

CITY OF PALM BAY, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2003

Prepared by Department of Finance

**CITY OF PALM BAY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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CITY OF PALM BAY, FLORIDA

LIST OF PRINCIPAL OFFICIALS

MAYOR	JOHN MAZZIOTTI
COUNCIL MEMBER	ANDY ANDERSON
COUNCIL MEMBER	DONNA BROOKS
COUNCIL MEMBER	KEN GREENE
COUNCIL MEMBER	PAT WOODARD
CITY MANAGER	LEE R. FELDMAN, ICMA-CM
DEPUTY CITY MANAGER	DAN GREENFIELD
DEPUTY CITY MANAGER	SUSAN HANN, P.E
CITY ATTORNEY	NICHOLAS TSAMOUTALES
CITY CLERK	ALICE PASSMORE
COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT DIRECTOR	CHRISTOPHER NORTON
FINANCE DIRECTOR	YVONNE MCDONALD
FIRE CHIEF	LARRY HELLMANN
HUMAN RESOURCES DIRECTOR	DENISE BURGIN
PARKS AND RECREATION DIRECTOR	STEVE RISER
POLICE CHIEF	PAUL RUMBLEY
PUBLIC WORKS DIRECTOR	JIM PROCE
TECHNOLOGY SERVICES DIRECTOR	JOHNNY BOWLES
UTILITIES DIRECTOR	RICHARD JACOBS



March 31, 2004

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, 2003 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, an audit of the City's CAFR was performed by 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, 2003, are free of material misstatement. The independent 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, 2003, 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.

This year, the City's CAFR has been reformatted in accordance with Governmental Accounting Standard Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. 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 approximately 69 square miles of territory and over 850 miles of local roads, Palm Bay is the largest incorporated area in Brevard County 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 three-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.

ECONOMIC CONDITION AND OUTLOOK

The City of Palm Bay continues to be financially sound. The City has been able to maintain its existing service levels and propose new or additional services where needs have been identified and resources were available to meet the growing needs of the growing community.

The County's enactment of new growth management initiatives is pushing much of the necessary growth into the municipalities. Significant growth is flowing from South Florida into Palm Bay. Approximately one third of the City's new growth is estimated to be from South Florida, with that percentage likely to increase over the next few years.

Palm Bay ranks first in the county in basic industrial employment but remains predominantly residential. Housing, which was strong the past fiscal year, is continuing to boost the economy. Palm Bay has continued to lead all other cities in the six county East Central Florida region in single family construction. 1,433 building permits were issued for single family homes this fiscal year. The City is aware of the need to maintain a diversified tax base and is in the midst of a long range program to encourage more commercial and light industrial/technical property development. A total of 492 new occupational licenses were issued from January 2003 through July 2003. A variety of businesses began operation this year within the City, including lawn maintenance, restaurants, physician offices, and senior assisted living facilities.

In 2003, the City' assessed property valuation experienced an increase of \$194,868,613. Net new construction during the fiscal year totaled \$95,309,716. This increase is a result of factors such as the City's a major road program, economic development efforts, and the construction of a major golf course and surrounding high-end housing developments.

MAJOR INITIATIVES

Every year, the City of Palm Bay's leaders strive to improve the quality of life in the City. On March 20, 2003, the Mayor and City Council adopted the City's Strategic Plan, "Vision 2020: Focused on the Future". The principles identified to guide the City's policies, plans, and decisions are:

- City Government Prepared for Growth
- Citizens Involved in Making a Better Community
- Diverse Business and Employment Opportunities Close to Home
- Community Unity and Pride – Palm Bay
- Safest City in Brevard County
- Recreational Facilities and Entertainment Amenities for All
- Financially Stable City Government
- Customer Friendly City Services
- Attractive, Beautiful City

In early spring, the City submitted an application to the National Civic League for the All America City competition. The National Civic League recognizes communities where collaborative efforts of government, business, citizens and non-profit agencies have been particularly strong and successful. In April 2003 Palm Bay was named one of thirty All America City finalists. City employees and citizens traveled to Washington D. C. for the final competition in June. Funding for the program and trip came from almost \$90,000 in donations from the City's business community and business partners. Although the City was not selected as one of the final winners, it is already working on its submission for All America 2004.

The City engaged the services of a company to develop a brand identity for Palm Bay. In August, City Council selected a new city logo and tag line (depicted on the cover of the CAFR) to be displayed throughout the City. Other business recruitment and economic development tools are still being designed.

A project that had been in the making for years was completed in the summer of 2003. Through the collaborative efforts of Brevard Community College, the County, the School Board and the City, the \$1.8 million Palm Bay Aquatic Center was built and opened to accommodate all city residents. Young and old are now able to enjoy the pool's recreational amenities, have a safe learning area and competition space for area high school swim teams to practice and compete.

Ballots were sent out to property owners in specific areas of the City who had indicated in a telephone survey that they would support the construction of water and sewer lines through special assessments if the cost was low enough. The ballots contained information regarding project cost and how much the assessment would cost the resident. Property owners in Unit 38 and Unit 40, (USA1) voted and approved Palm Bay's first step in establishing a special assessment program. Special Assessment Bonds in the amount of \$3,535,000 issued by the City to fund the project will be repaid by property owners benefiting from the project over a period of 20 years. Other subdivisions have been identified for balloting in the upcoming months.

The City developed a new zoning category, General Commercial District, to offer increased opportunities for small businesses. This new category has encouraged new business interest in an area of the city where this new zoning category has been applied. A new commercial district, Restricted Commercial, created by the City has begun to develop with small offices. The purpose of the Restricted Commercial district is to provide for areas in the city which are uniquely suited for commercial development but are in transition from residential development to commercial use.

The Fire Department Headquarter staff moved into the City's new Emergency Operations Center this year. The 7,500 sq. ft. concrete hardened building will withstand winds up to 180 mph. In the event of a partial or full emergency incident, the facility is operational at a moment's notice. Palm Bay received a State grant to initiate a Citizen Emergency Response Team (CERT). Program volunteers are trained to be able to provide basic support to neighborhoods in the City in the event a disaster impacts the community. The Fire Department also implemented a Public Access Defibrillation Program, funded via a federal grant which will result in the placement of defibrillators at various high density public places throughout the City.

The City's most noticeable landscaping project, landscaping of the Palm Bay interchange exits, was completed this year. Two highly visible landmarks identifying the City to the traveling public were created. The \$700,000 project was entirely funded through grants. Grants secured for other projects included: park site improvements, drainage improvements, laptop computers, and new buildings. Staff was awarded the Florida Association of County Engineers & Road Superintendents "Project of the Year" for the City's Turkey Creek Greenway/Basin 7 Project. The project resulted from the collaborative efforts of several city division/departments and a citizen group of nature trail advocates. Public Works' Road Rehabilitation Program has continued throughout various sections of the City. The Public Works Department reconstructed approximately 12 miles of roadways and constructed numerous sidewalk and drainage improvement projects.

The Police Department completed Phase 3 of its Mobile Data Transmission (MDT) project with 97 units now deployed. Officers equipped with the MDT units are able to access crucial data from their patrol vehicles.

The City is continuing to move forward in the area of technology. The Technology Services Department converted the City's e-mail system from two systems into one, increasing network security and providing full internet e-mail capabilities to all city employees. An interactive voice response system was installed to allow customers to obtain information on their utility account 24 hours a day.

Parks throughout the city were enhanced this year. The City designed and completed its first city playground that can be enjoyed by children of all ages and abilities. The Fred Lee Park playground now features a state of the art shade port, specially approved Florida mulch that allows wheel chair accessibility, and a special entry spot where children in wheelchairs can access the play systems. Renovation at Pollak Park included a new Boater Education Building, new playground and a new shelter/restroom building. Improvements were made to Liberty Park's softball complex and Knecht Park received new playground equipment.

FUTURE PROJECTS

In the upcoming year, the City of Palm Bay will continue to focus on projects that will enhance the quality of life for its citizens:

Fleet Services Internal Service Fund. As of October 1, 2003, the Fleet Services Division of the Public Works Department will operate as an Internal Service Fund. Fleet maintenance costs will be consolidated into one central fund and charged back to using departments and agencies. The using departments and agencies will also be charged a depreciation expense in order to fund a replacement vehicle reserve in the Fund.

Passport Acceptance Facility. The City will begin accepting applications in October 2003.

Water and sewer expansion will continue with Unit 7, Phases II and III. The City will continue its Special Assessment balloting program where property owners will vote to establish a special assessment program to fund utility expansion in their neighborhoods.

Liberia Park, a new construction project, will enhance a neighborhood and eliminate problems with drainage and flooding. Low points in the road that collect water during heavy rains will be replaced with a linear park.

Emerson Drive upgrade. The 3 mile corridor will be upgraded to four lanes with paved shoulders, grassed landscaped medians, curb & gutter, sidewalks and street lights. Estimated cost of this project is \$10 million.

Development of a paintball park. Palm Bay's paintball park will be designed to accommodate one of the latest sports to hit the United States. The park will cater to all levels of players.

Installation of a Customer Service System. The system, which will be fully integrated with the City's financial and work order systems, will vastly improve current methods of tracking citizen complaints and provide citizens with a means of checking the status of their issues.

DEBT ADMINISTRATION

On September 30, 2003 the City had seven debt issues outstanding:

1996 Limited Ad Valorem Tax Bonds	\$ 4,435,000
2001 Public Service Tax Refunding Revenue Bonds	7,840,000
1998 Utility System Capital Improvement Revenue Bonds	23,060,000
2001 Utility System Capital Improvement Bonds	20,756,124
2002 Utility System Refunding Revenue Bonds	5,440,000
2003 Utility System Refunding Revenue Bonds	47,875,000
2003 Utility Special Assessment Bonds	3,535,000

The bonds are insured and have been assigned an AAA rating from Standard and Poor's Corporation and an Aaa from Moody's Investor Service on each bond issue. The City has no general obligation debt and sets no legal debt margin.

FIDUCIARY OPERATIONS

The City's fiduciary operations include 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 6.75% and employee contributions of 5% of base salary for general employees. Employer and employee contributions for executive staff are 8.5%. Employer contributions to the police and fire pension plan were 11.18% for Police and 12.95% for Fire. Employees contribute a percentage of their base salary. The City's contribution for FY 03 was based on an October 1, 2002 actuarial analysis.

CASH MANAGEMENT

Cash not required for current operations was invested in demand deposits, treasury notes, certificates of deposit, repurchase agreements, guaranteed investment contracts or in the State Board of Administration pooled investment account. 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 realized interest earnings of \$1,494,601 on its investments in governmental and proprietary funds for the year ended September 30, 2003.

RISK MANAGEMENT

The City maintains a self-insurance program for property, casualty, liability and workers compensation. The program is designed to self-insure major amounts of risk with a known minimum and maximum cost. City departments are assessed an annual charge based on a variety of factors. These funds are accumulated in an internal service fund to pay the self-insured retention and meet potential losses. The aggregate maximum liability for self-insured loss retention for FY 02/03 was \$805,000. Third party coverage is maintained for claims in excess of \$ 805,000.

In addition, the City has a self-insured employee benefit program to provide health care benefits for full-time employees. The plan is administered by a third-party administrator. The City carried third-party insurance to cover claims in excess of \$35,000 per person per year.

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, 2002. This was the 17th 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.

In addition, 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, 2002. 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

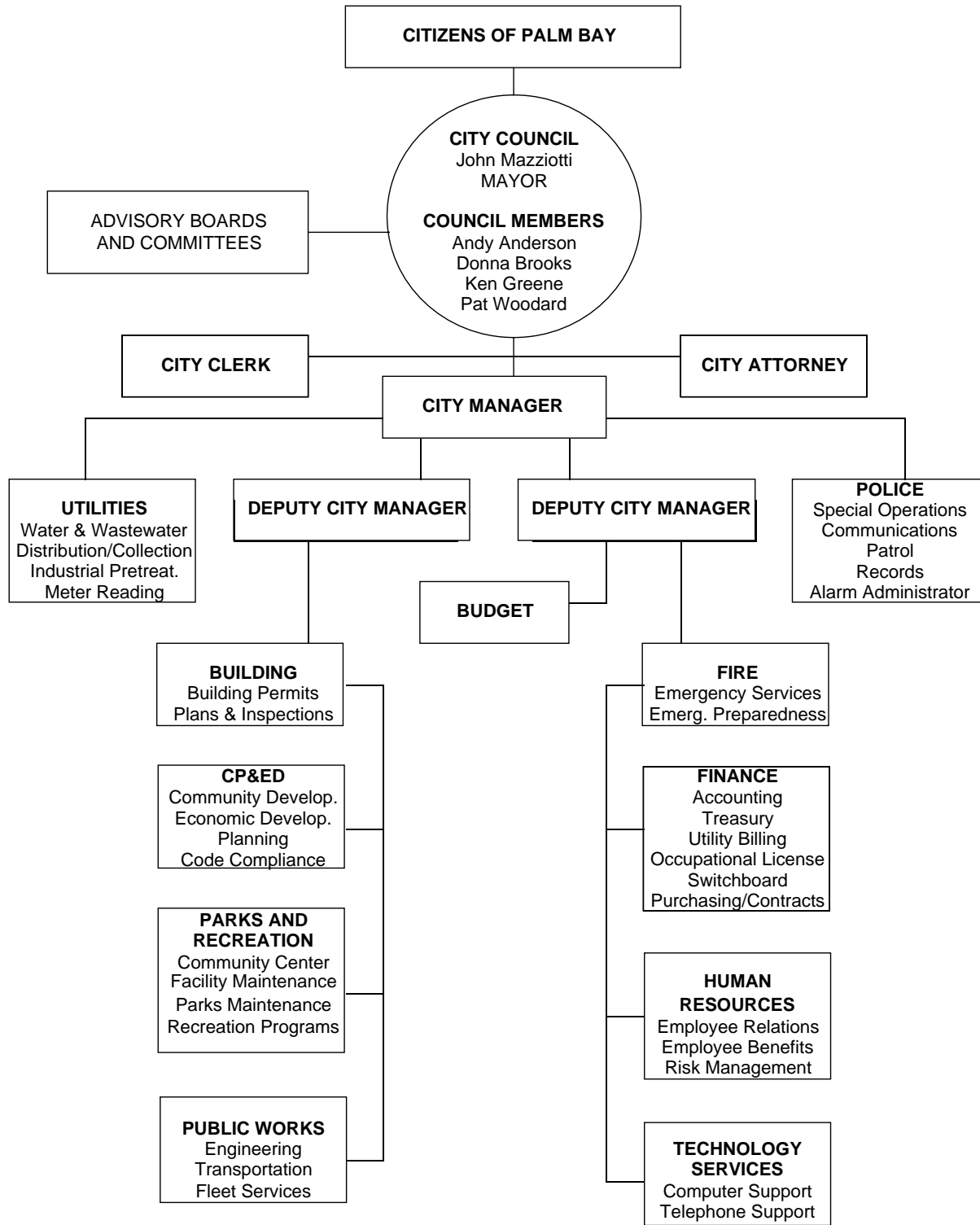
The preparation of this report has been accomplished with the efficient and dedicated service of the City's Accounting staff. We would like to express our appreciation to all members of the Finance Department who contributed in its preparation and to our independent certified public accountants, Harris, Cotherman, O'Keefe and Associates for their guidance and assistance with the implementation of GASB 34. 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
Director of Finance

CITY OF PALM BAY ORGANIZATIONAL STRUCTURE



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, 2002

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.



Edward Haney

President

Jeffrey R. Emer

Executive Director



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**Harris, Cotherman,
O'Keefe & Associates**

Certified Public Accountants

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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 governmental activities, 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, 2003, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Police and Firefighter's Retirement Systems, which comprise 100% of the assets of the fiduciary fund type. 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 Police and Firefighter's Retirement System Pension Trust Funds 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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, 2003, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 14, during the year ended September 30, 2003, the City adopted Governmental Accounting Standards Board (GASB) Statement Nos. 34, 37, 38 and Interpretation Number 6.



**Harris, Cotherman,
O'Keefe & Associates**
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the major fund budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by GASB. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 supplemental section, and the statistical section listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected the other supplemental section to the auditing procedures applied in the audit of the basic financial statements and in our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.

Harris, Cotherman, O'Keefe & Associates

Winter Park, Florida
February 29, 2004

CITY OF PALM BAY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2003

The City of Palm Bay, Florida's (the "City") Management's Discussion and Analysis (the "MD&A") presents an overview of the City's financial activities for the fiscal year ended September 30, 2003. 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 2003 by \$103.4 million (net assets). Of this amount, \$20.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2003, the City's governmental funds reported combined ending fund balances of \$19.9 million, an increase of \$2 million in comparison with the prior year.
- At September 30, 2003, unreserved fund balance for the General Fund was \$7.9 million or 22.6% of total General Fund expenditures and transfers out.
- Governmental funds revenues increased \$4 million or 8.6% over the prior fiscal year. The primary reason for the increase was proceeds from the sale of land of \$1.2 million, impact fees increased by \$550,286, and licenses and permits increased by \$905,538.
- The City's outstanding long-term debt increased by \$307,546 during fiscal year 2003. This nominal increase is the net effect of refinancing activities, principal payments on outstanding debt and the issuance of \$3.5 in Utility Special Assessment Bonds.

