

# **City of Palm Bay, Florida**

Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2010

**Prepared by Department of Finance**

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March 8, 2011

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

The Comprehensive Annual Financial Report (CAFR) of the City of Palm Bay, Florida, for the fiscal year ended September 30, 2010 is hereby submitted pursuant to Florida Statutes Section 218.39, Chapter 10.500 of the Rules of the Auditor General of the State of Florida, and Section 4.05 of the City Charter.

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

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, 2010, are free of material misstatement. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Palm Bay's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with generally accepted accounting principles (GAAP). 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.

Office of the City Manager



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GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A).

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Palm Bay's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CITY OF PALM BAY**

The City of Palm Bay is located in South Brevard County on the east central Florida coast, midway between Jacksonville and Miami. With almost 100 square miles of territory and approximately 900 miles of local roads, Palm Bay is the largest populated area in Brevard County, the tenth largest in the State of Florida, and the eighth largest incorporated area in the state on a geographic basis.

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

The City provides a full range of municipal services as directed by its charter including police and fire, public improvements, planning and zoning, parks and recreation, water and sewer services, and general administrative services. In addition, the City holds two Charter School contracts for the operation of a primary and high school between the City and the Brevard County School Board.

## **ECONOMIC CONDITION AND OUTLOOK**

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

Like other communities in Florida and around the nation, Palm Bay is continuing to adapt to the nationwide economic downturn and Florida's citizen-mandated property tax reform. In fiscal year 2009/2010, new single family housing starts totaled 153 for a value of \$33.2 million. Commercial permits totaled 371 with a combined value of \$18.1 million. In addition, 240 new commercial business tax receipts were issued along with 336 home-based licenses.

The City's certified assessed property valuation decreased from \$4.1 billion in 2009 to \$3.4 billion in 2010, a decline of \$700 million. The net new construction assessed valuation for 2010 totaled \$34.7 million, a decrease of 51% over the prior year.

For fiscal year 2009/2010, the City's goals were to preserve essential and critical services, maintain the adequate funding of reserves and provide for the maintenance of the City's quality of life.

## **MAJOR INITIATIVES**

As part of the fiscal year 2010/2011 budget, the City Council approved the establishment of a storm water utility to provide a dedicated source of revenue for the maintenance and operation of the City's storm water system. Additionally, in order to meet the State of Florida's recycling goal, the City Council amended and restated the Franchise Agreement with Waste Management relating to solid waste and recyclable collection and disposal. The new agreement provides for single source recycling at the curbside.

The City of Palm Bay identified the need to clearly understand the perception of business owners during its 2009-10 Strategic Planning Session. The city hired The Balmoral Group to conduct the business climate survey, followed by focus groups. The findings "Palm Bay Economic Development Strategy Report" were presented to Council by The Balmoral Group upon its completion and the Administration is proceeding to implement its recommendations.

The Budget Office, following the revised budget process for the fiscal year 2010 budget, continued focusing on the prioritization of services and corresponding resources for the development of the fiscal year 2011 budget. This is targeted at providing elected officials and senior management with more detailed information regarding the costs associated with City operations.

The Network Operations Division of the Information and Innovation Department contracted with a new high speed internet service provider resulting in greater network bandwidth and significant cost savings to the City.

The Growth Management Department realigned its staffing levels to match expenditures with revenues. The Building Division staff levels were reduced approximately forty percent. This was in addition to the approximately, fifty percent reduction in staff levels during 2008/2009. Development and associated revenues have remained essentially flat this past year as compared to 2008/2009.

Growth Management's Housing and Neighborhood Development Services (HANDS) Division completed the purchase of and rehabilitation contracting for 45 foreclosed homes under the Neighborhood Stabilization Program (NSP). The City utilized the \$5.2 million grant to target some of the hardest hit neighborhoods impacted by foreclosed homes. This completed the obligating of funding from the first phase of that Program. In addition, the Division funded the completion of the following capital projects:

- Repaving of 39 streets in Northeast Palm Bay,

- Improvements at Driskell Park,
- Main Street pervious parking lot improvements, and
- Installation of the Boundary Canal Baffle Box.

All of those improvements were funded through the Community Development Block Grant Program.

The Fire-Rescue Department implemented a new internet based Fire/EMS Tracking System. The system will allow for the tracking of training classes assigned and completed, status of certifications, and the assigning and tracking of public education. In 2009/2010, the City's Fire/EMS Dispatch Service was transferred to Brevard County, saving the City salary dollars and eliminating the need for fire dispatchers. The Fire-Rescue Department also implemented an n-service Fire Inspection Program. The new program allows for increased efficiency by having Fire-Rescue response personnel conduct annual fire inspections of 1,006 multi-family and light industrial buildings when not responding to calls for service.

The Utilities Department was presented with several awards for 2010 including:

- The Association of Metropolitan Water Agencies *Gold Award* for Exceptional Utility Performance
- The Florida Department of Environmental Protection Domestic Wastewater Plant Operations Award for *Outstanding Water Reclamation Facility*
- The Southeast Desalting Association *Outstanding Membrane Plant Award*
- The Florida Section of the American Water Works Associations (FSAWWA) *Distribution System Award* and
- The Florida Water & Pollution Control Operator Association *Outstanding Web Site Award*.

Among the projects completed by the Utilities Department for 2010, the Belt Filter Press went into operation with an estimated cost savings of approximately \$300,000 per fiscal year. The rehabilitation of the Troutman Water Tower was completed. The City's expansion of water distribution lines in Units 12 was completed and provided access to clean, safe, reliable drinking water to 1,870 parcels.

A special assessment, approved by area residents, allowed the Utilities Department to complete a rehabilitation project within Palm Bay Estates to upgrade and repair existing private water and sewer mains. The project was complete in September 2010, at which time the private lines became a part of the City's existing distribution system

The Parks and Recreation Department opened a self-funded aftercare program at the City's Charter School. In August 2010, the Parks & Recreation Department received the "Playful City" designation for the third consecutive year. This past year, the Parks and Recreation Department began the co-sponsoring of "Movies

in the Park”, a monthly program where movies are shown at various city parks, free to the public.

The Bayfront Community Redevelopment Agency (BCRA) completed the design plans to improve Castaway Point Park and obtained a \$60,000 Coastal Management Program grant for public waterfront access improvements at the park. A completed comprehensive update to the Bayfront Community Redevelopment Plan will guide the BCRA for the next 10 to 14 years. The BCRA funded the resurfacing of Palm Bay Road between US-1 and Robert J. Conlan Boulevard. The infill of the sidewalk on the north side of the Palm Bay Road between Rock Lane and Robert J. Conlan Boulevard was completed so there is now a continuous sidewalk for 5 miles along Palm Bay Road. A property acquired by the BCRA was converted to a neighborhood green space as part of the City’s/BCRA Neighborhood Investment Cooperative Effort (N.I.C.E.) Program. Two riverfront properties were acquired during the year, one by purchase and one by donation.

During 2010, the Police Department formed a long-term partnership with DataDotUSA Technology, Inc. for the purpose of further reducing the incidents of theft and burglary within the City. DataDot is customer-applied micro-dot technology allowing for easy identification of the owner should the property be stolen. The program was launched in conjunction with ACE Hardware stores in the Palm Bay area. City property, particularly metal recyclable items such as street signs, water meters, roadside railings, etc., are being marked with DataDot kits purchased through law enforcement trust funds. The program is being introduced throughout the community via the Neighborhood Policing officers’ visits to community groups and neighborhood associations. DataDots are part of an overall strategy to reduce burglaries in Palm Bay to under 500 per year by 2012.

The Police Department also formed a partnership with the National Institute of Justice to evaluate the use of light-sport aircraft for law enforcement purposes. The evaluation resulted in the ongoing use of a powered parachute, which can carry a pilot and one passenger and operates at a much lower cost than most other types of manned aerial observation. Additionally, the SOAR unit is operating a powered paraglider (PPG) which consists of a compact motor carried on a pilot’s back and a parachute-type elliptical wing. The PPG is the most inexpensive and portable manned aircraft available on the market today. Currently, four officers are certified as pilots and the aircrafts have been used on surveillances for drug investigations, locating homeless camps, arson investigations, and a homicide investigation.

Public Works Construction crews constructed projects which included the Basin 9 storm water detention pond and sidewalks throughout the City. The pond was approximately 7 acres and was constructed under budget and ahead of schedule. Revenues from the sale of the excavated materials were used to offset the cost of the project. Sidewalks were constructed using Transportation Impact Fees and federal stimulus funds on several streets throughout the City.

Palm Bay was also able to use approximately \$1.5 million in stimulus funds to resurface/rehabilitate Troutman Boulevard and Cogan Drive. Emerson Drive NW will be resurfaced using stimulus funds in early fiscal year 2011.

The City Council approved funding \$2 million for the ongoing road maintenance program. Approximately 25 miles of roads were completed as a part of this effort.

The City adopted its first Sustainability Master Plan using funds from the Energy Efficiency and Conservation Block Grant. The Master Plan will be used to guide the City towards integrating sustainable practices, policies and programs into our municipal operations.

## **FUTURE PROJECTS**

As in previous years, the City continues to focus on the need to build a sustainable city for the future. This must be accomplished within the backdrop of a nationwide economic downturn that has resulted in the collapse of the housing market, the rise of fuel and energy costs and the limitation of the ability to borrow for capital needs. The lull in housing activity is the ideal time for the City to continue to invest in the necessary infrastructure for future needs, primarily in areas of roads, parks, water and wastewater.

Fiscal year 2010/2011 will begin the 2<sup>st</sup> year of an ongoing road maintenance program funded by City Council at the level of \$2 million per year. City Council committed the funding for the continued maintenance of existing roads and drainage. The City will seek to establish a special road improvement district in 2011. The establishment of such a district, will help to ensure that there is an on-going investment in the City's road infrastructure.

In October 2010, the Finance Department will begin billing for storm water and sanitation services. Storm water is a new fee billed to all property owners, sanitation services were previously billed by the private contractor. The contractor will continue to provide the service but sanitation services will be added to the City's utility bills along with water & sewer services. This move will increase the number of customers billed from approximately 31,200 to over 70,000. Customers will be billed monthly, quarterly and annually, depending on the service billed each customer.

The City will be closing on \$5.4 million of Public Service Tax Revenue Bonds, Series 2010 in November 2010. The Series 2010 Bonds will be issued as "Build America Bonds" and further designated as "Recovery Zone Economic Development Bonds" the City will elect to receive a cash subsidy from the United States Treasury equal to 45% of the interest payable on the Series 2010 Bonds. Proceeds from the bond will be used to finance the construction of a LEED Certified City Hall Annex. The Annex will serve to house operations currently in rented space. Bringing these services to City Hall will provide more comprehensive services to our citizens at a lower cost.

Information and Innovation Department's Network Operations Division is exploring a virtual desktop that will allow for consolidated data storage and reduce operational costs related to the computer services. Application Services Division staff, in coordination with the Purchasing Division of Finance, will develop a contracts database for to the City web site. This database will allow citizens and vendors to locate and review any contract the City uses for the purchase of goods and services.

The City will be receiving \$1.7 million from the Neighborhood Stabilization Program third round funding to continue the acquisition, rehabilitation and disposition of foreclosed homes within the City. The program permits the City to acquire foreclosed housing and rehabilitate the housing for occupancy by low and moderate income families and is a continuation of the program activities begun in 2009. Revenues obtained from the sale of the acquired homes will continue to fund future acquisition activities for up to 3 additional years. This program will help the City stabilize property values in the long run by improving existing housing and preventing the blighting influence of vacant and poorly maintained properties.

Major amendments to the Comprehensive Plan will be finalized to facilitate development around the new southern interchange. Additionally, an incentive based series of development standards will be created that provide improved sustainability and incorporate state-of-the-art "Green" principles into the City's development codes. These standards will be incorporated into the Comprehensive Plan as part of the amendments connected to the interchange development and will implement HB 697 as required by State Statute. The

City's Evaluation and Appraisal Report implementing amendments will also be completed this fiscal year.

The Fire-Rescue Department has been awarded the "SAFER Grant". The funding from this grant will allow for the hiring of three firefighters to fill three vacant positions; as well as, add an additional nine firefighters to fully staff Squad/Truck 2.

The Utilities Department has applied for \$5.5 million dollars in low interest loans from the Florida Department of Environmental Protection State Revolving Fund to complete the water distribution system backbone along Osmosis, Cogan, and Degroodt/San Filippo. The Osmosis transmission main would provide a secondary main from the Osmosis facility to Degroodt providing redundancy which is critical should an emergency arise along the current transmission main. The Cogan and Degroodt/San Filippo transmission main will provide much needed fire protection in the southern region of Palm Bay.

The idling of the Water Reclamation Facility (WRF) primary and secondary treatment units in December 2010 is saving approximately \$7,000 every month

and approximately \$84,000 per fiscal year. In addition, efficiency improvements at the wastewater treatment plant (WWTP) saved \$70,724 in calendar year (CY) 2010 from CY 2009 and are expected to save another \$35,000 in the next 12 months. Energy savings in CY 2011 from projects completed in CY 2010 are expected to be \$129,000 (\$84,000 plus \$35,000) from total energy costs in CY 2010 at the WRF and WWTP.

Starting the year, the Parks and Recreation Department will seek co-sponsors to pay the cost of recreation programs and special events. The Parks and Recreation Department will submit a self assessment and application for national re-accreditation in the summer of 2011.

Major Bayfront Community Redevelopment Agency projects to be undertaken in fiscal year 2011 include the streetscaping of US-1 with landscaping, a first phase of sidewalk, and decorative pedestrian lighting; the construction of the Castaway Point Park Improvements; the development of a Bayfront Village Master Plan and a South Village Marketplace Plan; the creation of a tri-party development agreement for the joint marketing and developing of the City Marina property, the creation of a mixed use waterfront development; and the completion of the Palm Bay Road Streetscape design plan.

With the purchase of the new mobile command vehicle this year, funded from a federal grant, preparations are underway to equip the vehicle, develop the new policy on its use, and provide necessary training to the Command Post Team. Milestones are in place in an effort to have the vehicle fully operational by October 2011.

Using primarily law enforcement trust funds, a major overhaul of the firearms range is currently underway. These improvements will transform the range from a minimal use weapons training area to a full-fledged training facility that is certified by the Florida Department of Law Enforcement. Improvements include new grass, irrigation system, sidewalks, installation of a modular class room with a restroom facility and a multiple apparatus obstacle course.

The Public Works Department is continuing to work on the analysis of speed limits on all arterial and collector roadways located within the City. Staff began the studies in January 2009 and anticipates completing the studies January 2013. Speed limits for approximately 12 corridors are reviewed each year and the studies are brought to the City Council for final approval. Public Works Traffic Operations is continuing to replace all Regulatory and Warning signs within the City. The estimated completion date of this program is June 2011.

The Growth Management and Public Works Departments are working with Brevard County to change the signal timings on Palm Bay Road in order to improve traffic flow and travel times. The project is anticipated to be completed and implemented by the end of summer 2012. City staff is also working with Brevard County staff to develop and implement Intelligent Transportation

Systems (ITS) on select corridors within the Palm Bay using local and federal funds.

Based on the Sustainability Master Plan, Palm Bay will conduct energy audits of its major municipal facilities and implement capital improvements to the extent resources are available. Likely improvements will include light bulb and appliance retrofits as well as building management systems, solar water heaters in fire stations and LED parking lot lighting.

The City will begin work on the first phase of the long-awaited Palm Bay Parkway project in the northwest area of the City. Through the investment of local, state and federal funds, Palm Bay will be able to construct the initial segment from Malabar Road to Emerson Drive, which will ultimately connect to US 192 and a potential new interchange at Ellis Road and Interstate 95.

At the south end of the Palm Bay Parkway, the City is working with the Florida Department of Transportation and private sector partners to complete the Project Development and Environment (PD&E) study as the first step in developing a new interchange at Interstate 95 approximately between Grant Road and Micco Road. Design of the interchange is anticipated to follow in fiscal year 2012.

#### **PENSION BENEFITS**

The City's sponsors an employee retirement system consisting of a Section 401(a) defined contribution money purchase plan for general employees and a defined benefit plan for police officers and firefighters. The Section 401(a) plan is funded by employer contributions of 9% of base salary for general employees. Employer contributions for executive staff are 9.75%. 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. Employer contributions to the police and fire pension plan are actuarially determined. Employees contribute a percentage of their base salary. The City's contribution for fiscal year 2010 was based on an October 1, 2009 actuarial analysis. Additionally, the City pays the annual debt service on two Pension Obligation Bonds, the proceeds of which were utilized to fund the unfunded liabilities of the police and fire pension plans.

#### **CASH MANAGEMENT PRACTICES**

Cash not required for current operations was invested in demand deposits, treasury notes, agencies, certificates of deposit, commercial paper, or in Money Market funds. Police and Fire Pension Trust Fund assets were invested in corporate stocks, bonds and mutual funds.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized pursuant to the State of Florida's Public Depository Security Act.

The City of Palm Bay was formally recognized for having their written Investment Policy certified by the Association of Public Treasurers of the United States and Canada. For the 2<sup>nd</sup> time, the City received the Association of Public Treasurers of United States & Canada's, APT-US&C Investment Policy Certificate of Excellence Award.

## **RISK MANAGEMENT**

Historically, the City maintained a self-insurance program for property, casualty, liability, and workers compensation. During fiscal year 2009/2010, the City transitioned from a program with high self-insured retentions, to an essentially fully-insured program with significantly lower or no deductibles on all lines of coverage. City departments are assessed an annual charge based on a variety of factors. These funds are accumulated in an internal service fund to pay premiums, cover losses under the deductible levels, as well as to continue covering run-off claims from the self-insurance program.

In addition, the City has traditionally maintained a self-insured employee benefit program, administered by a third-party, to provide health care benefits for full-time employees. Under this plan, the City carried third-party insurance to cover claims in excess of \$100,000 per person per year. Fiscal year 2010 is the final year of the City's self-insured program, as the health plan was transitioned to a fully-insured program beginning December 1, 2010

## **ACCREDITATION AND CERTIFICATIONS**



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



The police department became accredited by the Florida Police Accreditation Coalition, Inc. (FLA-PAC) in October of 2007 and is subject to re-accreditation review in October 2010.



The National Recreation and Parks Association and the Commission for Accreditation of Park and Recreation Agencies (CAPRA) recognize park and recreation agencies for excellence in operation and service. CAPRA is the

only national accreditation of park and recreation agencies, and is a valuable measure of an agency's overall quality of operation, management and service to the community. The Palm Bay Parks and Recreation Department was awarded accreditation in February 2007.



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



On August 4, 2008, the Palm Bay Utilities Department became certified under the ISO 14001:2004 environmental standard. Palm Bay Utilities was the first water *and* wastewater utility in the State of Florida to receive such certification. Through the implementation of the department's Environmental Management System (EMS) known as Greenway, the 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.



Palm Bay has received the silver certification 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) that improve the environmental performance considerably over a city or county that just minimally meets state and local regulations.



The Growth Management Department has received the CRS Class 7 Community certification. The Community Rating System (CRS) is a voluntary program for NFIP-participating communities. All CRS communities must maintain completed FEMA elevation and floodproofing 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, 2009. This was the 24<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must

satisfy both generally accepted accounting principles and applicable legal requirements.

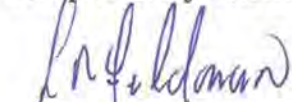
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2009 for the 21<sup>st</sup> year. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

#### ACKNOWLEDGEMENTS

The preparation of this report has been accomplished with the efficient and dedicated service of the City's Finance and Accounting staff. We would like to express our appreciation to all members of the Finance Department who contributed in its preparation. We also wish to thank the Mayor and City Council for their interest, guidance and support.

Respectfully submitted,



Lee R. Feldman, ICMA-CM  
City Manager



Yvonne McDonald, CGFO  
Director of Finance

# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

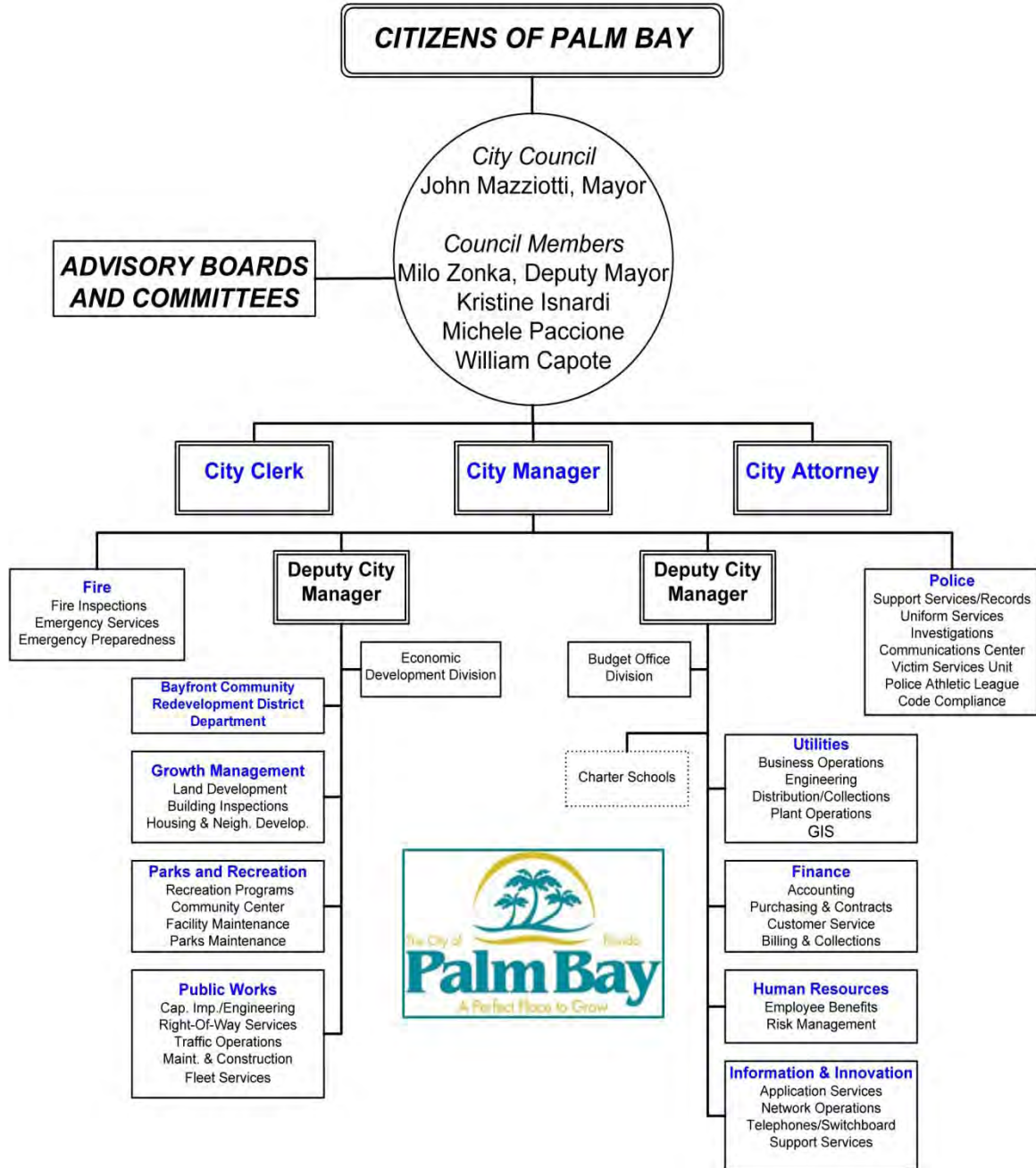
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Executive Director



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# CITY OF PALM BAY ORGANIZATIONAL STRUCTURE FY 2010





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# CITY OF PALM BAY, FLORIDA

## LIST OF PRINCIPAL OFFICIALS

As of date of transmittal

MAYOR	JOHN MAZZIOTTI
DEPUTY MAYOR	GUILLERMO "WILLIAM" CAPOTE
COUNCIL MEMBER	KRISTINE ISNARDI
COUNCIL MEMBER	KEN GREENE
COUNCIL MEMBER	MICHELE PACCIONE
CITY MANAGER	LEE R. FELDMAN, ICMA-CM
DEPUTY CITY MANAGER	SUSAN HANN, P.E, ICMA-CM
DEPUTY CITY MANAGER	JONATHAN LEWIS, ICMA-CM
CITY ATTORNEY	JAMES STOKES
CITY CLERK	ALICE PASSMORE
CHIEF INFORMATION OFFICER, I2D DIRECTOR	MICHAEL MAIER
FINANCE DIRECTOR	YVONNE MCDONALD, CGFO
FIRE CHIEF	STEVE ABRAIRA,CFO
HUMAN RESOURCES DIRECTOR	GEORGE HUNT
GROWTH MANAGEMENT DIRECTOR	DAVID WATKINS
ACTING PARKS AND RECREATION DIRECTOR	GARY PERKINS
ACTING POLICE CHIEF	DOUGLAS MULDOON
PUBLIC WORKS DIRECTOR	JIM PROCE
UTILITIES DIRECTOR	JASON YARBOROUGH, ICMA-CM



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**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Bay, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Palm Bay Police and Firefighters Retirement System, which represent 100 percent of the assets, liabilities and revenues of the Pension Trust Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Palm Bay Police and Firefighters Retirement System, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

**INDEPENDENT AUDITOR'S REPORT**  
*(Concluded)*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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.

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, listed in the table of contents, are presented for additional analysis and are not a required part of the financial statements. The other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Moore Stephens Lovelace, P.A.*

Certified Public Accountants

Orlando, Florida  
March 8, 2011

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, 2010. 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 of the City exceeded its liabilities at the close of fiscal year 2010 by \$149.1 million (net assets). Of this amount, \$30.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2010, the City's governmental funds reported combined ending fund balances of \$41.6 million, as compared to \$46.8 as of September 30, 2009.
- At September 30, 2010, unreserved fund balance for the General Fund was \$5.77 million or 9% of total 2010 General Fund expenditures and transfers out. Of that amount, \$1,378,918 is designated for the exclusive benefit of PMU 51, 52 and 53.
- The City's outstanding long-term debt increased by \$1.3 million during fiscal year 2010. The City acquired a capital lease for the sanitation cart program for governmental activities for a total of \$2.5 million.
- The City's business-type activities reported total net assets of \$83.7 million, which is an increase of \$1.5 million, or 2%, in comparison to the prior year. Approximately 26% of the total, or \$21.6 million, is unrestricted.

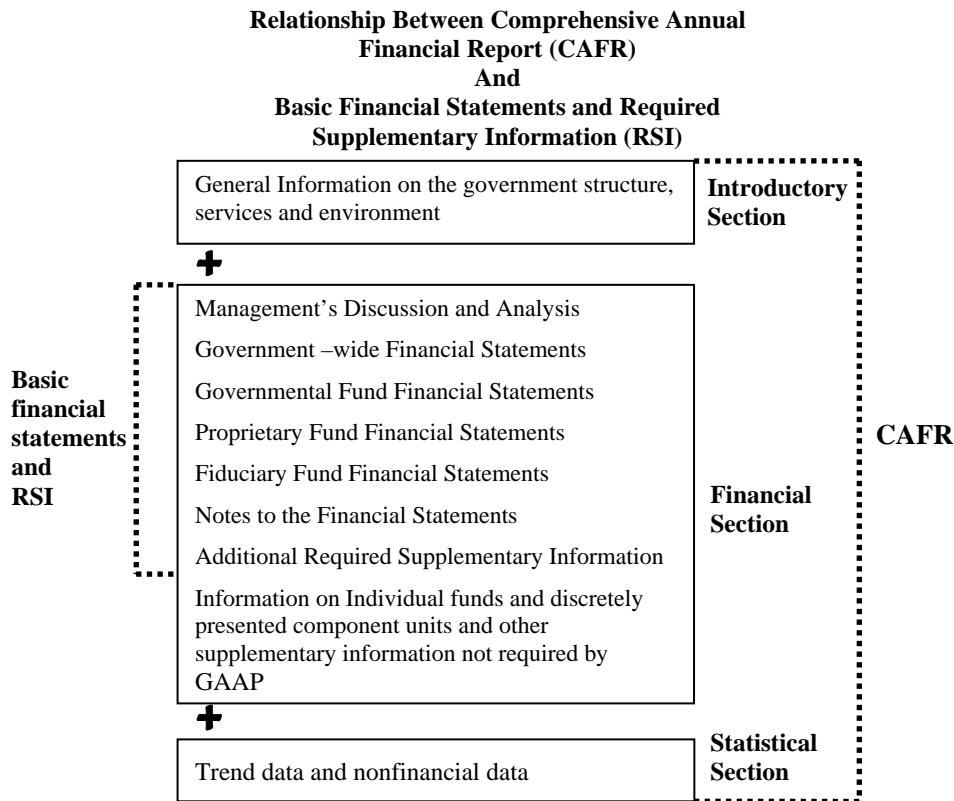
## **Overview of the Financial Statements**

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 graph shows the relationship between the CAFR and the basic financial statements 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 assets* presents information on all of the City's assets held and liabilities owed, with the difference between the two reported as *net assets*. Assets are reported when the City acquires ownership over the assets and liabilities reported when they are incurred, regardless of the timing of the related cash flows. For example, the City reports buildings and infrastructure assets, even though they are not available to pay the obligations incurred by the City. On the other hand, the City reports liabilities even though these liabilities might not be paid until several years into the future. Over time, increases or decreases in net assets 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 assets, 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 City also has a contract with the School Board of Brevard County for the Palm Bay Community Charter School (Patriot Campus) that offers Palm Bay residents an education choice for classes K – 12. The School is operated by Academica, Inc. under a management agreement.

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 and sewer utilities 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 of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. Fund liabilities include amounts that are to be paid within a short period of time after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The operating statement for governmental funds reports only those revenues and expenditures that were collected or paid during the current period or very shortly after the end of the 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 assets presented in the governmental activities column on the statement of net assets. 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 assets as reported in the governmental activities column 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, the Palm Bay Road Loan Fund, Bayfront Community Redevelopment Agency, and BCRA Construction fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the other supplemental information section of this report. The City adopts an annual appropriated budget for its general, all special revenue (except for the Miscellaneous Donations Fund), all capital projects, and all debt service funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

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

### **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 and sewer utilities 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, which is considered to be a major fund of the City, the Building Inspection Fund, and the aggregate of the internal service funds.

The City's proprietary fund financial statements are presented on pages 32-37.

### **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 38-39.

### **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 41-80 of this report.

### **Other information**

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

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

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$149.1 million at the close of the fiscal year ended September 30, 2010. At the end of the fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

As shown in the table below, the largest portion of the City's net assets (59%) 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 assets* (\$30 million) for capital improvement projects and special revenues. These resources are subject to external restrictions on how the funds may be used. The remaining balance of *unrestricted net assets* (\$30.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a net increase of \$3.2 million in net assets in connection with the City's governmental activities. A detailed explanation is provided on page 8 of this report.

