

CITY OF MELBOURNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

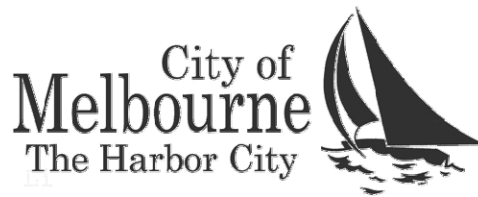


**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

City of Melbourne, Florida

**Comprehensive Annual
Financial Report**

For The Fiscal Year Ended September 30, 2017



CITY COUNCIL

Kathleen H. Meehan.....Mayor
Deborah R. ThomasVice Mayor, District 4
Timothy R. ThomasDistrict 1
Betty J. Moore.....District 2
Yvonne MinusDistrict 3
Paul S. AlfreyDistrict 5
Teresa LopezDistrict 6

CITY OFFICIALS

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

Prepared by: Financial Services Department



INTRODUCTORY SECTION

This section contains the following subsections:

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



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City of Melbourne



Financial Services Department

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

February 23, 2018

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, 2017, 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, 2017, 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, 2017, 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 requires 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 80,982. 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 economy featuring cutting edge communication, electronics, aerospace, advanced security, emerging technologies, and medical and service industries. Melbourne provides the needed infrastructure to support a superb quality of life for growing residential, business, and technological communities. Melbourne is home to such progressive companies as Northrop Grumman, Harris Corporation, Rockwell Collins, Embraer Executive Jets, GE Transportation, and Teletex. Health First Holmes Regional Medical Center, Brevard County's only state-accredited Level II trauma center, is also 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 of higher education include: Florida Institute of Technology (FIT), FIT Aviation, Eastern Florida State College (EFSC), Barry University, Embry-Riddle Aeronautical University, Keiser University, and Webster University.

Northrop Grumman Corp. was awarded a \$14.7 million dollar contract in 2017 to perform services for military-grade cargo aircraft with the U.S. Department of Defense. Northrop Grumman's Melbourne unit will deliver parts for the C-2A outer wing panels. This contract has a completion date in 2020. Northrop Grumman is also currently working on a 500,000 square foot business complex in Melbourne and plans on hiring nearly 2,000 additional workers for the multibillion-dollar contract to design and build the U.S. Air Force's stealth bomber aircraft.

Enhanced Resource Centers (ERC) is a global business outsourcing center whose nearly 3,000 employees worldwide provide clients with end to end scalable service. ERC has announced an expansion plan that will add a new location in Melbourne. This expansion will create over 350 jobs including customer service representatives, quality analysts, leadership roles, trainers, recruiters, and more.

Embraer is one of the world's leading executive jet manufacturers, with over 1,100 aircraft flying around the globe. Offering the broadest business jet portfolio, Embraer has invested significantly in Melbourne with expansions that plan to create 500 more jobs by 2020. The company has delivered nearly 250 business jets from the Melbourne plant and has grown to nearly 700 employees locally in 6 years. Embraer recently delivered the first Legacy 500 midsize business jet assembled at the Melbourne plant.

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 44% this year, the value of new residential construction increased 33%; and the overall residential property value within the City increased 10% for the fiscal year ending September 30, 2017. The number of new commercial permits increased 41%; and total commercial property values are 10% higher than the previous year. The population increased slightly this year, and the local unemployment rate decreased from 5.1% to 3.8%.

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, 2017 was 7.6886 mills, which is greater than the computed rolled back rate of 7.3351.

Long-term financial planning. Assigned and unassigned fund balance in the General fund is 31% of total fiscal year 2017 General fund expenditures and 30% of fiscal 2018 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, 2017 there is \$4,703,130 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, 2017 the working capital reserves were 51% of fiscal year 2017 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 \$797,294 to the Capital Construction Reserve was made which decreased the working capital reserves to 50% of the fiscal 2017 operating revenues. This is a 1% decrease from the previous year, primarily due to the rate increase being deferred at October 1, 2016. The Water and Sewer System fund transferred \$3,148,642 to the General fund, which represented 6.0% of sales as defined in the policy.

Major Initiatives. The Reverse Osmosis Water Treatment Plant's control hardware and instrumentation is being upgraded to improve the control system infrastructure. The new controls will run in an automatic mode with self-diagnostic features for assistance in troubleshooting faults and permissive lockouts.

The Autumn Woods Stormwater Quality Retrofit project includes the construction of a wet detention pond and associated piping. This project should reduce the City's total nitrogen and phosphorous discharge going into the Indian River Lagoon.

Relevant Financial Policies. The City of Melbourne has adopted a comprehensive set of financial policies, including 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, the original budget estimated revenues were less than appropriations (\$78,824,328 vs \$79,157,661). 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 \$333,333, which increased to \$1,205,931 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 a \$20,258 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, 2016. 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.

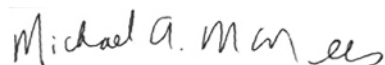
A Certificate of Achievement is valid for a period of one year only. The City of Melbourne has received a Certificate of Achievement for 30 years. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Financial Services staff under my direction as Assistant Finance Director. Sincere appreciation is expressed to our accountants, who 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**

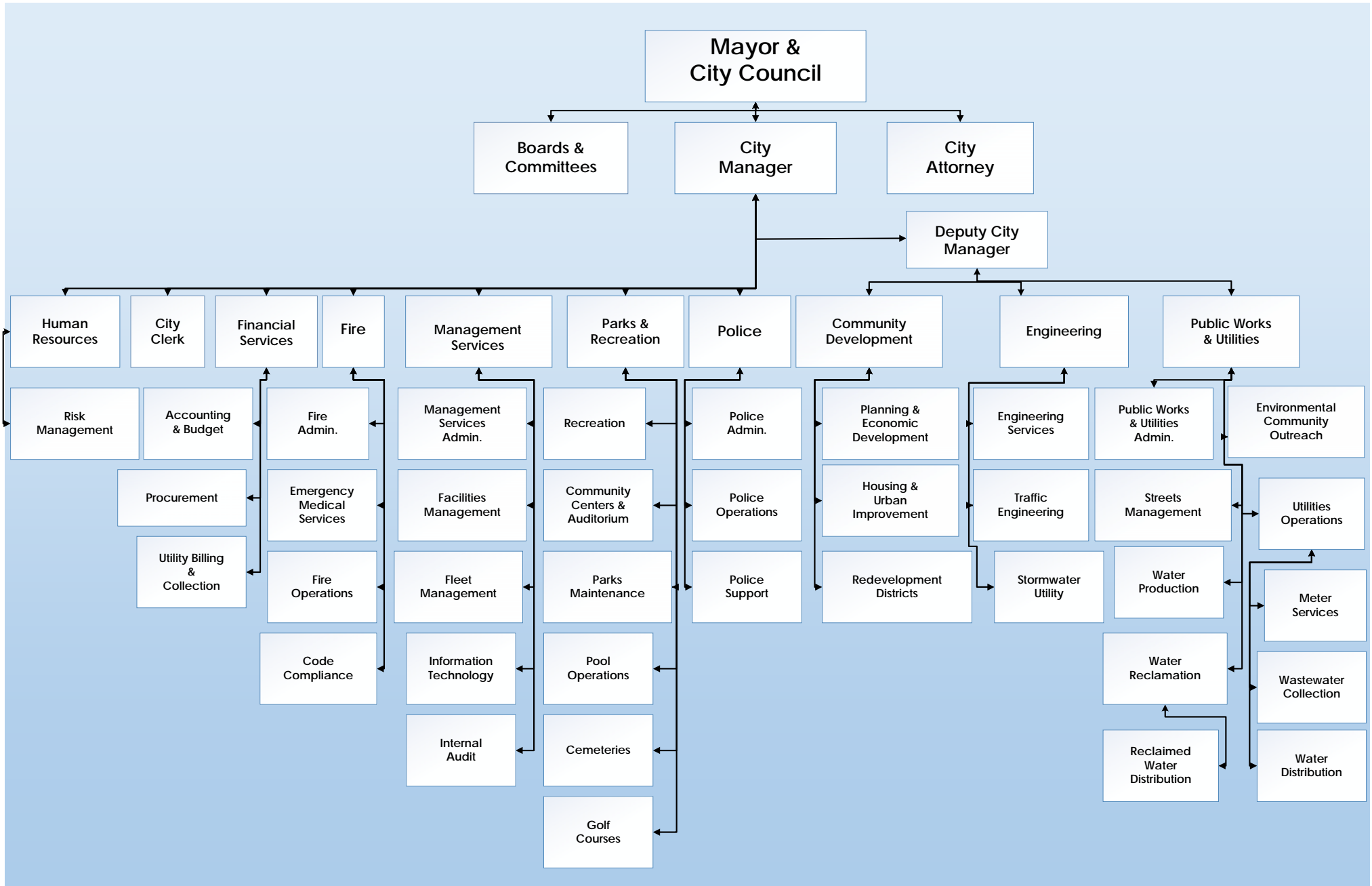
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

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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, 2017, 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, 2017, 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 84-100 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 February 23, 2018 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
February 23, 2018



**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, 2017. 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-ix of this report.

Financial Highlights

- The assets and deferred outflows of the City of Melbourne exceeded its liabilities and deferred inflows at September 30, 2017 by \$211,204,105. Of this amount \$18,106,543 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$14,886,179, \$6,113,477 in governmental activities and \$8,772,702 in business-type activities.
- As of September 30, 2017, the City's governmental funds reported combined ending fund balances of \$58,913,017 an increase of \$7,549,949 in comparison with the prior year. Approximately 31% of this amount (\$18,169,931) 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 \$23,133,162 or 31% of total General fund expenditures for fiscal year 2017.
- The City's total debt decreased \$5,495,991 during the current fiscal year. The reflects increases of \$467,788 for funds from the State Revolving Fund loan, offset by \$131,925 for net accretion on the Water and Sewer Refunding Revenue Bonds, Series 2002B and the normal reductions resulting from annual debt service and lease payments of \$5,831,854.

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.

**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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.

**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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 31-83 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 84-100 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 101-125 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 \$211,204,105. By far, the largest portion (\$155,313,869) of the City's net position (74%) 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

	Business-type					
	Governmental Activities		Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 70,021,019	\$ 62,240,399	\$ 94,686,169	\$ 90,284,329	\$ 164,707,188	\$ 152,524,728
Capital assets	90,032,222	91,577,012	163,938,603	165,099,907	253,970,825	256,676,919
Total assets	<u>160,053,241</u>	<u>153,817,411</u>	<u>258,624,772</u>	<u>255,384,236</u>	<u>418,678,013</u>	<u>409,201,647</u>
Total deferred outflows of resources	<u>22,500,036</u>	<u>24,110,672</u>	<u>6,896,433</u>	<u>8,075,790</u>	<u>29,396,469</u>	<u>32,186,462</u>
Liabilities						
Long-term liabilities outstanding	89,397,772	91,671,933	123,014,165	126,863,516	212,411,937	218,535,449
Other liabilities	4,991,358	4,582,826	11,423,970	13,350,163	16,415,328	17,932,989
Total liabilities	<u>94,389,130</u>	<u>96,254,759</u>	<u>134,438,135</u>	<u>140,213,679</u>	<u>228,827,265</u>	<u>236,468,438</u>
Total deferred inflows of resources	<u>7,505,563</u>	<u>7,128,217</u>	<u>537,549</u>	<u>1,473,528</u>	<u>8,043,112</u>	<u>8,601,745</u>
Net position						
Net investment in capital assets	81,588,488	82,079,774	73,725,381	69,542,203	155,313,869	151,621,977
Restricted	27,329,441	24,564,405	10,454,252	10,677,396	37,783,693	35,241,801
Unrestricted	<u>(28,259,345)</u>	<u>(32,099,072)</u>	<u>46,365,888</u>	<u>41,553,220</u>	<u>18,106,543</u>	<u>9,454,148</u>
Total net position	<u><u>\$ 80,658,584</u></u>	<u><u>\$ 74,545,107</u></u>	<u><u>\$ 130,545,521</u></u>	<u><u>\$ 121,772,819</u></u>	<u><u>\$ 211,204,105</u></u>	<u><u>\$ 196,317,926</u></u>

**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

An additional portion (\$37,783,693) 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 \$18,106,543 may be used to meet the City's ongoing obligations to citizens and creditors.

On September 30, 2017, 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 \$14,886,179 (8%) 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	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 15,438,135	\$ 14,924,130	\$ 59,063,431	\$ 58,883,500	\$ 74,501,566	\$ 73,807,630
Operating grants and contributions	6,564,181	7,117,618	-	-	6,564,181	7,117,618
Capital grants and contributions	997,676	903,067	3,687,662	1,884,001	4,685,338	2,787,068
General revenue:						
Property taxes	30,875,437	28,762,101	-	-	30,875,437	28,762,101
Other taxes	18,397,544	18,142,715	-	-	18,397,544	18,142,715
Grants and contributions not restricted to specific programs	9,512,376	8,117,198	-	-	9,512,376	8,117,198
Unrestricted investment earnings	506,200	657,927	563,796	695,166	1,069,996	1,353,093
Other	-	-	6,651	36,552	6,651	36,552
Total revenues	82,291,549	78,624,756	63,321,540	61,499,219	145,613,089	140,123,975
Expenses:						
General government	17,484,202	16,928,412	-	-	17,484,202	16,928,412
Public safety	42,771,938	40,329,521	-	-	42,771,938	40,329,521
Public works	9,049,033	8,145,791	-	-	9,049,033	8,145,791
Parks and recreation	6,986,112	6,927,039	-	-	6,986,112	6,927,039
Housing and urban improvement	1,252,620	1,298,756	-	-	1,252,620	1,298,756
Interest on long-term debt	342,693	394,519	-	-	342,693	394,519
Unallocated depreciation	3,364,937	3,322,705	-	-	3,364,937	3,322,705
Water and sewer	-	-	45,050,186	45,201,038	45,050,186	45,201,038
Golf courses	-	-	2,404,043	2,642,683	2,404,043	2,642,683
Stormwater utility	-	-	2,023,246	1,323,778	2,023,246	1,323,778
Total expenses	81,251,535	77,346,743	49,477,475	49,167,499	130,729,010	126,514,242
Increase in net position before contributions to permanent funds and transfers	1,040,014	1,278,013	13,844,065	12,331,720	14,884,079	13,609,733
Contributions to permanent funds	2,100	2,500	-	-	2,100	2,500
Transfers	5,071,363	2,640,177	(5,071,363)	(2,640,177)	-	-
Increase in net position	6,113,477	3,920,690	8,772,702	9,691,543	14,886,179	13,612,233
Net position - October 1	74,545,107	70,624,417	121,772,819	112,081,276	196,317,926	182,705,693
Net position - September 30	\$ 80,658,584	\$ 74,545,107	\$ 130,545,521	\$ 121,772,819	\$ 211,204,105	\$ 196,317,926

**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Governmental Activities. Governmental activities increased the City's net position by \$6,113,477. Charges for services increased \$514,005, primarily due to increases in building related permits. The \$553,437 decrease in operating grants primarily reflects the prior year funding for dredging projects. The \$2,113,336 increase in property taxes is due to the rise in taxable assessed value as the local economy continues to rebound. The increase in unrestricted grants and contributions of \$1,395,178 is primarily due to increases in shared tax revenues and impact fees as the commercial transportation impact fee moratorium expired.

Total governmental activities expenses increased by \$3,904,792. General government expenses increased \$555,790, reflecting FRS/HIS pension adjustments. Public safety expenses increased by \$2,442,417, primarily due to contractual salary increases. Public works expenses increased \$903,242, primarily for street resurfacing.

Transfers increased by \$2,431,186, primarily due to contributions from the Water and Sewer fund for utility improvements in the Hickory Street Complete Project #85014 (\$2,000,000) and from the Storm Water fund for the pond in the US1/Sarno Right Turn Lane Project #64212 (\$138,261).

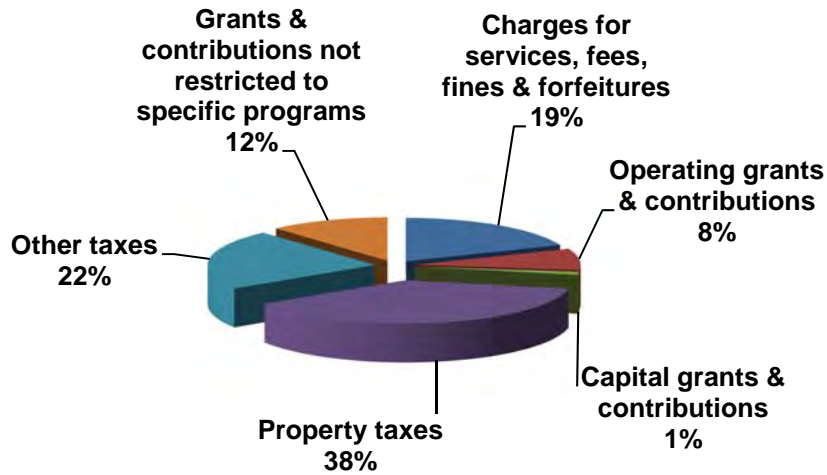
Business-type Activities. Business-type activities increased the City's net position by \$8,772,702. Charges for services increased \$179,931, primarily due to increased water consumption. Capital grants and contributions increased \$1,803,661, primarily due to FDEP grants received for the Stormwater Autumn Woods Improvements, baffle boxes at Bell Avenue and Garfield Street, and South Croton Baffle Box projects. Increases in water and sewer dedications and increases in water and sewer impact fees also contributed to the increase.

Water and Sewer expenses decreased (\$150,852), primarily due to prior year bond issue expense. Golf courses fund expenses decreased (\$238,640), primarily due to prior year payments to the Florida Retirement System for misclassified employees from 1996 to the present. Stormwater expenses increased \$699,468, due to increases in water quality monitoring for completed projects, contribution to Brevard County to help fund stormwater upgrades in the Kingsmill subdivision area and depreciation.

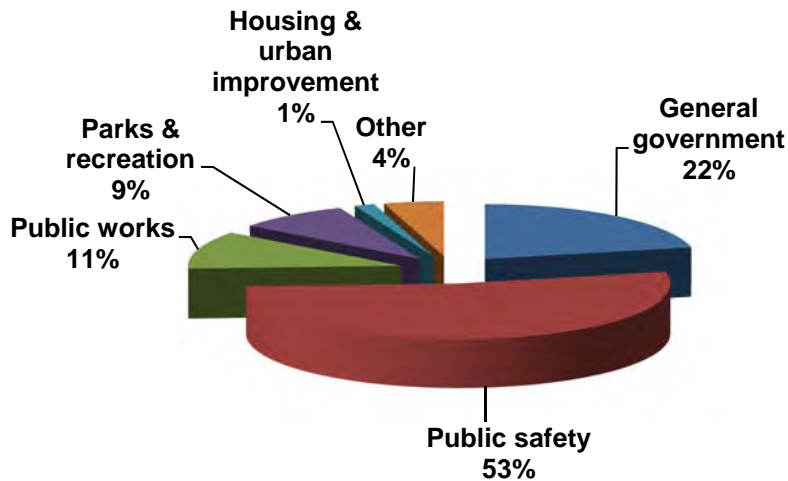
**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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

Revenue by Source - Governmental Activities



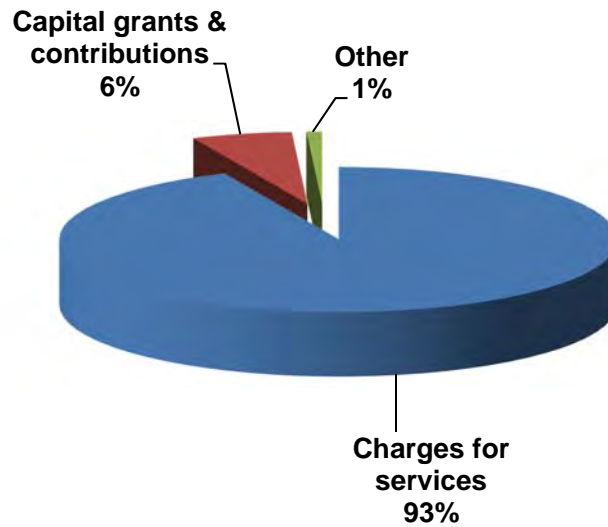
Expenditures by Function - Governmental Activities



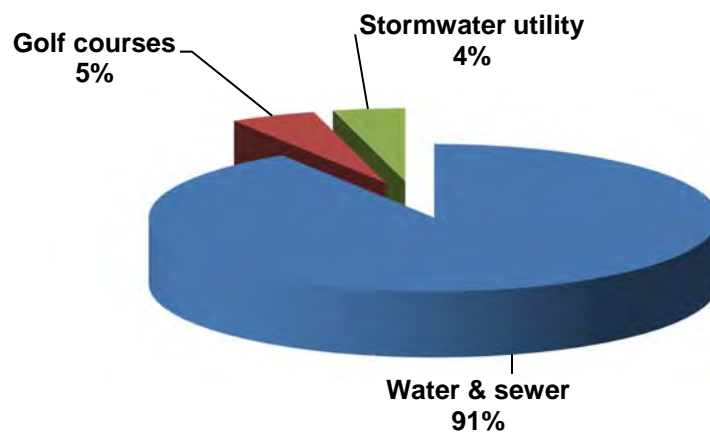
**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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



**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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 \$58,913,017, an increase of \$7,549,949 in comparison with the prior year. Approximately 31% (\$18,169,931) 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 (\$905,748), 2) restricted for specific purposes (\$27,019,983), 3) restricted for debt service (\$143,403), 4) committed for economic development (\$333,334), or 5) assigned to pay for obligations previously authorized by the City (\$12,340,618).

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 \$23,133,162 while total fund balance was \$24,404,393. 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 31% of total fiscal year 2017 General fund expenditures and 30% of fiscal 2018 appropriations. Total fund balance represents 33% of total fiscal year 2017 General fund expenditures and 30% of fiscal 2018 appropriations.

The fund balance of the City's General fund increased by \$2,531,383 during the current fiscal year, primarily a result of an increase in revenues combined with controlled spending to reduce expenditures. All other governmental funds increased by \$5,018,566, 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 \$633,774 to bring the year end fund balance to \$22,934,529. Assigned fund balance decreased (\$560,211) due to spending for road resurfacing projects. Fund balance restricted for transportation increased \$1,193,985 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 \$40,911,448. The unrestricted net position for the Stormwater Utility and Golf Courses fund were \$6,676,209 and (\$1,253,399), respectively. The net position in the Water and Sewer System and Stormwater Utility increased by \$7,108,204, and \$1,746,398 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 (\$20,825). The net position for total business-type activities decreased \$61,075 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 84 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 the budget exceeding total revenues, transfers in and sale of capital assets by \$1,772,875 and total expenditures and transfers out of \$2,958,548 less than appropriated. This is primarily a result of outstanding anticipated FEMA hurricane reimbursements offset by increases in transfers in and sale of capital assets in conjunction with appropriations exceeding actual expenditures across the board. Since expenditures were less than budgetary estimates, the change in fund balance in the General fund was \$1,185,673 higher than budgeted.

**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of September 30, 2017 total \$253,970,825 (net of accumulated depreciation). The capital assets include land, buildings, improvements other than buildings, machinery and equipment, intangibles, and general governmental infrastructure. The total decrease in the City's capital assets for the current fiscal year was 1.05% (a 1.69% decrease in governmental activities and a 0.7% decrease for business-type activities).

City of Melbourne's Capital Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 27,093,568	\$ 25,708,544	\$ 4,801,928	\$ 4,709,778	\$ 31,895,496	\$ 30,418,322
Buildings	18,974,510	19,646,439	26,743,253	27,290,378	45,717,763	46,936,817
Improvements other than buildings	3,977,099	3,992,305	119,220,480	113,892,784	123,197,579	117,885,089
Machinery and equipment	7,031,176	6,617,726	4,378,729	3,868,418	11,409,905	10,486,144
Intangibles, computer software	334,543	418,392	-	30,732	334,543	449,124
Infrastructure	29,934,471	32,545,130	-	-	29,934,471	32,545,130
Construction in progress	2,686,855	2,648,476	8,794,213	15,307,817	11,481,068	17,956,293
Total capital assets, net of depreciation/amortization	<u>\$ 90,032,222</u>	<u>\$ 91,577,012</u>	<u>\$ 163,938,603</u>	<u>\$ 165,099,907</u>	<u>\$ 253,970,825</u>	<u>\$ 256,676,919</u>

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

- \$656,888 in developer donated right-of-ways.
- \$422,278 pumper fire truck purchase.
- \$695,252 in right-of-ways for sidewalk and street improvements.
- \$391,132 sewer vac truck for waste water collection division.
- \$6.6 million expended on D.B. Lee water reclamation plant energy upgrades.

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 debt outstanding of \$110,485,810. Of this amount, \$7,692,390 represents Public Improvement Bonds secured solely by specified revenue sources in the Governmental funds, and \$91,240,292 for Water and Sewer Revenue Bonds and \$10,591,343 for state revolving loans, secured solely by revenues of the Water and Sewer fund.

City of Melbourne's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Public improvement bonds	\$ 7,692,390	\$ 8,618,541	\$ -	\$ -	\$ 7,692,390	\$ 8,618,541
Revenue bonds	-	-	91,240,292	95,375,190	91,240,292	95,375,190
Capital leases	568,841	782,969	392,944	551,064	961,785	1,334,033
State Revolving Fund loans	-	-	10,591,343	10,654,037	10,591,343	10,654,037
Total	<u>\$ 8,261,231</u>	<u>\$ 9,401,510</u>	<u>\$ 102,224,579</u>	<u>\$ 106,580,291</u>	<u>\$ 110,485,810</u>	<u>\$ 115,981,801</u>

The City of Melbourne's total debt decreased 4.74%. The primary factor was a result of normal principal payments of outstanding debts.