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.

Government-wide financial statements

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. 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.

The *statement of activities* presents information showing how the government's net assets changed during fiscal year 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change, occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected but earned, and unused vacation leave).

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, physical environment, transportation, economic environment, and culture/recreation. The business-type activities of the City include water and sewer utilities. The government-wide financial statements can be found immediately following the MD&A.

Fund financial statements

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

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 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 Transportation Fund, and the Capital Improvements 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 nonmajor 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 *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for the fiscal activities relating to water and sewer utilities. 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 and employee benefit programs. 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 Utility Fund, which is considered to be a major fund of the City and the aggregate of the internal service funds.

The basic proprietary fund financial statements follow the governmental fund financial statements.

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 pension trust funds.

The basic fiduciary fund financial statements can be found after the basic proprietary fund financial statements.

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 after the fiduciary fund financial statements.

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 funds. Required supplementary information can be found following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor 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 \$103.4 million at the close of the fiscal year ended September 30, 2003. At the end of fiscal year 2003, 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.

City of Palm Bay, Florida			
Net Assets			
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Current and other Assets	\$ 29,384,169	\$ 72,450,417	\$ 101,834,586
Capital Assets (Net)	<u>52,386,386</u>	<u>71,767,945</u>	<u>124,154,331</u>
Total Assets	<u>81,770,555</u>	<u>144,218,362</u>	<u>225,988,917</u>
Liabilities			
Current and other liabilities	6,697,677	5,820,494	12,518,171
Long-term liabilities	<u>15,137,000</u>	<u>92,745,223</u>	<u>107,882,223</u>
Total Liabilities	<u>21,834,677</u>	<u>98,565,717</u>	<u>120,400,394</u>
Net Assets			
Invested in Capital Assets, Net of			
Related Debt	40,111,386	14,149,537	54,260,923
Restricted	8,276,952	20,082,559	28,359,511
Unrestricted	<u>11,547,540</u>	<u>9,250,813</u>	<u>20,798,353</u>
Total Net Assets	<u>\$ 59,935,878</u>	<u>\$ 43,482,909</u>	<u>\$ 103,418,787</u>

CITY OF PALM BAY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
September 30, 2003

The largest portion of the City's net assets (52.5%) 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 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* (\$28.4 million) for capital improvement projects and special revenues. The remaining balance of *unrestricted net assets* (\$20.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a net increase of \$7 million in net assets reported in connection with the City's business-type activities. This increase represents 92.8% of total growth of the net assets of the City.

Governmental activities increased the City's net assets by \$545,376, thereby accounting for 7.2% percent of the total growth in the net assets of the City.

City of Palm Bay, Florida
Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues			
Program Revenues			
Charges for services	\$ 9,049,326	\$ 15,363,396	\$ 24,412,722
Operating grants and contributions	1,920,308	-	1,920,308
Capital grants and contributions	1,118,976	4,533,652	5,652,628
General Revenues			
Property Taxes	15,969,555	-	15,969,555
Other Taxes	14,461,776	-	14,461,776
Other (includes transfers)	<u>6,513,232</u>	<u>1,012,187</u>	<u>7,525,419</u>
Total Revenues	<u>49,033,173</u>	<u>20,909,235</u>	<u>69,942,408</u>
Expenses			
General Government	6,948,466	-	6,948,466
Public Safety	23,500,258	-	23,500,258
Physical Environment	1,002,350	-	1,002,350
Transportation	11,307,441	-	11,307,441
Economic Environment	1,809,240	-	1,809,240
Culture/Recreation	3,292,163	-	3,292,163
Interest on Long-Term Debt	627,880	-	627,880
Water and Wastewater (includes transfer out)	-	<u>13,882,872</u>	<u>13,882,872</u>
Total Expenses	<u>48,487,798</u>	<u>13,882,872</u>	<u>62,370,670</u>
Change in Net Assets	545,375	7,026,363	7,571,738
Net Assets - Beginning	<u>59,390,503</u>	<u>36,456,546</u>	<u>95,847,049</u>
Net Assets - Ending	<u>\$ 59,935,878</u>	<u>\$ 43,482,909</u>	<u>\$ 103,418,787</u>

Expenses and Program Revenues – Governmental Activities

Functions/Programs	Expenses	% of Total	Program		Net (Expense) Revenue
			Revenues	% of Total	
General Government	\$ 6,948,466	14.3%	\$ 2,395,087	20.9%	\$ (4,553,379)
Public Safety	23,500,258	48.5%	3,400,127	29.7%	(20,100,131)
Physical Environment	1,002,350	2.1%	113,562	1.0%	(888,788)
Transportation	11,307,441	23.3%	3,237,794	28.2%	(8,069,647)
Economic Environment	1,809,240	3.7%	1,880,954	16.4%	71,714
Culture/Recreation	3,292,163	6.8%	435,580	3.8%	(2,856,583)
Interest on Long-Term Debt	627,880	1.3%	-	0.0%	(627,880)
	<u>\$ 48,487,798</u>	<u>100.0%</u>	<u>\$ 11,463,104</u>	<u>100.0%</u>	<u>\$ (37,024,694)</u>

Revenue by Source – Governmental Activities

Program Revenues

Charges for services	\$ 9,049,326	18.5%
Operating grants and contributions	1,920,308	3.9%
Capital grants and contributions	1,118,976	2.3%

General Revenues

Property Tax	15,969,555	32.3%
Franchise Fees	3,961,327	8.1%
Utility Service	5,130,735	10.5%
Communication Service	2,786,409	5.7%
State Revenue Sharing	5,918,880	12.1%
Gas Tax	2,583,305	5.3%
Intergovernmental Revenues	822,868	1.7%
Interest Revenue	380,677	0.8%
Miscellaneous	236,007	0.5%
Loss on sale of capital assets	(897,100)	-1.8%
Transfers	51,900	0.1%
	<u>\$ 49,033,173</u>	<u>100.0%</u>

Business-type activities

As mentioned above, business-type activities increased the City's net assets by \$7 million, accounting for 92.8% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Operating income in the Utility Fund increased by approximately \$861,000 over the previous year.
- Capital contributions increased by \$1.5 million over the previous year.
- There were nominal increases in operating expenses over the previous year. The Utility Fund operates at a profit to comply with bond coverage requirements.

Expenses and Program Revenues – Business-type Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue</u>
Water & Sewer	\$ 13,882,872	\$ 19,897,048	\$ 6,014,176

Revenues by Source – Business-type Activities

Charges for services	\$ 15,363,396	73.7%
Capital grants and contributions	4,533,652	21.7%
Interest Revenue	1,066,808	5.1%
Loss on sale of capital assets	(2,721)	0.0%
Transfers	<u>(51,900)</u>	<u>-0.2%</u>
	<u>\$ 20,909,235</u>	<u>100.0%</u>

A comparative analysis of government-wide data will be presented in future years when the information is available.

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 2003, the City's governmental funds reported combined ending fund balances of \$19.9 million, an increase of \$2 million in comparison with the prior year. *Unreserved fund balance* is \$18.7 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 (\$93,738), 2) for prepaid items (\$31,494), and 3) encumbrances (\$1.2 million).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2003, unreserved fund balance of the General Fund was \$7.9 million, while total fund balance reached \$8.2 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. Unreserved fund balance represents 22.6% of the total general fund expenditures and transfers out, while total fund balance represents 23.4% of that same amount. The fund balance of the City's General Fund increased by \$155,365 during the current fiscal year.

Enterprise fund

The City's enterprise fund provides the same type of information found in the government-wide financial statements, but in more detail. The City only has one enterprise fund, the Utility Fund, which is a major fund. Unrestricted net assets of the enterprise fund, at the end of the year was \$9.3 million. The total net assets of the Utility Fund increased by \$7 million for the 2003 fiscal year. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund and Transportation Fund Budgetary Highlights

Differences between the General Fund's original budget and final amended budget, for expenditures and transfers out, increased by \$1.1 million for the year. These increases were appropriated from additional revenue sources of \$1.1 million which included additional grant funding of approximately \$240,000 and an increase of beginning fund balance to actual of \$866,900. The changes within functions are briefly summarized as follows:

- Increase in general government activities of \$535,400.
- Increase in public safety activities of \$335,000
- Increase in physical environment activities of \$33,500.
- Increase in culture/recreation activities of \$167,900.

The City's total actual General Fund expenditures and transfers out were \$1.4 million less than the final amended budget for the General Fund. Only one department overspent its budget by a nominal amount of \$600. Non-departmental expenditures were over budget by \$75,342 resulting from a year end entry to increase the current portion of the compensated absences accrual.

There was a difference between the Transportation Fund's original budget and final amended budget, for transportation expenditures, which increased by \$2.8 million. This increase was appropriated from additional revenue sources of \$545,000 and a revised beginning fund balance carry forward of \$2.3 million.

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, 2003 amounts to \$124.2 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. Major capital asset events during the current fiscal year included the following:

- The City elected to early implement the provisions of GASB Statement No. 34 for recording infrastructure capital assets. The City's total infrastructure capital assets at year end were \$48.7 million. The City identified infrastructure capital assets acquired in prior periods of \$46.8 million. All construction in progress for governmental activities is for infrastructure related projects.
- Water and sewer improvement projects that are still in progress at year end totaled \$10.6 million.

**City of Palm Bay, Florida
 Capital Assets**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 8,442,491	\$ 4,809,185	\$ 13,251,676
Buildings and Improvements	13,186,606	2,727,055	15,913,661
Water and Sewer System	-	75,323,225	75,323,225
Machinery and Equipment	14,657,853	1,960,278	16,618,131
Infrastructure	48,662,921	-	48,662,921
Construction in Progress	<u>6,234,759</u>	<u>10,600,416</u>	<u>16,835,175</u>
	91,184,630	95,420,159	186,604,789
Less: Accumulated Depreciation	<u>(38,798,244)</u>	<u>(23,652,214)</u>	<u>(62,450,458)</u>
Capital Assets, net	<u>\$ 52,386,386</u>	<u>\$ 71,767,945</u>	<u>\$ 124,154,331</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-term debt

At the end of fiscal year 2003, the City had total long-term of liabilities \$115.8 million. Of this amount \$112.9 million is secured solely by specified revenue sources (i.e., revenue bonds). In addition, the City had outstanding \$2.8 million in claims payable.

City of Palm Bay, Florida
Outstanding Revenue Bonds Payable and Claims Payable

	Governmental	Business-type	
	Activities	Activities	Total
Revenue Bonds Payable	\$ 12,275,000	\$ 100,666,124	\$ 112,941,124
Claims Payable	2,862,000	-	2,862,000
Total Long-term liabilities	<u>\$ 15,137,000</u>	<u>\$ 100,666,124</u>	<u>\$ 115,803,124</u>

During the current fiscal year, the City issued \$47.9 million in Utility System Refunding Revenue Bonds, Series 2003 to advance refund approximately \$43.3 million of outstanding 1994 Series bonds. The net proceeds of \$50.2 million (after payments of approximately \$888,000 in issuance costs and including net sinking fund monies of approximately \$1.9 million) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Utility Fund. The City recognized a deferred loss on the refunding of \$7 million, which will be amortized over the life of the Series 2003 bonds. In addition, the City earned a premium on issuance of \$1.4 million which will be amortized over the same period. The refunding will result in a cash savings to the City of \$1.2 million and an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1.1 million.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City and surrounding areas at September 30, 2003 was 5 percent, a decrease of .4% from the prior year. The national unemployment rate for the same period was 5.6 percent.
- The taxable value of real and personal property increased 10.3% percent and 13.4% percent respectively in the 2003 fiscal year.
- Building permit activity resulted in \$252 million of new construction during the year, an increase of \$104 million from the previous year.
- Population increased approximately 3 percent from the prior fiscal year to 84,994 at September 30, 2003.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$7.9 million. The City has appropriated \$4.7 million of this amount for spending in the 2004 fiscal year budget. The ad valorem tax rate for the General Fund was decreased to 6.34 mills for the 2004 fiscal year budget.

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.

CITY OF PALM BAY, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2003

	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 24,807,963	\$ 11,130,343	\$ 35,938,306
Investments	-	380,910	380,910
Restricted Assets	-	57,597,102	57,597,102
Accounts Receivable	4,363,835	2,513,430	6,877,265
Accrued Interest Receivable	52,858	-	52,858
Due from Other Governments	23,170	-	23,170
Inventories	93,738	214,232	307,970
Prepaid Items	31,494	4,119	35,613
Other Assets	11,111	-	11,111
Capital Assets:			
Land	8,442,491	4,809,185	13,251,676
Building and Improvements	13,186,606	2,727,055	15,913,661
Water and Sewer Systems	-	75,323,225	75,323,225
Machinery, Equipment and Vehicles	14,657,853	1,960,278	16,618,131
Accumulated Depreciation	(38,798,244)	(23,652,214)	(62,450,458)
Infrastructure	48,662,921	-	48,662,921
Construction in Progress	6,234,759	10,600,416	16,835,175
Connection and Acquisition Costs	-	610,281	610,281
Total Assets	81,770,555	144,218,362	225,988,917
LIABILITIES			
Accounts Payable	1,054,896	873,627	1,928,523
Liabilities Payable from Restricted Assets	-	2,212,583	2,212,583
Accrued Liabilities	4,578,718	864,957	5,443,675
Due to Other Governments	20,185	-	20,185
Deferred Revenue	1,043,878	1,869,327	2,913,205
Long-term Liabilities:			
Due Within One Year:			
Bonds Payable	1,885,000	2,169,736	4,054,736
Claims Payable	1,792,795	-	1,792,795
Due in More Than One Year:			
Bonds Payable	10,390,000	90,277,630	100,667,630
Accreted Interest Payable	-	2,467,593	2,467,593
Claims Payable	1,069,205	-	1,069,205
Total Liabilities	21,834,677	100,735,453	122,570,130
NET ASSETS			
Invested in Capital Assets, Net of			
Related Debt	40,111,386	14,149,537	54,260,923
Restricted	8,276,952	20,082,559	28,359,511
Unrestricted	11,547,540	9,250,813	20,798,353
Total Net Assets	\$ 59,935,878	\$ 43,482,909	\$ 103,418,787

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

CITY OF PALM BAY, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2003

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 6,948,466	\$ 2,395,087	\$ -	\$ -
Public Safety	23,500,258	3,168,348	231,779	385,638
Physical Environment	1,002,350	113,562	-	77,498
Transportation	11,307,441	2,744,324	-	493,470
Economic Environment	1,809,240	192,425	1,688,529	-
Culture/Recreation	3,292,163	435,580	-	162,370
Interest on Long-Term Debt	627,880	-	-	-
Total Governmental Activities	<u>48,487,798</u>	<u>9,049,326</u>	<u>1,920,308</u>	<u>1,118,976</u>
Business-type Activities:				
Water and Sewer Utilities	13,882,872	15,363,396	-	4,533,652
Total Business-type Activities	<u>13,882,872</u>	<u>15,363,396</u>	<u>-</u>	<u>4,533,652</u>
Total	<u>\$ 62,370,670</u>	<u>\$ 24,412,722</u>	<u>\$ 1,920,308</u>	<u>\$ 5,652,628</u>

General Revenues:
Property Tax
Franchise Fees
Utility Service
Communication Service
State Revenue Sharing
Gas Tax
Intergovernmental Revenues
Interest Revenue
Miscellaneous
Loss on sale of capital assets
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.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (4,553,379)	\$ -	\$ (4,553,379)
(19,714,493)	-	(19,714,493)
(811,290)	-	(811,290)
(8,069,647)	-	(8,069,647)
71,714	-	71,714
(2,694,213)	-	(2,694,213)
(627,880)	-	(627,880)
<u>(36,399,188)</u>	<u>-</u>	<u>(36,399,188)</u>
-	6,014,176	6,014,176
-	6,014,176	6,014,176
<u>(36,399,188)</u>	<u>6,014,176</u>	<u>(30,385,012)</u>
15,969,555	-	15,969,555
3,961,327	-	3,961,327
5,130,735	-	5,130,735
2,786,409	-	2,786,409
5,918,880	-	5,918,880
2,583,305	-	2,583,305
822,868	-	822,868
380,677	1,066,808	1,447,485
236,007	-	236,007
(897,100)	(2,721)	(899,821)
<u>51,900</u>	<u>(51,900)</u>	<u>-</u>
<u>36,944,563</u>	<u>1,012,187</u>	<u>37,956,750</u>
545,375	7,026,363	7,571,738
<u>59,390,503</u>	<u>36,456,546</u>	<u>95,847,049</u>
<u>\$ 59,935,878</u>	<u>\$ 43,482,909</u>	<u>\$ 103,418,787</u>

