

**CITY OF
MELBOURNE, FLORIDA**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

CITY OF MELBOURNE, FLORIDA



Comprehensive Annual Financial Report For The Fiscal Year Ended September 30, 2016

CITY COUNCIL

Kathleen H. Meehan.....	Mayor
Dan Porsi.....	Vice Mayor, District 3
Mike Nowlin	District 1
Betty Moore	District 2
Debbie Thomas	District 4
Molly J. Tasker	District 5
Teresa Lopez	District 6

CITY OFFICIALS

Michael A. McNees.....	City Manager
Cathleen A. Wysor.....	City Clerk
Alison Dawley	City Attorney
Sondra L. D'Angelo, CGFO, CPA	Assistant Finance Director



INTRODUCTORY SECTION

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- Certificate of Achievement for Excellence
in Financial Reporting
- Organizational Chart



CITY OF MELBOURNE, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2016
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City of Melbourne



Financial Services Department

900 E. Strawbridge Avenue • Melbourne, FL 32901 • (321) 608-7010 • Fax (321) 608-7048

March 3, 2017

Honorable Mayor and City Council and Concerned Citizens
City of Melbourne, Florida

We are submitting the Comprehensive Annual Financial Report of the City of Melbourne, Florida (the City) for the fiscal year ended September 30, 2016, as prepared by the City's Financial Services department. The report fulfills the requirements set forth in the City Charter, Section 3.20, Florida Statutes, Chapter 166.241; Chapter 218.39 and the Rules of the Auditor General, Chapter 10.550; and Rule 15c2-12 promulgated by the Securities and Exchange Commission.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of 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.

The City's financial statements have been audited by the City's independent Certified Public Accountants, Carr, Riggs & Ingram, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally and state 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. The independent auditors' reports on internal controls and compliance issued in connection with the Federal and State Single Audits are included in the Single Audit Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements 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's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City is located on the central east coast of Florida in Brevard County. The City currently occupies a land area of 51.3 square miles and serves a population of 80,419. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City operates under the Council–City Manager form of government. The City of Melbourne has operated under the council–manager form of government since January 12, 1926. This is the date the voters in the old City of Melbourne approved the referendum called for in the special act adopted by the legislature in December 1925. When the former City of Eau Gallie and the old City of Melbourne merged in 1969, the council–manager form of government continued. Policy–making and legislative authority are vested in the city council, which consists of a mayor and six council members. The city council is responsible for passing ordinances, adopting the budget, appointing committee members and hiring the city manager and city attorney. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day to day operations of the city and for appointing the heads of the various departments.

The city council is elected on a non-partisan basis. Council members serve four-year staggered terms with three council members elected during an even year and mayor and three council members elected during the next even year. The six council members represent districts and must reside in their respective districts; however, they are elected at large. The mayor may reside anywhere within the city and is elected at large.

The City provides a full range of services including general government administration; police and fire protection; public works; water and sewer service; a stormwater utility; recreational activities, including two golf courses; and an airport. This report includes all funds of the City. In evaluating the City as a reporting entity, we have included all component units for which the City Council is financially accountable.

With the exception of the Melbourne International Airport (the "Airport"), the component units have been blended with the financial statements presented for the Primary Government because the component unit's governing body is the same as the City Council or because the component unit exclusively serves the City. The blended component units are the Downtown Community Redevelopment Agency, the Babcock Street Community Redevelopment Agency, the Olde Eau Gallie Riverfront Community Redevelopment Agency, the Firefighters' Retirement System, the Melbourne Police Officers' Retirement System, and the General Employees' and Special Risk Class Employees' Pension Plan. Additional information on the City's component units can be found in Note (1)A in the notes to the financial statements. The Airport is presented in the financial statements as a discretely presented component unit to emphasize that it is legally separate from the City. Financial statements for the Melbourne International Airport may be obtained from the Executive Director, Melbourne International Airport, One Air Terminal Parkway, Suite 220, Melbourne, FL 32901.

The annual budget serves as the foundation for the City of Melbourne's financial planning and control. The City Council is required to adopt a final budget no later than September 30. The appropriated budget is prepared by fund (e.g., General), function (e.g., Public Safety), and department (e.g., Police). The City Manager may make transfers of appropriations within a fund as long as the total budget of the fund is not increased. City Council action is required for the approval of a supplemental budget.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. Melbourne has a diverse local economy featuring cutting edge communications, electronics, aerospace, advanced security, emerging technologies, medical and service industries, as well as tourism. Melbourne is home to such progressive companies as Northrop Grumman, Harris Corporation, Rockwell Collins, GE Transportation, Embraer Air, and DRS Technologies. Health First Holmes Regional Medical Center, South Brevard County's major hospital, is located in Melbourne along with Wuesthoff Medical Center. Melbourne continues to be a hub for a variety of medical services as specialists and affiliated businesses are located in close proximity to the hospitals.

Facilities for higher education include: Florida Institute of Technology (FIT), Eastern Florida State College (EFSC), Barry University, Embry-Riddle Aeronautical University, Everest University, Keiser University, Warner Southern College and Webster University.

Northrop Grumman revealed an expansion of their Melbourne campus, located at the Melbourne International Airport. The expansion is to accommodate the production of the Air Force's next-generation Long Range Strike Bomber, a \$20-billion-plus contract with Northrop Grumman officials expecting to add 1,500 jobs averaging \$100,000 in earnings per year.

Embraer opened its newest facility in 2016 for the assembly, painting, and delivery of its latest executive jet aircraft, the Legacy 450 and 500. Embraer already produces the Phenom 100 and 300 at its Melbourne facilities and have built 170 jets valued at over \$1 billion. This newest expansion plans for another 600 jobs within the next four years.

Brevard County's robust aerospace and aviation industry has attracted French-headquartered Axyal, a supplier of technical plastics and composites, to plan for an expansion of their Melbourne sales office to include a full scale design and manufacturing facility. Axyal's expansion further develops a local supply chain for multiple industries making Brevard County an inviting site for aviation and aerospace industry leaders.

The number of building permits increased in the past year as the City experienced a rise in building activity. The number of new residential permits increased 29% this year, the value of new residential construction increased 34%; and the overall residential property value within the City increased 10% for the fiscal year ending September 30, 2016. The number of new commercial permits increased 9%; and, total commercial property values are 2% higher than the previous year. The population increased slightly this year, and the local unemployment rate decreased from 5.3% to 5.1%.

Pursuant to Ch. 200.065(5)(a), F.S. the maximum millage rate that the City may levy is a rolled-back rate based on the amount of taxes which would have been levied in the prior year if the maximum millage rate had been applied, adjusted for the change in per capita Florida personal income, unless a higher rate is adopted, in which case the maximum is the adopted rate. The Melbourne City Council levy for the fiscal year ended September 30, 2016 was 7.6886 mills, which is greater than the computed rolled back rate of 6.9899.

Long-term financial planning. Assigned and unassigned fund balance in the General fund is 28% of total fiscal year 2016 General fund expenditures and 26% of fiscal 2017 appropriations. The General fund policy adopted by the City Council requires all excess funds be transferred to assigned and unassigned fund balance until assigned and unassigned fund balance equals 25% of the general fund operating budget excluding operating transfers. Thereafter, any remaining excess funds shall be identified by the City Manager as available to fund capital purchases, capital construction, non-recurring expenditures, or to establish additional assignments of fund balance. At September 30, 2016 there is \$2,243,403 in excess funds available for assignment.

The Water and Sewer System fund Utility Rate of Return Policy requires excess funds to be transferred to the working capital reserve of the Water and Sewer System until that amount equals 25% of Water and Sewer System operating revenues. At September 30, 2016 the working capital reserves were 55% of fiscal year 2016 operating revenues. The remaining excess funds shall be transferred to the Water and Sewer System Capital Construction Reserve until that amount equals \$1,000,000. Once these two requirements are met, any excess funds shall be split evenly and distributed between the Water and Sewer System Working Capital and the Capital Construction Reserve. A transfer of \$2,190,817 to the Capital Construction Reserve was made which decreased the working capital reserves to 51% of the fiscal 2016 operating revenues. This is a 1% increase from the previous year, primarily due to the rate increase being deferred at October 1, 2015. The Water and Sewer System fund transferred \$3,062,936 to the General fund, which represented 5.9% of sales as defined in the policy.

Major Initiatives. The South Sarno Area Drainage project includes five phases: construction of a stormwater pond treatment system construction of culverts, under the Florida East Coast Railway (FECR) railroad, Apollo Boulevard, and Croton Road to enlarge the canal to provide storage and treatment of stormwater. These improvements will primarily be funded by the Stormwater operating funds.

Construction at the D.B. Lee Water Reclamation Facility includes energy efficiency and facility improvements that will improve treatment processes, as well as install new facilities based on regulatory requirements and reduce operating costs through the use of new technology. A State Revolving Fund loan from the Florida Department of Environmental Protection will fund this project.

Relevant Financial Policies. The City of Melbourne has adopted a comprehensive set of financial policies. During the current year, one of these policies was particularly relevant. The City of Melbourne has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). However, as a result of committed support to the Embraer facilities being constructed at the Melbourne International Airport and golf course equipment replacement, the original budget estimated revenues were less than appropriations (\$75,981,593 vs \$76,614,926). In such cases, the policy allows for the appropriation of fund balance to close the gap. The amount necessary for this purpose in the original budget was \$633,333, which increased to \$1,919,012 in the final amended budget. However, thanks to slightly higher than anticipated revenues and measures taken during the year to control expenditures, the City of Melbourne ultimately experienced no operating deficit for the year.

Awards and Acknowledgments

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 Melbourne for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

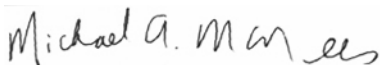
A Certificate of Achievement is valid for a period of one year only. The City of Melbourne has received a Certificate of Achievement for 29 years. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the Financial Services staff under my direction as Interim Director of Finance. Sincere appreciation is expressed to Linda Drake, who served as Acting Assistant Finance Director during this time and made significant contributions to this report. Appreciation is also expressed to the Mayor and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Melbourne's finances.

Respectfully submitted,



Sondra L. D'Angelo
Assistant Finance Director



Michael A. McNees
City Manager



Government Finance Officers Association

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

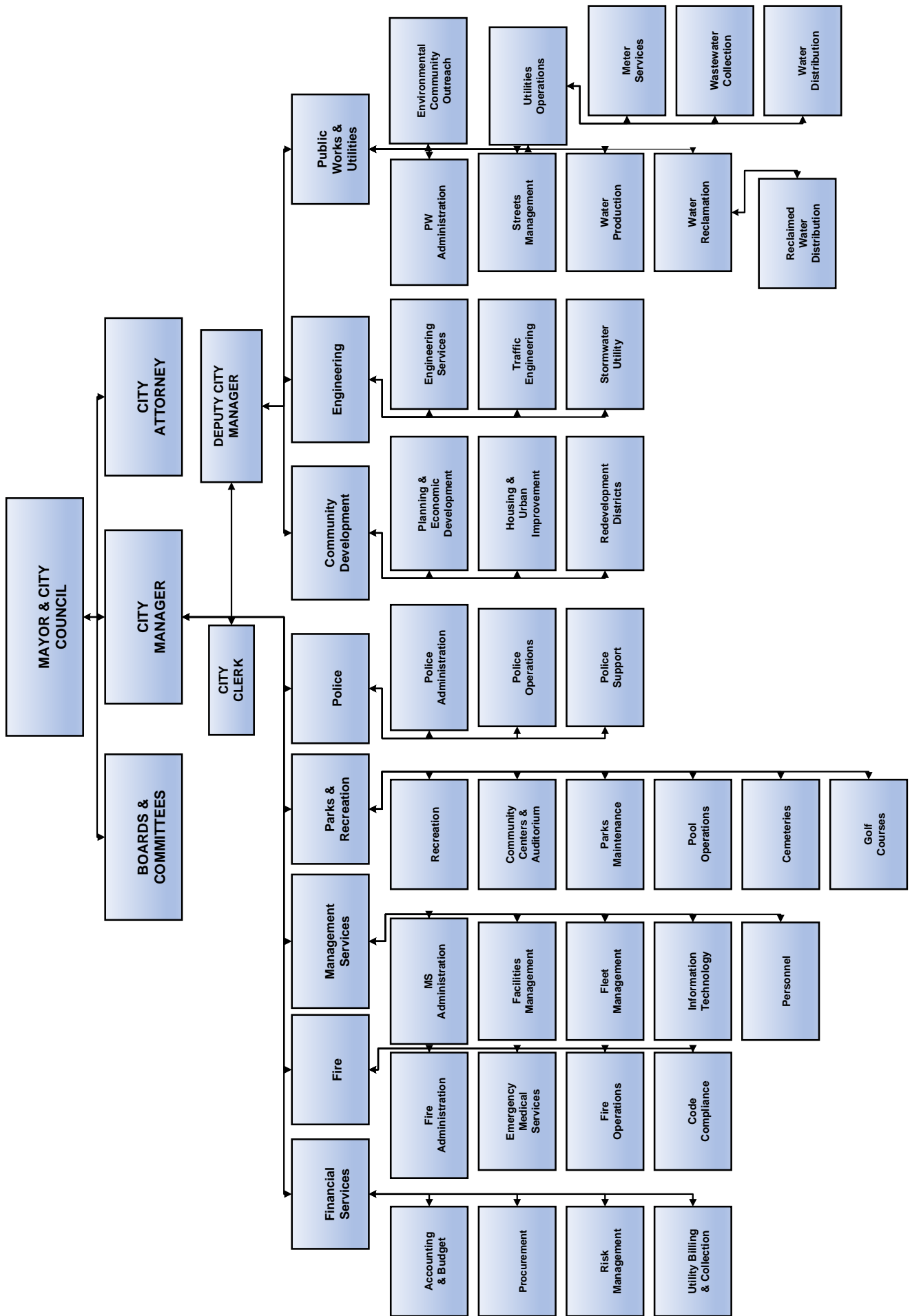
Presented to

**City of Melbourne
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



FINANCIAL SECTION

This section contains the following subsections:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Melbourne, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Melbourne, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Melbourne, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and other required supplementary information on pages 4-13, and pages 83-99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, budgetary schedules of special revenue funds, and 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. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules of special revenue funds, and 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, statistical section and secondary market disclosures 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 March 3, 2017 on our consideration of the City of Melbourne, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Melbourne's internal control over financial reporting and compliance.

Cam Riggs & Ingram, L.L.C.

Melbourne, Florida
March 3, 2017



Management's Discussion and Analysis

As management of the City of Melbourne (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-x of this report.

Financial Highlights

- The assets and deferred outflows of the City of Melbourne exceeded its liabilities and deferred inflows at September 30, 2016 by \$196,317,926. Of this amount \$9,454,148 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$13,612,233, \$3,920,690 in governmental activities and \$9,691,543 in business-type activities.
- As of September 30, 2016, the City's governmental funds reported combined ending fund balances of \$51,363,068 an increase of \$4,353,457 in comparison with the prior year. Approximately 33% of this amount (\$16,987,905) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of assigned and unassigned components of fund balance) in the General fund was \$20,174,537 or 28% of total General fund expenditures for fiscal year 2016.
- The City's total debt decreased \$7,837,022 during the current fiscal year. This reflects increases of \$58,558 for net accretion on the Water and Sewer Refunding Revenue Bonds, Series 2002B, and \$5,004,810 for funds from the State Revolving Fund loan, and \$542,445 for new golf cart and equipment leases, offset by \$6,885,000 in savings from refunding of the Water and Sewer Revenue Bonds, Series 2007A and Water and Sewer Improvement Bonds Series 2007B and the normal reductions resulting from annual debt service and lease payments of \$6,557,835.

Overview of the Financial Statements

The discussion and analysis are 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. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four 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.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide 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, public works, parks and recreation, and housing and urban improvement. The business-type activities of the City include a water and sewer system, golf courses, and a stormwater utility.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Melbourne International Airport, governed by the Melbourne Airport Authority, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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 statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, three community redevelopment funds, and one capital projects fund. The redevelopment funds do not qualify as major funds but have been shown as such to comply with Chapter 163.387(8), Florida Statutes that requires these funds be separately audited. Data from the other four governmental fund types are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and three community redevelopment funds. A budgetary comparison statement has been provided for the General fund and Community Redevelopment funds as part of Required Supplementary Information, to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise 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 its water and sewer system, two golf courses and a stormwater utility. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workers compensation and insurance costs. Because both of these services benefit governmental and business-type functions, they have been allocated accordingly in the government-wide financial statements and are consolidated into governmental activities.

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 water and sewer system, which is considered to be a major fund of the City. Conversely, the golf courses and stormwater utility are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the golf courses, stormwater utility and internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-28 of this report.

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 much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-82 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information (RSI) can be found on pages 83-99 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on page 100-124 of this report.

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 of Melbourne, assets and deferred outflows exceeded liabilities and deferred inflows by \$196,317,926. By far, the largest portion of the City's net position (77%) reflects its investment in capital assets (i.e., land, buildings, improvements other than buildings, machinery, equipment, intangibles, and general government infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to its citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

CITY OF MELBOURNE'S Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 62,240,399	\$ 57,822,396	\$ 90,284,329	\$ 85,852,601	\$ 152,524,728	\$ 143,674,997
Capital assets	91,577,012	92,984,317	165,099,907	160,541,690	256,676,919	253,526,007
Total assets	153,817,411	150,806,713	255,384,236	246,394,291	409,201,647	397,201,004
Total deferred outflows of resources	24,110,672	11,717,224	8,075,790	4,324,619	32,186,462	16,041,843
Liabilities						
Long-term liabilities outstanding	91,671,933	79,640,361	126,863,516	122,734,139	218,535,449	202,374,500
Other liabilities	4,582,826	4,504,399	13,350,163	13,717,743	17,932,989	18,222,142
Total liabilities	96,254,759	84,144,760	140,213,679	136,451,882	236,468,438	220,596,642
Total deferred inflows of resources	7,128,217	7,754,760	1,473,528	2,185,752	8,601,745	9,940,512
Net position						
Net investment in capital assets	82,079,774	82,067,802	69,542,203	64,009,483	151,621,977	146,077,285
Restricted	24,564,405	22,960,162	10,677,396	12,253,588	35,241,801	35,213,750
Unrestricted	(32,099,072)	(34,403,547)	41,553,220	35,818,205	9,454,148	1,414,658
Total net position	<u>\$ 74,545,107</u>	<u>\$ 70,624,417</u>	<u>\$ 121,772,819</u>	<u>\$ 112,081,276</u>	<u>\$ 196,317,926</u>	<u>\$ 182,705,693</u>

An additional portion (\$35,241,801) of the City's net position (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,454,148 may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2016, the City is able to report positive balances in all three categories of net position for its business-type activities. The City's net position, excluding the Melbourne International Airport, a discretely presented component unit, increased by \$13,612,233 (7%) during the current fiscal year.

Key elements of the increase in net position are as follows:

CITY OF MELBOURNE'S Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue:						
Charges for services	\$ 14,924,130	\$ 13,940,354	\$ 58,883,500	\$ 58,140,960	\$ 73,807,630	\$ 72,081,314
Operating grants and contributions	7,117,618	6,999,122	-	-	7,117,618	6,999,122
Capital grants and contributions	903,067	628,876	1,884,001	2,174,091	2,787,068	2,802,967
General revenue:						
Property taxes	28,762,101	25,652,370	-	-	28,762,101	25,652,370
Other taxes	18,142,715	18,179,057	-	-	18,142,715	18,179,057
Grants and contributions not restricted to specific programs	8,117,198	7,678,420	-	-	8,117,198	7,678,420
Unrestricted investment earnings	657,927	384,988	695,166	508,043	1,353,093	893,031
Other	-	41,013	36,552	-	36,552	41,013
Total revenues	78,624,756	73,504,200	61,499,219	60,823,094	140,123,975	134,327,294
Expenses:						
General government	16,928,412	14,194,930	-	-	16,928,412	14,194,930
Public safety	40,329,521	33,441,611	-	-	40,329,521	33,441,611
Public works	8,145,791	7,108,185	-	-	8,145,791	7,108,185
Parks and recreation	6,927,039	6,437,870	-	-	6,927,039	6,437,870
Housing and urban improvement	1,298,756	1,289,586	-	-	1,298,756	1,289,586
Interest on long-term debt	394,519	445,221	-	-	394,519	445,221
Unallocated depreciation	3,322,705	3,191,952	-	-	3,322,705	3,191,952
Water and sewer	-	-	45,201,038	43,578,657	45,201,038	43,578,657
Golf courses	-	-	2,642,683	2,292,530	2,642,683	2,292,530
Stormwater utility	-	-	1,323,778	1,180,219	1,323,778	1,180,219
Total expenses	77,346,743	66,109,355	49,167,499	47,051,406	126,514,242	113,160,761
Increase in net position before contributions to permanent funds and transfers	1,278,013	7,394,845	12,331,720	13,771,688	13,609,733	21,166,533
Contributions to permanent funds	2,500	3,150	-	-	2,500	3,150
Transfers	2,640,177	2,671,942	(2,640,177)	(2,671,942)	-	-
Increase in net position	3,920,690	10,069,937	9,691,543	11,099,746	13,612,233	21,169,683
Net position - October 1, as previously stated	70,624,417	113,641,463	112,081,276	107,294,086	182,705,693	220,935,549
Adjustment	-	(53,086,983)	-	(6,312,556)	-	(59,399,539)
Net position - October 1	70,624,417	60,554,480	112,081,276	100,981,530	182,705,693	161,536,010
Net position - September 30	\$ 74,545,107	\$ 70,624,417	\$ 121,772,819	\$ 112,081,276	\$ 196,317,926	\$ 182,705,693

Governmental Activities. Governmental activities increased the City's net position by \$3,920,690. Charges for services increased \$983,776, primarily due to increases in building related permits and Wickham Park community center recreation programs. The \$118,496 increase in operating grants primarily funded dredging projects. The \$274,191 increase in capital grants and contributions primarily reflects Federal Aid Highway funding for the Hickory Street Complete project. The \$3,109,731 increase in property taxes is due to an increase in the millage rate and rise in taxable assessed value as the local economy continues to rebound. The increase in unrestricted grants and contributions of \$438,778 is primarily due to increases in shared tax revenues and impact fees. The \$272,939 increase in unrestricted investment earnings is due to an increase in market rates combined with more cash available for investment, primarily in the General and Capital Project funds.

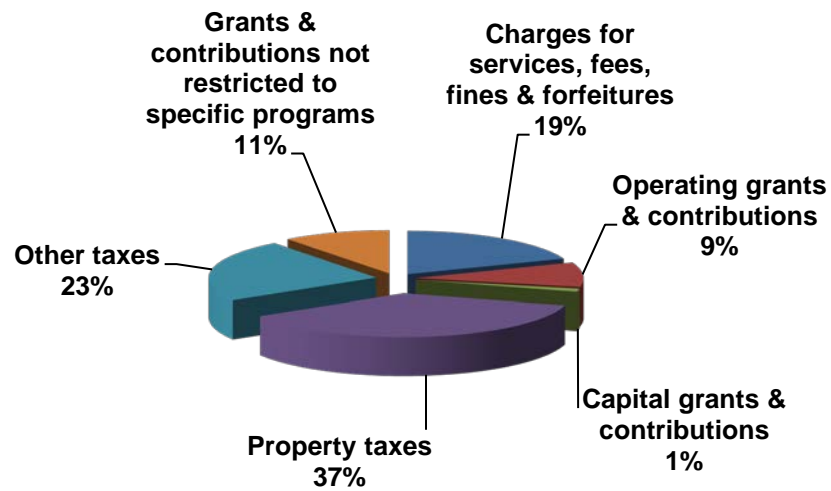
Although public safety expenses increased by \$6,887,910, that reflects the increase (\$6,692,230) in public safety pension contributions due to the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". General government expenses increased \$2,733,482, primarily due to pension adjustments required by GASB Statement No. 68, salaries, and industry development. Public works expenses increased \$1,037,606, primarily for Horse Creek and Melbourne Harbor dredging, street resurfacing, railroad crossing improvements and Streets division vehicles. Parks and recreation services expenses increased \$489,169, primarily for operating the Wickham Park community center, Parks division vehicles and equipment, and increased marketing expenses.

Business-type Activities. Business-type activities increased the City's net position by \$9,691,543. Charges for services increased \$742,540, primarily due to increased consumption and an increase in the number of Water and Sewer accounts. Capital grants decreased (\$290,090), primarily due to the prior year (\$236,346) Airport contribution to the Stormwater South Sarno Road Area Drainage project, along with decreases in grants for other Stormwater projects. Investment earnings increased \$187,123 due to an increase in market rates combined with increased funds being invested.

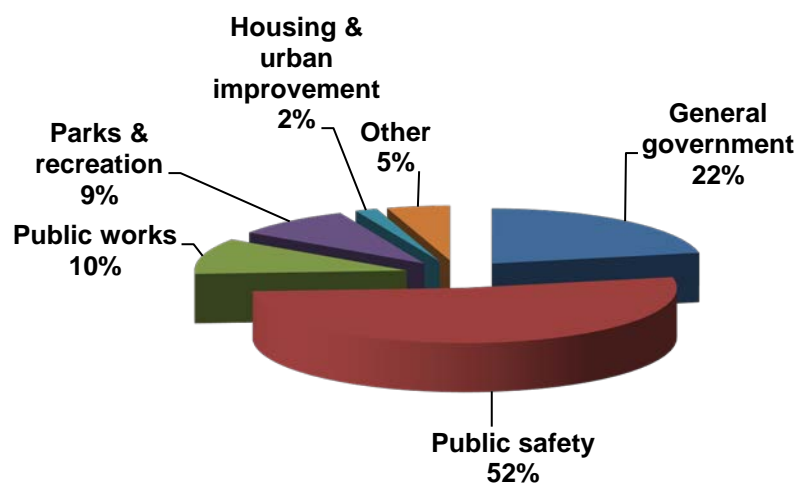
Water and Sewer expenses increased \$1,622,381, primarily due to salaries, pension adjustments, and increased solid waste disposal fees. Golf courses fund expenses increased \$350,153, primarily due to payments to the Florida Retirement System for misclassified employees from 1996 to the present. Stormwater expenses increased \$143,559, due to increases in the commissions to Brevard County Tax Collector, Information Technology, and depreciation.

The revenues by source and expenses by function for governmental activities are displayed in the following graphs:

Revenue by Source - Governmental Activities

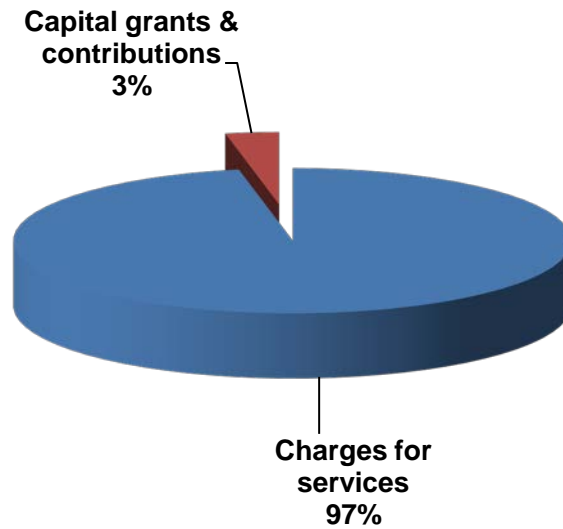


Expenditures by Function - Governmental Activities

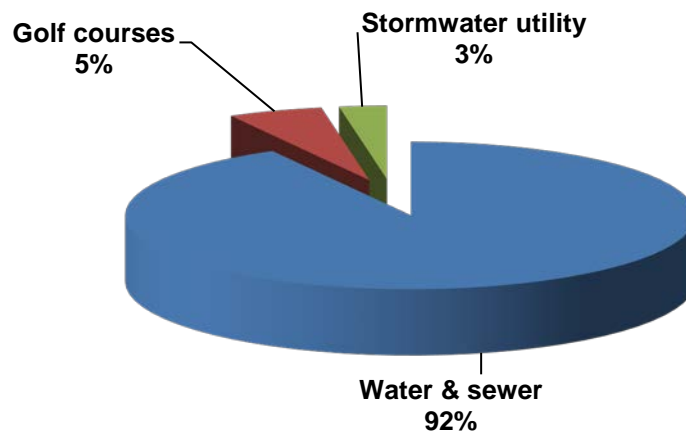


The revenues by source and expenses by function for all business-type activities is demonstrated in the following graphs:

Revenues by Source - Business-type Activities



Expenses by Function - 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, *unassigned 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 the fiscal year, the City's governmental funds reported combined ending fund balances of \$51,363,068, an increase of \$4,353,457 in comparison with the prior year. Approximately 33% (\$16,987,905) of this amount constitutes *unassigned fund balance* which is available for spending at the government's discretion. The remainder of fund balance is *non-spendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it is 1) obligated for long term advances to other funds; inventory; prepaids; land held for resale; and perpetual care (\$1,003,962), 2) restricted for specific purposes (\$24,261,250), 3) restricted for debt service (\$143,403), 4) committed for economic development (\$666,667), or 5) assigned to pay for obligations previously authorized by the City (\$8,299,881).

The General fund is the chief operating fund of the City. At the end of the current fiscal year, the total assigned and unassigned fund balance of the General fund was \$20,174,537 while total fund balance was \$21,873,010. As a measure of the General fund's liquidity, it may be useful to compare both total assigned and unassigned fund balance and total fund balance to total fund expenditures. Total assigned and unassigned fund balance represents 28% of total fiscal year 2016 General fund expenditures and 26% of fiscal 2017 appropriations. Total fund balance represents 30% of total fiscal year 2016 General fund expenditures and 28% of fiscal 2017 appropriations.

The fund balance of the City's General fund increased by \$2,243,781 during the current fiscal year, primarily a result of a slight increase in revenues combined with controlled spending to reduce expenditures. All other governmental funds increased by \$2,109,676, a result of increased funding for transportation projects.

The Transportation Capital Improvement fund, a major fund, had an increase in fund balance during the current year of \$2,073,975 to bring the year end fund balance to \$22,300,755. Assigned fund balance increased \$1,065,983 due to additional funding for road resurfacing projects. Fund balance restricted for transportation increased \$1,007,992 as restricted transportation impact fees and Local Option Gas Tax transfers in exceeded spending on road improvement projects funded from those restricted sources.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer System at the end of the year amounted to \$35,541,520. The unrestricted net position for the Stormwater Utility and Golf Courses fund were \$7,123,090 and (\$1,204,095), respectively. The net position in the Water and Sewer System and Stormwater Utility increased by \$8,435,489, \$1,729,607 respectively; due to normal growth and operating activities in the Water and Sewer System and Stormwater Utility. The net position in the Golf Courses decreased by (\$307,116). The net position for total business-type activities decreased \$166,437 to reflect the consolidation of the Internal Service fund activity in the Enterprise funds.

General Fund Budgetary Highlights

The following is a brief review of the budget changes from the original to the final amended budget, and a review of the final amended budget and actual amounts (presented on a budgetary basis). A detailed budgetary comparison schedule for the General fund is included on page 83 of the RSI section of the CAFR.

The original budget classifies all pending salary and benefit increases in the category, other-unclassified, while the final budget includes the various increases in each functional activity.

The variance between the final budget and the actual results in the General fund reflects total revenues, transfers in and sale of capital assets exceeding the budget by \$321,825 and total expenditures and transfers out of \$3,026,376 less than appropriated. This is a result of revenues and transfers in slightly greater than originally anticipated offset by a decrease in the sale of capital assets in conjunction with appropriations exceeding actual expenditures across the board. Since revenues exceeded budget estimates and expenditures were less than budgetary estimates, the change in fund balance in the General fund was \$3,348,201 higher than budgeted.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of September 20, 2016 total \$256,676,919 (net of accumulated depreciation). The capital assets include land, buildings, improvements other than buildings, machinery and equipment, intangibles, and general governmental infrastructure. The total increase in the City's capital assets for the current fiscal year was 1.24% (a 1.51% decrease in governmental activities and a 2.84% increase for business-type activities).

CITY OF MELBOURNE'S Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 25,708,544	\$ 25,439,286	\$ 4,709,778	\$ 4,390,550	\$ 30,418,322	\$ 29,829,836
Buildings	19,646,439	20,507,537	27,290,378	28,285,875	46,936,817	48,793,412
Improvements other than buildings	3,992,305	4,574,002	113,892,784	114,587,264	117,885,089	119,161,266
Machinery and equipment	6,617,726	5,133,307	3,868,418	2,304,912	10,486,144	7,438,219
Intangibles, computer software	418,392	374,974	30,732	68,702	449,124	443,676
Infrastructure	32,545,130	35,191,935	-	-	32,545,130	35,191,935
Construction in progress	2,648,476	1,763,276	15,307,817	10,904,387	17,956,293	12,667,663
Total capital assets, net of depreciation/amortization	<u>\$ 91,577,012</u>	<u>\$ 92,984,317</u>	<u>\$ 165,099,907</u>	<u>\$ 160,541,690</u>	<u>\$ 256,676,919</u>	<u>\$ 253,526,007</u>

Major capital asset events during the current fiscal year included the following:

- \$1.5 million to replace an aging Police vehicle patrol fleet.
- \$611,913 expended on the Hickory Street mobility project.
- \$319,228 purchase of land for the Sherwood Park area storm water treatment.
- \$579,636 to replace the golf cart fleet and golf course maintenance equipment.
- \$1.5 million expended on replacement of water and sewer service vehicles and maintenance equipment.
- \$5.4 million expended on the DB Lee water reclamation plant energy upgrades project.

Additional information on the City of Melbourne's capital assets can be found in Note (4) E on pages 46-48 of this report.

Long-term debt. At the end of the current fiscal year, the City of Melbourne had total bonded debt outstanding of \$115,981,801. Of this amount, \$8,618,541 represents Public Improvement Bonds secured solely by specified revenue sources in the Governmental funds, and \$95,375,190 for Water and Sewer Revenue Bonds, secured solely by revenues of the Water and Sewer fund.

CITY OF MELBOURNE'S Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Public improvement bonds	\$ 8,618,541	\$ 9,509,262	\$ -	\$ -	\$ 8,618,541	\$ 9,509,262
Revenue bonds	-	-	95,375,190	107,099,544	95,375,190	107,099,544
Capital leases	782,969	1,138,327	551,064	188,385	1,334,033	1,326,712
State Revolving Fund loan	-	-	10,654,037	5,883,305	10,654,037	5,883,305
Total	<u>\$ 9,401,510</u>	<u>\$ 10,647,589</u>	<u>\$ 106,580,291</u>	<u>\$ 113,171,234</u>	<u>\$ 115,981,801</u>	<u>\$ 123,818,823</u>

The City of Melbourne's total debt decreased 6.33%. The primary factor was a result of normal principal payments of outstanding debts.

Governmental activities debt decreased \$1,246,079. The decrease reflects \$890,721 in normal bond principal payments and \$355,358 in capital lease payments.

Business-type activities decreased \$6,590,943. The decrease reflecting the \$4,897,912 in normal bonds principal payments, refunding of Water and Sewer Revenue Bonds, Series 2007A of \$18,715,000, Water and Sewer Improvement Bonds Series 2007B of \$21,795,000 State Revolving Fund loan repayments of \$234,078, golf course capital lease payments of \$125,972 and the balance of the 2012 golf cart lease \$53,794 was rolled into the new golf cart lease, offset by the issuance of the Water and Sewer Refunding Bonds Series 2016A and 2016B in the amounts of \$19,160,000 and \$14,465,000 respectively, net accretion of \$58,558 in the Water and Sewer Refunding Revenue Bonds Series 2002B, additional State Revolving Fund loan of \$5,004,810 and new golf course leases of \$542,445.

The City has no outstanding general obligation debt. As a result, there is no overall bond rating for the City, but certain individual bonds do have ratings. Bond ratings have a significant influence in establishing the rate of interest expense the City must pay when the bonds are sold. The City previously received an underlying rating of AA- from Fitch and an underlying rating of Aa3 from Moody's.

Additional information on the City of Melbourne's long-term debt can be found in Note (4) J on pages 53-59 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of September 30, 2016 for the City of Melbourne was 5.1%, which is a decrease from a rate of 5.3% last year. This is higher than the national average unemployment rate of 5.0% and the state average rate of 4.7%.
- The previously adopted water and sewer utility rate increase of 5.5% has been deferred until October 1, 2017.

