities Department is in the design phase process for the South Regional Water Reclamation Facility. This facility will accommodate the wastewater flows anticipated with the new development in the southeast and northwest sections of the City. The facility will produce reclaimed water to be used in adjacent neighborhoods and the golf course for irrigation. Additionally, the Utilities Department is in the process of advertising for engineering services related to the expansion of the South Regional Water Treatment Plant. This facility will accommodate future water demands for new homes, businesses and developments throughout the City.

ACCREDITATION AND CERTIFICATIONS

 Palm Bay has been named a "Playful City USA" community by KaBoom!, 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.





Palm Bay has been named a Tree City USA by the Arbor Day Foundation. Tree City USA is greening communities across the country. This program is a great opportunity to celebrate the importance of an urban tree canopy and improve care of these vital city trees. The Tree City USA program has been greening up cities and towns across America since 1976. It is a nationwide movement that provides the framework necessary for communities to manage and expand their public trees.



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 2017, the Palm Bay Utilities Department was registered under the ISO 14001:2015 environmental standard to continue its registration with NSF. Palm Bay Utilities is the second 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, 2016. This was the 31st 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, 2016 for the 27th 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.

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, 2016

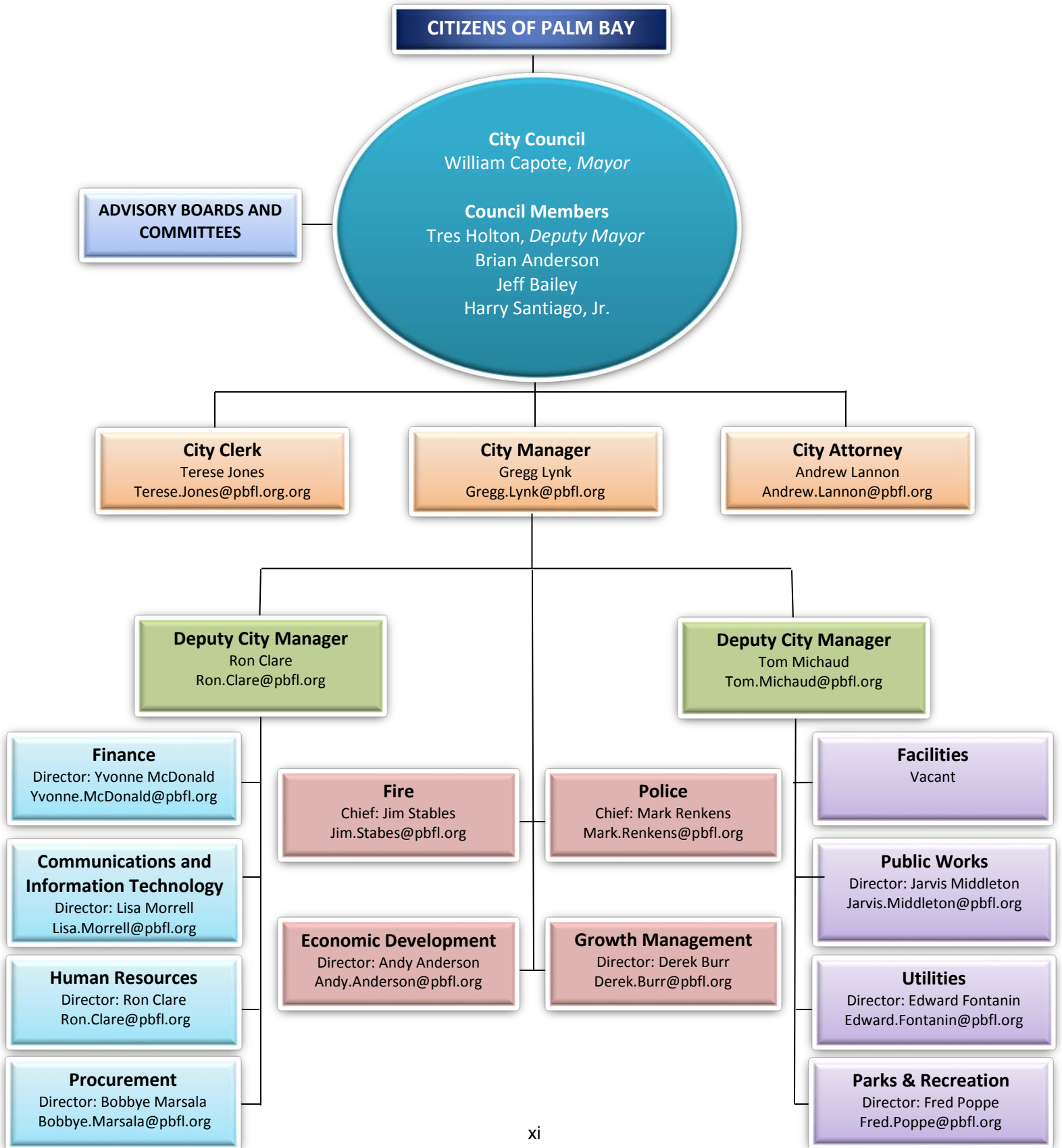
Christopher P. Morill

Executive Director/CEO



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CITY OF PALM BAY ORGANIZATIONAL STRUCTURE FY 2017





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CITY OF PALM BAY, FLORIDA

LIST OF PRINCIPAL OFFICIALS

As of date of transmittal

MAYOR	WILLIAM CAPOTE
DEPUTY MAYOR	TRES HOLTON
COUNCIL MEMBER	JEFF BAILEY
COUNCIL MEMBER	HARRY SANTIAGO, JR
COUNCIL MEMBER	BRIAN ANDERSON
CITY MANAGER	GREGG LYNK
DEPUTY CITY MANAGER	TOM MICHAUD
DEPUTY CITY MANAGER	RON CLARE
CITY ATTORNEY	PATRICIA ALLEN-SMITH
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	LESLIE HOOG
HUMAN RESOURCES DIRECTOR	RON CLARE
PARKS AND RECREATION DIRECTOR	FRED POPPE
POLICE CHIEF	JAMES ROGERS
PUBLIC WORKS DIRECTOR	JARVIS MIDDLETON
UTILITIES DIRECTOR	EDWARD FONTANIN, P.E.



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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, 2017, 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 has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 90-107 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 are presented for purposes of additional analysis 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 May 18, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Palm Bay, Florida’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palm Bay, Florida’s internal control over financial reporting and compliance.

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

Melbourne, Florida
May 18, 2018

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, 2017. 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 2017 by \$135.4 million (net position).

- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$23.6 million, as compared to \$21.6 million as of September 30, 2016.
- At September 30, 2017, the City's General Fund reported an *unassigned* balance of \$8.3 million or 12.4% of the total 2017 General Fund expenditures and transfers out.
- The City's outstanding long-term debt decreased by \$8.5 million during fiscal year 2017. The decrease was primarily a result of scheduled debt service payments; partial repayment on Utility Special Assessment Bonds and partial refunding of Taxable Special Obligation Bonds.
- The City's business-type activities reported total net position of \$103.8 million, which is an increase of \$7.4 million or 7.7% in comparison to the prior year. Approximately 9% of the total, or \$9.7 million, is *unrestricted*.

Overview of the Financial Statements

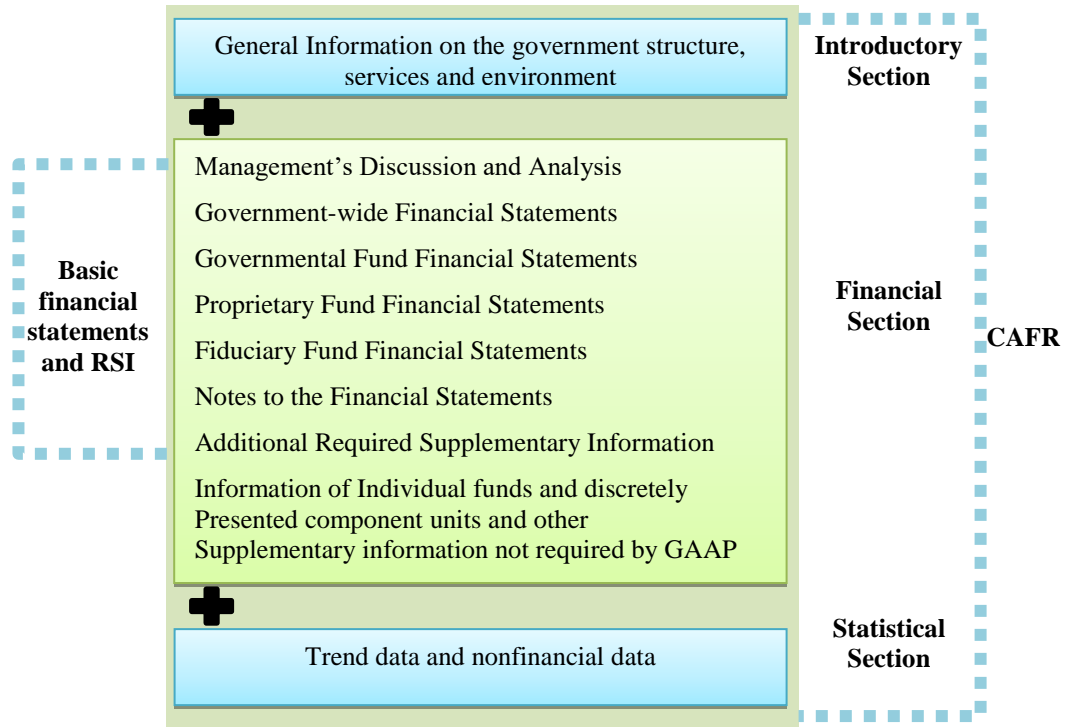
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- 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 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 regarding 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 \$135.3 million at the close of the fiscal year ended September 30, 2017. 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 (114%) 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 \$27.1 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 (\$46.1) million of unrestricted net position as of September 30, 2017. This is primarily due to the reporting requirements of GASB Statement 68.

There was a net decrease of \$1.7 million in net position regarding the City's governmental activities.

There was a net increase of \$7.4 million in net position reported regarding 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	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	34,962,877	\$ 31,817,380	\$ 50,176,709	\$ 49,329,091	85,139,586	\$ 81,146,471
Capital Assets (Net)	112,768,381	116,805,419	113,760,686	113,008,698	226,529,067	229,814,117
Total Assets	147,731,258	148,622,799	163,937,394	162,337,789	311,668,653	310,960,588
Deferred Outflow of Resources						
Unamortized loss on refunding	10,765,410	11,267,487	2,164,987	2,584,099	12,930,397	13,851,586
Deferred Outflows for Pensions	11,297,857	15,259,495	-	-	11,297,857	15,259,495
Total Deferred Outflows of Resources	22,063,267	26,526,982	2,164,987	2,584,099	24,228,254	29,111,081
Current and Other Liabilities	8,233,357	8,542,470	8,361,386	7,703,467	16,594,743	16,245,937
Long-Term Liabilities	122,313,166	129,376,151	53,896,322	60,823,418	176,209,488	190,199,569
Total Liabilities	130,546,523	137,918,621	62,257,708	68,526,885	192,804,231	206,445,506
Deferred Inflow of Resources						
Deferred Business Tax Licenses	360,931	390,815	-	-	360,931	390,815
Deferred Inflows from Refunding	224,115	235,910	-	-	224,115	235,910
Deferred Inflows Related to Pensions	7,490,276	3,775,762	-	-	7,490,276	3,775,762
Total Deferred Outflows of Resources	8,075,322	4,402,487	-	-	8,075,322	4,402,487
Net Position:						
Net Investment in Capital Assets	78,676,964	84,756,657	74,985,257	67,665,318	153,662,221	152,421,975
Restricted	7,966,761	5,763,641	19,153,725	17,669,639	27,120,486	23,433,280
Unrestricted (Deficit)	(55,471,045)	(57,691,625)	9,705,692	11,060,046	(45,765,353)	(46,631,579)
Total Net Position	\$ 31,172,680	\$ 32,828,673	\$ 103,844,674	\$ 96,395,003	\$ 135,017,354	\$ 129,223,676

There was an overall increase in the City’s net position of \$5.8 million. This change is a result of increase in charges for services pertaining to transportation impact fee, recreations recreation programs and water & sewer fees.

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

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues						
Charges for Services	\$ 9,025,086	\$ 6,981,865	\$ 39,583,404	\$ 37,513,330	\$ 48,608,490	\$ 44,495,195
Operating Grants and Contributions	1,797,091	1,713,078	264,422	-	2,061,513	1,713,078
Capital Grants and Contributions	156,824	14,539,432	2,072,222	1,690,644	2,229,046	16,230,076
General Revenues						
Property Taxes	27,050,557	24,729,117	-	-	27,050,557	24,729,117
Other Taxes	20,629,431	20,265,938	-	-	20,629,431	20,265,938
Other	12,034,218	10,752,584	339,988	330,426	12,374,206	11,083,010
Total Revenues	70,693,207	78,982,014	42,260,036	39,534,400	112,953,243	118,516,414
Expenses:						
General Government	18,030,253	18,278,547	-	-	18,030,253	18,278,547
Public Safety	33,513,185	31,933,038	-	-	33,513,185	31,933,038
Physical Environment	536,267	570,447	-	-	536,267	570,447
Transportation	10,938,430	9,065,890	-	-	10,938,430	9,065,890
Economic Environment	1,406,369	1,181,876	-	-	1,406,369	1,181,876
Culture/Recreation	5,392,682	3,988,802	-	-	5,392,682	3,988,802
Interest on Long-Term Debt	4,321,154	5,102,968	-	-	4,321,154	5,102,968
Water and Wastewater	-	-	22,352,343	21,842,674	22,352,343	21,842,674
Building Inspections	-	-	1,203,472	948,470	1,203,472	948,470
Stormwater	-	-	4,087,303	3,635,942	4,087,303	3,635,942
Solid Waste	-	-	5,378,107	5,367,656	5,378,107	5,367,656
Total expenses	74,138,340	70,121,568	33,021,225	31,794,742	107,159,565	101,916,310
Change in Net Positon before transfers	(3,445,133)	8,860,446	9,238,811	7,739,658	5,793,678	16,600,104
Transfers	1,789,140	1,549,049	(1,789,140)	(1,549,049)	-	-
Change in Net Position	(1,655,993)	10,409,495	7,449,671	6,190,609	5,793,678	16,600,104
Net Position, beginning of year	32,828,673	22,419,178	96,395,003	90,204,394	129,223,676	112,623,572
Net Position, end of year	\$ 31,172,680	\$ 32,828,673	\$ 103,844,674	\$ 96,395,003	\$ 135,017,354	\$ 129,223,676

Governmental Activities

Governmental activities decreased the City’s net position by \$1.7 million, and revenues from governmental activities decreased by \$8.3 million or 10.5%. The main reasons include a decrease of \$14.4 million in grants and contributions due to Brevard County’s one-time capital contribution in FY16; FY17 depreciation of those contributed assets and in addition to debris removal expenditures resulting from Hurricane Irma.

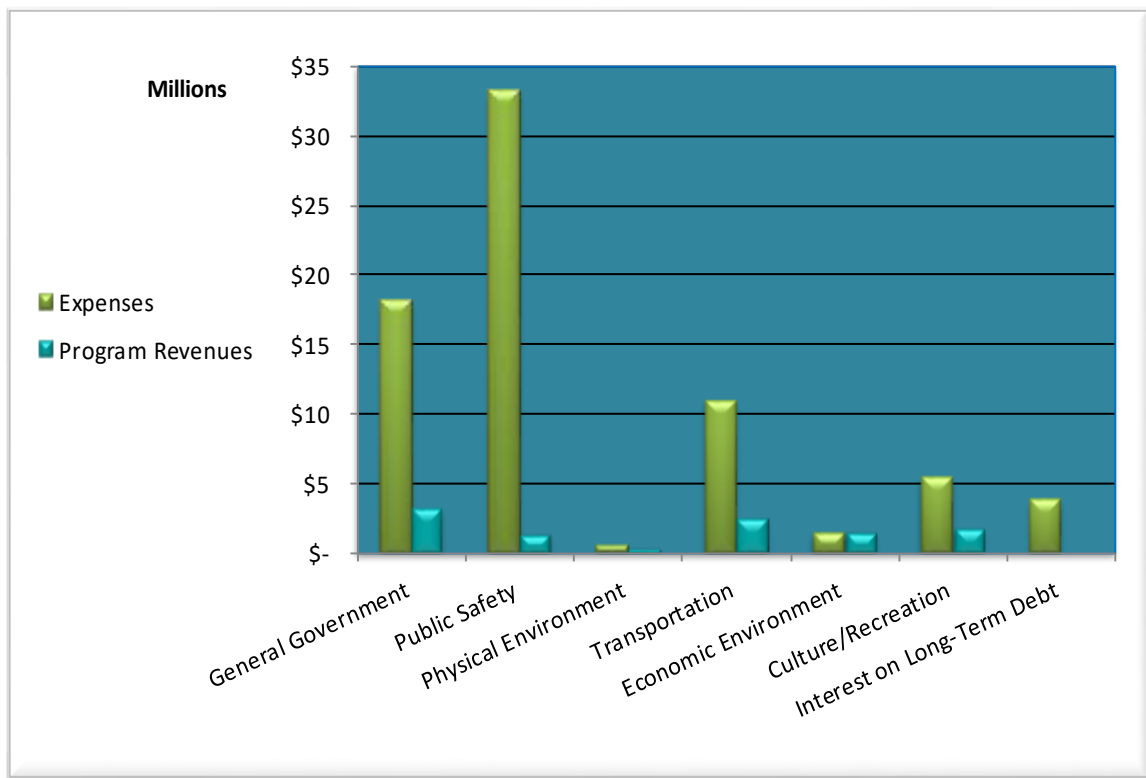
The following tables show the components of program and general revenues as a percentage of total governmental activities:

Expenses and Program Revenues – Governmental Activities

Functions/Programs	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
General Government	\$ 18,030,253	24.3%	\$ 3,134,824	28.6%	\$ (14,895,429)
Public Safety	33,513,185	45.2%	1,371,925	12.5%	(32,141,260)
Physical Environment	536,267	0.7%	314,000	2.9%	(222,267)
Transportation	10,938,430	14.8%	2,511,864	22.9%	(8,426,566)
Economic Environment	1,406,369	1.9%	1,849,596	16.7%	443,227
Culture/Recreation	5,392,682	7.3%	1,796,792	16.4%	(3,595,890)
Interest on Long-Term Debt	4,321,154	5.8%	-	0.0%	(4,321,154)
	\$ 74,138,340	100%	\$ 10,979,001	100%	\$ (63,159,339)

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

Expenses and Program Revenue – Governmental Activities

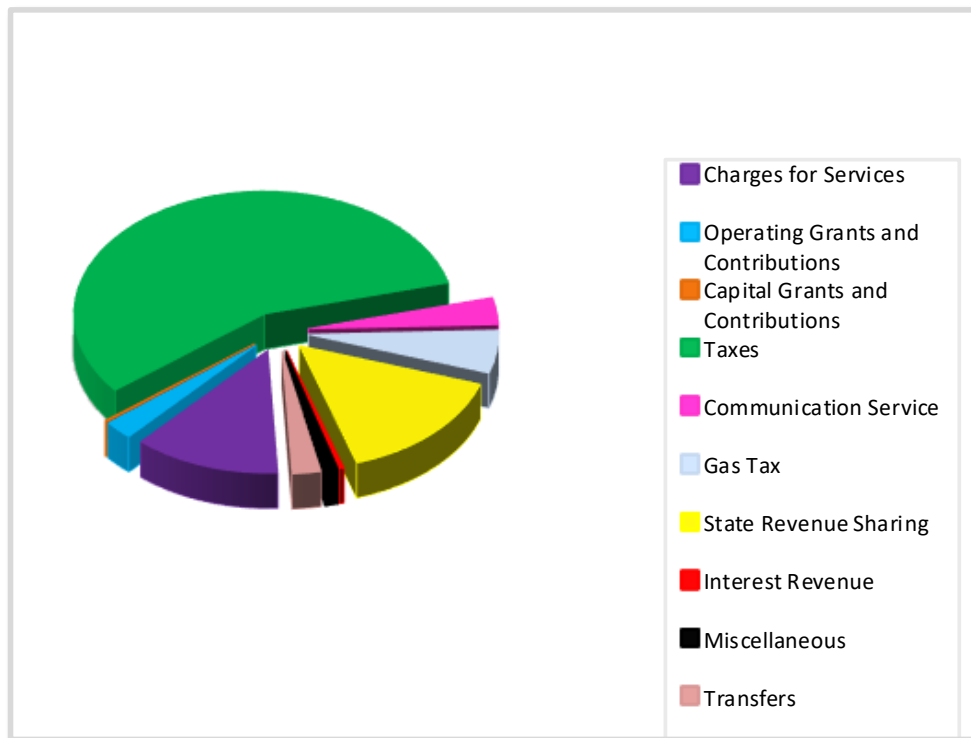


The following table and chart shows revenues by source of governmental activities by percent of total revenues.

Revenue by Source – Governmental Activities

Program Revenues		
Charges for Services	\$ 9,025,086	12.45%
Operating Grants and Contributions	1,797,091	2.48%
Capital Grants and Contributions	156,824	0.22%
General Revenues		
Property Tax	27,050,557	37.32%
Franchise Fees	5,440,630	7.51%
Utility Service Tax	8,529,879	11.77%
Communication Service Tax	2,569,293	3.54%
Gas Tax	4,089,629	5.64%
State Revenue Sharing	10,910,021	15.05%
Interest Earnings	283,435	0.39%
Miscellaneous	840,762	1.16%
Transfers	1,789,140	2.47%
	<u>\$ 72,482,347</u>	<u>100.00%</u>

Revenue by Source – Governmental Activities



Business-type activities

As mentioned above, business-type activities increased the City’s total net position by \$7.4 million. Key elements of the increase in business-type activities are as follows:

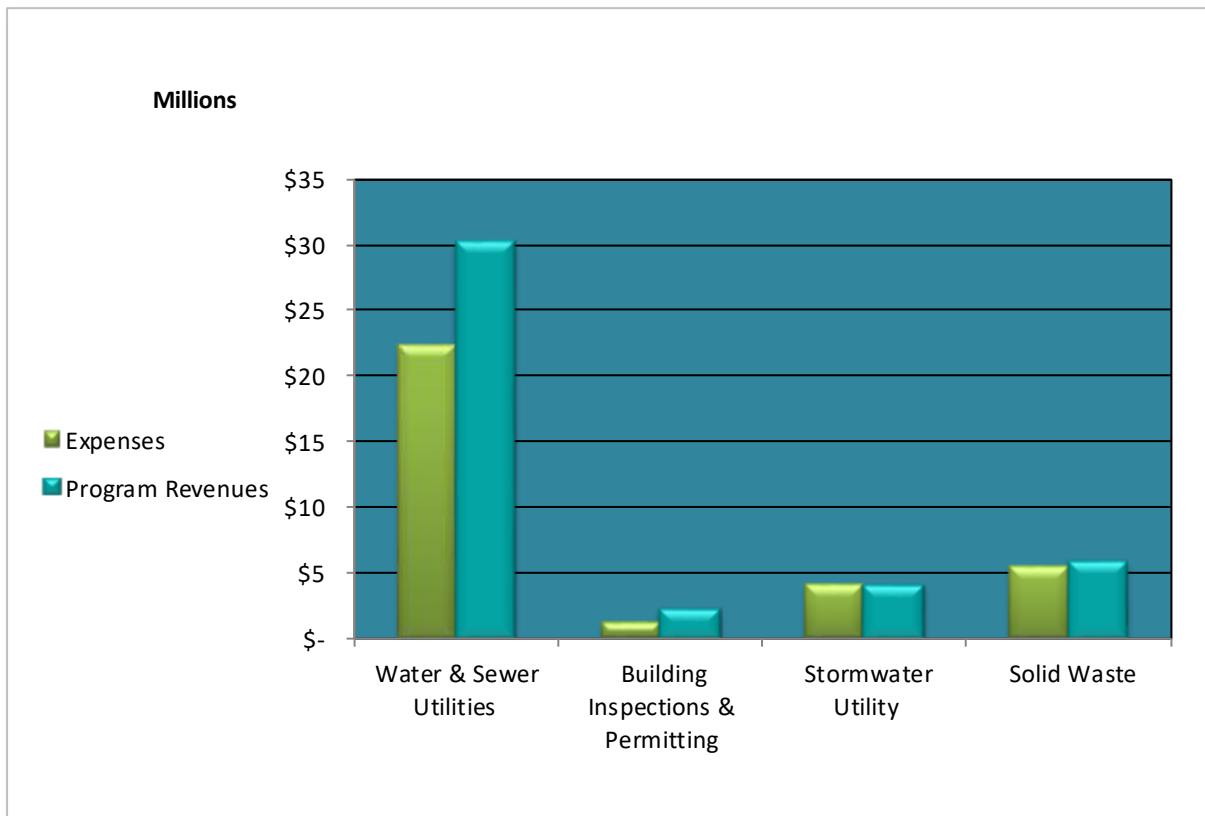
- Increase in charges for service revenue for utilities funds.
- Increase in capital contributions from water and sewer and main-line connections.
- Increase in Building Inspection licenses and permits.

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	\$ 22,352,343	67.7%	\$ 30,155,796	71.9%	\$ 7,803,453
Building Inspections & Permitting	1,203,472	3.6%	2,132,775	5.1%	929,303
Stormwater Utility	4,087,303	12.4%	3,883,529	9.3%	(203,774)
Solid Waste	5,378,107	16.3%	5,747,948	13.7%	369,841
	<u>\$ 33,021,225</u>	<u>100%</u>	<u>\$ 41,920,048</u>	<u>100%</u>	<u>\$ 8,898,823</u>

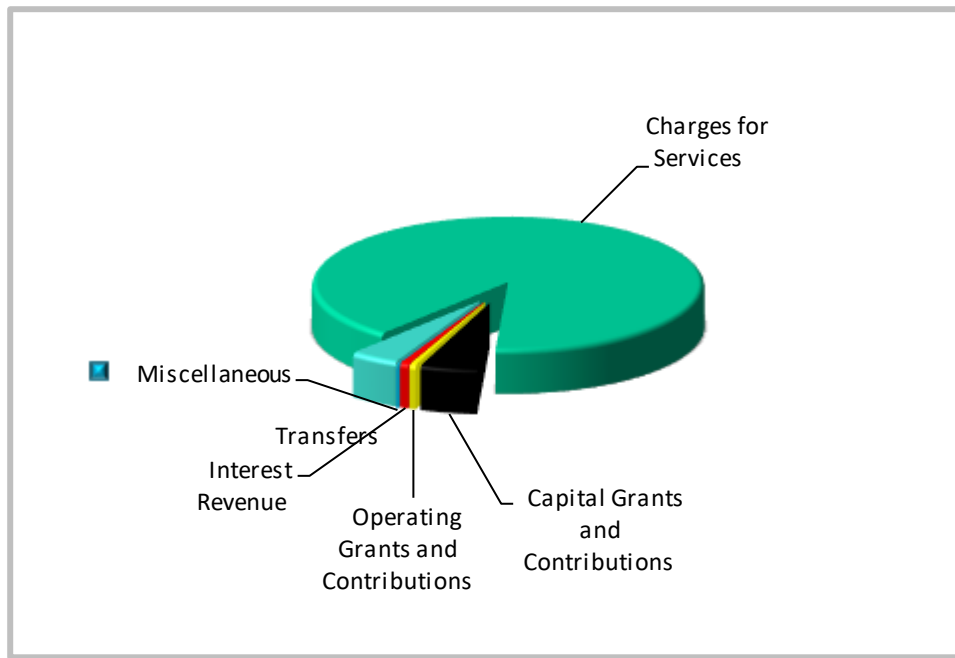
Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities

Charges for Services	\$ 39,583,404	97.81%
Capital Grants and Contributions	2,072,222	5.12%
Operating Grants and Contributions	264,422	0.65%
Interest Revenue	316,365	0.78%
Miscellaneous	23,623	0.06%
Transfers	<u>(1,789,140)</u>	<u>-4.42%</u>
	<u><u>\$ 40,470,896</u></u>	<u><u>100.00%</u></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.