CITY OF PALM BAY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2003

	General	Transportation Fund
ASSETS		
Cash and Cash Equivalents	\$ 6,546,411	\$ 4,031,543
Accounts Receivable	3,496,684	545,758
Accrued Interest Receivable	18,927	14,640
Prepaid Items	22,738	2,005
Inventory	93,738	-
Due from Other Governments	23,170	-
Other Assets	11,111	-
Total Assets	\$ 10,212,779	\$ 4,593,946
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 328,465	\$ 141,299
Accrued Liabilities	1,234,813	100,906
Due to Other Governments	20,185	-
Deferred Revenue	444,714	-
Total Liabilities	2,028,177	242,205
Fund Balances:		
Reserved for:		
Encumbrances	159,069	108,174
Inventories	93,738	-
Prepaid Items	22,738	2,005
Unreserved Reported In:		
General Fund	7,909,057	-
Special Revenue Funds	-	4,241,562
Debt Service Funds	-	-
Capital Projects Funds	-	-
Total Fund Balances	8,184,602	4,351,741
Total Liabilities and Fund Balances	\$ 10,212,779	\$ 4,593,946

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

Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,877,935	\$ 6,348,400	\$ 18,804,289
35,069	274,369	4,351,880
4,287	-	37,854
-	6,751	31,494
-	-	93,738
-	-	23,170
-	-	11,111
<u>\$ 1,917,291</u>	<u>\$ 6,629,520</u>	<u>\$ 23,353,536</u>
\$ 310,099	\$ 143,753	\$ 923,616
-	84,028	1,419,747
-	-	20,185
<u>102,212</u>	<u>496,952</u>	<u>1,043,878</u>
<u>412,311</u>	<u>724,733</u>	<u>3,407,426</u>
844,839	48,134	1,160,216
-	-	93,738
-	6,751	31,494
-	-	7,909,057
-	4,288,984	8,530,546
-	1,560,918	1,560,918
<u>660,141</u>	<u>-</u>	<u>660,141</u>
<u>1,504,980</u>	<u>5,904,787</u>	<u>19,946,110</u>
<u>\$ 1,917,291</u>	<u>\$ 6,629,520</u>	<u>\$ 23,353,536</u>

CITY OF PALM BAY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2003

Total fund balances of governmental funds \$ 19,946,110

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 \$91,161,470, and the accumulated depreciation is \$38,798,244. Internal service funds capital assets of \$23,160 are included in the internal service funds balances below. 52,363,226

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. 3,043,818

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. Long-term liabilities at year-end consist of:

Bonds payable	\$ 12,275,000	
Compensated absences	3,142,276	(15,417,276)

Total net assets of governmental activities \$ 59,935,878

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, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2003

	General	Transportation Fund
REVENUES		
Taxes	\$ 25,068,629	\$ 3,609,644
Impact Fees	-	-
Licenses and Permits	514,316	152,243
Intergovernmental Revenues	6,268,534	929,408
Charges for Services	2,140,489	860,841
Fines and Forfeitures	537,827	-
Investment Income	166,691	77,604
Miscellaneous Revenues	210,699	1,235,936
Total Revenues	34,907,185	6,865,676
EXPENDITURES		
Current:		
General Government	6,757,044	-
Public Safety	22,236,309	-
Physical Environment	959,716	-
Transportation	-	6,164,540
Economic Environment	-	-
Culture/Recreation	3,073,051	-
Debt Service:		
Bond Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Capital Improvements	-	-
Total Expenditures	33,026,120	6,164,540
Excess of Revenues Over (Under) Expenditures	1,881,065	701,136
OTHER FINANCING SOURCES (USES)		
Transfers In	280,300	501,700
Transfers (Out)	(2,006,000)	(12,800)
Total Other Financing Sources and (Uses)	(1,725,700)	488,900
Net Change in Fund Balances	155,365	1,190,036
Fund Balances - Beginning	8,029,237	3,161,705
Fund Balances - Ending	\$ 8,184,602	\$ 4,351,741

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

Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,753,059	\$ 30,431,332
-	1,608,249	1,608,249
-	2,179,228	2,845,787
894,561	1,688,529	9,781,032
122,991	282,224	3,406,545
-	103,879	641,706
51,544	84,838	380,677
6,305	11,767	1,464,707
<u>1,075,401</u>	<u>7,711,773</u>	<u>50,560,035</u>
-	-	6,757,044
-	1,306,727	23,543,036
-	-	959,716
-	-	6,164,540
-	1,878,716	1,878,716
-	3,477	3,076,528
-	1,805,000	1,805,000
3,746	624,134	627,880
<u>3,806,763</u>	<u>-</u>	<u>3,806,763</u>
<u>3,810,509</u>	<u>5,618,054</u>	<u>48,619,223</u>
<u>(2,735,108)</u>	<u>2,093,719</u>	<u>1,940,812</u>
2,498,400	822,200	4,102,600
<u>(168,000)</u>	<u>(1,863,900)</u>	<u>(4,050,700)</u>
<u>2,330,400</u>	<u>(1,041,700)</u>	<u>51,900</u>
(404,708)	1,052,019	1,992,712
<u>1,909,688</u>	<u>4,852,768</u>	<u>17,953,398</u>
<u>\$ 1,504,980</u>	<u>\$ 5,904,787</u>	<u>\$ 19,946,110</u>

CITY OF PALM BAY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2003

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

Net change in fund balances - total governmental funds		\$ 1,992,712
<p>Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$4,871,897) exceeds capital purchases (\$3,429,818) in the current period. The internal service fund had additions of \$23,160 included below.</p>		
		(1,442,079)
<p>The repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.</p>		
<p>Principal repayments:</p>		
Revenue Bonds, Series 1996	1,360,000	
Revenue Refunding Bonds, Series 2001	445,000	1,805,000
<p>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.</p>		
Compensated absences		(231,496)
<p>In the statement of activities, only the loss on the sale/disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold/disposed.</p>		
		(2,125,800)
<p>The internal service fund is used by management to charge the costs of risk management services to other funds. The increase in net assets of the internal service fund is reported with governmental activities.</p>		
		547,039
Change in net assets of governmental activities		\$ 545,376

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 NET ASSETS
PROPRIETARY FUNDS
September 30, 2003

	Business-type Activities - Utility Fund	Governmental Activities - Internal Service Funds
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,130,343	\$ 6,003,674
Investments	380,910	-
Restricted cash and cash equivalents	4,382,319	-
Accounts Receivable - (Net)	2,513,430	11,955
Accrued Interest Receivable	-	15,004
Prepays	4,119	-
Inventory	214,232	-
Total Current Assets	<u>18,625,353</u>	<u>6,030,633</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	<u>53,214,783</u>	-
Total Restricted Assets	<u>53,214,783</u>	-
Connection and Acquisition Costs	<u>610,281</u>	-
Capital Assets:		
Land	4,809,185	-
Building and Improvements	2,727,055	-
Water and Sewer Systems	75,323,225	-
Machinery & Equipment	1,960,278	23,160
Construction in Progress	10,600,416	-
Less: Accumulated Depreciation	<u>(23,652,214)</u>	-
Total Capital Assets (Net)	<u>71,767,945</u>	<u>23,160</u>
Total Noncurrent Assets	<u>125,593,009</u>	<u>23,160</u>
Total Assets	<u>144,218,362</u>	<u>6,053,793</u>

Continued

CITY OF PALM BAY, FLORIDA
STATEMENT OF NET ASSETS - Continued
PROPRIETARY FUNDS
September 30, 2003

	Business-type Activities - Utility Fund	Governmental Activities - Internal Service Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable	873,627	131,280
Accrued Liabilities	864,957	16,695
Estimated Claims Payable	-	1,792,795
Deferred Revenues	1,869,327	-
Total Current Liabilities	3,607,911	1,940,770
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable	2,169,736	-
Accrued Interest Payable	1,133,026	-
Customer Deposits	1,079,557	-
Total Current Liabilities Payable from Restricted Assets	4,382,319	-
Noncurrent Liabilities:		
Accreted Interest Payable	2,467,593	-
Estimated Claims Payable	-	1,069,205
Bonds Payable -(Net)	90,277,630	-
Total Noncurrent Liabilities	92,745,223	1,069,205
Total Liabilities	100,735,453	3,009,975
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	14,149,537	23,160
Restricted:		
Renewal and Replacement	1,539,648	-
Capital Improvements	18,542,911	-
Unrestricted	9,250,813	3,020,658
Total Net Assets	\$ 43,482,909	\$ 3,043,818

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

CITY OF PALM BAY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For The Year Ended September 30, 2003

	Business-type Activities - Utility Fund	Governmental Activities - Internal Service Funds
Operating Revenues:		
Charges for Services:		
Water	\$ 9,855,294	\$ -
Sewer	5,406,110	-
User fees	-	7,765,107
Recoveries and settlements	-	567,781
Miscellaneous Income	101,992	285
Total Operating Revenues	15,363,396	8,333,173
Operating Expenses:		
Personal Services	3,975,671	176,362
Material, supplies, and operating expenses	4,415,295	-
Claims/Premium Expense	-	6,885,685
Administrative costs	-	808,210
Depreciation	2,735,888	-
Amortization	32,120	-
Total Operating Expenses	11,158,974	7,870,257
Operating Income	4,204,422	462,916
Nonoperating Revenues (Expenses):		
Interest Income	1,066,808	84,123
Interest Expense and Fiscal Charges	(2,723,898)	-
Loss on Disposal of Capital Assets	(2,721)	-
Total Nonoperating Revenues (Expenses)	(1,659,811)	84,123
Income Before Contributions and Transfers	2,544,611	547,039
Capital Contributions	4,533,652	-
Transfers (Out)	(51,900)	-
Change in Net Assets	7,026,363	547,039
Total Net Assets - Beginning	36,456,546	2,496,779
Total Net Assets - Ending	\$ 43,482,909	\$ 3,043,818

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 The Year Ended September 30, 2003

	Business-type Activities - Utility Fund	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities		
Receipts from Customers and Users	\$ 15,250,228	\$ 1,516,152
Payments to Suppliers	(4,387,730)	-
Payments to Employees	(2,973,197)	-
Net Cash Provided by Operating Activities	7,889,301	1,516,152
Cash Flows from Noncapital Financing Activities		
Transfers to Other Funds	(51,900)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(51,900)	-
Cash Flows from Capital and Related Financing Activities		
Acquisition/Construction of Capital Assets	(7,058,968)	(23,160)
Principal Paid on Capital Debt	(2,285,834)	-
Interest Paid on Capital Debt	(1,482,249)	-
Contributions	4,533,652	-
Paid to Escrow Agent	(50,229,939)	-
Proceeds from Issuance of Bonds	54,002,014	-
Net Cash (Used) by Capital and Related Financing Activities	(2,521,324)	(23,160)
Cash Flows from Investing Activities		
Investment purchases	(380,910)	-
Interest Income on Investments	1,128,240	80,827
Net Cash Provided by Investing Activities	747,330	80,827
Net Increase in Cash and Cash Equivalents	6,063,407	1,573,819
Cash and Cash Equivalents at Beginning of Year	62,664,038	4,429,855
Cash and Cash Equivalents at End of Year	\$ 68,727,445	\$ 6,003,674
Cash and Cash Equivalents Classified As:		
Current Assets	\$ 15,512,662	\$ 6,003,674
Restricted Assets	53,214,783	-
Total Cash and Cash Equivalents	\$ 68,727,445	\$ 6,003,674

Continued

CITY OF PALM BAY, FLORIDA
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
For The Year Ended September 30, 2003

	Business-type Activities - Utility Fund	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 4,204,422	\$ 462,916
Depreciation	2,735,888	-
Amortization	32,120	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(228,756)	28,948
(Increase) Decrease in Inventories	(11,813)	-
(Increase) Decrease in Prepaid Expenses	(2,594)	235,677
Increase (Decrease) in Accounts Payable	41,973	180,445
Increase (Decrease) in Accrued Liabilities	1,002,474	1,824
Increase (Decrease) in Claims Payable	-	606,341
Increase (Decrease) in Customer Deposits	115,587	-
Total Adjustments	3,684,879	1,053,235
Net Cash Provided by Operating Activities	\$ 7,889,301	\$ 1,516,151

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

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 FUNDS
September 30, 2003

ASSETS		
Cash and Cash Equivalents		\$ 1,100,305
Investments, at fair value:		
Bond funds	\$ 17,032,898	
Equity funds	18,181,701	
Mutual funds	<u>3,246,822</u>	38,461,421
Accrued interest		823
Other assets		<u>5,070</u>
Total Assets		<u>39,567,619</u>
 LIABILITIES		
Accounts Payable		<u>48,366</u>
Total Liabilities		<u>48,366</u>
 NET ASSETS - Held in Trust for Pension Benefits		 <u>\$ 39,519,253</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 FUNDS
For the Year Ended September 30, 2003

ADDITIONS

Contributions:

Employer	\$ 1,161,039
State	714,870
Employee	<u>569,558</u>
Total Contributions	<u>2,445,467</u>

Investment Income:

Net appreciation in fair value of investments	3,877,211
Interest and dividends	29,342
Less: Investment expenses	<u>(165,304)</u>
Net Investment Income	<u>3,741,249</u>

Total Additions	<u>6,186,716</u>
------------------------	------------------

DEDUCTIONS

Benefits	443,168
Refunds	113,140
Administrative Expense	<u>156,443</u>

Total Deductions	<u>712,751</u>
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Change in Net Assets	5,473,965
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Net Assets - Beginning of Year	<u>34,045,288</u>
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Net Assets - End of Year	<u>\$ 39,519,253</u>
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The notes to the financial statements are an integral part of the financial statements.

CITY OF PALM BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

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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) 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. For the reporting year ended September 30, 2003, the City has implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. 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.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. 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 “CRA”). For financial reporting purposes, the CRA is reported as if it were a part of the City’s operations. The CRA is an incremental tax district created by City ordinance pursuant to Florida Statutes 163.356. The City Council serves as the governing board, appoints and advisory board, approves the budget, provides funding, and performs all accounting functions for the CRA. The CRA’s services are provided exclusively to the City. The CRA has been presented as a blended component unit classified as a special revenue fund. The City has no discretely presented component units.

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*.

Separate financial statements are provided for governmental funds, the enterprise fund, and the pension trust fund. The pension trust 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 fund is included in governmental activities in the government-wide financial statements.

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

1. 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. 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.

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.

2. 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 60 days 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.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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.

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 *Transportation Fund*, a special revenue fund, is used to account for restricted revenues that are used for transportation related improvements.
- The *Capital Improvement Fund*, a capital projects fund, is used to account for financial resources earmarked for the acquisition or construction of major capital facilities or other project oriented activities.

The City reports the following major enterprise fund:

- The *Utility 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:

- *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- *Debt Service Funds* account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.
- The *Internal Service Funds* account for certain activities of the City's risk management and employee benefit programs. Activities include premium and benefit payments, legal expenses incurred related to activities not specifically covered by City insurance policies, and collections of settlements or refunds from related cases.
- 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 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 fund and of the City's internal service fund are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service fund 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, and then restricted resources, as they are needed for their intended purposes.

D. Budgetary Requirements

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

- 1) No later than August 1 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 total departmental level for the general fund and at the total fund level for other governmental funds. 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 shall lapse at the close of the fiscal year.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, money market accounts, savings accounts, investments in the State Board of Administration Local Government Pooled Investment Account, and investments (including restricted assets) with maturities not to exceed five years.

F. Investments

Investments are stated at fair value, with the exception of investments in the Florida Local Government Surplus Funds Trust Fund (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, which approximates fair market value.

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 current millage is 7.6394.

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). Brevard County mails to each property owner on the assessment roll a notice of the taxes due and the County also collects the taxes for the City. Taxes may be paid upon receipt of such notice from the County, 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 (the lien date) of the year following the year in which taxes were assessed. Procedures for collecting delinquent taxes, including applicable tax certificate sales, are provided for by the Laws of Florida.

Accounts Receivable

Utility 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.

H. Inventories

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

I. Prepaids

Prepaids represent payments made to vendors for services that will benefit the period beyond September 30, 2003.

J. Restricted Assets

The uses of certain assets of the Utility 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.

K. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide 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. 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
Utility System	25-40
Infrastructure	15-20
Equipment	5-20
Vehicles	3-10

L. Connection and Acquisition Costs

The City incurred costs to connect to another city's water and sewer system. The City paid for capital improvements that were given to the other city and is amortizing the costs over a 40 year period. The City incurred acquisition costs above the cost of capital assets on a water and sewer system it acquired. The City is amortizing these costs over the life of the related debt.

M. Amortization of Bond Discount and Issuance Costs

In the Utility Fund bond discounts, bond premiums, deferred loss on refundings, and issuance costs are amortized over the life of the bonds using the effective interest method. In the governmental funds, these costs are charged to current expenditures when bonds are issued.

N. Compensated Absences

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

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

O. Deferred Revenues

Deferred revenues in governmental funds include amounts collected before the revenue recognition criteria are met. The deferred items consist primarily of business licenses collected in advance for 2004, permit revenues collected that are refundable up until the time building projects are started, and grant revenues collected in advance. Deferred revenues in the Utility Fund represent the present value of potential investment earnings on future debt service deposits paid by the third party provider.

P. Contributions

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

Q. 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 Utility Fund. Interest costs of \$1.4 million, reduced by interest earned of approximately \$770,000, for a net amount of approximately \$630,000 were capitalized during the fiscal year ended September 30, 2003.

R. Reserves of Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Deposits consist of demand accounts (interest and non-interest bearing). All deposits with financial institutions were 100% insured by Federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida. The book balance of the demand deposits and cash on hand at September 30, 2003 was \$20,863,606 (which includes \$1,100,305 in the Pension Trust Fund).