Requests for Information

Questions about this report or requests for additional financial information should be addressed to:

City of Melbourne
Financial Services Department
900 E. Strawbridge Ave.
Melbourne, FL 32901
Telephone: (321) 608-7011

Or visit our website at: www.melbourneflorida.org

BASIC FINANCIAL STATEMENTS

These basic financial statements provide a summary overview of the financial position as well as the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow in subsequent sections:

The following statements and schedules are reported in this subsection:

- Government-wide Statement of Net Position
- Government-wide Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Net Position - Proprietary Funds
- Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds
- Statement of Fiduciary Net Position – Fiduciary Funds
- Statement of Changes in Fiduciary Net Position – Fiduciary Funds
- Notes to the Financial Statements

CITY OF MELBOURNE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	International Airport
ASSETS				
Cash and cash equivalents	\$ 22,865	\$ 3,550	\$ 26,415	\$ 9,057,173
Equity in pooled investments	54,714,045	64,611,351	119,325,396	-
Investments, at fair value	-	-	-	11,819,729
Receivables, net	2,894,256	8,771,036	11,665,292	1,398,250
Interest receivable	103,632	120,648	224,280	31,929
Internal balances	187,295	(187,295)	-	-
Due from fiduciary funds	14,749	-	14,749	-
Due from primary government	-	-	-	9,015
Due from other governments	2,321,509	88,023	2,409,532	3,875,423
Inventory	209,772	1,189,134	1,398,906	29,609
Prepaid items	676,472	5,750	682,222	48,455
Land held for resale	215,000	-	215,000	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	9,623,468	9,623,468	283,446
Equity in pooled investments	-	1,302,160	1,302,160	-
Investments, at fair value	-	4,599,553	4,599,553	-
Interest receivable	-	1,662	1,662	-
Due from other governments	36,071	-	36,071	5,738,499
Permanently restricted:				
Equity in pooled investments	172,543	-	172,543	-
Noncurrent lease receivable	-	-	-	911,442
Net pension asset	672,190	155,289	827,479	65,445
Capital assets:				
Nondepreciable:				
Land	25,708,544	4,709,778	30,418,322	6,899,179
Construction in progress	2,648,476	15,307,817	17,956,293	59,545,998
Depreciable:				
Buildings	34,028,481	82,281,212	116,309,693	66,534,190
Improvements other than buildings	13,212,563	262,414,862	275,627,425	72,419,526
Machinery and equipment	25,600,265	18,265,114	43,865,379	10,363,504
Intangibles, computer software	1,841,136	403,511	2,244,647	241,825
Infrastructure	136,264,968	-	136,264,968	-
Less accumulated depreciation/ amortization	(147,727,421)	(218,282,387)	(366,009,808)	(82,399,208)
Total assets	153,817,411	255,384,236	409,201,647	166,873,429
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows, pensions	24,110,672	5,107,330	29,218,002	1,658,646
Deferred amount on advance refunding	-	2,968,460	2,968,460	-
Total deferred outflows	24,110,672	8,075,790	32,186,462	1,658,646

The statement of net position continues on the following page.
The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	International Airport
LIABILITIES				
Accounts payable	1,785,654	4,654,477	6,440,131	690,122
Accrued payroll expenses	2,077,125	217,725	2,294,850	79,275
Accrued interest payable	131,394	-	131,394	-
Due to fiduciary funds	25,667	-	25,667	-
Due to component unit	9,015	-	9,015	-
Due to other governments	65,337	2,007,724	2,073,061	461,833
Deposits	385,887	-	385,887	-
Unearned revenue	102,747	40,879	143,626	5,260,359
Current liabilities payable from restricted assets	-	6,429,358	6,429,358	5,747,345
Noncurrent liabilities:				
Due within one year:				
Accrued claims	1,216,011	-	1,216,011	-
Compensated absences	1,493,173	388,263	1,881,436	138,748
Capital leases payable	214,128	158,120	372,248	-
Bonds payable	926,151	-	926,151	-
Due in more than one year:				
Liabilities payable from restricted assets	-	3,738,391	3,738,391	274,600
Accrued claims	1,997,866	-	1,997,866	-
Compensated absences	2,057,132	372,604	2,429,736	184,449
Capital leases payable	568,841	392,944	961,785	-
State Revolving Fund loan payable	-	10,139,913	10,139,913	-
Other post employment benefits	15,216,973	3,430,921	18,647,894	880,926
Net pension liability	60,289,268	10,241,716	70,530,984	3,161,325
Bonds payable	7,692,390	98,000,644	105,693,034	-
Total liabilities	96,254,759	140,213,679	236,468,438	16,878,982
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows, pensions	6,346,251	1,473,528	7,819,779	439,253
Deferred revenue, business tax receipts	781,966	-	781,966	-
Total deferred inflows of resources	7,128,217	1,473,528	8,601,745	439,253
NET POSITION				
Net investment in capital assets	82,079,774	69,542,203	151,621,977	127,718,662
Restricted - nonexpendable	172,864	-	172,864	-
Restricted for:				
Debt service	130,291	9,814,840	9,945,131	-
Renewal and replacement	-	250,000	250,000	-
Capital improvements	21,745,661	612,556	22,358,217	5,747,345
Legal restrictions	22,674	-	22,674	-
Housing and urban improvement	518,050	-	518,050	-
Economic development	1,824,147	-	1,824,147	-
Public safety	150,718	-	150,718	-
Unrestricted	(32,099,072)	41,553,220	9,454,148	17,747,833
Total net position	\$ 74,545,107	\$ 121,772,819	\$ 196,317,926	\$ 151,213,840

CITY OF MELBOURNE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services, Fees Fines, and Forfeitures	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,928,412	\$ 10,784,839	\$ 48,743	\$ -
Public safety - fire and police	40,329,521	1,836,711	1,467,077	22,818
Public works	8,145,791	1,188,363	4,332,233	734,220
Parks and recreation	6,927,039	1,114,217	80,640	50,000
Housing and urban improvement	1,298,756	-	1,188,925	96,029
Interest on long-term debt	394,519	-	-	-
Unallocated depreciation	3,322,705	-	-	-
Total governmental activities	<u>77,346,743</u>	<u>14,924,130</u>	<u>7,117,618</u>	<u>903,067</u>
Business-type activities:				
Water and sewer	45,201,038	54,089,987	-	1,796,696
Golf courses	2,642,683	2,019,697	-	-
Stormwater utility	1,323,778	2,773,816	-	87,305
Total business-type activities	<u>49,167,499</u>	<u>58,883,500</u>	<u>-</u>	<u>1,884,001</u>
Total primary government	<u>\$ 126,514,242</u>	<u>\$ 73,807,630</u>	<u>\$ 7,117,618</u>	<u>\$ 2,787,068</u>
Component unit - Airport	<u>\$ 21,635,571</u>	<u>\$ 16,207,250</u>	<u>\$ 1,162,112</u>	<u>\$ 43,963,664</u>

General Revenues:

Taxes:

Property

Utility and telecommunication

Franchise fees

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Contributions to permanent funds

Transfers

Total general revenues and transfers

Change in net position

Net position, October 1,

Net position, September 30

The statement of activities continues on the following page.
The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	International Airport
\$ (6,094,830)	\$	\$ (6,094,830)	\$
(37,002,915)		(37,002,915)	
(1,890,975)		(1,890,975)	
(5,682,182)		(5,682,182)	
(13,802)		(13,802)	
(394,519)		(394,519)	
(3,322,705)		(3,322,705)	
<u>(54,401,928)</u>		<u>(54,401,928)</u>	
-	10,685,645	10,685,645	
-	(622,986)	(622,986)	
-	1,537,343	1,537,343	
<u>-</u>	<u>11,600,002</u>	<u>11,600,002</u>	
(54,401,928)	11,600,002	(42,801,926)	
			<u>39,697,455</u>
28,762,101	-	28,762,101	-
11,473,828	-	11,473,828	-
6,668,887	-	6,668,887	-
8,117,198	-	8,117,198	-
657,927	695,166	1,353,093	255,749
-	36,552	36,552	5,843
2,500	-	2,500	-
<u>2,640,177</u>	<u>(2,640,177)</u>	<u>-</u>	<u>-</u>
58,322,618	(1,908,459)	56,414,159	261,592
<u>3,920,690</u>	<u>9,691,543</u>	<u>13,612,233</u>	<u>39,959,047</u>
<u>70,624,417</u>	<u>112,081,276</u>	<u>182,705,693</u>	<u>111,254,793</u>
<u>\$ 74,545,107</u>	<u>\$ 121,772,819</u>	<u>\$ 196,317,926</u>	<u>\$ 151,213,840</u>

CITY OF MELBOURNE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Downtown Redevelopment Fund	Babcock Street Redevelopment Fund
ASSETS			
Cash and cash equivalents	\$ 22,865	\$ -	\$ -
Equity in pooled investments	20,529,559	215,676	510,068
Receivables (net of allowance of \$2,030)	2,805,387	-	-
Interest receivable	57,118	497	964
Due from other funds	111,161	-	-
Due from fiduciary funds	14,749	-	-
Due from other governments	1,939,534	-	-
Due from other governments, restricted	36,071	-	-
Advances to other funds	381,304	-	-
Inventory	209,772	-	-
Prepaid items	25,022	-	-
Land held for resale	215,000	-	-
Total assets	<u>\$ 26,347,542</u>	<u>\$ 216,173</u>	<u>\$ 511,032</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,208,138	\$ 2,700	\$ 745
Accrued payroll expenditures	2,064,265	3,559	3,912
Due to other funds	-	-	-
Due to fiduciary funds	25,667	-	-
Due to component unit	9,015	-	-
Due to other governments	65,337	-	-
Advances from other funds	-	-	-
Deposits	270,542	-	-
Unearned revenue	49,602	-	-
Total liabilities	<u>3,692,566</u>	<u>6,259</u>	<u>4,657</u>
Deferred inflows of resources:			
Deferred and unavailable revenue	<u>781,966</u>	<u>-</u>	<u>-</u>
Fund balances:			
Non-spendable:			
Long-term advances to other funds	381,304	-	-
Inventory	209,772	-	-
Prepays	25,022	-	-
Land held for resale	215,000	-	-
Perpetual care	-	-	-
Restricted:			
Public safety, law enforcement	34,631	-	-
Housing and urban improvement	-	-	-
Debt service	143,403	-	-
Economic development	-	209,914	506,375
Capital improvements	-	-	-
Transportation improvement	-	-	-
Recreation improvement	-	-	-
Fireworks display	22,674	-	-
Committed:			
Economic development	666,667	-	-
Assigned:			
General government	318,377	-	-
Public safety, law enforcement	297,384	-	-
Public safety, fire	26,525	-	-
Public works	93,668	-	-
Parks and recreation	434,250	-	-
Housing and community development	1,850	-	-
Capital improvements	2,014,578	-	-
Unassigned	16,987,905	-	-
Total fund balances	<u>21,873,010</u>	<u>209,914</u>	<u>506,375</u>
Total liabilities, deferred inflows of of resources, and fund balances	<u>\$ 26,347,542</u>	<u>\$ 216,173</u>	<u>\$ 511,032</u>

The accompanying notes are an integral part of this statement.

Olde Eau Gallie Redevelopment Fund	Transportation Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 22,865
357,906	22,659,822	6,275,051	50,548,082
-	-	-	2,805,387
673	29,769	7,152	96,173
-	-	-	111,161
-	-	-	14,749
-	-	381,975	2,321,509
-	-	-	36,071
-	-	-	381,304
-	-	-	209,772
-	-	-	25,022
-	-	-	215,000
<u>\$ 358,579</u>	<u>\$ 22,689,591</u>	<u>\$ 6,664,178</u>	<u>\$ 56,787,095</u>

\$ 785	\$ 381,744	\$ 173,712	\$ 1,767,824
1,383	-	-	2,073,119
37,690	-	73,471	111,161
-	-	-	25,667
-	-	-	9,015
-	-	-	65,337
101,304	-	-	101,304
-	7,092	108,253	385,887
-	-	53,145	102,747
<u>141,162</u>	<u>388,836</u>	<u>408,581</u>	<u>4,642,061</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>781,966</u>

-	-	-	381,304
-	-	-	209,772
-	-	-	25,022
-	-	-	215,000
-	-	172,864	172,864
-	-	116,087	150,718
-	-	518,050	518,050
-	-	-	143,403
217,417	-	890,441	1,824,147
-	-	1,196,347	1,196,347
-	18,882,200	788,729	19,670,929
-	-	878,385	878,385
-	-	-	22,674
-	-	-	666,667
-	-	-	318,377
-	-	-	297,384
-	-	-	26,525
-	-	-	93,668
-	-	-	434,250
-	-	-	1,850
-	3,418,555	1,694,694	7,127,827
-	-	-	16,987,905
<u>217,417</u>	<u>22,300,755</u>	<u>6,255,597</u>	<u>51,363,068</u>
<u>\$ 358,579</u>	<u>\$ 22,689,591</u>	<u>\$ 6,664,178</u>	<u>\$ 56,787,095</u>

CITY OF MELBOURNE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total *fund balances* for governmental funds \$ 51,363,068

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

	Balance	Accumulated Depreciation/ Amortization	
Land	\$ 25,708,544	\$ -	
Construction in progress	2,648,476	-	
Buildings	34,028,481	(14,382,042)	
Improvements	13,212,563	(9,220,258)	
Machinery and equipment	25,576,891	(18,959,165)	
Intangibles, computer software	1,841,136	(1,422,744)	
Infrastructure	136,264,968	(103,719,838)	
Total capital assets	<u>\$ 239,281,059</u>	<u>\$ (147,704,047)</u>	91,577,012

Pension contributions are reported as expenditures in the fund financial statements and adjust net pension asset or net pension liability, deferred outflows and deferred inflows on the statement of net position.

Net pension asset	\$ 643,303	
Net pension liability	(60,128,973)	
Deferred outflows - pensions	24,021,439	
Deferred inflows - pensions	<u>(6,308,898)</u>	(41,773,129)

Internal service funds are used by management to charge the costs of workers compensation and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

1,628,680

Long-term liabilities, including bonds payable, 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.

Accrued interest on bonds	\$ (131,394)	
Special obligation bonds	(8,618,541)	
Capital leases	(782,969)	
Compensated absences	(3,542,190)	
Other post employment benefits	<u>(15,175,430)</u>	
Total long-term liabilities and associated accrued interest		<u>(28,250,524)</u>

Net position of governmental activities \$ 74,545,107

The accompanying notes are an integral part of this statement.



CITY OF MELBOURNE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Downtown Redevelopment Fund	Babcock Street Redevelopment Fund
REVENUES			
Taxes:			
Property	\$ 28,762,101	\$ -	\$ -
Utility and telecommunications	11,473,828	-	-
Franchise fees	6,668,887	-	-
Intergovernmental	12,150,081	1,049,141	747,179
Charges for services	9,566,648	-	-
Impact fees	-	-	-
Licenses and permits	3,401,098	-	-
Confiscated property	-	-	-
Fines, forfeitures, penalties and fees	259,230	-	-
Investment earnings	357,046	4,894	6,477
Perpetual care endowment additions	-	-	-
Other revenues	823,071	-	-
Total revenues	<u>73,461,990</u>	<u>1,054,035</u>	<u>753,656</u>
EXPENDITURES			
Current:			
General government	14,555,254	746,963	210,242
Public safety	42,479,210	-	-
Public works	6,839,694	-	-
Parks and recreation	6,279,034	-	-
Housing and urban improvement	465,689	-	-
Debt service:			
Principal	760,227	130,494	-
Interest and fiscal agent fees	345,427	21,857	-
Capital outlay	-	-	-
Total expenditures	<u>71,724,535</u>	<u>899,314</u>	<u>210,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,737,455</u>	<u>154,721</u>	<u>543,414</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,240,626	-	-
Transfers out	(2,779,508)	(40,000)	(250,000)
Sale of capital assets	45,208	-	-
Total other financing sources (uses)	<u>506,326</u>	<u>(40,000)</u>	<u>(250,000)</u>
Net change in fund balances	2,243,781	114,721	293,414
Fund balances, October 1	<u>19,629,229</u>	<u>95,193</u>	<u>212,961</u>
Fund balances, September 30	<u><u>\$ 21,873,010</u></u>	<u><u>\$ 209,914</u></u>	<u><u>\$ 506,375</u></u>

The accompanying notes are an integral part of this statement.

Olde Eau Gallie Redevelopment Fund	Transportation Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 28,762,101
-	-	-	11,473,828
-	-	-	6,668,887
271,004	-	2,673,792	16,891,197
-	-	-	9,566,648
-	487,155	276,014	763,169
-	-	-	3,401,098
-	-	12,290	12,290
-	-	-	259,230
4,187	224,522	38,622	635,748
-	-	2,500	2,500
5,000	-	72,609	900,680
<u>280,191</u>	<u>711,677</u>	<u>3,075,827</u>	<u>79,337,376</u>
138,109	-	167,209	15,817,777
-	-	-	42,479,210
-	369,512	1,037,802	8,247,008
-	-	43,600	6,322,634
-	-	736,184	1,201,873
-	-	-	890,721
3,581	-	-	370,865
-	588,823	1,760,643	2,349,466
<u>141,690</u>	<u>958,335</u>	<u>3,745,438</u>	<u>77,679,554</u>
<u>138,501</u>	<u>(246,658)</u>	<u>(669,611)</u>	<u>1,657,822</u>
-	2,460,092	493,854	6,194,572
-	(139,459)	(335,178)	(3,544,145)
-	-	-	45,208
-	2,320,633	158,676	2,695,635
138,501	2,073,975	(510,935)	4,353,457
78,916	20,226,780	6,766,532	47,009,611
<u>\$ 217,417</u>	<u>\$ 22,300,755</u>	<u>\$ 6,255,597</u>	<u>\$ 51,363,068</u>

CITY OF MELBOURNE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in *fund balances* - total governmental funds \$ 4,353,457

The change in *net position* reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlay in the current period.

Cost of capital assets	\$ 5,102,478	
Depreciation and amortization expense	<u>(6,443,242)</u>	(1,340,764)

In the statement of activities, only the gain or loss on the sale of capital assets are reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets sold or disposed.

Cost of capital assets sold or disposed	\$ (166,109)	
Transfer of capital assets to business-type activities		
Building improvements	\$ (10,250)	
Accumulated depreciation	<u>-</u> <u>(10,250)</u>	(176,359)

Pension contributions are reported as expenditures in the fund financial statements and the change in net pension asset (liability) and related outflows (inflows) are reported on the statement of activities.

840,272

The issuance of long-term debt provides current financial resources to governmental funds, and the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither have an effect on net position.

Principal repayment, bonds and notes	\$ 890,721	
Principal repayment, leases	<u>355,358</u>	1,246,079

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Other post employment benefits	\$ (905,261)	
Accrued interest on bonds and notes	(131,394)	
Compensated absences	<u>(38,326)</u>	(1,074,981)

Some expenditures reported in the governmental funds, and adjustments made to expenses reported in the statement of activities have been recognized as expenses in the prior fiscal year in the statement of activities.

Accrued interest on bonds and notes	\$ <u>148,556</u>	148,556
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Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Capital asset contributed to general government	\$ 9,225	
Right of way contributions	100,593	
Capital assets purchased from business-type activities		
Machinery and equipment	\$ 109,776	
Accumulated depreciation	<u>(109,776)</u> <u>-</u>	109,818

Internal service funds are used by management to charge the costs of workers compensation and insurance to individual funds. The net revenue of certain activities of the internal service funds are reported with governmental activities.

(185,388)

Change in net position of governmental activities	\$	<u><u>3,920,690</u></u>
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The accompanying notes are an integral part of this statement.



CITY OF MELBOURNE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Other Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,350	\$ 2,200	\$ 3,550	\$ -
Cash and cash equivalents, restricted	5,897,468	-	5,897,468	-
Equity in pooled investments	57,403,290	7,208,061	64,611,351	4,338,506
Equity in pooled investments, restricted	102,598	-	102,598	-
Receivables, trade				
Billed (net of allowance of \$285,000)	5,030,323	-	5,030,323	88,869
Unbilled	3,740,713	-	3,740,713	-
Interest receivable	107,301	13,347	120,648	7,459
Interest receivable, restricted	1,662	-	1,662	-
Due from other governments	-	88,023	88,023	-
Inventory	1,125,612	63,522	1,189,134	-
Prepaid items	-	5,750	5,750	651,450
Total current assets	73,410,317	7,380,903	80,791,220	5,086,284
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	3,726,000	-	3,726,000	-
Equity in pooled investments	1,199,562	-	1,199,562	-
Investments, at fair value	4,599,553	-	4,599,553	-
Total noncurrent restricted assets	9,525,115	-	9,525,115	-
Net pension asset	142,847	12,442	155,289	28,887
Total noncurrent, nonrestricted assets	142,847	12,442	155,289	28,887
Capital assets:				
Nondepreciable:				
Land	3,094,971	1,614,807	4,709,778	-
Construction in progress	13,951,106	1,356,711	15,307,817	-
Depreciable:				
Buildings	81,453,548	827,664	82,281,212	-
Improvements other than buildings	246,709,960	15,704,902	262,414,862	-
Machinery and equipment	14,446,437	3,818,677	18,265,114	23,374
Intangibles, computer software	363,416	40,095	403,511	-
Less accumulated depreciation/amortization	(209,893,509)	(8,388,878)	(218,282,387)	(23,374)
Total capital assets, net of accumulated depreciation/amortization	150,125,929	14,973,978	165,099,907	-
Total noncurrent assets	159,793,891	14,986,420	174,780,311	28,887
Total assets	233,204,208	22,367,323	255,571,531	5,115,171
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows, pensions	4,675,001	432,329	5,107,330	89,233
Deferred amount on advance refunding	2,968,460	-	2,968,460	-
Total deferred outflows	7,643,461	432,329	8,075,790	89,233

The proprietary statement of net position continues on the following page.
The accompanying notes are an integral part of this statement.

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	4,210,460	444,017	4,654,477	17,830
Accrued payroll expenses	199,579	18,146	217,725	4,006
Accrued claims	-	-	-	1,216,011
Due to other governments	1,965,069	42,655	2,007,724	-
Compensated absences	363,098	25,165	388,263	4,745
Unearned revenue	-	40,879	40,879	-
Capital leases payable	-	158,120	158,120	-
Current liabilities payable from restricted assets:				
Accounts payable	692	-	692	-
Accrued interest payable	1,064,542	-	1,064,542	-
State Revolving Fund loan payable	514,124	-	514,124	-
Revenue bonds payable	4,850,000	-	4,850,000	-
Total current liabilities	13,167,564	728,982	13,896,546	1,242,592
Noncurrent liabilities:				
Customer deposits payable from restricted assets	3,738,391	-	3,738,391	-
Advances from other funds	-	280,000	280,000	-
Accrued claims	-	-	-	1,997,866
Compensated absences	352,790	19,814	372,604	3,370
Capital leases payable	-	392,944	392,944	-
State Revolving Fund loan payable	10,139,913	-	10,139,913	-
Other post employment benefits	3,060,521	370,400	3,430,921	41,543
Net pension liability	9,377,757	863,959	10,241,716	160,295
Revenue bonds payable, net of unamortized premium and discount	98,000,644	-	98,000,644	-
Total noncurrent liabilities	124,670,016	1,927,117	126,597,133	2,203,074
Total liabilities	137,837,580	2,656,099	140,493,679	3,445,666
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows, pensions	1,353,660	119,868	1,473,528	37,353
NET POSITION				
Net investment in capital assets	55,437,513	14,104,690	69,542,203	-
Restricted for:				
Debt service	9,814,840	-	9,814,840	-
Renewal and replacement	250,000	-	250,000	-
Capital improvements	612,556	-	612,556	-
Unrestricted	35,541,520	5,918,995	41,460,515	1,721,385
Total net position	\$ 101,656,429	\$ 20,023,685	121,680,114	\$ 1,721,385
Adjustment to reflect the consolidation of internal service fund activities				
Related to enterprise funds for the current year			(166,437)	
Related to enterprise funds for prior years			259,142	
Net position of business-type activities			\$ 121,772,819	

CITY OF MELBOURNE, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Water sales (net of bad debt of \$3,604)	\$ 30,980,416	\$ -	\$ 30,980,416	\$ -
Sewer charges (net of bad debt of \$2,402)	20,815,294	-	20,815,294	-
Golf course fees	-	1,984,636	1,984,636	-
Stormwater fees	-	2,772,154	2,772,154	-
Charges to other funds	-	-	-	4,424,854
Charges to component unit	-	-	-	594,942
Other revenues	2,294,277	36,723	2,331,000	251
Total operating revenues	54,089,987	4,793,513	58,883,500	5,020,047
OPERATING EXPENSES				
Salaries, wages and employee benefits	12,722,739	1,327,646	14,050,385	230,500
Contractual services, materials and supplies	17,898,064	1,902,940	19,801,004	2,569,977
Claims	-	-	-	2,604,025
Depreciation and amortization	9,826,872	724,553	10,551,425	-
Total operating expenses	40,447,675	3,955,139	44,402,814	5,404,502
Operating income (loss)	13,642,312	838,374	14,480,686	(384,455)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	617,807	77,359	695,166	32,630
Interest expense	(4,278,638)	(3,357)	(4,281,995)	-
Debt issue expense	(316,253)	-	(316,253)	-
Gain on sale/disposal of capital assets	26,252	10,300	36,552	-
Total nonoperating revenues (expenses)	(3,950,832)	84,302	(3,866,530)	32,630
Income (loss) before contributions and transfers	9,691,480	922,676	10,614,156	(351,825)
Capital contributions	1,806,946	87,305	1,894,251	-
Transfers in	-	412,510	412,510	-
Transfers out	(3,062,937)	-	(3,062,937)	-
Change in net position	8,435,489	1,422,491	9,857,980	(351,825)
Total net position, October 1,	93,220,940	18,601,194		2,073,210
Total net position, September 30	\$ 101,656,429	\$ 20,023,685		\$ 1,721,385
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds for the current year			(166,437)	
Change in net position of business-type activities			\$ 9,691,543	

The accompanying notes are an integral part of this statement.

**CITY OF MELBOURNE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

1 of 2

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Other Enterprise Funds	Total	Internal Service Funds
INCREASE IN CASH AND CASH EQUIVALENTS				
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 54,081,598	\$ 4,756,327	\$ 58,837,925	\$ -
Cash received from other funds	-	-	-	4,424,854
Cash received from component unit	-	-	-	594,942
Cash payments to suppliers for goods and services	(16,675,215)	(2,619,851)	(19,295,066)	(3,611,620)
Cash payments for employee services	(12,519,573)	(1,310,551)	(13,830,124)	(218,353)
Deposits received	947,653	-	947,653	-
Deposits returned	(1,002,739)	-	(1,002,739)	-
Cash received from lessees	31,674	-	31,674	-
Other operating revenues	3,183	36,182	39,365	251
Net cash provided by operating activities	24,866,581	862,107	25,728,688	1,190,074
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from other funds	-	280,000	280,000	-
Transfers in	-	300,000	300,000	-
Transfers out	(3,062,937)	-	(3,062,937)	-
Net cash provided (used) by noncapital financing activities	(3,062,937)	580,000	(2,482,937)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(12,602,798)	(1,907,793)	(14,510,591)	-
Principal paid on revenue bond maturities and lease obligations	(4,897,911)	(179,766)	(5,077,677)	-
Principal paid on State Revolving Fund loan	(234,079)	-	(234,079)	-
Proceeds from State Revolving Fund loan	4,947,725	-	4,947,725	-
Proceeds from leases	-	229,464	229,464	-
Bond refundings	(2,290,914)	-	(2,290,914)	-
Interest paid on revenue bonds and lease obligations	(4,096,116)	(3,357)	(4,099,473)	-
Cash received from impact fees	1,776,480	-	1,776,480	-
Proceeds from sale of capital assets	97,190	53,908	151,098	-
Repayment of General fund advance	(569,744)	-	(569,744)	-
Transfers in	-	112,510	112,510	-
Capital grants and contributions	4,232	236,346	240,578	-
Net cash used by capital and related financing activities	(17,865,935)	(1,458,688)	(19,324,623)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(25,330,674)	-	(25,330,674)	-
Proceeds from sale and maturities of investment securities	27,009,062	-	27,009,062	-
Interest on investments	567,750	72,113	639,863	28,975
Net cash provided by investing activities	2,246,138	72,113	2,318,251	28,975
Net increase in cash and cash equivalents	6,183,847	55,532	6,239,379	1,219,049
Cash and cash equivalents at October 1	62,146,421	7,154,729	69,301,150	3,119,457
Cash and cash equivalents at September 30	\$ 68,330,268	\$ 7,210,261	\$ 75,540,529	\$ 4,338,506

The accompanying notes are an integral part of this statement.

CITY OF MELBOURNE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Other Enterprise Funds	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 13,642,312	\$ 838,374	\$ 14,480,686	\$ (384,455)
Adjustments not affecting cash:				
Depreciation and amortization	9,826,872	724,553	10,551,425	-
Deferred outflows, pensions	(2,549,752)	(239,694)	(2,789,446)	(46,658)
Deferred inflows, pensions	(650,823)	(61,401)	(712,224)	(9,704)
Changes in assets and liabilities:				
Receivables, trade	26,502	-	26,502	19,942
Due from other governments	-	(445)	(445)	-
Inventory	(54,804)	(963)	(55,767)	-
Prepaid items	-	9,007	9,007	692,787
Net pension asset	166,554	12,981	179,535	30,056
Net pension liability	3,513,762	332,444	3,846,206	42,823
Accounts payable	1,127,113	(724,955)	402,158	678
Accrued payroll expenses	(374,243)	(24,439)	(398,682)	(6,388)
Accrued claims	-	-	-	849,512
Due to other governments	150,506	(240)	150,266	-
Deposits	(55,086)	-	(55,086)	(537)
Unearned revenue	-	(319)	(319)	-
Other post employment benefits	97,668	(2,796)	94,872	2,018
Net cash provided by operating activities	<u>\$ 24,866,581</u>	<u>\$ 862,107</u>	<u>\$ 25,728,688</u>	<u>\$ 1,190,074</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Lease financed capital acquisitions	\$ -	\$ 312,981	\$ 312,981	\$ -
Contributions from developers	15,984	-	15,984	-
Contributions from other funds	10,250	-	10,250	-
2012 W&S bond capitalized interest	276,945	-	276,945	-
State Revolving Fund capitalized interest	57,086	-	57,086	-
Bond refunding	16,458	-	16,458	-
Total non-cash capital and related financing activities	<u>\$ 376,723</u>	<u>\$ 312,981</u>	<u>\$ 689,704</u>	<u>\$ -</u>
NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in fair value of investments	<u>\$ 18,392</u>	<u>\$ (1,051)</u>	<u>\$ 17,341</u>	<u>\$ (1,821)</u>
Cash and cash equivalents reconciliation:				
Current assets:				
Cash and cash equivalents	\$ 1,350	\$ 2,200	\$ 3,550	\$ -
Cash and cash equivalents, restricted	5,897,468	-	5,897,468	-
Equity in pooled investments	57,403,290	7,208,061	64,611,351	4,338,506
Equity in pooled investments, restricted	102,598	-	102,598	-
Noncurrent assets:				
Cash and cash equivalents, restricted	3,726,000	-	3,726,000	-
Equity in pooled investments, restricted	1,199,562	-	1,199,562	-
Cash and cash equivalents at September 30	<u>\$ 68,330,268</u>	<u>\$ 7,210,261</u>	<u>\$ 75,540,529</u>	<u>\$ 4,338,506</u>

The accompanying notes are an integral part of this statement.

CITY OF MELBOURNE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Employee Pension Trust Funds	Performance Deposits Agency Fund
ASSETS		
Cash and cash equivalents	\$ 4,120,532	\$ -
Equity in pooled investments	-	785,370
Investments, at fair value:		
U.S. government obligations	23,254,543	-
Corporate bonds	14,730,540	-
Common and preferred stocks	101,846,493	-
Interest receivable	204,156	-
Due from other funds	25,667	-
Prepaid items	363,276	-
	<hr/>	<hr/>
Total assets	144,545,207	\$ 785,370
	<hr/>	<hr/>
LIABILITIES		
Accounts payable and accrued expenses	204,042	\$ -
Due to other funds	14,749	-
Overfunded contributions	845,318	
Refundable deposits	-	785,370
	<hr/>	<hr/>
Total liabilities	1,064,109	\$ 785,370
	<hr/>	<hr/>
NET POSITION		
Restricted for pension benefits	\$ 143,481,098	
	<hr/>	

The accompanying notes are an integral part of this statement.

CITY OF MELBOURNE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Employee Pension Trust Funds
ADDITIONS	
Contributions:	
Employer contributions	\$ 5,647,306
Employee contributions	1,155,559
State contributions	<u>1,142,824</u>
Total contributions	<u>7,945,689</u>
Investment earnings:	
Net appreciation in fair value of investments	10,227,613
Interest, dividends, and other income	<u>3,991,721</u>
Total investment earnings	14,219,334
Less investment expense	<u>(738,430)</u>
Net investment earnings	<u>13,480,904</u>
Total additions	<u>21,426,593</u>
DEDUCTIONS	
Benefits paid	9,662,145
Refunded contributions	104,502
Administrative expenses	<u>373,715</u>
Total deductions	<u>10,140,362</u>
Change in net position	11,286,231
Net position, October 1	<u>132,194,867</u>
Net position, September 30	<u><u>\$ 143,481,098</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Melbourne (the “City”), a Florida Municipal Corporation, was formed in 1969 as a result of the unification of the former cities of Melbourne and Eau Gallie. The City has a population of 80,419 living within an area of approximately 51.3 square miles. The governing body is a seven member elected City Council comprised of a Mayor and six Council members. The City Council appoints the City Manager who is responsible for the administration of all City services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating the City as a reporting entity, management has included all component units in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14, “Defining the Financial Reporting Entity” and GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14, and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.” The Financial Reporting Entity consists of the City of Melbourne (the primary government) and its component units. Component units are legally separate organizations for which the City Council is financially accountable. GASB Statement No. 61 further requires that a financial benefit or burden relationship be present for a component unit to be blended with the primary government. The component units discussed below are included in the City's reporting entity and are reported as part of the primary government or discretely presented in the financial statements depending upon the nature of the relationship to the City.

Blended Component Units

The following component units are blended with the primary government for financial statement purposes. Although they are legally separate from the City, the component unit's governing body either is substantively the same as the City Council and the City manages their operations or the component unit exclusively serves the City. The blended component units do not issue separate financial statements. Their financial statements are included in the City's Comprehensive Annual Financial Report for the year ended September 30, 2016.

Downtown Community Redevelopment Agency -- The governing body of the Downtown Community Redevelopment Agency is the Melbourne City Council and the City manages their operations. The Downtown Community Redevelopment Agency is accounted for as a Special Revenue fund entitled “Downtown Redevelopment fund”.

Babcock Street Community Redevelopment Agency -- The governing body of the Babcock Street Community Redevelopment Agency is the Melbourne City Council and the City manages their operations. The Babcock Street Community Redevelopment Agency is accounted for as a Special Revenue fund entitled “Babcock Street Redevelopment fund”.

Olde Eau Gallie Riverfront Community Redevelopment Agency -- The governing body of the Olde Eau Gallie Riverfront Community Redevelopment Agency is the Melbourne City Council and the City manages their operations. The Olde Eau Gallie Riverfront Community Redevelopment Agency is accounted for as a Special Revenue fund entitled “Olde Eau Gallie Redevelopment fund.”

Firefighters' Retirement System -- The City Council only appoints two of the five members of the governing board, but it is financially responsible for funding the firefighters' pension benefits. The Firefighters' Retirement

Trust fund only exists to provide pension benefits to City of Melbourne firefighters. It is accounted for in the Pension Trust funds.

Melbourne Police Officers' Retirement System -- The City Council only appoints two of the five members of the governing board, but it is financially responsible for funding the police officers' pension benefits. The Melbourne Police Officers' Retirement Trust fund only exists to provide pension benefits to City of Melbourne police officers. It is accounted for in the Pension Trust funds.

General Employees' and Special Risk Class Employees' Pension Plan -- The City Council only appoints two of the five members of the governing board, but it is financially responsible for funding the general employees' pension benefits. The General Employees' Retirement Trust fund only exists to provide pension benefits to City of Melbourne general employees, Airport general employees, and Airport police personnel hired between January 1, 1996 and July 31, 2008. It is accounted for in the Pension Trust funds.

Discretely Presented Component Unit

The Melbourne International Airport (the "Airport"), governed by the Melbourne Airport Authority, is a financially self-sustaining enterprise. Its main purpose is to provide and maintain scheduled air passenger and cargo service to residents of Brevard County and surrounding counties. The Airport Authority consists of three City Council members appointed by the City Council and four members from the business community. Although the City does not appoint a majority of the Airport Authority and the Airport does not provide a financial benefit or impose a financial burden on the City, the Airport Authority is fiscally dependent on the City and it would be misleading to exclude. The City must approve the Airport Authority's budget and its bonded debt issuances. The Discretely Presented Component Unit column in the government-wide financial statements presents the financial data of the Airport. It is reported in a separate column of the Government-wide Financial Statements to emphasize that it is legally separate from the City. Financial statements for the Melbourne International Airport may be obtained from the Executive Director, Melbourne International Airport, One Air Terminal Parkway, Suite 220, Melbourne, FL 32901.

Related Organizations

The City's Mayor is responsible for appointing the members of the Melbourne Housing Authority (MHA), but the City's accountability for the MHA does not extend beyond making the appointments. The MHA has full financial accountability for administering the housing programs for low and moderate income families funded by grants and rental income.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses 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. 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 operation 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues, expenditures or expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary pension fund financial statements. The agency fund has no measurement focus. 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 in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grants, for which the period is 12 months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

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 Downtown Redevelopment fund is used to account for tax increment revenues assessed on downtown properties that are used to fund capital improvements that encourage development in the downtown area.
- The Babcock Street Redevelopment fund is used to account for tax increment revenues assessed on properties within the Babcock Street redevelopment district that are used to fund capital improvements that facilitate the revitalization of this commercial corridor in Melbourne.
- The Olde Eau Gallie Redevelopment fund is used to account for tax increment revenues assessed on properties within the Eau Gallie district that are used to fund capital improvements to revitalize the urban core area of Eau Gallie.
- The Transportation Capital Improvement fund, primarily funded by transportation impact fees and local option gas tax, accounts for the activities of governmental fund transportation projects.

The Redevelopment funds do not qualify as major funds but have been shown as such to comply with Chapter 163.387(8), Florida Statutes that requires these funds be separately audited.

The City reports the following major proprietary fund:

- The Water and Sewer System fund provides water and sewer service to residents of the City and neighboring communities.

Additionally, the City reports the following fund types:

- Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.
- Capital Projects funds account for the activities of governmental fund general construction, recreation, mobility, bikeways and public facility construction projects.
- The Permanent fund is used to account for resources legally held in trust to finance maintenance for the City's municipal cemeteries. The revenues designated for perpetual care are placed in trust and the interest earned is transferred to the General fund.
- Internal Service funds account for workers compensation services and general liability insurance provided to other departments and component units of the City on a cost reimbursement basis.
- The Pension Trust fund accounts are used to account for assets held by the City in a fiduciary capacity for the Firefighters Pension Plan, Police Pension Plan and General Employees Pension Plan. The funds are operated by carrying out specific terms of statutes, ordinances, and other governing regulations.
- The Performance Deposit Agency fund accounts for assets held by the City in a fiduciary capacity as an agent for individuals and businesses. This fund accounts for deposits placed by bidders and developers to guarantee specific performance pursuant to a bid or contract.

The City reports the following discretely presented component unit:

The Melbourne International Airport is an Enterprise fund accounted for on the accrual basis. All references in these notes to the accounting treatment for Proprietary or Enterprise funds are applicable to the Airport.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges provided by the General fund to the Enterprise funds and the Airport, and fire services provided by the General fund to the Airport. 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.

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 enterprise funds, and of the internal service funds are charges to customers for sales and services. Operating expenses for 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 this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

1. Cash and Cash Equivalents/Investments

Cash and cash equivalents represent all investments which are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents consist of equity in pooled investments. The cash and cash equivalents presented on the Statement of Cash Flows – Proprietary Funds are composed of restricted and unrestricted cash and cash equivalents and equity in pooled investments presented on the Statement of Net Position – Proprietary Funds. Investments are stated at fair value, based on the quoted market price.

2. Pooled Cash

Equity in pooled cash consists primarily of investments in debt instruments of the federal government. Investment earnings of the pool are allocated to the participating funds at the end of each month based on the ratio of each participant fund's investment to the total pooled investment. As of September 30, 2016 the funds participating in pooled cash investments are the General fund; all Special Revenue funds; all Capital Projects funds; all Enterprise funds; all Internal Service funds, the Permanent fund, and the Performance Deposits Agency fund. The Airport participates in the equity in pooled cash system on a limited basis to expedite disbursements. Its funds are primarily invested in debt instruments of the federal government.

3. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Long-term advances between funds are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade receivables are shown net of an allowance for uncollectibles. The Airport records a net noncurrent lease receivable for Embraer earned rent that will be collected in future years per the lease agreement.

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. However, Chapter 74-430 Laws of Florida, a special act applicable only to governmental units in Brevard County, limits increases to 10% of the prior year's millage. Pursuant to Ch. 200.065(5)(a), F.S. the maximum millage rate that the City may levy is a rolled-back rate based on the amount of taxes which would have been levied in the prior year if the maximum millage rate had been applied, adjusted for the change in per capita Florida personal income, unless a higher rate is adopted, in which case the maximum is the adopted rate. The Melbourne City Council levy for the fiscal year ended September 30, 2016 was 7.6886 mills, which is greater than the computed rolled back rate of 6.9899 mills.

As provided by law, the Brevard County Property Appraiser assesses all properties for ad valorem taxing purposes and the Brevard County Tax Collector collects and distributes all taxes. Ad valorem taxes are levied based on property valuation as of January 1. The fiscal year for which ad valorem taxes are levied begins on October 1. Taxes are due beginning on November 1, delinquent on April 1, and lien on May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal year end.

4. Inventories and Prepaids

Inventories such as central warehouse supplies are valued on a moving average cost basis. All other inventories, including fuel and chemicals, are valued at cost on the first-in, first-out method. Inventory in the General fund consists of materials and supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are issued. Inventory in the Proprietary funds consists of materials and supplies used in the production of goods and services.

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.

5. Restricted Assets

Certain assets of the City are classified as restricted assets on the Statement of Net Position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted assets and then from unrestricted assets. Assets are set aside for the following uses:

- Revenue Bonds/State Revolving Fund (SRF) Current Debt Service – used to segregate resources accumulated for debt service payments over the next twelve months.
- Revenue Bonds Future Debt Service – used to report resources set aside to make up potential future deficiencies in the revenue bonds current debt service account.
- Revenue Bonds Renewal and Replacement – used to report resources set aside to fund asset renewals and replacements or to meet unexpected contingencies.
- Water/Sewer Impact Fees – used to segregate resources set aside for water and sewer improvements.
- Wastewater Capital Recovery – used to segregate resources set aside for wastewater improvements at the David B. Lee Water Reclamation Facility.
- Due from other governments – used to segregate revenues due from other governments for General fund firefighters pension contributions, fines restricted for police education, and for Airport projects.
- Customer/Tenant Deposits – used to segregate deposits collected from water customers and Airport tenants.
- Interest receivable – used to report interest receivable on restricted revenue and reserve accounts.
- Cash and cash equivalents – used to report resources set aside to meet grant requirements for Airport projects.

6. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than equipment, are defined by the government as assets with an initial, individual cost of more than \$25,000 (amount not rounded) and an estimated useful life in excess of two years. Equipment is defined as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost, if purchased or constructed, and at estimated fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or materially extend the life of the respective assets are charged to expense. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The City's policy is to capitalize interest costs related to construction projects. 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. The amount of interest to be capitalized is calculated by offsetting interest expense of \$334,780 incurred with interest earned on unspent proceeds of \$749. For the year ended September 30, 2016, \$334,031 of interest expense was capitalized in the Water and Sewer System.

General infrastructure assets acquired prior to October 1, 2002 consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using actual original cost and acquisition date, estimated cost based on known average installed cost at the estimated acquisition date, or deflated replacement cost from the estimated acquisition date.

Capital assets of the primary government, as well as the component unit, are depreciated or amortized using the straight-line method over the following average useful lives:

<u>Classification</u>	<u>Range of Lives</u>
Buildings	20-40 years
Improvements other than buildings	10-25 years
Machinery, equipment and other	2-20 years
Intangibles, computer software	3-10 years
Airport runways	25 years
Bridges	50 years
Roads, asphalt	20 years
Sidewalks	20 years
Streetlights	15 years
Traffic signals	15 years
Docks, piers	15 years
Seawalls, boat ramps	30 years

7. Deferred Outflows of Resources

The deferred amount for advance refunding of debt in the Water and Sewer fund, and certain pension adjustments are classified as deferred outflows of resources due to GASB Statement No. 65 and No. 68.

8. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

The General fund and Internal Service funds obligations for accumulated, vested vacation, reimbursable sick leave, and applicable benefits of \$3,550,305 are recorded as a liability in the governmental column of the Government-wide Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for accumulated, vested vacation, reimbursable sick leave, and applicable benefits of the Proprietary funds and the Airport was recorded in the applicable funds as compensated absences.

9. Long-Term Liabilities

Long-term liabilities expected to be financed from Governmental funds are not accounted for in the Governmental funds. Expenditure recognition for Governmental fund types is limited to exclude amounts paid from non-current assets. Such long-term amounts are not recognized as Governmental fund type expenditures or fund liabilities but are incorporated into the governmental column in the Government-wide Statement of Net Position.

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 life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the Proprietary funds (and for the governmental funds, in the Government-wide statements, if applicable) the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred account is reported as deferred outflows of resources.

10. Deferred Inflows of Resources

Unavailable revenues in government funds, resources received before time requirements are met, and certain pension reporting adjustments are classified as deferred inflows of resources.

11. Categories and Classification of Fund Equity

Fund balance, under GASB Statement No. 54, is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The five classifications provide clarity to the level of restrictions, as fund balance can have different levels of restraint, such as external versus internal compliance requirements. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund advances.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of City Council, the City’s highest level of decision making authority. Commitments may only be removed or changed by the City Council taking the same formal action (resolution) that imposed the constraint originally.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents unspent funds appropriated by City Council for specific capital projects. Per City Resolution No. 3510, the authority to assign fund balances lies with the City Manager.

Unassigned - Unassigned fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

City Resolution No. 3510 requires excess funds to be transferred to unassigned fund balance until the total of assigned plus unassigned fund balance equals 25% of the General fund operating budget, excluding operating transfers. Thereafter, any remaining excess funds shall be identified by the City Manager as available to fund capital purchases, capital construction, non-recurring expenditures, or to establish additional assignments of fund balance.

The government-wide statement of net position reports \$35,241,801 of restricted net position, of which \$19,022,986 is restricted by enabling legislation.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City has elected to report budgetary comparisons as Required Supplementary Information (RSI). Please refer to the accompanying notes to the RSI for the City's budgetary information.

The City has no material violations of finance-related legal and contractual provisions.

(3) ACCOUNTING CHANGES

The City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", which provides guidance for determining, applying, and disclosing fair value measurement for financial reporting purposes for financial and non-financial assets, including real estate, intangible assets, land rights, natural resources and alternative investments. A three level hierarchy of valuation techniques used to measure fair value was established. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices that are observable either directly or indirectly. Level 3 inputs are unobservable inputs. The Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

(4) DETAILED NOTES – ON ALL FUNDS

A. Deposits and Investments

Deposits –Banks and savings and loans must meet the criteria to be a qualified public depository as described in the Florida Security for Public Deposits Act in accordance with Chapter 280, Florida Statutes before any investment of public funds can be made with them. At September 30, 2016 the carrying amount of the City of Melbourne's deposits with banks was \$8,605,591 and the bank balance was \$9,926,281. For the Airport the carrying amount of deposits with banks was \$3,191,456 and the bank balance was \$3,179,650.

For the Fiduciary funds, the carrying amount was \$543,788 and the bank balance was \$391,361. As of September 30, 2016, all of the City's non-interest bearing bank balances are covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

The City maintains a pool of cash and investments in which each fund participates on a daily transaction basis. Investment earnings are distributed monthly based on average daily balances. The City's pooled portfolio excludes the Home Investment Partnership Program, Neighborhood Stabilization Program 3, the Debt Service funds, the International Airport fund, and the Firefighters, Police, and General Employees Pension Trust funds.

City and Airport daily deposits are deposited in ECR earning accounts. These accounts are fully collateralized in accordance with Florida state law. Cash also includes Primary Government petty cash of \$8,415 and Component Unit petty cash of \$3,725.

At year-end, the City's cash investment balances were as follows:

	Concentration of Credit Risk	Credit Rating (S&P)	Fair Value Level ⁽¹⁾	Fair Value	Investment Maturities (in Years)			
					Less Than 1	1-5	6-10	More Than 10
Primary Government								
<u>Cash Equivalents</u>								
Money Market Funds	8.15%	AAA	-	\$ 10,306,158	\$ 10,306,158	\$ -	\$ -	\$ -
<u>Investments</u>								
U.S. Treasury & Agency Bonds:								
U.S. Treasury Bills	3.64%	-	L2	4,599,553	4,599,553	-	-	-
U.S. Treasury Notes	14.24%	-	L2	18,002,695	2,159,410	15,843,285	-	-
Federal National Mortgage Association	6.59%	AA	L2	8,338,047	897,875	7,440,172	-	-
Federal Home Loan Mortgage Corporation	2.66%	AA	L2	3,358,622	2,793,645	564,977	-	-
Federal Home Loan Bank	21.55%	AA	L2	27,235,655	930,755	26,304,900	-	-
Municipal Bond/Note	1.28%	AA	L2	1,619,781	-	1,619,781	-	-
Corporate Notes ⁽²⁾	27.93%	-	L2	35,319,181	1,699,159	33,620,022	-	-
Commercial Paper	13.96%	A	L2	17,655,837	17,655,837	-	-	-
Subtotal Investments				116,129,371	30,736,234	85,393,137	-	-
Total Primary Government Cash Equivalents and Investments				126,435,529	\$ 41,042,392	\$ 85,393,137	\$ -	\$ -
Fiduciary and Agency Funds								
Agency Fund Investment								
<u>Cash Equivalents</u>								
Agency Fund Money Market	0.54%	AAA	-	785,370	\$ 785,370	\$ -	\$ -	\$ -
Fiduciary Fund Investments								
<u>Cash Equivalents</u>								
Money Market Funds	2.48%	AAA	-	3,576,744	3,576,744	-	-	-
<u>Investments</u>								
Corporate Bonds ⁽²⁾	10.22%	-	L2	14,730,540	3,579,666	7,932,398	2,981,194	237,282
U.S. Treasury & Agency Bonds:								
U.S. Treasury Bonds/Notes	3.79%	-	L2	5,463,453	-	-	47,946	5,415,507
Federal National Mortgage Association	1.29%	AA	L2	1,856,616	1,509,033	347,583	-	-
Federal National Mortgage Association	3.07%	Unrated	L2	4,428,925	-	4,428,925	-	-
Federal Home Loan Mortgage Corporation	0.90%	AA	L2	1,300,539	1,300,539	-	-	-
Federal Home Loan Mortgage Corporation	2.38%	Unrated	L2	3,425,353	-	3,425,353	-	-
Federal Home Loan Bank	1.72%	AA	L2	2,479,441	2,479,441	-	-	-
Federal Farm Credit Bank	2.69%	AA	L2	3,883,255	3,883,255	-	-	-
Government National Mortgage Association	0.29%	AA	L2	416,961	-	416,961	-	-
Common and Preferred Stock	70.63%	Unrated	L1	101,846,493	101,846,493	-	-	-
Subtotal Investments				139,831,576	114,598,427	16,551,220	3,029,140	5,652,789
Fiduciary Fund Cash Equivalents and Investments				143,408,320	118,175,171	16,551,220	3,029,140	5,652,789
Total Fiduciary/Agency Fund								
Cash Equivalents and Investments				144,193,690	\$ 118,960,541	\$ 16,551,220	\$ 3,029,140	\$ 5,652,789

	Concentration of Credit Risk	Credit Rating (S&P)	Fair Value Level ⁽¹⁾	Fair Value	Investment Maturities (in Years)			
					Less Than 1	1-5	6-10	More Than 10
Component Unit - Airport								
<u>Cash Equivalents</u>								
Money Market Funds	34.21%	AAA	-	6,145,438	\$ 6,145,438	\$ -	\$ -	\$ -
<u>Investments</u>								
U.S. Treasury & Agency Bonds:								
U.S. Treasury Notes	6.59%	-	L2	1,183,117	-	1,183,117	-	-
Federal National Mortgage Association	6.75%	AA	L2	1,213,032	270,867	942,165	-	-
Federal Home Loan Mortgage Corporation	0.68%	AA	L2	122,412	-	122,412	-	-
Federal Home Loan Bank	10.45%	AA	L2	1,878,127	-	1,878,127	-	-
Corporate Notes ⁽²⁾	33.12%	-	L2	5,950,175	-	5,950,175	-	-
Municipal Bond/Note	2.38%	AA	L2	427,867	-	427,867	-	-
Commercial Paper	5.82%	A	L2	1,044,999	1,044,999	-	-	-
Subtotal Investments				11,819,729	1,315,866	10,503,863	-	-
Total Component Unit Cash Equivalents and Investments				17,965,167	\$ 7,461,304	\$ 10,503,863	\$ -	\$ -
Total Reporting Entity Cash Equivalents and Investments				\$ 288,594,386				

(1) The City of Melbourne categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 (L1) inputs are quoted prices in active markets for identical assets; Level 2 (L2) inputs are other than quoted prices that are observable either directly or indirectly; Level 3 (L3) inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2016:

* *Fixed income funds* - valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings.

* *Common stock* - valued at quoted market prices for identical assets in active markets.

The above table summarizes the assets of the City for which fair values are determined on a recurring basis as of September 30, 2016. In accordance with GASB No. 72, money market funds have not been classified in the fair value hierarchy as they are measured at net asset value (NAV). There are no unfunded commitments for money market funds and they can be redeemed daily with no redemption notice period.

	Credit Rating (S&P)		Fire Pension	Police Pension	General Pension	Primary Government	Component Unit
(2) Corporate Bonds/Notes	N/A	⁽³⁾	-	-	3.03%	4.27%	3.20%
	AAA		-	-	1.90%	18.54%	18.28%
	AA		-	-	5.34%	39.57%	36.44%
	A		22.36%	28.00%	31.12%	34.49%	41.40%
	BBB		77.64%	72.00%	58.61%	3.13%	0.68%
			100.00%	100.00%	100.00%	100.00%	100.00%

(3) N/A=Not rated by S&P

City of Melbourne Investment Policy – Pursuant to the requirements of Section 218.415, Florida Statutes, the City of Melbourne adopted Resolution No. 3511 on September 8, 2015, establishing the City’s present investment policy. Such investment policy applies to the investment of surplus funds, which include cash and investment balances of the following funds of the City: General, Capital Projects, Special Revenue, Enterprise, Internal Service, Trust and Agency, and Airport. The investment policy does not apply to the investment of principal, interest, reserve, construction, capitalized interest, redemption or escrow accounts created by ordinance or resolution pursuant to the issuance of bonds where the investments are held by an authorized depository. This policy does not apply to funds not under control of the City; such as, the Police Officers’ Retirement System, the Firefighters’ Retirement System, and the General Employees’ and Special Risk Class Employees’ Pension Plan.

All investments are made based on reasonable research as to credit quality, liquidity and interest rate risk prior to the investment being acquired.

The investment policy authorizes the City to invest in U.S. Government securities, agencies and Federal instrumentalities, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, interest bearing time deposits or savings accounts, commercial paper, corporate notes, bankers acceptances, and State or local government taxable or tax-exempt debt, and an intergovernmental investment pool. Overnight repurchase agreements restrict investments to obligations of U.S. Government Agencies and Federal instrumentalities.

The investment policy provides maturity and liquidity requirements for investments. All investments other than investments in the Local Government Surplus Funds Trust Fund are required to be purchased pursuant to competitive bids. A maximum of 25% of available funds may be invested in the Local Government Surplus Funds Trust Fund. The policy also requires diversification of the investment portfolio to control the risk of loss from overconcentration of assets in a specific maturity, issuer, instrument, dealer, savings and loan, or bank through which investments are purchased. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy restricts portfolio composition for federal instrumentalities to 100% total, 40% individually. Concentration percentages for the Federal instrumentalities are provided in the schedule. Currently, the investment of a significant portion of the City’s and Airport’s portfolios is being managed by the City’s financial advisor, PFM Asset Management LLC.

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City’s investment policy states that all 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 third party custodian holds securities in an account separate and apart from the assets of the financial institution, and are either insured or registered in the City’s or Airport’s name.

The fair values of the City’s fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate-sensitive instruments may be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. As a means to limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy limits its investment portfolio to maturities of less than 5.5 years for corporate notes, two years for time deposits, and 270 days for commercial paper.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As a means to limiting its exposure to credit risk, the City limits investments with credit quality ratings from nationally recognized rating agencies of:

- State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least “MIG 1/A3” by Moody’s Investors Services and “SP-1/A-” by Standard & Poor’s for long-term debt.
- Commercial paper of any United States company that is rated, at the time of purchase, “P-1” by Moody’s and “A-1” by Standard & Poor’s.

- Money Market Mutual Funds that are rated “AAA” by Standard & Poor’s, or the equivalent by another rating agency.
- Local Government Surplus Funds Trust Fund money market funds that are rated “AAA” by Standard & Poor’s, or the equivalent by another rating agency.

Fire Pension Investment Policy – The investment policy is maintained by the Pension Board of Trustees with the objective of obtaining a reasonable total rate of return commensurate with the Prudent Investor Rule. The asset allocation, sector weightings, security selection, and investment style are at the sole discretion of the Investment Manager employed by the Board of Trustees. The fiduciary responsibility of the Board is to recognize that the retirement system provides income benefits to retired participants and beneficiaries on a long-term basis. The Board of Trustees shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 (ERISA).

Performance of the total Fund is measured for rolling three and five year periods to accommodate the market cycles experienced with investments. The Fund performance is compared to the return of a blended index of 45% Russell 3000, 15% MSCI all Country World Index ex U.S., 20% Barclays Capital U.S. Aggregate Bond Index, 5% Barclays Global Aggregate Index, 5% Consumer Price Index + 5%, and 10% NFI Opened End Diversified Core Equity (ODCE). On a relative basis, the total return of combined equity, fixed income, and cash portfolio is expected to be in the top 40% of the appropriate peer universe. On an absolute basis, the total return of the combined equity, fixed income, and cash portfolio is expected to equal or exceed the actuarial earnings assumption of 8%.

Authorized investments held in the Fund are limited to the following:

1. Equities must be traded on a national exchange or election network. Not more than 5% of the Plan’s assets at the time of purchase shall be invested in the common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company. There are no qualitative guidelines with regard to equity ratings except that prudent standards should be developed and maintained.
2. Fixed income investments must have a minimum rating of Investment Grade or higher as determined by at least one major audit rating service. The value of bonds issued by any single corporation shall not exceed 5% of the total bond portfolio.
3. Money Market Funds or Short – term Investment Fund (STIF) provided by the Plan’s custodian; government paper backed by the full faith and credit of the United States Government.
4. Foreign Securities are limited to fully and easily negotiable equity securities and shall be traded on an exchange recognized as the official exchange by the government where the exchange is located, or on any of the major equivalent electronic exchanges.
5. Pooled investments may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity. In the event of investment by the Plan into a pooled fund, the Board will adopt the prospectus or governing policy of that fund as the stated addendum to this Investment Policy Statement.

Limitations include investments in corporate common stock and convertible bonds not to exceed 70% of the Fund assets at market value, and foreign securities not to exceed 25% of the value of the Fund at market. All securities must be competitively bid and the most economically advantageous bid selected. Commissions paid for the purchase of securities must meet the prevailing best-execution rates.

Communication between the Board of Trustees and the Board Professionals is continuous. The Plan Custodian provides a monthly accounting statement that includes all receipts, disbursements, and the cost and market value of all assets. The Investment Manager provides written quarterly reports detailing the Fund’s performance, compliance, economic forecast, and portfolio analysis. The Plan Investment Monitor provides a written quarterly report of the relative and absolute performance of the Fund. The Board of Trustees meets on a quarterly basis to discuss the performance of the Fund, investment strategy, and any other pertinent matters.

Police Pension Investment Policy – The investment policy is maintained by the Pension Board of Trustees with the primary objective of preserving investment capital and the secondary objective of achieving moderate long-term growth while minimizing risk. The asset allocation, sector weightings, security selection, and investment style are at the sole discretion of the Investment Manager employed by the Board of Trustees. The fiduciary responsibility of the Board is to recognize that the retirement system provides income benefits to retired participants and beneficiaries on a long-term basis. The Board of Trustees shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 (ERISA). This investment policy is intended to complement the investment guidelines provided in Chapter 185, Florida Statutes and the Local Ordinances.

Performance of the total Fund is measured for rolling three and five year periods to accommodate the market cycles experienced with investments. The Fund performance is compared to the return of a blended index of 45% Russell 3000, 15%, MSCI All Country World Index ex U.S., 25% Barclays Aggregate Bond Index, 5% Barclays Global Aggregate Index, 5% NFI Opened End Diversified Core Equity (ODCE), and 5% Consumer Price Index plus 5%. On a relative basis, the total return of combined equity, fixed income, and cash portfolio is expected to be in the top 40% of the appropriate peer universe. A further goal is to achieve an average annual rate of return greater than the absolute return of 7.5%, over the long term.

Authorized investments held in the Fund are limited to the following:

1. Equities must be traded on a national exchange or elections network. Not more than 5% of the Plan's assets at the time of purchase shall be invested in common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
2. Fixed Income investments shall have a minimum rating of investment grade or higher as reported by a major credit rating service. The value of bonds issued by any single corporation shall not exceed 5% of the total bond portfolio.
3. Money Market Fund or Short-term Investment Fund (STIF) provided by the Plan's custodian must be a minimum rating of Standard & Poor's A1 or Moody's P1.
4. Pooled investments may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity. In the event of investment by the Plan into a pooled fund, the Board will adopt the prospectus or governing policy of that fund as the stated addendum to this Investment Policy Statement.
5. Limitations include investments in corporate common stock, domestic and international, along with convertible bonds shall not exceed 70% of the Plan assets at market, and foreign securities shall not exceed 25% of the Plan's market value. All securities must be competitively bid and the most economically advantageous bid selected. Commissions paid for the purchase of securities must meet the prevailing best execution rates.

Communication between the Board of Trustees and the Board Professionals is continuous. The Plan Custodian provides a monthly accounting statement that includes all receipts, disbursements, and the cost and market value of all assets. The Investment Manager provides written quarterly reports detailing the Fund's performance, compliance, economic forecast, and portfolio analysis. The Plan Investment Monitor provides a written quarterly report of the relative and absolute performance of the Fund. The Board of Trustees meets on a quarterly basis to discuss the performance of the Fund, investment strategy, and any other pertinent matters.

General Pension Investment Policy - The investment policy is maintained by the Pension Board of Trustees with the objective of obtaining a reasonable total rate of return commensurate with the Prudent Investor Rule. The asset allocation, sector weightings, security selection, and investment style are at the sole discretion of the Investment Manager employed by the Board of Trustees. The fiduciary responsibility of the Board is to recognize that the retirement system provides income benefits to retired participants and beneficiaries on a long-term basis. The Board of Trustees shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 (ERISA).

Performance of the total Fund is measured for rolling three and five year periods to accommodate the market cycles experienced with investments. The Fund performance is compared to the return of a blended index of 50% Russell 3000, 10% MSCI All Country World Index ex U.S., 25% Barclays Capital U.S. Aggregate Bond Index, 5% Barclays Global Aggregate Index, 5% NFI Open End Diversified Core Equity (ODCE), and 5% Consumer Price Index plus 5%. On a relative basis, the total return of combined equity, fixed income, and cash portfolio is expected to be in the top 40% of the appropriate peer universe. On an absolute basis, the total return of the combined equity, fixed income, and cash portfolio is expected to equal or exceed the actuarial earnings assumption of 7%.

Authorized investments held in the Fund are limited to the following:

1. Equities must be traded on a national exchange. Not more than 5% of the Plan's assets at the time of purchase shall be invested in common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
2. Fixed income investments must have a minimum rating of investment grade or higher as determined by at least one major credit rating service. The value of bonds issued by any single corporation shall not exceed 7.5% of the total fund.
3. Money Market Funds or Short-term Investment Fund (STIF) provided by the Plan's custodian; government paper backed by full faith and credit of the United States Government.
4. Foreign Securities are limited to fully and easily negotiable equity securities, traded on an exchange recognized as the official exchange by the government where the exchange is located, or on any of the major equivalent electronic exchanges.
5. Commingled funds may include mutual funds, commingled funds, and exchange-traded funds. In the event of investment by the Plan into a commingled fund, the Board will adopt the prospectus or governing policy of that fund as the stated addendum to this Investment Policy Statement.

Limitations include investments in corporate common stock and convertible bonds not to exceed 70% of the Fund assets at market, and foreign securities not to exceed 20% of the value of the Fund at market. All securities must be competitively bid and the most economically advantageous bid selected. Commissions paid for the purchase of securities must meet the prevailing best-execution rates.

Communication between the Board of Trustees and the Board Professionals is continuous. The Plan Custodian provides a monthly accounting statement that includes all receipts, disbursements, and the cost and market value of all assets. The Investment Manager provides written quarterly reports detailing the Fund's performance, compliance, economic forecast, and portfolio analysis. The Plan Investment Monitor provides a written quarterly report of the relative and absolute performance of the Fund. The Board of Trustees meets on a quarterly basis to discuss the performance of the Fund, investment strategy, and any other pertinent matters.

B. Allowance for Doubtful Accounts

The City provides an allowance for water and sewer accounts receivable that may become uncollectible. At September 30, 2016, this allowance was \$285,000. In the General fund, the City provides an allowance for miscellaneous uncollectible accounts of \$2,030. No other allowances for doubtful accounts are maintained since all other accounts receivable are considered collectible at September 30, 2016.

C. Receivables

Receivables in the General fund of \$2,805,387 net of uncollectibles of \$2,030, mainly include \$2,698,864 of utility taxes and franchise fees due to the City from Florida Power and Light for taxes and fees billed as of September 30, 2016.

D. Retainage Payables

Retainage payable balances by fund as of September 30, 2016, included in accounts payable, are as follows:

Governmental Activities:

Transportation Capital Improvement	\$ 46,905
SHIP Program	3,811
HOME Investment Partnership Program	8,095

Business-type Activities:

Water and Sewer System	287,898
Stormwater Utility	26,427
Total Primary Government	373,136

Component Unit:

Airport	2,900,873
Total Reporting Entity	\$ 3,274,009

E. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

Primary Government Governmental Activities:	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Capital assets, not being depreciated/amortized:				
Land and intangible land rights	\$ 25,439,286 (1)	\$ 284,242	\$ 14,984	\$ 25,708,544
Construction in progress	1,763,276	2,518,749	1,633,549	2,648,476
Total capital assets, not being depreciated/amortized	27,202,562	2,802,991	1,648,533	28,357,020
Capital assets, being depreciated/amortized:				
Buildings	34,108,428	-	79,947	34,028,481
Improvements other than buildings	13,099,625	112,938	-	13,212,563
Machinery and equipment	24,096,928 (2)	3,151,538	1,648,201	25,600,265
Intangibles	1,697,077	144,059	-	1,841,136
Infrastructure	135,583,347	681,621	-	136,264,968
Total capital assets, being depreciated/amortized	208,585,405	4,090,156	1,728,148	210,947,413
Less accumulated depreciation/amortization for:				
Buildings	13,600,891	824,650	43,499	14,382,042
Improvements other than buildings	8,525,623	694,635	-	9,220,258
Machinery and equipment	18,963,621	1,604,666	1,585,748	18,982,539
Intangibles	1,322,103	100,641	-	1,422,744
Infrastructure	100,391,412	3,328,426	-	103,719,838
Total accumulated depreciation/amortization	142,803,650	6,553,018 (3)	1,629,247	147,727,421
Total capital assets, being depreciated/amortized, net	65,781,755	(2,462,862)	98,901	63,219,992
Governmental activities capital assets, net	\$ 92,984,317	\$ 340,129	\$ 1,747,434	\$ 91,577,012
Business-type Activities:	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Capital assets, not being depreciated:				
Land	\$ 4,390,550	\$ 319,228	\$ -	\$ 4,709,778
Construction in progress	10,904,387	13,063,663	8,660,233	15,307,817
Total capital assets, not being depreciated/amortized	15,294,937	13,382,891	8,660,233	20,017,595
Capital assets, being depreciated/amortized:				
Buildings	81,992,247	288,965	-	82,281,212
Improvements other than buildings	254,688,778	7,726,084	-	262,414,862
Machinery and equipment	16,535,864	2,416,651	687,401	18,265,114
Intangibles, computer software	453,916	-	50,405	403,511
Total capital assets, being depreciated/amortized	353,670,805	10,431,700	737,806	363,364,699

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Less accumulated depreciation/amortization for:				
Buildings	53,706,372	1,284,462	-	54,990,834
Improvements other than buildings	140,101,514	8,420,564	-	148,522,078
Machinery and equipment	14,230,952	808,429	642,685	14,396,696
Intangibles, computer software	385,214	37,970	50,405	372,779
Total accumulated depreciation/amortization	208,424,052	10,551,425	693,090	218,282,387
Total capital assets, being depreciated/amortized, net	145,246,753	(119,725)	44,716	145,082,312
Business-type activities capital assets, net	<u>\$ 160,541,690</u>	<u>\$ 13,263,166</u>	<u>\$ 8,704,949</u>	<u>\$ 165,099,907</u>

Component Unit:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Capital assets, not being depreciated:				
Land	\$ 6,746,824	\$ 152,355	\$ -	\$ 6,899,179
Construction in progress	11,514,654	49,375,295	1,343,951	59,545,998
Total capital assets, not being depreciated/amortized	18,261,478	49,527,650	1,343,951	66,445,177
Capital assets, being depreciated/amortized:				
Buildings	66,412,930	121,260	-	66,534,190
Improvements other than buildings	72,447,432	218,094	246,000	72,419,526
Machinery and equipment	9,782,817	1,058,702	478,015	10,363,504
Intangibles, computer software	241,825	-	-	241,825
Total capital assets, being depreciated/amortized	148,885,004	1,398,056	724,015	149,559,045
Less accumulated depreciation/amortization for:				
Buildings	31,588,727	1,645,793	-	33,234,520
Improvements other than buildings	38,758,819	2,477,943	237,800	40,998,962
Machinery and equipment	7,951,797	458,473	477,459	7,932,811
Intangibles, computer software	197,275	35,640	-	232,915
Total accumulated depreciation/amortization	78,496,618	4,617,849	715,259	82,399,208
Total capital assets, being depreciated/amortized, net	70,388,386	(3,219,793)	8,756	67,159,837
Component unit capital assets, net	<u>\$ 88,649,864</u>	<u>\$ 46,307,857</u>	<u>\$ 1,352,707</u>	<u>\$ 133,605,014</u>

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

Governmental Activities:

General government	\$ 587,401
Housing and urban improvement	86,986
Public safety:	
Fire protection	549,535
Police protection	840,910
Highways and streets, including general infrastructure assets	3,322,705
Public works	212,276
Parks and recreation	843,429
Total depreciation/amortization expense - governmental activities	<u>\$ 6,443,242</u>

Business-type Activities:

Water and Sewer System	\$ 9,826,872
Golf Courses	202,762
Stormwater Utility	521,791
Total depreciation/amortization expense - business-type activities	<u>\$ 10,551,425</u>

(1) The City has a nonrecurring fair value measurement as of September 30, 2016 for a donation from Holmes Regional Medical Center of right of way on Hickory Street for two roundabouts. The right of way is valued at \$100,593 based on engineering staff property appraisal and comparison analysis (Level 3 input).

(2) The City has a nonrecurring fair value measurement as of September 30, 2016 for a donation from the Florida Department of Transportation of a mobile radar unit to the Police Department. The radar unit is valued at \$9,225 per trailer registration documents (Level 2 input).

(3) The difference between accumulated depreciation/amortization additions and depreciation/amortization expense of \$109,776 is due to the transfer of assets from the Water & Sewer fund to the General fund.

Capital assets are not contributed to other funds, as recipient funds pay for reassigned assets at current book value at the time of transfer.

F. Construction and Other Significant Commitments

Construction Commitments

The Reporting Entity's construction and other significant commitments at September 30, 2016 are summarized below by fund.

Governmental Activities:

Community Development Block Grant	
Brothers Park Improvement	\$ 155,249
General Construction	
Babcock Façade Improvement Program	40,639
Time and Attendance Software	31,430
Recreation Improvement	
Riverview Park Improvements	186,332
Transportation Capital Improvement	
FY16 Resurfacing Program	1,401,208
FY15 Resurfacing Program	1,108,739
FY14 Resurfacing Program	289,276
Miscellaneous Pipe Lining	150,000
Lake Washington/Stewart Mast Arms	130,790
Hibiscus/Hickory Mast Arms	3,434

Business-type Activities:

Water and Sewer System	
Convert RO Booster Pump to Variable Frequency Drives	625,461
Construct Hibiscus Booster Pump Station Fill Water Main and Valve	354,201
Replace Reclaimed Water Transmission Main at Eau Gallie River Crossing and Autumn Woods Drive	268,903
Install Generator and Fuel Tank at Production Well #4	190,969
Stormwater Utility	
Install Second Generation Baffle Boxes through out the City	797,736
Install South Croton Baffle Box	499,199
Florida Avenue at Southeast Park Drainage Improvements	336,152
West Eau Gallie Basin	250,000
Total Primary Government	<u>6,819,718</u>

Component Unit:

Airport	
Design and Construct Aviation Facilities	3,919,867
Relocate Grumman Lane	918,818
Air Traffic Control Tower Construction	<u>82,860</u>
Total Component Unit	<u>4,921,545</u>
Total Reporting Entity	<u><u>\$ 11,741,263</u></u>

Encumbrance Commitments

At September 30, 2016, the City had encumbrance commitments in the Governmental funds as follows:

	<u>Encumbrances</u>
Major funds:	
General fund	\$ 814,592
Downtown Redevelopment fund	70,000
Babcock Redevelopment fund	30,794
Olde Eau Gallie Redevelopment fund	22,675
Transportation Capital Improvement fund	3,195,803
Total Major funds	<u>4,133,864</u>
Nonmajor funds:	
SHIP Program	\$ 40,955
HOME Investment Partnership Program	4,958
Community Development Block Grants	174,768
General Construction fund	178,005
Recreation Improvement fund	186,332
Mobility Improvement fund	14,920
Bikeways Improvement fund	15,790
Total Nonmajor funds	<u>615,728</u>
Total Encumbrances	<u><u>\$ 4,749,592</u></u>

G. Interfund Receivables and Payables

Interfund receivables and payables of the Reporting Entity at September 30, 2016, are summarized below.

<u>Primary Government Transactions</u>	<u>Due From</u>	<u>Due To</u>
By Major fund:		
General fund	\$ 125,910	\$ 25,667
Olde Eau Gallie Redevelopment fund	-	37,690 *
By Other Governmental funds:		
Community Development Block Grant	-	73,471 *
By Fiduciary funds:		
Firefighters Pension	25,667	-
Police Pension	-	5,651
General Employees Pension	-	9,098
Totals	<u><u>\$ 151,577</u></u>	<u><u>\$ 151,577</u></u>
Transactions between Primary Government and Component Unit	<u>Due From</u>	<u>Due To</u>
General fund	\$ -	\$ 9,015
Component Unit - Airport	9,015	-
Totals	<u><u>\$ 9,015</u></u>	<u><u>\$ 9,015</u></u>
<u>Advances to/from other funds</u>	<u>Advance To</u>	<u>Advance From</u>
By Major fund:		
General fund	\$ 381,304	\$ -
Olde Eau Gallie Redevelopment fund	-	101,304 *
By Other Business-type funds:		
Golf Courses fund	-	280,000
Totals	<u><u>\$ 381,304</u></u>	<u><u>\$ 381,304</u></u>

* Interfund receivables/payables are shown on the fund statements, but are eliminated on the government-wide statements.

All interfund receivables and payables within the primary government represent cash transfers for operating purposes and amounts expected to be repaid within one year. Advances represent the non-current portion of interfund loans. Amounts advanced to the Olde Eau Gallie Redevelopment fund in 2002 were to finance the purchase of land and will be repaid by 2019. Additional advances to the Olde Eau Gallie Redevelopment fund in 2010 were to finance the purchase of land to use for parking and will be repaid by 2020. Amounts advanced to the Golf Courses fund were to finance the payment of FRS contributions and penalties incurred due to a reclassification of former Golf Course fund employees, and will be repaid as funds become available.

H. Interfund Transactions

There are two types of interfund transactions and transfers that are reported as interfund items between the funds:

- (1) Interfund services provided and used represent sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds.
- (2) Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. It includes:
 - (a) Interfund transfers for flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. Transfers are used to (1) move revenues from the fund that state law requires to collect them to the fund that state law requires to expend them, (2) provide matching funds for grants, and (3) provide unrestricted general fund revenues to finance transportation activities which must be accounted for in another fund.
 - (b) Interfund reimbursements for repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

All other transfers are included in the results of operations for both Governmental and Proprietary fund statements. Interfund transfers at September 30, 2016 are summarized as follows:

Transfer out:	Transfer in:				Total
	General Fund	Transportation Capital Improvement	Nonmajor Governmental	Nonmajor Business- type	
General fund	\$ -	\$ 2,460,092	\$ 19,416	\$ 300,000	\$ 2,779,508
Downtown Redevelopment	-	-	40,000	-	40,000
Babcock Street Redevelopment	-	-	250,000	-	250,000
Transportation Capital Improvement	-	-	26,949	112,510	139,459
Nonmajor Governmental funds	177,689	-	157,489	-	335,178
Water and Sewer System	3,062,937	-	-	-	3,062,937
Total Transfers out	<u>\$ 3,240,626</u>	<u>\$ 2,460,092</u>	<u>\$ 493,854</u>	<u>\$ 412,510</u>	<u>\$ 6,607,082</u>

Significant transfers included \$2,460,092 from General fund to the Transportation fund to fund various projects; \$300,000 from the General fund to the Golf Courses fund to cover operating deficiencies; The CDBG fund transferred \$156,177 to the Recreation Improvement fund for playground equipment; \$3,062,937 from the Water and Sewer fund to the General fund for the rate of return per Resolution No. 3510.

I. Leases

1. Capital Leases

Governmental Activities:

The General fund is the lessee of four capital leases for the acquisition of 5 police vehicles, 55 police radios, a fire truck and 100 police in-car video systems. Future minimum payments on these leases are:

Year ending September 30,	
2017	\$ 243,242
2018	222,834
2019	71,982
2020	71,982
2021	71,982
2022-2024	<u>173,957</u>
Total minimum lease payments	855,979
Less amount representing interest	<u>(73,010)</u>
Present value of net minimum lease payments	<u>\$ 782,969</u>

Business-Type Activities:

The Golf Course fund is the lessee of two capital leases for the acquisition of golf carts and maintenance equipment. Future minimum payments on these leases are:

Year Ending September 30,	
2017	\$ 170,664
2018	143,058
2019	143,058
2020	<u>122,658</u>
Total Minimum lease payments	579,438
Less amount representing interest	<u>(28,374)</u>
Present value of net minimum lease payments	<u>\$ 551,064</u>

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and equipment	\$ 1,807,158	\$ 684,864
Intangible computer software	83,811	-
Less accumulated depreciation/amortization	<u>(742,111)</u>	<u>(145,856)</u>
Net property, plant, and equipment	<u>\$ 1,148,858</u>	<u>\$ 539,008</u>

2. Operating Leases

Component Unit:

The Airport is the lessor of various properties with terms of one to 40 years. Most leases include contractual rent increases of a fixed percentage, or escalate with CPI or fair value adjustments, and some have renewal options. Only fixed contractual increases are included in the following schedule of operating leases by year of minimum future rental income:

Year Ending September 30,	
2017	\$ 7,940,950
2018	5,452,301
2019	4,939,144
2020	5,006,730
2021	4,963,181
2022-2026	22,562,452
2027-2031	20,008,539
2032-2036	19,573,901
2037-2041	13,995,916
2042-2046	9,076,976
2047-2051	5,177,582
2052-2056	1,079,710
Total minimum future rentals	<u>\$ 119,777,382</u>
 Total lease income for the current fiscal year	 <u>\$ 7,964,821</u>

The following provides an analysis of the Airport's investment in property held for lease as of September 30, 2016:

Land improvements	\$ 141,906
Buildings	39,099,187
Improvements other than buildings	2,844,840
Machinery and equipment	463,430
Less accumulated depreciation	<u>(15,768,121)</u>
Net property, plant and equipment	<u>\$ 26,781,242</u>

J. Long-Term Liabilities

1. Debt Service Requirements to Maturity

The annual requirements to amortize all bonded debt outstanding as of September 30, 2016 including interest requirements are described on pages 54 through 56.

MATURITIES

	<u>Purpose of Issue</u>	<u>Amount Issued</u>
PRIMARY GOVERNMENT:		
Governmental Activities		
Downtown CRA Revenue Bonds, Series 2003 - 3.95%	Finance lighting, sidewalk, curb restoration and entrance features	\$ 1,700,000
Gas Tax Revenue Bonds, Series 2003 - 3.95%	Partially finance improvements to Eber Road	1,600,000
Public Service/Utility Tax Revenue Bonds, Series 2003 - 3.95%	Partially finance replacement of Fee Ave. Pool	800,000
Subordinate Electric Utility Tax Revenue Note, Series 2005 - 4.02%*	Construct City Hall Building and Eber Road Fire Station	6,082,000
Series 2006 - 3.96%*	Construct City Hall Building and Parking Facility	6,176,000
Total Public Improvement Bonds		<u>16,358,000</u>
Governmental activities Interest		<u>-</u>
Total governmental activities		<u><u>16,358,000</u></u>
Business-type Activities		
Water and Sewer Refunding Revenue Bonds, Series 2002B - 4.84% - 5.61% *	Parital refunding of Series 2000 bonds	21,495,333
Series 2013 - 2.00% - 5.00%*	Parital refunding of Series 2004 bonds	14,525,000
Series 2014 - 1.98%	Partial refunding of Series 2004 bonds(refunded 1994A)	7,030,000
Series 2016A - 3.00% - 5.00% *	Partial refunding of Series 2007B	19,160,000
Series 2016B - 5.00% *	Refunding Series 2007A	14,465,000
Water and Sewer Refunding and Improvement Revenue Bonds, Series 2012 - 2.00% - 3.375%*	Refunding Series 2002A/improvements of \$5,000,000	12,200,000
Water and Sewer Improvement Revenue Bonds, Series 2007B - 4.00% *	Various improvements/additions and renovations	27,100,000
Total Revenue Bonds		<u>115,975,333</u>
Business-type activities Interest		<u>-</u>
Total business-type activities		<u><u>115,975,333</u></u>
TOTAL REPORTING ENTITY DEBT SERVICE		<u><u>\$ 132,333,333</u></u>

***Subject to Federal Arbitrage**

MATURITIES

Amount Outstanding	2017	2018	2019	2020	2021
\$ 423,230	\$ 135,648	\$ 141,006	\$ 146,576	\$ -	\$ -
398,335	127,669	132,712	137,954	-	-
176,976	63,834	66,356	46,786	-	-
3,637,000	303,000	315,000	327,000	341,000	354,000
3,983,000	296,000	308,000	320,000	332,000	346,000
8,618,541	926,151	963,074	978,316	673,000	700,000
1,785,863	331,425	294,122	255,351	215,927	188,533
10,404,404	1,257,576	1,257,196	1,233,667	888,927	888,533
32,270,190	3,455,000	3,450,000	3,450,000	3,445,000	3,445,000
14,010,000	530,000	555,000	570,000	590,000	610,000
5,390,000	-	850,000	870,000	890,000	905,000
19,160,000	-	-	590,000	620,000	645,000
14,465,000	-	-	-	-	-
8,735,000	205,000	210,000	215,000	220,000	230,000
1,345,000	660,000	685,000	-	-	-
95,375,190	4,850,000	5,750,000	5,695,000	5,765,000	5,835,000
40,989,936	2,301,581	2,482,838	2,415,185	2,341,711	2,264,616
136,365,126	7,151,581	8,232,838	8,110,185	8,106,711	8,099,616
\$ 146,769,530	\$ 8,409,157	\$ 9,490,034	\$ 9,343,852	\$ 8,995,638	\$ 8,988,149

	2022- 2026	2027- 2031	2032- 2036	2037- 2038
PRIMARY GOVERNMENT:				
Governmental Activities				
Downtown CRA Revenue Bonds, Series 2003 - 3.95%	\$ -	\$ -	\$ -	\$ -
Gas Tax Revenue Bonds, Series 2003 - 3.95%	-	-	-	-
Public Service/Utility Tax Revenue Bonds, Series 2003 - 3.95%	-	-	-	-
Subordinate Electric Utility Tax Revenue Note, Series 2005 - 4.02% *	1,997,000	-	-	-
Series 2006 - 3.96% *	1,945,000	436,000	-	-
Total Public Improvement Bonds	3,942,000	436,000	-	-
Governmental activities Interest	491,872	8,633	-	-
Total governmental activities	4,433,872	444,633	-	-
Business-type Activities				
Water and Sewer Refunding Revenue Bonds, Series 2002B - 4.84% - 5.61% *	13,814,608	1,210,582	-	-
Series 2013 - 2.00% - 5.00% *	3,355,000	4,030,000	3,770,000	-
Series 2014 - 1.98%	1,875,000	-	-	-
Series 2016A - 3.00% - 5.00% *	3,755,000	4,755,000	5,995,000	2,800,000
Series 2016B - 5.00% *	-	14,465,000	-	-
Water and Sewer Refunding and Improvement Revenue Bonds, Series 2012 - 2.00% - 3.375% *	1,245,000	1,445,000	4,965,000	-
Water and Sewer Improvement Revenue Bonds, Series 2007B - 4.00% *	-	-	-	-
Total Revenue Bonds	24,044,608	25,905,582	14,730,000	2,800,000
Business-type activities Interest	17,051,734	10,225,368	1,793,703	113,200
Total business-type activities	41,096,342	36,130,950	16,523,703	2,913,200
TOTAL REPORTING ENTITY DEBT SERVICE	\$ 45,530,214	\$ 36,575,583	\$ 16,523,703	\$ 2,913,200

*Subject to Federal Arbitrage

2. Revenue Bonds

Revenue bonds are secured by and payable from the gross revenues of the respective funds which issued them. The proceeds of these issues were for capital improvements and refunding certain outstanding issues of the funds.