Governmental activities debt decreased \$1,140,279. The decrease reflects \$926,151 in normal bond principal payments and \$214,128 in capital lease payments.

**CITY OF MELBOURNE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Business-type activities debt decreased \$4,355,712. The decrease reflects \$4,002,973 in normal bonds principal payments, net accretion of \$131,925 in the Water and Sewer Refunding Bonds Series 2002B, State Revolving Fund loan repayment of \$530,482, golf course capital lease payments of \$158,120, offset by additional State Revolving Fund loan proceeds of \$467,788.

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 Aa2 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, 2017 for the City of Melbourne was 3.8%, which is a decrease from a rate of 5.1% last year. This is lower than the national average unemployment rate of 4.2% and the same as the state average rate of 3.8%.
- The previously adopted water and sewer utility rate increase of 5.5% has been deferred until October 1, 2018.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	International Airport
ASSETS				
Cash and cash equivalents	\$ 22,865	\$ 51,263	\$ 74,128	\$ 3,827,269
Equity in pooled investments	61,453,350	66,883,968	128,337,318	-
Investments, at fair value	-	-	-	11,901,498
Receivables, net	3,642,280	10,133,018	13,775,298	1,550,151
Interest receivable	154,124	175,858	329,982	41,107
Internal balances	267,410	(267,410)	-	-
Due from fiduciary funds	10,524	-	10,524	-
Due from component unit	60,515	-	60,515	-
Due from other governments	2,036,206	869,200	2,905,406	3,960,540
Inventory	215,210	1,181,052	1,396,262	7,063
Prepaid items	1,203,368	169,994	1,373,362	10,205
Land held for resale	215,000	-	215,000	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	9,800,620	9,800,620	703,442
Equity in pooled investments	-	958,260	958,260	-
Investments, at fair value	-	4,599,018	4,599,018	-
Receivables	-	-	-	183,839
Interest receivable	-	2,569	2,569	-
Due from other governments	7,365	-	7,365	4,968,173
Permanently restricted:				
Equity in pooled investments	174,524	-	174,524	-
Noncurrent lease receivable	-	-	-	1,051,167
Net pension asset	558,278	128,759	687,037	54,630
Capital assets:				
Nondepreciable:				
Land	27,093,568	4,801,928	31,895,496	6,899,179
Construction in progress	2,686,855	8,794,213	11,481,068	16,678,353
Depreciable:				
Buildings	34,063,998	82,501,776	116,565,774	118,429,135
Improvements other than buildings	13,845,291	275,788,077	289,633,368	79,421,895
Machinery and equipment	26,108,758	18,522,362	44,631,120	10,691,948
Intangibles, computer software	1,874,249	403,511	2,277,760	293,723
Infrastructure	137,024,967	-	137,024,967	-
Less accumulated depreciation/ amortization	(152,665,464)	(226,873,264)	(379,538,728)	(88,248,095)
Total assets	160,053,241	258,624,772	418,678,013	172,425,222
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows, pensions	22,500,036	4,282,388	26,782,424	1,387,306
Deferred amount on advance refunding	-	2,614,045	2,614,045	-
Total deferred outflows	22,500,036	6,896,433	29,396,469	1,387,306

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	1,616,403	2,750,868	4,367,271	453,399
Accrued payroll expenses	2,489,644	212,338	2,701,982	77,121
Accrued interest payable	113,550	-	113,550	1,498
Due to fiduciary funds	583	-	583	-
Due to primary government	-	-	-	60,515
Due to other governments	83,193	2,213,976	2,297,169	459,407
Deposits	525,821	-	525,821	-
Unearned revenue	162,164	38,727	200,891	5,155,193
Current liabilities payable from restricted assets	-	6,208,061	6,208,061	5,580,854
Noncurrent liabilities:				
Due within one year:				
Accrued claims	787,583	-	787,583	-
Compensated absences	1,466,103	393,537	1,859,640	150,456
State Revolving Fund loan payable	-	472,705	472,705	-
Capital leases payable	203,982	134,175	338,157	119,203
Bonds payable	963,074	-	963,074	-
Due in more than one year:				
Liabilities payable from restricted assets	-	3,678,287	3,678,287	274,600
Accrued claims	2,360,107	-	2,360,107	-
Compensated absences	2,103,252	355,226	2,458,478	211,739
Capital leases payable	364,859	258,769	623,628	504,777
State Revolving Fund loan payable	-	10,038,504	10,038,504	-
Other post employment benefits	15,591,171	3,422,728	19,013,899	894,673
Net pension liability	58,828,325	11,155,400	69,983,725	3,137,830
Bonds payable, net of unamortized premium and discount	6,729,316	93,104,834	99,834,150	-
Total liabilities	94,389,130	134,438,135	228,827,265	17,081,265
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows, pensions	6,759,452	537,549	7,297,001	346,222
Deferred revenue, business tax receipts	746,111	-	746,111	-
Total deferred inflows of resources	7,505,563	537,549	8,043,112	346,222
NET POSITION				
Net investment in capital assets	81,588,488	73,725,381	155,313,869	137,836,304
Restricted - nonexpendable	174,964	-	174,964	-
Restricted for:				
Debt service	134,494	9,838,169	9,972,663	-
Renewal and replacement	-	250,000	250,000	-
Capital improvements	23,414,274	366,083	23,780,357	5,580,854
Legal restrictions	19,835	-	19,835	-
Housing and urban improvement	710,391	-	710,391	-
Economic development	2,724,215	-	2,724,215	-
Public safety	151,268	-	151,268	-
Unrestricted	(28,259,345)	46,365,888	18,106,543	12,967,883
Total net position	\$ 80,658,584	\$ 130,545,521	\$ 211,204,105	\$ 156,385,041

CITY OF MELBOURNE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 17,484,202	\$ 11,432,709	\$ 51,041	\$ -
Public safety - fire and police	42,771,938	1,715,871	1,408,906	10,284
Public works	9,049,033	1,161,085	3,928,379	710,682
Parks and recreation	6,986,112	1,128,470	80,640	50,000
Housing and urban improvement	1,252,620	-	1,095,215	226,710
Interest on long-term debt	342,693	-	-	-
Unallocated depreciation	3,364,937	-	-	-
Total governmental activities	<u>81,251,535</u>	<u>15,438,135</u>	<u>6,564,181</u>	<u>997,676</u>
Business-type activities:				
Water and sewer	45,050,186	54,143,079	-	2,618,011
Golf courses	2,404,043	2,133,504	-	-
Stormwater utility	2,023,246	2,786,848	-	1,069,651
Total business-type activities	<u>49,477,475</u>	<u>59,063,431</u>	<u>-</u>	<u>3,687,662</u>
Total primary government	<u>\$ 130,729,010</u>	<u>\$ 74,501,566</u>	<u>\$ 6,564,181</u>	<u>\$ 4,685,338</u>
Component unit - Airport	<u>\$ 26,597,903</u>	<u>\$ 17,594,456</u>	<u>\$ 988,580</u>	<u>\$ 13,014,803</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
\$ (6,000,452)	\$	\$ (6,000,452)	\$
(39,636,877)		(39,636,877)	
(3,248,887)		(3,248,887)	
(5,727,002)		(5,727,002)	
69,305		69,305	
(342,693)		(342,693)	
(3,364,937)		(3,364,937)	
<u>(58,251,543)</u>		<u>(58,251,543)</u>	
-	11,710,904	11,710,904	
-	(270,539)	(270,539)	
-	1,833,253	1,833,253	
<u>-</u>	<u>13,273,618</u>	<u>13,273,618</u>	
<u>(58,251,543)</u>	<u>13,273,618</u>	<u>(44,977,925)</u>	
			<u>4,999,936</u>
30,875,437	-	30,875,437	-
11,523,700	-	11,523,700	-
6,873,844	-	6,873,844	-
9,512,376	-	9,512,376	-
506,200	563,796	1,069,996	171,265
-	6,651	6,651	-
2,100	-	2,100	-
<u>5,071,363</u>	<u>(5,071,363)</u>	<u>-</u>	<u>-</u>
<u>64,365,020</u>	<u>(4,500,916)</u>	<u>59,864,104</u>	<u>171,265</u>
6,113,477	8,772,702	14,886,179	5,171,201
<u>74,545,107</u>	<u>121,772,819</u>	<u>196,317,926</u>	<u>151,213,840</u>
<u>\$ 80,658,584</u>	<u>\$ 130,545,521</u>	<u>\$ 211,204,105</u>	<u>\$ 156,385,041</u>

CITY OF MELBOURNE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Downtown Redevelopment Fund	Babcock Street Redevelopment Fund
ASSETS			
Cash and cash equivalents	\$ 22,865	\$ -	\$ -
Equity in pooled investments	22,979,623	343,845	731,352
Receivables (net of allowance of \$1,796)	3,543,808	-	-
Interest receivable	88,677	938	1,859
Due from other funds	113,390	-	-
Due from fiduciary funds	10,524	-	-
Due from component unit	60,515	-	-
Due from other governments	1,798,979	-	-
Due from other governments, restricted	7,365	-	-
Advances to other funds	286,954	-	-
Inventory	215,210	-	-
Prepaid items	13,620	-	-
Land held for resale	215,000	-	-
Total assets	<u>\$ 29,356,530</u>	<u>\$ 344,783</u>	<u>\$ 733,211</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,124,670	\$ 248	\$ 134
Accrued payroll expenditures	2,478,509	3,536	3,801
Due to other funds	-	-	-
Due to fiduciary funds	583	-	-
Due to other governments	83,193	-	-
Advances from other funds	-	-	-
Deposits	402,937	-	-
Unearned revenue	116,134	-	-
Total liabilities	<u>4,206,026</u>	<u>3,784</u>	<u>3,935</u>
Deferred inflows of resources:			
Deferred and unavailable revenue	<u>746,111</u>	<u>-</u>	<u>-</u>
Fund balances:			
Non-spendable:			
Long-term advances to other funds	286,954	-	-
Inventory	215,210	-	-
Prepays	13,620	-	-
Land held for resale	215,000	-	-
Perpetual care	-	-	-
Restricted:			
Public safety, law enforcement	43,875	-	-
Housing and urban improvement	-	-	-
Debt service	143,403	-	-
Economic development	-	340,999	729,276
Capital improvements	-	-	-
Transportation improvement	-	-	-
Recreation improvement	-	-	-
Legal restrictions	-	-	-
Fireworks display	19,835	-	-
Committed for economic development	333,334	-	-
Assigned:			
General government	314,903	-	-
Public safety, law enforcement	105,260	-	-
Public safety, fire protection	69,251	-	-
Public works	1,992,476	-	-
Parks and recreation	425,085	-	-
Housing and community development	2,128	-	-
Capital improvements	1,763,378	-	-
Subsequent years budget	290,750	-	-
Unassigned	<u>18,169,931</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>24,404,393</u>	<u>340,999</u>	<u>729,276</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,356,530</u>	<u>\$ 344,783</u>	<u>\$ 733,211</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
484,750	23,030,936	10,230,115	57,800,621
-	-	-	3,543,808
1,226	41,262	10,926	144,888
-	-	-	113,390
-	-	-	10,524
-	-	-	60,515
-	-	237,227	2,036,206
-	-	-	7,365
-	-	-	286,954
-	-	-	215,210
-	-	-	13,620
-	-	-	215,000
<u>\$ 485,976</u>	<u>\$ 23,072,198</u>	<u>\$ 10,478,268</u>	<u>\$ 64,470,966</u>

\$ -	\$ 130,577	\$ 195,939	\$ 1,451,568
1,468	-	-	2,487,314
39,390	-	-	39,390
-	-	-	583
-	-	-	83,193
61,914	-	-	61,914
-	7,092	115,683	525,712
-	-	46,030	162,164
<u>102,772</u>	<u>137,669</u>	<u>357,652</u>	<u>4,811,838</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>746,111</u>

-	-	-	286,954
-	-	-	215,210
-	-	-	13,620
-	-	-	215,000
-	-	174,964	174,964
-	-	107,393	151,268
-	-	710,391	710,391
-	-	-	143,403
383,204	-	1,270,736	2,724,215
-	-	1,457,251	1,457,251
-	20,076,185	955,466	21,031,651
-	-	925,372	925,372
-	-	-	19,835
-	-	-	333,334
-	-	-	314,903
-	-	-	105,260
-	-	-	69,251
-	-	-	1,992,476
-	-	-	425,085
-	-	-	2,128
-	2,858,344	4,519,043	9,140,765
-	-	-	290,750
-	-	-	18,169,931
<u>383,204</u>	<u>22,934,529</u>	<u>10,120,616</u>	<u>58,913,017</u>
<u>\$ 485,976</u>	<u>\$ 23,072,198</u>	<u>\$ 10,478,268</u>	<u>\$ 64,470,966</u>

CITY OF MELBOURNE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total *fund balances* for governmental funds \$ 58,913,017

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	\$ 27,093,568	\$ -	
Construction in progress	2,686,855	-	
Buildings	34,063,998	(15,089,488)	
Improvements	13,845,291	(9,868,192)	
Machinery and equipment	26,085,384	(19,054,208)	
Intangibles, computer software	1,874,249	(1,539,706)	
Infrastructure	137,024,967	(107,090,496)	
Total capital assets	<u>\$ 242,674,312</u>	<u>\$ (152,642,090)</u>	90,032,222

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	\$ 533,990	
Net pension liability	(58,652,860)	
Deferred outflows - pensions	22,428,060	
Deferred inflows - pensions	<u>(6,736,559)</u>	(42,427,369)

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. 1,629,103

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	\$ (113,550)	
Special obligation bonds	(7,692,390)	
Capital leases	(568,841)	
Compensated absences	(3,564,718)	
Other post employment benefits	<u>(15,548,890)</u>	
Total long-term liabilities and associated accrued interest		<u>(27,488,389)</u>

Net position of governmental activities \$ 80,658,584

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, 2017

	General Fund	Downtown Redevelopment Fund	Babcock Street Redevelopment Fund
REVENUES			
Taxes:			
Property	\$ 30,875,437	\$ -	\$ -
Utility and telecommunications	11,523,700	-	-
Franchise fees	6,873,844	-	-
Intergovernmental	12,978,666	1,112,329	889,368
Charges for services	9,323,674	-	-
Impact fees	-	-	-
Licenses and permits	3,993,327	-	-
Confiscated property	-	-	-
Fines, forfeitures, penalties and fees	241,941	-	-
Investment earnings	232,745	7,269	10,010
Perpetual care endowment additions	-	-	-
Other revenues	915,246	-	-
Total revenues	<u>76,958,580</u>	<u>1,119,598</u>	<u>899,378</u>
EXPENDITURES			
Current:			
General government	15,098,711	803,879	226,342
Public safety	43,548,485	-	-
Public works	7,182,370	-	-
Parks and recreation	6,302,782	-	-
Housing and urban improvement	482,569	-	-
Debt service:			
Principal	790,503	135,648	-
Interest and fiscal agent fees	314,707	16,716	-
Capital outlay	-	-	-
Total expenditures	<u>73,720,127</u>	<u>956,243</u>	<u>226,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,238,453</u>	<u>163,355</u>	<u>673,036</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,335,764	-	-
Transfers out	(4,181,852)	(32,270)	(450,135)
Sale of capital assets	139,018	-	-
Total other financing sources (uses)	<u>(707,070)</u>	<u>(32,270)</u>	<u>(450,135)</u>
Net change in fund balances	2,531,383	131,085	222,901
Fund balances, October 1	<u>21,873,010</u>	<u>209,914</u>	<u>506,375</u>
Fund balances, September 30	<u><u>\$ 24,404,393</u></u>	<u><u>\$ 340,999</u></u>	<u><u>\$ 729,276</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
\$ -	\$ -	\$ -	\$ 30,875,437
-	-	-	11,523,700
-	-	-	6,873,844
341,043	-	1,325,761	16,647,167
-	-	-	9,323,674
-	972,990	667,144	1,640,134
-	-	-	3,993,327
-	-	7,242	7,242
-	-	-	241,941
6,090	186,984	46,797	489,895
-	-	2,100	2,100
-	-	100,732	1,015,978
<u>347,133</u>	<u>1,159,974</u>	<u>2,149,776</u>	<u>82,634,439</u>
158,036	-	31,665	16,318,633
-	-	-	43,548,485
-	2,188,934	10,590	9,381,894
-	-	12,000	6,314,782
-	-	690,926	1,173,495
-	-	-	926,151
3,175	-	-	334,598
-	1,353,469	943,770	2,297,239
<u>161,211</u>	<u>3,542,403</u>	<u>1,688,951</u>	<u>80,295,277</u>
<u>185,922</u>	<u>(2,382,429)</u>	<u>460,825</u>	<u>2,339,162</u>
-	3,267,319	3,680,880	10,283,963
(20,135)	(251,116)	(276,686)	(5,212,194)
-	-	-	139,018
<u>(20,135)</u>	<u>3,016,203</u>	<u>3,404,194</u>	<u>5,210,787</u>
165,787	633,774	3,865,019	7,549,949
217,417	22,300,755	6,255,597	51,363,068
<u>\$ 383,204</u>	<u>\$ 22,934,529</u>	<u>\$ 10,120,616</u>	<u>\$ 58,913,017</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, 2017**

Net change in *fund balances* - total governmental funds \$ 7,549,949

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	\$ 4,683,939	
Depreciation and amortization expense	<u>(6,709,814)</u>	(2,025,875)

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	\$ (175,803)	
Transfer of capital assets to business-type activities		
Building improvements	\$ 4,675	
Accumulated depreciation	<u>(4,675)</u>	<u>(175,803)</u>

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. (654,240)

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	\$ 926,151	
Principal repayment, leases	<u>214,128</u>	1,140,279

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	\$ (373,460)	
Accrued interest on bonds and notes	(113,550)	
Compensated absences	<u>(22,528)</u>	(509,538)

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>131,394</u>	131,394
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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.

Right of way contributions	\$ 656,888	
Capital assets purchased from business-type activities		
Machinery and equipment	\$ 142,640	
Accumulated depreciation	<u>(142,640)</u>	<u>656,888</u>

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.

		<u>423</u>
Change in net position of governmental activities		<u><u>\$ 6,113,477</u></u>

The accompanying notes are an integral part of this statement.



CITY OF MELBOURNE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	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	\$ 49,063	\$ 2,200	\$ 51,263	\$ -
Cash and cash equivalents, restricted	6,122,206	-	6,122,206	-
Equity in pooled investments	60,976,217	5,907,751	66,883,968	3,827,253
Equity in pooled investments, restricted	102,484	-	102,484	-
Receivables, trade				
Billed (net of allowance of \$ 285,000)	6,436,453	41,702	6,478,155	98,472
Unbilled	3,654,863	-	3,654,863	-
Interest receivable	160,359	15,499	175,858	9,236
Interest receivable, restricted	2,569	-	2,569	-
Due from other governments	-	869,200	869,200	-
Inventory	1,127,411	53,641	1,181,052	-
Prepaid items	164,244	5,750	169,994	1,189,748
Total current assets	78,795,869	6,895,743	85,691,612	5,124,709
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	3,678,414	-	3,678,414	-
Equity in pooled investments	855,776	-	855,776	-
Investments, at fair value	4,599,018	-	4,599,018	-
Total noncurrent restricted assets	9,133,208	-	9,133,208	-
Net pension asset	118,313	10,446	128,759	24,288
Total noncurrent, nonrestricted assets	118,313	10,446	128,759	24,288
Capital assets:				
Nondepreciable:				
Land	3,187,121	1,614,807	4,801,928	-
Construction in progress	7,279,490	1,514,723	8,794,213	-
Depreciable:				
Buildings	81,674,112	827,664	82,501,776	-
Improvements other than buildings	257,661,641	18,126,436	275,788,077	-
Machinery and equipment	14,675,731	3,846,631	18,522,362	23,374
Intangibles, computer software	363,416	40,095	403,511	-
Less accumulated depreciation/amortization	(217,677,395)	(9,195,869)	(226,873,264)	(23,374)
Total capital assets, net of accumulated depreciation/amortization	147,164,116	16,774,487	163,938,603	-
Total noncurrent assets	156,415,637	16,784,933	173,200,570	24,288
Total assets	235,211,506	23,680,676	258,892,182	5,148,997
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows, pensions	3,905,396	376,992	4,282,388	71,976
Deferred amount on advance refunding	2,614,045	-	2,614,045	-
Total deferred outflows	6,519,441	376,992	6,896,433	71,976

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	2,622,198	128,670	2,750,868	164,835
Accrued payroll expenses	195,284	17,054	212,338	2,330
Accrued claims	-	-	-	787,583
Due to other funds	-	74,000	74,000	-
Due to other governments	2,171,321	42,655	2,213,976	-
Compensated absences	368,040	25,497	393,537	3,143
Deposits	-	-	-	109
Unearned revenue	-	38,727	38,727	-
Capital leases payable	-	134,175	134,175	-
State Revolving Fund loan payable	472,705	-	472,705	-
Current liabilities payable from restricted assets:				
Accounts payable	346	-	346	-
Accrued interest payable	1,227,581	-	1,227,581	-
State Revolving Fund loan payable	80,134	-	80,134	-
Revenue bonds payable	4,900,000	-	4,900,000	-
Total current liabilities	12,037,609	460,778	12,498,387	958,000
Noncurrent liabilities:				
Customer deposits payable from restricted assets	3,678,287	-	3,678,287	-
Advances from other funds	-	225,040	225,040	-
Accrued claims	-	-	-	2,360,107
Compensated absences	336,882	18,344	355,226	1,494
Capital leases payable	-	258,769	258,769	-
State Revolving Fund loan payable	10,038,504	-	10,038,504	-
Other post employment benefits	3,059,654	363,074	3,422,728	42,281
Net pension liability	10,229,024	926,376	11,155,400	175,465
Revenue bonds payable, net of unamortized premium and discount	93,104,834	-	93,104,834	-
Total noncurrent liabilities	120,447,185	1,791,603	122,238,788	2,579,347
Total liabilities	132,484,794	2,252,381	134,737,175	3,537,347
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows, pensions	481,520	56,029	537,549	22,893
NET POSITION				
Net investment in capital assets	57,398,933	16,326,448	73,725,381	-
Restricted for:				
Debt service	9,838,169	-	9,838,169	-
Renewal and replacement	250,000	-	250,000	-
Capital improvements	366,083	-	366,083	-
Unrestricted	40,911,448	5,422,810	46,334,258	1,660,733
Total net position	\$ 108,764,633	\$ 21,749,258	130,513,891	\$ 1,660,733
Adjustment to reflect the consolidation of internal service fund activities				
Related to enterprise funds for the current year			(61,075)	
Related to enterprise funds for prior years			92,705	
Net position of business-type activities			\$ 130,545,521	

CITY OF MELBOURNE, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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 \$110,327)	\$ 31,416,683	\$ -	\$ 31,416,683	\$ -
Sewer charges (net of bad debt of \$73,552)	20,764,593	-	20,764,593	-
Golf course fees	-	2,068,226	2,068,226	-
Stormwater fees	-	2,786,563	2,786,563	-
Charges to other funds	-	-	-	4,259,569
Charges to component unit	-	-	-	615,268
Other revenues	1,961,803	65,563	2,027,366	195
Total operating revenues	54,143,079	4,920,352	59,063,431	4,875,032
OPERATING EXPENSES				
Salaries, wages and employee benefits	13,044,706	1,122,736	14,167,442	198,926
Contractual services, materials and supplies	17,471,928	2,429,369	19,901,297	2,814,249
Claims	-	-	-	1,951,410
Depreciation and amortization	10,477,222	856,660	11,333,882	-
Total operating expenses	40,993,856	4,408,765	45,402,621	4,964,585
Operating income (loss)	13,149,223	511,587	13,660,810	(89,553)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	512,877	50,919	563,796	29,307
Interest expense	(3,993,143)	(15,558)	(4,008,701)	-
Gain (loss) on sale/disposal of capital assets	(5,078)	6,651	1,573	-
Total nonoperating revenues (expenses)	(3,485,344)	42,012	(3,443,332)	29,307
Income (loss) before contributions and transfers	9,663,879	553,599	10,217,478	(60,246)
Capital contributions	2,618,011	1,069,651	3,687,662	-
Transfers in	-	243,291	243,291	-
Transfers out	(5,173,686)	(140,968)	(5,314,654)	(406)
Change in net position	7,108,204	1,725,573	8,833,777	(60,652)
Total net position, October 1,	101,656,429	20,023,685		1,721,385
Total net position, September 30	<u>\$ 108,764,633</u>	<u>\$ 21,749,258</u>		<u>\$ 1,660,733</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds for the current year			(61,075)	
Change in net position of business-type activities			<u>\$ 8,772,702</u>	

