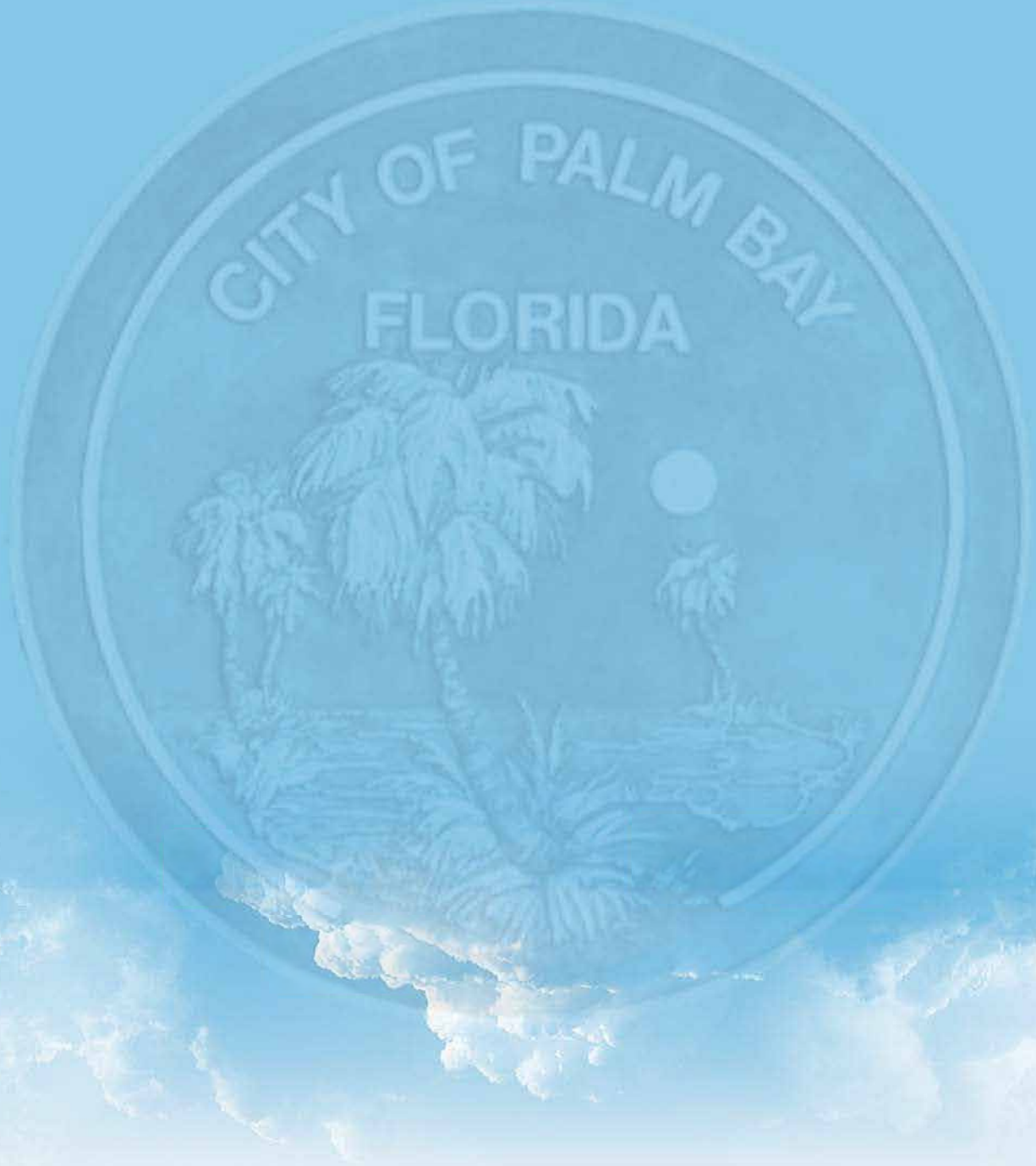




COMPREHENSIVE FINANCIAL
**ANNUAL
REPORT**

FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2018

CITY OF PALM BAY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2018



PREPARED BY: DEPARTMENT OF FINANCE

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June 6, 2019

The Honorable Mayor, Vice-Mayor,
Members of the City Council,
Citizens of the City of Palm Bay
Palm Bay, Florida

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Palm Bay, Florida, for the fiscal year ended September 30, 2018. The purpose of this report is to provide City Council, citizens, financial institutions and others with detailed information concerning the financial condition and performance of the City of Palm Bay. This report is submitted pursuant to Florida Statutes Section 218.39, Chapter 10.550 of the Rules of the Auditor General of the State of Florida and Section 4.05 of the City Charter.

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

This report consists of management's representations concerning the finances of the City of Palm Bay. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile enough reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

As required by Florida Statutes and the City Charter, an audit of the City's CAFR was performed by Moore Stephens Lovelace, P.A., a firm of licensed, independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Bay for the fiscal year ended September 30, 2018 are free of material misstatement. The 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 auditor concluded, based on the audit, that the City's financial statements for the fiscal year ended September 30, 2018 are fairly stated in conformity with GAAP. This is the most favorable conclusion and is commonly known as an unmodified or "clean" opinion. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Palm Bay was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. The reports are included in the Compliance 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 of Palm Bay's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF PALM BAY

The City of Palm Bay, at a population of 2,808, was incorporated in 1960. Palm Bay is now the largest city in Brevard County, the 2nd largest in Central Florida and the 15th largest in Florida, with approximately 115,000 residents in over 100 square miles. The City is located centrally on Florida's east coast, midway between Jacksonville and Miami. Port Canaveral and Kennedy Space Center, the nation's premiere spaceport, are all nearby.

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

The City provides a full range of government services as directed by its charter including police and fire protection, street construction and maintenance, planning and development services, parks and recreation, water and sewer services, and other traditional support services. Although legally separate, because of its relationship to the City, the Bayfront Community Redevelopment Agency (BCRA) is reported as though it is



part of the City (blended presentation). Additional information on this legally separate entity can be found in the notes to the financial statements on page 40. The City of Palm Bay is required to adopt an annual budget in accordance with the City Charter and state statutes. The annual budget serves as the foundation for the City's financial planning and control. The City Manager is charged with preparing a proposed budget for submission to City Council. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by September 30, the close of the City's fiscal year. The appropriated budget is adopted by fund and departments.

ECONOMIC CONDITION AND OUTLOOK

The City of Palm Bay has experienced steady growth in employment and commercial investment in 2018. This growth pattern is anticipated to continue into the near future. The unemployment rate has improved since the Great Recession, but still exceeds the state and U.S. average. Wealth indicators for the city remain below state and national averages. Revenue growth is expected to approximate inflation based on prior and expected gains in taxable values due to a combination of appreciation and development.

City home values are rising rapidly and have fully recovered from the recession, according to Zillow Group. City taxable assessed values have seen six consecutive years of growth through fiscal 2018 due to new development and appreciation, although fiscal 2018 levels remain below the pre-recession peak. All sectors of employment, housing, and industry have consistently trended upward over the past three fiscal years.

Over the past two fiscal years, the City of Palm Bay's economic growth has been active, particularly in the commercial sector. Palm Bay has realized a 22% increase in total construction values, growing from \$210 million the previous year to \$257 million. Development projects planned and underway point to favorable prospects for continued growth in the tax base. Two major projects in progress include a \$37 million 320-unit multi-family apartment complex and an executive park complex to include two hotels, two restaurants and three retail buildings. Raytheon Corporation is in the process of developing an existing building to bring its cybersecurity operations and hire 250 employees. The city is also working with the Florida Department of Transportation on the construction of a new I-95 interchange in the southern area of the city to be completed in mid to late 2019.

Fitch Ratings reported in November 2018 that the City's recent growth has been rapid, and that Fitch expects the city's future revenue growth prospects absent tax rate changes to track the rate of inflation due to development projects planned and underway combined with vulnerability to future recessionary declines.

A 2016 voter-approved city charter amendment that limits city council's ability to impose millage rates may limit growth in the general fund budget. The city council is now restricted from setting millage rates at a level that would result in total ad valorem revenue growth exceeding the prior year ad valorem revenue by more than three percent, unless



approved by a supermajority vote when an emergency or critical need exists. Even with this change, rate increases within the statutory limit remain in the city's independent legal control. For the FY 19 budget, Council did not impose the three percent cap, maintaining an operating millage rate of 8.4500 for the third consecutive year, the lowest rate since FY 11.

Construction of the new South Parkway interchange with Interstate 95 is well underway and scheduled for completion in 2019. This will open approximately 24 square miles of vacant land for mixed-use development. The County has completed the northwest segment of the Parkway, creating additional opportunities for residential and commercial growth.

LONG-TERM FINANCIAL PLANNING

Financial planning stimulates discussion about the long-term impact of decisions made today and how the City can position itself strategically to deliver a stable level of essential services to our residents over time. In fiscal year 2018, the City had a ten-year financial sustainability analysis done for the General Fund and Utility Fund. The financial forecast models populated data from every facet of the organization to create an informed, interactive, financial forecast model to bring awareness to decision makers when making long-term financial plans and striving to maintain structural balance in the budget.

The City's Fund Balance Policy for the General Fund requires that the Fund shall establish an Unreserved Fund Balance equivalent to a minimum of ten percent (10.00%) of the subsequent fiscal year's budgeted expenditures less capital outlay and transfers out as originally adopted by ordinance in September. The minimum required fund balance at the end of FY 2018 was \$6,478,266, the actual Fund Balance was \$14,972,626, of which \$11,753,606 was Unassigned.

MAJOR INITIATIVES

On May 3, 2018, the City's new investment policy was approved by City Council. The Investment Policy was submitted to the Association of Public Treasures of the United States and Canada for review where it was recognized for the achievement.

To address the City's basic telephone and data needs, the Communications and Information Technology Department (C&IT) completed the upgrade of the City's telephone communications system and all network endpoints across all departments and their respective facilities in FY 18. The upgrade was imperative for basic needs, complex call routing, and accounting services. Two IBM servers, serving the public administration applications/modules and public safety system, were also replaced in FY18.

CDBG funds were used to assist the Fire Department in the acquisition of a new Fire Engine and Fire Tender Truck and all gear needed to operate both vehicles. The City partnered with a neighboring city and offered its HOME Investment Partnerships (HOME)



funds to assist the neighboring city in their partnership with a local church- in the development of two new single-family homes that Macedonia Church will operate for long-term, affordable rental housing for nearby residents in need.

The Police Department continued its efforts to Connect – Serve – Impact by building strong community relationships with civic organizations, HOA's, community watch groups, and Palm Bay citizens at large through outreach programs and partnering with other organizations and civic leaders. The Police Department also addressed critical public safety needs in the areas of school safety and current crime trends through department-wide efforts. Police personnel formulated strategic response plans for threats of mass violence and conducted individual security assessments and training sessions with leaders at all local schools.

The Fire Rescue Department had an increased focus on grant applications in FY 18. The Department received \$461,191 through two grant awards, \$71,101 for exhaust removal systems for three fire stations and \$390,090 for another new fire engine. The Department also received \$31,105 in new extrication equipment and \$761,563 in CDBG funding for a fire engine, a tender truck, equipment for both apparatuses, and other life-saving equipment.

In its focus on the City's Stormwater Utility and Road Maintenance Programs, the Public Works Department team created a plan to implement the road maintenance program. The road maintenance program consists of three major road improvement processes: rejuvenation, full depth reclamation and complete reconstruction. In FY 18, Public Works repaired fifty-five (55) failed pipes (33 road culverts & 22 right of way) to maintain the City's drainage infrastructure and integrity of the City's road drainage system. Through the funding provided by the City's stormwater utility, funds were allocated to replace 600 linear feet of drainage pipe, resolving a 10-year-old drainage issue.

The Utilities Department is managing multiple, significant projects to meet the water and sewer demands of both the existing and future customers connected to the system. Design of the South Regional Water Reclamation Facility (SRWRF) started in November 2017. An advertisement for engineering services related to the expansion of the South Regional Water Treatment Plant (SRWTP) was released in May 2018. The Utilities Department is utilizing funding acquired from the Save Our Indian River Lagoon program and started the design of proposed upgrades at the North Regional Water Reclamation Facility in April 2018. When constructed, the facility will generate treated wastewater with significantly lower concentrations of nitrogen and phosphorus, thus reducing the nutrient loading of irrigation sites that accept reclaimed water. The Utilities Department continued with design and construction of major water and wastewater plant rehabilitation projects at the North Regional Utilities Campus, including complete equipment replacements and significant treatment structure rehabilitation.



FUTURE PROJECTS

Beginning January 1, 2019, and as an incentive to offsetting costs, the City will offer a Health Savings Account (H.S.A.) as an enhancement to the newly added High Deductible Health Plan (HDHP). The HDHP was offered at no cost to the City's employee-only benefit tier. Along with an aggressive wellness initiative, the City is taking steps to help minimize the accelerated cost of providing employee health benefits by partnering and collaboration with its Parks and Recreation Department to coordinate these wellness initiatives.

The Procurement Department is in the research phase for a new contract management and solicitation software program that will replace the current access database that was designed in-house and is no longer maintainable. The new software solution will allow for a contract management system that can be managed and operated by Procurement staff to include solicitation posting and a vendor registration system.

Through a \$1.7 million Tourism Development Council (TDC) grant awarded to the City through the Parks and Recreation Department, construction on a new campground facility, which includes a Nature Center and campsites, will begin in FY 19. The Parks and Recreation Department is in the process of completing the master plan for Wake Forest Park which will include a new playground and a basketball court.

The Police Department has increased their focus on violent crime trends and the correlating opioid epidemic. The Police Department plans to permanently reinstate the Crime Suppression Unit, a proactive enforcement unit designed to combat career offenders trafficking in opiate related drugs to reduce the number of both drug overdoses and violent crimes incited by drug activity. The Department is continuing its effort to address the population growth from the southern expansion area through the addition of new personnel as well as a fully-operational southern police district.

Reallocated Community Development Block Grant (CDBG) funds totaling nearly \$440,000 are being directed toward economic development initiatives that intend to motivate businesses to relocate their headquarters to Palm Bay, and to create new jobs for the City's low/moderate income citizens. The City has allocated additional CDBG funding to acquire/renovate a structure that will become the "new" Fire Station 5, following the closure of the previous Fire Station 5. Acquisition of the new building is anticipated to be completed by February 2019, with renovations to be completed by no later than June 2019.

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



management program to support Road Maintenance, Stormwater, Solid Waste and the Public Works Customer Service areas.

Construction of the St. Johns Heritage Parkway road from Babcock Street to the new southern interchange at I-95 at a cost of \$9.4 million is underway and expected to be completed in the fall of 2019.

The South Regional Water Reclamation Facility (SRWRF) and South Regional Water Treatment Plant (SRWTP) designs are estimated to be completed in FY 19, and the Utilities Department will look to acquire State Revolving Fund (SRF) Loans to finance each construction project. Invitations for Bid will follow once financing and funding mechanisms are secured. The Utilities Department will look to acquire additional Save Our Indian River Lagoon (SOIRL) program funds to perform septic-to-sewer conversions throughout the Turkey Creek area and other critical areas identified by the SOIRL plan. Finally, the Utilities Department will continue with design and construction of major water and wastewater plant rehabilitation projects at the North Regional Utilities Campus, including complete equipment replacements and significant treatment structure rehabilitation. The overall rehabilitation project costs are estimated to be \$12M to \$14M.

ACCREDITATION AND CERTIFICATIONS

Palm Bay has been named a "Playful City USA" community by KaBoom!, a national non-profit organization that empowers communities to build playgrounds with the goal of a great place to play within walking distance of every child in America. Palm Bay is one of 258 communities that have each demonstrated creative commitments to the cause of play and earned this title.

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

The Police Department became accredited by the Commission for Florida Law Enforcement Accreditation in October of 2007 and reaccredited in October 2010, August 2013, and October 2016. The department is set to undergo reaccreditation in August 2019.

In June 2018, the Utilities Department successfully completed the annual evaluation and audit of the ISO 14001:2015 environmental standard, thus to continuing its registration with NSF International, an accredited, independent third-party certification body. The Utilities Department is the second in the State of Florida to receive such certification. Through the implementation of the Environmental Management System (EMS) known as Greenway, the Utilities Department has been able to minimize its impact on the



environment and establish efficiencies that reduce costs. The program promotes environmental awareness and stewardship among employees by focusing on regulatory compliance, pollution prevention, and continual improvement.

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

In October 2018, the City received the Community Rating System (CRS) Class 7 rating. The CRS is a voluntary program for National Flood Insurance Program (NFIP)-participating communities. All CRS communities must maintain completed FEMA elevation and flood proofing certificates for all new and substantially improved construction in the Special Flood Hazard Area after the date of application for CRS classification.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Bay for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017. This was the 32nd consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Government Finance Officers Association of the United States and Canada presented an award for Distinguished Budget Presentation to the City of Palm Bay for its annual budget for the fiscal year beginning October 1, 2017 for the 28th year. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

In April 2018, the Florida Water Environment Association (FWEA) recognized the Utilities Department as the Wastewater Collection System of the Year in the mid-size utility category (10,000 to 50,000 wastewater connections). This award recognizes utilities for



significant accomplishments and efforts to properly manage, operate, and maintain their wastewater collection system.

In September, the Finance Department earned the Association of Public Treasurers of the United States and Canada (APT US&C) Certificate of Excellence Award for the development of a comprehensive written investment policy that meets the criteria set forth by APT US&C.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Lisa Morrell
City Manager

Yvonne McDonald, CGFO
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Palm Bay
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

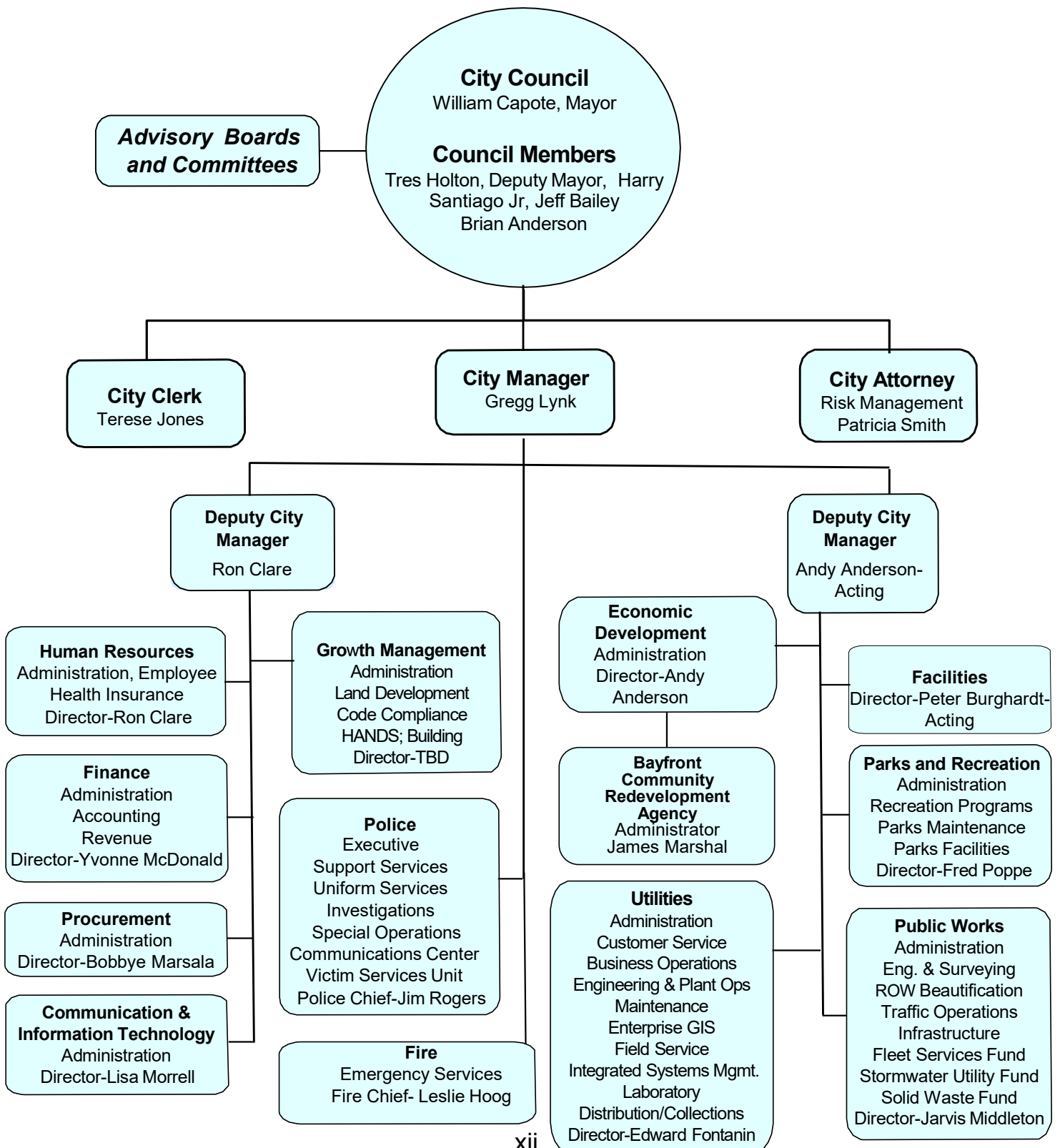
Executive Director/CEO



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CITY OF PALM BAY ORGANIZATIONAL STRUCTURE FY 2018

CITIZENS OF PALM BAY





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CITY OF PALM BAY, FLORIDA

LIST OF PRINCIPAL OFFICIALS

As of date of transmittal

MAYOR	WILLIAM CAPOTE
DEPUTY MAYOR	BRIAN ANDERSON
COUNCIL MEMBER	HENRY SANTIAGO, JR
COUNCIL MEMBER	KENNY JOHNSON
COUNCIL MEMBER	JEFF BAILEY
CITY MANAGER	LISA MORRELL
DEPUTY CITY MANAGER	SUZANNE SHERMAN
INTERIM DEPUTY CITY MANAGER	ANDY ANDERSON
CITY ATTORNEY	PATRICIA ALLEN-SMITH
CITY CLERK	TERESE JONES
CHIEF PROCUREMENT OFFICER	BOBBYE MARSALA, CPPO
INTERIM COMMUNICATIONS & INFOMATION TECHNOLOGY DIRECTOR	SEAN HARRIS
COMMUNITY PLANNING & ECONOMIC DEVELOPMENT DIRECTOR	ANDY ANDERSON
FINANCE DIRECTOR	YVONNE MCDONALD, CGFO
FIRE CHIEF	LESLIE HOOG
HUMAN RESOURCES DIRECTOR	CHARLEENA COX
PARKS AND RECREATION DIRECTOR	FRED POPPE
POLICE CHIEF	JAMES ROGERS
INTERIM PUBLIC WORKS DIRECTOR	FRANK WATANABE
UTILITIES DIRECTOR	CHRISTOPHER LITTLE



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Bay, Florida (the "City") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, 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.

Emphasis-of-Matter - Change in Accounting Principle

As discussed in Note 14 to the financial statements, in the fiscal year ended September 30, 2018, the City adopted the provisions of Government Accounting Standards Board Statement (“GASBS”) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASBS 75, the City reported a restatement for the change in accounting principle as of October 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, the other supplementary information section, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
May 31, 2019

The City of Palm Bay, Florida's (the "City") Management's Discussion and Analysis (the "MD&A") presents this overview and analysis of the City's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the letter of transmittal in the introductory section, and the City's financial statements following the MD&A.

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2018 by \$153.1 million (net position).

- At September 30, 2018, the City's governmental funds reported combined ending fund balances of \$40.1 million, as compared to \$23.6 million as of September 30, 2017.
- At September 30, 2018, the City's General Fund reported an *unassigned* balance of \$11.8 million or 16.5% of the total 2018 General Fund expenditures and transfers out.
- The City's outstanding long-term debt increased by \$8.3 million during fiscal year 2018. The increase was primarily a result of issuance of new debt for capital leased equipment and revenue notes.
- The City's business-type activities reported total net position of \$118.6 million, which is an increase of \$22.3 million or 23.0% in comparison to the prior year. Approximately 13% of the total, or \$15.0 million, is *unrestricted*.

Overview of the Financial Statements

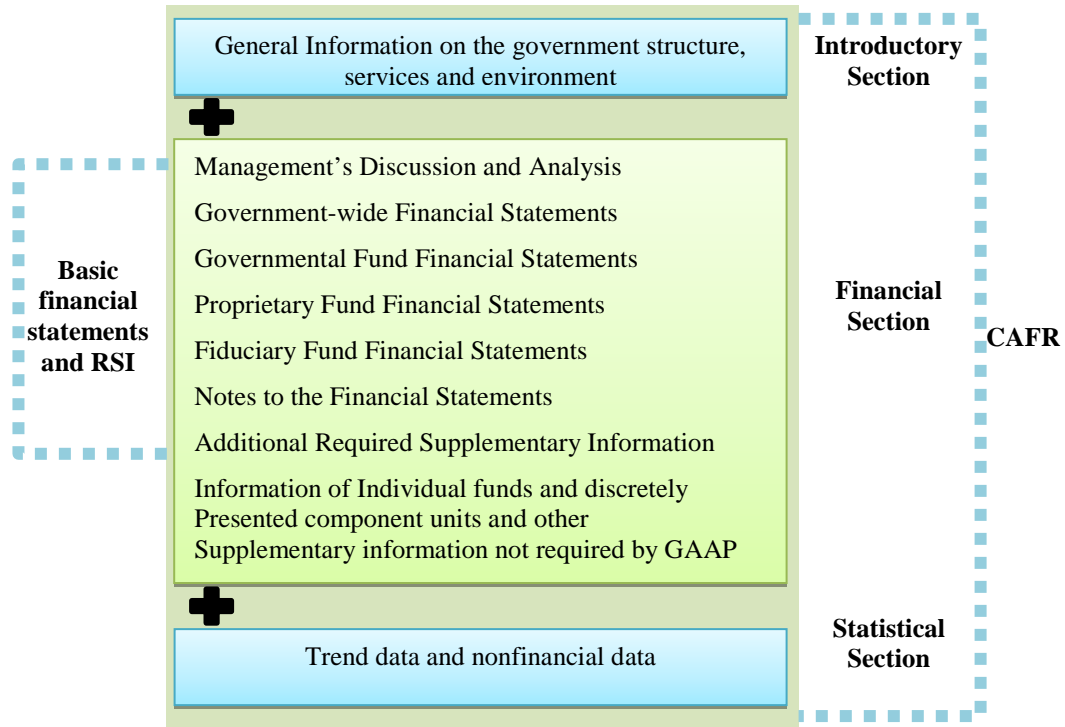
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

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

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

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

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



Government-wide financial statements

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

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

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

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

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

Fund financial statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflow and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-93 of this report.

Other information

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$153.1 million at the close of the fiscal year ended September 30, 2018. At the end of the fiscal year, the City is able to report positive balances in two categories of net position, both in business-type activities and government as a whole.

The largest portion of the City's net position is its net investment in capital assets totaling \$170.4 million or 111% of total net position. This category reports capital assets such as land, building, equipment and infrastructure as shown in the table below.

As shown in the table below, the largest portion of the City's net position \$170.4 million or (111%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets, except for some properties held for resale, are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has *restricted net position* of \$30.5 million for capital improvement projects and special revenues. These resources are subject to external restrictions on how the funds may be used. Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had (\$47.8) million of unrestricted net position as of September 30, 2018.

There was a net increase of \$3.3 million in net position regarding the City's governmental activities.

There was a net increase of \$14.8 in net position reported regarding the City's business-type activities, which include the Utilities Fund, Solid Waste Fund, Stormwater Utility Fund and the Building Inspections Fund. A detailed explanation is provided on page 12 of this report.

	Net Position					
	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	57,435,347	\$ 34,962,877	\$ 54,751,289	\$ 49,329,091	112,186,636	\$ 84,291,968
Capital Assets (Net)	111,355,493	112,768,381	117,755,726	113,008,698	229,111,219	225,777,079
Total Assets	168,790,840	147,731,258	172,507,015	162,337,789	341,297,855	310,069,047
Deferred Outflow of Resources						
Unamortized loss on refunding	10,225,581	10,765,410	1,745,874	2,584,099	11,971,455	13,349,509
Deferred Outflows for Pensions	8,927,443	11,297,857	-	-	8,927,443	11,297,857
Deferred Outflows for OPEB	647,888	-	204,596	-	852,484	-
Total Deferred Outflows of Resources	19,800,912	22,063,267	1,950,470	2,584,099	21,751,382	24,647,366
Current and Other Liabilities	10,053,016	8,233,357	6,943,002	7,703,467	16,996,018	15,936,824
Long-Term Liabilities	135,276,725	122,313,166	48,530,113	60,823,418	183,806,838	183,136,584
Total Liabilities	145,329,740	130,546,523	55,473,115	68,526,885	200,802,856	199,073,408
Deferred Inflow of Resources						
Deferred Business Tax Licenses	378,698	360,931	-	-	378,698	360,931
Deferred Inflows from Refunding	212,318	224,115	-	-	212,318	224,115
Deferred Inflows Related to Pensions	7,036,196	7,490,276	-	-	7,036,196	7,490,276
Deferred Inflows Related to OPEB	1,174,230	-	370,810	-	1,545,040	-
Total Deferred Outflows of Resources	8,801,442	8,075,322	370,810	-	9,172,252	8,075,322
Net Position:						
Net Investment in Capital Assets	87,256,566	78,676,964	83,110,556	67,665,318	170,367,122	146,342,282
Restricted	11,792,213	7,966,761	20,540,196	17,669,639	32,332,409	25,636,400
Unrestricted (Deficit)	(64,588,210)	(55,471,045)	14,962,808	11,060,046	(49,625,402)	(44,410,999)
Total Net Position	\$ 34,460,569	\$ 31,172,680	\$ 118,613,560	\$ 96,395,003	\$ 153,074,129	\$ 127,567,683

There was an overall increase in the City’s net position of \$25.5 million. This change is primarily due to the incorporation of Stormwater assessment fees to the tax roll in lieu of issuing monthly customer billing. Additionally, the City received grant reimbursement from FEMA for Hurricane Matthew and Irma, as well as from HUD for various economic development initiatives.

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

	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for Services	\$ 10,446,486	\$ 9,025,086	\$ 49,570,994	\$ 39,583,404	\$ 60,017,480	\$ 48,608,490
Operating Grants and Contributions	3,238,810	1,797,091	924,986	264,422	4,163,796	2,061,513
Capital Grants and Contributions	383,046	156,824	2,679,813	2,072,222	3,062,859	2,229,046
General Revenues						
Property Taxes	29,893,290	27,050,557	-	-	29,893,290	27,050,557
Other Taxes	20,849,279	20,629,431	-	-	20,849,279	20,629,431
Other	12,908,345	12,034,218	485,899	339,988	13,394,244	12,374,206
Total Revenues	77,719,256	70,693,207	53,661,692	42,260,036	131,380,948	112,953,243
Expenses:						
General Government	18,031,358	18,030,253	-	-	18,031,358	18,030,253
Public Safety	30,947,636	33,513,185	-	-	30,947,636	33,513,185
Physical Environment	545,462	536,267	-	-	545,462	536,267
Transportation	11,737,057	10,934,430	-	-	11,737,057	10,934,430
Economic Environment	1,751,250	1,406,369	-	-	1,751,250	1,406,369
Culture/Recreation	4,804,488	5,392,682	-	-	4,804,488	5,392,682
Interest on Long-Term Debt	5,208,624	4,321,154	-	-	5,208,624	4,321,154
Water and Wastewater	-	-	23,474,356	22,352,343	23,474,356	22,352,343
Building Inspections	-	-	1,723,865	1,203,472	1,723,865	1,203,472
Stormwater	-	-	5,562,055	4,087,303	5,562,055	4,087,303
Solid Waste	-	-	5,042,519	5,378,107	5,042,519	5,378,107
Total expenses	73,025,875	74,134,340	35,802,795	33,021,225	108,828,670	107,155,565
Change in Net Positon before transfers	4,693,381	(3,441,133)	17,858,897	9,238,811	22,552,278	5,797,678
Transfers	2,087,287	1,789,140	(2,087,287)	(1,789,140)	-	-
Change in Net Position	6,780,668	(1,651,993)	15,771,610	7,449,671	22,552,278	5,797,678
Net Position, beginning of year	31,172,680	32,828,673	103,844,674	96,395,003	135,017,354	129,223,676
Prior peroid adjustment (Note 14)	(3,492,779)	-	(1,002,724)	-	(4,495,503)	0
Net Position, end of year	\$ 34,460,569	\$ 31,176,680	\$ 118,613,560	\$ 103,844,674	\$ 153,074,129	\$ 135,021,354

Governmental Activities

Governmental activities increased the City’s net position by \$3.3 million, and revenues from governmental activities increased by \$7.0 million or 9.9%. The main reasons were increase in operating grants, charges for services and property tax collection.

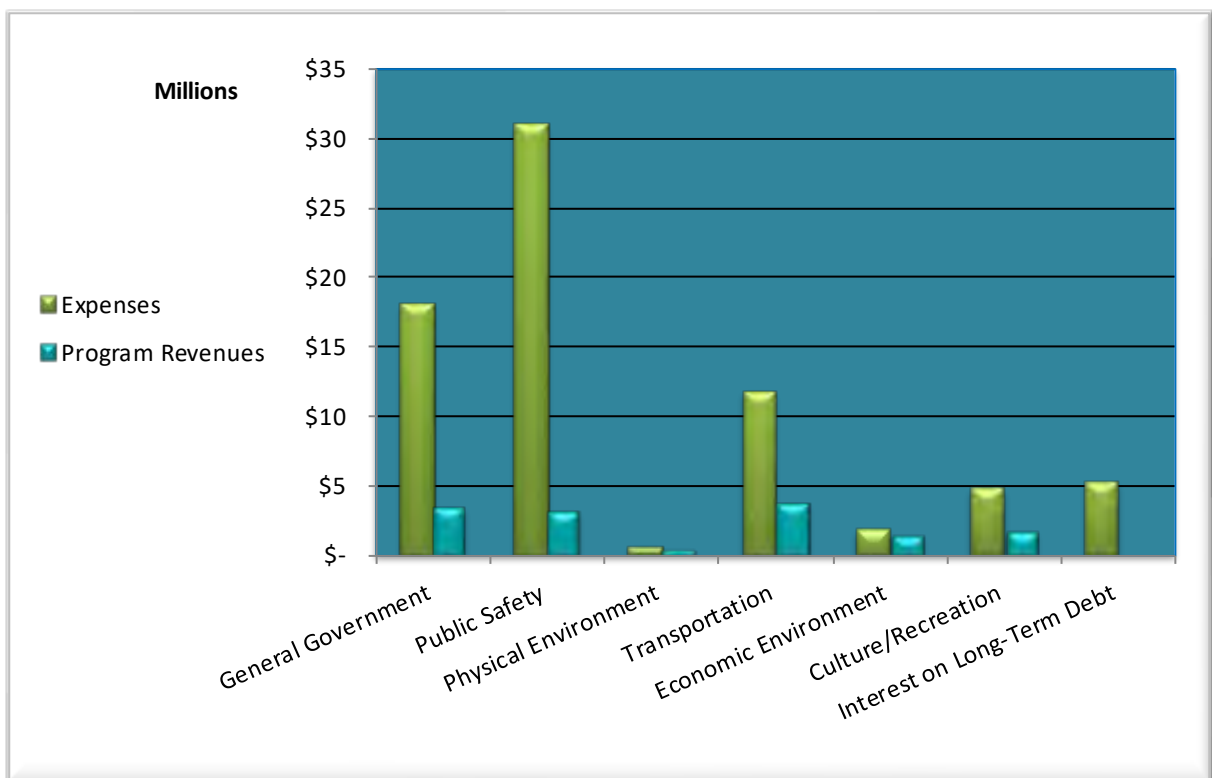
The following tables show the components of program and general revenues as a percentage of total governmental activities by function. Public safety which includes police and fire had the largest allocation at 42.4%, followed by general government at 24.7% which includes administrative activities. Allocations to transportation activities which is predominately public works related transactions accounted for 16.1% of the allocation.

Expenses and Program Revenues – Governmental Activities

Functions/Programs	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
General Government	\$ 18,031,358	24.7%	\$ 3,529,958	25.1%	\$ (14,501,400)
Public Safety	30,947,636	42.4%	3,157,243	22.4%	(27,790,393)
Physical Environment	545,462	0.7%	421,054	3.0%	(124,408)
Transportation	11,737,057	16.1%	3,803,993	27.0%	(7,933,064)
Economic Environment	1,751,250	2.4%	1,409,250	9.9%	(342,000)
Culture/Recreation	4,804,488	6.6%	1,746,844	12.4%	(3,057,644)
Interest on Long-Term Debt	5,208,624	7.1%	-	0.0%	(5,208,624)
	\$ 73,025,875	100%	\$ 14,068,342	100%	\$ (58,957,533)

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

Expenses and Program Revenue – Governmental Activities



The following table and chart show revenues by source of governmental activities by percent of total revenues. Property taxes accounted for 37.46% of the revenues used to fund governmental functions. Combined revenue from other forms of taxes totaled 19.13%, while state revenue sharing sources provided 14.5% of the total revenue source.