The resolutions applicable to the revenue bonds established various requirements for deposits to the sinking fund and reserve accounts applicable to the particular bond issues. The provisions require either (1) monthly sinking fund contributions for current debt service of one-twelfth and one-sixth of the next maturing principal and interest payment, respectively, or (2) an annual bucket approach where all receipts are deposited into a sinking fund until the funds therein are sufficient to meet the maturing principal and interest payments. In addition, certain reserves for future debt service requirements (generally the largest principal and interest payment due in any succeeding year) must be maintained.

The following two rate covenant commitments are required with regard to the Water and Sewer Revenue bonds:

- (a) The gross revenues to be received in each bond year shall be at least equal to the sum of one hundred percent (100%) of the sum of the cost of operation and maintenance for such bond year plus the bond service requirement for the bonds in such bond year; and
- (b) The sum of the gross revenues and the available impact fees to be received in each bond year shall be at least equal to the sum of one hundred percent (100%) of the cost of operation and maintenance for such bond year, and one hundred fifteen percent (115%) of the bond service requirement for the bonds in such bond year.

These requirements have been met for the City as of September 30, 2016.

Ordinance No. 2012-37 has amended the debt service reserve requirements to provide the City the flexibility to fund the debt service reserve fund at \$0 for all revenue bonds issued after October 9, 2012. The remaining bonds issued prior to 2012 have a debt service reserve requirement of \$4,645,375.

3. Pledged Revenues

Information on pledged revenues and principal and interest payments are as follows:

Pledged Revenue	Term	Future Principal and Interest	Current Pledged Revenue	Current Principal and Interest	Current Percentage of Revenue
Governmental Activities:					
Public Service Utility Tax	2019	\$ 190,284	\$ 7,853,722	\$ 70,825	0.90%
Electric Utility Tax	2026	9,326,813	7,488,265	891,426	11.90%
Gas Tax	2019	430,210	2,926,058	143,403	4.90%
Downtown CRA	2019	457,097	1,054,035	152,351	14.45%
Total governmental activities		<u>\$ 10,404,404</u>	<u>\$ 19,322,080</u>	<u>\$ 1,258,005</u>	
Business-type Activities:					
Water and Sewer net revenues	2038	\$ 136,365,126	\$ 26,291,128	\$ 8,455,716	32.16%
Total business-type activities		<u>\$ 136,365,126</u>	<u>\$ 26,291,128</u>	<u>\$ 8,455,716</u>	

4. New Bond Issues

On March 30, 2016 the City issued Water and Sewer Refunding and Improvement Revenue Bonds, Series 2016A in the principal amount of \$19,160,000. These bonds were sold to refund \$21,795,000 of the City's outstanding Water and Sewer Refunding and Improvement Revenue Bonds, Series 2007B. The difference in cash flows required to service the old debt and required to service the new debt is a decrease of \$2,960,274. The economic gain resulting from the refunding is \$2,051,343.

On July 6, 2016 the City issued Water and Sewer Refunding Revenue Bonds, Series 2016B in principal amount \$14,465,000. These bonds were sold to refund \$18,715,000 of the City's outstanding Water and Sewer Improvement Revenue Bonds, Series 2007A. The difference in cash flows required to service the old debt and required to service the new debt is a decrease of \$4,620,823. The economic gain resulting from the refunding is \$3,547,804.

5. Accretion on Capital Appreciation Bonds

A portion of the Water and Sewer Refunding Revenue Bonds, Series 2002B was issued in the form of capital appreciation bonds. These bonds were sold at a deep discount and increase in value each year as they approach their various maturity dates. This increase in value, or accretion, from August 15, 2002 to September 30, 2016 amounted to \$16,855,775 and is reported as bonds payable.

6. State Revolving Fund Loan

On October, 20, 2009, the City was awarded financial assistance from the Florida Department of Environmental Protection, in the form of a Clean Water State Revolving Fund loan (WW513030), for the purpose of financing the planning, design, and construction of the reclaimed water reuse facility project. The amount of the loan payable at September 30, 2016 is \$4,732,215. The loan bears interest at fixed rates ranging from 2.65% to 2.81% per annum, with principal and interest payments of \$182,839 due in March and September of each year until the loan is repaid in full in fiscal year 2032.

On February 27, 2013, the City was awarded financial assistance from the Florida Department of Environmental Protection, in the form of a Clean Water State Revolving Fund loan (WW050900), for the purpose of financing the planning and design of the transmission, treatment, and reclaimed water system improvements project. The maximum amount of the loan is \$6,543,783. The amount of the loan payable at September 30, 2016 is \$5,921,822. Debt service maturity schedules have not yet been calculated by the grantor. However, the loan bears interest at fixed rates ranging from 1.74% to 2.37% per annum, with principal and interest payments of \$215,680 due in February and August of each year beginning February 15, 2017 until the loan is repaid in full in fiscal year 2036.

The loan described above is considered a federal grant and is recorded in the financial statements as State Revolving Fund loan payable because it is payable to the State of Florida Department of Environmental Protection.

Year ending September 30,	Business-type Activities	
	Principal	Interest
2017	\$ 466,618	\$ 330,420
2018	451,607	345,431
2019	466,572	330,466
2020	482,054	314,984
2021	498,070	298,967
2022-2026	2,750,721	1,234,470
2027-2031	3,243,331	741,859
2032-2036	2,295,064	227,414
	<u>\$ 10,654,037</u>	<u>\$ 3,824,011</u>

For the State Revolving Fund Loan payable for which a final amortization schedule has not yet been received, future maturities have been estimated based on the outstanding balance as of September 30, 2016. The repayment schedules will be revised when the borrowing periods are closed.

7. Conduit Debt Obligation

Pursuant to Resolution No. 3087 adopted on August 25, 2009, the City, on October 29, 2009, issued tax-exempt Revenue Bonds, Series 2009A for \$5,000,000 and Series 2009B for \$1,000,000. The outstanding balances at September 30, 2016 are \$3,980,463 and \$639,012, respectively. The Bonds provided funds to the non-profit organization Circles of Care Inc., for the purpose of construction of a new thirty-bed health care facility, equipping some of their existing facilities, and refinancing an outstanding loan. The bonds shall be payable

solely from the revenues and proceeds derived from payments made by Circles of Care Inc., and will not constitute a debt, liability or obligation of the City. No tax revenues or other revenues of the City will be used to repay the bonds. Circles of Care Inc. has indemnified the City against any loss or damage arising out of the Circles of Care Inc. project or the issuance of the bonds.

These bonds do not constitute a debt or liability of the City within the meaning of any constitutional or statutory limitation and, accordingly, are not reflected in the accompanying financial statements.

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 3,512,740	\$ 2,508,671	\$ 2,471,106	\$ 3,550,305	\$ 1,493,173
Capital leases payable	1,138,327	-	355,358	782,969	214,128
Public improvement bonds and notes	9,509,262	-	890,721	8,618,541	926,151
Total governmental activities	<u>\$ 14,160,329</u>	<u>\$ 2,508,671</u>	<u>\$ 3,717,185</u>	<u>\$ 12,951,815</u>	<u>\$ 2,633,452</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above total for governmental activities. At year-end, \$8,115 of internal service funds compensated absences are included in the above amounts.

The compensated absence liability attributable to the governmental activities are liquidated primarily by the General fund, although a small portion is liquidated by the Insurance fund.

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Water and Sewer revenue bonds	\$ 90,302,327	\$ 33,625,000	\$ 45,407,912	\$ 78,519,415	\$ 3,152,973
Accretion on Water and Sewer bonds	16,797,217	1,645,647	1,587,089	16,855,775	1,697,027
Unamortized issuance premium	964,416	6,948,036	436,421	7,476,031	-
Unamortized issuance discount	(112,825)	-	(112,248)	(577)	-
Total bonds payable	107,951,135	42,218,683	47,319,174	102,850,644	4,850,000
Leases payable	188,385	542,445	179,766	551,064	158,120
State Revolving Fund loans payable	5,883,305	5,004,810	234,078	10,654,037	514,124
Compensated absences	841,278	857,004	937,415	760,867	388,263
Total business-type activities	<u>\$ 114,864,103</u>	<u>\$ 48,622,942</u>	<u>\$ 48,670,433</u>	<u>\$ 114,816,612</u>	<u>\$ 5,910,507</u>
Component Unit:					
Compensated absences	<u>\$ 380,893</u>	<u>\$ 269,946</u>	<u>\$ 327,642</u>	<u>\$ 323,197</u>	<u>\$ 138,748</u>

(5) RESTRICTED ASSETS

The balance of the restricted assets in the Water & Sewer System fund is as follows:

Customer deposits	\$ 3,738,391
Interest receivable	1,662
Water impact fees	684
Sewer impact fees	278,109
Wastewater capital recovery	612,556
State Revolving Fund current debt service	102,598
Revenue bonds current debt service	5,897,468
Revenue bonds future debt service	4,599,553
2007B Reserve	45,822
Revenue bonds renewal and replacement	250,000
Total restricted assets	<u>\$ 15,526,843</u>

(6) OTHER INFORMATION

A. Risk Management

Insurance - The City is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; and natural disasters. The City purchases commercial insurance with various deductibles for different types of losses. The costs for this insurance program are accounted for in the Insurance Internal Service fund. Settled claims have not exceeded this commercial coverage in the past three fiscal years. All applicable funds and component units participate in the general property and liability insurance program and make payments to the Insurance fund based on estimates of the amounts needed to pay insurance premiums and claims and to accumulate funds for financial stability. The excess accumulated funds over claims liability was \$1,711,409 at September 30, 2016. The Airport also purchased additional insurance not covered by these programs, which is accounted for in the Airport fund.

The General Property and Liability claims liability at September 30, 2016 is \$849,666 and is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires 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. To estimate this liability the incurred but not reported (IBNR) factors are applied to trended claims history. General Property and Liability claims at September 30, 2015 and 2016 are summarized below:

Fiscal Year	Claims Liability October 1,	Current Year Claims and Changes in Estimates	Payments	Claims Liability September 30,	Due Within One Year
2014-2015	\$ 614,753	\$ 227,279	\$ 181,842	\$ 660,190	\$ 302,413
2015-2016	660,190	356,794	167,318	849,666	527,526

Workers Compensation - The City is exposed to risk of loss related to injuries to employees. The City established a self-insured workers compensation program, accounted for in the Workers Compensation Internal Service fund to finance its uninsured risk of loss. The Workers Compensation fund provides coverage for up to a maximum of \$200,000 for each worker's compensation claim. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance program. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. All applicable funds and component units participate in the workers compensation self-insurance program and make payments to the Workers Compensation fund based on estimates of the amounts needed to pay prior and current year claims and to accumulate funds for financial stability. Excess accumulated funds over claims liability was \$9,976 at September 30, 2016.

The workers compensation claims liability at September 30, 2016 is \$2,364,211 and is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires 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. To estimate this liability the incurred but not reported (IBNR) factors are applied to trended claims history. Workers compensation claims at September 30, 2015 and 2016 are summarized below:

Fiscal Year	Claims Liability October 1,	Current Year Claims and Changes in Estimates	Payments	Claims Liability September 30,	Due Within One Year
2014-2015	\$ 2,295,639	\$ 1,376,356	\$ 1,967,820	\$ 1,704,175	\$ 579,978
2015-2016	1,704,175	2,137,905	1,477,869	2,364,211	688,485

B. Pension Plans

All regular employees are covered by retirement plans. Firefighters and police officers are covered by local pension plans. All other employees are covered by the Florida Retirement System or a local pension plan.

The total pension expense as of September 30, 2016 are as follows:

Governmental Activities	\$ 7,616,930
Business-type Activities	1,478,049
Component Unit	<u>605,656</u>
Total	<u>\$ 9,700,635</u>

The City has three defined benefit single employer pension plans:

- Firefighters Pension Plan
- Police Officers Pension Plan
- General Employee Pension Plan

The plans do not issue stand-alone financial reports and are not included in any other retirement system's or entity's financial report. The City accounts for all three plans as pension trust funds, therefore, they are accounted for in substantially the same manner as proprietary funds, with a capital measurement focus and employment of the accrual basis of accounting. Plan member contributions, employer contributions and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Firefighters, Police and General Employee Pension Plans

Summary of Significant Accounting Policies

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Because the plans do not issue stand-alone GAAP financial reports, the following individual financial reports are presented for each of the plans:

The Pension trust funds fiduciary net position activity as of September 30, 2016 was as follows:

	Firefighters Pension	Police Pension	General Employees Pension	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 2,007,693	\$ 1,934,908	\$ 177,931	\$ 4,120,532
Investments, at fair value:				
U.S.government obligations	8,301,428	13,925,498	1,027,617	23,254,543
Corporate bonds	5,406,161	7,197,557	2,126,822	14,730,540
Common and preferred stocks	48,299,941	48,564,691	4,981,861	101,846,493
Interest receivable	75,540	103,058	25,558	204,156
Due from other funds	25,667	-	-	25,667
Prepaid expenses	-	363,276	-	363,276
Total assets	64,116,430	72,088,988	8,339,789	144,545,207
LIABILITIES				
Accounts payable and accrued expenses	79,450	105,809	18,783	204,042
Due to other funds	-	5,651	9,098	14,749
Overfunded contributions	397,984	58,867	388,467	845,318
Total liabilities	477,434	170,327	416,348	1,064,109
NET POSITION				
Held in trust for pension benefits	<u>\$ 63,638,996</u>	<u>\$ 71,918,661</u>	<u>\$ 7,923,441</u>	<u>\$ 143,481,098</u>

The Pension trust funds change in fiduciary net position activity as of September 30, 2016 was as follows:

	Firefighters Pension	Police Pension	General Employees Pension	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer contributions	\$ 2,622,565	\$ 2,948,527	\$ 76,214	\$ 5,647,306
Employee contributions	578,536	556,311	20,712	1,155,559
State contributions	545,561	597,263	-	1,142,824
Total contributions	3,746,662	4,102,101	96,926	7,945,689
Investment income				
Net appreciation in fair value of investments	4,599,573	5,135,680	492,360	10,227,613
Interest, dividends, and other income	1,882,708	1,880,594	228,419	3,991,721
Total investment gains	6,482,281	7,016,274	720,779	14,219,334
Less investment expense	(343,818)	(361,903)	(32,709)	(738,430)
Net investment earnings	6,138,463	6,654,371	688,070	13,480,904
Total additions	9,885,125	10,756,472	784,996	21,426,593
DEDUCTIONS				
Benefits paid	4,459,046	4,689,484	513,615	9,662,145
Refunded contributions	-	104,502	-	104,502
Administrative expense	128,302	170,902	74,511	373,715
Total deductions	4,587,348	4,964,888	588,126	10,140,362
Net change in net position	5,297,777	5,791,584	196,870	11,286,231
Net position held in trust for pension benefits October 1	58,341,219	66,127,077	7,726,571	132,194,867
Net position held in trust for pension benefits September 30	<u>\$ 63,638,996</u>	<u>\$ 71,918,661</u>	<u>\$ 7,923,441</u>	<u>\$ 143,481,098</u>

Plan Description

Plan administration. The firefighters, police officers and general employees participate in the Firefighters Retirement System (Firefighters Pension Plan), the Police Officers Retirement System (Police Pension Plan), and the Regular Class Employees and Special Risk Class Employees Pension Plan (General Employees Pension Plan), respectively. These are single employer defined benefit pension plans. Only City employees participate in the Firefighters and Police Pension Plans. City and Airport employees participate in the General Employees Pension Plan. The General Employees Pension Plan was closed to new members as of August 1, 2008.

The Firefighters, Police Officers, and General Employees Pension Plans are administered by a Board of Trustees comprised of:

- a) Two City residents appointed by the City Council.
- b) Two Members of the Plan elected by a majority of the membership.
- c) A Fifth Member elected by the Board and appointed by the City Council.

Plan membership. At September 30, 2016, pension plan membership consisted of the following:

	Firefighters Pension Plan	Police Pension Plan	General Employees Pension Plan
Inactive plan members or beneficiaries currently receiving benefits	108	154	33
Inactive plan members entitled to but not yet receiving benefits	6	38	39
Active plan members	117	135	6
Total	231	327	78

Benefits provided. All three plans provide retirement, disability, and death benefits. Accrued pension equals Average Final Compensation (AFC) times Benefit Multiplier times Credited Service.

Firefighters Pension Plan:

Normal Retirement:

Date: Earlier of age 55 and 10 years of Credited Service, or completion of 25 years of Credited Service.

Benefit: 3.25% of Average Final Compensation times Credited Service, plus Supplemental Benefit.

Supplemental Benefit: Effective October 1, 2003, a Supplemental Benefit is payable monthly for the life of the member equal to \$5 times Credited Service. In addition, Ordinance No. 2009-35 provided for all current and future retirees to potentially receive an additional \$2.50 times Credited Service (for a total of \$7.50 x Credited Service) beginning on the fifth anniversary of retirement. DROP participation counts toward the satisfaction of the five year retirement. The additional \$2.50 is only provided through available funds from the Enhanced Benefit Account, if any.

Early Retirement:

Date: Earlier of age 50 and 10 years of Credited Service, or completion of 20 years of Credited Service.

Benefit: The Accrued Benefit reduced by 3% per year by which the commencement of benefits precedes the Normal Retirement Date, plus the Supplemental Benefit.

Vesting:

Less than 10 years: Return of Member Contributions with interest at 4.0% per year.

More than 10 years: Accrued benefit payable at Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Disability Retirement:

Service Connected Eligibility: Total, permanent, and unable to perform the duties of a Firefighter. Benefits payable are the greater of 2% of AFC times Credited Service, 42% times AFC, and 40% of Regular Base Salary.

Non-Service Connected Eligibility: Same as for Service Connected except also must have 10 years of Credited Service and benefits payable are the greater of 2% of AFC times Credited Service, and accrued benefit reduced for early retirement, minimum amount payable is 25% of AFC.

Pre-Retirement Death:

In the line of duty prior to retirement eligibility: 40% of Regular Base Salary is payable to the spouse until their death. If there is no spouse, or upon the death of the spouse, 15% of Regular Base Salary is payable for each unmarried child until the age of 18 (or age 22 if a full-time student). The maximum amount payable to all such children is 40% of Regular Base Salary.

Not in the line of duty prior to retirement eligibility: Accumulated Employee Contributions with interest is payable or 10-year certain annuity reduced actuarially from the early retirement date.

Eligible for retirement at date of death: Benefit payable is the greater actuarial value between the benefit defined for line of duty death prior to retirement eligibility and the benefit payable if the Member had retired on the date of death. The resulting amount is payable on a monthly basis for ten years, or on such other actuarially equivalent basis as approved by the board.

Enhanced Benefit Account (EBA):

Date: Provides for a lump sum variable cost of living adjustment for all members who retired, became disabled, or terminated vested on or after September 30, 1996, and their beneficiaries.

Benefit: Commencing annually from March 1, 1997, the sum of (a) and (b), as follows, shall be credited to or deducted from the Enhanced Benefit Account to provide a lump sum variable cost of living adjustment:

- (a) 50% of positive or negative net investment income compared to fund's investment objective of 8% for the preceding fiscal year, and
- (b) 50% of the amount by which the premium taxes collected and distributed by the state exceed 5.6% of covered payroll during the preceding fiscal year.

Effective October 13, 2009, Ordinance No. 2009-35 reduced EBA funds retroactively to October 1, 2008 by a one-time deduction equal to the cost to provide the increased 3.25% benefit accrual rate minus the amount of any unallocated premium tax money; and defined use of EBA funds to first pay for an additional Supplemental Benefit of \$2.50 x Credited Service after the fifth year of retirement, prior to the payment of any lump sum variable cost of living adjustment described in the following.

Each April 1st the Enhanced Benefit Account is allocated among the retirees as of the preceding September 30th based upon (i) the number of full months of retirement during the preceding fiscal year, and (ii) in proportion to the amount of each retiree's actual monthly retirement benefit. The allocation is limited to a maximum of 3% of the pension benefit (prorated if retired less than a full year).

Police Officers Pension Plan:

Normal Retirement:

Date: Earlier of age 55 and 10 years of Credited Service, or completion of 25 years of Credited Service.

Benefit: 3% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 45 and 10 years of Credited Service.

Benefit: Accrued pension payable immediately, reduced 3% for each of the first 5 years, and actuarially reduced for all years in excess of 5 years; or, unreduced accrued pension payable at Normal Retirement Date.

Vesting:

Less than 10 years: Return of Member Contributions.

More than 10 years: Accrued benefit payable at Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Disability Retirement:

Service Connected Eligibility: Total, permanent, and unable to perform the duties of a Police Officer with Accrued pension, but not less than 50% of AFC.

Non-Service Connected Eligibility: Same as for Service Connected except also must have 366 consecutive days of Credited Service, with Accrued pension, but not less than 25% of AFC.

Pre-Retirement Death:

Vested: Beneficiary may elect \$50,000 or the Member's accrued pension benefit payable for 10 years beginning at the Member's otherwise Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Non-Vested: Refund of Member Contributions.

Cost of Living Adjustment (COLA):

Members eligible for normal retirement prior to 11/28/2012:

1 % automatic cost-of-living increases beginning one year after retirement for Normal, Early, and Disability Retirees. Vested terminated members are not included.

Members eligible for normal retirement after 11/27/2012:

Proportion of 1 % (measured by comparing actual service as of 11/27/2012 to total service at the time of retirement) beginning one year after retirement and continuing for 10 years, payable to Normal, Early, and Disability retirees. Vested terminated members are not included.

General Employees Pension Plan:

Normal Retirement:

Date: Regular Class – Earlier of age 62 and 6 years of Credited Service (age 57 with 10 years of Credited Service for the City Manager), or completion of 30 years of Credited Service. Special Risk Class – Earlier of age 55 and 6 years of Credited Service or completion of 25 years of Credited Service.

Benefit: Regular Class 1.6% of AFC times Credited Service. Rate increases to 1.63% if age 63 or 31 years, 1.65% if age 64 or 32 years, and 1.68% if age 65 or 33 years. Rate is 2.0% for Senior Management employees. Special Risk Class – 3.0% of Average Final Compensation times Credited Service.

Early Retirement:

Date: 6 years of Credited Service for both Regular and Special Risk Class.

Benefit: Regular Class – Accrued benefit reduced 5% for each year prior to Normal Retirement. Special Risk Class – Accrued benefit reduced 3% for each of the first 5 years prior to Normal Retirement and 5% for each additional year thereafter.

Vesting:

Schedule: 100% after 6 years of Credited Service for both Regular and Special Risk Class.

Benefit: Vested portion of accrued benefit payable at the otherwise Normal Retirement date.

Disability Retirement:

Service Connected Eligibility: Covered from date of employment for both Regular and Special Risk Class.

Non-Service Connected Eligibility: After 8 years of Credited Service.

Benefit: Regular Class – Accrued to date of disability, but not less than 42% of AFC (Service Connected), or 25% of AFC (Non-Service Connected). Special Risk Class – Accrued to date of disability, but not less than 65% of AFC (Service Connected), or 25% of AFC (Non-Service Connected)

Pre-Retirement Death:

Vested: Beneficiary receives an immediate or deferred monthly benefit computed based on the assumption that the member retired on the date of death and elected the 100% joint and survivor annuity.

Non-Vested: Refund of Member Contributions, if any.

Cost of Living Adjustment (COLA):

Regular Class – each July 1 following retirement the monthly benefit amount is increased 3%, based on the June benefit, excluding any supplemental benefit. Special Risk Class – beginning on the July 1 following 2 years of payments, the monthly amount is increased 3% based on the June benefit, excluding any supplemental benefit.

Supplement:

Early and Normal Retirees receive a monthly benefit of \$5 for each year of Credited Service (minimum is \$30 and maximum is \$150) for both Regular and Special Risk Class.

Contribution Requirements. All three local pension plans provide retirement and disability benefits to plan members and beneficiaries. These pension plans are administered by separate local Boards of Trustees. Benefit provisions and contribution requirements are established by City ordinance as provided in Chapter 23, Articles V, VI and VII of the Melbourne City Code for the Firefighters, Police, and General Employee Pension Plans, respectively. Amendments may only be made by City Council adoption of a local ordinance.

Contributions. The employer, employee, and State contribution requirements are applicable to each Plan and actuarially determined on an annual basis. Administrative costs of each of the pension plans are financed by the respective plans. The employee contribution rates, expressed as a percentage of salary, for the Firefighters Pension Plan and the Police Pension Plan were 7.5% and 6.5%, respectively for the 2015-2016 fiscal year. Police officers hired after November 27, 2012 contribute 8.0%. No employee contributions are required for the General Employee Pension Plan. The employer contribution rates, expressed as a percentage of salary for the Firefighters and Police Pension Plans were 43.82% and 37.09%, respectively, for the 2015-2016 fiscal year. The employer contribution rates, expressed as a percentage of payroll, for the General Employee Pension Plan were 15.45% for general employees and 42.61% for Airport police personnel for the 2015-2016 fiscal year. The City recognized as revenues and expenditures on-behalf payments relating to pension contributions for its public safety employees that the State paid to the Firefighters and Police Pension Plans in the amounts of \$545,561 and \$597,263 respectively. These contributions are funded by an excise tax upon certain casualty and property insurance companies on their gross receipts of premiums from policy holders. If the remittance from the State is less than estimated by the actuary, the City pays the balance required to fund the total actuarial requirements.

The City's and Airport's annual contributions exceeded the annual pension cost for each of the local pension plans for the year ended September 30, 2016. The City's contributions to the Firefighters and Police Pension Plans were \$2,622,565 and \$2,948,527 which includes prepaids of \$397,984 and \$58,867 respectively. The Airport's contribution to the General Employees Special Risk Class was \$32,286. The General Employees Regular Class used \$43,928 in prepaids.

Investments

Investment policy. The pension plan policy in regard to the allocation of invested assets is established and may be amended by the Boards. In fulfilling their fiduciary responsibility, the Board recognizes that the pension plan is an essential vehicle for providing income benefits to retired participants. The Board also recognizes that the obligations of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return, defined as interest and dividend income plus realized and unrealized capital gains and losses, commensurate with the Prudent Investor Rule and any other applicable City Ordinances and State Statutes.

The following was the Board's adopted asset allocation policy as of September 30, 2016:

Asset Class	Target Allocation		
	Firefighters Pension Plan	Police Pension Plan	General Employees Pension Plan
Domestic	45.00%	45.00%	50.00%
International	15.00%	15.00%	10.00%
Domestic Bonds	20.00%	25.00%	25.00%
Global Bonds	5.00%	5.00%	5.00%
Real Estate	10.00%	5.00%	5.00%
Alternatives	5.00%	5.00%	5.00%

Concentration. Investments (excluding mutual funds and those issued or guaranteed by the U.S. government) held by the local pension plans did not exceed five percent of total plan assets.

Rate of Return. For the year end September 30, 2016, the annual money-weighted rate of return on the Firefighters' Pension Plan, the Police Pension Plan, and the General Employee Pension Plan investments, net of pension plan investment expense, was 10.36%, 10.02%, and 8.46% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Plan (DROP)

Firefighters Pension Plan:

Members are eligible to enter the DROP at the Normal Retirement Date. DROP participants are not eligible for death or disability benefits. The maximum DROP participation duration is 60 months. The Accrued Benefit plus Supplemental Benefit is frozen and no further Employee Contributions are payable at DROP entry. The Accrued Benefit accumulates in the DROP account with interest, credited quarterly, as elected by the Member (where this election may be changed by the Member annually):

- (a) An annual rate of 6.50%, compounded monthly on the prior month's ending balance (1.3% for members who enter DROP on or after March 24, 2016).
- (b) The average daily balance in the member's DROP account is credited or debited at a rate equal to the net investment return realized for the quarter.
- (c) 50% of (a) plus 50% of (b).

A Member's final DROP account value for distribution is the value of the account at the end of the quarter immediately preceding termination of participation in the DROP, plus any monthly periodic additions made to the DROP account subsequent to the end of the previous quarter and prior to distribution. The Supplemental Benefit is payable once the member actually terminates from employment and begins to receive monthly pension payments after the end of the DROP. The DROP balance at September 30, 2016 was \$8,209,291.

Police Officers Pension Plan:

Members are eligible to enter the DROP at the Normal Retirement Date. DROP participants are not eligible for death or disability benefits. The maximum DROP participation duration is 60 months or the completion of 31 years of employment with the City as a Police Officer. The Accrued Benefit is frozen and no further Employee Contributions are payable at DROP entry. The Accrued Benefit accumulates in the DROP account with interest, credited quarterly, as elected by the Member (where this election may be changed once during the DROP period):

- (a) An annual rate of 6.50%, compounded monthly on the prior month's ending balance (1.3% for members who enter DROP on or after 11/27/2012).
- (b) The average daily balance in the member's DROP account is credited or debited at a rate equal to the net investment return realized for the quarter.
- (c) 50% of (a) plus 50% of (b).

A Member's final DROP account value for distribution is the value of the account at the end of the quarter immediately preceding termination of participation in the DROP, plus any monthly periodic additions made to the DROP account subsequent to the end of the previous quarter and prior to distribution. The DROP balance at September 30, 2016 was \$3,138,647.

General Employees Pension Plan:

Members are eligible to enter the DROP at the Normal Retirement Date. DROP participants are not eligible for death or disability benefits. The maximum DROP participation duration is 60 months. The Accrued Benefit is frozen and no further Employee Contributions are payable at DROP entry. The Accrued Benefit accumulates in the DROP account with an annual interest rate of 6.5%, compounded monthly on the prior month's ending balance (1.3% for members who enter DROP on or after 6/01/2012).

A Member's final DROP account value for distribution is the value of the account at the end of the quarter immediately preceding termination of participation in the DROP, plus any monthly periodic additions made to the DROP account subsequent to the end of the previous quarter and prior to distribution. The DROP balance at September 30, 2016 was \$26,731.

Net Pension Liability of the City of Melbourne

The components of the net pension liability of the City at September 30, 2016, as follows, is presented in accordance with GASB Statement No. 67, while the net pension liability recognized by the City in the current financial statements represents the net pension liability as of September 30, 2015, which is allowed by GASB Statement No. 68.

	Firefighters Pension Plan	Police Pension Plan	General Employees Pension Plan	
			Regular Class	Special Risk Class
Total pension liability	\$ 81,468,456	\$ 93,996,175	\$ 6,117,065	\$ 1,133,470
Plan fiduciary net position	(63,638,996)	(71,918,661)	(6,858,732)	(1,064,709)
Sponsor's net pension liability (asset)	<u>\$ 17,829,460</u>	<u>\$ 22,077,514</u>	<u>\$ (741,667)</u>	<u>\$ 68,761</u>
Plan fiduciary net position as a percentage of total pension liability	78.11%	76.51%	112.12%	93.93%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016 for the Firefighters' Pension Plan, Police Pension and General Employees Pension Plan using the following actuarial assumptions applied to all measurement periods:

	Firefighters Pension Plan	Police Pension Plan	General Employees Pension Plan
Inflation	2.50%	2.50%	2.50%
Salary increases	6.00%	4.50%	6.00%
Investment rate of return	8.00%	7.50%	7.00%

Mortality rates were based on the RP-2000 Table with no projection for Males and Females, as appropriate. The actuarial assumptions used in the October 1, 2016 valuation were carried forward from the prior actuary. No recent actuarial experience study has been performed.

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

	Long Term Expected Real Rate of Return		
Asset Class	Firefighters Pension Plan	Police Pension Plan	General Employees Pension Plan
Domestic equity	7.50%	7.50%	7.50%
International	8.50%	8.50%	8.50%
Domestic fixed income	2.50%	2.50%	2.50%
Global fixed income	3.50%	3.50%	3.50%
Real Estate	4.50%	4.50%	0.00%
Alternatives	6.03%	0.00%	0.00%

Discount rate. The discount rate used to measure the total pension liability for the Firefighters, Police, and General Employee Pension Plans were 8.00%, 7.50%, and 7.00% percent, respectively. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Firefighters Pension Plan	\$ 25,475,864	\$ 17,829,460	\$ 11,352,042
Police Pension Plan	32,860,745	22,077,514	13,116,013
General Employee Regular Class	4,620	(741,667)	(1,358,404)
General Employee Special Risk Class	497,233	68,761	(201,735)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 for the Firefighters Pension Plan, and October 1, 2016 for the Police and General Employee Pension Plans.

Changes in Net Pension Liability

FIREFIGHTERS PENSION PLAN

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Reporting Period Ending 9/30/2014	\$ 76,300,337	\$ 58,760,194	\$ 17,540,143
Changes for the year:			
Service cost	1,465,467	-	1,465,467
Interest	5,937,717	-	5,937,717
Changes of benefit terms	(1,042,704)	-	(1,042,704)
Difference between expected and actual experience	(418,968)	-	(418,968)
Changes of assumptions	76,676	-	76,676
Contributions - employer	-	2,702,209	(2,702,209)
Contributions - state	-	569,837	(569,837)
Contributions - employee	-	466,578	(466,578)
Net investment income	-	126,002	(126,002)
Benefit payments, including refunds of employee contributions	(4,151,523)	(4,151,523)	-
Administrative expenses	-	(132,078)	132,078
Net changes	1,866,665	(418,975)	2,285,640
Reporting Period Ending 9/30/2015	\$ 78,167,002	\$ 58,341,219	\$ 19,825,783

POLICE OFFICERS PENSION PLAN

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Reporting Period Ending 9/30/2014	\$ 88,192,033	\$ 68,007,130	\$ 20,184,903
Changes for the year:			
Service cost	1,457,495	-	1,457,495
Interest	6,500,397	-	6,500,397
Differences between Expected and Actual Experience	(129,550)	-	(129,550)
Changes of assumptions	(1,189,338)	-	(1,189,338)
Contributions - employer	-	2,876,710	(2,876,710)
Contributions - state	-	543,474	(543,474)
Contributions - employee	-	512,708	(512,708)
Contributions - buy back	8,784	8,784	-
Net investment income	-	(43,614)	43,614
Benefit payments, including refunds of employee contributions	(5,699,583)	(5,699,583)	-
Administrative expenses	-	(78,532)	78,532
Net changes	948,205	(1,880,053)	2,828,258
Reporting Period Ending 9/30/2015	\$ 89,140,238	\$ 66,127,077	\$ 23,013,161

GENERAL EMPLOYEES REGULAR CLASS PENSION PLAN

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Reporting Period Ending 9/30/2014	\$ 5,322,967	\$ 7,214,418	\$ (1,891,451)
Changes for the year:			
Service cost	49,546	-	49,546
Interest	406,207	-	406,207
Difference between expected and actual experience	(31,975)	-	(31,975)
Changes of assumptions	442,831	-	442,831
Contributions - employer	-	52,573	(52,573)
Net investment income	-	(143,686)	143,686
Benefit payments, including refunds of employee contributions	(329,470)	(329,470)	-
Administrative expenses	-	(40,805)	40,805
Net changes	537,139	(461,388)	998,527
Reporting Period Ending 9/30/2015	\$ 5,860,106	\$ 6,753,030	\$ (892,924)

GENERAL EMPLOYEES SPECIAL RISK CLASS PENSION PLAN

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Reporting Period Ending 9/30/2014	\$ 1,000,567	\$ 959,447	\$ 41,120
Changes for the year:			
Service cost	56,954	-	56,954
Interest	82,160	-	82,160
Difference between expected and actual experience	32,533	-	32,533
Changes of assumptions	136,013	-	136,013
Contributions - employer	-	47,458	(47,458)
Net investment income	-	(19,272)	19,272
Benefit payments, including refunds of employee contributions	(8,382)	(8,382)	-
Administrative expenses	-	(5,710)	5,710
Net changes	299,278	14,094	285,184
Reporting Period Ending 9/30/2015	\$ 1,299,845	\$ 973,541	\$ 326,304

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Firefighters Pension Plan	\$ 27,345,415	\$ 19,825,783	\$ 13,451,208
Police Pension Plan	32,784,714	23,013,161	14,797,529
General Employee Regular Class	(242,337)	(892,924)	(1,436,061)
General Employee Special Risk Class	531,333	326,304	159,513

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

For the year ended September 30, 2016 the City will recognize a pension expense of \$1,975,546 for the Firefighters Pension Plan. On September 30, 2016 the City reported for the **Firefighters Pension Plan** deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 700,614
Changes of assumptions	784,184	-
Net difference between projected and actual earnings on pension plan investments	3,624,177	1,035,718
Contributions subsequent to the measurement date	3,168,126	-
Total	\$ 7,576,487	\$ 1,736,332

Deferred outflows of \$3,168,126, resulting from City and State contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$	605,789
2018		605,789
2019		605,791
2020		854,660

For the year ended September 30, 2016 the City will recognize a pension expense of \$2,867,693 for the Police Officers Pension Plan. On September 30, 2016 the City reported for the **Police Officers Pension Plan** deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$ 97,163
Changes of assumptions	-	892,004
Net difference between projected and actual earnings on pension plan investments	4,060,225	929,073
Contributions subsequent to the measurement date	3,545,790	-
Total	<u>\$ 7,606,015</u>	<u>\$ 1,918,240</u>

Deferred outflows of \$3,545,790, resulting from City and State contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2017	\$	375,645
2018		375,642
2019		375,642
2020		1,015,056

For the year ended September 30, 2016 the City will recognize a pension expense of \$432,723 for the General Employees Regular Class Pension Plan. On September 30, 2016 the City reported for the **General Employees Regular Class Pension Plan** deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 555,216	\$ 189,483
Contributions subsequent to the measurement date	43,928	-
Total	<u>\$ 599,144</u>	<u>\$ 189,483</u>

Deferred outflows of \$43,928, resulting from City contributions subsequent to the measurement date, will be recognized as an adjustment to the net pension asset (liability) in the fiscal year ended September 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2017	\$	75,643
2018		75,643
2019		75,643
2020		138,804

For the year ended September 30, 2016 the City will recognize a pension expense of \$122,700 for the General Employees Special Risk Class Pension Plan. On September 30, 2016 the City reported for the **General Employees Special Risk Class Pension Plan** deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,399	\$ -
Changes of assumptions	102,009	-
Net difference between projected and actual earnings on pension plan investments	76,328	\$ 21,618
Contributions subsequent to the measurement date	32,286	-
Total	<u>\$ 235,022</u>	<u>\$ 21,618</u>

Deferred outflows of \$32,286, resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ended September 30:		
2017	\$	54,012
2018		54,012
2019		54,012
2020		19,082

Florida Retirement System

General Information – City employees who are not covered under the Fire, Police, or General Pension Plans participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

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 class members (sworn Airport police 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 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. 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 Regular, Senior Management Service, and Elected Officers’ class members, and to age 60 or 30 years of service regardless of age for Special Risk class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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 three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. 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.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three 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 contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2016 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular 7.26% and 7.52%; Special Risk Airport Police 22.04% and 22.57%; Senior Management Service 21.43% and 21.77%; Elected Officers’ 42.27% and 42.47%; DROP participants 12.88% and 12.99%; Re-employed General 4.31% and 4.49%, and Re-employed Airport Police 10.65% and 10.71%.