There was a net increase of \$1.5 million in net assets reported in connection with the City's business-type activities, which include the Utilities Fund and the Building Inspections Fund. A detailed explanation is provided on page 11 of this report.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets and Deferrals</b>						
Current and Other Assets	\$ 92,161,917	\$ 96,604,660	\$ 71,772,995	\$ 74,499,543	\$ 163,934,912	\$ 171,104,203
Capital Assets (Net)	107,587,730	99,512,665	122,969,909	121,000,448	230,557,639	220,513,113
Deferred Swap Outflows	13,086,180	-	-	-	13,086,180	-
<b>Total Assets and Deferrals</b>	<b>212,835,827</b>	<b>196,117,325</b>	<b>194,742,904</b>	<b>195,499,991</b>	<b>407,578,731</b>	<b>391,617,316</b>
<b>Liabilities</b>						
Current and Other Liabilities	10,013,021	9,045,923	6,252,659	4,752,075	16,265,680	13,797,998
Long-Term Liabilities	137,480,670	124,971,597	104,781,871	108,552,507	242,262,541	233,524,104
<b>Total Liabilities</b>	<b>147,493,691</b>	<b>134,017,520</b>	<b>111,034,530</b>	<b>113,304,582</b>	<b>258,528,221</b>	<b>247,322,102</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	45,103,439	39,382,891	43,159,143	37,816,839	88,262,582	77,199,730
Restricted	11,054,682	13,186,748	18,902,136	23,554,282	29,956,818	36,741,030
Unrestricted	9,184,015	9,530,166	21,647,095	20,824,288	30,831,110	30,354,454
<b>Total Net Assets</b>	<b>\$ 65,342,136</b>	<b>\$ 62,099,805</b>	<b>\$ 83,708,374</b>	<b>\$ 82,195,409</b>	<b>\$ 149,050,510</b>	<b>\$ 144,295,214</b>

**CITY OF PALM BAY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
September 30, 2010

There was an overall increase in the City's net assets of \$4.76 million. A comparative analysis of government-wide changes in net assets is presented in the following table:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 11,895,684	\$ 12,839,825	\$ 23,477,022	\$ 22,200,034	\$ 35,372,706	\$ 35,039,859
Operating Grants and Contributions	7,310,174	5,586,975	24,862	183,392	7,335,036	5,770,367
Capital Grants and Contributions	574,722	1,733,106	4,505,547	6,374,906	5,080,269	8,108,012
General Revenues						
Property Taxes	27,399,051	25,912,020	-	-	27,399,051	25,912,020
Other Taxes	18,687,682	18,865,763	-	-	18,687,682	18,865,763
Other	7,594,985	7,866,286	1,131,937	1,403,035	8,726,922	9,269,321
<b>Total Revenues</b>	<b>73,462,298</b>	<b>72,803,975</b>	<b>29,139,368</b>	<b>30,161,367</b>	<b>102,601,666</b>	<b>102,965,342</b>
<b>Expenses</b>						
General Government	8,294,658	10,488,716	-	-	8,294,658	10,488,716
Public Safety	34,825,258	36,258,434	-	-	34,825,258	36,258,434
Physical Environment	555,383	1,208,284	-	-	555,383	1,208,284
Transportation	13,021,454	11,440,490	-	-	13,021,454	11,440,490
Economic Environment	1,228,397	3,080,806	-	-	1,228,397	3,080,806
Culture/Recreation	9,601,349	10,279,722	-	-	9,601,349	10,279,722
Interest on Long-Term Debt	4,888,851	5,835,068	-	-	4,888,851	5,835,068
Water and Wastewater	-	-	24,197,960	22,821,351	24,197,960	22,821,351
Building Inspections	-	-	1,233,060	2,223,127	1,233,060	2,223,127
<b>Total Expenses</b>	<b>72,415,350</b>	<b>78,591,520</b>	<b>25,431,020</b>	<b>25,044,478</b>	<b>97,846,370</b>	<b>103,635,998</b>
Change in Net Assets before transfers	1,046,948	(5,787,545)	3,708,348	5,116,889	4,755,296	(670,656)
Transfers	2,195,383	2,550,273	(2,195,383)	(2,550,273)	-	-
<b>Change in Net Assets</b>	<b>3,242,331</b>	<b>(3,237,272)</b>	<b>1,512,965</b>	<b>2,566,616</b>	<b>4,755,296</b>	<b>(670,656)</b>
<b>Beginning Net Assets</b>	<b>62,099,805</b>	<b>65,337,077</b>	<b>82,195,409</b>	<b>79,628,793</b>	<b>144,295,214</b>	<b>144,965,870</b>
<b>Ending Net Assets</b>	<b>\$ 65,342,136</b>	<b>\$ 62,099,805</b>	<b>\$ 83,708,374</b>	<b>\$ 82,195,409</b>	<b>\$ 149,050,510</b>	<b>\$ 144,295,214</b>

**Governmental Activities**

As mentioned previously, governmental activities increased the City's net assets by \$3.2 million and governmental fund revenues showed a increase of \$658,323 or 1%. The key elements of this increase are as follows:

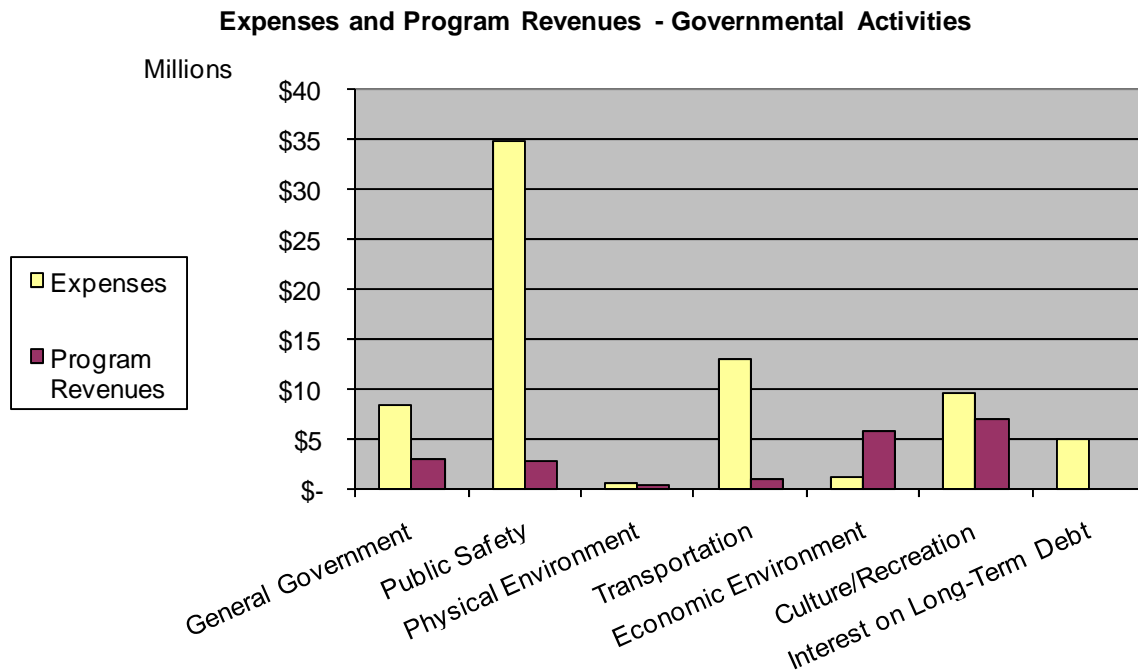
- Property tax collections increased by \$1.5 million. This increase was attributable to a millage increase outpacing the decrease in taxable assessed property valuation.
- Charges for Services income reported in the governmental activities decreased by \$944,141, or 7.35% from the prior year, primarily due to reduced Culture and Recreation income.

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

**Expenses and Program Revenues – Governmental Activities**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>% of Total</b>	<b>Program Revenues</b>	<b>% of Total</b>	<b>Net (Expense) Revenue</b>
General Government	\$ 8,294,658	11.5%	\$ 3,043,484	15.4%	\$ (5,251,174)
Public Safety	34,825,258	48.1%	2,715,353	13.7%	(32,109,905)
Physical Environment	555,383	0.8%	323,254	1.6%	(232,129)
Transportation	13,021,454	18.0%	925,822	4.7%	(12,095,632)
Economic Environment	1,228,397	1.7%	5,725,685	28.9%	4,497,288
Culture/Recreation	9,601,349	13.3%	7,046,982	35.6%	(2,554,367)
Interest on Long-Term Debt	4,888,851	6.8%	-	0.0%	(4,888,851)
	<b>\$ 72,415,350</b>	<b>100%</b>	<b>\$ 19,780,580</b>	<b>100%</b>	<b>\$ (52,634,770)</b>

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

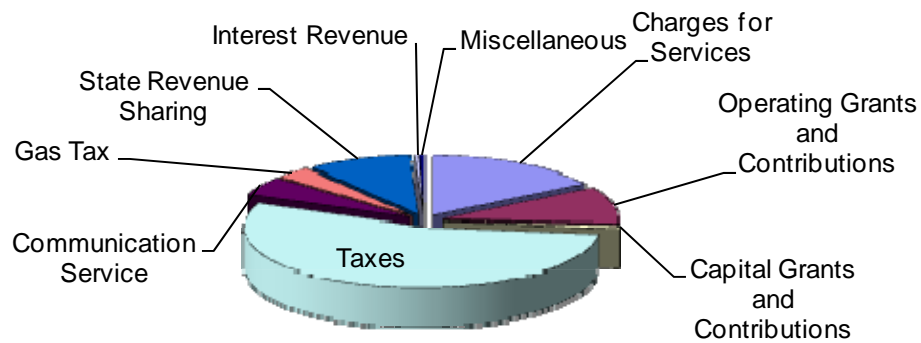


The following table and chart shows revenues by source of governmental activities by percent of total revenues.

**Revenue by Source – Governmental Activities**

<b>Program Revenues</b>		
Charges for Services	\$ 11,895,684	15.7%
Operating Grants and Contributions	7,310,174	9.7%
Capital Grants and Contributions	574,722	0.8%
<b>General Revenues</b>		
Property Tax	27,399,051	36.2%
Franchise Fees	5,731,594	7.6%
Utility Service	6,847,450	9.1%
Communication Service	3,739,028	4.9%
Gas Tax	2,369,610	3.1%
State Revenue Sharing	6,966,869	9.2%
Interest Revenue	305,744	0.4%
Miscellaneous	322,372	0.4%
<b>Transfers</b>	<u>2,195,383</u>	<u>2.9%</u>
	<u>\$ 75,657,681</u>	<u>100.0%</u>

**Revenue by Source - Governmental Activities**



**Business-type activities**

As mentioned above, business-type activities increased the City's total net assets by \$1.5 million. Key elements of the increase in business-type activities are as follows:

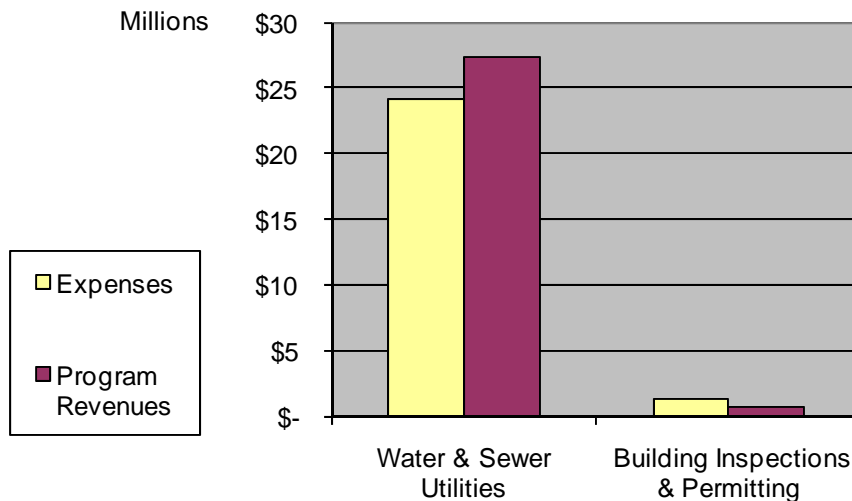
- Capital grants in the Utilities Fund increased by approximately \$1.6 million from the previous fiscal year. This increase is a result of a drinking water grant received in fiscal year 2010.
- Operating expenses of the Building Fund were reduced by \$1 million compared to the previous year. This was a result of a decrease in expenses, including materials, supplies and other operating expenses.

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

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

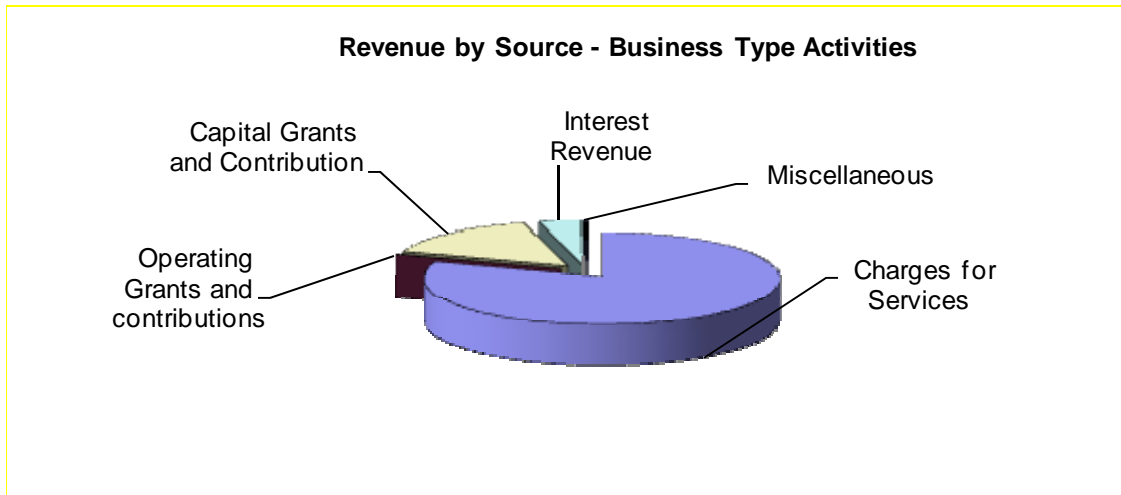
<b>Functions/Programs</b>	<b>Expenses</b>	<b>% of Total</b>	<b>Program Revenues</b>	<b>% of Total</b>	<b>Net (Expense) Revenue</b>
Water & Sewer Utilities	\$ 24,197,960	95.2%	\$ 27,285,438	97.4%	\$ 3,087,478
Building Inspections & Permitting	1,233,060	4.8%	721,993	2.6%	(511,067)
	<u>\$ 25,431,020</u>	<u>100.0%</u>	<u>\$ 28,007,431</u>	<u>100.0%</u>	<u>\$ 2,576,411</u>

**Expenses and Program Revenues - Business Type Activities**



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

<b>Business-Type</b>		
Charges for Services	\$ 23,477,022	87.1%
Operating grants and Contributions	24,862	0.1%
Capital Grants and Contribution	4,505,547	16.7%
Interest Revenue	1,163,855	4.3%
Miscellaneous	(31,918)	-0.1%
<b>Transfers</b>	<u>(2,195,383)</u>	<u>-8%</u>
	<u>\$ 26,943,985</u>	<u>100.0%</u>



## Financial Analysis of the City's Funds

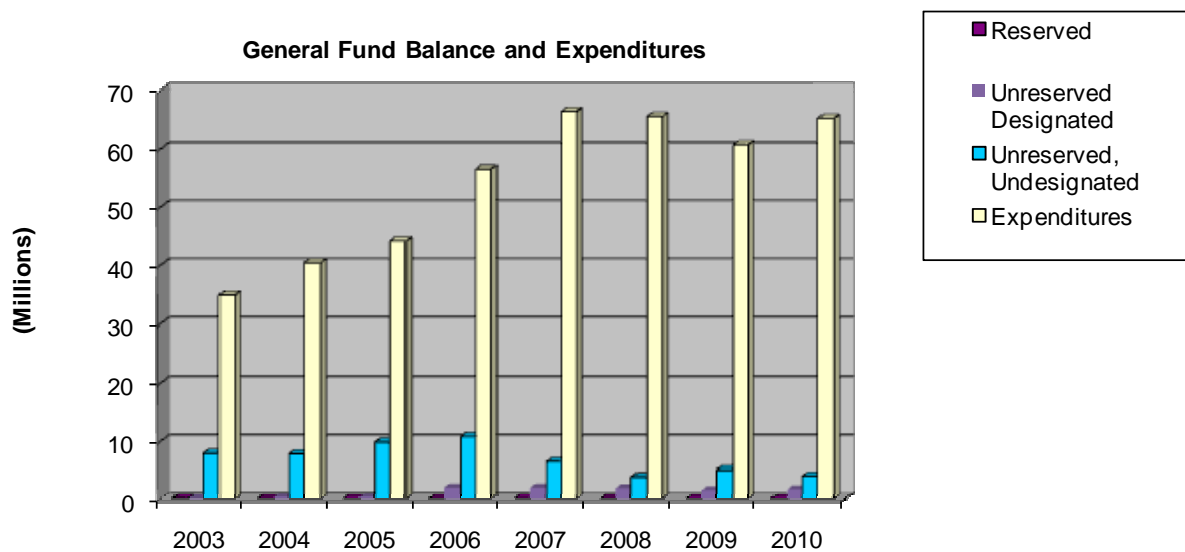
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### 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, *unreserved 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 2010, the City's governmental funds reported combined ending fund balances of \$41.59 million, a decrease of \$5.21 million in comparison with the prior year. A key element to the decrease is the decline in property tax revenues. *Unreserved fund balance* is \$26.7 million and is available for spending, subject to regulatory, statutory, and budgetary restrictions. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) for inventories (\$12,542), 2) for prepaid items (\$8,390), 3) for long-term advances (\$13,652,291) and 4) for debt service (\$1,239,231).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2010, unreserved fund balance of the General Fund was \$5.77 million, while total fund balance reached \$5.79 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$896,828 during the current fiscal year due to some significant changes in programs funded, which are outlined in the General Fund budgetary highlights on page 14 of this report.



The Palm Bay Road Widening Fund was created in fiscal year 2007 to account for a Commercial Paper loan acquired to make a loan to the Florida Department of Transportation to expedite the widening of a major road. Through an inter-local agreement with Brevard County and the cities of Melbourne and West Melbourne, these governments contribute funds toward a portion of the interest payments on the loan. The original long term advance balance of \$15,169,136 was reduced in fiscal year 2010 by \$1,516,844.

The Bayfront Community Redevelopment Agency Fund (BCRA) is used to account for the ad valorem tax increment revenues accumulated for the community development in areas where taxes were assessed. Capital-oriented projects of the BCRA are accounted for in the BCRA Construction Fund. At the end of fiscal year 2010, unreserved fund balance of the BCRA Fund was \$2.06 million, which is an increase of \$31,680. This is primarily due to a reduction in operating expenditures.

### **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 two enterprise funds, of which the Utilities Fund is a major fund and the Building Inspections Fund is a non-major fund. Unrestricted net assets of the enterprise funds at the end of the year were \$21.6 million. The total net assets of the Utilities Fund increased by \$2.0 million for the 2010 fiscal year. The net assets for the Building Inspection Fund decreased by \$516,797, due to the slowdown in building construction. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The approved General Fund budget totals \$54,920,938, representing a decrease of \$3,390,785 or 5.81% from FY 2009. The budget continues essential existing and critical City services while making necessary reductions to meet the fiscal requirements of the state mandated property tax reform and the current economic recession.

Some of the significant changes in programs funded in this year's budget include:

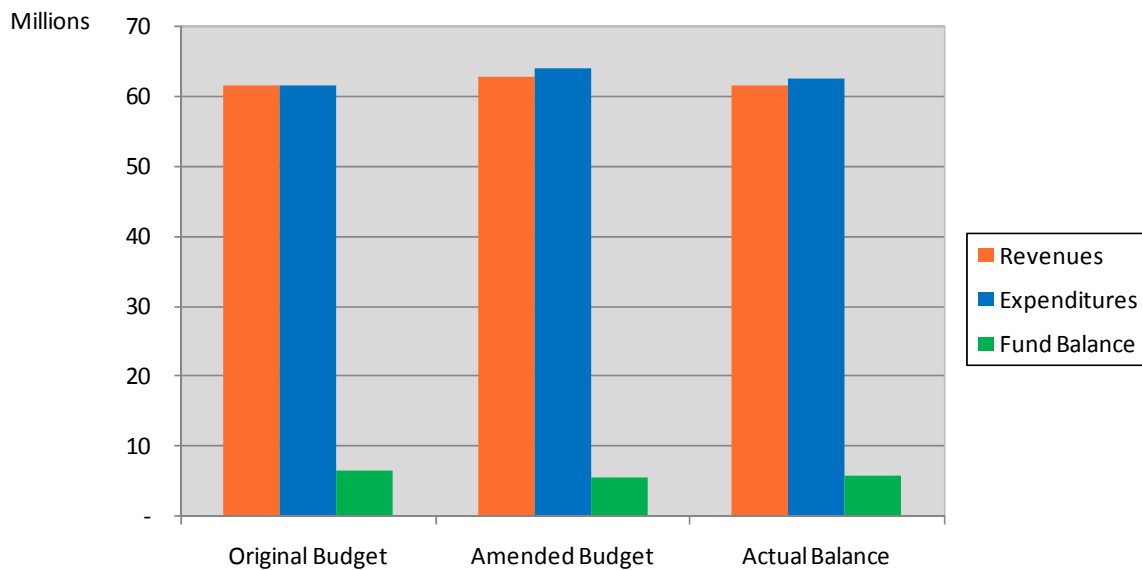
- Honoring the contractual obligation to provide NAGE-White employees with a Cost of Living wage increase of 3.8% (consistent with the Consumer Price Index) and a 3% step increase.
- Increase in the Police and Fire Pension Plan employer contribution of approximately \$456,000 and an increase in the debt service payments of the 2004 and 2008 Pension Obligation Bonds of approximately \$697,000.
- The net reduction of 9.70 full-time equivalent employees through the elimination of vacant, occupied and/or part-time positions and the conversion of full-time positions to part-time positions. This includes the transfer of commercial fire plan review and inspection services to the Building Division and the institution of the Engine Company Inspection Program.
- The creation of a volunteer coordinator position in the Human Resources Department. This position, through the reallocation of an existing position within the Public Works Department, will serve to recruit, train and deploy volunteers into all aspects of City operations.
- Repair of Malabar Road culvert failures at a cost of \$400,000.
- The funding of a School Resource Officer for Heritage High School with the cost of capital (equipment and vehicle funded from a grant program under the American Recovery and Reinvestment Act (ARRA) of 2009) and operating revenues from a grant from the Brevard County School District and the Red Light Camera Enforcement Program.
- Use of City employees in lieu of contractors for project management and design and construction of roads and right-of-ways.

General Fund revenues (excluding grant funding, use of undesignated fund balance, and transfers in and out) decreased \$1,259,049 or 2.00% from the prior year. This includes the receipt of \$1,122,144 from the Utilities Fund as a Payment-in-Lieu-of-Taxes (PILOT) payment.

The budget is based upon an estimated unreserved fund balance as of September 30, 2010 of \$6,449,354 but does not appropriate any funds for the FY 2010 Budget. The minimum fund balance for FY 2010, as established by administrative code, is \$5,487,949 and represents 10% of projected operating costs. The approved budget exceeds the minimum fund balance requirement by \$961,405.

The City generated a positive/(negative) variance of approximately \$188,052 between the final adopted budget and actual results of operations. Actual revenues were less than the final budgeted revenues by (\$1.4). This negative variance was primarily a result of budgeted transfers that were not made. Actual expenditures during the year were approximately \$1.5 million less than the final budgeted expenditures. This positive variance was primarily a result of reduced personal services and operation expenditures.

**2010 GENERAL FUND BUDGETARY COMPARISON**



## 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, 2010 amounts to \$230.6 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		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 16,640,930	\$ 12,975,098	\$ 4,887,159	\$ 4,809,185	\$ 21,528,089	\$ 17,784,283
Construction in Progress	11,945,629	7,829,429	9,776,093	7,377,586	21,721,722	15,207,015
Buildings and Improvements	32,267,627	32,223,814	2,863,766	2,863,766	35,131,393	35,087,580
Water and Sewer System	-	-	144,847,358	141,481,610	144,847,358	141,481,610
Machinery and Equipment	25,601,406	23,117,654	3,815,607	3,847,717	29,417,013	26,965,371
Infrastructure	80,775,411	79,206,543	-	-	80,775,411	79,206,543
	167,231,003	155,352,538	166,189,983	160,379,864	333,420,986	315,732,402
Less: Accumulated Depreciation	(59,643,273)	(55,839,873)	(43,220,074)	(39,379,416)	(102,863,347)	(95,219,289)
Capital Assets, net	\$ 107,587,730	\$ 99,512,665	\$ 122,969,909	\$ 121,000,448	\$ 230,557,639	\$ 220,513,113

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

- Road reconstruction and drainage projects of \$2.6 million and road improvement projects still in progress at the end of the year of \$6.3 million.
- Land acquisition for road improvement projects.
- Acquisition of containers for the Sanitation Cart Program.
- Water and sewer improvement projects were complete at year end totaled \$4 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 2010, the City had total long-term liabilities of \$233.3 million. Of this amount \$162.4 million is secured solely by specified revenue sources (i.e., revenue bonds). In addition, the City's Self Insurance Funds had outstanding \$3.5 million in claims payable.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue Bonds	\$ 71,287,155	\$ 72,742,739	\$ 91,094,740	\$ 95,418,135	\$ 162,381,895	\$ 168,160,874
Notes Payable	19,001,000	20,778,000	3,760,000	3,935,000	22,761,000	24,713,000
Capital Leases	23,861,281	21,340,993	-	-	23,861,281	21,340,993
OPEB Obligation	943,254	579,629	232,017	-	1,175,271	579,629
Compensated Absences	5,806,800	6,095,700	700,494	829,477	6,507,294	6,925,177
Interest Rate Swap-Fair Value	13,086,180	7,386,026	-	-	13,086,180	7,386,026
Claims Payable	3,495,000	3,444,000	-	-	3,495,000	3,444,000
	<u>\$ 137,480,670</u>	<u>\$ 132,367,087</u>	<u>\$ 95,787,251</u>	<u>\$ 100,182,612</u>	<u>\$ 233,267,921</u>	<u>\$ 232,549,699</u>

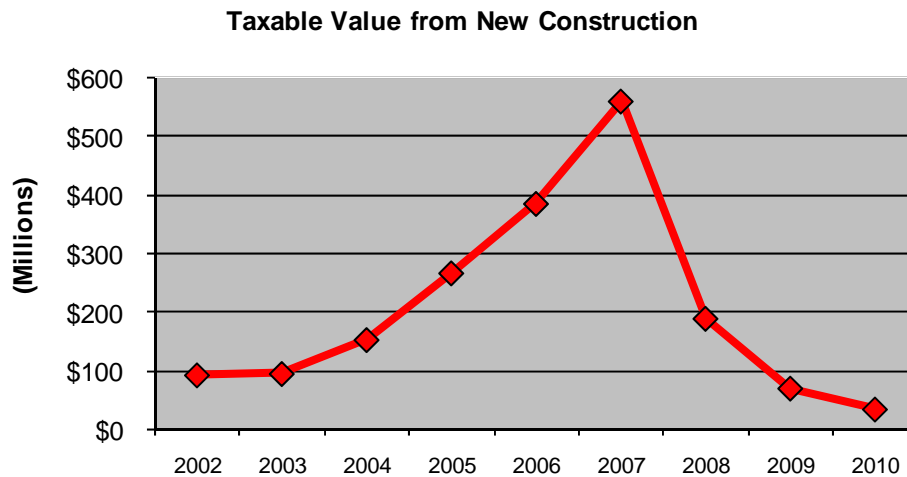
During fiscal year 2010, the City entered into lease/purchase agreements for the acquisition of containers for the sanitation cart program and mowing equipment in the amount of \$3,024,022.

The City also decreased the compensated absence balance by \$417,883 from the prior year. This was attributed to reduction in force through attrition and employee usage of the sick time accrual bank.

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, 2010 was 12.1% an increase of .2% from the prior year. The national average unemployment rate for 2010 was 9.6%.
- Population increased less than 1% from the prior year.
- The taxable value of real property for the City decreased by 19.3% in the 2010 fiscal year.
- Building activity resulted in \$34.8 million of new construction during the year, a decrease of \$35.7 million from the previous year. A graphical presentation of the increases in taxable value from new construction for the past seven years is presented below:



During the current fiscal year, unreserved fund balance in the General Fund decreased to \$5.77 million. The City did not appropriate any unreserved fund balance for spending in the 2011 fiscal year budget.

The ad valorem tax rate for the General Fund was increased to \$7.5 mills for the 2011 fiscal year budget. In fiscal year 2011, the City's budget contemplated the creation of a special district for the purpose of funding the annual road maintenance budget of \$2,000,000. The City added 0.6413 mills to the General Fund's levy of 6.8587 for creation of the Palm Bay Road Maintenance District.

### **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 2009/2010 can also be found on the City's website at [www.palmbayflorida.org](http://www.palmbayflorida.org).