Revenue by Source – Governmental Activities

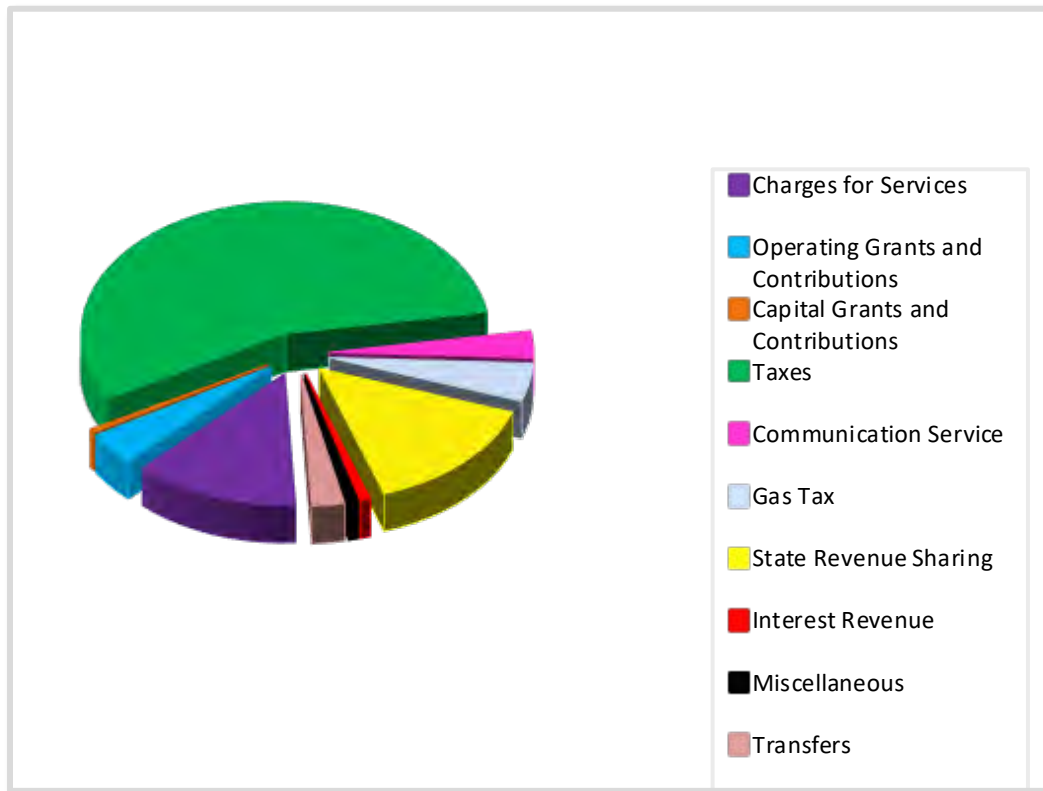
Program Revenues

Charges for Services	\$ 10,446,486	13.09%
Operating Grants and Contributions	3,238,810	4.06%
Capital Grants and Contributions	383,046	0.48%

General Revenues

Property Tax	29,893,290	37.46%
Franchise Fees	5,588,373	7.00%
Utility Service Tax	8,878,776	11.13%
Communication Service Tax	2,638,032	3.31%
Gas Tax	3,744,098	4.69%
State Revenue Sharing	11,579,482	14.51%
Interest Earnings	675,851	0.85%
Miscellaneous	653,012	0.80%
Transfers	2,087,287	2.62%
	\$ 79,806,543	100.00%

Revenue by Source – Governmental Activities



Business-type activities

As mentioned above, business-type activities increased the City’s total net position by \$14.8 million. Key elements of the increase in business-type activities are as follows:

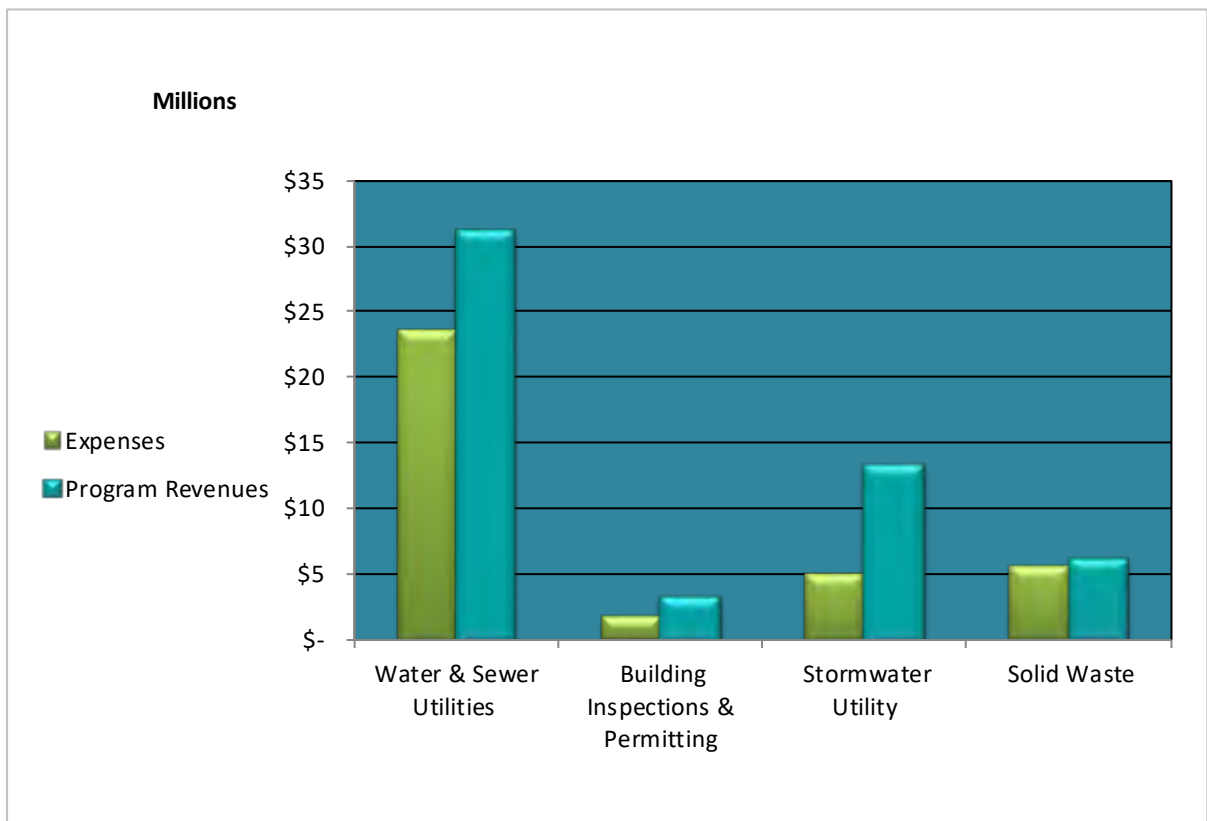
- Increase in charges for service revenue for utilities funds.
- Increase in capital contributions from water and sewer and main-line connections.
- Increase in storm water utility collection method.

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

Expenses and Program Revenues – Business-type Activities

Functions/Programs	Expenses	% of Total	Program Revenues	% of Total	Net (Expense) Revenue
Water & Sewer Utilities	\$ 23,474,356	65.6%	\$ 30,934,057	58.2%	\$ 7,459,701
Building Inspections & Permitting	1,723,865	4.8%	3,071,511	5.8%	1,347,646
Stormwater Utility	5,042,519	14.1%	13,167,413	24.8%	8,124,894
Solid Waste	5,562,055	15.5%	6,002,812	11.3%	440,757
	\$ 35,802,795	100%	\$ 53,175,793	100%	\$ 17,372,998

Expenses and Program Revenues – Business-type Activities

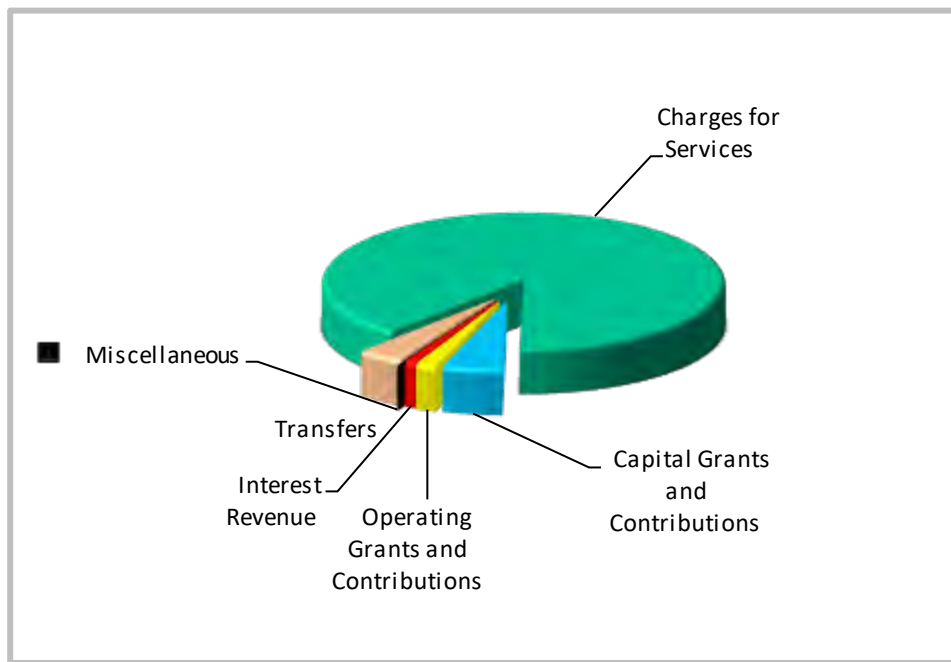


As shown in the table and chart below, the primary revenue source for business-type activities was charges for service. This category is comprised of water and sewer, stormwater, solid waste and building inspection fees. Charges for services accounted for 96.12 % of the total business-type activity revenue stream. Capital grants and contributions accounted for 5.20% of the revenue pool. Transfers accounted for -4.05% of the revenue pool.

Revenues by Source – Business-type Activities

Charges for Services	\$ 49,570,994	96.12%
Capital Grants and Contributions	2,679,813	5.20%
Operating Grants and Contributions	924,986	1.79%
Interest Revenue	454,585	0.88%
Miscellaneous	31,314	0.06%
Transfers	(2,087,287)	-4.05%
	<u>\$ 51,574,405</u>	<u>100.00%</u>

Revenues by Source – Business-type Activities



Financial Analysis of the City’s Funds

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

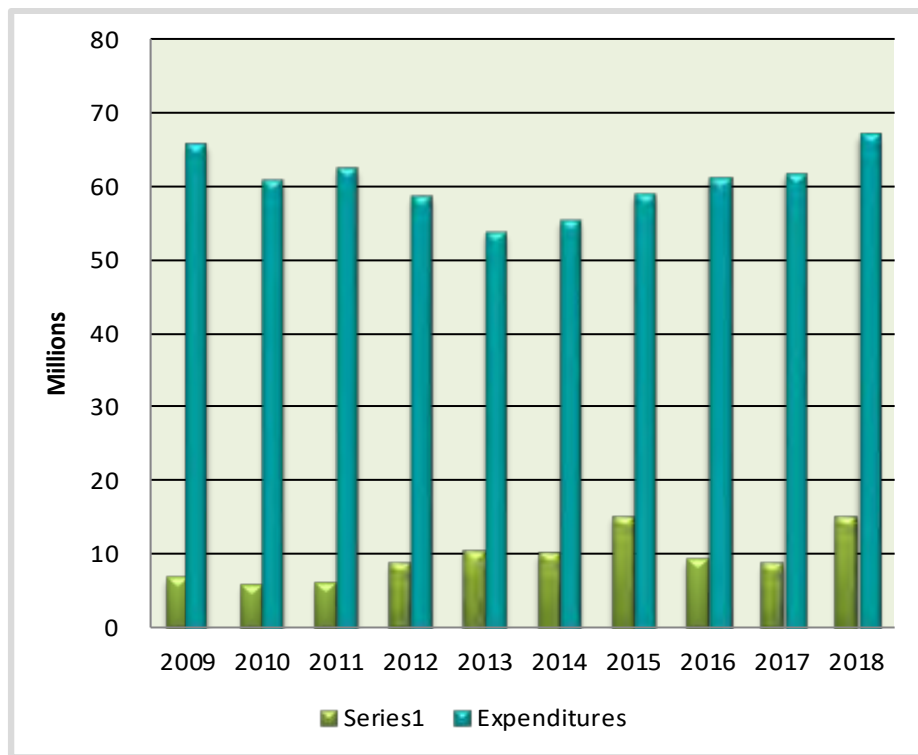
Governmental funds

The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City’s financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2018, the City’s governmental funds reported combined ending fund balances of \$40.1 million, an increase of \$16.5 million in comparison with the prior year. Key elements of this change include increase revenues in most tax categories; proceeds from debt issuance and funding from capital lease agreement. *Non-Spendable* fund balance is \$37,113 and is comprised of prepaid items and inventory. *Restricted* fund balance is \$13.5 million and represents 34% of the total fund balance. *Committed* fund balance was \$14.6 million. *Assigned* fund balance is \$813,566. *Unassigned* fund balance, which is the residual, had a balance of approximately \$11.1 million.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2018, *unassigned* fund balance of the General Fund was \$11.8 million, while total fund balance reached \$14.97 million. As a measure of the General Fund’s liquidity, it may be useful to compare both *unrestricted* fund balance and total fund balance to total fund expenditures and transfers out. The City’s General Fund, fund balance increased by \$6.3 million during the current fiscal year. Further details and General Fund budgetary highlights can be found pages 15 - 16 of this report.

General Fund Balance and Expenditures



The Bayfront Community Redevelopment Agency Fund (BCRA) is used to account for ad valorem tax increment revenues accumulated for the community development in areas where taxes were assessed. Capital-oriented projects of the BCRA are accounted for in the BCRA Construction Fund. At the end of fiscal year 2018, *restricted* fund balance of the BCRA Fund was \$331,546. The overall net position decreased by \$63,428 from 2017 primarily due to a repayment to Brevard County pursuant to City resolution 2017-56 in accordance to FS.163.387 (7)(d).

Enterprise funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has four enterprise funds, of which Utilities and Stormwater Utility are major funds and the Building Inspections and Solid Waste Utility Funds are non-major funds. *Unrestricted* net position of the enterprise funds at the end of the year were \$14.9 million. The total net position of the Utilities Fund increased by \$5.2 million in fiscal year 2018. Stormwater experienced an increase in net position of \$8.1 million over fiscal year 2017 due to increased collections facilitated by fees being added to the County tax roll. Building Inspection Fund experienced an increase in net position of \$1.2 million over fiscal year 2017 due to an upswing in construction and an accompanying increase in charges for services from permit fees. Solid Waste also had positive net operations of \$465,474 from user fees charges.

General Fund Budgetary Highlights

The FY 2018 budget continued essential existing and critical City services while making necessary reduction to meet the fiscal requirements of the state mandated property tax reform and the current economic challenges.

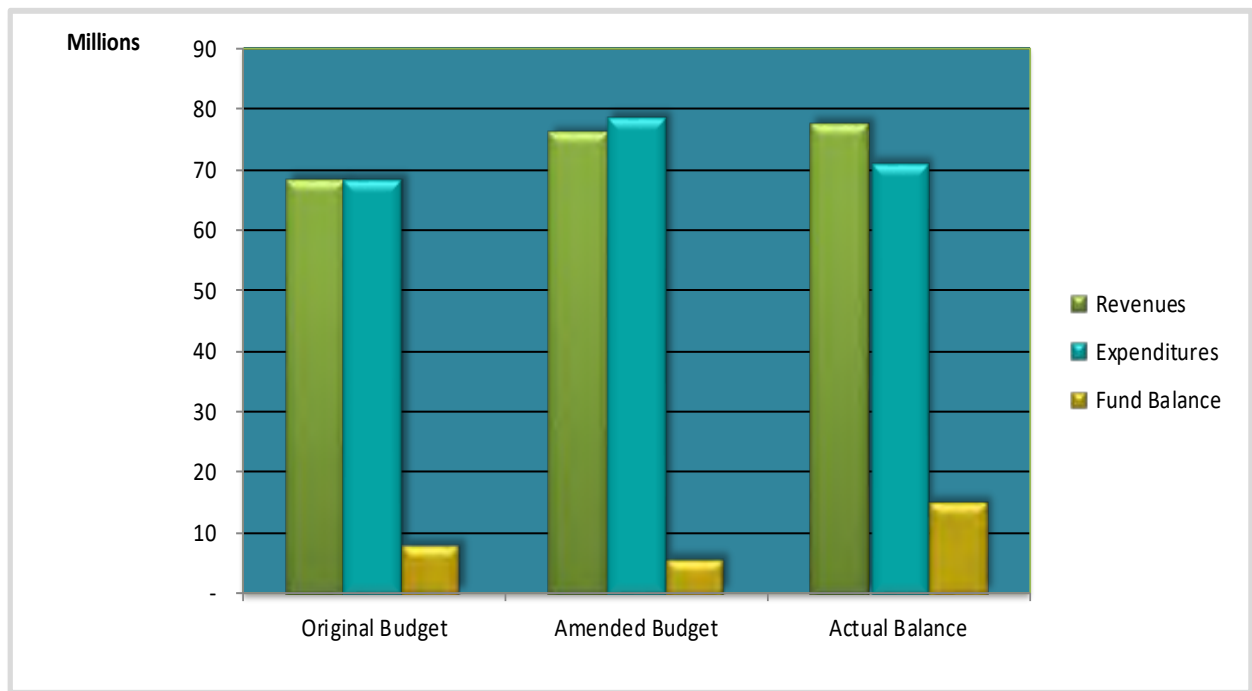
General Fund original budgeted revenue of \$68,315,437 is \$4.8 million more than the prior year. The total final budgeted revenues exceeded actual revenues by \$1.4 million.

General Fund original budgeted expenditures total \$68,347,586, representing an increase of \$4.1 million or 6.4% from FY 2017. Actual expenditures were \$7.4 million less than final budget. A concerted effort on constraining expenditures resulted in an across the board decrease in most government functions.

The budget is based upon an estimated unreserved fund balance as of September 30, 2017 of \$6,508,454. The minimum fund balance for FY18, as established by administrative code, is \$5,886,856 and represents 10% of projected operating costs. The approved budget FY18 exceeds the minimum requirement by \$401,341. This is a result of rising property values and the proportionate increase in ad valorem taxes.

The City generated positive/(negative) variances in the General Fund. There was a cumulative positive variance of approximately \$8.7 million between the final adopted budget and actual results of operations. This positive variance was primarily a result of reduced personal services and operation expenditures in conformity with the City's cost management efforts.

2018 General Fund Budgetary Comparison



The FY 18 adopted millage rate was 8.4500 mills and will remain the same for FY19.

Capital Asset and Debt Administration**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$229.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
Land	\$ 16,681,643	\$ 17,451,756	\$ 5,138,205	\$ 5,099,259	\$ 21,819,848	\$ 22,551,015
Construction in Progress	6,045,039	5,389,714	6,587,092	5,563,463	12,632,131	10,953,177
Buildings and Improvements	35,715,537	35,390,091	2,863,766	2,863,766	38,579,303	38,253,857
Water and Sewer System	-	-	168,240,029	163,933,808	168,240,029	163,933,808
Machinery and Equipment	24,393,948	21,134,452	9,470,899	8,529,432	33,864,847	29,663,884
Infrastructure	117,389,909	114,945,340	2,163,935	157,636	119,553,844	115,102,976
	200,226,076	194,311,353	194,463,926	186,147,364	394,690,002	380,458,717
Less: Accumulated Depreciation	(88,870,583)	(81,542,972)	(76,708,200)	(72,386,678)	(165,578,783)	(153,929,650)
Capital Assets, net	\$ 111,355,493	\$ 112,768,381	\$ 117,755,726	\$ 113,760,686	\$ 229,111,219	\$ 226,529,067

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

- Completed transportation project related to road maintenance, rejuvenation and reconstruction totaled \$2.02 million.
- Road construction projects still in progress at the end of the year totaled \$3.0 million.
- Water and sewer improvement projects completed during the year totaled \$3.8 million.

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

Long-term debt

At the end of fiscal year 2018, the City had total long-term liabilities of \$149.7 million. Of this amount \$78.8 million is secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Long-Term Debt and Claims Payable

	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
Revenue Bonds	\$ 71,338,537	\$ 72,088,529	\$ 7,461,647	\$ 8,373,342	\$ 78,800,184	\$ 80,461,871
Notes Payable	21,116,000	13,607,000	26,957,000	31,935,000	48,073,000	45,542,000
Capital Leases	4,624,767	793,941	561,614	840,174	5,186,381	1,634,115
OPEB Obligation	6,200,105	2,853,719	1,957,928	1,001,432	8,158,033	3,855,151
Compensated Absences	5,140,124	5,333,582	850,373	901,717	5,990,497	6,235,299
Claims Payable	3,575,308	3,687,000	-	-	3,575,308	3,687,000
	\$ 111,994,841	\$ 98,363,771	\$ 37,788,562	\$ 43,051,665	\$ 149,783,403	\$ 141,415,436

Notes payable increased due to issuance of revenue notes which funded construction of an I-95 connector road.

Capital leases increased due equipment purchases in accordance with the City's master lease agreement.

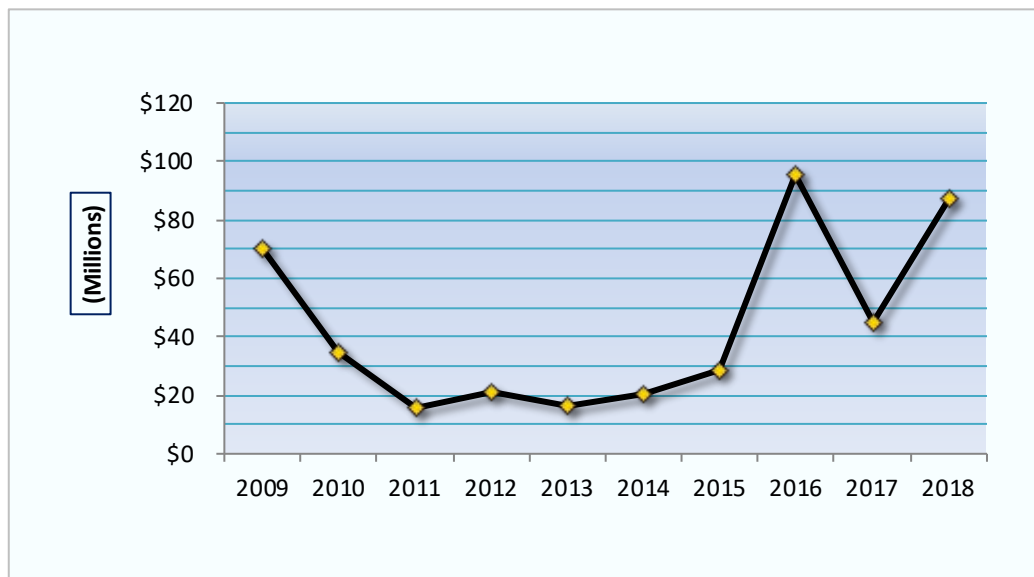
OPEB obligations increased due to the implementation of GASB 75. Refer to Note 14 for further information on the impact of this implementation.

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

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the City at September 30, 2018 was 3.1%, a decrease of 0.7% from the prior year. The national average unemployment rate for 2018 was 3.7%
- Population increased approximately 2% from the prior year.
- The taxable value of real property for the City increased by 9.8% in the 2018 fiscal year.
- Building activity resulted in \$87.4 million of new construction during the year, which is an increase of \$42.4 million, or 44.5%, from the previous year. A graphical presentation of the change in taxable value from new construction for the past ten years is presented below:
- On November 6, 2018 voters approved a referendum allowing for the issuance of up to \$150 million in general obligation bonds by the City to finance roadway improvements. In February 2019, by way of Resolution 2018-63, the City authorized the issuance of said bonds. The expected timetable for final closing on the issuance is the end of June 2019. On May 16, 2019, City Council adopted supplementary Resolution 2019-13 authorizing the issuance of the first \$50.0 million in General Obligation Bonds, Series 2019 earmarked for construction and rehabilitation of the City’s infrastructure.

Taxable Value from New Construction



During the current fiscal year, *unassigned* fund balance in the General Fund increased to \$11.8 million.

The ad valorem tax rate for the General Fund in fiscal year 2018 stayed the same as prior year at 8.4500 mills.

Requests for Information

This financial report is designed to present users with a general overview of the City’s finances and to demonstrate the City’s accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City’s Finance Department, 120 Malabar Road, S.E., Palm Bay, Florida 32907-3009. The Comprehensive Annual Financial Report for fiscal year 2017/2018 can also be found on the City’s [website at www.palmbayflorida.org](http://www.palmbayflorida.org).



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STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 32,306,325	\$ 13,798,435	\$ 46,104,760
Investments	19,374,497	10,130,893	29,505,390
Restricted Assets:			
Cash and Cash Equivalents	-	7,893,931	7,893,931
Investments	-	11,354,329	11,354,329
Accounts Receivable (Net)	3,583,409	6,822,097	10,405,506
Internal Balances	(2,179,229)	2,179,229	-
Due from Other Governments	3,601,897	312,393	3,914,290
Land Held for Resale	4,000	-	4,000
Inventories	254,756	364,010	618,766
Prepaid Items	310,110	41,951	352,061
Accounts Receivable, Long-term (Net)	-	1,854,021	1,854,021
Capital Assets Not Being Depreciated:			
Land	16,681,643	5,138,205	21,819,848
Construction in Progress	6,045,039	6,587,092	12,632,131
Capital Assets, Net of Accumulated Depreciation:			
Building and Improvements	18,307,587	1,476,129	19,783,716
Water and Sewer Systems	-	99,782,620	99,782,620
Machinery, Equipment and Vehicles	3,802,494	2,613,407	6,415,901
Infrastructure	66,518,730	2,158,273	68,677,003
Net Pension Asset	179,582	-	179,582
Total Assets	168,790,840	172,507,015	341,297,855
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss from Bond Refunding	10,225,581	1,745,874	11,971,455
Deferred Outflows Related to Pensions	8,927,443	-	8,927,443
Deferred Outflows Related to OPEB	647,888	204,596	852,484
Total Deferred Outflows of Resources	19,800,912	1,950,470	21,751,382

Continued on the next page

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
Accounts Payable	5,934,173	2,884,097	8,818,270
Accrued Liabilities	1,327,573	363,686	1,691,259
Due to Other Governments	25,146	-	25,146
Unearned Revenues	500,640	1,076,084	1,576,724
Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	2,265,484	-	2,265,484
Customer Deposits	-	2,619,135	2,619,135
Long-Term Liabilities:			
Due Within One Year:			
Bonds Payable	1,282,056	880,672	2,162,728
Notes Payable	1,735,000	5,025,000	6,760,000
Capital Leases Payable	393,039	288,368	681,407
Claims Payable	666,388	-	666,388
Compensated Absences	822,420	136,060	958,480
Due in More Than One Year:			
Bonds Payable	70,056,481	6,580,975	76,637,456
Notes Payable	19,381,000	21,932,000	41,313,000
Capital Leases Payable	4,231,728	273,247	4,504,975
Accreted Interest Payable	-	10,741,550	10,741,550
Claims Payable	2,908,920	-	2,908,920
Total OPEB Liability	6,200,105	1,957,928	8,158,033
Net Pension Liability	23,281,884	-	23,281,884
Compensated Absences	4,317,704	714,313	5,032,017
Total Liabilities	145,329,741	55,473,115	200,802,856
DEFERRED INFLOWS OF RESOURCES			
Deferred Business Tax Licenses	378,698	-	378,698
Deferred Inflows from Bond Refunding	212,318	-	212,318
Deferred Inflows Related to Pensions	7,036,196	-	7,036,196
Deferred Inflows Related to OPEB	1,174,230	370,810	1,545,040
Total Deferred Inflows of Resources	8,801,442	370,810	9,172,252
NET POSITION			
Net Investment in Capital Assets	87,256,566	83,110,556	170,367,122
Restricted for:			
Transportation	5,584,548	-	5,584,548
Economic Development	1,100,093	-	1,100,093
Debt Service	3,130,057	-	3,130,057
Building Fund	-	3,911,071	3,911,071
Water and Sewer Utilities System	-	16,629,125	16,629,125
Internal Service Fund	1,800,000	-	1,800,000
Public Safety	177,515	-	177,515
Unrestricted (Deficit)	(64,588,210)	14,962,808	(49,625,402)
Total Net Position	\$ 34,460,569	\$ 118,613,560	\$ 153,074,129

STATEMENT OF ACTIVITIES
For Fiscal Year Ended September 30, 2018

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 18,031,358	\$ 3,510,018	\$ 19,940	\$ -
Public Safety	30,947,636	1,074,778	2,082,465	-
Physical Environment	545,462	421,054	-	-
Transportation	11,737,057	3,420,947	-	383,046
Economic Environment	1,751,250	272,945	1,136,305	-
Culture/Recreation	4,804,488	1,746,744	100	-
Interest on Long-Term Debt	5,208,624	-	-	-
Total Governmental Activities	73,025,875	10,446,486	3,238,810	383,046
Business-type Activities:				
Water and Sewer Utilities	23,474,356	28,197,442	56,802	2,679,813
Building Inspections & Permitting	1,723,865	3,071,511	-	-
Stormwater Utility	5,042,519	12,299,229	868,184	-
Solid Waste	5,562,055	6,002,812	-	-
Total Business-type Activities	35,802,795	49,570,994	924,986	2,679,813
Total	\$ 108,828,670	\$ 60,017,480	\$ 4,163,796	\$ 3,062,859

General Revenues:

Taxes:

- Property Tax
- Franchise Fees
- Utility Service Tax
- Communication Service Tax
- Gas Tax
- State Revenue Sharing (unrestricted)
- Investment Earnings
- Miscellaneous

Transfers

Total General Revenues/Transfers

- Change in Net Position
- Net Position - Beginning
- Prior Period Adjustment: (Note 14)
- Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (14,501,400)	\$ -	\$ (14,501,400)
(27,790,393)	-	(27,790,393)
(124,408)	-	(124,408)
(7,933,064)	-	(7,933,064)
(342,000)	-	(342,000)
(3,057,644)	-	(3,057,644)
(5,208,624)	-	(5,208,624)
(58,957,533)	-	(58,957,533)
-	7,459,701	7,459,701
-	1,347,646	1,347,646
-	8,124,894	8,124,894
-	440,757	440,757
-	17,372,998	17,372,998
(58,957,533)	17,372,998	(41,584,535)
29,893,290	-	29,893,290
5,588,373	-	5,588,373
8,878,776	-	8,878,776
2,638,032	-	2,638,032
3,744,098	-	3,744,098
11,579,482	-	11,579,482
675,851	454,585	1,130,436
653,012	31,314	684,326
2,087,287	(2,087,287)	-
65,738,201	(1,601,388)	64,136,813
6,780,668	15,771,610	22,552,278
31,172,680	103,844,674	135,017,354
(3,492,779)	(1,002,724)	(4,495,503)
\$ 34,460,569	\$ 118,613,560	\$ 153,074,129

BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	General	Bayfront Community Redevelopment Agency	BCRA Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 10,496,294	\$ 734,387	\$ 293,730	\$ 14,300,466	\$ 25,824,877
Investments	2,960,244	441	676,083	12,098,186	15,734,954
Accounts Receivable	3,440,484	-	3,968	28,038	3,472,490
Due from Other Governments	2,854,540	-	-	747,357	3,601,897
Due from Other Funds	50,625	-	-	585,790	636,415
Land Held for Resale	-	-	-	4,000	4,000
Prepaid Items	29,680	394	-	4,585	34,659
Inventory	2,454	-	-	-	2,454
Total Assets	\$ 19,834,321	\$ 735,222	\$ 973,781	\$ 27,768,422	\$ 49,311,746
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 2,673,702	\$ 365,874	\$ 51	\$ 2,447,883	\$ 5,487,510
Accrued Liabilities	1,231,463	4,479	-	6,664	1,242,606
Due to Other Funds	-	-	-	611,947	611,947
Unearned Revenue	199,187	-	-	301,453	500,640
Advances from Other Funds	378,645	24,468	-	601,552	1,004,665
Due to Other Governments	-	-	-	25,146	25,146
Total Liabilities	4,482,997	394,821	51	3,994,645	8,872,514
DEFERRED INFLOW OF RESOURCES					
Deferred Business Tax Licenses	378,698	-	-	-	378,698
Total Deferred Inflow of Resources	378,698	-	-	-	378,698
Fund Balances:					
Nonspendable	32,134	394	-	4,585	37,113
Restricted	-	331,546	841,630	12,322,601	13,495,777
Committed	3,032,788	-	132,100	11,436,182	14,601,070
Assigned	154,098	8,461	-	651,007	813,566
Unassigned (Deficit)	11,753,606	-	-	(640,598)	11,113,008
Total Fund Balances	14,972,626	340,401	973,730	23,773,777	40,060,534
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,834,321	\$ 735,222	\$ 973,781	\$ 27,768,422	\$ 49,311,746

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



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**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2018**

Total fund balances of governmental funds	\$ 40,060,534
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$190,280,323 and the accumulated depreciation is \$80,949,842. Internal service funds capital assets of \$9,959,605 and accumulated depreciation of \$7,920,741 are included in the internal service funds balances below.</p>	109,330,481
<p>Net pension assets are not financial resources and therefore are not reported in the funds.</p>	179,582
<p>Deferred outflows and inflows of resources for changes in Pension assumptions and projections in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	
Deferred outflows of resources	8,927,443
Deferred inflows of resources	(7,036,196)
<p>Deferred outflows and inflows of resources for changes in OPEB assumptions and projections in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	
Deferred outflows of resources	647,888
Deferred inflows of resources	(1,174,230)
<p>Deferred Inflows of resources for loss on bond refunding</p>	(212,318)
<p>Unamortized refunding charges are reported as expenditures in the funds because current financial resources are used. They are amortized over the life of the debt in the government-wide statements.</p>	10,225,581
<p>The internal service fund is used by management to charge the costs of employee benefits and risk management services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>	7,220,235
<p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position. The amount for internal service funds includes compensated absences of \$137,998 (\$22,080 current and \$115,918 long-term) \$ 240,540 lease payable and net OPEB obligations of \$76,706.</p> <p>Long-term liabilities at year end consist of :</p>	
Bonds payable	\$ 71,338,537
Notes payable	21,116,000
Accrued interest payable	2,265,484
Capital leases payable	4,624,767
Net Pension Liability	23,281,884
Total OPEB obligation	6,036,944
Compensated absences	5,044,815
	(133,708,431)
Total net position of governmental activities	\$ 34,460,569

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For Fiscal Year Ended September 30, 2018

	General	Bayfront Community Redevelopment	BCRA Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 44,493,071	\$ 1,227,364	\$ -	\$ -	\$ 45,720,435
Impact Fees	-	-	-	3,849,450	3,849,450
Licenses and Permits	5,605,873	-	-	-	5,605,873
Intergovernmental Revenues	14,351,751	-	-	1,519,351	15,871,102
Charges for Services	4,179,803	-	-	434,044	4,613,847
Fines and Forfeitures	522,690	-	-	81,460	604,150
Investment Income	297,851	8,907	8,214	282,304	597,276
Miscellaneous Revenues	508,481	227	-	191,805	700,513
Total Revenues	69,959,520	1,236,498	8,214	6,358,414	77,562,646
EXPENDITURES					
Current:					
General Government	18,190,067	-	540	1,003	18,191,610
Public Safety	32,939,735	-	-	254,288	33,194,023
Transportation	7,731,685	-	-	169,382	7,901,067
Economic Environment	-	422,340	-	379,884	802,224
Culture/Recreation	4,276,309	-	-	17,352	4,293,661
Debt Service:					
Principal Retirement	-	360,000	-	2,146,898	2,506,898
Interest and Fiscal Charges	-	112,092	-	4,149,023	4,261,115
Capital Outlay	-	258,494	86,355	4,016,311	4,361,160
Total Expenditures	63,137,796	1,152,926	86,895	11,134,141	75,511,758
Excess (Deficiency) of Revenues Over Expenditures	6,821,724	83,572	(78,681)	(4,775,727)	2,050,888
OTHER FINANCING SOURCES (USES)					
Transfers In	2,594,766	-	-	7,635,546	10,230,312
Transfers Out	(8,006,067)	(147,000)	-	(1,600,049)	(9,753,116)
Proceeds from Sale of Capital Assets	566,866	-	-	-	566,866
Capital Leases	4,363,350	-	-	-	4,363,350
Issuance of Debt	-	-	-	8,977,500	8,977,500
Total Other Financing Sources and (Uses)	(481,085)	(147,000)	-	15,012,997	14,384,912
Net Change in Fund Balances	6,340,639	(63,428)	(78,681)	10,237,270	16,435,800
Fund Balances - Beginning	8,631,987	403,829	1,052,411	13,536,507	23,624,734
Fund Balances - Ending	\$ 14,972,626	\$ 340,401	\$ 973,730	\$ 23,773,777	\$ 40,060,534

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



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**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018**