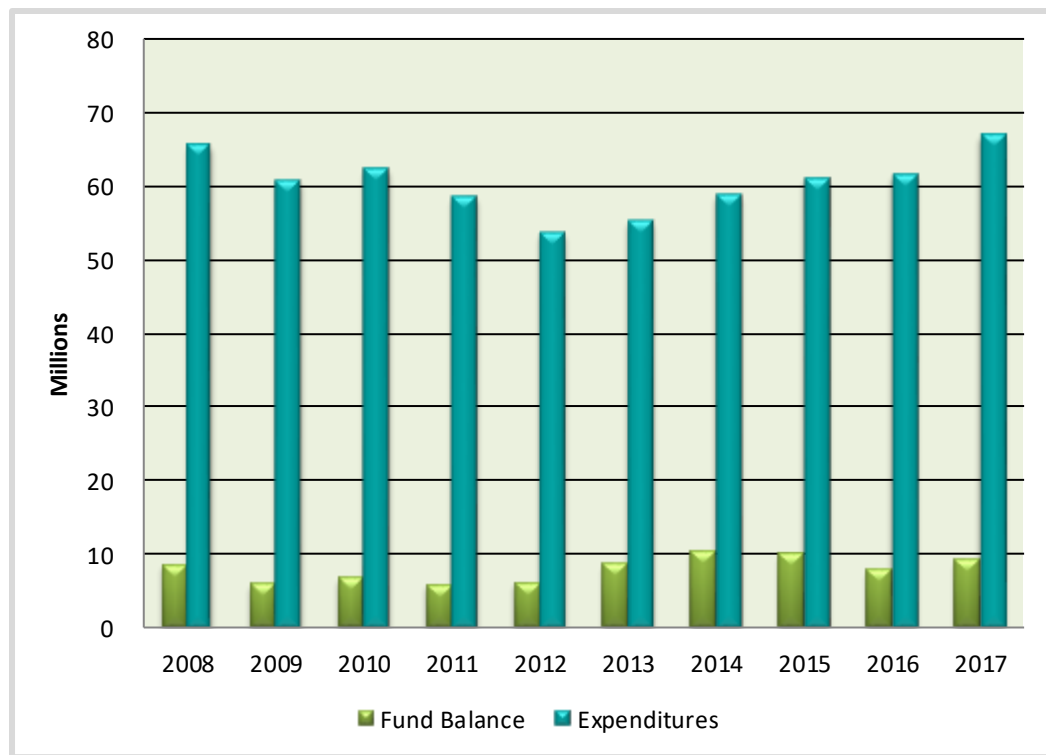
Governmental funds

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 2017, the City’s governmental funds reported combined ending fund balances of \$23.6 million, an increase of \$2.0 million in comparison with the prior year. Key elements of this change include increase revenues in all tax categories, and decrease expenditures for the I-95 Interchange and Road Maintenance projects. *Non-Spendable* fund balance is \$21,112 and is comprised of prepaid items and inventory. *Restricted* fund balance is 11.7 million and represents 50% of the total fund balance. *Committed* fund balance was \$3.4 million. *Assigned* fund balance is \$842,104. *Unassigned* fund balance, which is the residual, had a balance of approximately \$7.6 million.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2017, *unassigned* fund balance of the General Fund was \$8.3 million, while total fund balance reached \$8.63 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 decreased by \$542,595 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 2017, *restricted* fund balance of the BCRA Fund was \$403,829, which is a decrease of \$214,029. This is primarily due to increased expenditures for land acquisition.

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 \$9.7 million. The total net position of the Utilities Fund increased by \$6.9 million in fiscal year 2017. Solid Waste experienced an increase in net position of \$290,792 over fiscal year 2016. Building Inspection Fund experienced an increase in revenue from charges for service thereby increasing its ending net position by \$777,521 over fiscal year 2016. The Stormwater's decrease in net position of \$500,478 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 2017 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.

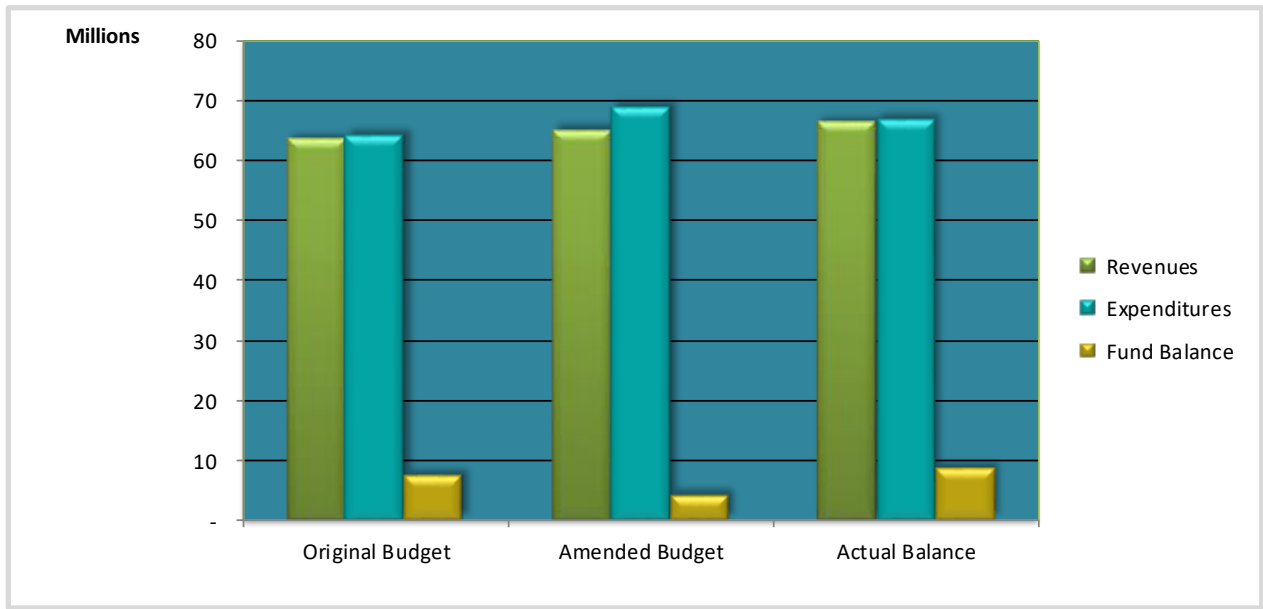
General Fund original budgeted revenue of \$63,474,898 is \$2.5 million more than the prior year. The total final budgeted revenues exceeded actual revenues by \$1.3 million.

General Fund original budgeted expenditures total \$64,227,340, representing an increase of \$3.7 million or 6% from FY 2016. Actual expenditures were \$2.1 million less than final budget. A concerted effort on constraining expenditures resulted in an across the board decrease in most government functions.

The budget is based upon an estimated unreserved fund balance as of September 30, 2016 of \$8,231,786. The minimum fund balance for FY17, as established by administrative code, is \$5,594,175 and represents 10% of projected operating costs. The approved budget FY17 exceeds the minimum requirement by \$2.6 million. This is a result of rising property values and the proportionate increase in ad valorem taxes.

The City generated positive/(negative) variances in the General Fund. There was a cumulative positive variance of approximately \$3.3 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.

2017 General Fund Budgetary Comparison



The FY 17 adopted millage rate of 8.4500 mills is a decrease from 8.5000 in FY 16.

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, 2017 amounts to \$226.5 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 17,451,756	\$ 17,174,446	\$ 5,099,259	\$ 4,923,881	\$ 22,551,015	\$ 22,098,327
Construction in Progress	5,389,714	8,386,965	5,563,463	3,427,177	10,953,177	11,814,142
Buildings and Improvements	35,390,091	35,303,267	2,863,766	2,863,766	38,253,857	38,167,033
Water and Sewer System	-	-	163,933,808	160,997,500	163,933,808	160,997,500
Machinery and Equipment	21,134,452	20,806,479	8,529,432	8,609,810	29,663,884	29,416,289
Infrastructure	114,945,340	110,018,490	157,636	157,636	115,102,976	110,176,126
	194,311,353	191,689,647	186,147,364	180,979,770	380,458,717	372,669,417
Less: Accumulated Depreciation	(81,542,972)	(74,886,228)	(72,386,678)	(67,971,072)	(153,929,650)	(142,857,300)
Capital Assets, net	\$ 112,768,381	\$ 116,803,419	\$ 113,760,686	\$ 113,008,698	\$ 226,529,067	\$ 229,812,117

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

- Completed transportation project related to road maintenance, rejuvenation and reconstruction totaled \$3.7 million.
- Completed sidewalk project totaled \$1 million.
- Road construction projects still in progress at the end of the year totaled \$5.4 million.
- Water and sewer improvement projects completed during the year totaled \$2.6 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 2017, the City had total long-term liabilities of \$141.4 million. Of this amount \$80.5 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	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ 72,088,529	\$ 76,889,269	\$ 8,373,342	\$ 9,953,729	\$ 80,461,871	\$ 86,842,998
Notes Payable	13,607,000	10,995,000	31,935,000	37,200,000	45,542,000	48,195,000
Capital Leases	793,941	1,382,836	840,174	1,109,260	1,634,115	2,492,096
OPEB Obligation	2,853,719	2,489,964	1,001,432	886,562	3,855,151	3,376,526
Compensated Absences	5,333,582	5,131,966	901,717	864,176	6,235,299	5,996,142
Claims Payable	3,687,000	2,989,625	-	-	3,687,000	2,989,625
	\$ 98,363,771	\$ 99,878,660	\$ 43,051,665	\$ 50,013,727	\$ 141,415,436	\$ 149,892,387

Notes payable increased due to of the refunding of Taxable Special Obligation Bonds, Series 2004.

Capital leases decreased due to scheduled amortized reductions.

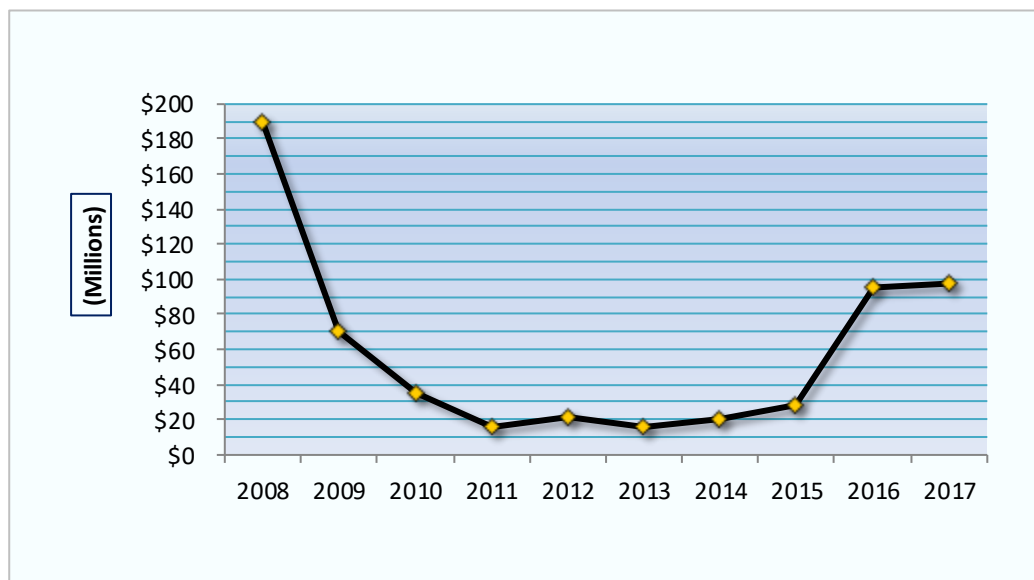
Claims payable increase due to OPEB obligations as actuarially determined based on the City's pay-as-you-go funding policy, in addition to accrued litigations charges.

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, 2017 was 3.8%, a decrease of 3% from the prior year. The national average unemployment rate for 2017 was 4.1%
- Population increased approximately 2% from the prior year.
- The taxable value of real property for the City increased by 10.1% in the 2017 fiscal year.
- Building activity resulted in \$97.4 million of new construction during the year, which is an increase of \$2.1 million, or 2.2%, 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 February 2018, the City authorized the issuance of the Local Option Gas Tax Revenue Note, par value of \$9,000,000 with an average coupon rate of 2.710% and a maturity date of October 2032. The Note provides funding for the construction of a connector road to the I-95 Interchange project currently in progress.

Taxable Value from New Construction



During the current fiscal year, *unassigned* fund balance in the General Fund increased to \$8.3 million.

The ad valorem tax rate for the General Fund was decreased from 8.5000 mills in the prior year to 8.4500 mills in fiscal year 2017.

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.



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STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 14,120,437	\$ 11,828,803	\$ 25,949,240
Investments	14,643,868	6,509,836	21,153,704
Restricted Assets:			
Cash and Cash Equivalents	-	7,717,671	7,717,671
Investments	-	11,062,511	11,062,511
Accounts Receivable (Net)	3,086,447	9,644,632	12,731,079
Internal Balances	(760,548)	760,548	-
Due from Other Governments	3,212,746	-	3,212,746
Land Held for Resale	4,000	-	4,000
Inventories	186,919	385,824	572,743
Prepaid Items	300,227	-	300,227
Other Assets	-	39,975	39,975
Accounts Receivable, Long-term (Net)	-	2,226,910	2,226,910
Capital Assets Not Being Depreciated:			
Land	17,451,756	5,099,259	22,551,015
Construction in Progress	5,389,714	5,563,463	10,953,177
Capital Assets, Net of Accumulated Depreciation:			
Building and Improvements	18,932,517	1,545,581	20,478,098
Water and Sewer Systems	-	99,658,922	99,658,922
Machinery, Equipment and Vehicles	1,572,258	1,740,072	3,312,330
Infrastructure	69,422,136	153,389	69,575,525
Net Pension Asset	168,781	-	168,781
Total Assets	147,731,258	163,937,395	311,668,653
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss from Bond Refunding	10,765,410	2,164,987	12,930,397
Deferred Outflows Related to Pensions	11,297,857	-	11,297,857
Total Deferred Outflows of Resources	22,063,267	2,164,987	24,228,254

Continued on the next page

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
Accounts Payable	4,479,111	2,316,114	6,795,225
Accrued Liabilities	1,316,160	370,601	1,686,761
Due to Other Funds	-	-	-
Due to Other Governments	20,363	-	20,363
Unearned Revenues	556,292	3,308,639	3,864,931
Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	1,861,431	-	1,861,431
Customer Deposits	-	2,366,032	2,366,032
Long-Term Liabilities:			
Due Within One Year:			
Bonds Payable	1,258,913	915,747	2,174,660
Notes Payable	1,491,000	4,915,000	6,406,000
Capital Leases Payable	532,524	278,560	811,084
Claims Payable	1,219,920	-	1,219,920
Compensated Absences	853,373	144,274	997,647
Due in More Than One Year:			
Bonds Payable	70,829,616	7,457,595	78,287,211
Notes Payable	12,116,000	27,020,000	39,136,000
Capital Leases Payable	261,417	561,614	823,031
Accreted Interest Payable	-	10,844,657	10,844,657
Claims Payable	2,467,080	-	2,467,080
Net OPEB Obligation	2,853,719	1,001,432	3,855,151
Net Pension Liability	23,949,395	-	23,949,395
Compensated Absences	4,480,209	757,443	5,237,652
Total Liabilities	130,546,523	62,257,708	192,804,231
DEFERRED INFLOWS OF RESOURCES			
Deferred Business Tax Licenses	360,931	-	360,931
Deferred Inflows from Bond Refunding	224,115	-	224,115
Deferred Inflows Related to Pensions	7,490,276	-	7,490,276
Total Deferred Inflows of Resources	8,075,322	-	8,075,322
NET POSITION			
Net Investment in Capital Assets	78,676,964	74,985,257	153,662,221
Restricted for:			
Transportation	4,046,126	-	4,046,126
Economic Development	1,070,751	-	1,070,751
Debt Service	2,610,071	-	2,610,071
Building Fund	-	2,739,575	2,739,575
Water and Sewer Utilities System	-	16,414,150	16,414,150
Public Safety	239,813	-	239,813
Unrestricted (Deficit)	(55,471,045)	9,705,692	(45,765,353)
Total Net Position	\$ 31,172,680	\$ 103,844,674	\$ 135,017,354

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

STATEMENT OF ACTIVITIES
For Fiscal Year Ended September 30, 2017

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 18,030,253	\$ 3,107,163	\$ 27,661	\$ -
Public Safety	33,513,185	1,015,504	264,656	91,765
Physical Environment	536,267	314,000	-	-
Transportation	10,938,430	2,511,864	-	-
Economic Environment	1,406,369	299,757	1,504,616	45,223
Culture/Recreation	5,392,682	1,776,798	158	19,836
Interest on Long-Term Debt	4,321,154	-	-	-
Total Governmental Activities	74,138,340	9,025,086	1,797,091	156,824
Business-type Activities:				
Water and Sewer Utilities	22,352,343	28,055,756	27,818	2,072,222
Building Inspections & Permitting	1,203,472	2,132,775	-	-
Stormwater Utility	4,087,303	3,646,925	236,604	-
Solid Waste	5,378,107	5,747,948	-	-
Total Business-type Activities	33,021,225	39,583,404	264,422	2,072,222
Total	\$ 107,159,565	\$ 48,608,490	\$ 2,061,513	\$ 2,229,046

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
\$ (14,895,429)	\$ -	\$ (14,895,429)
(32,141,260)	-	(32,141,260)
(222,267)	-	(222,267)
(8,426,566)	-	(8,426,566)
443,227	-	443,227
(3,595,890)	-	(3,595,890)
(4,321,154)	-	(4,321,154)
(63,159,339)	-	(63,159,339)
-	7,803,453	7,803,453
-	929,303	929,303
-	(203,774)	(203,774)
-	369,841	369,841
-	8,898,823	8,898,823
(63,159,339)	8,898,823	(54,260,516)
27,050,557	-	27,050,557
5,440,630	-	5,440,630
8,529,879	-	8,529,879
2,569,293	-	2,569,293
4,089,629	-	4,089,629
10,910,021	-	10,910,021
283,435	316,365	599,800
840,762	23,623	864,385
1,789,140	(1,789,140)	-
61,503,346	(1,449,152)	60,054,194
(1,655,993)	7,449,671	5,793,678
32,828,673	96,395,003	129,223,676
\$ 31,172,680	\$ 103,844,674	\$ 135,017,354

BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	General	Bayfront Community Redevelopment Agency	BCRA Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 692,189	\$ 485,516	\$ 343,953	\$ 10,000,555	\$ 11,522,213
Investments	6,203,405	432	706,375	4,126,336	11,036,548
Accounts Receivable	2,679,104	-	2,083	1,493	2,682,680
Due from Other Governments	2,787,082	-	-	732,354	3,519,436
Due from Other Funds	163,168	-	-	2,385,790	2,548,958
Land Held for Resale	-	-	-	4,000	4,000
Prepaid Items	15,746	870	-	-	16,616
Inventory	5,366	-	-	-	5,366
Total Assets	\$ 12,546,060	\$ 486,818	\$ 1,052,411	\$ 17,250,528	\$ 31,335,817
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,753,413	\$ 51,478	\$ -	\$ 1,945,891	\$ 3,750,782
Accrued Liabilities	1,158,368	3,751	-	-	1,162,119
Due to Other Funds	-	-	-	721,198	721,198
Unearned Revenue	138,400	-	-	417,892	556,292
Advances to Other Funds	502,961	27,760	-	608,677	1,139,398
Due to Other Governments	-	-	-	20,363	20,363
Total Liabilities	3,553,142	82,989	-	3,714,021	7,350,152
DEFERRED INFLOW OF RESOURCES					
Deferred Business Tax Licenses	360,931	-	-	-	360,931
Total Deferred Inflow of Resources	360,931	-	-	-	360,931
Fund Balances:					
Nonspendable	21,112	870	-	-	21,982
Restricted	-	402,959	1,052,411	10,290,347	11,745,717
Committed	193,358	-	-	3,193,172	3,386,530
Assigned	149,855	-	-	692,699	842,554
Unassigned (Deficit)	8,267,662	-	-	(639,711)	7,627,951
Total Fund Balances	8,631,987	403,829	1,052,411	13,536,507	23,624,734
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,546,060	\$ 486,818	\$ 1,052,411	\$ 17,250,528	\$ 31,335,817

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, 2017**

Total fund balances of governmental funds	\$ 23,624,734
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$184,913,558 and the accumulated depreciation is \$73,950,251. Internal service funds capital assets of \$9,397,795 and accumulated depreciation of \$7,592,721 are included in the internal service funds balances below.</p>	110,963,307
<p>Net pension assets are not financial resources and therefore are not reported in the funds.</p>	168,781
<p>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.</p>	
<p style="padding-left: 20px;">Deferred outflows of resources</p>	11,297,857
<p style="padding-left: 20px;">Deferred inflows of resources</p>	(7,490,276)
<p>Deferred Inflows of resources for loss on bond refunding</p>	(224,115)
<p>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.</p>	10,765,410
<p>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.</p>	2,099,335
<p>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 \$137,998 (\$22,080 current and \$115,918 long-term) \$ 240,540 lease payable and net OPEB obligations of \$76,706.</p> <p>Long-term liabilities at year end consist of :</p>	
Bonds payable	\$ 72,088,529
Notes payable	13,607,000
Accrued interest payable	1,861,431
Capital leases payable	553,401
Net Pension Liability	23,949,395
Net OPEB obligation	2,777,013
Compensated absences	5,195,584
	(120,032,353)
Total net position of governmental activities	\$ 31,172,680

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, 2017

	General	Bayfront Community Redevelopment	BCRA Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 41,995,100	\$ 794,446	\$ -	\$ -	\$ 42,789,546
Impact Fees	-	-	-	2,963,444	2,963,444
Licenses and Permits	5,449,708	-	-	-	5,449,708
Intergovernmental Revenues	12,033,444	91,765	-	1,569,675	13,694,884
Charges for Services	3,446,247	-	-	451,713	3,897,960
Fines and Forfeitures	480,380	-	-	99,793	580,173
Investment Income	123,831	6,426	7,268	103,377	240,902
Miscellaneous Revenues	546,388	1,000	-	423,399	970,787
Total Revenues	64,075,098	893,637	7,268	5,611,401	70,587,404
EXPENDITURES					
Current:					
General Government	15,188,929	-	573	44,951	15,234,453
Public Safety	32,442,466	-	-	164,012	32,606,478
Transportation	6,255,648	-	-	253,438	6,509,086
Economic Environment	-	250,944	-	240,710	491,654
Culture/Recreation	4,442,964	-	-	76,685	4,519,649
Debt Service:					
Principal Retirement	-	345,000	-	2,219,622	2,564,622
Interest and Fiscal Charges	-	126,404	-	4,261,214	4,387,618
Capital Outlay	-	385,394	23,685	2,766,389	3,175,468
Total Expenditures	58,330,007	1,107,742	24,258	10,027,021	69,489,028
Excess (Deficiency) of Revenues Over Expenditures	5,745,091	(214,105)	(16,990)	(4,415,620)	1,098,376
OTHER FINANCING SOURCES (USES)					
Transfers In	1,951,028	76	-	8,259,812	10,210,916
Transfers Out	(8,569,104)	-	(76)	(1,100,337)	(9,669,517)
Proceeds from Sale of Capital Assets	330,390	-	-	-	330,390
Issuance of Refunding Debt	-	-	-	3,983,000	3,983,000
Payment to Refunded Bond Escrow Agent	-	-	-	(3,931,905)	(3,931,905)
Total Other Financing Sources and (Uses)	(6,287,686)	76	(76)	7,210,570	922,884
Net Change in Fund Balances	(542,595)	(214,029)	(17,066)	2,794,950	2,021,260
Fund Balances - Beginning	9,174,582	617,858	1,069,477	10,741,557	21,603,474
Fund Balances - Ending	\$ 8,631,987	\$ 403,829	\$ 1,052,411	\$ 13,536,507	\$ 23,624,734

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, 2017**

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

Net change in fund balances - total governmental funds.	\$ 2,021,260
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 (\$3,942,277) exceeds depreciation expense (\$7,146,296) in the current period.	(3,204,019)
Proceeds from the sale of capital assets increase financial resources, but in the statement of activities, only a gain or loss is reported.	(330,390)
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.	6,188
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.	(2,614,669)
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	4,800,740
Capital Leases	351,116
Notes Payable	1,371,000
Debt issued or incurred:	
Proceeds from notes payable	(3,983,000)
Amortized refunding charges	(569,487)
Unamortized refunding gains	(11,795)
Accrued interest payable on long-term debt	310,144
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	(193,922)
Net OPEB Obligation	(354,182)
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.	745,023
Change in net position of governmental activities.	\$ (1,655,993)

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017**

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Total Enterprise (Nonmajor Funds)	Total Enterprise Funds	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 8,341,647	\$ 722,294	\$ 2,764,862	\$ 11,828,803	\$ 2,598,224
Investments	5,482,934	274,582	752,320	6,509,836	3,607,320
Restricted Cash and Cash Equivalents	2,070,688	295,344	-	2,366,032	-
Accounts Receivable - (Net)	6,500,014	559,680	2,584,938	9,644,632	97,077
Advances to Other Funds	188,575	792,329	185,619	1,166,523	-
Inventory	356,683	29,141	-	385,824	181,553
Prepaid Items	-	-	-	-	283,611
Total Current Assets	22,940,541	2,673,370	6,287,739	31,901,650	6,767,785
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	5,351,639	-	-	5,351,639	-
Investments	11,062,511	-	-	11,062,511	-
Total Restricted Assets	16,414,150	-	-	16,414,150	-
Accounts Receivable (Net)	2,226,910	-	-	2,226,910	-
Advances to Other Funds	1,012,312	-	1,174,042	2,186,354	-
Other Assets	39,975	-	-	39,975	-
Total Other Noncurrent Assets	3,279,197	-	1,174,042	4,453,239	-
Capital Assets:					
Land	5,078,571	-	20,688	5,099,259	-
Construction in Progress	4,758,979	-	804,484	5,563,463	-
Building and Improvements	2,863,766	-	-	2,863,766	-
Water and Sewer Systems Infrastructure	163,933,808	-	-	163,933,808	-
Machinery, Equipment and Vehicles	4,001,783	2,560,000	1,967,649	8,529,432	9,397,795
Less: Accumulated Depreciation	(68,822,411)	(1,792,000)	(1,772,267)	(72,386,678)	(7,592,721)
Total Capital Assets (Net)	111,814,496	768,000	1,178,190	113,760,686	1,805,074
Total Noncurrent Assets	131,507,843	768,000	2,352,232	134,628,075	1,805,074
Total Assets	154,448,384	3,441,370	8,639,971	166,529,725	8,572,859
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss from bond refunding	2,164,987	-	-	2,164,987	-
Total Deferred Outflows of Resources	2,164,987	-	-	2,164,987	-

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, 2017

	Business Type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Enterprise (Nonmajor Funds)		
LIABILITIES					
Current Liabilities:					
Accounts Payable	1,387,215	778,656	150,243	2,316,114	728,329
Accrued Liabilities	251,934	8,787	109,880	370,601	154,041
Unearned Revenues	404,203	513,906	2,390,531	3,308,640	-
Bonds Payable	915,747	-	-	915,747	-
Notes Payable	4,915,000	-	-	4,915,000	-
Capital Leases Payable	-	278,560	-	278,560	240,540
Compensated Absences	122,136	2,523	19,615	144,274	22,080
Claims Payable	-	-	-	-	1,219,920
Advances from Other Funds	-	-	2,592,329	2,592,329	249,878
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	2,070,688	295,344	-	2,366,032	-
Total Current Liabilities	10,066,923	1,877,776	5,262,598	17,207,297	2,614,788
Noncurrent Liabilities:					
Bonds Payable	7,457,595	-	-	7,457,595	-
Notes Payable	27,020,000	-	-	27,020,000	-
Capital Leases Payable	-	561,614	-	561,614	-
Accreted Interest Payable	10,844,657	-	-	10,844,657	-
Net OPEB Obligation	616,364	19,814	365,254	1,001,432	76,706
Compensated Absences	641,216	13,248	102,979	757,443	115,918
Claims Payable	-	-	-	-	2,467,080
Advances from Other Funds	-	-	-	-	1,199,032
Total Noncurrent Liabilities	46,579,832	594,676	468,233	47,642,741	3,858,736
Total Liabilities	56,646,755	2,472,452	5,730,831	64,850,038	6,473,524
NET POSITION					
Net Investment in Capital Assets	73,807,067	-	1,178,190	74,985,257	1,564,534
Restricted:					
Renewal and Replacement	7,320,778	-	-	7,320,778	-
Capital Improvements	9,093,372	-	-	9,093,372	-
Building Fund	-	-	2,739,575	2,739,575	-
Unrestricted	9,745,399	968,918	(1,008,625)	9,705,692	534,801
Total Net Position	\$ 99,966,616	\$ 968,918	\$ 2,909,140	\$ 103,844,674	\$ 2,099,335