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CITY OF PALM BAY, FLORIDA

STATEMENT OF NET ASSETS  
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRALS</b>			
Cash and Cash Equivalents	\$ 17,777,395	\$ 6,029,306	\$ 23,806,701
Investments	12,767,313	2,819,835	15,587,148
Restricted Assets:			
Cash and Cash Equivalents	-	12,292,722	12,292,722
Investments	1,442,682	30,552,743	31,995,425
Accounts Receivable (Net)	2,638,543	9,026,419	11,664,962
Internal Balances	(2,554,000)	2,554,000	-
Due from Other Governments	2,965,808	-	2,965,808
Inventories	221,592	365,589	587,181
Prepaid Items	13,649	-	13,649
Other Assets	36,759	1,212,367	1,249,126
Long-Term Advances	13,652,291	-	13,652,291
Noncurrent Receivables (Net)	-	5,273,021	5,273,021
Deferred Charges	1,691,950	1,646,993	3,338,943
Net Pension Asset	41,507,935	-	41,507,935
Capital Assets Not Being Depreciated:			
Land	16,640,930	4,887,159	21,528,089
Construction in Progress	11,945,629	9,776,093	21,721,722
Capital Assets, Net of Accumulated Depreciation:			
Building and Improvements	20,492,633	2,064,000	22,556,633
Water and Sewer Systems	-	104,863,094	104,863,094
Machinery, Equipment and Vehicles	7,347,906	1,379,563	8,727,469
Infrastructure	51,160,632	-	51,160,632
<b>Total Assets</b>	<b>199,749,647</b>	<b>194,742,904</b>	<b>394,492,551</b>
Deferred Swap Outflows	13,086,180	-	13,086,180
<b>Total Assets and Deferrals</b>	<b>212,835,827</b>	<b>194,742,904</b>	<b>407,578,731</b>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts Payable	4,120,735	2,187,717	6,308,452
Accrued Liabilities	2,508,440	342,076	2,850,516
Due to Other Governments	84,893	-	84,893
Unearned Revenue	2,145,769	2,023,318	4,169,087
Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	1,153,184	-	1,153,184
Customer Deposits	-	1,699,548	1,699,548
Long-Term Liabilities:			
Due Within One Year:			
Bonds Payable	1,455,000	4,868,192	6,323,192
Notes Payable	6,338,000	185,000	6,523,000
Capital Leases Payable	742,395	-	742,395
Claims Payable	440,000	-	440,000
Compensated Absences	929,088	112,079	1,041,167
Due in More Than One Year:			
Bonds Payable	69,832,155	86,226,548	156,058,703
Notes Payable	12,663,000	3,575,000	16,238,000
Capital Leases Payable	23,118,886	-	23,118,886
Accreted Interest Payable	-	8,994,620	8,994,620
Claims Payable	3,055,000	-	3,055,000
Net OPEB Obligation	943,254	232,017	1,175,271
Interest Rate Swap Fair Value	13,086,180	-	13,086,180
Compensated Absences	4,877,712	588,415	5,466,127
<b>Total Liabilities</b>	<b>147,493,691</b>	<b>111,034,530</b>	<b>258,528,221</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	45,103,439	43,159,143	88,262,582
Restricted for:			
Transportation	5,067,088	-	5,067,088
Economic Development	2,065,553	-	2,065,553
Debt Service	3,583,236	-	3,583,236
Building Fund	-	932,278	932,278
Water and Sewer Utilities System	-	17,969,858	17,969,858
Public Safety	338,805	-	338,805
Unrestricted	9,184,015	21,647,095	30,831,110
<b>Total Net Assets</b>	<b>\$ 65,342,136</b>	<b>\$ 83,708,374</b>	<b>\$ 149,050,510</b>

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

CITY OF PALM BAY, FLORIDA

STATEMENT OF ACTIVITIES  
For Fiscal Year Ended September 30, 2010

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 8,294,658	\$ 2,799,160	\$ 5,500	\$ 238,824
Public Safety	34,825,258	2,167,865	547,488	-
Physical Environment	555,383	135,167	-	188,087
Transportation	13,021,454	782,820	-	143,002
Economic Environment	1,228,397	687,998	5,037,687	-
Culture/Recreation	9,601,349	5,322,674	1,719,499	4,809
Interest on Long-Term Debt	4,888,851	-	-	-
<b>Total Governmental Activities</b>	<b>72,415,350</b>	<b>11,895,684</b>	<b>7,310,174</b>	<b>574,722</b>
Business-type Activities:				
Water and Sewer Utilities	24,197,960	22,755,029	24,862	4,505,547
Building Inspections & Permitting	1,233,060	721,993	-	-
<b>Total Business-type Activities</b>	<b>25,431,020</b>	<b>23,477,022</b>	<b>24,862</b>	<b>4,505,547</b>
<b>Total</b>	<b>\$ 97,846,370</b>	<b>\$ 35,372,706</b>	<b>\$ 7,335,036</b>	<b>\$ 5,080,269</b>

General Revenues:

Taxes:

Property Tax

Franchise Fees

Utility Service Tax

Communication Service Tax

Gas Tax

State Revenue Sharing (unrestricted)

Interest Revenue

Miscellaneous

Transfers

Total General Revenues/Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental</b>	<b>Business-type</b>	
<b>Activities</b>	<b>Activities</b>	<b>Total</b>
\$ (5,251,174)	\$ -	\$ (5,251,174)
(32,109,905)	-	(32,109,905)
(232,129)	-	(232,129)
(12,095,632)	-	(12,095,632)
4,497,288	-	4,497,288
(2,554,367)	-	(2,554,367)
(4,888,851)	-	(4,888,851)
<b>(52,634,770)</b>	<b>-</b>	<b>(52,634,770)</b>
-	3,087,478	3,087,478
-	(511,067)	(511,067)
-	2,576,411	2,576,411
<b>(52,634,770)</b>	<b>2,576,411</b>	<b>(50,058,359)</b>
27,399,051	-	27,399,051
5,731,594	-	5,731,594
6,847,450	-	6,847,450
3,739,028	-	3,739,028
2,369,610	-	2,369,610
6,966,869	-	6,966,869
305,744	1,163,855	1,469,599
322,372	(31,918)	290,454
2,195,383	(2,195,383)	-
<b>55,877,101</b>	<b>(1,063,446)</b>	<b>54,813,655</b>
3,242,331	1,512,965	4,755,296
62,099,805	82,195,409	144,295,214
<b>\$ 65,342,136</b>	<b>\$ 83,708,374</b>	<b>\$ 149,050,510</b>

CITY OF PALM BAY, FLORIDA

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2010**

	General	Palm Bay Road Loan Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 416,880	\$ 436,062
Investments	2,393,700	-
Restricted Investments	-	-
Accounts Receivable	2,467,720	41,647
Due from Other Governments	2,347,484	-
Due from Other Funds	1,914,919	-
Prepaid Items	8,390	-
Inventory	12,542	-
Other Assets	11,940	-
Long-Term Advances	-	13,652,291
<b>Total Assets</b>	<b>\$ 9,573,575</b>	<b>\$ 14,130,000</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 796,314	\$ -
Accrued Liabilities	2,322,508	-
Due to Other Funds	-	-
Advances to Other Funds	-	-
Due to Other Governments	-	-
Deferred/Unearned Revenues	663,841	-
<b>Total Liabilities</b>	<b>3,782,663</b>	<b>-</b>
Fund Balances:		
Reserved for:		
Inventories	12,542	-
Prepaid Items	8,390	-
Long-Term Advances	-	13,652,291
Debt Service	-	-
Unreserved, Designated for:		
Encumbrances	343,214	-
Improvements & Construction	1,405,191	-
Unreserved Reported In:		
General Fund	4,021,575	-
Special Revenue Funds	-	-
Debt Service Funds	-	477,709
Capital Projects Funds	-	-
<b>Total Fund Balances</b>	<b>5,790,912</b>	<b>14,130,000</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,573,575</b>	<b>\$ 14,130,000</b>

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

Bayfront Community Redevelopment Agency	BCRA Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,334,587	\$ 1,340,185	\$ 11,057,539	\$ 14,585,253
757,109	3,922,787	5,693,717	12,767,313
-	-	1,442,682	1,442,682
1,601	13,992	47,072	2,572,032
-	-	618,324	2,965,808
-	-	-	1,914,919
-	-	-	8,390
-	-	-	12,542
2,000	-	22,819	36,759
-	-	-	13,652,291
<b>\$ 2,095,297</b>	<b>\$ 5,276,964</b>	<b>\$ 18,882,153</b>	<b>\$ 49,957,989</b>

\$ 21,940	\$ -	\$ 1,637,290	\$ 2,455,544
7,804	-	124,350	2,454,662
-	-	499,990	499,990
-	-	644,000	644,000
-	-	3,937	3,937
-	-	1,645,758	2,309,599
<b>29,744</b>	<b>-</b>	<b>4,555,325</b>	<b>8,367,732</b>

-	-	-	12,542
-	-	-	8,390
-	-	-	13,652,291
-	-	1,239,231	1,239,231
-	-	-	-
247,494	49,357	238,929	878,994
-	-	-	1,405,191
-	-	-	4,021,575
1,818,059	-	7,403,800	9,221,859
-	-	2,769,064	3,246,773
-	5,227,607	2,675,804	7,903,411
<b>2,065,553</b>	<b>5,276,964</b>	<b>14,326,828</b>	<b>41,590,257</b>
<b>\$ 2,095,297</b>	<b>\$ 5,276,964</b>	<b>\$ 18,882,153</b>	<b>\$ 49,957,989</b>



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CITY OF PALM BAY, FLORIDA

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
September 30, 2010

<b>Total fund balances of governmental funds</b>	<b>\$ 41,590,257</b>
--	----------------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$159,038,220 and the accumulated depreciation is \$54,980,901. Internal service funds capital assets of \$8,192,783 and accumulated depreciaton of \$4,662,372 are included in the internal service funds balances below.	<b>104,057,319</b>
--	--------------------

Net pension assets are not considered to represent a financial asset and, therefore, is not reported in the governmental fund.	<b>41,507,935</b>
--	-------------------

Costs of issuance of long-term debt are reported as deferred charges and amortized over the life of the debt in the government-wide statements. In the governmental fund financial statements, the expenditure is recorded at issuance.	<b>1,691,950</b>
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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 assets.	<b>(1,987,182)</b>
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Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	<b>163,830</b>
---	----------------

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 Assets. The amount for internal service funds above includes compensated absences of \$103,851 (\$16,616 current, \$87,235 long-term) and \$128,480 of long-term capital lease payable. Long-term liabilities at year-end consist of:

Bonds payable	\$	71,287,155	
Notes payable		19,001,000	
Arbitrage rebate liability		80,956	
Accrued interest payable		1,153,184	
Capital lease payable		23,732,801	
Net OPEB obligation		920,515	
Compensated absences		5,506,362	
		<b>5,506,362</b>	<b>(121,681,973)</b>

<b>Total net assets of governmental activities</b>	<b>\$ 65,342,136</b>
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*The notes to the financial statements are an integral part of the financial statements.*

CITY OF PALM BAY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 For Fiscal Year Ended September 30, 2010

	General	Palm Bay Road Loan Fund
<b>REVENUES</b>		
Taxes	\$ 39,913,178	\$ -
Impact Fees	-	-
Licenses and Permits	5,760,068	-
Intergovernmental Revenues	7,715,532	-
Charges for Services	2,989,414	-
Fines and Forfeitures	1,160,910	-
Investment Income	57,754	731
Contributions	-	-
Miscellaneous Revenues	439,503	143,002
<b>Total Revenues</b>	<b>58,036,359</b>	<b>143,733</b>
<b>EXPENDITURES</b>		
Current:		
General Government	8,836,848	-
Public Safety	33,816,002	-
Physical Environment	23,126	-
Transportation	9,022,204	-
Economic Environment	-	-
Culture/Recreation	3,517,152	-
Debt Service:		
Principal Retirement	-	1,517,000
Interest and Fiscal Charges	-	173,036
Capital Outlay	126,701	-
<b>Total Expenditures</b>	<b>55,342,033</b>	<b>1,690,036</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,694,326</b>	<b>(1,546,303)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	3,034,617	96,875
Transfers (Out)	(7,090,063)	-
Capital Leases	464,022	-
<b>Total Other Financing Sources and (Uses)</b>	<b>(3,591,424)</b>	<b>96,875</b>
<b>Net Change in Fund Balances</b>	<b>(897,098)</b>	<b>(1,449,428)</b>
<b>Fund Balances - Beginning</b>	<b>6,688,010</b>	<b>15,579,428</b>
<b>Fund Balances - Ending</b>	<b>\$ 5,790,912</b>	<b>\$ 14,130,000</b>

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

Bayfront Community Redevelopment Agency	BCRA Constructoin Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,126,416	\$ -	\$ -	\$ 41,039,594
-	-	960,804	960,804
-	-	-	5,760,068
-	-	10,406,701	18,122,233
-	-	302,730	3,292,144
-	-	416,358	1,577,268
13,947	42,093	176,721	291,246
-	-	1,704,617	1,704,617
305	-	76,357	659,167
<b>1,140,668</b>	<b>42,093</b>	<b>14,044,288</b>	<b>73,407,141</b>
-	-	290,820	9,127,668
-	-	496,621	34,312,623
-	-	278,480	301,606
-	-	390,883	9,413,087
489,028	-	739,369	1,228,397
-	-	5,068,070	8,585,222
260,000	-	1,905,804	3,682,804
214,038	-	4,381,533	4,768,607
145,922	2,999	11,114,001	11,389,623
<b>1,108,988</b>	<b>2,999</b>	<b>24,665,581</b>	<b>82,809,637</b>
<b>31,680</b>	<b>39,094</b>	<b>(10,621,293)</b>	<b>(9,402,496)</b>
-	-	7,836,063	10,967,555
-	-	(2,712,109)	(9,802,172)
-	-	2,560,000	3,024,022
-	-	7,683,954	4,189,405
<b>31,680</b>	<b>39,094</b>	<b>(2,937,339)</b>	<b>(5,213,091)</b>
<b>2,033,873</b>	<b>5,237,870</b>	<b>17,264,167</b>	<b>46,803,348</b>
<b>\$ 2,065,553</b>	<b>\$ 5,276,964</b>	<b>\$ 14,326,828</b>	<b>\$ 41,590,257</b>



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**CITY OF PALM BAY, FLORIDA**

**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, 2010**

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

Net change in fund balances - total governmental funds	<b>\$ (5,213,091)</b>
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 (\$14,989,979) exceeds depreciation expense (\$6,341,117) in the current period.	<b>8,648,860</b>
Governmental funds report only the proceeds from the sale of capital assets. However, in the Statement of Activities, the amount of the proceeds (if any) are shown net of the remaining book balance of the assets disposed. This is the amount of the gain or (loss) realized on the current year dispositions.	<b>(9,501)</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.	<b>(115,644)</b>
The change in the net pension assets has no effect on the current financial resource and, therefore, is not reported in the governmental funds.	<b>1,670,851</b>
The repayment of principal is an expenditure in the governmental funds, but reduces liabilities in the statement of net assets. 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 assets, 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	<b>1,455,584</b>
Capital Leases	<b>480,804</b>
Notes Payable	<b>1,777,000</b>
Debt issued or incurred:	
Capital Leases	<b>(3,024,022)</b>
Deferred charges	<b>(87,449)</b>
Accrued interest payable on long-term debt	<b>32,911</b>
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	<b>389,403</b>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Net OPEB Obligation	<b>(350,350)</b>
The internal service fund is used by management to charge the costs of risk management services to other funds. The decrease in net assets of the internal service fund is reported with governmental activities.	<b>(2,413,025)</b>
Change in net assets of governmental activities	<b>\$ 3,242,331</b>

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

CITY OF PALM BAY, FLORIDA

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 September 30, 2010

	Business Type Activities - Enterprise Funds			Governmental
	Utilities Fund (Major Fund)	Building Inspection Fund (Nonmajor Fund)	Total Enterprise Funds	Activities - Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,545,297	\$ 484,009	\$ 6,029,306	\$ 3,192,142
Investments	2,819,835	-	2,819,835	-
Restricted Cash and Cash Equivalents	1,699,548	-	1,699,548	-
Accounts Receivable - (Net)	9,026,419	-	9,026,419	66,511
Advances to Other Funds	1,910,000	644,000	2,554,000	-
Inventory	365,589	-	365,589	209,050
Prepaid Items	-	-	-	5,259
<b>Total Current Assets</b>	<b>21,366,688</b>	<b>1,128,009</b>	<b>22,494,697</b>	<b>3,472,962</b>
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	10,593,174	-	10,593,174	-
Investments	30,552,743	-	30,552,743	-
<b>Total Restricted Assets</b>	<b>41,145,917</b>	<b>-</b>	<b>41,145,917</b>	<b>-</b>
Accounts Receivable (Net)	5,273,021	-	5,273,021	-
Other Assets	1,212,367	-	1,212,367	-
Issuance of Debt	1,646,993	-	1,646,993	-
	<b>8,132,381</b>	<b>-</b>	<b>8,132,381</b>	<b>-</b>
Capital Assets:				
Land	4,887,159	-	4,887,159	-
Construction in Progress	9,776,093	-	9,776,093	-
Building and Improvements	2,863,766	-	2,863,766	-
Water and Sewer Systems	144,710,891	-	144,710,891	-
Machinery, Equipment and Vehicles	3,815,607	136,467	3,952,074	8,192,783
Less: Accumulated Depreciation	(43,117,148)	(102,926)	(43,220,074)	(4,662,372)
<b>Total Capital Assets (Net)</b>	<b>122,936,368</b>	<b>33,541</b>	<b>122,969,909</b>	<b>3,530,411</b>
<b>Total Noncurrent Assets</b>	<b>172,214,666</b>	<b>33,541</b>	<b>172,248,207</b>	<b>3,530,411</b>
<b>Total Assets</b>	<b>193,581,354</b>	<b>1,161,550</b>	<b>194,742,904</b>	<b>7,003,373</b>

Continued

CITY OF PALM BAY, FLORIDA

STATEMENT OF NET ASSETS (CONTINUED)  
 PROPRIETARY FUNDS  
 September 30, 2010

	Business Type Activities - Enterprise Funds			Governmental
	Utilities Fund (Major Fund)	Building Inspection Fund (Nonmajor Fund)	Total Enterprise Funds	Activities - Internal Service Funds
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 2,168,341	\$ 19,376	\$ 2,187,717	\$ 1,665,191
Accrued Liabilities	312,569	29,507	342,076	250,365
Due to Other Funds	-	-	-	1,414,929
Unearned Revenues	2,023,318	-	2,023,318	-
Bonds Payable - (Net)	4,868,192	-	4,868,192	-
Notes Payable	185,000	-	185,000	-
Estimated Claims Payable	-	-	-	440,000
Compensated Absences Payable	97,557	14,522	112,079	16,616
Current Liabilities Payable from Restricted Assets:				
Customer Deposits	1,699,548	-	1,699,548	-
<b>Total Current Liabilities</b>	<b>11,354,525</b>	<b>63,405</b>	<b>11,417,930</b>	<b>3,787,101</b>
Noncurrent Liabilities:				
Bonds Payable - (Net)	86,226,548	-	86,226,548	-
Notes Payable	3,575,000	-	3,575,000	-
Capital Leases Payable	-	-	-	128,480
Accreted Interest Payable	8,994,620	-	8,994,620	-
Estimated Claims Payable	-	-	-	3,055,000
Net OPEB Obligation	175,932	56,085	232,017	22,739
Compensated Absences Payable	512,174	76,241	588,415	87,235
Advances from Other Funds	-	-	-	1,910,000
<b>Total Noncurrent Liabilities</b>	<b>99,484,274</b>	<b>132,326</b>	<b>99,616,600</b>	<b>5,203,454</b>
<b>Total Liabilities</b>	<b>110,838,799</b>	<b>195,731</b>	<b>111,034,530</b>	<b>8,990,555</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	43,125,602	33,541	43,159,143	3,401,931
Restricted:				
Renewal and Replacement	3,932,740	-	3,932,740	-
Capital Improvements	14,037,118	-	14,037,118	-
Building Fund	-	932,278	932,278	-
Unrestricted	21,647,095	-	21,647,095	(5,389,113)
<b>Total Net Assets</b>	<b>\$ 82,742,555</b>	<b>\$ 965,819</b>	<b>\$ 83,708,374</b>	<b>\$ (1,987,182)</b>

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



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CITY OF PALM BAY, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 For Fiscal Year Ended September 30, 2010

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Building Inspection Fund (Nonmajor Fund)	Total Enterprise Funds	
<b>Operating Revenues:</b>				
Charges for Services:				
Water	\$ 14,564,145	\$ -	\$ 14,564,145	\$ -
Sewer	8,004,086	-	8,004,086	-
User Fees	-	86,843	86,843	14,957,599
Licenses and Permits	-	631,562	631,562	-
Miscellaneous Income	186,798	3,588	190,386	2,412
<b>Total Operating Revenues</b>	<b>22,755,029</b>	<b>721,993</b>	<b>23,477,022</b>	<b>14,960,011</b>
<b>Operating Expenses:</b>				
Personal Services	6,759,054	809,616	7,568,670	2,579,434
Material, Supplies, and Operating expenses	7,030,846	389,997	7,420,843	3,608,616
Claims/Premium Expense	-	-	-	11,315,131
Depreciation	4,527,320	33,447	4,560,767	974,367
Amortization	22,948	-	22,948	-
<b>Total Operating Expenses</b>	<b>18,340,168</b>	<b>1,233,060</b>	<b>19,573,228</b>	<b>18,477,548</b>
<b>Operating Income (Loss)</b>	<b>4,414,861</b>	<b>(511,067)</b>	<b>3,903,794</b>	<b>(3,517,537)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Interest Income	1,162,071	1,784	1,163,855	14,498
Interest Expense and Fiscal Charges	(5,857,792)	-	(5,857,792)	(96,290)
Intergovernmental Revenues	24,862	-	24,862	51,388
Sale of Capital Assets	(554)	(31,364)	(31,918)	104,916
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(4,671,413)</b>	<b>(29,580)</b>	<b>(4,700,993)</b>	<b>74,512</b>
<b>Income Before Contributions and Transfers</b>	<b>(256,552)</b>	<b>(540,647)</b>	<b>(797,199)</b>	<b>(3,443,025)</b>
Capital Contributions	4,505,547	-	4,505,547	-
Transfers In (Out)	(2,219,233)	23,850	(2,195,383)	1,030,000
<b>Change in Net Assets</b>	<b>2,029,762</b>	<b>(516,797)</b>	<b>1,512,965</b>	<b>(2,413,025)</b>
<b>Total Net Assets - Beginning</b>	<b>80,712,793</b>	<b>1,482,616</b>	<b>82,195,409</b>	<b>425,843</b>
<b>Total Net Assets - Ending</b>	<b>\$ 82,742,555</b>	<b>\$ 965,819</b>	<b>\$ 83,708,374</b>	<b>\$ (1,987,182)</b>

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

CITY OF PALM BAY, FLORIDA

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For Fiscal Year Ended September 30, 2010**

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Utilities Fund (Major Fund)	Building Inspection Fund (Nonmajor Fund)	Total Enterprise Funds	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 20,198,457	\$ 725,524	\$ 20,923,981	\$ 14,952,819
Payments to Suppliers	(5,674,656)	(481,621)	(6,156,277)	(14,181,897)
Payments to Employees	(6,620,481)	(811,566)	(7,432,047)	(2,557,027)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>7,903,320</b>	<b>(567,663)</b>	<b>7,335,657</b>	<b>(1,786,105)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Interfund Advances	105,000	-	105,000	(105,000)
Intergovernmental Revenues	24,862	-	24,862	51,388
Transfers to Other Funds	(2,219,233)	23,850	(2,195,383)	1,030,000
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(2,089,371)</b>	<b>23,850</b>	<b>(2,065,521)</b>	<b>976,388</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition/Construction of Capital Assets	(6,585,350)	-	(6,585,350)	(410,071)
Principal Paid on Capital Debt	(4,686,582)	-	(4,686,582)	(22,931)
Interest Paid on Capital Debt	(4,013,504)	-	(4,013,504)	(96,290)
Contributions	4,505,547	-	4,505,547	-
Principal Paid on Notes Payable	(175,000)	-	(175,000)	-
Proceeds from Sale of Capital Assets	14,160	9,044	23,204	104,916
<b>Net Cash (Used) Provided by Capital and Related Financing Activities</b>	<b>(10,940,729)</b>	<b>9,044</b>	<b>(10,931,685)</b>	<b>(424,376)</b>
<b>Cash Flows from Investing Activities</b>				
Investment Purchases	(58,528,324)	-	(58,528,324)	-
Proceeds from Sale and Maturity of Investments	41,472,489	-	41,472,489	-
Interest Income on Investments	1,179,988	1,784	1,181,772	14,498
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(15,875,847)</b>	<b>1,784</b>	<b>(15,874,063)</b>	<b>14,498</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(21,002,627)</b>	<b>(532,985)</b>	<b>(21,535,612)</b>	<b>(1,219,595)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>38,840,646</b>	<b>1,016,994</b>	<b>39,857,640</b>	<b>4,411,737</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 17,838,019</b>	<b>\$ 484,009</b>	<b>\$ 18,322,028</b>	<b>\$ 3,192,142</b>
<b>Cash and Cash Equivalents Classified As:</b>				
Current Assets	\$ 5,795,547	\$ 484,009	\$ 6,279,556	\$ 3,192,142
Restricted Assets	12,042,472	-	12,042,472	-
<b>Total Cash and Cash Equivalents</b>	<b>\$ 17,838,019</b>	<b>\$ 484,009</b>	<b>\$ 18,322,028</b>	<b>\$ 3,192,142</b>

CITY OF PALM BAY, FLORIDA

STATEMENT OF CASH FLOWS (CONTINUED)  
 PROPRIETARY FUNDS  
 For Fiscal Year Ended September 30, 2010

	Business Type Activities - Enterprise Funds			Governmental
	Utilities Fund (Major Fund)	Building Inspection Fund (Nonmajor Fund)	Total Enterprise Funds	Activities - Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating Income (Loss)	\$ 4,414,861	\$ (511,067)	\$ 3,903,794	\$ (3,517,537)
Depreciation	4,527,320	33,447	4,560,767	974,367
Amortization	22,948	-	22,948	-
Bad Debt	-	-	-	-
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,620,083)	3,531	(2,616,552)	(7,192)
Decrease in Inventories	47,274	-	47,274	(16,006)
(Increase) Decrease in Prepaid Expenses	103,474	-	103,474	7,510
Increase (Decrease) in Accounts Payable	1,167,026	26	1,167,052	615,481
Increase (Decrease) in Accrued Liabilities	38,416	(58,061)	(19,645)	83,865
Increase in Customer Deposits	63,511	-	63,511	-
Increase in OPEB Obligation	175,932	56,085	232,017	22,739
Increase in Compensated Absences	(37,359)	(91,624)	(128,983)	(332)
(Decrease) in Claims Payable	-	-	-	51,000
<b>Total Adjustments</b>	<b>3,488,459</b>	<b>(56,596)</b>	<b>3,431,863</b>	<b>1,731,432</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 7,903,320</b>	<b>\$ (567,663)</b>	<b>\$ 7,335,657</b>	<b>\$ (1,786,105)</b>

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

CITY OF PALM BAY, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS  
PENSION TRUST FUND  
September 30, 2010

<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,153,138
Investments, at fair value:	
Common Stock	\$ 23,370,562
Domestic Equity Funds	34,172,818
International Equity Funds	15,294,846
Bond Funds	37,196,177
Real Estate Funds	<u>7,727,424</u>
	117,761,827
Receivables:	
Accrued Interest and Dividends	25,120
Employer Contributions	33,151
State Contributions	52,108
Other Receivables	2,442
Other Assets	<u>12,845</u>
<b>Total Assets</b>	<u>122,040,631</u>
<b>LIABILITIES</b>	
Accounts Payable	668,535
Prepaid Contributions	158,074
Deferred Retirement Option Payable	<u>3,699,452</u>
<b>Total Liabilities</b>	<u>4,526,061</u>
<b>Net Assets - Held in Trust for Pension Benefits</b>	<u>\$ 117,514,570</u>

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

CITY OF PALM BAY, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUND  
For the Year Ended September 30, 2010**

<b>ADDITIONS</b>	
Contributions:	
Employer:	
Internal	\$ 1,277,513
State	1,148,146
Employee	1,402,892
<b>Total Contributions</b>	<u>3,828,551</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	10,917,607
Interest and Dividends	307,626
<b>Total Investment Earnings</b>	<u>11,225,233</u>
Less: Investment Expenses	
DROP Plan	406,366
<b>Total Investment Expenses</b>	<u>323,554</u>
<b>Net Investment Income</b>	<u>10,495,313</u>
<b>Total Additions</b>	<u>14,323,864</u>
<b>DEDUCTIONS</b>	
Benefits	4,357,167
Refunds	62,579
Administrative Expense	306,969
<b>Total Deductions</b>	<u>4,726,715</u>
<b>Change in Net Assets</b>	9,597,149
<b>Net Assets - Beginning of Year</b>	<u>107,917,421</u>
<b>Net Assets - End of Year</b>	<u>\$ 117,514,570</u>

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



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

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

A. The Reporting Entity

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

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in Section 2100 of the Codification of Government Accounting and Financial Reporting Standards have been considered and the accompanying financial statements present the City and its component unit, the Bayfront Community Redevelopment Agency (“BCRA”).

A blended component unit, although legally separate, is, in substance, part of the City’s operations. The City has only one blended component unit, the Bayfront Community Redevelopment Agency (the “BCRA”). For financial reporting purposes, the BCRA is reported as if it were a part of the City’s operations. 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 for the BCRA. Its services are provided exclusively to the City. The BCRA has been presented as a blended component unit classified as a special revenue fund.

B. Government-wide and Fund Financial Statements

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

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

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

B. Government-wide and Fund Financial Statements (Continued)

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Palm Bay Road Loan Fund is used to account for the proceeds of a loan for major capital improvements and associated debt service.
- The Bayfront Community Redevelopment Agency Funds 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.

Additionally, the City reports the following fund types:

- The Internal Service Funds account for certain activities of the City's risk management and 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, which accumulates resources for pension benefit payments to certain general government employees and qualified police and fire employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 unrestricted resources first for their intended purposes, and then restricted resources, as they are needed.

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

D. Accounting Standards Adopted

In fiscal year 2010, the City adopted the following statements of financial accounting standards issued by the Governmental Accounting Standards Board (“GASB”):

*Statement No.51, Accounting and Financial Reporting for Intangible Assets.*

Statement No.51 addresses accounting and reporting for intangible assets to reduce inconsistencies and enhance the comparability of the accounting and financial reporting of intangible assets (i.e. easements, water rights, timber rights, patents, trademarks, and computer software) among state and local governments.

*Statement No. 52, Land and Other Real Estate Held as Investments by Endowments*

Statement No.52, establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. This statement had no material adverse affect on the City’s financial statements.

*Statement No.53, Accounting and Financial Reporting for Derivative Instruments.*

Statement No.53 addresses accounting and financial reporting standards for derivative instruments, which are the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. See note 8.D. for additional information.

*Statement No.58, Accounting and Financial Reporting for Chapter 9 Bankruptcies*

Statement No.58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. This statement had no material adverse affect on the City’s financial statements.

E. Cash and Cash Equivalents

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

F. Investments

Investments are stated at fair value, with the exception of investments in the Florida State Board of Administration Local Government Pooled Investment Funds (“SBA”), an external 2a7-like investment pool which is presented at share price. All fair market valuations are based on quoted market prices. SBA pool shares are based on amortized cost of the SBA’s underlying portfolio.

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

G. Receivables

Property 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 2010 are based, is 6.8165.

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

Accounts Receivable

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

H. Inventories

Inventories are valued at lower of cost or market, using the first-in /first -out ("FIFO") method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Prepays

Prepays represent payments made to vendors for services that will benefit the period beyond September 30, 2010.

J. 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 assets.

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

K. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In governmental funds capital purchases (capital assets) are reported as expenditures. Capital Assets are depreciated using the straight line method over the following estimated useful lives:

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

L. Amortization of Bond Discount, Premium and Issuance Costs

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 assets. Bond premiums, discounts, deferred loss on refundings, as well as issuance costs 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 as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payment of principal is reported as expenditures.

M. Compensated Absences

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

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

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

N. Deferred / Unearned Revenues

Deferred revenues are recorded for governmental fund receivables which are measurable but not available. In addition, in flows received but for which revenue recognition criteria have not been met are reported as unearned revenue in the government-wide, governmental, enterprise and fiduciary fund financial statements. Unearned revenues consist primarily of business service taxes collected in advance, grant funds collected in advance of incurring allowable costs and present value of potential investment earnings on future debt service deposits paid by a third party provider.

O. 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.

P. Capitalization of Interest

In accordance with generally accepted accounting principles, net interest costs on monies borrowed in order to construct capital assets are capitalized within the Utilities Fund. There was no capitalization of interest for the fiscal year ended September 30, 2010.

Q. Net Assets and Fund Equity

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

*Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets* – This category represents the net assets of the City, which are restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws or regulations of other governments or through constitutional provisions or enabling legislation.

*Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose. Deficit unrestricted net assets if any would require future funding.

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved, undesignated fund balance indicates funds that are available for current expenditures. Deficit fund balances, if any, would require future funding.

R. 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, 2010, the following funds of the City had deficit balances:

<b>Special Revenue Funds:</b>	
ARRA Grant Fund	<b>(\$73,926)</b>
Enviromental Fee Fund	<b>(\$637,449)</b>
<b>Capital Project Funds:</b>	
Community Investment Fund	<b>(\$159,761)</b>
<b>Internal Service Funds:</b>	
Employee Benefits Funds	<b>(\$3,311,114)</b>
Risk Management Fund	<b>(\$1,131,081)</b>

The deficit in the ARRA Grant Fund is expected to be eliminated by grant revenues and transfers in future years.

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

The deficit fund balance in the Community Investment Program Fund is expected to be eliminated by revenues and transfers in future years.

The City has a fund deficit in the Employee Benefits Fund for the fourth consecutive year due to increasing health care costs. During fiscal year 2008, the City opened an employee health clinic in an effort to mitigate increasing health care costs. The City also changed, in 2008, the contribution rates of employees from a fixed dollar to a percentage basis. This resulted in an increase in contribution on the part of the employees. The plan benefits were also modified in the December 1, 2009 plan year to reduce the impact to the fund. Despite these efforts, the costs of health care claims continued to rise and negatively impact this self-insurance fund. For the plan year starting December 1, 2010, benefits were again modified to require a greater cost share from employees, but, more significantly, the health plan was moved into a fully-insured program. This fully-insured program includes a contract with a rate cap not to exceed 8% in each of the next two renewal years. The third renewal year also includes a continuation of this 8% rate cap, with certain contingencies based upon experience and enrollment data. This modified structure will bring stability back to the fund.

In January 2010, the City transitioned the general liability, vehicle liability, and worker's compensation lines of coverage from a self-insured program with high self-insured retentions, to an essentially fully-insured program with lower or no deductibles. The deficit in the Risk Fund is a result of paying higher premiums for a fully-insured program, in addition to the run-off on claims still open under the self-insured program. It is anticipated that run-off will continue to impact the fund into fiscal years 2011 and 2012, although it is expected that this will be at decreasing levels. Ultimately stability will return to the fund over the next two fiscal years as the highest level of expenditures will be known premium costs.

**NOTE 3 – Deposits and Investments**

A. Cash and Deposits

At September 30, 2010, the carrying amount of the City's cash deposit accounts, including certificates of deposit and money market savings accounts, was \$20,178,126. 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. Certificates of Deposit are recorded at their purchase price plus accrued interest, which approximates their fair value.

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

A. Cash and Deposits (Continued)

Cash Equivalents consist of amounts placed with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in the 2a7-like external investment pool Local Government Surplus Funds Trust Fund A in the amount of \$8,986 and Fund B in the amount of \$259, this is reported at amortized cost. The investment pool fund A had an average of 52 days to maturity and the investment pool fund B's average maturity was not made available as of September 30, 2010.