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

Net change in fund balances - total governmental funds.	\$ 16,435,800
Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases (\$6,569,284) exceeds depreciation expense (\$7,292,439) in the current period.	(723,155)
Proceeds from the sale of capital assets increase financial resources, but in the statement of activities, only a gain or loss is reported.	(566,866)
Pension contribution made subsequent to the measurement date is an expenditure in the governmental funds, but reported as a deferred outflow of resources in the government-wide financial statements.	6,740
Pension expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(2,475,246)
The repayment of principal is an expenditure in the governmental funds, but reduces liabilities in the statement of net position. In addition, the issuance of bonds and similar long-term debt provides current financial resources to governmental funds and therefore contribute to an increase in fund balance. In the statement of net position, however, issuing debt increases and payment of debt decreases long-term liabilities and does not affect the statement of activities. The amounts of the items that make up these differences in the treatment of long-term debt and related items are:	
Principal repayments:	
Revenue Bonds	749,992
Capital Leases	291,985
Notes Payable	1,491,000
Debt issued or incurred:	
Proceeds from notes payable	(9,000,000)
Amortized refunding charges	(539,828)
Unamortized refunding gains	(11,796)
Accrued interest payable on long-term debt	(404,053)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Compensated Absences	150,770
Total OPEB Liability	(3,789,549)
The internal service fund is used by management to charge the costs of risk management services to other funds. The decrease in net position of the internal service fund is reported with governmental activities.	5,211,207
Change in net position of governmental activities.	\$ 6,780,668

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018**

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Stormwater (Major Fund)	Total Nonmajor Enterprise Funds	Total Enterprise Funds	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 7,296,721	\$ 2,392,054	\$ 4,109,660	\$ 13,798,435	\$ 6,481,448
Investments	5,839,621	3,049,023	1,242,249	10,130,893	3,639,543
Restricted Cash and Cash Equivalents	2,306,377	-	312,758	2,619,135	-
Accounts Receivable - (Net)	5,943,834	344,579	533,684	6,822,097	110,919
Advances to Other Funds	193,060	-	187,030	380,090	-
Due from Other Governments	13,229	299,164	-	312,393	-
Inventory	329,398	-	34,612	364,010	252,302
Prepaid Items	41,692	203	56	41,951	275,451
Total Current Assets	21,963,932	6,085,023	6,420,049	34,469,004	10,759,663
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	5,274,796	-	-	5,274,796	-
Investments	11,354,329	-	-	11,354,329	-
Total Restricted Assets	16,629,125	-	-	16,629,125	-
Accounts Receivable (Net)	1,854,021	-	-	1,854,021	-
Advances to Other Funds	819,252	-	979,887	1,799,139	-
Total Other Noncurrent Assets	2,673,273	-	979,887	3,653,160	-
Capital Assets:					
Land	5,118,403	19,802	-	5,138,205	-
Construction in Progress	6,109,883	477,209	-	6,587,092	-
Building and Improvements	2,863,766	-	-	2,863,766	-
Water and Sewer Systems Infrastructure	168,240,029	-	-	168,240,029	-
	-	2,163,935	-	2,163,935	-
Machinery, Equipment and Vehicles	4,291,166	2,239,129	2,940,604	9,470,899	9,959,605
Less: Accumulated Depreciation	(73,237,095)	(1,399,095)	(2,072,010)	(76,708,200)	(7,920,741)
Total Capital Assets (Net)	113,386,152	3,500,980	868,594	117,755,726	2,038,864
Total Noncurrent Assets	132,688,550	3,500,980	1,848,481	138,038,011	2,038,864
Total Assets	154,652,482	9,586,003	8,268,530	172,507,015	12,798,527
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss from bond refunding	1,745,874	-	-	1,745,874	-
Deferred Outflows Related to OPEB	136,398	42,624	25,574	204,596	17,049
Total Deferred Outflows of Resources	1,882,272	42,624	25,574	1,950,470	17,049

Continued on the next page

STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
September 30, 2018

	Business Type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Stormwater (Major Fund)	Total Nonmajor Enterprise Funds		
LIABILITIES					
Current Liabilities:					
Accounts Payable	1,147,607	397,330	1,339,160	2,884,097	446,663
Accrued Liabilities	235,212	81,830	46,644	363,686	84,967
Unearned Revenues	245,199	344,257	486,628	1,076,084	-
Bonds Payable	880,672	-	-	880,672	-
Notes Payable	5,025,000	-	-	5,025,000	-
Capital Leases Payable	-	-	288,368	288,368	-
Compensated Absences	110,137	15,927	9,996	136,060	15,249
Claims Payable	-	-	-	-	666,388
Advances from Other Funds	-	-	-	-	254,829
Current Liabilities Payable from Restricted Assets:					
Customer Deposits	2,306,377	-	312,758	2,619,135	-
Total Current Liabilities	9,950,204	839,344	2,483,554	13,273,102	1,468,096
Noncurrent Liabilities:					
Bonds Payable	6,580,975	-	-	6,580,975	-
Notes Payable	21,932,000	-	-	21,932,000	-
Capital Leases Payable	-	-	273,247	273,247	-
Accreted Interest Payable	10,741,550	-	-	10,741,550	-
Total OPEB Liability	1,305,285	407,902	244,741	1,957,928	163,161
Compensated Absences	578,217	83,616	52,480	714,313	80,060
Claims Payable	-	-	-	-	2,908,920
Advances from Other Funds	-	-	-	-	944,203
Total Noncurrent Liabilities	41,138,027	491,518	570,468	42,200,013	4,096,344
Total Liabilities	51,088,231	1,330,862	3,054,022	55,473,115	5,564,440
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to OPEB	247,206	77,252	46,352	370,810	30,901
Total Deferred Outflows of Resources	247,206	77,252	46,352	370,810	30,901
NET POSITION					
Net Investment in Capital Assets	80,004,196	3,103,650	2,710	83,110,556	1,858,546
Restricted:					
Renewal and Replacement	6,546,599	-	-	6,546,599	-
Capital Improvements	10,082,526	-	-	10,082,526	-
Building Fund	-	-	3,911,071	3,911,071	-
Employee Benefits	-	-	-	-	1,800,000
Unrestricted	8,565,996	5,116,863	1,279,949	14,962,808	3,561,689
Total Net Position	\$ 105,199,317	\$ 8,220,513	\$ 5,193,730	\$ 118,613,560	\$ 7,220,235

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



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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For Fiscal Year Ended September 30, 2018**

	Business Type Activities - Enterprise Funds			Governmental	
	Utilities Fund (Major Fund)	Stormwater (Major Fund)	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Operating Revenues:					
Charges for Services:					
Water	\$ 15,828,136	\$ -	\$ -	\$ 15,828,136	\$ -
Sewer	11,982,635	-	-	11,982,635	-
Stormwater	-	344,171	-	344,171	-
Solid Waste	-	-	5,956,331	5,956,331	-
User Fees	-	-	109,885	109,885	21,958,011
Assessments	270,304	11,569,250	-	11,839,554	-
Licenses and Permits	116,367	44,153	2,870,287	3,030,807	-
Miscellaneous Income	-	341,655	137,820	479,475	24,500
Total Operating Revenues	28,197,442	12,299,229	9,074,323	49,570,994	21,982,511
Operating Expenses:					
Personal Services	8,659,017	2,861,636	1,662,062	13,182,715	4,158,991
Material, Supplies, and Operating expenses	8,141,313	2,096,447	5,320,371	15,558,131	3,543,692
Claims/Premium Expense	-	-	-	-	10,208,135
Depreciation	4,457,970	84,436	278,770	4,821,176	585,684
Total Operating Expenses	21,258,300	5,042,519	7,261,203	33,562,022	18,496,502
Operating Income	6,939,142	7,256,710	1,813,120	16,008,972	3,486,009
Nonoperating Revenues (Expenses):					
Interest Income	372,018	78,504	4,063	454,585	78,571
Interest Expense and Fiscal Charges	(2,216,056)	-	(24,717)	(2,240,773)	(41,503)
Intergovernmental Revenues	56,802	868,184	-	924,986	52,288
Gain on Sale of Capital Assets	31,314	-	-	31,314	25,751
Total Nonoperating Revenues (Expenses)	(1,755,922)	946,688	(20,654)	(829,888)	115,107
Income Before Contributions and Transfers	5,183,220	8,203,398	1,792,466	15,179,084	3,601,116
Capital Contributions	2,679,813	-	-	2,679,813	-
Transfers In	8,679,591	308,329	33,186	9,021,106	1,678,922
Transfers Out	(10,590,184)	(245,299)	(272,910)	(11,108,393)	(68,831)
Change in Net Position	5,952,440	8,266,428	1,552,742	15,771,610	5,211,207
Net Position - Beginning of year	99,966,617	110,046	3,768,012	103,844,675	2,099,335
Prior Period Adjustment (Note 14)	(719,740)	(155,961)	(127,024)	(1,002,725)	(90,307)
Total Net Position - Ending	\$ 105,199,317	\$ 8,220,513	\$ 5,193,730	\$ 118,613,560	\$ 7,220,235

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Fiscal Year Ended September 30, 2018**

	Business Type Activities - Enterprise Funds			Governmental	
	Utilities Fund (Major Fund)	Storm Water Fund (Major Fund)	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 29,348,971	\$ 12,238,807	\$ 9,090,455	\$ 50,678,233	\$ 21,968,669
Payments to Suppliers	(8,372,075)	(1,778,575)	(4,932,502)	(15,083,152)	(14,153,178)
Payments to Employees	(8,654,025)	(2,858,606)	(1,540,172)	(13,052,803)	(4,315,350)
Net Cash Provided by Operating Activities	12,322,871	7,601,626	2,617,781	22,542,278	3,500,141
Cash Flows from Noncapital Financing Activities					
Interfund Advances	-	(2,592,329)	985,073	(1,607,256)	(249,878)
Intergovernmental Revenues	56,802	868,184	-	924,986	52,288
Transfers to Other Funds	(10,590,184)	(245,299)	(272,910)	(11,108,393)	(68,831)
Transfers from Other Funds	8,679,591	308,329	33,186	9,021,106	1,678,922
Net Cash Provided (Used) by Noncapital Financing Activities	(1,853,791)	(1,661,115)	745,349	(2,769,557)	1,412,501
Cash Flows from Capital and Related Financing Activities					
Acquisition/Construction of Capital Assets	(6,297,855)	(2,197,658)	(319,845)	(6,617,700)	(819,474)
Principal Paid on Capital Debt	(915,747)	(269,087)	(278,559)	(1,463,393)	(240,540)
Interest Paid on Capital Debt	(2,895,208)	-	(24,717)	(2,919,925)	(41,503)
Contributions	2,679,813	-	-	2,679,813	-
Principal Paid on Notes Payable	(4,978,000)	-	-	(4,978,000)	-
Proceeds from Sale of Capital Assets	31,314	-	-	31,314	25,751
Net Cash Used by Capital and Related Financing Activities	(12,375,683)	(2,466,745)	(623,121)	(13,267,891)	(1,075,766)
Cash Flows from Investing Activities					
Investment purchases	(7,093,533)	(3,049,023)	(215,347)	(10,357,903)	(32,223)
Proceeds from Sale and Maturity of Investments	7,742,038	-	-	7,742,038	-
Interest Income on Investments	372,018	78,504	4,063	454,585	78,571
Net Cash Provided (Used) by Investing Activities	1,020,523	(2,970,519)	(211,284)	(2,161,280)	46,348
Net Increase (Decrease) in Cash and Cash Equivalents	(886,080)	503,247	2,528,725	2,145,892	3,883,224
Cash and Cash Equivalents at Beginning of Year	15,763,974	1,888,807	1,893,693	19,546,474	\$ 2,598,224
Cash and Cash Equivalents at End of Year	\$ 14,877,894	\$ 2,392,054	\$ 4,422,418	\$ 21,692,366	\$ 6,481,448
Cash and Cash Equivalents Classified As:					
Current Assets	\$ 7,296,721	\$ 2,392,054	\$ 4,109,660	\$ 13,798,435	\$ 6,481,448
Restricted Assets	7,581,173	-	312,758	7,893,931	-
Total Cash and Cash Equivalents	\$ 14,877,894	\$ 2,392,054	\$ 4,422,418	\$ 21,692,366	\$ 6,481,448

Continued on the next page

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For Fiscal Year Ended September 30, 2018

	Business Type Activities - Enterprise Funds			Governmental	
	Utilities Fund (Major Fund)	Storm Water Fund (Major Fund)	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 6,939,142	\$ 7,256,710	\$ 1,813,120	\$ 16,008,972	\$ 3,486,009
Depreciation	4,457,970	84,436	278,770	4,821,176	585,684
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	915,840	1,941,195	25,996	2,883,031	(13,842)
Decrease in Deferred Outflows - OPEB	19,486	6,089	3,653	29,228	11,978
(Increase) Decrease in Inventories	27,285	-	(5,471)	21,814	(70,749)
(Increase) Decrease in Prepaid Expenses	(1,717)	(203)	(56)	(1,976)	8,160
Increase (Decrease) in Accounts Payable	(239,608)	306,523	501,068	567,983	(281,666)
Increase (Decrease) in Accrued Liabilities	(16,722)	5,463	4,344	(6,915)	(69,074)
Decrease in Deferred Inflows - OPEB	(35,315)	(11,036)	(6,620)	(52,971)	(4,413)
Increase in Customer Deposits	235,689	-	17,414	253,103	-
Increase in Total OPEB Liability	95,819	29,944	17,966	143,729	2,435
Increase (Decrease) in Compensated Absences	(74,998)	28,779	(5,125)	(51,344)	(42,689)
(Decrease) in Claims Payable	-	-	-	-	(111,692)
(Decrease) in Unearned Revenue	-	(2,046,274)	(27,278)	(2,073,552)	-
Total Adjustments	5,383,729	344,916	804,661	6,533,306	14,132
Net Cash Provided by Operating Activities	\$ 12,322,871	\$ 7,601,626	\$ 2,617,781	\$ 22,542,278	\$ 3,500,141

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

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

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
 September 30, 2018

ASSETS	Total
Cash and Cash Equivalents	\$ 4,828,011
Investments, at fair value:	
Common Stock	67,445,882
Domestic Equity Funds	10,157,838
U.S. Government securities	30,613,630
Corporate Bonds	8,195,830
Bond Funds	69,010
International Equity Funds	27,992,745
Real Estate Funds	22,017,532
Convertible Securities	20,671,317
Master Limited Partnership	6,292,264
Total investments	193,456,048
Receivables:	
Accrued Interest and Dividends	331,405
Due from Broker	845,400
Other	101,787
Total Receivables	1,278,592
Other assets:	38,660
Total Assets	199,601,311
LIABILITIES	
Accounts Payable	288,079
Deferred City Contributions	16,106
Due to broker	1,652,175
Total Liabilities	1,956,360
NET POSITION	
Restricted for Pension Benefits	\$ 197,644,951

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
For the Year Ended September 30, 2018**

	Total
ADDITIONS	
Contributions:	
Employer	\$ 4,146,994
Employee	1,159,348
State	1,316,606
Employee Buybacks	17,077
Total Contributions	6,640,025
Investment Earnings:	
Net Appreciation in Fair Value of Investments	11,896,633
Interest and Dividends	5,656,561
Miscellaneous	5,305
Total Investment Earnings	17,558,499
Less: Investment Expenses	1,066,032
Net investment Income	16,492,467
Total Additions	23,132,492
DEDUCTIONS	
Benefits	11,824,981
Refunds	208,617
Administrative Expense	556,056
Total Deductions	12,589,654
Change in Net Position	10,542,838
Net Position - Beginning of Year	187,102,113
Net Position - End of Year	\$ 197,644,951



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NOTE 1 – Summary of Significant Accounting Policies

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

A. The Reporting Entity

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses and indirect costs of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those costs that are allocated to functions and activities in accordance with the City’s adopted indirect cost allocation plan. The “expenses” column includes both direct and indirect expenses. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are *restricted* to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and comparable items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are user fees between the City's enterprise funds and other governmental functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

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

Taxes when levied, franchise fees, licenses, intergovernmental revenues when eligibility requirements are met, charges for services, and interest associated with the current fiscal period are all considered to be measurable and if available have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Bayfront Community Redevelopment Agency Fund is used to account for ad valorem tax increment revenues accumulated for community development in the areas where the taxes were assessed.
- The BCRA Construction Fund is used to account for the proceeds provided for the capital-oriented projects of the Bayfront Community Redevelopment Agency.

The City reports the following major enterprise fund:

- The Utilities Fund, accounts for the fiscal activities of the City's water and wastewater treatment and distribution operations as well as the funding and payment of related debt.
- The Stormwater Utility Fund is used to account for fees and services associated with management of the City's stormwater system.

Additionally, the City reports the following fund types:

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

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

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

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

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, money market accounts, money market funds, Negotiable Order of Withdrawal and cash with fiscal agent.

E. Investments

Investments are stated at fair value, except for investments in the Florida State Board of Administration Local Government Pooled Investment Funds (“SBA”), an external investment pool which complies with criteria set forth in Section 150: *Investments* of the GASB codification. All fair market valuations are based on quoted market prices. SBA pool shares are based on amortized cost of the SBA’s underlying portfolio.

F. ReceivablesProperty Taxes Receivable

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City’s millage rate, on which tax collections in fiscal year 2018 are based, is 8.4500.

All real and tangible personal property taxes are due and payable on the levy date of November 1 of each year or as soon thereafter as the assessment roll is certified by the Brevard County Property Appraiser (levy date). The Brevard County Tax Collector collects and distributes all taxes. Taxes may be paid upon receipt of notice from the Tax Collector, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount and all unpaid taxes on real and tangible property become delinquent on April 1 and a lien is executed on or before May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal yearend.

Accounts Receivable

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

NOTE 1 – Summary of Significant Accounting Policies (Continued)

G. Inventories and prepaid items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of a prepaid item is recorded as an expenditure/expense when consumed rather than when purchased.

H. Restricted Assets

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

I. Encumbrance

Encumbrance accounting is employed in the general, capital project and special revenue funds. Under this method, purchase orders contracts and other commitments outstanding at year-end do not constitute expenditures for liabilities. GASBC 1800: *Classification and terminology*, provides additional guidance on the classification within the Net Position section of the amounts that have been encumbered. Encumbrances of balances within the General fund are classified as *assigned*; Special Revenue and Capital Projects funds are classified as *committed* and *restricted*. These encumbrances are not separately stated in the financial statements.

J. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, easements, bridges, sidewalks, and related items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$250,000 and have estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and similar items and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation rather than estimated fair market value.

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

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

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

NOTE 1 – Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has three items that qualify for reporting in this category; they are deferred charges on refunding, deferred outflows related to pensions and deferred outflows related to OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions, pursuant to GASBC P20: *Pension Activities* are unrealized contributions and losses related to pension costs. See Note 9 Employee Retirement Systems.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents revenue collected that applies to a future period and will not be recognized as revenue until then. The City has four items in this category, which arises under both the full accrual and modified accrual basis of accounting; unavailable revenue regarding business tax licenses that have been paid in advance, deferred amounts related to pensions, unamortized gain on refunding, pursuant to GASBC P20: *Pension Activities*, and deferred amounts related to OPEB.

L. Pension

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

M. Amortization of Bond Discount and Premium

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

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

N. Compensated Absences

All full-time permanent employees accrue sick and vacation benefits according to the following table: Employee terminating in good standing with unused annual leave will be paid up to a maximum of 240 hours. Sick leave will be paid up to a maximum of 500 hours but based on years of service and position.

Compensated Absences	Vacation			Sick		
	Accrual Per Month	Max	Payout*	Accrual Per Month	Max	Payout*
Employees hired prior to September 1, 2017	8-14 hrs	320**	320**	8-12 hrs	1152***	500
Employees hired after to September 1, 2017	8-10 hrs	240	240	8 hrs	500	500

*Employee must be in good standing upon termination. Sick Payouts based on Years of Service and Position
 **Max will change to 240 hours once drops below 240 by payouts and use of annual leave
 ***Max will change to 500 once drops below 500 by payouts and use of sick leave

NOTE 1 – Summary of Significant Accounting Policies (Continued)N. Compensated Absences (Continued)

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

O. Fair Value Measurement

The City categorizes its fair value measurements with the hierarchy established by GASBC Section 150: *Investments*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

P. Capital Contributions

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

Q. Net Position

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

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

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

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

R. Fund Balance

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

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

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

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

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

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

SBC 1800: *Classification and terminology* requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize assignment of fund balance. On August 4, 2011, City Council by resolution 2011-34 authorized the Finance Director rights to assign resources and ending fund balances. GASBC 1800: *Classification and terminology* also requires a spending policy to ending fund balances. The spending policy states in what order fund balance categories are spent. On August 4, 2011 by resolution 2011-34, the Council approved the following fund balance order of spending: (1) *restricted* fund balance first, and then (2) *committed* fund balance, then (3) *assigned* fund balance, and (4) *unassigned* fund balance. The General Fund maintains a minimum fund balance of 10% of the subsequent year's budgeted expenditures less capital outlay and transfers.

A detailed classification of the City's Fund Balances as of September 30, 2018, are as follows:

Function Balance Classification	Major Funds				Total Governmental Funds
	General Fund	Bayfront Community Redevelopment Agency	BCRA Construction Fund	Nonmajor Governmental Funds	
Non-Spendable:					
Items not in spendable form:					
Inventory	\$ 2,454	\$ -	\$ -	\$ -	\$ 2,454
Land Held for Resale	-	-	-	-	-
Prepaid Items	29,680	394	-	4,585	34,659
Total Nonspendable Fund Balances	32,134	394	-	4,585	37,113
Restricted for:					
Debt Service	-	-	-	5,395,541	5,395,541
Citizen Services	-	-	-	768,547	768,547
Forfeited property	-	-	-	177,515	177,515
Redevelopment Activities	-	331,546	-	-	331,546
Other capital projects	-	-	841,630	5,980,998	6,822,628
Total Restricted Fund Balances	-	331,546	841,630	12,322,601	13,495,777
Committed to:					
Citizen Services	-	-	-	6,336	6,336
Forfeited property	-	-	-	79	79
Road Maintenance	-	-	-	11,429,767	11,429,767
Various Contracts	3,032,788	-	132,100	-	3,164,888
Total Committed Fund Balances	3,032,788	-	132,100	11,436,182	14,601,070
Assigned to:					
Citizen Services	-	-	-	494,380	494,380
Various contracts	154,098	8,461	-	152,627	315,186
Property held for resale	-	-	-	4,000	4,000
Total Assigned Fund Balances	154,098	8,461	-	651,007	813,566
Unassigned:					
General government	11,753,606	-	-	-	11,753,606
Other governmental fund deficit residuals	-	-	-	(640,598)	(640,598)
Total Unassigned Fund Balances	11,753,606	-	-	(640,598)	11,113,008
Total Fund Balances	\$ 14,972,626	\$ 340,401	\$ 973,730	\$ 23,773,777	\$ 40,060,534

NOTE 1 – Summary of Significant Accounting Policies (Continued)

S. Use of Estimates

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

NOTE 2 – Stewardship, Compliance and Accountability

A. Deficit Fund Equity

At September 30, 2018, the following funds of the City had deficit balances:

Special Revenue Funds:	
Community Development Block Grant	(\$49,600)
Environmental Fee Fund	(\$590,998)

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

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

NOTE 3 – Deposits and Investments

A. Cash and Deposits

At September 30, 2018, the carrying amount of the City’s cash deposit accounts was \$27,113,550 and the bank balance was \$26,183,345. The City’s cash deposits are held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The City’s cash deposits are fully insured by the Public Deposits Trust Fund.

Cash Equivalents consist of amounts placed in money market accounts with Florida Education Investment Trust \$17,936,175 and US Bank \$8,948,966.

B. Investment Portfolio

On May 3, 2018 the City of Palm Bay adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that updated permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect the City’s cash and investment assets. The City maintains a common cash and investment pool for the use of all funds.

Section 218.415, Florida Statutes, limits the types of investments that a government can invest in unless specifically authorized in an investment policy. The City’s investment policy allows for the following investments: The Florida PRIME Fund (“SBA”), United States Treasury Securities, United States Government

NOTE 3 – Deposits and Investments (Continued)**B. Investment Portfolio (Continued)**

Agencies, Supranational, Agency Mortgage-Backed Securities, Interest Bearing Time Deposit and Saving Accounts, Repurchase Agreements, Commercial Paper, Corporates, Asset-Backed Securities, Municipal Securities, Registered Investment Companies Money Market Mutual Funds, and Intergovernmental Investment Pools.

As of September 30, 2018, the City had the following investment types and effective duration presented in terms of years:

Security Type	Fair Value	Effective Duration (Years)
U.S. Treasury Notes	\$ 10,163,428	1.56
Federal Instrumentalities - Notes	3,637,725	0.82
Commercial Paper	3,975,080	0.24
Corporate Notes	2,821,957	1.77
Florida Education Investment Trust Fund *	17,936,175	37 days
Municipal	164,452	2.37
Supranational	149,075	2.67
Asset-Backed Security	1,206,315	2.02
Florida Prime ("SBA") Fund **	18,741,687	33 days
US Bank Money Market Account	8,948,967	0.003
Less: Amounts reported as cash and cash equivalents	(26,885,142)	
Total	\$ 40,859,719	0.35

* The Florida Education Investment Trust Fund's Fact Sheet as of September 30, 2018 provided the Weighted Average Maturity (represented in days).

** Florida Prime (SBA)'s September 30, 2018 Monthly Summary Report available on the website, <https://www.sbafla.com/prime/>, is the source of the Fund's Weighted Average Maturity (represented in days).

C. Interest Rate Risk

The City's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than five (5) years. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement. The City utilizes "weighted average duration" as a measurement of interest rate risk and as of September 30, 2018, the investment portfolio had an effective duration of 0.35 years.

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

CUSIP	Description	Maturity Date	Call Date	Call Schedule	Market Value
92826CAB8	Visa, Inc. (Callable)	12/14/20	11/14/20	Continuous	\$ 39,308
46625HKA7	JP Morgan Chase (Callable)	01/23/20	12/23/19	Continuous	148,465
0258M0EE5	American Express (Gallable)	03/03/20	02/01/20	Continuous	88,992
Total					\$ 276,765

NOTE 3 – Deposits and Investments (Continued)

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

D. Credit Risk

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

Florida PRIME: Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent).

Asset-Backed Securities (ABS): Highest ST or LT Rating (A-1+/P-1, AAA/Aaa or equivalent).

Commercial Paper: Highest ST Rating Category (A-1/P-1, or equivalent).

Corporates: Highest ST or three highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent).

Municipals: Highest ST or three highest LT Rating Categories (SP-1/MIG 1, A-/A3 or equivalent).

Money Market Funds (MMFs): Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf or equivalent).

Repurchase Agreements (Repo or RP): Counterparty (or if the counterparty is not rated by an NRSO, then the counterparty’s parent) must be rated in the highest ST Rating Category (A-1/P-1 or equivalent). If the counterparty is a Federal Reserve Bank, no rating is required.

Supranational: Highest ST or highest LT Rating Categories (A-1/P-1, AAA/Aaa or equivalent).

Intergovernmental Investment Pools (LGIPS): Highest Fund Quality and Volatility Rating Categories by all NRSROs that rate the LGIP (AAAm/AAAf, S1 or equivalent).

As of September 30, 2018, the City had the following credit exposure as a percentage of total investments:

Security Type	Credit Rating	% of Portfolio
U.S. Treasury Notes	AA+	11.20%
Federal Instrumentalities - Notes	AA+	4.01%
Commercial Paper	A-1+	1.91%
Commercial Paper	A-1	2.47%
Corporate Notes	AAA	0.16%
Corporate Notes	AA+	0.18%
Corporate Notes	AA	0.26%
Corporate Notes	AA-	0.19%
Corporate Notes	A+	1.05%
Corporate Notes	A	0.83%
Corporate Notes	A-	0.26%
Corporate Notes***	BBB+	0.17%
Supranationals	AAA	0.16%
Municipals	AA-	0.18%
Asset Backed Securities	AAA	0.87%
Asset Backed Securities****	NR	0.45%
Florida Education Investment Trust Fund *	AAAm	19.76%
Florida Prime ("SBA") Fund **	AAAm	20.65%
US Bank Money Market Account	AAAm	9.86%
JP Morgan Chase Checking Account	N/A	25.37%
Total		100.00%

NOTE 3 – Deposits and Investments (Continued)

D. Credit Risk (Continued)

- * The Florida Education Investment Trust Fund’s Fact Sheet as of September 30, 2018 provided the Credit Rating from Standard & Poor’s.
- ** Florida Prime (SBA)’s September 30, 2018 Monthly Summary Report available on the website, <https://www.sbafla.com/prime/>, is the source of the Fund’s Credit Rating from Standard & Poor’s.
- *** The City’s policy requires securities be rated A or better by at least 1 NRSRO’s, the Goldman Sachs Corporate Note is rated BBB+ by S&P but is rated A by Moody’s and Fitch and is in compliance with the City’s policy.
- **** Although not rated by S&P, these securities are rated Aaa by Moody’s, an NRSRO, in compliance with City policy.

E. Custodial Credit Risk

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

As of September 30, 2018, the City’s investment portfolio was held with a third-party custodian as required by the City’s investment policy.

F. Concentration of Credit Risk

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

Investment	Max % Available Funds	% Limit on Individual Agency or Issuers
Florida PRIME Fund "SBA"	25%	0%
United States Government Securities	100%	0%
United States Government Agencies	75%	40%
Federal Instrumentalities	75%	10%
Mortgage Backed Securities	25%	40%
Non-negotiable Collateralized Bank Deposits or Savings Accounts	50%	0%*
Repurchase Agreements**	25%	10%
Prime Commercial Paper	50%	5%
Corporates	50%	5%
Municipals	25%	5%
Money Market Funds (MMFs)	50%	25%
Intergovernmental Investment Pools (LGIPs)	50%	25%
*If fully collateralized		
**excluding one business day agreements and overnight sweep agreements		

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

As of September 30, 2018, the City had the following issuer concentration based on fair value:

Security Type	Fair Value	% of Portfolio
U.S. Treasury Notes	\$ 10,163,428	11.20%
Federal Home Loan Bank Notes (FHLB)	1,666,252	1.84%
Federal National Mortgage Association Notes (FNMA)	1,339,964	1.48%
Credit Agricole SA	1,242,838	1.37%
Toyota Motor Corp	1,003,698	1.11%
BNP Paribas	1,000,000	1.10%
Dexia Group	986,540	1.09%
Freddie Mac	631,509	0.70%
American Honda Finance	216,872	0.24%
American Express Co.	189,051	0.21%
Deere & Company	183,031	0.20%
Unilever PLC	178,265	0.20%
Apple Inc.	167,804	0.18%
Walt Disney Corp.	166,945	0.18%
California State	164,452	0.18%
Caterpillar Inc.	157,273	0.17%
Ally Auto Receivables Trust	149,724	0.16%
Int'l Bank of Reconstruction and Dev.	149,074	0.16%
JP Morgan Chase & Co.	148,465	0.16%
Microsoft Corp.	148,112	0.16%
Citigroup Inc.	147,927	0.16%
Wal-Mart Stores Inc.	140,281	0.15%
Paccar Financial Corp.	128,902	0.14%
IBM Corp.	128,643	0.14%
Intel Corp.	122,999	0.14%
World Omni Auto Rec. Trust	109,951	0.12%
Mercedes-Benz Auto Receivables	99,880	0.11%
General Dynamics Corp	99,758	0.11%
Charles Schwab	95,011	0.10%
Pfizer Inc.	94,979	0.10%
Nissan Auto Receivables	89,727	0.10%
John Deere Owner Trust	79,866	0.09%
Carmax Auto Owner Trust	74,999	0.08%
GM Financial Securitized Term	74,857	0.08%
Honda Auto Receivables	74,753	0.08%
Home Depot Inc.	68,881	0.08%
National Rural Utilities Co Finance Corp	64,548	0.07%
Ford Credit Auto Lease Trust	59,996	0.07%
Hershey Company	59,977	0.07%
3m Company	59,898	0.07%
Goldman Sachs Group Inc.	54,616	0.06%
CNH Equipment Trust	49,971	0.06%
GM Financial Auto Leasing Trust	45,007	0.05%
Visa Inc.	39,308	0.04%
Florida Prime ("SBA") Fund	18,741,687	20.65%
Florida Education Investment Trust Fund	17,936,175	19.76%
US Bank Money Market Account	8,948,967	9.86%
JP Morgan Chase Concentration Account	23,034,596	25.37%
Total	\$ 90,779,457	100.00%

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

Investments are carried at fair value as defined in GASB Statement 72 “Fair Value Measurement and Application”. Consistent with GASBC Section 150: *Investments*, the City categorizes its fair value measurements within the fair value hierarchy. The City has the following fair value measurements as of September 30, 2018.

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
Investments by fair value level	9/30/2018	Level 1	Level 2
U.S. Treasury securities	\$ 10,163,428	\$ 10,163,428	\$ -
Federal Agencies and Instrumentalities	3,637,725	-	3,637,725
Commercial paper	3,975,080	-	3,975,080
Corporate notes	2,821,957	-	2,821,957
Municipal securities	164,452	-	164,452
Supranational	149,075	-	149,075
Asset-backed security	1,206,315	-	1,206,315
Total investments by fair value level	22,118,032	10,163,428	11,954,604
Investments measured at net asset value (NAV) and Amortized Cost			
Florida Prime Fund (NAV)	18,741,687		
Florida Education Investment Trust Fund (Amortized Cost)	17,936,175		
US Bank money market account (Amortized Cost)	8,948,967		
JP Morgan Chase Concentration Account (Amortized Cost)	23,034,596		
Total investments measured at NAV and Amortized Cost	68,661,425		
Total investments	\$ 90,779,457		

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

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

The cash equivalents measured at amortized cost meet the requirements under GASBC Section 150: *Investments* to be valued at cost and not fair value. Florida Prime Fund, intergovernmental investment pool and money market account have no unfunded commitments and are redeemed daily with a 1-day minimum holding period.

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

Investments regarding the City's Police and Fire Pension Plan had the following fair value measurements as of September 30, 2018.

Investments by fair value level	9/30/2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Other Unobservable Inputs
		Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 30,613,630	\$ 22,863,846	\$ 7,749,784	\$ -
Common Stock	67,445,882	65,180,208	2,265,674	-
Corporate Bonds	8,195,830	-	8,195,830	-
Real Estate Funds	22,017,532	-	-	22,017,532
Convertible Securities	20,671,317	3,399,743	17,271,574	-
Total Investments by net fair value level	148,944,191	91,443,797	35,482,862	22,017,532
Investments measured at net asset value ("NAV")				
Domestic Equity Funds	1,243,944			
International Equity Funds	27,992,745			
Bond Funds	69,010			
Master Limited Partnership	15,206,158			
Total investments measured at NAV	44,511,857			
Total investments	<u>\$ 193,456,048</u>			

The Plan's valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2018 are as follows:

Investments Measured at the NAV				
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual funds	\$ 29,305,699	\$ -	Daily	Same Day
Commingled domestic equity funds	15,206,158		Monthly	Up to 15 Days
Total investments measured at the NAV	\$ 44,511,857	\$ -		

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

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

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

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

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

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

2. Types of Investments

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

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

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

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

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations are provided by the following tables that show the distribution of the Plan's investment by maturity at September 30, 2018:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 22,863,846	\$ 334,557	\$ 15,582,862	\$ 4,128,469	\$ 2,817,958
U.S. Agencies	7,749,784	-	-	176,452	7,573,332
Debt Securities	25,467,404	1,157,313	10,566,904	8,807,467	4,935,720
Bond Funds	69,010	-	-	69,010	-
Total Fixed Income	\$ 56,150,044	\$ 1,491,870	\$ 26,149,766	\$ 13,181,398	\$ 15,327,010

4. Credit Risk

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

The following tables disclose credit ratings by investment type, at September 30, 2018 as applicable:

Quality Rating of Credit Risk Debt Securities	Fair Value	Percentage of Portfolio
Government	\$ 30,613,630	54.52%
AAA	2,149,997	3.83%
AA+	59,000	0.11%
AA	257,503	0.46%
AA-	452,283	0.81%
A+	76,984	0.14%
A	685,241	1.22%
A-	1,551,722	2.76%
B+	1,386,276	2.47%
B-	446,759	0.80%
BB+	567,756	1.01%
BB	76,724	0.14%
BB-	1,016,204	1.81%
BBB+	808,228	1.44%
BBB	1,590,886	2.83%
BBB-	986,080	1.76%
CCC+	187,230	0.33%
CCC	57,755	0.10%
NR	13,179,786	23.47%
Total Fixed Income Securities	\$ 56,150,044	100%

NOTE 3 – Deposits and Investments (Continued)

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

5. Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net position at September 30, 2018.

6. Custodial Credit Risk

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

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

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

7. Rate of Return

For the year ended September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 11.25% for Police Officers, 8.44% for Firefighters and 10.02% for General. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount invested.