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, 2017**

	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
Operating Revenues:					
Charges for Services:					
Water	\$ 15,678,941	\$ -	\$ -	\$ 15,678,941	\$ -
Sewer	11,963,568	-	-	11,963,568	-
Stormwater	-	-	3,505,447	3,505,447	-
Solid Waste	-	5,702,699	-	5,702,699	-
User Fees	-	-	55,915	55,915	20,017,344
Assessments	223,899	-	-	223,899	-
Licenses and Permits	189,348	-	2,072,441	2,261,789	-
Miscellaneous Income	-	45,249	145,897	191,146	4,259
Total Operating Revenues	28,055,756	5,747,948	5,779,700	39,583,404	20,021,603
Operating Expenses:					
Personal Services	8,191,021	313,907	3,562,095	12,067,023	3,985,065
Material, Supplies, and Operating expenses	7,118,026	4,774,009	1,693,699	13,585,734	2,434,612
Claims/Premium Expense	-	-	-	-	13,600,634
Depreciation	4,554,982	256,000	33,113	4,844,095	563,608
Total Operating Expenses	19,864,029	5,343,916	5,288,907	30,496,852	20,583,919
Operating Income	8,191,727	404,032	490,793	9,086,552	(562,316)
Nonoperating Revenues (Expenses):					
Interest Income	300,571	11,368	4,426	316,365	42,533
Interest Expense and Fiscal Charges	(2,488,314)	(34,191)	(1,868)	(2,524,373)	(46,205)
Intergovernmental Revenues	27,818	-	236,604	264,422	52,648
Gain on Sale of Capital Assets	23,623	-	-	23,623	10,622
Total Nonoperating Revenues (Expenses)	(2,136,302)	(22,823)	239,162	(1,919,963)	59,598
Income Before Contributions and Transfers	6,055,425	381,209	729,955	7,166,589	(502,718)
Capital Contributions	2,072,222	-	-	2,072,222	-
Transfers In	7,347,043	-	6,500	7,353,543	1,286,211
Transfers Out	(8,592,854)	(90,417)	(459,412)	(9,142,683)	(38,470)
Change in Net Position	6,881,836	290,792	277,043	7,449,671	745,023
Net Position - Beginning of year	93,084,780	678,126	2,632,097	96,395,003	1,354,312
Total Net Position - Ending	\$ 99,966,616	\$ 968,918	\$ 2,909,140	\$ 103,844,674	\$ 2,099,335

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, 2017**

	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
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 28,872,759	\$ 5,769,305	\$ 5,587,705	\$ 40,229,769	\$ 20,014,480
Payments to Suppliers	(6,346,368)	(4,741,733)	(1,629,926)	(12,718,027)	(15,347,764)
Payments to Employees	(8,045,720)	(312,377)	(3,543,542)	(11,901,639)	(3,760,850)
Net Cash Provided by Operating Activities	14,480,671	715,195	414,237	15,610,103	905,866
Cash Flows from Noncapital Financing Activities					
Interfund Advances	113,096	(792,329)	2,475,176	1,795,943	(184,196)
Intergovernmental Revenues	27,818	-	236,604	264,422	52,648
Interest paid on Noncapital debt	-	-	(1,868)	(1,868)	-
Transfers to Other Funds	(8,592,854)	(90,417)	(459,412)	(9,142,683)	(38,470)
Transfers from Other Funds	7,347,043	-	6,500	7,353,543	1,286,211
Net Cash Provided (Used) by Noncapital Financing Activities	(1,104,897)	(882,746)	2,257,000	269,357	1,116,193
Cash Flows from Capital and Related Financing Activities					
Acquisition/Construction of Capital Assets	(4,755,891)	-	(855,082)	(5,610,973)	(645,304)
Principal Paid on Capital Debt	(1,582,565)	(269,087)	-	(1,851,652)	(237,779)
Interest Paid on Capital Debt	(2,211,046)	(34,192)	-	(2,245,238)	(46,205)
Contributions	2,072,222	-	-	2,072,222	-
Principal Paid on Notes Payable	(4,580,000)	-	-	(4,580,000)	-
Payment to Escrow Agent	(2,541,534)	-	-	(2,541,534)	-
Proceeds from Sale of Capital Assets	23,623	-	-	23,623	10,622
Proceeds from Refunding of Bonds	2,060,000	-	-	2,060,000	-
Net Cash Used by Capital and Related Financing Activities	(11,515,191)	(303,279)	(855,082)	(12,673,552)	(918,666)
Cash Flows from Investing Activities					
Investment purchases	(12,134,244)	(174,485)	(238,290)	(12,547,019)	(3,109,560)
Proceeds from Sale and Maturity of Investments	7,726,913	-	-	7,726,913	-
Interest Income on Investments	300,571	11,368	4,426	316,365	42,533
Net Cash Provided (Used) by Investing Activities	(4,106,760)	(163,117)	(233,864)	(4,503,741)	(3,067,027)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,246,177)	(633,947)	1,582,291	(1,297,833)	(1,963,634)
Cash and Cash Equivalents at Beginning of Year	18,010,151	1,651,585	1,182,571	20,844,307	\$ 4,561,858
Cash and Cash Equivalents at End of Year	\$ 15,763,974	\$ 1,017,638	\$ 2,764,862	\$ 19,546,474	\$ 2,598,224
Cash and Cash Equivalents Classified As:					
Current Assets	\$ 8,341,647	\$ 722,294	\$ 2,764,862	\$ 11,828,803	\$ 2,598,224
Restricted Assets	7,422,327	295,344	-	7,717,671	-
Total Cash and Cash Equivalents	\$ 15,763,974	\$ 1,017,638	\$ 2,764,862	\$ 19,546,474	\$ 2,598,224

Continued on the next page

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For Fiscal Year Ended September 30, 2017

	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
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$ 8,191,727	\$ 404,032	\$ 490,793	\$ 9,086,552	\$ (562,316)
Depreciation	4,554,982	256,000	33,113	4,844,095	\$ 563,608
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	738,861	38,076	(83,244)	693,693	2,450
Decrease in Inventory	8,826	7,187	-	16,013	32,761
(Increase) Decrease in Prepaid Items	(21,534)	-	1,964	(19,570)	(16,852)
Increase in Accounts Payable	766,329	25,001	67,014	858,344	158,256
Increase in Accrued Liabilities	18,037	88	9,269	27,394	13,317
Increase in Customer Deposits	78,142	12,630	-	90,772	-
Increase in OPEB Obligation	76,580	4,787	33,503	114,870	9,573
Increase (Decrease) in Compensated Absences	68,721	(3,257)	(27,923)	37,541	7,694
Increase in Claims Payable	-	-	-	-	697,375
Decrease in Unearned Revenues	-	(29,349)	(110,252)	(139,601)	-
Total Adjustments	6,288,944	311,163	(76,556)	6,523,551	1,468,182
Net Cash Provided by Operating Activities	\$ 14,480,671	\$ 715,195	\$ 414,237	\$ 15,610,103	\$ 905,866

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, 2017

ASSETS	Total
Cash and Cash Equivalents	\$ 6,047,521
Investments, at fair value:	
Common Stock	58,902,896
Domestic Equity Funds	9,711,330
U.S. Government securities	29,800,990
Corporate Bonds	9,553,937
Bond Funds	63,569
International Equity Funds	28,624,072
Real Estate Funds	20,363,314
Convertible Securities	19,004,594
Master Limited Partnership	5,956,460
Total investments	181,981,162
Receivables:	
Accrued Interest and Dividends	305,989
Due from Broker	1,993,578
Other	65,889
Total Receivables	2,365,456
Other assets:	35,310
Total Assets	190,429,449
 LIABILITIES	
Accounts Payable	271,623
Deferred Retirement Option Benefits due and currently payable	209,405
Deferred City Contributions	1,615
Due to broker	2,844,693
Total Liabilities	3,327,336
 NET POSITION	
Restricted for Pension Benefits	\$ 187,102,113

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, 2017**

	Total
ADDITIONS	
Contributions:	
Employer	\$ 3,311,013
Employee	1,132,916
State	1,223,304
Employee Buybacks	45,397
Total Contributions	5,712,630
Investment Earnings:	
Net Appreciation in Fair Value of Investments	15,274,813
Interest and Dividends	4,897,132
Miscellaneous	6,210
Total Investment Earnings	20,178,155
Less: Investment Expenses	979,680
Net investment Income	19,198,475
Total Additions	24,911,105
DEDUCTIONS	
Benefits	10,633,969
Refunds	56,982
Administrative Expense	553,811
Total Deductions	11,244,762
Change in Net Position	13,666,343
Net Position - Beginning of Year	173,435,770
Net Position - End of Year	\$ 187,102,113

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 established 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 comparable items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a 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 complies with criteria set forth in Section 150: *Investments* of the GASB codification. 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 2017 are based, is 8.4500.

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 yearend.

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. GASBC 1800: *Classification and terminology*, 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 related 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, donated works of art, and similar items and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation rather than estimated fair market value.

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 GASBC P20: *Pension Activities* 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 and unamortized gain on refunding, pursuant to GASBC P20: *Pension Activities*.

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 withheld or not 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 GASBC Section 150: *Investments*. 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 these 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)**

GASBC 1800: *Classification and terminology* 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. GASBC 1800: *Classification and terminology* 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 classification of the City's Fund Balances as of September 30, 2017, are as follows:

Function Balance Classification	Major Funds				Total Governmental Funds
	General Fund	Bayfront Community Redevelopment Agency	BCRA Construction Fund	Nonmajor Governmental Funds	
Non-Spendable:					
Items not in spendable form:					
Inventory	\$ 5,366	\$ -	\$ -	\$ -	\$ 5,366
Land Held for Resale	-	-	-	-	-
Prepaid Items	15,746	870	-	-	16,616
Total Nonspendable Fund Balances	21,112	870	-	-	21,982
Restricted for:					
Debt Service	-	-	-	4,471,502	4,471,502
Citizen Services	-	-	-	667,792	667,792
Forfeited property	-	-	-	239,813	239,813
Redevelopment Activities	-	402,959	-	-	402,959
Other capital projects	-	-	1,052,411	4,911,240	5,963,651
Total Restricted Fund Balances	-	402,959	1,052,411	10,290,347	11,745,717
Committed to:					
Road Maintenance	-	-	-	3,193,172	3,193,172
Various Contracts	193,358	-	-	-	193,358
Total Committed Fund Balances	193,358	-	-	3,193,172	3,386,530
Assigned to:					
Various contracts	149,855	-	-	-	149,855
Property held for resale	-	-	-	4,000	4,000
Citizen Services	-	-	-	688,699	688,699
Total Assigned Fund Balances	149,855	-	-	692,699	842,554
Unassigned:					
General government	8,267,662	-	-	-	8,267,662
Other governmental fund deficit residuals	-	-	-	(639,711)	(639,711)
Total Unassigned Fund Balances	8,267,662	-	-	(639,711)	7,627,951
Total Fund Balances	\$ 8,631,987	\$ 403,829	\$ 1,052,411	\$ 13,536,507	\$ 23,624,734

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, 2017, the following funds of the City had deficit balances:

Special Revenue Funds:	
Community Development Block Grant	(\$39,234)
Environmental Fee Fund	(\$600,477)

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

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.

NOTE 3 – Deposits and Investments

A. Cash and Deposits

At September 30, 2017, the carrying amount of the City’s cash deposit accounts was \$24,482,894, and the bank balance was \$23,916,667. 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 in money market accounts with Florida Education Investment Trust Fund \$9,166,392, and US Bank \$17,625.

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, 2017, the City had the following investment types and effective duration presented in terms of years:

Security Type	Fair Value	Effective Duration (Years)
U.S. Treasury Notes	\$ 8,268,667	1.68
Federal Instrumentalities - Notes	5,510,054	1.61
Commercial Paper	995,441	0.33
Corporate Notes	3,079,975	1.51
Florida Education Investment Trust Fund *	9,166,392	51 days
Florida Prime ("SBA") Fund **	14,362,078	51 days
US Bank Money Market Account	17,625	0.003
Less: Amounts reported as cash and cash equivalents	(9,184,017)	
Total	\$ 32,216,215	0.67

* The Florida Education Investment Trust Fund's Fact Sheet as of September 30, 2017 provided the Weighted Average Maturity (represented in days).

** Florida Prime (SBA)'s September 30, 2017 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, 2017, the investment portfolio had an effective duration of 0.67 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
92826CAB8	Visa, Inc. (Callable)	12/14/20	11/14/20	Continuous	\$ 40,408
46625HKA7	JP Morgan Chase (Ca	01/23/20	12/23/19	Continuous	150,807
06406HDB2	Bk of NY Mellon (Calla	05/22/18	04/22/18	Continuous	300,249
Total					\$ 491,464

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, 2017, the City had the following credit exposure as a percentage of total investments:

Security Type	Standard & Poor's Credit Rating	Portfolio Asset Allocation
U.S. Treasury Notes	AA+	19.97%
Federal Instrumentalities - Notes	AA+	13.31%
Commercial Paper	A-1+	1.56%
Commercial Paper	A-1	0.84%
Corporate Notes	AAA	0.36%
Corporate Notes	AA+	1.49%
Corporate Notes	AA-	0.27%
Corporate Notes	A+	2.03%
Corporate Notes	A	2.33%
Corporate Notes	A-	0.82%
Corporate Notes	BBB+	0.14%
Florida Education Investment Trust Fund *	AAAm	22.14%
Florida Prime ("SBA") Fund **	AAAm	34.69%
US Bank Money Market Account	N/A	0.05%
Total		100%

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

- * The Florida Education Investment Trust Fund's Fact Sheet as of September 30, 2017 provided the Credit Rating from Standard & Poor's.
- ** Florida Prime (SBA)'s September 30, 2017 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.
- *** The City's policy requires securities be rated A or better by at least 2 NRSRO's, the Goldman Sachs Corporate Note is rated BBB+ by S&P, but is rated A by Moody's and Fitch and is in compliance with the City's policy.

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, 2017, 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, 2017, the City had the following issuer concentration based on fair value:

Security Type	Fair Value	% of Portfolio
U.S. Treasury Notes	\$ 8,268,667	12.73%
Federal Home Loan Bank Notes (FHLB)	2,310,489	3.56%
Federal National Mortgage Association Notes (FNMA)	2,564,959	3.95%
Freddie Mac Notes (FHLMC)	634,605	0.98%
American Express Corporate Notes	190,587	0.29%
American Honda Finance Corporate Notes	255,111	0.39%
Apple Inc. Corporate Notes	168,531	0.26%
Bank of New York Mellon (Callable) Corporate Notes	300,249	0.46%
Caterpillar Corporate Notes	109,493	0.17%
Deere & Co. Corporate Notes	185,486	0.29%
Exxon Mobil Corporate Notes	449,762	0.69%
Goldman Sachs Corporate Notes	54,905	0.08%
Home Depot Corporate Notes	70,051	0.11%
HSBC USA Corporate Notes	300,246	0.46%
IBM Corporate Notes	174,862	0.27%
Intel Corporation Corporate Notes	125,264	0.19%
JP Morgan Chase & Co. Corporate Notes	150,807	0.23%
Microsoft Corporate Notes	149,314	0.23%
Pepsico Co. Corporate Notes	74,936	0.12%
Toyota Motor Credit Corporate Notes	110,041	0.17%
Visa Corporate Notes	40,408	0.06%
Walt Disney Corp Corporate Notes	169,922	0.26%
JP Morgan Commercial Paper	349,108	0.54%
Toyota Motor Credit Commercial Paper	646,334	1.00%
Florida Prime ("SBA") Fund*	14,362,078	22.12%
Florida Education Investment Trust Fund	9,166,392	14.12%
US Bank Money Market Account	17,625	0.03%
JP Morgan Chase Concentration Account	23,530,155	36.24%
Total	\$ 64,930,387	100.00%

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 GASBC Section 150: *Investments*, the City categorizes its fair value measurements within the fair value hierarchy. The City has the following fair value measurements as of September 30, 2017.

	Fair Value Measurements Using		
	Quoted Price in Active Markets for Identical Assets Markets for Identical Assets	Level 1	Significant Other Observable Inputs Level 2
Investments by fair value level	9/30/2017		
U.S. Treasury securities	\$ 8,268,667	\$ 8,268,687	\$ -
Federal Agencies and Instrumentalities	5,510,054	-	5,510,054
Commercial paper	995,441	-	995,441
Corporate notes	3,079,975	-	3,079,975
Total investments by fair value level	17,854,137	8,268,687	9,585,470
Investments measured at the net asset value (NAV) and Amortized Cost			
Florida Prime Fund (NAV)	14,362,078		
Florida Education Investment Trust Fund (Amortized Cost)	9,166,392		
US Bank money market account (Amortized Cost)	17,625		
JP Morgan Chase Concentration Account (Amortized Cost)	23,530,155		
Total investments measured at the NAV and Amortized Cost	47,076,250		
Total investments	\$ 64,930,387		

NOTE 3 – Deposits and Investments (Continued)**G. Investments – Fair Value Measurement and Application (Continued)**

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.

The cash equivalents measured at amortized cost meet the requirements under GASBC Section 150: *Investments* 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, 2017.

Investments by fair value level	9/30/2017	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	\$ 29,800,990	\$ 21,916,440	\$ 7,884,550	\$ -
Common Stock	58,902,897	57,335,142	1,567,755	-
Corporate Bonds	9,553,937	-	9,553,937	-
Real Estate Funds	20,363,314	-	-	20,363,314
Convertible Securities	19,004,594	3,531,741	15,472,853	-
Total Investments by net fair value level	137,625,732	82,783,323	34,479,095	20,363,314

Investments measured at net asset value ("NAV")

Domestic Equity Funds	9,711,330
International Equity Funds	28,624,072
Bond Funds	63,569
Master Limited Partnership	5,956,459
Total investments measured at NAV	44,355,430
Total investments	\$ 181,981,162

The Plan's valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2017 are as follows:

Investments Measured at the NAV				
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual funds	\$ 30,785,958	\$ -	Daily	Same Day
Commingled domestic equity funds	13,569,472		Monthly	Up to 15 Days
Total investments measured at the NAV	\$ 44,355,430	\$ -		

NOTE 3 – Deposits and Investments (Continued)H. Investments – Investment in Palm Bay Retirement System1. 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 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:

Authorized Investments	Target % of Portfolio	Actual % of Portfolio
Domestic equities	35%	36%
Fixed income	25%	21%
International equities	15%	16%
Real estate	10%	11%
Convertible securities	10%	10%
Master limited partnership	5%	3%
Cash equivalents	0%	3%
	<u>100%</u>	<u>100%</u>

NOTE 3 – Deposits and Investments (Continued)**H. Investments – Investment in 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.

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, 2017:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 21,916,440	\$ -	\$ 14,870,619	\$ 4,244,938	\$ 2,800,883
U.S. Agencies	7,884,550	-	-	-	7,884,550
Debt Securities	9,553,937	317,570	3,235,005	1,299,977	4,701,385
Bond Funds	63,569	-	-	63,569	56,274
Total Fixed Income	\$ 39,418,496	\$ 317,570	\$ 18,105,624	\$ 5,608,484	\$ 15,443,092

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, 2017 as applicable:

Quality Rating of Credit Risk Debt Securities	Fair Value	Percentage of Portfolio
Government	\$ 29,800,990	75.60%
AAA	2,111,566	5.36%
AA+	61,963	0.16%
AA-	973,354	2.47%
A+	172,801	0.44%
A	220,365	0.56%
A-	872,702	2.21%
BB+	167,263	0.42%
BBB+	1,601,223	4.06%
BBB	1,304,607	3.31%
BBB-	1,389,536	3.53%
Other	742,126	1.88%
Total Fixed Income Securities	\$ 39,418,496	100%

NOTE 3 – Deposits and Investments (Continued)

H. Investments – Investment in Palm Bay Retirement System (Continued)

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, 2017.

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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 11.25% 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, 2017 are summarized as follows:

	Primary Government		Total
	Governmental	Business-type	
Accounts Receivable:			
Accounts receivable	\$ 2,779,757	\$ 9,545,431	\$ 12,325,188
Due from other Governments	3,519,436	222,301	3,741,737
Assessments Receivables	-	2,282,058	2,282,058
	<u>6,299,193</u>	<u>12,049,790</u>	<u>18,348,983</u>
Less: Allowances for Uncollectibles	-	(178,248)	(178,248)
Accounts receivable, net	<u>\$ 6,299,193</u>	<u>\$ 11,871,542</u>	<u>\$ 18,170,735</u>

	Governmental Activities			Total
	General Fund	Other Governmental	Internal Service	
Accounts Receivable:				
Accounts receivables	\$ 2,679,104	\$ 3,576	\$ 97,077	\$ 2,779,757
Due from State of Florida	2,759,612	687,132	-	3,446,744
Due from Brevard County	27,470	45,222	-	72,692
Governmental receivable, net	<u>\$ 5,466,186</u>	<u>\$ 735,930</u>	<u>\$ 97,077</u>	<u>\$ 6,299,193</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, 2017 is summarized as follows:

	Business-type Activities			Total
	Utilities Fund (Major Fund)	Solid Waste (Major Fund)	Enterprise (Nonmajor Fund)	
Accounts Receivable:				
Accounts receivables	\$ 4,413,777	\$ 559,680	\$ 2,390,455	\$ 7,363,912
Unbilled receivables	2,181,519	-	-	2,181,519
Due from other Governments	27,818	-	194,483	222,301
Assessments receivables	2,282,058	-	-	2,282,058
	<u>8,905,172</u>	<u>559,680</u>	<u>2,584,938</u>	<u>12,049,790</u>
Less: Allowances for uncollectibles	(178,248)	-	-	(178,248)
Business-type receivable, net	<u>\$ 8,726,924</u>	<u>\$ 559,680</u>	<u>\$ 2,584,938</u>	<u>\$ 11,871,542</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, 2017 are as follows:

Account Description:	Cash and Cash Equivalents
Current:	
Customer Deposits	\$ <u>2,366,032</u>
Total Current Restricted Assets	<u>2,366,032</u>
Noncurrent:	
Renewal, Replacement and Improvement	7,320,778
Connection Fees	6,959,703
Debt Service Reserve	<u>2,133,669</u>
Total Noncurrent Restricted Assets	<u>16,414,150</u>
Total Restricted Assets- Business-type Activities	<u>\$ 18,780,182</u>

NOTE 6 - Interfund Transfers, Receivables and Payables

Individual Interfund transfers at September 30, 2017 are presented on the table that follows:

Transfers Out	Transfers In						Total Transfers Out
	General	Nonmajor Governmental	Bayfront Community Redevelopment	Building Inspections	Utilities	Internal Service	
General	\$ -	\$ 7,404,559	\$ -	\$ -	\$ -	\$ 1,164,545	\$ 8,569,104
Nonmajor Governmental	116,918	855,253	-	6,500	-	121,666	1,100,337
BCRA Construction	-	-	76	-	-	-	76
Building Inspections	158,282	-	-	-	-	-	158,282
Utilities	1,310,227	-	-	-	7,282,627	-	8,592,854
Stormwater	244,908	-	-	-	56,222	-	301,130
Solid Waste	82,223	-	-	-	8,194	-	90,417
Internal Service	38,470	-	-	-	-	-	38,470
Total Transfers In	\$ 1,951,028	\$ 8,259,812	\$ 76	\$ 6,500	\$ 7,347,043	\$ 1,286,211	\$ 18,850,670

The transfer of approximately \$1.3 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 \$8.3 million covered debt service obligations. Transfers within utilities in the amount of \$7.3 million covered debt service obligations, supported capital improvement projects and maintained fund balance in accordance with established policies. Internal Services transfers in included \$300,000 for health insurance claims, \$210,000 for sick & vacation payouts, \$368,590 for vehicles purchases, machine and equipment and an additional \$345,666 for debt service obligations

Advances to/from other funds at September 30, 2017 were as follows:

- \$1,200,887 – 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%.
- \$608,677 – 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.
- \$2,592,329 – Advance of \$1.8M from Road Maintenance Program & \$792,329 from Solid Waste Fund to cover Stormwater Fund deficits as established by Resolution 2017-42.
- \$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 (\$163,168) to Community Development Block Grant to cover deficit balance and Bayfront Community Redevelopment Agency to cover FY15 expenditures over 25% of incremental tax revenue cap as established in City Resolution 99-11.

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.