The City's contributions, including employee contributions, to the Pension Plan totaled \$3,073,552 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2016, the City reported a liability of \$20,012,850 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .07926%, which was a decrease of .000415% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$3,099,046. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,532,338	\$ 186,333
Change of assumptions	1,210,718	-
Net difference between projected and actual earnings on Pension Plan investments	9,206,651	4,033,574
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	212,306	82,407
City Pension Plan contributions subsequent to the measurement date	666,789	-
Total	<u>\$ 12,828,802</u>	<u>\$ 4,302,314</u>

The deferred outflows of resources related to the Pension Plan, totaling \$666,789 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. 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:

Fiscal Year Ending	Amount
September 30:	
2017	\$ 1,129,680
2018	1,129,680
2019	3,139,428
2020	2,089,519
2021	297,749
Thereafter	73,643

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. The reduced investment return assumption of 7.60 percent, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgement of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed income	18.00%	4.70%	4.60%	4.60%
Global equity	53.00%	8.10%	6.80%	17.20%
Real estate	10.00%	6.40%	5.80%	12.00%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	11.10%
Total	100.00%			
Assumed Inflation - Mean			2.60%	1.90%

* As outlined in the Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.60%, 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 (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's proportionate share of the net pension liability	\$ 36,845,012	\$ 20,012,850	\$ 6,002,298

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.

Payables to the Pension Plan - At September 30, 2016, the City reported a payable in the amount of \$430,024 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contribution was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$497,507 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2016, the City reported a liability of \$10,514,211 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .090215%, which was an increase of .0023% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$902,915. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,948
Change of assumptions	1,649,947	-
Net difference between projected and actual earnings on HIS Plan investments	5,316	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	237,110	67,096
City HIS Plan contributions subsequent to the measurement date	138,805	-
Total	<u>\$ 2,031,178</u>	<u>\$ 91,044</u>

The deferred outflows of resources related to the HIS Plan, totaling \$138,805 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
September 30:	
2017	\$ 322,958
2018	322,958
2019	322,958
2020	322,958
2021	264,146
Thereafter	245,351

Actuarial Assumptions – The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 2.85%, 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 (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City's proportionate share of the net pension liability	\$ 12,062,189	\$ 10,514,211	\$ 9,229,474

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

Payables to the Pension Plan - At September 30, 2016, the City reported a payable in the amount of \$70,629 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2016.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross

compensation, by class, as follows: Regular class 5.56%, Special Risk class 20.34%, Senior Management Service class 19.73% and County Elected Officers class 40.57%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$300,012 for the fiscal year ended September 30, 2016.

C. Post Employment Benefits Other Than Pensions

Plan Description. The City of Melbourne administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the City is required to provide eligible retirees (as defined in the City's pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. Eligible retirees must be drawing an immediate benefit from their respective pension plan and be enrolled in medical coverage prior to retirement. Surviving spouses of participants are allowed access to the Plan but must pay the full premium. Benefit provisions for the Plan were established by City Council on May 12, 1987 and may only be amended by City Council. The City does not issue stand alone financial statements for this Plan. All financial information related to the Plan is accounted for in the City's basic financial statements.

Funding Policy. The City is funding the post employee benefits on a pay-as-you-go basis. Contribution rates for the Plan are established by City Council annually. For non-union and Police Union employees hired before January 1, 2011, the City provides 50% of the health insurance premium for retirees who opt for coverage through the City's insurance program or the Florida Retired Public Employees Group Medicare Supplemental Insurance Program as an explicit subsidy. IAFF employees receive a subsidy at the rate of 2% per year of service up to a maximum of 50% of published rates, until the retiree reaches normal medicare age. LIU Union employees receive a subsidy of 50% or \$236.90, whichever is less, if they have 22 or more years of service as of October 1, 2010. They receive 25% or \$120.00, whichever is less, for a period of 5 years if they have 7 to 22 years of service. There will be no subsidy for LIU employees with less than 7 years of service as of October 1, 2010. For the fiscal year ended September 30, 2016 the City contributed \$455,184 to cover 237 retired employees and \$19,493 for the Airport to cover 13 retired employees. Blended premium rates for active and retired employees combined provide an implicit subsidy for retirees because on an actual basis, their current and future claims are expected to result in higher costs to the Plan than those of active employees. The current year contribution represents an estimate of this implied subsidy.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, and the amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the last three fiscal years, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the retiree health plan:

	9/30/2014	9/30/2015	9/30/2016
Annual required contribution (ARC)	\$ 2,907,000	\$ 1,943,000	\$ 2,064,000
Interest on net OPEB obligation	538,000	612,000	648,000
Adjustment to annual required contribution	(674,000)	(796,000)	(877,000)
Annual OPEB cost	2,771,000	1,759,000	1,835,000
Contributions made	(441,984)	(456,329)	(474,678)
Implicit subsidy	(265,000)	(284,000)	(320,000)
Increase in net OPEB obligation	2,064,016	1,018,671	1,040,322
Net OPEB obligation-beginning of year	15,405,811	17,469,827	18,488,498
Net OPEB obligation-end of year	\$ 17,469,827	\$ 18,488,498	\$ 19,528,820

The net OPEB obligation is allocated to governmental activities, business-type activities, and the component unit based on the relative proportion of plan participants. At September 30, 2016 the net OPEB obligation of governmental activities, business-type activities, and the component unit is \$15,216,973, \$3,430,921, and \$880,926, respectively.

No trust or agency fund has been established for the Plan and there were no adjustments to the annual required contribution or interest earnings. 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 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2014	\$ 2,771	\$ 707	26%	\$ 17,470
2015	1,759	740	42%	18,488
2016	1,835	795	43%	19,529

Funded Status and Funding Progress. The funded status as of October 1, 2016, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Measurement Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2015	\$ -	\$22,763	\$22,763	0%	\$37,393	60.9%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. The actuarial determined amounts regarding the funding status of the Plan and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Calculations are based on benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of cost sharing between the employer and the plan members at that time. Because the Plan has greater than 200 members, the City is required to obtain an actuarial valuation at least every two years.

Methods and Assumptions. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of calculations. In the 10/1/2016 actuarial valuation the Projected Unit Credit (PUC) cost method was used with linear pro-rata to assumed benefit commencement. The unfunded actuarial accrued liability is being amortized over a remaining period of 23 years using a 30 year closed amortization both as a level dollar and as a level percent of pay. The actuarial assumptions included a 3.5% investment rate of return, 3% projected annual salary increase, and a 2.2% rate of inflation. The medical trend assumption of 4.7% was developed using the Society of Actuaries Long-Term Medical Trend Model.

D. Contingencies

1. Litigation

The City and the Airport are named as defendants in various lawsuits. The outcome of the lawsuits is not determinable at this time. It is the opinion of counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the City or the Airport.

2. Pollution Remediation

During fiscal year 2012, the City of Melbourne recognized a pollution remediation liability related to contaminated soil and groundwater discovered during the process of removing and decommissioning the vehicle fuel facility at the Melbourne Police Department on Apollo Boulevard. The Florida Department of Environmental Protection approved the Remedial Action Plan for site cleanup and restoration.

Cleanup, restoration, and testing were completed in 2015. No additional testing or remediation is expected.

3. Grants

The City and the Airport receive funds from federal, state, and private agencies under grants and contracts. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and possible disallowance by the sponsoring agency. It is management's belief that any disallowances or adjustments would not have a significant effect on the financial statements.

E. Subsequent Events

In early October of 2016, the City was impacted by Hurricane Matthew. The estimated costs of overtime, debris removal, and other costs associated with the hurricane were \$1,468,645. The City believes that it will be able to obtain reimbursement in the amount of \$1,290,472 through insurance and agreements with FEMA and the State.

On October 11, 2016, the City Council approved the purchase of one replacement fire rescue pumper from South Florida Emergency Vehicles, Fort Myers, Florida for \$422,278.

On October 25, 2016, the City Council approved the purchase of sewer manhole and lift station lining services from VacVision Environmental, LLC, Tampa, Florida for an estimated annual cost of \$880,100.

On November 8, 2016, the City Council approved amendment Nos. 7 and 8 for the engineering services for systems upgrades related to the Reverse Water Treatment Plant Replacement of Control Instrumentation with CH2M Hill Engineers, Inc., Orlando, Florida for \$1,443,890.

One December 7, 2016, the Melbourne Airport Authority approved the Construction Manager at Risk, Walbridge, for the guaranteed maximum price for the new Air Traffic Control Tower in the amount not to exceed \$5,860,724.

On December 7, 2016, the Melbourne Airport Authority approved the Construction Manager at Risk, Ivey's Construction, for the guaranteed maximum price for the Federal Inspection Station project in an amount not to exceed \$4,630,478.

On December 13, 2016, the City Council awarded a contract for the Autumn Woods Stormwater Quality Retrofit to Jobear Contracting, Inc., Palm Bay, Florida for \$670,831.

On December 13, 2016, the City Council approved the purchase of fifteen 2017 Dodge Charger Police Package Patrol Units from Gator Chrysler Dodge Jeep, Melbourne, Florida for \$502,092.

On January 25, 2017, the Melbourne Airport Authority approved a contract with AVCON, Inc. for professional engineering services for the rehabilitation of Runway 09R-27L in an amount not to exceed \$1,200,000.

On February 14, 2017, the City Council awarded a contract for the Sarno Road-US Highway 1 Turn Lane Addition, Stormwater Retrofit and Signalization project to Timothy Rose Contracting, Vero Beach, Florida for \$520,994.

REQUIRED SUPPLEMENTARY INFORMATION

The following schedules are reported in this subsection:

- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Downtown Redevelopment Special Revenue Fund
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Babcock Street Redevelopment Special Revenue Fund
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Olde Eau Gallie Redevelopment Special Revenue Fund
- Budgetary Notes to Required Supplementary Information
- Schedules of Changes in Net Pension Liability and Related Ratios
- Schedule of City Contributions
- Schedules of Investment Returns
- Schedules of Proportionate Share of the Net Pension Liability
- Schedules of Contributions
- Schedule of Funding Progress – OPEB

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MELBOURNE FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 28,906,298	\$ 28,751,193	\$ 28,762,101	\$ 10,908
Utility and communications	11,754,608	11,370,437	11,473,828	103,391
Franchise fees	6,985,000	6,689,761	6,668,887	(20,874)
Intergovernmental	11,797,015	11,966,175	12,150,081	183,906
Charges for services	9,316,944	9,565,145	9,566,648	1,503
Licenses and permits	2,632,750	3,188,350	3,401,098	212,748
Fines, forfeitures, penalties and fees	293,400	303,400	259,230	(44,170)
Investment earnings	157,792	312,792	357,046	44,254
Other revenues	905,995	989,029	823,071	(165,958)
Total revenues	72,749,802	73,136,282	73,461,990	325,708
EXPENDITURES				
Current:				
General government:				
Mayor and council	168,442	169,862	166,578	3,284
City manager	746,055	768,082	732,922	35,160
City attorney	710,317	723,081	715,029	8,052
City clerk	404,111	451,203	429,494	21,709
Accounting and budget	1,760,864	1,782,044	1,757,432	24,612
Management services	308,194	290,137	288,647	1,490
Procurement	457,910	443,408	438,881	4,527
Personnel	537,711	554,311	517,943	36,368
Information technology	3,651,261	4,148,143	4,082,221	65,922
Engineering	1,284,966	1,318,790	1,314,665	4,125
Planning and economic development	680,415	709,590	700,603	8,987
Other - unclassified	4,365,450	3,966,458	3,729,216	237,242
Total general government	15,075,696	15,325,109	14,873,631	451,478
Public Safety:				
Fire	18,484,302	19,189,236	18,443,219	746,017
Police	24,952,611	25,246,611	24,359,900	886,711
Total public safety	43,436,913	44,435,847	42,803,119	1,632,728
Public works	7,363,745	7,750,141	6,933,362	816,779
Parks and recreation	6,899,575	6,952,050	6,355,822	596,228
Housing and urban improvement	456,963	480,414	467,539	12,875
Debt service:				
Principal	760,227	760,227	760,227	-
Interest and fiscal agent fees	345,429	345,429	345,427	2
Total debt service	1,105,656	1,105,656	1,105,654	2
Total expenditures	74,338,548	76,049,217	72,539,127	3,510,090
Excess(deficiency) of revenues over(under) expenditures	(1,588,746)	(2,912,935)	922,863	3,835,798
OTHER FINANCING SOURCES (USES)				
Transfers in	3,201,791	3,234,717	3,240,626	5,909
Transfers out	(2,276,378)	(2,295,794)	(2,779,508)	(483,714)
Sale of capital assets	30,000	55,000	45,208	(9,792)
Total other financing sources (uses)	955,413	993,923	506,326	(487,597)
Net change in fund balance	(633,333)	(1,919,012)	1,429,189	3,348,201
Fund balance, October 1	19,629,229	19,629,229	19,629,229	-
Fund balance, September 30	\$ 18,995,896	\$ 17,710,217	\$ 21,058,418	\$ 3,348,201

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MELBOURNE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DOWNTOWN REDEVELOPMENT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget Amounts		Actual on (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,049,142	\$ 1,049,142	\$ 1,049,141	\$ (1)
Investment earnings	3,200	3,200	4,894	1,694
Total revenues	1,052,342	1,052,342	1,054,035	1,693
EXPENDITURES				
Current:				
General government	924,217	929,629	816,963	112,666
Debt service:				
Principal	130,494	130,494	130,494	-
Interest and fiscal agent fees	21,872	21,872	21,857	15
Total expenditures	1,076,583	1,081,995	969,314	112,681
Excess (deficiency) of revenues over (under) expenditures	(24,241)	(29,653)	84,721	114,374
OTHER FINANCING USES				
Transfers out	(40,000)	(40,000)	(40,000)	-
Net change in fund balance	(64,241)	(69,653)	44,721	114,374
Fund balance, October 1	95,193	95,193	95,193	-
Fund balance, September 30	\$ 30,952	\$ 25,540	\$ 139,914	\$ 114,374

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MELBOURNE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BABCOCK STREET REDEVELOPMENT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget Amounts		Actual on (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 747,179	\$ 747,179	\$ 747,179	\$ -
Investment earnings	2,400	2,400	6,477	4,077
Total revenues	749,579	749,579	753,656	4,077
EXPENDITURES				
Current:				
General government	667,996	698,745	241,036	457,709
Excess of revenues over expenditures	81,583	50,834	512,620	461,786
OTHER FINANCING USES				
Transfers out	(250,000)	(250,000)	(250,000)	-
Net change in fund balance	(168,417)	(199,166)	262,620	461,786
Fund balance, October 1	212,961	212,961	212,961	-
Fund balance, September 30	<u>\$ 44,544</u>	<u>\$ 13,795</u>	<u>\$ 475,581</u>	<u>\$ 461,786</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MELBOURNE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OLDE EAU GALLIE REDEVELOPMENT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget Amounts		Actual on (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 271,004	\$ 271,004	\$ 271,004	\$ -
Investment earnings	1,500	1,500	4,187	2,687
Other revenue	-	-	5,000	5,000
Total revenues	<u>272,504</u>	<u>272,504</u>	<u>280,191</u>	<u>7,687</u>
EXPENDITURES				
Current:				
General government	273,357	273,357	160,784	112,573
Debt service:				
Principal	36,064	36,064	-	36,064
Interest and fiscal agent fees	<u>7,792</u>	<u>7,792</u>	<u>3,581</u>	<u>4,211</u>
Total expenditures	<u>317,213</u>	<u>317,213</u>	<u>164,365</u>	<u>152,848</u>
Net change in fund balance	(44,709)	(44,709)	115,826	160,535
Fund balance, October 1	<u>78,916</u>	<u>78,916</u>	<u>78,916</u>	<u>-</u>
Fund balance, September 30	<u>\$ 34,207</u>	<u>\$ 34,207</u>	<u>\$ 194,742</u>	<u>\$ 160,535</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The City Council typically adopts an annual budget for the General fund and the Special Revenue funds. The City Council adopts budgets for projects in Capital Projects funds on a “life of the project” basis. All budgets are prepared on a modified accrual basis with encumbrance accounting. Budgetary control is legally maintained at the fund level. Budget transfer authority is provided to the City Manager within a fund as long as the total budget of the fund is not increased. City Council action is required for the approval of a supplemental budget.

Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis-for State and Local Governments” requires reporting of supplementary information for budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted annual budget. These schedules include the original budget, the final budget, and actual amounts (stated on the budgetary basis). The City has shown three special revenue funds as major funds, and, accordingly, is presenting the budgetary comparison schedule for the General Fund, Downtown Redevelopment, Babcock Street Redevelopment and Olde Eau Gallie Redevelopment with original and final budgets, as Required Supplementary Information.

There was no budget adopted for the Law Enforcement Special Revenue fund. Funds accumulated in the Law Enforcement fund are transferred to other funds, from which expenditures are made, and these expenditures are budgeted in those funds. Capital Projects funds have budgets which are approved on a “life of the project basis”. These budget periods are not consistent with the method of financial reporting; therefore, comparisons between the results of operations and budgets in these funds are not relevant and are not presented herein.

Supplemental appropriations were made during the year and all budget amounts presented in the accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance for the General Fund, Downtown Redevelopment, Babcock Street Redevelopment and Olde Eau Gallie Redevelopment funds have been adjusted for legally authorized revisions of the annual budget. All appropriations which are not expended, encumbered, or committed lapse at year end. Encumbered appropriations are carried forward to the subsequent year’s budget.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects funds. Encumbrances outstanding at year end are carried forward to the next year’s budget and are reported as a restricted or assigned fund balance in the governmental fund financial statements since they do not constitute actual expenditures or liabilities.

Actual results of operations are presented in accordance with generally accepted accounting principles (GAAP basis) and the City’s accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the City’s legally adopted budget.

A – Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Revenues

Actual amounts (budgetary basis) of total revenues as reported on the statement of revenues, expenditures and changes in fund balances - - budget and actual equal total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.

Expenditures	General Fund	Downtown Redevelopment	Babcock Street Redevelopment	Olde Eau Gallie Redevelopment
Actual amounts (budgetary basis) "total expenditures" as reported on the statement of revenues, expenditures and changes in fund balances - - budget and actual	\$ 72,539,127	\$ 969,314	\$ 241,036	\$ 164,365
Differences - - budget to GAAP:				
Encumbrances for professional services, supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies and services are received for <i>financial reporting</i> purposes.	(814,592)	(70,000)	(30,794)	(22,675)
Total expenditures are reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 71,724,535</u>	<u>\$ 899,314</u>	<u>\$ 210,242</u>	<u>\$ 141,690</u>

B – Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

The budgetary schedules present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of the resultant timing differences in the excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) (Budgetary Basis) as compared to the excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) (GAAP Basis) for the year ended September 30, 2016 is presented in the following table:

	General Fund	Downtown Redevelopment	Babcock Street Redevelopment	Olde Eau Gallie Redevelopment
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) (Budgetary Basis)	\$ 1,429,189	\$ 44,721	\$ 262,620	\$ 115,826
Adjustments:				
Encumbrances	<u>814,592</u>	<u>70,000</u>	<u>30,794</u>	<u>22,675</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) (GAAP Basis)	<u>\$ 2,243,781</u>	<u>\$ 114,721</u>	<u>\$ 293,414</u>	<u>\$ 138,501</u>

REQUIRED SUPPLEMENTARY INFORMATION

Governmental Accounting Standards Board Statements No 67 “Financial Reporting for Pension Plans” and No 68 “Accounting and Financial Reporting for Pensions” require supplementary information be reported on the local pension plans in addition to that provided in the Notes to the Financial Statements. This information is presented in the following schedules.

CITY OF MELBOURNE, FLORIDA SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST THREE FISCAL YEARS FIREFIGHTERS PENSION

	9/30/2016	9/30/2015*	9/30/2014
Total pension liability			
Service cost	\$ 1,596,483	\$ 1,465,467	\$ 1,431,629
Interest	6,164,017	5,937,717	5,743,448
Changes of benefit terms	-	(1,042,704)	-
Difference between expected and actual experience	-	(418,968)	(604,020)
Changes in assumptions	-	76,676	1,189,708
Benefit payments, including refunds of employee contributions	(4,459,046)	(4,151,523)	(4,161,045)
Net change in total pension liability	3,301,454	1,866,665	3,599,720
Total pension liability - beginning	78,167,002	76,300,337	72,700,617
Total pension liability - ending (a)	<u>\$ 81,468,456</u>	<u>\$ 78,167,002</u>	<u>\$ 76,300,337</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,622,565	\$ 2,702,209	\$ 2,282,865
Contributions - state	545,561	569,837	604,006
Contributions - employee	578,536	466,578	442,286
Net investment income	6,138,463	126,002	5,965,296
Benefit payments, including refunds of employee contributions	(4,459,046)	(4,151,523)	(4,161,045)
Administrative expense	(128,302)	(132,078)	(159,794)
Net change in plan fiduciary net position	5,297,777	(418,975)	4,973,614
Plan fiduciary net position - beginning	58,341,219	58,760,194	53,786,580
Plan fiduciary net position - ending (b)	<u>\$ 63,638,996</u>	<u>\$ 58,341,219</u>	<u>\$ 58,760,194</u>
Net pension liability - ending (a) - (b)	<u>\$ 17,829,460</u>	<u>\$ 19,825,783</u>	<u>\$ 17,540,143</u>
Plan fiduciary net position as a percentage of the total pension liability	78.11%	74.64%	77.01%
Covered employee payroll	\$ 6,893,083	\$ 6,513,920	\$ 6,075,965
Net pension liability as a percentage of covered employee payroll	258.66%	304.36%	288.68%

*The net pension liability recognized by the City in the current year financial statements represents the net pension liability as of September 30, 2015, which is allowed by GASB Statement No. 68.

**CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CITY CONTRIBUTIONS
LAST THREE FISCAL YEARS
FIREFIGHTERS PENSION**

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially determined contribution	\$ 3,168,126	\$ 3,272,046	\$ 2,886,871
Contributions in relation to the actuarially determined contributions	<u>3,168,126</u>	<u>3,272,046</u>	<u>2,886,871</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,893,083	\$ 6,513,920	\$ 6,075,965
Contributions as a percentage of covered employee payroll	45.96%	50.23%	47.51%

Notes to Schedule

Valuation date: 10/01/2014

Actuarially determined contribution 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 rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	5-Year smoothed market
Inflation	2.5%
Salary increases	6.0%
Investment rate of return	8.0%
Payroll growth assumption	1.75% per year
Normal retirement	Earlier of age 55 or 10 years of service or the completion of 25 years of service
Early retirement	Age 50 and 20 years of credited service
Disability retirement	It is assumed the 100% of disablements and active member deaths are service related.
Mortality	RP-2000 Combined Mortality Table projected to the valuation year using Scale AA.

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST THREE FISCAL YEARS
POLICE OFFICERS PENSION

	9/30/2016	9/30/2015 *	9/30/2014
Total pension liability			
Service cost	\$ 1,514,579	\$ 1,457,495	\$ 1,468,863
Interest	6,609,747	6,500,397	6,297,597
Difference between expected and actual experience	(723,896)	(129,550)	-
Changes in assumptions	2,243,175	(1,189,338)	-
Contributions - buy back	6,497	8,784	-
Benefit payments, including refunds of employee contributions	(4,794,165)	(5,699,583)	(4,402,589)
Net change in total pension liability	4,855,937	948,205	3,363,871
Total pension liability - beginning	89,140,238	88,192,033	84,828,162
Total pension liability - ending (a)	<u>\$ 93,996,175</u>	<u>\$ 89,140,238</u>	<u>\$ 88,192,033</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,948,527	\$ 2,876,710	\$ 3,025,362
Contributions - state	597,263	543,474	535,651
Contributions - employee	549,814	512,708	523,863
Contributions - buy back	6,497	8,784	-
Net investment income	6,589,808	(43,614)	6,199,184
Benefit payments, including refunds of employee contributions	(4,794,165)	(5,699,583)	(4,402,589)
Administrative expense	(106,160)	(78,532)	(85,877)
Net change in plan fiduciary net position	5,791,584	(1,880,053)	5,795,594
Plan fiduciary net position - beginning	66,127,077	68,007,130	62,211,536
Plan fiduciary net position - ending (b)	<u>\$ 71,918,661</u>	<u>\$ 66,127,077</u>	<u>\$ 68,007,130</u>
Net pension liability - ending (a) - (b)	<u>\$ 22,077,514</u>	<u>\$ 23,013,161</u>	<u>\$ 20,184,903</u>
Plan fiduciary net position as a percentage of the total pension liability	76.51%	74.18%	77.11%
Covered employee payroll	\$ 8,108,369	\$ 8,613,965	\$ 7,753,130
Net pension liability as a percentage of covered employee payroll	272.28%	267.16%	260.35%

*The net pension liability recognized by the City in the current year financial statements represents the net pension liability as of September 30, 2015, which is allowed by GASB Statement No. 68.

**CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CITY CONTRIBUTIONS
LAST THREE FISCAL YEARS
POLICE OFFICERS PENSION**

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially determined contribution	\$ 3,545,790	\$ 3,420,184	\$ 3,561,013
Contributions in relation to the actuarially determined contributions	<u>3,545,790</u>	<u>3,420,184</u>	<u>3,561,013</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,108,369	\$ 8,613,965	\$ 7,753,130
Contributions as a percentage of covered employee payroll	43.73%	39.71%	45.93%

Notes to Schedule

Valuation date: 10/01/2014

Actuarially determined contribution 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 rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Historical geometric 4 year average market value returns, net of fees
Inflation	2.5%
Salary increases	6.0%
Investment rate of return	7.5%
Payroll growth assumption	0.9%
Normal retirement	Earlier of age 55 and 10 years of service or the completion of 25 years of service
Early retirement	Age 45 and 10 years of service
Disability retirement	It is assumed that 75% of disablements and active member deaths are service related.
Mortality	RP-2000 Combined Healthy-Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds with a 10% margin for future mortality improvement.

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST THREE FISCAL YEARS
GENERAL EMPLOYEES PENSION

	Regular Class		
	9/30/2016	9/30/2015 *	9/30/2014
Total pension liability			
Service cost	\$ 57,835	\$ 49,546	\$ 90,848
Interest	396,941	406,207	391,267
Difference between expected and actual experience	(62,793)	(31,975)	-
Changes in assumptions	338,980	442,831	-
Contributions - Buy Back	20,712	-	-
Benefit payments, including refunds of employee contributions	(494,716)	(329,470)	(169,081)
Net change in total pension liability	256,959	537,139	313,034
Total pension liability - beginning	5,860,106	5,322,967	5,009,933
Total pension liability - ending (a)	\$ 6,117,065	\$ 5,860,106	\$ 5,322,967
Plan fiduciary net position			
Contributions - employer	\$ 43,928	\$ 52,573	\$ 70,913
Contributions - Buy Back	20,712	-	
Net investment income	583,511	(143,686)	819,869
Benefit payments, including refunds of employee contributions	(494,716)	(329,470)	(169,081)
Administrative expense	(47,733)	(40,805)	(37,463)
Net change in plan fiduciary net position	105,702	(461,388)	684,238
Plan fiduciary net position - beginning	6,753,030	7,214,418	6,530,180
Plan fiduciary net position - ending (b)	\$ 6,858,732	\$ 6,753,030	\$ 7,214,418
Net pension liability (asset) - ending (a) - (b)	\$ (741,667)	\$ (892,924)	\$ (1,891,451)
Plan fiduciary net position as a percentage of the total pension liability	112.12%	115.24%	135.53%
Covered employee payroll	\$ 284,325	\$ 496,332	\$ 416,889
Net pension liability as a percentage of covered employee payroll	(260.85)%	(179.90)%	(453.71)%

*The net pension liability recognized by the City in the current year financial statements represents the net pension liability as of September 30, 2015, which is allowed by GASB Statement No. 68.

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST THREE FISCAL YEARS
GENERAL EMPLOYEES PENSION

	Special Risk Class		
	9/30/2016	9/30/2015 *	9/30/2014
Total pension liability			
Service cost	\$ 22,024	\$ 56,954	\$ 47,919
Interest	91,869	82,160	72,693
Difference between expected and actual experience	(281,383)	32,533	-
Changes in assumptions	20,015	136,013	-
Benefit payments, including refunds of employee contributions	(18,900)	(8,382)	(8,174)
Net change in total pension liability	(166,375)	299,278	112,438
Total pension liability - beginning	1,299,845	1,000,567	888,129
Total pension liability - ending (a)	<u>\$ 1,133,470</u>	<u>\$ 1,299,845</u>	<u>\$ 1,000,567</u>
Plan fiduciary net position			
Contributions - employer	\$ 32,286	\$ 47,458	\$ 90,530
Net investment income	84,999	(19,272)	100,040
Benefit payments, including refunds of employee contributions	(18,900)	(8,382)	(8,174)
Administrative expense	(7,217)	(5,710)	(4,822)
Net change in plan fiduciary net position	91,168	14,094	177,574
Plan fiduciary net position - beginning	973,541	959,447	781,873
Plan fiduciary net position - ending (b)	<u>\$ 1,064,709</u>	<u>\$ 973,541</u>	<u>\$ 959,447</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 68,761</u>	<u>\$ 326,304</u>	<u>\$ 41,120</u>
Plan fiduciary net position as a percentage of the total pension liability	93.93%	74.90%	95.89%
Covered employee payroll	\$ 75,771	\$ 110,625	\$ 190,350
Net pension liability as a percentage of covered employee payroll	90.75%	294.96%	21.60%

*The net pension liability recognized by the City in the current year financial statements represents the net pension liability as of September 30, 2015, which is allowed by GASB Statement No. 68.

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CITY CONTRIBUTIONS
LAST THREE FISCAL YEARS
GENERAL EMPLOYEES PENSION

	Regular Class		
	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 43,928	\$ 52,573	\$ 70,913
Contributions in relation to the actuarially determined contributions	43,928	52,573	70,913
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 284,325	\$ 496,332	\$ 416,889
Contributions as a percentage of covered employee payroll	15.45%	10.59%	17.01%

	Special Risk Class		
	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 32,286	\$ 47,458	\$ 90,530
Contributions in relation to the actuarially determined contributions	32,286	47,458	90,530
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 75,771	\$ 110,625	\$ 190,350
Contributions as a percentage of covered employee payroll	42.61%	42.90%	47.56%

Notes to Schedule

Valuation date: 10/01/2014

Actuarially determined contribution 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 rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	16 years
Asset valuation method	Historical geometric 4 year average market value returns, net of fees
Inflation	3.0%
Salary increases	6.0%
Investment rate of return	7.8%
Payroll growth assumption	None
Normal retirement	Regular - Earlier of age 62 and 6 years of service or the completion of 30 years of service Special Risk – Earlier of 55 and 6 years of service or the completion of 25 years of service
Early retirement	Regular – Age 52 and 6 years of service, or the completion of 20 years Special Risk – Completion of 6 years of service
Disability retirement	It is assumed that 100% of disablements and active member deaths are service related.
Mortality	RP-2000 Combined Healthy Mortality Table projected to valuation date using Scale AA. Disabled lives set forward 5 years.

**CITY OF MELBOURNE, FLORIDA
SCHEDULES OF INVESTMENT RETURNS
LAST THREE FISCAL YEARS**

FIREFIGHTERS PENSION

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual money-weighted rate of return, net of investment expenses	10.36%	0.07%	10.85%

POLICE OFFICERS PENSION

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual money-weighted rate of return, net of investment expenses	10.02%	(0.07)%	9.99%

GENERAL EMPLOYEES PENSION

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual money-weighted rate of return, net of investment expenses	8.46%	(1.92)%	11.79%

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LAIBILITY
FLORIDA RETIREMENT SYSTEM
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.079258566%	0.079673656%	0.079984257%
City's proportionate share of the net pension liability (asset)	\$ 20,012,850	\$ 10,290,921	\$ 4,880,216
City's covered-employee payroll	27,871,449	26,680,027	25,481,617
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.80%	38.57%	19.15%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

The amounts presented for each fiscal year were determined as of 6/30.

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LAIBILITY
HEALTH INSURANCE SUBSIDY PROGRAM
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.090215231%	0.087923955%	0.088954715%
City's proportionate share of the net pension liability (asset)	\$ 10,514,211	\$ 8,966,860	\$ 8,317,483
City's covered-employee payroll	27,871,449	26,680,027	25,481,617
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.72%	33.60%	32.64%
Plan fiduciary net position as a percentage of the total pension liability	.97%	.50%	.99%

The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,169,203	\$ 1,936,874	\$ 1,589,141
Contributions in relation to the contractually required contribution	2,169,203	1,936,874	1,589,141
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 30,392,862	\$ 26,867,609	\$ 25,478,479
Contributions as a percentage of covered-employee payroll	7.14%	7.21%	6.24%

The amounts presented for each fiscal year were determined as of 9/30.

**CITY OF MELBOURNE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 497,507	\$ 363,208	\$ 308,312
Contributions in relation to the contractually required contribution	497,507	363,208	308,312
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 30,392,862	\$ 26,867,609	\$ 25,478,479
Contributions as a percentage of covered-employee payroll	1.64%	1.35%	1.21%

The amounts presented for each fiscal year were determined as of 9/30.

REQUIRED SUPPLEMENTARY INFORMATION

Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions" (OPEB) require supplementary information be reported in addition to that provided in the notes to the Financial Statements.

CITY OF MELBOURNE SCHEDULE OF FUNDING PROGRESS LAST THREE FISCAL YEARS (IN THOUSANDS OF DOLLARS)

Measurement Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2013	\$ -	\$ 30,190	\$ 30,190	0%	\$ 36,532	82.6%
10/1/2014	-	21,824	21,824	0	36,540	59.7
10/1/2015	-	22,763	22,763	0	37,393	60.9

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

The following statements and schedules are reported in this subsection:

- Nonmajor Governmental Funds
- Nonmajor Enterprise Funds
- Internal Service Funds
- Fiduciary Fund
- Discretely Presented Component Unit

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues from specific revenue sources, which by law are designed to finance particular functions, or activities of the government and which, therefore, cannot be diverted to other uses.

The City maintains the following Special Revenue Funds to finance construction improvements and provide housing and economic assistance to lower income residents:

- Community Development Block Grant
- State Housing Initiative Partnership Program
- HOME Investment Partnership Program
- Neighborhood Stabilization Program 3
- Law Enforcement – accounts for confiscated money, vehicles, and tangible personal property for use in law enforcement activities.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by the Enterprise Funds.

The City maintains the following Capital Projects Funds:

- General Construction – accounts for capital improvements mainly funded by General fund, grants, and transfers from the Redevelopment funds.
- Mobility Improvement – accounts for mobility improvements mainly funded by mobility impact fees from developers.
- Recreation Improvement – accounts for recreation facilities improvements mainly funded by recreation impact fees from developers.
- Bikeways Improvement – accounts for bikepath improvements mainly funded by bikeway impact fees from developers.
- Public Facility Improvement – accounts for public facility improvements mainly funded by public facility impact fees from developers.

PERMANENT FUNDS

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The City maintains the following Permanent Fund:

- Perpetual Care – accounts for funds held in trust to finance maintenance for the City's municipal cemeteries.