NOTE 4 – Receivables

The City's receivables as of September 30, 2018 are summarized as follows:

	Primary Government		Total
	Governmental	Business-type	
Accounts Receivable:			
Accounts receivable	\$ 3,583,409	\$ 6,945,197	\$ 10,528,606
Due from other Governments	3,601,897	312,393	3,914,290
Assessments Receivables	-	1,899,546	1,899,546
	<u>7,185,306</u>	<u>9,157,136</u>	<u>16,342,442</u>
Less: Allowances for Uncollectibles	-	(168,625)	(168,625)
Accounts receivable, net	<u>\$ 7,185,306</u>	<u>\$ 8,988,511</u>	<u>\$ 16,173,817</u>

	Governmental Activities			Total
	General Fund	Other Governmental	Internal Service	
Accounts Receivable:				
Accounts receivables	\$ 3,440,484	\$ 32,006	\$ 110,919	\$ 3,583,409
Due from State of Florida	2,750,615	-	-	2,750,615
Due from Brevard County	103,925	-	-	103,925
Due from Other Governments	-	747,357	-	747,357
Governmental receivable, net	<u>\$ 6,295,024</u>	<u>\$ 779,363</u>	<u>\$ 110,919</u>	<u>\$ 7,185,306</u>

NOTE 4 – Receivables (Continued)

The City’s Utilities Fund provides water, sewer and stormwater services to residents in the City. Customers routinely receive services in advance during the ordinary course of business; however, customers’ deposits are available to be applied against amounts owed. Accounts receivable in the Utilities Fund at September 30, 2018 is summarized as follows:

	Business-type Activies			Total
	Utilities Fund (Major Fund)	Stormwater (Major Fund)	Enterprise (Nonmajor Fund)	
Accounts Receivable:				
Accounts receivables	\$ 3,858,269	\$ 344,579	\$ 533,684	\$ 4,736,532
Unbilled receivables	2,208,665	-	-	2,208,665
Due from other Governments	13,229	299,164	-	312,393
Assessments receivables	1,899,546	-	-	1,899,546
	<u>7,979,709</u>	<u>643,743</u>	<u>533,684</u>	<u>9,157,136</u>
Less: Allowances for uncollectibles	(168,625)	-	-	(168,625)
Business-type receivable, net	<u>\$ 7,811,084</u>	<u>\$ 643,743</u>	<u>\$ 533,684</u>	<u>\$ 8,988,511</u>

NOTE 5 – Restricted Assets

The use of certain Utilities Fund assets is restricted by specific provisions of the bond resolution authorizing the issuance of the utilities revenue and refunding bonds. In addition, the City restricts funds available for repayment of customer deposits as well as funds required to be placed in special construction accounts, as required by state statutes. Restricted assets at September 30, 2018 are as follows:

Account Description:	Cash and Cash Equivalents
Current:	
Customer Deposits	\$ 2,619,135
Total Current Restricted Assets	<u>2,619,135</u>
Noncurrent:	
Renewal, Replacement and Improvement	6,546,599
Connection Fees	7,964,526
Debt Service Reserve	<u>2,118,000</u>
Total Noncurrent Restricted Assets	<u>16,629,125</u>
Total Restricted Assets- Business-type Activities	<u>\$ 19,248,260</u>

NOTE 6 - Interfund Transfers, Receivables and Payables

Individual Interfund transfers at September 30, 2018 are presented on the table that follows:

Transfers Out	Transfers In						Total Transfers Out
	General	Nonmajor Governmental	Building Inspections	Utilities	Stormwater	Internal Service	
General	\$ -	\$ 6,472,092	\$ 32,149	\$ -	\$ 308,329	\$ 1,193,497	\$ 8,006,067
Nonmajor Governmental	22,958	1,152,454	1,037	-	-	423,600	1,600,049
Bayfront Comm Redevelop	147,000	-	-	-	-	-	147,000
Building Inspections	166,649	-	-	-	-	36,165	202,814
Utilities	1,943,117	-	-	8,647,067	-	-	10,590,184
Stormwater	213,469	11,000	-	20,830	-	-	245,299
Solid Waste	61,902	-	-	8,194	-	-	70,096
Internal Service	39,671	-	-	3,500	-	25,660	68,831
Total Transfers In	\$ 2,594,766	\$ 7,635,546	\$ 33,186	\$ 8,679,591	\$ 308,329	\$ 1,678,922	\$ 20,930,340

The transfer of approximately \$1.9 million to the General Fund represents annual return on investments (ROI). This amount is based on a percentage of the Utility System’s total gross capital assets and is equivalent to payment in lieu of taxes (PILOT). Transfers to nonmajor funds totaling \$7.6 million covered debt service obligations. Transfers within utilities in the amount of \$8.7 million covered debt service obligations, supported capital improvement projects and maintained fund balance in accordance with established policies. Internal Services transfers in included \$300,000 for health insurance claims, \$210,000 for sick & vacation payouts, \$368,590 for vehicles purchases, machine and equipment and an additional \$345,666 for debt service obligations

Advances to/from other funds at September 30, 2018 were as follows:

- \$1,012,312 – Balance of a loan from the Utilities Fund to the Fleet Services Fund in 2004 to fund capital acquisitions. In FY14, Council approved Resolution 2013-26, which restructured the loan resulting in a fixed interest rate of 2.35%.
- \$601,552 – Balance of funds advanced by the Building Inspection Fund in FY07 to the Environmental Fee fund to cover the cost of a Federal Fish and Wildlife permit granted by the U.S. Department of Interior.
- \$186,720 – Funds advanced by the Building Inspection Fund to Fleet Services Fund to cover capital equipment purchases.
- \$378,645 – Funds advanced by Building Inspection to General Fund to cover the cost of police radio consoles and Microsoft Enterprise Software.

Due to/from other funds balances consist of amounts from General Fund (\$50,625) to Community Development Block Grant to cover deficit balance and Bayfront Community Redevelopment Agency to cover FY15 expenditures over 25% of incremental tax revenue cap as established in City Resolution 99-11.

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

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

Governmental Activities	Beginning Balance 9/30/2017	Increases	Decreases	Ending Balance 9/30/2018
Capital Assets, Not Being Depreciated:				
Land	\$ 17,451,756	\$ 178,913	\$ (949,026)	\$ 16,681,643
Construction In Progress	5,389,714	3,425,340	(2,770,015)	6,045,039
Total Capital Assets, Not Being Depreciated	22,841,470	3,604,253	(3,719,041)	22,726,682
Capital Assets, Being Depreciated:				
Buildings and Improvements	35,390,091	325,446	-	35,715,537
Machinery, Equipment and Vehicles	21,134,452	3,856,341	(596,845)	24,393,948
Infrastructure	114,945,340	2,444,569	-	117,389,909
Total Capital Assets Being Depreciated	171,469,883	6,626,356	(596,845)	177,499,394
Less Accumulated Depreciation For:				
Buildings and Improvements	(16,457,574)	(950,376)	-	(17,407,950)
Machinery and Equipment	(19,562,194)	(1,579,772)	550,512	(20,591,454)
Infrastructure	(45,523,204)	(5,347,975)	-	(50,871,179)
Total Accumulated Depreciation	(81,542,972)	(7,878,123)	550,512	(88,870,583)
Total Capital Assets, Being Depreciated, Net	89,926,911	(1,251,767)	(46,333)	88,628,811
Governmental Activities Capital Assets, Net	\$ 112,768,381	\$ 2,352,486	\$ (3,765,374)	\$ 111,355,493

NOTE 7 – Capital Assets (Continued)**A. Changes in Capital Assets (Continued)**

	Ending Balance 9/30/2017	Increases	Decreases	Ending Balance 9/30/2018
Business-type Activities				
<u>Utility System</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,078,571	\$ 39,832	\$ -	\$ 5,118,403
Construction In Progress	4,758,979	5,174,957	(3,824,053)	6,109,883
Total Capital Assets, Not Being Depreciated	9,837,550	5,214,789	(3,824,053)	11,228,286
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,863,766	-	-	2,863,766
Water and Sewer System	163,933,808	4,306,221	-	168,240,029
Machinery and Equipment	4,001,783	332,668	(43,285)	4,291,166
Total Capital Assets Being Depreciated	170,799,357	4,638,889	(43,285)	175,394,961
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,318,185)	(69,452)	-	(1,387,637)
Water and Sewer System	(64,274,886)	(4,182,523)	-	(68,457,409)
Machinery and Equipment	(3,229,340)	(205,994)	43,285	(3,392,049)
Total Accumulated Depreciation	(68,822,411)	(4,457,969)	43,285	(73,237,095)
Total Capital Assets, Being Depreciated, Net	101,976,946	180,920	-	102,157,866
Utility System Capital Assets, Net	\$ 111,814,496	\$ 5,395,709	\$ (3,824,053)	\$ 113,386,152
<u>Stormwater Utility</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 20,688	\$ -	\$ (886)	\$ 19,802
Construction in Progress	804,484	1,679,024	(2,006,299)	477,209
Total Capital Assets, Not Being Depreciated:	825,172	1,679,024	(2,007,185)	497,011
Capital Assets, Being Depreciated:				
Infrastructure	157,636	2,006,299	-	2,163,935
Machinery and Equipment	1,906,890	806,389	(474,150)	2,239,129
Total Capital Assets Being Depreciated	2,064,526	2,812,688	(474,150)	4,403,064
Less Accumulated Depreciation For:				
Machinery and Equipment	(1,766,780)	(100,803)	474,150	(1,393,433)
Infrastructure	(4,247)	(1,415)	-	(5,662)
Total Accumulated Depreciation	(1,771,027)	(102,218)	474,150	(1,399,095)
Total Capital Assets, Being Depreciated, Net	293,499	2,710,470	-	3,003,969
Stormwater Utility Capital Assets, Net	\$ 1,118,671	\$ 4,389,494	\$ (2,007,185)	\$ 3,500,980

NOTE 7 – Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

Building Inspections

Capital Assets, Being Depreciated:

Machinery and Equipment	\$ 60,759	\$ 118,075	\$ -	\$ 178,834
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Less Accumulated Depreciation For:

Machinery and Equipment	(1,240)	(11,522)	-	(12,762)
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Building Inspections Capital Assets, Net

\$ 59,519	\$ 106,553	\$ -	\$ 166,072
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Solid Waste

Capital Assets, Being Depreciated:

Machinery and Equipment	\$ 2,560,000	\$ 201,770	\$ -	\$ 2,761,770
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Less Accumulated Depreciation For:

Machinery and Equipment	(1,792,000)	(267,248)	-	(2,059,248)
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Solid Waste Capital Assets, Net

\$ 768,000	\$ (65,478)	\$ -	\$ 702,522
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NOTE 7 – Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

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

Depreciation Expense By Function

Governmental Activities:

General Government	\$	969,789
Public Safety		877,323
Physical Environment		545,461
Transportation		4,569,195
Economic Environment		-
Culture/Recreation		916,355
Total Governmental Activities	\$	<u>7,878,123</u>

Business-type Activities:

Utility System	\$	4,457,969
Building Inspection		11,522
Stormwater		102,218
Solid Waste Fund		267,248
Total Business-type Activities	\$	<u>4,838,957</u>

B. Construction Commitments

Projects	Spent-to-Date	Remaining Commitment
Public Works		
Road Maintenance Program	\$ 499,338	\$ 2,429,639
Utility Improvements		
Waste & Wastewater Rehabilitation Improvements	6,114,542	8,126,845
Total	\$ 6,613,880	\$ 10,556,484

NOTE 8 - Long Term Debt

A. Schedule of Changes in Long-Term Debt

The following is a schedule of changes in the City's long-term debt for the fiscal year ended September 30, 2018:

Governmental Activities:	Balance 9/30/17	Additions	Reductions	Balance 9/30/18	Due Within One Year	Long-Term Portion
Bonds Payable						
Revenue Bonds	\$ 71,593,035	\$ -	\$ 723,913	\$ 70,869,122	\$ 1,282,056	\$ 69,587,066
Add Premium	495,494	-	26,079	469,415	-	469,415
Less Deferred Amounts:						
For Issuance Discounts	-	-	-	-	-	-
Total Bonds Payable	72,088,529	-	749,992	71,338,537	1,282,056	70,056,481
Notes Payable	13,607,000	9,000,000	1,491,000	21,116,000	1,735,000	19,381,000
Capital Leases	793,941	4,363,350	532,524	4,624,767	393,039	4,231,728
Total OPEB Liability	2,853,719	3,346,386	-	6,200,105	-	6,200,105
Compensated Absences	5,333,582	3,695,865	3,889,323	5,140,124	822,420	4,317,704
Claims Payable	3,687,000	638,308	750,000	3,575,308	666,388	2,908,920
Total Governmental Activities	\$ 98,363,771	\$ 21,043,909	\$ 7,412,839	\$ 111,994,841	\$ 4,898,903	\$ 107,095,938
Business-type Activities:						
Utility System						
Bonds Payable:						
Revenue Bonds	\$ 8,382,643	\$ -	\$ 915,747	\$ 7,466,896	\$ 880,672	\$ 6,586,224
For Bond Discounts	(9,301)	-	(4,052)	(5,249)	-	(5,249)
Total Bonds Payable	8,373,342	-	911,695	7,461,647	880,672	6,580,975
Notes Payable	31,935,000	-	4,978,000	26,957,000	5,025,000	21,932,000
Total OPEB Liability	616,364	688,921	-	1,305,285	-	1,305,285
Compensated Absences	763,352	619,175	694,173	688,354	110,137	578,217
Total Utility System	\$ 41,688,058	\$ 1,308,096	\$ 6,583,868	\$ 36,412,286	\$ 6,015,809	\$ 30,396,477
Building Inspection						
Total OPEB Liability	\$ 103,682	\$ 59,479	\$ -	\$ 163,161	\$ -	\$ 163,161
Compensated Absences	51,830	99,329	102,919	48,240	7,718	40,522
Total Building Inspection	\$ 155,512	\$ 158,808	\$ 102,919	\$ 211,401	\$ 7,718	\$ 203,683
Stormwater Utility						
Total OPEB Liability	\$ 261,572	\$ 146,330	\$ -	\$ 407,902	\$ -	\$ 407,902
Compensated Absences	70,764	243,590	214,811	99,543	15,927	83,616
Total Stormwater Utility	\$ 332,336	\$ 389,920	\$ 214,811	\$ 507,445	\$ 15,927	\$ 491,518
Solid Waste						
Capital Leases	\$ 840,174	\$ -	\$ 278,560	\$ 561,614	\$ 288,367	\$ 273,247
Total OPEB Liability	19,814	61,766	-	81,580	-	81,580
Compensated Absences	15,771	36,035	37,570	14,236	2,278	11,958
Total Solid Waste	\$ 875,759	\$ 97,801	\$ 316,130	\$ 657,430	\$ 290,645	\$ 366,785

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

NOTE 8 - Long Term Debt (Continued)**B. Bonds Payable****1. Governmental Activities**

In September 2004, the City issued \$5,376,447 in special obligations bonds secured by pledged state revenue sharing monies, as defined in Chapter 218, Part II, Florida Statutes, in an amount of up to 50% of the state revenue monies received in the preceding fiscal year. Proceeds from the bonds were used to discharge the unfunded actuarial accrued pension liability of the Palm Bay Police and Firefighters Pension Plan. The bonds are payable solely from the state revenue sharing funds and are payable through 2026. In December 2016, the City partially refunded these bonds, providing \$4,013,423 in escrow to redeem principal of \$3,945,000 and interest of \$68,423 in January 2017. Total principal and interest remaining to be paid on the bonds is \$1,475,000. For the current year, principal and interest of \$110,000 was paid. State revenue sharing monies received in 2018 were \$4,690,878.

The City has pledged public services tax revenues to repay \$5,485,000 in revenue bonds issued in October 2010. Proceeds from the bonds were used to finance the cost of expansion and improvement of the City Hall. The bonds are payable solely from public service tax revenues and are payable through 2041. Total principal and interest remaining to be paid on the bonds is \$9,363,123. Current year principal and interest paid was \$466,422. Public services tax revenues were \$11,516,809.

The City has pledged certain designated revenues, to repay \$50,855,000 in revenue bonds issued November 2013. Proceeds from the bonds were used to a) refund the City's 2008 Series Pension Obligation Bonds and b) pay termination costs in connection with the associated interest rate SWAP agreement. The bonds are payable principally from communication service and public service tax revenues and payable through 2040. Total principal and interest remaining to be paid on the bonds is \$97,406,935. For the current year, interest of \$2,973,201 was paid. Designated Revenues were \$11,516,809.

The City has pledged sales tax revenues to repay \$15,375,000 in bonds issued in October 2015. The proceeds from the bonds were used to defease outstanding 2006 Sales Tax Revenue Bonds procured for the acquisition and construction of capital improvement. The bonds are payable from sales tax revenues and are payable through 2037. Principal and interest remaining on the Series 2015 bonds is \$19,718,391. For the current year, principal and interest paid was \$1,042,831. Sales tax revenues were \$6,822,769.

NOTE 8 - Long Term Debt (Continued)

B. Bonds Payable (Continued)

1. Governmental Activities (Continued)

A summary of outstanding governmental bonds payable at September 30, 2018 is as follows:

Governmental Activities:	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
Revenue Bonds:					
Taxable Special Obligation Bonds Series 2004	Discharging of unfunded actuarial accrued pension fund liability	\$ 5,376,447	\$ 519,122	5.680-6.040	2026
Public Service Tax Revenue Bonds Series 2010	Finance the cost of expansion and improvement of City Hall	5,485,000	5,175,000	3.753-6.395	2041
Taxable Special Obligation Refunding Bonds Series 2013	Refunding of '08 Pension Bonds and finance termination of SWAP	50,855,000	50,855,000	2.861-6.315	2041
Sales Tax Revenue Refunding Bonds Series 2015	Refunding of '06 Sales Tax Bonds	15,375,000	14,320,000	3.000-4.000	2037
Total Governmental Activities			<u>\$ 70,869,122</u>		

NOTE 8 - Long Term Debt (Continued)

B. Bonds Payable (Continued)

2. Business-type Activities

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

In July 2001, the City issued \$21,311,958 in Capital Improvement Revenue Bonds which were secured by pledged City water and sewer system net operating revenues, including water connection fees. Proceeds from the bonds were used to (1) finance capital improvements to the water portion of the City's Water and Wastewater System (2) pay costs and expenses related to issuance of the Series 2001 Bonds including the municipal bond insurance premium and Reserve Fund Surety Bond premium. The bonds are payable through 2031. Total principal and interest remaining to be paid on the bonds is \$24,939,901. Current year principal and interest payments were \$1,917,675. The City's net operating water and sewer revenues were \$13,911,502.

The City has pledged future special assessment revenues to repay \$3,535,000 in utility special assessment bonds issued in June 2003. Proceeds from the bonds were used to finance water and sewer system improvements. In July 2017, the City used \$620,000 in assessment collections to partially redeem the bonds. This action a) reduced the maturity date of the bonds by two years and they are now payable through 2023 b) reduced cumulative interest expense by \$176,358, and c) reduced required debt service fund reserves. The bonds are payable from proceeds derived from special assessments. Total principal and interest remaining to be paid on the bonds is \$973,744. Principal and interest paid for the current year was \$212,688. During fiscal year ended September 30, 2018, the City collected \$149,627 in special assessments leaving \$1,043,862 in assessments receivable, net of allowance for uncollectible accounts, to be collected by the City in future years.

The following is a summary of business-type activities bonds payable reflected in the City's Utilities Fund as of September 30, 2018:

Business-type Activities:	Purpose of Issue	Amount Issued	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Revenue Bonds:					
Utility Capital Improvement Revenue Bonds Series 2001	Capital improvements to water system	\$ 21,311,958	\$ 6,596,896	5.560-5710	2031
Utility Special Assessment Bonds Series 2003	Financing special assessments for water and sewer improvements	3,535,000	870,000	4.125	2023
Total Business-type Activities			<u>\$ 7,466,896</u>		

NOTE 8 - Long Term Debt (Continued)

C. Debt Service Requirements

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

Governmental Activities:

Fiscal Year	Revenue/Refunding Bonds		Capital Leases		Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 1,282,056	\$ 3,851,361	\$ 393,039	\$ 160,259	\$ 1,735,000	\$ 615,839	\$ 8,037,554
2020	1,334,721	3,821,192	104,086	152,215	2,150,000	541,464	8,103,678
2021	1,361,410	3,784,929	115,796	148,471	2,219,000	485,638	8,115,244
2022	2,079,899	3,732,997	128,173	144,306	1,653,000	431,958	8,170,333
2023	2,140,888	3,658,921	141,248	139,696	1,712,000	380,308	8,173,061
2024-2028	11,540,148	16,646,357	929,195	611,915	6,969,000	1,218,923	37,915,538
2029-2033	16,180,000	12,844,070	1,444,727	409,648	4,678,000	297,351	35,853,796
2034-2038	21,535,000	7,449,173	1,368,503	116,296	-	-	30,468,972
2039-2043	13,415,000	1,305,328	-	-	-	-	14,720,328
Total	\$ 70,869,122	\$ 57,094,328	\$ 4,624,767	\$ 1,882,806	\$ 21,116,000	\$ 3,971,481	\$ 159,558,504

BusinessType Activities:

Fiscal Year	Capital Lease		Revenue/Refunding Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 288,367	\$ 14,910	\$ 880,672	\$ 1,247,141	\$ 5,025,000	\$ 577,212	\$ 8,033,302
2020	273,247	4,757	854,082	1,279,587	5,125,000	471,261	8,007,934
2021	-	-	814,560	1,316,016	5,240,000	363,211	7,733,787
2022	-	-	789,619	1,339,210	5,350,000	252,448	7,731,277
2023	-	-	679,046	1,365,904	5,455,000	139,359	7,639,309
2024-2028	-	-	2,337,189	7,255,202	762,000	18,755	10,373,146
2029-2033	-	-	1,111,728	4,643,688	-	-	5,755,416
Total	\$ 561,614	\$ 19,667	\$ 7,466,896	\$ 18,446,748	\$ 26,957,000	\$ 1,822,246	\$ 55,274,171

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

The City advances, refunds and/or defeases long-term debt primarily to reduce debt service requirements. As of September 30, 2018, the City has no outstanding defeased bonds.

E. Notes Payable

The Bayfront Community Redevelopment Agency ("BCRA") entered into a financial arrangement to facilitate a special, limited obligation note with a financial institution for \$6,000,000 to fund redevelopment activities of the BCRA. Principal is due annually on August 1st and interest payments are due semi-annually on August 1st and February 1st of each year. The note is collateralized by a lien upon and pledge of ad valorem taxes designated for the BCRA. The principal and interest balance outstanding as of September 30, 2018 is \$2,830,596.

In April 2014, the City issued a \$3,885,000 Local Option Gas Tax Refunding Note. Proceeds from the Note were used to advance refund outstanding Local Option Gas Tax Revenue Bond, Series 2004. The note which has a maturity date of 2021 bears a fixed interest rate of 1.290% and is due semi-annually on April 1 and October 1. The Note is secured by a pledge of Local Option Gas Tax revenues. Principal and interest remaining on the Note is \$1,881,927. The total principal and interest paid during the current year was \$627,683.

In April 2014, the City issued a \$28,800,000 Utility System Refunding Revenue Note, Series 2014. Proceeds from the Note were used to refund outstanding Utility System Refunding Bonds, Series, 2002, partially refund Utility System Refunding Bonds, Series 2003 and advance refund Utility Capital Improvement Bonds, Series 2004. The Note which has a maturity date of 2022 bears a fixed interest rate of 2.060% and is due semi-annually on April 1 and October 1. The Note is secured by pledged revenues from water and sewer connection fee. Principal and interest remaining on the Note is \$15,525,449. The total principal and interest paid during the current year was \$3,947,701.

In May 2015, the City issued a \$4,744,000 Franchise Fee Revenue Note, Series, 2015. Most of the proceeds of the Note were used to finance mitigation costs relative to the I-95 Interchange Capital Improvement Project. Remaining proceeds shall be used for transportation improvements to include a connector road to the I-95 interchange. The note matures in 2026 and bears a fixed interest rate of 2.100%. Principal and interest remaining on the Note is \$4,207,162. The total principal and interest paid during the year was \$525,953.

In March 2016, the City issued a \$13,190,000 Utility System Revenue Refunding Note, Series 2016, to refund Utility System Capital Improvement Refunding Bonds, Series 2005B. The Note, which has a maturity date of 2024, bears a fixed interest rate of 2.200%, and is due semi-annually on March 6 and September 6. The note is secured by pledged revenues from main line extension fee revenue and water & sewer operating revenues. Principal and interest remaining on the Series 2016 Refunding Note is \$11,616,640. Total principal and interest paid on the Refunding Note during the year was \$1,364,490.

In December 2016, the City issued a Utility Special Assessment Revenue Refunding Note, Series 2016, in the par amount of \$2,060,000. The proceeds, along with an issuer contribution of \$544,523, were used to currently refund the Utility Special Assessment Note, Series 2009, and pay for costs of issuance. The Note, which has a maturity date of 2024, bears a fixed interest rate of 2.42%, and is payable semi-annually on January 1 and July 1. The net present value savings is \$257,702.33, or 10.4%. Principal and interest paid on the Note during the year was \$346,047. Principal and interest remaining on the Series 2016 Refunding Note is \$1,637,157.

In December 2016, the City issued \$3,983,000 in Taxable Franchise Fee Revenue Refunding Note, Series 2016. The proceeds and City contributions of \$81,518.13, were used to current refund a portion of the Taxable Special Obligation Bonds (Pension Obligation), Series 2004, and cover the costs of issuance. The Note, which has a maturity date in fiscal year 2031, bears a fixed interest rate of 4.07%, and is payable semi-annually on April 1 and October 1. The net present value savings is \$344,441, or 8.73%. Principal and interest paid on the Refunding Note during the year was \$250,806. Principal and interest remaining on the Series 2016 Refunding Note is 5,117,762.

NOTE 8 - Long Term Debt (Continued)

E. Notes Payable (Continued)

In February 2018, the City issued Local Option Gas Tax Revenue Note, Series 2018, in the par amount of \$9,000,000 for the construction of a connector road from Babcock Street to the new I-95 exchange and to cover costs of issuance. The note matures in October 2032 and bears a fixed interest rate of 2.71%. Principal and interest remaining on the Note totals \$11,050,034. Total principal and interest paid during the fiscal year was \$0.

In July 2018, the City entered into the Equipment Lease/Purchase Agreement, Series 2018, as lessee, with Banc of America Public Capital Corp, lessor, in the amount of \$4,363,350. The purpose of the agreement is to secure equipment to be used for energy savings at City facilities. The lease matures in July 2037 and has a contract rate of 3.597%. Principal and interest remaining on the Lease is \$6,242,847. Total principal and interest paid during the fiscal year was \$0.

The following is a summary of the City’s notes payable as of September 30, 2018:

Governmental Activities:	Purpose of Issue	Amount Issue	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Bayfront Community Redevelopment Agency Note Series 2006	Funding redevelopment activities of the BCRA	\$ 6,000,000	\$ 2,505,000	4.100	2024
Local Option Gas Tax Refunding Note Series 2014	Refunding of the Local Option Gas	3,885,000	1,846,000	1.290	2021
Franchise Fee Revenue Note Series 2015	Financing of I-95 Interchange Mitigation costs	4,744,000	3,873,000	2.100	2026
Franchise Fee Revenue Note Series 2016	Partial Refunding of Special Obligation Bonds, Series 2004	3,983,000	3,892,000	4.070	2031
Local Option Gas Tax Note Series 2018	Financing I-95 connector road project	9,000,000	9,000,000	2.710	2033
Total Governmental Activities			<u>\$ 21,116,000</u>		
Business-type Activities:	Purpose of Issue	Amount Issue	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Utility System Refunding Revenue Note Series 2014	Refunding of Utility Revenue Bonds Series 2002, 2003 & 2004	\$ 28,800,000	\$ 14,765,000	2.060	2022
Utility System Refunding Revenue Note Series 2016	Refunding of Utility Revenue Bonds Series 2005B	13,190,000	10,690,000	2.200	2024
Special Assessment Revenue Note Refunding Note, Series 2016	Refunding of special assessments Note, Series 2009	2,060,000	1,502,000	2.420	2024
Total Business -type Activities			<u>\$ 26,957,000</u>		

NOTE 8 - Long Term Debt (Continued)

F. Capital Lease Obligations

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

Assets acquired through capital leases are as follows:

	Governmental Activities	Enterprise Activities
Asset:	\$ 3,403,556	\$ 2,560,000
Machinery and equipment	<u>(1,320,207)</u>	<u>(2,048,000)</u>
	<u>\$ 2,083,349</u>	<u>\$ 512,000</u>
Less: Accumulated depreciation		

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

Governmental Activities		Enterprise Activities	
<u>Fiscal Year</u>		<u>Fiscal Year</u>	
2019	553,298	2019	303,277
2020	256,301	2020	278,004
2021	264,267		
2022	272,479		
2023	280,944		
2024-2028	1,541,110		
2029-2033	1,854,375		
2034-2038	<u>1,484,799</u>		
Total minimum lease payment	6,507,573	Total minimum lease payment	<u>581,281</u>
Less: amount representing interest	<u>(1,882,806)</u>	Less: amount representing interest	<u>(19,667)</u>
Present value of minimum lease payments	<u>\$ 4,624,767</u>	Present value of minimum lease payments	<u>\$ 561,614</u>

NOTE 9 – Employee Retirement Systems

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

A. Defined Contribution Retirement Plan

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

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

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

In fiscal year 2018, employer and employee contributions to the ICMA defined contributions plan were \$1,824,369 and \$1,212,918 respectively.

B. Defined Benefit Plan Palm Bay Police and Firefighter Plan

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

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

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

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

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

NOTE 9 – Employee Retirement Systems (Continued)

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

Employees Covered – Based on the Actuarial Valuation Report as of October 1, 2017 the following employees were covered by the benefit terms for the Plan:

	Police Officers	Fire Fighters	General Employees
Inactive employees or beneficiaries currently receiving benefits	103	82	2
Inactive employees entitled to benefits but not receiving them	11	11	-
Active employees	144	106	-
Total members	258	199	2

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

Police officer members:

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

Each police officer member with less than 20 years of credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service performed prior to June 1, 1992 and 2½% of the member's AFC multiplied by the member's credited service performed on and after June 1, 1992. For members who have completed 20 years of credited service as sworn police officers, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon completion of 28 years of service. For police officers hired after October 1, 2016, the maximum normal retirement benefit shall be 85% of average final compensation.

Firefighter members:

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

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

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

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

benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon completion of 28 years of service.

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

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

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

Deferred Retirement Option Plan (DROP):

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

Supplemental Benefits*Police officer members:*

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

*Firefighter members:*Tier One members

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

Tier Two members

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

NOTE 9 – Employee Retirement Systems (Continued)

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

Benefits Provided – Supplementary Benefits (Continued)

Cost of Living Adjustment:

Police officer members:

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

Firefighter members:

Tier One members

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

Tier Two members

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

Contributions - Florida Statutes, Chapters 175 and 185 require members to contribute not less than 0.5% of their annual salary. The Plan, as approved by the City Council, requires member police officers and firefighters to contribute 8.76% of their base annual salary. Funding contributions are determined annually on an actuarial basis as of October 1. The City is required to contribute at an actuarially determined amount necessary to finance current costs and amortized unfunded past service cost as provided by Florida Statute, Chapter 112. The City made contributions of \$4,173,205 in fiscal year 2018.

Municipalities that have established pension plans complying with the provisions of Chapters 175 and 185, Florida Statutes, and that have enacted appropriate taxing legislation are eligible to receive revenues generated from excise taxes on gross receipts of certain insurance premiums from policyholders covering property within the City limits. These are the Firefighters’ Pension Fund Excise Tax imposed on the gross receipts of property insurance policy premiums and the Police Officers’ Pension Fund Excise Tax imposed on the gross receipts of casualty insurance policy premiums. The City recognized as revenues and expenditures on-behalf of payment relating to pension contributions for its public safety employees by the State. These contributions from excise tax totaled \$1,316,606.

Net Pension Liability (Asset)

The City’s net pension liability(asset) for The Plan is measured as the total pension liability less the pension fiduciary net position. The total pension liability, net pension liability(asset) and certain sensitivity information for each of the Plan classification is measured as of October 1, 2017. The total pension liability was rolled forward from each valuation date to the Plan’s fiscal year ending September 30, 2018 using generally accepted actuarial principles. Components of the net pension liability(asset) of the City at September 30, 2018 are as follows:

	2018			
	Police	Fire	General	Total
Total pension liability	\$ 118,884,678	\$ 101,584,570	\$ 19,517	\$ 220,488,765
Plan fiduciary net pension ending	(111,056,112)	(86,405,847)	(199,099)	(197,661,058)
City’s net pension liability (asset)	\$ 7,828,566	\$ 15,178,723	\$ (179,582)	\$ 22,827,707
Plan fiduciary net pension - actuarial as a percentage of the total pension liability (asset)	93.41%	85.06%	1020.13%	89.65%

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

Actuarial Assumptions - The total pension liabilities were determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following assumptions:

	Police Officers	Fire Fighters	General Employees
Valuation Date	October 1, 2017	October 1, 2017	October 1, 2017
Measurement Date	September 30, 2018	September 30, 2018	September 30, 2018
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial Assumptions			
Discount Rate	7.75%	7.75%	7.75%
Inflation	2.70%	2.70%	2.70%
Payroll Growth	1.00%	0.22%	N/A
Projected Salary Increase	Varies by age	Varies by age	N/A
Investment Rate of Return	7.75%	7.75%	7.75%
Mortality	RP2000 (Combined Healthy)	RP2000 (Combined Healthy)	RP2000 (Combined Healthy)
Service Retirement	Members will retire at a rate of 5% per year prior to normal retirement		

Mortality rates were based on the RP-2000 Mortality Table (combined) and based on a study of over 650 public safety funds. The table reflects a 10.00% margin for future mortality improvements, 75.00% of deaths are assumed to be service related. The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the period 2005-2014.

Discount Rate - The long-term expected rate of return on pension plan investments were determined using a building block method which best estimates ranges of expected future real rates of return (expected returns, net of pension investment expenses and inflation) are developed for each major asset. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	8.1%
Fixed Income	25%	3.6%
Real Estate	10%	4.9%
International Equity	15%	3.4%
Convertible Security	10%	6.7%
Master Limited Partnership	5%	9.1%
	<u>100%</u>	

NOTE 9 – Employee Retirement Systems (Continued)

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

Actuarial Assumptions (Continued)

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

Changes in the Net Pension Liability (Asset)- The changes in the Net Pension Liability (Asset) for The Plan as of the measurement date of September 30, 2018 are as follows:

	Police		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2017	\$ 113,263,992	\$ 104,612,642	\$ 8,651,350
Changes in the year:			
Service Cost	1,590,256	-	1,590,256
Interest on the total pension liability	8,659,017	-	8,659,017
Change in excess state money	(82,053)	-	(82,053)
Share Plan Allocation	136,496	-	136,496
Difference between expected and actual	1,385,775	-	1,385,775
Contributions - Employer	-	1,697,726	(1,697,726)
Contributions - State	-	796,726	(796,726)
Contributions - Employee	-	638,421	(638,421)
Contributions - Buyback	17,077	17,077	-
Net investment income	-	9,688,752	(9,688,752)
Benefit payments, including refunds of employee contributions	(6,085,882)	(6,085,882)	-
Administration expense	-	(306,350)	306,350
Net Changes	5,620,686	6,446,470	(825,784)
Balance at September 30, 2018	\$ 118,884,678	\$ 111,059,112	\$ 7,825,566

	Fire		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2017	\$ 97,399,943	\$ 82,301,784	\$ 15,098,159
Changes in the year:			
Service Cost	1,563,954	-	1,563,954
Interest on the total pension liability	7,439,387	-	7,439,387
Change in excess state money	-	-	-
Share Plan Allocation	-	-	-
Difference between expected and actual	1,124,887	-	1,124,887
Contributions - Employer	-	2,463,758	(2,463,758)
Contributions - State	-	522,880	(522,880)
Contributions - Employee	-	520,927	(520,927)
Net investment income	-	6,785,112	(6,785,112)
Benefit payments, including refunds of employee contributions	(5,943,601)	(5,943,601)	-
Administration expense	-	(245,013)	245,013
Net Changes	4,184,627	4,104,063	80,564
Balance at September 30, 2018	\$ 101,584,570	\$ 86,405,847	\$ 15,178,723

NOTE 9 – Employee Retirement Systems (Continued)

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

Changes in Net Pension Liability (Asset) (Continued)

	General		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Balance at September 30, 2017	\$ 20,521	\$ 189,302	\$ (168,781)
Changes in the year:			
Interest on the total pension liability	1,431	-	1,431
Difference between expected and actual	1,680	-	1,680
Changes in assumptions	-	-	-
Net investment income	-	18,604	(18,604)
Benefit payments, including refunds of employee contributions	(4,115)	(4,115)	-
Administration expense	-	(4,692)	4,692
Net Changes	(1,004)	9,797	(10,801)
Balance at September 30, 2018	19,517	199,099	(179,582)
Total of PBP&PBF Plans	\$ 220,488,765	\$ 197,664,058	\$ 22,824,707

Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate - The following presents the net pension liability(asset) of the Plan as of September 30, 2018, calculated using the discount rate of 7.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (6.75%) or 1-percent-point higher (8.75%) than the current rate.