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, 2017**

1 of 2

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer System	Other Enterprise Funds	Total	Internal Service Funds
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 52,785,848	\$ 4,852,728	\$ 57,638,576	\$ -
Cash received from other funds	-	-	-	4,259,569
Cash received from component unit	-	-	-	615,268
Cash payments to suppliers for goods and services	(18,897,338)	(2,757,138)	(21,654,476)	(5,232,633)
Cash payments for employee services	(12,287,568)	(1,076,381)	(13,363,949)	(180,776)
Deposits received	1,085,343	-	1,085,343	-
Deposits returned	(1,145,447)	-	(1,145,447)	-
Cash received from lessees	(7,307)	-	(7,307)	-
Other operating revenues	44,258	23,392	67,650	195
Net cash provided (used) by operating activities	21,577,789	1,042,601	22,620,390	(538,377)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance from other funds	-	19,040	19,040	-
Interest paid on advance	-	(3,014)	(3,014)	-
Transfers in	-	243,291	243,291	-
Transfers out	(5,173,686)	(140,968)	(5,314,654)	(406)
Net cash provided (used) by noncapital financing activities	(5,173,686)	118,349	(5,055,337)	(406)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(7,763,090)	(2,634,866)	(10,397,956)	-
Principal paid on revenue bond maturities and lease obligations	(4,002,973)	(158,120)	(4,161,093)	-
Principal paid on State Revolving Fund loan	(530,482)	-	(530,482)	-
Proceeds from State Revolving Fund loan	467,788	-	467,788	-
Interest paid on revenue bonds and lease obligations	(4,318,526)	(12,544)	(4,331,070)	-
Cash received from impact fees	2,531,007	-	2,531,007	-
Proceeds from sale of capital assets	206,618	6,651	213,269	-
Capital grants and contributions	-	288,852	288,852	-
Net cash used by capital and related financing activities	(13,409,658)	(2,510,027)	(15,919,685)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(17,742,248)	-	(17,742,248)	-
Proceeds from sale and maturities of investment securities	17,741,321	-	17,741,321	-
Interest on investments	460,374	48,767	509,141	27,530
Net cash provided by investing activities	459,447	48,767	508,214	27,530
Net increase (decrease) in cash and cash equivalents	3,453,892	(1,300,310)	2,153,582	(511,253)
Cash and cash equivalents at October 1	68,330,268	7,210,261	75,540,529	4,338,506
Cash and cash equivalents at September 30	\$ 71,784,160	\$ 5,909,951	\$ 77,694,111	\$ 3,827,253

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, 2017
(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)	\$ 13,149,223	\$ 511,587	\$ 13,660,810	\$ (89,553)
Adjustments not affecting cash:				
Depreciation and amortization	10,477,222	856,660	11,333,882	-
Deferred outflows, pensions	769,605	55,337	824,942	17,257
Deferred inflows, pensions	(872,140)	(63,839)	(935,979)	(14,460)
Changes in assets and liabilities:				
Receivables, trade	(1,320,280)	(41,702)	(1,361,982)	(9,603)
Due from other governments	-	(378)	(378)	-
Inventory	(1,799)	9,881	8,082	-
Prepaid items	(164,244)	-	(164,244)	(538,298)
Net pension asset	24,534	1,996	26,530	4,599
Net pension liability	851,267	62,417	913,684	15,170
Accounts payable	(1,465,619)	(337,650)	(1,803,269)	147,005
Accrued payroll expenses	(15,261)	(2,230)	(17,491)	(5,154)
Accrued claims	-	-	-	(66,187)
Due to other governments	206,252	-	206,252	-
Deposits	(60,104)	-	(60,104)	109
Unearned revenue	-	(2,152)	(2,152)	-
Other post employment benefits	(867)	(7,326)	(8,193)	738
Net cash provided (used) by operating activities	<u>\$ 21,577,789</u>	<u>\$ 1,042,601</u>	<u>\$ 22,620,390</u>	<u>\$ (538,377)</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions from developers	<u>\$ 87,004</u>	<u>\$ -</u>	<u>\$ 87,004</u>	<u>\$ -</u>
NON-CASH INVESTING ACTIVITIES				
Decrease in fair value of investments	<u>\$ (253,136)</u>	<u>\$ (32,128)</u>	<u>\$ (285,264)</u>	<u>\$ (15,455)</u>
Cash and cash equivalents reconciliation:				
Current assets:				
Cash and cash equivalents	\$ 49,063	\$ 2,200	\$ 51,263	\$ -
Cash and cash equivalents, restricted	6,122,206	-	6,122,206	-
Equity in pooled investments	60,976,217	5,907,751	66,883,968	3,827,253
Equity in pooled investments, restricted	102,484	-	102,484	-
Noncurrent assets:				
Cash and cash equivalents, restricted	3,678,414	-	3,678,414	-
Equity in pooled investments, restricted	855,776	-	855,776	-
Cash and cash equivalents at September 30	<u>\$ 71,784,160</u>	<u>\$ 5,909,951</u>	<u>\$ 77,694,111</u>	<u>\$ 3,827,253</u>

The accompanying notes are an integral part of this statement.

CITY OF MELBOURNE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Employee Pension Trust Funds	Performance Deposits Agency Fund
ASSETS		
Cash and cash equivalents	\$ 4,071,648	\$ -
Equity in pooled investments	-	861,898
Investments, at fair value:		
U.S. government obligations	20,516,636	-
Corporate bonds	17,715,519	-
Common and preferred stocks	112,537,059	-
Interest receivable	199,642	-
Due from other funds	583	-
Prepaid items	407,197	-
	<hr/>	<hr/>
Total assets	155,448,284	\$ 861,898
	<hr/>	<hr/>
LIABILITIES		
Accounts payable and accrued expenses	178,135	\$ 1,350
Due to other funds	10,524	-
Overfunded contributions	659,714	
Refundable deposits	-	860,548
	<hr/>	<hr/>
Total liabilities	848,373	\$ 861,898
	<hr/>	<hr/>
NET POSITION		
Restricted for pension benefits	\$ 154,599,911	
	<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, 2017

	Employee Pension Trust Funds
ADDITIONS	
Contributions:	
Employer contributions	\$ 5,917,045
Employee contributions	1,456,109
State contributions	<u>1,145,279</u>
Total contributions	<u>8,518,433</u>
Investment earnings:	
Net appreciation in fair value of investments	13,354,686
Interest, dividends, and other income	<u>3,710,281</u>
Total investment earnings	17,064,967
Less investment expense	<u>(736,199)</u>
Net investment earnings	<u>16,328,768</u>
Total additions	<u>24,847,201</u>
DEDUCTIONS	
Benefits paid	13,235,525
Refunded contributions	139,791
Administrative expenses	<u>353,072</u>
Total deductions	<u>13,728,388</u>
Change in net position	11,118,813
Net position, October 1	<u>143,481,098</u>
Net position, September 30	<u><u>\$ 154,599,911</u></u>

The accompanying notes are an integral part of this statement.

(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 80,982 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, 2017.

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.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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 non-operating 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 non-operating 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.

**CITY OF MELBOURNE, FLORIDA
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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, 2017, 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, 2017 was 7.6886 mills, which was greater than the computed rolled back rate of 7.3351 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.

**CITY OF MELBOURNE, FLORIDA
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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.
- Receivables – used to report resources set aside for Airport projects.
- 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 acquisition value of market transaction 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 incurred from the date of borrowing until completion of the project with interest on invested proceeds over the same period earned. For the year ended September 30, 2017, \$143,091 in interest cost on the State Revolving loan proceeds was incurred and charged to expense 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.

**CITY OF MELBOURNE, FLORIDA
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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 \$3,569,355 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. Net pension liabilities and other post employment benefits are determined based on actuarial valuations, see Note (5) B and (5) C for additional information.

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 \$37,783,693 of restricted net position, of which \$19,877,164 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.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(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) 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, 2017 the carrying amount of the City of Melbourne's deposits with banks was \$5,245,354 and the bank balance was \$7,280,041. For the Airport the carrying amount of deposits with banks was \$1,305,397 and the bank balance was \$1,303,447.

For the Fiduciary funds, the carrying amount was \$143,858 and the bank balance was (\$4,489). As of September 30, 2017, 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 Neighborhood Stabilization Program 3, 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 \$700.

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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	13.58%	AAA	-	\$ 18,834,240	\$ 18,834,240	\$ -	\$ -	\$ -
<u>Investments</u>								
U.S. Treasury & Agency Bonds:								
U.S. Treasury Bills	3.32%	-	L2	4,599,018	4,599,018	-	-	-
U.S. Treasury Notes	16.92%	-	L2	23,459,463	-	23,459,463	-	-
Federal National Mortgage Association	6.20%	AA	L2	8,598,429	-	8,598,429	-	-
Federal Home Loan Bank	10.71%	AA	L2	14,856,848	-	14,856,848	-	-
African Development Bank	1.18%	AAA	L2	1,638,620	-	1,638,620	-	-
Asian Development Bank	0.72%	AAA	L2	997,598	-	997,598	-	-
Inter-American Development Bank	0.72%	AAA	L2	997,144	-	997,144	-	-
International Bank of Reconstruction	1.47%	AAA	L2	2,045,439	-	2,045,439	-	-
Municipal Bond/Note	1.15%	AA	L2	1,596,805	-	1,596,805	-	-
Corporate Notes ⁽²⁾	35.58%	-	L2	49,350,539	5,955,784	43,394,755	-	-
Commercial Paper	8.45%	A	L2	11,715,956	11,715,956	-	-	-
Subtotal Investments				119,855,859	22,270,758	97,585,101	-	-
Total Primary Government Cash Equivalents and Investments				138,690,099	\$ 41,104,998	\$ 97,585,101	\$ -	\$ -
Fiduciary and Agency Funds								
Agency Fund Investment								
<u>Cash Equivalents</u>								
Agency Fund Money Market	0.55%	AAA	-	861,898	\$ 861,898	\$ -	\$ -	\$ -
Fiduciary Fund Investments								
<u>Cash Equivalents</u>								
Money Market Funds	2.52%	AAA	-	3,927,790	3,927,790	-	-	-
<u>Investments</u>								
Corporate Bonds ⁽²⁾	11.39%	-	L2	17,715,519	9,293,778	8,004,419	196,452	220,870
U.S. Treasury & Agency Bonds:								
U.S. Treasury Bonds/Notes	4.12%	-	L2	6,410,666	-	40,261	-	6,370,405
Federal National Mortgage Association	0.85%	AA	L2	1,317,170	918,052	399,118	-	-
Federal National Mortgage Association	1.73%	Unrated	L2	2,693,579	-	2,693,579	-	-
Federal Home Loan Mortgage Corporation	1.64%	AA	L2	2,548,713	2,548,713	-	-	-
Federal Home Loan Mortgage Corporation	1.14%	Unrated	L2	1,780,657	-	1,780,657	-	-
Federal Home Loan Bank	0.47%	AA	L2	725,011	725,011	-	-	-
Federal Home Loan Bank	0.28%	Unrated	L2	429,875	429,875	-	-	-
Federal Farm Credit Bank	2.70%	AA	L2	4,198,631	4,198,631	-	-	-
Government National Mortgage Association	0.27%	AA	L2	412,334	-	412,334	-	-
Common and Preferred Stock	72.34%	Unrated	L1	112,537,059	112,537,059	-	-	-
Subtotal Investments				150,769,214	130,651,119	13,330,368	196,452	6,591,275
Fiduciary Fund Cash Equivalents and Investments				154,697,004	134,578,909	13,330,368	196,452	6,591,275
Total Fiduciary/Agency Fund Cash Equivalents and Investments				155,558,902	\$ 135,440,807	\$ 13,330,368	\$ 196,452	\$ 6,591,275

CITY OF MELBOURNE, FLORIDA
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	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	21.32%	AAA	-	3,224,614	\$ 3,224,614	\$ -	\$ -	\$ -
<u>Investments</u>								
U.S. Treasury & Agency Bonds:								
U.S. Treasury Notes	22.38%	-	L2	3,384,772	-	3,384,772	-	-
Federal National Mortgage Association	6.41%	AA	L2	969,199	-	969,199	-	-
Federal Home Loan Bank	0.82%	AA	L2	123,804	-	123,804	-	-
African Development Bank	0.90%	AAA	L2	135,462	-	135,462	-	-
Asian Development Bank	0.79%	AAA	L2	119,712	-	119,712	-	-
Inter-American Development Bank	0.79%	AAA	L2	119,657	-	119,657	-	-
International Bank of Reconstruction	1.13%	AAA	L2	170,251	-	170,251	-	-
Corporate Notes ⁽²⁾	41.05%	-	L2	6,209,535	1,000,559	5,208,976	-	-
Municipal Bond/Note	2.79%	AA	L2	421,798	-	421,798	-	-
Commercial Paper	1.62%	A	L2	247,308	247,308	-	-	-
Subtotal Investments				11,901,498	1,247,867	10,653,631	-	-
Total Component Unit Cash Investments				15,126,112	\$ 4,472,481	\$ 10,653,631	\$ -	\$ -
Total Reporting Entity Cash Investments				\$ 309,375,113				

(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, 2017:

* *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, 2017. In accordance with GASB No. 72, money market funds have not been classified in the fair value hierarchy as they are measured at amortized cost.

	Credit Rating (S&P)		Fire Pension	Police Pension	General Pension	Primary Government	Component Unit
(2) Corporate Bonds/Notes	N/A	⁽³⁾	0.00%	0.00%	4.13%	14.22%	14.33%
	AAA		0.00%	0.00%	0.79%	17.56%	15.75%
	AA		11.57%	20.08%	4.27%	25.51%	21.24%
	A		24.30%	32.88%	26.66%	39.19%	48.04%
	BBB		64.13%	47.04%	64.15%	3.52%	0.64%
			100.00%	100.00%	100.00%	100.00%	100.00%

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

**CITY OF MELBOURNE, FLORIDA
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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, 2016, 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, and 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.

**CITY OF MELBOURNE, FLORIDA
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- 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 Open 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.

**CITY OF MELBOURNE, FLORIDA
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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 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. 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%.

CITY OF MELBOURNE, FLORIDA
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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, 2017, this allowance was \$285,000. In the General fund, the City provides an allowance for miscellaneous uncollectible accounts of \$1,796. No other allowances for doubtful accounts are maintained since all other accounts receivable are considered collectible at September 30, 2017.

C. RECEIVABLES

Receivables in the General fund of \$3,543,808 net of uncollectibles of \$1,796, mainly include \$3,333,403 of utility taxes and franchise fees due to the City from Florida Power and Light for taxes and fees billed as of September 30, 2017.

D. RETAINAGE PAYABLES

Retainage payable balances by fund as of September 30, 2017, included in accounts payable and current liabilities payable from restricted assets, are as follows:

Governmental Activities:

Transportation Capital Improvement	\$ 37,790
SHIP Program	4,909

Business-type Activities:

Water and Sewer System	164,909
Stormwater Utility	48,730
Total Primary Government	256,338

Component Unit:

Airport	1,734,837
Total Reporting Entity	<u>\$ 1,991,175</u>

CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

Primary Government Governmental Activities:	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Capital assets, not being depreciated/amortized:				
Land and intangible land rights	\$ 25,708,544	\$ 1,389,444 ⁽¹⁾	\$ 4,420	\$ 27,093,568
Construction in progress	2,648,476	2,395,713	2,357,334	2,686,855
Total capital assets, not being depreciated/amortized	28,357,020	3,785,157	2,361,754	29,780,423
Capital assets, being depreciated/amortized:				
Buildings	34,028,481	289,312	253,795	34,063,998
Improvements other than buildings	13,212,563	700,597	67,869	13,845,291
Machinery and equipment	25,600,265	2,263,767	1,755,274	26,108,758
Intangibles	1,841,136	33,113	-	1,874,249
Infrastructure	136,264,968	759,999	-	137,024,967
Total capital assets, being depreciated/amortized	210,947,413	4,046,788	2,076,938	212,917,263
Less accumulated depreciation/amortization for:				
Buildings	14,382,042	826,063	118,617	15,089,488
Improvements other than buildings	9,220,258	715,803	67,869	9,868,192
Machinery and equipment	18,982,539	1,822,968	1,727,925	19,077,582
Intangibles	1,422,744	116,962	-	1,539,706
Infrastructure	103,719,838	3,370,658	-	107,090,496
Total accumulated depreciation/amortization	147,727,421	6,852,454 ⁽²⁾	1,914,411	152,665,464
Total capital assets, being depreciated/amortized, net	63,219,992	(2,805,666)	162,527	60,251,799
Governmental activities capital assets, net	\$ 91,577,012	\$ 979,491	\$ 2,524,281	\$ 90,032,222

Business-type Activities:	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Capital assets, not being depreciated:				
Land	\$ 4,709,778	\$ 92,150 ⁽³⁾	\$ -	\$ 4,801,928
Construction in progress	15,307,817	8,438,886	14,952,490	8,794,213
Total capital assets, not being depreciated/amortized	20,017,595	8,531,036	14,952,490	13,596,141
Capital assets, being depreciated/amortized:				
Buildings	82,281,212	794,087	573,523	82,501,776
Improvements other than buildings	262,414,862	14,481,336 ⁽⁴⁾	1,108,121	275,788,077
Machinery and equipment	18,265,114	1,555,085	1,297,837	18,522,362
Intangibles, computer software	403,511	-	-	403,511
Total capital assets, being depreciated/amortized	363,364,699	16,830,508	2,979,481	377,215,726

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	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Less accumulated depreciation/amortization for:				
Buildings	54,990,834	1,298,092	530,403	55,758,523
Improvements other than buildings	148,522,078	8,998,634	953,115	156,567,597
Machinery and equipment	14,396,696	1,031,204	1,284,267	14,143,633
Intangibles, computer software	372,779	30,732	-	403,511
Total accumulated depreciation/amortization	218,282,387	11,358,662 ⁽⁵⁾	2,767,785	226,873,264
Total capital assets, being depreciated/amortized, net	145,082,312	5,471,846	211,696	150,342,462
Business-type activities capital assets, net	<u>\$ 165,099,907</u>	<u>\$ 14,002,882</u>	<u>\$ 15,164,186</u>	<u>\$ 163,938,603</u>
Component Unit:				
	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Capital assets, not being depreciated:				
Land	\$ 6,899,179	\$ -	\$ -	\$ 6,899,179
Construction in progress	59,545,998	18,034,308	60,901,953	16,678,353
Total capital assets, not being depreciated/amortized	66,445,177	18,034,308	60,901,953	23,577,532
Capital assets, being depreciated/amortized:				
Buildings	66,534,190	51,894,945 ⁽⁶⁾	-	118,429,135
Improvements other than buildings	72,419,526	7,002,369 ⁽⁶⁾⁽⁷⁾	-	79,421,895
Machinery and equipment	10,363,504	394,000 ⁽⁶⁾	65,556	10,691,948
Intangibles, computer software	241,825	64,088 ⁽⁶⁾	12,190	293,723
Total capital assets, being depreciated/amortized	149,559,045	59,355,402	77,746	208,836,701
Less accumulated depreciation/amortization for:				
Buildings	33,234,520	2,889,958	-	36,124,478
Improvements other than buildings	40,998,962	2,539,464	-	43,538,426
Machinery and equipment	7,932,811	479,756	65,556	8,347,011
Intangibles, computer software	232,915	17,455	12,190	238,180
Total accumulated depreciation/amortization	82,399,208	5,926,633	77,746	88,248,095
Total capital assets, being depreciated/amortized, net	67,159,837	53,428,769	-	120,588,606
Component unit capital assets, net	<u>\$ 133,605,014</u>	<u>\$ 71,463,077</u>	<u>\$ 60,901,953</u>	<u>\$ 144,166,138</u>

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 631,910
Housing and urban improvement	82,565
Public safety:	
Fire protection	525,708
Police protection	996,124
Highways and streets, including general infrastructure assets	3,364,937
Public works	221,288
Parks and recreation	887,282
Capital assets held by the government's internal service funds	
funds are charged to the various functions based on their usage of the assets	
Total depreciation/amortization expense - governmental activities	\$ 6,709,814
Business-type Activities:	
Water and Sewer System	\$ 10,477,222
Golf Courses	207,264
Stormwater Utility	649,396
Total depreciation/amortization expense - business-type activities	\$ 11,333,882

(1) The City has a nonrecurring fair value measurement as of September 30, 2017 for developer donated right-of-ways. The donated right-of-way at the Wawa convenience store at US1 and 192 is valued at \$135,318 based on developer land purchase allocation (Level 2 input). The donated right-of-way at Pine Meadows is valued at \$233,706 based on engineering staff property appraisal and comparison analysis (Level 3 input). The donated right-of-ways at Ridgecrest are valued at \$287,864 based on engineering staff property appraisal and comparison analysis (Level 3 input).

(2) The difference between accumulated depreciation/amortization additions and depreciation/amortization expense of \$142,640 is due to the transfer of assets from the Water and Sewer fund to the General fund.

(3) The City has a non-recurring fair value measurement as of September 30, 2017 for a donation of land from Pine Meadows, LLC for a sewer lift station. The land is valued at \$4,363 based on engineering staff property appraisal and comparison analysis. (Level 3 input).

(4) The City has a non-recurring fair value measurement as of September 30, 2017 for donations from developers to the water and sewer department for various hydrants, pipes, and man holes. The water and sewer contributions are valued at \$82,641 based on the actual price the developers paid. (Level 2 input).

(5) The difference between accumulated depreciation/amortization additions and depreciation/amortization expense of \$24,780 is due to transfer of assets between funds. \$12,914 to the Golf Courses fund from the Water & Sewer fund, \$7,191 to the Water & Sewer fund from the Golf Courses fund and \$4,675 from the General fund to the Water & Sewer fund.

(6) The Airport has a nonrecurring fair value measurement as of September 30, 2017 for a non-cash contribution of parking system improvements. The parking improvements are valued at \$553,540, with contribution of \$3,540 and capital lease of \$550,000, based on construction costs from the parking facilities management operator, Republic Parking System, Inc. (Level 2 input).

(7) The Airport has a nonrecurring fair value measurement as of September 30, 2017 for a non-cash contribution of lift station improvements on Apollo Blvd. The lift station is valued at \$208,586 with contribution of \$83,586, based on construction costs from the tenant, Apex Executive Jet Center, Inc. (Level 2 input).

**CITY OF MELBOURNE, FLORIDA
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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, 2017 are summarized below by fund.

Governmental Activities:

General Construction	
Babcock Façade Improvement Program	\$ 40,038
Mobility Improvement	
Hickory Street Improvements - Nasa to New Haven	35,212
Transportation Capital Improvement	
FY16 Resurfacing Program	566,879
FY15 Resurfacing Program	231,192
FY14 Resurfacing Program	63,267
US1 and Sarno Right Turn Lane	405,354
Replace/Upgrade Asphalt Bike Paths	70,335
Ballard Park Sidewalk Phase I	19,588

Business-type Activities:

Water and Sewer System	
Construct a 16" Water Main Crossing the Indian River at the Pineda Causeway	1,109,901
Replace RO Membranes	511,293
Water Production Facilities Master Plan	500,000
Inspect Manholes and Sanitary Sewer Lines throughout the City	500,000
Replace Waterlines throughout the City to Improve Flow and Fire Protection	466,094
Rehabilitate Sanitary Sewer Manholes throughout the City	454,188
Stormwater Utility	
Fabriform Headwalls throughout the City	212,198
Install Second Generation Baffle Boxes at Bell and Garfield	158,238
Construct Wet Retention Pond at Sherwood Subdivision	145,700
Install Stormwater Quality Treatment Train on South Harbor City Blvd	112,142
Total Primary Government	<u>5,601,619</u>

Component Unit:

Airport	
Terminal Transformation Federal Inspection Station Phase 2	2,932,459
Air Traffic Control Tower Construction	2,275,779
Terminal Improvements Phase 1 and Jet Bridge #2	2,219,638
Rehab Runway 9L-27R and Taxiway B Turnaround	1,719,133
Fuel Farm Improvements	<u>550,993</u>
Total Component Unit	<u>9,698,002</u>
Total Reporting Entity	<u><u>\$ 15,299,621</u></u>

CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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Encumbrance Commitments

At September 30, 2017, the City had encumbrance commitments in the Governmental funds as follows:

Major funds:

General fund	\$ 2,551,641
Downtown Redevelopment fund	50,000
Olde Eau Gallie Redevelopment fund	4,892
Transportation Capital Improvement fund	2,089,940
Total Major funds	<u>4,696,473</u>

Other funds:

SHIP Program	56,467
HOME Investment Partnership Program	3,762
General Construction fund	210,925
Mobility Improvement fund	35,212
Bikeways Improvement fund	6,210
Public Facility Improvement fund	16,200
Total Other funds	<u>328,776</u>
Total Encumbrances	<u><u>\$ 5,025,249</u></u>

G. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the Reporting Entity at September 30, 2017, are summarized below.

<u>Primary Government Transactions</u>	<u>Due From</u>	<u>Due To</u>
By Major fund:		
General fund	\$ 123,914	\$ 583
Olde Eau Gallie Redevelopment fund	-	39,390 *
By Other Business-type funds:		
Golf Courses fund	-	74,000 *
By Fiduciary funds:		
Firefighters Pension	583	-
Police Pension	-	5,284
General Employees Pension	-	5,240
Totals	<u><u>\$ 124,497</u></u>	<u><u>\$ 124,497</u></u>

<u>Transactions between Primary Government and Component Unit</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ 60,515	\$ -
Component Unit - Airport	-	60,515
Totals	<u><u>\$ 60,515</u></u>	<u><u>\$ 60,515</u></u>

<u>Advances to/from other funds</u>	<u>Advance To</u>	<u>Advance From</u>
By Major fund:		
General fund	\$ 286,954	\$ -
Olde Eau Gallie Redevelopment fund	-	61,914 *
By Other Business-type funds:		
Golf Courses fund	-	225,040
Totals	<u><u>\$ 286,954</u></u>	<u><u>\$ 286,954</u></u>

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

CITY OF MELBOURNE, FLORIDA
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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, 2017 are summarized as follows:

Transfer out:	Transfer in:				Total
	General Fund	Transportation Capital Improvement	Other Governmental	Other Business-type	
General fund	\$ -	\$ 3,089,058	\$ 849,503	\$ 243,291	\$ 4,181,852
Downtown Redevelopment	-	-	32,270	-	32,270
Babcock Street Redevelopment	-	-	450,135	-	450,135
Olde Eau Gallie Redevelopment	-	-	20,135	-	20,135
Transportation Capital Improvement	-	-	251,116	-	251,116
Other Governmental funds	187,122	40,000	49,564	-	276,686
Water and Sewer System	3,148,642	-	2,025,044	-	5,173,686
Other Business-Type funds	-	138,261	2,707	-	140,968
Internal Service funds	-	-	406	-	406
Total Transfers out	<u>\$ 3,335,764</u>	<u>\$ 3,267,319</u>	<u>\$ 3,680,880</u>	<u>\$ 243,291</u>	<u>\$ 10,527,254</u>

Significant transfers included \$3,089,058 from General Fund to the Transportation Improvement fund to fund various projects; \$243,291 from the General Fund to the Golf Courses Fund to cover operating deficiencies; \$849,503 from the General Fund to the General Construction fund for capital improvements; \$450,135 from Babcock Street Redevelopment Fund to capital improvement funds for Babcock Street and Hickory Street improvements and NASA Blvd median landscaping; \$251,116 from the Transportation Improvement fund to capital improvement funds for purchase of right of way and return of unrestricted project savings; \$3,148,642 from the Water and Sewer fund to the General fund for the rate of return per Resolution No. 3510; \$2,025,044 from the Water and Sewer fund to the capital improvement funds for its portion of utility related costs for projects in the General Construction and Mobility Improvement funds.