B. Investment Portfolio

On July 2, 2009, 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 ratings 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 State Board of Administration's Local Government Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit and Saving Accounts, Repurchase Agreements, Commercial Paper, Corporate Notes, FDIC TLGP Corporate Obligations, Bankers' Acceptances, State and/or local government taxable and/or tax-exempt debt, Registered investment companies money market mutual funds and Intergovernmental Investment Pools.

As of September 30, 2010, the City had the following investment types and weighted average maturity presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
U.S. Treasury Notes	\$ 8,355,071	1.32
Federal Home Loan Mortgage Corp Discount Note (FHLMC)	19,235,828	1.42
Federal Home Loan Bank (FHLB)	3,033,232	0.59
Federal National Mortgage Association (FNMA)	8,792,847	0.07
Federal Farm Credit Bank (FFCB)	722,913	2.87
PFM Fund Prime Series Money Market Fund	14,626,919	53 days
Federated Government Tax Obligation Tax Managed Fund	2,000,561	38 days
Florida SBA Prime Money Market Fund A	8,986	52 days
Florida SBA Prime Money Market Fund B	259	N/A
Certificate of Deposit	6,000,000	0.65
Federated U.S. Treasury Cash Reserves	1,442,682	N/A
Less: Amounts reported as cash and cash equivalents	(16,636,725)	
<b>Total</b>	<b>\$ 47,582,573</b>	<b>0.78</b>

C. 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 market interest rates. 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, 2010, the investment portfolio had a weighted average duration of 0.78 years.

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

C. Interest Rate Risk (Continued)

The City has Federal Instrumentalities that have embedded options 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 options:

<b>CUSIP</b>	<b>Description</b>	<b>Maturity Date</b>	<b>Call Date</b>	<b>Call Schedule</b>	<b>Market Value</b>
31398AZ88	FNMA Note (Callable)	2/4/2014	2/4/2011	One Time	\$ 1,093,838
3134G1KL7	FHLMC Note (Callable)	7/12/2013	7/12/2011	One Time	884,815
3134G1ML5	FHLMC Note (Callable)	7/26/2013	7/26/2011	One Time	1,122,560
<b>Total</b>					<b>\$ 3,101,213</b>

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

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

The Florida Local Government Surplus Funds Trust Fund ("SBA") shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's or the equivalent by another rating agency.

Commercial Paper with maturities ranging from 1 to 270 days, of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper).

Corporate Notes issued by corporations organized and operating within the United States that have long-term debt rating, at the time of purchase, at a minimum "AA" by Moody's and a minimum long-term debt rating of "AA" by Standard & Poor's.

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

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's and "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-1" by Moody's and "SP-1" by Standard & Poor's for short-term debt.

Registered Investment Companies (Money Market Mutual Funds) shares in open-end and no-load funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7. Money market mutual funds are rated AAAM or AAAM-G or better by Standard and Poor's or equivalent by another recognized rating agency.

Intergovernmental Investment Pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes. Intergovernmental Investment Pools that are rated AAAM or AAAM-G or better by Standard and Poor's or equivalent by another recognized rating agency.

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

D. Credit Risk (Continued)

As of September 30, 2010, the City had the following credit exposure as a percentage of total investments:

<b>Security Type</b>	<b>Credit Rating</b>	<b>% of Portfolio</b>
U.S. Treasury Notes	TSY	13.01%
Federal Home Loan Mortgage Corp Discount Note (FHLMC)	AAA	29.95%
Federal Home Loan Bank (FHLB)	A-1+	4.72%
Federal National Mortgage Association (FNMA)	A-1+	13.69%
Federal Farm Credit Bank (FFCB)	AA+	1.13%
PFM Fund Prime Series Money Market Fund	AAAm	22.78%
Federated Government Tax Obligation Tax Managed Fund	AAAm	3.12%
Florida SBA Prime Money Market Fund A	AAAm	0.01%
Florida SBA Prime Money Market Fund B	N/A	0.00%
Certificate of Deposit	N/A	9.34%
Federated U.S. Treasury Cash Reserves	AAAm	2.25%
<b>Total</b>		<b>100%</b>

The City's \$8,986 investment deposit in the Florida State Board of Administration's Local Government Surplus Funds Trust Fund A investment pool was rated AAAM by Standard & Poors as of September 30, 2010. The City's \$259 investment deposit in the Florida State Board of Administration's Local Government Surplus Funds Trust Fund B investment pool was unrated as of September 30, 2010.

The City's \$6,000,000 investment in Certificate of Deposits and cash deposit balance of \$14,178,126 were deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

E. Custodial Credit Risk

This is the risk in the event of the failure of the counterparty; the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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, 2010, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

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

F. Concentration of Credit Risk

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

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

As of September 30, 2010, the City had the following issuer concentration based on fair value:

<b>Security Type</b>	<b>Fair Value</b>	<b>% of Portfolio</b>
U.S. Treasury Notes	\$ 8,355,071	13.01%
Federal Home Loan Mortgage Corp Discount Note (FHLMC)	19,235,828	29.95%
Federal Home Loan Bank (FHLB)	3,033,232	4.72%
Federal National Mortgage Association (FNMA)	8,792,847	13.69%
Federal Farm Credit Bank (FFCB)	722,913	1.13%
Sun Trust Certificate of Deposit	4,000,000	6.23%
Bankfirst Certificate of Deposit	2,000,000	3.11%
Federated U.S. Treasury Cash Reserves	1,442,682	2.25%
	<u>\$ 47,582,573</u>	

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

**G. Investments – Palm Bay Retirement System**

1. Investment Authorization

The Palm Bay Retirement System’s (the “Plan”) investment policy is determined by the Board of Trustees (the “Board”). The policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Board determined this policy after evaluating the implications of increased investment return versus increased variability of return for a number of potential investment policies with varying commitments to stocks and bonds. The primary investment objective of the plan is the 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. 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 (CMO) and real estate shall not exceed 25% and 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 a custodian in the name of the Plan, however, equity securities are held in a nominee name to facilitate trading.

2. Types of Investments

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

<b>Authorized Investments</b>	<b>Target % of Portfolio</b>	<b>Actual % of Portfolio</b>
Domestic equities	45%	47%
Fixed income	30%	31%
International equities	15%	13%
Real estate	10%	6%
Cash equivalents	0%	3%

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

**G. Investments – Palm Bay Retirement System (Continued)**

**3. Interest Rate Risk**

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

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, 2010:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Mutual Bond Funds	\$ 37,196,177	\$ 6,658,116	\$ 13,093,054	\$ 11,791,188	\$ 5,653,819
Total Fixed Income	\$ 37,196,177	\$ 6,658,116	\$ 13,093,054	\$ 11,791,188	\$ 5,653,819

**4. Credit Risk**

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

The following tables disclose credit ratings by investment type, at September 30, 2010 as applicable:

Quality Rating of Credit Risk Debt Securities	Fair Value	Percentage of Portfolio
Government & AAA	\$ 18,114,538	48.7%
AA	4,091,579	11.0%
A	7,067,274	19.0%
BBB	5,876,996	15.8%
BB	1,115,885	3.0%
B	929,905	2.5%
Total Fixed Income Securities	\$ 37,196,177	100%

**5. Concentration of Credit Risk**

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2010.

**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 the investments are held by Plan's custodial bank and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

**NOTE 4 – Receivables**

The City's receivables as of September 30, 2010 are summarized as follows:

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental</b>	<b>Business-type</b>	
Accounts Receivable:			
Trade Accounts Receivable	\$ 2,638,543	\$ 9,226,419	\$ 11,864,961
Due from other Governments	2,965,808	-	2,965,808
Assessments Receivables	-	5,408,213	5,408,213
	<u>5,604,351</u>	<u>14,634,632</u>	<u>20,238,982</u>
Less: Allowances for Uncollectibles	-	(335,192)	(335,192)
Accounts receivable, net	<u>\$ 5,604,351</u>	<u>\$ 14,299,440</u>	<u>\$ 19,903,790</u>

	<b>Governmental Activities</b>			
	<b>General</b>	<b>Other Governmental</b>	<b>Internal Service</b>	<b>Total</b>
Accounts Receivable:				
Trade accounts receivables	\$ 2,467,720	\$ 104,312	\$ 66,511	\$ 2,638,543
Due from State of Florida	2,319,640	618,324	-	2,937,964
Due from Brevard County	27,844	-	-	27,844
	<u>4,815,204</u>	<u>722,636</u>	<u>66,511</u>	<u>5,604,351</u>
Less: Allowances for uncollectibles	-	-	-	-
Governmental receivable, net	<u>\$ 4,815,204</u>	<u>\$ 722,636</u>	<u>\$ 66,511</u>	<u>\$ 5,604,351</u>

The governmental activities also include the balance of \$13,652,291 in long-term advances for funds provided to the State of Florida Department of Transportation for widening and repair of a major county-owned road. The original advance of \$15,169,136 was reduced in fiscal year 2010 by \$1,516,844.

**NOTE 4 – Receivables (Continued)**

The City's Utilities Fund provides water and sewer 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, 2010 as summarized as follows:

	<u>Business-type Activities</u>		<u>Total</u>
	<u>Utilities Fund</u>	<u>Building Fund</u>	
Accounts Receivable:			
Trade accounts receivables	\$ 6,855,702	\$ -	\$ 6,855,702
Unbilled receivables	2,370,717	-	2,370,717
Assessments receivables	5,408,213	-	5,408,213
	<u>14,634,632</u>	<u>-</u>	<u>14,634,632</u>
Less: Allowances for uncollectibles	(335,192)	-	(335,192)
Business-type receivable, net	<u>\$ 14,299,440</u>	<u>\$ -</u>	<u>\$ 14,299,440</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, 2010 are as follows:

<u>Account Description:</u>	<u>Cash and</u> <u>Cash Equivalents</u>
Current:	
Customer Deposits	\$ 1,699,548
Total Current Restricted Assets	<u>1,699,548</u>
Noncurrent:	
Capital Projects	17,193,972
Renewal, Replacement and Improvement	3,932,740
Connection Fees	9,986,660
Debt Service Reserve	<u>10,032,545</u>
Total Noncurrent Restricted Assets	<u>41,145,917</u>
Total Restricted Assets - Business-type Activities	<u>\$ 42,845,465</u>

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

Individual Interfund transfers at September 30, 2010 are presented on the table that follows:

Transfers Out	Tranfers In					Total Transfers Out
	General	Palm Bay Road Loan	Nonmajor Governmental	Building Inspections	Internal Service	
General	\$ -	\$ -	\$ 5,852,513	\$ 13,550	\$ 1,224,000	\$ 7,090,063
Nonmajor Governmental	621,384	96,875	1,983,550	10,300	-	2,712,109
Utilities	2,219,233	-	-	-	-	2,219,233
Internal Service	194,000	-	-	-	255,500	449,500
Total Transfers In	<u>\$ 3,034,617</u>	<u>\$ 96,875</u>	<u>\$ 7,836,063</u>	<u>\$ 23,850</u>	<u>\$ 1,479,500</u>	<u>\$ 12,470,905</u>

The transfers to the General Fund relate primarily to a transfer of approximately \$2.2 million to support the Customer Service and Billing/Collection Divisions and a transfer of \$545,000 from Debt Service to return debt service funds from the 2001 PST bonds; a transfer of \$76,000 to close the My Safe Florida Home Fund and \$194,000 from Fleet Services as a reimbursement for grant funded vehicles. The transfer to the Palm Bay Road Loan was to make interest payments. The transfer to the Nonmajor Governmental Funds were primarily to make debt service principal and interest payments of approximately \$4 million, capital projects of \$1.7 million and to support operations. The transfer to the Internal Service Fund relate primarily to two transfers of \$1 million and \$255,500 to support the Employee Benefit Fund

Advances to/from other funds at September 30, 2010 were as follows:

- \$1,910,000 – Balance of a loan from the Utilities Fund to the Fleet Services Fund in 2004 to fund capital acquisitions.
- \$644,000 – Funds advanced by the Building Inspection Fund to the Environmental Fee fund to cover the cost of a Federal Fish and Wildlife permit granted by the U.S. Department of Interior.

Due to/from other funds balances consist of amounts from the General Fund (\$1,914,919) to the Community Development Block Grant, Community Investment Program, and Employee Benefits funds for payment of third-party liabilities.

**NOTE 7 – Capital Assets**

**A. Changes in Capital Assets**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>		<b>Ending Balance</b>	
	<b>9/30/2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>9/30/2010</b>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 12,975,098	\$ 3,665,832	\$ -	\$ 16,640,930
Construction In Progress - Infrastructure	7,829,429	7,418,828	(3,302,628)	11,945,629
<b>Total Capital Assets, Not Being Depreciated</b>	<b>20,804,527</b>	<b>11,084,660</b>	<b>(3,302,628)</b>	<b>28,586,559</b>
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Improvements	32,223,814	43,813	-	\$ 32,267,627
Machinery, Equipment and Vehicles	23,117,654	4,359,800	(1,876,048)	25,601,406
Infrastructure	79,206,543	3,214,405	(1,645,537)	80,775,411
<b>Total Capital Assets Being Depreciated</b>	<b>134,548,011</b>	<b>7,618,018</b>	<b>(3,521,585)</b>	<b>138,644,444</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	(10,613,230)	(1,161,764)	-	(11,774,994)
Machinery and Equipment	(17,704,795)	(2,415,252)	1,866,547	(18,253,500)
Infrastructure	(27,521,848)	(3,738,468)	1,645,537	(29,614,779)
<b>Total Accumulated Depreciation</b>	<b>(55,839,873)</b>	<b>(7,315,484)</b>	<b>3,512,084</b>	<b>(59,643,273)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>78,708,138</b>	<b>302,534</b>	<b>(9,501)</b>	<b>79,001,171</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 99,512,665</b>	<b>\$ 11,387,194</b>	<b>\$ (3,312,129)</b>	<b>\$ 107,587,730</b>

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

**A. Changes in Capital Assets (Continued)**

	Ending Balance 9/30/2009	Increases	Decreases	Ending Balance 9/30/2010
<b>Business-type Activities</b>				
<b>Utility System</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,809,185	\$ 77,974	\$ -	\$ 4,887,159
Construction In Progress	7,377,586	6,271,129	(3,872,622)	9,776,093
<b>Total Capital Assets, Not Being Depreciated</b>	<b>12,186,771</b>	<b>6,349,103</b>	<b>(3,872,622)</b>	<b>14,663,252</b>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,863,766	-	-	2,863,766
Water and Sewer System	141,211,229	4,074,741	(575,079)	144,710,891
Machinery and Equipment	3,847,717	34,128	(66,238)	3,815,607
<b>Total Capital Assets Being Depreciated</b>	<b>147,922,712</b>	<b>4,108,869</b>	<b>(641,317)</b>	<b>151,390,264</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	(721,746)	(78,020)	-	(799,766)
Water and Sewer System	(36,338,586)	(4,084,290)	575,079	(39,847,797)
Machinery and Equipment	(2,156,099)	(365,010)	51,524	(2,469,585)
<b>Total Accumulated Depreciation</b>	<b>(39,216,431)</b>	<b>(4,527,320)</b>	<b>626,603</b>	<b>(43,117,148)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>108,706,281</b>	<b>(418,451)</b>	<b>(14,714)</b>	<b>108,273,116</b>
Utility System Capital Assets, Net	<b>\$ 120,893,052</b>	<b>\$ 5,930,652</b>	<b>\$ (3,887,336)</b>	<b>\$ 122,936,368</b>
<b>Building Inspection</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 270,381	\$ -	\$ (133,914)	136,467
Less Accumulated Depreciation For:				
Machinery and Equipment	(162,985)	(33,447)	93,506	(102,926)
Building Inspection Capital Assets, Net	<b>\$ 107,396</b>	<b>\$ (33,447)</b>	<b>\$ (40,408)</b>	<b>\$ 33,541</b>

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

A. Changes in Capital Assets (Continued)

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

**Depreciation Expense By Function**

**Governmental Activities:**

General Government	\$ 1,011,765
Public Safety	1,178,195
Physical Environment	254,232
Transportation	3,785,941
Economic Environment	-
Culture/Recreation	1,085,351
Total Governmental Activities	<u>\$ 7,315,484</u>

**Business-type Activities:**

Utility System	\$ 4,527,320
Building Inspection	33,447
	<u>\$ 4,560,767</u>

B. Construction Commitments

<b>Projects</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Utility Improvements		
Wastewater Sludge Processing Improvements	\$ 1,604,459	\$ 294,800
South Regional Water Reclamation Facility	650,878	1,162,833
<b>Total</b>	<u>\$ 2,255,337</u>	<u>\$ 1,457,633</u>

**CITY OF PALM BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**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, 2010:

<b>Governmental Activities:</b>	<b>Balance 9/30/09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/10</b>	<b>Due Within One Year</b>	<b>Long-Term Portion</b>
<b>Bonds Payable</b>						
Revenue Bonds	\$ 72,131,447	\$ -	\$ 1,425,000	\$ 70,706,447	\$ 1,455,000	\$ 69,251,447
Add Premium	630,135	-	31,441	598,694	-	598,694
<b>Less Deferred Amounts:</b>						
For Issuance Discounts	(18,843)	-	(857)	(17,986)	-	(17,986)
<b>Total Bonds Payable</b>	<b>72,742,739</b>	<b>-</b>	<b>1,455,584</b>	<b>71,287,155</b>	<b>1,455,000</b>	<b>69,832,155</b>
Notes Payable	20,778,000	-	1,777,000	19,001,000	6,338,000	12,663,000
Capital Leases	21,340,993	3,024,022	503,734	23,861,281	742,395	23,118,886
OPEB Obligation	579,629	363,625	-	943,254	-	943,254
Compensated Absences	6,095,700	3,921,787	4,210,687	5,806,800	929,088	4,877,712
Interest Rate Swap-Fair Value	7,386,026	5,700,154	-	13,086,180	-	13,086,180
Claims Payable	3,444,000	8,593,120	8,542,120	3,495,000	440,000	3,055,000
<b>Total Governmental Activities</b>	<b>\$ 132,367,087</b>	<b>\$ 21,602,708</b>	<b>\$ 16,489,125</b>	<b>\$ 137,480,670</b>	<b>\$ 9,904,483</b>	<b>\$ 127,576,187</b>
<b>Business-type Activities:</b>						
<b>Utility System</b>						
<b>Bonds Payable:</b>						
Revenue Bonds	\$ 100,344,685	\$ -	\$ 4,686,582	\$ 95,658,103	\$ 4,868,192	\$ 90,789,911
Add Premium	1,299,391	-	129,674	1,169,717	-	1,169,717
<b>Less Deferred Amounts:</b>						
For Loss on Refunding	(6,015,754)	-	(470,914)	(5,544,840)	-	(5,544,840)
For Issuance Discounts	(210,187)	-	(21,947)	(188,240)	-	(188,240)
<b>Total Bonds Payable</b>	<b>95,418,135</b>	<b>-</b>	<b>4,323,395</b>	<b>91,094,740</b>	<b>4,868,192</b>	<b>86,226,548</b>
Notes Payable	3,935,000	-	175,000	3,760,000	185,000	3,575,000
OPEB Obligation	-	175,932	-	175,932	-	175,932
Compensated Absences	647,090	487,885	525,244	609,731	97,557	512,174
<b>Total Utility System</b>	<b>\$ 100,000,225</b>	<b>\$ 663,817</b>	<b>\$ 5,023,639</b>	<b>\$ 95,640,403</b>	<b>\$ 5,150,749</b>	<b>\$ 90,489,654</b>
<b>Building Inspection</b>						
OPEB Obligation	\$ -	\$ 56,085	\$ -	\$ 56,085	\$ -	\$ 56,085
Compensated Absences	182,387	27,441	119,065	90,763	14,522	76,241
<b>Total Utility System</b>	<b>\$ 182,387</b>	<b>\$ 83,526</b>	<b>\$ 119,065</b>	<b>\$ 146,848</b>	<b>\$ 14,522</b>	<b>\$ 132,326</b>

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. The beginning balance in the above schedule has been restated for implementation of GASB Statement No 53 during fiscal year 2010.

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

B. Bonds Payable

1. Governmental Activities

The City has pledged public services tax revenues to repay \$8,285,000 in revenue bonds issued in August 2001. Proceeds from the bonds were used to refund Series 1992 Revenue bonds outstanding. The bonds are payable solely from public services tax revenues and are payable through 2016. Total principal and interest remaining to be paid on the bonds is \$4,756,328. For the current year, principal and interest of \$798,349 was paid. Public services tax revenues were \$10,702,122.

The City has pledged local option gas tax revenues to repay \$7,695,000 in revenue bonds issued in May 2004. Proceeds from the bonds were used to finance roadway improvements to Emerson Drive. The bonds are payable solely from local option gas tax revenues and are payable through 2021. Total principal and interest remaining to be paid on the bonds is \$7,483,469. For the current year, principal and interest of \$685,469 was paid. Local option gas tax revenues were \$2,369,610.

In September 2004, the City has issued \$5,376,447 in special obligations bonds secured by pledged state revenue sharing monies, as defined in Chapter 218, Part II, Florida Statutes, in an amount of up to 50% of the state revenue monies received in the preceding fiscal year. Proceeds from the bonds were used to discharge the unfunded actuarial accrued pension liability of the Palm Bay Police and Firefighters Pension Plan. The bonds are payable solely from the state revenue sharing funds and are payable through 2032. Total principal and interest remaining to be paid on the bonds is \$9,971,662. For the current year, principal and interest of \$291,843 was paid. State revenue sharing monies received in 2010 were \$2,509,995.

The City has pledged local government half-cent sales tax revenues and transportation impact fees to repay \$18,365,000 in revenue bonds issued in September 2006. Proceeds from the bonds were used to finance the acquisition and improvement of capital facilities. The bonds are payable solely from sales tax revenues and transportation impact fees and are payable through 2037. Total principal and interest remaining to be paid on the bonds is \$30,902,542. For the current year, principal and interest of \$1,154,544 was paid. Sales tax revenues and transportation impact fees were \$4,456,874 and \$782,820, respectively.

In January 2008, the City issued \$38,345,000 in special obligations bonds which are secured by a covenant to budget and appropriate from non-ad valorem revenues. 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 through 2038. Total principal and interest remaining to be paid on the bonds is \$85,297,060. For the current year, principal and interest of \$1,276,012 was paid.

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

**B. Bonds Payable (Continued)**

**1. Governmental Activities (Continued)**

A summary of outstanding governmental bonds payable at September 30, 2010 is as follows:

Governmental Activities:	Purpose of Issue	Amount Issued	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Revenue Bonds:					
Local Option Gas Tax Revenue Bonds Series 2004	Financing of Emerson Drive road improvements	\$ 7,695,000	\$ 5,755,000	4.000-5.250	2021
Taxable Special Obligation Bonds Series 2004	Discharging of unfunded actuarial accrued pension fund liability	5,376,447	5,271,447	4.950-6.040	2032
Sales Tax Revenue Bonds Series 2006	Acquisition and construction of capital improvements	18,365,000	17,380,000	4.000-5.000	2037
Taxable Special Obligation Bonds Series 2008	Discharging of unfunded actuarial accrued pension fund liability	38,345,000	38,150,000	3.250-6.344	2038
Refunding Bonds:					
Public Service Tax Refunding Rev Bonds Series 2001	Refunding of '92 refunding revenue bonds	8,285,000	<u>4,150,000</u>	4.250-5.250	2016
Total Governmental Activities			<u><u>\$ 70,706,447</u></u>		

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

B. Bonds Payable (Continued)

2. Business-type Activities

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

The City has pledged future special assessment revenues to repay \$3,535,000 in utility special assessment bonds issued in June 2003. Proceeds from the bonds were used to finance water and sewer system improvements. The bonds are payable from proceeds derived from special assessments and are payable through 2025. Total principal and interest remaining to be paid on the bonds is \$3,718,532. Principal and interest paid for the current year was \$250,103. During fiscal year ended September 30, 2010, the City collected \$143,081 in special assessments leaving \$2,019,288 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, 2010:

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	\$ 14,268,103	4.750-5.250	2031
Utility Special Assessment Bonds Series 2003	Financing special assessments for water and sewer improvements	3,535,000	2,750,000	5.660	2025
Utility Capital Improvement Bonds Series 2004	Utility Installation on Emerson Drive	2,110,000	1,470,000	4.000-5.250	2020
Utility System Capital Improvement Bonds Series 2005A	Acquire and construct improvements to wastewater system	17,260,000	17,260,000	4.250-5.000	2027
Refunding Bonds:					
Utility System Refunding Revenue Bonds Series 2002	Refunding of '92 Utility Bonds	5,990,000	3,395,000	5.250	2018
Utility System Refunding Revenue Bonds Series 2003	Refunding of '94 Utility Bonds	47,875,000	35,445,000	4.000-5.000	2022
Utility System Refunding Bonds Series 2005 B	Refunding of '98 Utility Bonds	24,160,000	<u>21,070,000</u>	3.125-5.000	2024
Total Business-type Activities			<u>\$ 95,658,103</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 compensated absences and 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	
2011	\$ 1,455,000	\$ 2,723,294	\$ 742,395	\$ 1,543,840	\$ 6,338,000	\$ 437,223	\$ 13,239,752
2012	1,570,000	2,661,680	679,021	1,510,098	6,353,000	304,838	13,078,637
2013	1,727,189	2,611,196	697,950	1,476,051	2,140,000	188,751	8,841,137
2014	1,911,378	2,542,492	715,142	1,440,252	305,000	167,058	7,081,322
2015	1,759,792	3,130,255	633,821	1,403,068	320,000	154,069	7,401,005
2016-2020	7,355,744	14,760,772	3,601,488	6,444,005	1,805,000	555,928	34,522,937
2021-2025	6,780,704	15,460,338	3,137,491	5,390,706	1,740,000	148,493	32,657,732
2026-2030	12,486,640	13,219,635	4,453,379	4,074,059	-	-	34,233,713
2031-2035	19,375,000	8,625,817	6,353,166	2,204,804	-	-	36,558,787
2036-2040	16,285,000	1,970,137	2,847,428	97,751	-	-	21,200,316
Total	\$ 70,706,447	\$ 67,705,616	\$ 23,861,281	\$ 25,584,634	\$ 19,001,000	\$ 1,956,360	\$ 208,815,338

The liquidity facility that supports the Series 2008 taxable special obligation bonds expires January 2015. If renewal efforts are unsuccessful, and the City is unable to replace it with a liquidity facility from another provider or is unable to refinance the bonds, the Series 2008 bonds outstanding at that time will be mandatorily redeemed under the terms of the liquidity facility and the City will be required to reimburse the liquidity provider. As of September 30, 2010, the Series 2008 outstanding balance was \$38,150,000, of which \$37,740,000 is reported in the table above as maturing in October 2015 through October 2037. If the bonds are mandatorily redeemed, the 2015 debt service requirements for revenue bonds principal will be \$39,499,792 rather than the \$1,759,792 included in the table above and the 2016 - 2040 principal maturity will be reduced by \$37,740,000.

**BusinessType Activities:**

Fiscal Year	Revenue/Refunding Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2011	\$ 4,868,192	\$ 4,420,846	\$ 185,000	\$ 212,816	\$ 9,686,854
2012	4,943,899	4,348,442	195,000	202,344	9,689,685
2013	5,024,933	4,268,449	205,000	191,308	9,689,690
2014	5,138,347	4,155,484	215,000	179,706	9,688,537
2015	5,270,152	4,022,805	230,000	167,536	9,690,493
2016-2020	28,645,438	17,813,724	1,350,000	628,260	48,437,422
2021-2025	31,277,129	12,564,716	1,380,000	200,930	45,422,775
2026-2030	10,139,805	8,018,565	-	-	18,158,370
2031-2035	350,208	1,569,792	-	-	1,920,000
Total	\$ 95,658,103	\$ 61,182,823	\$ 3,760,000	\$ 1,782,900	\$ 162,383,826

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

D. Interest Rate Swap Agreement

**Interest Rate Swap** – The City is a party to an interest rate swap agreement that is recorded in the financial statements in accordance with the recently issued GASB Statement No. 53 (“GASB 53”), “Accounting and Financial Reporting for Derivative Instruments”, which became effective for periods beginning with fiscal year ended September 30, 2010. The derivative is to be reported in the Statement of Net Assets at fair value, and the hedges must be tested for effectiveness to qualify for hedge accounting. Depending on the test results, the change in fair value is either reported in the Statement of Net Assets, or in the Statement of Activities.

The City performed the required test on this swap, and deemed the swap effective and it qualified for hedge accounting. Therefore, the change in fair value of the interest rate swap for this period is reported as an interest rate swap liability (fair value) of \$13,086,180, offset by a corresponding deferred swap outflow in the Statement of Net Assets.

**Objective** – As a means to lowers its borrowing costs, when compared against fixed rate bonds at the time of issuance, the City of Palm Bay entered into a fixed rate bond swap agreement. The intention of the swap was to convert the interest rate on the City’s \$38,345,000 variable Rate Taxable Special Obligations Bonds, Series 2008 (the “series 2008 Bonds”) into a synthetic fixed rate debt.

**Terms** – Effective January 16, 2008, the city entered into a 29.7 year qualified fixed payer swap with Royal Bank of Canada (RBC). The notional amount of the swap as of September 30, 2010 was \$38,150,000 and has a termination date of October 1, 2037. Based on the swap agreement, the City pays their counterparty a fixed rate of 3.25% through October 1, 2013, 5% through October 1, 2020 and 6.344% until the termination date. The City receives a floating rate from the counterparty of one month London InterBank Offered Rate (LIBOR). Interest payments are made monthly and principal payments annually. The swap is related to the \$38,345,000 Taxable Special Obligation Bonds, Series 2008. The bonds are traditional variable rate taxable municipal bonds hedged by the swap contract to mitigate interest rate risk. The swap transaction terminates no later than the final maturity of the 2008 Bonds. The City has the right to optional termination of the swap. As of September 30, 2010, rates were as follows:

<b>Interest Rate Swap Rate Table</b>		
	<b>Terms</b>	<b>Rate</b>
<b>Interest Rate Swap:</b>		
Fixed payment to counterparties	Fixed	3.25%
Less: Variable payment from counterpartes	100% of monthly LIBOR	<u>0.25%</u>
Net interest swap payments		3.00%
Variable rate bond coupon payments	6 day market rate	<u>0.50%</u>
Synthetic interest rate on bonds		<u><u>3.50%</u></u>

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

D. Interest Rate Swap Agreement (Continued)

**Fair Value** – Because interest rates have declined since execution of the swap, as of September 30, 2010, the swap had a negative fair value of \$13,086,180. The City’s financial advisor uses pricing models that integrate the contractual terms of the swap, including: the effective date; the termination date; the amortization schedule; the index or indices and fixed rates; and any day count modifications to the accrual and/or payment dates. Market-based parameters used by the financial advisor’s derivative pricing models include: the term structure of interest rates as implied by the U.S. Treasury curve and by various swap curves; spreads for taxable and tax-exempt swap rates (risk premiums); spreads for credit risk(s); and discount factors derived from the LIBOR swap curve. In order to calculate the fair market value of interest rate swaps, the swap valuation models calculate the present values of the anticipated future cash flows for both the floating and fixed legs of the swap using discount factors. The resulting fair market value represents the present value of the floating leg cash flows minus the present value of the fixed cash flows.

**Basis Risk** – If the fixed interest rate on the City’s bonds is higher than the LIBOR rate, the City is responsible for the difference. Conversely, if the fixed interest rate is lower than LIBOR, the City benefits.

**Credit Risk** – As of September 30, 2010 the City was not exposed to credit risk (the risk of economic loss due to a counterparty default on the swap agreement) because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the positive fair value.

**Termination Risk** – The City or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of the termination, the swap has a negative value, the City would be liable to the counterparty for a payment equal to the swap’s fair value.

**Swap payments and Associated Debt** – The interest rate swap agreement does not affect the City’s obligation (under the bond indenture) to repay the principal and variable interest on the Series 2009 bonds. As interest rates vary the variable rate interest payments due on the Series 2008 Bonds and net swap payments will vary. Using the 3.25% initial fixed swap rate as of September 30, 2010, debt service requirements of the Series 2008 Bond’s principal and the fixed swap payments, assuming that current interest rates remain the same for their term, were as follows.