	Discount Rate - 1% 6.75%	Current Discount 7.75%	Discount Rate + 1% 8.75%
Police Officers	\$ 24,085,241	\$ 7,828,566	\$ (5,368,479)
Fire Fighters	\$ 28,091,455	\$ 15,178,723	\$ 4,645,132
General Employees	\$ (178,757)	\$ (179,581)	\$ (180,342)

Pension Plan Fiduciary Net Pension

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

NOTE 9 – Employee Retirement Systems (Continued)

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

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

For the year ended September 30, 2018, the City recognized pension expense of \$6,675,867. At September 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police & Fire and General	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,234,980	\$ -
Changes in assumptions	2,703,468	-
Net difference between projected and actual earning on plan investments	2,790,613	7,010,622
Total	\$ 8,729,061	\$ 7,010,622

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

Police & Fire	
<u>Year ending September 30:</u>	
2019	\$ 2,239,545
2020	(97,101)
2021	(692,858)
2022	81,372
2023	187,481
	\$ 1,718,439

Payable to the Pension Plan

At September 30, 2018, the City reported a payable of \$90,087 for the outstanding contributions to the pension plan for the year ended September 30, 2018.

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

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

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

State of Florida Division of Retirement
Department of Management Services
P.O Box 9000
Tallahassee, Florida 32315-9000
www.dms.myflorida.com/worforce_operations/retirement/publications.

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

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

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

NOTE 9 – Employee Retirement Systems (Continued)

C. Florida Retirement System (Continued)

Benefits Provided (Continued)

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

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

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

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3.0% percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contributions rates established by the Florida Legislature. These rates are updated as of July 1 each year. The employer contribution rates for elected officials for the periods October 1, 2017 through June 30, 2018 and from July 1, 2017 through September 30, 2018, were 45.50% and 48.70% respectively. These percentages include a 1.66% contribution rate for HIS.

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

The City's contributions recognized during the fiscal year ended September 30, 2018 by FRS and HIS were \$23,949 and \$1,100 respectively.

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

The City's proportionate share of net pension liability, pension expense related deferrals as of September 30, 2018 are as follows:

	FRS	HIS	Total
Proportionate Share of Net Pension Liability on June 30, 2018	\$ 253,119	\$ 21,477	\$ 274,596
City's portion at June 30, 2018	0.000840355	0.000020291	
City's portion at June 30, 2017	0.000620674	0.00001524	
Change in proportion during current year	0.000219681	0.000005051	

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

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$21,180. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS		Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows / Inflows of Resources
Difference between expected and actual experience	\$ 21,443	\$ 778	\$ 329	\$ 36	\$ 20,958
Change in assumptions	82,707	-	2,388	271	84,824
Change in proportion and differences between City Pension Plan contributions and proportionate share of contributions	75,045	2,740	9,717	192	81,830
City Pension Plan contributions subsequent to the measurement date	6,464	-	276	-	6,740
Net difference between projected actual earnings on plan investments	-	19,557	13	-	(19,544)
Total	\$ 185,659	\$ 23,075	\$ 12,723	\$ 499	\$ 174,808

The deferred outflows of resources related to the Pension Plan, totaling \$6,740 represents City contributions to the Plan subsequent to the measurement date. This amount is recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ending September 30	Net Pension Expense		
	FRS	HIS	Expense
2019	\$ 29,235	\$ 1,581	\$ 30,816
2020	29,235	1,581	30,816
2021	29,235	1,581	30,816
2021	29,235	1,581	30,816
2022	29,235	1,579	30,814
Thereafter	9,945	4,045	13,990
	\$ 156,120	\$ 11,948	\$ 168,068

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

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

The total pension liability for FRS and HIS on the July 1, 2018 actuarial valuation was determined using the following assumptions:

	FRS	HIS
Valuation Date	July 1, 2018	July 1, 2018
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions		
Discount Rate	7.00%	3.87%
Inflation	2.60%	2.60%
Projected Salary Increase	3.25%	3.25%
Investment Rate of Return	7.00%	N/A
Mortality	Generational RP-2000 with Projected Scale BB	Generational RP-2000 with Projected Scale BB

The actuarial assumptions used in the July 1, 2018 valuation was based on the results of an actuarial experience study for the period July 1, 2008 through June 20, 2013.

The following changes in key actuarial assumptions occurred in 2018:

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

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

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric Return)
Cash	1.00%	3.00%	3.00%
Fixed Income	18.00%	4.50%	4.40%
Global Equity	53.00%	7.80%	6.60%
Real Estate	10.00%	6.60%	5.90%
Private Equity	6.00%	11.50%	7.80%
Strategic Investments	12.00%	6.10%	5.60%
	<u>100.00%</u>		

NOTE 9 – Employee Retirement Systems (Continued)

C. Florida Retirement System (FRS) (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.10%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return. However, because the HIS program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index).

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

The following represents the City’s proportionate share of the net pension liability as of June 30, 2018 calculated using the discount rate, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>FRS Net Pension Liability</u>			<u>HIS Net Pension Liability</u>		
	Current Discount Rate			Current Discount Rate		
	1% Decrease (6.00%)	Rate (7.00%)	1% Increase (8.00%)	1% Decrease (2.87%)	Rate (3.87%)	1% Increase (4.87%)
Employer's proportionate share of the net pension liability	\$ 461,953	\$ 253,119	\$ 79,670	\$ 24,461	\$ 21,477	\$ 18,989

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

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

The City follows Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“OPEB”), for certain postemployment healthcare benefits provided by the City.

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

Funding Policy - Contribution rates for the Plan are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute towards the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an “implicit” subsidy. This implicit subsidy is an, Other Post Employment Benefit (OPEB) obligation of the City and is funded by general assets on a pay-as-you-go basis since there is no Trust Fund or equivalent arrangement into which the City makes contributions. For the year ended September 30, 2018, the City estimated its subsidized contributions towards medical cost on behalf of retirees and their covered dependents to be \$256,268.

NOTE 9 – Employee Retirement Systems (Continued)

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

Employees Covered by Benefit Terms – As of October 1, 2017 the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	76
Active Plan Members	<u>672</u>
Total	<u><u>748</u></u>

Total OPEB Liability – The City’s total OPEB liability of \$8,158,032 was measured as of September 30, 2018 and was determined by an actuarial valuation as of September 30, 2018. The beginning OPEB liability for the year ended September 30, 2018 was adjusted due to the implementation of GASB 75.

Significant Actuarial Assumptions and other Inputs – The total OPEB Liability determined in the September 30, 2018 actuarial valuation used the following significant actuarial assumptions and other inputs:

Inflation	5.00%
Payroll Growth	4.00%
Discount Rate	3.90%
Healthcare Trend Rate	5.00%

Retirement Age - 100% at Normal Retirement Eligibility Date

Mortality - Florida Retirement System Mortality Table RP-2000

General (non-special risk)– For female lives, 100% of the Combined Healthy White-Collar table was used. For male lives, a 50% Combined Healthy White-Collar table, 50% Healthy Blue-Collar table blend was used.

Police & Fire (special risk) - For female lives, 100% of the Combined Healthy White-Collar table was used. For male lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used.

All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Discount Rate – Given the City’s decision not to fund the OPEB plan, all future benefit payments were discounted using a high-quality bond rate of 3.90%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends.

Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 9 – Employee Retirement Systems (Continued)

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

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at September 30, 2017, as Restated	\$ 7,559,163
Changes for the year:	
Service Cost (Entry Age Normal Cost) for 1 year	256,771
Interest for 1 year*	300,970
Changes to Assumptions	274,884
Benefit Payments	(233,756)
Net Changes	<u>598,869</u>
Balances at September 30, 2018	<u>\$ 8,158,032</u>

* Discount rate 3.9%

Change in assumptions reflect the same discount rate of 3.9% for the fiscal year ended September 30, 2017, and for the fiscal year ended September 30, 2018

Sensitivity of the Total OPEB liability to Changes in the Discount Rate

	1% Decrease 2.9%	Current Discount Rate 3.9%	1% Increase 4.9%
Total OPEB Liability	\$ 6,930,313	\$ 8,158,032	\$ 9,651,555

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates

	1% Decrease 4.0%	Healthcare Costs Trend Rate 5.0%	1% Increase 6.0%
Total OPEB Liability	\$ 6,941,811	\$ 8,158,032	\$ 9,698,931

NOTE 9 – Employee Retirement Systems (Continued)

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

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB expense for the fiscal year ended September 30, 218 was \$458,804. On September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 852,484	\$ -
Change in assumptions	-	1,545,039
Total	\$ 852,484	\$ 1,545,039

OPEB Outflows/Inflows of Resources Schedule for Future Years:

Deferred outflow in resources related to OPEB is a result of differences between expected and actual experience while deferred inflows reflect changes in assumptions. These deferred resources will be recognized in OPEB expense as follows:

Year ending September 30	
2019	\$ (98,936)
2020	(98,936)
2021	(98,936)
2022	(98,936)
2023	(98,936)
Thereafter	(197,875)
	\$ (692,555)

NOTE 10 – Restricted Net Position

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

Governmental Activities

Special Revenue Funds:

Law Enforcement Trust Fund	Forfeited property accounted for and used according to Federal and Florida laws	\$ 177,515
Impact Fee Funds	Levied pursuant to Florida Statutes, must be used for allowable improvements	5,584,548
Bayfront Community Redevelopment Agency	Levied pursuant to County and City Ordinance, must be used for activities of the redevelopment agency	331,546
SHIP	Restricted pursuant to grant agreement	547,083
HOME	Restricted pursuant to grant agreement	94,445
Neighborhood Stabilization Program	Restricted pursuant to grant agreement	127,019
		6,862,156

Debt Service Funds:

Debt Service Funds	Restricted pursuant to bond covenants for payment of principal and interest	3,130,057
		3,130,057

Internal Service Funds:

Employee Health Insurance Fund	Restricted pursuant FS 112.08 requiring 60 days reserve for claims as a safe-harbor regarding self-insured health plans	1,800,000
		1,800,000

Total Restricted Net Position - Governmental Activities	\$ 11,792,213
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Business-type Activities

Renewal and Replacement	Funds required to be placed in special construction accounts pursuant to Bond Covenants	\$ 6,546,599
Building Fund	Funds required to be spent on building code activities pursuant to Section 166.222, Florida Statutes	3,911,071
Capital Improvements	Water and sewer connection fees and mainline extension charges pledged for repayment of bond debt incurred for capital expansion and system improvements	10,082,526
		10,082,526

NOTE 11 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; third party injuries and or property damage; information security and privacy; Law Enforcement Practices and natural disasters. The Risk Management program began on October 1, 1989. Historically under this program, the Risk Management Fund operated primarily as a self-insurance program. Maximum Fund amounts thru December 30, 2009 were as follows:

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

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

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

Coverage	Self-Insured Retentions
Worker's Compensation	\$350,000 each claim
*General / Auto Liability	\$200,000 each claim
Theft, Disappearance & Dishonesty	\$ 5,000 each claim
Property Damage – Building	\$2,500 each claim exception of "Named Storm"
Property Damage – Building	3% of Total Insured Value for "Named Storm" subject to a minimum of \$15,000 per occurrence
Property Damage – Auto	\$500 each claim

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

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

All departments of the City participate in the program. Payments are made by various funds to the Risk Management Fund based on past experience and actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$3,463,000 reported in the Risk Management Fund at September 30, 2018 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City's claims liability at year end is actuarially determined and includes incurred but not reported losses. Prior years' liabilities are undiscounted. Changes in the fund's claim liability are as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Less Claims Payments	Balance at Fiscal Year End
2015-2016	\$ 2,450,000	\$ 2,042,692	\$ (1,503,067)	\$ 2,989,625
2016-2017	2,989,625	3,088,779	(2,391,404)	3,687,000
2017-2018	3,687,000	1,636,573	(1,860,573)	3,463,000

NOTE 12 – Employee Health Insurance Benefits

The City maintains an Employee Benefit Internal Service Fund to account for the employee health care coverage program. Beginning January 1, 2018, the City transitioned to a self-insured plan. Based on increased employee utilization of benefits, comparative analysis projected substantial cost savings to support the change. Revenues are recognized from employee payroll deductions and city contributions. The plan is evaluated on a quarterly basis by a third-party to ensure viability. As of September 30, 2018, a liability of \$112,308 has been recorded, which represents estimated claims due and unpaid and claims incurred but not reported. Changes in the first-year liability is as follows:

Employee Health Benefits Fund

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Less Claims Payments	Balance at Fiscal Year End
2017-2018	\$ -	\$ (8,713,954)	\$ 8,826,262	\$ 112,308

NOTE 13 – Commitments and Contingencies

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

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

Encumbrance – The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts and other commitments are recorded to reserve the portion of applicable appropriations. Outstanding encumbrances at yearend are recorded as *restricted*, *committed*, or *assigned* fund balances, depending on the classification of the resources to be used to liquidate the encumbrance. Encumbrances outstanding as of September 30, 2018 are as follows:

Major Governmental Funds	
General Fund	\$ 3,186,887
Bayfront Community Redevelopment Agency	8,461
Non-major Governmental Funds	<u>10,058,521</u>
	<u>\$ 13,253,869</u>

NOTE 14 – Prior Year Adjustment

During fiscal year ended September 30, 2018, the City implemented the provisions of GASB 75. The Statement establishes accounting and financial reporting for postemployment benefits other than pensions. Statement 75 requires governments to report a liability on the face of the financial statements for OPEB benefits and provide more extensive note disclosures and required supplementary information about OPEB liabilities. Application of the Statement required a restatement of beginning net position as follows:

	Government-Wide Statements		
	Governmental Activities	Business-Type Activities	Total
Beginning Net Position (as previously stated)	\$ 31,172,680	\$ 103,844,674	\$ 135,017,354
Total OPEB Liability	(2,891,245)	(812,767)	(3,704,012)
Deferred Outflow of Resources	740,443	233,824	974,267
Deferred Inflow of Resources	(1,341,977)	(423,782)	(1,765,759)
Total Prior Period Adjustment - Unrestricted Net Position	(3,492,779)	(1,002,725)	(4,495,504)
Beginning Net Position (Restated)	\$ 27,679,901	\$ 102,841,949	\$ 130,521,850

	Enterprise Fund Statements				
	Utilities Fund	Stormwater Fund	Building Inspection Fund	Solid Waste Fund	Total
Beginning Net Position (as previously stated)	99,966,617	110,046	2,799,094	968,918	103,844,674
Total OPEB Liability	(593,102)	(116,386)	(47,501)	(55,778)	(812,767)
Deferred Outflow of Resources	155,883	48,713	19,485	9,744	233,825
Deferred Inflow of Resources	(282,521)	(88,288)	(35,315)	(17,658)	(423,782)
Total Prior Period Adjustment - Unrestricted Net Position	(719,740)	(155,961)	(63,331)	(63,692)	(1,002,724)
Beginning Net Position (Restated)	99,246,877	(45,915)	2,735,763	905,226	102,841,950

NOTE 15 – Subsequent Events

On December 5, 2018, the City entered into a contract with United Forming Properties, LLC for the purchase of 1525 Foundation Park Blvd, SE. The acquisition cost of \$875,000 was a requisite expenditure to allow Palm Bay Fire Rescue to relocate and reopen Fire Station 5, which has been closed since May 2017. Execution of the contract was completed on February 15, 2019.

NOTE 16 – Other Required Disclosures***New Pronouncements***

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The City implemented the provisions of this Statement and restated beginning net position by \$3.5 million and \$1.0 million respectively for governmental and proprietary funds to include total OPEB liabilities, deferred inflows and outflows of resources in the financial statements. Refer to Note 14 for the impact on implementing this Statement.

NOTE 16 – Other Required Disclosures (Cont'd)New Pronouncements (*Cont'd*)

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No.14, *The Financial Reporting Entity, as amended*. Management has determined that the Statement does not impact the City.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. The objective of this Statement is to improve accounting and financial reporting or irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Management has determined that the impact of the Statement did not have a material effect on the City.

GASB Statement No 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68 and No.73*. The objective of this Statement is to address certain issues that be been raised regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The City's Police and Firefighters Retirement Plan adopted the provisions of GASB 82 and are complicit for all years where information was available.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of the Statement is to addresses a variety of topics including issues related to blending component units, goodwill, fair-value measurement and application of postemployment benefits (pensions and other-postemployment benefits (OPEB)). Management has determined that the impact of the Statement did not have a material effect on the City.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and note to financial statements for debt that is defeased in substance. Management has determined that the impact of the Statement did not have a material effect on the City.

Future Accounting Pronouncements

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligation*. The objective of this Statement is to establish criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). The Statement requires that recognition occur when the liability is both incurred and reasonably estimable. Additionally, the Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. This Statement is effective for the City's fiscal year ending September 30, 2019.

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

Future Accounting Pronouncements (Continued)

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

Management has not determined the impact implementation of GASB 83, 84 and GASB 87 will have on the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules:

- General Fund
- Bayfront Community Redevelopment Agency

Schedule of Changes in Net Pension Liability & Related Ratios:

- City of Palm Bay Retirement System

Schedule of Proportionate Share of Net Pension Liability:

- City of Palm Bay Retirement System

Schedule of Pension Contributions:

- City of Palm Bay Retirement System

Schedule of Funding Progress:

- Other Post-Employment Benefits

Schedule of Investment Returns:

- City of Palm Bay Retirement System

Notes to Required Supplementary Information

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
For Fiscal Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES/TRANSFERS IN				
Taxes:				
Ad Valorem	\$ 28,467,595	\$ 28,635,160	\$ 28,665,926	\$ 30,766
Local Option Fuel	4,208,406	4,208,406	3,744,098	(464,308)
Utility Service	8,402,000	8,402,000	8,878,776	476,776
Communication Service	2,779,457	2,779,457	2,638,032	(141,425)
Business Tax Receipts	559,800	559,800	566,239	6,439
	<u>44,417,258</u>	<u>44,584,823</u>	<u>44,493,071</u>	<u>(91,752)</u>
Licenses and Permits:				
Franchise Fees	5,240,000	5,240,000	5,588,373	348,373
Other Licenses and Permits	7,200	7,200	17,500	10,300
	<u>5,247,200</u>	<u>5,247,200</u>	<u>5,605,873</u>	<u>358,673</u>
Intergovernmental Revenues:				
Federal Grants	84,442	1,586,961	1,922,297	335,336
State Grants	-	118,837	138,893	20,056
Local Grants	566,796	566,796	566,796	-
State Revenue Sharing	11,274,528	11,274,528	11,579,482	304,954
Shared Taxes and Licenses	132,500	132,500	144,283	11,783
	<u>12,058,266</u>	<u>13,679,622</u>	<u>14,351,751</u>	<u>672,129</u>
Charges for Services:				
General Government Charges	321,390	597,104	667,213	70,109
Public Safety Charges	153,000	153,000	226,848	73,848
Physical Environment Charges	295,000	419,862	419,538	(9,324)
Transportation Charges	184,050	184,050	312,915	128,865
Culture/Recreation Charges	598,050	598,050	682,310	84,260
Charges to Other Funds	1,879,979	1,879,979	1,879,979	-
	<u>3,431,469</u>	<u>3,832,045</u>	<u>4,179,803</u>	<u>347,758</u>
Fines and Forfeitures:				
Court Fines and Costs	346,300	476,215	522,690	46,475
Miscellaneous Revenue:				
Investment income	26,000	274,930	297,851	22,921
Rents	200,000	200,000	225,849	25,849
Sales of Surplus	10,000	10,000	95,490	85,490
Contributions	28,000	28,000	23,251	(4,749)
Other Revenue	142,600	232,900	163,891	(69,009)
	<u>406,600</u>	<u>745,830</u>	<u>806,332</u>	<u>60,502</u>
Other Sources:				
Proceeds from Sale of Capital Assets	-	566,866	566,866	-
Capital Leases	-	4,363,350	4,363,350	-
		<u>4,930,216</u>	<u>4,930,216</u>	<u>-</u>
Transfers In:				
Code Enforcement Fund	4,536	4,536	4,536	-
Bayfront CRA Fund	-	147,000	147,000	-
Building Fund	166,649	166,649	166,649	-
Road Maintenance Fund	-	18,422	18,422	-
Fleet Service Fund	27,171	27,171	27,171	-
Employee Benefits Fund	12,500	12,500	12,500	-
Utilities Operating Fund	1,922,117	1,943,117	1,943,117	-
Stormwater Fund	213,469	213,469	213,469	-
Solid Waste Fund	61,902	61,902	61,902	-
	<u>2,408,344</u>	<u>2,594,766</u>	<u>2,594,766</u>	<u>-</u>
Total Revenues and Transfers In	68,315,437	76,090,717	77,484,502	1,393,785

Continued on the next page

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**
For Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
EXPENDITURES/TRANSFERS OUT				
General Government:				
Legislative:				
Personal Services	586,617	586,617	585,615	1,002
Operating	122,565	126,043	102,774	23,269
Contributions	-	-	141	(141)
	<u>709,182</u>	<u>712,660</u>	<u>688,530</u>	<u>24,130</u>
City Manager:				
Personal Services	697,650	689,692	635,579	54,113
Operating	97,485	145,431	118,940	26,491
	<u>795,135</u>	<u>835,123</u>	<u>754,519</u>	<u>80,604</u>
City Attorney:				
Personal Services	276,942	280,375	271,032	9,343
Operating	300,730	1,082,490	1,056,940	25,550
Contributions	-	3,500	3,500	-
	<u>577,672</u>	<u>1,366,365</u>	<u>1,331,472</u>	<u>34,893</u>
Procurement:				
Personal Services	457,064	433,864	385,711	48,153
Operating	10,960	18,160	12,701	5,459
	<u>468,024</u>	<u>452,024</u>	<u>398,412</u>	<u>53,612</u>
Finance:				
Personal Services	1,304,786	1,304,786	1,263,791	40,995
Operating	99,996	106,798	97,477	9,321
	<u>1,404,782</u>	<u>1,411,584</u>	<u>1,361,268</u>	<u>50,316</u>
Information and Innovation:				
Personal Services	1,307,048	1,300,348	1,257,422	42,926
Operating	1,399,102	1,416,512	1,364,028	52,484
Capital Outlay	725,061	744,061	206,190	537,871
	<u>3,431,211</u>	<u>3,460,921</u>	<u>2,827,640</u>	<u>633,281</u>
Human Resources:				
Personal Services	529,969	517,969	468,586	49,383
Operating	185,838	185,838	149,698	36,140
	<u>715,807</u>	<u>703,807</u>	<u>618,284</u>	<u>85,523</u>
Growth Management:				
Personal Services	1,193,137	1,256,331	1,132,594	123,737
Operating	204,975	213,573	201,663	11,910
	<u>1,398,112</u>	<u>1,469,904</u>	<u>1,334,257</u>	<u>135,647</u>
Economic Development:				
Personal Services	342,091	342,091	342,678	(587)
Operating	304,541	315,611	187,440	128,171
Contributions	50,000	52,250	52,250	-
	<u>696,632</u>	<u>709,952</u>	<u>582,368</u>	<u>127,584</u>
Facility Maintenance				
Personal Services	987,356	1,026,687	919,830	106,857
Operating	1,570,325	1,597,890	1,377,984	219,906
Capital Outlay	-	4,480,886	1,851,327	2,629,559
	<u>2,557,681</u>	<u>7,105,463</u>	<u>4,149,141</u>	<u>2,956,322</u>
Non-Departmental:				
Operating	5,462,302	5,496,589	4,139,230	1,357,359
Debt Service	129,262	129,262	4,946	-
	<u>5,591,564</u>	<u>5,625,851</u>	<u>4,144,176</u>	<u>1,357,359</u>
Total General Government	18,345,802	23,853,654	18,190,067	5,539,271

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**
For Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police:				
Personal Services	18,737,258	18,714,422	18,000,628	713,794
Operating	1,033,189	1,068,577	904,475	164,102
	<u>19,770,447</u>	<u>19,782,999</u>	<u>18,905,103</u>	<u>877,896</u>
Fire:				
Personal Services	13,729,198	13,828,155	13,437,617	390,538
Operating	531,087	573,516	499,205	74,311
Capital Outlay	-	109,461	97,810	11,651
	<u>14,260,285</u>	<u>14,511,132</u>	<u>14,034,632</u>	<u>476,500</u>
Total Public Safety	34,030,732	34,294,131	32,939,735	1,354,396
Transportation:				
Public Works - Transportation				
Personal Services	4,023,308	4,026,146	3,894,154	131,992
Operating	1,121,255	3,875,510	3,837,531	37,979
Total Transportation	5,144,563	7,901,656	7,731,685	169,971
Culture/Recreation:				
Parks & Recreation				
Personal Services	3,045,441	3,119,417	3,036,101	83,316
Operating	1,229,649	1,314,723	1,187,238	127,485
Capital Outlay	-	53,832	52,970	862
Total Culture / Recreation	4,275,090	4,487,972	4,276,309	211,663
Transfers Out:				
Debt Service Fund	5,925,638	5,925,638	5,880,335	45,303
Stormwater Fund	-	308,329	308,329	-
Fleet Services Fund	573,699	1,182,470	1,182,470	-
Other Employee Benefits	11,027	11,027	11,027	-
Road Maintenance CIP	-	547,796	547,796	-
Community Development Block Grant Fund	-	35,075	35,075	-
Community Investment Grant	8,886	8,886	8,886	-
Building Fund	32,149	32,149	32,149	-
Total Transfers Out	<u>6,551,399</u>	<u>8,051,370</u>	<u>8,006,067</u>	<u>45,303</u>
Total Expenditures and Transfers Out	68,347,586	78,588,783	71,143,863	7,320,604
Excess (Deficiency) of Revenues and Transfers In Over (Under) Expenditures and Transfers Out	\$ (32,149)	\$ (2,498,066)	\$ 6,340,639	\$ 8,714,389
Fund Balance - Beginning of Year			<u>8,631,987</u>	
Fund Balance - End of Year			<u>\$ 14,972,626</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL - BAYFRONT COMMUNITY REDEVELOPMENT AGENCY
For Fiscal Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Taxes	\$ 1,227,365	\$ 1,227,364	\$ (1)
Investment Income	2,900	8,907	6,007
Miscellaneous Revenue	-	227	227
Total Revenues	1,230,265	1,236,498	6,233
EXPENDITURES			
Current:			
Economic Environment	561,899	422,340	139,559
Capital Outlay	302,433	258,494	43,939
Debt Service:			
Principal Retirement	363,292	360,000	3,292
Interest and Fiscal Charges	112,091	112,092	(1)
Total Expenditures	1,339,715	1,152,926	186,789
Excess (Deficiency) of Revenues Over (Under) Expenditures	(109,450)	83,572	193,022
OTHER FINANCING SOURCES			
Transfers Out	(147,000)	(147,000)	-
Total Other Financing Sources	(147,000)	(147,000)	-
Net Change in Fund Balance	\$ (256,450)	\$ (63,428)	\$ 193,022
Fund Balance - Beginning		403,829	
Fund Balance - Ending		\$ 340,401	

CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2018

	Police				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 1,590,256	\$ 1,571,207	\$ 1,641,528	\$ 1,627,434	\$ 1,682,546
Interest	8,659,017	8,317,177	8,013,990	7,846,279	7,499,442
Change in Excess State Money	(82,053)	(468,527)	82,053	97,949	84,152
Shared Plan Allocation	136,496	186,426	-	-	-
Difference between expected & actual experience	1,385,775	61,339	(1,049,607)	(2,269,835)	-
Changes in assumptions	-	-	3,811,157	-	-
Contributions Buy Back	17,077	45,396	15,167	5,777	-
Benefit payments, including refunds of member contributions	(6,085,882)	(5,329,528)	(5,107,223)	(5,147,483)	(4,435,345)
Net Change in Total Pension Liability	5,620,686	4,383,490	7,407,065	2,160,121	4,830,795
Total Pension Liability - Beginning	113,263,992	108,880,502	101,473,437	99,313,316	94,482,521
Total Pension Liability - Ending (a)	118,884,678	113,263,992	108,880,502	101,473,437	99,313,316
Plan Fiduciary Net Position					
Contributions - Employer	1,697,726	1,116,672	1,651,022	1,811,984	1,698,539
Contributions - State	793,726	716,530	684,840	618,683	604,886
Contributions - Employee	638,421	621,675	589,865	605,581	599,342
Contributions - Buy Back	17,077	45,396	15,167	5,777	-
Net Investment (loss) income	9,688,752	10,734,486	8,778,963	(435,284)	9,243,488
Benefit payments, including refunds of contributions	(6,085,882)	(5,329,528)	(5,107,223)	(5,147,483)	(4,435,345)
Administrative Expenses	(306,350)	(309,245)	(279,039)	(252,632)	(245,600)
Net Change in Plan Fiduciary Net Pension	6,443,470	7,595,986	6,333,595	(2,793,374)	7,465,310
Plan Fiduciary Net Position - Beginning	104,612,642	97,016,656	90,683,061	93,476,435	86,011,125
Plan Fiduciary Net Position - Ending (b)	111,056,112	104,612,642	97,016,656	90,683,061	93,476,435
Net Pension Liability - Ending (a) - (b)	\$ 7,828,566	\$ 8,651,350	\$ 11,863,846	\$ 10,790,376	\$ 5,836,881
Plan fiduciary net position as a percentage of the total pension liability	93.41%	92.36%	89.10%	89.37%	94.12%
Covered Payroll	N/A	N/A	N/A	N/A	\$ 6,841,804
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	85.31%

Notes to Schedule:

The Covered Payroll numbers shown are in compliance with GASB 82. For the prior years, the information was not available.

Changes of assumptions:

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

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

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

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2018

	Fire					
	2018	2017	2016	2015	2014	2013
Total Pension Liability						
Service Cost	\$ 1,563,954	\$ 1,664,642	\$ 1,460,239	\$ 1,396,536	\$ 1,299,634	\$ 1,203,365
Interest	7,439,387	7,171,289	6,914,011	6,469,622	6,293,170	6,027,029
Change in Excess State Money	-	(157,840)	-	-	-	-
Shared Plan Allocation	-	7,840	-	-	-	-
Difference between expected & actual experience	1,124,857	366,711	88,819	2,589,797	-	-
Changes in assumptions	-	-	2,358,009	-	-	-
Contributions Buy Back	-	-	18,462	-	-	-
Benefit payments, including refunds of member contributions	(5,943,601)	(5,357,309)	(4,515,339)	(5,414,256)	(5,553,839)	(2,445,969)
Net Change in Total Pension Liability	4,184,597	3,695,333	6,324,201	5,041,699	2,038,965	4,784,425
Total Pension Liability - Beginning	97,399,943	93,704,610	87,380,409	82,338,710	80,299,745	75,515,320
Total Pension Liability - Ending (a)	101,584,540	97,399,943	93,704,610	87,380,409	82,338,710	80,299,745
Plan Fiduciary Net Position						
Contributions - Employer	2,463,758	2,195,957	2,065,835	1,976,329	1,889,000	1,479,896
Contributions - State	522,880	506,774	559,910	590,203	639,518	622,786
Contributions - Employee	520,927	511,241	500,569	474,486	426,764	432,695
Contributions - Buy Back	-	-	18,462	-	-	-
Net Investment (loss) income	6,785,112	8,443,619	5,998,705	(251,532)	7,612,697	8,696,509
Benefit payments, including refunds of contributions	(5,943,601)	(5,357,309)	(4,515,339)	(5,414,256)	(5,553,839)	(2,445,969)
Administrative Expenses	(245,013)	(239,997)	(224,986)	(205,617)	(187,613)	(175,031)
Net Change in Plan Fiduciary Net Pension	4,104,063	6,060,285	4,403,156	(2,830,387)	4,826,527	8,610,886
Plan Fiduciary Net Position - Beginning	82,301,784	76,241,499	71,838,343	74,668,730	69,842,203	61,231,317
Plan Fiduciary Net Position - Ending (b)	86,405,847	82,301,784	76,241,499	71,838,343	74,668,730	69,842,203
Net Pension Liability - Ending (a) - (b)	\$ 15,178,693	\$ 15,098,159	\$ 17,463,111	\$ 15,542,066	\$ 7,669,980	\$ 10,457,542
Plan fiduciary net position as a percentage of the total pension liability	85.06%	84.50%	81.36%	82.21%	90.68%	86.98%
Covered Payroll	N/A	N/A	N/A	N/A	\$ 4,871,735	\$ 4,937,031
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	157.44%	211.82%

Notes to Schedule:

The Covered Payroll numbers shown are in compliance with GASB 82. For the prior years, the information was not available.

Changes of assumptions:

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

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

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

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
September 30, 2018**

	General				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,431	1,510	2,381	2,247	2,564
Difference between expected & actual experience	1,680	1,590	(10,628)	4,093	-
Changes in assumptions	-	-	2,080	-	-
Benefit payments, including refunds of member contributions	(4,115)	(4,115)	(4,115)	(5,213)	(7,835)
Net Change in Total Pension Liability	(1,004)	(1,015)	(10,282)	1,127	(5,271)
Total Pension Liability - Beginning	20,521	21,536	31,818	30,691	35,962
Total Pension Liability - Ending (a)	19,517	20,521	21,536	31,818	30,691
Plan Fiduciary Net Position					
Net Investment (loss) income	18,604	20,370	16,561	1,776	18,826
Benefit payments, including refunds of contributions	(4,115)	(4,115)	(4,115)	(5,213)	(7,835)
Administrative Expenses	(4,692)	(4,370)	(4,796)	(6,130)	(455)
Net Change in Plan Fiduciary Net Pension	9,797	11,885	7,650	(9,567)	10,536
Plan Fiduciary Net Position - Beginning	189,302	177,417	169,767	179,334	168,798
Plan Fiduciary Net Position - Ending (b)	199,099	189,302	177,417	169,767	179,334
Net Pension Liability - Ending (a) - (b)	\$ (179,582)	\$ (168,781)	\$ (155,881)	\$ (137,949)	\$ (148,643)
Plan fiduciary net position as a percentage of the total pension liability	1020.13%	922.48%	823.82%	533.56%	584.32%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:*Changes of assumptions:*

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

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

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY FLORIDA RETIREMENT SYSTEM (FRS)
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 September 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.085035500%	0.062067400%	0.000314544%	0.000351156%	0.000307215%
City's proportionate share of the net pension liability (asset)	\$ 253,119	\$ 183,591	\$ 79,423	\$ 45,357	\$ 18,745
City's covered payroll	\$ 74,676	\$ 58,992	\$ 30,877	\$ 30,227	\$ 31,818
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	338.96%	311.21%	257.22%	150.05%	58.91%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

Note: 1) This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

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

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

CITY OF PALM BAY HEALTH INSURANCE SUBSIDY (HIS)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.002029130%	0.001524000%	0.000077720%	0.000079108%	0.000080777%
City's proportionate share of the net pension liability (asset)	\$ 21,477	\$ 16,295	\$ 9,058	\$ 8,068	\$ 7,553
City's covered payroll	\$ 74,676	\$ 58,992	\$ 30,877	\$ 30,227	\$ 31,818
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.76%	27.62%	29.34%	26.69%	23.74%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

Note: 1) This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

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

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

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
September 30, 2018**

	Police				
	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ 1,943,363	\$ 2,195,741	\$ 2,171,756	\$ 2,332,718	\$ 2,219,273
From Excess State Money Reserve	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	(2,027,205)	(2,115,304)	(2,253,809)	(2,332,718)	(2,219,273)
Contribution deficiency (excess)	\$ (83,842)	\$ 80,437	\$ (82,053)	\$ -	\$ -
Actuarially computed - covered payroll	N/A	N/A	N/A	N/A	\$ 6,841,804
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	32.44%

Notes to Schedule

Valuation Date 10/1/2016
Actuarially determined contributions rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate:
Actuarial cost method Entry age normal cost method
Amortization method
Remaining amortization period 30 years (as of 10/01/2016)
Asset valuation method
Inflation 2.70%
Salary Increase Varies by age
Investment Rate of Return 7.75%
Retirement age 52-55
Mortality RP2000

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

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
September 30, 2018**

	Fire				
	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ 2,970,532	\$ 2,852,731	\$ 2,625,745	\$ 2,566,532	\$ 2,528,518
Contribution from Reserve	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	(2,986,638)	(2,852,731)	(2,625,745)	(2,566,532)	(2,528,518)
Contribution deficiency (excess)	\$ (16,106)	\$ -	\$ -	\$ -	\$ -
Actuarially computed - covered payroll	N/A	N/A	N/A	N/A	\$ 4,871,735
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	51.90%

Notes to Schedule

Valuation Date 10/1/2016

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

Methods and assumptions used to determine contribution rate:

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

The Covered Payroll numbers shown are in compliance with GASB 82. For the 2015 to 2018 fiscal year, the information was not available.