Governmental Activities	Beginning Balance 9/30/2016	Increases	Decreases	Ending Balance 9/30/2017
Capital Assets, Not Being Depreciated:				
Land	\$ 17,174,446	\$ 1,192,025	\$ (914,715)	\$ 17,451,756
Construction In Progress	8,386,965	2,016,423	(5,013,674)	5,389,714
Total Capital Assets, Not Being Depreciated	25,561,411	3,208,448	(5,928,389)	22,841,470
Capital Assets, Being Depreciated:				
Buildings and Improvements	35,303,267	86,824	-	35,390,091
Machinery, Equipment and Vehicles	20,808,479	1,379,133	(1,053,160)	21,134,452
Infrastructure	110,018,490	4,926,850	-	114,945,340
Total Capital Assets Being Depreciated	166,130,236	6,392,807	(1,053,160)	171,469,883
Less Accumulated Depreciation For:				
Buildings and Improvements	(15,186,776)	(1,270,798)	-	(16,457,574)
Machinery and Equipment	(19,398,844)	(1,216,510)	1,053,160	(19,562,194)
Infrastructure	(40,300,608)	(5,222,596)	-	(45,523,204)
Total Accumulated Depreciation	(74,886,228)	(7,709,904)	1,053,160	(81,542,972)
Total Capital Assets, Being Depreciated, Net	91,244,008	(1,317,097)	-	89,926,911
Governmental Activities Capital Assets, Net	\$ 116,805,419	\$ 1,891,351	\$ (5,928,389)	\$ 112,768,381

NOTE 7 – Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

Business-type Activities	Ending Balance 9/30/2016	Increases	Decreases	Ending Balance 9/30/2017
<u>Utility System</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,904,079	\$ 174,492	\$ -	\$ 5,078,571
Construction In Progress	3,424,790	3,902,055	(2,567,866)	4,758,979
Total Capital Assets, Not Being Depreciated	8,328,869	4,076,547	(2,567,866)	9,837,550
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,863,766	-	-	2,863,766
Water and Sewer System	160,997,500	2,936,308	-	163,933,808
Machinery and Equipment	4,021,662	303,412	(323,291)	4,001,783
Total Capital Assets Being Depreciated	167,882,928	3,239,720	(323,291)	170,799,357
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,248,733)	(69,452)	-	(1,318,185)
Water and Sewer System	(60,002,450)	(4,272,436)	-	(64,274,886)
Machinery and Equipment	(3,332,137)	(213,092)	315,889	(3,229,340)
Total Accumulated Depreciation	(64,583,320)	(4,554,980)	315,889	(68,822,411)
Total Capital Assets, Being Depreciated, Net	103,299,608	(1,315,260)	(7,402)	101,976,946
Utility System Capital Assets, Net	\$ 111,628,477	\$ 2,761,287	\$ (2,575,268)	\$ 111,814,496
<u>Solid Waste</u>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 2,560,000	\$ -	\$ -	\$ 2,560,000
Less Accumulated Depreciation For:				
Machinery and Equipment	(1,536,000)	(256,000)	-	(1,792,000)
Solid Waste Capital Assets, Net	\$ 1,024,000	\$ (256,000)	\$ -	\$ 768,000

NOTE 7 – Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

Stormwater Utility

Capital Assets, Not Being Depreciated:

Land	\$ 19,802	\$ 886	\$ -	\$ 20,688
Construction in Progress	2,387	802,097	-	804,484
Total Capital Assets, Not Being Depreciated:	22,189	802,983	-	825,172

Capital Assets, Being Depreciated:

Infrastructure	157,636	-	-	157,636
Machinery and Equipment	2,019,488	-	(112,598)	1,906,890
Total Capital Assets Being Depreciated	2,177,124	-	(112,598)	2,064,526

Less Accumulated Depreciation For:

Machinery and Equipment	(1,848,921)	(30,457)	112,598	(1,766,780)
Infrastructure	(2,831)	(1,416)	-	(4,247)
Total Accumulated Depreciation	(1,851,752)	(31,873)	112,598	(1,771,027)

Total Capital Assets, Being Depreciated, Net	325,372	(31,873)	-	293,499
Stormwater Utility Capital Assets, Net	\$ 347,561	\$ 771,110	\$ -	\$ 1,118,671

Building Inspections

Capital Assets, Being Depreciated:

Machinery and Equipment	\$ 8,660	\$ 52,099	\$ -	\$ 60,759
Less Accumulated Depreciation For:				
Machinery and Equipment	-	(1,240)	-	(1,240)

Building Inspections Capital Assets, Net	\$ 8,660	\$ 50,859	\$ -	\$ 59,519
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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	\$	799,498
Public Safety		1,030,830
Physical Environment		536,267
Transportation		4,453,278
Economic Environment		-
Culture/Recreation		890,031
Total Governmental Activities	\$	<u>7,709,904</u>

Business-type Activities:

Utility System	\$	4,554,980
Building Inspection		1,240
Stormwater		31,873
Solid Waste Fund		256,000
Total Business-type Activities	\$	<u>4,844,093</u>

B. Construction Commitments

Projects	Spent-to-Date	Remaining Commitment
Public Works		
Bus Shelter Installation	\$ 149,834	\$ 160,789
Koske Pond	430,789	198,624
Road Maintenance Program	1,637,222	1,993,304
I-95 Interchange	4,374,336	849,549
Utility Improvements		
Waste & Wastewater Rehabilitation Improvements	4,721,818	10,381,289
Total	\$ 11,313,999	\$ 13,583,555

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, 2017:

Governmental Activities:	Balance 9/30/16	Additions	Reductions	Balance 9/30/17	Due Within One Year	Long-Term Portion
Bonds Payable						
Revenue Bonds	\$ 76,380,541	\$ -	\$ 4,787,506	\$ 71,593,035	\$ 1,258,913	\$ 70,334,122
Add Premium	521,573	-	26,079	495,494	-	495,494
Less Deferred Amounts:						
For Issuance Discounts	(12,845)	-	(12,845)	-	-	-
Total Bonds Payable	76,889,269	-	4,800,740	72,088,529	1,258,913	70,829,616
Notes Payable	10,995,000	3,983,000	1,371,000	13,607,000	1,491,000	12,116,000
Capital Leases	1,382,836	-	588,895	793,941	532,524	261,417
Net OPEB Obligation	2,489,964	363,755	-	2,853,719	-	2,853,719
Compensated Absences	5,131,966	3,744,937	3,543,321	5,333,582	853,373	4,480,209
Claims Payable	2,989,625	861,000	163,625	3,687,000	1,219,920	2,467,080
Total Governmental Activities	\$ 99,878,660	\$ 8,952,692	\$ 10,467,581	\$ 98,363,771	\$ 5,355,730	\$ 93,008,041
Business-type Activities:						
<u>Utility System</u>						
Bonds Payable:						
Revenue Bonds	\$ 9,965,208	\$ -	\$ 1,582,565	\$ 8,382,643	\$ 915,747	\$ 7,466,896
For Bond Discounts	(11,479)	-	(2,178)	(9,301)	-	(9,301)
Total Bonds Payable	9,953,729	-	1,580,387	8,373,342	915,747	7,457,595
Notes Payable	37,200,000	2,060,000	7,325,000	31,935,000	4,915,000	27,020,000
Net OPEB Obligation	539,784	76,580	-	616,364	-	616,364
Compensated Absences	694,631	615,941	547,220	763,352	122,136	641,216
Total Utility System	\$ 48,388,144	\$ 2,752,521	\$ 9,452,607	\$ 41,688,058	\$ 5,952,883	\$ 35,735,175
<u>Building Inspection</u>						
Net OPEB Obligation	\$ 94,110	\$ 9,572	\$ -	\$ 103,682	\$ -	\$ 103,682
Compensated Absences	38,946	54,364	41,480	51,830	8,293	43,537
Total Building Inspection	\$ 133,056	\$ 63,936	\$ 41,480	\$ 155,512	\$ 8,293	\$ 147,219
<u>Stormwater Utility</u>						
Net OPEB Obligation	\$ 237,641	\$ 23,931	\$ -	\$ 261,572	\$ -	\$ 261,572
Compensated Absences	111,571	187,535	228,342	70,764	11,322	59,442
Total Stormwater Utility	\$ 349,212	\$ 211,466	\$ 228,342	\$ 332,336	\$ 11,322	\$ 321,014
<u>Solid Waste</u>						
Capital Leases	\$ 1,109,260	\$ -	\$ 269,086	\$ 840,174	\$ 278,560	\$ 561,614
Net OPEB Obligation	15,027	4,787	-	19,814	-	19,814
Compensated Absences	19,028	18,565	21,822	15,771	2,523	13,248
Total Solid Waste	\$ 1,143,315	\$ 23,352	\$ 290,908	\$ 875,759	\$ 281,083	\$ 594,676

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 2026. In December 2016, the City partially refunded these bonds, providing \$4,013,423 in escrow to redeem principal of \$3,945,000 and interest of \$68,423 in January 2017. Total principal and interest remaining to be paid on the bonds is \$1,585,000. For the current year, principal and interest of \$373,739 was paid. State revenue sharing monies received in 2017 were \$4,525,840.

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 \$9,829,545. Current year principal and interest paid was \$471,503. Public services tax revenues were \$11,099,172.

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 \$98,893,536. For the current year, interest of \$2,973,201 was paid. Designated Revenues were \$11,099,172.

The City has pledged sales tax revenues to repay \$15,375,000 in bonds issued in October 2015. The proceeds from the bonds were used to defease outstanding 2006 Sales Tax Revenue Bonds procured for the acquisition and construction of capital improvement. The bonds are payable from sales tax revenues and are payable through 2037. Principal and interest remaining on the Series 2015 bonds is \$20,761,222. For the current year, principal and interest paid was \$1,083,980. Sales tax revenues were \$6,311,425.

NOTE 8 - Long Term Debt (Continued)

B. Bonds Payable (Continued)

1. Governmental Activities (Continued)

A summary of outstanding governmental bonds payable at September 30, 2017 is as follows:

Governmental Activities:	Purpose of Issue	Amount Issued	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Revenue Bonds:					
Taxable Special Obligation Bonds Series 2004	Discharging of unfunded actuarial accrued pension fund liability	\$ 5,376,447	\$ 573,035	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	5,330,000	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	14,835,000	3.000-4.000	2037
Total Governmental Activities			<u>\$ 71,593,035</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.

In July 2001, the City issued \$21,311,958 in Capital Improvement Revenue Bonds which were secured by pledged City water and sewer system net operating revenues, including water connection fees. Proceeds from the bonds were used to (1) finance capital improvements to the water portion of the City's Water and Wastewater System (2) pay costs and expenses related to issuance of the Series 2001 Bonds including the municipal bond insurance premium and Reserve Fund Surety Bond premium. The bonds are payable through 2031. Total principal and interest remaining to be paid on the bonds is \$26,857,576. Current year principal and interest payments were \$1,952,101. The City's net operating water and sewer revenues were \$13,911,502.

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. In July 2017, the City used \$620,000 in assessment collections to partially redeem the bonds. This action a) reduced the maturity date of the bonds by two years and they are now payable through 2023 b) reduced cumulative interest expense by \$176,358, c) reduced required debt service fund reserves. The bonds are payable from proceeds derived from special assessments. Total principal and interest remaining to be paid on the bonds is \$1,186,431. Principal and interest paid for the current year was \$870,250. During fiscal year ended September 30, 2017, the City collected \$173,386 in special assessments leaving \$1,213,680 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, 2017:

Business-type Activities:	Purpose of Issue	Amount Issued	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Revenue Bonds:					
Utility Capital Improvement Revenue Bonds Series 2001	Capital improvements to water system	\$ 21,311,958	\$ 7,342,643	5.000-5.250	2031
Utility Special Assessment Bonds Series 2003	Financing special assessments for water and sewer improvements	3,535,000	1,040,000	3.300-4.125	2025
Total Business-type Activities			<u>\$ 8,382,643</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	
2018	\$ 1,258,913	\$ 3,868,541	\$ 532,524	\$ 9,832	\$ 1,491,000	\$ 385,568	\$ 7,546,378
2019	1,307,057	3,843,708	261,417	3,309	1,583,000	348,254	7,346,745
2020	1,339,721	3,811,639	-	-	1,622,000	308,838	7,082,198
2021	2,046,410	3,774,160	-	-	1,677,000	267,510	7,765,080
2022	2,114,899	3,706,716	-	-	1,096,000	228,722	7,146,337
2023-2026	11,446,035	17,130,756	-	-	4,397,000	657,644	33,631,435
2028-2032	16,005,000	13,373,752	-	-	1,741,000	110,479	31,230,231
2033-2037	22,375,000	8,199,192	-	-	-	-	30,574,192
2038-2042	13,700,000	1,767,805	-	-	-	-	15,467,805
Total	\$ 71,593,035	\$ 59,476,269	\$ 793,941	\$ 13,141	\$ 13,607,000	\$ 2,307,015	\$ 147,790,401

BusinessType Activities:

Fiscal Year	Capital Lease		Revenue/Refunding Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 278,560	\$ 24,716	\$ 915,747	\$ 1,214,616	\$ 4,915,000	\$ 680,872	\$ 8,029,511
2019	288,367	14,910	880,672	1,247,141	5,025,000	577,212	8,033,302
2020	273,247	4,757	854,082	1,279,587	5,125,000	471,261	8,007,934
2021	-	-	814,560	1,316,016	5,240,000	363,211	7,733,787
2022	-	-	789,619	1,339,210	5,350,000	252,448	7,731,277
2023-2026	-	-	2,599,384	7,117,957	6,280,000	158,114	16,155,455
2027-2031	-	-	1,528,579	6,146,837	-	-	7,675,416
Total	\$ 840,174	\$ 44,383	\$ 8,382,643	\$ 19,661,364	\$ 31,935,000	\$ 2,503,118	\$ 63,366,682

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, 2017, the City has no outstanding bonds.

E. Notes Payable

The Bayfront Community Redevelopment Agency ("BCRA") entered into a financial arrangement to facilitate 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 1st and interest payments are due semi-annually on August 1st and February 1st of each year. The note is collateralized by a lien upon and pledge of ad valorem taxes designated for the BCRA. The principal and interest balance outstanding as of September 30, 2017 is \$3,302,272.

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 \$2,509,610. The total principal and interest paid during the current year was \$630,391.

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 \$19,473,150. 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 \$4,733,115. The total principal and interest paid during the year was \$526,099.

In March 2016, the City issued a \$13,190,000 Utility System Revenue Refunding Note, Series 2016, to refund Utility System Capital Improvement Refunding Bonds, Series 2005B. 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 note is secured by pledged revenues from main line extension fee revenue and water & sewer operating revenues. Principal and interest remaining on the Series 2016 Refunding Note is \$12,981,130. Total principal and interest paid on the Refunding Note during the year was \$1,363,250.

In December 2016, the City issued a Utility Special Assessment Revenue Refunding Note, Series 2016, in the par amount of \$2,060,000. The proceeds, along with an issuer contribution of \$544,523, were used to currently refund the Utility Special Assessment Note, Series 2009, and pay for costs of issuance. The Note, which has a maturity date of 2024, bears a fixed interest rate of 2.42%, and is payable semi-annually on January 1 and July 1. The net present value savings is \$257,702.33, or 10.4%. Principal and interest paid on the Note during the year was \$281,588. Principal and interest remaining on the Series 2016 Refunding Note is \$1,983,838.

In December 2016, the City issued \$3,983,000 in Taxable Franchise Fee Revenue Refunding Note, Series 2016. The proceeds and City contributions of \$81,518.13, were used to current refund a portion of the Taxable Special Obligation Bonds (Pension Obligation), Series 2004, and cover the costs of issuance. The Note, which has a maturity date in fiscal year 2031, bears a fixed interest rate of 4.07%, and is payable semi-annually on April 1 and October 1. The net present value savings is \$344,441, or 8.73%. Principal and interest paid on the Refunding Note during the year was \$45,931. Principal and interest remaining on the Series 2016 Refunding Note is 5,369,018.

NOTE 8 - Long Term Debt (Continued)

E. Notes Payable (Continued)

The following is a summary of the City’s notes payable as of September 30, 2017:

Governmental Activities:	Purpose of Issue	Amount Issue	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Bayfront Community Redevelopment Agency Note Series 2006	Funding redevelopment activities of the BCRA	\$ 6,000,000	\$ 2,865,000	4.100	2024
Local Option Gas Tax Refunding Note Series 2014	Refunding of the Local Option Gas	3,885,000	2,446,000	1.290	2021
Franchise Fee Revenue Note Series 2015	Financing of I-95 Interchange Mitigation costs	4,744,000	4,313,000	2.100	2026
Franchise Fee Revenue Note Series 2016	Partial Refunding of Special Obligation Bonds, Series 2004	3,983,000	3,983,000	4.070	2031
Total Governmental Activities			<u>\$ 13,607,000</u>		
Business-type Activities:	Purpose of Issue	Amount Issue	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Utility System Refunding Revenue Note Series 2014	Financing special assessments for water and sewer improvements	\$ 28,800,000	\$ 18,335,000	2.060	2022
Utility System Refunding Revenue Note Series 2016	Refunding of Utility Revenue Bonds Series 2005B	13,190,000	11,795,000	2.200	2024
Special Assessment Revenue Note Refunding Note, Series 2016	Refunding of special assessments Note, Series 2009	2,060,000	1,805,000.00	2.420	2024
Total Business -type Activities			<u>\$ 31,935,000</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:	<u>Governmental Activities</u>	<u>Enterprise Activities</u>
Machinery and equipment	\$ 1,641,334	\$ 2,560,000
Less: Accumulated depreciation	<u>(632,267)</u>	<u>(1,792,000)</u>
	<u>\$ 1,009,067</u>	<u>\$ 768,000</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 were as follows:

Governmental Activities		Enterprise Activities	
<u>Fiscal Year</u>		<u>Fiscal Year</u>	
2018	\$ 542,356	2018	\$ 303,276
2019	264,726	2019	303,277
	<u> </u>	2020	<u>278,004</u>
Total minimum lease payment	807,082	Total minimum lease payment	884,557
Less: amount representing interest	<u>(13,141)</u>	Less: amount representing interest	<u>(44,383)</u>
Present value of minimum lease payments	<u>\$ 793,941</u>	Present value of minimum lease payments	<u>\$ 840,174</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 2017, employer and employee contributions to the ICMA defined contributions plan were \$1,762,726 and \$1,156,089 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 is closed to new general employees and that classification 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, 2016 the following employees were covered by the benefit terms for the Plan:

	Police Officers	Fire Fighters	General Employees
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not receiving them	108	84	2
Current employees:			
Vested	70	49	-
Nonvested	73	59	-
	<u>143</u>	<u>108</u>	<u>-</u>

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. For police officers hired after October 1, 2016, the maximum normal retirement benefit shall be 85% of average final compensation.

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 30th 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 30th following six years of retirement.

Tier Two members

The cost-of-living adjustment will increase by 3% commencing with September 30th 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 \$3,311,013 in fiscal year 2017.

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 \$1,223,304.

Net Pension Liability (Asset)

The City’s net pension liability(asset) for The 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 the Plan classification is measured as of October 1, 2016. The total pension liability was rolled forward from each valuation date to the Plan’s fiscal year ending September 30, 2017 using generally accepted actuarial principles. Components of the net pension liability(asset) of the City at September 30, 2017 are as follows:

	2017			
	Police	Fire	General	Total
Total pension liability	\$ 113,263,992	\$ 97,399,943	\$ 20,521	\$ 210,684,456
Plan fiduciary net pension ending	(104,612,642)	(82,301,784)	(189,302)	(187,103,728)
City’s net pension liability (asset)	\$ 8,651,350	\$ 15,098,159	\$ (168,781)	\$ 23,580,728
Plan fiduciary net pension - actuarial as a percentage of the total pension liability (asset)	92.36%	84.50%	(922.48)%	88.81%

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, 2016 updated to September 30, 2017 using the following assumptions:

	Police Officers	Fire Fighters	General Employees
Valuation Date	October 1, 2016	October 1, 2016	October 1, 2016
Measurement Date	September 30, 2017	September 30, 2017	September 30, 2017
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	1.00%	0.22%	N/A
Projected Salary Increase	Varies by age	Varies by age	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, 2016 valuation were based on the results of an actuarial experience study for the period 2005-2014.

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	7.0%
Fixed Income	25%	4.0%
Real Estate	10%	4.8%
International Equity	15%	3.7%
Convertible Security	10%	6.0%
Master Limited Partnership	5%	9.7%
	<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, 2017 are as follows:

	Police		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at September 30, 2016	\$ 108,880,502	\$ 97,016,656	\$ 11,863,846
Changes in the year:			
Service Cost	1,571,207	-	1,571,207
Interest on the total pension liability	8,317,177	-	8,317,177
Change in excess state money	(468,527)	-	(468,527)
Share Plan Allocation	186,426		186,426
Difference between expected and actual	61,339	-	61,339
Contributions - Employer	-	1,116,672	(1,116,672)
Contributions - State	-	716,530	(716,530)
Contributions - Employee	-	621,675	(621,675)
Contributions - Buyback	45,396	45,396	-
Net investment income	-	10,734,486	(10,734,486)
Benefit payments, including refunds of employee contributions	(5,329,528)	(5,329,528)	-
Administration expense	-	(309,245)	309,245
Net Changes	4,383,490	7,595,986	(3,212,496)
Balance at September 30, 2017	\$ 113,263,992	\$ 104,612,642	\$ 8,651,350

	Fire		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at September 30, 2016	\$ 93,704,610	\$ 76,241,499	\$ 17,463,111
Changes in the year:			
Service Cost	1,664,642	-	1,664,642
Interest on the total pension liability	7,171,289	-	7,171,289
Change in excess state money	(157,840)	-	(157,840)
Share Plan Allocation	7,840		7,840
Difference between expected and actual	366,711	-	366,711
Contributions - Employer	-	2,195,957	(2,195,957)
Contributions - State	-	506,774	(506,774)
Contributions - Employee	-	511,241	(511,241)
Net investment income	-	8,443,619	(8,443,619)
Benefit payments, including refunds of employee contributions	(5,357,309)	(5,357,309)	-
Administration expense	-	(239,997)	239,997
Net Changes	3,695,333	6,060,285	(2,364,952)
Balance at September 30, 2017	\$ 97,399,943	\$ 82,301,784	\$ 15,098,159

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	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a)-(b)
Balance at September 30, 2016	\$ 21,536	\$ 177,417	\$ (155,881)
Changes in the year:			
Interest on the total pension liability	1,510	-	1,510
Difference between expected and actual	1,590	-	1,590
Changes in assumptions	-	-	-
Net investment income	-	20,370	(20,370)
Benefit payments, including refunds of employee contributions	(4,115)	(4,115)	-
Administration expense	-	(4,370)	4,370
Net Changes	(1,015)	11,885	(12,900)
Balance at September 30, 2017	20,521	189,302	(168,781)
Total of PBP&PBF Plans	\$ 210,684,456	\$ 187,103,728	\$ 23,580,728

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, 2017, 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	\$ 24,188,175	\$ 8,651,350	\$ (3,815,578)
Fire Fighters	\$ 27,392,755	\$ 15,098,159	\$ 5,069,142
General Employees	\$ (167,879)	\$ (168,781)	\$ (169,609)

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, 2017, the City recognized pension expense of \$6,708,338. At September 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police & Fire and General	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,708,778	\$ 1,537,697
Changes in assumptions	3,858,700	-
Net difference between projected and actual earning on plan investments	5,581,226	5,941,770
Total	<u>\$ 11,148,704</u>	<u>\$ 7,479,467</u>

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	
<u>Year ending September 30:</u>	
2018	\$ 2,219,291
2019	2,219,292
2020	(117,354)
2021	(713,111)
2022	61,119
	<u>\$ 3,669,237</u>

Payable to the Pension Plan

At September 30, 2017, the City reported a payable of \$51,520 for the outstanding contributions to the pension plan for the year ended September 30, 2017.

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 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.

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, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, were 42.47% and 45.50% 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, 2017 by FRS and HIS were \$16,158 and \$807 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, 2017 are as follows:

	FRS	HIS	Total
Proportionate Share of Net Pension Liability on June 30,2017	\$ 183,591	\$ 16,295	\$ 199,886
City's portion at June 30, 2017	0.000620674	0.00001524	
City's portion at June 30, 2016	0.000314544	0.00007772	
Change in proportion during current year	0.00030613	-0.00006248	

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, 2017, the City recognized pension expense of \$21,180. 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	\$ 16,849	\$ 1,017	\$ -	\$ 34	\$ 15,798
Change in assumptions	61,700	-	2,291	1,409	62,582
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	55,784	3,546	6,332	253	58,317
City Pension Plan contributions subsequent to the measurement date	5,916	-	272	-	6,188
Net difference between projected actual earnings on plan investments	-	4,550	9	-	(4,541)
Total	\$ 140,249	\$ 9,113	\$ 8,904	\$ 1,696	\$ 138,344

The deferred outflows of resources related to the Pension Plan, totaling \$6,188 represents City contributions to the Plan subsequent to the measurement date. This amount is recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ending September 30	Net Pension Expense		
	FRS	HIS	Expense
2018	\$ 23,575	\$ 1,104	\$ 24,679
2019	23,575	1,104	24,679
2020	23,575	1,104	24,679
2021	23,575	1,104	24,679
2022	23,575	1,103	24,678
Thereafter	7,345	1,417	8,762
	\$ 125,220	\$ 6,936	\$ 132,156

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, 2017 actuarial valuation was determined using the following assumptions:

	FRS	HIS
Valuation Date	July 1, 2017	July 1, 2017
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions		
Discount Rate	7.10%	3.58%
Inflation	2.60%	2.60%
Projected Salary Increase	3.25%	3.25%
Investment Rate of Return	7.10%	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, 2017 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 2017:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.60% to 7.10%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 2.85% to 3.58%.

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:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric Return)
Cash	1.00%	3.00%	3.00%
Fixed Income	18.00%	4.50%	4.40%
Global Equity	53.00%	7.80%	6.60%
Real Estate	10.00%	6.60%	5.90%
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 7.10%. 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 3.58% 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.

	FRS Net Pension Liability			HIS Net Pension Liability		
	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	\$ 332,289	\$ 183,591	\$ 60,138	\$ 18,595	\$ 16,295	\$ 14,380

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, 2017, the City estimated it subsidized \$233,756 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 3.9% 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)	\$ 767,727
Interest on net OPEB Obligation	151,944
Adjustment to annual required contribution	(207,290)
Annual OPEB cost (expense)	<u>712,381</u>
Contributions made	<u>(233,756)</u>
Increase in net OPEB obligation	478,625
Net OPEB obligation - Beginning of Year	<u>3,376,526</u>
Net OPEB obligation - End of Year	<u><u>\$ 3,855,151</u></u>

As of September 30, 2017, 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
9/30/2015	\$ 706,725	33%	\$ 2,933,708
9/30/2016	708,120	37%	3,376,526
9/30/2017	712,381	33%	3,855,151

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, 2017, the most recent actuarial valuation date, the accrued liability for benefits was \$7,559,163 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$31,788,705 million and the ratio of the unfunded actuarial liability (“UAL”) to covered payroll was 23.78%.

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	\$ 239,813
Impact Fee Funds	Levied pursuant to Florida Statutes, must be used for allowable improvements	4,046,126
Bayfront Community Redevelopment Agency	Levied pursuant to County and City Ordinance, must be used for activities of the redevelopment agency	402,959
SHIP	Restricted pursuant to grant agreement	547,083
HOME	Restricted pursuant to grant agreement	48,444
Neighborhood Stabilization Program	Restricted pursuant to grant agreement	72,265
		5,356,690

Debt Service Funds:

Debt Service Funds	Restricted pursuant to bond covenants for payment of principal and interest	2,610,071
	Total Restricted Net Position - Governmental Activities	\$ 7,966,761

Business-type Activities

Renewal and Replacement	Funds required to be placed in special construction accounts pursuant to Bond Covenants	\$ 7,320,778
Building Fund	Funds required to be spent on building code activities pursuant to Section 166.222, Florida Statutes	2,739,575
Capital Improvements	Water and sewer connection fees and mainline extension charges pledged for repayment of bond debt incurred for capital expansion and system improvements	9,093,372
	Total Restricted Net Position - Business-type Activities	\$ 19,153,725

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:

Coverage	Self-Insured Retentions
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:

Coverage	Self-Insured Retentions
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” subject to a minimum of \$15,000 per occurrence
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 \$3,187,000 reported in the Risk Management Fund at September 30, 2017 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
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
2016-2017	2,989,625	3,088,779	(2,391,404)	3,687,000

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, 2017 are as follows:

Major Governmental Funds		
General Fund	\$	343,213
Bayfront Community Redevelopment Agency		6,450
Non-major Governmental Funds		663,297
	\$	1,012,960

NOTE 13 – Subsequent Events

On February 23, 2018, the City issued \$9,000,000 in Local Option Gas Tax Revenue Note, Series 2018 to finance the acquisition and construction of a new road connecting the I-95 Interchange, currently in progress to Babcock Street. The City has pledged local option gas revenues in connection with this obligation. The interest rate of the Local Option Gas Tax Revenue Note is 2.710% with maturity date of 2032.

NOTE 14 – Other Required Disclosures

New Pronouncements

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. As of September 30, 2017, the City provides tax abatements through one program – the Economic Development Ad Valorem Tax Exemption Program. It enters into tax abatement agreements with local businesses as allowed by Article VII, Section 3 of the Florida Constitution, Chapter 196.1995 F.S., and approved by voter referendum in November 1998 and again in August 2008, and by Council Resolution No. 98-55, Ordinance No. 2007-82, Ordinance No. 2009-32, and Ordinance 2011-67. Per Florida Statute, municipalities may exempt up to 100 percent of a business’ property tax bill for the purpose of attraction or expansion of businesses within its jurisdiction. The abatements may be granted to any new business or expanding existing business that meets the definition in 196.012, F.S. This statute enumerates the following eligibility criteria to be considered: number of net new full-time jobs to be created, the average wage for the new jobs, the capital investment to be made, the type of business or operation, the environmental impact, the

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

GASB Statement No. 77 (Continued)

extent to which the applicant intends to source its supplies and materials within the jurisdiction, and any other economic-related characteristics deemed necessary by Council. The City has not made any commitments as part of the agreements other than to reduce taxes. For the fiscal year ended September 30, 2017, the City abated property taxes totaling \$465,510 under this program, comprised of the following tax abatement agreements.

- A 100 percent, 10-year property tax exemption of assessed value was granted to Harris Corporation via Ordinance No. 2011-67 for its revitalization of existing and construction of new facilities and new business personal property for its facility located at 2400 Palm Bay Road NE, Palm Bay, FL 32905.
- A 100 percent, 10-year property tax exemption of assessed value was granted to Globe Wireless LLC via Ordinance No. 2007-82 and 2009-32 for its new personal property and facility upgrades located at 1571 Robert J. Conlan Boulevard NE, Palm Bay, FL 32905. Globe Wireless was later acquired by Inmarsat Solutions (US) Inc.