Investments

The City's investment policy is governed by local resolution and bond covenants. Allowable investments include: the Florida Local Government Surplus Funds Trust Fund; negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States government; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States agencies, provided such obligations are backed by the full faith and credit of the United States Government; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by United States Government agencies which are not full faith and credit agencies; repurchase agreements; bankers' acceptances; commercial paper; state and/or local government taxable and tax-exempt debt; fixed income mutual funds; and the Florida Counties Investment Trust.

The City's investments at September 30, 2003, are summarized below by type and level of risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its Agent in the City's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

CITY OF PALM BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2003

Throughout the fiscal year the City invested only in types of investments as listed below:

<u>Investment Description</u>	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ 20,027,458	\$ -	\$ -	\$ 20,027,458
U.S. Government agencies	-	8,141,074	-	8,141,074
	<u>\$ 20,027,458</u>	<u>\$ 8,141,074</u>	<u>\$ -</u>	<u>28,168,532</u>
Local government surplus funds trust fund				20,419,221
Guaranteed investments fund				20,765,264
Certificates of deposit				4,800,000
Pension Trust Fund investments:				
Bond funds				17,032,898
Equity funds				18,181,701
Mutual funds				<u>3,246,822</u>
Total investments				<u>\$ 112,614,438</u>

Deposits and investments are reflected on the statements of net assets as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 24,807,963	\$ 11,130,343	\$ 1,100,305	\$ 37,038,611
Restricted cash and cash equivalents	-	57,597,102	-	57,597,102
Investments	-	380,910	38,461,421	38,842,331
Total Deposits and Investments	<u>\$ 24,807,963</u>	<u>\$ 69,108,355</u>	<u>\$ 39,561,726</u>	<u>\$ 133,478,044</u>

NOTE 3 – RECEIVABLES

The City's Utility 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 Utility Fund at September 30, 2003 totaled \$2,513,430 net of an \$111,379 allowance for uncollectible accounts. Unbilled receivables of \$1,140,100 are included in the accounts receivable balance.

CITY OF PALM BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2003

NOTE 4 – INTERFUND ACCOUNTS

Individual interfund transfers at September 30, 2003 are:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
General	\$ 280,300	\$ 2,006,000	To support capital projects in Transportation and Capital Projects Fund and to fund annual debt service
Law Enforcement Trust	-	34,400	For training expenses and capital projects
Impact Fee Trust	-	1,546,800	For capital projects
Transportation Fund	501,700	12,800	For drainage contingency
Building Permit & Inspection	-	282,700	To support fire inspections and purchase network equipment and software
Public Service Tax Bonds	822,200	-	
Capital Improvements	2,498,400	168,000	To fund road reconstruction and drainage projects
Utility	-	51,900	To fund LAN upgrade and voice response system
	<u>\$ 4,102,600</u>	<u>\$ 4,102,600</u>	

NOTE 5 – RESTRICTED ASSETS

The use of certain Utility Fund assets is restricted by specific provisions of the bond resolution authorizing the issuance of the utility 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, 2003 are as follows:

Account Description:	Cash and Cash Equivalents
Debt service reserve	\$ 2,179,123
Renewal, replacement and improvement	1,539,648
Capital improvement	34,236,594
Customer deposits	1,098,827
Connection fees	<u>18,542,910</u>
Total Restricted Assets - Business-type Activities	<u>\$ 57,597,102</u>

NOTE 6 – CAPITAL ASSETS

A. Changes in Capital Assets

The following tables show the changes in capital assets by governmental activities and business-type activities for the Utility Fund. Also shown is a summary of depreciation expense by function:

Governmental Activities	Beginning Balance 9/30/2002	Increases	Decreases	Ending Balance 9/30/2003
Capital Assets, Not Being Depreciated:				
Land	\$ 10,435,530	\$ 132,761	\$ (2,125,800)	\$ 8,442,491
Construction In Progress - Buildings	367,110	1,153,283	-	1,520,393
Construction In Progress - Infrastructure	<u>4,968,881</u>	<u>1,225,140</u>	<u>(1,479,655)</u>	<u>4,714,366</u>
Total Capital Assets, Not Being Depreciated	<u>15,771,521</u>	<u>2,511,184</u>	<u>(3,605,455)</u>	<u>14,677,250</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	13,186,606	-	-	13,186,606
Machinery and Equipment	14,103,238	554,615	-	14,657,853
Infrastructure	<u>46,796,087</u>	<u>1,866,834</u>	<u>-</u>	<u>48,662,921</u>
Total Capital Assets Being Depreciated	<u>74,085,931</u>	<u>2,421,449</u>	<u>-</u>	<u>76,507,380</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(5,481,372)	(527,464)	-	(6,008,836)
Machinery and Equipment	(8,937,278)	(1,330,575)	-	(10,267,853)
Infrastructure	<u>(19,507,697)</u>	<u>(3,013,858)</u>	<u>-</u>	<u>(22,521,555)</u>
Total Accumulated Depreciation	<u>(33,926,347)</u>	<u>(4,871,897)</u>	<u>-</u>	<u>(38,798,244)</u>
Total Capital Assets, Being Depreciated, Net	<u>40,159,584</u>	<u>(2,450,448)</u>	<u>-</u>	<u>37,709,136</u>
Governmental Activities Capital Assets, Net	<u>\$ 55,931,105</u>	<u>\$ 60,736</u>	<u>\$ (3,605,455)</u>	<u>\$ 52,386,386</u>

CITY OF PALM BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2003

	Beginning Balance 9/30/2002	Increases	Decreases	Ending Balance 9/30/2003
Business-type Activities				
Utility System				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,803,185	\$ 6,000	\$ -	\$ 4,809,185
Construction In Progress	9,315,364	6,287,060	(5,002,008)	10,600,416
Total Capital Assets, Not Being Depreciated	<u>14,118,549</u>	<u>6,293,060</u>	<u>(5,002,008)</u>	<u>15,409,601</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,692,728	34,327	-	2,727,055
Water and Sewer System	69,926,097	5,397,128	-	75,323,225
Machinery and Equipment	1,763,042	336,461	(139,225)	1,960,278
Total Capital Assets Being Depreciated	<u>74,381,867</u>	<u>5,767,916</u>	<u>(139,225)</u>	<u>80,010,558</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(193,492)	(68,908)	-	(262,400)
Water and Sewer System	(19,981,222)	(2,359,249)	-	(22,340,471)
Machinery and Equipment	(878,115)	(307,730)	136,502	(1,049,343)
Total Accumulated Depreciation	<u>(21,052,829)</u>	<u>(2,735,887)</u>	<u>136,502</u>	<u>(23,652,214)</u>
Total Capital Assets, Being Depreciated, Net	<u>53,329,038</u>	<u>3,032,029</u>	<u>(2,723)</u>	<u>56,358,344</u>
Utility System Capital Assets, Net	<u>\$ 67,447,587</u>	<u>\$ 9,325,089</u>	<u>\$ (5,004,731)</u>	<u>\$ 71,767,945</u>

Depreciation Expense By Function

Governmental Activities:

General Government	\$ 589,703
Public Safety	841,972
Physical Environment	42,634
Transportation	3,176,082
Culture/Recreation	221,506
Total Governmental Activities	<u>\$ 4,871,897</u>

Business-type Activities:

Utility System	<u>\$ 2,735,887</u>
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B. Construction Commitments

Projects	Spent-to-Date	Remaining Commitment
Buildings:		
Lagoon House	\$ 431,613	\$ 619,883
Utility Improvements:		
Unit 13	3,647,030	545,765
Unit 7	633,401	2,899,062
USA 1 Assessment Project	720,981	2,261,254
Total	<u>\$ 5,433,025</u>	<u>\$ 6,325,964</u>

NOTE 7 – LONG-TERM DEBT

A. Schedule of Changes in Long-Term Debt

The City's outstanding long-term debt includes bonds payable and claims payable. The following is a schedule of changes in the City's long-term debt for the fiscal year ended September 30, 2003:

	Balance			Balance	Due Within	Long-Term
	10/1/02	Additions	Reductions	9/30/03	One Year	Portion
Governmental Activities:						
Revenue Bonds	\$ 14,080,000	\$ -	\$ (1,805,000)	\$ 12,275,000	\$ 1,885,000	\$ 10,390,000
Claims Payable	<u>2,267,815</u>	<u>5,070,422</u>	<u>(4,476,237)</u>	<u>2,862,000</u>	<u>1,792,795</u>	<u>1,069,205</u>
Governmental Activity						
Long-term Liabilities	<u>\$ 16,347,815</u>	<u>\$ 5,070,422</u>	<u>\$ (6,281,237)</u>	<u>\$ 15,137,000</u>	<u>\$ 3,677,795</u>	<u>\$ 11,459,205</u>
Business-type Activities:						
Utility System						
Revenue Bonds	\$ 98,321,958	\$ 51,410,000	\$ (49,065,834)	\$ 100,666,124	\$ 2,169,736	\$ 98,496,388
Less Deferred Amounts:						
On Refunding	(4,363,032)	(7,024,568)	4,031,939	(7,355,661)	-	(7,355,661)
Issuance Discounts/Costs	(3,029,921)	(55,559)	867,538	(2,217,942)	-	(2,217,942)
Premium	<u>-</u>	<u>1,354,845</u>	<u>-</u>	<u>1,354,845</u>	<u>-</u>	<u>1,354,845</u>
Business-type Activity						
Long-term Liabilities	<u>\$ 90,929,005</u>	<u>\$ (5,725,282)</u>	<u>\$ (44,166,357)</u>	<u>\$ 92,447,366</u>	<u>\$ 2,169,736</u>	<u>\$ 90,277,630</u>

B. Bonds Payable

The City has revenue bonds related to governmental activities and the Utility System. The Limited Ad Valorem Tax Bonds, Series 1996 are secured by a special ad valorem tax on all taxable property within the City. The Public Service Tax Refunding Revenue Bonds, Series 2001 are secured by revenues collected for public service taxes and communication service taxes. A summary of outstanding governmental bonds payable at September 30, 2003 is as follows:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Governmental Activities:				
Revenue Bonds:				
Limited Ad Valorem Tax Bonds Series 1996 (matures 2006)	Financing of road improvements.	\$ 12,935,000	\$ 4,435,000	3.5%-4.25%
Revenue Refunding Bonds:		8,285,000	<u>7,840,000</u>	4.0%-4.7%
Public Service Tax Refunding Revenue Bonds Series 2001 (matures 2015)	Refunding of '92 refunding revenue bonds.			
Total Governmental Activities - Bonds Payable			<u>\$ 12,275,000</u>	

CITY OF PALM BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2003

All of the outstanding bonds of the Utility Fund are secured by the water and sewer net operating revenues. In addition, mainline extension charges and water connection fees are pledged. The following is a summary of business-type activities bonds payable reflected in the City's Utility Fund as of September 30, 2003:

	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
Business-type Activities:				
<u>Utility Fund</u>				
Revenue Bonds:				
Utility Capital Improvement Revenue Bonds Series 1998 (matures 2028)	Improvements to water and waste water system	\$ 23,215,000	\$ 23,060,000	3.6%-5.0%
Utility Capital Improvement Revenue Bonds Series 2001 (matures 2031)	Capital improvements to water system	21,311,958	20,756,124	3.47%-5.71%
Utility Special Assessment Bonds Series 2003 (matures 2025)	Financing special assessments for water and sewer improvements	3,535,000	3,535,000	1.3%-3.3%
Revenue Refunding Bonds:				
Utility System Refunding Revenue Bonds Series 2002 (matures 2018)	Refunding of '92 Utility Bonds	5,990,000	5,440,000	4.5%-5.25%
Utility System Refunding Revenue Bonds Series 2003 (matures 2022)	Refunding of '94 Utility Bonds	47,875,000	<u>47,875,000</u>	3.0%-4.7%
Total Business-type Activities - Bonds Payable			<u>\$ 100,666,124</u>	

C. Debt Service Requirements

The following are the debt service requirements to maturity on the City's bonds payable for governmental activities and business-type activities:

Governmental Activities:

<u>Fiscal Year</u>	<u>Revenue/Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,885,000	\$ 488,086
2005	1,965,000	407,821
2006	2,045,000	323,846
2007	525,000	270,521
2008	545,000	249,121
2009-2013	3,095,000	878,923
2014-2018	<u>2,215,000</u>	<u>157,675</u>
Total	<u>\$ 12,275,000</u>	<u>\$ 2,775,993</u>

CITY OF PALM BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2003

Business-type Activities:

<u>Fiscal Year</u>	<u>Revenue/Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,169,736	\$ 3,653,573
2005	3,212,656	3,651,169
2006	3,474,900	3,647,619
2007	3,812,584	3,634,898
2008	3,933,688	3,612,065
2009-2013	22,291,482	18,013,670
2014-2031	<u>61,771,078</u>	<u>39,912,230</u>
Total	\$ 100,666,124	\$ 76,125,224

D. Debt Defeasance and Advance Refunding

The City advance refunds and/or defeases long-term debt primarily to reduce debt service requirements. During the current fiscal year, the City issued \$47.9 million in Utility System Refunding Revenue Bonds, Series 2003 to advance refund approximately \$43.3 million of outstanding 1994 Series bonds. The net proceeds of \$50.2 million (after payments of approximately \$888,000 in issuance costs and including net sinking fund monies of approximately \$1.9 million) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Utility Enterprise Fund. The City recognized a deferred loss on the refunding of \$7 million, which will be amortized over the life of the Series 2003 bonds. In addition, the City earned a premium on issuance of \$1.4 million which will be amortized over the same period. The refunding will result in a cash savings to the City of \$1.2 million and an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1.1 million.

As of September 30, 2003, the City has the following outstanding bonds issued by the City, which were funded by the placement of assets in an irrevocable trust to be used for satisfying debt service requirements:

<u>Description of Obligation</u>	<u>Year Defeased</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
Capital Improvement Revenue			
Refunding Bonds, Series 1992	2001	\$ 10,340,000	\$ 7,250,000
Water and Sewer Revenue Bonds:			
Series 1992B	1994	52,350,000	44,315,000
Series 1992A	2002	7,345,000	5,630,000
Series 1994	2003	<u>58,365,000</u>	<u>43,300,000</u>
		<u>\$ 128,400,000</u>	<u>\$ 100,495,000</u>

NOTE 8 – LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the Utility System enterprise fund at September 30, 2003 are as follows:

Revenue bonds payable	\$ 2,169,736
Accrued interest payable	578,540
Customer deposits	<u>1,079,557</u>
Liabilities Payable From Restricted Assets - Business-type Activities	<u>\$ 3,827,833</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 Police and Firefighters Retirement System.

A. Defined Contribution Retirement Plan

The City of Palm Bay's general employees' retirement plan is a defined contribution plan administered and maintained by ICMA Retirement Corporation. 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, 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 executive plan are 8.5% for both the City and the affected employees. All other employees contribute 5% of eligible earnings and the City contributes 6.75%. Contributions made for the year ended September 30, 2003 were \$661,624 from employees and \$870,291 from the City of Palm Bay.

B. The Palm Bay Police and Firefighters Retirement System

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. 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
P.O. Box 100225
Palm Bay, Florida 32910-0225

2. *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 can result in a reduction 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. Short-term investments are reported as cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. There were no investments in any organization that represented 5 percent or more of plan net assets.

Actuarial Valuation:

The most recent actuarial report was prepared as of October 1, 2002. The frozen entry age method was utilized for funding. The amortization method assumes a level percent of pay (closed) with a remaining amortization period of 29 years. Assets are valued using the 5-year smoothed market method. Other actuarial assumptions include:

- Investment rate of return 8.5%
- Projected salary increases 6.5%
- Cost-of-living adjustments 3.0%
- Inflation rate 4.0%

3. *Funding Policy*

Florida Statutes, Chapters 175 and 185 require members to contribute not less than .5% of their annual salary. The Plan, as approved by the City Council, requires member police officers to contribute 8.76% of their base annual salary and member firefighters to contribute 5.29% of their base annual salary. The City is required to contribute at an actuarially determined rate, which includes the State contribution. The current required rate is 12.05% of annual covered payroll. The City contributed \$1,161,039 in fiscal year 2003.

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. These revenues, taken as a whole, amounted to \$569,558 for the year ended September 30, 2003, or 5.91% of annual covered payroll.

4. *Annual Pension Cost*

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>Annual Required Contribution</u>			<u>Actual</u>	
	<u>Employer</u>	<u>State</u>	<u>Total</u>	<u>Contribution</u>	<u>% Contributed</u>
09/30/01	\$ 772,478	\$ 377,482	\$ 1,149,960	\$ 1,164,909	101.3%
09/30/02	937,921	373,022	1,310,943	1,491,441	113.8%
09/30/03	1,161,039	497,695	1,658,734	1,730,597	104.3%

The pension plan had a negative net pension obligation each year (which would normally be assets). The City paid in 100% of their required amount. The excess was the result of the State's contribution being higher than originally estimated. The actuary estimates the State's contributions based on the previous year. There is no way to accurately estimate these amounts. Payments are received by the City to be deposited into the police and firefighters pension plan once a year. Per Florida Statutes, the City cannot decrease its contribution for amounts received from the State in excess of estimates.