CITY OF MELBOURNE, FLORIDA
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I. LEASES

1. Capital Leases

Governmental Activities:

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

Year ending September 30,	
2018	\$ 222,835
2019	71,982
2020	71,982
2021	71,982
2022	71,982
2023-2024	101,975
Total minimum lease payments	612,738
Less amount representing interest	(43,897)
Present value of net minimum lease payments	<u>\$ 568,841</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,	
2018	\$ 143,058
2019	143,058
2020	122,658
Total Minimum lease payments	408,774
Less amount representing interest	(15,830)
Present value of net minimum lease payments	<u>\$ 392,944</u>

Component Unit:

The Airport is the lessee of three capital leases for the acquisition of seven vehicles and various parking improvements. Future minimum payments on these leases are:

Year Ending September 30,	
2018	\$ 149,773
2019	149,773
2020	70,003
2021	70,003
2022	70,003
2023-2026	233,344
Total Minimum lease payments	742,899
Less amount representing interest	(118,919)
Present value of net minimum lease payments	<u>\$ 623,980</u>

CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Component Unit
Buildings	\$ -	\$ -	\$ 34,905
Improvements other than buildings	-	-	311,264
Machinery and equipment	1,634,099	542,445	359,700
Intangible computer software	83,811	-	64,088
Less accumulated depreciation/amortization	(833,198)	(173,350)	(60,097)
Net property, plant, and equipment	<u>\$ 884,712</u>	<u>\$ 369,095</u>	<u>\$ 709,860</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,	
2018	\$ 8,981,913
2019	5,395,429
2020	5,498,003
2021	5,419,539
2022	5,420,590
2023-2027	22,158,483
2028-2032	19,670,082
2033-2037	18,539,542
2038-2042	12,340,210
2043-2047	8,238,613
2048-2052	3,833,400
2053-2056	682,190
Total minimum future rentals	<u>\$ 116,177,994</u>
Total lease income for the current fiscal year	<u>\$ 9,002,115</u>

The following provides an analysis of the Airport's investment in property held for lease as of September 30, 2017:

Land improvements	\$ 141,906
Buildings	90,869,383
Improvements other than buildings	6,529,856
Machinery and equipment	411,184
Less accumulated depreciation	(18,374,785)
Net property, plant and equipment	<u>\$ 79,577,544</u>

J. LONG-TERM LIABILITIES

1. Debt Service Requirements to Maturity

The annual requirements to amortize all bonded debt outstanding as of September 30, 2017 including interest requirements are described on pages 54 through 56.

MATURITIES

	Purpose of Issue	Amount Issued
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 - 4.94% - 5.61%*	Partial refunding of Series 2000 bonds	21,495,333
Series 2013 - 2.00% - 5.00%*	Partial 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	<u>27,100,000</u>
Total Revenue Bonds		115,975,333
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

Amount Outstanding	2018	2019	2020	2021	2022
\$ 287,582	\$ 141,006	\$ 146,576	\$ -	\$ -	\$ -
270,666	132,712	137,954	-	-	-
113,142	66,356	46,786	-	-	-
3,334,000	315,000	327,000	341,000	354,000	369,000
3,687,000	308,000	320,000	332,000	346,000	359,000
7,692,390	963,074	978,316	673,000	700,000	728,000
1,454,438	294,122	255,351	215,927	188,533	160,042
9,146,828	1,257,196	1,233,667	888,927	888,533	888,042
30,380,292	3,450,000	3,450,000	3,445,000	3,445,000	3,440,000
13,480,000	555,000	570,000	590,000	610,000	635,000
4,540,000	-	870,000	890,000	905,000	925,000
19,160,000	-	590,000	620,000	645,000	680,000
14,465,000	-	-	-	-	-
8,530,000	210,000	215,000	220,000	230,000	235,000
685,000	685,000	-	-	-	-
91,240,292	4,900,000	5,695,000	5,765,000	5,835,000	5,915,000
37,069,892	2,429,477	2,415,185	2,341,711	2,264,616	2,184,549
128,310,184	7,329,477	8,110,185	8,106,711	8,099,616	8,099,549
\$ 137,457,012	\$ 8,586,673	\$ 9,343,852	\$ 8,995,638	\$ 8,988,149	\$ 8,987,591

MATURITIES

	2023- 2027	2028- 2032	2033- 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%*	1,628,000	-	-	-
Series 2006 - 3.96%*	2,022,000	-	-	-
Total Public Improvement Bonds	3,650,000	-	-	-
Governmental activities Interest	340,463	-	-	-
Total governmental activities	3,990,463	-	-	-
Business-type Activities				
Water and Sewer Refunding Revenue Bonds, Series 2002B - 4.94% - 5.61%*	13,150,292	-	-	-
Series 2013 - 2.00% - 5.00%*	3,465,000	4,170,000	2,885,000	-
Series 2014 - 1.98%	950,000	-	-	-
Series 2016A - 3.00% - 5.00%*	3,935,000	4,990,000	6,270,000	1,430,000
Series 2016B - 5.00%*	-	14,465,000	-	-
Water and Sewer Refunding and Improvement Revenue Bonds, Series 2012 - 2.00% - 3.375%*	1,280,000	3,615,000	2,525,000	-
Water and Sewer Improvement Revenue Bonds, Series 2007B - 4.00%*	-	-	-	-
Total Revenue Bonds	22,780,292	27,240,000	11,680,000	1,430,000
Business-type activities Interest	18,503,807	5,649,856	1,252,091	28,600
Total business-type activities	41,284,099	32,889,856	12,932,091	1,458,600
TOTAL REPORTING ENTITY DEBT SERVICE	\$ 45,274,562	\$ 32,889,856	\$ 12,932,091	\$ 1,458,600

*Subject to Federal Arbitrage

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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, 2017.

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 \$4,600,000.

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	\$ 119,459	\$ 8,076,949	\$ 70,824	0.88%
Electric Utility Tax	2026	8,435,831	7,701,350	890,983	11.57%
Gas Tax	2019	286,807	3,229,498	143,403	4.44%
Downtown CRA	2019	304,731	1,119,598	152,364	13.61%
Total governmental activities		<u>\$ 9,146,828</u>	<u>\$ 20,127,395</u>	<u>\$ 1,257,574</u>	
Business-type Activities:					
Water and Sewer net revenues	2038	\$ 128,310,184	\$ 27,010,469	\$ 8,266,428	30.60%
Total business-type activities		<u>\$ 128,310,184</u>	<u>\$ 27,010,469</u>	<u>\$ 8,266,428</u>	

4. 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, 2017 amounted to \$16,723,850 and is reported as bonds payable.

5. 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

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amount of the loan payable at September 30, 2017 is \$4,491,820. 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, 2017 is \$6,099,523. 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
2018	\$ 552,839	\$ 243,827
2019	549,047	248,363
2020	562,589	234,449
2021	576,858	220,180
2022	591,490	205,548
2023-2027	3,190,302	794,888
2028-2032	3,616,216	368,974
2033-2036	952,002	32,059
	<u>\$ 10,591,343</u>	<u>\$ 2,348,288</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, 2017. The repayment schedules will be revised when the borrowing periods are closed.

6. 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, 2017 are \$3,773,473 and \$566,286, respectively. The Bonds provided funds to the non-profit organization Circles of Care Inc., for the purpose of construction of a 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.

**CITY OF MELBOURNE, FLORIDA
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7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 3,550,305	\$ 2,393,876	\$ 2,374,826	\$ 3,569,355	\$ 1,466,103
Capital leases payable	782,969	-	214,128	568,841	203,982
Public improvement bonds and notes	8,618,541	-	926,151	7,692,390	963,074
Total governmental activities	<u>\$ 12,951,815</u>	<u>\$ 2,393,876</u>	<u>\$ 3,515,105</u>	<u>\$ 11,830,586</u>	<u>\$ 2,633,159</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, \$4,637 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, 2016	Additions	Reductions	Balance September 30, 2017	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Water and Sewer revenue bonds	\$ 78,519,415	\$ -	\$ 4,002,973	\$ 74,516,442	\$ 3,098,928
Accretion on Water and Sewer bonds	16,855,775	-	131,925	16,723,850	1,801,072
Unamortized issuance premium	7,476,031	-	711,489	6,764,542	-
Unamortized issuance discount	(577)	-	(577)	-	-
Total bonds payable	<u>102,850,644</u>	<u>-</u>	<u>4,845,810</u>	<u>98,004,834</u>	<u>4,900,000</u>
Leases payable	551,064	-	158,120	392,944	134,175
State Revolving Fund loans payable	10,654,037	467,788	530,482	10,591,343	552,839
Compensated absences	<u>760,867</u>	<u>756,015</u>	<u>768,119</u>	<u>748,763</u>	<u>393,537</u>
Total business-type activities	<u>\$ 114,816,612</u>	<u>\$ 1,223,803</u>	<u>\$ 6,302,531</u>	<u>\$ 109,737,884</u>	<u>\$ 5,980,551</u>
Component Unit:					
Compensated absences	\$ 323,197	\$ 258,215	\$ 219,217	\$ 362,195	\$ 150,456
Leases payable	-	777,464	153,484	623,980	119,203
Total Component Unit	<u>\$ 323,197</u>	<u>\$ 1,035,679</u>	<u>\$ 372,701</u>	<u>\$ 986,175</u>	<u>\$ 269,659</u>

CITY OF MELBOURNE, FLORIDA
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(4) RESTRICTED ASSETS

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

Customer deposits	\$ 3,678,287
Interest receivable	2,569
Water impact fees	334
Sewer impact fees	239,359
Wastewater capital recovery	366,083
State Revolving Fund current debt service	102,484
Revenue bonds current debt service	6,122,206
Revenue bonds future debt service	4,599,145
Revenue bonds renewal and replacement	250,000
Total restricted assets	<u>\$ 15,360,467</u>

(5) 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 \$1,508,571 at September 30, 2017. 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, 2017 is \$839,492 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, 2016 and 2017 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
2015-2016	\$ 660,190	\$ 356,794	\$ 167,318	\$ 849,666	\$ 527,526
2016-2017	849,666	217,907	228,081	839,492	233,639

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 \$152,162 at September 30, 2017.

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The workers compensation claims liability at September 30, 2017 is \$2,308,198 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, 2016 and 2017 are summarized below:

<u>Fiscal Year</u>	<u>Claims Liability October 1,</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Payments</u>	<u>Claims Liability September 30,</u>	<u>Due Within One Year</u>
2015-2016	\$ 1,704,175	\$ 2,137,905	\$ 1,477,869	\$ 2,364,211	\$ 688,485
2016-2017	2,364,211	1,148,010	1,204,023	2,308,198	553,944

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, 2017 are as follows:

Governmental Activities	\$ 9,338,372
Business-type Activities	1,700,462
Total Primary Government	<u>11,038,834</u>
Component Unit	1,081,519
Total Reporting Entity	<u><u>\$ 12,120,353</u></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.

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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, 2017 was as follows:

	Firefighters Pension	Police Pension	General Employees Pension	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 2,275,514	\$ 1,623,055	\$ 173,079	\$ 4,071,648
Investments, at fair value:				
U.S.government obligations	7,486,440	11,931,812	1,098,384	20,516,636
Corporate bonds	6,730,922	8,805,400	2,179,197	17,715,519
Common and preferred stocks	53,041,173	53,963,202	5,532,684	112,537,059
Interest receivable	76,562	97,088	25,992	199,642
Due from other funds	583	-	-	583
Prepaid expenses	-	407,197	-	407,197
	<u>69,611,194</u>	<u>76,827,754</u>	<u>9,009,336</u>	<u>155,448,284</u>
Total assets				
	<u>69,611,194</u>	<u>76,827,754</u>	<u>9,009,336</u>	<u>155,448,284</u>
LIABILITIES				
Accounts payable and accrued expenses	81,810	78,385	17,940	178,135
Due to other funds	-	5,284	5,240	10,524
Overfunded contributions	257,050	39,402	363,262	659,714
	<u>338,860</u>	<u>123,071</u>	<u>386,442</u>	<u>848,373</u>
Total liabilities				
	<u>338,860</u>	<u>123,071</u>	<u>386,442</u>	<u>848,373</u>
NET POSITION				
Held in trust for pension benefits	<u>\$ 69,272,334</u>	<u>\$ 76,704,683</u>	<u>\$ 8,622,894</u>	<u>\$ 154,599,911</u>

CITY OF MELBOURNE, FLORIDA
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The Pension trust funds change in fiduciary net position activity as of September 30, 2017 was as follows:

	Firefighters Pension	Police Pension	General Employees Pension	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer contributions	\$ 2,767,223	\$ 3,073,421	\$ 76,401	\$ 5,917,045
Employee contributions	748,579	707,530	-	1,456,109
State contributions	514,983	630,296	-	1,145,279
Total contributions	4,030,785	4,411,247	76,401	8,518,433
Investment income				
Net appreciation in fair value of investments	6,357,914	6,143,297	853,475	13,354,686
Interest, dividends, and other income	1,781,503	1,688,918	239,860	3,710,281
Total investment gains	8,139,417	7,832,215	1,093,335	17,064,967
Less investment expense	(354,065)	(350,468)	(31,666)	(736,199)
Net investment earnings	7,785,352	7,481,747	1,061,669	16,328,768
Total additions	11,816,137	11,892,994	1,138,070	24,847,201
DEDUCTIONS				
Benefits paid	5,983,213	6,883,521	368,791	13,235,525
Refunded contributions	63,789	76,002	-	139,791
Administrative expense	135,797	147,449	69,826	353,072
Total deductions	6,182,799	7,106,972	438,617	13,728,388
Net change in net position	5,633,338	4,786,022	699,453	11,118,813
Net position held in trust for pension benefits October 1	63,638,996	71,918,661	7,923,441	143,481,098
Net position held in trust for pension benefits September 30	\$ 69,272,334	\$ 76,704,683	\$ 8,622,894	\$ 154,599,911

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.

**CITY OF MELBOURNE, FLORIDA
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Plan membership. At October 1, 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	<u>231</u>	<u>327</u>	<u>78</u>

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.

**CITY OF MELBOURNE, FLORIDA
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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.

**CITY OF MELBOURNE, FLORIDA
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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 2016-2017 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 39.97% and 36.87%, respectively, for the 2016-2017 fiscal year. The employer contribution rates, expressed as a percentage of payroll, for the General Employee Pension Plan were 13.05% for general employees and 72.30% for Airport police personnel for the 2016-2017 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 \$514,983 and \$630,296 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, 2017. The City's contributions to the Firefighters and Police Pension Plans were \$2,767,223 and \$3,073,421 which includes prepaids of \$257,050 and \$39,402 respectively. The Airport's contribution to the General Employees Special Risk Class was \$51,197. The General Employees Regular Class used \$25,204 in prepaids.

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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, 2017:

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, 2017, 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 12.22%, 10.57%, and 12.79% 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, 2017).
- (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, 2017 was \$7,501,040.

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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, 2017 was \$1,958,445.

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, 2017 was \$12,904.

Net Pension Liability of the City of Melbourne

The components of the net pension liability of the City at September 30, 2017, 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 measured as of September 30, 2016, 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	\$ 83,146,640	\$ 95,688,669	\$ 6,313,965	\$ 1,273,145
Plan fiduciary net position	(69,272,334)	(76,704,683)	(7,397,166)	(1,225,728)
Sponsor's net pension liability (asset)	<u>\$ 13,874,306</u>	<u>\$ 18,983,986</u>	<u>\$ (1,083,201)</u>	<u>\$ 47,417</u>
Plan fiduciary net position as a percentage of total pension liability	83.31%	80.16%	117.16%	96.28%

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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%	6.00%	6.00%
Investment rate of return	8.00%	7.50%	7.00%

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 mortality table has been revised to that used in the valuation of FRS as of July 1, 2016 and 2017, as required by state statutes.

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, 2017 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return		
	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	6.08%	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	\$ 22,064,380	\$ 13,874,306	\$ 6,988,399
Police Pension Plan	29,951,181	18,983,986	9,857,718
General Employee Regular Class	(315,680)	(1,083,201)	(1,717,848)
General Employee Special Risk Class	246,422	47,417	(111,981)

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, 2017 for the Firefighters Pension Plan, and October 1, 2017 for the Police and General Employee Pension Plans, which will be recorded in the fiscal year ending September 30, 2018.

CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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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 9/30/2016	\$ 78,167,002	\$ 58,341,219	\$ 19,825,783
Changes for the year:			
Service cost	1,596,483	-	1,596,483
Interest	6,164,017	-	6,164,017
Contributions - employer	-	2,622,565	(2,622,565)
Contributions - state	-	545,561	(545,561)
Contributions - employee	-	578,536	(578,536)
Contributions - buy back	-	-	-
Net investment income	-	6,138,463	(6,138,463)
Benefit payments, including refunds of employee contributions	(4,459,046)	(4,459,046)	-
Administrative expenses	-	(128,302)	128,302
Net changes	3,301,454	5,297,777	(1,996,323)
Reporting Period Ending 9/30/2017	\$ 81,468,456	\$ 63,638,996	\$ 17,829,460

POLICE OFFICERS PENSION PLAN

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Reporting Period Ending 9/30/2016	\$ 89,140,238	\$ 66,127,077	\$ 23,013,161
Changes for the year:			
Service cost	1,514,579	-	1,514,579
Interest	6,609,747	-	6,609,747
Differences between expected and actual experience	(723,896)	-	(723,896)
Changes of assumptions	2,243,175	-	2,243,175
Changes in benefit terms	-	-	-
Contributions - employer	-	2,948,527	(2,948,527)
Contributions - state	-	597,263	(597,263)
Contributions - employee	-	549,814	(549,814)
Contributions - buy back	6,497	6,497	-
Net investment income	-	6,589,808	(6,589,808)
Benefit payments, including refunds of employee contributions	(4,794,165)	(4,794,165)	-
Administrative expenses	-	(106,160)	106,160
Net changes	4,855,937	5,791,584	(935,647)
Reporting Period Ending 9/30/2017	\$ 93,996,175	\$ 71,918,661	\$ 22,077,514

CITY OF MELBOURNE, FLORIDA
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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 9/30/2016	\$ 5,860,106	\$ 6,753,030	\$ (892,924)
Changes for the year:			
Service cost	57,835	-	57,835
Interest	396,941	-	396,941
Difference between expected and actual experience	(62,793)	-	(62,793)
Changes of assumptions	338,980	-	338,980
Contributions - employer	-	43,928	(43,928)
Contributions - buy back	20,712	20,712	-
Net investment income	-	583,511	(583,511)
Benefit payments, including refunds of employee contributions	(494,716)	(494,716)	-
Administrative expenses	-	(47,733)	47,733
Net changes	256,959	105,702	151,257
Reporting Period Ending 9/30/2017	<u>\$ 6,117,065</u>	<u>\$ 6,858,732</u>	<u>\$ (741,667)</u>

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 9/30/2016	\$ 1,299,845	\$ 973,541	\$ 326,304
Changes for the year:			
Service cost	22,024	-	22,024
Interest	91,869	-	91,869
Difference between expected and actual experience	(281,383)	-	(281,383)
Changes of assumptions	20,015	-	20,015
Changes in benefit terms	-	-	-
Contributions - employer	-	32,286	(32,286)
Net investment income	-	84,999	(84,999)
Benefit payments, including refunds of employee contributions	(18,900)	(18,900)	-
Administrative expenses	-	(7,217)	7,217
Net changes	(166,375)	91,168	(257,543)
Reporting Period Ending 9/30/2017	<u>\$ 1,133,470</u>	<u>\$ 1,064,709</u>	<u>\$ 68,761</u>

CITY OF MELBOURNE, FLORIDA
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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	\$ 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)

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

For the year ended September 30, 2017 the City will recognize a pension expense of \$2,998,884 for the Firefighters Pension Plan. On September 30, 2017 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	\$ -	\$ 496,675
Changes of assumptions	535,260	-
Net difference between projected and actual earnings on pension plan investments	2,718,133	1,911,770
Contributions subsequent to the measurement date	3,282,206	-
Total	<u>\$ 6,535,599</u>	<u>\$ 2,408,445</u>

Deferred outflows of \$3,282,206, resulting from City and State contributions subsequent to the measurement date of September 30, 2016, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2018	\$ 300,466
2019	300,468
2020	549,337
2021	(305,323)

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For the year ended September 30, 2017 the City will recognize a pension expense of \$3,174,496 for the Police Officers Pension Plan. On September 30, 2017 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	\$ -	\$ 607,698
Changes of assumptions	1,682,382	594,670
Net difference between projected and actual earnings on pension plan investments	3,045,168	1,947,550
Contributions subsequent to the measurement date	3,703,717	-
Total	<u>\$ 8,431,267</u>	<u>\$ 3,149,918</u>

Deferred outflows of \$3,703,717, resulting from City and State contributions subsequent to the measurement date of September 30, 2016, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2018	\$ 423,420
2019	423,420
2020	1,062,834
2021	(332,042)

For the year ended September 30, 2017 the City will recognize a pension expense of \$372,845 for the General Employees Regular Class Pension Plan. On September 30, 2017 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	\$ 416,412	\$ 228,339
Contributions subsequent to the measurement date	25,204	-
Total	<u>\$ 441,616</u>	<u>\$ 228,339</u>

Deferred outflows of \$25,204, resulting from City contributions subsequent to the measurement date of September 30, 2016, will be recognized as an adjustment to the net pension asset (liability) in the fiscal year ending September 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2018	\$ 50,138
2019	50,139
2020	113,300
2021	(25,504)

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For the year ended September 30, 2017 the City will recognize a pension expense of \$487,833 for the General Employees Special Risk Class Pension Plan. On September 30, 2017 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	\$ 16,266	\$ 140,692
Changes of assumptions	78,014	-
Net difference between projected and actual earnings on pension plan investments	57,246	27,720
Contributions subsequent to the measurement date	51,197	-
Total	<u>\$ 202,723</u>	<u>\$ 168,412</u>

Deferred outflows of \$51,197, resulting from City contributions subsequent to the measurement date of September 30, 2016, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2018	\$ (79,999)
2019	50,685
2020	15,755
2021	(3,327)

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.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, which include the HIS plan of 1.66%, 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, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular 7.52% and 7.92%; Special Risk Airport Police 22.57% and 23.27%; Senior Management Service 21.77% and 22.71%; Elected Officers' 42.47% and 45.50%; DROP participants 12.99% and 13.26%; Re-employed General 4.49% and 4.96%, and Re-employed Airport Police 10.71% and 11.35%.

The City's contributions, including employee contributions, to the Pension Plan totaled \$3,086,046 for the fiscal year ended September 30, 2017.

CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the City reported a liability of \$23,472,463 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .07935%, which was an increase of .000096% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$3,959,312. 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	\$ 2,154,207	\$ 130,025
Change of assumptions	7,888,405	-
Net difference between projected and actual earnings on Pension Plan investments	-	581,706
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	160,486	65,579
City Pension Plan contributions subsequent to the measurement date	635,109	-
Total	<u>\$ 10,838,207</u>	<u>\$ 777,310</u>

The deferred outflows of resources related to the Pension Plan, totaling \$635,109 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ending	
September 30:	
2018	\$ 1,262,841
2019	3,315,634
2020	2,244,202
2021	457,418
2022	1,584,913
Thereafter	560,780

Actuarial Assumptions – The total pension liability in the June 30, 2017 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	7.10%, 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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 7.10 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%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real estate	10.00%	6.60%	5.90%	12.80%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	9.70%
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 7.10%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation 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 7.10%, 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 (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability	\$ 42,483,740	\$ 23,472,463	\$ 7,688,747

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, 2017, the City reported a payable in the amount of \$432,070 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

Health Insurance Subsidy (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.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Benefits Provided – For the fiscal year ended September 30, 2017, 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, 2017, 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 \$485,721 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the City reported a liability of \$9,673,357 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .090469%, which was an increase of .000254% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$768,559. 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	\$ -	\$ 20,141
Change of assumptions	1,359,741	836,465
Net difference between projected and actual earnings on HIS Plan investments	5,365	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	216,398	54,193
City HIS Plan contributions subsequent to the measurement date	138,814	-
Total	<u>\$ 1,720,318</u>	<u>\$ 910,799</u>

The deferred outflows of resources related to the HIS Plan, totaling \$138,814 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 ending September 30, 2018. 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:

Year Ending	
September 30:	
2018	\$ 190,426
2019	190,426
2020	190,426
2021	139,873
2022	76,538
Thereafter	(116,984)

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Actuarial Assumptions – The total pension liability in the July 1, 2017, 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	3.58 %

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

The actuarial assumptions used in the July 1, 2017, 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 3.58%. 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 3.58%, 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's proportionate share of the net pension liability	\$ 11,038,581	\$ 9,673,357	\$ 8,536,201

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, 2017, the City reported a payable in the amount of \$66,047 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

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 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 5.80%, Special Risk class 20.85%, Senior Management Service class 20.05% and County Elected Officers class 40.75%.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, 2017, 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 \$358,424 for the fiscal year ended September 30, 2017.