As part of the agreement, the benefiting businesses shall submit an annual report providing evidence of continued compliance with the definition of a new or existing business planning to expand in the City for each of the ten (10) years during which the businesses are eligible to receive the ad valorem tax exemption. If the annual report is not received, or if the annual report indicates that the business no longer meets the criteria of Section 196.012 Florida Statutes, the City Manager shall make a report to the City Council for consideration of revocation of the ad valorem tax exemption. The City Council may adopt an ordinance revoking the ad valorem tax exemption. The ordinance may provide that the City Council recover any ad valorem taxes abated in favor of the business for the time that was determined that the company no longer met the criteria.

Future Accounting Pronouncements

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, 2018.

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, 2018.

NOTE 14 – Other Required Disclosures (Continued)

Future Accounting Pronouncements (Continued)

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 or 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.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and note to financial statements for debt that is defeased in substance. The Statement is effective for the City's fiscal year ending September 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement is effective for the City's fiscal year ending September 30, 2021.

Management has not determined the impact implementation of GASB 75 to GASB 87 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 & 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, 2017**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES/TRANSFERS IN				
Taxes:				
Ad Valorem	\$ 26,426,410	\$ 26,426,410	\$ 26,256,111	\$ (170,299)
Local Option Fuel	3,822,462	3,822,462	4,089,629	267,167
Utility Service	8,305,000	8,305,000	8,529,879	224,879
Communication Service	2,683,536	2,683,536	2,569,293	(114,243)
Business Tax Receipts	552,100	552,100	550,188	(1,912)
	<u>41,789,508</u>	<u>41,789,508</u>	<u>41,995,100</u>	<u>205,592</u>
Licenses and Permits:				
Franchise Fees	5,399,000	5,399,000	5,440,630	41,630
Other Licenses and Permits	10,400	10,400	9,078	(1,322)
	<u>5,409,400</u>	<u>5,409,400</u>	<u>5,449,708</u>	<u>40,308</u>
Intergovernmental Revenues:				
Federal Grants	53,098	94,443	210,219	115,776
State Grants	-	-	20,489	20,489
Local Grants	-	754,103	754,103	-
State Revenue Sharing	10,497,223	10,497,223	10,910,021	412,798
Shared Taxes and Licenses	142,500	142,500	138,612	(3,888)
	<u>10,692,821</u>	<u>11,488,269</u>	<u>12,033,444</u>	<u>545,175</u>
Charges for Services:				
General Government Charges	337,500	337,500	472,939	135,439
Public Safety Charges	96,000	186,200	214,698	28,498
Physical Environment Charges	250,000	250,000	299,110	49,110
Transportation Charges	121,000	121,000	199,375	78,375
Culture/Recreation Charges	412,580	687,009	592,073	(94,936)
Charges to Other Funds	1,668,052	1,668,052	1,668,052	-
	<u>2,885,132</u>	<u>3,249,761</u>	<u>3,446,247</u>	<u>196,486</u>
Fines and Forfeitures:				
Court Fines and Costs	414,500	486,179	480,380	(5,799)
Miscellaneous Revenue:				
Investment income	16,750	16,750	123,831	107,081
Rents	275,000	275,000	265,573	(9,427)
Sales of Surplus	10,000	10,000	45,595	35,595
Contributions	23,000	23,000	31,128	8,128
Other Revenue	157,000	157,000	204,092	47,092
	<u>481,750</u>	<u>481,750</u>	<u>670,219</u>	<u>188,469</u>
Other Sources:				
Proceeds from Sale of Capital Assets	-	328,680	330,390	1,710
		<u>328,680</u>	<u>330,390</u>	<u>1,710</u>
Transfers In:				
Code Enforcement Fund	6,206	6,206	6,206	-
Recreation Fund	-	-	110,712	110,712
Building Fund	158,282	158,282	158,282	-
Fleet Service Fund	25,970	25,970	25,970	-
Employee Benefits Fund	-	12,500	12,500	-
Utilities Operating Fund	1,252,560	1,305,825	1,310,227	4,402
Stormwater Fund	260,727	244,908	244,908	-
Solid Waste Fund	98,042	82,223	82,223	-
	<u>1,801,787</u>	<u>1,835,914</u>	<u>1,951,028</u>	<u>115,114</u>
Total Revenues and Transfers In	63,474,898	65,069,461	66,356,516	1,287,055

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, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
EXPENDITURES/TRANSFERS OUT				
General Government:				
Legislative:				
Personal Services	482,278	537,265	537,201	64
Operating	141,865	168,353	131,838	36,515
Contributions	-	110	110	-
	<u>624,143</u>	<u>705,728</u>	<u>669,149</u>	<u>36,579</u>
City Manager:				
Personal Services	619,853	643,904	643,718	186
Operating	103,685	102,485	63,283	39,202
	<u>723,538</u>	<u>746,389</u>	<u>707,001</u>	<u>39,388</u>
City Attorney:				
Personal Services	313,189	301,189	300,398	791
Operating	300,730	369,730	372,480	(2,750)
Contributions	-	750	750	-
	<u>613,919</u>	<u>671,669</u>	<u>673,628</u>	<u>(1,959)</u>
Procurement:				
Personal Services	391,248	412,865	384,975	27,890
Operating	11,010	11,288	8,087	3,201
	<u>402,258</u>	<u>424,153</u>	<u>393,062</u>	<u>31,091</u>
Finance:				
Personal Services	1,340,672	1,256,253	1,238,924	17,329
Operating	108,549	107,647	97,909	9,738
	<u>1,449,221</u>	<u>1,363,900</u>	<u>1,336,833</u>	<u>27,067</u>
Information and Innovation:				
Personal Services	1,243,689	1,243,689	1,199,882	43,807
Operating	1,293,973	1,299,927	1,206,765	93,162
Capital Outlay	40,000	40,000	39,399	601
	<u>2,577,662</u>	<u>2,583,616</u>	<u>2,446,046</u>	<u>137,570</u>
Human Resources:				
Personal Services	344,698	480,126	465,754	14,372
Operating	170,688	170,688	137,306	33,382
	<u>515,386</u>	<u>650,814</u>	<u>603,060</u>	<u>47,754</u>
Growth Management:				
Personal Services	1,060,028	1,179,961	1,116,302	63,659
Operating	191,206	206,806	183,669	23,137
Contributions	15,000	15,000	5,494	9,506
	<u>1,266,234</u>	<u>1,401,767</u>	<u>1,305,465</u>	<u>96,302</u>
Economic Development:				
Personal Services	352,792	371,694	366,133	5,561
Operating	358,541	346,085	295,635	50,450
Contributions	57,000	77,453	77,453	-
	<u>768,333</u>	<u>795,232</u>	<u>739,221</u>	<u>56,011</u>
Facility Maintenance				
Personal Services	957,502	968,734	968,455	279
Operating	1,236,831	1,626,769	1,526,570	100,199
Capital Outlay	36,105	99,988	34,469	65,519
	<u>2,230,438</u>	<u>2,695,491</u>	<u>2,529,494</u>	<u>165,997</u>
Non-Departmental:				
Personal Services	-	-	-	-
Operating	3,872,328	3,787,546	3,785,970	1,576
	<u>3,872,328</u>	<u>3,787,546</u>	<u>3,785,970</u>	<u>1,576</u>
Total General Government	15,043,460	15,826,305	15,188,929	637,376

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, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police:				
Personal Services	18,062,446	17,712,078	17,330,053	382,025
Operating	1,050,291	1,020,318	875,694	144,624
Capital Outlay	110,106	404,901	402,255	2,646
	<u>19,222,843</u>	<u>19,137,297</u>	<u>18,608,002</u>	<u>529,295</u>
Fire:				
Personal Services	13,252,516	13,244,807	13,177,366	67,441
Operating	939,398	459,210	429,057	30,153
Capital Outlay	-	229,268	228,041	1,227
	<u>14,191,914</u>	<u>13,933,285</u>	<u>13,834,464</u>	<u>98,821</u>
Total Public Safety	33,414,757	33,070,582	32,442,466	628,116
Transportation:				
Public Works - Transportation				
Personal Services	3,834,838	3,716,677	3,694,897	21,780
Operating	1,117,055	3,066,578	2,558,942	507,636
Capital Outlay	-	1,810	1,809	1
Total Transportation	4,951,893	6,785,065	6,255,648	529,417
Culture/Recreation:				
Parks & Recreation				
Personal Services	2,169,608	3,059,240	2,955,096	104,144
Operating	548,247	1,519,941	1,365,446	154,495
Capital Outlay	-	115,022	122,422	(7,400)
Total Culture / Recreation	2,717,855	4,694,203	4,442,964	251,239
Transfers Out:				
Debt Service Fund	5,454,751	5,437,034	5,428,346	8,688
Fleet Services Fund	368,590	650,133	650,133	-
Other Employee Benefits	-	212,206	212,206	-
Road Maintenance CIP	1,657,558	1,976,213	1,976,213	-
Employee Health Insurance Fund	-	302,206	302,206	-
Parks Recreation Fund	618,476	-	-	-
Total Transfers Out	8,099,375	8,577,792	8,569,104	8,688
Total Expenditures and Transfers Out	64,227,340	68,953,947	66,899,111	2,054,836
Excess (Deficiency) of Revenues and Transfers In Over (Under) Expenditures and Transfers Out	\$ (752,442)	\$ (3,884,486)	\$ (542,595)	\$ 3,341,891
Fund Balance - Beginning of Year			<u>9,174,582</u>	
Fund Balance - End of Year			<u>\$ 8,631,987</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL - BAYFRONT COMMUNITY REDEVELOPMENT AGENCY
For Fiscal Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Taxes	\$ 794,446	\$ 794,446	\$ -
Intergovernmental Revenues	115,765	91,765	(24,000)
Investment Income	-	6,426	6,426
Miscellaneous Revenue	-	1,000	1,000
Total Revenues	910,211	893,637	(16,574)
EXPENDITURES			
Current:			
Economic Environment	276,432	250,944	25,488
Capital Outlay	636,964	385,394	251,570
Debt Service:			
Principal Retirement	345,000	345,000	-
Interest and Fiscal Charges	126,444	126,404	40
Total Expenditures	1,384,840	1,107,742	277,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	(474,629)	(214,105)	260,524
OTHER FINANCING SOURCES			
Transfers In	76	76	-
Total Other Financing Sources	76	76	-
Net Change in Fund Balance	\$ (474,553)	\$ (214,029)	\$ 260,524
Fund Balance - Beginning		617,858	
Fund Balance - Ending		\$ 403,829	

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2017**

	Police				
	2017	2016	2015	2014	2013
Total Pension Liability					
Service Cost	\$ 1,571,207	\$ 1,641,528	\$ 1,627,434	\$ 1,682,546	\$ 1,557,913
Interest	8,317,177	8,013,990	7,846,279	7,499,442	7,164,797
Change in Excess State Money	(468,527)	82,053	97,949	84,152	-
Shared Plan Allocation	186,426	-	-	-	-
Difference between expected & actual experience	61,339	(1,049,607)	(2,269,835)	-	-
Changes in assumptions	-	3,811,157	-	-	-
Contributions Buy Back	45,396	15,167	5,777	-	-
Benefit payments, including refunds of member contributions	(5,329,528)	(5,107,223)	(5,147,483)	(4,435,345)	(4,893,215)
Net Change in Total Pension Liability	4,383,490	7,407,065	2,160,121	4,830,795	3,829,495
Total Pension Liability - Beginning	108,880,502	101,473,437	99,313,316	94,482,521	90,653,026
Total Pension Liability - Ending (a)	113,263,992	108,880,502	101,473,437	99,313,316	94,482,521
Plan Fiduciary Net Position					
Contributions - Employer	1,116,672	1,651,022	1,811,984	1,698,539	1,301,878
Contributions - State	716,530	684,840	618,683	604,886	572,954
Contributions - Employee	621,675	589,865	605,581	599,342	603,410
Contributions - Buy Back	45,396	15,167	5,777	-	-
Net Investment (loss) income	10,734,486	8,778,963	(435,284)	9,243,488	10,689,706
Benefit payments, including refunds of contributions	(5,329,528)	(5,107,223)	(5,147,483)	(4,435,345)	(4,893,215)
Administrative Expenses	(309,245)	(279,039)	(252,632)	(245,600)	(232,438)
Net Change in Plan Fiduciary Net Pension	7,595,986	6,333,595	(2,793,374)	7,465,310	8,042,295
Plan Fiduciary Net Position - Beginning	97,016,656	90,683,061	93,476,435	86,011,125	77,968,830
Plan Fiduciary Net Position - Ending (b)	104,612,642	97,016,656	90,683,061	93,476,435	86,011,125
Net Pension Liability - Ending (a) - (b)	\$ 8,651,350	\$ 11,863,846	\$ 10,790,376	\$ 5,836,881	\$ 8,471,396
Plan fiduciary net position as a percentage of the total pension liability	92.36%	89.10%	89.37%	94.12%	91.03%
Covered Payroll	N/A	N/A	N/A	\$ 6,841,804	\$ 6,877,781
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	85.31%	123.17%

Notes to Schedule:

The Covered Payroll numbers shown are in compliance with GASB 82. For the prior years, 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 third year of implementation for GASBC P20: *Pension Activities*. 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, 2017

	Fire				
	2017	2016	2015	2014	2013
Total Pension Liability					
Service Cost	\$ 1,664,642	\$ 1,460,239	\$ 1,396,536	\$ 1,299,634	\$ 1,203,365
Interest	7,171,289	6,914,011	6,469,622	6,293,170	6,027,029
Change in Excess State Money	(157,840)	-	-	-	-
Shared Plan Allocation	7,840	-	-	-	-
Difference between expected & actual experience	366,711	88,819	2,589,797	-	-
Changes in assumptions	-	2,358,009	-	-	-
Contributions Buy Back	-	18,462	-	-	-
Benefit payments, including refunds of member contributions	(5,357,309)	(4,515,339)	(5,414,256)	(5,553,839)	(2,445,969)
Net Change in Total Pension Liability	3,695,333	6,324,201	5,041,699	2,038,965	4,784,425
Total Pension Liability - Beginning	93,704,610	87,380,409	82,338,710	80,299,745	75,515,320
Total Pension Liability - Ending (a)	97,399,943	93,704,610	87,380,409	82,338,710	80,299,745
Plan Fiduciary Net Position					
Contributions - Employer	2,195,957	2,065,835	1,976,329	1,889,000	1,479,896
Contributions - State	506,774	559,910	590,203	639,518	622,786
Contributions - Employee	511,241	500,569	474,486	426,764	432,695
Contributions - Buy Back	-	18,462	-	-	-
Net Investment (loss) income	8,443,619	5,998,705	(251,532)	7,612,697	8,696,509
Benefit payments, including refunds of contributions	(5,357,309)	(4,515,339)	(5,414,256)	(5,553,839)	(2,445,969)
Administrative Expenses	(239,997)	(224,986)	(205,617)	(187,613)	(175,031)
Net Change in Plan Fiduciary Net Pension	6,060,285	4,403,156	(2,830,387)	4,826,527	8,610,886
Plan Fiduciary Net Position - Beginning	76,241,499	71,838,343	74,668,730	69,842,203	61,231,317
Plan Fiduciary Net Position - Ending (b)	82,301,784	76,241,499	71,838,343	74,668,730	69,842,203
Net Pension Liability - Ending (a) - (b)	\$ 15,098,159	\$ 17,463,111	\$ 15,542,066	\$ 7,669,980	\$ 10,457,542
Plan fiduciary net position as a percentage of the total pension liability	84.50%	81.36%	82.21%	90.68%	86.98%
Covered Payroll	N/A	N/A	N/A	\$ 4,871,735	\$ 4,937,031
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	157.44%	211.82%

Notes to Schedule:

The Covered Payroll numbers shown are in compliance with GASB 82. For the prior years, 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 third year of implementation for GASBC P20: *Pension Activities*. 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, 2017

	General				
	2017	2016	2015	2014	2013
Total Pension Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,510	2,381	2,247	2,564	3,019
Difference between expected & actual experience	1,590	(10,628)	4,093	-	-
Changes in assumptions	-	2,080	-	-	-
Benefit payments, including refunds of member contributions	(4,115)	(4,115)	(5,213)	(7,835)	(9,586)
Net Change in Total Pension Liability	(1,015)	(10,282)	1,127	(5,271)	(6,567)
Total Pension Liability - Beginning	21,536	31,818	30,691	35,962	42,529
Total Pension Liability - Ending (a)	20,521	21,536	31,818	30,691	35,962
Plan Fiduciary Net Position					
Net Investment (loss) income	20,370	16,561	1,776	18,826	20,163
Benefit payments, including refunds of contributions	(4,115)	(4,115)	(5,213)	(7,835)	(9,586)
Administrative Expenses	(4,370)	(4,796)	(6,130)	(455)	(1,950)
Net Change in Plan Fiduciary Net Pension	11,885	7,650	(9,567)	10,536	8,627
Plan Fiduciary Net Position - Beginning	177,417	169,767	179,334	168,798	160,171
Plan Fiduciary Net Position - Ending (b)	189,302	177,417	169,767	179,334	168,798
Net Pension Liability - Ending (a) - (b)	\$ (168,781)	\$ (155,881)	\$ (137,949)	\$ (148,643)	\$ (132,836)
Plan fiduciary net position as a percentage of the total pension liability	922.48%	823.82%	533.56%	584.32%	469.38%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	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 third year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.062067400%	0.000314544%	0.000351156%	0.000307215%
City's proportionate share of the net pension liability (asset)	\$ 183,591	\$ 79,423	\$ 45,357	\$ 18,745
City's covered payroll	\$ 58,992	\$ 30,877	\$ 30,227	\$ 31,818
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	311.21%	257.22%	150.05%	58.91%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

Note: 1) This is the third year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.001524000%	0.000077720%	0.000079108%	0.000080777%
City's proportionate share of the net pension liability (asset)	\$ 16,295	\$ 9,058	\$ 8,068	\$ 7,553
City's covered payroll	\$ 58,992	\$ 30,877	\$ 30,227	\$ 31,818
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	27.62%	29.34%	26.69%	23.74%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

Note: 1) This is the third year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

	Police				
	2017	2016	2015	2014	2013
Actuarially determined contributions	\$ 2,195,741	\$ 2,171,756	\$ 2,332,718	\$ 2,219,273	\$ 1,822,612
From Excess State Money Reserve	(380,000)	-	-	-	-
Contributions in relation to the actuarially determined contribution	(1,831,586)	(2,171,756)	(2,332,718)	(2,219,273)	(1,822,612)
Contribution deficiency (excess)	\$ (15,845)	\$ -	\$ -	\$ -	\$ -
Actuarially computed - covered payroll	N/A	N/A	N/A	\$ 6,841,804	\$ 6,877,781
Contributions as a percentage of covered payroll	N/A	N/A	N/A	32.44%	26.50%

Notes to Schedule

Valuation Date 10/1/2015
 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
 Remaining amortization period 30 years (as of 10/01/2015)
 Asset valuation method
 Inflation 2.70%
 Salary Increase Varies by age
 Investment Rate of Return 7.75%
 Retirement age 52-55
 Mortality RP2000

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

Note: This is the third year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

	Fire				
	2017	2016	2015	2014	2013
Actuarially determined contributions	\$ 2,852,731	\$ 2,625,745	\$ 2,566,532	\$ 2,528,518	\$ 2,102,682
Contribution from Reserve	(150,000)	-	-	-	-
Contributions in relation to the actuarially determined contribution	(2,702,731)	(2,625,745)	(2,566,532)	(2,528,518)	(2,102,682)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarially computed - covered payroll	N/A	N/A	N/A	\$ 4,871,735	\$ 4,937,031
Contributions as a percentage of covered payroll	N/A	N/A	N/A	51.90%	42.59%

Notes to Schedule

Valuation Date 10/1/2015
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	
Remaining amortization period	30 years (as of 10/01/2015)
Asset valuation method	
Inflation	2.70%
Salary Increase	6.50%
Investment Rate of Return	7.75%
Retirement age	52-55
Mortality	RP2000

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

Note: This is the third year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

	General				
	2017	2016	2015	2014	2013
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarially computed - covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	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	
Asset valuation method	
Investment Rate of Return	7.75%
Mortality	RP2000

Note: This is the third year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

	2017	2016	2015	2014
Contractually required contribution	\$ 16,158	\$ 7,671	\$ 8,561	\$ 6,729
Contributions in relation to the contractually required contribution	\$ (16,158)	\$ (7,671)	\$ (8,561)	\$ (6,729)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 66,722	\$ 30,877	\$ 30,885	\$ 31,818
Contributions as a percentage of covered payroll	24.22%	24.84%	27.72%	21.15%

Note: This is the fourth year of implementation for GASBC P20: *Pension Activities*. GASB requires information 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, 2017**

	2017	2016	2015	2014
Contractually required contribution	\$ 807	\$ 398	\$ 302	\$ 277
Contributions in relation to the contractually required contribution	\$ (807)	\$ (398)	\$ (302)	\$ (277)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 66,772	\$ 30,877	\$ 30,885	\$ 31,818
Contributions as a percentage of covered payroll	1.21%	1.29%	0.98%	0.87%

Note: This is the fourth year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

Annual money-weighted rate of return, net of investment expense	Police	Fire	General
2017	11.25%	11.25%	11.76%
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 fourth year of implementation for GASBC P20: *Pension Activities*. 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, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Cost	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as a % of Covered Payroll
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%
2017	-	7,559,163	7,559,163	0.0%	31,788,705	23.78%

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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 10th 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 SUPPLEMENTARY 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, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ 6,100	\$ 7,268	\$ 1,168
Total Revenues	6,100	7,268	1,168
EXPENDITURES			
Current:			
General Government	750	573	177
Capital Outlay	1,151,796	23,685	1,128,111
Total Expenditures	1,152,546	24,258	1,128,288
(Deficiency) of Revenues (Under) Expenditures	(1,146,446)	(16,990)	1,129,456
OTHER FINANCING SOURCES (USES)			
Transfers Out	(76)	(76)	-
Total Other Financing Sources	(76)	(76)	-
Net Change in Fund Balance	\$ (1,146,522)	\$ (17,066)	\$ 1,129,456
Fund Balance - Beginning		1,069,477	
Fund Balance - Ending		\$ 1,052,411	



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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) transactions 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. The fund was closed in FY17 and the fund balance was transferred to the General Fund.

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, 2017**

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
ASSETS										
Cash and Cash Equivalents	\$ 47,490	\$ 44,633	\$ 135,707	\$ 206,188	\$ -	\$ 112,790	\$ 72,265	\$ 88,650	\$ -	\$ 3,401,828
Investments	426,245	-	106,337	-	-	-	-	-	-	2,064,891
Restricted Cash and Equivalents	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	1,058
Due from Other Governments	-	-	-	-	101,342	-	585,790	-	-	-
Due from Other Funds	-	-	-	585,790	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-
Land Held for Resale	-	4,000	-	-	-	-	-	-	-	-
Total Assets	\$ 473,735	\$ 48,633	\$ 242,044	\$ 791,978	\$ 101,342	\$ 112,790	\$ 658,055	\$ 88,650	\$ -	\$ 5,467,777
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable	\$ 47,468	\$ -	\$ 3,874	\$ 77,562	\$ 5,168	\$ 241	\$ -	\$ 45	\$ -	\$ 1,421,651
Accrued Liabilities	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	135,408	-	585,790	-	-	-
Advances from Other Funds	-	-	-	-	-	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	186,454	-	-	167,333	-	64,105	-	-	-	-
Total Liabilities	233,922	-	3,874	244,895	140,576	64,346	585,790	45	-	1,421,651
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	239,813	-	-	547,083	-	48,444	72,265	-	-	4,046,126
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	48,633	238,170	-	-	-	-	88,605	-	-
Unassigned (Deficit)	-	-	-	-	(39,234)	-	-	-	-	-
Total Fund Balances (Deficit)	239,813	48,633	238,170	547,083	(39,234)	48,444	72,265	88,605	-	4,046,126
Total Liabilities and Fund Balances	\$ 473,735	\$ 48,633	\$ 242,044	\$ 791,978	\$ 101,342	\$ 112,790	\$ 658,055	\$ 88,650	\$ -	\$ 5,467,777

**COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2017**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds			Total Nonmajor Governmental Funds
	Environmental Fee Fund	Debt Service Funds	Community Investment Fund	I-95 Interchange Fund	Road Maintenance Fund	
ASSETS						
Cash and Cash Equivalents	\$ 28,563	\$ 3,991,847	\$ 272,069	\$ 866,864	\$ 731,661	\$ 10,000,555
Investments	-	480,720	-	-	1,048,143	4,126,336
Restricted Cash and Equivalents	-	-	-	-	-	-
Accounts Receivable	-	435	-	-	-	1,493
Due from Other Governments	-	-	45,222	-	-	732,354
Due from Other Funds	-	-	-	-	1,800,000	2,385,790
Accrued Interest Receivable	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	4,000
Prepaid Items	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	\$ 28,563	\$ 4,473,002	\$ 317,291	\$ 866,864	\$ 3,579,804	\$ 17,250,528
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ 1,500	\$ -	\$ 1,750	\$ 386,632	\$ 1,945,891
Accrued Liabilities	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	721,198
Advances from Other Funds	608,677	-	-	-	-	608,677
Due to Other Governments	20,363	-	-	-	-	20,363
Unearned Revenue	-	-	-	-	-	417,892
Total Liabilities	629,040	1,500	-	1,750	386,632	3,714,021
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	4,471,502	-	865,114	-	10,290,347
Committed	-	-	-	-	3,193,172	3,193,172
Assigned	-	-	317,291	-	-	692,699
Unassigned (Deficit)	(600,477)	-	-	-	-	(639,711)
Total Fund Balances (Deficit)	(600,477)	4,471,502	317,291	865,114	3,193,172	13,536,507
Total Liabilities and Fund Balances	\$ 28,563	\$ 4,473,002	\$ 317,291	\$ 866,864	\$ 3,579,804	\$ 17,250,528

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017**

Special Revenue Funds						
	Law Enforcement Trust	PB Municipal Foundation Fund	Code Nuisance Fund	SHIP Program	Community Development Block Grant	HOME Grant
REVENUES						
Impact Fees	\$ -	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental Revenues	-	-	-	615,343	289,583	13,900
Charges for Services	-	-	136,016	205,879	885	20,615
Fines and Forfeitures	99,793	-	-	-	-	-
Investment Income	4,968	-	990	9,097	-	-
Miscellaneous Revenues	5,100	3,723	-	-	-	-
Total Revenues	109,861	3,723	137,006	830,319	290,468	34,515
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	103,364	14,769	31,093	-	-	-
Economic Environment	-	-	-	123,633	107,372	9,034
Culture/Recreation	-	-	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay	41,282	-	-	159,603	-	-
Total Expenditures	144,646	14,769	31,093	283,236	107,372	9,034
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,785)	(11,046)	105,913	547,083	183,096	25,481
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(6,206)	-	-	-
Issuance of Refunding Debt	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(6,206)	-	-	-
Net Change in Fund Balances	(34,785)	(11,046)	99,707	547,083	183,096	25,481
Fund Balances (Deficit) - Beginning	274,598	59,679	138,463	-	(222,330)	22,963
Fund Balances (Deficit) - Ending	\$ 239,813	\$ 48,633	\$ 238,170	\$ 547,083	\$ (39,234)	\$ 48,444

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended September 30, 2017

	Special Revenue Funds				
	Neighborhood Stabilization Program	Misc. Donations	Parks Recreation	Impact Fee Trust	Environmental Fee Fund
REVENUES					
Impact Fees	\$ -	\$ -	\$ -	2,963,444	\$ -
Intergovernmental Revenues	585,790	-	-	-	-
Charges for Services	72,378	1,050	-	-	14,890
Fines and Forfeitures	-	-	-	-	-
Investment Income	-	-	-	21,601	-
Miscellaneous Revenues	-	34,106	-	-	-
Total Revenues	658,168	35,156	-	2,985,045	14,890
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	14,786	-	-	-
Transportation	-	-	-	6,477	-
Economic Environment	671	-	-	-	-
Culture/Recreation	-	-	-	76,685	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay	585,119	18,170	-	324,171	-
Total Expenditures	585,790	32,956	-	407,333	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,378	2,200	-	2,577,712	14,890
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	(110,712)	(976,919)	(6,500)
Issuance of Refunding Debt	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(110,712)	(976,919)	(6,500)
Net Change in Fund Balances	72,378	2,200	(110,712)	1,600,793	8,390
Fund Balances (Deficit) - Beginning	(113)	86,405	110,712	2,445,333	(608,867)
Fund Balances (Deficit) - Ending	\$ 72,265	\$ 88,605	\$ -	\$ 4,046,126	\$ (600,477)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended September 30, 2017**