CITY OF PALM BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2003

NOTE 10 – RESERVES OF FUND BALANCES AND RESTRICTED NET ASSETS

Reserves of fund balances of governmental funds represent portions of fund balance that are not available to be appropriated for expenditures or which have been segregated for specific future uses. The fund balances reserved in governmental funds at September 30, 2003 consist of the following:

General Fund:		
Reserve for encumbrance		\$ 159,069
Reserve for inventories		93,738
Reserve for prepaid items		22,738
		<u>\$ 275,545</u>
Major Special Revenue Fund:		
Transportation:		
Reserve for encumbrance		\$ 108,174
Reserve for prepaid items		2,005
		<u>\$ 110,179</u>
Major Capital Projects Fund:		
Capital Improvements:		
Reserve for encumbrance		<u>\$ 844,839</u>
Nonmajor Governmental Funds:		
Reserve for encumbrance		\$ 48,134
Reserve for prepaid items		6,751
		<u>\$ 54,885</u>

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	Description of Restriction	Amount
Special Revenue Funds:		
Transportation	Levied pursuant to Florida Statutes, must be used for transportation projects	\$ 4,351,741
Law Enforcement Trust	Forfeited property accounted for and used according to Federal and Florida laws	87,183
CDBG	Restricted pursuant to federal grant agreement	18,231
Impact Fee Trust	Levied pursuant to Florida Statutes, must be used for allowable improvements	2,258,879
		<u>6,716,034</u>
Debt Service Funds:		
Public Service Tax Bonds	Restricted pursuant to bond covenants for payment of principal and interest.	603,572
Limited Ad Valorem		
Tax Bonds	Restricted pursuant to bond covenants for payment of principal and interest.	957,346
		<u>1,560,918</u>
	Total Restricted Net Assets - Governmental Activities	<u>\$ 8,276,952</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. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$150,000 for each worker's compensation claim; \$100,000 for each general or auto liability claim; \$25,000 for each property damage claim; and \$25,000 for each theft, disappearance and dishonesty claim. The annual stop loss was established at \$970,000. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settlements have not exceeded insurance coverage since the inception of the program. No significant reductions in insurance coverage from the prior year have been made.

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 \$2,497,000 reported in the Risk Management Fund at September 30, 2003 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 amount during the past three years of operations are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Less Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2000-2001	\$ 1,940,085	\$ 1,165,429	\$ (1,255,319)	\$ 1,850,195
2001-2002	1,850,195	1,562,703	(1,440,083)	1,972,815
2002-2003	1,972,815	2,632,013	(2,107,828)	2,497,000

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, 2003, a liability of \$365,000 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 during the last three years were as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Less Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2000-2001	\$ 270,000	\$ 2,244,115	\$ (2,219,115)	\$ 295,000
2001-2002	295,000	2,421,225	(2,421,225)	295,000
2002-2003	295,000	3,090,730	(3,020,730)	365,000

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 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.

Conduit Debt Obligation - From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2003, there were two (2) series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$3,000,000.

NOTE 13 – OTHER REQUIRED DISCLOSURES

The City did not overspend the final amended budgets of any fund. However, one department in the General Fund (Community Planning & Economic Development) overspent its budget by a nominal \$600. Non-departmental expenditures in the General Fund exceeded budgeted amounts by \$75,000. This resulted from a year end entry that increased the current portion of the liability for compensated absences.

There were no funds that had deficit fund balances or net assets at year end.

NOTE 14 – IMPLEMENTATION OF GASB STATEMENT NUMBER 34

In June 1999, the GASB issued Statement Number 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement provides for a significant change in financial reporting that is described in the Management Discussion and Analysis section and Note 1, Summary of Significant Accounting Policies. This statement also established new reporting requirements for infrastructure capital assets (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation for the fiscal year ending in 2006. The City has elected to implement the basic model and the infrastructure portion of the statement for the fiscal year ended September 30, 2003. In addition to GASB Number 34, the City implemented GASB statement numbers 37 and 38 as well as Interpretation Number 6.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules (GAAP BASIS):

- General Fund
- Major Special Revenue Fund:
 - Transportation Fund

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES/TRANSFERS IN				
Taxes:				
Ad valorem	\$ 13,297,000	\$ 13,297,000	\$ 13,190,158	\$ (106,842)
Franchise	3,465,400	3,465,400	3,961,327	495,927
Utility Service	4,573,600	4,573,600	5,130,735	557,135
Communication Service	2,948,800	2,948,800	2,786,409	(162,391)
	<u>24,284,800</u>	<u>24,284,800</u>	<u>25,068,629</u>	<u>783,829</u>
Licenses and Permits:				
Business licenses	502,300	502,300	509,181	6,881
Other licenses and permits	4,000	4,000	5,135	1,135
	<u>506,300</u>	<u>506,300</u>	<u>514,316</u>	<u>8,016</u>
Intergovernmental Revenues:				
Federal grants	87,000	181,500	252,030	70,530
State grants	34,800	41,900	38,297	(3,603)
Local grants	55,800	55,800	59,327	3,527
State revenue sharing	5,550,100	5,550,100	5,780,576	230,476
Shared taxes and licenses	130,300	130,300	138,304	8,004
	<u>5,858,000</u>	<u>5,959,600</u>	<u>6,268,534</u>	<u>308,934</u>
Charges for Services:				
General government charges	197,200	197,200	313,732	116,532
Public safety charges	223,400	257,900	257,615	(285)
Physical environment charges	65,000	65,000	113,562	48,562
Culture/recreation charges	427,200	449,800	435,580	(14,220)
Charges to other funds	1,020,000	1,020,000	1,020,000	-
	<u>1,932,800</u>	<u>1,989,900</u>	<u>2,140,489</u>	<u>150,589</u>
Fines and Forfeitures:				
Court fines and costs	454,100	454,100	537,827	83,727
Miscellaneous Revenue:				
Investment income	425,000	428,300	166,691	(261,609)
Rents	196,500	196,500	170,367	(26,133)
Sales of Surplus	5,800	5,800	1,218	(4,582)
Contributions	18,900	18,900	23,982	5,082
Other revenue	11,700	11,700	15,132	3,432
	<u>657,900</u>	<u>661,200</u>	<u>377,390</u>	<u>(283,810)</u>
Transfers In:				
Impact Fee Fund	-	46,500	46,500	-
Transportation Fund	-	12,800	12,800	-
Building Permit & Inspection Fund	201,000	201,000	201,000	-
Law Enforcement Trust Fund	-	20,000	20,000	-
	<u>201,000</u>	<u>280,300</u>	<u>280,300</u>	<u>-</u>
Total Revenues and Transfers In	<u>33,894,900</u>	<u>34,136,200</u>	<u>35,187,485</u>	<u>1,051,285</u>

Continued

City of Palm Bay, Florida
BUDGETARY COMPARISON SCHEDULE - CONTINUED

GENERAL FUND

For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES/TRANSFERS OUT				
General Government:				
Legislative:				
Personal Services	228,100	228,100	236,733	(8,633)
Operating	106,000	156,000	146,384	9,616
Contributions	500	500	500	-
	<u>334,600</u>	<u>384,600</u>	<u>383,617</u>	<u>983</u>
City Attorney:				
Personal Services	6,400	6,400	6,400	-
Operating	105,100	129,600	127,330	2,270
	<u>111,500</u>	<u>136,000</u>	<u>133,730</u>	<u>2,270</u>
City Manager:				
Personal Services	400,400	614,600	587,384	27,216
Operating	64,000	91,400	82,252	9,148
Capital Outlay	-	18,400	18,366	34
	<u>464,400</u>	<u>724,400</u>	<u>688,002</u>	<u>36,398</u>
Finance:				
Personal Services	1,139,000	1,019,500	939,237	80,263
Operating	512,700	717,700	450,092	267,608
Capital Outlay	3,000	3,000	2,754	246
	<u>1,654,700</u>	<u>1,740,200</u>	<u>1,392,083</u>	<u>348,117</u>
Technology Services:				
Personal Services	647,700	647,700	619,812	27,888
Operating	376,000	405,100	373,188	31,912
Capital Outlay	64,800	64,800	33,228	31,572
	<u>1,088,500</u>	<u>1,117,600</u>	<u>1,026,228</u>	<u>91,372</u>
Human Resources:				
Personal Services	318,000	315,500	299,942	15,558
Operating	118,500	144,400	133,074	11,326
Capital Outlay	1,900	9,800	1,424	8,376
	<u>438,400</u>	<u>469,700</u>	<u>434,440</u>	<u>35,260</u>
Community Planning & Econ. Dev:				
Personal Services	495,100	495,100	506,356	(11,256)
Operating	193,700	198,700	188,038	10,662
	<u>688,800</u>	<u>693,800</u>	<u>694,394</u>	<u>(594)</u>
Fleet Services:				
Personal Services	585,800	582,300	555,723	26,577
Operating	57,900	62,800	83,735	(20,935)
Capital Outlay	270,300	274,300	222,550	51,750
	<u>914,000</u>	<u>919,400</u>	<u>862,008</u>	<u>57,392</u>

Continued

City of Palm Bay, Florida
BUDGETARY COMPARISON SCHEDULE - CONTINUED
GENERAL FUND

For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Non-Departmental:				
Personal Services	156,000	167,600	242,901	(75,301)
Operating	866,600	899,600	899,641	(41)
	<u>1,022,600</u>	<u>1,067,200</u>	<u>1,142,542</u>	<u>(75,342)</u>
Total General Government	<u>6,717,500</u>	<u>7,252,900</u>	<u>6,757,044</u>	<u>495,856</u>
Public Safety:				
Police:				
Personal Services	11,815,700	11,784,000	11,420,650	363,350
Operating	1,011,100	1,154,400	1,107,438	46,962
Capital Outlay	47,700	117,200	101,593	15,607
Contributions	-	500	500	-
	<u>12,874,500</u>	<u>13,056,100</u>	<u>12,630,181</u>	<u>425,919</u>
Fire:				
Personal Services	8,579,600	8,561,600	8,425,904	135,696
Operating	656,300	757,100	623,748	133,352
Capital Outlay	44,700	106,000	97,901	8,099
	<u>9,280,600</u>	<u>9,424,700</u>	<u>9,147,553</u>	<u>277,147</u>
Code Compliance:				
Personal Services	390,800	390,800	378,829	11,971
Operating	71,300	80,600	79,746	854
	<u>462,100</u>	<u>471,400</u>	<u>458,575</u>	<u>12,825</u>
Total Public Safety	<u>22,617,200</u>	<u>22,952,200</u>	<u>22,236,309</u>	<u>715,891</u>
Physical Environment:				
Engineering:				
Personal Services	815,900	815,900	812,242	3,658
Operating	157,100	187,100	144,034	43,066
Capital Outlay	-	3,500	3,440	60
	<u>973,000</u>	<u>1,006,500</u>	<u>959,716</u>	<u>46,784</u>
Total Physical Environment	<u>973,000</u>	<u>1,006,500</u>	<u>959,716</u>	<u>46,784</u>
Culture/Recreation				
Parks & Recreation:				
Personal Services	2,112,400	2,090,000	2,040,840	49,160
Operating	856,700	945,200	883,095	62,105
Capital Outlay	47,500	47,300	47,116	184
Contributions	-	102,000	102,000	-
	<u>3,016,600</u>	<u>3,184,500</u>	<u>3,073,051</u>	<u>111,449</u>
Total Culture / Recreation	<u>3,016,600</u>	<u>3,184,500</u>	<u>3,073,051</u>	<u>111,449</u>

Continued

City of Palm Bay, Florida
BUDGETARY COMPARISON SCHEDULE - CONTINUED
GENERAL FUND
For the Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Transfers Out:				
Capital Improvements Program	826,500	850,100	850,100	-
Transportation Operating Fund	333,700	333,700	333,700	-
Debt Service Fund	822,200	822,200	822,200	-
Total Transfers Out	<u>1,982,400</u>	<u>2,006,000</u>	<u>2,006,000</u>	<u>-</u>
Total Expenditures and Transfers Out	<u>35,306,700</u>	<u>36,402,100</u>	<u>35,032,120</u>	<u>1,369,980</u>
Excess of Revenues and Transfers In Over (Under) Expenditures and Transfers Out	(1,411,800)	(2,265,900)	155,365	(318,695)
Fund Balance - Beginning of Year	<u>3,754,800</u>	<u>4,621,700</u>	<u>8,029,237</u>	<u>3,407,537</u>
Fund Balance - End of Year	<u>\$ 2,343,000</u>	<u>\$ 2,355,800</u>	<u>\$ 8,184,602</u>	<u>\$ 3,088,842</u>

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
For the Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,559,400	\$ 3,559,400	\$ 3,609,644	\$ 50,244
Licenses and Permits	85,800	85,800	152,243	66,443
Intergovernmental Revenues	815,500	974,700	929,408	(45,292)
Charges for Services	1,469,000	1,469,000	860,841	(608,159)
Investment Income	61,000	61,000	77,604	16,604
Miscellaneous Revenues	407,700	793,500	1,235,936	442,436
Total Revenues	6,398,400	6,943,400	6,865,676	(77,724)
EXPENDITURES				
Current:				
Transportation	6,992,700	9,761,000	6,164,540	3,596,460
Total Expenditures	6,992,700	9,761,000	6,164,540	3,596,460
Excess of Revenues Over (Under) Expenditures	(594,300)	(2,817,600)	701,136	3,518,736
OTHER FINANCING SOURCES (USES)				
Transfers In	501,700	501,700	501,700	-
Transfers (Out)	-	(12,800)	(12,800)	-
Total Other Financing Sources and (Uses)	501,700	488,900	488,900	-
Net Change in Fund Balance	(92,600)	(2,328,700)	1,190,036	3,518,736
Fund Balance - Beginning	286,900	2,619,400	3,161,705	542,305
Fund Balance - Ending	\$ 194,300	\$ 290,700	\$ 4,351,741	\$ 4,061,041



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OTHER SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule (GAAP BASIS):

- Major Capital Projects Fund:
 - Capital Improvements Fund

Non-Major Governmental Funds:

- Combining Financial Statements for All Nonmajor Governmental Funds and Individual Budgetary Comparison Schedules (GAAP BASIS) for All Budgeted Nonmajor Governmental Funds

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT FUND
For the Year Ended September 30, 2003

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental Revenues	\$ 3,662,800	\$ 894,561	\$ (2,768,239)
Charges for Services	500,400	122,991	(377,409)
Investment Income	77,300	51,544	(25,756)
Miscellaneous Revenues	-	<u>6,305</u>	<u>(6,305)</u>
Total Revenues	<u>4,240,500</u>	<u>1,075,401</u>	<u>(3,177,709)</u>
EXPENDITURES			
Current:			
Debt Service:			
Principal Retirement	148,600	-	148,600
Interest and Fiscal Charges	5,900	3,746	2,154
Capital Outlay	<u>8,372,900</u>	<u>3,806,763</u>	<u>4,566,137</u>
Total Expenditures	<u>8,527,400</u>	<u>3,810,509</u>	<u>4,716,891</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,286,900)</u>	<u>(2,735,108)</u>	<u>1,539,182</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	2,498,400	2,498,400	-
Transfers (Out)	<u>(168,000)</u>	<u>(168,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,330,400</u>	<u>2,330,400</u>	<u>-</u>
Net Change in Fund Balance	(1,956,500)	(404,708)	1,539,182
Fund Balance - Beginning	<u>1,998,800</u>	<u>1,909,688</u>	<u>(89,112)</u>
Fund Balance - Ending	<u>\$ 42,300</u>	<u>\$ 1,504,980</u>	<u>\$ 1,450,070</u>

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

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

To account for proceeds received from the State for the City's State Housing Initiative Partnership (SHIP) program.

Community Development Block Grant

To account for proceeds received from a Housing and Community Development Grant program for common residential improvements.

HOME Grant

To account for the proceeds received from the State for the City's HOME Grant.

Miscellaneous Donations

To account for proceeds received as donations to the Police, Fire and Parks and Recreation Departments.

Impact Fee Trust

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.

Building Permit & Inspection

To account for proceeds designated for operation of the City's Building Department.

Bayfront Community Redevelopment Agency

To account for ad Valorem tax revenues accumulated for community redevelopment in the areas where the taxes were assessed.

DEBT SERVICE FUNDS

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

Public Service Tax Bonds

To account for the principal and interest payments of the Public Service Tax Refunding Revenue Bonds, Series 2001.

Limited Ad Valorem Tax Bonds

To account for the principal and interest payments of the limited Ad Valorem Tax Bonds, Series 1996.