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, 2017 the City contributed \$478,974 to cover 261 retired employees and \$16,274 for the Airport to cover 12 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.

CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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:

	9/30/2015	9/30/2016	9/30/2017
Annual required contribution (ARC)	\$ 1,943,000	\$ 2,064,000	\$ 1,337,000
Interest on net OPEB obligation	612,000	648,000	684,000
Adjustment to annual required contribution	(796,000)	(877,000)	(967,000)
Annual OPEB cost	1,759,000	1,835,000	1,054,000
Contributions made	(456,329)	(474,678)	(495,248)
Implicit subsidy	(284,000)	(320,000)	(179,000)
Increase in net OPEB obligation	1,018,671	1,040,322	379,752
Net OPEB obligation-beginning of year	17,469,827	18,488,498	19,528,820
Net OPEB obligation-end of year	\$ 18,488,498	\$ 19,528,820	\$ 19,908,572

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, 2017 the net OPEB obligation of governmental activities, business-type activities, and the component unit is \$15,591,171, \$3,422,728, and \$894,673, 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
2015	\$ 1,759	\$ 740	42%	\$ 18,488
2016	1,835	795	43%	19,529
2017	1,054	674	64%	19,909

Funded Status and Funding Progress. The funded status as of October 1, 2017, 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)
10/1/2016	\$ -	\$16,570	\$16,570	0%	\$37,377	44.3%

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.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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 10/1/2017 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 22 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 5.3% 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 2016. 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. TAX ABATEMENTS

GASB Statement No. 77, "Tax Abatement Disclosures" was implemented this fiscal year.

The City enters into property tax abatement agreements with new or expanding businesses under the Economic Development Ad Valorem Tax Exemption Program authorized by Melbourne City Code, Chapter 54, Article VI, and Section 196.1995 Florida Statutes. Under the program, the City grants 100% property tax abatements from one to 10 years to attract or retain businesses, which contribute to the economy of the City with new jobs and improvements to real and personal property. The program criteria scores applications on the number of employees, average payroll, capital investment, and additional high economic impact factors such as significant capital investment over \$15 million, over 150 new employees, or targeted industries. Benefitting businesses are required to file an annual report detailing their year-end investment and employment levels and verifying their new or expansion status as outlined in Florida Statutes Section 196.012. For the fiscal year ended September 30, 2017, the City abated 2016 property taxes to eight businesses totaling \$203,271. Compliance review of the benefitting businesses annual reports determined that two exemptions will be revoked going forward, leaving six businesses qualified for 2017 property tax abatements.

**CITY OF MELBOURNE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

F. SUBSEQUENT EVENTS

On October 10, 2017, the City Council approved the purchase of one fire rescue pumper from Sutphen Corporation, Dublin, Ohio for \$442,090.

On October 24, 2017, the City Council approved an interlocal agreement between the City, the Babcock Street Community Redevelopment Agency, and Brevard County to transfer the Brevard County portion of Babcock Street that is located within the city limits which includes a \$500,000 contribution from the county and an additional \$1.3 million from the Babcock Street Community Redevelopment Agency for street reconstruction.

On November 28, 2017, the City Council approved a \$1,540,000 utility work by highway contractor agreement for the St. Johns Heritage Parkway/Ellis Road interchange project with the Florida Department of Transportation.

On November 28, 2017, the City Council approved a professional engineering services agreement for the design of the Grant Street Water Reclamation Facility Improvements with Infrastructure Solution Services, LLC, Melbourne, Florida for \$989,000.

On December 8, 2017, the Melbourne Airport Authority approved a contract amendment to AVCON, Inc. in an amount of \$898,692, for construction administration services and resident project representative services for the mill and overlay rehabilitation of Runway 9R-27L.

On January 9, 2018, the City Council approved a contract award for the Hickory Street Complete street project to Jordan Brothers Construction, LLC, Orlando, Florida, for \$7,832,146.

On January 24, 2018, the Melbourne Airport Authority approved the sale of 15.53 acres at 800 North Apollo Boulevard to the tenant, Group Apollo, at a proposed sale price of \$2.6 million. The Federal Aviation Administration has approved the sale.

On January 24, 2018, the Melbourne Airport Authority approved the sale of 2.5 acres to a local developer for water retention at a proposed sale price of \$815,000. The Federal Aviation Administration has approved the sale.

On February 13, 2018, City Council approved the donation of two land parcels to the Florida Department of Transportation for the St. Johns Heritage Parkway and Ellis Road Interstate 95 interchange project. The Melbourne Airport Authority jointly owns one parcel and the second parcel contains an FAA radio transmitter. The Melbourne Airport Authority approved the donation on January 24, 2018. Both donations are subject to approval by the Federal Aviation Administration.



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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 30,872,092	\$ 30,872,092	\$ 30,875,437	\$ 3,345
Utility and communications	11,873,000	11,873,000	11,523,700	(349,300)
Franchise fees	6,965,000	6,965,000	6,873,844	(91,156)
Intergovernmental	12,141,547	15,490,601	12,978,666	(2,511,935)
Charges for services	9,441,074	9,463,851	9,323,674	(140,177)
Licenses and permits	2,777,750	2,777,750	3,993,327	1,215,577
Fines, forfeitures, penalties and fees	282,000	282,000	241,941	(40,059)
Investment earnings	236,167	236,167	232,745	(3,422)
Other revenues	913,427	917,900	915,246	(2,654)
Total revenues	<u>75,502,057</u>	<u>78,878,361</u>	<u>76,958,580</u>	<u>(1,919,781)</u>
EXPENDITURES				
Current:				
General government:				
Mayor and council	169,586	172,879	172,878	1
City manager	755,314	779,248	760,546	18,702
City attorney	718,825	850,648	848,498	2,150
City clerk	405,441	429,445	403,380	26,065
Accounting and budget	1,822,448	1,854,124	1,811,955	42,169
Management services	299,713	307,645	305,197	2,448
Procurement	450,606	458,759	437,341	21,418
Human resources	536,091	678,836	649,323	29,513
Information technology	3,869,476	4,204,634	3,924,431	280,203
Engineering	1,296,166	1,329,040	1,317,280	11,760
Planning and economic development	675,917	748,224	712,089	36,135
Other - unclassified	5,331,340	4,710,570	4,070,696	639,874
Total general government	<u>16,330,923</u>	<u>16,524,052</u>	<u>15,413,614</u>	<u>1,110,438</u>
Public Safety:				
Fire	19,497,836	19,842,754	19,296,734	546,020
Police	24,038,650	25,311,612	24,426,262	885,350
Total public safety	<u>43,536,486</u>	<u>45,154,366</u>	<u>43,722,996</u>	<u>1,431,370</u>
Public works	<u>8,095,082</u>	<u>10,104,809</u>	<u>9,174,846</u>	<u>929,963</u>
Parks and recreation	<u>6,661,219</u>	<u>6,836,167</u>	<u>6,370,405</u>	<u>465,762</u>
Housing and urban improvement	<u>489,160</u>	<u>498,389</u>	<u>484,697</u>	<u>13,692</u>
Debt service:				
Principal	790,503	790,503	790,503	-
Interest and fiscal agent fees	314,710	314,710	314,707	3
Total debt service	<u>1,105,213</u>	<u>1,105,213</u>	<u>1,105,210</u>	<u>3</u>
Total expenditures	<u>76,218,083</u>	<u>80,222,996</u>	<u>76,271,768</u>	<u>3,951,228</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(716,026)</u>	<u>(1,344,635)</u>	<u>686,812</u>	<u>2,031,447</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,292,271	3,297,876	3,335,764	37,888
Transfers out	(2,939,578)	(3,189,172)	(4,181,852)	(992,680)
Sale of capital assets	30,000	30,000	139,018	109,018
Total other financing sources (uses)	<u>382,693</u>	<u>138,704</u>	<u>(707,070)</u>	<u>(845,774)</u>
Net change in fund balance	<u>(333,333)</u>	<u>(1,205,931)</u>	<u>(20,258)</u>	<u>1,185,673</u>
Fund balance, October 1	<u>21,873,010</u>	<u>21,873,010</u>	<u>21,873,010</u>	<u>-</u>
Fund balance, September 30	<u>\$ 21,539,677</u>	<u>\$ 20,667,079</u>	<u>\$ 21,852,752</u>	<u>\$ 1,185,673</u>

**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, 2017**

	Budget Amounts		Actual on (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,112,330	\$ 1,112,330	\$ 1,112,329	\$ (1)
Investment earnings	3,600	3,600	7,269	3,669
Total revenues	1,115,930	1,115,930	1,119,598	3,668
EXPENDITURES				
Current:				
General government	943,564	1,001,294	853,879	147,415
Debt service:				
Principal	135,648	135,648	135,648	-
Interest and fiscal agent fees	16,718	16,718	16,716	2
Total expenditures	1,095,930	1,153,660	1,006,243	147,417
Excess (deficiency) of revenues over (under) expenditures	20,000	(37,730)	113,355	151,085
OTHER FINANCING USES				
Transfers out	(20,000)	(32,270)	(32,270)	-
Net change in fund balance	-	(70,000)	81,085	151,085
Fund balance, October 1	209,914	209,914	209,914	-
Fund balance, September 30	<u>\$ 209,914</u>	<u>\$ 139,914</u>	<u>\$ 290,999</u>	<u>\$ 151,085</u>

**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, 2017**

	Budget Amounts		Actual on (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 889,367	\$ 889,367	\$ 889,368	\$ 1
Investment earnings	4,200	4,200	10,010	5,810
Total revenues	893,567	893,567	899,378	5,811
EXPENDITURES				
Current:				
General government	443,567	474,226	226,342	247,884
Excess of revenues over expenditures	450,000	419,341	673,036	253,695
OTHER FINANCING USES				
Transfers out	(450,000)	(450,135)	(450,135)	-
Net change in fund balance	-	(30,794)	222,901	253,695
Fund balance, October 1	506,375	506,375	506,375	-
Fund balance, September 30	<u>\$ 506,375</u>	<u>\$ 475,581</u>	<u>\$ 729,276</u>	<u>\$ 253,695</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, 2017**

	Budget Amounts		Actual on (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 341,044	\$ 341,044	\$ 341,043	\$ (1)
Investment earnings	2,700	2,700	6,090	3,390
Other revenue	-	-	-	-
Total revenues	<u>343,744</u>	<u>343,744</u>	<u>347,133</u>	<u>3,389</u>
EXPENDITURES				
Current:				
General government	279,886	302,426	162,928	139,498
Debt service:				
Principal	37,691	37,691	-	37,691
Interest and fiscal agent fees	6,167	6,167	3,175	2,992
Total expenditures	<u>323,744</u>	<u>346,284</u>	<u>166,103</u>	<u>180,181</u>
Excess (deficiency) of revenues over (under) expenditures	20,000	(2,540)	181,030	183,570
OTHER FINANCING USES				
Transfers out	<u>(20,000)</u>	<u>(20,135)</u>	<u>(20,135)</u>	<u>-</u>
Net change in fund balance	-	(22,675)	160,895	183,570
Fund balance, October 1	<u>217,417</u>	<u>217,417</u>	<u>217,417</u>	<u>-</u>
Fund balance, September 30	<u>\$ 217,417</u>	<u>\$ 194,742</u>	<u>\$ 378,312</u>	<u>\$ 183,570</u>

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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.

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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.

	General Fund	Downtown Redevelopment	Babcock Street Redevelopment	Olde Eau Gallie Redevelopment
Expenditures				
Actual amounts (budgetary basis) "total expenditures" as reported on the statement of revenues, expenditures and changes in fund balances - - budget and actual	\$ 76,271,768	\$ 1,006,243	\$ 226,342	\$ 166,103
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.	(2,551,641)	(50,000)	-	(4,892)
Total expenditures are reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 73,720,127</u>	<u>\$ 956,243</u>	<u>\$ 226,342</u>	<u>\$ 161,211</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, 2017 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)	\$ (20,258)	\$ 81,085	\$ 222,901	\$ 160,895
Adjustments:				
Encumbrances	2,551,641	50,000	-	4,892
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) (GAAP Basis)	<u>\$ 2,531,383</u>	<u>\$ 131,085</u>	<u>\$ 222,901</u>	<u>\$ 165,787</u>

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
FIREFIGHTERS PENSION**

	9/30/2017	9/30/2016*	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 1,643,241	\$ 1,596,483	\$ 1,465,467	\$ 1,431,629
Interest	6,370,620	6,164,017	5,937,717	5,743,448
Changes of benefit terms	(139,655)	-	(1,042,704)	-
Difference between expected and actual experience	(735,297)	-	(418,968)	(604,020)
Changes in assumptions	586,277	-	76,676	1,189,708
Benefit payments	(5,983,213)	(4,459,046)	(4,136,588)	(4,113,250)
Contribution refunds	(63,789)	-	(14,935)	(47,795)
Net change in total pension liability	1,678,184	3,301,454	1,866,665	3,599,720
Total pension liability - beginning	81,468,456	78,167,002	76,300,337	72,700,617
Total pension liability - ending (a)	\$ 83,146,640	\$ 81,468,456	\$ 78,167,002	\$ 76,300,337
Plan fiduciary net position				
Contributions - employer	\$ 2,767,223	\$ 2,622,565	\$ 2,702,209	\$ 2,282,865
Contributions - state	514,983	545,561	569,837	604,006
Contributions - employee	748,579	578,536	466,578	442,286
Net investment income	7,785,352	6,138,463	126,002	5,965,296
Benefit payments	(5,983,213)	(4,459,046)	(4,136,588)	(4,113,250)
Contribution refunds	(63,789)	-	(14,935)	(47,795)
Administrative expense	(135,797)	(128,302)	(132,078)	(159,794)
Net change in plan fiduciary net position	5,633,338	5,297,777	(418,975)	4,973,614
Plan fiduciary net position - beginning	63,638,996	58,341,219	58,760,194	53,786,580
Plan fiduciary net position - ending (b)	\$ 69,272,334	\$ 63,638,996	\$ 58,341,219	\$ 58,760,194
Net pension liability - ending (a) - (b)	\$ 13,874,306	\$ 17,829,460	\$ 19,825,783	\$ 17,540,143
Plan fiduciary net position as a percentage of the total pension liability	83.31%	78.11%	74.64%	77.01%
Covered employee payroll	\$ 7,566,356	\$ 6,893,083	\$ 6,513,920	\$ 6,075,965
Net pension liability as a percentage of covered employee payroll	183.37%	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, 2016, which is allowed by GASB Statement No. 68.

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CITY CONTRIBUTIONS
LAST FOUR FISCAL YEARS
FIREFIGHTERS PENSION**

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 3,282,206	\$ 3,168,126	\$ 3,272,046	\$ 2,886,871
Contributions in relation to the actuarially determined contributions	3,282,206	3,168,126	3,272,046	2,886,871
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,566,356	\$ 6,893,083	\$ 6,513,920	\$ 6,075,965
Contributions as a percentage of covered employee payroll	43.38%	45.96%	50.23%	47.51%

Notes to Schedule

Valuation date: 10/01/2015

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	1.26% 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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
POLICE OFFICERS PENSION**

	9/30/2017	9/30/2016*	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 1,463,224	\$ 1,514,579	\$ 1,457,495	\$ 1,468,863
Interest	6,888,890	6,609,747	6,500,397	6,297,597
Difference between expected and actual experience	174,092	(723,896)	(129,550)	-
Changes in assumptions	-	2,243,175	(1,189,338)	-
Contributions - buy back	125,811	6,497	8,784	-
Benefit payments, including refunds of employee contributions	(6,959,523)	(4,794,165)	(5,699,583)	(4,402,589)
Net change in total pension liability	1,692,494	4,855,937	948,205	3,363,871
Total pension liability - beginning	93,996,175	89,140,238	88,192,033	84,828,162
Total pension liability - ending (a)	<u>\$ 95,688,669</u>	<u>\$ 93,996,175</u>	<u>\$ 89,140,238</u>	<u>\$ 88,192,033</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,073,421	\$ 2,948,527	\$ 2,876,710	\$ 3,025,362
Contributions - state	630,296	597,263	543,474	535,651
Contributions - employee	581,719	549,814	512,708	523,863
Contributions - buy back	125,811	6,497	8,784	-
Net investment income	7,412,999	6,589,808	(43,614)	6,199,184
Benefit payments, including refunds of employee contributions	(6,959,523)	(4,794,165)	(5,699,583)	(4,402,589)
Administrative expense	(78,701)	(106,160)	(78,532)	(85,877)
Net change in plan fiduciary net position	4,786,022	5,791,584	(1,880,053)	5,795,594
Plan fiduciary net position - beginning	71,918,661	66,127,077	68,007,130	62,211,536
Plan fiduciary net position - ending (b)	<u>\$ 76,704,683</u>	<u>\$ 71,918,661</u>	<u>\$ 66,127,077</u>	<u>\$ 68,007,130</u>
Net pension liability - ending (a) - (b)	<u>\$ 18,983,986</u>	<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	80.16%	76.51%	74.18%	77.11%
Covered employee payroll	\$ 7,666,800	\$ 8,108,369	\$ 8,613,965	\$ 7,753,130
Net pension liability as a percentage of covered employee payroll	247.61%	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, 2016, which is allowed by GASB Statement No. 68.

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CITY CONTRIBUTIONS
LAST FOUR FISCAL YEARS
POLICE OFFICERS PENSION**

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 3,703,717	\$ 3,545,790	\$ 3,420,184	\$ 3,561,013
Contributions in relation to the actuarially determined contributions	3,703,717	3,545,790	3,420,184	3,561,013
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,666,800	\$ 8,108,369	\$ 8,613,965	\$ 7,753,130
Contributions as a percentage of covered employee payroll	48.31%	43.73%	39.71%	45.93%

Notes to Schedule

Valuation date: 10/01/2015

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	4.5 – 6.00%
Investment rate of return	7.5%
Payroll growth assumption	0.31%
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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
GENERAL EMPLOYEES PENSION**

	Regular Class			
	9/30/2017	9/30/2016*	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 34,004	\$ 57,835	\$ 49,546	\$ 90,848
Interest	418,526	396,941	406,207	391,267
Difference between expected and actual experience	88,609	(62,793)	(31,975)	-
Changes in assumptions	-	338,980	442,831	-
Contributions - Buy Back	-	20,712	-	-
Benefit payments, including refunds of employee contributions	(344,239)	(494,716)	(329,470)	(169,081)
Net change in total pension liability	196,900	256,959	537,139	313,034
Total pension liability - beginning	6,117,065	5,860,106	5,322,967	5,009,933
Total pension liability - ending (a)	<u>\$ 6,313,965</u>	<u>\$ 6,117,065</u>	<u>\$ 5,860,106</u>	<u>\$ 5,322,967</u>
Plan fiduciary net position				
Contributions - employer	\$ 25,204	\$ 43,928	\$ 52,573	\$ 70,913
Contributions - Buy Back	-	20,712	-	-
Net investment income	898,559	583,511	(143,686)	819,869
Benefit payments, including refunds of employee contributions	(344,239)	(494,716)	(329,470)	(169,081)
Administrative expense	(41,090)	(47,733)	(40,805)	(37,463)
Net change in plan fiduciary net position	538,434	105,702	(461,388)	684,238
Plan fiduciary net position - beginning	6,858,732	6,753,030	7,214,418	6,530,180
Plan fiduciary net position - ending (b)	<u>\$ 7,397,166</u>	<u>\$ 6,858,732</u>	<u>\$ 6,753,030</u>	<u>\$ 7,214,418</u>
Net pension asset - ending (a) - (b)	<u>\$ (1,083,201)</u>	<u>\$ (741,667)</u>	<u>\$ (892,924)</u>	<u>\$ (1,891,451)</u>
 Plan fiduciary net position as a percentage of the total pension liability	117.16%	112.12%	115.24%	135.53%
Covered employee payroll	\$ 193,136	\$ 284,325	\$ 496,332	\$ 416,889
Net pension liability as a percentage of covered employee payroll	(560.85)%	(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, 2016, which is allowed by GASB Statement No. 68.

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
GENERAL EMPLOYEES PENSION**

	Special Risk Class			
	9/30/2017	9/30/2016*	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 25,050	\$ 22,024	\$ 56,954	\$ 47,919
Interest	80,237	91,869	82,160	72,693
Difference between expected and actual experience	58,940	(281,383)	32,533	-
Changes in assumptions	-	20,015	136,013	-
Benefit payments, including refunds of employee contributions	(24,552)	(18,900)	(8,382)	(8,174)
Net change in total pension liability	139,675	(166,375)	299,278	112,438
Total pension liability - beginning	1,133,470	1,299,845	1,000,567	888,129
Total pension liability - ending (a)	\$ 1,273,145	\$ 1,133,470	\$ 1,299,845	\$ 1,000,567
Plan fiduciary net position				
Contributions - employer	\$ 51,197	\$ 32,286	\$ 47,458	\$ 90,530
Net investment income	141,013	84,999	(19,272)	100,040
Benefit payments, including refunds of employee contributions	(24,552)	(18,900)	(8,382)	(8,174)
Administrative expense	(6,639)	(7,217)	(5,710)	(4,822)
	161,019	91,168	14,094	177,574
Net change in plan fiduciary net position				
Plan fiduciary net position - beginning	1,064,709	973,541	959,447	781,873
Plan fiduciary net position - ending (b)	\$ 1,225,728	\$ 1,064,709	\$ 973,541	\$ 959,447
Net pension liability - ending (a) - (b)	\$ 47,417	\$ 68,761	\$ 326,304	\$ 41,120
Plan fiduciary net position as a percentage of the total pension liability	96.28%	93.93%	74.90%	95.89%
Covered employee payroll	\$ 70,811	\$ 75,771	\$ 110,625	\$ 190,350
Net pension liability as a percentage of covered employee payroll	66.96%	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, 2016, which is allowed by GASB Statement No. 68.

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CITY CONTRIBUTIONS
LAST FOUR FISCAL YEARS
GENERAL EMPLOYEES PENSION**

	Regular Class			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 25,204	\$ 43,928	\$ 52,573	\$ 70,913
Contributions in relation to the actuarially determined contributions	25,204	43,928	52,573	70,913
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 193,136	\$ 284,325	\$ 496,332	\$ 416,889
Contributions as a percentage of covered employee payroll	13.05%	15.45%	10.59%	17.01%

	Special Risk Class			
	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarially determined contribution	\$ 51,197	\$ 32,286	\$ 47,458	\$ 90,530
Contributions in relation to the actuarially determined contributions	51,197	32,286	47,458	90,530
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 70,811	\$ 75,771	\$ 110,625	\$ 190,350
Contributions as a percentage of covered employee payroll	72.30%	42.61%	42.90%	47.56%

Notes to Schedule

Valuation date: 10/01/2015

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	Aggregate Cost Method (General Regular Class)
	Entry age normal (Special Risk)
Amortization method	Level percentage of pay, closed
Remaining amortization period	28 years (Regular Class)
	15 years (Special Risk)
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	7.0%
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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULES OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS**

FIREFIGHTERS PENSION

	<u>9/30/2017</u>	<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	12.22%	10.36%	0.07%	10.85%

POLICE OFFICERS PENSION

	<u>9/30/2017</u>	<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	10.57%	10.02%	(0.07)%	9.99%

GENERAL EMPLOYEES PENSION

	<u>9/30/2017</u>	<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	12.79%	8.46%	(1.92)%	11.79%

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.079354279%	0.079258566%	0.079673656%	0.079984257%
City's proportionate share of the net pension liability (asset)	\$ 23,472,463	\$ 20,012,850	\$ 10,290,921	\$ 4,880,216
City's covered-employee payroll	29,674,596	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	79.10%	71.80%	38.57%	19.15%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

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

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.090468948%	0.090215231%	0.087923955%	0.088954715%
City's proportionate share of the net pension liability (asset)	\$ 9,673,357	\$ 10,514,211	\$ 8,966,860	\$ 8,317,483
City's covered-employee payroll	29,674,596	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	32.60%	37.72%	33.60%	32.64%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	.97%	.50%	.99%

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

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,065,787	\$ 2,169,203	\$ 1,936,874	\$ 1,589,141
Contributions in relation to the contractually required contribution	2,065,787	2,169,203	1,936,874	1,589,141
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 29,260,292</u>	<u>\$ 30,392,862</u>	<u>\$ 26,867,609</u>	<u>\$ 25,478,479</u>
Contributions as a percentage of covered-employee payroll	7.06%	7.14%	7.21%	6.24%

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

**SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 478,788	\$ 497,507	\$ 363,208	\$ 308,312
Contributions in relation to the contractually required contribution	478,788	497,507	363,208	308,312
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	<u>\$ 29,260,292</u>	<u>\$ 30,392,862</u>	<u>\$ 26,867,609</u>	<u>\$ 25,478,479</u>
Contributions as a percentage of covered-employee payroll	1.64%	1.64%	1.35%	1.21%

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

**CITY OF MELBOURNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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.