	Debt Service Funds	Capital Project Funds			Total Nonmajor Governmental Funds
	Debt Service Funds	Community Investment Fund	I-95 Interchange Fund	Road Maintenance Fund	
REVENUES					
Impact Fees	\$ -	\$ -	\$ -	\$ -	2,963,444
Intergovernmental Revenues	-	65,059	-	-	1,569,675
Charges for Services	-	-	-	-	451,713
Fines and Forfeitures	-	-	-	-	99,793
Investment Income	25,529	1,076	5,235	34,881	103,377
Miscellaneous Revenues	130,470	-	250,000	-	423,399
Total Revenues	155,999	66,135	255,235	34,881	5,611,401
EXPENDITURES					
Current:					
General Government	44,951	-	-	-	44,951
Public Safety	-	-	-	-	164,012
Physical Environment	-	-	-	-	-
Transportation	-	-	-	246,961	253,438
Economic Environment	-	-	-	-	240,710
Human Services	-	-	-	-	-
Culture/Recreation	-	-	-	-	76,685
Debt Service:					
Principal Retirement	2,219,622	-	-	-	2,219,622
Interest and Fiscal Charges	4,261,214	-	-	-	4,261,214
Capital Outlay	-	61,391	59,222	1,517,431	2,766,389
Total Expenditures	6,525,787	61,391	59,222	1,764,392	10,027,021
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,369,788)	4,744	196,013	(1,729,511)	(4,415,620)
OTHER FINANCING SOURCES (USES)					
Transfers In	6,283,599	-	-	1,976,213	8,259,812
Transfers Out	-	-	-	-	(1,100,337)
Issuance of Refunding Debt	3,983,000	-	-	-	3,983,000
Payment to Refunded Bond Escrow Agent	(3,931,905)	-	-	-	(3,931,905)
Total Other Financing Sources (Uses)	6,334,694	-	-	1,976,213	7,210,570
Net Change in Fund Balances	(35,094)	4,744	196,013	246,702	2,794,950
Fund Balances (Deficit) - Beginning	4,506,596	312,547	669,101	2,946,470	10,741,557
Fund Balances (Deficit) - Ending	\$ 4,471,502	\$ 317,291	\$ 865,114	\$ 3,193,172	\$ 13,536,507



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**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT TRUST
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Fines and Forfeitures	\$ -	\$ 99,793	\$ 99,793
Investment Income	-	4,968	4,968
Miscellaneous Revenues	-	5,100	5,100
Total Revenues	-	109,861	109,861
EXPENDITURES			
Current:			
Public Safety	101,451	103,364	(1,913)
Capital Outlay	-	41,282	(41,282)
Total Expenditures	101,451	144,646	(43,195)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(101,451)	(34,785)	66,666
Net Change in Fund Balance	\$ (101,451)	(34,785)	\$ 66,666
Fund Balance - Beginning		274,598	
Fund Balance - Ending		\$ 239,813	

**BUDGETARY COMPARISON SCHEDULE
PALM BAY MUNICIPAL FOUNDATION
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Miscellaneous Revenues	\$ 31,000	\$ 3,723	\$ (27,277)
Total Revenues	31,000	3,723	(27,277)
EXPENDITURES			
Current:			
Public Safety	67,800	14,769	53,031
Total Expenditures	67,800	14,769	53,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,800)	(11,046)	25,754
Net Change in Fund Balance	\$ (36,800)	(11,046)	\$ 25,754
Fund Balance - Beginning		59,679	
Fund Balance - Ending		\$ 48,633	

**BUDGETARY COMPARISON SCHEDULE
CODE NUISANCE FUND
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Charges for Services	\$ 215,000	\$ 136,016	\$ (78,984)
Investment Income	-	990	990
Total Revenues	<u>215,000</u>	<u>137,006</u>	<u>(77,994)</u>
EXPENDITURES			
Current:			
Public Safety	189,000	31,093	157,907
Total Expenditures	<u>189,000</u>	<u>31,093</u>	<u>157,907</u>
Excess of Revenues Over Expenditures	26,000	105,913	79,913
OTHER FINANCING USES			
Transfers Out	(6,206)	(6,206)	-
Net Change in Fund Balance	<u>\$ 19,794</u>	99,707	<u>\$ 79,913</u>
Fund Balance - Beginning		<u>138,463</u>	
Fund Balance - Ending		<u>\$ 238,170</u>	

**BUDGETARY COMPARISON SCHEDULE
SHIP PROGRAM
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 679,500	\$ 615,343	\$ (64,157)
Charges for Services	35,500	205,879	170,379
Investment Income	200	9,097	8,897
Total Revenues	715,200	830,319	115,119
EXPENDITURES			
Current:			
Economic Environment	593,483	123,633	469,850
Capital Outlay	881,073	159,603	721,470
Total Expenditures	1,474,556	283,236	1,191,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	(759,356)	547,083	1,306,439
Net Change in Fund Balance	\$ (759,356)	547,083	\$ 1,306,439
Fund Balance - Beginning		-	
Fund Balance - Ending		\$ 547,083	

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 1,473,305	\$ 289,583	\$ (1,183,722)
Charges for Services	-	885	885
Total Revenues	<u>1,473,305</u>	<u>290,468</u>	<u>(1,182,837)</u>
EXPENDITURES			
Current:			
Economic Environment	1,491,785	107,372	1,384,413
Total Expenditures	<u>1,491,785</u>	<u>107,372</u>	<u>1,384,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,480)</u>	<u>183,096</u>	<u>201,576</u>
Net Change in Fund Balance	<u>\$ (18,480)</u>	<u>183,096</u>	<u>\$ 201,576</u>
Fund Balance (Deficit) - Beginning		<u>(222,330)</u>	
Fund Balance (Deficit) - Ending		<u>\$ (39,234)</u>	

**BUDGETARY COMPARISON SCHEDULE
HOME GRANT
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 277,328	\$ 13,900	\$ (263,428)
Charges for Services	10,000	20,615	10,615
Total Revenues	<u>287,328</u>	<u>34,515</u>	<u>(252,813)</u>
EXPENDITURES			
Current:			
Economic Environment	109,332	9,034	100,298
Total Expenditures	<u>109,332</u>	<u>9,034</u>	<u>100,298</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>177,996</u>	<u>25,481</u>	<u>(152,515)</u>
Net Change in Fund Balance	<u>\$ 177,996</u>	<u>25,481</u>	<u>\$ (152,515)</u>
Fund Balance - Beginning		<u>22,963</u>	
Fund Balance - Ending		<u>\$ 48,444</u>	

**BUDGETARY COMPARISON SCHEDULE
NEIGHBORHOOD STABILIZATION PROGRAM
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ 585,790	\$ 585,790
Charges for Services	-	72,378	72,378
Total Revenues	-	658,168	658,168
EXPENDITURES			
Current:			
Economic Environment	-	671	(671)
Capital Outlay	-	585,119	(585,119)
Total Expenditures	-	585,790	(585,790)
Excess of Revenues Over Expenditures	-	72,378	72,378
 Net Change in Fund Balance	 \$ -	 72,378	 \$ 72,378
Fund Balance - Beginning		(113)	
Fund Balance (Deficit) - Ending		\$ 72,265	

**BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS DONATIONS
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Charges for Services	\$ -	\$ 1,050	\$ 1,050
Miscellaneous Revenues	-	34,106	34,106
Total Revenues	-	35,156	35,156
EXPENDITURES			
Public Safety	-	14,786	(14,786)
Capital Outlay	-	18,170	(18,170)
Total Expenditures	-	32,956	(32,956)
Excess of Revenues Over Expenditures	-	2,200	2,200
Net Change in Fund Balance	\$ -	2,200	\$ 2,200
Fund Balance - Beginning		86,405	
Fund Balance - Ending		\$ 88,605	

**BUDGETARY COMPARISON SCHEDULE
 PARKS RECREATION FACILITY
 For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
OTHER FINANCING SOURCES			
Transfers Out	\$ -	\$ (110,712)	\$ (110,712)
Total Other Financing Sources	<u>-</u>	<u>(110,712)</u>	<u>(110,712)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(110,712)</u>	<u>\$ (110,712)</u>
Fund Balance - Beginning		<u>110,712</u>	
Fund Balance - Ending		<u>\$ -</u>	

**BUDGETARY COMPARISON SCHEDULE
 IMPACT FEE TRUST
 For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Impact Fees	\$ 1,590,000	\$ 2,963,444	\$ 1,373,444
Investment Income	6,000	21,601	15,601
Total Revenues	1,596,000	2,985,045	1,389,045
EXPENDITURES			
Current:			
Culture/Recreation	156,756	76,685	80,071
Transportation	6,477	6,477	-
Capital Outlay	476,845	324,171	152,674
Total Expenditures	640,078	407,333	232,745
Excess of Revenues Over Expenditures	955,922	2,577,712	1,621,790
OTHER FINANCING SOURCES (USES)			
Transfers Out	(1,015,313)	(976,919)	38,394
Total Other Financing Sources (Uses)	(1,015,313)	(976,919)	38,394
Net Change in Fund Balance	\$ (59,391)	1,600,793	\$ 1,660,184
Fund Balance - Beginning		2,445,333	
Fund Balance - Ending		\$ 4,046,126	

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL FEE
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Charges for Services	\$ 12,475	\$ 14,890	\$ 2,415
OTHER FINANCING (USES)			
Transfers Out	<u>(9,975)</u>	<u>(6,500)</u>	<u>3,475</u>
Net Change in Fund Balance	<u><u>\$ 2,500</u></u>	<u>8,390</u>	<u><u>\$ (1,060)</u></u>
Fund Balance (Deficit) - Beginning		<u>(608,867)</u>	
Fund Balance (Deficit) - Ending		<u><u>\$ (600,477)</u></u>	

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUNDS
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ -	\$ 25,529	\$ 25,529
Miscellaneous Revenues	130,739	130,470	(269)
Total Revenues	130,739	155,999	25,260
EXPENDITURES			
Current:			
General Government	56,703	44,951	11,752
Debt Service:			
Principal Retirement	2,242,474	2,219,622	22,852
Interest and Fiscal Charges	4,238,040	4,261,214	(23,174)
Total Expenditures	6,537,217	6,525,787	11,430
Deficiency of Revenues Under Expenditures	(6,406,478)	(6,369,788)	36,690
OTHER FINANCING SOURCES			
Transfers In	6,295,507	6,283,599	(11,908)
Transfers Out	-	-	-
Issuance of Refunding Debt	3,983,000	3,983,000	-
Payment to Refunded Bond Escrow Agent	(3,931,905)	(3,931,905)	-
Total Other Financing Sources	6,346,602	6,334,694	(11,908)
Net Change in Fund Balance	\$ (59,876)	(35,094)	\$ 24,782
Fund Balance - Beginning		4,506,596	
Fund Balance - Ending		\$ 4,471,502	

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY INVESTMENT FUND
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 444,997	\$ 65,059	\$ (379,938)
Investment Income	-	1,076	1,076
Total Revenues	444,997	66,135	(378,862)
EXPENDITURES			
Capital Outlay	444,997	61,391	383,606
Total Expenditures	444,997	61,391	383,606
Excess of Revenues Over Expenditures	-	4,744	4,744
Net Change in Fund Balance	\$ -	4,744	\$ 4,744
Fund Balance (Deficit) - Beginning		312,547	
Fund Balance - Ending		\$ 317,291	

**BUDDGETARY COMPARISON SCHEDULE
I-95 INTERCHANGE FUND
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ -	\$ 5,235	\$ 5,235
Miscellaneous Revenues	250,000	250,000	-
Total Revenues	250,000	255,235	5,235
EXPENDITURES			
Current:			
Capital Outlay	907,722	59,222	848,500
Total Expenditures	907,722	59,222	848,500
Excess of Revenues Over Expenditures	(657,722)	196,013	853,735
Net Change in Fund Balance	\$ (657,722)	196,013	\$ 853,735
Fund Balance - Beginning		669,101	
Fund Balance - Ending		\$ 865,114	

**BUDGETARY COMPARISON SCHEDULE
ROAD MAINTENANCE CIP FUND
For the Year Ended September 30, 2017**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ -	\$ 34,881	\$ 34,881
Total Revenues	-	34,881	34,881
EXPENDITURES			
Current:			
Transportation	243,462	246,961	(3,499)
Capital Outlay	4,661,913	1,517,431	3,144,482
Total Expenditures	4,905,375	1,764,392	3,140,983
(Deficiency) of Revenues (Under) Expenditures	(4,905,375)	(1,729,511)	3,175,864
OTHER FINANCING SOURCES (USES)			
Transfers In	1,976,213	1,976,213	-
Total Other Financing Sources (Uses)	1,976,213	1,976,213	-
Net Change in Fund Balance	\$ (2,929,162)	246,702	\$ 3,175,864
Fund Balance - Beginning		2,946,470	
Fund Balance - Ending		\$ 3,193,172	



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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, 2017**

	Nonmajor Enterprise Fund		
	Building Inspection Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 876,055	\$ 1,888,807	\$ 2,764,862
Investments	752,320	-	752,320
Restricted Cash and Cash Equivalents	-	-	-
Accounts Receivable - (Net)	-	2,584,938	2,584,938
Advances to Other Funds	185,619	-	185,619
Prepaid Items	-	-	-
Total Current Assets	1,813,994	4,473,745	6,287,739
Noncurrent Assets:			
Advances to Other Funds	1,174,042	-	1,174,042
Capital Assets:			
Land	-	20,688	20,688
Construction in Progress	-	804,484	804,484
Infrastructure	-	157,636	157,636
Machinery, Equipment and Vehicles	60,759	1,906,890	1,967,649
Less: Accumulated Depreciation	(1,240)	(1,771,027)	(1,772,267)
Total Capital Assets (Net)	59,519	1,118,671	1,178,190
Total Noncurrent Assets	1,233,561	1,118,671	2,352,232
Total Assets	3,047,555	5,592,416	8,639,971
LIABILITIES			
Current Liabilities:			
Accounts Payable	59,436	90,807	150,243
Accrued Liabilities	33,513	76,367	109,880
Unearned Revenues	-	2,390,531	2,390,531
Advances from other Funds	-	2,592,329	2,592,329
Compensated Absences	8,293	11,322	19,615
Total Current Liabilities	101,242	5,161,356	5,262,598
Noncurrent Liabilities:			
Net OPEB Obligation	103,682	261,572	365,254
Compensated Absences	43,537	59,442	102,979
Total Noncurrent Liabilities	147,219	321,014	468,233
Total Liabilities	248,461	5,482,370	5,730,831
NET POSITION			
Net Investment in Capital Assets	59,519	1,118,671	1,178,190
Restricted:			
Building Fund	2,739,575	-	2,739,575
Unrestricted	-	(1,008,625)	(1,008,625)
Total Net Position	\$ 2,799,094	\$ 110,046	\$ 2,909,140

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For Fiscal Year Ended September 30, 2017**

	Nonmajor Enterprise Fund		
	Building Inspection Fund	Stormwater Utility Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Stormwater	\$ -	\$ 3,505,447	\$ 3,505,447
User Fees	55,915	-	55,915
Licenses and Permits	2,035,597	36,844	2,072,441
Miscellaneous Income	41,263	104,634	145,897
Total Operating Revenues	2,132,775	3,646,925	5,779,700
Operating Expenses:			
Personal	936,822	2,625,273	3,562,095
Material, Supplies, and Operating expenses	265,410	1,428,289	1,693,699
Depreciation	1,240	31,873	33,113
Total Operating Expenses	1,203,472	4,085,435	5,288,907
Operating Income (Loss)	929,303	(438,510)	490,793
Nonoperating Revenues (Expenses):			
Interest Income	-	4,426	4,426
Interest Expense and Fiscal Charges	-	(1,868)	(1,868)
Intergovernmental Revenues	-	236,604	236,604
Total Nonoperating Revenues	-	239,162	239,162
Income Before Contributions and Transfers	929,303	(199,348)	729,955
Transfers In	6,500	-	6,500
Transfers Out	(158,282)	(301,130)	(459,412)
Change in Net Position	777,521	(500,478)	277,043
Total Net Position - Beginning	2,021,573	610,524	2,632,097
Total Net Position - Ending	\$ 2,799,094	\$ 110,046	\$ 2,909,140

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For Fiscal Year Ended September 30, 2017**

	NonMajor Enterprise Funds		
	Building Inspection Fund	Stormwater Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 2,132,775	\$ 3,454,930	\$ 5,587,705
Payments to Suppliers	(252,526)	(1,377,400)	(1,629,926)
Payments to Employees	(901,393)	(2,642,149)	(3,543,542)
Net Cash Provided (Used) by Operating Activities	978,856	(564,619)	414,237
Cash Flows from Noncapital Financing Activities			
Interfund Advances	323	2,474,853	2,475,176
Intergovernmental Revenues	-	236,604	236,604
Interest Paid on Noncapital debt	-	(1,868)	(1,868)
Transfers to Other Funds	(158,282)	(301,130)	(459,412)
Transfers from Other Funds	6,500	-	6,500
Net Cash Provided (Used) by Noncapital Financing Activities	(151,459)	2,408,459	2,257,000
Cash Flows from Capital and Related Financing Activities			
Acquisition/Construction of Capital Assets	(52,099)	(802,983)	(855,082)
Net Cash Provided by Capital and Related Financing Activities	(52,099)	(802,983)	(855,082)
Cash Flows from Investing Activities			
Investment sales	-	514,030	514,030
Invest Purchases	(752,320)	-	(752,320)
Interest Income on Investments	-	4,426	4,426
Net Cash Used by Investing Activities	(752,320)	518,456	(233,864)
Net Increase in Cash and Cash Equivalents	22,978	1,559,313	1,582,291
Cash and Cash Equivalents at Beginning of Year	853,077	329,494	1,182,571
Cash and Cash Equivalents at End of Year	\$ 876,055	\$ 1,888,807	\$ 2,764,862
Cash and Cash Equivalents Classified As:			
Current Assets	\$ 876,055	\$ 1,888,807	\$ 2,764,862
Total Cash and Cash Equivalents	\$ 876,055	\$ 1,888,807	\$ 2,764,862

STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (CONTINUED)
For Fiscal Year Ended September 30, 2017

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Building Inspection Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 929,303	\$ (438,510)	\$ 490,793
Depreciation	1,240	31,873	33,113
Change in Assets and Liabilities:			
Increase in Accounts Receivable	-	(83,244)	(83,244)
Decrease in Prepaid Items	464	1,500	1,964
Increase in Accounts Payable	15,654	51,360	67,014
Increase (Decrease) in Accrued Liabilities	9,739	(470)	9,269
Increase in OPEB Obligation	9,572	23,931	33,503
Increase (Decrease) in Compensated Absences	12,884	(40,807)	(27,923)
Decrease in Deferred Revenue	-	(110,252)	(110,252)
Total Adjustments	49,553	(126,109)	(76,556)
Net Cash Provided (Used) by Operating Activities	\$ 978,856	\$ (564,619)	\$ 414,237



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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, 2017

	Risk Management	Employee Benefit	Fleet Services	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,427,592	\$ 892,738	\$ 277,894	\$ 2,598,224
Investments	2,358,084	807,294	441,942	3,607,320
Accounts Receivable (Net)	253	96,824	-	97,077
Inventory	-	-	181,553	181,553
Prepaid Items	248,510	35,101	-	283,611
Total Current Assets	4,034,439	1,831,957	901,389	6,767,785
Capital Assets:				
Machinery, Equipment and Vehicles	-	-	9,397,795	9,397,795
Less Accumulated Depreciation	-	-	(7,592,721)	(7,592,721)
Total Capital Assets (Net)	-	-	1,805,074	1,805,074
Total Assets	4,034,439	1,831,957	2,706,463	8,572,859
LIABILITIES				
Current Liabilities:				
Accounts Payable	93,785	434,752	199,792	728,329
Accrued Liabilities	30,504	84,994	38,543	154,041
Capital Leases Payable	-	-	240,540	240,540
Compensated Absences	-	-	22,080	22,080
Claims Payable	1,219,920	-	-	1,219,920
Advances from Other Funds	-	-	249,878	249,878
Total Current Liabilities	1,344,209	519,746	750,833	2,614,788
Noncurrent Liabilities:				
Capital Leases Payable	-	-	-	-
Net OPEB Obligation	-	-	76,706	76,706
Compensated Absences	-	-	115,918	115,918
Claims Payable	2,467,080	-	-	2,467,080
Advances from Other Funds	-	-	1,199,032	1,199,032
Total Noncurrent Liabilities	2,467,080	-	1,391,656	3,858,736
Total Liabilities	3,811,289	519,746	2,142,489	6,473,524
NET POSITION				
Net Investment in Capital Assets	-	-	1,564,534	1,564,534
Unrestricted (Deficit)	223,150	1,312,211	(1,000,560)	534,801
Total Net Position (Deficit)	\$ 223,150	\$ 1,312,211	\$ 563,974	\$ 2,099,335

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For Fiscal Year Ended September 30, 2017**

	Risk Management	Employee Benefit	Fleet Services	Total
Operating Revenues:				
Charges for Services	\$ 3,933,329	\$ 13,178,882	\$ 2,905,133	\$ 20,017,344
Miscellaneous Income	1,031	175	3,053	4,259
Total Operating Revenues	3,934,360	13,179,057	2,908,186	20,021,603
Operating Expenses:				
Personal Services	1,009,805	1,812,142	1,163,118	3,985,065
Contracted Services	57,951	71,098	-	129,049
Supplies and Materials	111,057	6,307	1,757,678	1,875,042
Repairs and Maintenance	7,594	-	347,602	355,196
Other Services and Charges	47,881	10,239	17,205	75,325
Claims/Premium Expense	2,314,860	11,285,774	-	13,600,634
Depreciation	-	-	563,608	563,608
Total Operating Expenses	3,549,148	13,185,560	3,849,211	20,583,919
Operating Income (Loss)	385,212	(6,503)	(941,025)	(562,316)
Nonoperating Revenues (Expenses)				
Interest Income	28,972	7,294	6,267	42,533
Interest Expense and Fiscal Charges	-	-	(46,205)	(46,205)
Intergovernmental Revenues	-	-	52,648	52,648
Gain on Sale of Capital Assets	-	-	10,622	10,622
Total Nonoperating Revenues (Expenses)	28,972	7,294	23,332	59,598
Income (Loss) Before Transfers	414,184	791	(917,693)	(502,718)
Transfers In	-	514,412	771,799	1,286,211
Transfers Out	-	(12,500)	(25,970)	(38,470)
Change in Net Position	414,184	502,703	(171,864)	745,023
Total Net Position (Deficit) - Beginning	(191,034)	809,508	735,838	1,354,312
Total Net Position (Deficit) - Ending	\$ 223,150	\$ 1,312,211	\$ 563,974	\$ 2,099,335

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For Fiscal Year Ended September 30, 2017**

	Risk Management	Employee Benefit	Fleet Services	Total
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 3,934,107	\$ 13,181,760	\$ 2,898,613	\$ 20,014,480
Payments to Suppliers	(2,210,735)	(11,086,604)	(2,050,425)	(15,347,764)
Payments to Employees	(812,430)	(1,812,142)	(1,136,278)	(3,760,850)
Net Cash Provided (Used) by Operating Activities	910,942	283,014	(288,090)	905,866
Cash Flows from Noncapital Financing Activities				
Interfund Advances	-	-	(184,196)	(184,196)
Intergovernmental Revenues	-	-	52,648	52,648
Transfers from Other Funds	-	501,912	745,829	1,247,741
Net Cash Provided (Used) by Noncapital Financing Activities	-	501,912	614,281	1,116,193
Cash Flows from Capital and Related Financing Activities				
Acquisition/Construction of Capital Assets	-	-	(645,304)	(645,304)
Principal Paid on Capital Debt	-	-	(237,779)	(237,779)
Interest Paid on Capital Debt	-	-	(46,205)	(46,205)
Proceeds from Sales of Capital Assets	-	-	10,622	10,622
Net Cash Used by Capital and Related Financing Activities	-	-	(918,666)	(918,666)
Cash Flows from Investing Activities				
Investment purchases	(1,860,324)	(807,294)	(441,942)	(3,109,560)
Interest Income on Investments	28,972	7,294	6,267	42,533
Net Cash Provided (Used) by Investing Activities	(1,831,352)	(800,000)	(435,675)	(3,067,027)
Net Increase (Decrease) in Cash and Cash Equivalents	(920,410)	(15,074)	(1,028,150)	(1,963,634)
Cash and Cash Equivalents at Beginning of Year	2,348,002	907,812	1,306,044	4,561,858
Cash and Cash Equivalents at End of Year	\$ 1,427,592	\$ 892,738	\$ 277,894	\$ 2,598,224

Continued on the next page

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
For Fiscal Year Ended September 30, 2017

	Risk Management	Employee Benefit	Fleet Services	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ 385,212	\$ (6,503)	\$ (941,025)	\$ (562,316)
Depreciation	-	-	563,608	563,608
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(253)	2,703	-	2,450
Decrease in Inventory	-	-	32,761	32,761
(Increase) Decrease in Prepaid Expenses	(21,411)	4,249	310	(16,852)
Increase (Decrease) in Accounts Payable	(154,497)	278,737	34,016	158,256
Increase in Accrued Liabilities	4,516	3,828	4,973	13,317
Increase in OPEB Obligation	-	-	9,573	9,573
Increase in Compensated Absences	-	-	7,694	7,694
Increase in Claims Payable	697,375	-	-	697,375
Total Adjustments	525,730	289,517	652,935	1,468,182
Net Cash Provided by (Used) in Operating Activities	\$ 910,942	\$ 283,014	\$ (288,090)	\$ 905,866

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

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

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, 2017**

ASSETS	Police Officers	Fire Fighters	General Employees	Total
Cash and Cash Equivalents	\$ 3,378,082	\$ 2,662,834	\$ 6,605	\$ 6,047,521
Investments, at fair value:				
Common Stock	32,937,968	25,964,928	-	58,902,896
Domestic Equity Funds	5,361,995	4,225,711	123,624	9,711,330
U.S. Government securities	17,687,251	12,113,739	-	29,800,990
Corporate Bonds	4,320,035	5,233,902	-	9,553,937
Bond Funds	-	-	63,569	63,569
International Equity Funds	16,006,589	12,617,483	-	28,624,072
Real Estate Funds	11,387,171	8,976,143	-	20,363,314
Convertible Securities	10,627,374	8,377,220	-	19,004,594
Master Limited Partnership	3,330,854	2,625,606	-	5,956,460
Total investments	101,659,237	80,134,732	187,193	181,981,162
Receivables:				
Accrued Interest and Dividends	174,400	131,589	-	305,989
Due from Broker	1,243,171	750,407	-	1,993,578
Other	1,602	64,287	-	65,889
Due to/from Other Funds	2,454	2,082	(4,536)	-
Total Receivables	1,421,627	948,365	(4,536)	2,365,456
Other assets:	19,324	15,904	82	35,310
Total Assets	106,478,270	83,761,835	189,344	190,429,449
LIABILITIES				
Accounts Payable	153,243	118,338	42	271,623
Deferred Retirement Option Benefits due and currently payable	-	209,405	-	209,405
Deferred City Contributions	1,615	-	-	1,615
Due to broker	1,712,385	1,132,308	-	2,844,693
Total Liabilities	1,867,243	1,460,051	42	3,327,336
NET POSITION				
Restricted for Pension Benefits	\$ 104,611,027	\$ 82,301,784	\$ 189,302	\$ 187,102,113

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

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For Fiscal Year Ended September 30, 2017**