CITY OF PALM BAY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
September 30, 2003

	Special			
	Law		Community	
	Enforcement	SHIP	Development	HOME
	Trust	Program	Block Grant	Grant
ASSETS				
Cash and Cash Equivalents	\$ 212,655	\$ 264,487	\$ -	\$ -
Accounts Receivable	-	115,864	91,572	49,679
Prepaid Items	-	-	-	-
Total Assets	212,655	380,351	91,572	49,679
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	10,774	6,932	68,097	49,679
Accrued Liabilities	-	-	5,244	-
Deferred Revenue	114,698	373,419	-	-
Total Liabilities	125,472	380,351	73,341	49,679
Fund Balances:				
Reserved for:				
Prepaid Items	-	-	-	-
Encumbrances	13,985	-	-	-
Unreserved Reported In:				
Special Revenue Funds	73,198	-	18,231	-
Debt Service Fund	-	-	-	-
Total Fund Balances	87,183	-	18,231	-
Total Liabilities and				
Fund Balances	\$ 212,655	\$ 380,351	\$ 91,572	\$ 49,679

Revenue Funds			Debt Service Funds			
Miscellaneous Donations	Impact Fee Trust	Building Permit & Inspection	Bayfront	Public Service Tax Bonds	Limited Ad Valorem Tax Bonds	Total Nonmajor Governmental Funds
			Community Redevelopment Agency			
\$ 19,539	\$ 2,258,774	\$ 1,703,625	\$ 293,500	\$ 603,572	\$ 992,248	\$ 6,348,400
-	4,287	2,306	-	-	10,661	274,369
-	-	4,003	2,748	-	-	6,751
<u>19,539</u>	<u>2,263,061</u>	<u>1,709,934</u>	<u>296,248</u>	<u>603,572</u>	<u>1,002,909</u>	<u>6,629,520</u>
1,494	4,182	2,486	109	-	-	143,753
-	-	42,040	16	-	36,728	84,028
-	-	-	-	-	8,835	496,952
<u>1,494</u>	<u>4,182</u>	<u>44,526</u>	<u>125</u>	<u>-</u>	<u>45,563</u>	<u>724,733</u>
-	-	4,003	2,748	-	-	6,751
-	-	14,649	19,500	-	-	48,134
18,045	2,258,879	1,646,756	273,875	-	-	4,288,984
-	-	-	-	603,572	957,346	1,560,918
<u>18,045</u>	<u>2,258,879</u>	<u>1,665,408</u>	<u>296,123</u>	<u>603,572</u>	<u>957,346</u>	<u>5,904,787</u>
<u>\$ 19,539</u>	<u>\$ 2,263,061</u>	<u>\$ 1,709,934</u>	<u>\$ 296,248</u>	<u>\$ 603,572</u>	<u>\$ 1,002,909</u>	<u>\$ 6,629,520</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, 2003

	Special			
	Law		Community	
	Enforcement	SHIP	Development	HOME
	Trust	Program	Block Grant	Grant
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Impact Fees	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenues	-	669,188	732,439	286,902
Charges for Services	-	170,366	22,059	-
Fines and Forfeitures	103,879	-	-	-
Investment Income	3,020	4,582	-	-
Miscellaneous Revenues	-	-	-	-
Total Revenues	<u>106,899</u>	<u>844,136</u>	<u>754,498</u>	<u>286,902</u>
EXPENDITURES				
Current:				
Public Safety	46,241	-	-	-
Economic Environment	-	844,136	733,724	286,902
Culture/Recreation	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>46,241</u>	<u>844,136</u>	<u>733,724</u>	<u>286,902</u>
Excess of Revenues				
Over (Under) Expenditures	<u>60,658</u>	<u>-</u>	<u>20,774</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers (Out)	(34,400)	-	-	-
Total Other Financing Sources (Uses)	<u>(34,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	26,258	-	20,774	-
Fund Balances (Deficit) - Beginning	<u>60,925</u>	<u>-</u>	<u>(2,543)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 87,183</u>	<u>\$ -</u>	<u>\$ 18,231</u>	<u>\$ -</u>

Revenue Funds				Debt Service Funds		
Miscellaneous Donations	Impact Fee Trust	Building Permit & Inspection	Bayfront Community Redevelopment Agency	Public Service Tax Bonds	Limited Ad Valorem Tax Bonds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 161,538	\$ -	\$ 1,591,521	\$ 1,753,059
-	1,608,249	-	-	-	-	1,608,249
-	-	2,179,228	-	-	-	2,179,228
-	-	-	-	-	-	1,688,529
-	-	89,799	-	-	-	282,224
-	-	-	-	-	-	103,879
247	33,129	17,644	2,812	6,413	16,991	84,838
8,038	-	3,729	-	-	-	11,767
<u>8,285</u>	<u>1,641,378</u>	<u>2,290,400</u>	<u>164,350</u>	<u>6,413</u>	<u>1,608,512</u>	<u>7,711,773</u>
9,101	-	1,251,385	-	-	-	1,306,727
-	-	-	13,954	-	-	1,878,716
3,477	-	-	-	-	-	3,477
-	-	-	-	445,000	1,360,000	1,805,000
-	-	-	-	407,942	216,192	624,134
<u>12,578</u>	<u>-</u>	<u>1,251,385</u>	<u>13,954</u>	<u>852,942</u>	<u>1,576,192</u>	<u>5,618,054</u>
<u>(4,293)</u>	<u>1,641,378</u>	<u>1,039,015</u>	<u>150,396</u>	<u>(846,529)</u>	<u>32,320</u>	<u>2,093,719</u>
-	-	-	-	822,200	-	822,200
-	(1,546,800)	(282,700)	-	-	-	(1,863,900)
-	(1,546,800)	(282,700)	-	822,200	-	(1,041,700)
(4,293)	94,578	756,315	150,396	(24,329)	32,320	1,052,019
<u>22,338</u>	<u>2,164,301</u>	<u>909,093</u>	<u>145,727</u>	<u>627,901</u>	<u>925,026</u>	<u>4,852,768</u>
<u>\$ 18,045</u>	<u>\$ 2,258,879</u>	<u>\$ 1,665,408</u>	<u>\$ 296,123</u>	<u>\$ 603,572</u>	<u>\$ 957,346</u>	<u>\$ 5,904,787</u>

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT TRUST
For the Year Ended September 30, 2003

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Fines and Forfeitures	\$ -	\$ 103,879	\$ (103,879)
Investment Income	-	3,020	(3,020)
Total Revenues	-	106,899	(106,899)
EXPENDITURES			
Current:			
Public Safety	76,600	46,241	30,359
Total Expenditures	76,600	46,241	30,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,600)	60,658	(76,540)
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(34,400)	(34,400)	-
Total Other Financing Sources and (Uses)	(34,400)	(34,400)	-
Net Change in Fund Balance	(111,000)	26,258	(76,540)
Fund Balance - Beginning	114,000	60,925	(53,075)
Fund Balance - Ending	\$ 3,000	\$ 87,183	\$ (129,615)

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
SHIP PROGRAM

For the Year Ended September 30, 2003

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 810,300	\$ 669,188	\$ (141,112)
Charges for Services	170,400	170,366	(34)
Investment Income	4,000	4,582	582
Total Revenues	984,700	844,136	(140,564)
EXPENDITURES			
Current:			
Economic Environment	984,700	844,136	140,564
Total Expenditures	984,700	844,136	140,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
For the Year Ended September 30, 2003

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 1,473,700	\$ 732,439	\$ (741,261)
Charges for Services	-	22,059	(22,059)
Total Revenues	1,473,700	754,498	(763,320)
EXPENDITURES			
Current:			
Economic Environment	1,488,000	733,724	754,276
Total Expenditures	1,488,000	733,724	754,276
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,300)	20,774	(9,044)
Net Change in Fund Balance	(14,300)	20,774	(9,044)
Fund Balance (Deficit) - Beginning	14,300	(2,543)	(16,843)
Fund Balance - Ending	\$ -	\$ 18,231	\$ (25,887)

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
HOME GRANT
For the Year Ended September 30, 2003

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ 427,200	\$ 286,902	\$ (140,298)
Total Revenues	427,200	286,902	(140,298)
EXPENDITURES			
Current:			
Economic Environment	427,200	286,902	140,298
Total Expenditures	427,200	286,902	140,298
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS DONATIONS
For the Year Ended September 30, 2003

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ -	\$ 247	\$ (247)
Miscellaneous Revenues	-	<u>8,038</u>	<u>(8,038)</u>
Total Revenues	<u>-</u>	<u>8,285</u>	<u>(8,285)</u>
EXPENDITURES			
Current:			
Public Safety	9,101	9,101	-
Culture/Recreation	<u>3,477</u>	<u>3,477</u>	<u>-</u>
Total Expenditures	<u>12,578</u>	<u>12,578</u>	<u>-</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(12,578)</u>	<u>(4,293)</u>	<u>(8,285)</u>
Net Change in Fund Balance	(12,578)	(4,293)	(8,285)
Fund Balance - Beginning	<u>12,578</u>	<u>22,338</u>	<u>9,760</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 18,045</u>	<u>\$ 1,475</u>

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
IMPACT FEE TRUST
For the Year Ended September 30, 2003

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Impact Fees	\$ 956,900	\$ 1,608,249	\$ (651,349)
Investment Income	37,800	33,129	4,671
Total Revenues	994,700	1,641,378	(646,678)
 Excess of Revenues Over Expenditures	 994,700	 1,641,378	 (646,678)
 OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(1,547,800)	(1,546,800)	(1,000)
Total Other Financing Sources and (Uses)	(1,547,800)	(1,546,800)	(1,000)
 Net Change in Fund Balance	 (553,100)	 94,578	 (647,678)
 Fund Balance - Beginning	 2,041,800	 2,164,301	 122,501
 Fund Balance - Ending	 \$ 1,488,700	 \$ 2,258,879	 \$ (525,177)

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
BUILDING PERMIT AND INSPECTION
For the Year Ended September 30, 2003

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Licenses and Permits	\$ 1,241,700	\$ 2,179,228	\$ (937,528)
Charges for Services	50,600	89,799	(39,199)
Investment Income	26,500	17,644	8,856
Miscellaneous Revenues	4,400	3,729	671
Total Revenues	1,323,200	2,290,400	(29,672)
 EXPENDITURES			
Current:			
Public Safety	1,373,900	1,251,385	122,515
Total Expenditures	1,373,900	1,251,385	122,515
 Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,700)	1,039,015	92,843
 OTHER FINANCING (USES)			
Transfers (Out)	(282,700)	(282,700)	-
Total Other Financing (Uses)	(282,700)	(282,700)	-
 Net Change in Fund Balance	(333,400)	756,315	92,843
 Fund Balance - Beginning	630,400	909,093	278,693
 Fund Balance - Ending	\$ 297,000	\$ 1,665,408	\$ 371,536

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
BAYFRONT COMMUNITY REDEVELOPMENT AGENCY
For the Year Ended September 30, 2003

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Budget - Positive (Negative)
REVENUES			
Taxes	\$ 168,800	\$ 161,538	\$ (7,262)
Investment Income	<u>10,000</u>	<u>2,812</u>	<u>7,188</u>
Total Revenues	<u>178,800</u>	<u>164,350</u>	<u>(74)</u>
 EXPENDITURES			
Current:			
Economic Environment	<u>115,800</u>	<u>13,954</u>	<u>101,846</u>
Total Expenditures	<u>115,800</u>	<u>13,954</u>	<u>101,846</u>
 Excess of Revenues Over Expenditures	<u>63,000</u>	<u>150,396</u>	<u>101,772</u>
 Net Change in Fund Balance	63,000	150,396	101,772
 Fund Balance - Beginning	<u>126,900</u>	<u>145,727</u>	<u>18,827</u>
 Fund Balance - Ending	<u>\$ 189,900</u>	<u>\$ 296,123</u>	<u>\$ 120,599</u>

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
PUBLIC SERVICE TAX BONDS
For the Year Ended September 30, 2003

	Budget	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
Investment Income	\$ 15,500	\$ 6,413	\$ 9,087
Total Revenues	15,500	6,413	9,087
EXPENDITURES			
Debt Service:			
Principal Retirement	445,000	445,000	-
Interest and Fiscal Charges	408,000	407,942	58
Total Expenditures	853,000	852,942	58
TRANSFERS IN	822,200	822,200	-
Net Change in Fund Balance	(15,300)	(24,329)	9,029
Fund Balance - Beginning	655,100	627,901	(27,199)
Fund Balance - Ending	\$ 639,800	\$ 603,572	\$ (18,170)

CITY OF PALM BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
LIMITED AD VALOREM TAX BONDS
For the Year Ended September 30, 2003

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Budget - Positive (Negative)
REVENUES			
Taxes	\$ 1,567,100	\$ 1,591,521	\$ 24,421
Investment Income	<u>21,000</u>	<u>16,991</u>	<u>4,009</u>
Total Revenues	<u>1,588,100</u>	<u>1,608,512</u>	<u>28,430</u>
 EXPENDITURES			
Debt Service:			
Principal Retirement	1,360,000	1,360,000	-
Interest and Fiscal Charges	<u>216,300</u>	<u>216,192</u>	<u>108</u>
Total Expenditures	<u>1,576,300</u>	<u>1,576,192</u>	<u>108</u>
 Net Change in Fund Balance	11,800	32,320	28,322
 Fund Balance - Beginning	<u>913,100</u>	<u>925,026</u>	<u>11,926</u>
 Fund Balance - Ending	<u>\$ 924,900</u>	<u>\$ 957,346</u>	<u>\$ 40,248</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

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

To account for expenses incurred for insured and self-insured benefits under the City's Section 125 "cafeteria" benefits plan maintained for City employees.

CITY OF PALM BAY, FLORIDA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2003

	Risk Management	Employee Benefit	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,474,299	\$ 2,529,375	\$ 6,003,674
Accrued Interest	7,502	7,502	15,004
Accounts Receivable (net)	11,955	-	11,955
Total Current Assets	<u>3,493,756</u>	<u>2,536,877</u>	<u>6,030,633</u>
Capital Assets:			
Equipment	23,160	-	23,160
Total Capital Assets	<u>23,160</u>	<u>-</u>	<u>23,160</u>
Total Assets	<u>3,516,916</u>	<u>2,536,877</u>	<u>6,053,793</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	105,922	25,358	131,280
Accrued Liabilities	15,216	1,479	16,695
Estimated Claims Payable	1,427,795	365,000	1,792,795
Total Current Liabilities	<u>1,548,933</u>	<u>391,837</u>	<u>1,940,770</u>
Noncurrent Liabilities:			
Estimated Claims Payable	1,069,205	-	1,069,205
Total Noncurrent Liabilities	<u>1,069,205</u>	<u>-</u>	<u>1,069,205</u>
Total Liabilities	<u>2,618,138</u>	<u>391,837</u>	<u>3,009,975</u>
NET ASSETS			
Invested in Capital Assets	23,160	-	23,160
Unrestricted	875,618	2,145,040	3,020,658
Total Net Assets	<u>\$ 898,778</u>	<u>\$ 2,145,040</u>	<u>\$ 3,043,818</u>

CITY OF PALM BAY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2003

	Risk Management	Employee Benefit	Total
Operating Revenues:			
Charges for Services	\$ 2,745,300	\$ 5,019,807	\$ 7,765,107
Recoveries and Settlements	496,476	71,305	567,781
Miscellaneous Revenues	214	71	285
Total Operating Revenues	<u>3,241,990</u>	<u>5,091,183</u>	<u>8,333,173</u>
Operating Expenses:			
Personal Services	119,588	56,774	176,362
Contracted Services	116,196	692,014	808,210
Claims/Premium Expense	<u>2,870,665</u>	<u>4,015,020</u>	<u>6,885,685</u>
Total Operating Expenses	<u>3,106,449</u>	<u>4,763,808</u>	<u>7,870,257</u>
Operating Income	135,541	327,375	462,916
Nonoperating Revenues			
Interest Income	<u>46,715</u>	<u>37,408</u>	<u>84,123</u>
Change in Net Assets	182,256	364,783	547,039
Total Net Assets - Beginning	<u>716,522</u>	<u>1,780,257</u>	<u>2,496,779</u>
Total Net Assets - Ending	<u>\$ 898,778</u>	<u>\$ 2,145,040</u>	<u>\$ 3,043,818</u>

CITY OF PALM BAY, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended September 30, 2003

	Risk Management	Employee Benefit	Total
Cash Flows from Operating Activities			
Receipts form Customers and Users	\$ 804,946	\$ 711,206	\$ 1,516,152
Net Cash Provided by Operating Activities	<u>804,946</u>	<u>711,206</u>	<u>1,516,152</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(23,160)	-	(23,160)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(23,160)</u>	<u>-</u>	<u>(23,160)</u>
Cash Flows from Investing Activities			
Interest Income on Investments	46,894	33,933	80,827
Net Cash Provided by Investing Activities	<u>46,894</u>	<u>33,933</u>	<u>80,827</u>
Net Increase in Cash and Cash Equivalents	828,680	745,139	1,573,819
Cash and Cash Equivalents at Beginning of Year	<u>2,645,619</u>	<u>1,784,236</u>	<u>4,429,855</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,474,299</u>	<u>\$ 2,529,375</u>	<u>\$ 6,003,674</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income	\$ 135,541	\$ 327,375	\$ 462,916
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	28,948	-	28,948
(Increase) Decrease in Prepaid Expenses	-	235,678	235,678
Increase (Decrease) in Accounts Payable	103,426	77,019	180,445
Increase (Decrease) in Accrued Liabilities	690	1,134	1,824
Increase (Decrease) in Claims Payable	<u>536,341</u>	<u>70,000</u>	<u>606,341</u>
Total Adjustments	<u>669,405</u>	<u>383,831</u>	<u>1,053,236</u>
Net Cash Provided by Operating Activities	<u>\$ 804,946</u>	<u>\$ 711,206</u>	<u>\$ 1,516,152</u>