Year Ended	Variable-Rate Bond				Total	Interest Rate Swap	
	Principal	Interest (1)	Liquidity Fees (2)	Remarketing Fees (3)		Net (4)	Total
2011	\$ -	\$ 190,750	\$ 240,345	\$ 26,705	\$ 457,800	\$ 1,144,500	\$ 1,602,300
2012	40,000	190,750	240,345	26,705	497,800	1,143,300	1,641,100
2012	135,000	190,550	240,093	26,677	592,320	1,139,250	1,731,570
2013	235,000	189,875	239,243	26,583	690,701	1,132,200	1,822,901
2014	-	188,700	237,762	26,418	452,880	1,132,200	1,585,080
2015-2019	595,000	941,825	1,186,700	131,856	2,855,381	5,633,100	8,488,481
2020-2024	1,995,000	911,850	1,148,931	127,659	4,183,440	5,411,250	9,594,690
2025-2029	6,555,000	825,750	1,040,445	115,605	8,536,800	4,757,850	13,294,650
2030-2034	14,465,000	589,600	742,896	82,544	15,880,040	3,103,650	18,983,690
2035-2039	14,130,000	146,675	184,811	20,535	14,482,021	456,150	14,938,171
	<u>\$ 38,150,000</u>	<u>\$ 4,366,325</u>	<u>\$ 5,501,571</u>	<u>\$ 611,287</u>	<u>\$ 48,629,183</u>	<u>\$ 25,053,450</u>	<u>\$ 73,682,633</u>

- (1) Assumes a variable interest rate of .50% as of September 30, 2010
- (2) Liquidity fees are 63 basis points or .63% of outstanding bond principal
- (3) Remarketing fees are 7 basis points or .07% of outstanding bond principal
- (4) Computed: (3.25% - .25%) multiplied by the notional amount outstanding (See interest rate swap table)

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

E. Debt Defeasance and Advance Refunding

The City advance refunds and/or defeases long-term debt primarily to reduce debt service requirements. As of September 30, 2010, the City has the following outstanding bonds, which were funded by the placement of assets in an irrevocable trust to be used for satisfying debt service requirements therefore the debt is not reported in the financial statements.

Description of Obligation	Year Defeased	Original Issue	Amount Outstanding
Capital Improvement Revenue			
Refunding Bonds, Series 1992	2001	\$ 10,340,000	\$ 4,065,000
Water and Sewer Revenue Bonds:			
Series 1992B	1994	52,350,000	34,865,000
Series 1992A	2002	7,345,000	3,790,000
Series 1994	2003	58,365,000	36,885,000
Series 1998	2006	23,215,000	19,690,000
		<u>\$ 151,615,000</u>	<u>\$ 99,295,000</u>

F. Notes Payable

The Bayfront Community Redevelopment Agency (“BCRA”) entered into a financial arrangement to enter into a special, limited obligation note with a financial institution for \$6,000,000 to fund redevelopment activities of the BCRA. Principal is due annually on August 1<sup>st</sup> and interest payments are due semi-annually on August 1<sup>st</sup> and February 1<sup>st</sup> of each year. The note is collateralized by a lien upon and pledge of ad valorem taxes designated for the BCRA. The principal balance outstanding as of September 30, 2010 is \$5,020,000.

In April 2007, the City entered into a loan agreement with the Florida Municipal Loan Council to borrow \$15,498,000 from the Pooled Commercial Paper Loan Program to advance funds to the Florida Department of Transportation to finance the widening and improvement of a major road. Principal payments are due quarterly. Interest accrues on the outstanding principal balance at a daily rate of the commercial paper notes and is repaid quarterly. The note is collateralized by a pledge of designated revenues, i.e. the repayment by the Florida Department of Transportation of the advanced loan amount. The principal balance outstanding as of September 30, 2010 is \$13,981,000.

In February 2009, the City issued a \$3,935,000 Special Assessment Note to finance improvements to the City’s water and sewer system. The note is secured by a pledge of future special assessment revenues and has a final maturity date of 2024. Principal and interest remaining on the Note is \$5,542,900. Total principal and interest paid during the current year was \$397,722. During the fiscal year, the City collected assessments revenues in the amount of \$475,445 leaving a balance of \$3,253,197 in assessments receivable, net of allowance for uncollectible accounts.

G. Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of the charter school building, telephone equipment, computer equipment, heavy transportation equipment, bunker gear for the Fire Department, and containers for the Sanitation Cart Program. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments. Under the Lease Agreement between the City and the School, the City is obligated to make rental payments under the lease, by transferring all Charter revenues received from the School Board of Brevard County in accordance with a Charter School Contract for the operation of a primary school between the City and the School Board of Brevard County. If these revenues and additional revenues are not sufficient to pay sinking fund and operating expenses, the City may appropriate other funds for such purpose, but is not legally obligated to do so. The capital leases are recorded as governmental activities.

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

G. Capital Lease Obligations (Continued)

Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Buildings	\$ 15,678,324
Machinery and equipment	<u>4,784,185</u>
	20,462,509
Less: Accumulated depreciation	<u>(2,997,317)</u>
	<u><u>\$ 17,465,192</u></u>

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 were as follows:

<u>Fiscal Year</u>	
2011	\$ 2,286,235
2012	2,189,119
2013	2,174,001
2014	2,155,394
2015	2,036,889
2016-2020	10,045,492
2021-2025	8,528,197
2026-2030	8,527,438
2031-2035	8,557,970
2036-2040	<u>2,945,179</u>
Total minimum lease payment	49,445,914
Less: amount representing interest	<u>(25,584,633)</u>
Present value of minimum lease payments	<u><u>\$ 23,861,281</u></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.

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

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. It includes the City Manager, Deputy City Managers, City Clerk, City Attorney, Deputy City Attorney and all department heads except for 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. Required contributions for the employees in the executive plan are 9.75% for the City. The City also contributes 9% to all full-time General employees.

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.

The employer and employee contributions for fiscal year 2010 were \$1,639,712 and \$2,320,462 respectively.

B. Defined Benefit Palm Bay Police and Firefighter Plan

1. Plan Description

The City of Palm Bay maintains a single-employer defined benefit pension plan, which covers general employees, police officers and firefighters. The Plan for general employees is closed to new employees and consists of retirees only. Coverage for firefighters and police officers is administered by the Board of Trustees of the City of Palm Bay Police and Firefighters Retirement System (the "Plan"). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefits under the plan are established in accordance with City Ordinance 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 money. 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 260  
Palm Bay, Florida 32905-3567

2. Pension Benefits

All regular full-time certified police officers and firefighters are eligible to participate in the Plan. Benefits vest 50% after five years of service plus 10% per year thereafter to 100% after 10 years.

Police:

Normal retirement shall be the earlier of attainment of (1) age 55, (2) completion of 30 years credited service regardless of age, or (3) age 52 with 25 years of credited service or (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. 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.

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

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

2. Pension Benefits (Continued)

Police (Continued):

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.

Police officers who retire after October 1, 2006 receive a Supplemental Benefit equal to \$25 per month times completed years of credited service, payable for the life of the retiree, but ceasing at age 65 (does not include disability retirees).

Firefighters:

Normal retirement shall be the earlier of attainment of (1) age 55, (2) completion of 25 years 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 firefighter, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon completion of 28 years of service.

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. This benefit will be payable for the life of the retiree, but shall cease when the member attains the age of Medicare eligibility.

Deferred Retirement Option Plan (DROP):

Effective September 30, 2000 for police officers and September 30, 2001 for firefighters, members who continue in employment past 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 with benefits not received and investment earnings net of expenses. The DROP is administered by the Board of Trustees. Participation in the DROP is limited to 60 months.

Cost of Living Adjustment:

The retirement benefits of a Police Officer who retires on or after September 30, 2000 will increase by 3% each year commencing with the September 30<sup>th</sup> following three years of retirement. The retirement benefits of a firefighter who retires on or after September 30<sup>th</sup>, 2001 will increase by 3% each year commencing with the September 30<sup>th</sup> following six years of retirement. Members who participate in the DROP are eligible for the cost-of-living adjustments described above.

Early retirement, delayed retirement, supplemental, death and disability benefits are also provided.

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

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

3. Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Contributions from the state of Florida consist of an excise tax imposed by the City upon certain casualty insurance companies or the gross amount of receipts of premiums from policyholders on all premiums collected on casualty insurance policies covering property within the City. These contributions are recognized when measurable and included as part of the City's contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments:

Plan investments are reported at fair value using quoted market prices to value investments. Purchases and sales of investments are recorded on a trade-date basis. The Plan provides for investment in various including domestic equities, fixed income, international equities and real estate.

Funded Status and Funding Progress:

The funded status of the Plan as of September 30, 2010, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/09	\$ 110,134,959	\$ 129,957,312	\$ 19,822,353	84.75%	\$ 14,110,472	140.48%

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

Actuarial Valuation: The most recent actuarial report was prepared as of October 1, 2009. Additional information as of the latest actuarial valuation includes:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of Pay, Closed
Remaining amortization period	30 years
Asset valuation method	5 year smoothed
Actuarial assumptions:	
• Investment rate of return	8.5%
• Projected salary increases	6.5%
• Cost-of-living adjustments	3.0%
• Inflation rate	4.0%

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

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

4. Funding Policy

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. The City is required to contribute at an actuarially determined rate. The current required rate for police is 12.54% and for fire is 18.94% of annual covered payroll. The City contributed \$1,277,513 in fiscal year 2010, which does not include funds received from the state from excise taxes as described below.

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 maximum allowable credit for fiscal year 2010 was \$958,064. These revenues amounted to \$1,148,156 for the year ended September 30, 2010, or 7.1% of annual covered payroll. Any excess premium taxes received from the state for which a credit is not taken goes into the Plan asset for the Plan.

5. Annual Pension Cost and Net Pension Asset

Annual pension cost is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The City's annual pension cost for the past three years and related information for the plan is shown below:

<u>Year Ended</u>	<u>Internal Sources</u>	<u>State Sources</u>	<u>Total</u>	<u>% Contributed</u>	<u>Net Pension Obligation (Asset)</u>
09/30/08	\$ 627,086	\$ 958,064	\$ 1,585,150	2389.0%	\$ (38,576,742)
09/30/09	(8,617)	958,064	949,447	232.7%	(39,837,084)
09/30/10	(203,256)	958,064	754,808	321.4%	(41,507,935)

The City's annual pension cost and net pension asset (NPA) related to the Plan for the fiscal year ended September 30, 2010 is as follows:

Annual required contribution (ARC)	\$ 1,844,239
Interest on net pension (asset)	(3,386,152)
Adjustment to ARC	2,296,721
Annual pension cost	754,808
Actual contributions	2,425,659
Increase in net pension (asset)	(1,670,851)
Net pension (asset) beginning of year	(39,837,084)
Net pension (asset) at end of year	<u>\$ (41,507,935)</u>

## NOTE 9 – Employee Retirement Systems (Continued)

### C. Florida Retirement System

On June 5, 2008, with the passing of Resolution 2008-55, the City authorized 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 agreement with the administrator of the FRS for the purpose of extending benefits to elected officials of the City.

#### 1. Plan Description

The Florida Retirement System is a multiple employer cost sharing public employee retirement system, administered by the Florida Legislature and available to governmental units within Florida. The FRS provides vesting after six years of creditable service. Members are eligible for normal retirement after vesting (6 years or more creditable service for regular members). Early retirement may be taken anytime, but there is a five percent benefit reduction for each year prior to normal retirement age (less than 30 years service or 62 years of age for regular members).

#### 2. Funding Policy

Contributions to the FRS are made by the City as a percentage of covered payrolls. The required contribution rate in effect at year end was 18.74% for the elected officers’ class membership. 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 for the Florida Retirement System during the year which were equal to the required contribution amounted to \$4,094.

The FRS issues an annual report including a statement of financial condition, historical and statistical information and an actuarial report. A copy can be obtained from the State of Florida, Division of Retirement, Research, Education Section, 1317 Winewood Blvd., Tallahassee, Florida 32399-1560.

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

1. 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.

2. 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 considered to be an Other Post Employment Benefit (OPEB) obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. For the year ended September 30, 2010, the City estimated it subsidized \$95,045 of medical costs for its retirees and their covered dependents.

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

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

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

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

Annual Required Contribution (ARC)	\$	700,188
Interest on net OPEB Obligation		26,083
Adjustment to annual required contribution		(35,584)
Annual OPEB cost (expense)		<u>690,687</u>
Contributions made		<u>(95,045)</u>
Increase in net OPEB obligation		595,642
Net OPEB obligation - beginning of year		579,629
Net OPEB obligation - end of year	<u>\$</u>	<u>1,175,271</u>

As of September 30, 2010, no trust has been established for the Plan.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2010, are presented below.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
9/30/2009	\$ 670,036	13%	\$ 579,629
9/30/2010	690,687	14%	1,175,271

As of September 30, 2010, the most recent actuarial valuation date, the accrued liability for benefits was \$5,903,799 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$45.1 million and the ratio of the unfunded actuarial liability (“UAL”) to covered payroll was 13.10%.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the September 30, 2010 actuarial valuation, the projected unit credit cost method was used. The annual required contribution (“ARC”) reflects a 30-year, level amortization of the unfunded actuarial accrued liability (“AAL”). The actuarial assumptions included a 4.5% investment rate of return and 0% projected salary increases. Annual medical costs are assumed to decline gradually over the next several years from 9% at October 1, 2009, to an ultimate rate of 5% on and after 2013. The economic rates are based on assumed long-term medical inflation rate of 5% per annum.

**NOTE 10 – Restricted Net Assets**

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 assets are as follows:

**Governmental Activities**

Special Revenue Funds:

Law Enforcement Trust Fund	Forfeited property accounted for and used according to Federal and Florida laws	\$ 338,805
Impact Fee Funds	Levied pursuant to Florida Statutes, must be used for allowable improvements	5,067,088
Bayfront Community Redevelopment Agency	Levied pursuant to County and City Ordinance, must be used for activities of the redevelopment agency	<u>2,065,553</u>
		7,471,446
 <u>Debt Service Funds:</u>		
Debt Service Funds	Restricted pursuant to bond covenants for payment of principal and interest	<u>3,583,236</u>
	Total Restricted Net Assets - Governmental Activities	<u><u>\$ 11,054,682</u></u>

**Business-type Activities**

Renewal and Replacement	Funds required to be placed in special construction accounts pursuant to Bond Covenants	\$ 3,932,740
Building Fund	Funds required to be spent on building code activities pursuant to Section 166.222, Florida Statutes	932,278
Capital Improvements	Water and sewer connection fees and mainline extension charges pledged for repayment of bond debt incurred for capital expansion and system improvements	<u>14,037,118</u>
		<u><u>\$ 18,902,136</u></u>

**NOTE 11 – Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; 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. Coverage was provided by the Fund for up to a maximum of \$350,000 for each worker's compensation claim; \$250,000 for each general or auto liability claim; and \$25,000 for each theft, disappearance and dishonesty claim. Historically, the Fund had also provided coverage for up to a maximum of \$25,000 for property damage claims (building and auto). Beginning March 1, 2010, the City purchased new coverage levels under which the Fund will only provide coverage for up to a maximum of \$1,000 for building claims and up to \$500 for auto claims (\$1000 for fire truck claims); damages in excess of these amounts are covered by commercial insurance carriers. Additionally, during the first quarter of fiscal year 2010, a decision was made to transition the remaining general liability, vehicle liability, and worker's compensation lines of coverage from a self-insured program with the previously mentioned self-insured retentions, to an essentially fully-insured program with lower (general liability - \$100,000) or no-deductible coverage levels (vehicle liability and worker's compensation). This change was effective for all claims dated January 1, 2010.

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 \$3,055,000 reported in the Risk Management Fund at September 30, 2010 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
2008-2009	\$ 3,000,000	\$ 942,849	\$ (1,303,849)	\$ 2,639,000
2009-2010	2,639,000	2,149,154	(1,733,154)	3,055,000

The City maintains the Employee Benefit Internal Service Fund to account for the City's employee health care coverage program, which is self-insured by the City, beginning December 1996. Revenues are recognized from payroll deductions for employee paid coverage and from City contributions. At September 30, 2010, a liability of \$440,000 has been recorded, which represents estimated claims due and unpaid, claims in course of settlement, and claims incurred but not reported. Changes in the claims liability are as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Less Claims Payments	Balance at Fiscal Year End
2008-2009	\$ 805,000	\$ 6,764,327	\$ (6,764,327)	\$ 805,000
2009-2010	805,000	6,496,987	(6,861,987)	440,000

**NOTE 12 – Commitments and Contingencies**

Intergovernmental Grants - Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts to be immaterial.

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.

The City has entered into an agreement with the State of Florida Department of Transportation (“FDOT”) to provide funding in the amount of \$15,168,444 to FDOT for the addition of lanes and reconstruction of a major State road. The City obtained a loan to advance the funds to the State. The City has also entered into Interlocal agreements with Brevard County and the cities of Melbourne and West Melbourne to jointly pay the interest costs on the loan. FDOT agreed to request an appropriation from the Florida Legislature and to repay the loan in 10 equal quarterly payments beginning in fiscal year 2010. (The first payment of \$1,516,844 was received in July 2010.) This obligation is contingent upon an annual appropriation by the Legislature. If the Legislature fails to appropriate the funding necessary in that fiscal year to allow FDOT to perform under the terms of the agreement, FDOT will use reasonable efforts to seek an appropriation in future years to perform its obligation under the agreement.

**NOTE 13 – Conduit Debt**

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third party that is not a part of the issuer’s financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2010, total conduit debt was \$21,000,000. The original amount was \$20,175,000 issued as Tax Exempt Educational Facilities Revenue Bonds, Series 2005A and \$925,000 in Taxable Educational Facilities Revenue Bonds, Series 2005B.

**NOTE 14 – Other Required Disclosures**

**Palm Bay Community Charter School – Patriot Campus**

In March 2006 the City of Palm Bay authorized the issuance of \$20,175,000 in Tax Exempt Educational Facilities Revenue Bonds, Series 2005A and \$925,000 in Taxable Educational Facilities Revenue Bonds, Series 2005B pursuant to an Indenture of Trust between the City and a Trustee to make a loan to Patriot Charter School, LLC to finance the cost of acquiring, constructing, equipping and operating the Patriot Charter School (the “School”).

Pursuant to a loan agreement, the City loaned the proceeds of the bonds to the School. In order to secure the payment of the Bonds, the City assigned all of its rights and interest in the loan agreement to the Trustee. The bonds are payable from and secured by a lien upon and pledge of payment to be received by the City.

Under a Lease Agreement between the City and the School, the City leases the project and subleases the project site from the School. The City is obligated to make rental payments under the lease, by transferring all Charter revenues received from the School Board of Brevard County in accordance to a Charter School Contract for the operation of a primary school between the City and the School Board of Brevard County. The City is obligated under the Indenture to deposit all Charter revenue and additional revenues, if any, directly with the Trustee during the term of the lease. The payments will be applied by the Trustee to make sinking fund payments and pay for operating expenses.

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

**Palm Bay Community Charter School – Patriot Campus (Continued)**

The School receives a set amount of state funding for each student enrolled. If these revenues and additional revenues are not sufficient to pay sinking fund and operating expenses, the City may appropriate other funds for such purpose, but is not legally obligated to do so. In November 2008, school enrollment was not sufficient to generate enough revenue to cover operational costs and debt service on the bonds. As a result, the bonds went into default. The bond holders have the option to take possession of the building and in effect the capital lease would be terminated, thus removing the lease and the building from the City's financial statements. Instead, the bond holders have opted to defer payment on the bonds until the School has sufficient revenue to pay the debt service.

In July 2009, the City entered into a management agreement with Academica LLC to coordinate management and administrative duties required to operate the School. Pursuant to the management agreement, the management company is obligated to provide all resources for the educational requirement of students and for the management, operation and maintenance of the School.

In January 2010, the City filed a financial corrective action plan for the School with the School Board of Brevard County that outlines steps intended to boost revenues to cover operation of the School and the coverage of debt service of the bonds.

**Pronouncements Issued But Not Yet Adopted**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued in March 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2011.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued in December 2010. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit ("OPEB") plans. The requirements of this statement are effective for the fiscal year ending September 30, 2012.

GASB Statement No. 59, *Financial Instruments Omnibus*, was issued in June 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2011.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued November 2010. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. This Statement also provides guidance for governments that are operators in an SCA. The requirements of this statement are effective for the fiscal year ending September 30, 2013.

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

**Pronouncements Issued But Not Yet Adopted (Continued)**

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*, was issued November 2010. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The requirements of this statement are effective for the fiscal year ending September 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The provisions of this statement will be effective for the City beginning with its year ending September 30, 2013.

The City's management has not yet determined the effect these statements will have on the City's financial Statements.

**NOTE 15 – Subsequent Events**

On October 21, 2010, the City issued \$5,485,000 in Public Service Tax Revenue Bonds, Series 2010, as follows:

\$5,485,000  
CITY OF PALM BAY, FLORIDA  
Public Service Tax Revenue Bonds, Series 2010  
(Federally Taxable – Build America Bonds –  
Recovery Zone Economic Development Bonds – Direct Subsidy)

Generally, the bonds will have maturities ranging from 2016 through 2040. The Series 2010 Bonds were issued on a parity as to the lien on and source security of the pledged funds with the City's other outstanding revenue and refunding bonds. The proceeds will be used to finance the cost constructing a city hall annex building, and other costs in connection with the sale, issuance and delivery of the bonds.

## **REQUIRED SUPPLEMENTARY INFORMATION**

### Budgetary Comparison Schedules:

- General Fund
- Palm Bay Road Loan Fund
- Bayfront Community Redevelopment Agency

### Schedule of Funding Progress

- City of Palm Bay Retirement System
- Other Post Employment Benefits

### Notes to Required Supplementary Information

CITY OF PALM BAY, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND  
For Fiscal Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES/TRANSFERS IN</b>				
<b>Taxes:</b>				
Ad Valorem	\$ 26,234,066	\$ 26,234,066	\$ 26,272,635	\$ 38,569
Local Option Fuel	2,309,111	2,309,111	2,369,610	60,499
Utility Service	6,304,977	6,304,977	6,847,450	542,473
Communication Service	3,907,502	3,907,502	3,854,672	(52,830)
Business Tax Receipts	688,182	651,318	568,811	(82,507)
	<u>39,443,838</u>	<u>39,406,974</u>	<u>39,913,178</u>	<u>506,204</u>
<b>Licenses and Permits:</b>				
Franchise Fees	6,450,377	6,450,377	5,731,594	(718,783)
Other Licenses and Permits	-	36,865	28,474	(8,391)
	<u>6,450,377</u>	<u>6,487,242</u>	<u>5,760,068</u>	<u>(727,174)</u>
<b>Intergovernmental Revenues:</b>				
Federal Grants	97,984	619,102	529,657	(89,445)
State Grants	60,260	65,260	11,867	(53,393)
Local Grants	88,500	88,500	88,500	-
State Revenue Sharing	6,585,053	6,585,053	7,018,660	433,607
Shared Taxes and Licenses	88,000	88,000	66,848	(21,152)
	<u>6,919,797</u>	<u>7,445,915</u>	<u>7,715,532</u>	<u>269,617</u>
<b>Charges for Services:</b>				
General Government Charges	563,230	240,355	343,151	102,796
Public Safety Charges	474,525	474,525	421,804	(52,721)
Physical Environment Charges	110,250	110,250	108,353	(1,897)
Transportation Charges	665,834	844,235	676,097	(168,138)
Culture/Recreation Charges	342,182	342,183	231,317	(110,866)
Charges to Other Funds	1,208,692	1,208,692	1,208,692	-
	<u>3,364,713</u>	<u>3,220,240</u>	<u>2,989,414</u>	<u>(230,826)</u>
<b>Fines and Forfeitures:</b>				
Court Fines and Costs	1,707,625	1,707,625	1,160,910	(546,715)
<b>Miscellaneous Revenue:</b>				
Investment income	60,000	60,000	57,754	(2,246)
Rents	242,400	242,400	243,848	1,448
Sales of Surplus	45,632	45,632	86,817	41,185
Contributions	47,000	47,000	40,227	(6,773)
Other Revenue	79,498	79,498	68,611	(10,887)
	<u>474,530</u>	<u>474,530</u>	<u>497,257</u>	<u>22,727</u>
<b>Other Sources:</b>				
Capital Leases	333,700	695,090	464,022	(231,068)
<b>Transfers In:</b>				
CDBG Fund	-	78,083	76,379	(1,704)
Debt Service Fund	-	535,852	545,005	9,153
Community Redevelopment Agency	221,228	221,228	-	(221,228)
Transportation Debt Fund	270,000	-	-	-
Fleet Service Fund	-	194,000	194,000	-
Utilities Operating Fund	2,424,548	2,424,548	2,219,233	(205,315)
	<u>2,915,776</u>	<u>3,453,711</u>	<u>3,034,617</u>	<u>(419,094)</u>
<b>Total Revenues and Transfers In</b>	<u>61,610,356</u>	<u>62,891,327</u>	<u>61,534,998</u>	<u>(1,356,329)</u>

Continued

CITY OF PALM BAY, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**  
For Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>EXPENDITURES/TRANSFERS OUT</b>				
<b>General Government:</b>				
Legislative:				
Personal Services	354,654	355,524	358,415	(2,891)
Operating	88,210	88,210	86,389	1,821
	<u>442,864</u>	<u>443,734</u>	<u>444,804</u>	<u>(1,070)</u>
City Manager:				
Personal Services	1,018,800	1,015,980	1,032,761	(16,781)
Operating	314,650	353,186	333,452	19,734
	<u>1,333,450</u>	<u>1,369,166</u>	<u>1,366,213</u>	<u>2,953</u>
City Attorney:				
Personal Services	499,627	498,034	497,653	381
Operating	149,200	288,663	302,532	(13,869)
Capital Outlay	-	25,000	25,000	-
	<u>648,827</u>	<u>811,697</u>	<u>825,185</u>	<u>(13,488)</u>
Finance:				
Personal Services	1,879,566	1,886,316	1,898,855	(12,539)
Operating	1,052,224	1,052,224	809,457	242,767
Capital Outlay	-	28,535	13,450	15,085
	<u>2,931,790</u>	<u>2,967,075</u>	<u>2,721,762</u>	<u>245,313</u>
Information and Innovation:				
Personal Services	936,908	939,528	943,961	(4,433)
Operating	687,925	768,053	565,372	202,681
Capital Outlay	15,000	15,000	10,746	4,254
	<u>1,639,833</u>	<u>1,722,581</u>	<u>1,520,079</u>	<u>202,502</u>
Human Resources:				
Personal Services	374,772	375,952	377,906	(1,954)
Operating	91,660	95,160	84,067	11,093
	<u>466,432</u>	<u>471,112</u>	<u>461,973</u>	<u>9,139</u>
Growth Management:				
Personal Services	746,598	754,004	768,077	(14,073)
Operating	111,718	137,718	114,526	23,192
	<u>858,316</u>	<u>891,722</u>	<u>882,603</u>	<u>9,119</u>
Non-Departmental:				
Personal Services	-	-	100,836	(100,836)
Operating	628,430	628,430	621,170	7,260
	<u>628,430</u>	<u>628,430</u>	<u>722,006</u>	<u>(93,576)</u>
<b>Total General Government</b>	<b>8,949,942</b>	<b>9,305,517</b>	<b>8,944,625</b>	<b>360,892</b>

Continued

CITY OF PALM BAY, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**  
For Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>Public Safety:</b>				
Police:				
Personal Services	17,399,925	17,452,992	17,065,753	387,239
Operating	2,641,269	2,906,041	2,603,372	302,669
	<u>20,067,641</u>	<u>20,830,266</u>	<u>20,107,043</u>	<u>723,223</u>
Fire:				
Personal Services	11,054,467	11,584,427	11,760,877	(176,450)
Operating	1,284,756	1,285,196	1,261,609	23,587
	<u>12,339,223</u>	<u>12,869,623</u>	<u>13,023,886</u>	<u>(154,263)</u>
Code Compliance:				
Personal Services	566,316	568,276	582,469	(14,193)
Operating	467,452	144,577	102,604	41,973
	<u>1,033,768</u>	<u>712,853</u>	<u>685,073</u>	<u>27,780</u>
<b>Total Public Safety</b>	<u>33,440,632</u>	<u>34,412,742</u>	<u>33,816,002</u>	<u>596,740</u>
<b>Physical Environment:</b>				
Public Works - CIP Program				
Operating	-	11,896	23,126	(11,230)
<b>Total Physical Environment</b>	<u>-</u>	<u>11,896</u>	<u>23,126</u>	<u>(11,230)</u>
<b>Transportation:</b>				
Public Works - Transportation				
Personal Services	5,870,974	5,982,986	6,049,069	(66,083)
Operating	3,000,490	2,968,762	2,478,680	490,882
Capital Outlay	-	536,128	494,455	41,673
<b>Total Transportation</b>	<u>8,871,464</u>	<u>9,487,876</u>	<u>9,022,204</u>	<u>465,672</u>
<b>Culture/Recreation:</b>				
Parks & Recreation:				
Personal Services	2,663,639	2,673,439	2,666,452	6,987
Operating	995,261	1,029,657	869,624	160,033
<b>Total Culture / Recreation</b>	<u>3,658,900</u>	<u>3,703,096</u>	<u>3,536,076</u>	<u>167,020</u>
<b>Transfers Out:</b>				
Capital Improvements Program	1,561,300	1,761,300	1,761,300	-
Building Fund	-	13,550	13,550	-
Debt Service Fund	2,142,920	2,241,586	2,276,299	(34,713)
Employee Benefit Fund	1,000,000	1,000,000	1,000,000	-
08 Pension Obligation Bond	1,760,000	1,760,000	1,760,000	-
Fleet Services Fund	224,000	224,000	224,000	-
<b>Total Transfers Out</b>	<u>6,688,220</u>	<u>7,055,350</u>	<u>7,090,063</u>	<u>(34,713)</u>
<b>Total Expenditures and Transfers Out</b>	<u>61,609,158</u>	<u>63,976,477</u>	<u>62,432,096</u>	<u>1,544,381</u>
<b>Excess (Deficiency) of Revenues and Transfers In Over (Under) Expenditures and Transfers Out</b>	<u>\$ 1,198</u>	<u>\$ (1,085,150)</u>	<u>(897,098)</u>	<u>\$ 188,052</u>
<b>Fund Balance - Beginning of Year</b>			<u>6,688,010</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 5,790,912</u>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
PALM BAY ROAD LOAN FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Miscellaneous Revenues	\$ 1,807,625	\$ 143,002	\$ (1,664,623)
Investment Income	-	731	731
<b>Total Revenues</b>	<b>1,807,625</b>	<b>143,733</b>	<b>(1,663,892)</b>
<b>EXPENDITURES</b>			
Debt Service:			
Principal Retirement	1,517,000	1,517,000	-
Interest and Fiscal Charges	387,500	173,036	214,464
<b>Total Expenditures</b>	<b>1,904,500</b>	<b>1,690,036</b>	<b>214,464</b>
<b>(Deficiency) of Revenues (under)</b>			
<b>Expenditures</b>	<b>(96,875)</b>	<b>(1,546,303)</b>	<b>(1,449,428)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	96,875	96,875	-
<b>Total Other Financing Sources</b>	<b>96,875</b>	<b>96,875</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>(1,449,428)</b>	<b>\$ (1,449,428)</b>
<b>Fund Balance - Beginning</b>		<b>15,579,428</b>	
<b>Fund Balance - Ending</b>		<b>\$ 14,130,000</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
BAYFRONT COMMUNITY REDEVELOPMENT AGENCY  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,132,810	\$ 1,126,416	\$ (6,394)
Investment Income	15,000	13,947	(1,053)
Miscellaneous Revenue	-	305	305
<b>Total Revenues</b>	<b>1,147,810</b>	<b>1,140,668</b>	<b>(7,142)</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	632,263	489,028	143,235
Capital Outlay	1,138,628	145,922	992,706
Debt Service:			
Principal Retirement	260,000	260,000	-
Interest and Fiscal Charges	220,000	214,038	5,962
<b>Total Expenditures</b>	<b>2,250,891</b>	<b>1,108,988</b>	<b>1,141,903</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,103,081)</b>	<b>31,680</b>	<b>1,134,761</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,103,081)</b>	<b>31,680</b>	<b>\$ 1,134,761</b>
<b>Fund Balance - Beginning</b>		<b>2,033,873</b>	
<b>Fund Balance - Ending</b>		<b>\$ 2,065,553</b>	

CITY OF PALM BAY, FLORIDA

CITY OF PALM BAY RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS  
 September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/00	\$ 31,658,904	\$ 31,675,555	\$ 16,651	99.9%	\$ 8,361,859	0.2%
10/01/01	34,042,140	35,152,135	1,109,995	96.8%	9,126,391	12.2%
10/01/02	35,581,320	40,363,335	4,782,015	88.2%	9,388,878	50.9%
10/01/03	37,883,803	46,908,663	9,024,860	80.8%	10,431,696	86.5%
10/01/04	46,612,670	48,500,013	1,887,343	96.1%	10,830,507	17.4%
10/01/05	50,800,889	63,507,631	12,706,742	80.0%	11,759,525	108.1%
10/01/06	58,457,003	88,621,298	30,164,295	66.0%	14,180,452	212.7%
10/01/07	102,992,988	106,889,425	3,896,437	96.4%	14,501,608	26.9%
10/01/08	107,687,206	118,235,506	10,548,300	91.1%	14,990,500	70.4%
10/01/09	110,134,959	129,957,312	19,822,353	84.8%	14,110,472	140.5%

CITY OF PALM BAY, FLORIDA

CITY OF PALM BAY OTHER POST EMPLOYMENT BENEFITS  
 SCHEDULE OF FUNDING PROGRESS  
 September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Cost	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as a % of Covered Payroll
2009	\$ -	\$ 5,466,603	\$ 5,466,603	0.0%	\$ 43,336,833	12.61%
2010	-	5,903,799	5,903,799	0.0%	45,070,307	13.10%

The above schedule reflects data for two years only due to this being the second year of implementation of GASB Statement No. 45.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**NOTE 1 – BUDGETARY REQUIREMENTS**

A. Budgetary Information

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

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



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## **OTHER SUPPLEMENTAL INFORMATION**

Budgetary Comparison Schedule:

- BCRA Construction Fund

Nonmajor Governmental Funds:

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



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CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
BCRA CONSTRUCTION FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ -	\$ 42,093	\$ 42,093
<b>Total Revenues</b>	<b>-</b>	<b>42,093</b>	<b>42,093</b>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	3,986,822	2,999	3,983,823
<b>Total Expenditures</b>	<b>3,986,822</b>	<b>2,999</b>	<b>3,983,823</b>
<b>(Deficiency) of Revenues</b>			
<b>(Under) Expenditures</b>	<b>(3,986,822)</b>	<b>39,094</b>	<b>4,025,916</b>
 <b>Net Change in Fund Balance</b>	 <b>\$ (3,986,822)</b>	 <b>39,094</b>	 <b>\$ 4,025,916</b>
 <b>Fund Balance - Beginning</b>		 <b>5,237,870</b>	
 <b>Fund Balance - Ending</b>		 <b>\$ 5,276,964</b>	



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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

**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.

**My Safe Florida Home Grant** – This fund is used to account for proceeds received from the State for the City's My Safe Florida Home Grant.