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
 SCHEDULE OF CONTRIBUTIONS
 September 30, 2018**

	General				
	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarially computed - covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Aggregate Actuarial Cost Method.
Amortization method	
Asset valuation method	
Investment Rate of Return	7.75%
Mortality	RP2000

Note: This is the fourth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY FLORIDA RETIREMENT SYSTEM (FRS)
SCHEDULE OF CONTRIBUTIONS
September 30, 2018**

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 23,949	\$ 16,158	\$ 7,671	\$ 8,561	\$ 6,729
Contributions in relation to the contractually required contribution	\$ (23,949)	\$ (16,158)	\$ (7,671)	\$ (8,561)	\$ (6,729)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 75,838	\$ 66,722	\$ 30,877	\$ 30,885	\$ 31,818
Contributions as a percentage of covered payroll	31.58%	24.22%	24.84%	27.72%	21.15%

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY HEALTH INSURANCE SUBSIDY (HIS)
SCHEDULE OF CONTRIBUTIONS
September 30, 2018**

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,100	\$ 807	\$ 398	\$ 302	\$ 277
Contributions in relation to the contractually required contribution	\$ (1,100)	\$ (807)	\$ (398)	\$ (302)	\$ (277)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 75,838	\$ 66,772	\$ 30,877	\$ 30,885	\$ 31,818
Contributions as a percentage of covered payroll	1.45%	1.21%	1.29%	0.98%	0.87%

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY POLICE AND FIRE RETIREMENT SYSTEM
 SCHEDULE OF INVESTMENT RETURNS
 September 30, 2018**

Annual money-weighted rate of return, net of investment expense	Police	Fire	General
2018	11.25%	11.25%	10.06%
2017	11.25%	11.25%	11.76%
2016	9.81%	8.44%	10.02%
2015	-0.47%	-0.34%	1.02%
2014	10.82%	11.04%	11.43%

Note: This is the fifth year of implementation for GASBC P20: *Pension Activities*. GASB requires information for 10 years. The City has presented information for those years for which information is available.

**CITY OF PALM BAY OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED
RATIOS
September 30, 2018**

Reporting Period Ending	9/30/2018
Measurement Date	<u>9/30/2017</u>
Total OPEB Liability	
Service Cost	\$ 256,771
Interest	300,970
Changes of Benefit Terms	
Differences Between Expected & Actual Experiences	
Changes of Assumptions	274,884
Benefits Payments	<u>(233,756)</u>
Net Change in Total OPEB Liability	<u>598,869</u>
Total OPEB Liability - Beginning (as Restated)	<u>7,559,163</u>
Total OPEB Liability - Ending	<u><u>\$ 8,158,032</u></u>
Covered-Employee Payroll	\$ 33,060,253
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.05%

Note: This is the first year of implementation for GASB 75. GASB requires information for 10 years. The City has presented information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETARY REQUIREMENTS

A. Budgetary Information

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

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



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OTHER SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule:

- BCRA Construction Fund

Nonmajor Governmental Funds:

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

Nonmajor Enterprise Funds:

Combining Financial Statements for All Nonmajor Enterprise Funds

Nonmajor Enterprise Funds:

Combining Financial Statements for All Nonmajor Enterprise Funds

Fiduciary Funds:

Combining Statements for Fiduciary Funds



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**BUDGET AND ACTUAL
BCRA CONSTRUCTION FUND
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ 3,000	\$ 8,214	\$ 5,214
Total Revenues	3,000	8,214	5,214
EXPENDITURES			
Current:			
General Government	750	540	210
Capital Outlay	974,615	86,355	888,260
Total Expenditures	975,365	86,895	888,470
(Deficiency) of Revenues			
(Under) Expenditures	(972,365)	(78,681)	893,684
Net Change in Fund Balance	\$ (972,365)	\$ (78,681)	\$ 893,684
Fund Balance - Beginning		1,052,411	
Fund Balance - Ending		\$ 973,730	



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NONMAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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

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

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



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DEBT SERVICE FUNDS

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

Debt Service Fund – This fund is used to account for the principal and interest payments of the:

- Taxable Special Obligation Revenue Bonds, Series 2004
- Public Service Tax Revenue Bonds, Series 2010
- Taxable Special Obligation Refunding Bonds, Series 2013
- Local Option Gas Tax Refunding Note, Series 2014
- Sales Tax Refunding Bonds, Series 2015
- Franchise Fee Revenue Note, Series 2015
- Franchise Fee Revenue Note, Series 2016
- Local Option Gas Tax Revenue Note, Series 2018
- Debt service on capital leases.

CAPITAL PROJECTS FUNDS

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

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

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

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

Connector Road I-95 – This fund is used to account for resources earmarked for the acquisition and construction of a connector road at the intersection of Babcock Road and the newly constructed I-95 interchange.



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**COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018**

	Special Revenue Funds								
	Law Enforcement Trust	PB Municipal Foundation Fund	Code Nuisance Fund	SHIP Program	Community Development Block Grant	HOME Grant	Neighborhood Stabilization Program	Misc. Donations	Impact Fee Trust
ASSETS									
Cash and Cash Equivalents	\$ 3,376	\$ 25,549	\$ 149,909	\$ 112,143	\$ -	\$ 135,077	\$ 128,115	\$ 96,033	\$ 3,378,110
Investments	353,475	-	209,951	-	-	-	-	-	4,131,534
Restricted Cash and Equivalents	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	11	16	4	-	-	2,491
Due from Other Governments	-	-	-	-	-	-	585,790	-	-
Due from Other Funds	-	-	-	585,790	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
Land Held for Resale	-	4,000	-	-	-	-	-	-	-
Prepaid Items	4,585	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Total Assets	\$ 361,436	\$ 29,549	\$ 359,860	\$ 697,944	\$ 16	\$ 135,081	\$ 713,905	\$ 96,033	\$ 7,512,135
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ 25,759	\$ 1,650	\$ 4,210	\$ 37	\$ 20,963	\$ 15,003	\$ 87	\$ 209	\$ 1,366,233
Accrued Liabilities	2,234	-	-	635	2,496	290	1,009	-	-
Due to Other Funds	-	-	-	-	26,157	-	585,790	-	-
Advances from Other Funds	-	-	-	-	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-	-	-	-
Unearned Revenue	151,264	-	-	150,189	-	-	-	-	-
Total Liabilities	179,257	1,650	4,210	150,861	49,616	15,293	586,886	209	1,366,233
Fund Balances:									
Nonspendable	4,585	-	-	-	-	-	-	-	-
Restricted	177,515	-	-	547,083	-	94,445	127,019	-	5,584,548
Committed	79	-	-	-	-	6,336	-	-	537,936
Assigned	-	27,899	355,650	-	-	19,007	-	95,824	23,418
Unassigned (Deficit)	-	-	-	-	(49,600)	-	-	-	-
Total Fund Balances (Deficit)	182,179	27,899	355,650	547,083	(49,600)	119,788	127,019	95,824	6,145,902
Total Liabilities and Fund Balances	\$ 361,436	\$ 29,549	\$ 359,860	\$ 697,944	\$ 16	\$ 135,081	\$ 713,905	\$ 96,033	\$ 7,512,135

**COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2018**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds				Total Nonmajor Governmental Funds
	Environmental Fee Fund	Debt Service Funds	Community Investment Fund	I-95 Interchange Fund	Road Maintenance Fund	Connector Road I-95 Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 35,700	\$ 4,927,620	\$ 171,305	\$ 796,922	\$ 807,034	\$ 3,533,573	\$ 14,300,466
Investments	-	467,496	52,227	-	1,933,663	4,949,840	12,098,186
Restricted Cash and Equivalents	-	-	-	-	-	-	-
Accounts Receivable	-	425	-	9,923	-	15,168	28,038
Due from Other Governments	-	-	161,567	-	-	-	747,357
Due from Other Funds	-	-	-	-	-	-	585,790
Accrued Interest Receivable	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	4,000
Prepaid Items	-	-	-	-	-	-	4,585
Other Assets	-	-	-	-	-	-	-
Total Assets	\$ 35,700	\$ 5,395,541	\$ 385,099	\$ 806,845	\$ 2,740,697	\$ 8,498,581	\$ 27,768,422
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ 123,790	\$ 24,703	\$ 518,654	\$ 346,586	\$ 2,447,884
Accrued Liabilities	-	-	-	-	-	-	6,664
Due to Other Funds	-	-	-	-	-	-	611,947
Advances from Other Funds	601,552	-	-	-	-	-	601,552
Due to Other Governments	25,146	-	-	-	-	-	25,146
Unearned Revenue	-	-	-	-	-	-	301,453
Total Liabilities	626,698	-	123,790	24,703	518,654	346,586	3,994,646
Fund Balances:							
Nonspendable	-	-	-	-	-	-	4,585
Restricted	-	5,395,541	-	-	-	396,450	12,322,601
Committed	-	-	132,100	782,142	2,222,043	7,755,545	11,436,181
Assigned	-	-	129,209	-	-	-	651,007
Unassigned (Deficit)	(590,998)	-	-	-	-	-	(640,598)
Total Fund Balances (Deficit)	(590,998)	5,395,541	261,309	782,142	2,222,043	8,151,995	23,773,776
Total Liabilities and Fund Balances	\$ 35,700	\$ 5,395,541	\$ 385,099	\$ 806,845	\$ 2,740,697	\$ 8,498,581	\$ 27,768,422

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018**

	Special Revenue Funds					
	Law Enforcement Trust	PB Municipal Foundation Fund	Code Nuisance Fund	SHIP Program	Community Development Block Grant	HOME Grant
REVENUES						
Impact Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	17,144	1,055,055	64,106
Charges for Services	-	-	150,583	129,099	3,440	60,406
Fines and Forfeitures	81,460	-	-	-	-	-
Investment Income	7,229	-	3,613	-	-	-
Miscellaneous Revenues	4,086	35,371	-	-	83	-
Total Revenues	92,775	35,371	154,196	146,243	1,058,578	124,512
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	130,601	56,105	32,180	-	-	-
Economic Environment	-	-	-	130,167	178,824	53,168
Culture/Recreation	-	-	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay	19,808	-	-	16,076	925,195	-
Total Expenditures	150,409	56,105	32,180	146,243	1,104,019	53,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,634)	(20,734)	122,016	-	(45,441)	71,344
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	35,075	-
Transfers Out	-	-	(4,536)	-	-	-
Issuance of Debt	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(4,536)	-	35,075	-
Net Change in Fund Balances	(57,634)	(20,734)	117,480	-	(10,366)	71,344
Fund Balances (Deficit) - Beginning	239,813	48,633	238,170	547,083	(39,234)	48,444
Fund Balances (Deficit) - Ending	\$ 182,179	\$ 27,899	\$ 355,650	\$ 547,083	\$ (49,600)	\$ 119,788

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended September 30, 2018

	Special Revenue Funds			
	Neighborhood Stabilization Program	Misc. Donations	Impact Fee Trust	Environmental Fee Fund
REVENUES				
Impact Fees	\$ -	\$ -	\$ 3,849,450	\$ -
Intergovernmental Revenues	-	-	-	-
Charges for Services	80,000	-	-	10,516
Fines and Forfeitures	-	-	-	-
Investment Income	-	-	53,834	-
Miscellaneous Revenues	-	21,375	-	-
Total Revenues	80,000	21,375	3,903,284	10,516
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	14,156	21,246	-
Transportation	-	-	65,170	-
Economic Environment	17,725	-	-	-
Culture/Recreation	-	-	17,352	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	7,521	-	386,633	-
Total Expenditures	25,246	14,156	490,401	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,754	7,219	3,412,883	10,516
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	(1,313,107)	(1,037)
Issuance of Debt	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(1,313,107)	(1,037)
Net Change in Fund Balances	54,754	7,219	2,099,776	9,479
Fund Balances (Deficit) - Beginning	72,265	88,605	4,046,126	(600,477)
Fund Balances (Deficit) - Ending	\$ 127,019	\$ 95,824	\$ 6,145,902	\$ (590,998)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended September 30, 2018**

	Debt Service Funds		Capital Project Funds			Total Nonmajor Governmental Funds
	Debt Service Funds	Community Investment Fund	I-95 Interchange Fund	Road Maintenance Fund	Connector Road I-95 Fund	
REVENUES						
Impact Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,849,450
Intergovernmental Revenues	-	383,046	-	-	-	1,519,351
Charges for Services	-	-	-	-	-	434,044
Fines and Forfeitures	-	-	-	-	-	81,460
Investment Income	57,285	2,639	9,817	43,470	104,417	282,304
Miscellaneous Revenues	130,890	-	-	-	-	191,805
Total Revenues	188,175	385,685	9,817	43,470	104,417	6,358,414
EXPENDITURES						
Current:						
General Government	1,003	-	-	-	-	1,003
Public Safety	-	-	-	-	-	254,288
Transportation	-	-	-	57,380	46,832	169,382
Economic Environment	-	-	-	-	-	379,884
Culture/Recreation	-	-	-	-	-	17,352
Debt Service:						
Principal Retirement	2,146,898	-	-	-	-	2,146,898
Interest and Fiscal Charges	4,149,023	-	-	-	-	4,149,023
Capital Outlay	-	450,553	92,789	1,234,646	883,090	4,016,311
Total Expenditures	6,296,924	450,553	92,789	1,292,026	929,922	11,134,141
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(6,108,749)	(64,868)	(82,972)	(1,248,556)	(825,505)	(4,775,727)
OTHER FINANCING SOURCES (USES)						
Transfers In	7,032,788	8,886	-	558,797	-	7,635,546
Transfers Out	-	-	-	(281,369)	-	(1,600,049)
Issuance of Debt	-	-	-	-	8,977,500	8,977,500
Total Other Financing Sources (Uses)	7,032,788	8,886	-	277,428	8,977,500	15,012,997
Net Change in Fund Balances	924,039	(55,982)	(82,972)	(971,128)	8,151,995	10,237,270
Fund Balances (Deficit) - Beginning	4,471,502	317,291	865,114	3,193,172	-	13,536,507
Fund Balances (Deficit) - Ending	\$ 5,395,541	\$ 261,309	\$ 782,142	\$ 2,222,044	\$ 8,151,995	\$ 23,773,777



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**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT TRUST
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Fines and Forfeitures	\$ -	\$ 81,460	\$ 81,460
Investment Income	-	7,229	7,229
Miscellaneous Revenues	-	4,086	4,086
Total Revenues	-	92,775	92,775
EXPENDITURES			
Current:			
Public Safety	153,247	130,601	22,646
Capital Outlay	21,887	19,808	2,079
Total Expenditures	175,134	150,409	24,725
Excess (Deficiency) of Revenues Over (Under) Expenditures	(175,134)	(57,634)	117,500
Net Change in Fund Balance	\$ (175,134)	(57,634)	\$ 117,500
Fund Balance - Beginning		239,813	
Fund Balance - Ending		\$ 182,179	

**BUDGETARY COMPARISON SCHEDULE
PALM BAY MUNICIPAL FOUNDATION
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Miscellaneous Revenues	\$ 31,000	\$ 35,371	\$ 4,371
Total Revenues	<u>31,000</u>	<u>35,371</u>	<u>4,371</u>
EXPENDITURES			
Current:			
Public Safety	54,375	56,105	(1,730)
Total Expenditures	<u>54,375</u>	<u>56,105</u>	<u>(1,730)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,375)</u>	<u>(20,734)</u>	<u>2,641</u>
Net Change in Fund Balance	<u>\$ (23,375)</u>	<u>(20,734)</u>	<u>\$ 2,641</u>
Fund Balance - Beginning		<u>48,633</u>	
Fund Balance - Ending		<u>\$ 27,899</u>	

**BUDGETARY COMPARISON SCHEDULE
CODE NUISANCE FUND
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Charges for Services	\$ 155,000	\$ 150,583	\$ (4,417)
Investment Income	600	3,613	3,013
Total Revenues	<u>155,600</u>	<u>154,196</u>	<u>(1,404)</u>
EXPENDITURES			
Current:			
Public Safety	89,000	32,180	56,820
Total Expenditures	<u>89,000</u>	<u>32,180</u>	<u>56,820</u>
Excess of Revenues Over Expenditures	<u>66,600</u>	<u>122,016</u>	<u>55,416</u>
OTHER FINANCING USES			
Transfers Out	(4,536)	(4,536)	-
Total Other Financing Sources	<u>(4,536)</u>	<u>(4,536)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 62,064</u>	117,480	<u>\$ 55,416</u>
Fund Balance - Beginning		<u>238,170</u>	
Fund Balance - Ending		<u>\$ 355,650</u>	

**BUDGETARY COMPARISON SCHEDULE
SHIP PROGRAM
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 468,557	\$ 17,144	\$ (451,413)
Charges for Services	-	129,099	129,099
Total Revenues	468,557	146,243	(322,314)
EXPENDITURES			
Current:			
Economic Environment	1,311,752	130,167	1,181,585
Capital Outlay	342,243	16,076	326,167
Total Expenditures	1,653,995	146,243	1,507,752
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,185,438)	-	1,185,438
Net Change in Fund Balance	\$ (1,185,438)	-	\$ 1,185,438
Fund Balance - Beginning		547,083	
Fund Balance - Ending		\$ 547,083	

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 2,048,307	\$ 1,055,055	\$ (993,252)
Charges for Services	-	3,440	3,440
Miscellaneous Revenue	-	83	83
Total Revenues	2,048,307	1,058,578	(989,729)
EXPENDITURES			
Current:			
Economic Environment	250,882	178,824	72,058
Capital Outlay	1,952,722	925,195	1,027,527
Total Expenditures	2,203,604	1,104,019	1,099,585
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,297)	(45,441)	109,856
OTHER FINANCING SOURCES			
Transfers In	35,075	35,075	-
Net Change in Fund Balance	\$ (120,222)	(10,366)	\$ 109,856
Fund Balance (Deficit) - Beginning		(39,234)	
Fund Balance (Deficit) - Ending		\$ (49,600)	

**BUDGETARY COMPARISON SCHEDULE
HOME GRANT
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 201,800	\$ 64,106	\$ (137,694)
Charges for Services	-	60,406	60,406
Total Revenues	201,800	124,512	(77,288)
EXPENDITURES			
Current:			
Economic Environment	322,640	53,168	269,472
Capital Outlay	95,621	-	95,621
Total Expenditures	418,261	53,168	365,093
Excess (Deficiency) of Revenues Over (Under) Expenditures	(216,461)	71,344	287,805
Net Change in Fund Balance	\$ (216,461)	71,344	\$ 287,805
Fund Balance - Beginning		48,444	
Fund Balance - Ending		\$ 119,788	

**BUDGETARY COMPARISON SCHEDULE
NEIGHBORHOOD STABILIZATION PROGRAM
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Charges for Services	\$ -	\$ 80,000	\$ 80,000
Total Revenues	-	80,000	80,000
EXPENDITURES			
Current:			
Economic Environment	108,998	17,725	91,273
Capital Outlay	379,742	7,521	372,221
Total Expenditures	488,740	25,246	463,494
Excess of Revenues Over Expenditures	(488,740)	54,754	543,494
 Net Change in Fund Balance	 <u>\$ (488,740)</u>	 54,754	 <u>\$ 543,494</u>
Fund Balance - Beginning		<u>72,265</u>	
Fund Balance - Ending		<u>\$ 127,019</u>	

**BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS DONATIONS
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Miscellaneous Revenues	\$ -	\$ 21,375	\$ 21,375
Total Revenues	-	21,375	21,375
EXPENDITURES			
Public Safety	-	14,156	(14,156)
Total Expenditures	-	14,156	(14,156)
Excess of Revenues Over Expenditures	-	7,219	7,219
Net Change in Fund Balance	\$ -	7,219	\$ 7,219
Fund Balance - Beginning		88,605	
Fund Balance - Ending		\$ 95,824	

**BUDGETARY COMPARISON SCHEDULE
IMPACT FEE TRUST
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Impact Fees	\$ 2,235,000	\$ 3,849,450	\$ 1,614,450
Investment Income	9,350	53,834	44,484
Total Revenues	2,244,350	3,903,284	1,658,934
EXPENDITURES			
Current:			
Culture/Recreation	41,570	17,352	24,218
Public Safety	21,247	21,246	1
Transportation	65,170	65,170	-
Capital Outlay	2,916,813	386,633	2,530,180
Total Expenditures	3,044,800	490,401	2,554,399
Excess of Revenues Over Expenditures	(800,450)	3,412,883	4,213,333
OTHER FINANCING SOURCES (USES)			
Transfers Out	(1,318,984)	(1,313,107)	5,877
Total Other Financing Sources (Uses)	(1,318,984)	(1,313,107)	5,877
Net Change in Fund Balance	\$ (2,119,434)	2,099,776	\$ 4,219,210
Fund Balance - Beginning		4,046,126	
Fund Balance - Ending		\$ 6,145,902	

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL FEE
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Charges for Services	\$ 12,500	\$ 10,516	\$ (1,984)
Total Revenues	<u>12,500</u>	<u>10,516</u>	<u>(1,984)</u>
OTHER FINANCING (USES)			
Transfers Out	<u>(6,500)</u>	<u>(1,037)</u>	<u>5,463</u>
Net Change in Fund Balance	<u>\$ 6,000</u>	<u>9,479</u>	<u>\$ (7,447)</u>
Fund Balance (Deficit) - Beginning		<u>(600,477)</u>	
Fund Balance (Deficit) - Ending		<u>\$ (590,998)</u>	

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUNDS
For the Year Ended September 30, 2018

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ 14,275	\$ 57,285	\$ 43,010
Miscellaneous Revenues	138,922	130,890	(8,032)
Total Revenues	153,197	188,175	34,978
EXPENDITURES			
Current:			
General Government	730	1,003	(273)
Debt Service:			
Principal Retirement	2,146,898	2,146,898	-
Interest and Fiscal Charges	4,149,473	4,149,023	450
Total Expenditures	6,297,101	6,296,924	177
Deficiency of Revenues Under Expenditures	(6,143,904)	(6,108,749)	35,155
OTHER FINANCING SOURCES			
Transfers In	6,784,274	7,032,788	248,514
Total Other Financing Sources	6,784,274	7,032,788	248,514
Net Change in Fund Balance	\$ 640,370	924,039	\$ 283,669
Fund Balance - Beginning		4,471,502	
Fund Balance - Ending		\$ 5,395,541	

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY INVESTMENT FUND
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 2,417,051	\$ 383,046	\$ (2,034,005)
Investment Income	-	2,639	2,639
Total Revenues	2,417,051	385,685	(2,031,366)
EXPENDITURES			
Capital Outlay	2,425,937	450,553	1,975,384
Total Expenditures	2,425,937	450,553	1,975,384
Excess of Revenues Over Expenditures	(8,886)	(64,868)	(55,982)
OTHER FINANCING SOURCES (USES)			
Transfers In	8,886	8,886	-
Total Other Financing Sources (Uses)	8,886	8,886	-
Net Change in Fund Balance	\$ -	(55,982)	\$ (55,982)
Fund Balance - Beginning		317,291	
Fund Balance - Ending		\$ 261,309	

**BUDDGETARY COMPARISON SCHEDULE
I-95 INTERCHANGE FUND
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ 500	\$ 9,817	\$ 9,317
Total Revenues	500	9,817	9,317
EXPENDITURES			
Current:			
Capital Outlay	848,499	92,789	755,710
Total Expenditures	848,499	92,789	755,710
Excess of Revenues Over Expenditures	(847,999)	(82,972)	765,027
Net Change in Fund Balance	\$ (847,999)	(82,972)	\$ 765,027
Fund Balance - Beginning		865,114	
Fund Balance - Ending		\$ 782,142	

**BUDGETARY COMPARISON SCHEDULE
ROAD MAINTENANCE CIP FUND
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ 10,000	\$ 43,470	\$ 33,470
Total Revenues	10,000	43,470	33,470
EXPENDITURES			
Current:			
Transportation	131,467	57,380	74,087
Capital Outlay	3,290,435	1,234,646	2,055,789
Total Expenditures	3,421,902	1,292,026	2,129,876
(Deficiency) of Revenues (Under) Expenditures	(3,421,902)	(1,248,556)	2,163,346
OTHER FINANCING SOURCES (USES)			
Transfers In	558,796	558,796	-
Transfers Out	(281,369)	(281,369)	-
Total Other Financing Sources (Uses)	277,427	277,427	-
Net Change in Fund Balance	\$ (3,144,475)	(971,129)	\$ 2,163,346
Fund Balance - Beginning		3,193,172	
Fund Balance - Ending		\$ 2,222,043	

**BUDGETARY COMPARISON SCHEDULE
CONNECTOR ROAD I-95 CIP FUND
For the Year Ended September 30, 2018**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ -	\$ 104,417	\$ 104,417
Total Revenues	-	104,417	104,417
EXPENDITURES			
Current:			
Physical Environment			
Transportation	46,425	46,832	(407)
Capital Outlay	8,931,075	883,090	8,047,985
Total Expenditures	8,977,500	929,922	8,047,578
Excess of Revenues Over Expenditures	(8,977,500)	(825,505)	8,151,995
OTHER FINANCING SOURCES (USES)			
Issuance of Debt	8,977,500	8,977,500	-
Total Other Financing Sources	8,977,500	8,977,500	-
Net Change in Fund Balance	\$ -	8,151,995	\$ 8,151,995
Fund Balance - Beginning		-	
Fund Balance - Ending		\$ 8,151,995	



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NONMAJOR ENTERPRISE FUNDS

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

The City maintains the following Nonmajor Enterprise Funds:

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

Solid Waste Fund – This fund is used to account for residential solid waste collection services administered by the City in partnership with Waste Management.

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
September 30, 2018

	Nonmajor Enterprise Funds		
	Building Inspection Fund	Solid Waste Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,240,673	\$ 1,868,987	\$ 4,109,660
Investments	766,747	475,502	1,242,249
Restricted Cash and Cash Equivalents	-	312,758	312,758
Accounts Receivable - (Net)	-	533,684	533,684
Advances to Other Funds	187,030	-	187,030
Inventory	-	34,612	34,612
Prepaid Items	38	18	56
Total Current Assets	3,194,488	3,225,561	6,420,049
Noncurrent Assets:			
Advances to Other Funds	979,887	-	979,887
Capital Assets:			
Machinery, Equipment and Vehicles	178,834	2,761,770	2,940,604
Less: Accumulated Depreciation	(12,762)	(2,059,248)	(2,072,010)
Total Capital Assets (Net)	166,072	702,522	868,594
Total Noncurrent Assets	1,145,959	702,522	1,848,481
Total Assets	4,340,447	3,928,083	8,268,530
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to OPEB	17,049	8,525	25,574
Total Deferred Outflows of Resources	17,049	8,525	25,574
LIABILITIES			
Current Liabilities:			
Accounts Payable	163,362	1,175,798	1,339,160
Accrued Liabilities	38,051	8,593	46,644
Unearned Revenues	-	486,628	486,628
Capital Leases Payable	-	288,368	288,368
Compensated Absences	7,718	2,278	9,996
Current Liabilities Payable from Restricted Assets:			
Customer Deposits	-	312,758	312,758
Total Current Liabilities	209,131	2,274,423	2,483,554
Noncurrent Liabilities:			
Capital Leases Payable	-	273,247	273,247
Total OPEB Obligation	163,161	81,580	244,741
Compensated Absences	40,522	11,958	52,480
Total Noncurrent Liabilities	203,683	366,785	570,468
Total Liabilities	412,814	2,641,208	3,054,022
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to OPEB	30,901	15,451	46,352
Total Deferred Outflows of Resources	30,901	15,451	46,352
NET POSITION			
Net Investment in Capital Assets	2,710	-	2,710
Restricted:			
Building Fund	3,911,071	-	3,911,071
Unrestricted	-	1,279,949	1,279,949
Total Net Position	\$ 3,913,781	\$ 1,279,949	\$ 5,193,730

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For Fiscal Year Ended September 30, 2018**

	Nonmajor Enterprise Funds		
	Building Inspection Fund	Solid Waste Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Solid Waste	\$ -	\$ 5,956,331	\$ 5,956,331
User Fees	109,885	-	109,885
Licenses and Permits	2,870,287	-	2,870,287
Miscellaneous Income	91,339	46,481	137,820
Total Operating Revenues	3,071,511	6,002,812	9,074,323
Operating Expenses:			
Personal Services	1,301,879	360,183	1,662,062
Material, Supplies, and Operating expenses	410,464	4,909,907	5,320,371
Depreciation	11,522	267,248	278,770
Total Operating Expenses	1,723,865	5,537,338	7,261,203
Operating Income (Loss)	1,347,646	465,474	1,813,120
Nonoperating Revenues (Expenses):			
Interest Income	-	4,063	4,063
Interest Expense and Fiscal Charges	-	(24,717)	(24,717)
Total Nonoperating Revenues	-	(20,654)	(20,654)
Income Before Contributions and Transfers	1,347,646	444,820	1,792,466
Transfers In	33,186	-	33,186
Transfers Out	(202,814)	(70,096)	(272,910)
Change in Net Position	1,178,018	374,724	1,552,742
Total Net Position - Beginning	2,799,094	968,918	3,768,012
Prior Period Adjustment (Note 14)	(63,331)	(63,693)	(127,024)
Total Net Position - Ending	\$ 3,913,781	\$ 1,279,949	\$ 5,193,730

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For Fiscal Year Ended September 30, 2018**

	NonMajor Enterprise Funds		
	Building Inspection Fund	Solid Waste Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 3,071,511	\$ 6,018,944	\$ 9,090,455
Payments to Suppliers	(414,054)	(4,518,448)	(4,932,502)
Payments to Employees	(1,183,453)	(356,719)	(1,540,172)
Net Cash Provided (Used) by Operating Activities	1,474,004	1,143,777	2,617,781
Cash Flows from Noncapital Financing Activities			
Interfund Advances	192,744	792,329	985,073
Transfers to Other Funds	(202,814)	(70,096)	(272,910)
Transfers from Other Funds	33,186	-	33,186
Net Cash Provided (Used) by Noncapital Financing Activities	23,116	722,233	745,349
Cash Flows from Capital and Related Financing Activities			
Acquisition/Construction of Capital Assets	(118,075)	(201,770)	(319,845)
Principal Paid on Capital Debt	-	(278,559)	(278,559)
Interest Paid on Capital Debt	-	(24,717)	(24,717)
Net Cash Provided by Capital and Related Financing Activities	(118,075)	(505,046)	(623,121)
Cash Flows from Investing Activities			
Invest Purchases	(14,427)	(200,920)	(215,347)
Interest Income on Investments	-	4,063	4,063
Net Cash Used by Investing Activities	(14,427)	(196,857)	(211,284)
Net Increase (Decrease) in Cash and Cash Equivalents	1,364,618	1,164,107	2,528,725
Cash and Cash Equivalents at Beginning of Year	876,055	1,017,638	1,893,693
Cash and Cash Equivalents at End of Year	\$ 2,240,673	\$ 2,181,745	\$ 4,422,418
Cash and Cash Equivalents Classified As:			
Current Assets	\$ 2,240,673	\$ 1,868,987	\$ 4,109,660
Restricted Assets	-	312,758	312,758
Total Cash and Cash Equivalents	\$ 2,240,673	\$ 2,181,745	\$ 4,422,418

Continued on the next page

STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (CONTINUED)
For Fiscal Year Ended September 30, 2018

	NonMajor Enterprise Funds		
	Building Inspection Fund	Solid Waste Fund	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 1,347,646	\$ 465,474	\$ 1,813,120
Depreciation	11,522	267,248	278,770
Change in Assets and Liabilities:			
Decrease in Accounts Receivable	-	25,996	25,996
Decrease in Deferred Outflows - OPEB	2,435	1,218	3,653
(Increase) in Inventories	-	(5,471)	(5,471)
(Increase) in Prepaid Expenses	(38)	(18)	(56)
Increase in Accounts Payable	103,926	397,142	501,068
Increase (Decrease) in Accrued Liabilities	4,538	(194)	4,344
Increase in Customer Deposits	-	17,414	17,414
Increase in Total OPEB Liability	11,978	5,988	17,966
(Decrease) in Compensated Absences	(3,590)	(1,535)	(5,125)
(Decrease) Unearned Revenue	-	(27,278)	(27,278)
(Decrease) Deferred Inflow - OPEB	(4,413)	(2,207)	(6,620)
Total Adjustments	126,358	678,303	804,661
Net Cash Provided (Used) by Operating Activities	\$ 1,474,004	\$ 1,143,777	\$ 2,617,781



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INTERNAL SERVICE FUNDS

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

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

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

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

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018

	Risk Management	Employee Benefit	Fleet Services	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,472,190	\$ 3,672,011	\$ 337,247	\$ 6,481,448
Investments	2,366,302	822,775	450,466	3,639,543
Accounts Receivable (Net)	2,482	94,791	13,646	110,919
Inventory	-	-	252,302	252,302
Prepaid Items	240,350	35,101	-	275,451
Total Current Assets	5,081,324	4,624,678	1,053,661	10,759,663
Capital Assets:				
Machinery, Equipment and Vehicles	-	-	9,959,605	9,959,605
Less Accumulated Depreciation	-	-	(7,920,741)	(7,920,741)
Total Capital Assets (Net)	-	-	2,038,864	2,038,864
Total Assets	5,081,324	4,624,678	3,092,525	12,798,527
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to OPEB	-	-	17,049	17,049
Total Deferred Outflows of Resources	-	-	17,049	17,049
LIABILITIES				
Current Liabilities:				
Accounts Payable	71,749	194,596	180,318	446,663
Accrued Liabilities	27,496	29,659	27,812	84,967
Compensated Absences	-	-	15,249	15,249
Claims Payable	544,080	112,308	-	656,388
Advances from Other Funds	-	-	254,829	254,829
Total Current Liabilities	643,325	336,563	478,208	1,458,096
Noncurrent Liabilities:				
Total OPEB Liability	-	-	163,161	163,161
Compensated Absences	-	-	80,060	80,060
Claims Payable	2,918,920	-	-	2,918,920
Advances from Other Funds	-	-	944,203	944,203
Total Noncurrent Liabilities	2,918,920	-	1,187,424	4,106,344
Total Liabilities	3,562,245	336,563	1,665,632	5,564,440
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows related to OPEB	-	-	30,901	30,901
Total Deferred Outflows of Resources	-	-	30,901	30,901
NET POSITION				
Net Investment in Capital Assets	-	-	1,858,546	1,858,546
Restricted:				
Employee Benefits	-	1,800,000	-	1,800,000
Unrestricted (Deficit)	1,519,079	2,488,115	(445,505)	3,561,689
Total Net Position (Deficit)	\$ 1,519,079	\$ 4,288,115	\$ 1,413,041	\$ 7,220,235

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For Fiscal Year Ended September 30, 2018**

	Risk Management	Employee Benefit	Fleet Services	Total
Operating Revenues:				
Charges for Services	\$ 4,120,132	\$ 14,736,174	\$ 3,101,705	\$ 21,958,011
Miscellaneous Income	887	286	23,327	24,500
Total Operating Revenues	4,121,019	14,736,460	3,125,032	21,982,511
Operating Expenses:				
Personal Services	994,035	2,069,594	1,095,362	4,158,991
Contracted Services	62,084	1,092,470	-	1,154,554
Supplies and Materials	120,841	2,305	1,781,192	1,904,338
Repairs and Maintenance	434	-	358,408	358,842
Other Services and Charges	63,809	14,853	47,296	125,958
Claims/Premium Expense	1,612,793	8,595,342	-	10,208,135
Depreciation	-	-	585,684	585,684
Total Operating Expenses	2,853,996	11,774,564	3,867,942	18,496,502
Operating Income (Loss)	1,267,023	2,961,896	(742,910)	3,486,009
Nonoperating Revenues (Expenses)				
Interest Income	54,566	15,481	8,524	78,571
Interest Expense and Fiscal Charges	-	-	(41,503)	(41,503)
Intergovernmental Revenues	-	-	52,288	52,288
Gain on Sale of Capital Assets	-	-	25,751	25,751
Total Nonoperating Revenues (Expenses)	54,566	15,481	45,060	115,107
Income (Loss) Before Transfers	1,321,589	2,977,377	(697,850)	3,601,116
Transfers In	-	11,027	1,667,895	1,678,922
Transfers Out	(25,660)	(12,500)	(30,671)	(68,831)
Change in Net Position	1,295,929	2,975,904	939,374	5,211,207
Total Net Position (Deficit) - Beginning	223,150	1,312,211	563,974	2,099,335
Prior Period Adjustment (Note 14)			(90,307)	(90,307)
Total Net Position (Deficit) - Ending	\$ 1,519,079	\$ 4,288,115	\$ 1,413,041	\$ 7,220,235

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For Fiscal Year Ended September 30, 2018**

	Risk Management	Employee Benefit	Fleet Services	Total
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 4,118,790	\$ 14,738,493	\$ 3,111,386	\$ 21,968,669
Payments to Suppliers	(1,876,845)	(10,000,461)	(2,275,872)	(14,153,178)
Payments to Employees	(1,218,035)	(1,957,286)	(1,140,029)	(4,315,350)
Net Cash Provided (Used) by Operating Activities	1,023,910	2,780,746	(304,515)	3,500,141
Cash Flows from Noncapital Financing Activities				
Interfund Advances	-	-	(249,878)	(249,878)
Intergovernmental Revenues	-	-	52,288	52,288
Transfers from Other Funds	(25,660)	(1,473)	1,637,224	1,610,091
Net Cash Provided (Used) by Noncapital Financing Activities	(25,660)	(1,473)	1,439,634	1,412,501
Cash Flows from Capital and Related Financing Activities				
Acquisition/Construction of Capital Assets	-	-	(819,474)	(819,474)
Principal Paid on Capital Debt	-	-	(240,540)	(240,540)
Interest Paid on Capital Debt	-	-	(41,503)	(41,503)
Proceeds from Sales of Capital Assets	-	-	25,751	25,751
Net Cash Used by Capital and Related Financing Activities	-	-	(1,075,766)	(1,075,766)
Cash Flows from Investing Activities				
Investment purchases	(8,218)	(15,481)	(450,466)	(474,165)
Interest Income on Investments	54,566	15,481	8,524	78,571
Net Cash Provided (Used) by Investing Activities	46,348	-	(441,942)	(395,594)
Net Increase (Decrease) in Cash and Cash Equivalents	1,044,598	2,779,273	(382,589)	3,441,282
Cash and Cash Equivalents at Beginning of Year	1,427,592	892,738	277,894	2,598,224
Cash and Cash Equivalents at End of Year	\$ 2,472,190	\$ 3,672,011	\$ (104,695)	\$ 6,039,506