	Police Officers	Fire Fighters	General Employees	Total
ADDITIONS				
Contributions:				
Employer	\$ 1,115,056	\$ 2,195,957	\$ -	\$ 3,311,013
Employee	621,675	511,241	-	1,132,916
State	716,530	506,774	-	1,223,304
Employee Buybacks	45,397	-	-	45,397
Total Contributions	2,498,658	3,213,972	-	5,712,630
Investment Earnings:				
Net Appreciation in Fair Value of Investments	8,612,330	6,653,205	9,278	15,274,813
Interest and Dividends	2,659,699	2,226,226	11,207	4,897,132
Miscellaneous	3,469	2,735	6	6,210
Total Investment Earnings	11,275,498	8,882,166	20,491	20,178,155
Less: Investment Expenses	541,012	438,547	121	979,680
Net investment Income	10,734,486	8,443,619	20,370	19,198,475
Total Additions	13,233,144	11,657,591	20,370	24,911,105
DEDUCTIONS				
Benefits	5,302,403	5,327,451	4,115	10,633,969
Refunds	27,124	29,858	-	56,982
Administrative Expense	309,357	240,084	4,370	553,811
Total Deductions	5,638,884	5,597,393	8,485	11,244,762
Change in Net Position	7,594,260	6,060,198	11,885	13,666,343
Net Position - Beginning of Year	97,016,767	76,241,586	177,417	173,435,770
Net Position - End of Year	\$ 104,611,027	\$ 82,301,784	\$ 189,302	\$ 187,102,113

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



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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 78,676,964
Restricted	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	7,966,761
Unrestricted	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)	(55,471,045)
Total Governmental Activities Net Position	\$ 65,337,077	\$ 62,099,805	\$ 65,342,136	\$ 69,272,135	\$ 70,144,964	\$ 71,374,983	\$ 71,205,279	\$ 22,419,178	\$ 32,828,673	\$ 31,172,680
Business-Type Activities										
Net Investment in Capital Assets	\$ 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	\$ 74,985,257
Restricted	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	19,153,725
Unrestricted	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	9,705,692
Total Business-Type Activities Net Position	\$ 79,628,793	\$ 82,195,409	\$ 83,708,374	\$ 84,111,774	\$ 83,998,745	\$ 85,712,818	\$ 86,647,753	\$ 90,204,394	\$ 96,395,003	\$ 103,844,674
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 153,662,221
Restricted	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	27,120,486
Unrestricted	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)	(45,765,353)
Total Primary Government Net Position	\$ 144,965,870	\$ 144,295,214	\$ 149,050,510	\$ 153,383,909	\$ 154,143,709	\$ 157,087,801	\$ 157,853,032	\$ 112,623,572	\$ 129,223,676	\$ 135,017,354

Source: City of Palm Bay Finance Department

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General Government	\$ 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	\$ 18,030,253
Public Safety	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	33,513,185
Physical Environment	1,258,063	1,208,284	555,383	490,105	872,935	769,669	677,359	585,508	570,447	536,267
Transportation	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	10,938,430
Economic Environment	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	1,406,369
Culture/Recreation	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	5,392,682
Interest on Long-Term Debt	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	4,321,154
Total Governmental Activities Expenses	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	74,138,340
Business-Type Activities:										
Water and Wastewater	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	22,352,343
Building Inspections & Permitting	2,597,130	2,223,127	1,233,060	892,279	712,026	703,220	694,894	761,991	948,470	1,203,472
Stormwater Utility	-	-	-	3,564,481	3,164,194	3,408,174	3,547,693	3,684,940	3,635,942	4,087,303
Solid Waste	-	-	-	-	-	5,050,744	5,107,458	5,332,128	5,367,656	5,378,107
Total Business-Type Activities Expenses	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	33,021,225
Total Primary Government Expenses	\$ 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	\$ 107,159,565
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 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	\$ 3,107,163
Public Safety	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	1,015,504
Physical Environment	127,513	111,135	135,167	4,979,119	5,136,773	223,441	226,297	232,242	281,573	314,000
Transportation	3,095,516	715,740	782,820	1,884,626	1,055,081	952,387	597,809	1,710,317	1,871,355	2,511,864
Economic Environment	597,228	1,348,931	687,998	45,299	27,433	72,764	139,089	103,081	109,255	299,757
Culture/Recreation	1,309,147	5,790,251	5,322,674	5,674,661	259,619	336,261	383,348	460,205	870,841	1,776,798
Operating Grants and Contributions	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	1,797,091
Capital Grants and Contributions	1,211,333	1,733,106	574,722	469,643	610,535	10,132,184	6,137,400	3,187,506	14,539,432	156,824
Total Governmental Activities Program Revenues	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	10,979,001
Business-Type Activities:										
Charges for Services	22,952,062	22,200,034	23,477,022	27,765,064	26,861,196	33,812,755	34,289,146	35,731,792	37,513,330	39,583,404
Operating Grant and Contributions	-	183,392	24,862	-	54,425	-	19,965	-	-	264,422
Capital Grants and Contributions	2,502,916	6,374,906	4,505,547	3,078,516	921,157	259,698	562,976	1,211,678	1,690,644	2,072,222
Total Business-Type Activities Program Revenues	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	41,920,048
Total Primary Government Program Revenues	\$ 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	\$ 52,899,049
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (63,159,339)
Business-Type Activities	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	8,898,823
Total Primary Government Net Expense	\$ (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)	\$ (54,260,516)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 27,335,274	\$ 25,912,020	\$ 27,399,051	\$ 24,606,678	\$ 22,759,737	\$ 22,247,692	\$ 22,257,795	\$ 23,657,324	\$ 24,728,117	\$ 27,050,557
Franchise Fees	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	5,440,630
Utility Service Taxes	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	8,529,879
Communication Service Taxes	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	2,569,293
State Revenue Sharing	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	10,910,021
Gas Tax	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	4,089,629
Investment Earnings	1,885,623	518,729	305,744	122,491	90,002	33,628	72,435	108,870	129,394	283,435
Miscellaneous	1,270,735	415,116	322,372	637,595	486,691	1,146,588	783,037	560,143	548,241	840,762
Transfers	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	1,789,140
Total Governmental Activities	60,479,902	55,194,342	55,877,101	52,996,156	50,650,534	51,475,788	52,648,080	55,462,754	57,295,688	61,503,346
Business-Type Activities:										
Investment Earnings	1,951,287	1,386,789	1,163,855	649,777	473,724	399,973	246,593	287,353	318,936	316,365
Miscellaneous	39,889	16,246	(31,918)	26,007	17,459	34,085	21,271	32,033	11,490	23,623
Transfers	(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)	(1,789,140)
Total Business-Type Activities	(1,388,794)	(1,147,238)	(1,063,446)	(1,805,115)	(835,516)	(469,936)	(902,205)	(1,288,025)	(1,218,623)	(1,449,152)
Total Primary Government	\$ 59,091,108	\$ 54,047,104	\$ 54,813,655	\$ 51,191,041	\$ 49,815,018	\$ 51,005,852	\$ 51,745,875	\$ 54,174,729	\$ 56,077,065	\$ 60,054,194
Special Item	\$ -	\$ -	\$ -	\$ 4,025,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental Activities	\$ 1,224,786	\$ (3,237,272)	\$ 3,242,331	\$ 3,929,999	\$ 872,829	\$ 295,844	\$ 1,414,224	\$ 299,407	\$ 10,409,495	\$ (1,655,993)
Business-Type Activities	(967,309)	2,566,616	1,512,965	403,400	(113,029)	1,714,073	1,839,303	3,556,641	6,190,609	7,449,671
Total Primary Government	\$ 257,477	\$ (670,656)	\$ 4,755,296	\$ 4,333,399	\$ 759,800	\$ 2,009,917	\$ 3,253,527	\$ 3,856,048	\$ 16,600,104	\$ 5,793,678

Source: City of Palm Bay Finance Department

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 75,216	\$ 34,259	\$ 20,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,839,920	6,653,481	5,769,980	-	-	-	-	-	-	-
Nonspendable	-	-	-	7,836	5,743	1,647,185	61,938	46,334	39,002	21,112
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	227,109	184,176	184,628	193,358
Assigned	-	-	-	1,539,853	1,525,044	525,456	82,644	152,211	50,883	149,855
Unassigned	-	-	-	4,530,160	7,069,823	9,833,161	9,668,623	7,899,629	8,900,069	8,267,662
Total General Fund	\$ 5,915,136	\$ 6,687,740	\$ 5,790,912	\$ 6,077,849	\$ 8,600,610	\$ 12,005,802	\$ 10,040,314	\$ 8,282,350	\$ 9,174,582	\$ 8,631,987
All Other Governmental Funds										
Reserved	\$ 18,045,827	\$ 16,479,904	\$ 14,891,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	1,224,581	2,169,036	535,780	-	-	-	-	-	-	-
Special Revenue Funds	11,063,763	8,770,729	9,221,859	-	-	-	-	-	-	-
Debt Service Funds	4,505,645	3,528,314	3,246,773	-	-	-	-	-	-	-
Capital Projects Funds	14,067,769	9,167,355	7,903,411	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	1,048,796	15,980	17,289	870
Restricted	-	-	-	16,747,649	12,669,953	10,664,652	9,875,846	14,941,367	9,604,137	11,745,717
Committed	-	-	-	11,126	11,126	-	22,320	2,717,649	2,991,029	3,193,172
Assigned	-	-	-	201,780	391,769	-	82,497	144,627	647,747	692,699
Unassigned	-	-	-	(917,839)	(1,945,502)	(1,849,913)	(883,982)	(1,109,237)	(831,310)	(639,711)
Total All Other Governmental Funds	\$ 48,907,585	\$ 40,115,338	\$ 35,799,345	\$ 16,042,716	\$ 11,127,346	\$ 8,814,739	\$ 10,145,477	\$ 16,710,386	\$ 12,428,892	\$ 14,992,747

The City implemented the provisions of GASBC 1800: *Classification and terminology* in fiscal year 2011. Prior fiscal years have not been retroactively restated.

**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	2017
Revenues											
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	\$ 42,789,546
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	2,963,444
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	5,449,708
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	13,694,884
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	3,897,960
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	580,173
Investment Income	3,287,437	1,716,830	484,511	291,246	121,702	88,203	32,488	72,233	105,157	120,831	240,902
Contributions	-	-	1,412,220	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	970,787
Total Revenues	76,785,807	77,921,339	72,736,439	73,407,141	74,654,698	64,534,147	68,865,621	65,458,179	64,043,492	67,034,101	70,587,404
Expenditures											
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	15,234,453
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	32,606,478
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	6,509,086
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	491,654
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	4,519,649
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	2,564,622
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	4,387,618
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	3,175,468
Total Expenditures	95,580,404	126,560,407	82,747,114	82,809,637	98,541,596	66,427,641	70,604,845	67,999,155	65,180,053	72,716,209	69,489,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,794,597)	(48,639,068)	(10,010,675)	(9,402,496)	(23,886,898)	(1,893,494)	(1,739,224)	(2,540,976)	(1,136,561)	(5,682,108)	1,098,376
Other Financing Sources (Uses)											
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	10,210,916
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)	(9,669,517)
Proceeds From Sale of Capital Assets	-	-	-	-	-	-	-	-	-	409,500	330,390
Issuance of Debt	34,396,033	38,345,000	-	-	5,485,000	-	-	-	4,744,000	-	-
Issuance of Refunding Debt	-	-	-	-	-	-	2,268,000	54,740,000	-	15,922,652	3,983,000
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)	(3,931,905)
Total Other Financing Sources (Uses)	38,146,443	40,022,403	1,991,302	4,189,405	6,841,899	(499,115)	1,897,634	1,906,223	5,943,509	2,292,846	922,884
Special Item	-	-	-	-	(2,424,693)	-	-	-	-	-	-
Net Change in Fund Balances	\$ 19,351,846	\$ (8,616,665)	\$ (8,019,373)	\$ (5,213,091)	\$ (19,469,692)	\$ (2,392,609)	\$ 158,410	\$ (634,753)	\$ 4,806,948	\$ (3,389,262)	\$ 2,021,260
Debt Service as a Percentage of Noncapital Expenditures	6.62%	6.72%	10.90%	12.46%	24.33%	9.36%	9.73%	10.79%	10.76%	11.08%	10.61%

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
2017	\$ 4,286,855	\$ 6,557,914,630	\$ 292,093,163	\$ 6,854,294,648	\$ 3,257,136,346	\$ 3,597,158,302	8.4500
2016	4,043,730	5,826,201,100	302,075,674	6,132,320,504	2,864,512,704	3,267,807,800	8.5000
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

**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	
2017	8.4500	-	8.4500	5.8548	6.9160	0.4212	21.6420
2016	8.5000	-	8.5000	6.0692	7.2750	0.4412	22.2854
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

PRINCIPAL PROPERTY TAXPAYERS
September 30, 2017

Taxpayers	2017			2008		
	Taxes Assessed	Rank	Percentage of Total Taxes Levied	Taxes Assessed	Rank	Percentage of Total Taxes Levied
Harris Corporation	\$ 305,783	1	1.0%	\$ 213,516	1	0.9%
Cape LLC, The	163,058	2	0.5%			
RE Asset Holdings 2016-1 LLC	135,200	3	0.4%			
Intersil Corporation	134,355	4	0.4%	126,140	2	0.5%
WRH Madalyn Landings LLLP	133,933	5	0.4%			-
815 Briar Creek Blvd & Holdings	121,142	6	0.4%	-	-	-
Vinings Palm Bay Investment	107,822	7	0.4%	71,550	6	0.3%
Palm Bay Shopping Plaza LLC	103,935	8	0.3%			
Wal-Mart Stores East LP	87,035	9	0.3%	68,900	8	0.3%
Rivera Terrace Properties LLC	79,751	10	0.3%			-
H F Partnership LLP	76,684	11	0.3%	62,540	9	0.3%
Palm Bay Improvements LLC	70,135	12	0.2%	55,650	10	0.2%
Palm Bay Storage 18 (FL) LLC	69,713	13	0.2%			-
Bayside Lakes LLP	68,023	14	0.2%	-	-	-
Pavillions at Monterey LLC	64,550	15	0.2%			-
Bass Pro Outdoor World LLC	64,009	16	0.2%	-	-	-
Park at Palm Bay LP	61,858	17	0.2%			-
Villas at Palm Bay LLC	61,685	18	0.2%	-	-	-
Palm Bay Partners LLC	59,150	19	0.2%	-	-	-
Harris Corporation	58,305	20	0.1%	-	-	-
Edens & Avant	-	-	-	84,800	5	0.4%
Moallem, David	-	-	-	91,095	4	0.4%
WSL Glenbrooke Investors V LLC	-	-	-	94,340	3	0.4%
Capstone Capital Corp	-	-	-	69,006	7	0.3%
Total	\$ 2,026,126		6.6%	\$ 937,537		3.9%

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
2017	\$ 30,396,095	\$ 26,938,819	88.6%	\$ 111,739	\$ 27,050,558	89.0%
2016	25,627,882	24,629,466	96.1%	99,652	24,729,118	96.5%
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%

Source: City of Palm Bay Finance Department

**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	2015 Franchise Fee Revenue Notes	2016 Franchise Fee Revenue Notes	Utility Revenue Bonds	Utility Notes	Capital Leases			
2017	\$ 5,330,000	\$ -	\$ 573,305	\$ -	\$ 50,855,000	\$ 15,330,494	\$ 793,941	\$ 2,865,000	\$ -	\$ -	\$ 2,446,000	\$ 4,313,000	\$ 3,983,000	\$ 8,373,342	\$ 31,935,000	\$ 840,174	\$ 127,638,256	5.51%	1,154
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	-	9,953,729	37,200,000	1,109,260	137,530,093	6.04%	1,260
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	-	-	-	-	-	68,586,012	-	-	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	-	13,981,000	-	-	-	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	-	15,498,000	-	-	-	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	-	15,498,000	-	-	-	104,567,561	-	-	220,906,108	10.83%	2,155

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

*Includes unamortized premium

Source: City of Palm Bay Finance Department

DIRECT AND OVERLAPPING BONDED DEBT – GENERAL OBLIGATION BONDS
 September 30, 2017

Taxing District	Assessed Valuation	Net Debt Outstanding	Overlapping	City's Share of Debt
Brevard County	\$ 34,584,210,926	\$ 68,705,081	10.40%	\$ 7,145,328
City of Palm Bay Governmental Activities Direct Debt				
Bonds Payable		\$ 72,088,529		
Notes Payable		13,607,000		
Capital Leases		793,941		<u>86,489,470</u>
Total Direct and Overlapping Governmental Activities Debt				<u><u>\$ 93,634,798</u></u>

Notes: Based on 2017 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	Operating Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2017	\$ 28,099,716	\$ 14,188,214	\$ 13,911,502	\$ 5,367,565	\$ 1,862,622	1.92
2016	\$ 26,930,542	\$ 13,565,725	\$ 13,364,817	\$ 4,622,371	\$ 2,072,108	2.00
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

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
2017	110,623	\$ 2,316,335	\$ 20,939	43.0	14.1	14,711	3.8%
2016	109,162	2,277,447	20,863	40.7	14.1	14,661	5.4%
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%

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	2017			2008		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% Total Employment
Harris Corporation	3,483	1	6.93%	4,132	1	8.43%
Brevard County School Board	1,908	2	3.79%	1,442	2	2.94%
City of Palm Bay	830	3	1.65%	904	3	1.84%
Palm Bay Hospital	600	4	1.19%	560	6	1.14%
Publix (3 of 3 locations reported)	441	5	0.88%	365	9	0.74%
Wal*Mart	388	6	0.77%	430	8	0.88%
Intersil	372	7	0.74%	670	5	1.37%
Eastern Florida State College	264	8	0.52%	213	11	0.43%
Winn Dixie (2 locations)	208	9	0.41%	245	10	0.50%
Home Depot	160	10	0.32%	118	14	0.24%
AAR Corp	140	11	0.28%	0		0.00%
Lowes	140	12	0.28%	136	13	0.28%
Bass Pro Shop	123	13	0.24%	0		0.00%
MC Assembly				749	4	1.53%
DRS Optronics (2 locations)				526	7	1.07%
Shape Aerospace International				148	12	0.30%
Palm Bay Comm.Charter Sch.-Patriot				104	15	0.21%
Totals	9,057		18.02%	10,742		21.90%

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Legislative	4	4	4	4	4	4	4	4	4	4
Management	5	5	6	6	7	7	10	11	12	14
Finance	16	22	20	19	18	36	35	32	32	32
Procurement	6	-	-	-	-	-	-	-	-	-
Community Planning	2	2	2	2	2	2	2	2	15	15
Other	59	58	38	36	32	29	31	31	36	33
Public Safety										
Police	236	243	249	249	251	250	261	265	271	274
Fire	136	136	134	133	133	138	130	131	139	141
Code Enforcement	9									
Building	23	17	15	14	13	14	17	24	29	41
Physical Environment										
Utilities	132	135	135	134	133	118	120	118	118	119
Economic Environment										
Economic /Neighborhood Development	8	7	4	4	5	6	9	9	9	11
Transportation										
Public Works	128	126	120	120	121	117	127	120	131	140
Culture/Recreation										
Parks	55	52	52	50	50	54	58	58	71	80
Total	819	807	779	771	769	775	804	805	867	904

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

CAPITAL ASSETS STATISTICS
Last Ten Fiscal Years

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol Units	125	125	125	127	127	127	127	127	127	127
Policemen and Officers	159	160	160	160	152	160	166	166	166	165
Fire										
Stations	6	6	6	6	5	5	5	5	5	5
Firefighters and Officers	125	123	135	123	122	122	127	118	118	122
Public Works										
Streets (miles)	865	865	865	865	862	862	862	862	862	862
Street lights	5108	5108	3968	3960	3960	3960	3960	3960	3960	3960
Parks and Recreation										
Community Centers	2	2	1	1	1	1	1	1	1	1
Developed Parks	32	32	31	31	31	31	25	25	25	22
Acreage of developed parks	515	515	315	314	314	314	241	241	241	234
Acreage of all park land	2225	2225	2025	2025	2025	2025	1674	1674	1674	1500
Water System										
Water mains (miles)	619	617	614	614	604	603	596	580	551	545
Fire hydrants	2913	2899	2888	2888	2886	2886	2833	2739	2746	2570
Treatment plants	3	3	3	3	3	3	3	3	3	3
Service connections	33840	33221	32812	32495	32232	31811	31630	31145	30339	29840
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)	307	301	295	295	295	290	290	290	290	296
Treatment plants	2	2	2	2	2	2	2	2	2	2
Service connections - sewer	16858	16484	16221	16023	15323	15031	14909	14807	14455	14316
Service connections - reclaimed water	427	427	425	425	424	421	420	416	105	96
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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Physical Arrests	3,770	2,530	3,076	3,612	3,295	3,504	4,655	3,715	3,805	3,648
Parking Violations	1	0	11	11	5	10	257	317	24	68
Traffic Tickets	4,185	3,842	4,847	5,765	6,361	6,626	9,998	16,785	17,394	19,392
Total Traffic Stops	14,524	11,075	10,568	12,731	12,009	22,117	22,424	39,851	31,685	30,482
Calls for Service	98,155	87,635	143,882	159,576	148,938	229,903	243,417	195,756	202,348	196,688
Fire										
Number of calls for service	14,761	14,443	13,408	12,285	11,683	11,317	11,115	10,520	10,263	9,780
Number of fires extinguished	465	405	280	275	275	251	450	455	320	335
Public Works										
Refuse Collection (pounds) (2)	-	-	-	-	-	-	61,540	115,690	138,913	N/A
New Street Miles	-	-	-	-	-	-	-	-	-	-
Canal Clearing (3)	498,088	716,105	16,888	4,820	34,071	67,238	N/A	N/A	N/A	N/A
New Street (1)	-	-	-	1	-	-	-	-	-	-
Potholes repaired	1,294	1,275	1,441	1,286	1,108	888	620	946	1,190	1,106
Parks and Recreation										
Community Center Attendance	17,340	12,989	18,690	20,341	18,827	15,614	20,545	26,501	23,701	29,182
Camp Programs	877	1,160	790	566	457	405	87	275	303	881
Program Membership	5,157	6,764	4,363	4,344	2,031	928	1,341	1,396	1,328	1,594
Water System										
New Connections	559	409	317	263	421	181	485	806	499	451
Water main breaks	-	-	1	1	1	1	8	16	8	15
Average daily consumption (millions of gallons)	7	7	6	6	6	6	6	6	6	6
Active accounts	33,840	33,221	32,812	32,495	32,232	31,811	31,630	31,145	30,339	29,840
Wastewater System										
Average daily sewage treatment (millions of gallons)	3	3	3	3	3	3	3	3	3	4
Active Accounts	16,858	16,484	16,221	16,023	15,323	15,031	14,949	14,807	14,455	14,316
Building										
Total Inspections	16,455	12,874	10,461	9,783	8,006	7,990	8,497	8,851	9,216	15,493
Permits Issued	7,696	6,328	5,468	4,823	4,131	3,980	4,332	4,473	4,328	5,442

Source: Various City Departments

(1) Information could not be retrieved

(2) No longer being tracked

(3) 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

Collections					
Fiscal Year	Police Impact Fees	Fire Impact Fees	Parks Impact Fees	Transportation Impact Fees	Total Collections
2017	\$ 28,369	\$ 193,301	\$ 437,373	\$ 2,326,002	\$ 2,985,045
2016	21,970	145,907	325,258	1,688,950	2,182,085
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

Balances				
Type	Balance at beginning of Fiscal Year	Collections	Uses	Balance at end of Fiscal Year
Police Impact Fees	\$ 18,170	\$ 28,369	\$ -	\$ 46,539
Fire Impact Fees	201,904	193,301	121,666	273,539
Parks Impact Fees	588,139	437,373	281,112	744,400
Transportation Impact Fees	1,637,120	2,326,002	981,474	2,981,648
Totals	<u>\$ 2,445,333</u>	<u>\$ 2,985,045</u>	<u>\$ 1,384,252</u>	<u>\$ 4,046,126</u>

Significant Usage	
Palm Bay Community Center Sign Renovation	36,969
Tony Rosa Community Center Improvements	33,429
Malabar Road Right-of-Way Purchases	107,981
Palm Bay Community Center Bleachers	131,707
Debt Service Transfer Regarding 2015 Sales Tax Bonds	226,128
Debt Service Transfer Regarding 2014 Local Option Gas Tax Notes	629,125

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			Portion Related To Road Improvements
	Refunding Bonds Series 2005B	Refunding Notes Series 2016	Special Assessment Bonds Series 2003	
2017	\$ -	\$ 1,363,250	\$ 870,250	\$ 951,703
2016	3,182,706	476,211	246,850	1,677,011
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

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

Last Ten Fiscal Years						Last Ten Fiscal Years			
Fiscal Year	Electricity	Communication Services	Gas	Water	Total	Fiscal Year	Sales Tax Revenue	Max Annual Debt Service 2015 Bonds	Debt Service Coverage
2017	\$ 7,050,646	\$ 2,569,292	\$ 112,092	\$ 1,367,141	\$ 11,099,171	2017	\$ 6,311,425	\$ 1,054,406	5.99
2016	6,862,108	2,756,084	97,281	1,328,805	11,044,278	2016	5,900,650	1,054,406	5.60
2015	6,597,099	2,953,713	100,256	1,281,256	10,932,324	2015	5,627,552	1,162,250	4.84
2014	6,533,657	3,014,756	115,725	1,234,210	10,898,348	2014	5,245,081	1,162,250	4.51
2013	5,994,198	3,313,753	91,033	1,219,386	10,618,370	2013	5,012,444	1,162,250	4.31
2012	5,538,018	3,446,340	120,661	1,206,514	10,311,533	2012	4,790,989	1,162,250	4.12
2011	5,523,218	3,637,601	80,387	1,129,285	10,370,491	2011	4,555,098	1,162,250	3.92
2010	5,691,766	3,854,672	96,210	1,059,474	10,702,122	2010	4,456,874	1,162,250	3.83
2009	5,182,844	3,833,585	94,338	1,040,217	10,150,984	2009	4,484,366	1,162,250	3.86
2008	5,000,445	4,105,868	101,806	1,036,524	10,244,643	2008	4,698,617	1,162,250	4.04

Historical Pledged State Revenue Sharing Funds

Last Ten Fiscal Years	
Fiscal Year	State Revenue Sharing
2017	\$ 4,525,840
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

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

Fiscal Year	Motor Fuel	Diesel Fuel	Total	Annual Local Option Gas Tax Revenue
2017	\$ 259,014,856	\$ 137,871,185	\$ 396,886,041	\$ 4,089,629
2016	251,459,738	149,535,894	400,995,632	3,854,156
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

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, 2017

Jurisdiction	Percent Share Total	Percent Share Municipalities	2017 Revenue Share
Brevard County	47.14	0.000%	\$ 10,514,082
Cape Canaveral	1.43	3.064%	361,287
Cocoa	2.26	4.777%	563,213
Cocoa Beach	1.54	2.763%	325,726
Grant-Valkaria	0.50	1.016%	119,780
Indialantic	0.47	0.929%	109,518
Indian Harbor Beach	1.46	2.819%	332,356
Malabar	0.46	0.820%	96,721
Melbourne	13.90	26.323%	3,103,486
Melbourne Beach	0.29	0.489%	57,618
Melbourne Village	0.08	0.144%	16,954
Palm Bay	17.68	31.371%	3,698,636
Palm Shores	0.11	0.204%	24,037
Rockledge	3.75	6.947%	819,015
Satellite Beach	2.08	4.084%	481,533
Titusville	4.25	8.994%	1,060,407
West Melbourne	2.60	5.255%	619,561
Total	100.00	100.00%	\$ 22,303,930

Source: Brevard County Board of County Commissioners

UTILITIES DEBT SERVICE COVERAGE
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues	\$ 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	\$ 27,831,857
Interest Income	1,758,777	854,489	895,337	581,001	420,012	380,838	220,776	225,509	275,950	267,859
Operating Expenses (excl. depreciation/amortization)	(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)	(14,188,214)
Net Revenues	\$ 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	\$ 13,911,502
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	1,771,681	1,768,801	1,363,250
MLE Portion Attributable to MLE Expansion %	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	1,363,250
Connection Fees Available for Debt Service	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	3,363,377
Parity Debt Service	\$ 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	\$ 7,230,186
1998 Revenue Bonds	-	-	-	-	-	-	-	-	-	-
2001 Revenue Bonds	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	1,917,135
2002 Refunding Bonds	533,900	532,888	536,088	528,238	534,863	535,175	72,658	-	-	-
2003 Refunding Bonds	3,786,288	3,783,688	3,784,500	3,787,900	3,787,900	3,784,500	3,298,600	-	-	-
2004 Revenue Bonds	188,538	190,387	192,087	192,488	192,688	192,688	28,744	-	-	-
2005 A Revenue Bonds	839,712	839,712	839,712	419,856	-	-	-	-	-	-
2005 B Refunding Bonds	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	-
2014 Refunding Note	-	-	-	-	-	-	451,808	3,949,778	3,955,562	3,949,801
2016 Refunding Note	-	-	-	-	-	-	-	-	476,211	1,363,250
Total Debt Service	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	7,230,186
DEBT SERVICE COVERAGE										
PART A: Parity Debt Service										
Test 1										
Net Revenues	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	13,911,502
Parity Debt Service Less Portion Attributable to MLE Expansion %	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	5,866,936
Actual Required	1.55	1.53	1.56	1.63	1.64	1.69	1.96	2.03	2.27	2.37
and	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Test 2										
Net Revenues	\$ 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	\$ 13,911,502
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	1,771,681	1,768,801	1,363,250
Total	\$ 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	\$ 15,274,752
Parity Debt Service	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	7,230,186
Actual Required	1.45	1.43	1.46	1.62	1.55	1.53	1.72	1.79	2.26	2.11
or	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
PART B: Parity Debt Service										
Test 1										
Net Revenues	\$ 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	\$ 13,911,502
Connection Fees Available for Debt Service	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	3,363,377
Total	\$ 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	\$ 17,274,879
Parity Debt Service Less Portion Attributable to MLE Expansion %	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	5,866,936
Actual Required	2.15	2.14	2.18	2.23	2.21	2.26	2.59	2.56	2.85	2.94
and	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Test 2										
Net Revenues	\$ 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	\$ 13,911,502
Connection Fees Available for Debt Service	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	3,363,377
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	1,771,681	1,768,801	1,363,250
Total	\$ 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	\$ 18,638,129
Parity Debt Service	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	7,230,186
Actual Required	1.93	1.92	1.97	2.13	2.02	1.98	2.21	2.20	2.76	2.58
and	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Proviso										
Net Revenues	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	13,911,502
Parity Debt Service	\$ 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	\$ 7,230,186
Actual Required	1.24	1.23	1.27	1.41	1.34	1.33	1.50	1.56	2.00	1.92
and	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, 2017

	<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	36.73	49.08	85.81
City of Port St. Lucie	27.94	49.39	77.33
City of Palm Bay	32.00	46.95	78.95
City of Melbourne	30.85	46.08	76.93
City of Cocoa	29.24	46.71	75.95
City of Edgewater	32.40	46.30	78.70
City of Holly Hill	34.89	40.11	75.00
Brevard County	25.52	41.56	67.08
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	\$ 28.09	\$ 40.61	\$ 68.70

Note:
Amounts shown are for 5,000 gallons monthly service and reflect standard residential single-family rates effective October 1, 2016 and are exclusive of taxes.