**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 (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2014	\$ -	\$ 21,824	\$ 21,824	0%	\$ 36,540	59.7%
10/1/2015	-	22,763	22,763	0	37,393	60.9
10/1/2016	-	16,570	16,570	0	37,377	44.3

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, 2017**

	Special Revenue Funds	Capital Projects Funds	Perpetual Care Permanent Fund	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled investments	\$ 926,054	\$ 9,129,537	\$ 174,524	\$ 10,230,115
Interest receivable	2,317	8,169	440	10,926
Due from other governments	185,884	51,343	-	237,227
	<u>185,884</u>	<u>51,343</u>	<u>-</u>	<u>237,227</u>
Total assets	<u>\$ 1,114,255</u>	<u>\$ 9,189,049</u>	<u>\$ 174,964</u>	<u>\$ 10,478,268</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 146,937	\$ 49,002	\$ -	\$ 195,939
Deposits	103,504	12,179	-	115,683
Unearned revenue	46,030	-	-	46,030
	<u>46,030</u>	<u>-</u>	<u>-</u>	<u>46,030</u>
Total liabilities	<u>296,471</u>	<u>61,181</u>	<u>-</u>	<u>357,652</u>
Fund balances:				
Non-spendable	-	-	174,964	174,964
Restricted:				
Public safety, law enforcement	107,393	-	-	107,393
Housing and urban improvement	710,391	-	-	710,391
Economic development	-	1,270,736	-	1,270,736
Capital improvements	-	1,457,251	-	1,457,251
Transportation improvement	-	955,466	-	955,466
Recreation improvement	-	925,372	-	925,372
Assigned to capital improvements	-	4,519,043	-	4,519,043
	<u>817,784</u>	<u>9,127,868</u>	<u>174,964</u>	<u>10,120,616</u>
Total fund balances	<u>817,784</u>	<u>9,127,868</u>	<u>174,964</u>	<u>10,120,616</u>
Total liabilities and fund balances	<u>\$ 1,114,255</u>	<u>\$ 9,189,049</u>	<u>\$ 174,964</u>	<u>\$ 10,478,268</u>

**CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue Funds	Capital Projects Funds	Perpetual Care Permanent Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 1,247,906	\$ 77,855	\$ -	\$ 1,325,761
Impact fees	-	667,144	-	667,144
Confiscated property	7,242	-	-	7,242
Investment earnings	9,827	34,963	2,007	46,797
Perpetual care endowment additions	-	-	2,100	2,100
Other revenue	68,228	32,504	-	100,732
Total revenues	1,333,203	812,466	4,107	2,149,776
EXPENDITURES				
Current:				
General government	-	31,665	-	31,665
Public works	-	10,590	-	10,590
Parks and recreation	-	12,000	-	12,000
Housing and urban improvement	690,926	-	-	690,926
Capital outlay	228,951	714,819	-	943,770
Total expenditures	919,877	769,074	-	1,688,951
Excess of revenues over expenditures	413,326	43,392	4,107	460,825
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,680,880	-	3,680,880
Transfers out	(234,679)	(40,000)	(2,007)	(276,686)
Total other financing sources (uses)	(234,679)	3,640,880	(2,007)	3,404,194
Net change in fund balances	178,647	3,684,272	2,100	3,865,019
Fund balances, October 1	639,137	5,443,596	172,864	6,255,597
Fund balances, September 30	<u>\$ 817,784</u>	<u>\$ 9,127,868</u>	<u>\$ 174,964</u>	<u>\$ 10,120,616</u>

**CITY OF MELBOURNE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017**

	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	\$ 26,219	\$ 767,630	\$ 25,090	\$ -	\$ 107,115	\$ 926,054
Interest receivable	-	2,039	-	-	278	2,317
Due from other governments	110,367	-	75,517	-	-	185,884
	<u>110,367</u>	<u>-</u>	<u>75,517</u>	<u>-</u>	<u>-</u>	<u>185,884</u>
Total assets	<u>\$ 136,586</u>	<u>\$ 769,669</u>	<u>\$ 100,607</u>	<u>\$ -</u>	<u>\$ 107,393</u>	<u>\$ 1,114,255</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 57,874	\$ 25,943	\$ 63,120	\$ -	\$ -	\$ 146,937
Deposits	-	33,335	12,695	-	-	46,030
Unearned revenues	78,712	-	24,792	-	-	103,504
	<u>78,712</u>	<u>-</u>	<u>24,792</u>	<u>-</u>	<u>-</u>	<u>103,504</u>
Total liabilities	<u>136,586</u>	<u>59,278</u>	<u>100,607</u>	<u>-</u>	<u>-</u>	<u>296,471</u>
Fund balances:						
Restricted	-	710,391	-	-	107,393	817,784
	<u>-</u>	<u>710,391</u>	<u>-</u>	<u>-</u>	<u>107,393</u>	<u>817,784</u>
Total fund balances	<u>-</u>	<u>710,391</u>	<u>-</u>	<u>-</u>	<u>107,393</u>	<u>817,784</u>
Total liabilities and fund balances	<u>\$ 136,586</u>	<u>\$ 769,669</u>	<u>\$ 100,607</u>	<u>\$ -</u>	<u>\$ 107,393</u>	<u>\$ 1,114,255</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, 2017**

	Community Development Block Grant	State Housing Initiative Partnership Program	HOME Investment Partnership Program	Neighborhood Stabilization Program 3	Law Enforcement	Total
REVENUES						
Intergovernmental	\$ 534,487	\$ 567,341	\$ 139,035	\$ 7,043	\$ -	\$ 1,247,906
Confiscated property	-	-	-	-	7,242	7,242
Investment earnings	-	8,501	-	-	1,326	9,827
Other revenue	-	55,304	10,214	-	2,710	68,228
Total revenues	534,487	631,146	149,249	7,043	11,278	1,333,203
EXPENDITURES						
Current:						
Housing and urban improvement	171,346	380,710	137,001	1,869	-	690,926
Capital outlay	228,951	-	-	-	-	228,951
Total expenditures	400,297	380,710	137,001	1,869	-	919,877
Excess of revenues over expenditures	134,190	250,436	12,248	5,174	11,278	413,326
OTHER FINANCING USES						
Transfers out	(139,190)	(58,095)	(12,248)	(5,174)	(19,972)	(234,679)
Net change in fund balances	(5,000)	192,341	-	-	(8,694)	178,647
Fund balances, October 1	5,000	518,050	-	-	116,087	639,137
Fund balances, September 30	\$ -	\$ 710,391	\$ -	\$ -	\$ 107,393	\$ 817,784

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, 2017

	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Positive/ (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,013,138	\$ 534,487	\$ (478,651)
EXPENDITURES			
Current:			
Housing and urban improvement	363,149	171,346	191,803
Capital outlay	<u>320,201</u>	<u>228,951</u>	<u>91,250</u>
Total expenditures	<u>683,350</u>	<u>400,297</u>	<u>283,053</u>
Excess of revenues over expenditures	329,788	134,190	(195,598)
OTHER FINANCING USES			
Transfers out	<u>(334,788)</u>	<u>(139,190)</u>	<u>195,598</u>
Net change in fund balance	(5,000)	(5,000)	-
Fund balance, October 1	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Fund deficit, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2017

	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Positive/ (Negative)</u>
REVENUES			
Intergovernmental	\$ 567,341	\$ 567,341	\$ -
Investment earnings	8,500	8,501	1
Other revenue	<u>55,304</u>	<u>55,304</u>	<u>-</u>
Total revenues	631,145	631,146	1
EXPENDITURES			
Current:			
Housing and urban improvement	<u>1,119,758</u>	<u>437,177</u>	<u>682,581</u>
Excess (deficiency) of revenues over (under) expenditures	(488,613)	193,969	682,582
OTHER FINANCING USES			
Transfers out	<u>(29,437)</u>	<u>(58,095)</u>	<u>(28,658)</u>
Net change in fund balance	(518,050)	135,874	653,924
Fund balance, October 1	<u>518,050</u>	<u>518,050</u>	<u>-</u>
Fund balance, September 30	<u><u>\$ -</u></u>	<u><u>\$ 653,924</u></u>	<u><u>\$ 653,924</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, 2017**

	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Positive/ (Negative)</u>
REVENUES			
Intergovernmental	\$ 592,789	\$ 139,035	\$ (453,754)
Other revenue	<u>10,214</u>	<u>10,214</u>	<u>-</u>
Total revenues	603,003	149,249	(453,754)
EXPENDITURES			
Current:			
Housing and urban improvement	<u>590,755</u>	<u>140,763</u>	<u>449,992</u>
Excess of revenues over expenditures	12,248	8,486	(3,762)
OTHER FINANCING USES			
Transfers out	<u>(12,248)</u>	<u>(12,248)</u>	<u>-</u>
Net change in fund balance	-	(3,762)	(3,762)
Fund balance, October 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund deficit, September 30	<u><u>\$ -</u></u>	<u><u>\$ (3,762)</u></u>	<u><u>\$ (3,762)</u></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, 2017

	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Positive/ (Negative)</u>
REVENUES			
Intergovernmental	\$ 7,043	\$ 7,043	\$ -
EXPENDITURES			
Current:			
Housing and community development	1,869	1,869	-
Excess of revenues over expenditures	5,174	5,174	-
OTHER FINANCING USES			
Transfers out	(5,174)	(5,174)	-
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, 2017**

	General Construction	Mobility Improvement	Recreation Improvement	Bikeways Improvement	Public Facility Improvement	Total
ASSETS						
Equity in pooled investments	\$ 3,876,355	\$ 2,649,900	\$ 873,062	\$ 229,556	\$ 1,500,664	\$ 9,129,537
Interest receivable	194	1,558	2,310	320	3,787	8,169
Due from other governments	1,343	-	50,000	-	-	51,343
Total assets	<u>\$ 3,877,892</u>	<u>\$ 2,651,458</u>	<u>\$ 925,372</u>	<u>\$ 229,876</u>	<u>\$ 1,504,451</u>	<u>\$ 9,189,049</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,055	\$ 466	\$ -	\$ 281	\$ 47,200	\$ 49,002
Deposits	12,179	-	-	-	-	12,179
Total liabilities	13,234	466	-	281	47,200	61,181
Fund balances:						
Restricted:						
Economic development	1,270,736	-	-	-	-	1,270,736
Capital improvements	-	-	-	-	1,457,251	1,457,251
Transportation improvement	74,879	650,992	-	229,595	-	955,466
Recreation improvement	-	-	925,372	-	-	925,372
Assigned to capital improvements	2,519,043	2,000,000	-	-	-	4,519,043
Total fund balances	<u>3,864,658</u>	<u>2,650,992</u>	<u>925,372</u>	<u>229,595</u>	<u>1,457,251</u>	<u>9,127,868</u>
Total liabilities and fund balances	<u>\$ 3,877,892</u>	<u>\$ 2,651,458</u>	<u>\$ 925,372</u>	<u>\$ 229,876</u>	<u>\$ 1,504,451</u>	<u>\$ 9,189,049</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, 2017

	General Construction	Mobility Improvement	Recreation Improvement	Bikeways Improvement	Public Facility Improvement	Total
REVENUES						
Intergovernmental	\$ 27,855	\$ -	\$ 50,000	\$ -	\$ -	\$ 77,855
Impact fees	-	193,278	152,820	13,793	307,253	667,144
Investment earnings	888	6,049	10,510	1,865	15,651	34,963
Other revenue	32,504	-	-	-	-	32,504
Total revenues	61,247	199,327	213,330	15,658	322,904	812,466
EXPENDITURES						
Current:						
General government	31,665	-	-	-	-	31,665
Public works	10,590	-	-	-	-	10,590
Parks and recreation	-	-	12,000	-	-	12,000
Capital outlay:						
General government	-	-	-	-	62,000	62,000
Public safety - fire and police	3,500	-	-	-	-	3,500
Public works	94,825	51,637	-	235,020	-	381,482
Parks and recreation	-	-	267,837	-	-	267,837
Total expenditures	140,580	51,637	279,837	235,020	62,000	769,074
Excess (deficiency) of revenues over (under) expenditures	(79,333)	147,690	(66,507)	(219,362)	260,904	43,392
OTHER FINANCING SOURCES						
Transfers in	1,329,859	2,050,000	73,500	227,521	-	3,680,880
Transfers out	-	-	-	(40,000)	-	(40,000)
Net change in fund balances	1,250,526	2,197,690	6,993	(31,841)	260,904	3,684,272
Fund balances, October 1	2,614,132	453,302	918,379	261,436	1,196,347	5,443,596
Fund balances, September 30	\$ 3,864,658	\$ 2,650,992	\$ 925,372	\$ 229,595	\$ 1,457,251	\$ 9,127,868



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, 2017

	Golf Courses	Stormwater Utility	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,200	\$ -	\$ 2,200
Equity in pooled investments	923	5,906,828	5,907,751
Receivables - trade, net	41,702	-	41,702
Interest receivable	-	15,499	15,499
Due from other governments	-	869,200	869,200
Inventory	53,641	-	53,641
Prepaid items	5,750	-	5,750
	<u>104,216</u>	<u>6,791,527</u>	<u>6,895,743</u>
Total current assets			
Noncurrent assets:			
Net pension asset	10,446	-	10,446
	<u>10,446</u>	<u>-</u>	<u>10,446</u>
Capital assets:			
Nondepreciable:			
Land	649,500	965,307	1,614,807
Construction in progress	-	1,514,723	1,514,723
Depreciable:			
Buildings	827,664	-	827,664
Improvements other than buildings	3,439,217	14,687,219	18,126,436
Machinery and equipment	1,840,853	2,005,778	3,846,631
Intangibles, computer software	31,932	8,163	40,095
Less accumulated depreciation/amortization	(5,198,147)	(3,997,722)	(9,195,869)
Total capital assets, net of accumulated depreciation/amortization	<u>1,591,019</u>	<u>15,183,468</u>	<u>16,774,487</u>
Total noncurrent assets	<u>1,601,465</u>	<u>15,183,468</u>	<u>16,784,933</u>
Total assets	<u>1,705,681</u>	<u>21,974,995</u>	<u>23,680,676</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows, pensions	339,438	37,554	376,992
	<u>339,438</u>	<u>37,554</u>	<u>376,992</u>

	Golf Courses	Stormwater Utility	Total
LIABILITIES			
Current liabilities:			
Accounts payable	56,327	72,343	128,670
Accrued payroll expenses	13,654	3,400	17,054
Due to other funds	74,000	-	74,000
Due to other governments	42,655	-	42,655
Compensated absences	23,678	1,819	25,497
Unearned revenue	38,727	-	38,727
Capital leases payable	134,175	-	134,175
Total current liabilities	383,216	77,562	460,778
Noncurrent liabilities:			
Advance from other funds	225,040	-	225,040
Compensated absences	17,848	496	18,344
Capital leases payable	258,769	-	258,769
Other post employment benefits	336,913	26,161	363,074
Net pension liability	825,226	101,150	926,376
Total noncurrent liabilities	1,663,796	127,807	1,791,603
Total liabilities	2,047,012	205,369	2,252,381
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows, pensions	53,431	2,598	56,029
NET POSITION			
Net investment in capital assets	1,198,075	15,128,373	16,326,448
Unrestricted	(1,253,399)	6,676,209	5,422,810
Total net position	<u>\$ (55,324)</u>	<u>\$ 21,804,582</u>	<u>\$ 21,749,258</u>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Golf Courses	Stormwater Utility	Total
OPERATING REVENUES			
Golf course fees	\$ 2,068,226	\$ -	\$ 2,068,226
Stormwater fees	-	2,786,563	2,786,563
Other revenues	65,278	285	65,563
Total operating revenues	<u>2,133,504</u>	<u>2,786,848</u>	<u>4,920,352</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	904,852	217,884	1,122,736
Contractual services, materials and supplies	1,274,431	1,154,938	2,429,369
Depreciation and amortization	207,264	649,396	856,660
Total operating expenses	<u>2,386,547</u>	<u>2,022,218</u>	<u>4,408,765</u>
Operating income (loss)	<u>(253,043)</u>	<u>764,630</u>	<u>511,587</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	-	50,919	50,919
Interest expense	(15,558)	-	(15,558)
Gain on sale/disposal of capital assets	6,651	-	6,651
Total nonoperating revenues (expenses)	<u>(8,907)</u>	<u>50,919</u>	<u>42,012</u>
Income (loss) before contributions and transfers	(261,950)	815,549	553,599
Capital contributions	-	1,069,651	1,069,651
Transfers in	243,291	-	243,291
Transfers out	<u>(2,166)</u>	<u>(138,802)</u>	<u>(140,968)</u>
Change in net position	(20,825)	1,746,398	1,725,573
Total net position, October 1	<u>(34,499)</u>	<u>20,058,184</u>	<u>20,023,685</u>
Total net position, September 30	<u>\$ (55,324)</u>	<u>\$ 21,804,582</u>	<u>\$ 21,749,258</u>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

1 of 2

	Golf Courses	Stormwater Utility	Total
DECREASE IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,066,543	\$ 2,786,185	\$ 4,852,728
Cash payments to suppliers for goods and services	(1,320,361)	(1,436,777)	(2,757,138)
Cash payments for employee services	(868,451)	(207,930)	(1,076,381)
Other operating revenues	23,107	285	23,392
	<u>(99,162)</u>	<u>1,141,763</u>	<u>1,042,601</u>
Net cash provided (used) by operating activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from other funds	19,040	-	19,040
Interest paid on advance	(3,014)	-	(3,014)
Transfers in	243,291	-	243,291
Transfers out	(2,166)	(138,802)	(140,968)
	<u>257,151</u>	<u>(138,802)</u>	<u>118,349</u>
Net cash provided (used) by noncapital financing activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(77,623)	(2,557,243)	(2,634,866)
Principal paid on lease obligations	(158,120)	-	(158,120)
Interest paid on lease obligations	(12,544)	-	(12,544)
Proceeds from sale of capital assets	6,651	-	6,651
Capital grants and contributions	-	288,852	288,852
	<u>(241,636)</u>	<u>(2,268,391)</u>	<u>(2,510,027)</u>
Net cash used by capital and related financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	48,767	48,767
	<u>-</u>	<u>48,767</u>	<u>48,767</u>
Net cash provided by investing activities			
	<u>(83,647)</u>	<u>(1,216,663)</u>	<u>(1,300,310)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at October 1	86,770	7,123,491	7,210,261
Cash and cash equivalents at September 30	<u>\$ 3,123</u>	<u>\$ 5,906,828</u>	<u>\$ 5,909,951</u>

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Continued)

	Golf Courses	Stormwater Utility	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (253,043)	\$ 764,630	\$ 511,587
Adjustments not affecting cash:			
Depreciation and amortization	207,264	649,396	856,660
Deferred outflows-pensions	47,432	7,905	55,337
Deferred inflows-pensions	(54,313)	(9,526)	(63,839)
Changes in assets and liabilities:			
Accounts receivable	(41,702)	-	(41,702)
Due from other governments	-	(378)	(378)
Inventory	9,881	-	9,881
Net pension asset	1,996	-	1,996
Accounts payable	(55,811)	(281,839)	(337,650)
Accrued payroll expenses	(3,617)	1,387	(2,230)
Unearned revenue	(2,152)	-	(2,152)
Other post employment benefits	(8,274)	948	(7,326)
Net pension liability	53,177	9,240	62,417
Net cash provided (used) by operating activities	<u>\$ (99,162)</u>	<u>\$ 1,141,763</u>	<u>\$ 1,042,601</u>
NON-CASH INVESTING ACTIVITIES			
Decrease in fair value of investments	<u>\$ -</u>	<u>\$ (32,128)</u>	<u>\$ (32,128)</u>
Cash and cash equivalents reconciliation:			
Current assets:			
Cash and cash equivalents	\$ 2,200	\$ -	\$ 2,200
Equity in pooled investments	<u>923</u>	<u>5,906,828</u>	<u>5,907,751</u>
Cash and cash equivalents at September 30	<u>\$ 3,123</u>	<u>\$ 5,906,828</u>	<u>\$ 5,909,951</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, 2017**

	Workers Compensation	Insurance	Total
ASSETS			
Current assets:			
Equity in pooled investments	\$ 1,880,567	\$ 1,946,686	\$ 3,827,253
Accounts receivable	-	98,472	98,472
Interest receivable	4,478	4,758	9,236
Prepaid items	738,935	450,813	1,189,748
Total current assets	2,623,980	2,500,729	5,124,709
Noncurrent asset:			
Net pension asset	-	24,288	24,288
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	-	24,288	24,288
Total assets	2,623,980	2,525,017	5,148,997
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows, pensions	-	71,976	71,976
LIABILITIES			
Current liabilities:			
Accounts payable	163,620	1,215	164,835
Accrued payroll expenses	-	2,330	2,330
Accrued claims	553,944	233,639	787,583
Compensated absences	-	3,143	3,143
Deposits	-	109	109
Total current liabilities	717,564	240,436	958,000
Noncurrent liabilities:			
Accrued claims	1,754,254	605,853	2,360,107
Compensated absences	-	1,494	1,494
Other post employment benefits	-	42,281	42,281
Net pension liability	-	175,465	175,465
Total noncurrent liabilities	1,754,254	825,093	2,579,347
Total liabilities	2,471,818	1,065,529	3,537,347
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows, pensions	-	22,893	22,893
NET POSITION			
Unrestricted	152,162	1,508,571	1,660,733
Total net position	\$ 152,162	\$ 1,508,571	\$ 1,660,733

CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Workers Compensation	Insurance	Total
OPERATING REVENUES			
Charges to other funds	\$ 2,668,003	\$ 1,591,566	\$ 4,259,569
Charges to component unit	120,551	494,717	615,268
Other revenues	-	195	195
	<hr/>	<hr/>	<hr/>
Total operating revenue	2,788,554	2,086,478	4,875,032
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Salaries, wages and employee benefits	-	198,926	198,926
Contractual services, materials and supplies	944,337	1,869,912	2,814,249
Claims	1,715,625	235,785	1,951,410
	<hr/>	<hr/>	<hr/>
Total operating expense	2,659,962	2,304,623	4,964,585
	<hr/>	<hr/>	<hr/>
Operating income (loss)	128,592	(218,145)	(89,553)
	<hr/>	<hr/>	<hr/>
NONOPERATING REVENUE			
Investment earnings	13,594	15,713	29,307
	<hr/>	<hr/>	<hr/>
Income (loss) before transfers	142,186	(202,432)	(60,246)
	<hr/>	<hr/>	<hr/>
Transfers out	-	(406)	(406)
	<hr/>	<hr/>	<hr/>
Change in net position	142,186	(202,838)	(60,652)
	<hr/>	<hr/>	<hr/>
Total net position, October 1,	9,976	1,711,409	1,721,385
	<hr/>	<hr/>	<hr/>
Total net position, September 30	\$ 152,162	\$ 1,508,571	\$ 1,660,733
	<hr/>	<hr/>	<hr/>

**CITY OF MELBOURNE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Workers Compensation	Insurance	Total
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from other funds	\$ 2,668,003	\$ 1,591,566	\$ 4,259,569
Cash received from component unit	120,551	494,717	615,268
Cash payments to suppliers for goods and services	(2,654,852)	(2,577,781)	(5,232,633)
Cash payments for employee services	-	(180,776)	(180,776)
Other operating revenues	-	195	195
Net cash provided (used) by operating activities	<u>133,702</u>	<u>(672,079)</u>	<u>(538,377)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	(406)	(406)
Net cash used from non-capital financing activities	<u>-</u>	<u>(406)</u>	<u>(406)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	11,770	15,760	27,530
Net cash provided by investing activities	<u>11,770</u>	<u>15,760</u>	<u>27,530</u>
Net increase (decrease) in cash and cash equivalents	145,472	(656,725)	(511,253)
Cash and cash equivalents at October 1	1,735,095	2,603,411	4,338,506
Cash and cash equivalents at September 30	<u><u>\$ 1,880,567</u></u>	<u><u>\$ 1,946,686</u></u>	<u><u>\$ 3,827,253</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 128,592	\$ (218,145)	\$ (89,553)
Adjustments not affecting cash:			
Deferred outflows - pensions	-	17,257	17,257
Deferred inflows - pensions	-	(14,460)	(14,460)
Changes in assets and liabilities:			
Accounts receivable	-	(9,603)	(9,603)
Prepaid items	(89,035)	(449,263)	(538,298)
Net pension asset	-	4,599	4,599
Net pension liability	-	15,170	15,170
Accounts payable	150,158	(3,153)	147,005
Accrued payroll expenses	-	(5,154)	(5,154)
Accrued claims	(56,013)	(10,174)	(66,187)
Deposits	-	109	109
Other post employment benefits	-	738	738
Net cash provided (used) by operating activities	<u><u>\$ 133,702</u></u>	<u><u>\$ (672,079)</u></u>	<u><u>\$ (538,377)</u></u>
NON-CASH INVESTING ACTIVITIES			
Decrease in fair value of investments	<u><u>\$ (5,223)</u></u>	<u><u>\$ (10,232)</u></u>	<u><u>\$ (15,455)</u></u>
Cash and cash equivalents reconciliation at September 30			
Current assets:			
Equity in pooled investments	<u><u>\$ 1,880,567</u></u>	<u><u>\$ 1,946,686</u></u>	<u><u>\$ 3,827,253</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, 2017**

ASSETS

Equity in pooled investments	<u>\$ 861,898</u>
Total assets	<u><u>\$ 861,898</u></u>

LIABILITIES

Accounts payable	\$ 1,350
Refundable deposits	<u>860,548</u>
Total liabilities	<u><u>\$ 861,898</u></u>

CITY OF MELBOURNE, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PERFORMANCE DEPOSITS AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Equity in pooled investments	<u>\$ 785,370</u>	<u>\$ 184,916</u>	<u>\$ 108,388</u>	<u>\$ 861,898</u>
Total assets	<u><u>\$ 785,370</u></u>	<u><u>\$ 184,916</u></u>	<u><u>\$ 108,388</u></u>	<u><u>\$ 861,898</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ 101,783	\$ 100,433	\$ 1,350
Refundable deposits	<u>785,370</u>	<u>176,611</u>	<u>101,433</u>	<u>860,548</u>
Total liabilities	<u><u>\$ 785,370</u></u>	<u><u>\$ 278,394</u></u>	<u><u>\$ 201,866</u></u>	<u><u>\$ 861,898</u></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 and commercial business center leasing of aviation and non-aviation properties, 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, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,827,269
Cash and cash equivalents, restricted	428,842
Investments, at fair value	11,901,498
Receivables, trade	465,460
Receivables, restricted	183,839
Other receivables	1,084,691
Interest receivable	41,107
Due from other governments	3,960,540
Due from other governments, restricted	4,968,173
Inventory	7,063
Prepaid items	<u>10,205</u>