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



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CITY OF PALM BAY, FLORIDA

General Governmental Expenditures by Function - Unaudited

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Physical Environment	Transportation	Economic Environment
2003	\$ 6,757,044	\$ 23,543,036	\$ 959,716	\$ 6,164,540	\$ 1,878,716
2002	4,998,680	22,380,250	911,051	5,331,090	1,427,074
2001	4,034,741	20,844,148	885,684	5,550,831	1,657,239
2000	5,106,553	18,954,968	905,763	5,168,687	1,012,751
1999	4,649,784	18,235,315	969,526	5,164,545	1,261,721
1998	4,549,686	17,539,166	1,464,344	2,700,140	1,164,417
1997	5,637,226	16,080,789	1,929,019	3,664,151	830,720
1996	3,700,654	14,801,372	1,352,120	2,647,896	687,672
1995	3,860,236	14,301,472	1,166,820	3,562,750	742,991
1994	4,081,429	13,345,840	1,254,036	3,587,990	473,530

Note: This schedule includes General, Major and Non-Major Governmental Funds

Source: City of Palm Bay, Finance Department

Table 1

Human Services	Culture/ Recreation	Capital Outlay	Debt Service	Total
-	\$ 3,076,528	\$ 3,810,509	\$ 2,429,134	\$ 48,619,223
-	2,647,043	6,626,188	2,228,050	46,549,426
-	2,804,495	7,580,070	3,067,158	46,424,366
-	2,125,784	7,748,287	2,781,537	43,804,330
-	2,078,241	9,015,270	3,082,330	44,456,732
-	2,267,547	7,990,272	2,787,119	40,462,691
-	2,122,527	7,746,950	2,849,695	40,861,077
194,792	1,706,130	5,564,896	1,819,863	32,475,395
162,568	1,557,583	2,356,628	1,245,448	28,956,496
130,906	1,610,339	2,836,605	1,299,362	28,620,037

General Revenues and Other Financing Sources

Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Miscellaneous	Debt Proceeds	Total
2003	\$ 30,431,332	\$ 2,845,787	\$ 9,781,032	\$ 3,406,545	\$ 641,706	\$ 3,453,633	\$ -	\$ 50,560,035
2002	26,711,497	1,940,249	12,272,958	2,914,107	503,596	2,216,259	-	46,558,666
2001	24,395,041	1,671,273	11,483,241	3,173,383	409,777	2,977,953	8,544,397	52,655,065
2000	22,166,038	1,410,826	10,501,149	3,367,964	445,745	2,905,465	400,000	41,197,187
1999	21,714,114	1,322,728	10,516,281	3,009,965	409,946	2,730,292	715,700	40,419,026
1998	23,297,472	1,272,293	7,561,138	1,609,415	412,557	2,809,074	470,000	37,431,949
1997	20,656,566	1,224,770	8,473,181	2,558,521	290,126	4,193,900	250,000	37,647,064
1996	18,554,902	1,160,163	8,458,919	1,316,344	273,768	3,962,171	13,724,772	47,451,039
1995	17,773,783	1,099,551	7,321,045	1,137,635	137,336	3,826,519	51,705	31,347,574
1994	17,012,514	1,216,035	6,592,898	800,139	188,519	2,695,605	229,943	28,735,653

Note: This schedule includes General, Major and Non-Major Governmental Funds

Source: City of Palm Bay, Finance Department

Property Tax Valuations, Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Taxable Assessed Valuation	Tax Rate in Mills	Total Taxes Levied	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Ratio of Collections to Levy	Out-standing Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
2003	\$ 2,140,181,100	7.639	\$ 16,348,843	\$ 15,818,623	\$ 150,932	15,969,555	96.8%	\$104,894	0.6%
2002	2,018,400,118	7.656	15,453,477	14,735,939	165,067	14,901,006	95.4%	107,855	0.7%
2001	1,907,434,163	7.656	14,603,888	13,964,511	159,501	14,124,012	95.6%	86,312	0.6%
2000	1,827,260,105	7.174	13,108,764	12,504,705	120,988	12,625,693	96.3%	51,700	0.4%
1999	1,775,798,285	7.174	12,739,577	12,172,105	91,698	12,263,803	96.3%	66,960	0.5%
1998	1,783,936,791	7.174	12,797,964	12,225,176	457	12,225,633	95.5%	72,534	0.6%
1997	1,741,620,686	7.174	12,494,735	11,737,811	74,603	11,812,414	94.5%	82,719	0.7%
1996	1,730,974,055	5.632	9,749,538	9,236,848	134,005	9,370,853	96.1%	34,416	0.4%
1995	1,735,518,566	5.279	9,162,497	8,717,748	201,612	8,919,360	97.3%	58,731	0.6%
1994	1,704,220,470	4.828	8,228,658	7,725,000	455,260	8,180,260	99.4%	47,159	0.6%

Source: City of Palm Bay, Finance Department

CITY OF PALM BAY, FLORIDA

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Levy Year	Real Property		Personal Property	
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value
2003	\$ 2,105,471,250	\$ 3,159,270,890	\$ 267,646,109	\$ 315,972,462
2002	1,908,374,320	2,825,943,240	235,938,159	274,406,166
2001	1,776,797,380	2,597,040,090	239,101,732	273,913,085
2000	1,662,872,170	2,433,447,830	241,528,825	268,729,036
1999	1,576,030,930	2,316,954,710	250,597,876	278,808,684
1998	1,528,543,180	2,239,123,250	246,778,925	273,207,322
1997	1,524,327,480	2,205,577,120	257,793,194	284,435,441
1996	1,495,647,890	2,142,392,520	244,502,423	267,714,902
1995	1,462,693,990	2,082,036,580	266,787,789	292,293,198
1994	1,451,675,660	2,043,600,850	282,265,841	307,933,604

Note: Difference between Taxable Value and Estimated Actual Value includes the various exemptions:
i.e., government, disability, institutional, homestead, etc.

Source: Brevard County Property Appraiser

Table 4

Centrally Assessed Property		Total		Ratio of Total Taxable Value to Total Estimated Actual Value
Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
\$ 2,827,286	\$ 2,827,286	\$ 2,375,944,645	\$ 3,478,070,638	68.3%
2,502,381	2,502,381	2,146,814,860	3,102,851,787	69.2%
1,976,140	1,976,140	2,017,875,252	2,872,929,315	70.2%
1,879,338	1,879,338	1,906,280,333	2,704,056,204	70.5%
1,778,859	1,778,859	1,828,407,665	2,597,542,253	70.4%
1,764,920	1,764,920	1,777,087,025	2,514,095,492	70.7%
1,816,117	1,816,117	1,783,936,791	2,491,828,678	71.6%
1,470,373	1,470,373	1,741,620,686	2,411,577,795	72.2%
1,492,276	1,492,276	1,730,974,055	2,375,822,054	72.9%
1,577,065	1,577,065	1,735,518,566	2,353,111,519	73.8%

Schedule of Property Tax Rates and Tax Levies - Direct and Overlapping Governments

Last Ten Fiscal Years

Fiscal Year	Tax Rate (per \$1,000 of assessed valuation)				Total	Tax Levies					Total
	City	County	Schools	Other		City	County	Schools	Other		
2003	7.6394	6.440	8.605	0.6375	23.321	\$ 16,349,699	\$ 13,781,696	\$ 18,416,258	\$ 1,364,365	\$ 49,912,018	
2002	7.6563	6.214	8.674	0.6431	23.188	15,453,477	12,542,944	17,507,603	1,298,033	46,802,057	
2001	7.656	5.503	8.908	0.663	22.730	14,603,888	10,496,992	16,991,424	1,264,629	43,356,933	
2000	7.174	5.599	9.171	0.623	22.567	13,109,129	10,231,012	16,757,802	1,137,835	41,235,778	
1999	7.174	5.648	9.578	0.630	23.030	12,739,932	10,029,176	17,008,596	1,118,398	40,896,102	
1998	7.174	5.703	9.458	0.634	22.969	12,798,319	10,174,683	16,873,366	1,130,124	40,976,492	
1997	7.174	5.523	9.662	0.846	23.205	12,494,735	9,618,797	16,827,539	1,474,108	40,415,179	
1996	5.632	5.520	9.195	0.860	21.207	9,749,538	9,553,592	15,916,306	1,487,945	36,707,381	
1995	5.279	5.680	9.289	0.882	21.130	9,162,497	9,856,531	16,121,232	1,529,860	36,670,120	
1994	4.828	5.934	9.215	0.624	20.601	8,228,658	10,113,526	15,704,392	1,062,581	35,109,157	

Source: Brevard County Tax Collector

Schedule of Assessment Collection

Last Ten Fiscal Years

Fiscal Year	Assessments Outstanding Beginning of Year	Special Assessments Levied	Special Assessments Collected	Assessments Outstanding End of Year
2003	\$ 25,907	\$ -	\$ 503	\$ 25,404
2002	26,522	-	615	25,907
2001	29,386	-	2,864	26,522
2000	30,199	-	813	29,386
1999	39,408	-	9,209	30,199
1998	40,355	-	947	39,408
1997	40,395	-	40	40,355
1996	40,470	-	75	40,395
1995	50,128	-	9,758	40,470
1994	54,754	-	4,626	50,128

Note: This schedule reflects the assessments levied for Paving, Drainage and Water/Sewer Improvements

Source: City of Palm Bay, Finance Department

Schedule of Outstanding Assessments

September 30, 2003

	Project Cost	Assessment	Collections	Receivable at yearend
Port Malabar Unit 28	\$402,736	\$211,806	\$209,234	\$2,572
Hield Road	376,563	376,563	370,186	6,377
Rhum Cove	363,366	363,366	361,905	1,461
Malabar Road	304,552	66,000	63,899	2,101
Tropicana	269,212	225,000	217,602	7,398
Fairview Project	115,177	115,000	110,839	4,161
Fourth Avenue	12,184	12,000	10,667	1,333
	<u>\$1,843,790</u>	<u>\$1,369,735</u>	<u>\$1,344,331</u>	<u>\$25,404</u>

Source: City of Palm Bay, Finance Department

Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds

September 30, 2003

<u>Taxing District</u>	(a) Percentage of Debt Applicable to the City	City's Share of Debt
<u>Net Debt Outstanding</u>		
Brevard County	<u>\$84,506,179</u>	<u>10.82%</u>
		<u>\$9,147,767</u>

Notes: (a) Based on 2002 taxable assessed valuation

Source: City of Palm Bay, Finance Department
Brevard County, Finance Department

Water and Sewer System Revenue Bond Coverage

Last Ten Fiscal Years

Fiscal Year		Operating Revenue (1)	Direct Operating Expenses (2)	Net Available For Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2003	(7)	\$ 17,597,092	\$ 8,390,966	\$ 9,206,126	\$ 880,834	\$ 2,977,967	\$ 3,858,801	2.39
2002	(6)	17,139,624	8,066,036	9,073,588	1,690,000	3,800,598	5,490,598	1.65
2001		15,180,042	7,628,555	7,551,487	1,530,000	3,970,239	5,500,239	1.37
2000		13,373,776	6,408,565	6,965,211	1,380,000	4,056,939	5,436,939	1.28
1999	(5)	12,626,754	5,668,070	6,958,684	1,330,000	3,368,295	4,698,295	1.48
1998		11,669,153	5,504,019	6,165,134	1,285,000	3,045,983	4,330,983	1.42
1997		11,042,888	5,373,092	5,669,796	1,240,000	3,089,736	4,329,736	1.31
1996		10,987,472	5,375,615	5,611,857	1,205,000	3,129,151	4,334,151	1.29
1995	(4)	10,164,519	4,294,038	5,870,481	835,000	3,144,497	3,979,497	1.48
1994	(3)	-	-	-	-	-	-	N/A

Notes:

- (1) Operating Revenues include interest income and capitalized interest
- (2) Direct Operating Expenses are operating expenses excluding depreciation and amortization
- (3) In FY 93/94, the Water & Sewer Utility System was operated by PBUC
- (4) In FY 94/95, the City re-acquired the utility system. Amounts include Palm Bay Utility Corporation (PBUC) prior to the reacquisition on 4/1/95
- (5) In FY 98/99, the City issued 1998 Utility System Capital Improvement Revenue Bonds
- (6) In FY 01/02, the City refunded the 1992A Refunding Revenue bonds with the 2002 Refunding Revenue Bonds
- (7) In FY 02/03, the City refunded the 1994 Refunding Revenue bonds with the 2003 Refunding Revenue Bonds

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

Source: City of Palm Bay, Finance Department

CITY OF PALM BAY, FLORIDA

Table 10

Demographic Statistics (Population)

Last Thirty-Three Years

<u>Fiscal Year</u>	<u>City Population</u>	<u>% Change During Period</u>	<u>Brevard County Population</u>	<u>% Change During Period</u>
2003	84,994	3%	507,810	3%
2002	82,611	2%	494,102	2%
2001	80,685	2%	485,178	2%
2000	79,413 *	1%	476,230 *	1%
1999	79,131	2%	474,803	2%
1998	77,973	3%	465,825	2%
1997	75,987	2%	458,035	-1%
1996	74,395	2%	459,164	3%
1995	73,137	2%	444,992	2%
1994	71,492	3%	436,333	2%
1993	69,197	3%	427,035	2%
1992	66,963	3%	417,740	2%
1991	65,015	4%	409,370	3%
1990	62,632 *	237%	398,978 *	46%
1980	18,560 *	159%	272,959 *	19%
1970	7,176 *	-	230,006 *	-

Note: * Per U.S. Census

All other information is as of April 1 of each year

Source: Bureau of Economic and Business Research, University of Florida
US Census

Construction, Property Value and Bank Deposits

Last Ten Fiscal Years

Fiscal Year	Commercial/Industrial Construction (1)		Residential Construction (1)		Taxable Property Value (2)	Bank Deposits (3) (in thousands)	Savings & Loan Deposits (3) (in thousands)
	Number of Permits	Value	Number of Permits	Value			
2003	866	\$ 34,437,490	11,271	\$ 240,043,886	\$ 2,388,467,215	\$ 4,491,000	\$ 799,000
2002	963	37,672,743	7,943	126,279,151	2,140,181,100	4,246,000	701,000
2001	1,027	38,532,468	6,676	88,847,672	2,018,400,118	4,135,000	542,000
2000	827	23,164,673	7,011	76,438,882	1,907,434,163	3,829,482	488,437
1999	853	31,906,232	6,139	72,751,409	1,827,260,105	3,731,422	450,877
1998	782	11,942,178	6,174	69,076,761	1,775,798,285	3,608,692	412,020
1997	1,088	31,382,193	5,642	65,853,973	1,783,936,791	3,395,078	419,342
1996	650	15,366,880	5,815	64,845,362	1,741,620,686	3,139,118	536,130
1995	926	28,319,282	5,736	57,336,567	1,730,974,055	3,120,132	469,461
1994	943	10,473,194	4,681	81,171,849	1,735,518,566	3,092,501	414,435

Note: Bank and Savings & Loan Deposits are for Brevard County

Sources: (1) City of Palm Bay Building Department
(2) Brevard County Property Appraiser
(3) FDIC

Principal Taxpayers

September 30, 2003

Taxpayers	Percentage of Total Taxes Levied	Taxes Assessed
Harris Corporation	1.6%	\$256,174
Intersil Corporation	1.4%	225,575
Edens & Avant	0.9%	145,598
LBK 3 LP	0.4%	71,774
Lighthouse Pointe Project	0.4%	61,520
Vestcor Fund XII LTD	0.4%	59,470
HF Partnership	0.4%	58,103
Park at Palm Bay, Limited	0.4%	57,419
Capstone Capital Corporation	0.3%	56,667
Farash, Max	0.3%	49,900
Total	<u>6.4%</u>	<u>\$1,042,200</u>

Note: The tax levy for fiscal year ended September 30, 2003 is based on the 2002 tax year

Source: Brevard Tax Collector

Miscellaneous Statistical Data

September 30, 2003

Date of Incorporation:		January 16, 1960
Form of Government:		Council - Manager
Number of City Employees (excluding police and firefighters):		482
Area in square miles:		69
Population:		84,994
Facilities and services included in the reporting entity:		
Miles of Streets:		860
Street Lights:		3,556
Fire Protection:	Number of stations	5
	Number of firefighters and officers	114
	Number of calls answered	8,245
Police Protection:	Number of stations	2
	Number of policemen and officers	139
	Number of Patrol units	88
Sewerage System:	Miles of sanitary sewers	
	Gravity Sewer	161
	Force main	71
	Number of treatment plants	2
	Number of service connections	10,787
	Daily average treatment in gallons	2.78mgd
	Maximum daily capacity of treatment plants in gallons	5.2mgd
Water System:	Miles of water mains	
	Potable water	540
	Raw water	13
	Number of service connections	23,927
	Number of fire hydrants	1,885
	Daily average consumption in gallons	6.13mgd
	Maximum daily capacity of plant in gallons	10mgd
Building Permits Issued:	Valuation	274,481,376
	Total permits issued	12,137
	Permits issued for single family homes	1,433
Culture and Recreation:	Community Centers	1
	Number of developed parks	14
	Developed parks in acres	460
	Total parkland in acres	1,500
Facilities and services not included in the reporting entity:		
Schools:	Number of elementary schools	10
	Number of secondary schools	2
	Number of charter schools	5
	Total enrollment of public schools	12,133
Hospitals:	Number of hospitals	1
	Number of patient beds	60