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

**ARRA Grant** – The City uses this fund to account for proceeds from the stimulus plan.

**Emergency Fund** – This fund is used to account for transactions related to the damages caused by three hurricanes during the 2004 fiscal year. Federal and state revenues that have been and will be received for disaster recovery reimbursements are accounted for in this fund.

**Recreation Program Fund** – This fund is used to account for the proceeds received from the aftercare recreation program administered by the Parks and Recreation department.

**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.

**Sanitation Fund** – This fund is used to account for transactions related to the billing and collection of Waste Management garbage service.

**Municipal Charter School Fund** – This fund is used to account for transactions related to activities of the City's municipal charter school.

**Charter School DS Reserves Fund** – This fund is used to account for transactions related to the City's municipal charter school capital lease held by Trustee.



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## **DEBT SERVICE FUNDS**

The City has two debt service funds. They are used to account for the payment of principal and interest on outstanding general governmental revenue bonds.

**Debt Service Funds** – This fund is used to account for the principal and interest payments of the Public Service Tax Refunding Revenue Bonds, Series 2001; the Local Option Gas Tax Revenue Bonds, Series 2004; the Taxable Special Obligation Revenue Bonds, Series 2004; 2008 Taxable Special Obligation Revenue Bonds; and debt service on capital leases.

## **CAPITAL PROJECTS FUNDS**

**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.

**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.

CITY OF PALM BAY, FLORIDA

**COMBINING BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2010**

	Special Revenue Funds			
	Law Enforcement Trust	Code Nuisance Fund	SHIP Program	Community Development Block Grant
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 643,633	\$ 66,824	\$ 1,315,218	\$ -
Investments	-	-	-	-
Restricted Investments	-	-	-	-
Accounts Receivable	-	-	-	180
Due from Other Governments	-	-	-	328,740
Other Assets	-	-	-	-
<b>Total Assets</b>	<b>\$ 643,633</b>	<b>\$ 66,824</b>	<b>\$ 1,315,218</b>	<b>\$ 328,920</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 82,669	\$ 2,434	\$ 177	\$ 34,704
Accrued Liabilities	-	-	-	19,919
Due to Other Funds	-	-	-	274,297
Advances to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred or Unearned Revenue	222,159	-	1,315,041	-
<b>Total Liabilities</b>	<b>304,828</b>	<b>2,434</b>	<b>1,315,218</b>	<b>328,920</b>
Fund Balances:				
Reserved for:				
Debt Service	-	-	-	-
Unreserved, Designated for:				
Encumbrances	37,190	-	-	-
Unreserved, Undesignated, Reported In:				
Special Revenue Funds	301,615	64,390	-	-
Debt Service Fund	-	-	-	-
Capital Project Funds	-	-	-	-
<b>Total Fund Balances</b>	<b>338,805</b>	<b>64,390</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 643,633</b>	<b>\$ 66,824</b>	<b>\$ 1,315,218</b>	<b>\$ 328,920</b>

Special Revenue Funds

HOME Grant	My Safe FL Home Grant	Misc. Donations	ARRA Grant Fund	Emergency Fund
\$ 26,194	\$ -	\$ 70,207	\$ 60,084	\$ 17,982
-	-	-	-	-
-	-	-	-	-
-	-	-	104,614	-
-	-	-	-	-
<b>\$ 26,194</b>	<b>\$ -</b>	<b>\$ 70,207</b>	<b>\$ 164,698</b>	<b>\$ 17,982</b>
\$ 33	\$ -	\$ 560	\$ 155,397	\$ -
830	-	-	-	-
-	-	-	-	-
-	-	-	-	-
25,331	-	-	83,227	-
<b>26,194</b>	<b>-</b>	<b>560</b>	<b>238,624</b>	<b>-</b>
-	-	-	-	-
-	-	-	-	-
-	-	69,647	(73,926)	17,982
-	-	-	-	-
-	-	-	-	-
<b>-</b>	<b>-</b>	<b>69,647</b>	<b>(73,926)</b>	<b>17,982</b>
<b>\$ 26,194</b>	<b>\$ -</b>	<b>\$ 70,207</b>	<b>\$ 164,698</b>	<b>\$ 17,982</b>

CITY OF PALM BAY, FLORIDA

**COMBINING BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
September 30, 2010**

	Special Revenue Funds			
	Recreation Program Fund	Impact Fee Trust	Environmental Fee Fund	Sanitation Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 13,014	\$ 517,951	\$ 10,488	\$ 2,560,000
Investments	-	4,732,253	-	-
Restricted Investments	-	-	-	-
Accounts Receivable	-	16,948	-	-
Due from Other Governments	-	-	-	-
Other Assets	-	-	-	-
<b>Total Assets</b>	<b>\$ 13,014</b>	<b>\$ 5,267,152</b>	<b>\$ 10,488</b>	<b>\$ 2,560,000</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 552	\$ 200,064	\$ -	\$ -
Accrued Liabilities	1,788	-	-	-
Due to Other Funds	-	-	-	-
Advances to Other Funds	-	-	644,000	-
Due to Other Governments	-	-	3,937	-
Deferred or Unearned Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>2,340</b>	<b>200,064</b>	<b>647,937</b>	<b>-</b>
Fund Balances:				
Reserved for:				
Debt Service	-	-	-	-
Unreserved, Designated for:				
Encumbrances	-	62,165	-	-
Unreserved, Undesignated, Reported In:				
Special Revenue Funds	10,674	5,004,923	(637,449)	2,560,000
Debt Service Fund	-	-	-	-
Capital Project Funds	-	-	-	-
<b>Total Fund Balances</b>	<b>10,674</b>	<b>5,067,088</b>	<b>(637,449)</b>	<b>2,560,000</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,014</b>	<b>\$ 5,267,152</b>	<b>\$ 10,488</b>	<b>\$ 2,560,000</b>

Special Revenue Funds		Debt Service Funds	Capital Project Funds		
Municipal Charter School Fund	Charter School DS Reserve Fund	Debt Service Funds	Community Investment Fund	Community Investment 06 Bond CIP Fund	Total Nonmajor Governmental Funds
\$ 483,278	\$ -	\$ 1,818,070	\$ -	\$ 3,454,596	\$ 11,057,539
-	-	961,464	-	-	5,693,717
203,451	1,239,231	-	-	-	1,442,682
27,025	-	2,919	-	-	47,072
-	-	-	184,970	-	618,324
22,819	-	-	-	-	22,819
<u>\$ 736,573</u>	<u>\$ 1,239,231</u>	<u>\$ 2,782,453</u>	<u>\$ 184,970</u>	<u>\$ 3,454,596</u>	<u>\$ 18,882,153</u>
\$ 548,816	\$ -	\$ 13,389	\$ 119,038	\$ 479,457	\$ 1,637,290
101,813	-	-	-	-	124,350
-	-	-	225,693	-	499,990
-	-	-	-	-	644,000
-	-	-	-	-	3,937
-	-	-	-	-	1,645,758
<u>650,629</u>	<u>-</u>	<u>13,389</u>	<u>344,731</u>	<u>479,457</u>	<u>4,555,325</u>
-	1,239,231	-	-	-	1,239,231
-	-	-	78,836	60,738	238,929
85,944	-	-	-	-	7,403,800
-	-	2,769,064	-	-	2,769,064
-	-	-	(238,597)	2,914,401	2,675,804
<u>85,944</u>	<u>1,239,231</u>	<u>2,769,064</u>	<u>(159,761)</u>	<u>2,975,139</u>	<u>14,326,828</u>
<u>\$ 736,573</u>	<u>\$ 1,239,231</u>	<u>\$ 2,782,453</u>	<u>\$ 184,970</u>	<u>\$ 3,454,596</u>	<u>\$ 18,882,153</u>

CITY OF PALM BAY, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2010**

	Special Revenue Funds			
	Law Enforcement Trust	Code Nuisance Fund	SHIP Program	Community Development Block Grant
<b>REVENUES</b>				
Impact Fees	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	3,279,929
Charges for Services	-	235,165	6,037	5,864
Fines and Forfeitures	416,358	-	-	-
Investment Income	1,612	-	3,760	-
Contributons	-	-	-	276
Miscellaneous Revenues	22,132	-	-	-
<b>Total Revenues</b>	<b>440,102</b>	<b>235,165</b>	<b>9,797</b>	<b>3,286,069</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	320,694	170,775	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	28,011	699,858
Culture/Recreation	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Bond Issuance Cost	-	-	-	-
Capital Outlay	169,355	-	-	2,622,911
<b>Total Expenditures</b>	<b>490,049</b>	<b>170,775</b>	<b>28,011</b>	<b>3,322,769</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(49,947)</b>	<b>64,390</b>	<b>(18,214)</b>	<b>(36,700)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	18,214	36,700
Transfers (Out)	-	-	-	-
Capital Leases	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>18,214</b>	<b>36,700</b>
<b>Net Change in Fund Balances</b>	<b>(49,947)</b>	<b>64,390</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - Beginning</b>	<b>388,752</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - Ending</b>	<b>\$ 338,805</b>	<b>\$ 64,390</b>	<b>\$ -</b>	<b>\$ -</b>

Special Revenue Funds

HOME Grant	My Safe Florida Home Grant	Misc. Donations	ARRA Grant Fund	Emergency Fund
\$ -	\$ -	\$ -	\$ -	\$ -
11,488	76,025	-	1,670,245	-
-	-	182	-	-
-	-	-	-	-
-	354	340	-	34
-	-	-	-	-
12	-	21,122	-	-
<u>11,500</u>	<u>76,379</u>	<u>21,644</u>	<u>1,670,245</u>	<u>34</u>
-	-	-	-	-
-	-	5,152	-	-
-	-	-	116,773	-
-	-	-	-	-
11,500	-	-	-	-
-	-	37,134	-	-
-	-	-	-	-
-	-	-	-	-
-	-	12,500	1,668,080	-
<u>11,500</u>	<u>-</u>	<u>54,786</u>	<u>1,784,853</u>	<u>-</u>
-	76,379	(33,142)	(114,608)	34
-	-	-	40,682	-
-	(76,379)	-	-	-
-	-	-	-	-
<u>-</u>	<u>(76,379)</u>	<u>-</u>	<u>40,682</u>	<u>-</u>
-	-	(33,142)	(73,926)	34
-	-	102,789	-	17,948
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,647</u>	<u>\$ (73,926)</u>	<u>\$ 17,982</u>

CITY OF PALM BAY, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2010**

	Special Revenue Funds			
	Recreation Program Fund	Impact Fee Trust	Environmental Fee Fund	Sanitation Fund
<b>REVENUES</b>				
Impact Fees	\$ -	\$ 960,804	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Charges for Services	32,207	-	23,275	-
Fines and Forfeitures	-	-	-	-
Investment Income	-	124,701	-	-
Contributons	-	-	-	-
Miscellaneous Revenues	-	579	-	-
<b>Total Revenues</b>	<b>32,207</b>	<b>1,086,084</b>	<b>23,275</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	68,917	-	-
Economic Environment	-	-	-	-
Culture/Recreation	23,885	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	-	1,880,809	-	-
<b>Total Expenditures</b>	<b>23,885</b>	<b>1,949,726</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>8,322</b>	<b>(863,642)</b>	<b>23,275</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	4,437	-	-
Transfers (Out)	-	(1,035,306)	(10,300)	-
Capital Leases	-	-	-	2,560,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,030,869)</b>	<b>(10,300)</b>	<b>2,560,000</b>
<b>Net Change in Fund Balances</b>	<b>8,322</b>	<b>(1,894,511)</b>	<b>12,975</b>	<b>2,560,000</b>
<b>Fund Balances (Deficit) - Beginning</b>	<b>2,352</b>	<b>6,961,599</b>	<b>(650,424)</b>	<b>-</b>
<b>Fund Balances (Deficit) - Ending</b>	<b>\$ 10,674</b>	<b>\$ 5,067,088</b>	<b>\$ (637,449)</b>	<b>\$ 2,560,000</b>

Special Revenue Funds		Debt Service Funds	Capital Project Funds		
Municipal Charter School Fund	Charter School DS Reserve Fund	Debt Service Funds	Community Investment Fund	Community Investment 06 Bond CIP Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 960,804
4,937,294	-	-	431,720	-	10,406,701
-	-	-	-	-	302,730
-	-	-	-	-	416,358
16	53	29,220	3,049	13,582	176,721
1,704,341	-	-	-	-	1,704,617
32,512	-	-	-	-	76,357
<u>6,674,163</u>	<u>53</u>	<u>29,220</u>	<u>434,769</u>	<u>13,582</u>	<u>14,044,288</u>
-	70,350	220,470	-	-	290,820
-	-	-	-	-	496,621
-	-	-	161,707	-	278,480
-	-	-	292,816	29,150	390,883
-	-	-	-	-	739,369
5,007,051	-	-	-	-	5,068,070
249,351	-	1,656,453	-	-	1,905,804
1,454,990	-	2,926,543	-	-	4,381,533
194,291	-	-	2,843,672	1,722,383	11,114,001
<u>6,905,683</u>	<u>70,350</u>	<u>4,803,466</u>	<u>3,298,195</u>	<u>1,751,533</u>	<u>24,665,581</u>
(231,520)	(70,297)	(4,774,246)	(2,863,426)	(1,737,951)	(10,621,293)
-	-	4,974,730	2,761,300	-	7,836,063
-	-	(549,442)	(40,682)	(1,000,000)	(2,712,109)
-	-	-	-	-	2,560,000
-	-	<u>4,425,288</u>	<u>2,720,618</u>	<u>(1,000,000)</u>	<u>7,683,954</u>
(231,520)	(70,297)	(348,958)	(142,808)	(2,737,951)	(2,937,339)
317,464	1,309,528	3,118,022	(16,953)	5,713,090	17,264,167
<u>\$ 85,944</u>	<u>\$ 1,239,231</u>	<u>\$ 2,769,064</u>	<u>\$ (159,761)</u>	<u>\$ 2,975,139</u>	<u>\$ 14,326,828</u>

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
LAW ENFORCEMENT TRUST  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Fines and Forfeitures	\$ 637,066	\$ 416,358	\$ (220,708)
Investment Income	-	1,612	1,612
Miscellaneous Revenues	-	22,132	22,132
<b>Total Revenues</b>	<b>637,066</b>	<b>440,102</b>	<b>(196,964)</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	383,262	320,694	62,568
Capital Outlay	313,569	169,355	144,214
<b>Total Expenditures</b>	<b>696,831</b>	<b>490,049</b>	<b>206,782</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(59,765)</b>	<b>(49,947)</b>	<b>9,818</b>
<b>Net Change in Fund Balance</b>	<b>\$ (59,765)</b>	<b>(49,947)</b>	<b>\$ 9,818</b>
<b>Fund Balance - Beginning</b>		<b>388,752</b>	
<b>Fund Balance - Ending</b>		<b>\$ 338,805</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
CODE NUISANCE FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 322,875	\$ 235,165	\$ (87,710)
<b>Total Revenues</b>	<u>322,875</u>	<u>235,165</u>	<u>(87,710)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	322,875	170,775	152,100
<b>Total Expenditures</b>	<u>322,875</u>	<u>170,775</u>	<u>152,100</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>64,390</u>	<u>64,390</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>64,390</u>	<u>\$ 64,390</u>
<b>Fund Balance - Beginning</b>		<u>-</u>	
<b>Fund Balance - Ending</b>		<u>\$ 64,390</u>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
SHIP PROGRAM  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 56,561	\$ -	\$ (56,561)
Charges for Services	50,000	6,037	(43,963)
Investment Income	-	3,760	3,760
<b>Total Revenues</b>	<b>106,561</b>	<b>9,797</b>	<b>(96,764)</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	868,715	28,011	840,704
<b>Total Expenditures</b>	<b>868,715</b>	<b>28,011</b>	<b>840,704</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(762,154)</b>	<b>(18,214)</b>	<b>743,940</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	18,214	18,214	-
<b>Total Other Financing Sources</b>	<b>18,214</b>	<b>18,214</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (743,940)</b>	<b>-</b>	<b>\$ 743,940</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance - Ending</b>		<b>\$ -</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY BLOCK DEVELOPMENT GRANT  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 5,946,259	\$ 3,279,929	\$ (2,666,330)
Charges for Services	-	5,864	5,864
<b>Total Revenues</b>	<b>5,946,259</b>	<b>3,286,069</b>	<b>(2,660,190)</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	983,232	699,858	283,374
Capital Outlay	5,063,240	2,622,911	2,440,329
<b>Total Expenditures</b>	<b>6,046,472</b>	<b>3,322,769</b>	<b>2,723,703</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(100,213)</b>	<b>(36,700)</b>	<b>63,513</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	36,700	(36,700)
<b>Total Other Financing Sources and (Uses)</b>	<b>-</b>	<b>36,700</b>	<b>(36,700)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (100,213)</b>	<b>-</b>	<b>\$ 26,813</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance - Ending</b>		<b>\$ -</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
HOME GRANT  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 449,117	\$ 11,488	\$ (437,629)
Miscellaneous Revenues	-	12	(12)
Charges for Services	10,000	-	(10,000)
<b>Total Revenues</b>	<b>459,117</b>	<b>11,500</b>	<b>(447,641)</b>
<b>EXPENDITURES</b>			
Current:			
Economic Environment	424,595	11,500	413,095
<b>Total Expenditures</b>	<b>424,595</b>	<b>11,500</b>	<b>413,095</b>
<b>(Deficiency) of Revenues</b>			
<b>(Under) Expenditures</b>	<b>34,522</b>	<b>-</b>	<b>(34,546)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 34,522</b>	<b>-</b>	<b>\$ (34,546)</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance - Ending</b>		<b>\$ -</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
MY SAFE FLORIDA HOME GRANT  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ 76,025	\$ 76,025
Investment Income	-	354	354
Miscellaneous Revenues	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>76,379</b>	<b>76,379</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers (Out)	-	(76,379)	(76,379)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>(76,379)</b>	<b>(76,379)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance - Ending</b>		<b>\$ -</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
MISCELLANEOUS DONATIONS  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ -	\$ 182	\$ 182
Investment Income	-	340	340
Miscellaneous Revenues	-	21,122	21,122
<b>Total Revenues</b>	<b>-</b>	<b>21,644</b>	<b>21,644</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	-	5,152	(5,152)
Culture/Recreation	-	37,134	(37,134)
Capital Outlay	-	12,500	(12,500)
<b>Total Expenditures</b>	<b>-</b>	<b>54,786</b>	<b>(54,786)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>-</b>	<b>(33,142)</b>	<b>(33,142)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>(33,142)</b>	<b>\$ (33,142)</b>
<b>Fund Balance - Beginning</b>		<b>102,789</b>	
<b>Fund Balance - Ending</b>		<b>\$ 69,647</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
ARRA FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 2,660,505	\$ 1,670,245	\$ (990,260)
<b>Total Revenues</b>	<b>2,660,505</b>	<b>1,670,245</b>	<b>(990,260)</b>
<b>EXPENDITURES</b>			
Current:			
Physical Environment	904,000	116,773	787,227
Capital Outlay	1,797,187	1,668,080	129,107
<b>Total Expenditures</b>	<b>2,701,187</b>	<b>1,784,853</b>	<b>916,334</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(40,682)</b>	<b>(114,608)</b>	<b>(73,926)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	40,682	40,682	-
<b>Total Other Financing Sources and (Uses)</b>	<b>40,682.00</b>	<b>40,682</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>(73,926)</b>	<b>\$ (73,926)</b>
<b>Fund Balance - Beginning</b>		<b>-</b>	
<b>Fund Balance - Ending</b>		<b>\$ (73,926)</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
EMERGENCY FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ -	\$ 34	\$ 34
<b>Total Revenues</b>	<u>-</u>	<u>34</u>	<u>34</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>34</u>	<u>\$ 34</u>
<b>Fund Balance - Beginning</b>		<u>17,948</u>	
<b>Fund Balance - Ending</b>		<u>\$ 17,982</u>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
RECREATION PROGRAM FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 68,537	\$ 32,207	\$ (36,330)
<b>Total Revenues</b>	<u>68,537</u>	<u>32,207</u>	<u>(36,330)</u>
<b>EXPENDITURES</b>			
Current:			
Culture/Recreation	46,014	23,885	22,129
<b>Total Expenditures</b>	<u>46,014</u>	<u>23,885</u>	<u>22,129</u>
<b>Excess of Revenues Over Expenditures</b>	<u>22,523</u>	<u>8,322</u>	<u>(14,201)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 22,523</u>	<u>8,322</u>	<u>\$ (14,201)</u>
<b>Fund Balance - Beginning</b>		<u>2,352</u>	
<b>Fund Balance - Ending</b>		<u>\$ 10,674</u>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
 IMPACT FEE TRUST  
 For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Impact Fees	\$ 1,171,600	\$ 960,804	\$ (210,796)
Investment Income	80,000	124,701	44,701
Miscellaneous Revenues	-	579	579
<b>Total Revenues</b>	<b>1,251,600</b>	<b>1,086,084</b>	<b>(165,516)</b>
<b>EXPENDITURES</b>			
Current:			
Transportation	1,159,079	68,917	1,090,162
Capital Outlay	6,492,057	1,880,809	4,611,248
<b>Total Expenditures</b>	<b>7,651,136</b>	<b>1,949,726</b>	<b>5,701,410</b>
<b>(Deficiency) of Revenues</b>			
<b>(Under) Expenditures</b>	<b>(6,399,536)</b>	<b>(863,642)</b>	<b>5,535,894</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	4,437	4,437
Transfers (Out)	(1,033,688)	(1,035,306)	(1,618)
<b>Total Other Financing Uses</b>	<b>(1,033,688)</b>	<b>(1,030,869)</b>	<b>2,819</b>
<b>Net Change in Fund Balance</b>	<b>\$ (7,433,224)</b>	<b>(1,894,511)</b>	<b>\$ 5,538,713</b>
<b>Fund Balance - Beginning</b>		<b>6,961,599</b>	
<b>Fund Balance - Ending</b>		<b>\$ 5,067,088</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL FEE  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 22,500	\$ 23,275	\$ 775
<b>Total Revenues</b>	<u>22,500</u>	<u>23,275</u>	<u>775</u>
<b>Excess of Revenues Over Expenditures</b>	<u>22,500</u>	<u>23,275</u>	<u>775</u>
<b>OTHER FINANCING (USES)</b>			
Transfers (Out)	(22,500)	(10,300)	(12,200)
<b>Total Other Financing (Uses)</b>	<u>(22,500)</u>	<u>(10,300)</u>	<u>(12,200)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	12,975	<u>\$ (11,425)</u>
<b>Fund Balance (Deficit) - Beginning</b>		<u>(650,424)</u>	
<b>Fund Balance (Deficit) - Ending</b>		<u>\$ (637,449)</u>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
SANITATION FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>OTHER FINANCING SOURCES</b>			
Capital Lease Proceeds	\$ -	\$ 2,560,000	\$ 2,560,000
<b>Total Other Financing Sources</b>	<u>-</u>	<u>2,560,000</u>	<u>2,560,000</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ -</u></u>	<u>2,560,000</u>	<u><u>\$ 2,560,000</u></u>
<b>Fund Balance - Beginning</b>		<u>-</u>	
<b>Fund Balance - Ending</b>		<u><u>\$ 2,560,000</u></u>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
MUNICIPAL CHARTER SCHOOL FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 4,297,538	\$ 4,937,294	\$ 639,756
Investment Income	-	16	16
Contributions	-	1,704,341	1,704,341
Miscellaneous Revenues	39,999	32,512	(7,487)
<b>Total Revenues</b>	<b>4,337,537</b>	<b>6,674,163</b>	<b>2,336,626</b>
<b>EXPENDITURES</b>			
Current:			
Culture & Recreation	4,210,358	5,007,051	(796,693)
Debt Service:			
Principal Retirement	-	249,351	(249,351)
Interest and Fiscal Charges	1,450,000	1,454,990	(4,990)
Capital Outlay	-	194,291	(194,291)
<b>Total Expenditures</b>	<b>5,660,358</b>	<b>6,905,683</b>	<b>(1,245,325)</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(1,322,821)</b>	<b>(231,520)</b>	<b>1,091,301</b>
 <b>Net Change in Fund Balance</b>	 <b>\$ (1,322,821)</b>	 <b>(231,520)</b>	 <b>\$ 1,091,301</b>
 <b>Fund Balance - Beginning</b>		 <b>317,464</b>	
 <b>Fund Balance - Ending</b>		 <b>\$ 85,944</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
CHARTER SCHOOL DS RESERVES FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Interest Income	\$ -	\$ 53	\$ 53
<b>Total Revenues</b>	<u>-</u>	<u>53</u>	<u>53</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	70,350	(70,350)
<b>Total Expenditures</b>	<u>-</u>	<u>70,350</u>	<u>(70,350)</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>-</u>	<u>(70,297)</u>	<u>(70,297)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>(70,297)</u>	<u>\$ (70,297)</u>
<b>Fund Balance - Beginning</b>		<u>1,309,528</u>	
<b>Fund Balance - Ending</b>		<u>\$ 1,239,231</u>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUNDS  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ -	\$ 29,220	\$ 29,220
<b>Total Revenues</b>	<b>-</b>	<b>29,220</b>	<b>29,220</b>
<b>EXPENDITURES</b>			
Current:			
General Government	58,737	220,470	(161,733)
Debt Service:			
Principal Retirement	1,636,286	1,656,453	(20,167)
Interest and Fiscal Charges	3,243,376	2,926,543	316,833
<b>Total Expenditures</b>	<b>4,938,399</b>	<b>4,803,466</b>	<b>134,933</b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b>(4,938,399)</b>	<b>(4,774,246)</b>	<b>164,153</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	4,938,399	4,974,730	36,331
Transfers (Out)	(535,852)	(549,442)	13,590
<b>Total Other Financing Sources (Uses)</b>	<b>4,402,547</b>	<b>4,425,288</b>	<b>49,921</b>
<b>Net Change in Fund Balance</b>	<b>\$ (535,852)</b>	<b>(348,958)</b>	<b>\$ 214,074</b>
<b>Fund Balance - Beginning</b>		<b>3,118,022</b>	
<b>Fund Balance - Ending</b>		<b>\$ 2,769,064</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY INVESTMENT FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 1,629,888	\$ 431,720	\$ (1,198,168)
Investment Income	-	3,049	3,049
<b>Total Revenues</b>	<b>1,629,888</b>	<b>434,769</b>	<b>(1,195,119)</b>
<b>EXPENDITURES</b>			
Current:			
Physical Environment	234,865	161,707	73,158
Transportation	347,340	292,816	54,524
Capital Outlay	3,775,380	2,843,672	931,708
<b>Total Expenditures</b>	<b>4,357,585</b>	<b>3,298,195</b>	<b>1,059,390</b>
<b>(Deficiency) of Revenues</b>			
<b>(Under) Expenditures</b>	<b>(2,727,697)</b>	<b>(2,863,426)</b>	<b>(135,729)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,761,300	2,761,300	-
Transfers (Out)	(40,682)	(40,682)	-
<b>Total Other Financing Sources</b>	<b>2,720,618</b>	<b>2,720,618</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (7,079)</b>	<b>(142,808)</b>	<b>\$ (135,729)</b>
<b>Fund Balance - Beginning</b>		<b>(16,953)</b>	
<b>Fund Balance (Deficit) - Ending</b>		<b>\$ (159,761)</b>	

CITY OF PALM BAY, FLORIDA

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY INVESTMENT 06 BOND CIP FUND  
For the Year Ended September 30, 2010**

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ 50,000	\$ 13,582	\$ (36,418)
<b>Total Revenues</b>	<u>50,000</u>	<u>13,582</u>	<u>(36,418)</u>
<b>EXPENDITURES</b>			
Current:			
Transportation	72,042	29,150	42,892
Capital Outlay	4,543,317	1,722,383	2,820,934
<b>Total Expenditures</b>	<u>4,615,359</u>	<u>1,751,533</u>	<u>2,863,826</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(4,565,359)</u>	<u>(1,737,951)</u>	<u>2,827,408</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer (Out)	-	(1,000,000)	-
Debt Proceeds	1,000,000	-	(1,000,000)
<b>Total Other Financing Sources</b>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (3,565,359)</u>	<u>(2,737,951)</u>	<u>\$ 1,827,408</u>
<b>Fund Balance - Beginning</b>		<u>5,713,090</u>	
<b>Fund Balance - Ending</b>		<u>\$ 2,975,139</u>	



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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.