Total current assets 26,878,687

Noncurrent assets:

Restricted assets:

Cash and cash equivalents	<u>274,600</u>
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Noncurrent lease receivables 1,051,167

Net pension asset 54,630

Capital assets:

Nondepreciable:

Land	6,899,179
Construction in progress	16,678,353

Depreciable:

Buildings	118,429,135
Improvements other than buildings	79,421,895
Machinery and equipment	10,691,948
Intangibles, computer software	293,723
Less accumulated depreciation/amortization	<u>(88,248,095)</u>

Total capital assets, net of accumulated
depreciation/amortization 144,166,138

Total noncurrent assets 145,546,535

Total assets 172,425,222

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows, pensions 1,387,306

LIABILITIES

Current liabilities:

Accounts payable	453,399
Accrued payroll expenses	77,121
Accrued interest payable	1,498
Due to primary government	60,515
Due to other governments	459,407
Unearned revenue	5,155,193
Compensated absences	150,456
Capital leases payable	119,203

Current liabilities payable from restricted assets:

Accounts payable	<u>5,580,854</u>
------------------	------------------

Total current liabilities	<u>12,057,646</u>
---------------------------	-------------------

Noncurrent liabilities:

Liabilities payable from restricted assets, customer deposits	274,600
Compensated absences	211,739
Capital leases payable	504,777
Other post employment benefits	894,673
Net pension liability	<u>3,137,830</u>

Total noncurrent liabilities	<u>5,023,619</u>
------------------------------	------------------

Total liabilities	<u>17,081,265</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows, pensions	<u>346,222</u>
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NET POSITION

Net investment in capital assets	137,836,304
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Restricted for:

Capital improvements	5,580,854
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Unrestricted	<u>12,967,883</u>
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Total net position	<u><u>\$ 156,385,041</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, 2017**

OPERATING REVENUES

Airfield and hangar fees	\$ 7,356,270
Terminal and area building fees	4,087,708
Commercial business center fees	3,903,056
Tropical Haven fees	1,797,185
International/U.S. Customs/Foreign Trade Zone fees	48,308
Other	401,929
Total operating revenues	<u>17,594,456</u>

OPERATING EXPENSES

Salaries, wages and employee benefits	4,932,795
Contractual services, materials and supplies	13,279,891
Depreciation and amortization	5,926,633
Total operating expenses	<u>24,139,319</u>

Operating loss	<u>(6,544,863)</u>
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NONOPERATING REVENUES (EXPENSES)

Federal and State grants	75,800
Donations	4,000
Passenger Facility Charges	908,780
Investment earnings	171,265
Contributions to other governments	(1,869,903)
Interest expense	(45,001)
Loss on sale/disposal of capital assets	<u>(543,680)</u>

Total nonoperating revenues (expenses)	<u>(1,298,739)</u>
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Loss before contributions	(7,843,602)
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Capital contributions	<u>13,014,803</u>
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Change in net position	5,171,201
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Total net position, October 1,	<u>151,213,840</u>
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Total net position, September 30	<u><u>\$ 156,385,041</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, 2017**

1 of 2

DECREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 16,854,337
Cash payments to suppliers for goods and services	(12,431,567)
Cash payments for employee services	(4,716,575)
Other operating revenues	<u>401,929</u>
Net cash provided by operating activities	<u>108,124</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Operating grants and donations	41,951
Passenger facility charges	<u>906,523</u>
Net cash provided by noncapital financing activities	<u>948,474</u>

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

Acquisition and construction of capital assets	(19,214,744)
Principal paid on lease obligations	(114,230)
Interest paid on lease obligations	(25,041)
Proceeds from sale of capital assets	910
Capital grants	<u>13,406,281</u>
Net cash used by capital and related financing activities	<u>(5,946,824)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment securities	(7,009,312)
Proceeds from sale and maturities of investment securities	6,861,463
Interest on investments	<u>228,167</u>
Net cash provided by investing activities	<u>80,318</u>

Net decrease in cash and cash equivalents	(4,809,908)
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Cash and cash equivalents at October 1	<u>9,340,619</u>
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Cash and cash equivalents at September 30	<u><u>\$ 4,530,711</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, 2017
(Continued)**

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

Operating loss	\$ (6,544,863)
Adjustments not affecting cash:	
Depreciation and amortization	5,926,633
Deferred outflows - pensions	271,340
Deferred inflows - pensions	(93,031)
Changes in assets and liabilities:	
Receivables, trade	(66,640)
Other receivables	(22,732)
Due from other governments	344
Inventory	22,546
Prepaid items	(8,419)
Noncurrent lease receivables	(139,725)
Net pension asset	10,815
Net pension liability	(23,495)
Accounts payable	762,822
Accrued payroll expenses	36,844
Due to (from) primary government	69,530
Due to other governments	(2,426)
Unearned revenue	(105,166)
Other post employment benefits	13,747
Net cash provided by operating activities	<u><u>\$ 108,124</u></u>

**NON-CASH CAPITAL AND RELATED
FINANCING ACTIVITIES**

Lease financed acquisitions	\$ 777,464
Contributions from developers	87,125
Contributions to other governments	(1,869,903)
Total non-cash capital and related financing activities	<u><u>\$ (1,005,314)</u></u>

NON-CASH INVESTING ACTIVITIES

Decrease in fair value of investments	<u><u>\$ (61,134)</u></u>
---------------------------------------	---------------------------

Cash and cash equivalents reconciliation:

Current assets:	
Cash and cash equivalents	\$ 3,827,269
Cash and cash equivalents, restricted	428,842
Noncurrent assets:	
Cash and cash equivalents, restricted	274,600
Cash and cash equivalents at September 30	<u><u>\$ 4,530,711</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, 2017
- 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net investment in capital assets	\$ 70,069,032	\$ 71,429,676	\$ 72,038,559	\$ 77,645,248
Restricted	23,458,471	27,783,161	27,879,876	22,714,682
Unrestricted	21,577,336	16,229,875	16,362,185	18,489,936
Total governmental activities net position	<u>\$ 115,104,839</u>	<u>\$ 115,442,712</u>	<u>\$ 116,280,620</u>	<u>\$ 118,849,866</u>
Business-type activities				
Net investment in capital assets	\$ 55,833,195	\$ 58,553,489	\$ 58,045,690	\$ 58,609,763
Restricted	19,046,129	21,577,139	21,511,729	18,985,861
Unrestricted	17,488,598	10,169,559	10,762,763	15,655,994
Total business-type activities net position	<u>\$ 92,367,922</u>	<u>\$ 90,300,187</u>	<u>\$ 90,320,182</u>	<u>\$ 93,251,618</u>
Primary government				
Net investment in capital assets	\$ 125,902,227	\$ 129,983,165	\$ 130,084,249	\$ 136,255,011
Restricted	42,504,600	49,360,300	49,391,605	41,700,543
Unrestricted	39,065,934	26,399,434	27,124,948	34,145,930
Total primary government net position	<u>\$ 207,472,761</u>	<u>\$ 205,742,899</u>	<u>\$ 206,600,802</u>	<u>\$ 212,101,484</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 81,082,994	\$ 78,404,558	\$ 82,144,646	\$ 82,067,802	\$ 82,079,774	\$ 81,588,488
22,841,308	22,841,609	22,826,912	22,960,162	24,564,405	27,329,441
14,490,489	12,231,951	8,669,905	(34,403,547)	(32,099,072)	(28,259,345)
<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>	<u>\$ 80,658,584</u>
\$ 58,925,901	\$ 65,889,305	\$ 63,190,585	\$ 64,009,483	\$ 69,542,203	\$ 73,725,381
18,156,113	14,849,906	14,489,407	12,253,588	10,677,396	10,454,252
19,864,115	19,547,409	29,614,094	35,818,205	41,553,220	46,365,888
<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>	<u>\$ 130,545,521</u>
\$ 140,008,895	\$ 144,293,863	\$ 145,335,231	\$ 146,077,285	\$ 151,621,977	\$ 155,313,869
40,997,421	37,691,515	37,316,319	35,213,750	35,241,801	37,783,693
34,354,604	31,779,360	38,283,999	1,414,658	9,454,148	18,106,543
<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>	<u>\$ 211,204,105</u>

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

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental activities:				
General government	\$ 12,337,005	\$ 13,660,469	\$ 13,597,891	\$ 13,366,909
Public safety - fire and police	38,140,246	39,053,513	39,010,931	39,717,295
Public works	8,278,938	7,235,457	7,323,261	8,720,053
Parks and recreation	6,676,949	6,250,733	6,104,076	6,036,530
Housing and urban improvement	2,400,139	2,841,243	3,164,117	2,399,107
Interest on long-term debt	693,742	669,954	619,428	569,317
Unallocated depreciation	2,350,035	2,404,570	2,475,341	2,567,216
Total governmental activities expenses	<u>70,877,054</u>	<u>72,115,939</u>	<u>72,295,045</u>	<u>73,376,427</u>
Business-type activities:				
Water and sewer	43,472,925	47,768,307	44,401,203	43,688,265
Golf courses	2,824,678	2,830,653	2,579,574	2,510,247
Stormwater utility	474,630	559,565	627,482	808,587
Total business-type activities expenses	<u>46,772,233</u>	<u>51,158,525</u>	<u>47,608,259</u>	<u>47,007,099</u>
Total primary government expenses	<u>\$ 117,649,287</u>	<u>\$ 123,274,464</u>	<u>\$ 119,903,304</u>	<u>\$ 120,383,526</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 9,434,123	\$ 9,111,954	\$ 10,291,593	\$ 10,220,895
Public safety - fire and police	2,545,161	2,056,832	1,613,850	1,483,927
Public works	1,651,604	1,707,319	1,027,069	1,075,153
Parks & recreation	813,449	792,014	851,507	806,870
Housing and urban development	-	-	-	16,300
Operating grants and contributions	9,129,809	8,563,054	8,620,743	6,948,506
Capital grants and contributions	2,801,330	601,107	1,826,368	6,795,571
Total governmental activities program revenue	<u>26,375,476</u>	<u>22,832,280</u>	<u>24,231,130</u>	<u>27,347,222</u>
Business-type activities:				
Charges for services:				
Water and sewer	39,504,368	40,579,170	42,913,122	45,853,683
Golf courses	2,512,528	2,391,390	2,337,589	2,455,332
Stormwater utility	1,134,769	1,270,656	1,286,742	1,775,997
Operating grants and contributions	170,443	123,818	-	(24,972)
Capital grants and contributions	4,277,235	4,735,533	2,344,185	1,359,095
Total business-type activities program revenue	<u>47,599,343</u>	<u>49,100,567</u>	<u>48,881,638</u>	<u>51,419,135</u>
Total primary government program revenues	<u>\$ 73,974,819</u>	<u>\$ 71,932,847</u>	<u>\$ 73,112,768</u>	<u>\$ 78,766,357</u>

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 13,764,828	\$ 15,561,604 ⁽²⁾	\$ 13,835,021	\$ 14,194,930 ⁽⁷⁾	\$ 16,928,412	\$ 17,484,202
41,815,591 ⁽¹⁾	40,168,100	41,353,221	33,441,611 ⁽⁷⁾	40,329,521	42,771,938
6,049,564	8,316,795 ⁽³⁾	8,116,255	7,108,185	8,145,791	9,049,033
6,136,168	6,254,656	6,711,448	6,437,870	6,927,039	6,986,112
1,592,095	2,574,619	1,883,401	1,289,586	1,298,756	1,252,620
537,544	497,222	467,651	445,221	394,519	342,693
2,794,502	2,868,115	2,997,742	3,191,952	3,322,705	3,364,937
<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>	<u>81,251,535</u>
43,494,835	45,289,816 ⁽⁴⁾	42,643,322	43,578,657 ⁽⁷⁾	45,201,038	45,050,186
2,535,298	2,507,241	2,565,545	2,292,530	2,642,683	2,404,043
1,007,033	1,099,665	1,174,732	1,180,219	1,323,778	2,023,246
<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>49,477,475</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>	<u>\$ 130,729,010</u>
\$ 9,918,937	\$ 10,456,884	\$ 9,523,800	\$ 10,072,902	\$ 10,784,839	\$ 11,432,709
1,566,866	1,776,557	1,873,093	1,810,164	1,836,711	1,715,871
1,015,248	976,080	1,091,551	1,157,906	1,188,363	1,161,085
838,908	815,759	834,368	898,132	1,114,217	1,128,470
13,100	13,500	19,685	1,250	-	-
6,660,356	7,084,093	6,133,822	6,999,122	7,117,618	6,564,181
3,273,290	1,418,806	2,553,954	628,876	903,067	997,676
<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>	<u>22,999,992</u>
47,245,389	47,370,637	50,164,115	53,391,431	54,089,987	54,143,079
2,413,445	2,286,132	2,078,840	2,029,093	2,019,697	2,133,504
2,218,083	2,290,742	2,275,789	2,720,436	2,773,816	2,786,848
110,477	-	-	-	-	-
736,596	2,244,507	1,241,348	2,174,091	1,884,001	3,687,662
<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>62,751,093</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>	<u>\$ 85,751,085</u>

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

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue				
Governmental activities	\$ (44,501,578)	\$ (49,283,659)	\$ (48,063,915)	\$ (46,029,205)
Business-type activities	827,110	(2,057,958)	1,273,379	4,412,036
Total primary government net expense	<u>\$ (43,674,468)</u>	<u>\$ (51,341,617)</u>	<u>\$ (46,790,536)</u>	<u>\$ (41,617,169)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property	\$ 21,575,415	\$ 21,279,929	\$ 21,976,524	\$ 22,137,715
Utility and telecommunication	11,326,996	10,997,283	11,394,528	11,104,099
Franchise fees	7,187,413	7,281,090	6,594,719	6,587,477
Unrestricted grants and contributions	11,514,895	6,468,279	6,032,442	6,441,922
Investment earnings	2,139,784	2,248,911	1,067,666	492,069
Miscellaneous	103,776	91,906	350	-
Gain on sale of capital assets	-	-	-	-
Contributions to permanent funds	2,250	1,100	2,400	-
Extraordinary item	-	-	-	-
Transfers	909,868	1,253,034	1,833,194	1,835,169
Total governmental activities	<u>54,760,397</u>	<u>49,621,532</u>	<u>48,901,823</u>	<u>48,598,451</u>
Business-type activities:				
Unrestricted grants and contributions	-	-	-	301
Investment earnings	2,057,257	1,243,257	579,810	354,268
Gain on sale of capital assets	-	-	-	-
Transfers	(909,868)	(1,253,034)	(1,833,194)	(1,835,169)
Total business-type activities	<u>1,147,389</u>	<u>(9,777)</u>	<u>(1,253,384)</u>	<u>(1,480,600)</u>
Total primary government	<u>\$ 55,907,786</u>	<u>\$ 49,611,755</u>	<u>\$ 47,648,439</u>	<u>\$ 47,117,851</u>
Change in Net Position				
Governmental activities	\$ 10,258,819	\$ 337,873	\$ 837,908	\$ 2,569,246
Business-type activities	1,974,499	(2,067,735)	19,995	2,931,436
Total primary government	<u>\$ 12,233,318</u>	<u>\$ (1,729,862)</u>	<u>\$ 857,903</u>	<u>\$ 5,500,682</u>

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

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (49,403,587)	\$ (53,699,432)	\$ (53,334,466)	\$ (44,541,003)	\$ (54,401,928)	\$ (58,251,543)
5,686,824	5,295,296	9,376,493 ⁽⁵⁾	13,263,645	11,600,002	13,273,618
<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>	<u>\$ (44,977,925)</u>
\$ 21,813,062	\$ 21,896,644	\$ 24,328,815 ⁽⁶⁾	\$ 25,652,370	\$ 28,762,101	\$ 30,875,437
10,922,977	11,234,486	11,360,611	11,394,026	11,473,828	11,523,700
6,280,299	6,246,963	6,614,483	6,785,031	6,668,887	6,873,844
6,804,372	7,092,078	8,487,828	7,678,420	8,117,198	9,512,376
484,969	149,243	125,364	384,988	657,927	506,200
-	-	-	-	-	-
3,250	3,500	1,600	41,013	-	-
-	-	-	3,150	2,500	2,100
197,508	-	-	-	-	-
<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>5,071,363</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>	<u>64,365,020</u>
-	-	-	-	-	-
379,256	177,220	210,083	508,043	695,166	563,796
90,506	7,820	-	-	36,552	6,651
<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>(5,071,363)</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>(4,500,916)</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>	<u>\$ 59,864,104</u>
\$ (435,075)	\$ (4,936,673)	\$ 163,345	\$ 10,069,937	\$ 3,920,690	\$ 6,113,477
3,694,511	3,340,491	7,007,466	11,099,746	9,691,543	8,772,702
<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>	<u>\$ 14,886,179</u>

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

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u> ⁽²⁾	<u>2011</u>
General fund				
Reserved	\$ 1,655,931	\$ 1,376,981		
Unreserved	<u>14,363,270</u>	<u>16,338,580</u>		
Non-spendable			\$ 1,937,571	\$ 1,813,302
Restricted			171,734	172,649
Committed			-	-
Assigned			2,384,098	2,756,749
Unassigned			<u>15,533,104</u>	<u>16,619,290</u>
Total general fund	<u>\$ 16,019,201</u>	<u>\$ 17,715,561</u>	<u>\$ 20,026,507</u>	<u>\$ 21,361,990</u>
 All Other Governmental funds				
Reserved	11,127,124	2,552,614 ⁽¹⁾		
Unreserved, reported in				
Special revenue funds	1,347,211	1,602,220		
Capital projects funds	<u>20,803,266</u>	<u>23,392,404</u>		
Non-spendable			\$ 158,864	\$ 158,864
Restricted			23,462,041	22,430,641
Committed ⁽³⁾			-	-
Assigned			4,136,188	2,379,452
Unassigned			<u>(189,187)</u>	<u>(118,174)</u>
Total all other governmental funds	<u>\$ 33,277,601</u>	<u>\$ 27,547,238</u>	<u>\$ 27,567,906</u>	<u>\$ 24,850,783</u>

(1) The decrease in reserved fund balance of the other governmental funds is due to the completion of the construction of the new City Hall.

(2) The City implemented GASB No. 54 changing this presentation.

(3) The City committed \$1,000,000 for economic development in 2014, and spent \$333,333 in 2016.

(4) Reflects the reduction in subsequent year budget for assigned.

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 1,622,852	\$ 1,316,565	\$ 1,472,121	\$ 1,186,384	\$ 831,098	\$ 730,784
174,979	297,940	183,165	186,720	200,708	207,113
-	-	1,000,000 ⁽³⁾	1,000,000	666,667	333,334
4,132,491	5,189,667	5,119,574	3,194,815 ⁽⁴⁾	3,186,632	4,963,231
15,084,688	14,400,945	11,694,539	14,061,310	16,987,905	18,169,931
<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>	<u>\$ 24,404,393</u>
\$ 162,114	\$ 165,614	\$ 167,214	\$ 170,364	\$ 172,864	\$ 174,964
22,494,871	22,411,090	22,495,728	22,620,233	24,203,945	26,956,273
-	-	-	-	-	-
2,570,803	2,027,216	2,257,553	4,589,785	5,113,249	7,377,387
(86,772)	(46,257)	-	-	-	-
<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>	<u>\$ 34,508,624</u>

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

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues				
Taxes				
Property	\$ 21,575,415	\$ 21,279,929	\$ 21,976,524	\$ 22,137,715
Utility and telecommunications	10,707,574	11,397,119	11,492,122	11,201,693
Franchise fees	7,187,413	7,281,090	6,594,719	6,587,477
Intergovernmental	16,049,655	15,088,823	15,660,518	15,683,713
Charges for services	10,475,048	10,495,266	10,140,673	9,700,060
Impact fees	5,829,725	1,224,448 ⁽²⁾	990,382	438,748
Licenses and permits	2,606,129	2,113,101	2,176,146	1,987,969
Confiscated property	134,125	50,892	101,335	56,864
Fines, forfeitures, penalties and fees	545,813	428,541	349,902	323,931
Investment earnings	2,026,505	2,058,312	980,543	454,240
Perpetual care endowment additions	2,250	1,100	2,400	-
Other revenues	780,545	853,052	868,794	1,280,613
Total revenues	<u>77,920,197</u>	<u>72,271,673</u>	<u>71,334,058</u>	<u>69,853,023</u>
Expenditures				
General government	12,753,633	13,080,708	12,733,112	12,655,808
Public safety	37,283,528	36,632,263	36,471,946	37,296,823
Public works	8,235,277	7,262,198	7,333,757	8,739,063
Parks and recreation	6,137,068	5,539,116	5,357,134	5,384,549
Housing and urban improvement	2,374,948	2,778,951	3,119,666	2,351,014
Capital outlay	10,823,301	10,807,978	4,429,871	5,905,671
Debt service				
Principal	829,163	875,355	835,446	872,299
Interest	680,262	641,885	603,110	570,230
Bond issuance costs	-	-	-	-
Total expenditures	<u>79,117,180</u>	<u>77,618,454</u>	<u>70,884,042</u>	<u>73,775,457</u>
Excess of revenues over (under) expenditures	<u>(1,196,983)</u>	<u>(5,346,781)</u>	<u>450,016</u>	<u>(3,922,434)</u>
Other financing sources (uses)				
Revenue bonds issued	-	-	-	-
Capital leases	782,817 ⁽¹⁾	-	-	604,160
Sale of capital assets	64,421	71,185	64,575	103,300
Insurance recoveries	-	-	-	-
Transfers in	4,813,589	5,247,400	5,694,976	5,881,667
Transfers out	(3,881,659)	(4,005,807)	(3,877,953)	(4,048,333)
Total other financing sources (uses)	<u>1,779,168</u>	<u>1,312,778</u>	<u>1,881,598</u>	<u>2,540,794</u>
Net change in fund balances	<u>\$ 582,185</u>	<u>\$ (4,034,003)</u>	<u>\$ 2,331,614</u>	<u>\$ (1,381,640)</u>
Debt service as a percentage of noncapital expenditures	2.2%	2.3%	2.2%	2.1%

(1) Purchase of police vehicles and radios.

(2) Downturn in construction activity.

(3) No road resurfacing in 2012.