Source: City of Palm Bay
Florida State Department of Education (as of 12/31/03)

Impact Fee Collections and Balances

Last Ten Fiscal Years

Collections						
Fiscal Year	Police Impact Fees	Fire Impact Fees	Parks Impact Fees	Transportation Impact Fees	Total Collections	
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	
2000	18,780	70,260	96,181	758,124	943,345	
1999	19,767	67,807	115,591	1,051,714	1,254,879	
1998	16,013	55,159	94,693	716,348	882,213	
1997	16,765	56,032	112,614	876,263	1,061,674	
1996	15,048	46,731	83,475	779,211	924,465	
1995	13,641	42,618	79,572	653,109	788,940	
1994	19,884	60,927	112,116	875,414	1,068,341	

Balances					
Type	Balance at beginning of Fiscal Year	Collections	Uses	Balance at end of Fiscal Year	
Police Impact Fees	\$ 37,990	\$ 30,842	\$ 42,200	\$ 26,632	
Fire Impact Fees	260,667	101,704	293,100	\$ 69,271	
Parks Impact Fees	171,659	220,899	166,500	\$ 226,058	
Transportation Impact Fees	<u>1,693,984</u>	<u>1,287,933</u>	<u>1,045,000</u>	<u>\$ 1,936,917</u>	
Totals	\$ 2,164,300	\$ 1,641,378	\$ 1,546,800	\$ 2,258,878	

Note:

Collections include Interest Earnings

Source: City of Palm Bay, Finance Department

Utility Debt Service Applicable to Transportation Projects

Last Five Fiscal Years

Revenue Bonds, Series 1998			
Fiscal Year	Debt Service		Portion Related To Road Improvements
2003	\$	1,193,972	\$ 513,408
2002		1,145,267	492,465
2001		1,146,527	493,007
2000		1,111,528	477,957
1999		926,273	398,297

Note: 43% of Project Cost is related to Roadway Restoration and Drainage Improvements

Historical Public Service Tax Receipts By Category

Last Three Fiscal Years

Fiscal Year	Electricity	Communication Services	Gas	Water	Total
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

Source: City of Palm Bay, Finance Department

Debt Service Coverage

Last Three Fiscal Years

	Fiscal Year		
	2001	2002	2003
Operating Revenues	\$ 12,878,314	\$ 14,502,253	\$ 15,363,396
Interest Income	2,301,728	2,637,371	2,233,696
Operating Expenses (excl. depreciation/amortization)	<u>(7,628,555)</u>	<u>(8,066,036)</u>	<u>(8,390,966)</u>
Net Revenues	\$ 7,551,487	\$ 9,073,588	\$ 9,206,126
Restricted MLE Account Balance	3,365,500	3,365,500	3,365,500
MLE Portion Attributable to MLE Expansion %	1,146,530	1,145,270	1,193,980
Connection Fees Available for Debt Service	1,514,920	1,514,920	1,135,492
Debt Service			
1994 Revenue Bonds	\$ 3,787,306	\$ 3,784,212	\$ 1,191,023
1998 Revenue Bonds	1,146,528	1,145,268	1,193,972
2001 Revenue Bonds	-	-	600,000
2002 Revenue Bonds	-	383,216	532,538
2003 Revenue Bonds	-	-	341,267
Total Debt Service	\$ 4,933,834	\$ 5,312,696	\$ 3,858,800
DEBT SERVICE COVERAGE			
<u>PART A: Parity Debt Service</u>			
<u>Test 1</u>			
Net Revenues	\$ 7,551,487	\$ 9,073,588	\$ 9,206,126
Parity Debt Service Less Portion Attributable to MLE Expansion %	\$ 3,787,304	\$ 4,167,426	\$ 2,664,820
Projected Required	199% 110%	218% 110%	345% 110%
and			
<u>Test 2</u>			
Net Revenues	\$ 7,551,487	\$ 9,073,588	\$ 9,206,126
Restricted MLE Account Balance	<u>3,365,500</u>	<u>3,365,500</u>	<u>3,365,500</u>
Total	\$ 10,916,987	\$ 12,439,088	\$ 12,571,626
Parity Debt Service	\$ 4,933,834	\$ 5,312,696	\$ 3,858,800
Projected Required	221% 110%	234% 110%	326% 110%
Or			
<u>PART B: Parity Debt Service</u>			
<u>Test 1</u>			
Net Revenues	\$ 7,551,487	\$ 9,073,588	\$ 9,206,126
Connection Fees Available for Debt Service	<u>1,514,920</u>	<u>1,514,920</u>	<u>1,135,492</u>
Total	\$ 9,066,407	\$ 10,588,508	\$ 10,341,618
Parity Debt Service Less Portion Attributable to MLE Expansion %	\$ 3,787,304	\$ 4,167,396	\$ 2,664,800
Projected Required	239% 120%	254% 120%	388% 120%
and			
<u>Test 2</u>			
Net Revenues	\$ 7,551,487	9,073,588	\$ 9,206,126
Connection Fees Available for Debt Service	1,514,920	1,514,920	1,135,492
Restricted MLE Account Balance	<u>3,365,500</u>	<u>3,365,500</u>	<u>3,365,500</u>
Total	\$ 12,431,907	13,954,008	\$ 13,707,118
Parity Debt Service	\$ 4,933,834	\$ 5,312,696	\$ 3,858,800
Projected Required	252% 120%	263% 120%	355% 120%
and			
<u>Test 3</u>			
Net Revenues	\$ 7,551,487	\$ 9,073,588	\$ 9,206,126
Parity Debt Service	\$ 4,933,834	\$ 5,312,696	\$ 3,858,800
Projected Required	153% 100%	171% 100%	239% 100%

Source: City of Palm Bay

Ten Largest Customers of the Water and Wastewater System

September 30, 2003

Water Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Intersil	50,254	2.73%	80,721	1.00%
Harris Corporation	\$ 48,340	2.63%	\$ 77,634	0.96%
Woodlake Village	16,260	0.88%	62,666	0.77%
Madalyn Landing	13,847	0.75%	43,493	0.54%
Sun Pointe Bay	12,964	0.70%	46,123	0.57%
The Park at Palm Bay	12,081	0.66%	38,329	0.47%
Vista Oaks West	10,222	0.56%	38,217	0.47%
Town of Malabar	9,898	0.54%	28,433	0.35%
Rinker Materials	7,996	0.43%	28,947	0.36%
Farash Florida	<u>7,961</u>	<u>0.43%</u>	<u>24,016</u>	<u>0.30%</u>
Total	\$ 139,569	7.58%	\$ 387,858	4.78%

Wastewater Customers	12-Month Usage (1)	Percent of Total	Revenue Generated	Percent of Total
Intersil	50,254	5.39%	72,178	1.38%
Harris Corporation	\$ 48,340	5.19%	\$ 69,416	1.33%
Woodlake Village	16,260	1.75%	59,367	1.13%
Madalyn Landing	13,847	1.49%	50,535	0.97%
Sun Pointe Bay	12,964	1.39%	47,307	0.90%
The Park at Palm Bay	12,081	1.30%	44,067	0.84%
Vista Oaks West	10,222	1.10%	37,329	0.71%
Town of Malabar	9,898	1.06%	36,151	0.69%
Farash Florida	7,961	0.85%	29,095	0.56%
MC Assembly and Test	<u>6,879</u>	<u>0.74%</u>	<u>25,093</u>	<u>0.48%</u>
Total	\$ 138,452	14.86%	\$ 398,360	7.61%

(1) In thousands of gallons

Source:
City of Palm Bay

Water and Wastewater Rate Structure and Monthly Rates

September 30, 2003

<u>All User Classes</u>	<u>WATER</u>	<u>WASTEWATER</u>			
Customer Service Charge	\$2.70				
<u>Residential Single Family:</u>			<u>(1) Monthly Usage Blocks (gallon)</u>		
Base Facility Charge:			<u>Block 1</u>	<u>Block 2</u>	<u>Block 3</u>
5/8 X 3/4"	\$8.39	\$12.65	0 - 10,000	10,001 - 20,000	Above 20,000
1"	\$20.98	\$12.65	0 - 25,000	25,001 - 50,000	Above 50,000
1 1/2"			0 - 50,000	50,001 - 100,000	Above 100,000
2"			0 - 80,000	80,001 - 160,000	Above 160,000
Usage Rate (per 1000 gallons) (1)					
First Block	\$2.86	\$3.66			
Second Block	\$3.71				
Third Block	\$4.57				
<u>Commercial/Multifamily:</u>					
Base Facility Charge:					
5/8 X 3/4"	\$8.39	\$12.65	0 - 10,000	Above 10,000	N/A
1"	\$20.98	\$31.63	0 - 25,000	Above 25,000	N/A
1 1/2"	\$41.95	\$63.25	0 - 50,000	Above 50,000	N/A
2"	\$67.12	\$101.20	0 - 80,000	Above 80,000	N/A
3"	\$134.24	\$202.40	0 - 160,000	Above 160,000	N/A
4"	\$209.75	\$316.25	0 - 250,000	Above 250,000	N/A
6"	\$419.50	\$632.50	0 - 500,000	Above 500,000	N/A
8"	\$671.20	\$1,012.00	0 - 800,000	Above 800,000	N/A
Usage Charge (per 1000 gallons)					
First Block	\$2.86	\$3.66			
Second Block	\$4.09				
<u>Industrial/Bulk User:</u>					
Base Facility Charge:					
2"	\$337.11	\$532.53			
3"	\$654.81	\$1,058.21			
4"	\$1,009.06	\$1,645.57			
6"	\$1,999.83	\$3,284.28			
Usage Charge - All Flow:					
	\$1.61	\$1.44			
<u>OTHER CHARGES</u>					
<u>Water and Wastewater Capital Charges (Connection Fees)</u>					
Charges are based on a unit cost per ERC which represents 275 and 210 gpd of water and wastewater capacity respectively.					
	<u>Per ERC</u>				
	Water	\$750.00			
	Wastewater	\$1,650.00			
<u>Main Line Extension Charges</u>					
The charge is based on the amount of front footage each specific property occupies upon its respective roadway.					
	<u>Per Linear Foot</u>				
	Water	\$12.88			
	Wastewater	\$31.96			
<u>Guaranteed Revenue Charges</u>					
Charges are billed annually prior to System connection in order to recover certain fixed operating costs of the system.					
	<u>Annual Rate per ERC</u>				
	Water	\$70.00			
	Wastewater	\$70.00			

CITY OF PALM BAY, FLORIDA

Table 20

Utility Rate Comparison with Neighboring Utilities

September 30, 2003

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
City of Palm Bay	22.69	30.95	53.64
<u>Neighboring Utilities</u>			
Brevard County	11.44	27.68	39.12
City of Cocoa	14.99	23.00	37.99
City of Daytona Beach	19.18	26.56	45.74
City of Edgewater	20.40	19.09	39.49
Indian River County	19.20	28.88	48.08
City of Melbourne	17.39	27.21	44.60
City of New Smyrna Beach	14.15	25.12	39.27
City of Ormond Beach	14.50	19.51	34.01
City of Port Orange	17.10	21.90	39.00
City of Port St. Lucie	21.15	40.03	61.18
City of Vero Beach	15.96	22.13	38.09
City of West Melbourne	22.68	21.58	44.26
Average of Neighboring Utilities	\$ 17.35	\$ 25.22	\$ 42.57

Note: Amounts shown are for 5,000 gallons monthly service and reflect standard residential single family rates effective October 1, 2002 and are exclusive of taxes. Rates are as reported by the respective utility.

Source: Hartman & Associates



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING 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 City of Palm Bay, Florida, as of and for the year ended September 30, 2003, and issued our report thereon dated February 29, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Palm Bay, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Harris, Cotherman, O'Keefe & Associates

Winter Park, Florida
February 29, 2004



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT

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*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to its major federal program and major state projects for the year ended September 30, 2003. The City's major federal program and major state projects 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 program and major state projects 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*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our 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 are applicable to its major federal program and major state projects for the year ended September 30, 2003.

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 and state projects. In planning and performing our audit, we considered the City of Palm Bay, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our 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 and Chapter 10.550, Rules of the Auditor General.



**Harris, Cotheman,
O'Keefe & Associates**

Certified Public Accountants

Internal Control Over Compliance - Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

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, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to the major federal program and state projects for the year ended September 30, 2003 as indicated above. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes 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 has been subjected to auditing procedures, as considered necessary and, in our opinion, 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 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.

Harris, Cotheman, O'Keefe & Associates

Winter Park, Florida
February 29, 2004

CITY OF PALM BAY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2003

FEDERAL AWARDS

<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 Justice</u>				
Bulletproof Vest Partnership Program	16.607	02/03	\$ 6,310	\$ -
Law Enforcement Block Grant	16.592	2000-LB-VX-0696	53,263	
		2001-LB-BX-1197	117,874	
		2002-LB-BX-1158	<u>27,501</u>	
			198,638	-
Passed through the Florida Office of the Attorney General:				
Victim Crime Act Grant	16.575	V1130/V2118	67,125	-
<u>Federal Emergency Management Agency</u>				
Assistance to Firefighters Program	83.554	EMW-2002-F6-15617	63,022	-
Passed through Florida Department of Community Affairs:				
Stormwater Management	83.548	02-HM-3M-06-15-15	99,370	-
<u>U.S. Department of Health and Rehabilitative Services:</u>				
Passed through the Florida Department of Health and Rehabilitative Services:				
Fluoridation Grant	93.991	LP 991	50,000	-
<u>U.S. Department of Transportation</u>				
Passed through the Florida Department of Transportation:				
DUI Specialist	20.601	J8-03-06-17	31,247	-
Lagoon House	20.205	410917-1-38.01	9,364	
I-95 Interchange Landscaping	20.205	405184-1-58-01	<u>384,106</u>	
			393,470	-
<u>U.S. Department of H.U.D.</u>				
Community Development Block Grant	14.218	B03 MC120032	732,439	56,665
Passed through Brevard County:				
HOME Grant	14.239	M03 DC12-2003	<u>286,901</u>	<u>210,922</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,928,522</u>	<u>\$ 267,587</u>

Continued

CITY OF PALM BAY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE - Continued
 For the year ended September 30, 2003

STATE FINANCIAL ASSISTANCE

<u>Agency/Program</u>	<u>CSFA #</u>	<u>Grant #</u>	<u>State Expenditures</u>	<u>Subrecipients</u>
<u>Florida Housing Finance Agency</u>				
State Housing Initiatives Partnership Program	52.901	n/a	\$ 844,136	\$ 82,875
<u>Florida Department of Environmental Protection</u>				
Riviera Drive Park	37.017	F1324	12,369	
Sterner Park	37.017	F1321	<u>150,000</u>	
			162,369	-
Passed through the St. Johns Water Management District:				
Water Quality Improvement Grant	37.022	SD628AA	2,619	-
<u>Florida Department of Community Affairs</u>				
Emergency Operations Center	52.011	02-PR-37-06-15-02-011	187,000	-
<u>Florida Department of Health</u>				
EMS Matching Grant	64.005	M3060	<u>7,050</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 1,203,174</u>	<u>\$ 82,875</u>

NOTE 1

Grant revenue and expenditures are recorded in accordance with accounting principles generally accepted in the United States of America. Grant revenues are recognized only when allowable program costs have been incurred. This revenue recognition criteria for grants is applied to all funds. In addition, grant revenues are recognized in governmental funds when the availability criteria has been met.

CITY OF PALM BAY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- . Material weakness(es) identified? _____ Yes X No
- . Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted. _____ Yes X No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

- . Material weakness(es) identified? _____ Yes X No
- . Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs and state projects: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with the Rules of the Auditor General? _____ Yes X No

Identification of major federal and state programs:

CFDA Number	Name of Federal Program
14.218	Community Development Block Grant
CSFA Number	Name of State Project
52.901	State Housing Initiatives Partnership Program
52.011	Emergency Operations Center

Dollar threshold used to distinguish between type A and type B Programs: Federal \$ 300,000 State \$ 300,000

Auditee Qualified as low risk auditee? _____ X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Findings and Questioned Costs - Major Federal and State Award Programs

Federal: None State: None



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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, as of and for the fiscal year ended September 30, 2003, and have issued our report thereon dated February 29, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States and 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 issued our report on compliance and internal control over financial reporting, which is dated February 29, 2004, and should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1) (g) 1.a.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, irregularities, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1) (g) 1.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1) (g) 2.), the scope of our audit included 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 of Palm Bay, Florida complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(g) 4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no such matters.



**Harris, Cotherman,
O'Keefe & Associates**

Certified Public Accountants

As required by the Rules of the Auditor General (Section 10.554(1) (e) 2.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the City of Palm Bay, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1) (e) 3.), we determined that the annual financial report for the City of Palm Bay, Florida for the fiscal year ended September 30, 2003, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.

As required by the Rules of the Auditor General (Sections 10.554(g) (6) c. and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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 the same.

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

Harris, Cotherman, O'Keefe & Associates

Winter Park, Florida
February 29, 2004