CITY OF PALM BAY, FLORIDA

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
September 30, 2010

	Risk Management	Employee Benefit	Fleet Services	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,598,147	\$ -	\$ 1,593,995	\$ 3,192,142
Accounts Receivable (Net)	-	66,511	-	66,511
Prepaid Items	5,000	149	110	5,259
Inventory	-	-	209,050	209,050
<b>Total Current Assets</b>	<b>1,603,147</b>	<b>66,660</b>	<b>1,803,155</b>	<b>3,472,962</b>
Capital Assets:				
Equipment (Net)	22,990	-	3,507,421	3,530,411
<b>Total Capital Assets</b>	<b>22,990</b>	<b>-</b>	<b>3,507,421</b>	<b>3,530,411</b>
<b>Total Assets</b>	<b>1,626,137</b>	<b>66,660</b>	<b>5,310,576</b>	<b>7,003,373</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	108,999	1,325,029	231,163	1,665,191
Accrued Liabilities	9,219	197,816	43,330	250,365
Due to Other Funds	-	1,414,929	-	1,414,929
Compensated Absences Payable	-	-	16,616	16,616
Estimated Claims Payable	-	440,000	-	440,000
<b>Total Current Liabilities</b>	<b>118,218</b>	<b>3,377,774</b>	<b>291,109</b>	<b>3,787,101</b>
Noncurrent Liabilities:				
Net OPEB Obligation	-	-	22,739	22,739
Compensated Absences Payable	-	-	87,235	87,235
Capital Leases Payable	-	-	128,480	128,480
Estimated Claims Payable	3,055,000	-	-	3,055,000
Advances from Other Funds	-	-	1,910,000	1,910,000
<b>Total Noncurrent Liabilities</b>	<b>3,055,000</b>	<b>-</b>	<b>2,148,454</b>	<b>5,203,454</b>
<b>Total Liabilities</b>	<b>3,173,218</b>	<b>3,377,774</b>	<b>2,439,563</b>	<b>8,990,555</b>
<b>NET ASSETS</b>				
Invested in Capital Assets	22,990	-	3,378,941	3,401,931
Unrestricted (Deficit)	(1,570,071)	(3,311,114)	(507,928)	(5,389,113)
<b>Total Net Assets (Deficit)</b>	<b>\$ (1,547,081)</b>	<b>\$ (3,311,114)</b>	<b>\$ 2,871,013</b>	<b>\$ (1,987,182)</b>

CITY OF PALM BAY, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
For the Year Ended September 30, 2010**

	Risk Management	Employee Benefit	Fleet Services	Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,647,434	\$ 9,787,025	\$ 3,523,140	\$ 14,957,599
Miscellaneous Revenues	327	604	1,481	2,412
<b>Total Operating Revenues</b>	<b>1,647,761</b>	<b>9,787,629</b>	<b>3,524,621</b>	<b>14,960,011</b>
<b>Operating Expenses:</b>				
Personal Services	196,627	1,484,260	898,547	2,579,434
Contracted Services	49,448	1,371,716	34,846	1,456,010
Supplies and Materials	3,633	95,779	1,799,671	1,899,083
Repairs and Maintenance	-	2,183	209,583	211,766
Other Services and Charges	4,511	10,541	26,705	41,757
Claims/Premium Expense	2,963,275	8,351,856	-	11,315,131
Depreciation	3,059	-	971,308	974,367
<b>Total Operating Expenses</b>	<b>3,220,553</b>	<b>11,316,335</b>	<b>3,940,660</b>	<b>18,477,548</b>
<b>Operating Income (Loss)</b>	<b>(1,572,792)</b>	<b>(1,528,706)</b>	<b>(416,039)</b>	<b>(3,517,537)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	11,814	(1,652)	4,336	14,498
Interest Expense	-	-	(96,290)	(96,290)
Intergovernmental Revenues	-	-	51,388	51,388
Sale of Capital Assets	-	-	104,916	104,916
<b>Total Nonoperating Revenues (Expenses)</b>	<b>11,814</b>	<b>(1,652)</b>	<b>64,350</b>	<b>74,512</b>
<b>Income (Loss) Before Transfers</b>	<b>(1,560,978)</b>	<b>(1,530,358)</b>	<b>(351,689)</b>	<b>(3,443,025)</b>
Transfers In	-	1,255,500	224,000	1,479,500
Transfers (Out)	(255,500)	-	(194,000)	(449,500)
<b>Change in Net Assets</b>	<b>(1,816,478)</b>	<b>(274,858)</b>	<b>(321,689)</b>	<b>(2,413,025)</b>
<b>Total Net Assets (Deficit) - Beginning</b>	<b>269,397</b>	<b>(3,036,256)</b>	<b>3,192,702</b>	<b>425,843</b>
<b>Total Net Assets (Deficit) - Ending</b>	<b>\$ (1,547,081)</b>	<b>\$ (3,311,114)</b>	<b>\$ 2,871,013</b>	<b>\$ (1,987,182)</b>

CITY OF PALM BAY, FLORIDA

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Year Ended September 30, 2010**

	Risk Management	Employee Benefit	Fleet Services	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 1,647,957	\$ 9,780,241	\$ 3,524,621	\$ 14,952,819
Payments to Suppliers	(2,588,645)	(9,549,829)	(2,043,423)	(14,181,897)
Payments to Employees	(196,627)	(1,484,260)	(876,140)	(2,557,027)
<b>Net Cash Provided by Operating Activities</b>	<b>(1,137,315)</b>	<b>(1,253,848)</b>	<b>605,058</b>	<b>(1,786,105)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Interfund Advances	-	-	(105,000)	(105,000)
Intergovernmental Revenues	-	-	51,388	51,388
Transfers (to) from Other Funds	(255,500)	1,255,500	30,000	1,030,000
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(255,500)</b>	<b>1,255,500</b>	<b>(23,612)</b>	<b>976,388</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition/Construction of Capital Assets	-	-	(410,071)	(410,071)
Principal Paid on Capital Debt	-	-	(22,931)	(22,931)
Interest Paid on Capital Debt	-	-	(96,290)	(96,290)
Proceeds from Sales of Capital Assets	-	-	104,916	104,916
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(424,376)</b>	<b>(424,376)</b>
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sale and Maturity of Investments	-	-	-	-
Interest Income on Investments	11,814	(1,652)	4,336	14,498
<b>Net Cash Provided (Used) By Investing Activities</b>	<b>11,814</b>	<b>(1,652)</b>	<b>4,336</b>	<b>14,498</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(1,381,001)</b>	<b>-</b>	<b>161,406</b>	<b>(1,219,595)</b>
Cash and Cash Equivalents at Beginning of Year	2,979,148	-	1,432,589	4,411,737
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,598,147</b>	<b>\$ -</b>	<b>\$ 1,593,995</b>	<b>\$ 3,192,142</b>
<b>Cash and Cash Equivalents Classified As:</b>				
Current Assets	\$ 1,598,147	\$ -	\$ 1,593,995	\$ 3,192,142
Restricted Assets	-	-	-	-
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,598,147</b>	<b>\$ -</b>	<b>\$ 1,593,995</b>	<b>\$ 3,192,142</b>

Continued

CITY OF PALM BAY, FLORIDA

**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2010**

	Risk Management	Employee Benefit	Fleet Services	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating Income (Loss)	\$ (1,572,792)	\$ (1,528,706)	\$ (416,039)	\$ (3,517,537)
Depreciation	3,059	-	971,308	974,367
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	196	(7,388)	-	(7,192)
(Increase) Decrease in Inventories	-	-	(16,006)	(16,006)
(Increase) Decrease in Prepaid Expenses	7,769	(149)	(110)	7,510
Increase (Decrease) in Accounts Payable	7,374	571,359	36,748	615,481
Increase (Decrease) in Accrued Liabilities	1,079	76,036	6,750	83,865
Increase (Decrease) in OPEB Obligation	-	-	22,739	22,739
Increase (Decrease) in Compensated Absences	-	-	(332)	(332)
Increase (Decrease) in Claims Payable	416,000	(365,000)	-	51,000
<b>Total Adjustments</b>	<b>435,477</b>	<b>274,858</b>	<b>1,021,097</b>	<b>1,731,432</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,137,315)</b>	<b>\$ (1,253,848)</b>	<b>\$ 605,058</b>	<b>\$ (1,786,105)</b>

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

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



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## STATISTICAL SECTION

### FINANCIAL TRENDS

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

1. Net Assets by Component
2. Changes in Net Assets
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 Taxpayers
8. Property Tax Levies Valuations 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
10. Direct and Overlapping Debt
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
14. FTEs of Government Employees
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
18. Utilities Debt Service Applicable to Transportation
19. Historical Public Service Tax Collections
20. Gallons of Fuel Sold
21. LOGT Revenues
22. Debt Service Coverage
23. Rate Comparison with Other Cities
24. Largest Utility Customers

### ADDITIONAL NOTES

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

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

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



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## CITY OF PALM BAY, FLORIDA

**NET ASSETS BY COMPONENT**  
**Last Eight Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>								
Invested in Capital Assets, Net of Related Debt	\$ 40,111,386	\$ 38,676,828	\$ 41,430,421	\$ 49,080,259	\$ 55,772,824	\$ 36,132,923	\$ 39,382,891	\$ 45,103,439
Restricted	8,276,952	9,331,439	13,917,720	6,221,866	9,967,111	16,765,888	13,186,748	11,054,682
Unrestricted	11,547,540	10,139,534	9,780,952	10,521,037	(1,981,340)	12,438,266	9,530,166	9,184,015
<b>Total Governmental Activities Net Assets</b>	<b>\$ 59,935,878</b>	<b>\$ 58,147,801</b>	<b>\$ 65,129,093</b>	<b>\$ 65,823,162</b>	<b>\$ 63,758,595</b>	<b>\$ 65,337,077</b>	<b>\$ 62,099,805</b>	<b>\$ 65,342,136</b>
<b>Business-Type Activities</b>								
Invested in Capital Assets, Net of Related Debt	\$ 14,149,537	\$ 13,559,512	\$ 19,409,943	\$ 19,495,173	\$ 27,892,942	\$ 27,930,259	\$ 37,816,839	\$ 43,159,143
Restricted	20,082,559	21,767,331	24,196,148	27,048,699	28,448,684	24,283,483	23,554,282	18,902,136
Unrestricted	9,250,813	17,259,069	20,955,870	17,259,069	24,254,476	27,415,051	20,824,288	21,647,095
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 43,482,909</b>	<b>\$ 52,585,912</b>	<b>\$ 64,561,961</b>	<b>\$ 63,802,941</b>	<b>\$ 80,596,102</b>	<b>\$ 79,628,793</b>	<b>\$ 82,195,409</b>	<b>\$ 83,708,374</b>
<b>Primary Government</b>								
Invested in Capital Assets, Net of Related Debt	\$ 54,260,923	\$ 52,236,340	\$ 60,840,364	\$ 68,575,432	\$ 83,665,766	\$ 64,063,182	\$ 77,199,730	\$ 88,262,582
Restricted	28,359,511	31,098,770	35,755,470	33,270,565	38,415,795	41,049,371	36,741,030	29,956,818
Unrestricted	20,798,353	27,398,603	33,095,220	42,265,510	22,273,136	39,853,317	30,354,454	30,831,110
<b>Total Primary Government Net Assets</b>	<b>\$ 103,418,787</b>	<b>\$ 110,733,713</b>	<b>\$ 129,691,054</b>	<b>\$ 144,111,507</b>	<b>\$ 144,354,697</b>	<b>\$ 144,965,870</b>	<b>\$ 144,295,214</b>	<b>\$ 149,050,510</b>

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

Source: City of Palm Bay Finance Department

CITY OF PALM BAY, FLORIDA

**CHANGES IN NET ASSETS  
Last Eight Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental Activities:								
General Government	\$ 6,948,466	\$ 5,628,952	\$ 7,712,242	\$ 10,595,965	\$ 12,351,486	\$ 12,379,684	\$ 10,488,716	\$ 8,294,658
Public Safety	23,500,258	31,849,404	29,465,950	34,127,984	38,161,047	34,673,552	36,258,434	34,825,258
Physical Environment	1,002,350	5,412,527	4,986,585	2,203,826	1,171,817	1,258,063	1,208,284	555,383
Transportation	11,307,441	10,062,724	12,524,590	11,501,663	12,721,189	12,887,696	11,440,490	13,021,454
Economic Environment	1,809,240	1,376,496	1,895,703	3,708,233	3,707,562	3,478,848	3,080,806	1,228,397
Culture/Recreation	3,292,163	3,756,448	3,655,638	7,298,226	11,575,119	11,181,805	10,279,722	9,601,349
Interest on Long-Term Debt	627,880	271,149	847,383	2,003,301	3,737,766	4,825,864	5,835,068	4,888,851
Total Governmental Activities Expenses	48,487,798	58,357,700	61,088,091	71,439,198	83,425,986	80,685,512	78,591,520	72,415,350
Business-Type Activities:								
Water and Wastewater	13,882,872	16,151,556	15,905,946	18,626,397	20,767,536	22,436,363	22,821,351	24,197,960
Building Inspections	-	1,786,847	1,940,512	2,457,202	2,861,371	2,597,130	2,223,127	1,233,060
Total Business-Type Activities Expenses	13,882,872	17,938,403	17,846,458	21,083,599	23,628,907	25,033,493	25,044,478	25,431,020
Total Primary Government Expenses	\$ 62,370,670	\$ 76,296,103	\$ 78,934,549	\$ 92,522,797	\$ 107,054,893	\$ 105,719,005	\$ 103,635,998	\$ 97,846,370
<b>Program Revenues</b>								
Governmental Activities:								
Charges for Services:								
General Government	\$ 2,395,087	\$ 3,612,836	\$ 2,812,495	\$ 2,743,816	\$ 2,755,122	\$ 2,814,961	\$ 2,847,118	\$ 2,799,160
Public Safety	3,168,348	1,007,021	569,674	2,703,711	1,782,292	1,790,158	2,026,650	2,167,865
Physical Environment	113,562	113,513	124,775	162,775	115,428	127,513	111,135	135,167
Transportation	2,744,324	3,962,223	5,061,525	2,528,538	3,220,267	3,095,516	715,740	782,820
Economic Environment	192,425	312,984	395,154	732,432	636,839	597,228	1,348,931	687,998
Culture/Recreation	435,580	549,108	555,486	873,664	1,125,600	1,309,147	5,790,251	5,322,674
Operating Grants and Contributions	1,920,308	5,600,308	7,820,760	5,634,609	9,812,445	10,484,540	5,586,975	7,310,174
Capital Grants and Contributions	1,118,976	816,983	1,035,040	1,084,291	1,295,525	1,211,333	1,733,106	574,722
Total Governmental Activities Program Revenues	12,088,610	15,974,976	18,374,909	16,463,836	20,743,518	21,430,396	20,159,906	19,780,580
Business-Type Activities:								
Charges for Services	15,363,396	20,693,638	23,985,796	23,918,034	23,296,325	22,952,062	22,200,034	23,477,022
Operating Grant and Contributions	-	-	-	-	-	-	183,392	24,862
Capital Grants and Contributions	4,533,652	4,827,251	7,021,363	8,330,153	3,649,686	2,502,916	6,374,906	4,505,547
Total Business-Type Activities Program Revenues	19,897,048	25,520,889	31,007,159	32,248,187	26,946,011	25,454,978	28,758,332	28,007,431
Total Primary Government Program Revenues	\$ 31,985,658	\$ 41,495,865	\$ 49,382,068	\$ 48,712,023	\$ 47,689,529	\$ 46,885,374	\$ 48,918,238	\$ 47,788,011
Net (Expense)/Revenue								
Governmental Activities	\$ (36,399,188)	\$ (42,382,724)	\$ (42,713,182)	\$ (54,975,362)	\$ (62,682,468)	\$ (59,255,116)	\$ (58,431,614)	\$ (52,634,770)
Business-Type Activities	6,014,176	7,582,486	13,160,701	11,164,588	3,317,104	421,485	3,713,854	2,576,411
Total Primary Government Net Expense	\$ (30,385,012)	\$ (34,800,238)	\$ (29,552,481)	\$ (43,810,774)	\$ (59,365,364)	\$ (58,833,631)	\$ (54,717,760)	\$ (50,058,359)

Schedule 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental Activities:								
Property Taxes	\$ 15,969,555	\$ 17,680,912	\$ 19,967,983	\$ 23,286,570	\$ 25,941,327	\$ 27,335,274	\$ 25,912,020	\$ 27,399,051
Franchise Fees	3,961,327	4,214,318	4,979,300	6,147,254	6,261,214	6,212,976	6,361,164	5,731,594
Utility Service Taxes	5,130,735	5,213,947	5,675,238	6,045,059	6,223,557	6,138,775	6,317,399	6,847,450
Communication Service Taxes	2,786,409	2,942,378	3,093,611	3,384,027	3,579,131	4,452,802	3,766,126	3,739,028
State Revenue Sharing	6,741,748	7,134,745	9,033,573	2,614,660	2,643,050	7,414,286	6,932,441	6,966,869
Municipal Fuel Tax	2,583,305	2,660,589	2,791,627	8,327,998	7,858,684	2,389,461	2,421,074	2,369,610
Investment Earnings	380,677	435,438	805,534	2,136,330	3,670,356	1,885,623	518,729	305,744
Miscellaneous	(661,093)	850,428	759,457	182,370	333,071	1,270,735	415,116	322,372
Transfers	51,900	1,127,300	2,588,151	3,545,370	4,107,511	3,379,970	2,550,273	2,195,383
<b>Total Governmental Activities</b>	<b>36,944,563</b>	<b>42,260,055</b>	<b>49,694,474</b>	<b>55,669,638</b>	<b>60,617,901</b>	<b>60,479,902</b>	<b>55,194,342</b>	<b>55,877,101</b>
Business-Type Activities:								
Investment Earnings	1,064,087	982,409	1,361,781	2,871,579	3,082,050	1,951,287	1,386,789	1,163,855
Miscellaneous	-	-	41,718	36,382	16,114	39,889	16,246	(31,918)
Transfers	(51,900)	(1,127,300)	(2,588,151)	(3,545,370)	(4,107,511)	(3,379,970)	(2,550,273)	(2,195,383)
<b>Total Business-Type Activities</b>	<b>1,012,187</b>	<b>(144,891)</b>	<b>(1,184,652)</b>	<b>(637,409)</b>	<b>(1,009,347)</b>	<b>(1,388,794)</b>	<b>(1,147,238)</b>	<b>(1,063,446)</b>
<b>Total Primary Government</b>	<b>\$ 37,956,750</b>	<b>\$ 42,115,164</b>	<b>\$ 48,509,822</b>	<b>\$ 55,032,229</b>	<b>\$ 59,608,554</b>	<b>\$ 59,091,108</b>	<b>\$ 54,047,104</b>	<b>\$ 54,813,655</b>
<b>Change in Net Assets</b>								
Governmental Activities	\$ 545,375	\$ (122,669)	\$ 6,981,292	\$ 694,276	\$ (2,064,567)	\$ 1,224,786	\$ (3,237,272)	\$ 3,242,331
Business-Type Activities	7,026,363	7,437,595	11,976,049	10,527,179	2,307,757	(967,309)	2,566,616	1,512,965
<b>Total Primary Government</b>	<b>\$ 7,571,738</b>	<b>\$ 7,314,926</b>	<b>\$ 18,957,341</b>	<b>\$ 11,221,455</b>	<b>\$ 243,190</b>	<b>\$ 257,477</b>	<b>\$ (670,656)</b>	<b>\$ 4,755,296</b>

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

Source: City of Palm Bay Finance Department

## CITY OF PALM BAY, FLORIDA

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 116,476	\$ 38,993	\$ 32,736	\$ 42,765	\$ 102,494	\$ 75,216	\$ 34,259	\$ 20,932
Unreserved, Designated	159,069	399,441	373,004	2,027,185	2,013,288	1,942,940	1,603,145	1,748,405
Unreserved, Undesignated	7,909,057	7,801,384	9,867,946	10,829,139	6,455,387	3,896,980	5,050,336	4,021,575
Total General Fund	<u>\$ 8,184,602</u>	<u>\$ 8,239,818</u>	<u>\$ 10,273,686</u>	<u>\$ 12,899,089</u>	<u>\$ 8,571,169</u>	<u>\$ 5,915,136</u>	<u>\$ 6,687,740</u>	<u>\$ 5,790,912</u>
All Other Governmental Funds								
Reserved	\$ 8,756	\$ -	\$ -	\$ 3,887,224	\$ 17,710,408	\$ 18,045,827	\$ 16,479,904	\$ 14,891,522
Unreserved, Designated	1,001,147	9,265,107	7,658,296	7,898,355	6,541,669	1,224,581	2,169,036	535,780
Unreserved, reported in:								
Special Revenue Funds	8,530,546	4,562,022	8,637,907	5,597,785	6,207,813	11,063,763	8,770,729	9,221,859
Debt Service Funds	1,560,918	1,850,358	2,544,667	1,420,241	2,499,421	4,505,645	3,528,314	3,246,773
Capital Projects Funds	660,141	1,474,688	2,735,146	13,041,321	21,908,906	14,067,769	9,167,355	7,903,411
Total All Other Governmental Funds	<u>\$ 11,761,508</u>	<u>\$ 17,152,175</u>	<u>\$ 21,576,016</u>	<u>\$ 31,844,926</u>	<u>\$ 54,868,217</u>	<u>\$ 48,907,585</u>	<u>\$ 40,115,338</u>	<u>\$ 35,799,345</u>

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

Source: City of Palm Bay Finance Department

## CITY OF PALM BAY, FLORIDA

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>								
Taxes	\$ 30,431,332	\$ 32,712,144	\$ 36,507,759	\$ 41,477,570	\$ 44,648,280	\$ 40,572,979	\$ 39,099,824	\$ 41,039,594
Impact Fees	1,608,249	2,730,981	3,669,210	3,019,348	3,866,131	3,582,210	965,755	960,804
Licenses and Permits	2,845,787	999,969	1,229,168	664,489	672,806	6,224,611	6,395,039	5,760,068
Intergovernmental Revenues	9,781,032	11,589,848	19,154,607	16,074,081	18,770,124	18,231,502	18,131,733	18,122,233
Charges for Services	3,406,545	4,436,335	3,810,723	3,587,459	3,582,326	3,884,461	4,159,430	3,292,144
Fines and Forfeitures	641,706	663,115	718,253	1,939,240	963,720	1,007,287	1,294,766	1,577,268
Investment Income	380,677	435,438	805,534	1,782,997	3,287,437	1,716,830	484,511	291,246
Contributions	-	-	-	-	-	-	1,412,220	1,704,617
Miscellaneous Revenues	1,464,707	850,428	759,457	970,821	994,983	2,701,459	793,161	659,167
<b>Total Revenues</b>	<b>50,560,035</b>	<b>54,418,258</b>	<b>66,654,711</b>	<b>69,516,005</b>	<b>76,785,807</b>	<b>77,921,339</b>	<b>72,736,439</b>	<b>73,407,141</b>
<b>Expenditures</b>								
General Government	6,757,044	6,302,920	8,129,853	9,339,363	10,789,021	46,800,984	9,949,203	9,127,668
Public Safety	23,543,036	31,235,905	28,856,962	31,547,473	34,387,867	35,076,923	34,201,555	34,312,623
Physical Environment	959,716	5,370,706	5,237,873	2,088,324	946,157	1,072,281	991,306	301,606
Transportation	6,164,540	7,066,740	8,505,845	8,479,315	9,333,319	9,176,293	8,041,241	9,413,087
Economic Environment	1,878,716	1,376,496	1,892,049	3,704,580	3,703,908	3,475,194	3,079,893	1,228,397
Culture/Recreation	3,076,528	3,647,398	3,983,335	6,741,094	10,752,234	10,320,295	9,377,080	8,585,222
Debt Service:								
Bond Principal Retirement	1,805,000	1,885,000	2,194,032	2,627,567	1,427,666	1,838,015	2,368,676	3,682,804
Interest and Fiscal Charges	627,880	271,149	847,383	1,315,073	3,275,808	4,679,932	5,668,839	4,768,607
Bond Issue Costs	-	-	-	-	427,809	1,116,931	2,000	-
Capital Improvements	3,806,763	3,224,443	3,593,297	21,963,354	20,536,615	13,003,559	9,067,321	11,389,623
<b>Total Expenditures</b>	<b>48,619,223</b>	<b>60,380,757</b>	<b>63,240,629</b>	<b>87,806,143</b>	<b>95,580,404</b>	<b>126,560,407</b>	<b>82,747,114</b>	<b>82,809,637</b>
<b>Excess of Revenues Over (Under)</b>								
<b>Expenditures</b>	<b>1,940,812</b>	<b>(5,962,499)</b>	<b>3,414,082</b>	<b>(18,290,138)</b>	<b>(18,794,597)</b>	<b>(48,639,068)</b>	<b>(10,010,675)</b>	<b>(9,402,496)</b>
<b>Other Financing Sources (Uses)</b>								
Transfers In	4,102,600	6,627,516	8,778,292	15,252,113	11,146,679	13,660,907	10,333,769	10,967,555
Transfers (Out)	(4,050,700)	(6,739,716)	(6,716,821)	(11,876,343)	(7,542,101)	(12,223,856)	(8,645,122)	(9,802,172)
Issuance of Debt	-	13,071,447	-	21,100,000	34,396,033	38,345,000	-	-
Proceeds From Capital Leases	-	114,543	982,156	6,000,000	145,832	240,352	302,655	3,024,022
<b>Total Other Financing Sources</b>	<b>51,900</b>	<b>13,073,790</b>	<b>3,043,627</b>	<b>30,475,770</b>	<b>38,146,443</b>	<b>40,022,403</b>	<b>1,991,302</b>	<b>4,189,405</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,992,712</b>	<b>\$ 7,111,291</b>	<b>\$ 6,457,709</b>	<b>\$ 12,185,632</b>	<b>\$ 19,351,846</b>	<b>\$ (8,616,665)</b>	<b>\$ (8,019,373)</b>	<b>\$ (5,213,091)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>								
	5.43%	3.77%	5.10%	5.99%	6.78%	6.72%	10.91%	11.83%

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

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.

Source: City of Palm Bay Finance Department

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

Fiscal Year Ended September 30	Centrally Assessed	Real Property	Personal Property	Total Estimated Actual Value	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
<b>2010</b>	<b>\$ 2,922,219</b>	<b>\$ 4,807,504,670</b>	<b>\$ 312,268,802</b>	<b>\$ 5,122,695,691</b>	<b>\$ 1,787,027,471</b>	<b>\$ 3,335,668,220</b>	<b>6.8165</b>
2009	3,242,757	5,803,424,830	350,996,460	6,157,664,047	2,099,481,373	4,058,182,674	5.3000
2008	3,349,136	7,363,902,660	337,146,083	7,704,397,879	2,657,033,779	5,047,364,100	4.7429
2007	3,372,809	8,062,779,760	343,715,447	8,409,868,016	2,564,030,503	5,845,837,513	4.6000
2006	2,884,076	8,167,219,240	326,850,925	8,496,954,241	2,772,105,494	5,724,848,747	5.9804
2005	2,519,971	5,877,004,770	463,017,733	6,342,542,474	2,341,142,304	4,001,400,170	6.9900
2004	2,416,325	3,959,754,460	327,704,191	4,289,874,976	1,359,490,452	2,930,384,524	7.5301
2003	2,827,286	3,159,270,890	315,972,462	3,478,070,638	1,102,125,993	2,375,944,645	7.6394
2002	2,502,381	2,825,943,240	274,406,166	3,102,851,787	956,036,927	2,146,814,860	7.6563
2001	1,976,140	2,597,040,090	273,913,085	2,872,929,315	855,054,063	2,017,875,252	7.6563

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Source: Brevard County Property Appraiser

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

Fiscal Year	City of Palm Bay Direct Rates			Overlapping Rates Brevard County			Total Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Total Direct Rates	Operating Millage	School District	Special Districts	
<b>2010</b>	<b>6.8165</b>	-	<b>6.8165</b>	<b>5.1077</b>	<b>7.6870</b>	<b>0.5627</b>	<b>20.1739</b>
2009	5.3000	-	5.3000	5.2628	7.6610	0.5627	18.7865
2008	4.7429	-	4.7429	5.2210	7.5310	0.5627	18.0576
2007	4.6000	-	4.6000	5.5370	7.6670	0.6600	18.4640
2006	5.5740	0.4064	5.9804	5.3781	7.9630	0.7197	20.0412
2005	6.4308	0.5592	6.9900	6.0030	8.1940	0.8181	22.0051
2004	6.8356	0.6945	7.5301	6.4340	8.4050	0.8500	23.2191
2003	6.8726	0.7668	7.6394	6.4395	8.6050	0.6375	23.3214
2002	6.8356	0.8207	7.6563	6.2143	8.6740	0.6431	23.1877
2001	6.8643	0.7920	7.6563	5.5030	8.9080	0.6630	22.7303

Source: Brevard County Tax Collector

**PINCIPAL PROPERTY TAXPAYERS**  
**September 30, 2010**

Taxpayers	2010			2001		
	Taxes Assessed	Rank	Percentage of Total Taxes Levied	Taxes Assessed	Rank	Percentage of Total Taxes Levied
Harris Corporation	\$ 284,030	1	1.0%	\$ 304,535	1	2.1%
Intersil Corporation	120,000	2	0.4%	280,260	2	1.9%
WSL Glenbrooke Investors V LLC	115,584	3	0.4%	-	-	-
Edens & Avant	93,750	4	0.3%	146,965	3	1.0%
Wal-Mart Stores East LP	85,896	5	0.3%	-	-	-
IBK Vinings LP	84,375	6	0.3%	-	-	-
Capstone Capital Corporation	76,125	7	0.3%			
Malabar Associated, Ltd	66,160	8	0.2%	51,516	8	0.4%
Lowe's Home Centers Inc	60,254	9	0.2%	-	-	-
Lighthouse Points Project	58,500	11	0.2%	-	-	-
PB / ES LLC	58,065	12	0.2%	-	-	-
Federal National Mortgage Assoc	57,312	13	0.2%	54,685	5	0.4%
Palm Bay Partners LLC	57,750	14	0.2%	-	-	-
H F Partnership LLP	57,007	15	0.2%	52,634	7	0.4%
Creative Choice Homes XXV LTD	54,750	16	0.2%	-	-	-
Rivera Terrace Properties LLC	53,175	17	0.2%	-	-	-
Portfolio Real Estate Palm Bay	52,185	18	0.2%	-	-	-
2501 LLC	51,975	19	0.2%	-	-	-
KEW LLC	49,641	20	0.2%	-	-	-
Vestcor Fund XII Ltd	-	-	-	54,001	6	0.4%
LBK 3 LP	-	-	-	65,622	4	0.4%
Farash, Max	-	-	-	48,533	9	0.3%
Mark Apartments Inc	-	-	-	44,431	10	0.3%
<b>Total</b>	<b>\$ 1,596,534</b>		<b>5.8%</b>	<b>\$ 1,103,182</b>		<b>7.6%</b>

Source: Brevard County Tax Collector

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
<b>2010</b>	<b>\$ 27,672,368</b>	<b>\$ 26,742,020</b>	<b>96.6%</b>	<b>\$ 657,032</b>	<b>\$27,399,052</b>	<b>99.0%</b>
2009	26,663,652	25,099,966	94.1%	812,054	25,912,020	97.2%
2008	27,706,586	25,821,447	93.2%	1,513,827	27,335,274	98.7%
2007	26,301,541	24,662,850	93.8%	1,278,477	25,941,327	98.6%
2006	23,952,792	22,924,832	95.7%	361,837	23,286,670	97.2%
2005	20,505,724	19,840,712	96.8%	127,271	19,967,983	97.4%
2004	17,985,158	17,333,055	96.4%	347,856	17,680,911	98.3%
2003	16,348,843	15,818,623	96.8%	150,932	15,969,555	97.7%
2002	15,453,477	14,735,939	95.4%	165,067	14,901,006	96.4%
2001	14,603,888	13,964,511	95.6%	159,501	14,124,012	96.7%

Source: City of Palm Bay Finance Department

CITY OF PALM BAY, FLORIDA

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

Fiscal Year	Governmental Activities						Business-Type Activities		Total Primary Government	% of Personal Income	Per Capita
	Municipal Service Tax Bonds	Local Option Gas Tax Bonds	Taxable Special Obligation Bonds	Special Revenue Bonds	Sales Tax Revenue Bonds	Capital Leases	BCRA Notes Payable	FMLC Comm Paper Notes			
<b>2010</b>	<b>\$ 4,150,000</b>	<b>\$ 5,755,000</b>	<b>\$ 43,421,447</b>	<b>\$ 17,380,000</b>	<b>\$ 23,861,281</b>	<b>\$ 5,020,000</b>	<b>\$ 13,981,000</b>	<b>\$ 95,658,103</b>	<b>\$ 209,226,831</b>	<b>9.71%</b>	<b>\$ 2,023</b>
2009	4,745,000	6,160,000	43,506,447	17,720,000	21,405,525	5,280,000	15,498,000	100,344,685	214,659,657	10.14%	2,096
2008	5,310,000	6,560,000	43,701,447	18,045,000	21,694,100	5,530,000	15,498,000	104,567,561	220,906,108	10.83%	2,155
2007	5,855,000	6,945,000	5,371,447	18,365,000	21,808,038	5,770,000	15,498,000	108,601,249	188,213,734	9.32%	1,849
2006	6,380,000	7,320,000	5,376,447	-	21,975,363	6,000,000	-	112,258,833	159,310,643	8.93%	1,648
2005	6,885,000	7,695,000	5,376,447	-	1,102,667	-	-	97,293,733	118,352,847	6.87%	1,288
2004	7,370,000	-	-	-	114,543	-	-	100,606,388	108,090,931	6.66%	1,220
2003	7,840,000	-	-	-	-	-	-	100,666,124	108,506,124	6.97%	1,277

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

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

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

Source: City of Palm Bay Finance Department

## CITY OF PALM BAY, FLORIDA

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT – GENERAL OBLIGATION BONDS**  
**September 30, 2010**

Taxing District	Assessed Valuation	Net Debt Outstanding	Overlapping	City's Share of Debt
Brevard County	\$ 29,089,009,692	\$ 155,864,070	11.54%	\$ 17,979,393

Notes: Based on 2010 estimated taxable assessed valuation

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

**PLEDGED REVENUE COVERAGE**  
**Last Ten Fiscal Years**

Fiscal Year	Water and Sewer System Revenue Bonds						Coverage
	Operating Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service			
				Principal	Interest		
<b>2010</b>	<b>\$ 23,521,722</b>	<b>\$ 12,148,574</b>	<b>\$ 11,373,148</b>	<b>\$ 4,546,582</b>	<b>\$ 4,373,963</b>	<b>1.27</b>	
2009	22,093,387	11,751,890	10,341,497	4,152,876	4,250,357	1.23	
2008	22,582,007	12,252,791	10,329,216	4,033,688	4,268,957	1.24	
2007	23,027,583	11,248,146	11,779,437	3,657,584	4,281,261	1.48	
2006	21,351,081	10,031,914	11,319,167	3,374,900	4,233,965	1.49	
2005	18,790,548	8,776,803	10,013,745	3,187,655	3,618,966	1.47	
2004	17,698,180	9,987,789	7,710,391	2,169,736	3,563,105	1.34	
2003	16,430,204	8,390,966	8,039,238	880,834	2,977,967	2.08	
2002	15,875,945	8,066,036	7,809,909	1,690,000	3,800,598	1.42	
2001	14,310,627	7,628,555	6,682,072	1,530,000	3,970,239	1.21	

## Notes:

(1) Operating Revenue includes interest income.