(4) Neighborhood stabilization program expenditures

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

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

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 21,813,062	\$ 21,896,644	\$ 24,328,815	\$ 25,652,370	\$ 28,762,101	\$ 30,875,437
10,947,375	11,234,486	11,360,611	11,394,026	11,473,828	11,523,700
6,280,299	6,246,963	6,614,483	6,785,031	6,668,887	6,873,844
14,149,766	15,098,505	14,472,033	15,963,669	16,891,197	16,647,167
9,785,168	9,840,594	8,575,679	9,255,551	9,566,648	9,323,674
637,910	856,742	1,867,890	659,517	763,169	1,640,134
2,046,163	2,394,206	2,635,612	2,562,653	3,401,098	3,993,327
30,352	79,342	144,431	15,436	12,290	7,242
294,776	306,942	318,348	276,967	259,230	241,941
450,086	142,459	115,967	358,728	635,748	489,895
3,250	3,500	1,600	3,150	2,500	2,100
871,611	1,171,801	1,064,968	1,170,249	900,680	1,015,978
<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>	<u>82,634,439</u>
12,975,285	13,251,414	14,736,194	14,868,874	15,817,777	16,318,633
38,729,328	37,806,771	41,033,892 ⁽⁵⁾	41,143,272	42,479,210	43,548,485
6,223,871 ⁽³⁾	8,376,512	8,261,768	7,148,771	8,247,008	9,381,894
5,542,863	5,606,919	5,995,492	5,810,118	6,322,634	6,314,782
1,529,290	2,525,881 ⁽⁴⁾	1,799,654	1,218,370	1,201,873	1,173,495
3,863,206	3,155,525	3,422,444	2,916,863	2,349,466	2,297,239
907,542	941,189	983,256	1,026,761	890,721	926,151
532,575	493,529	453,032	409,983	370,865	334,598
-	-	-	-	-	-
<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>80,295,277</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>	<u>2,339,162</u>
-	-	-	-	-	-
142,546 ⁽¹⁾	284,934 ⁽¹⁾	1,194,795 ⁽⁶⁾	-	-	-
43,945	67,531	38,504	102,170	45,208	139,018
282,122	-	-	291,195	-	-
6,262,963	6,863,500	7,748,928	7,871,803	6,194,572	10,283,963
(3,794,181)	(4,723,655)	(5,169,818)	(5,199,786)	(3,544,145)	(5,212,194)
<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>5,210,787</u>
<u>\$ (56,747)</u>	<u>\$ (393,246)</u>	<u>\$ (1,372,886)</u>	<u>\$ 2,619,717</u>	<u>\$ 4,353,457</u>	<u>\$ 7,549,949</u>
2.2%	2.1%	2.0%	2.1%	1.7%	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
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
2017	3,714,336,280	3,025,602,111	2,570,334,211	4,169,604,180	7.6886	4,632,893,533	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	
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
2017	7.6886	6.9160	5.8548	0.4212	20.8806

Source: Brevard County Tax Collector

(1) The City of Melbourne only levies one single direct rate. There is no multi-time 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	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Melbourne Airport Authority	\$ 117,435,170	1	2.82%	\$ 94,233,720	1	1.90%
Melbourne Square LLC ⁽¹⁾	36,400,000	2	0.87%	38,300,000	2	0.77
Health First Physicians Real Estate	32,045,000	3	0.77%			
Harris Corporation	30,550,000	4	0.73%	35,690,000	3	0.72
MPT of Melbourne-Steward LLC ⁽²⁾	26,119,080	5	0.63%			
The Preserve at Longleaf Partners	19,250,000	6	0.46%			
Northland Caribbean Isle LLC	19,250,000	6	0.46%			
Wal-Mart Stores	19,005,010	8	0.46%	15,276,000	5	0.31
Health Care REIT Inc	17,500,000	9	0.42%			
Gray Property 4104 LLC	16,800,000	10	0.40%			
MIMA Real Estate LLC				16,210,150	4	0.33
Rialto, LTD				14,922,440	6	0.30
KRC Melbourne LTD				14,900,000	7	0.30
Florida Marketplace of Brevard				13,200,000	8	0.27
Boozer Properties, LLC				12,404,400	9	0.25
Southern Homes of Melbourne II				10,300,000	10	0.21
	<u>\$ 334,354,260</u>		<u>8.02%</u>	<u>\$ 265,436,710</u>		<u>5.36%</u>

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

(2) Formerly reported as Melbourne HMA LLC

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
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
2017	31,786,412	30,240,898	95	634,539	30,875,437	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⁾
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
2017	4,878,231	31,527,010	8.00	4.57	2,235,262	20,838,145	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>	2017			2008		
	<u>Water Revenue</u>	<u>Rank</u>	<u>Percentage of Total Water Revenue</u>	<u>Water Revenue</u>	<u>Rank</u>	<u>Percentage of Total Water Revenue</u>
City of West Melbourne	\$ 3,439,766	1	10.91 %	\$ 1,849,160	1	8.29 %
Holmes Regional Medical Center	374,083	2	1.19	307,337	2	1.38
Florida Institute of Technology	292,308	3	0.93	151,698	4	0.68
School Board of Brevard County	224,934	4	0.71	175,093	3	0.79
Northrop Grumman Systems Corp	96,792	5	0.31			
DW MLB H LLC	92,958	6	0.29			
We Harbours LLC	90,078	7	0.29	73,632	6	0.33
Harris Corporation	87,313	8	0.28			
HP Communities LLC	83,722	9	0.27			
Eastern Florida State College	81,570	10	0.26	53,444	10	0.24
Lake in the Woods				94,940	5	0.43
Melbourne Hampton Greens				72,044	7	0.32
Preserve at Longleaf Apartments				60,527	8	0.27
MEL OHIO/Tradewinds Apartments				57,924	9	0.26
Total	<u>\$ 4,863,524</u>		<u>15.44 %</u>	<u>\$ 2,895,799</u>		<u>12.99 %</u>

<u>Sewer Customer</u>	2017			2008		
	<u>Sewer Revenue</u>	<u>Rank</u>	<u>Percentage of Total Sewer Revenue</u>	<u>Sewer Revenue</u>	<u>Rank</u>	<u>Percentage of Total Sewer Revenue</u>
Holmes Regional Medical Center	\$ 559,114	1	2.68 %	\$ 470,639	1	3.12 %
Florida Institute of Technology	436,497	2	2.09	227,161	2	1.51
School Board of Brevard County	202,958	3	0.97	151,024	3	1.00
Northrop Grumman Systems Corp	142,085	4	0.68			
We Harbours LLC	134,639	5	0.65			
Harris Corporation	129,916	6	0.62	111,515	5	0.74
Eastern Florida State College	121,917	7	0.59	79,359	9	0.53
Northland Caribbean Isle LLC	118,470	8	0.57			
Manufactured Home Communities	118,157	9	0.57	71,809	10	0.48
The Meadows	113,089	10	0.54			
Lake in the Woods				142,524	4	0.95
Melbourne Hampton Greens				104,592	6	0.69
Preserve at Longleaf Apartments				89,946	7	0.60
MEL OHIO/Tradewinds Apartments				88,209	8	0.58
Total	<u>\$ 2,076,842</u>		<u>9.96 %</u>	<u>\$ 1,536,778</u>		<u>10.20 %</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
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
2017	-	113,142	270,666	7,021,000	287,582

Fiscal Year	Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
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
2017	110,485,810	5.27	1,366

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.

<u>Governmental Activities</u>	<u>Business-type Activities</u>			
<u>Capital Leases</u>	<u>Water and Sewer Bonds</u>	<u>Golf Course Bonds</u>	<u>Capital Leases</u>	<u>State Revolving Fund Loans</u>
\$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
568,841	91,240,292	-	392,944	10,591,343

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, 2017**

<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	\$ 18,730,000	13.07% ⁽²⁾	\$ 2,448,011
South Brevard Recreation Special District	36,180,000	22.94 ⁽²⁾	8,299,692
Other debt			
Constitutional Fuel Tax Revenue Bonds, Series 2015	8,515,000	14.08 ⁽³⁾	1,198,912
Brevard County Sales Tax Bonds	16,420,000	9.97 ⁽⁴⁾	<u>1,637,074</u>
Subtotal, overlapping debt			<u>13,583,689</u>
City of Melbourne direct debt			
Capital Leases			568,841
Public Improvement Bonds and Notes			<u>7,692,390</u>
Subtotal, direct debt			<u>8,261,231</u>
Total direct and overlapping debt			<u><u>\$ 21,844,920</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 & 1998 Sales Tax Bonds						
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

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
2017	8,076,949	-	8,076,949	63,834	6,990	114.04

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

2005 & 2006 Subordinate Electric Utility Tax Revenue Note

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
2017	7,701,350	-	7,701,350	599,000	291,983	8.64

⁽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.

<u>Fiscal Year</u>	<u>Pledged Revenues ⁽¹⁾</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenues</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2003 Gas Tax Bonds						
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
2017	3,229,498	-	3,229,498	127,669	15,734	22.52

⁽¹⁾ Pledged revenues include local option gas taxes

2003 Downtown Community Redevelopment Agency Bonds

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
2017	1,119,598	-	1,119,598	135,648	16,716	7.35

⁽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:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenues	Principal	Interest	
Water and Sewer System Bonds						
	(2)	(3)				(4)
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
2017	57,710,982	30,700,513	27,010,469	5,750,000	2,516,428	3.27
Golf Course Bonds						
	(5)					(6)
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⁾
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
2017	80,982	2,099,296	25,923	45.4	12,634	3.8

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>2017</u>			<u>2008</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>
Northrop-Grumman	3,930	1	10.43 %	1,691	4	4.49 %
Health First, Inc. ⁽¹⁾	3,919	2	10.40	3,534	1	9.39
Harris Corporation ⁽²⁾	2,403	3	6.38	2,356	2	6.26
Florida Institute of Technology	2,382	4	6.32	962	6	2.56
School Board of Brevard County	1,703	5	4.52	1,906	3	5.06
Rockwell Collins, Inc.	1,455	6	3.86	1,466	5	3.89
Teletech	1,065	7	2.83			
City of Melbourne	894	8	2.37	946	7	2.51
Walmart	703	9	1.87	755	8	2.01
Eastern Florida State College	639	10	1.70			
MIMA ⁽¹⁾				606	9	1.61
DRS Optronics				590	10	1.57
Total	<u>19,093</u>		<u>50.67 %</u>	<u>14,812</u>		<u>39.35 %</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>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>	<u>2017</u>
General government	115	110	103	102	102	103	103	103	104	106 ⁽⁴⁾
Police	245	242	242	244	241	241	239	239	239	241
Fire	173	171	169	168	164	164	164	165	165	167
Public works	71	71	63	64	64	63 ⁽²⁾	65	65	65	64
Parks and recreation	85	89	83	84	84	82	84	87 ⁽³⁾	88	87
Housing and urban improvement	10	9	7	7	7	7	6	6	6	6
Water and sewer system	187	187	177	175	175	175	178	179	183	186 ⁽⁵⁾
Stormwater utility	0	0	1	1	1	4 ⁽²⁾	4	4	4	4
Golf courses	36	37	32	31	31	23	23	22	21	19
Total	922	916	877	876	869	862	866	870	875	880
Component unit - Airport	52	53	52	52	51	52	49	52	55	60

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.

(4) The Human Resources department and Human Resources director position were created.

(5) The Water and Sewer System department added a three person valve and hydrant crew.

SCHEDULE 19

1 of 2

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

<u>Function/program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police				
Physical arrests	4,476	4,559	3,854	3,158
Parking violations	1,140	914	621	436
Traffic violations	23,280	22,115	17,041	19,412
Fire				
Emergency responses	13,187	13,384	13,775	14,263
Fires extinguished	222	223	207	244
Inspections	5,179	6,956	6,161	6,665
Public works				
Resurfacing (miles)	10.26	16.20	2.00	14.40
New streets (miles)	1.68	0.34	-	0.49
Parks and recreation				
Auditorium (number of events)	218	202	200	193
Recreation centers (attendance)	66,923	77,984	66,412	56,971
Tennis courts (attendance)	30,600	31,884	28,059	27,194
Golf courses (rounds played)	115,357	111,486	96,477	93,717
Water				
Average number of accounts	56,073	56,511	56,711	56,819
Average daily consumption (gallons)	13,106,962	12,673,375	12,759,702	13,104,756
Sewer				
Average number of accounts	28,282	28,529	28,748	28,583
Average daily sewage treatment (gallons)	6,185,386	5,981,687	5,950,497	5,971,936

Sources: Various City departments.

- (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.

SCHEDULE 19
2 of 2

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
2,948	3,101	3,315	2,895	2,938	2,941
733	692	1,099	886	581	437
16,847	20,061	15,861	12,193	17,870	15,404
14,932	14,986	15,650	16,787	17,394	18,142
214	245	208	210	225	336
5,864	5,878	5,298	3,972	5,555	6,204
-	8.10	7.22	-	3.05 ⁽¹⁾	18.27
-	-	-	-	-	-
184	182	162	195	199	176
59,483	61,208	71,089	67,717	222,066 ⁽²⁾	188,334
21,414	23,337	21,694	20,858	33,152 ⁽³⁾	26,930
87,720	86,302	80,151	73,833	83,617	71,780
56,934	57,162	57,487	57,766	58,108	58,215
12,842,782	12,726,206	12,802,444	12,722,993	13,063,565	13,365,017
28,764	28,878	29,026	29,132	29,250	29,112
5,873,126	5,833,348	5,827,564	5,854,155	6,068,169	6,124,005

SCHEDULE 20

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

<u>Function/program</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>	<u>2017</u>
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol vehicles	116	125	126	135	142	150	146	142	142	148
Fire stations	8	8	8	8	8	8	8	8	8	8
Public works										
Streets (miles)	295	295	295	289 ⁽²⁾	289	286	286	284	291	290
Streetlights	8,228	8,474	8,630	8,638	8,886	8,403	8,415	8,460	8,460	8,460
Parks and recreation										
Acreage	555	555	555	555	570 ⁽³⁾	570	570	570	570	570
Special use facilities	7	7	7	7	7	7	7	7	7	6
Community parks	11	11	11	11	12 ⁽³⁾	12	12	12	12	12
Neighborhood parks	27	27	27	27	27	27	27	27	27	27
Water										
Mains (miles)										
Water transmission	149	149	149	149	149	149	149	149	149	157
Water distribution	729	730	730	730	730	730	730	730	730	710
Storage tanks										
Quantity	9	9	10 ⁽¹⁾	10	10	7 ^{##}	7	7	7	7
Capacity (thousands of gallons)	15,000	15,000	17,000 ⁽¹⁾	17,000	17,000	16,000	16,000	16,000	16,000	16,000
Sewer (miles)										
Gravity sewer mains	267	267	267	267	256	257	257	258	258	258
Force mains	53	53	53	53	53	53	53	57	57	57
Storm sewers	200	200	200	201	201	201	201	201	201	201
Reclaimed - Water mains	19	23	24	24	33	34	34	34	34	34

Sources: Various City departments.

(1) New Pineda Blvd. water tank.

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

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

(4) 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, 2017, 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 February 23, 2018.

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.

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.

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

Melbourne, Florida
February 23, 2018

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

Honorable Mayor and Members of the City Council
City of 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, 2017. 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, 2017.

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 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, material weaknesses may exist that have not been identified.

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

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.

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

Melbourne, Florida
February 23, 2018

**CITY OF MELBOURNE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE OF FLORIDA FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Federal/State Agency, Pass-through Entity, <u>Federal Program/State Project</u>	CFDA CSFA <u>No.</u>	Contract/ Grant <u>No.</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
Federal Programs:				
U.S. DEPARTMENT OF JUSTICE				
Edward Byrne Memorial Justice Assistance Grant Program - 2016	16.738	2016-DJ-BX-0779	\$ 49,444	
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Community Development Block Grants/Entitlement Grants - 2013	14.218	B-13-MC-12-0012	103,143	
Community Development Block Grants/Entitlement Grants - 2014	14.218	B-14-MC-12-0012	(144)	
Community Development Block Grants/Entitlement Grants - 2015	14.218	B-15-MC-12-0012	98,786	
Community Development Block Grants/Entitlement Grants - 2016	14.218	B-16-MC-12-0012	282,877	\$ 65,817
Community Development Block Grants/Entitlement Grants - NSP3	14.218	B-11-MN-12-0033	7,043	
Total Community Development Block Grants/Entitlement Grants Cluster			491,705	65,817
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Pass through Brevard County:				
Home Investment Partnerships Program - 2012	14.239	M-12-DC-12-00200	74,142	
Home Investment Partnerships Program - 2013	14.239	M-13-DC-12-00200	16,115	
Home Investment Partnerships Program - 2015	14.239	M-15-DC-12-00200	38,310	
Home Investment Partnerships Program - 2016	14.239	M-16-DC-12-00200	10,468	
Total Pass through Brevard County			139,035	
Total U.S. Department of Housing & Urban Development			630,740	
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Pass through Florida Department of Environmental Protection:				
Nonpoint Source Implementation Grant - Autumn Woods Detention Pond Clean Water State Revolving Funds Cluster	66.460	LP05094	442,036	
Capitalization Grants for Clean Water - State Revolving Funds	66.458	WW050900	467,788	
Total U.S. Environmental Protection Agency			909,824	
U.S. DEPARTMENT OF TRANSPORTATION				
Pass through Florida Department of Transportation				
Highway Planning and Construction Cluster-Safe Route to School (Sherwood Elementary)	20.205	G0671	21,290	
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Aviation Administration				
Airport Improvement Program - Terminal Improvement Phase1 & Jetbridge #2	20.106	3-12-0046-043-2016	2,962,549	
Airport Improvement Program - Mill/Overlay Runway 9R-27L & Runway Lights	20.106	3-12-0046-44-2017	858,301	
Airport Improvement Program - Master Plan Audit	20.106	3-12-0046-40-2014	226,415	
Airport Improvement Program - Widen Taxiway K Phase 3 Construction	20.106	3-12-0046-42-2015	8,893	
			4,056,158	
Total U.S. Department of Transportation			4,077,448	
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,667,456	\$ 65,817

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 Program - 14/15	52.901		\$ 171,682	
State Housing Initiatives Partnership Program - 15/16	40.901		154,736	
State Housing Initiatives Partnership Program - 16/17	40.901		28,295	
State Housing Initiatives Partnership Program - 17/18	40.901		28,788	
Total Florida Housing Finance Corporation			383,501	
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION				
FL Recreation Development Assistance Program - Riverview Park Picnic Facilities	37.017	A7073	50,000	
FL Recreation Development Assistance Program - Brothers Park Outdoor Recreation	37.017	A5018	49,825	
Statewide Surface Water Restoration and Wastewater Projects				
Horse Creek Dredging	37.039	S0843	6,565	
South Croton Stormwater Drainage Improvements	37.039	LP05092	176,547	
Bell and Garfield Stormwater Retrofit	37.039	LP05093	426,069	
Total Florida Department of Environmental Protection			709,006	
FLORIDA DEPARTMENT OF TRANSPORTATION				
Joint Participation Agreements				
Aviation Grant Programs- Terminal Transformation Phase 2 (Federal Inspection Station)	55.004	438452/GO044	371,232	
Aviation Grant Programs- Runway 5-23 Repaving & Relighting	55.004	439518/GOC05	43,255	
Aviation Grant Programs- MRO Hangar-Design/Build	55.004	420839/GOA63	5,783	
Aviation Grant Programs- Terminal Improvement Phase 1 & Jetbridge #2	55.004	438452/AS414	183,344	
Aviation Grant Programs- Construct Aviation Facilities	55.004	409782/ARF76	1,000,000	
Aviation Grant Programs- Construct Air Traffic Control Tower	55.004	437014/G0383	1,914,047	
Aviation Grant Programs- Widen Taxiway K - Construction	55.004	431567/ARO04	1,454	
Aviation Grant Programs- Fuel Facility Improvements	55.004	431568/G0077	112,191	
Aviation Grant Programs- Rehabilitation of Runway 9L-27R and Taxiway "B" Cargo Apron	55.004	431565/G0078	993,219	
Aviation Grant Programs- Update Master Plan	55.004	431569/ARO03	2,425	
Economic Development Transportation Fund- Northside Access Road	55.032	432508/ARL50	29,985	
Economic Development Transportation Fund- Relocate Grumman Lane	55.032	435824/ARF87	970,329	
Total Florida Department of Transportation			5,627,264	
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 6,719,771	\$ -

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, 2017, the City elected not to use the rate.

NOTE C

The City did not receive any noncash assistance during the year ended September 30, 2017.



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

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ 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

Federal Program or Cluster
Airport Improvement Program

State CSFA Numbers
55.004

State Project
Joint Participation Agreements with FDOT:
Aviation Grant Programs
Terminal Transformation Phase 2 (FIS)
Runway 5-23 Repaving & Relighting
MRO Hangar-Design/Build
Terminal Improvement Phase 1 & Jetbridge #2
Construct Aviation Facilities
Air Traffic Control Tower- Design/Construction
Widen Taxi K-Construction
Fuel Facility Improvements
Rehabilitation of Runway 9L-27R and Taxiway "B" Cargo Apron
Update Master Plan

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

Section I—Summary of Auditors' Results (Continued)

State CSFA Numbers

State Project

55.032

Joint Participation Agreements with FDOT:
Economic Development Transportation Fund
Northside Access Road
Relocate Grumman Lane

37.039

Statewide Surface Water Restoration and Wastewater Projects

40.901/52.901

State Housing Initiatives Partnership Program

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs and \$300,000 for major state projects.

Auditee qualified as a low-risk auditee for federal purposes? X yes no

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

Section IV—State Project Findings and Questioned Costs

No matters were reported.

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: Cleared

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, 2017, and have issued our report thereon dated February 23, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550 Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project; Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 23, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective action 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")	Cleared
2016-1 Accounts Payable	Cleared
2016-2 Purchase Cards	Cleared

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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of 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 for the City of Melbourne. 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.

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Melbourne, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit we did not note any such findings.

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

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
February 23, 2018



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, 2017. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

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

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

Carr, Riggs & Ingram, LLC

Melbourne, Florida
February 23, 2018

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, 2017.

FURTHER AFFIANT SAYETH NOT.


JEFFREY C. TOWNE

STATE OF FLORIDA
COUNTY OF BREVARD:

SWORN TO AND SUBSCRIBED before me this 7th day of February, 2018 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 Bond, Series 2014
- Water and Sewer Refunding Revenue Bonds, Series 2016A
- Water and Sewer Refunding Revenue Bonds, Series 2016B





SECONDARY MARKET DISCLOSURE FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 80,982), plus wholesale service to West Melbourne, and retail service to Melbourne Village, Melbourne Beach, Indialantic, Satellite Beach, 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 157 miles of six (6) to 36-inch diameter transmission mains, and about 710 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⁾	\$3,439,766
Holmes Regional Medical Center	374,083
Florida Institute of Technology	292,308
School Board of Brevard County	224,934
Northrop Grumman Systems Corp	96,792
DW MLB H LLC	92,958
We Harbours LLC	90,078
Harris Corporation	87,313
HP Communities LLC	83,722
Eastern Florida State College	81,570

(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.

Year	Number of Accounts ⁽¹⁾	Historic Water Flows (MGD)	
		Average Day Demand	Maximum Day Demand
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
2017	58,215	16.6	19.5

(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, 95 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	\$ 559,114
Florida Institute of Technology	436,497
School Board of Brevard County	202,958
Northrop Grumman Systems Corp	142,085
We Harbours LLC	134,639
Harris Corporation	129,916
Eastern Florida State College	121,917
Northland Caribbean Isle LLC	118,470
Manufactured Home Communities	118,157
The Meadows	113,089

The table below summarizes the historical wastewater flows.

Year	Number of Accounts ⁽¹⁾	Historic Wastewater Flows (MGD)		
		D.B.Lee WRF	Grant Street WRF	Total Combined Flows
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
2017	29,112	4.28	3.34	7.62

(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, 2017, there were 684 accounts in the reclaimed water system, of which 469 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
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
2016	682	1.69	0.44	2.13
2017	684	1.83	0.59	2.42

(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 consists of a monthly service charge based on the number of equivalent residential connections (ERCs) determined by the city periodically for the premise which serves 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, 2016	\$ 8.00	\$ 8.80
October 1, 2017	8.00	8.80
October 1, 2018	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, 2016	\$ 4.57	\$ 5.02
October 1, 2017	4.57	5.02
October 1, 2018	4.82	5.30

Sewer Rates

The rate charged for sewer service to each customer consists 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 serves 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, 2016	\$ 11.83	\$ 14.78
October 1, 2017	11.83	14.78
October 1, 2018	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 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, 2016	\$ 6.85	\$ 8.56
October 1, 2017	6.85	8.56
October 1, 2018	7.22	9.03

Reclaimed Water Rates

All existing customers of reclaimed water who have active accounts on May 1, 2008, are 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, 2016	\$ 13.70	\$ 54.80
October 1, 2017	13.70	54.80
October 1, 2018	14.50	58.00

The rate charged for all new customers of reclaimed water after May 1, 2008 consists 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 Rates for New Customers</u>	
<u>Effective Date</u>	<u>Monthly service charge</u>
October 1, 2016	\$ 8.55
October 1, 2017	8.55
October 1, 2018	9.00

In addition to the above established service charge, each customer pays 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:

Gallonage Charges	
Effective Date	Monthly Charge
October 1, 2016	\$.57
October 1, 2017	.57
October 1, 2018	.60

Each customer requesting reclaimed water service from the City, prior to the installation of a flow meter for each connection to the reclaimed water main, pays 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 results 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:

Meter Size (Inches)	Water Connection Charge
$\frac{3}{4}$	\$ 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, prior to connection to the system, pays 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 results 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, 2017)

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	14.91	21.11	30.41	57.27	92.37	14.41	28.07	48.56	82.71	96.37	29.32	49.18	78.97	139.98	188.74
City of Palm Bay	14.01	21.41	32.51	56.56	86.16	19.73	31.15	48.28	76.83	76.83	33.74	52.56	80.79	133.39	162.99
City of Titusville	9.79	16.13	25.64	49.44	81.09	14.26	29.36	52.01	89.76	127.51	24.05	45.49	77.65	139.20	208.60
City of Vero Beach	13.60	15.26	17.75	31.65	45.55	19.89	27.07	37.84	55.79	55.79	33.49	42.33	55.59	87.44	101.34
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

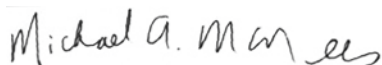
Historical Bond Service Coverage

	For Fiscal Years Ending September 30				
	2013	2014	2015	2016	2017
Revenues					
Water sales	\$ 27,275,917	\$ 28,638,534	\$ 30,412,363	\$ 30,984,020	\$ 31,527,010
Sewer charges	18,083,757	19,292,642	20,527,181	20,817,696	20,838,145
Other revenues	2,337,345	2,376,670	2,822,167	2,324,743	2,048,808
Interest income	244,091	205,354	320,993	594,555	762,007
Total Operating Revenues⁽¹⁾	47,941,110	50,513,200	54,082,704	54,721,014	55,175,970
Operating Expense					
Salaries, wages and employee benefits	10,736,349	11,393,580	11,359,207	12,208,739	13,045,573
Other post employment benefits	311,038	325,603	97,197	97,668	(867)
Contractual services, materials, supplies	17,832,927	15,667,680	16,804,502	17,904,070	17,655,807
Total Operating Expense⁽¹⁾	28,880,314	27,386,863	28,260,906	30,210,477	30,700,513
Net Operating Income⁽¹⁾	19,060,796	23,126,337	25,821,798	24,510,537	24,475,457
Available Impact Fees⁽¹⁾	915,102	1,107,032	1,449,373	1,780,591	2,535,012
Available for Debt Service	\$ 19,975,898	\$ 24,233,369	\$ 27,271,171	\$ 26,291,128	\$ 27,010,469
Annual Debt Service Requirement					
Series 2002B	\$ 1,805,000	\$ 1,465,000	\$ 3,455,000	\$ 3,455,000	\$ 3,450,000
Series 2004	1,604,725	1,602,200	-	-	-
Series 2007A	876,796	875,536	879,268	711,890	-
Series 2007B	1,665,150	1,666,750	1,667,350	1,190,375	712,400
Series 2012	1,739,378	2,238,894	483,694	482,694	481,544
Series 2013	331,302	525,412	1,040,413	1,039,962	1,043,762
Series 2014	-	25,519	949,194	953,156	956,722
Series 2016A	-	-	-	451,872	898,750
Series 2016B	-	-	-	170,767	723,250
Total Debt Service	\$ 8,022,351	\$ 8,399,311	\$ 8,474,919	\$ 8,455,716	\$ 8,266,428
Coverage					
Net Revenue 100% Test	238%	275%	305%	290%	296%
With Impact Fees 115% Test	249%	289%	322%	311%	327%

(1)

Calculated according to bond ordinance and therefore not consistent with GAAP.

Respectfully submitted,



Michael A. McNees
City Manager