**CITY OF MELBOURNE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue Funds	Capital Projects Funds	Perpetual Care Permanent Fund	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled investments	\$ 854,312	\$ 5,248,196	\$ 172,543	\$ 6,275,051
Interest receivable	1,346	5,485	321	7,152
Due from other governments	134,104	247,871	-	381,975
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 989,762</u>	<u>\$ 5,501,552</u>	<u>\$ 172,864</u>	<u>\$ 6,664,178</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 127,935	\$ 45,777	\$ -	\$ 173,712
Due to other funds	73,471	-	-	73,471
Deposits	96,074	12,179	-	108,253
Unearned revenue	53,145	-	-	53,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>350,625</u>	<u>57,956</u>	<u>-</u>	<u>408,581</u>
Fund balances:				
Non-spendable	-	-	172,864	172,864
Restricted:				
Public safety, law enforcement	116,087	-	-	116,087
Housing and urban improvement	518,050	-	-	518,050
Economic development	-	890,441	-	890,441
Capital improvements	-	1,196,347	-	1,196,347
Transportation improvement	-	788,729	-	788,729
Recreation improvement	-	878,385	-	878,385
Assigned to capital improvements	5,000	1,689,694	-	1,694,694
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>639,137</u>	<u>5,443,596</u>	<u>172,864</u>	<u>6,255,597</u>
Total liabilities and fund balances	<u>\$ 989,762</u>	<u>\$ 5,501,552</u>	<u>\$ 172,864</u>	<u>\$ 6,664,178</u>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds	Capital Projects Funds	Perpetual Care Permanent Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 1,212,937	\$ 1,460,855	\$ -	\$ 2,673,792
Impact fees	-	276,014	-	276,014
Confiscated property	12,290	-	-	12,290
Investment earnings	6,870	29,968	1,784	38,622
Perpetual care endowment additions	-	-	2,500	2,500
Other revenue	72,609	-	-	72,609
Total revenues	1,304,706	1,766,837	4,284	3,075,827
EXPENDITURES				
Current:				
General government	-	167,209	-	167,209
Public works	-	1,037,802	-	1,037,802
Parks and recreation	-	43,600	-	43,600
Housing and urban improvement	736,184	-	-	736,184
Capital outlay	97,647	1,662,996	-	1,760,643
Total expenditures	833,831	2,911,607	-	3,745,438
Excess (deficiency) of revenues over (under) expenditures	470,875	(1,144,770)	4,284	(669,611)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	493,854	-	493,854
Transfers out	(333,394)	-	(1,784)	(335,178)
Total other financing sources (uses)	(333,394)	493,854	(1,784)	158,676
Net change in fund balances	137,481	(650,916)	2,500	(510,935)
Fund balances, October 1	501,656	6,094,512	170,364	6,766,532
Fund balances, September 30	\$ 639,137	\$ 5,443,596	\$ 172,864	\$ 6,255,597

**CITY OF MELBOURNE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016**

	Community Development Block Grant	State Housing Initiative Partnership Program	HOME Investment Partnership Program	Neighborhood Stabilization Program 3	Law Enforcement	Total
ASSETS						
Equity in pooled investments	\$ 4,825	\$ 567,054	\$ 57,479	\$ 109,093	\$ 115,861	\$ 854,312
Interest receivable	-	1,120	-	-	226	1,346
Due from other governments	93,853	-	40,251	-	-	134,104
	<u>93,853</u>	<u>-</u>	<u>40,251</u>	<u>-</u>	<u>-</u>	<u>134,104</u>
Total assets	<u>\$ 98,678</u>	<u>\$ 568,174</u>	<u>\$ 97,730</u>	<u>\$ 109,093</u>	<u>\$ 116,087</u>	<u>\$ 989,762</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 20,207	\$ 25,124	\$ 59,266	\$ 23,338	\$ -	\$ 127,935
Due to other funds	73,471	-	-	-	-	73,471
Deposits	-	25,000	28,145	-	-	53,145
Unearned revenues	-	-	10,319	85,755	-	96,074
	<u>-</u>	<u>-</u>	<u>10,319</u>	<u>85,755</u>	<u>-</u>	<u>96,074</u>
Total liabilities	<u>93,678</u>	<u>50,124</u>	<u>97,730</u>	<u>109,093</u>	<u>-</u>	<u>350,625</u>
Fund balances:						
Assigned to capital improvements	5,000	-	-	-	-	5,000
Restricted	-	518,050	-	-	116,087	634,137
	<u>-</u>	<u>518,050</u>	<u>-</u>	<u>-</u>	<u>116,087</u>	<u>634,137</u>
Total fund balances	<u>5,000</u>	<u>518,050</u>	<u>-</u>	<u>-</u>	<u>116,087</u>	<u>639,137</u>
Total liabilities and fund balances	<u>\$ 98,678</u>	<u>\$ 568,174</u>	<u>\$ 97,730</u>	<u>\$ 109,093</u>	<u>\$ 116,087</u>	<u>\$ 989,762</u>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Community Development Block Grant	State Housing Initiative Partnership Program	HOME Investment Partnership Program	Neighborhood Stabilization Program 3	Law Enforcement	Total
REVENUES						
Intergovernmental	\$ 513,538	\$ 382,457	\$ 125,254	\$ 191,688	\$ -	\$ 1,212,937
Confiscated property	-	-	-	-	12,290	12,290
Investment earnings	-	5,641	-	-	1,229	6,870
Other revenue	-	64,876	1,500	-	6,233	72,609
	<u>513,538</u>	<u>452,974</u>	<u>126,754</u>	<u>191,688</u>	<u>19,752</u>	<u>1,304,706</u>
Total revenues						
EXPENDITURES						
Current:						
Housing and urban improvement	176,001	264,604	115,502	180,077	-	736,184
Capital outlay	97,647	-	-	-	-	97,647
	<u>273,648</u>	<u>264,604</u>	<u>115,502</u>	<u>180,077</u>	<u>-</u>	<u>833,831</u>
Total expenditures						
Excess of revenues over expenditures	239,890	188,370	11,252	11,611	19,752	470,875
OTHER FINANCING USES						
Transfers out	(242,072)	(50,932)	(11,252)	(11,611)	(17,527)	(333,394)
Net change in fund balances	(2,182)	137,438	-	-	2,225	137,481
Fund balances, October 1	7,182	380,612	-	-	113,862	501,656
Fund balances, September 30	<u>\$ 5,000</u>	<u>\$ 518,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,087</u>	<u>\$ 639,137</u>

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Positive/ (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,006,599	\$ 513,538	\$ (493,061)
EXPENDITURES			
Current:			
Housing and urban improvement	239,668	176,025	63,643
Capital outlay	<u>275,894</u>	<u>272,391</u>	<u>3,503</u>
Total expenditures	<u>515,562</u>	<u>448,416</u>	<u>67,146</u>
Excess of revenues over expenditures	491,037	65,122	(425,915)
OTHER FINANCING USES			
Transfers out	<u>(498,219)</u>	<u>(242,072)</u>	<u>256,147</u>
Net change in fund balance	(7,182)	(176,950)	(169,768)
Fund balance, October 1	<u>7,182</u>	<u>7,182</u>	<u>-</u>
Fund deficit, September 30	<u>\$ -</u>	<u>\$ (169,768)</u>	<u>\$ (169,768)</u>

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
STATE HOUSING INITIATIVE PARTNERSHIP PROGRAM
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget	Actual on Budgetary Basis	Variance Positive/ (Negative)
REVENUES			
Intergovernmental	\$ 382,457	\$ 382,457	\$ -
Investment earnings	-	5,641	5,641
Other revenue	-	64,876	64,876
	<u>382,457</u>	<u>452,974</u>	<u>70,517</u>
Total revenues	382,457	452,974	70,517
EXPENDITURES			
Current:			
Housing and urban improvement	712,136	305,559	406,577
	<u>712,136</u>	<u>305,559</u>	<u>406,577</u>
Excess (deficiency) of revenues over (under) expenditures	(329,679)	147,415	477,094
OTHER FINANCING USES			
Transfers out	(50,933)	(50,932)	1
	<u>(50,933)</u>	<u>(50,932)</u>	<u>1</u>
Net change in fund balance	(380,612)	96,483	477,095
Fund balance, October 1	380,612	380,612	-
	<u>380,612</u>	<u>380,612</u>	<u>-</u>
Fund balance, September 30	\$ -	\$ 477,095	\$ 477,095
	<u><u>\$ -</u></u>	<u><u>\$ 477,095</u></u>	<u><u>\$ 477,095</u></u>

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
HOME INVESTMENT PARTNERSHIP PROGRAM
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget	Actual on Budgetary Basis	Variance Positive/ (Negative)
REVENUES			
Intergovernmental	\$ 466,790	\$ 125,254	\$ (341,536)
Other revenue	-	1,500	1,500
	<u>466,790</u>	<u>126,754</u>	<u>(340,036)</u>
EXPENDITURES			
Current:			
Housing and urban improvement	455,538	120,460	335,078
	<u>455,538</u>	<u>120,460</u>	<u>335,078</u>
Excess of revenues over expenditures	11,252	6,294	(4,958)
OTHER FINANCING USES			
Transfers out	(11,252)	(11,252)	-
	<u>(11,252)</u>	<u>(11,252)</u>	<u>-</u>
Net change in fund balance	-	(4,958)	(4,958)
Fund balance, October 1	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Fund deficit, September 30	\$ -	\$ (4,958)	\$ (4,958)
	<u>\$ -</u>	<u>\$ (4,958)</u>	<u>\$ (4,958)</u>

CITY OF MELBOURNE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
NEIGHBORHOOD STABILIZATION PROGRAM 3
SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Positive/ (Negative)</u>
REVENUES			
Intergovernmental	\$ 67,377	\$ 191,688	\$ 124,311
EXPENDITURES			
Current:			
Housing and community development	55,766	180,077	(124,311)
Excess of revenues over expenditures	11,611	11,611	-
OTHER FINANCING USES			
Transfers out	(11,611)	(11,611)	-
Net change in fund balance	-	-	-
Fund balance, October 1	-	-	-
Fund balance, September 30	\$ -	\$ -	\$ -

CITY OF MELBOURNE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2016

	<u>General Construction</u>	<u>Mobility Improvement</u>	<u>Recreation Improvement</u>	<u>Bikeways Improvement</u>	<u>Public Facility Improvement</u>	<u>Total</u>
ASSETS						
Equity in pooled investments	\$ 2,417,826	\$ 452,565	\$ 921,936	\$ 261,731	\$ 1,194,138	\$ 5,248,196
Interest receivable	142	1,065	1,764	305	2,209	5,485
Due from other governments	<u>247,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,871</u>
Total assets	<u>\$ 2,665,839</u>	<u>\$ 453,630</u>	<u>\$ 923,700</u>	<u>\$ 262,036</u>	<u>\$ 1,196,347</u>	<u>\$ 5,501,552</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 39,528	\$ 328	\$ 5,321	\$ 600	\$ -	\$ 45,777
Deposits	<u>12,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,179</u>
Total liabilities	<u>51,707</u>	<u>328</u>	<u>5,321</u>	<u>600</u>	<u>-</u>	<u>57,956</u>
Fund balances:						
Restricted:						
Economic development	890,441	-	-	-	-	890,441
Capital improvements	-	-	-	-	1,196,347	1,196,347
Transportation improvement	73,991	453,302	-	261,436	-	788,729
Recreation improvement	-	-	878,385	-	-	878,385
Assigned to capital improvements	<u>1,649,700</u>	<u>-</u>	<u>39,994</u>	<u>-</u>	<u>-</u>	<u>1,689,694</u>
Total fund balances	<u>2,614,132</u>	<u>453,302</u>	<u>918,379</u>	<u>261,436</u>	<u>1,196,347</u>	<u>5,443,596</u>
Total liabilities and fund balances	<u>\$ 2,665,839</u>	<u>\$ 453,630</u>	<u>\$ 923,700</u>	<u>\$ 262,036</u>	<u>\$ 1,196,347</u>	<u>\$ 5,501,552</u>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General Construction</u>	<u>Mobility Improvement</u>	<u>Recreation Improvement</u>	<u>Bikeways Improvement</u>	<u>Public Facility Improvement</u>	<u>Total</u>
REVENUES						
Intergovernmental	\$ 1,071,731	\$ 389,124	\$ -	\$ -	\$ -	\$ 1,460,855
Impact fees	-	62,647	114,740	642	97,985	276,014
Investment earnings	788	5,662	9,664	2,006	11,848	29,968
	<u>1,072,519</u>	<u>457,433</u>	<u>124,404</u>	<u>2,648</u>	<u>109,833</u>	<u>1,766,837</u>
EXPENDITURES						
Current:						
General government	167,209	-	-	-	-	167,209
Public works	1,017,262	-	-	20,540	-	1,037,802
Parks and recreation	43,600	-	-	-	-	43,600
Capital outlay:						
General government	111,266	-	-	-	-	111,266
Public safety - fire and police	90,159	-	-	-	4,770	94,929
Public works	411,287	611,913	-	20,877	-	1,044,077
Parks and recreation	112,211	-	300,513	-	-	412,724
	<u>1,952,994</u>	<u>611,913</u>	<u>300,513</u>	<u>41,417</u>	<u>4,770</u>	<u>2,911,607</u>
Excess (deficiency) of revenues over (under) expenditures	(880,475)	(154,480)	(176,109)	(38,769)	105,063	(1,144,770)
OTHER FINANCING SOURCES						
Transfers in	216,365	100,000	176,177	1,312	-	493,854
Net change in fund balances	(664,110)	(54,480)	68	(37,457)	105,063	(650,916)
Fund balances, October 1	3,278,242	507,782	918,311	298,893	1,091,284	6,094,512
Fund balances, September 30	<u>\$ 2,614,132</u>	<u>\$ 453,302</u>	<u>\$ 918,379</u>	<u>\$ 261,436</u>	<u>\$ 1,196,347</u>	<u>\$ 5,443,596</u>



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services, which are entirely or predominantly self-supported, by user 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:

- Golf Courses – accounts for the operation of two municipal golf courses.
- Stormwater Utility – accounts for the operation of stormwater services in the City.

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2016

	Golf Courses	Stormwater Utility	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,200	\$ -	\$ 2,200
Equity in pooled investments	84,570	7,123,491	7,208,061
Interest receivable	-	13,347	13,347
Due from other governments	-	88,023	88,023
Inventory	63,522	-	63,522
Prepaid items	5,750	-	5,750
	<u>156,042</u>	<u>7,224,861</u>	<u>7,380,903</u>
Total current assets			
Noncurrent assets:			
Net pension asset	<u>12,442</u>	<u>-</u>	<u>12,442</u>
Capital assets:			
Nondepreciable:			
Land	649,500	965,307	1,614,807
Construction in progress	-	1,356,711	1,356,711
Depreciable:			
Buildings	827,664	-	827,664
Improvements other than buildings	3,439,217	12,265,685	15,704,902
Machinery and equipment	1,812,899	2,005,778	3,818,677
Intangibles, computer software	31,932	8,163	40,095
Less accumulated depreciation/amortization	<u>(5,040,552)</u>	<u>(3,348,326)</u>	<u>(8,388,878)</u>
Total capital assets, net of accumulated depreciation/amortization	<u>1,720,660</u>	<u>13,253,318</u>	<u>14,973,978</u>
Total noncurrent assets	<u>1,733,102</u>	<u>13,253,318</u>	<u>14,986,420</u>
Total assets	<u>1,889,144</u>	<u>20,478,179</u>	<u>22,367,323</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows, pensions	<u>386,870</u>	<u>45,459</u>	<u>432,329</u>

	Golf Courses	Stormwater Utility	Total
LIABILITIES			
Current liabilities:			
Accounts payable	112,138	331,879	444,017
Accrued payroll expenses	14,572	3,574	18,146
Due to other governments	42,655	-	42,655
Compensated absences	24,580	585	25,165
Unearned revenue	40,879	-	40,879
Capital leases payable	158,120	-	158,120
Total current liabilities	392,944	336,038	728,982
Noncurrent liabilities:			
Advance from other funds	280,000	-	280,000
Compensated absences	19,645	169	19,814
Capital leases payable	392,944	-	392,944
Other post employment benefits	345,187	25,213	370,400
Net pension liability	772,049	91,910	863,959
Total noncurrent liabilities	1,809,825	117,292	1,927,117
Total liabilities	2,202,769	453,330	2,656,099
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows, pensions	107,744	12,124	119,868
NET POSITION			
Net investment in capital assets	1,169,596	12,935,094	14,104,690
Unrestricted	(1,204,095)	7,123,090	5,918,995
Total net position	\$ (34,499)	\$ 20,058,184	\$ 20,023,685

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Golf Courses	Stormwater Utility	Total
OPERATING REVENUES			
Golf course fees	\$ 1,984,636	\$ -	\$ 1,984,636
Stormwater fees	-	2,772,154	2,772,154
Other revenues	35,061	1,662	36,723
Total operating revenues	<u>2,019,697</u>	<u>2,773,816</u>	<u>4,793,513</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	1,195,811	131,835	1,327,646
Contractual services, materials and supplies	1,235,183	667,757	1,902,940
Depreciation and amortization	202,762	521,791	724,553
Total operating expenses	<u>2,633,756</u>	<u>1,321,383</u>	<u>3,955,139</u>
Operating income (loss)	<u>(614,059)</u>	<u>1,452,433</u>	<u>838,374</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	77,359	77,359
Interest expense	(3,357)	-	(3,357)
Gain on sale/disposal of capital assets	10,300	-	10,300
Total nonoperating revenues	<u>6,943</u>	<u>77,359</u>	<u>84,302</u>
Income (loss) before contributions and transfers	(607,116)	1,529,792	922,676
Capital contributions	-	87,305	87,305
Transfers in	<u>300,000</u>	<u>112,510</u>	<u>412,510</u>
Change in net position	(307,116)	1,729,607	1,422,491
Total net position, October 1	<u>272,617</u>	<u>18,328,577</u>	<u>18,601,194</u>
Total net position, September 30	<u><u>\$ (34,499)</u></u>	<u><u>\$ 20,058,184</u></u>	<u><u>\$ 20,023,685</u></u>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1 of 2

	Golf Courses	Stormwater Utility	Total
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,984,618	\$ 2,771,709	\$ 4,756,327
Cash payments to suppliers for goods and services	(1,202,470)	(1,417,381)	(2,619,851)
Cash payments for employee services	(1,183,122)	(127,429)	(1,310,551)
Other operating revenues	34,520	1,662	36,182
Net cash provided (used) by operating activities	(366,454)	1,228,561	862,107
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from other funds	280,000	-	280,000
Transfers in	300,000	-	300,000
Net cash provided by noncapital financing activities	580,000	-	580,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(229,464)	(1,678,329)	(1,907,793)
Principal paid on lease obligations	(179,766)	-	(179,766)
Proceeds from leases	229,464	-	229,464
Interest paid on lease obligations	(3,357)	-	(3,357)
Proceeds from sale of capital assets	53,908	-	53,908
Transfers in	-	112,510	112,510
Capital grants and contributions	-	236,346	236,346
Net cash used by capital and related financing activities	(129,215)	(1,329,473)	(1,458,688)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	40	72,073	72,113
Net cash provided by investing activities	40	72,073	72,113
Net increase (decrease) in cash and cash equivalents	84,371	(28,839)	55,532
Cash and cash equivalents at October 1	2,399	7,152,330	7,154,729
Cash and cash equivalents at September 30	\$ 86,770	\$ 7,123,491	\$ 7,210,261

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Continued)

	Golf Courses	Stormwater Utility	Total
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (614,059)	\$ 1,452,433	\$ 838,374
Adjustments not affecting cash:			
Depreciation and amortization	202,762	521,791	724,553
Deferred outflows-pensions	(214,476)	(25,218)	(239,694)
Deferred inflows-pensions	(54,829)	(6,572)	(61,401)
Changes in assets and liabilities:			
Due from other governments	-	(445)	(445)
Inventory	(963)	-	(963)
Prepaid items	9,007	-	9,007
Net pension asset	12,981	-	12,981
Accounts payable	24,669	(749,624)	(724,955)
Accrued payroll expenses	(22,187)	(2,252)	(24,439)
Due to other governments	(240)	-	(240)
Unearned revenue	(319)	-	(319)
Other post employment benefits	(5,182)	2,386	(2,796)
Net pension liability	296,382	36,062	332,444
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ (366,454)</u>	<u>\$ 1,228,561</u>	<u>\$ 862,107</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Lease financed capital acquisitions	<u>\$ 312,981</u>	<u>\$ -</u>	<u>\$ 312,981</u>
NON-CASH INVESTING ACTIVITIES			
Decrease in fair value of investments	<u>\$ -</u>	<u>\$ (1,051)</u>	<u>\$ (1,051)</u>
Cash and cash equivalents reconciliation:			
Current assets:			
Cash and cash equivalents	\$ 2,200	\$ -	\$ 2,200
Equity in pooled investments	<u>84,570</u>	<u>7,123,491</u>	<u>7,208,061</u>
Cash and cash equivalents at September 30	<u>\$ 86,770</u>	<u>\$ 7,123,491</u>	<u>\$ 7,210,261</u>

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services to the various departments within the City. The charges are based on the cost of the services supplied.

The City maintains the following Internal Service Funds:

- Workers Compensation – accounts for workers compensation services provided to other funds and the component units of the City on a cost reimbursement basis.
- Insurance - accounts for insurance services provided to other funds and the component units of the City on a cost reimbursement basis.

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016

	Workers Compensation	Insurance	Total
ASSETS			
Current assets:			
Equity in pooled investments	\$ 1,735,095	\$ 2,603,411	\$ 4,338,506
Accounts receivable	-	88,869	88,869
Interest receivable	2,654	4,805	7,459
Prepaid items	649,900	1,550	651,450
Total current assets	2,387,649	2,698,635	5,086,284
Noncurrent asset:			
Net pension asset	-	28,887	28,887
Capital assets:			
Machinery and equipment	-	23,374	23,374
Less accumulated depreciation	-	(23,374)	(23,374)
Total capital assets, net of accumulated depreciation	-	-	-
Total noncurrent assets	-	28,887	28,887
Total assets	2,387,649	2,727,522	5,115,171
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows, pensions	-	89,233	89,233
LIABILITIES			
Current liabilities:			
Accounts payable	13,462	4,368	17,830
Accrued payroll expenses	-	4,006	4,006
Accrued claims	688,485	527,526	1,216,011
Compensated absences	-	4,745	4,745
Total current liabilities	701,947	540,645	1,242,592
Noncurrent liabilities:			
Accrued claims	1,675,726	322,140	1,997,866
Compensated absences	-	3,370	3,370
Other post employment benefits	-	41,543	41,543
Net pension liability	-	160,295	160,295
Total noncurrent liabilities	1,675,726	527,348	2,203,074
Total liabilities	2,377,673	1,067,993	3,445,666
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows, pensions	-	37,353	37,353
NET POSITION			
Unrestricted	9,976	1,711,409	1,721,385
Total net position	\$ 9,976	\$ 1,711,409	\$ 1,721,385

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Workers Compensation	Insurance	Total
OPERATING REVENUES			
Charges to other funds	\$ 2,919,489	\$ 1,505,365	\$ 4,424,854
Charges to component unit	110,104	484,838	594,942
Other revenues	-	251	251
	<hr/>	<hr/>	<hr/>
Total operating revenue	3,029,593	1,990,454	5,020,047
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Salaries, wages and employee benefits	-	230,500	230,500
Contractual services, materials and supplies	794,746	1,775,231	2,569,977
Claims	2,240,268	363,757	2,604,025
	<hr/>	<hr/>	<hr/>
Total operating expense	3,035,014	2,369,488	5,404,502
	<hr/>	<hr/>	<hr/>
Operating loss	(5,421)	(379,034)	(384,455)
	<hr/>	<hr/>	<hr/>
NONOPERATING REVENUE			
Investment earnings	7,663	24,967	32,630
	<hr/>	<hr/>	<hr/>
Change in net position	2,242	(354,067)	(351,825)
	<hr/>	<hr/>	<hr/>
Total net position, October 1,	7,734	2,065,476	2,073,210
	<hr/>	<hr/>	<hr/>
Total net position, September 30	\$ 9,976	\$ 1,711,409	\$ 1,721,385
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Workers Compensation	Insurance	Total
INCREASE IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 2,919,489	\$ 1,505,365	\$ 4,424,854
Cash received from component unit	110,104	484,838	594,942
Cash payments to suppliers for goods and services	(2,114,445)	(1,497,175)	(3,611,620)
Cash payments for employee services	-	(218,353)	(218,353)
Other operating revenues	-	251	251
Net cash provided by operating activities	<u>915,148</u>	<u>274,926</u>	<u>1,190,074</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>6,040</u>	<u>22,935</u>	<u>28,975</u>
Net cash provided by investing activities	<u>6,040</u>	<u>22,935</u>	<u>28,975</u>
Net increase in cash and cash equivalents	921,188	297,861	1,219,049
Cash and cash equivalents at October 1	<u>813,907</u>	<u>2,305,550</u>	<u>3,119,457</u>
Cash and cash equivalents at September 30	<u><u>\$ 1,735,095</u></u>	<u><u>\$ 2,603,411</u></u>	<u><u>\$ 4,338,506</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (5,421)	\$ (379,034)	\$ (384,455)
Adjustments not affecting cash:			
Deferred outflows - pensions	-	(46,658)	(46,658)
Deferred inflows - pensions	-	(9,704)	(9,704)
Changes in assets and liabilities:			
Accounts receivable	-	19,942	19,942
Prepaid items	263,037	429,750	692,787
Net pension asset	-	30,056	30,056
Net pension liability	-	42,823	42,823
Accounts payable	(2,504)	3,182	678
Accrued payroll expenses	-	(6,388)	(6,388)
Accrued claims	660,036	189,476	849,512
Deposits	-	(537)	(537)
Other post employment benefits	-	2,018	2,018
Net cash provided by operating activities	<u><u>\$ 915,148</u></u>	<u><u>\$ 274,926</u></u>	<u><u>\$ 1,190,074</u></u>
NON-CASH INVESTING ACTIVITIES			
Decrease in fair value of investments	<u><u>\$ (1,447)</u></u>	<u><u>\$ (374)</u></u>	<u><u>\$ (1,821)</u></u>
Cash and cash equivalents reconciliation at September 30			
Current assets:			
Equity in pooled investments	<u><u>\$ 1,735,095</u></u>	<u><u>\$ 2,603,411</u></u>	<u><u>\$ 4,338,506</u></u>

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a fiduciary capacity for individuals, governmental entities and others. Such funds are operated by carrying out specific terms of trust indentures, statutes, ordinances or other governing regulations.

AGENCY FUND

The City maintains the following Agency Fund:

- Performance Deposits

CITY OF MELBOURNE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PERFORMANCE DEPOSITS AGENCY FUND
SEPTEMBER 30, 2016

ASSETS

Equity in pooled investments	<u>\$ 785,370</u>
Total assets	<u><u>\$ 785,370</u></u>

LIABILITIES

Refundable deposits	<u>\$ 785,370</u>
Total liabilities	<u><u>\$ 785,370</u></u>

CITY OF MELBOURNE, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PERFORMANCE DEPOSITS AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Equity in pooled investments	\$ 769,151	\$ 176,028	\$ 159,809	\$ 785,370
Total assets	<u>\$ 769,151</u>	<u>\$ 176,028</u>	<u>\$ 159,809</u>	<u>\$ 785,370</u>
LIABILITIES				
Accounts payable	\$ -	\$ 156,937	\$ 156,937	\$ -
Refundable deposits	<u>769,151</u>	<u>174,928</u>	<u>158,709</u>	<u>785,370</u>
Total liabilities	<u>\$ 769,151</u>	<u>\$ 331,865</u>	<u>\$ 315,646</u>	<u>\$ 785,370</u>



DISCRETELY PRESENTED COMPONENT UNIT

The Melbourne International Airport, an Enterprise fund, is a discretely presented component unit of the City. The Airport fund accounts for the operation and maintenance of air passenger and cargo service to residents, which are entirely or predominantly self-supported, by user charges. The operation of the Airport fund is accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

CITY OF MELBOURNE, FLORIDA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
INTERNATIONAL AIRPORT
SEPTEMBER 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 9,057,173
Cash and cash equivalents, restricted	8,846
Investments, at fair value	11,819,729
Receivables, trade	398,820
Other receivables	999,430
Interest receivable	31,929
Due from primary government	9,015
Due from other governments	3,875,423
Due from other governments, restricted	5,738,499
Inventory	29,609
Prepaid items	48,455

Total current assets	32,016,928
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Noncurrent assets:

Restricted assets:

Cash and cash equivalents	274,600
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Noncurrent lease receivables	911,442
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Net pension asset	65,445
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Capital assets:

Nondepreciable:

Land	6,899,179
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Construction in progress	59,545,998
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Depreciable:

Buildings	66,534,190
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Improvements other than buildings	72,419,526
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Machinery and equipment	10,363,504
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Intangibles, computer software	241,825
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Less accumulated depreciation/amortization	(82,399,208)
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Total capital assets, net of accumulated depreciation/amortization	133,605,014
--	-------------

Total noncurrent assets	134,856,501
-------------------------	-------------

Total assets	166,873,429
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows, pensions	1,658,646
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LIABILITIES

Current liabilities:

Accounts payable	690,122
Accrued payroll expenses	79,275
Due to other governments	461,833
Unearned revenue	5,260,359
Compensated absences	138,748

Current liabilities payable from restricted assets:

Accounts payable	<u>5,747,345</u>
------------------	------------------

Total current liabilities	<u>12,377,682</u>
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Noncurrent liabilities:

Liabilities payable from restricted assets, customer deposits	274,600
Compensated absences	184,449
Other post employment benefits	880,926
Net pension liability	<u>3,161,325</u>

Total noncurrent liabilities	<u>4,501,300</u>
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Total liabilities	<u>16,878,982</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows, pensions	<u>439,253</u>
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NET POSITION

Net investment in capital assets	127,718,662
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Restricted for:

Capital improvements	5,747,345
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Unrestricted	<u>17,747,833</u>
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Total net position	<u><u>\$ 151,213,840</u></u>
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**CITY OF MELBOURNE, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
INTERNATIONAL AIRPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

OPERATING REVENUES

Airfield and hangar fees	\$ 6,252,528
Terminal and area building fees	4,119,851
Commercial business center fees	3,962,449
Tropical Haven fees	1,669,000
International/U.S. Customs/Foreign Trade Zone fees	24,502
Other	178,920
Total operating revenues	<u>16,207,250</u>

OPERATING EXPENSES

Salaries, wages and employee benefits	4,596,476
Contractual services, materials and supplies	12,427,869
Depreciation and amortization	4,611,226
Total operating expenses	<u>21,635,571</u>

Operating loss	<u>(5,428,321)</u>
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NONOPERATING REVENUES

Federal and State grants	248,705
Passenger Facility Charges	913,407
Investment earnings	255,749
Gain on sale/disposal of capital assets	<u>5,843</u>

Total nonoperating revenues	<u>1,423,704</u>
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Loss before contributions	(4,004,617)
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Capital contributions	<u>43,963,664</u>
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Change in net position	39,959,047
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Total net position, October 1,	<u>111,254,793</u>
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Total net position, September 30	<u><u>\$ 151,213,840</u></u>
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**CITY OF MELBOURNE, FLORIDA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
INTERNATIONAL AIRPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

1 of 2

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 17,550,442
Cash payments to suppliers for goods and services	(11,990,380)
Cash payments for employee services	(4,458,540)
Deposits received	470,000
Deposits returned and applied	(300,000)
Other operating revenues	<u>178,920</u>
Net cash provided by operating activities	<u>1,450,442</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Operating grants and donations	244,241
Passenger facility charges	<u>910,463</u>
Net cash provided by noncapital financing activities	<u>1,154,704</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(47,260,925)
Proceeds from sale of capital assets	14,599
Capital grants	<u>36,461,931</u>
Net cash used by capital and related financing activities	<u>(10,784,395)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment securities	(17,001,498)
Proceeds from sale and maturities of investment securities	26,186,546
Interest on investments	<u>343,220</u>
Net cash provided by investing activities	<u>9,528,268</u>

Net increase in cash and cash equivalents	1,349,019
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Cash and cash equivalents at October 1	<u>7,991,600</u>
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Cash and cash equivalents at September 30	<u><u>\$ 9,340,619</u></u>
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CITY OF MELBOURNE, FLORIDA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
INTERNATIONAL AIRPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Continued)

**RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (5,428,321)
Adjustments not affecting cash:	
Depreciation and amortization	4,611,226
Deferred outflows - pensions	(965,588)
Deferred inflows - pensions	(203,896)
Changes in assets and liabilities:	
Receivables, trade	(232,308)
Other receivables	(9,446)
Due from other governments	(6)
Inventory	(4,765)
Prepaid items	(46,669)
Noncurrent lease receivables	(70,617)
Net pension asset	74,091
Net pension liability	1,338,861
Accounts payable	627,478
Accrued payroll expenses	(143,703)
Due to (from) primary government	(162,391)
Due to other governments	5,559
Customer deposits	170,000
Unearned revenue	1,852,766
Other post employment benefits	38,171
	<hr/>
Net cash provided by operating activities	<u><u>\$ 1,450,442</u></u>

NON-CASH INVESTING ACTIVITIES

Decrease in fair value of investments	<u><u>\$ (14,569)</u></u>
Cash and cash equivalents reconciliation:	
Current assets:	
Cash and cash equivalents	\$ 9,057,173
Cash and cash equivalents, restricted	8,846
Noncurrent assets:	
Cash and cash equivalents, restricted	<hr/> 274,600
Cash and cash equivalents at September 30	<u><u>\$ 9,340,619</u></u>

STATISTICAL SECTION

The Statistical Schedules present detailed information as a context for understanding this year's financial statements, note disclosures, and required supplementary information.

This section contains the following subsections:

- Financial Trends
- Revenue Capacity
- Debt Capacity
- Demographic and Economic Information
- Operating Information

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Schedule

- 1 Net Position by Component, Last Ten Fiscal Years
- 2 Changes in Net Position, Last Ten Fiscal Years
- 3 Fund Balances, Governmental Funds, Last Ten Fiscal Years
- 4 Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

REVENUE CAPACITY

These schedules contain information to help the reader assess the City's two significant local revenue sources, the property tax, and water and sewer charges.

Schedule

- 5 Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years
- 6 Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years
- 7 Principal Property Taxpayers, Current Year and Nine Years Ago
- 8 Property Tax Levies and Collections, Last Ten Fiscal Years
- 9 Water and Sewer Consumption, Rates, and Revenue, Last Ten Fiscal Years
- 10 Principal Water and Sewer Customers, Current Year and Nine Years Ago

DEBT CAPACITY

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

Schedule

- 11 Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
- 12 Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years
- 13 Legal Debt Margin Information, Last Ten Fiscal Years
- 14 Direct and Overlapping Governmental Activities Debt, as of September 30, 2016
- 15 Pledged Revenue Coverage, Last Ten Fiscal Years

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Schedule

- 16 Demographic and Economic Statistics, Last Ten Fiscal Years
- 17 Principal Employers, Current Year and Nine Years Ago

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Schedule

- 18 Full-Time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years
- 19 Operating Indicators by Function/Program, Last Ten Fiscal Years
- 20 Capital Asset Statistics by Function/Program, Last Ten Fiscal Years

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF MELBOURNE, FLORIDA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 67,323,807	\$ 70,069,032	\$ 71,429,676	\$ 72,038,559
Restricted	10,840,818	23,458,471	27,783,161	27,879,876
Unrestricted	26,681,395	21,577,336	16,229,875	16,362,185
Total governmental activities net position	<u>\$ 104,846,020</u>	<u>\$ 115,104,839</u>	<u>\$ 115,442,712</u>	<u>\$ 116,280,620</u>
Business-type activities				
Net investment in capital assets	\$ 54,560,098	\$ 55,833,195	\$ 58,553,489	\$ 58,045,690
Restricted	17,686,247	19,046,129	21,577,139	21,511,729
Unrestricted	18,147,078	17,488,598	10,169,559	10,762,763
Total business-type activities net position	<u>\$ 90,393,423</u>	<u>\$ 92,367,922</u>	<u>\$ 90,300,187</u>	<u>\$ 90,320,182</u>
Primary government				
Net investment in capital assets	\$ 121,883,905	\$ 125,902,227	\$ 129,983,165	\$ 130,084,249
Restricted	28,527,065	42,504,600	49,360,300	49,391,605
Unrestricted	44,828,473	39,065,934	26,399,434	27,124,948
Total primary government net position	<u>\$ 195,239,443</u>	<u>\$ 207,472,761</u>	<u>\$ 205,742,899</u>	<u>\$ 206,600,802</u>

2013 restated for cumulative effect of implementation of GASB Statement No. 65

2015 and 2016 unrestricted reflects the adjustments to net position for disclosing full pension liability due to the implementation of GASB Statement No. 68.

Notes: Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted only when an external party, such as the state or federal government, places a restriction on how the resources may be used, or through enabling legislation enacted by the City.

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 77,645,248	\$ 81,082,994	\$ 78,404,558	\$ 82,144,646	\$ 82,067,802	\$ 82,079,774
22,714,682	22,841,308	22,841,609	22,826,912	22,960,162	24,564,405
18,489,936	14,490,489	12,231,951	8,669,905	(34,403,547)	(32,099,072)
<u>\$ 118,849,866</u>	<u>\$ 118,414,791</u>	<u>\$ 113,478,118</u>	<u>\$ 113,641,463</u>	<u>\$ 70,624,417</u>	<u>\$ 74,545,107</u>
\$ 58,609,763	\$ 58,925,901	\$ 65,889,305	\$ 63,190,585	\$ 64,009,483	\$ 69,542,203
18,985,861	18,156,113	14,849,906	14,489,407	12,253,588	10,677,396
15,655,994	19,864,115	19,547,409	29,614,094	35,818,205	41,553,220
<u>\$ 93,251,618</u>	<u>\$ 96,946,129</u>	<u>\$ 100,286,620</u>	<u>\$ 107,294,086</u>	<u>\$ 112,081,276</u>	<u>\$ 121,772,819</u>
\$ 136,255,011	\$ 140,008,895	\$ 144,293,863	\$ 145,335,231	\$ 146,077,285	\$ 151,621,977
41,700,543	40,997,421	37,691,515	37,316,319	35,213,750	35,241,801
34,145,930	34,354,604	31,779,360	38,283,999	1,414,658	9,454,148
<u>\$ 212,101,484</u>	<u>\$ 215,360,920</u>	<u>\$ 213,764,738</u>	<u>\$ 220,935,549</u>	<u>\$ 182,705,693</u>	<u>\$ 196,317,926</u>

CITY OF MELBOURNE, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses				
Governmental activities:				
General government	\$ 12,309,070	\$ 12,337,005	\$ 13,660,469	\$ 13,597,891
Public safety - fire and police	36,556,368	38,140,246	39,053,513	39,010,931
Public works	7,087,272	8,278,938	7,235,457	7,323,261
Parks and recreation	6,722,785	6,676,949	6,250,733	6,104,076
Housing and urban improvement	3,650,743 ⁽¹⁾	2,400,139	2,841,243	3,164,117
Interest on long-term debt	639,344	693,742	669,954	619,428
Unallocated depreciation	2,177,228	2,350,035	2,404,570	2,475,341
Total governmental activities expenses	<u>69,142,810</u>	<u>70,877,054</u>	<u>72,115,939</u>	<u>72,295,045</u>
Business-type activities:				
Water and sewer	41,530,508	43,472,925	47,768,307	44,401,203
Golf courses	2,749,349	2,824,678	2,830,653	2,579,574
Stormwater utility	396,859	474,630	559,565	627,482
Total business-type activities expenses	<u>44,676,716</u>	<u>46,772,233</u>	<u>51,158,525</u>	<u>47,608,259</u>
Total primary government expenses	<u><u>\$ 113,819,526</u></u>	<u><u>\$ 117,649,287</u></u>	<u><u>\$ 123,274,464</u></u>	<u><u>\$ 119,903,304</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 10,414,334	\$ 9,434,123	\$ 9,111,954	\$ 10,291,593
Public safety - fire and police	2,104,591	2,545,161	2,056,832	1,613,850
Public works	1,656,161	1,651,604	1,707,319	1,027,069
Parks & recreation	806,212	813,449	792,014	851,507
Housing and urban development	200	-	-	-
Operating grants and contributions	8,969,076	9,129,809	8,563,054	8,620,743
Capital grants and contributions	1,679,306	2,801,330	601,107	1,826,368
Total governmental activities program revenues	<u>25,629,880</u>	<u>26,375,476</u>	<u>22,832,280</u>	<u>24,231,130</u>
Business-type activities:				
Charges for services:				
Water and sewer	36,940,779	39,504,368	40,579,170	42,913,122
Golf courses	2,777,029	2,512,528	2,391,390	2,337,589
Stormwater utility	1,134,880	1,134,769	1,270,656	1,286,742
Operating grants and contributions	170,399	170,443	123,818	-
Capital grants and contributions	4,581,958	4,277,235	4,735,533	2,344,185
Total business-type activities program revenues	<u>45,605,045</u>	<u>47,599,343</u>	<u>49,100,567</u>	<u>48,881,638</u>
Total primary government program revenues	<u><u>\$ 71,234,925</u></u>	<u><u>\$ 73,974,819</u></u>	<u><u>\$ 71,932,847</u></u>	<u><u>\$ 73,112,768</u></u>

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 13,366,909	\$ 13,764,828	\$ 15,561,604 ⁽³⁾	\$ 13,835,021	\$ 14,194,930 ⁽⁸⁾	\$ 16,928,412
39,717,295	41,815,591 ⁽²⁾	40,168,100	41,353,221	33,441,611 ⁽⁸⁾	40,329,521
8,720,053	6,049,564	8,316,795 ⁽⁴⁾	8,116,255	7,108,185	8,145,791
6,036,530	6,136,168	6,254,656	6,711,448	6,437,870	6,927,039
2,399,107	1,592,095	2,574,619	1,883,401	1,289,586	1,298,756
569,317	537,544	497,222	467,651	445,221	394,519
2,567,216	2,794,502	2,868,115	2,997,742	3,191,952	3,322,705
<u>73,376,427</u>	<u>72,690,292</u>	<u>76,241,111</u>	<u>75,364,739</u>	<u>66,109,355</u>	<u>77,346,743</u>
43,688,265	43,494,835	45,289,816 ⁽⁵⁾	42,643,322	43,578,657 ⁽⁸⁾	45,201,038
2,510,247	2,535,298	2,507,241	2,565,545	2,292,530	2,642,683
808,587	1,007,033	1,099,665	1,174,732	1,180,219	1,323,778
<u>47,007,099</u>	<u>47,037,166</u>	<u>48,896,722</u>	<u>46,383,599</u>	<u>47,051,406</u>	<u>49,167,499</u>
<u>\$ 120,383,526</u>	<u>\$ 119,727,458</u>	<u>\$ 125,137,833</u>	<u>\$ 121,748,338</u>	<u>\$ 113,160,761</u>	<u>\$ 126,514,242</u>
\$ 10,220,895	\$ 9,918,937	\$ 10,456,884	\$ 9,523,800	\$ 10,072,902	\$ 10,784,839
1,483,927	1,566,866	1,776,557	1,873,093	1,810,164	1,836,711
1,075,153	1,015,248	976,080	1,091,551	1,157,906	1,188,363
806,870	838,908	815,759	834,368	898,132	1,114,217
16,300	13,100	13,500	19,685	1,250	-
6,948,506	6,660,356	7,084,093	6,133,822	6,999,122	7,117,618
6,795,571	3,273,290	1,418,806	2,553,954	628,876	903,067
<u>27,347,222</u>	<u>23,286,705</u>	<u>22,541,679</u>	<u>22,030,273</u>	<u>21,568,352</u>	<u>22,944,815</u>
45,853,683	47,245,389	47,370,637	50,164,115	53,391,431	54,089,987
2,455,332	2,413,445	2,286,132	2,078,840	2,029,093	2,019,697
1,775,997	2,218,083	2,290,742	2,275,789	2,720,436	2,773,816
(24,972)	110,477	-	-	-	-
1,359,095	736,596	2,244,507	1,241,348	2,174,091	1,884,001
<u>51,419,135</u>	<u>52,723,990</u>	<u>54,192,018</u>	<u>55,760,092</u>	<u>60,315,051</u>	<u>60,767,501</u>
<u>\$ 78,766,357</u>	<u>\$ 76,010,695</u>	<u>\$ 76,733,697</u>	<u>\$ 77,790,365</u>	<u>\$ 81,883,403</u>	<u>\$ 83,712,316</u>

CITY OF MELBOURNE, FLORIDA
CHANGES IN NET POSITION (Continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expense)/Revenue				
Governmental activities	\$ (43,512,930)	\$ (44,501,578)	\$ (49,283,659)	\$ (48,063,915)
Business-type activities	928,329	827,110	(2,057,958)	1,273,379
Total primary government net expense	<u>\$ (42,584,601)</u>	<u>\$ (43,674,468)</u>	<u>\$ (51,341,617)</u>	<u>\$ (46,790,536)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property	\$ 20,102,973	\$ 21,575,415	\$ 21,279,929	\$ 21,976,524
Utility and telecommunication	10,776,705	11,326,996	10,997,283	11,394,528
Franchise fees	7,155,421	7,187,413	7,281,090	6,594,719
Unrestricted grants and contributions	10,335,305	11,514,895	6,468,279	6,032,442
Investment earnings	2,906,310	2,139,784	2,248,911	1,067,666
Miscellaneous	96,923	103,776	91,906	350
Gain on sale of capital assets	21,419	-	-	-
Contributions to permanent funds	3,350	2,250	1,100	2,400
Extraordinary item	-	-	-	-
Transfers	2,122,657	909,868	1,253,034	1,833,194
Total governmental activities	<u>53,521,063</u>	<u>54,760,397</u>	<u>49,621,532</u>	<u>48,901,823</u>
Business-type activities:				
Unrestricted grants and contributions	-	-	-	-
Investment earnings	2,539,126	2,057,257	1,243,257	579,810
Gain on sale of capital assets	-	-	-	-
Transfers	(2,122,657)	(909,868)	(1,253,034)	(1,833,194)
Total business-type activities	<u>416,469</u>	<u>1,147,389</u>	<u>(9,777)</u>	<u>(1,253,384)</u>
Total primary government	<u>\$ 53,937,532</u>	<u>\$ 55,907,786</u>	<u>\$ 49,611,755</u>	<u>\$ 47,648,439</u>
Change in Net Position				
Governmental activities	\$ 10,008,133	\$ 10,258,819	\$ 337,873	\$ 837,908
Business-type activities	1,344,798	1,974,499	(2,067,735)	19,995
Total primary government	<u>\$ 11,352,931</u>	<u>\$ 12,233,318</u>	<u>\$ (1,729,862)</u>	<u>\$ 857,903</u>

- (1) Increase is due to the activity of the Hurricane Housing Recovery Program fund, created in 2006.
- (2) Increase is due to the increase in pension, Worker's Compensation and OPEB expenses.
- (3) Increase is due to the transfer of land to the Airport.
- (4) Increase is due to road resurfacing.
- (5) Implemented GASB Statement No. 65.
- (6) Water and wastewater rate increase of 7% and decrease in operational expenses.
- (7) Property tax millage increase of 6%.
- (8) Implemented GASB Statement No. 68.