Source: City of Palm Bay Billing & Collections Division

TEN LARGEST WATER AND WASTEWATER SYSTEM CUSTOMERS
September 30, 2017

Water Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	35,357	1.79%	\$ 127,861	0.90%
Woodlake Village Apts.	25,076	1.27%	157,093	1.10%
School Board of Brevard County	19,954	1.01%	126,245	0.89%
The Park at Palm Bay	16,018	0.81%	90,313	0.63%
Palm Bay Community Hosp	15,893	0.80%	108,523	0.76%
RE Asset Holdings 2016-1 LLC	13,998	0.71%	89,890	0.63%
Vinings Palm Bay Investment LLC	13,190	0.67%	74,540	0.52%
WRH Madalyn Landing	12,960	0.66%	71,096	0.50%
CG I & II Condo Association Inc.	11,550	0.58%	69,782	0.49%
The Pines of Palm Bay LLC	11,343	0.57%	74,650	0.52%
Total	175,339	8.87%	\$ 989,993	6.94%

Wastewater Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	35,357	3.43%	\$ 226,733	2.18%
Woodlake Village Apts.	25,076	2.44%	159,023	1.53%
School Board of Brevard County	19,254	1.87%	156,433	1.50%
The Park at Palm Bay	16,018	1.56%	106,956	1.03%
Palm Bay Community Hosp	15,893	1.54%	55,880	0.54%
RE Asset Holdings 2016-1 LLC	13,998	1.36%	100,139	0.96%
Vinings Palm Bay Investment LLC	13,190	1.28%	107,875	1.04%
WRH Madalyn Landing	12,960	1.26%	92,072	0.88%
CG I & II Condo Association Inc.	11,550	1.12%	105,639	1.02%
The Pines of Palm Bay LLC	11,343	1.10%	69,110	0.66%
Total	174,639	16.96%	\$ 1,179,860	11.34%

(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, 2017

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>
<u>U.S. Department of Housing & Urban Development</u>				
Community Development Block Grant / Entitlement grant	14.218	B-14-MC-12-0032	\$ 65,557	\$ 17,443
Community Development Block Grant / Entitlement Grant	14.218	B-15-MC-12-0032	224,026	-
Community Development Block Grant / Entitlement Grants - NSP 3	14.218	B-11-MN-12-0021	215,952	-
Total Community Development Block Grant Cluster			<u>505,535</u>	<u>17,443</u>
Neighborhood Stabilizaiton Program - NSP 1	14.256	B-08-MN-12-0021	369,838	-
Passed through Brevard County:				
HOME Grant	14.239	M-16-DC-12-0200	9,032	-
Total Passed through Brevard County			<u>9,032</u>	<u>-</u>
Total Department of Housing & Urban Development			<u>884,405</u>	<u>17,443</u>
<u>U.S. Department of Justice</u>				
Passed through the Florida Office of the Attorney General:				
Victim Crime Assistance	16.575	V170-15113	50,551	-
2016 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0605	36,736	-
Total Passed through the Florida Office of the Attorney General			<u>87,287</u>	<u>-</u>
Equitable Sharing Program	16.922	FL0051200	41,282	-
Total U.S. Department of Justice			<u>128,569</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed through Florida Department of Enviromental Protection:				
Highway Planning and Construction Cluster - Cross City Trail (Phase 1)	20.219	T12014	19,836	-
Total U.S. Department of Transportation			<u>19,836</u>	<u>-</u>
<u>U.S. Department of Homeland Security - FEMA</u>				
Passed through Florida Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disaster) - Hurricane Matthew	97.036	FEMA-4283-DR-FL	146,776	-
Total U.S. Department of Homeland Security			<u>146,776</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,179,586</u>	<u>\$ 17,443</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
 For the year ended September 30, 2017

STATE AWARDS	CSFA Number	Grantor Number	State Expenditure	Pass Through to Subrecipients
Agency/Program				
<u>Florida Department of Environmental Protection</u>				
Statewide Surface Water Restoration and Wasterwater Projects	37.039	S0801	\$ 435,927	\$ -
Statewide Surface Water Restoration and Wasterwater Projects	37.039	S0876	250,000	
Statewide Surface Water Restoration and Wasterwater Projects	37.039	LP05073	88,084	
Total Florida Department of Environmental Protection			<u>774,011</u>	<u>-</u>
<u>Florida Housing Finance Agency</u>				
State Housing Initiatives Partnership Program	40.901	N/A	283,236	-
Total Florida Housing Finance Agency			<u>283,236</u>	<u>-</u>
TOTAL STATE EXPENDITURES			<u>\$ 1,057,247</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 2,236,833</u>	<u>\$ 17,443</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND FINANCIAL STATE ASSISTANCE
For Fiscal Year Ended September 30, 2017****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, 2017, 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, 2017, 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 May 18, 2018. 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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weakness (IC 2017-001).

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items (IC 2017-001).

We noted certain matters that we reported to management of the City in a separate letter dated May 18, 2018.

City of Palm Bay, Florida's Response to Findings

The City of Palm Bay, Florida's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Palm Bay, Florida'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.

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

Melbourne, Florida
May 18, 2018

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* and Chapter 10.550, Rules of the Auditor General 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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to 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, Uniform Guidance 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 qualified and unmodified opinions on compliance for major federal programs and state projects. However, our audit does not provide a legal determination of the City of Palm Bay, Florida's compliance.

Basis for Qualified Opinion on Community Development Block Grant and State Housing Initiatives Partnership Program

As described in the accompanying schedule of findings and questioned costs, the City of Palm Bay, Florida did not comply with the requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-002	14.218 40.901	Community Development Block Grant / Entitlement Grant State Housing Initiatives Partnership Program	Reporting
2016-001	40.901	State Housing Initiatives Partnership Program	Period of Performance
2016-002	14.218 40.901	Community Development Block Grant / Entitlement Grant State Housing Initiatives Partnership Program	Activities Allowed and Unallowed Allowable Costs/Cost Principles
2017-004	14.218	Community Development Block Grant / Entitlement Grant	Earmarking

Compliance with such requirements is necessary, in our opinion, for the City of Palm Bay, Florida to comply with the requirements applicable to that program.

Qualified Opinion on Community Development Block Grant and State Housing Initiatives Partnership Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Palm Bay, Florida complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on Community Development Block Grant / Entitlement Grant and State Housing Initiatives Partnership Program for the year ended September 30, 2017.

Unmodified Opinion on the State Project

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 the state project identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2017.

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 item 2015-002, as it applies to CSFA 37.039. Our opinion on the state project is not modified with respect to these matters.

The City of Palm Bay, Florida’s responses to the noncompliance findings identified in our audit is 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.

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, IC 2016-002 and IC 2017-002 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 2017-003 and 2017-004 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

May 18, 2018

THE CITY OF PALM BAY, FLORIDA
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2017

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes ___ 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: Qualified / 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 2017</u>
14.218	Community Development Block Grant / Entitlement Grant Cluster
<u>State CSFA Numbers</u>	<u>Name of State Project</u>
40.901	State Housing Initiatives Partnership Program
37.039	Statewide Surface Water Restoration and Wastewater Projects

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? ___ yes X no

THE CITY OF PALM BAY, FLORIDA
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2017

Section II—Financial Statement Findings

Material Weaknesses

IC 2017-001

Criteria: Management needs to follow Policy Number 31.6.2 Sick Leave as approved by Council as they do not have the authority to override this policy.

Condition: An employee terminated on September 7, 2017 had been employed for less than 5 years and received a full payout of accrued sick time in the amount of \$8,377. However, according to the City's Policy Number 31.6.2 Sick Leave effective September 1, 2017, employees with less than 5 years of employment receive a 0% payout of accrued sick time.

Cause: The payment was processed after receiving approval from the Human Resources Director, who was not the supervisor of the terminated employee.

Effect: The employee received an improper payment of accrued sick time at termination.

Recommendation: We recommend that the City comply with their written policies and any exceptions from policies approved by Council receive approval from Council instead of management.

Management's Response: The employee who terminated on 9/7/17 had expressed an interest in leaving prior to the implementation of the changes in sick leave payout effective 9/1/17. The Human Resources Director in consultation with the City Manager felt the City would benefit from the employee's continuing for the additional time. It was agreed that the pre 9/1/17 payout provision would be honored if the employee agreed to continue for the individual time. The City Manager is the responsible person to administer these Administrative Code and that the codes are not intended to restrict day-to-day procedures and to provide a written Guideline.

The exception in this case was consistent with the intent and in the best interest of the City.

The Human Resource Director did not approve the action as the employee's supervisor but as the person with the primary responsibility, with approval of the City Manager, for the administration and day to day maintenance of the HR Admin Code.

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 / Entitlement Grant (CDBG)
B-14-MC-12-0032, B-15-MC-12-0032, B-11-MN-12-0021 for 2011, 2014 and 2015
Federal Agency: Department of Housing and Urban Development
CSFA 37.039 Statewide Surface Water Restoration and Wastewater Projects (FDEP) for 2016
State Agency: Florida Department of Environmental Protection
CSFA 40.901 State Housing Initiatives Partnership Program (SHIP) for 2016 and 2017
State Agency: Florida Housing Finance Corporation

Criteria: The City is required to file quarterly HUD reports within 20 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, and file quarterly reports to the Florida Department of Environmental Protection 20 days after the end of the quarter for the FDEP grant CSFA #37.039.

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.

One of the FDEP quarterly reports was due April 20, 2017 and was not submitted until April 26, 2017.

Furthermore, the annual close out report for SHIP was submitted after the required deadline September 30, 2017.

Cause: The City did not have an employee in charge of ensuring grant reports were completed accurately 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. FDEP could suspend the grant due to noncompliance.

Perspective: All the reports selected for CDBG were inaccurate. One of the reports for FDEP out of the 3 selected were late. The annual report for SHIP was late.

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.

None

Management's response: Since June 2017, all required CDBG federal reporting has been submitted to HUD by deadlines.

IC 2016-001 Expenditure of SHIP Funds

CSFA 40.901 State Housing Initiatives Partnership Program (SHIP) for 2011 - 2017

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 2017 testing that the City had unspent funds still recorded in unearned revenue that were over 2 years old, and totaled approximately \$167,000.

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, and during 2017 the City returned approximately \$666,000 to the State.

Perspective: Approximately \$167,000 is currently being held by the City for over two years. The City has received over the last four years approximately \$450,000 to \$650,000 a year.

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: The \$167,000 identified as being held by the City represents funds that were expended and reimbursed from the SHIP fund that should have come out of the NSP Fund. The State is aware of the correction to be made once the NSP are drawdown and returned to the City.

City staff is still working with Florida Housing Coalition as a consultant to satisfy any remaining concerns raised by the State SHIP program.

The City has prepared a letter requesting extension of encumbrance and expenditure deadlines and through numerous and recent conversations with the State, anticipate a favorable response to this request for extension.

IC 2016-002 Payroll Allocations

CFDA 14.218 Community Development Block Grant / Entitlement Grant (CDBG)
B-14-MC-12-0032, B-15-MC-12-0032, B-11-MN-12-0021 for 2011, 2014 and 2015
Federal Agency: Department of Housing and Urban Development
CSFA 40.901 State Housing Initiatives Partnership Program (SHIP) for 2016 and 2017
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 2017 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 55 expenses selected relating to payroll for a total of \$33,616 and for SHIP there were 95 expenses selected for a total of \$60,827.

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.

Perspective: All of the payroll expenses charged to the CDBG grants and SHIP grants are questioned costs.

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.

CFDA 14.218
\$33,616

CSFA 40.901
\$60,827

Management's response: Effective June 2017, housing and community development staff prepare daily time sheets that correctly reflect time spent on each grant.

IC 2017-002 Eligibility

CSFA 40.901 State Housing Initiatives Partnership Program (SHIP) for 2016 and 2017
State Agency: Florida Housing Finance Corporation

Criteria: The City is required to verify that recipients of SHIP funding for the Homes for Warriors Program are not current homeowners prior to being approved to receive grant funding. In addition, the determination of eligibility for each applicant should be documented and reviewed by the appropriate level of management.

Condition: The City relies on its non-profit partner to pre-screen applicants for the Homes for Warriors program to determine whether they are eligible. The City did not obtain support from their non-profit partner verifying the homeownership status of the recipient of grant funds. CRI noted that the eligibility of recipients of grant funding in the Homes for Warriors program is not formally documented and reviewed.

Cause: The City is not currently getting support that the verification for home ownership was completed. CRI also noted that the City does not have a formal eligibility determination form to document the performance and review and grant recipient eligibility.

Effect: Approved recipients of grant funding without proper review could result in disallowed costs or noncompliance with State regulations.

Perspective: Of the 7 applicants selected during testing, there was no support on file for 3 of the applicants.

Recommendation: We recommend that the City obtain the independent verifications that recipients of grant funding in the Homes for Warriors Program are not current homeowners before being approved. In addition, we recommend that the City implement a formal process and procedures for the documentation and review of eligibility determinations.

None

Management's response: The City completed its independent research that concluded that all assisted Homes for Warriors applicants were not current or previous homeowners.

Housing and community development staff have adopted policies and procedures for treatment of all SHIP Strategy recipients that include measures to ensure that all required eligibility documentation defined in the SHIP Strategy are received before awarding SHIP funds to a recipient.

Significant Deficiencies

Questioned
Costs

IC 2015-003 Debarred and Excluded Vendors

CFDA 14.218 Community Development Block Grant / Entitlement Grant (CDBG)
B-14-MC-12-0032, B-15-MC-12-0032, B-11-MN-12-0021 for 2011, 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 1 of the 4 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 vendors 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 2017 and no debarred vendors had been utilized.

Perspective: 1 out of 4 vendors selected did not have the suspension and debarment check performed.

Recommendation: All departments should be required to go through the procurement process, as Ordinance 2015-31 was repealed in 2017. None

Management's response: Procurement received notice of the deficiency audit comment on March 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 was 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.

IC 2017-003 Bid Approval

CFDA 14.218 Community Development Block Grant / Entitlement Grant (CDBG)
B-14-MC-12-0032, B-15-MC-12-0032, B-11-MN-12-0021 for 2011, 2014 and 2015
Federal Agency: Department of Housing and Urban Development

Criteria: The City's procurement policy requires that procurement transactions over \$25,000 should have Council approval.

Condition: Expenditures exceeding \$25,000 for one vendor required a formal proposal to bid prior to procuring contract. Bids were obtained and evaluated, but City Council had not approved the bid prior to the contract being executed.

Cause: The bid was not presented to the City Council for approval prior to the contract being executed

Effect: Not having Council approve the final vendor selection could result in a vendor being chosen incorrectly.

Perspective: Only one vendor reached the threshold to require a bid for the CDBG grant during 2017.

Recommendation: We recommend that the City require all departments to submit bids to the City Council for approval.

None

Management's response: The City's Procurement Code of Ordinance (Chapter 38) and Procedure Manual were updated and revised with an effective date of October 1, 2016 (formal amount is no longer \$25,000 for Council approval). Procurement processes have been updated and revised based on the ABA Model Procurement Code; revisions included increases to dollar threshold amounts for procurement approval that are in line with procurement best practices. Procurements utilizing expenditures of federal funds are also compliant with OMB Circular CFR's 200.318-326.

All formal bid (all competitive solicitations) amounts per City Code are equivalent to or in excess of \$100,000 and managed by the Procurement Department staff. All procurements and formal bids (competitive solicitations) do require Council approval; this includes cooperative purchases as well as sole-source when authorized by the funding source.

Procurements less than the formal amount are competitively solicited by Procurement Department staff through an informal process beginning at \$25,000 and approved by the Chief Procurement Officer; this includes cooperative purchases as well as sole-source when authorized by the funding source.

Other thresholds include 1-quote required up to \$10,000; and 3-quotes required between \$10,000 and \$25,000. All require review and approval by the Chief Procurement Officer.

IC 2017-004 Earmarking

CFDA 14.218 Community Development Block Grant / Entitlement Grant (CDBG)
B-14-MC-12-0032, B-15-MC-12-0032, B-11-MN-12-0021 for 2011, 2014 and 2015
Federal Agency: Department of Housing and Urban Development

Criteria: Not less than 70 percent of CDBG funds must be used over a period of 3 years for activities that benefit low- and moderate-income persons in accordance with the criteria set forth in 24 CFR sections 570.200(a)(3) and 570.208(a).

Condition: The reported expenditures for grant award # B-14-MC-12-0032 totaled \$427,476 for period ending September 30, 2017 and beginning on October 1, 2014. The total expenditures over the 3 year period amount of 69.91 percent of the grant award amount of \$611,459, which is less than the required 70% of funds that must be spent within the 3 year period.

Cause: There is not review of the annual reports or tracking if the funds are spent timely.

Effect: The effect of not meeting earmarking thresholds may result in potential future loss of grant funding.

Perspective: The City was .09% short of the earmarking requirement.

Recommendation: We recommend that the City track each active CDBG grant award to monitor the progress of meeting earmarking requirements.

None

Management's response: As part of CDBG CAPER submission, the City is required to submit an IDIS PR26 report that indicates funds expended during the reporting period or other period as defined in the City's CDBG Certifications.

HUD has conducted monitoring of the City's CDBG expenditures and has not reported non-compliance with 24 CFR 570.200(a)(3).

In addition, the City approved a large Substantial Amendment to prior year CDBG funding to reallocate funds to new projects to replace previously adopted inactive projects. This Substantial Amendment may have resulted in delay in expenditures which would affect the total amount of grant funds expended and the percentage of grant funds required to meet the 70% low/moderate income benefit standard.

Staff will research this item more thoroughly and will report any corrections to the auditor's original conclusions should they arise from this analysis.

Section IV- Prior Findings and Questioned Costs for Federal Awards and State Projects

IC 2016-003 Review of Reports

Status: Cleared

IC 2016-004 Wage Rate Requirements

Status: Cleared

IC 2016-005 Retention of Grant Documents

Status: Cleared

IC 2016-006 Housing Limits

Status: Cleared

IC 2016-007 Liens

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)

IC 2016-001 Expenditure of SHIP Funds

Status: Repeated (see Section III above)

IC 2016-002 Payroll Allocations

Status: Repeated (see Section III above)



CORRECTIVE ACTION PLAN
May 18, 2018

The City of Palm Bay, Florida respectfully submits the following corrective action plan for the year ended September 30, 2017.

Name and address of independent public accounting firm:
Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

Audit Period:
Fiscal Year October 1, 2016– September 30, 2017

The findings from the May 18, 2018 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.

Action Taken: Since June 2017, all required federal reporting has been submitted to HUD by deadlines.

IC 2015-003 Debarred and Excluded Vendors

Recommendation: All departments should be required to go through the procurement process, as Ordinance 2015-31 was repealed in 2017.

Action Taken: All departments are again required to go through the procurement process, exceptions made for the Home for Warrior program has been rescinded. Procurements utilizing expenditures of federal funds are required to go through the Procurement Department and also reviewed for compliance with OMB Circular CFR's 200.318-326.

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: The State is aware of the correction to be made once the NSP grant funds are drawdown and returned to the City.

City staff is still working with Florida Housing Coalition as a consultant to satisfy any remaining concerns raised by the State SHIP program.

The City has prepared a letter requesting extension of encumbrance and expenditure deadlines and through numerous and recent conversations with the State, anticipate a favorable response to this request for extension.

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: Since June 2017, housing and community development staff have been preparing daily time sheets that correctly reflect time spent on each grant.

IC 2017-001

Recommendation: We recommend that the City comply with their written policies and any exceptions from policies approved by Council receive approval from Council instead of management.

Action Taken: Pursuant to [Article 4.017 of the Palm Bay Charter](#), “the (City) Manager shall develop and keep current an administrative code for purpose of implementing ordinances passed by the council”.

The Administrative Code is not intended to restrict day-to-day procedures. They are intended to establish common understanding of respective responsibilities and duties and to promote coordination of activities of common interest. To provide a written guideline for implementing ordinances adopted by the council.

IC 2017-002

Recommendation: We recommend that the City obtain the independent verifications that recipients of grant funding in the Homes for Warriors Program are not current homeowners before being approved. In addition, we recommend that the City implement a formal process and procedures for the documentation and review of eligibility determinations.

Action Taken: The City completed its independent research that concluded that all assisted Homes for Warriors applicants were not current or previous homeowners.

Housing and community development staff have adopted policies and procedures for treatment of all SHIP Strategy recipients that include measures to ensure that all required eligibility documentation defined in the SHIP Strategy are received before awarding SHIP funds to a recipient.

IC 2017-003

Recommendation: We recommend that the City require all departments to submit bids to the City Council for approval.

Action Taken: In addition, as of June 2017, housing and community development staff follow the internally adopted CDBG Policies and Procedures Manual that outline procurement procedures that fully comply with CDBG regulation.

This includes procedure that ALL procurement under the HUD grants is through the cooperation of the City's Procurement Department.

IC 2017-004

Recommendation: We recommend that the City track each active CDBG grant award to monitor the progress of meeting earmarking requirements.

Action Taken: As part of CDBG CAPER submission, the City is required to submit an IDIS PR26 report that indicates funds expended during the reporting period or other period as defined in the City's CDBG Certifications.

HUD has conducted monitoring of the City's CDBG expenditures and has not reported non-compliance with 24 CFR 570.200(a)(3).

In addition, the City approved a large Substantial Amendment to prior year CDBG funding to reallocate funds to new projects to replace previously adopted inactive projects. This Substantial Amendment may have resulted in delay in expenditures which would affect the total amount of grant funds expended and the percentage of grant funds required to meet the 70% low/moderate income benefit standard.

Staff will research this item more thoroughly and will report any corrections to the auditor's original conclusions should they arise from this analysis.

Contact Person:
Yvonne McDonald
Finance Director
120 Malabar Road
Palm Bay, FL 32907
321.952.3418
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, 2017, and have issued our report thereon dated May 18, 2018.

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 Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, 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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated May 18, 2018, 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 findings and recommendations made in the preceding annual financial audit as noted below:

Tabulation of Uncorrected Audit Findings, partially addressed

<u>Current Year Finding #</u>	<u>2015-16 FISCAL YEAR Finding #</u>	<u>2014-15 FISCAL YEAR Finding #</u>
IC 2015-002	IC 2015-002	IC 2015-002
IC 2015-003	IC 2015-003	IC 2015-003
IC 2016-001	IC 2016-001	-
IC 2016-002	IC 2016-002	-
IC 2016-008	IC 2016-008	-
Cleared, no longer a finding	IC 2016-003	-
Cleared, no longer a finding	IC 2016-004	-
Cleared, no longer a finding	IC 2016-005	-
Cleared, no longer a finding	IC 2016-006	-
Cleared, no longer a finding	IC 2016-007	-
IC 2017-001	-	-
IC 2017-002	-	-
IC 2017-003	-	-
IC 2017-004	-	-
IC 2017-005	-	-

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 and Management

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 for the City of Palm Bay, Florida. 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.

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 one advance outstanding to one nonmajor governmental fund in the amount of \$609,000 for which there is no agreement or terms governing the advance.

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 governmental fund needed money for specific projects and was advanced money from the building fund to pay for the projects.

Effect: The advance could remain unpaid and outstanding for several years with no agreement terms that specify how and when the advance is to be repaid.

Recommendation: We recommend that agreement is created with terms that specify how and when the advance is to be repaid.

Management's response: In 2008, Building Funds were used to pay for an Incidental Take Permit from the US Fish and Wildlife which allowed the city to issue building permits in areas where scrub jays were located. The \$656,500 advance is to be paid back through the Environmental Fund established for that purpose. An environmental fee of \$125 per quarter acre lot for each building permit was established. Ten percent or \$12.50 for each permit is to be used to repay the Building Fund. At the current rate and based on building permit activity, the Environmental Fund is unable to established definitive payback schedule. A total of only \$47,500 has been available for repayment over the last 10 years. Management will bring this matter to Council to either consider raising the rate or authorization write off the loan and allow the Building Fund to receive available funds as they come in.

2017-005 Procurement

Criteria: The City's procurement policy requires that procurement transactions between \$5,000 and \$25,000 should obtain three quotes prior to requesting the goods or services from the vendor.

Condition: CRI noted during testing that expenses in the amount of \$11,800 that were included in a single purchase exceeding \$5,000 threshold did not include support that at least three quotes were obtained to ensure free and open competition.

Cause: The Growth Management department did not designate an employee to ensure proper procurement of the department's purchases.

Effect: Absent adequate controls, the failure to obtain quotes for applicable purchases may result in noncompliance with the City's policy, and grant requirements.

Recommendation: We recommend that the Growth Management department designate an employee to ensure proper procurement of the department's purchases.

Management's Response: The City's Procurement Code of Ordinance (Chapter 38) and Procedure Manual were updated and revised with an effective date of October 1, 2016 (formal amount is no longer \$25,000 for Council approval). However, 3-price quotations are required between \$10,000 and \$25,000. Future procurements utilizing federal funds will be processed through the Procurement Department, to include review and approval from Growth Management staff prior to issuance of Purchase Orders.

Annual Financial Report

Section 10.554(1)(i)5.b., and 10.556(7), Rules of the Auditor General, require us to 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, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires us to communicate 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.

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida
May 18, 2018



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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, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the City's compliance with specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

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
May 18, 2018