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

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

Source: City of Palm Bay Finance Department

## CITY OF PALM BAY, FLORIDA

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Eight Years**

Year	Population	Personal Income (thousands)	Per Capita Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
<b>2010</b>	<b>103,422</b>	<b>\$ 2,155,004</b>	<b>20,837</b>	<b>38.0</b>	<b>14.1</b>	<b>14,677</b>	<b>12.1%</b>
2009	102,397	2,117,774	20,682	38.1	13.9	14,612	11.9%
2008	102,519	2,040,231	19,901	38.1	13.9	15,014	7.3%
2007	101,793	2,019,878	19,843	38.0	13.9	14,130	5.0%
2006	96,683	1,858,924	19,227	37.8	13.9	13,348	3.7%
2005	91,888	1,723,543	18,757	37.6	13.9	12,920	3.4%
2004	88,572	1,622,196	18,315	37.5	13.9	12,916	5.0%
2003	84,994	1,556,665	18,315	37.9	13.9	12,133	5.5%

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

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

## CITY OF PALM BAY, FLORIDA

**PRINCIPAL EMPLOYERS IN THE CITY OF PALM BAY**  
**Current Year**

<u>Employer</u>	2010			2001		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% Total Employment</u>
Harris Corporation	5,613	1	12.14%	4276	1	10.79%
Brevard County School Board	1,475	2	3.19%	1135	3	2.86%
City of Palm Bay	805	3	1.74%	787	4	1.99%
MC Assembly	689	4	1.49%			
Intersil	576	5	1.25%	1300	2	3.28%
Palm Bay Hospital	575	6	1.24%	250	8	0.63%
Wal*Mart	400	7	0.87%			
Publix (3 of 3 locations reported)	360	8	0.78%	360	5	0.91%
Brevard Community College	238	9	0.51%	210	9	0.53%
Winn Dixie (2 locations)	200	10	0.43%	251	7	0.63%
DRS Optronics				335	6	0.85%
Remec Q-Bit Corporation				150	10	0.38%
Accudyne Corporation				150	10	0.38%
Totals	10,931		23.64%	9,204		23.22%

Note: Number of employees list are employed in 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

## CITY OF PALM BAY, FLORIDA

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

Function/Program	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Government								
Legislative	4	4	4	4	4	4	3	3
Management	11	12	14	12	10	10	9	9
Finance	32	32	32	32	29	32	32	20
Community Planning	2	15	15	14	14	12	8	8
Other	31	36	33	35	25	20	20	20
Public Safety								
Police	265	271	274	262	245	236	228	224
Fire	131	139	141	143	144	139	139	138
Code Enforcement				11	10	11	11	9
Building	24	29	41	42	34	24	22	20
Physical Environment								
Utilities	118	118	119	108	98	88	84	95
Economic Environment								
Economic /Neighborhood Development	9	9	11	14	13	11	6	6
Transportation								
Public Works	120	131	140	139	127	114	121	118
Culture/Recreation								
Parks	58	71	80	85	77	62	59	56
<b>Total</b>	<b>805</b>	<b>867</b>	<b>904</b>	<b>901</b>	<b>830</b>	<b>763</b>	<b>742</b>	<b>726</b>

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

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

Source: City of Palm Bay Budget Division

## CITY OF PALM BAY, FLORIDA

CAPITAL ASSETS STATISTICS  
Last Eight Fiscal Years

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Police								
Stations	2	2	2	2	2	2	2	2
Patrol Units	127	127	127	127	121	112	102	88
Policemen and Officers	166	166	165	163	154	140	135	139
Fire								
Stations	5	5	5	5	5	5	5	5
Firefighters and Officers	118	118	122	125	122	113	113	114
Public Works								
Streets (miles)	864	864	864	864	864	864	864	860
Street lights	3960	3960	3960	3960	3779	3674	3650	3556
Parks and Recreation								
Community Centers	1	1	1	1	1	1	1	1
Developed Parks	25	25	22	19	19	18	18	14
Acreage of developed parks	241.33	241.33	233.54	232.78	232.78	212.73	212.73	460
Acreage of all park land	1674.33	1674.33	1500	1500	1500	1500	1500	1500
Water System								
Water mains (miles)	580	551	545	539	529	547	546	553
Fire hydrants	2739	2746	2570	2347	2293	2152	2120	1885
Treatment plants	3	3	3	3	2	2	2	2
Service connections	31145	30339	29840	29389	28404	27995	25643	23927
Capacity (mgd)	15.5	15.5	15.5	15.5	10	10	10	10
Wastewater System								
Sanitary sewer lines (miles)	290	290	296	296	278	263	254	232
Treatment plants	2	2	2	2	2	2	2	2
Service connections - sewer	14807	14455	14316	14077	13361	13105	11768	10787
Service connections - reclaimed water	416	105	96	82	0	0	0	0
Treatment capacity (mgd)	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2

The City implemented GASB 44 in fiscal year 2005, with data for three years prior beginning with fiscal year 2003. This statement did not require retroactive reporting for additional years prior to statement implementation.

Source: Various City Departments

## CITY OF PALM BAY, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM  
Last Ten Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police										
Physical Arrests	3,715	3,805	3,648	3,805	3,277	2,724	2,770	1,592	1,379	2,505
Parking Violations (1)	317	24	68	54	N/A	N/A	N/A	N/A	N/A	N/A
Traffic Tickets (1)	16,785	17,394	19,392	20,243	N/A	N/A	N/A	N/A	N/A	N/A
Total Traffic Stops (1)	39,851	31,685	30,482	27,183	N/A	N/A	N/A	N/A	N/A	N/A
Calls for Service (1)	195,756	202,348	196,688	187,854	N/A	N/A	N/A	N/A	N/A	N/A
Fire										
Number of calls for service	10,520	10,263	9,780	9,441	9,408	9,561	9,531	8,379	8,236	8,286
Number of fires extinguished	455	320	335	419	409	311	444	376	328	470
Public Works										
Refuse Collection (pounds)	115,690	138,913	N/A	218,149	222,834	207,054	145,988	N/A	N/A	N/A
New Street (2)	0	0	0	864	864	864	864	860	N/A	N/A
Potholes repaired (2)	946	1,190	1,106	1,051	1,287	825	701	N/A	N/A	N/A
Parks and Recreation										
Community Center Attendance (3)	26,501	23,701	29,182	27,704	N/A	N/A	N/A	N/A	N/A	N/A
Camp Programs (3)	275	303	881	1,066	N/A	N/A	N/A	N/A	N/A	N/A
Program Membership (3)	1,396	1,328	1,594	1,361	N/A	N/A	N/A	N/A	N/A	N/A
Water System										
New Connections (2)	806	499	451	1,054	389	2,483	880	2,252	257	N/A
Water main breaks (2)	16	8	15	20	N/A	N/A	N/A	N/A	N/A	N/A
Average daily consumption (millions of gallons)	6	6	6	6	6	6	6	6	6	6
Active accounts	31,145	30,339	29,840	29,389	28,335	27,946	25,463	24,583	22,331	22,074
Wastewater System										
Average daily sewage treatment (millions of gallons)	3	3	4	4	3	3	3	3	3	3
Active Accounts (2)	14,807	14,455	14,316	14,077	13,361	13,105	11,768	10,787	N/A	N/A
Building										
Total Inspections (4)	8,851	9,216	15,493	21,084	36,211	38,497	20,276	N/A	N/A	N/A
Permits Issued	4,473	4,328	5,442	6,836	10,081	20,186	11,290	121,226	8,905	7,748

(1) Information prior to 2007 could not be retrieved

(2) Information could not be retrieved

(3) Information prior to 2007 unavailable due to change in software system

(4) Information prior to 2004 unavailable due to change in software system

Source: Various City Departments

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

<b>Collections</b>					
Fiscal Year	Police Impact Fees	Fire Impact Fees	Parks Impact Fees	Transportation Impact Fees	Total Collections
<b>2010</b>	<b>\$ 7,114</b>	<b>\$ 49,204</b>	<b>\$ 121,662</b>	<b>\$ 906,921</b>	<b>\$ 1,084,901</b>
2009	13,370	82,651	153,866	859,033	1,108,920
2008	27,498	173,904	296,432	7,491,291	7,989,125
2007	39,090	261,595	390,840	4,190,909	4,882,434
2006	53,017	179,789	353,631	2,628,548	3,214,985
2005	69,546	221,106	496,577	3,005,000	3,792,229
2004	56,310	176,215	351,981	2,182,736	2,767,242
2003	30,842	101,704	220,899	1,287,933	1,641,378
2002	25,702	81,466	144,529	860,173	1,111,870
2001	26,379	151,527	130,438	1,078,575	1,386,919

<b>Balances</b>				
Type	Balance at beginning of Fiscal Year	Collections	Uses	Balance at end of Fiscal Year
Police Impact Fees	\$ 2,167	\$ 7,114	\$ -	\$ 9,281
Fire Impact Fees	27,200	49,204	-	76,404
Parks Impact Fees	(106,419)	121,662	7,316	7,927
Transportation Impact Fees	7,044,271	906,921	2,977,716	4,973,476
Totals	<u>\$ 6,967,219</u>	<u>\$ 1,084,901</u>	<u>\$ 2,985,032</u>	<u>\$ 5,067,088</u>

<b>Significant Uses</b>	
Land Acquisition for Palm Bay Parkway	\$ 1,382,279
Transfers to Debt Service for Emerson Drive	1,035,306
Landscaping for Jupiter Bridge	369,144

Note: Collections include interest earnings

Source: City of Palm Bay Finance Department

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

Fiscal Year	Debt Service		
	Refunding Bonds Series 2005B	Special Assessment Bonds Series 2003	Portion Related To Road Improvements
<b>2010</b>	<b>\$ 1,648,158</b>	<b>\$ 250,043</b>	<b>\$ 813,726</b>
2009	1,656,558	183,274	789,295
2008	1,654,208	111,747	758,243
2007	1,388,458	115,176	645,411
2006	1,022,741	571,104	679,642
2005	1,364,432	247,730	690,752
2004	1,270,785	128,185	600,275
2003	1,193,972	-	513,408
2002	1,145,267	-	492,465
2001	1,146,527	-	493,007

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

CITY OF PALM BAY, FLORIDA

**Historical Public Service Tax Receipts By Category**

Last Ten Fiscal Years

Fiscal Year	Electricity	Communication Services	Gas	Water	Total
<b>2010</b>	<b>\$ 5,691,766</b>	<b>\$ 3,854,672</b>	<b>\$ 96,210</b>	<b>\$ 1,059,474</b>	<b>\$ 10,702,122</b>
2009	5,182,844	3,833,585	94,338	1,040,217	10,150,984
2008	5,000,445	4,105,868	101,806	1,036,524	10,244,643
2007	5,077,133	3,579,131	93,367	1,053,058	9,802,689
2006	4,974,545	3,384,028	86,816	983,698	9,429,087
2005	4,710,289	3,093,611	90,526	874,422	8,768,848
2004	4,260,422	2,942,378	87,618	865,907	8,156,325
2003	4,272,674	2,786,409	73,374	784,688	7,917,145
2002	4,060,531	3,027,500	68,721	734,767	7,891,519
2001	3,824,675	1,659,397	67,861	680,566	6,232,499

**Historical Sales Tax Revenue and Debt Service Coverage**

Last Five Fiscal Years

Fiscal Year	Sales Tax Revenue	Max Annual Debt Service 2006 Bonds	Debt Service Coverage
<b>2010</b>	<b>\$ 4,456,874</b>	<b>\$ 1,162,250</b>	<b>3.83</b>
2009	4,484,366	1,162,250	3.86
2008	4,698,617	1,162,250	4.04
2007	4,916,124	1,162,250	4.23
2006	5,241,784	1,162,250	4.51

**Historical Pledged State Revenue Sharing Funds**

Last Ten Fiscal Years

Fiscal Year	State Revenue Sharing
<b>2010</b>	<b>\$ 2,509,995</b>
2009	2,448,073
2008	2,715,669
2007	2,942,559
2006	3,086,214
2005	3,007,186
2004	2,492,148
2003	2,191,005
2002	1,996,206
2001	1,954,615

Source: City of Palm Bay Finance Department

## CITY OF PALM BAY, FLORIDA

**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
<b>2010</b>	<b>247,235,293</b>	<b>32,236,346</b>	<b>279,471,639</b>	<b>\$ 2,369,610</b>
2009	240,360,931	33,874,396	274,235,327	2,421,074
2008	247,296,412	37,893,942	285,190,354	2,389,461
2007	259,371,190	40,972,456	300,343,646	2,643,050
2006	251,312,392	41,030,735	292,343,127	2,614,660
2005	255,979,324	38,825,600	294,804,924	2,791,626
2004	245,180,579	35,720,563	280,901,142	2,660,589
2003	241,221,117	32,981,441	274,202,558	2,583,305
2002	234,104,077	32,264,204	266,368,281	2,483,874
2001	228,222,135	31,476,892	259,699,027	2,280,975

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

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**DISTRIBUTION OF BREVARD COUNTY LOCAL OPTION GAS TAX REVENUES**  
**Fiscal Year Ended September 30, 2010**

Jurisdiction	Percent Share Total	Percent Share Municipalities	2010 Revenue Share
Brevard County	47.14	0.000%	\$ 7,187,117
Cape Canaveral	1.82	3.435%	276,820
Cocoa	1.88	3.556%	286,589
Cocoa Beach	2.44	4.621%	372,396
Grant-Valkaria	0.36	0.675%	54,424
Indialantic	0.54	1.013%	81,604
Indian Harbor Beach	1.80	3.413%	275,061
Malabar	0.54	1.013%	81,654
Melbourne	13.41	25.367%	2,044,369
Melbourne Beach	0.52	0.977%	78,733
Melbourne Village	0.09	0.167%	13,444
<b>Palm Bay</b>	<b>15.86</b>	<b>30.003%</b>	<b>2,418,023</b>
Palm Shores	0.09	0.166%	13,351
Rockledge	3.60	6.807%	548,566
Satellite Beach	1.99	3.769%	303,747
Titusville	5.61	10.615%	855,492
West Melbourne	2.33	4.404%	354,920
Total	100.00	100.000%	\$ 15,246,310

Source: Brevard County Board of County Commissioners

## CITY OF PALM BAY, FLORIDA

DEBT SERVICE COVERAGE  
Last Eight Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010
Operating Revenues	\$ 15,363,396	\$ 16,748,437	\$ 17,681,896	\$ 19,263,064	\$ 20,470,562	\$ 20,823,230	\$ 21,238,898	\$ 22,626,385
Interest Income	1,157,812	949,743	1,108,652	2,088,017	2,557,021	1,758,777	854,489	895,337
Operating Expenses (excl. depreciation/amortization)	(8,390,966)	(9,987,789)	(8,776,803)	(10,032,114)	(11,248,146)	(12,252,791)	(11,751,890)	(12,148,574)
Net Revenues	\$ 8,130,242	\$ 7,710,391	\$ 10,013,745	\$ 11,318,967	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148
Restricted MLE Account Balance	3,363,050	3,363,050	3,363,050	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700
MLE Portion Attributable to MLE Expansion %	1,193,980	1,270,780	1,364,433	1,178,835	1,388,458	1,654,207	1,656,558	1,648,158
Connection Fees Available for Debt Service	1,603,803	3,408,469	2,916,695	2,995,956	3,075,233	3,995,072	4,076,150	4,505,572
<b>Parity Debt Service</b>	<b>\$ 3,858,800</b>	<b>\$ 5,732,841</b>	<b>\$ 6,806,620</b>	<b>\$ 7,608,865</b>	<b>\$ 7,938,844</b>	<b>\$ 8,302,645</b>	<b>\$ 8,403,233</b>	<b>\$ 8,920,545</b>
<b>DEBT SERVICE COVERAGE</b>								
<b>PART A: Parity Debt Service</b>								
<b>Test 1</b>								
Net Revenues	\$ 8,130,242	\$ 7,710,391	\$ 10,013,745	\$ 11,318,967	\$ 11,779,437	10,329,216	10,341,497	11,373,148
Parity Debt Service Less Portion Attributable to MLE Expansion %	2,664,820	4,462,061	5,442,188	6,430,030	6,550,386	6,648,438	6,746,675	7,272,387
Actual	3.05	1.73	1.84	1.76	1.80	1.55	1.53	1.56
Required	-	1.10	1.10	1.10	1.10	1.10	1.10	1.10
and								
<b>Test 2</b>								
Net Revenues	8,130,242	7,710,391	10,013,745	11,318,967	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148
Restricted MLE Account Balance	3,363,050	3,363,050	3,363,050	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700
Total	\$ 11,493,292	\$ 11,073,441	\$ 13,376,795	\$ 13,002,667	\$ 13,463,137	\$ 12,012,916	\$ 12,025,197	\$ 13,056,848
Parity Debt Service	3,858,800	5,732,841	6,806,620	7,608,865	7,938,844	8,302,645	8,403,233	8,920,545
Actual	2.98	1.93	1.97	1.71	1.70	1.45	1.43	1.46
Required	-	1.10	1.10	1.10	1.10	1.10	1.10	1.10
or								
<b>PART B: Parity Debt Service</b>								
<b>Test 1</b>								
Net Revenues	8,130,242	7,710,391	10,013,745	11,318,967	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148
Connection Fees Available for Debt Service	1,603,803	2,384,533	2,916,695	2,995,956	3,075,233	3,995,072	4,076,150	4,505,572
Total	\$ 9,734,045	\$ 10,094,924	\$ 12,930,440	\$ 14,314,923	\$ 14,854,670	\$ 14,324,288	\$ 14,417,647	\$ 15,878,720
Parity Debt Service Less Portion Attributable to MLE Expansion %	2,664,820	4,462,061	5,442,188	6,430,030	6,550,386	6,648,438	6,746,675	7,272,387
Actual	3.53	2.26	2.38	2.23	2.27	2.15	2.14	2.18
Required	-	1.20	1.20	1.20	1.20	1.20	1.20	1.20
and								
<b>Test 2</b>								
Net Revenues	8,130,242	7,710,391	10,013,745	11,318,967	\$ 11,779,437	\$ 10,329,216	\$ 10,341,497	\$ 11,373,148
Connection Fees Available for Debt Service	1,603,803	2,384,533	2,916,695	2,995,956	3,075,233	3,995,072	4,076,150	4,505,572
Restricted MLE Account Balance	3,363,050	3,363,050	3,363,050	1,683,700	1,683,700	1,683,700	1,683,700	1,683,700
Total	\$ 13,097,095	\$ 13,457,974	\$ 16,293,490	\$ 15,998,623	\$ 16,538,370	\$ 16,007,988	\$ 16,101,347	\$ 17,562,420
Parity Debt Service	3,858,800	5,732,841	6,806,620	7,608,865	7,938,844	8,302,645	8,403,233	8,920,545
Actual	3.39	2.35	2.39	2.10	2.08	1.93	1.92	1.97
Required	-	1.20	1.20	1.20	1.20	1.20	1.20	1.20
and								
<b>Proviso</b>								
Net Revenues	9,206,126	7,710,391	10,013,745	11,318,967	11,779,437	10,329,216	10,341,497	11,373,148
Parity Debt Service	\$ 3,858,800	\$ 5,732,841	\$ 6,806,620	\$ 7,608,865	\$ 7,938,844	\$ 8,302,645	\$ 8,403,233	\$ 8,920,545
Actual	2.39	1.34	1.47	1.49	1.48	1.24	1.23	1.27
Required	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: City of Palm Bay

## CITY OF PALM BAY, FLORIDA

**UTILITY RATE COMPARISON WITH NEIGHBORING UTILITIES**  
**September 30, 2010**

	Water	Wastewater	Total
<u>Neighboring Utilities</u>			
City of Holly Hill	\$ 29.05	\$ 46.45	\$ 75.50
City of West Melbourne	37.66	35.03	72.69
City of Port St. Lucie	24.17	48.11	72.28
Brevard County	34.72	32.66	67.38
Indian River County	22.75	41.63	64.38
City of Vero Beach	26.45	37.84	64.29
City of Melbourne	25.50	37.78	63.28
City of Daytona Beach	26.59	35.52	62.11
<b>City of Palm Bay</b>	<b>26.06</b>	<b>35.62</b>	<b>61.68</b>
City of Cocoa	21.51	35.96	57.47
City of Port Orange	22.90	32.10	55.00
City of Edgewater	23.85	29.71	53.56
City of New Smyrna Beach	17.23	34.77	52.00
City of Ormond Beach	21.09	28.36	49.45
Average of Neighboring Utilities	\$ 25.68	\$ 36.54	\$ 62.22

## Note:

Amounts shown are for 5,000 gallons monthly service and reflect standard residential single family rates effective October 1, 2009 and are exclusive of taxes.

Source: City of Palm Bay Billing & Collections Division

**TEN LARGEST CUSTOMERS OF THE WATER AND WASTEWATER SYSTEM**  
**September 30, 2010**

Water Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	33,503	1.86%	\$ 145,043	1.31%
School Board of Brevard County	20,410	1.13%	117,486	1.06%
Woodlake Village Apartments	19,760	1.09%	106,891	0.96%
IBK Vinnings. L.P.	15,887	0.88%	81,048	0.73%
Palm Bay Hospital	14,752	0.82%	90,961	0.82%
Madalyn Landing	14,743	0.82%	73,425	0.66%
The Park at Palm Bay	14,117	0.78%	70,703	0.64%
Bridlewood Real Estate LLC	11,905	0.66%	62,074	0.56%
Vista Oaks West Assoc Inc	11,114	0.62%	58,678	0.53%
Town of Malabar	11,007	0.61%	68,512	0.62%
<b>Total</b>	<b>167,198</b>	<b>9.26%</b>	<b>\$ 874,821</b>	<b>7.89%</b>

Wastewater Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Harris Corporation	33,496	3.72%	\$ 203,912	2.76%
Woodlake Village Apartments	19,760	2.20%	98,333	1.33%
School Board of Brevard County	19,217	2.14%	114,523	1.55%
IBK Vinnings. L.P.	15,887	1.77%	93,170	1.26%
Palm Bay Hospital	14,752	1.64%	68,015	0.92%
Madalyn Landing	14,743	1.64%	78,500	1.06%
The Park at Palm Bay	14,117	1.57%	74,584	1.01%
Bridlewood Real Estate LLC	11,905	1.32%	63,951	0.87%
Vista Oaks West Assoc Inc	11,114	1.24%	56,265	0.76%
Town of Malabar	10,574	1.18%	73,354	0.99%
<b>Total</b>	<b>165,565</b>	<b>18.41%</b>	<b>\$ 924,607</b>	<b>12.51%</b>

(1) In thousands of gallons

Source: City of Palm Bay



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CITY OF PALM BAY, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For Fiscal Year Ended September 30, 2010**

<u>Agency/Program</u>	<u>CFDA #</u>	<u>Grant #</u>	<u>Federal Expenditures</u>	<u>Amounts Paid to Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
Natural Resources Conservation Service				
Emergency Watershed Protection Program	10.904	69-4209-9-1732	\$ 325,088	\$ -
Passed through Florida Department of Education:				
National School Lunch Program	10.555	01-0456	238,785	-
<u>U.S. Department of Environmental Protection</u>				
Passed through FI Dept of Environmental Protection				
ARRA - Drinking Water State Revolving Fund	66.468	DW050700/50701	2,143,420	-
<u>U.S. Department of Energy</u>				
Energy Conservation Block Grant	81.128	DE-SC0002461	116,773	-
<u>U.S. Department of Justice</u>				
ARRA - Edward Byrne Memorial Justice	16.803	2009-SB-B9-1204	168,169	-
2007 Edward Byrne Memorial Justice	16.738	2008-DJ-BX-0426	30,159	-
2008 Edward Byrne Memorial Justice	16.738	2008-DJ-BX-0522	12,628	-
Passed through the Florida Office of the Attorney General:				
Victim Crime Act Grant	16.575	V 09113	54,975	-
Passed through Brevard County:				
ARRA - Edward Byrne Memorial Justice	16.803	2010-ARRC-Brev-3-SJ092	183,874	-
<u>U.S. Department of Treasury</u>				
Equitable Sharing Program	21.000	FL0051200	163,471	-
<u>Federal Highway Administration</u>				
Passed through Florida Department of Transportation:				
Safe Routes to School	20.205	APP 80	12,004	-
ARRA - Cogan Drive Resurfacing	20.205	APP 57	887,098	-
Cogan Drive Sidewalks	20.205	APU 91	71,905	-
ARRA - Troutman Blvd. Resurfacing	20.205	APM 78	703,094	-
<u>U.S. Department of Education</u>				
Passed through School Board of Brevard County:				
Public Charter School Grant Program	84.282	050-2986A-8C201	131,538	-
Title 1 Grants to Local Educational Agencies	84.010		250,378	-
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant	14.218	B-06-MC-12-0032	408,789	90,105
ARRA - Community Development Block Grant - R	14.253	B-09-MY-12-0032	166,061	-
Neighborhood Stabilization Program	14.228	B-08-MN-12-0021	2,747,920	-
Passed through Brevard County:				
HOME Grant	14.239	M03 DC12-2004	11,500	-
<u>National Oceanic and Atmospheric Administration (NOAA)</u>				
<u>Coastal Zone Management Program</u>				
Passed through the Florida Department of				
Turkey Creek Environmental Education	11.419	CZ 017	10,554	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 8,838,183</b>	<b>\$ 90,105</b>

**CITY OF PALM BAY, FLORIDA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Fiscal Year Ended September 30, 2010**

**NOTE 1. Basis of Presentation**

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



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
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 the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2010, and have issued our report thereon dated March 8, 2011. 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.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

*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.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. In connection with our audit, we noted no other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, the City Council, management, the State of Florida Auditor General, and federal and state awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Handwritten signature in blue ink: Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida  
March 8, 2011



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

***Compliance***

We have audited the compliance of the City of Palm Bay, Florida (the “City”), with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 Compliance Supplement that could have a direct a material effect on each of its major federal programs for the year ended September 30, 2010. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

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

### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

### ***Schedule of Expenditures of Federal Awards***

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 as of and for the year ended September 30, 2010, and have issued our report thereon dated March 8, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, the City Council, management, and specific legislative or regulatory bodies 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  
March 8, 2011

**CITY OF PALM BAY, FLORIDA**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended September 30, 2010**

**Section I - Summary of Independent Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued:

**Unqualified 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**

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 program:

**Unqualified Opinion**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?     Yes                     No

**Identification of Major Federal Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.904	Emergency Watershed Protection Program
14.218 and 14.253	ARRA - Community Development Block Grant Entitlement Cluster
14.228	Neighborhood Stabilization Program
16.803	ARRA - Ed Byrne Memorial Justice
20.205	ARRA - Federal Highway Administration
66.468	ARRA - Drinking Water State Revolving Fund
81.128	ARRA - Energy Efficiency and Conservation Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: Federal                    \$300,000

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, 2010**

**Section II - Financial Statement Findings**

None Reported.

**Section III - Federal Award Findings and Questioned Costs Section**

None Reported.

**Section IV - Prior-Year Audit Findings**

No prior-year findings were reported on the City's major federal financial assistance programs.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Palm Bay, Florida (the "City"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 8, 2011.

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 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Award Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 8, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Findings and recommendations reported in the preceding annual financial audit report have been addressed or are no longer relevant.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have reported any such recommendations in Appendix A hereto.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we have reported any such recommendations in Appendix A hereto.

Section 10.554(1)(i)6., 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.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. 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. As part of our assessment, we evaluated the results of financial indicators developed by the Office of the Auditor General for quantitative analysis. Of 18 financial indicators analyzed, we determined that 4 were favorable, 10 were unfavorable, and 4 were inconclusive.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor, City Council, management, and the State of Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moore Stephens Lovelace, P.A.*

Certified Public Accountants

Orlando, Florida  
March 8, 2011

**Appendix A**  
**Management Letter - Summary of Current Year Observations and Recommendations**  
**The City of Palm Bay, Florida**  
**Year Ended September 30, 2010**

**2010-01 – Information Technology Assessment**

**Observation**

During our audit of the City's financial statements, we are required to do an assessment of the City's Information Technology ("IT") processes and controls. During this assessment, we noted several areas which could improve the City's IT security. These findings did not disclose any significant deficiencies or material weaknesses related to financial accounting and reporting. Areas for improvement noted during our assessment are provided here for your consideration: physical security controls, security awareness, management of the removal of user access privileges, end-user security controls, network security controls, IT policies and procedures, data backup controls, and disaster recovery controls. Specific details of these observations are not disclosed in this report to avoid the possibility of compromising City information. However, appropriate City personnel have been notified of our specific findings.

**Criteria**

To ensure proper financial accounting and reporting, security of financial information, as well as operational effectiveness, appropriate IT controls should be implemented, maintained, and updated, as necessary, to keep pace with the constantly changing technology environment.

**Recommendation**

We recommend that the City evaluate the IT issues noted above and implement cost-effective procedures to ensure the continued security of the City's IT environment.

**Management Response**

The City recognized the need for improved security of the IT environment and has taken action to address these issues.