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ (46,029,205)	\$ (49,403,587)	\$ (53,699,432)	\$ (53,334,466)	\$ (44,541,003)	\$ (54,401,928)
4,412,036	5,686,824	5,295,296	9,376,493 ⁽⁶⁾	13,263,645	11,600,002
<u>\$ (41,617,169)</u>	<u>\$ (43,716,763)</u>	<u>\$ (48,404,136)</u>	<u>\$ (43,957,973)</u>	<u>\$ (31,277,358)</u>	<u>\$ (42,801,926)</u>
\$ 22,137,715	\$ 21,813,062	\$ 21,896,644	\$ 24,328,815 ⁽⁷⁾	\$ 25,652,370	\$ 28,762,101
11,104,099	10,922,977	11,234,486	11,360,611	11,394,026	11,473,828
6,587,477	6,280,299	6,246,963	6,614,483	6,785,031	6,668,887
6,441,922	6,804,372	7,092,078	8,487,828	7,678,420	8,117,198
492,069	484,969	149,243	125,364	384,988	657,927
-	-	-	-	-	-
-	3,250	3,500	1,600	41,013	-
-	-	-	-	3,150	2,500
-	197,508	-	-	-	-
<u>1,835,169</u>	<u>2,462,075</u>	<u>2,139,845</u>	<u>2,579,110</u>	<u>2,671,942</u>	<u>2,640,177</u>
<u>48,598,451</u>	<u>48,968,512</u>	<u>48,762,759</u>	<u>53,497,811</u>	<u>54,610,940</u>	<u>58,322,618</u>
301	-	-	-	-	-
354,268	379,256	177,220	210,083	508,043	695,166
-	90,506	7,820	-	-	36,552
<u>(1,835,169)</u>	<u>(2,462,075)</u>	<u>(2,139,845)</u>	<u>(2,579,110)</u>	<u>(2,671,942)</u>	<u>(2,640,177)</u>
<u>(1,480,600)</u>	<u>(1,992,313)</u>	<u>(1,954,805)</u>	<u>(2,369,027)</u>	<u>(2,163,899)</u>	<u>(1,908,459)</u>
<u>\$ 47,117,851</u>	<u>\$ 46,976,199</u>	<u>\$ 46,807,954</u>	<u>\$ 51,128,784</u>	<u>\$ 52,447,041</u>	<u>\$ 56,414,159</u>
\$ 2,569,246	\$ (435,075)	\$ (4,936,673)	\$ 163,345	\$ 10,069,937	\$ 3,920,690
2,931,436	3,694,511	3,340,491	7,007,466	11,099,746	9,691,543
<u>\$ 5,500,682</u>	<u>\$ 3,259,436</u>	<u>\$ (1,596,182)</u>	<u>\$ 7,170,811</u>	<u>\$ 21,169,683</u>	<u>\$ 13,612,233</u>

CITY OF MELBOURNE, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> ⁽⁴⁾
General fund				
Reserved	\$ 2,436,065	\$ 1,655,931	\$ 1,376,981	
Unreserved	<u>12,851,004</u>	<u>14,363,270</u>	<u>16,338,580</u>	
Non-spendable				\$ 1,937,571
Restricted				171,734
Committed				-
Assigned				2,384,098
Unassigned				<u>15,533,104</u>
Total general fund	<u><u>\$ 15,287,069</u></u>	<u><u>\$ 16,019,201</u></u>	<u><u>\$ 17,715,561</u></u>	<u><u>\$ 20,026,507</u></u>
 All Other Governmental funds				
Reserved	14,660,844 ⁽¹⁾	11,127,124	2,552,614 ⁽³⁾	
Unreserved, reported in				
Special revenue funds	1,103,673	1,347,211	1,602,220	
Capital projects funds	<u>17,663,031</u> ⁽²⁾	<u>20,803,266</u>	<u>23,392,404</u>	
Non-spendable				\$ 158,864
Restricted				23,462,041
Committed ⁽⁵⁾				-
Assigned				4,136,188
Unassigned				<u>(189,187)</u>
Total all other governmental funds	<u><u>\$ 33,427,548</u></u>	<u><u>\$ 33,277,601</u></u>	<u><u>\$ 27,547,238</u></u>	<u><u>\$ 27,567,906</u></u>

- (1) The increase in reserved fund balance of other governmental funds is due to unspent bond proceeds for the new City Hall and parking garage.
- (2) The increase in unreserved fund balance in the capital projects fund is due to unspent impact fees and transfers from various funds.
- (3) The decrease in reserved fund balance of the other governmental funds is due to the completion of the construction of the new City Hall.
- (4) The City implemented GASB No. 54 changing this presentation.
- (5) The City committed \$1,000,000 for economic development in 2014, and spent \$333,333 in 2016.
- (6) Reflects the reduction in subsequent year budget for assigned.

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,813,302	\$ 1,622,852	\$ 1,316,565	\$ 1,472,121	\$ 1,186,384	\$ 831,098
172,649	174,979	297,940	183,165	186,720	200,708
-	-	-	1,000,000 ⁽⁵⁾	1,000,000	666,667
2,756,749	4,132,491	5,189,667	5,119,574	3,194,815 ⁽⁶⁾	3,186,632
16,619,290	15,084,688	14,400,945	11,694,539	14,061,310	16,987,905
<u>\$ 21,361,990</u>	<u>\$ 21,015,010</u>	<u>\$ 21,205,117</u>	<u>\$ 19,469,399</u>	<u>\$ 19,629,229</u>	<u>\$ 21,873,010</u>
\$ 158,864	\$ 162,114	\$ 165,614	\$ 167,214	\$ 170,364	\$ 172,864
22,430,641	22,494,871	22,411,090	22,495,728	22,620,233	24,203,945
-	-	-	-	-	-
2,379,452	2,570,803	2,027,216	2,257,553	4,589,785	5,113,249
(118,174)	(86,772)	(46,257)	-	-	-
<u>\$ 24,850,783</u>	<u>\$ 25,141,016</u>	<u>\$ 24,557,663</u>	<u>\$ 24,920,495</u>	<u>\$ 27,380,382</u>	<u>\$ 29,490,058</u>

CITY OF MELBOURNE, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
Taxes				
Property	\$ 20,102,973	\$ 21,575,415	\$ 21,279,929	\$ 21,976,524
Utility and telecommunications	10,776,705	10,707,574	11,397,119	11,492,122
Franchise fees	7,155,421	7,187,413	7,281,090	6,594,719
Intergovernmental	16,054,733	16,049,655	15,088,823	15,660,518
Charges for services	10,964,291	10,475,048	10,495,266	10,140,673
Impact fees	4,224,599	5,829,725	1,224,448 ⁽³⁾	990,382
Licenses and permits	2,620,650	2,606,129	2,113,101	2,176,146
Confiscated property	51,468	134,125	50,892	101,335
Fines, forfeitures, penalties and fees	636,026	545,813	428,541	349,902
Investment earnings	2,756,167	2,026,505	2,058,312	980,543
Perpetual care endowment additions	3,350	2,250	1,100	2,400
Other revenues	675,564	780,545	853,052	868,794
Total revenues	<u>76,021,947</u>	<u>77,920,197</u>	<u>72,271,673</u>	<u>71,334,058</u>
Expenditures				
General government	12,130,419	12,753,633	13,080,708	12,733,112
Public safety	35,128,764	37,283,528	36,632,263	36,471,946
Public works	6,879,135	8,235,277	7,262,198	7,333,757
Parks and recreation	6,130,938	6,137,068	5,539,116	5,357,134
Housing and urban improvement	3,605,551	2,374,948	2,778,951	3,119,666
Capital outlay	9,684,871	10,823,301	10,807,978	4,429,871
Debt service				
Principal	599,443	829,163	875,355	835,446
Interest	576,110	680,262	641,885	603,110
Bond issuance costs	26,137	-	-	-
Total expenditures	<u>74,761,368</u>	<u>79,117,180</u>	<u>77,618,454</u>	<u>70,884,042</u>
Excess of revenues over (under) expenditures	<u>1,260,579</u>	<u>(1,196,983)</u>	<u>(5,346,781)</u>	<u>450,016</u>
Other financing sources (uses)				
Revenue bonds issued	6,176,000	-	-	-
Capital leases	1,171,481 ⁽¹⁾	782,817 ⁽¹⁾	-	-
Sale of capital assets	61,606	64,421	71,185	64,575
Insurance recoveries	-	-	-	-
Transfers in	9,882,451 ⁽²⁾	4,813,589	5,247,400	5,694,976
Transfers out	(7,755,785)	(3,881,659)	(4,005,807)	(3,877,953)
Total other financing sources (uses)	<u>9,535,753</u>	<u>1,779,168</u>	<u>1,312,778</u>	<u>1,881,598</u>
Net change in fund balances	<u>\$ 10,796,332</u>	<u>\$ 582,185</u>	<u>\$ (4,034,003)</u>	<u>\$ 2,331,614</u>
Debt service as a percentage of noncapital expenditures	1.8%	2.2%	2.3%	2.2%

(1) Purchase of police vehicles and radios.

(2) Non-departmental general fund for appropriation to transportation projects and various funds for general capital projects.

(3) Downturn in construction activity.

(4) No road resurfacing in 2012.

(5) Neighborhood stabilization program expenditures

(6) Purchase of fire truck and police video system, contractual salary increases and increased workers compensation medical claims.

(7) Purchase of aerial fire truck and police video system.

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 22,137,715	\$ 21,813,062	\$ 21,896,644	\$ 24,328,815	\$ 25,652,370	\$ 28,762,101
11,201,693	10,947,375	11,234,486	11,360,611	11,394,026	11,473,828
6,587,477	6,280,299	6,246,963	6,614,483	6,785,031	6,668,887
15,683,713	14,149,766	15,098,505	14,472,033	15,963,669	16,891,197
9,700,060	9,785,168	9,840,594	8,575,679	9,255,551	9,566,648
438,748	637,910	856,742	1,867,890	659,517	763,169
1,987,969	2,046,163	2,394,206	2,635,612	2,562,653	3,401,098
56,864	30,352	79,342	144,431	15,436	12,290
323,931	294,776	306,942	318,348	276,967	259,230
454,240	450,086	142,459	115,967	358,728	635,748
-	3,250	3,500	1,600	3,150	2,500
1,280,613	871,611	1,171,801	1,064,968	1,170,249	900,680
<u>69,853,023</u>	<u>67,309,818</u>	<u>69,272,184</u>	<u>71,500,437</u>	<u>74,097,347</u>	<u>79,337,376</u>
12,655,808	12,975,285	13,251,414	14,736,194	14,868,874	15,817,777
37,296,823	38,729,328	37,806,771	41,033,892 ⁽⁶⁾	41,143,272	42,479,210
8,739,063	6,223,871 ⁽⁴⁾	8,376,512	8,261,768	7,148,771	8,247,008
5,384,549	5,542,863	5,606,919	5,995,492	5,810,118	6,322,634
2,351,014	1,529,290	2,525,881 ⁽⁵⁾	1,799,654	1,218,370	1,201,873
5,905,671	3,863,206	3,155,525	3,422,444	2,916,863	2,349,466
872,299	907,542	941,189	983,256	1,026,761	890,721
570,230	532,575	493,529	453,032	409,983	370,865
-	-	-	-	-	-
<u>73,775,457</u>	<u>70,303,960</u>	<u>72,157,740</u>	<u>76,685,732</u>	<u>74,543,012</u>	<u>77,679,554</u>
<u>(3,922,434)</u>	<u>(2,994,142)</u>	<u>(2,885,556)</u>	<u>(5,185,295)</u>	<u>(445,665)</u>	<u>1,657,822</u>
-	-	-	-	-	-
604,160 ⁽¹⁾	142,546 ⁽¹⁾	284,934 ⁽¹⁾	1,194,795 ⁽⁷⁾	-	-
103,300	43,945	67,531	38,504	102,170	45,208
-	282,122	-	-	291,195	-
5,881,667	6,262,963	6,863,500	7,748,928	7,871,803	6,194,572
<u>(4,048,333)</u>	<u>(3,794,181)</u>	<u>(4,723,655)</u>	<u>(5,169,818)</u>	<u>(5,199,786)</u>	<u>(3,544,145)</u>
<u>2,540,794</u>	<u>2,937,395</u>	<u>2,492,310</u>	<u>3,812,409</u>	<u>3,065,382</u>	<u>2,695,635</u>
<u>\$ (1,381,640)</u>	<u>\$ (56,747)</u>	<u>\$ (393,246)</u>	<u>\$ (1,372,886)</u>	<u>\$ 2,619,717</u>	<u>\$ 4,353,457</u>
2.1%	2.2%	2.1%	2.0%	2.1%	1.7%

SCHEDULE 5

CITY OF MELBOURNE, FLORIDA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property ⁽¹⁾	Less: Tax Exempt Property ⁽²⁾	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	\$ 4,712,028,500	\$ 2,919,288,219	\$ 2,994,643,764	\$ 4,636,672,955	4.5081	\$ 5,151,858,839	90%
2008	4,548,973,150	3,161,863,232	2,755,132,745	4,955,703,637	4.4751	5,506,337,374	90
2009	4,329,701,570	3,451,859,684	2,883,528,633	4,898,032,621	4.4751	5,442,258,468	90
2010	3,561,870,170	3,271,835,120	2,421,702,175	4,412,003,115	5.1287	4,902,225,683	90
2011	2,571,020,800	3,382,339,518	2,083,735,043	3,869,625,275	5.9223	4,299,583,639	90
2012	2,570,972,360	2,479,804,026	1,788,286,688	3,262,489,698	6.9200	3,624,988,553	90
2013	2,504,916,790	2,511,387,105	1,733,928,941	3,282,374,954	6.9000	3,647,083,282	90
2014	2,705,952,860	2,603,573,641	1,864,230,555	3,445,295,946	7.3126	3,828,106,607	90
2015	3,022,128,940	2,653,608,626	2,059,322,942	3,616,414,624	7.3125	4,018,238,471	90
2016	3,367,691,320 ⁽³⁾	2,745,036,807 ⁽³⁾	2,247,871,092	3,864,857,035	7.6886	4,294,285,594	90

Source: Brevard County Property Appraiser

(1) Includes utility, railroad and tangible property.

(2) Includes agricultural, governmental, renewable energy source, widows, widowers, institutional, disability, and homestead exemptions.

(3) Brevard County Property Appraiser changed format in deliverance of reference materials, amounts from 2016 forward are calculated in a different manner than prior years.

CITY OF MELBOURNE, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

Fiscal Year	City of Melbourne	Overlapping Rates			Total Direct & Overlapping Rates
	Single Direct ⁽¹⁾ Rate	School Rate	County Rate	Multi- County ⁽²⁾ Rate	
2007	4.5081	7.6670	5.5370	0.6600	18.3721
2008	4.4751	7.5310	5.2210	0.5627	17.7898
2009	4.4751	7.6610	5.2628	0.5627	17.9616
2010	5.1287	7.6870	5.1077	0.5627	18.4861
2011	5.9223	7.6530	5.8249	0.5627	19.9629
2012	6.9200	8.1120	6.5199	0.4782	22.0301
2013	6.9000	8.0960	6.5199	0.4782	21.9941
2014	7.3126	7.6060	6.3979	0.4752	21.7917
2015	7.3125	7.3390	6.2310	0.4633	21.3458
2016	7.6886	7.2750	6.0692	0.4412	21.4740

Source: Brevard County Tax Collector

(1) The City of Melbourne only levies one single direct rate. There is no multi-tier rate.

(2) Includes Florida Inland Navigation District, Sebastian Inlet District
and St. Johns River Water Management District.

Note: The City's property tax rate may not be increased in excess of 10% from the previous year without a majority vote of the city's residents, as per Florida's House Bill #4173.

SCHEDULE 7

**CITY OF MELBOURNE, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Melbourne Airport Authority	\$ 114,170,840	1	2.95%	\$ 97,383,880	1	2.10%
Melbourne Square LLC ⁽¹⁾	33,000,000	2	0.85	36,000,000	2	0.77
Health First Physicians Real Estate	29,495,000	3	0.76			
Harris Corporation	26,185,000	4	0.68	33,800,000	3	0.73
Melbourne HMA LLC	24,557,070	5	0.64			
Northland Caribbean Isle LLC	18,800,000	6	0.49			
Wal-Mart Stores	17,815,000	7	0.46	22,656,270	4	0.49
The Preserve at Longleaf Partners	17,700,000	8	0.46			
LSREF3 Bravo LLC	16,500,000	9	0.43			
Health Care REIT Inc	16,000,000	10	0.41			
KRC Melbourne LTD				15,571,350	5	0.34
MIMA Real Estate LLC				15,281,760	6	0.33
Rialto, LTD				15,012,240	7	0.32
Florida Marketplace of Brevard				13,300,000	8	0.29
Melbourne Greyhound Park LLC				13,266,960	9	0.28
MP Promenade LLC				10,995,000	10	0.24
	<u>\$ 314,222,910</u>		<u>8.13%</u>	<u>\$ 273,267,460</u>		<u>5.89%</u>

(1) Formerly reported as Melbourne- JCP Assoc. LTD

Source: Brevard County Property Appraiser

**CITY OF MELBOURNE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30	Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 20,926,112	\$ 19,562,580	93%	\$ 540,393	\$ 20,102,973	96%
2008	22,203,634	20,782,975	94	792,440	21,575,415	97
2009	21,969,032	19,613,547	89	1,666,382	21,279,929	97
2010	22,691,851	20,568,976	91	1,407,548	21,976,524	97
2011	23,001,409	21,136,767	92	1,000,948	22,137,715	96
2012	22,576,429	21,175,428	94	637,634	21,813,062	97
2013	22,648,387	21,091,561	93	805,083	21,896,644	97
2014	25,194,071	23,667,815	94	661,000	24,328,815	97
2015	26,549,365	24,922,260	94	730,110	25,652,370	97
2016	29,775,050	28,092,686	94	669,415	28,762,101	97

Sources: Brevard County Property Appraiser and City of Melbourne Financial Services.

SCHEDULE 9

**CITY OF MELBOURNE, FLORIDA
WATER AND SEWER CONSUMPTION, RATES AND REVENUE
LAST TEN FISCAL YEARS**

Fiscal Year	Gallons of Water Consumed ⁽¹⁾	Water Revenue ⁽⁴⁾	Total Direct Rate		Gallons of Sewer Treated ⁽¹⁾	Sewer Revenue ⁽⁴⁾	Total Direct Rate	
			Water Base Rate ⁽²⁾	Water Usage Rate ⁽³⁾			Sewer Base Rate ⁽²⁾	Sewer Usage Rate ⁽³⁾
2007	4,857,091	\$ 20,727,646	\$ 5.09	\$ 3.21	2,272,113	\$ 14,542,999	\$ 7.19	\$ 5.17
2008	4,718,506	22,295,533	6.25	3.43	2,226,739	15,067,766	7.85	5.27
2009	4,562,415	23,154,689	6.69	3.67	2,153,407	15,586,500	8.40	5.64
2010	4,657,291	24,571,182	6.25	3.85	2,171,931	16,469,144	8.18	5.92
2011	4,783,236	26,334,505	6.56	4.04	2,179,757	17,543,002	8.59	6.22
2012	4,687,615	27,195,156	6.89	4.24	2,143,691	18,100,459	9.02	6.53
2013	4,645,065	27,275,917	6.89	4.24	2,129,172	18,083,757	9.02	6.53
2014	4,672,892	28,638,534	7.58	4.33	2,127,061	19,292,642	11.21	6.49
2015	4,643,892	30,412,363	8.00	4.57	2,136,767	20,527,181	11.83	6.85
2016	4,768,201	30,984,020	8.00	4.57	2,214,882	20,817,696	11.83	6.85

Source: City Water and Sewer Department

(1) Gallons are presented in thousands.

(2) Rates shown through 2009 are for 3/4" meters at the inside City rate. Rates after October 1, 2009 are based on one equivalent residential connection (ERC) at the inside City rate.

(3) Per 1,000 gallons of metered water at the inside City rate.

(4) Revenues are not adjusted for bad debt.

CITY OF MELBOURNE, FLORIDA
PRINCIPAL WATER AND SEWER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

<u>Water Customer</u>	2016			2007		
	Water Revenue	Rank	Percentage of Total Water Revenue	Water Revenue	Rank	Percentage of Total Water Revenue
City of West Melbourne	\$ 3,221,135	1	10.40 %	\$ 1,717,561	1	8.29 %
Holmes Regional Medical Center	387,947	2	1.25	274,380	2	1.32
Florida Institute of Technology	298,764	3	0.96	134,969	4	0.65
School Board of Brevard County	238,466	4	0.77	157,979	3	0.76
DW MLB H LLC	90,448	5	0.29			
We Harbours LLC	88,959	6	0.29			
Harris Corporation	88,266	7	0.29	66,337	6	0.32
Northrop Grumman Systems Corp	82,471	8	0.27			
Eastern Florida State College	81,594	9	0.26			
Prestige AB Ready Mix of Melbourne	81,330	10	0.26			
Lake in the Woods				85,325	5	0.41
Melbourne Hampton Greens				57,251	7	0.28
Lake Washington Downs				54,075	8	0.26
Manufactured Home Communities				52,243	9	0.25
MEL OHIO/Tradewinds Apartments				48,073	10	0.23
Total	<u>\$ 4,659,380</u>		<u>15.04 %</u>	<u>\$ 2,648,193</u>		<u>12.77 %</u>

<u>Sewer Customer</u>	2016			2007		
	Sewer Revenue	Rank	Percentage of Total Sewer Revenue	Sewer Revenue	Rank	Percentage of Total Sewer Revenue
Holmes Regional Medical Center	\$ 579,597	1	2.72 %	\$ 440,790	1	3.03 %
Florida Institute of Technology	445,501	2	2.09	211,979	2	1.46
School Board of Brevard County	210,191	3	0.99	146,882	3	1.01
We Harbours LLC	132,813	4	0.62			
Harris Corporation	130,971	5	0.61	105,718	5	0.73
Northrop Grumman Systems Corp	122,084	6	0.57			
Eastern Florida State College	122,009	7	0.57			
Manufactured Home Communities	118,941	8	0.56	83,175	8	0.57
Northland Caribbean Isle LLC	111,193	9	0.52			
Rockwell-Collins	110,167	10	0.52			
Lake in the Woods				135,630	4	0.93
Melbourne Hampton Greens				88,701	6	0.61
Lake Washington Downs				86,482	7	0.59
MEL OHIO/Tradewinds Apartments				76,972	9	0.53
Caribbean Isle LLC				71,590	10	0.49
Total	<u>\$ 2,083,467</u>		<u>9.77 %</u>	<u>\$ 1,447,919</u>		<u>9.95 %</u>

Source: City Water and Sewer Department

CITY OF MELBOURNE, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				
	1994, 1995 & 1998 Sales Tax Bonds	2003 Utility Tax Bonds	2003 Gas Tax Bonds	2005 & 2006 Electric Utility Tax Note	Redevelopment Bonds
2007	\$ 1,284,701	\$ 652,689	\$ 1,349,762	\$ 12,062,000	\$ 1,434,121
2008	1,092,387	607,645	1,259,675	11,653,000	1,338,403
2009	895,000	560,822	1,166,029	11,215,000	1,238,904
2010	765,000	512,150	1,068,684	10,759,000	1,135,475
2011	625,000	461,555	967,494	10,286,000	1,027,961
2012	480,000	408,961	862,307	9,793,000	916,200
2013	330,000	354,290	752,965	9,282,000	800,024
2014	170,000	297,460	639,304	8,750,000	679,259
2015	-	238,385	521,153	8,196,000	553,724
2016	-	176,976	398,335	7,620,000	423,230

Fiscal Year	Total Primary Government	Percentage of Personal Income⁽¹⁾	Per Capita⁽¹⁾
2007	\$ 149,857,808	9.01%	\$ 1,912
2008	146,764,619	7.84	1,874
2009	142,520,066	7.52	1,820
2010	137,864,199	6.74	1,758
2011	133,449,834	6.81	1,748
2012	131,660,444	7.81	1,708
2013	131,229,204	7.44	1,696
2014	128,575,363	6.59	1,647
2015	123,818,823	6.62	1,556
2016	115,981,801	5.64	1,442

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population and personal income data can be found in Schedule 16.

Governmental Activities		Business-type Activities		
Capital Lease	Water and Sewer Bonds	Golf Course Bonds	Capital Lease	State Revolving Fund Loan
\$ 1,171,481	\$ 131,194,568	\$ 433,987	\$ 274,499	\$ -
1,635,671	128,583,641	353,920	240,277	-
1,183,917	125,890,460	270,095	99,839	-
690,022	122,529,739	182,333	26,526	195,270
744,413	119,000,408	90,449	-	246,554
588,383	113,646,262	46,174	-	4,919,157
684,624	112,749,277	-	467,732	5,808,292
1,492,237	110,624,777	-	329,148	5,593,178
1,138,327	107,099,544	-	188,385	5,883,305
782,969	95,375,190	-	551,064	10,654,037

SCHEDULE 12

**CITY OF MELBOURNE, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

The City of Melbourne has no general bonded debt.

SCHEDULE 13

**CITY OF MELBOURNE, FLORIDA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

The City of Melbourne has no general bonded debt.

**CITY OF MELBOURNE, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding ⁽¹⁾</u>	<u>Estimated Percentage Applicable ^(*)</u>	<u>City's Share of Overlapping Debt</u>
Debt repaid with property taxes			
Brevard County General Obligation Debt	\$ 21,205,000	13.03% ⁽²⁾	\$ 2,763,012
South Brevard Recreation Special District	40,850,000	23.04 ⁽²⁾	9,411,840
Other debt			
Constitutional Fuel Tax Revenue Bonds, Series 2015	11,270,000	14.14 ⁽³⁾	1,593,578
Brevard County Sales Tax Bonds	18,560,000	10.00 ⁽⁴⁾	<u>1,856,000</u>
Subtotal, overlapping debt			<u>15,624,430</u>
City of Melbourne direct debt			
Capital Leases			782,969
Public Improvement Bonds and Notes			<u>8,618,541</u>
Subtotal, direct debt			<u>9,401,510</u>
Total direct and overlapping debt			<u><u>\$ 25,025,940</u></u>

Notes: Overlapping governments are local and county governments that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Melbourne. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(*) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value. The percentage of fuel tax debt applicable to the City was estimated by dividing Melbourne's population by Brevard County's population. The applicable percentage of Brevard County Sales Tax Bonds based on the State of Florida sales tax percentage for the City of Melbourne.

Sources:

- (1) Brevard County Clerk of Court.
- (2) Assessed value data used to estimate applicable percentages is provided by the Brevard County Property Appraiser.
- (3) Bureau of Economic and Business Research at the University of Florida provided population statistics to estimate the percentage of fuel tax debt that is applicable to the City.
- (4) Florida Department of Revenue provided percentage of sales tax the City receives.

**CITY OF MELBOURNE, FLORIDA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Pledged Revenues ⁽¹⁾	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenues	Principal	Interest	
1994, 1995 & 1998 Sales Tax Bonds						
2007	\$ 4,030,711	\$ -	\$ 4,030,711	\$ 181,366	\$ 68,243	16.15
2008	3,729,359	-	3,729,359	189,312	59,714	14.98
2009	3,492,385	-	3,492,385	197,387	50,725	14.08
2010	3,362,959	-	3,362,959	130,000	41,295	19.63
2011	3,467,138	-	3,467,138	140,000	34,680	19.85
2012	3,533,182	-	3,533,182	145,000	27,625	20.47
2013	3,707,972	-	3,707,972	150,000	20,250	21.78
2014	3,896,683	-	3,896,683	160,000	12,500	22.59
2015	4,158,771	-	4,158,771	170,000	4,250	23.87

⁽¹⁾ Pledged revenues include local government 1/2 cent sales tax

2003 Utility Tax Bonds

2007	\$ 5,812,940	\$ -	\$ 5,812,940	\$ 43,332	\$ 27,493	82.07
2008	5,694,086	-	5,694,086	45,044	25,781	80.40
2009	5,836,617	-	5,836,617	46,823	24,002	82.41
2010	6,299,867	-	6,299,867	48,672	22,152	88.95
2011	6,389,132	-	6,389,132	50,595	20,230	90.21
2012	6,426,055	-	6,426,055	52,594	18,231	90.73
2013	6,901,061	-	6,901,061	54,671	16,154	97.44
2014	7,393,614	-	7,393,614	56,830	13,988	104.40
2015	7,543,411	-	7,543,411	59,075	11,725	106.55
2016	7,853,722	-	7,853,722	61,409	9,416	110.89

⁽¹⁾ Pledged revenues include electric utility taxes and gas utility taxes

2005 & 2006 Subordinate Electric Utility Tax Revenue Note

2007	\$ 5,479,476	\$ -	\$ 5,479,476	\$ 196,000	\$ 349,254	10.05
2008	5,370,028	-	5,370,028	409,000	473,025	6.09
2009	5,562,352	-	5,562,352	438,000	456,125	6.22
2010	6,010,459	-	6,010,459	456,000	438,288	6.72
2011	6,047,410	-	6,047,410	473,000	419,753	6.77
2012	6,088,803	-	6,088,803	493,000	400,480	6.81
2013	6,553,097	-	6,553,097	511,000	380,420	7.35
2014	7,030,112	-	7,030,112	532,000	359,519	7.89
2015	7,172,554	-	7,172,554	554,000	337,972	8.04
2016	7,488,265	-	7,488,265	576,000	315,426	8.40

⁽¹⁾ Pledged revenues include electric utility taxes

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Fiscal Year	Pledged Revenues ⁽¹⁾	Less: Operating Expenses	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
2003 Gas Tax Bonds						
2007	\$ 1,999,911	\$ -	\$ 1,999,911	\$ 86,664	\$ 56,739	13.95
2008	2,054,704	-	2,054,704	90,087	53,316	14.33
2009	2,040,929	-	2,040,929	93,646	49,757	14.23
2010	2,248,079	-	2,248,079	97,345	46,058	15.68
2011	2,015,306	-	2,015,306	101,190	42,213	14.05
2012	2,524,218	-	2,524,218	105,187	38,216	17.60
2013	2,436,072	-	2,436,072	109,342	34,061	16.99
2014	2,493,210	-	2,493,210	113,661	29,730	17.39
2015	2,643,746	-	2,643,746	118,151	25,202	18.44
2016	2,926,058	-	2,926,058	122,818	20,585	20.40

⁽¹⁾ Pledged revenues include local option gas taxes

2003 Downtown Community Redevelopment Agency Bonds

2007	\$ 757,314	\$ -	\$ 757,314	\$ 92,081	\$ 60,285	4.97
2008	787,563	-	787,563	95,718	56,648	5.17
2009	857,605	-	857,605	99,499	52,867	5.63
2010	811,645	-	811,645	103,429	48,937	5.33
2011	865,519	-	865,519	107,514	44,851	5.68
2012	895,798	-	895,798	111,761	40,604	5.88
2013	863,941	-	863,941	116,176	36,189	5.67
2014	907,221	-	907,221	120,765	31,600	5.95
2015	958,164	-	958,164	125,535	26,816	6.29
2016	1,054,035	-	1,054,035	130,494	21,857	6.92

⁽¹⁾ Pledged revenues include Downtown Community Redevelopment Agency revenues

CITY OF MELBOURNE, FLORIDA
PLEDGED REVENUE COVERAGE (Continued)
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
Water and Sewer System Bonds						
	(2)	(3)				(4)
2007	\$ 43,306,181	\$ 28,390,394	\$ 14,915,787	\$ 3,920,000	\$ 3,364,780	2.05
2008	45,522,402	29,632,898	15,889,504	4,070,000	4,385,962	1.88
2009	43,813,725	33,283,227	10,530,498	4,810,000	4,226,494	1.17
2010	45,790,479	29,367,097	16,423,382	5,055,000	4,041,053	1.81
2011	47,764,676	28,707,983	19,056,693	5,260,000	3,863,564	2.09
2012	48,657,854	28,119,487	20,538,367	5,465,000	3,651,526	2.25
2013	48,856,212	28,880,314	19,975,898	5,025,000	2,997,351	2.49
2014	51,620,232	27,386,863	24,233,369	5,245,000	3,154,311	2.89
2015	55,532,077	28,260,906	27,271,171	5,655,000	2,819,919	3.22
2016	56,501,605	30,210,477	26,291,128	5,680,000	2,775,716	3.11
Golf Course Bonds						
	(5)					(6)
2007	\$ 2,798,594	-	\$ 2,798,594	\$ 76,477	\$ 23,605	27.96
2008	2,535,579	-	2,535,579	80,067	20,016	25.33
2009	2,397,503	-	2,397,503	83,825	16,257	23.96
2010	2,337,805	-	2,337,805	87,762	12,320	23.36
2011	2,456,865	-	2,456,865	91,884	6,344	25.01
2012	2,415,675	-	2,415,675	44,275	2,613	51.52
2013	2,293,952	-	2,293,952	46,174	648	48.99

- (2) Total gross operating revenues, grants, interest income (less construction interest income) and capital contributions up to pledged amount.
- (3) Total operating expenses, exclusive of depreciation and amortization, plus bad debt.
- (4) Required coverage is 1.15.
- (5) Total of operating and non-operating revenues.
- (6) Required coverage is 1.0 of gross revenues.

CITY OF MELBOURNE, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	Population ⁽¹⁾	Personal Income (amounts expressed in thousands of dollars)	Per Capita Personal Income ⁽²⁾	Median Age ⁽²⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
2007	78,386	\$ 1,663,116	\$ 21,217	42.1	15,810	4.4
2008	78,308	1,870,856	23,891	42.2	14,709	6.7
2009	78,323	1,895,025	24,195	41.9	13,266	10.5
2010	78,427	2,045,533	26,082	42.3	12,895	11.3
2011	76,354	1,959,625	25,665	44.7	12,716	9.7
2012	77,101	1,706,554	22,134	44.9	12,694	8.6
2013	77,394	1,783,622	23,046	45.6	12,864	6.4
2014	78,088	1,952,044	24,998	44.9	12,965	6.3
2015	79,600	1,869,963	23,492	44.8	13,079	5.3
2016	80,419	2,054,866	25,552	45.1	12,993	5.1

Sources:

- (1) Bureau of Economic and Business Research
- (2) Economic Development Commission of Florida's Space Coast
- (3) The School Board of Brevard County
- (4) Bureau of Labor Statistics

SCHEDULE 17

**CITY OF MELBOURNE, FLORIDA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Health First, Inc. ¹	4,066	1	11.45 %	3,466	1	9.01 %
Northrop-Grumman	2,894	2	8.15	1,800	4	4.68
Harris Corporation ²	2,532	3	7.13	2,595	2	6.75
Florida Institute of Technology	2,410	4	6.78	1,665	5	4.33
School Board of Brevard County	1,720	5	4.84	1,934	3	5.03
Rockwell Collins, Inc.	1,467	6	4.13	1,396	6	3.63
Teletech	1,205	7	3.39			
City of Melbourne	890	8	2.51	956	7	2.49
Walmart	725	9	2.04	760	8	1.98
Eastern Florida State College	591	10	1.66			
MIMA ¹				686	9	1.78
Wuesthoff Health System				553	10	1.44
Total	<u>18,500</u>		<u>52.08 %</u>	<u>15,811</u>		<u>41.12 %</u>

(1) Health First and MIMA merged in 2013.

(2) Harris Corporation's 150 S. Wickham Rd. location was included as of 2016, it is not included in prior year numbers.

Source: The companies listed above.

CITY OF MELBOURNE, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS ⁽¹⁾

<u>Function/program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government	113	115	110	103	102	102	103	103	103	104
Police	244	245	242	242	244	241	241	239	239	239
Fire	169	173	171	169	168	164	164	164	165	165
Public works	70	71	71	63	64	64	63 ⁽²⁾	65	65	65
Parks and recreation	89	85	89	83	84	84	82	84	87 ⁽³⁾	88
Housing and urban improvement	10	10	9	7	7	7	7	6	6	6
Water and sewer system	186	187	187	177	175	175	175	178	179	183
Stormwater utility	0	0	0	1	1	1	4 ⁽²⁾	4	4	4
Golf courses	37	36	37	32	31	31	23	23	22	21
Total	918	922	916	877	876	869	862	866	870	875
Component unit - Airport	51	52	53	52	52	51	52	49	52	55

Source: City of Melbourne Budget Department

(1) Full-time equivalent employees per the adopted budget.

(2) The Stormwater Utility added one new position and reclassified two positions from the Streets Management Division of Public Works to meet federal mandates and regulatory compliance in 2013.

(3) The Parks and Recreation department added three new positions to staff Wickham Park Community Center.

SCHEDULE 19

1 of 2

**CITY OF MELBOURNE, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function/program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police			
Physical arrests	4,160	4,476	4,559
Parking violations	1,319	1,140	914
Traffic violations	23,031	23,280	22,115
Fire			
Emergency responses	13,646	13,187	13,384
Fires extinguished	321	222	223
Inspections	5,862	5,179	6,956
Public works			
Resurfacing (miles)	-	10.26	16.20
New streets (miles)	1.46	1.68	0.34
Parks and recreation			
Auditorium (number of events)	227	218	202
Recreation centers (attendance)	60,605	66,923	77,984
Tennis courts (attendance)	40,941	30,600	31,884
Golf courses (rounds played)	128,702	115,357	111,486
Water			
Average number of accounts	53,629	56,073	56,511
Average daily consumption (gallons)	13,491,921	13,106,962	12,673,375
Sewer			
Average number of accounts	26,899	28,282	28,529
Average daily sewage treatment (gallons)	6,311,425	6,185,386	5,981,687

(1) The City contracted with a consultant to create a pavement management system and will begin implementation in fiscal year 16/17.

(2) Higher recreation attendance due to first full year of operation of the Wickham Park Community Center and change in methodology in attendance calculation.

(3) Tennis court attendance increase as a result of a change in methodology in how attendance is calculated.