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COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
For Fiscal Year Ended September 30, 2018

	Risk Management	Employee Benefit	Fleet Services	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ 1,267,023	\$ 2,961,896	\$ (742,910)	\$ 3,486,009
Depreciation	-	-	585,684	585,684
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,229)	2,033	(13,646)	(13,842)
Decrease in Deferred Outflows - OPEB	-	-	11,978	11,978
(Increase) in Inventory	-	-	(70,749)	(70,749)
Decrease in Prepaid Expenses	8,160	-	-	8,160
(Decrease) in Accounts Payable	(22,036)	(240,156)	(19,474)	(281,666)
(Decrease) in Accrued Liabilities	(3,008)	(55,335)	(10,731)	(69,074)
Increase in Total OPEB Liability	-	-	2,435	2,435
Decrease in Compensated Absences	-	-	(42,689)	(42,689)
Increase (Decrease) in Claims Payable	(224,000)	112,308	-	(111,692)
Decrease in Deferred Inflows - OPEB	-	-	(4,413)	(4,413)
Total Adjustments	(243,113)	(181,150)	438,395	14,132
Net Cash Provided by (Used) in Operating Activities	\$ 1,023,910	\$ 2,780,746	\$ (304,515)	\$ 3,500,141

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

PENSION TRUST FUNDS

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

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

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

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
September 30, 2018

ASSETS	Police Officers	Fire Fighters	General Employees	Total
Cash and Cash Equivalents	\$ 2,859,172	\$ 1,963,324	\$ 5,515	\$ 4,828,011
Investments, at fair value:				
Common Stock	40,426,502	27,019,380	-	67,445,882
Domestic Equity Funds	6,178,905	3,853,216	125,717	10,157,838
U.S. Government securities	18,221,670	12,391,960	-	30,613,630
Corporate Bonds	4,959,069	3,236,761	-	8,195,830
Bond Funds	-	-	69,010	69,010
International Equity Funds	14,147,879	13,844,866	-	27,992,745
Real Estate Funds	11,008,766	11,008,766	-	22,017,532
Convertible Securities	10,420,253	10,251,064	-	20,671,317
Master Limited Partnership	3,146,132	3,146,132	-	6,292,264
Total investments	108,509,176	84,752,145	194,727	193,456,048
Receivables:				
Accrued Interest and Dividends	189,650	141,755	-	331,405
Due from Broker	472,053	373,347	-	845,400
Other	91,707	10,080	-	101,787
Total Receivables	754,356	525,414	(1,178)	1,278,592
Other assets:	21,627	16,949	84	38,660
Total Assets	112,144,331	87,257,832	199,148	199,601,311
LIABILITIES				
Accounts Payable	160,319	127,710	50	288,079
Defered City Contributions	-	16,106	-	16,106
Due to broker	927,900	724,275	-	1,652,175
Total Liabilities	1,088,219	868,091	50	1,956,360
NET POSITION				
Restricted for Pension Benefits	\$ 111,056,112	\$ 86,389,741	\$ 199,098	\$ 197,644,951

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
For Fiscal Year Ended September 30, 2018**

	Police Officers	Fire Fighters	General Employees	Total
ADDITIONS				
Contributions:				
Employer	\$ 1,699,342	\$ 2,447,652	\$ -	\$ 4,146,994
Employee	638,421	520,927	-	1,159,348
State	793,726	522,880	-	1,316,606
Employee Buybacks	17,077	-	-	17,077
Total Contributions	3,148,566	3,491,459	-	6,640,025
Investment Earnings:				
Net Appreciation in Fair Value of Investments	7,224,686	4,657,153	14,794	11,896,633
Interest and Dividends	3,050,780	2,601,826	3,955	5,656,561
Miscellaneous	2,979	2,321	5	5,305
Total Investment Earnings	10,278,445	7,261,300	18,754	17,558,499
Less: Investment Expenses	589,693	476,188	151	1,066,032
Net investment Income	9,688,752	6,785,112	18,603	16,492,467
Total Additions	12,837,318	10,276,571	18,603	23,132,492
DEDUCTIONS				
Benefits	5,919,212	5,901,654	4,115	11,824,981
Refunds	166,670	41,947	-	208,617
Administrative Expense	306,351	245,013	4,692	556,056
Total Deductions	6,392,233	6,188,614	8,807	12,589,654
Change in Net Position	6,445,085	4,087,957	9,796	10,542,838
Net Position - Beginning of Year	104,611,027	82,301,784	189,302	187,102,113
Net Position - End of Year	\$ 111,056,112	\$ 86,389,741	\$ 199,098	\$ 197,644,951



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STATISTICAL SECTION**FINANCIAL TRENDS**

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

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

REVENUE CAPACITY

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

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

DEBT CAPACITY

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

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

DEMOGRAPHIC, ECONOMIC AND OPERATING INFORMATION

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

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

OTHER

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

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

ADDITIONAL NOTES

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

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

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



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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 39,382,891	\$ 45,103,439	\$ 64,944,616	\$ 62,197,018	\$ 66,933,138	\$ 71,988,153	\$ 70,258,921	\$ 84,756,657	\$ 78,676,964	\$ 87,256,566
Restricted	13,186,748	11,054,682	8,965,925	7,900,735	7,587,515	5,964,416	5,746,759	5,763,641	7,966,761	11,792,213
Unrestricted	9,530,166	9,184,015	(4,638,406)	47,211	(3,145,670)	(6,747,290)	(53,586,502)	(57,691,625)	(55,471,045)	(64,588,210)
Total Governmental Activities Net Position	\$ 62,099,805	\$ 65,342,136	\$ 69,272,135	\$ 70,144,964	\$ 71,374,983	\$ 71,205,279	\$ 22,419,178	\$ 32,828,673	\$ 31,172,680	\$ 34,460,569
Business-Type Activities										
Net Investment in Capital Assets	\$ 37,816,839	\$ 43,159,143	\$ 48,685,483	\$ 60,343,032	\$ 62,299,381	\$ 61,749,179	\$ 58,896,518	\$ 67,665,318	\$ 74,985,257	\$ 83,110,556
Restricted	23,554,282	18,902,136	14,989,123	14,318,054	14,614,847	16,204,682	17,373,682	17,669,639	19,153,725	20,540,196
Unrestricted	20,824,288	21,647,095	20,437,168	9,337,659	8,798,590	8,693,892	13,934,194	11,060,046	9,705,692	14,962,808
Total Business-Type Activities Net Position	\$ 82,195,409	\$ 83,708,374	\$ 84,111,774	\$ 83,998,745	\$ 85,712,818	\$ 86,647,753	\$ 90,204,394	\$ 96,395,003	\$ 103,844,674	\$ 118,613,560
Primary Government										
Net Investment in Capital Assets	\$ 77,199,730	\$ 88,262,582	\$ 113,630,099	\$ 122,540,050	\$ 129,232,519	\$ 133,737,332	\$ 129,155,439	\$ 152,421,975	\$ 153,662,221	\$ 170,367,122
Restricted	36,741,030	29,956,818	23,955,048	22,218,789	22,202,362	22,169,098	23,120,441	23,433,280	27,120,486	32,332,409
Unrestricted	30,354,454	30,831,110	15,798,762	9,384,870	5,652,920	1,946,602	(39,652,308)	(46,631,579)	(45,765,353)	(49,625,402)
Total Primary Government Net Position	\$ 144,295,214	\$ 149,050,510	\$ 153,383,909	\$ 154,143,709	\$ 157,087,801	\$ 157,853,032	\$ 112,623,572	\$ 129,223,676	\$ 135,017,354	\$ 153,074,129

Note: In FY2015, the City implemented the provisions of GASB 68 Accounting and Financial Reporting for Pensions. Additionally, in FY2018 the City implemented the provision of GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. The impact of these Statements caused a negative balance in the City's unrestricted Net Position

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 10,488,716	\$ 8,294,658	\$ 9,660,449	\$ 7,838,165	\$ 15,899,479	\$ 11,320,574	\$ 12,492,364	\$ 18,278,547	\$ 18,030,253	\$ 18,031,358
Public Safety	36,258,434	34,825,258	37,294,661	33,687,869	33,939,602	34,103,180	32,769,687	31,933,038	33,513,185	30,947,636
Physical Environment	1,208,284	555,383	490,105	872,935	769,669	677,359	585,508	570,447	536,267	545,462
Transportation	11,440,490	13,021,454	13,676,102	12,984,446	9,036,843	8,442,089	8,363,210	9,065,890	10,938,430	11,737,057
Economic Environment	3,080,806	1,228,397	2,360,314	1,576,831	2,337,960	1,154,870	1,313,271	1,181,876	1,406,369	1,751,250
Culture/Recreation	10,279,722	9,601,349	8,992,328	3,890,650	3,899,965	4,098,455	4,873,978	3,988,802	5,392,682	4,804,488
Interest on Long-Term Debt	5,835,068	4,888,851	4,449,497	3,441,661	3,149,007	5,263,276	5,017,788	5,102,968	4,321,154	5,208,624
Total Governmental Activities Expenses	78,591,520	72,415,350	76,923,456	64,292,557	69,032,525	65,059,803	65,415,806	70,121,568	74,138,340	73,025,875
Business-Type Activities:										
Water and Wastewater	22,821,351	24,197,960	24,178,305	23,238,071	22,726,306	22,780,534	22,319,745	21,842,674	22,352,343	23,474,356
Building Inspections & Permitting	2,223,127	1,233,060	892,279	712,026	703,220	694,894	761,991	948,470	1,203,472	1,723,865
Stormwater Utility	-	-	3,564,481	3,164,194	3,408,174	3,547,693	3,684,940	3,635,942	4,087,303	5,562,055
Solid Waste	-	-	-	-	5,050,744	5,107,458	5,332,128	5,367,656	5,378,107	5,042,519
Total Business-Type Activities Expenses	25,044,478	25,431,020	28,635,065	27,114,291	31,888,444	32,130,579	32,098,804	31,794,742	33,021,225	35,802,795
Total Primary Government Expenses	\$ 103,635,998	\$ 97,846,370	\$ 105,558,521	\$ 91,406,848	\$ 100,920,969	\$ 97,190,382	\$ 97,514,610	\$ 101,916,310	\$ 107,159,565	\$ 108,828,670
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,847,118	\$ 2,799,160	\$ 2,739,313	\$ 2,902,743	\$ 2,927,501	\$ 3,196,240	\$ 3,014,113	\$ 3,024,578	\$ 3,107,163	\$ 3,510,018
Public Safety	2,026,650	2,167,865	1,453,430	1,383,344	1,269,430	2,050,531	764,000	824,263	1,015,504	1,074,778
Physical Environment	111,135	135,167	4,979,119	5,136,773	223,441	226,297	232,242	281,573	314,000	421,054
Transportation	715,740	782,820	1,884,626	1,055,081	952,387	597,809	1,710,317	1,871,355	2,511,864	3,420,947
Economic Environment	1,348,931	687,998	45,299	27,433	72,764	139,089	103,081	109,255	299,757	272,945
Culture/Recreation	5,790,251	5,322,674	5,674,661	259,619	336,261	383,348	460,205	870,841	1,776,798	1,746,744
Operating Grants and Contributions	5,586,975	7,310,174	6,585,450	3,139,324	1,938,613	1,095,233	780,996	1,713,078	1,797,091	3,238,810
Capital Grants and Contributions	1,733,106	574,722	469,643	610,535	10,132,184	6,137,400	3,187,506	14,539,432	156,824	383,046
Total Governmental Activities Program Revenues	20,159,906	19,780,580	23,831,541	14,514,852	17,852,581	13,825,947	10,252,460	23,234,375	10,979,001	14,068,342
Business-Type Activities:										
Charges for Services	22,200,034	23,477,022	27,765,064	26,861,196	33,812,755	34,289,146	35,731,792	37,513,330	39,583,404	49,570,994
Operating Grant and Contributions	183,392	24,862	-	54,425	-	19,965	-	-	264,422	924,986
Capital Grants and Contributions	6,374,906	4,505,547	3,078,516	921,157	259,698	562,976	1,211,678	1,690,644	2,072,222	2,679,813
Total Business-Type Activities Program Revenues	28,758,332	28,007,431	30,843,580	27,836,778	34,072,453	34,872,087	36,943,470	39,203,974	41,920,048	53,175,793
Total Primary Government Program Revenues	\$ 48,918,238	\$ 47,788,011	\$ 54,675,121	\$ 42,351,630	\$ 51,925,034	\$ 48,698,034	\$ 47,195,930	\$ 62,438,349	\$ 52,899,049	\$ 67,244,135
Net (Expense)/Revenue										
Governmental Activities	\$ (58,431,614)	\$ (52,634,770)	\$ (53,091,915)	\$ (49,777,705)	\$ (51,179,944)	\$ (51,233,856)	\$ (55,163,346)	\$ (46,887,193)	\$ (63,159,339)	\$ (58,957,533)
Business-Type Activities	3,713,854	2,576,411	2,208,515	722,487	2,184,009	2,741,508	4,844,666	7,409,232	8,898,823	17,372,998
Total Primary Government Net Expense	\$ (54,717,760)	\$ (50,058,359)	\$ (50,883,400)	\$ (49,055,218)	\$ (48,995,935)	\$ (48,492,348)	\$ (50,318,680)	\$ (39,477,961)	\$ (54,260,516)	\$ (41,584,535)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 25,912,020	\$ 27,399,051	\$ 24,606,678	\$ 22,759,737	\$ 22,247,692	\$ 22,257,795	\$ 23,657,324	\$ 24,728,117	\$ 27,050,557	\$ 29,893,290
Franchise Fees	6,361,164	5,731,594	5,281,867	4,935,960	4,958,135	5,330,303	5,414,637	5,367,504	5,440,630	5,588,373
Utility Service Taxes	6,317,399	6,847,450	6,732,890	6,865,192	7,304,617	7,883,592	7,978,611	8,288,194	8,529,879	8,878,776
Communication Service Taxes	3,766,126	3,739,028	3,521,956	3,446,340	3,313,753	3,014,756	2,953,713	2,756,084	2,569,293	2,638,032
State Revenue Sharing	6,932,441	6,966,869	7,221,568	7,633,919	8,282,875	8,848,921	9,691,968	10,074,949	10,910,021	11,579,482
Gas Tax	2,421,074	2,369,610	2,390,212	3,105,994	3,284,506	3,287,172	3,490,076	3,854,156	4,089,629	3,744,098
Investment Earnings	518,729	305,744	122,491	90,002	33,628	72,435	108,870	129,394	283,435	675,851
Miscellaneous	415,116	322,372	637,595	486,691	1,146,588	783,037	560,143	548,241	840,762	653,012
Transfers	2,550,273	2,195,383	2,480,899	1,326,699	903,994	1,170,069	1,607,411	1,549,049	1,789,140	2,087,287
Total Governmental Activities	55,194,342	55,877,101	52,996,156	50,650,534	51,475,788	52,648,080	55,462,754	57,295,688	61,503,346	65,738,201
Business-Type Activities:										
Investment Earnings	1,386,789	1,163,855	649,777	473,724	399,973	246,593	287,353	318,936	316,365	454,585
Miscellaneous	16,246	(31,918)	26,007	17,459	34,085	21,271	32,033	11,490	23,623	31,314
Transfers	(2,550,273)	(2,195,383)	(2,480,899)	(1,326,699)	(903,994)	(1,170,069)	(1,607,411)	(1,549,049)	(1,789,140)	(2,087,287)
Total Business-Type Activities	(1,147,238)	(1,063,446)	(1,805,115)	(835,516)	(469,936)	(902,205)	(1,288,025)	(1,218,623)	(1,449,152)	(1,601,388)
Total Primary Government	\$ 54,047,104	\$ 54,813,655	\$ 51,191,041	\$ 49,815,018	\$ 51,005,852	\$ 51,745,875	\$ 54,174,729	\$ 56,077,065	\$ 60,054,194	\$ 64,136,813
Special Item	\$ -	\$ -	\$ 4,025,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental Activities	\$ (3,237,272)	\$ 3,242,331	\$ 3,929,999	\$ 872,829	\$ 295,844	\$ 1,414,224	\$ 299,407	\$ 10,409,495	\$ (1,655,993)	\$ 6,780,668
Business-Type Activities	2,566,616	1,512,965	403,400	(113,029)	1,714,073	1,839,303	3,556,641	6,190,609	7,449,671	15,771,610
Total Primary Government	\$ (670,656)	\$ 4,755,296	\$ 4,333,399	\$ 759,800	\$ 2,009,917	\$ 3,253,527	\$ 3,856,048	\$ 16,600,104	\$ 5,793,678	\$ 22,552,278

Source: City of Palm Bay Finance Department

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2018	
General Fund										
Reserved	\$ 34,259	\$ 20,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,653,481	5,769,980	-	-	-	-	-	-	-	-
Nonspendable	-	-	7,836	5,743	1,647,185	61,938	46,334	39,002	21,112	32,134
Committed	-	-	-	-	-	227,109	184,176	184,628	193,358	3,032,788
Assigned	-	-	1,539,853	1,525,044	525,456	82,644	152,211	50,883	149,855	154,098
Unassigned	-	-	4,530,160	7,069,823	9,833,161	9,668,623	7,899,629	8,900,069	8,267,662	11,753,606
Total General Fund	\$ 6,687,740	\$ 5,790,912	\$ 6,077,849	\$ 8,600,610	\$ 12,005,802	\$ 10,040,314	\$ 8,282,350	\$ 9,174,582	\$ 8,631,987	\$ 14,972,626
All Other Governmental Funds										
Reserved	\$ 16,479,904	\$ 14,891,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	2,169,036	535,780	-	-	-	-	-	-	-	-
Special Revenue Funds	8,770,729	9,221,859	-	-	-	-	-	-	-	-
Debt Service Funds	3,528,314	3,246,773	-	-	-	-	-	-	-	-
Capital Projects Funds	9,167,355	7,903,411	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	1,048,796	15,980	17,289	870	4,979
Restricted	-	-	16,747,649	12,669,953	10,664,652	9,875,846	14,941,367	9,604,137	11,745,717	13,495,777
Committed	-	-	11,126	11,126	-	22,320	2,717,649	2,991,029	3,193,172	11,568,282
Assigned	-	-	201,780	391,769	-	82,497	144,627	647,747	692,699	659,468
Unassigned	-	-	(917,839)	(1,945,502)	(1,849,913)	(883,982)	(1,109,237)	(831,310)	(639,711)	(640,598)
Total All Other Governmental Funds	\$ 40,115,338	\$ 35,799,345	\$ 16,042,716	\$ 11,127,346	\$ 8,814,739	\$ 10,145,477	\$ 16,710,386	\$ 12,428,892	\$ 14,992,747	\$ 25,087,908

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 39,099,824	\$ 41,039,594	\$ 37,925,252	\$ 36,710,391	\$ 36,679,583	\$ 36,976,223	\$ 38,618,035	\$ 40,176,777	\$ 42,789,546	\$ 45,720,435
Impact Fees	965,755	960,804	1,027,028	372,457	720,155	639,943	1,877,655	2,176,573	2,963,444	3,849,450
Licenses and Permits	6,395,039	5,760,068	5,304,766	4,955,478	4,970,086	5,335,605	5,423,766	5,376,631	5,449,708	5,605,873
Intergovernmental Revenues	18,131,733	18,122,233	18,295,184	11,413,620	20,481,781	16,274,115	13,756,149	14,579,032	13,694,884	15,871,102
Charges for Services	4,159,430	3,292,144	8,684,082	9,237,360	3,975,672	3,555,264	3,060,208	3,381,246	3,897,960	4,613,847
Fines and Forfeitures	1,294,766	1,577,268	1,020,034	1,011,608	791,871	1,553,992	527,797	553,825	580,173	604,150
Investment Income	484,511	291,246	121,702	88,203	32,488	72,233	105,157	120,831	240,902	597,276
Contributions	1,412,220	1,704,617	1,281,897	-	-	-	-	-	-	-
Miscellaneous Revenues	793,161	659,167	994,753	745,030	1,213,985	1,050,804	674,725	669,186	970,787	700,513
Total Revenues	72,736,439	73,407,141	74,654,698	64,534,147	68,865,621	65,458,179	64,043,492	67,034,101	70,587,404	77,562,646
Expenditures										
General Government	9,949,203	9,127,668	9,337,427	7,526,638	7,753,501	10,628,283	10,823,743	14,493,101	15,234,453	18,191,610
Public Safety	34,201,555	34,312,623	34,586,291	32,154,990	33,402,862	33,218,144	32,918,077	31,307,440	32,606,478	33,194,023
Physical Environment	991,306	301,606	211,012	92,382	990	12,711	-	-	-	-
Transportation	8,041,241	9,413,087	9,642,321	9,429,373	5,282,387	4,580,076	4,624,274	4,599,336	6,509,086	7,901,067
Economic Environment	3,079,893	1,228,397	1,733,091	1,574,094	1,096,703	988,309	1,001,717	691,830	491,654	802,224
Culture/Recreation	9,377,080	8,585,222	7,714,253	3,392,219	3,510,980	3,791,612	4,550,190	3,610,577	4,519,649	4,293,661
Debt Service:										
Principal Retirement	2,368,676	3,682,804	16,351,987	2,221,789	2,217,335	2,460,197	1,967,805	2,344,046	2,564,622	2,506,898
Interest and Fiscal Charges	5,668,839	4,768,607	4,518,073	3,339,325	3,219,159	3,959,193	4,505,412	4,431,182	4,387,618	4,261,115
Bond Issue Costs	2,000	-	133,096	-	-	-	-	-	-	-
Capital Outlay	9,067,321	11,389,623	14,314,045	6,696,831	14,120,928	8,360,630	4,788,835	11,238,697	3,175,468	4,361,160
Total Expenditures	82,747,114	82,809,637	98,541,596	66,427,641	70,604,845	67,999,155	65,180,053	72,716,209	69,489,028	75,511,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,010,675)	(9,402,496)	(23,886,898)	(1,893,494)	(1,739,224)	(2,540,976)	(1,136,561)	(5,682,108)	1,098,376	2,050,888
Other Financing Sources (Uses)										
Transfers In	10,333,769	10,967,555	9,474,108	7,048,290	9,253,219	11,746,077	10,416,938	11,192,306	10,210,916	10,230,312
Transfers Out	(8,645,122)	(9,802,172)	(8,117,209)	(7,547,405)	(7,915,475)	(10,484,089)	(9,217,429)	(10,262,545)	(9,669,517)	(9,753,116)
Proceeds From Sale of Capital Assets	-	-	-	-	-	-	-	409,500	330,390	566,866
Issuance of Debt	-	-	5,485,000	-	-	-	4,744,000	-	-	8,977,500
Issuance of Refunding Debt	-	-	-	-	2,268,000	54,740,000	-	15,922,652	3,983,000	-
Proceeds From Capital Leases	302,655	3,024,022	-	-	506,890	-	-	754,000	-	4,363,350
Payment to Refunded Bond Escrow Agent	-	-	-	-	(2,215,000)	(54,095,765)	-	(15,723,067)	(3,931,905)	-
Total Other Financing Sources (Uses)	1,991,302	4,189,405	6,841,899	(499,115)	1,897,634	1,906,223	5,943,509	2,292,846	922,884	14,384,912
Special Item	-	-	(2,424,693)	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ (8,019,373)	\$ (5,213,091)	\$ (19,469,692)	\$ (2,392,609)	\$ 158,410	\$ (634,753)	\$ 4,806,948	\$ (3,389,262)	\$ 2,021,260	\$ 16,435,800
Debt Service as a Percentage of Noncapital Expenditures	10.90%	12.46%	24.33%	9.36%	9.73%	10.79%	10.76%	11.08%	10.61%	9.82%

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

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

Source: City of Palm Bay Finance Department

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

Fiscal Year Ended September 30	Centrally Assessed	Real Property	Personal Property	Total Estimated Actual Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2018	\$ 4,286,855	\$ 6,557,914,630	\$ 292,093,163	\$ 6,854,294,648	\$ 3,257,123,697	\$ 3,597,170,951	8.4500
2017	4,043,730	5,826,201,100	302,075,674	6,132,320,504	2,864,512,704	3,267,807,800	8.4500
2016	3,680,327	5,004,843,870	285,414,593	5,293,938,790	2,325,206,127	2,968,732,663	8.5000
2015	2,770,508	4,482,050,210	305,316,609	4,790,137,327	1,994,187,604	2,794,652,213	8.6326
2014	2,339,055	3,974,742,930	302,825,423	4,279,907,408	1,640,796,077	2,639,111,331	8.6326
2013	2,845,608	3,742,718,710	299,963,912	4,045,528,230	1,531,359,937	2,514,168,293	9.0000
2012	3,045,632	3,881,723,920	267,824,965	4,152,594,517	1,565,788,444	2,586,806,073	9.0000
2011	2,922,219	4,807,504,670	312,268,802	5,122,695,691	1,787,027,471	3,335,668,220	7.5000
2010	3,242,757	5,803,424,830	350,996,460	6,157,664,047	2,099,481,373	4,058,182,674	6.8165
2009	3,349,136	7,363,902,660	337,146,083	7,704,397,879	2,657,033,779	5,047,364,100	5.3000

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

Fiscal Year	City of Palm Bay Direct Rates			Overlapping Rates Brevard County			Total Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Total Direct Rates	Operating Millage	School District	Special Districts	
2018	8.4500	-	8.4500	5.6025	6.5680	0.3981	21.0186
2017	8.4500	-	8.4500	5.8548	6.9160	0.4212	21.6420
2016	8.5000	-	8.5000	6.0692	7.2750	0.4412	22.2854
2015	8.6326	-	8.6326	6.2310	7.3390	0.4633	22.6659
2014	8.6326	-	8.6326	6.3979	7.6060	0.4752	23.1117
2013	9.0000	-	9.0000	6.5199	8.0960	0.4782	24.0941
2012	9.0000	-	9.0000	6.5199	8.1120	0.4782	24.1101
2011	7.5000	-	7.5000	5.8249	7.6530	0.5627	21.5406
2010	6.8165	-	6.8165	5.1077	7.6870	0.5627	20.1739
2009	5.3000	-	5.3000	5.2628	7.6610	0.5627	18.7865

Source: Brevard County Tax Collector

PRINCIPAL PROPERTY TAXPAYERS
September 30, 2018

Taxpayers	2018			2009		
	Taxes Assessed	Rank	Percentage of Total Taxes Levied	Taxes Assessed	Rank	Percentage of Total Taxes Levied
Harris Corporation	\$ 305,783	1	1.0%	\$ 213,516	1	0.9%
CAPE, LLC	163,058	2	0.5%			
WE Lighthouse Pointe Owner LLC	135,200	3	0.4%			
Renasas Electronics America Inc	134,355	4	0.4%	126,140	2	0.5%
WRH Madalyn Landing LLLP	133,933	5	0.4%			
WSL Glenbrooke Investors V LLC	121,142	6	0.4%	94,340	3	0.4%
AMFP IV Vinings LLC	107,822	7	0.4%	71,550	6	0.3%
Palm Bay Shopping Plaza LLC	103,935	8	0.3%	84,800	5	0.4%
Wal-Mart Stores East LP	87,035	9	0.3%	68,900	8	0.3%
Rivera Terrace Properties LLC	79,751	10	0.3%			
H F Partnership LLP	76,684	11	0.3%	62,540	9	0.3%
Palm Bay Improvements LLC	70,135	12	0.2%	55,650	10	0.2%
Palm Bay Storage 18 (FL) LLC	69,713	13	0.2%			
Bayside Lakes LLP	68,023	14	0.2%			
The Pavilions at Monterey LLC	64,550	15	0.2%			
Bass Pro Outdoor World LLC	64,009	16	0.2%			
Park at Palm Bay LP	61,858	17	0.2%			
Villas at Palm Bay LLC	61,685	18	0.2%			
Palm Bay Partners LLC	59,150	19	0.2%			
Harris Corporation	58,305	20	0.2%			
Moallem, David	-	-	-	91,095	4	0.4%
Capstone Capital Corp	-	-	-	69,006	7	0.3%
Total	\$ 2,026,126		6.8%	\$ 937,537		3.9%

Source: Brevard County Tax Collector

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2018	\$ 30,396,095	\$ 29,713,617	97.8%	\$ 179,673	\$ 29,893,290	98.3%
2017	27,612,976	26,938,819	97.6%	111,738	27,050,557	98.0%
2016	25,234,228	24,629,466	97.6%	99,651	24,729,117	98.0%
2015	24,125,115	23,528,650	97.5%	128,673	23,657,323	98.1%
2014	22,782,392	22,130,096	97.1%	127,699	22,257,795	97.7%
2013	22,627,515	21,817,153	96.4%	430,539	22,247,692	98.3%
2012	23,281,255	22,608,173	97.1%	151,563	22,759,737	97.8%
2011	25,017,512	24,376,725	97.4%	229,953	24,606,678	98.4%
2010	27,662,602	26,742,020	96.7%	657,031	27,399,051	99.0%
2009	26,751,030	25,099,966	93.8%	812,054	25,912,020	96.9%

Source: City of Palm Bay Finance Department

**RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities												Business-Type Activities					% of Personal Income	Per Capita
	Municipal Service Tax Bonds	Local Option Gas Tax Bonds	Taxable Special Obligation Bonds	Sales Tax Revenue Bonds	TSO Refunding Bonds	Sales Tax Refunding Bonds*	Capital Leases	BCRA Notes Payable	PST Loan Payable	FMLC Comm Paper Notes	LOGT Refunding Notes	2015 Franchise Fee Revenue Notes	2016 Franchise Fee Revenue Notes	Utility Revenue Bonds	Utility Notes	Capital Leases	Total Primary Government		
2018	\$ 5,175,000	\$ -	\$ 519,121	\$ -	\$ 50,855,000	\$ 14,789,415	\$ 4,624,767	\$ 2,505,000	\$ -	\$ -	\$ 10,846,000	\$ 3,873,000	\$ 3,892,000	\$ 7,459,667	\$ 2,695,700	\$ 561,614	\$ 107,796,284	4.34%	956
2017	5,330,000	-	573,305	-	50,855,000	15,330,494	793,941	2,865,000	-	-	2,446,000	4,313,000	3,983,000	8,373,342	31,935,000	840,174	127,638,256	5.51%	1,154
2016	5,485,000	-	4,652,695	-	50,855,000	15,896,573	1,382,836	3,210,000	-	-	3,041,000	4,744,000	-	9,953,729	37,200,000	1,109,260	137,530,093	6.04%	1,260
2015	5,485,000	-	4,784,387	15,853,121	50,855,000	-	965,385	3,545,000	761,000	-	3,625,000	4,744,000	-	26,940,143	28,000,000	1,369,194	146,927,230	6.46%	1,367
2014	5,485,000	-	4,917,880	15,890,000	50,855,000	-	379,686	3,865,000	1,519,000	-	3,885,000	-	-	29,197,731	31,590,000	1,620,288	149,204,585	7.03%	1,410
2013	5,485,000	4,455,000	42,999,258	16,285,000	-	-	606,146	4,170,000	2,268,000	-	-	-	-	63,561,079	-	-	139,829,483	6.56%	1,336
2012	8,370,000	4,905,000	43,226,447	16,665,000	-	-	2,436,369	4,465,000	-	-	-	-	-	68,586,012	-	-	148,653,828	7.37%	1,434
2011	9,015,000	5,340,000	43,351,447	17,030,000	-	-	2,827,874	4,750,000	-	-	-	-	-	73,234,911	-	-	155,549,232	7.59%	1,503
2010	4,150,000	5,755,000	43,421,447	17,380,000	-	-	23,861,281	5,020,000	-	13,981,000	-	-	-	95,658,103	-	-	209,226,831	9.71%	2,023
2009	4,745,000	6,160,000	43,506,447	17,720,000	-	-	21,405,525	5,280,000	-	15,498,000	-	-	-	100,344,685	-	-	214,659,657	10.14%	2,096

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

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

*Includes unamortized premium

Source: City of Palm Bay Finance Department

DIRECT AND OVERLAPPING BONDED DEBT – GENERAL OBLIGATION BONDS
September 30, 2018

Taxing District	Assessed Valuation	Net Debt Outstanding	Overlapping	City's Share of Debt
Brevard County	\$ 37,698,498,609	\$ 46,145,107	10.58%	\$ 4,881,264
City of Palm Bay Governmental Activities Direct Debt				
Bonds Payable		\$ 71,338,537		
Notes Payable		21,116,000		
Capital Leases		4,624,767		<u>97,079,304</u>
Total Direct and Overlapping Governmental Activities Debt				<u><u>\$ 101,960,568</u></u>

Notes: Based on 2018 estimated taxable assessed valuation.
 The percentage of overlapping debt is estimated using taxable property values.
 The calculation was derived by dividing the City's total taxable value by the total
 Outstanding debt for Brevard County

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

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2018	\$ 28,248,280	\$ 15,678,734	\$ 12,569,546	\$ 5,420,748	\$ 1,809,119	1.74
2017	28,099,716	14,188,214	13,911,502	5,367,565	1,862,622	1.92
2016	26,930,542	13,565,725	13,364,817	4,622,371	2,072,108	2.00
2015	25,606,702	13,713,299	11,893,403	5,365,152	2,282,307	1.56
2014	24,556,798	13,261,955	11,294,843	4,608,347	2,937,545	1.50
2013	23,869,662	12,972,795	10,896,867	4,874,933	3,679,346	1.27
2012	23,351,079	12,772,311	10,578,768	4,503,899	3,396,741	1.34
2011	23,092,830	11,926,644	11,166,186	4,728,192	3,894,598	1.29
2010	23,521,722	12,148,574	11,373,148	4,546,582	4,373,963	1.27
2009	22,093,387	11,751,890	10,341,497	4,152,876	4,250,357	1.23

Notes:

(1) Operating Revenue includes interest income.

(2) Direct Operating Expenses are operating expenses excluding depreciation and amortization.