Sources: Various City departments.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
3,854	3,158	2,948	3,101	3,315	2,895	2,938	
621	436	733	692	1,099	886	581	
17,041	19,412	16,847	20,061	15,861	12,193	17,870	
13,775	14,263	14,932	14,986	15,650	16,787	17,394	
207	244	214	245	208	210	225	
6,161	6,665	5,864	5,878	5,298	3,972	5,555	
2.00	14.40	-	8.10	7.22	-	3.05	(1)
-	0.49	-	-	-	-	-	
200	193	184	182	162	195	199	
66,412	56,971	59,483	61,208	71,089	67,717	222,066	(2)
28,059	27,194	21,414	23,337	21,694	20,858	33,152	(3)
96,477	93,717	87,720	86,302	80,151	73,833	83,617	
56,711	56,819	56,934	57,162	57,487	57,766	58,108	
12,759,702	13,104,756	12,842,782	12,726,206	12,802,444	12,722,993	13,063,565	
28,748	28,583	28,764	28,878	29,026	29,132	29,250	
5,950,497	5,971,936	5,873,126	5,833,348	5,827,564	5,854,155	6,068,169	

SCHEDULE 20

CITY OF MELBOURNE, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol vehicles	112	116	125	126	135	142	150	146	142	142
Fire stations	8 ⁽¹⁾	8	8	8	8	8	8	8	8	8
Public works										
Streets (miles)	293	295	295	295	289 ⁽³⁾	289	286	286	284	291
Streetlights	7,822	8,228	8,474	8,630	8,638	8,886	8,403	8,415	8,460	8,460
Parks and recreation										
Acreage	555	555	555	555	555	570 ⁽⁴⁾	570	570	570	570
Special use facilities	7	7	7	7	7	7	7	7	7	7
Community parks	11	11	11	11	11	12 ⁽⁴⁾	12	12	12	12
Neighborhood parks	27	27	27	27	27	27	27	27	27	27
Water										
Mains (miles)										
Water transmission	148	149	149	149	149	149	149	149	149	149
Water distribution	725	729	730	730	730	730	730	730	730	730
Storage tanks										
Quantity	9	9	9	10 ⁽²⁾	10	10	7 ⁽⁵⁾	7	7	7
Capacity (thousands of gallons)	15,000	15,000	15,000	17,000 ⁽²⁾	17,000	17,000	16,000	16,000	16,000	16,000
Sewer (miles)										
Gravity sewer mains	265	267	267	267	267	256	257	257	258	258
Force mains	53	53	53	53	53	53	53	53	57	57
Storm sewers	200	200	200	200	201	201	201	201	201	201
Reclaimed -										
Water mains	19	19	23	24	24	33	34	34	34	34

Sources: Various City departments.

(1) New station on Eber Road.

(2) New Pineda Blvd. water tank.

(3) Per City GIS survey, portions of Aurora Rd. reclassified as County maintained.

(4) Brevard County donation to City of Riverview Park.

(5) 5th Street, Oak Street and Tradewinds tanks were demolished in 2013.

SINGLE AUDIT SECTION

The Single Audit Section contains various independent auditors' reports and schedules as required by the Single Audit Act of 1996 for state and local governments that receive federal financial assistance and as required by Chapter 215.97, Florida Statutes for local governments that receive grants from State agencies.



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 Melbourne, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Melbourne, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Melbourne, Florida's basic financial statements, and have issued our report thereon dated March 3, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Melbourne, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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

Melbourne, Florida
March 3, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL

Honorable Mayor and Members of the City Council
City of Melbourne, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Melbourne, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Melbourne, Florida's major federal programs and state projects for the year ended September 30, 2016. The City of Melbourne, 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Melbourne, 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550, 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 occurred. An audit includes examining, on a test basis, evidence about the City of Melbourne, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City of Melbourne, Florida's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City of Melbourne, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2014-3. Our opinion on each major federal program is not modified with respect to these matters.

The City of Melbourne, Florida's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Melbourne, Florida's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Melbourne, 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 Melbourne, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Melbourne, Florida's internal control over compliance.

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. A *significant deficiency in internal*

Honorable Mayor and Members of City Council
City of Melbourne, Florida
Page Three

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Item 2014-3, which we consider to be a significant deficiency.

The City of Melbourne's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Melbourne's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

This 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.

Cam Riggs & Ingram, L.L.C.

Melbourne, Florida
March 3, 2017

**CITY OF MELBOURNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE OF FLORIDA FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures	Transfers to Subrecipients
Federal Programs:				
U.S. DEPARTMENT OF JUSTICE				
2014 Edward Byrne Memorial JAG-VSAT Communications and Surveillance Project	16.738	2014-DJ-BX-0389	\$ 42,500	
2015 Edward Byrne Memorial JAG-Melbourne 2015 JAG Grant	16.738	2015-DJ-BX-0494	38,933	
			<u>81,433</u>	
Pass through Office of the Attorney General:				
Victims of Crime Act (VOCA)	16.575	V138-14026	37,224	
Total U.S Department of Justice			<u>118,657</u>	
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Community Development Block Grant 2013	14.218	B-13-MC-12-0012	26,308	
Community Development Block Grant 2014	14.218	B-14-MC-12-0012	175,434	
Community Development Block Grant 2015	14.218	B-15-MC-12-0012	302,868	\$ 66,966
Neighborhood Stabilization Program 3	14.218	B-11-MN-12-0033	191,688	
Total Community Development Block Grant			<u>696,298</u>	<u>66,966</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Pass through FL Dept of Economic Opportunity				
Neighborhood Stabilization Program 1	14.228	10DB-4X-06-15-02-F 15	8,928	
Pass through Brevard County:				
Home Investment Partnerships Program 2010	14.239	M-10-DC-12-00200	4,148	
Home Investment Partnerships Program 2011	14.239	M-11-DC-12-00200	66,383	
Home Investment Partnerships Program 2012	14.239	M-12-DC-12-00200	5,344	
Home Investment Partnerships Program 2015	14.239	M-15-DC-12-00200	49,379	
Total Pass through Brevard County			<u>125,254</u>	
Total U.S Department of Housing & Urban Development			<u>830,480</u>	
U.S ENVIRONMENTAL PROTECTION ACT				
Pass through Florida Department of Environmental Protection:				
State Revolving Fund Loan	66.458	WW050900	<u>5,846,641</u>	
U.S. DEPARTMENT OF TRANSPORTATION				
Pass through Florida Department of Transportation				
Highway Planning and Construction-Safe Route to School (Sherwood Elementary)	20.205	G0671	246,976	
Highway Planning and Construction-Hickory Street Complete Street	20.205	G0035	389,124	
Total Pass through Florida Department of Transportation			<u>636,100</u>	
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Aviation Administration				
Airport Improvement Grant	20.106	3-12-0046-38-2012	203,065	
Airport Improvement Grant - Construct Cargo Apron and TW Improvement	20.106	3-12-0046-39-2013	(4,035)	
Airport Improvement Grant - Master Plan Audit	20.106	3-12-0046-40-2014	290,057	
Airport Improvement Grant - Widen TW Phase 3 Construction	20.106	3-12-0046-42-2015	1,126,723	
			<u>1,615,810</u>	
Total U.S. Department of Transportation			<u>2,251,910</u>	
TRANSPORTATION SECURITY ADMINISTRATION				
LEO Support Co-op Agreement	97.090	HSTS0213HSLR037	<u>39,610</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,087,298</u>	<u>\$ 66,966</u>

Federal/State Agency, Pass-through Entity, Federal Program/State Project	CFDA CSFA No.	Contract/ Grant No.	Expenditures	Transfers to Subrecipients
State Programs:				
FLORIDA HOUSING FINANCE CORPORATION				
State Housing Initiatives Partnership 12/13	52.901		\$ (136)	
State Housing Initiatives Partnership 13/14	52.901		748	
State Housing Initiatives Partnership 14/15	52.901		209,685	
State Housing Initiatives Partnership 15/16	40.901		20,020	
State Housing Initiatives Partnership 16/17	40.901		26,599	
Total Florida Housing Finance Corporation			256,916	
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION				
Water Restoration Assistance - Horse Creek Dredging	37.039	S0843	458,166	
Water Restoration Assistance - South Croton Stormwater Drainage Improvements	37.039	LP05092	14,553	
FL Recreation Development Assistance Program - Wells Park Playground	37.017	A6081	50,000	
			522,719	
FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY				
Space Florida Escrow Agreement	40.008		8,000,000	
Joint Participation Agreements with Florida Department of Transportation				
Conduct Noise Compatibility Study	55.004	432339/AQP06	6,651	
Construct Aviation Facilities-(Summit)	55.004	409782/ARF76	28,638,108	
Construct Aircraft Hangar	55.004	431572/AR155	1,161,052	
Construct Air Traffic Control Tower	55.004	437014/G0383	249,100	
Widen Taxi K-Construction	55.004	431567/ARO04	62,353	
Fuel Facility Improvements	55.004	431568/G0077	17,450	
Rehabilitation of Runway 9L-27R and Taxiway "B" Cargo Apron	55.004	431565/G0078	12,450	
Update Master Plan	55.004	431569/ARO03	26,268	
Northside Access Road	55.032	432508/ARL50	1,293,589	
Relocate Grumman Lane	55.032	435824/ARF87	29,671	
Total FDOT Joint Participation Agreement			31,496,692	
Total Florida Department of Transportation			31,496,692	
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 40,276,327	\$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE OF FLORIDA FINANCIAL ASSISTANCE

NOTE A

The Schedule of Expenditures of Federal Awards and State of Florida Financial Assistance is a summary of the activity of the City's Federal and State award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B

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

NOTE C

Reconciliation of the State Revolving Loan:

\$ 5,846,641	Draws on loan WW050900
75,181	Capitalized interest on loan WW050900
4,732,215	Additional State Revolving loan closed out and being repaid.
\$ 10,654,037	Total State Revolving Loan payable

THE CITY OF MELBOURNE, FLORIDA
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2016

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards and State Projects

Internal control over major federal programs and state projects:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major federal programs and state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200 of OMB Compliance Supplement and/or Chapter 10.550? ☒ yes ☐ no

Identification of major federal programs and state projects:

Federal CFDA Numbers

20.106

66.458

Federal Program or Cluster

Airport Improvement Grants 2012 -2015

State Revolving Fund Loan

State CSFA Numbers

55.004 & 55.032

State Project

Joint Participation Agreements with FDOT:

Conduct Noise Compatibility Study

Construct Aviation Facilities (Summit)

Construct Aircraft Hangar

Construct Aircraft Traffic Control Tower

Widen Taxi K-Design

Fuel Facility Improvements

Rehabilitation of Runway 9L-27R and Taxiway "b" Cargo Apron

Update Master Plan

Northside Access Road

Relocate Grumman Lane

40.008

Space Florida Escrow Agreement

THE CITY OF MELBOURNE, FLORIDA
Schedule of Findings and Questioned Costs (Continued)
Fiscal Year Ended September 30, 2016

Section I—Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs and \$300,000 for major state projects.

Auditee qualified as a low-risk auditee for federal purposes? X yes no

Section II—Financial Statement Findings

2016-1 Accounts Payable – Significant Deficiency

CONDITION: An adjusting journal entry was required for fiscal year 2016 to record accounts payable for services or goods incurred or received prior to the balance sheet date.

CRITERIA: Section 1500: Reporting Liabilities of the *Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards* requires a government to accrue a liability and expense in the period in which the government incurs the liability. Accounts payable should be recorded for all invoices for goods and services received on or before the balance sheet date.

POTENTIAL EFFECT OF CONDITION: During the audit, journal entries totaling \$535,381 were required to provide for proper accrual of the component unit's accounts payable at September 30, 2016. Accounts payable and accrued liabilities were understated prior to the audit adjustment in the Component Unit's trial balance.

CAUSE OF THE CONDITION: Invoices received subsequent to the balance sheet date were not accrued in the proper accounting period for the year ended September 30, 2016.

RECOMMENDATION: We recommend that the Component Unit implement procedures to provide reasonable assurance that all amounts due to vendors are properly accrued in the correct accounting period.

MANAGEMENT'S RESPONSE: The Airport Administration agrees with this finding and will establish a log for all invoices. All Airport invoices come to the Airport accounting department to be logged, prior to sending out for department approval. When returned to the Airport accounting department the invoices will be checked off the log and processed for payment. The Airport Financial Services Manager will be responsible to locate any invoices not returned. At year end, the Airport Financial Services Manager will be responsible to review all invoices received after year end to ensure they are recorded in the proper year. Once assured that all invoices are properly recorded, the Airport Senior Director of Finance and Administration will review and transmit the SEFA to the Finance department.

Section III–Federal Award Findings and Questioned Costs

2014-3 Grant Expenditures reported on the Schedule of Expenditures of Federal Awards “SEFA” were not reviewed prior to the final submission to the auditors.

CONDITION: During testing of the September 30, 2016 SEFA we noted that one of the Airport Improvement Grants did not report the correct amount of expenditures which caused the SEFA to be revised one time.

CRITERIA: Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) states that the auditor is required to determine and provide an opinion on whether the SEFA is presented fairly in all material respects in relation to the auditee’s financial statements as a whole. Furthermore, the information in the SEFA serves as the primary basis for the auditor’s major program determination which is a key component of performing a single audit.

POTENTIAL EFFECT OF CONDITION: If not detected by the audit, the incorrect amounts would have been reported from the SEFA to grantors on the data collection form. Additionally, misstatement could have caused the determination of a major program to be incorrectly calculated.

CAUSE OF THE CONDITION: For one grant, CFDA 20.106 Grant #3-12-0046-42-2015 the SEFA expenditure amount had to be revised one time because it did not reconcile to the actual cash received plus the accrual amounts.

RECOMMENDATION: We recommend that prior to the final SEFA being submitted to the auditors that a secondary review be performed by the Airport Senior Director of Finance and Administration to ensure the cash amounts received plus the accrual amounts are reconciled to the SEFA.

MANAGEMENT’S RESPONSE: The Airport Administration agrees with this finding and have amended internal procedures to ensure review and approval of the SEFA reports prior to submission. The Airport Senior Director of Finance and Administration has created a tracking log to record all federal and state grants which includes grant funding, appropriate CFDA/CSFA number, contract number, and whether the grant is active or inactive. The Airport Senior Director of Finance and Administration will review and transmit the SEFA to the Finance department in a timely manner to enable the Finance department to review the accuracy of the information.

Section IV–State Project Findings and Questioned Costs

No matters were reported.

THE CITY OF MELBOURNE, FLORIDA
Summary of Prior Audit Findings
Fiscal Year Ended September 30, 2016

Section V—Prior Findings and Questioned Costs for Federal Awards

2014-3 Grant Expenditures reported on the Schedule of Expenditures of Federal Awards “SEFA” were not reviewed prior to the final submission to the auditors.

Status: Repeated



City of Melbourne



Financial Services Department
900 E. Strawbridge Avenue • Melbourne, FL 32901 • (321) 608-7010 • Fax (321) 608-7048

CORRECTIVE ACTION PLAN

March 3, 2017

The City of Melbourne, Florida respectfully submits the following corrective action plan for the year ended September 30, 2016.

Name and address of independent public accounting firm:

Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

Audit Period:

Fiscal Year October 1, 2015 – September 30, 2016

The finding from the March 3, 2017 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

2014-3 Grant Expenditures reported on the Schedule of Expenditures of Federal Awards “SEFA” were not reviewed prior to the final submission to the auditors.

RECOMMENDATION: We recommend that prior to the final SEFA being submitted to the auditors that a secondary review be performed by the Airport Senior Director of Finance and Administration to ensure the cash amounts received plus accruals are reconciled to the SEFA.

CORRECTIVE ACTION: The Airport Administration agrees with this finding and have amended internal procedures to ensure review and approval of the SEFA reports prior to submission. The Airport Senior Director of Finance and Administration has created a tracking log to record all federal and state grants which includes grant funding, appropriate CFDA/CSFA number, contract number, and whether the grant is active or inactive. The Airport Senior Director of Finance and Administration will review and transmit the SEFA to the Finance department in a timely manner to enable the Finance department to review the accuracy of the information.

2016-1 Accounts Payable – Significant Deficiency

RECOMMENDATION: We recommend that the Component Unit implement procedures to provide reasonable assurance that all amounts due to vendors are properly accrued in the correct accounting period.

CORRECTIVE ACTION: The Airport Administration agrees with this finding and will establish a log for all invoices. All Airport invoices come to the Airport accounting department to be logged, prior to sending out for department approval. When returned to the Airport accounting department the invoices will be checked off the log and processed for payment. The Airport Financial Services Manager will be responsible to locate any invoices not returned. At year end, the Airport Financial Services Manager will be responsible to review all invoices received after year end to ensure they are recorded in the proper year. Once assured that all invoices are properly recorded, the Airport Senior Director of Finance and Administration will review and transmit the SEFA to the Finance department.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Honorable Mayor and Members of City Council
City of Melbourne, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Melbourne, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 3, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550 Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project; Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 3, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Findings and Questioned Costs Comments

2014-3 Schedule of Expenditure of Federal Awards ("SEFA") Repeated and revised

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 authorities for the City of Melbourne, Florida and its component unit are disclosed in the footnotes.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Melbourne, 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 Melbourne, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Melbourne, Florida for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendation.

2016-2 Purchase Cards

CONDITION: During testing of the September 30, 2016 expenses, we identified two purchase card ("P-card") transactions where the cardholder was unable to provide a detailed receipt.

CRITERIA: The City's P-CARD policy dated July 2015 states "The cardholder must obtain an original sales itemized receipt and/or invoice for all transactions."

To the Honorable Mayor and Members of City Council
City of Melbourne, Florida
Page Three

POTENTIAL EFFECT OF CONDITION: The expenses could be coded incorrectly in the general ledger.

CAUSE OF THE CONDITION: During 2016 fiscal year the component unit began processing their own P-CARD transactions, and they were not requiring detailed receipts from its employees.

RECOMMENDATION: We recommend that a detailed receipt be submitted with all P-CARD transactions as required by the P-CARD policy dated July 2015.

MANAGEMENT'S RESPONSE: The Airport Administration agrees that employees should submit a detailed receipt per the City of Melbourne Purchasing Card Policy. Subsequent to the auditors' finding two purchases without an itemized receipt, a reminder of the policy was sent to all Airport purchasing card users. Users that do not follow the policy may have their cards revoked.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council members and applicable management, 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
March 3, 2017

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL
GOVERNMENT INVESTMENT POLICIES**

To the Honorable Mayor and Members of City Council
City of Melbourne, Florida

We have examined the City of Melbourne, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

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

Melbourne, Florida
March 3, 2017

STATE OF FLORIDA
COUNTY OF BREVARD

I, Jeffrey C. Towne, Affiant, first being duly sworn on oath, depose and say as follows:

1. I am over eighteen (18) years of age.
2. I am the Director of Financial Services with the City of Melbourne, Florida, and, as such, have personal knowledge of the facts set forth herein.
3. In accordance with Section 163.31801, Florida Statutes, the City of Melbourne, Florida, is confirming that it has complied with all requirements of this Statute for the fiscal year ended September 30, 2016.

FURTHER AFFIANT SAYETH NOT.



JEFFREY C. TOWNE

STATE OF FLORIDA
COUNTY OF BREVARD:

SWORN TO AND SUBSCRIBED before me this 20th day of February, 2017 by Jeffrey C. Towne who is personally known to me.



SIGNATURE OF NOTARY PUBLIC – STATE OF FLORIDA





SECONDARY MARKET DISCLOSURE SECTION

Rule 15c2-12 promulgated by the Securities and Exchange Commission requires certain ongoing disclosure of annual financial information and operating data for bonds sold on or after July 3, 1995. This section includes disclosures not found elsewhere in this Report for the following bonds:

- Water and Sewer Refunding Revenue Bonds, Series 2002B
- Water and Sewer Improvement Revenue Bonds, Series 2007B
- Water and Sewer Refunding and Improvement Revenue Bonds, Series 2012
- Water and Sewer Refunding Revenue Bonds, Series 2013
- Water and Sewer Refunding Revenue Bonds, Series 2014
- Water and Sewer Refunding Revenue Bonds, Series 2016A
- Water and Sewer Refunding Revenue Bonds, Series 2016B



City of Melbourne



Financial Services Department
900 E. Strawbridge Avenue • Melbourne, FL 32901 • (321) 608-7010 • Fax (321) 608-7048

SECONDARY MARKET DISCLOSURE For the Year Ended September 30, 2016

General

The City of Melbourne is required to provide ongoing disclosure for holders of its Water and Sewer Refunding Revenue Bonds, Series 2002B, Water and Sewer Improvement Revenue Bonds, Series 2007B, Water and Sewer Refunding and Improvement Revenue Bonds, Series 2012, Water and Sewer Refunding Revenue Bonds, Series 2013 and Water and Sewer Refunding Revenue Bond, Series 2014, Water and Sewer Refunding Revenue Bonds, Series 2016A and Water and Sewer Refunding Revenue Bonds, Series 2016B. Rule 15c2-12 promulgated by the Securities and Exchange Commission requires ongoing disclosure for bonds sold on or after July 3, 1995. This report provides financial and operational data as required by the Continuing Disclosure Certificate.

The City owns, operates, and maintains the Water and Sewer System. Potable water is provided to two different service areas, one being the “Mainland,” consisting of all areas west of the Indian River, and the other being the “Beach,” consisting of all areas east of the west boundary of the Indian River. The System also recognizes two service areas, both located on the Mainland and identified as either being inside the incorporated limits of the City or outside the incorporated limits.

Existing Water System

The City presently provides water service to a customer base of approximately 150,000 persons. This service covers the municipal limits of the City (population of 80,419), plus wholesale service to West Melbourne, and retail service to Melbourne Village, Melbourne Beach, Indian Lake Shores, Indian Harbour Beach, Palm Shores, and a portion of unincorporated Brevard County.

The City’s two water production facilities consist of the Lake Washington Surface Water Production Facility with a production capacity of 20 million gallons per day (MGD) and the Reverse Osmosis Water Production Facility, with a production capacity of 5 MGD.

The City’s water distribution system consists of approximately 149 miles of six (6) to 36-inch diameter transmission mains, and about 730 miles of two (2) to six (6)-inch diameter distribution mains.

The top ten water customers of the System are:

Customer	Annual Revenue
City of West Melbourne ⁽¹⁾	\$3,221,135
Holmes Regional Medical Center	387,947
Florida Institute of Technology	298,764
School Board of Brevard County	238,466
DW MLB H LLC	90,448
We Harbours LLC	88,959
Harris Corporation	88,266
Northrop Grumman Systems Corp	82,471
Eastern Florida State College	81,594
Prestige AB Ready Mix of Melbourne	81,330

(1) Pursuant to a bulk water sales agreement.

The table below summarizes the historical customer base and water demands for the City's water system service area.

Historic Water Flows (MGD)			
Year	Number of Accounts ⁽¹⁾	Average Day Demand	Maximum Day Demand
2012	56,934	15.5	17.2
2013	57,162	15.6	17.6
2014	57,487	15.7	17.5
2015	57,766	16.2	21.0
2016	58,108	16.3	18.8

(1) Average number of accounts for each of the fiscal years ended September 30.

Existing Sewer System

The City currently owns and operates an extensive collection and transmission system. The System consists of approximately 258 miles of gravity and 57 miles of force collection mains, 94 lift stations, an inverted siphon and two (2) influent pump stations. The collection/transmission system transports the wastewater to two (2) wastewater treatment plants; the David B. Lee Water Reclamation Facility (the "D.B. Lee WRF" with a permitted capacity of 7.0 MGD) and the Grant Street Water Reclamation Facility (the "Grant Street WRF" with a permitted capacity of 5.5 MGD).

The top ten sewer customers of the System are:

Customer	Annual Revenue
Holmes Regional Medical Center	\$ 579,597
Florida Institute of Technology	445,501
School Board of Brevard County	210,191
We Harbours LLC	132,813
Harris Corporation	130,971
Northrop Grumman Systems Corp	122,084
Eastern Florida State College	122,009
Manufactured Home Communities	118,941
Northland Caribbean Isle LLC	111,193
Rockwell-Collins	110,167

The table below summarizes the historical wastewater flows.

Historic Wastewater Flows (MGD)				
Year	Number of Accounts ⁽¹⁾	D.B.Lee WRF	Grant Street WRF	Total Combined Flows
2012	28,764	3.85	3.29	7.14
2013	28,878	3.86	3.06	6.92
2014	29,026	3.98	3.46	7.44
2015	29,132	4.36	3.46	7.82
2016	29,250	4.19	3.57	7.76

(1) Average number of accounts for each of the fiscal years ended September 30.

Existing Reclaimed Water System

The City currently owns and operates a reclaimed water production and distribution system. The System consists of two reclaimed water production facilities, and approximately 34 miles of various sized reclaimed water distribution mains. In regards to reclaimed water production, the David B. Lee Water Reclamation Facility (the “D.B. Lee WRF”) has a production capacity of 4.0 MGD, while the Grant Street Water Reclamation Facility (the “Grant Street WRF”) has a production capacity of 2.0 MGD. The public access approved reclaimed water is applied via spray irrigation to City golf courses, City parks, commercial green space, medians/rights-of-way and residential areas. As of September 30, 2016, there were 682 accounts in the reclaimed water system, of which 470 were residential.

The table below summarizes the historical reclaimed water flows.

Historic Reclaimed Water Flows (MGD)				
Year	Number of Accounts ⁽¹⁾	D.B.Lee WRF	Grant Street WRF	Total Combined Flows
2012	641	1.29	0.92	2.21
2013	645	1.61	0.58	2.19
2014	648	1.76	0.52	2.28
2015	651	1.74	0.44	2.18
2016	682	1.69	0.44	2.13

(1) Average number of accounts for each of the fiscal years ended September 30.

Water Rates

The rate charged for potable water service to each customer shall consist of a monthly service charge based on the number of equivalent residential connections (ERCs) determined by the city periodically for the premise which shall serve as the minimum bill, and a gallonage charge for each unit of one thousand (1,000) gallons or portion thereof. Such charges are due and payable on a monthly basis. The rates are charged based on the customer’s location. Customers located within the city limits of the City are charged the inside City rate. Customers located outside the city limits of the City are charged the outside City rate.

Effective Date	Rate per ERC – All Customers	
	Inside City	Outside City
October 1, 2015	\$ 8.00	\$ 8.80
October 1, 2016	8.00	8.80
October 1, 2017	8.44	9.28

In addition to the above established service charge, each customer pays a monthly gallonage charge per unit for each one thousand (1,000) gallons, or portion thereof, of water passed through the customer’s service meter in accordance with the schedule set forth below:

Effective Date	Inside City	Outside City
October 1, 2015	\$ 4.57	\$ 5.02
October 1, 2016	4.57	5.02
October 1, 2017	4.82	5.30

Sewer Rates

The rate charged for sewer service to each customer shall consist of a monthly service charge based on the number of equivalent residential connections (ERCs) being served at such connection as determined by the city periodically for the premise which shall serve as the minimum bill, and a gallonage charge for each unit of one thousand (1,000) gallons or portion thereof. The rates charged are based on the customer's location. Customers located within the city limits pay the inside City rate. Customers located outside the city limits pay the outside City rate.

<u>Effective Date</u>	<u>Rate per ERC – All Customers</u>	
	<u>Inside City</u>	<u>Outside City</u>
October 1, 2015	\$ 11.83	\$ 14.78
October 1, 2016	11.83	14.78
October 1, 2017	12.48	15.59

Each customer connected to the City's sewer system to whom a monthly bill is rendered for water furnished by the water works system of the City pays a charge per one thousand (1,000) gallons, or portion thereof, of water passed through the water meter for sewer services in accordance with the schedule set forth below:

<u>Effective Date</u>	<u>Inside City</u>	<u>Outside City</u>
October 1, 2015	\$ 6.85	\$ 8.56
October 1, 2016	6.85	8.56
October 1, 2017	7.22	9.03

Reclaimed Water Rates

All existing customers of reclaimed water who have active accounts on May 1, 2008, shall be charged a monthly service charge as follows:

<u>Reclaimed Water Service Fees for Customers Active on May 1, 2008</u>		
<u>Effective Date</u>	<u>Rate for first ½ acre</u>	<u>Rate per acre of previous area (after first ½ acre)</u>
October 1, 2015	\$ 13.70	\$ 54.80
October 1, 2016	13.70	54.80
October 1, 2017	14.50	58.00

The rate charged for all new customers of reclaimed water after May 1, 2008 shall consist of a monthly service charge and a monthly gallonage charge. The rates for a ¾ meter in which 15,000 gallons are included in the service charge are as follows:

<u>Reclaimed water system rate for new customers</u>	
<u>Effective Date</u>	<u>Monthly service charge</u>
October 1, 2015	\$ 8.55
October 1, 2016	8.55
October 1, 2017	9.00

In addition to the above established service charge, each customer shall pay a monthly gallonage charge for each 1,000 gallons, or a portion thereof, of reclaimed water that passes through the customer's service meter that is over and above the gallonage allocation as follows:

<u>Gallonage Charges</u>	
<u>Effective Date</u>	<u>Monthly gallonage charge</u>
October 1, 2015	\$.57
October 1, 2016	.57
October 1, 2017	.60

Each customer requesting reclaimed water service from the City shall, prior to the installation of a flow meter for each connection to the reclaimed water main, pay the following amounts to defray the cost of the service provided:

Meter Size (Inches)	Reclaimed Water Connection Charge
¾	\$ 250
1	475
1-1/2	850
2	1,600
Over 2 inches	To be determined by the City on an individual basis

The full amount of the connection charge provided above must be paid prior to connection of each unit to the City's reclaimed water system. The meter shall be adequately sized to service the customer irrigation system.

Water Impact Fees

Each customer requesting capacity from the City's water system shall, prior to the installation of the connection to the water main, pay the following amounts to provide service to properties or customers and to all customers presently connected to the City's water system when additional development, structural changes, additions or changes in permitted use shall result in an additional impact to the City's water system. Water impact fees shall not be transferable from one property to another property.

(1) Single-family residence: All development which is considered an individually metered residential unit shall be considered one (1) ERC. The water impact fee per one (1) ERC shall be one thousand five hundred forty dollars (\$1,540).

(2) Multiple-family, condominium, mobile home trailer and motor home parks, including all related facilities not having individual water meter connections, or other multiple living units or developments of mobile-type homes: The water impact fees for each living unit served by a master meter shall be determined in accordance with the following schedule. If the development served by the master meter includes individually metered non-residential use, then the water impact fee for such individually metered non-residential use will be determined in addition to the applicable water impact fees as shown below for this customer designation.

	ERC Factor per Living Unit	Water Impact Fee
Duplex (1 or 2 Bedrooms)	0.833	\$ 1,283
Duplex (3 or more Bedrooms)	1.000	1,540
Multifamily (1 Bedroom)	0.583	898
Multifamily (efficiency less than 500 sq. ft.)	0.500	770
Multifamily (2 Bedrooms)	0.833	1,283
Multifamily (3 Bedrooms)	1.000	1,540
Mobile Home (1 or 2 Bedrooms)	0.667	1,027
Mobile Home (3 or more Bedrooms)	0.833	1,283

(3) Hotels and motels not having individual water connections: The water impact fees for each unit that is not individually metered shall be considered as 0.75 ERC's per unit. The water impact fee per each unit shall be one thousand one hundred fifty-five dollars (\$1,155) per unit.

(4) Housing for older persons not having individual water connections: The water impact fees for each unit of housing as defined by Florida Statute 760.29, as amended from time to time, that is not individually metered shall be considered as 0.75 ERC's per unit. The water impact fee per unit of housing shall be one thousand one hundred fifty-five dollars (\$1,155) per unit.

(5) Commercial customers: For all commercial and non-residential connections not specifically identified in one of the classifications listed above, the water impact fees shall be based on the average dependable daily capacity for the development of property identified by the applicant and as certified for the applicant

by a registered Florida Professional Engineer using the city's potable water concurrency standards in Article IV, Chapter 3, Section 3.46 of Appendix D, Land Development Code and as approved by the city expressed on a gallons per day basis multiplied by \$6.417 per gallon of capacity. In no event will the water impact fee charged to a commercial customer property be less than one thousand five hundred forty dollars (\$1,540). For each commercial customer that is presently connected to the city's water system that constructs structural changes, additions, or changes in permitted use of such property that shall result in additional capacity impact to the city's water system, the water impact fee shall be based on the net increase in the average dependable daily capacity for the structural changes, additions, or changes in permitted use as determined above expressed on a gallons per day basis multiplied by \$6.417 per gallon of capacity.

To the extent that the average daily flow for a commercial connection during any consecutive twelve month period is greater than the average dependable daily capacity for which water impact fees have been paid, an additional water impact fee shall be assessed for the excess flow calculated in accordance with this section. No refund or credit shall be afforded to the owner of the property in the event that diminution of use occurs.

(6) Each customer requesting water service from the City shall, prior to the installation of a flow meter for each connection to the water main, pay the following amounts to defray the cost of the service provided:

<u>Meter Size (Inches)</u>	<u>Water Connection Charge</u>
3/4	\$ 250
1	475
1-1/2	850
2	1,600
Over 2 inches	To be determined by the City on an individual basis

The full amount of the connection charge provided above must be paid prior to connection of each unit to the City's water system. The City reserves the right to determine the meter size that will be required for the service requested.

Sewer Impact Fees

Each customer requesting capacity from the City's sewer system shall, prior to connection to the system pay the following amounts to provide service to properties and on all properties presently connected to the City's sewer system when structural changes, additions or changes in permitted use shall result in an additional impact to the City's sewer system. Sewer impact fees will not be transferable from one property to another property.

(1) Single-family residence: All development which is considered an individually metered residential unit shall be considered as one (1) ERC. The sewer impact fee per ERC shall be two thousand two hundred ten dollars (\$2,210).

(2) Multiple-family, condominium, mobile home trailer and motor home parks, including all related facilities not having individual sewer connections, or other multiple living units or developments of mobile type homes: The sewer impact fees for each living unit serviced by a master meter shall be determined in accordance with the following schedule. If the development served by the master meter includes individually metered non-residential use, then the sewer impact fee for such non-residential use will be determined in addition to the applicable sewer impact fees as shown on the next page for this customer designation.

	<u>ERC Factor per Living Unit</u>	<u>Sewer Impact Fee</u>
Duplex (1 or 2 Bedrooms)	0.833	\$ 1,841
Duplex (3 or more Bedrooms)	1.000	2,210
Multifamily (1 Bedroom)	0.583	1,288
Multifamily (efficiency less than 500 sq. ft.)	0.500	1,105
Multifamily (2 Bedrooms)	0.833	1,841
Multifamily (3 or more Bedrooms)	1.000	2,210
Mobile Home (1 or 2 Bedrooms)	0.667	1,474
Mobile Home (3 or more Bedrooms)	0.833	1,841

(3) Hotels and motels not having individual sewer connections: The sewer impact fee for each unit that is not individually metered shall be considered as 0.75 ERC's per unit. The sewer impact fee per each unit shall be one thousand six hundred fifty eight dollars (\$1,658) per unit.

(4) Housing for older persons not having individual sewer connections: The sewer impact fees for each unit of housing as defined by Florida Statute 760.29, as amended from time to time, that is not individually metered shall be considered as 0.75 ERC's per unit. The sewer impact fee per each unit of housing shall be one thousand six hundred fifty-eight dollars (\$1,658) per unit.

(5) Commercial customers: For all commercial and non-residential connections not specifically identified in one of the classifications listed above, the sewer impact fees shall be based on the average dependable daily capacity for the development or property identified by the applicant and as certified for the applicant by a registered Florida Professional Engineer using the city's potable water concurrency standards in Article IV, Chapter 3 of Appendix D, Land Development Code and as approved by the city expressed on a gallons per day basis multiplied by \$9.208 per gallon of capacity. In no event will the sewer impact fee charged to a commercial customer property be less than two thousand two hundred ten dollars (\$2,210). For each commercial customer that is presently connected to the city's system that constructs structural changes, additions or changes in permitted use of such property that shall result in an additional capacity impact to the city's sewer system, the sewer impact fee shall be based on the net increase in the average dependable daily capacity for the structural changes, additions, or changes in permitted use as determined above expressed on a gallons per day basis multiplied by \$9.208 per gallon of capacity.

To the extent that the average daily flow for a commercial connection during a consecutive twelve month period is greater than the average dependable daily capacity for which sewer impact fees have been paid, an additional sewer impact fee shall be assessed for the excess flow calculated in accordance with this section. No refund or credit shall be afforded to the owner of the property in the event that a diminution of use occurs.

(6) Each customer requesting sewer service from the City shall be required to pay to the City an amount equal to the actual cost as determined by the City as incurred for any modification or extension of the sewer system required to provide sewer service to the property requiring such service. The minimum charge to be billed by the City for the cost of a sewer connection is one hundred dollars (\$100), regardless of meter size. The payment of the sewer connection charges shall be in addition to the payment of the sewer impact fees.

Comparison of Water and Sewer Rates (as of October 1, 2016)

Service Provider	Water charge					Sewer charge					Combined water and sewer charge				
	0 Gallons	2,000 Gallons	5,000 Gallons	10,000 Gallons	15,000 Gallons	0 Gallons	2,000 Gallons	5,000 Gallons	10,000 Gallons	15,000 Gallons	0 Gallons	2,000 Gallons	5,000 Gallons	10,000 Gallons	15,000 Gallons
City of Melbourne	\$8.00	\$17.14	\$30.85	\$53.70	\$76.55	\$11.83	\$25.53	\$46.08	\$80.33	\$114.58	\$19.83	\$42.67	\$76.93	\$134.03	\$191.13
Brevard County	15.70	15.70	25.52	54.51	90.16	20.21	28.75	41.56	62.91	71.45	35.91	44.45	67.08	117.42	161.61
City of Cocoa	14.34	20.30	29.24	55.06	88.80	13.86	27.00	46.71	79.56	92.70	28.20	47.30	75.95	134.62	181.50
City of Palm Bay	13.80	21.08	32.00	55.65	84.80	20.25	31.35	48.00	75.75	75.75	34.05	52.43	80.00	131.40	160.55
City of Titusville	9.50	15.66	24.90	48.00	78.75	13.84	28.50	50.49	87.14	123.79	23.34	44.16	75.39	135.14	202.54
City of Vero Beach	13.60	15.26	17.75	31.65	45.55	19.89	27.07	37.84	55.79	73.74	33.49	42.33	55.59	87.44	119.29
City of West Melbourne	13.88	26.38	45.63	79.03	114.43	13.87	23.73	38.52	63.17	87.82	27.75	50.11	84.15	142.20	202.25

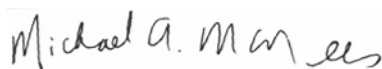
Data prepared by City of Melbourne Financial Services

Historical Bond Service Coverage

	For Fiscal Years Ending September 30				
	2012	2013	2014	2015	2016
Revenues					
Water sales	\$ 27,195,156	\$ 27,275,917	\$ 28,638,534	\$ 30,412,363	\$ 30,984,020
Sewer charges	18,100,459	18,083,757	19,292,642	20,527,181	20,817,696
Other revenues	2,364,142	2,337,345	2,376,670	2,822,167	2,324,743
Interest income	327,653	244,091	205,354	320,993	594,555
Total Operating Revenues⁽¹⁾	47,987,410	47,941,110	50,513,200	54,082,704	54,721,014
Operating Expense					
Salaries, wages and employee benefits	10,497,766	10,736,349	11,393,580	11,359,207	12,208,739
Other post employment benefits	535,072	311,038	325,603	97,197	97,668
Contractual services, materials, supplies	17,086,649	17,832,927	15,667,680	16,804,502	17,904,070
Total Operating Expense⁽¹⁾	28,119,487	28,880,314	27,386,863	28,260,906	30,210,477
Net Operating Income⁽¹⁾	19,867,923	19,060,796	23,126,337	25,821,798	24,510,537
Available Impact Fees⁽¹⁾	670,444	915,102	1,107,032	1,449,373	1,780,591
Available for Debt Service	\$ 20,538,367	\$ 19,975,898	\$ 24,233,369	\$ 27,271,171	\$ 26,291,128
Annual Debt Service Requirement					
Series 2002A	\$ 4,247,650	\$ -	\$ -	\$ -	\$ -
Series 2002B	-	1,805,000	1,465,000	3,455,000	3,455,000
Series 2004	2,323,105	1,604,725	1,602,200	-	-
Series 2007A	878,021	876,796	875,536	879,268	711,890
Series 2007B	1,667,750	1,665,150	1,666,750	1,667,350	1,190,375
Series 2012	-	1,739,378	2,238,894	483,694	482,694
Series 2013	-	331,302	525,412	1,040,413	1,039,962
Series 2014	-	-	25,519	949,194	953,156
Series 2016A	-	-	-	-	451,872
Series 2016B	-	-	-	-	170,767
Total Debt Service	\$ 9,116,526	\$ 8,022,351	\$ 8,399,311	\$ 8,474,919	\$ 8,455,716
Coverage					
Net Revenue 100% Test	218%	238%	275%	305%	290%
With Impact Fees 115% Test	225%	249%	289%	322%	311%

(1) Calculated according to bond ordinance and therefore not consistent with GAAP.

Respectfully submitted,



Michael A. McNees
City Manager