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

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

Source: City of Palm Bay Finance Department

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Years

Year	Population	Personal Income (thousands)	Per Capita Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2018	112,703	\$ 2,483,072	\$ 22,032	40.8	14.1	14,587	3.1%
2017	110,623	\$ 2,316,335	\$ 20,939	43.0	14.1	14,711	3.8%
2016	109,162	2,277,447	20,863	40.7	14.1	14,661	5.4%
2015	107,481	2,276,018	21,176	40.6	14.0	14,896	5.9%
2014	105,815	2,121,273	20,047	40.3	14.0	14,618	6.5%
2013	104,693	2,130,607	20,351	39.9	14.0	14,386	7.4%
2012	103,681	2,017,529	19,459	38.7	14.1	14,422	9.4%
2011	103,504	2,048,448	19,791	38.9	14.1	13,386	10.3%
2010	103,422	2,155,004	20,837	38.0	14.1	14,677	12.1%
2009	102,397	2,117,774	20,682	38.1	13.9	14,612	11.9%

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

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

Employer	2018			2009		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% Total Employment
Harris Corporation	3,450	1	6.74%	5,699	1	12.22%
Brevard County School Board	1,933	2	3.78%	1,442	2	3.09%
City of Palm Bay	824	3	1.61%	867	3	1.86%
Palm Bay Hospital	600	4	1.17%	621	4	1.33%
Publix (3 of 3 locations reported)	445	5	0.87%	240	10	0.51%
Wal*Mart	390	6	0.76%	416	8	0.89%
Intersil	378	7	0.74%	564	6	1.21%
Eastern Florida State College	249	8	0.49%	226	11	0.48%
Winn Dixie (2 locations)	194	9	0.38%	255	9	0.55%
Home Depot	160	10	0.31%	127	12	0.27%
Lowe's	150	11	0.29%	106	13	0.23%
AARP Corp	145	12	0.28%	0		0.00%
Bass Pro Shop	120	13	0.23%	0		0.00%
MC Assembly	0		0.00%	595	5	1.28%
DRS Optronics (2 locations)	0		0.00%	551	7	1.18%
Global Wireless	0		0.00%	85	15	0.18%
Palm Bay Comm.Charter Sch.-Patriot	0		0.00%	88	14	0.19%
Totals	<u>9,038</u>		<u>17.65%</u>	<u>11,882</u>		<u>25.48%</u>

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

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

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

Function/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Legislative	4	4	4	4	4	4	4	4	4	4
Management	5	5	5	6	6	7	7	10	11	12
Finance	16	16	22	20	19	18	36	35	32	32
Procurement	6	6	-	-	-	-	-	-	-	-
Community Planning	2	2	2	2	2	2	2	2	2	15
Other	61	59	58	38	36	32	29	31	31	36
Public Safety										
Police	236	236	243	249	249	251	250	261	265	271
Fire	137	136	136	134	133	133	138	130	131	139
Code Enforcement	9	9								
Building	30	23	17	15	14	13	14	17	24	29
Physical Environment										
Utilities	141	132	135	135	134	133	118	120	118	118
Economic Environment										
Economic /Neighborhood Development	7	8	7	4	4	5	6	9	9	9
Transportation										
Public Works	128	128	126	120	120	121	117	127	120	131
Culture/Recreation										
Parks	54	55	52	52	50	50	54	58	58	71
Total	836	819	807	779	771	769	775	804	805	867

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

Source: City of Palm Bay Budget Division

CAPITAL ASSETS STATISTICS
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol Units	118	125	125	125	127	127	127	127	127	127
Policemen and Officers	160	159	160	160	160	152	160	166	166	166
Fire										
Stations	6	6	6	6	6	5	5	5	5	5
Firefighters and Officers	122	125	123	135	123	122	122	127	118	118
Public Works										
Streets (miles)	865.37	865	865	865	865	862	862	862	862	862
Street lights	5108	5108	5108	3968	3960	3960	3960	3960	3960	3960
Parks and Recreation										
Community Centers	3	2	2	1	1	1	1	1	1	1
Developed Parks	32	32	32	31	31	31	31	25	25	25
Acreage of developed parks	515	515	515	315	314	314	314	241	241	241
Acreage of all park land	2225	2225	2225	2025	2025	2025	2025	1674	1674	1674
Water System										
Water mains (miles)	618	619	617	614	614	604	603	596	580	551
Fire hydrants	2908	2913	2899	2888	2888	2886	2886	2833	2739	2746
Treatment plants	3	3	3	3	3	3	3	3	3	3
Service connections	34439	33840	33221	32812	32495	32232	31811	31630	31145	30339
Capacity (mgd)	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Wastewater System										
Sanitary sewer lines (miles)	296	307	301	295	295	295	290	290	290	290
Treatment plants	2	2	2	2	2	2	2	2	2	2
Service connections - sewer	17075	16858	16484	16221	16023	15323	15031	14909	14807	14455
Service connections - reclaimed water	427	427	427	425	425	424	421	420	416	105
Treatment capacity (mgd)	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2

Source: Various City Department

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Physical Arrests	3,273	3,770	2,530	3,076	3,612	3,295	3,504	4,655	3,715	3,805
Parking Violations	-	1	-	11	11	5	10	257	317	24
Traffic Tickets	4,577	4,185	3,842	4,847	5,765	6,361	6,626	9,998	16,785	17,394
Total Traffic Stops	17,760	14,524	11,075	10,568	12,731	12,009	22,117	22,424	39,851	31,685
Calls for Service	100,309	98,155	87,635	143,882	159,576	148,938	229,903	243,417	195,756	202,348
Fire										
Number of calls for service	14,713	14,761	14,443	13,408	12,285	11,683	11,317	11,115	10,520	10,263
Number of fires extinguished	430	465	405	280	275	275	251	450	455	320
Public Works										
Refuse Collection (pounds) (2)	-	-	-	-	-	-	-	61,540	115,690	138,913
New Street Miles	-	-	-	-	-	-	-	-	-	-
Canal Clearing (3)	986,836	498,088	716,105	16,888	4,820	34,071	67,238	N/A	N/A	N/A
New Street (1)	-	-	-	-	1	-	-	-	-	-
Potholes repaired	1,245	1,294	1,275	1,441	1,286	1,108	888	620	946	1,190
Parks and Recreation										
Community Center Attendance	19,000	17,340	12,989	18,690	20,341	18,827	15,614	20,545	26,501	23,701
Camp Programs	960	877	1,160	790	566	457	405	87	275	303
Program Membership	6,000	5,157	6,764	4,363	4,344	2,031	928	1,341	1,396	1,328
Water System										
New Connections	668	559	409	317	263	421	181	485	806	499
Water main breaks	4	-	-	1	1	1	1	8	16	8
Average daily consumption (millions of gallons)	7	7	7	6	6	6	6	6	6	6
Active accounts	34,439	33,840	33,221	32,812	32,495	32,232	31,811	31,630	31,145	30,339
Wastewater System										
Average daily sewage treatment (millions of gallons)	4	3	3	3	3	3	3	3	3	3
Active Accounts	17,075	16,858	16,484	16,221	16,023	15,323	15,031	14,949	14,807	14,455
Building										
Total Inspections	26,035	16,455	12,874	10,461	9,783	8,006	7,990	8,497	8,851	9,216
Permits Issued	11,415	7,696	6,328	5,468	4,823	4,131	3,980	4,332	4,473	4,328

Source: Various City Departments

(1) Information could not be retrieved

(2) No longer being tracked

(3) Started tracking in 2012 - decrease in 2014 due to concentration on drainage cleaning.
In 2016, canal clearing transitioned to a more accurate GIS information tracking system.
This accounts for the large variance.

Source: Various City Departments

IMPACT FEE COLLECTIONS AND BALANCES
Last Ten Fiscal Years

Collections					
Fiscal Year	Police Impact Fees	Fire Impact Fees	Parks Impact Fees	Transportation Impact Fees	Total Collections
2018	\$ 30,022	\$ 217,586	\$ 508,618	\$ 3,147,058	\$ 3,903,284
2017	28,369	193,301	437,373	2,326,002	2,985,045
2016	21,970	145,907	325,258	1,688,950	2,182,085
2015	19,636	121,065	189,269	1,574,917	1,904,887
2014	10,714	61,972	119,130	454,802	646,618
2013	7,621	54,444	128,377	529,713	720,155
2012	2,396	15,885	42,650	311,526	372,457
2011	6,417	40,492	105,915	1,105,388	1,258,212
2010	7,114	49,204	121,662	906,921	1,084,901
2009	13,370	82,651	153,867	859,033	1,108,920

Balances				
Type	Balance at beginning of Fiscal Year	Collections	Uses	Balance at end of Fiscal Year
Police Impact Fees	\$ 46,539	\$ 30,022	\$ 21,246	\$ 55,315
Fire Impact Fees	273,539	217,586	121,666	369,459
Parks Impact Fees	744,400	508,618	431,289	821,729
Transportation Impact Fees	2,981,648	3,147,058	1,229,307	4,899,399
Totals	\$ 4,046,126	\$ 3,903,284	\$ 1,803,508	\$ 6,145,902

Significant Usage	
Fred Poppe Regional Park Sign	37,065
Musco Control Link/Lights	44,000
Fred Poppe Regional Park Campground	82,967
Towable Bleachers	177,832
West Melbourne ILA Riviera/Durham Intersection Improvements	65,170
Transfer to Debt Service for 2018 LOGT Note	299,695
Transfers to Debt Service for 2015 Sales Tax Bond	226,823
Transfers to Debt Service for 2014 LOGT Gas Tax Note	625,936
Transfer to Fleet Services for Fire Truck Lease	121,666
Transfer to Fleet Services for portion of Bobcat Loaders	38,987

Note: Collections include interest earnings

Sources: City of Palm Bay Finance Department

UTILITIES DEBT SERVICE APPLICABLE TO TRANSPORTATION PROJECTS
Last Ten Fiscal Years

Fiscal Year	Debt Service			Portion Related To Road Improvements
	Refunding Bonds Series 2005B	Refunding Notes Series 2016	Special Assessment Bonds Series 2003	
2018	\$ -	\$ 1,275,000	\$ 302,178	\$ 675,165
2017	-	1,363,250	870,250	951,703
2016	3,182,706	476,211	246,850	1,677,011
2015	1,777,681		248,250	868,668
2014	1,774,082		248,365	867,169
2013	1,818,251		248,053	886,030
2012	1,465,189		247,403	733,941
2011	1,774,308		246,393	866,437
2010	1,648,158		250,043	813,726
2009	1,656,558		183,274	789,295

Note:

Portion of project costs related to roadway restoration and drainage improvements:

43% for 1998 Utility Revenue Bonds

42% for 2003 Utility Assessment Bonds

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

Source: City of Palm Bay Utilities

Last Ten Fiscal Years						Last Ten Fiscal Years			
Fiscal Year	Electricity	Communication Services	Gas	Water	Total	Fiscal Year	Sales Tax Revenue	Max Annual Debt Service 2015 Bonds	Debt Service Coverage
2018	\$ 7,356,613	\$ 2,638,032	\$ 128,314	\$ 1,393,850	\$ 11,516,809	2018	\$ 6,822,769	\$ 1,054,406	6.47
2017	7,050,646	2,569,292	112,092	1,367,141	11,099,171	2017	6,311,425	1,054,406	5.99
2016	6,862,108	2,756,084	97,281	1,328,805	11,044,278	2016	5,900,650	1,054,406	5.60
2015	6,597,099	2,953,713	100,256	1,281,256	10,932,324	2015	5,627,552	1,162,250	4.84
2014	6,533,657	3,014,756	115,725	1,234,210	10,898,348	2014	5,245,081	1,162,250	4.51
2013	5,994,198	3,313,753	91,033	1,219,386	10,618,370	2013	5,012,444	1,162,250	4.31
2012	5,538,018	3,446,340	120,661	1,206,514	10,311,533	2012	4,790,989	1,162,250	4.12
2011	5,523,218	3,637,601	80,387	1,129,285	10,370,491	2011	4,555,098	1,162,250	3.92
2010	5,691,766	3,854,672	96,210	1,059,474	10,702,122	2010	4,456,874	1,162,250	3.83
2009	5,182,844	3,833,585	94,338	1,040,217	10,150,984	2009	4,484,366	1,162,250	3.86

Historical Pledged State Revenue Sharing Funds

Last Ten Fiscal Years	
Fiscal Year	State Revenue Sharing
2018	\$ 4,690,878
2017	4,525,840
2016	4,109,953
2015	3,997,325
2014	3,603,840
2013	3,270,431
2012	2,842,930
2011	2,666,470
2010	2,509,995

Source: City of Palm Bay Finance Department

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

Fiscal Year	Motor Fuel	Diesel Fuel	Total	Annual Local Option Gas Tax Revenue
2018	\$ 263,674,585	\$ 136,285,660	\$ 399,960,245	\$ 3,744,098
2017	251,459,738	149,535,894	400,995,632	3,854,156
2016	251,459,738	149,535,894	400,995,632	3,854,156
2015	235,247,029	127,886,050	363,133,079	3,490,076
2014	132,380,145	19,992,183	152,372,328	3,287,172
2013	234,444,633	115,596,498	350,041,132	3,284,506
2012	236,330,147	106,207,434	342,537,581	3,105,994
2011	239,919,288	37,011,535	276,930,822	2,390,212
2010	247,235,293	32,236,346	279,471,639	2,369,610
2009	240,360,931	33,874,396	274,235,327	2,421,074

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

DISTRIBUTION OF BREVARD COUNTY LOCAL OPTION GAS TAX REVENUES
Fiscal Year Ended September 30, 2018

Jurisdiction	Percent Share Total	Percent Share Municipalities	2018 Revenue Share
Brevard County	47.14	0.000%	\$ 10,929,219
Cape Canaveral	1.43	3.064%	359,493
Cocoa	2.26	4.777%	617,407
Cocoa Beach	1.54	2.763%	332,157
Grant-Valkaria	0.50	1.016%	145,499
Indialantic	0.47	0.929%	126,995
Indian Harbor Beach	1.46	2.819%	337,235
Malabar	0.46	0.820%	102,670
Melbourne	13.90	26.323%	3,207,765
Melbourne Beach	0.29	0.489%	67,150
Melbourne Village	0.08	0.144%	17,805
Palm Bay	17.68	31.371%	3,893,777
Palm Shores	0.11	0.204%	26,729
Rockledge	3.75	6.947%	847,522
Satellite Beach	2.08	4.084%	445,690
Titusville	4.25	8.994%	1,098,986
West Melbourne	2.60	5.255%	628,478
Total	100.00	100.00%	\$ 23,184,577

Source: Brevard County Board of County Commissioners

UTILITIES DEBT SERVICE COVERAGE
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues	\$ 21,238,898	\$ 22,626,385	\$ 22,511,829	\$ 22,931,067	\$ 23,488,824	\$ 24,336,022	\$ 25,381,193	\$ 26,654,593	\$ 27,831,857	\$ 27,927,138
Interest Income	854,489	895,337	581,001	420,012	380,838	220,776	225,509	275,950	267,859	321,142
Operating Expenses (excl. depreciation/amortization)	(11,751,890)	(12,148,574)	(11,926,644)	(12,772,311)	(12,972,795)	(13,261,955)	(13,713,299)	(13,565,725)	(14,188,214)	(15,678,734)
Net Revenues	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818	\$ 13,911,502	\$ 12,569,546
Restricted MLE Account Balance	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,771,681	1,768,801	1,363,250	1,364,490
MLE Portion Attributable to MLE Expansion %	1,656,558	1,648,158	1,089,046	1,465,189	1,773,251	1,774,082	1,777,681	818,917	1,363,250	1,364,490
Connection Fees Available for Debt Service	4,076,150	4,505,572	4,080,322	3,666,511	3,665,453	3,662,264	3,133,651	3,372,758	3,363,377	3,363,207
Parity Debt Service	\$ 8,403,233	\$ 8,920,545	\$ 7,937,528	\$ 7,900,640	\$ 8,205,614	\$ 7,545,892	\$ 7,647,459	\$ 6,694,479	\$ 7,230,189	\$ 7,229,866
2001 Revenue Bonds	1,400,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,917,135	1,917,675
2002 Refunding Bonds	532,888	536,088	528,238	534,863	535,175	72,658	-	-	-	-
2003 Refunding Bonds	3,783,688	3,784,500	3,787,900	3,787,900	3,784,500	3,298,600	-	-	-	-
2004 Revenue Bonds	190,387	192,087	192,488	192,688	192,688	28,744	-	-	-	-
2005 A Revenue Bonds	839,712	839,712	419,856	-	-	-	-	-	-	-
2005 B Refunding Bonds	1,656,558	1,648,158	1,089,046	1,465,189	1,773,251	1,774,082	1,777,681	342,706	-	-
2014 Refunding Note	-	-	-	-	-	451,808	3,949,778	3,955,562	3,949,801	3,947,701
2016 Refunding Note	-	-	-	-	-	-	-	476,211	1,363,250	1,364,490
Total Debt Service	8,403,233	8,920,545	7,937,528	7,900,640	8,205,614	7,545,892	7,647,459	6,694,479	7,230,186	7,229,866
DEBT SERVICE COVERAGE										
PART A: Parity Debt Service										
Test 1										
Net Revenues	10,341,497	11,373,148	11,166,186	10,578,768	10,896,867	11,294,843	11,893,403	13,364,818	13,911,502	12,569,546
Parity Debt Service Less Portion Attributable to MLE Expansion %	6,746,675	7,272,387	6,848,482	6,435,451	6,432,363	5,771,810	5,869,778	5,875,562	5,866,936	5,865,376
Actual	1.53	1.56	1.63	1.64	1.69	1.96	2.03	2.27	2.37	2.14
Required	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
and										
Test 2										
Net Revenues	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818	\$ 13,911,502	\$ 12,569,546
Restricted MLE Account Balance	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,771,681	1,768,801	1,363,250	1,364,490
Total	\$ 12,025,197	\$ 13,056,848	\$ 12,849,886	\$ 12,262,468	\$ 12,580,567	\$ 12,978,543	\$ 13,665,084	\$ 15,133,619	\$ 15,274,752	\$ 13,934,036
Parity Debt Service	8,403,233	8,920,545	7,937,528	7,900,640	8,205,614	7,545,892	7,647,459	6,694,479	7,230,186	7,229,866
Actual	1.43	1.46	1.62	1.55	1.53	1.72	1.79	2.26	2.11	1.93
Required	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
or										
PART B: Parity Debt Service										
Test 1										
Net Revenues	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818	\$ 13,911,502	\$ 12,569,546
Connection Fees Available for Debt Service	4,076,150	4,505,572	4,080,322	3,666,511	3,665,453	3,662,264	3,133,651	3,372,758	3,363,377	3,363,207
Total	\$ 14,417,647	\$ 15,878,720	\$ 15,246,508	\$ 14,245,279	\$ 14,562,320	\$ 14,957,107	\$ 15,027,054	\$ 16,737,576	\$ 17,274,879	\$ 15,932,753
Parity Debt Service Less Portion Attributable to MLE Expansion %	6,746,675	7,272,387	6,848,482	6,435,451	6,432,363	5,771,810	5,869,778	5,875,562	5,866,936	5,865,376
Actual	2.14	2.18	2.23	2.21	2.26	2.59	2.56	2.85	2.94	2.72
Required	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
and										
Test 2										
Net Revenues	\$ 10,341,497	\$ 11,373,148	\$ 11,166,186	\$ 10,578,768	\$ 10,896,867	\$ 11,294,843	\$ 11,893,403	\$ 13,364,818	\$ 13,911,502	\$ 12,569,546
Connection Fees Available for Debt Service	4,076,150	4,505,572	4,080,322	3,666,511	3,665,453	3,662,264	3,133,651	3,372,758	3,363,377	3,363,207
Restricted MLE Account Balance	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700	1,771,681	1,768,801	1,363,250	1,364,490
Total	\$ 16,101,347	\$ 17,562,420	\$ 16,930,208	\$ 15,928,979	\$ 16,246,020	\$ 16,640,807	\$ 16,798,735	\$ 18,506,377	\$ 18,638,129	\$ 17,297,243
Parity Debt Service	8,403,233	8,920,545	7,937,528	7,900,640	8,205,614	7,545,892	7,647,459	6,694,479	7,230,186	7,229,866
Actual	1.92	1.97	2.13	2.02	1.98	2.21	2.20	2.76	2.58	2.39
Required	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
and										
Proviso										
Net Revenues	10,341,497	11,373,148	11,166,186	10,578,768	10,896,867	11,294,843	11,893,403	13,364,818	13,911,502	12,569,546
Parity Debt Service	\$ 8,403,233	\$ 8,920,545	\$ 7,937,528	\$ 7,900,640	\$ 8,205,614	\$ 7,545,892	\$ 7,647,459	\$ 6,694,479	\$ 7,230,186	\$ 7,229,866
Actual	1.23	1.27	1.41	1.34	1.33	1.50	1.56	2.00	1.92	1.74
Required	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Note: The calculation of Net Revenue only includes utility water and sewer fund activities

Source: City of Palm Bay Billing & Collections Division

UTILITY RATE COMPARISON WITH NEIGHBORING UTILITIES
September 30, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<u>Neighboring Utilities</u>			
City of West Melbourne	\$ 45.63	\$ 38.52	\$ 84.15
City of Daytona Beach	37.93	50.66	88.59
City of Port St. Lucie	28.34	50.14	78.48
City of Palm Bay	32.51	48.28	80.79
City of Melbourne	30.85	46.08	76.93
City of Cocoa	30.41	48.56	78.97
City of Edgewater	35.31	50.45	85.76
City of Holly Hill	35.92	41.33	77.25
Brevard County	26.30	43.62	69.92
Indian River County	19.20	28.88	48.08
City of Vero Beach	17.75	37.84	55.59
City of New Smyrna Bch	16.92	38.96	55.88
City of Ormond Beach	24.62	32.08	56.70
City of Port Orange	24.50	33.45	57.95
Average of Neighboring Utilities	\$ 28.74	\$ 41.58	\$ 70.33

Note:
 Amounts shown are for 5,000 gallons monthly service and reflect standard residential single-family rates effective October 1, 2017 and are exclusive of taxes.

Source: City of Palm Bay Billing & Collections Division

TEN LARGEST WATER AND WASTEWATER SYSTEM CUSTOMERS
September 30, 2018

Water Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	29,881	1.49%	\$ 164,827	1.13%
Woodlake Village Apartments	24,213	1.21%	153,151	1.05%
School Board of Brevard County	18,264	0.91%	114,935	0.79%
Palm Bay Community Hospital	16,503	0.83%	114,410	0.78%
WE Lighthouse Point Owner LLC	13,950	0.70%	86,869	0.60%
WRH Madalyn Landing	13,026	0.65%	72,662	0.50%
Renasas Electronic America Inc	12,685	0.63%	42,667	0.29%
The Park at Palm Bay	12,320	0.62%	72,914	0.50%
Empirian Property Management Inc	9,462	0.47%	61,969	0.42%
The Pines of Palm Bay LLC	9,106	0.46%	59,245	0.41%
Total	159,409	7.97%	\$ 943,650	6.47%

Wastewater Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	29,624	2.80%	\$ 277,420	2.55%
Woodlake Village Apartments	24,213	2.29%	158,669	1.46%
School Board of Brevard County	17,621	1.67%	151,844	1.40%
Palm Bay Community Hospital	16,503	1.56%	68,750	0.63%
WE Lighthouse Point Owner LLC	13,950	1.32%	95,773	0.88%
WRH Madalyn Landing	13,026	1.23%	95,032	0.87%
Renasas Electronic America Inc	12,685	1.20%	62,679	0.58%
The Park at Palm Bay	12,320	1.17%	94,661	0.87%
Empirian Property Management Inc	9,462	0.90%	70,530	0.65%
The Pines of Palm Bay LLC	9,106	0.86%	58,328	0.54%
Total	158,510	15.00%	\$ 1,133,684	10.43%

(1) In thousands of gallons

Source: City of Palm Bay



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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2018

FEDERAL AWARDS				
<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number / Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Pass Through to Subrecipients</u>
<u>U.S. Department of Housing & Urban Development</u>				
Community Development Block Grant / Entitlement grant	14.218	B-14-MC-12-0032	\$ 153,079	\$ 81,234
Community Development Block Grant / Entitlement Grant	14.218	B-15-MC-12-0032	300,877	-
Community Development Block Grant / Entitlement Grant	14.218	B-16-MC-12-0032	475,080	-
Community Development Block Grant / Entitlement Grant	14.218	B-17-MC-12-0032	174,983	-
Total Community Development Block Grant Cluster			1,104,019	81,234
Neighborhood Stabilizaiton Program - NSP 1	14.256	B-08-MN-12-0021	25,247	-
Passed through Brevard County:				
HOME Grant	14.239	M-16-DC-12-0200	60,407	-
Total Passed through Brevard County			85,654	-
Total Department of Housing & Urban Development			1,189,673	81,234
<u>U.S. Department of Justice</u>				
Passed through the Florida Office of the Attorney General:				
Victim Crime Assistance	16.575	D-00275	20,411	-
2016 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0605	41,345	-
Total Passed through the Florida Office of the Attorney General			61,756	-
Equitable Sharing Program	16.922	FL0051200	27,487	-
Total U.S. Department of Justice			89,243	-
<u>U.S. Department of Homeland Security - FEMA</u>				
Passed through Florida Division of Emergency Management				
Disaster Grants - Public Assistance				
(Presidentially Declared Disaster) - Hurricane Matthew	97.036	FEMA-4283-DR-FL	1,214,474	-
(Presidentially Declared Disaster) - Hurricane Irma	97.036	FEMA-4337-DR-FL	338,692	-
Assistance to Firefighters Grant - Fire Exhauste System	97.044	EMW-2016-FO-04058	68,587	-
Assistance to Firefighters Grant	97.044	EMW-2016-FV-01032	390,910	-
Total U.S. Department of Homeland Security			2,012,663	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,291,579	\$ 81,234

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
For the year ended September 30, 2018

STATE AWARDS	<u>CSFA</u>	<u>Grantor</u>	<u>State</u>	<u>Pass Through</u>
Agency/Program	<u>Number</u>	<u>Number</u>	<u>Expenditure</u>	<u>to</u>
				<u>Subrecipients</u>
<u>Florida Department of Environmental Protection</u>				
Statewide Surface Water Restoration and Wasterwater Projects	37.039	S0801	\$ 61,685	\$ -
Statewide Surface Water Restoration and Wasterwater Projects	37.039	LP05073	299,164	-
Total Florida Department of Environmental Protection			<u>360,849</u>	<u>-</u>
<u>Florida Department of Economic Opportunity</u>				
Palm Bay Shoreline Restoration	40.038	HL091	221,479	-
Total Florida Department of Economic Opportunity			<u>221,479</u>	<u>-</u>
<u>Florida Department of Transportation</u>				
Passed through Florida Department of Transportation				
Safe Routes to School - Port Malabar Elementary	20.205	GOX00	21,024	-
Safe Routes to School - Columbia Elementary	20.205	GOX01	30,736	-
Safe Routes to School - Christa McAuliffe Elementary	20.205	GOX02	32,771	-
Safe Routes to School - Discovery Elementary	20.205	GOX03	24,847	-
Safe Routes to School - Jupiter Elementary	20.205	GOX04	52,188	-
Total Florida Department of Transportation			<u>161,566</u>	<u>-</u>
<u>Florida Housing Finance Agency</u>				
State Housing Initiatives Partnership Program	40.901	N/A	146,243	-
Total Florida Housing Finance Agency			<u>146,243</u>	<u>-</u>
TOTAL STATE EXPENDITURES			<u>\$ 890,137</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 4,181,716</u>	<u>\$ 81,234</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND FINANCIAL STATE ASSISTANCE
For Fiscal Year Ended September 30, 2018****NOTE 1 - Basis of Presentation**

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

NOTE 2 - Indirect Cost Rate

The Uniform Guidance allows a City to elect a 10% de minimus indirect cost rate. For the year ended September 30, 2018, the City elected not to use this rate.

NOTE 3 - Non-cash Awards

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



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**INDEPENDENT AUDITOR’S 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***

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Bay, Florida, (the “City”) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated May 31, 2019. Our report includes a reference to other auditors who audited the financial statements of the Police and Firefighters’ Retirement System, as described in our report on the City’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the City’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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 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 over financial reporting 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.

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, grant agreements and contracts, 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*.

We noted certain matters that we reported to management of the City in a separate letter dated May 31, 2019.

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.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
May 31, 2019



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

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of the City of Palm Bay, Florida (the “City”) with the types of compliance requirements described in the OMB *Compliance Supplement* and the requirements described in the Department of Financial Services’ *State Projects Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs and state projects for the year ended September 30, 2018. The City’s major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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’s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City’s compliance.

The Honorable Mayor and
 Members of the City Council
 City of Palm Bay, Florida

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

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

Finding #	CFDA # CFSA #	Program Name	Compliance Requirement
IC 2016-002	14.218 40.901	Community Development Block Grant/ Entitlement Grant State Housing Initiatives Partnership Program	Activities Allowed and Unallowed Allowable Costs/Cost Principles
IC 2018-001	40.901	State Housing Initiatives Partnership Program	Activities Allowed and Unallowed Allowable Costs/Cost Principles

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

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on Community Development Block Grant/Entitlement Grant and State Housing Initiatives Partnership Program for the year ended September 30, 2018.

Unmodified Opinion on the FEMA Disaster Grants - Public Assistance and Statewide Surface Water Restoration and Wastewater Projects

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on FEMA Disaster Grants – Public Assistance and Statewide Surface Water Restoration and Wastewater Projects identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2018.

The City’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph of this section. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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'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 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 have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items IC 2016-002 and IC 2018-001, that we consider to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon May 31, 2019, which contained unmodified opinions on those financial statements. Our report on the basic financial statements also contained references to the reports of other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis, as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information 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. The 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 Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida

May 31, 2019

CITY OF PALM BAY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified Opinion

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 Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of report issued on compliance for major federal programs and major state projects:

Qualified / Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance or Chapter 10.557, *Rules of the Auditor General*?

Yes No

Identification of Major Federal Programs and Major State Projects:

<u>CFDA Number(s)</u>	<u>Name of Federal Program(s)</u>
14.218	Community Development Block Grant/Entitlement Grant
97.036	FEMA Disaster Grants – Public Assistance

<u>CSFA Number(s)</u>	<u>Name of State Project(s)</u>
37.039	Statewide Surface Water Restoration and Wastewater Projects
40.901	State Housing Initiatives Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:	Federal	<u>\$750,000</u>
	State	<u>\$300,000</u>

Auditee qualified as low-risk auditee? Yes No

CITY OF PALM BAY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For the Year Ended September 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS SECTION

IC 2018-001 - Allowable Costs - Material Weakness
CFSA 40.901 State Housing Initiatives Partnership Program (SHIP) for 2017 and 2018
State Agency: Florida Housing Finance Corporation

Criteria: Only allowable and applicable expenditures should be reported under each grant.

Condition: During our testing, we noted 13 transactions charged to the SHIP grant that were unrelated to the SHIP grant. These transactions were related to another State grant.

Cause: The City did not have an employee in charge of ensuring grant expenditures were allocated to the appropriate grant.

Effect: The SHIP grant funds could be suspended for noncompliance.

Perspective: All of the transactions noted above are questioned costs.

Recommendation: We recommend that the City identify all transactions that are not applicable to the SHIP grant and charge them to their appropriate grants.

Questioned Costs: \$54,254

Management's Response: SHIP Funding was initially identified to fund certain Home for Warrior construction projects, the first disbursement going out in FY 16. As a result of audit work conducted, it was later determined that some of the SHIP funded expenditures were ineligible due to the exceeding of maximum awards and recipient income levels. To adjust for this, the housing projects and expenditures were reclassified to the NSP Grant fund where all eligibility requirements were met. In April 2018, accounting entries were made to show the funds as due from NSP to SHIP. All disbursements made through March 2018 were not captured in the amount posted as due from NSP to SHIP.

CITY OF PALM BAY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For the Year Ended September 30, 2018

SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS SECTION (*Continued*)

IC 2016-002 - Payroll Allocations - CFDA 14.218 CDBG and CSFA 40.901 SHIP - Material Weakness

CFDA 14.218 Community Development Block Grant/Entitlement Grant
B-14-MC-12-0032, B-15-MC-12-0032, B-16-MC-12-0032, B-17-MC-12-0032
Federal Agency: Department of Housing and Urban Development

CFSA 40.901 State Housing Initiatives Partnership Program (SHIP) for 2017 and 2018
State Agency: Florida Housing Finance Corporation

Criteria: The City must track and document employees' time for each pay period that an employee works directly on a grant.

Condition: MSL noted during the fiscal year 2018 testing that the payroll allocations for the CDBG and SHIP grants were percent allocations all year long for all the employees that worked on the grants. Time per pay period was not tracked, documented, or adjusted during the entire fiscal year. There were 144 payroll transactions for the CDBG grant expenditures, totaling \$89,661. For the SHIP expenditures, there were 144 payroll transactions, totaling \$15,689.

While the City did partially track employees' time during 2018, the City did not update the grant expenditures to reflect actual time worked versus budgeted payroll allocations.

Cause: The City did not require employees to track their time per pay period by the grant projects that they worked on for the entire fiscal year. Further, the time that was tracked was not communicated to the City's Finance Department to adjust actual grant expenditures.

Effect: Grants could have an over or understatement of payroll allocation expenditures, and there was no documentation for hours worked on a grant for the entire fiscal year.

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

Recommendation: We recommend that the City require employees that who work on grants to track their hours on a timecard or in a similar format. The information should also be shared with the Finance Department to adjust grant expenditures accordingly.

Questioned Costs: CFDA 14.218 - \$89,661 and CFSA 40.901 - \$15,689

Management's Response: For employees who are assigned to work on the grants, time is automatically allocated based on a fixed percentage in the payroll system. Employees began tracking the time manually in June 2018, but their actual allocations were not compared to what was allocated in the payroll system for the time period they tracked.

CITY OF PALM BAY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For the Year Ended September 30, 2018

SECTION IV - PRIOR-YEAR AUDIT FINDINGS

IC 2015-002 Federal and State Grant Reports Were Not Submitted on Time in Compliance with Grant Requirements

Status: Cleared.

IC 2015-003 Debarred and Excluded Vendors

Status: Cleared

IC 2016-001 Expenditure of SHIP Funds

Status: Cleared

IC 2016-002 Payroll Allocations

Status: Repeated

IC 2017-001 Compliance with Sick Leave Policy

Status: Cleared

IC 2017-0012 Eligibility

Status: Cleared

IC 2017-003 Bid Approval

Status: Cleared

IC 2017-004 Earmarking

Status: Cleared

IC 2017-005 Procurement

Status: Cleared



CORRECTIVE ACTION PLAN
May 31, 2019

The City of Palm Bay, Florida respectfully submits the following corrective action plan for the year ended September 30, 2018.

Name and address of independent public accounting firm:

Moore, Stephens Lovelace, P.A.
255 S. Orange Ave, Suite 600
Orlando, FL 32801

Audit Period:

Fiscal Year October 1, 2017 – September 30, 2018

The findings from the May 31, 2019 Schedule of Findings and Questions Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

IC 2018-001 Allowable Costs

Recommendation:

We recommend the City identify all transactions that are not applicable to the SHIP grant and charge them to the appropriate grants.

Action:

The Grant Administrator will identify any disbursements posted and paid out of the SHIP Fund that were not captured in the initial adjusting entry for inclusion in the amount to be drawn down from the NSP Grant Fund and reimbursed to the SHIP Fund in FY19.

IC 2016-002 Payroll Allocations

Recommendation:

We recommend that the City require employees that who work on grants to tract their hours on a timecard or in a similar format. The information should be shared with the Finance Department to adjust grant expenditures accordingly.

Action:

Employee time sheets for October 2018 thru May 2019 are to be submitted to Finance so actual allocations can be compared to system generated allocations, and adjustments made accordingly. Effective June 1, 2019, grant funded employees are to submit copies of their time sheets at the end of each pay period to the Finance Department so any difference between actual allocations and allocations generated via payroll can be correctly allocated to the appropriate grant on a monthly basis.

MLC 2018-001 Building Fund Advance

Recommendation:

We recommend that the City evaluate the collectability of this advance and make a determination as to whether additional funding is needed to restore the amount owed to the Building Fund.

Action:

Subject to adoption by Council, the annual budget will include a transfer from General Fund to the Environmental Fee Fund to ensure available funding for the repayment of the 2007 Building Fund loan.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Report on the Financial Statements

We have audited the basic financial statements of the City of Palm Bay, Florida (the "City") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 31, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have also issued our Independent Auditor's 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and our Independent Accountant's 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 May 31, 2019, 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 report. Corrective actions have been taken to partially address the findings and recommendations made in the preceding annual financial audit as noted on the following page.

Tabulation of Uncorrected Audit Findings

<u>Current Year Finding #</u>	<u>2016-17 Fiscal Year Finding #</u>	<u>2015-16 Fiscal Year Finding #</u>
Partially Cleared, incorporated into Finding # IC 2018-001	IC 2015-002	IC 2015-002
Cleared, no longer a finding	IC 2015-003	IC 2015-003
Cleared, no longer a finding	IC 2016-001	IC 2016-001
IC 2016-002	IC 2016-002	IC 2016-002
Partially Cleared, incorporated into Finding # MLC 2018-001	IC 2016-008	IC 2016-008
-	Cleared, no longer a finding	IC 2016-003
-	Cleared, no longer a finding	IC 2016-004
-	Cleared, no longer a finding	IC 2016-005
-	Cleared, no longer a finding	IC 2016-006
-	Cleared, no longer a finding	IC 2016-007
Cleared, no longer a finding	IC 2017-001	-
Cleared, no longer a finding	IC 2017-002	-
Cleared, no longer a finding	IC 2017-003	-
Cleared, no longer a finding	IC 2017-004	-
Cleared, no longer a finding	IC 2017-005	-
IC 2018-001	-	-
MLC 2018-002	-	-

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City'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 recommendations to improve financial management. In connection with our audit, we had the following recommendation:

MLC 2018-002 Building Fund Advance

Criteria: The City's Building Inspection Fund has an advance outstanding to one of the nonmajor governmental funds in the amount of approximately \$600,000. The advance occurred in 2008 and since that time, approximately \$50,000 has been repaid to the Building Inspection Fund.

Condition: Long-term advances should be evaluated for reasonableness of collectibility.

Cause: The nonmajor governmental fund needed funds for specific projects and was advanced funds from the Building Inspection Fund.

Effect: Fund balance could potentially be overstated in the Building Inspection Fund if the advance is not collectible.

Recommendation: We recommend that the City evaluate the collectibility of this advance and make a determination as to whether additional funding is needed to restore the amount owed to the Building Inspection Fund.

Management's Response: It is the opinion of Management that the funding currently remaining after paying the required payment to the Nature Conservancy and scrub jay monitoring is insufficient to make a significant reduction on the loan on an annual basis. Of the \$656,500 borrowed in April 2007, a balance of \$596,352.20 is still outstanding.

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Mayor, City Council, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
May 31, 2019



INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor and
Members of the City Council
City of Palm Bay, Florida

We have examined the City of Palm Bay, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with those requirements. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we 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 aforementioned requirements for the fiscal year ended September 30, 2018.

Moore Stephens Lovelace, P.A.

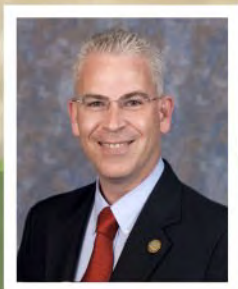
MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
May 31, 2019



William Capote
Mayor



Trés Holton
Deputy Mayor



Harry Santiago Jr.
Councilman



Jeff Bailey
Councilman



Brian Anderson
Councilman