

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

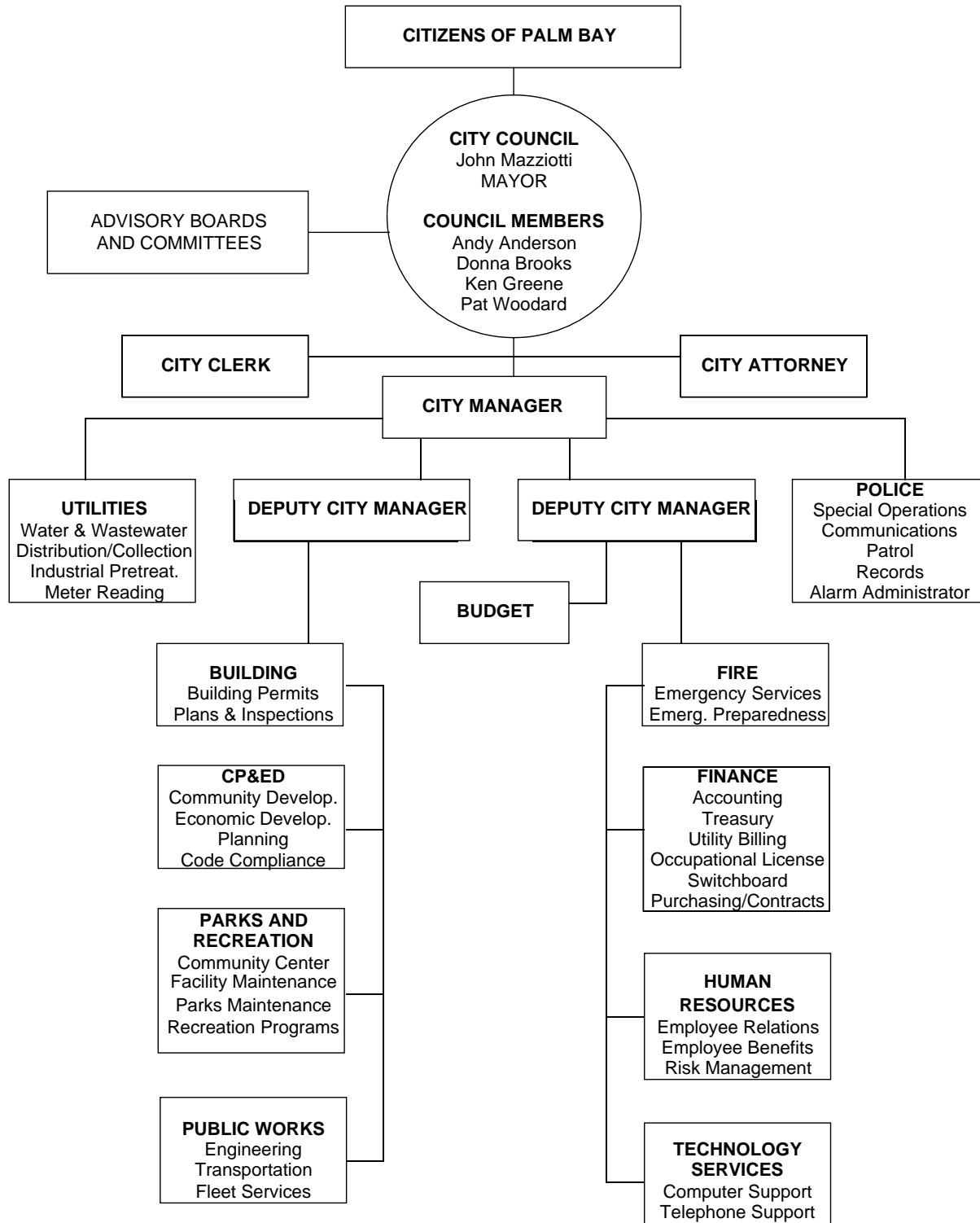
The preparation of this report has been accomplished with the efficient and dedicated service of the City's Accounting staff. We would like to express our appreciation to all members of the Finance Department who contributed in its preparation and to our independent certified public accountants, Harris, 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</u> <u>Activities</u> | <u>Business-type</u> <u>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

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (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 | <u>3,142,276</u> | <u>(15,417,276)</u> |

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> |
|-------------------------|----------------|

| | |
|-----------------------------|-----------|
| Change in Net Assets | 5,473,965 |
|-----------------------------|-----------|

| | |
|---------------------------------------|-------------------|
| Net Assets - Beginning of Year | <u>34,045,288</u> |
|---------------------------------------|-------------------|

| | |
|---------------------------------|----------------------|
| Net Assets - End of Year | <u>\$ 39,519,253</u> |
|---------------------------------|----------------------|

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</u> |
|---|----------------------|---------------------|-------------|-----------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Value</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</u> | <u>Business-type</u> | <u>Pension Trust</u> | |
|---------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| | <u>Activities</u> | <u>Activities</u> | <u>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> |
|----------------|---------------------|

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
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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 | <u>2,258,879</u> |
| | | <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. | <u>957,346</u> |
| | | <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 | <u>6,398,400</u> | <u>6,943,400</u> | <u>6,865,676</u> | <u>(77,724)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 6,992,700 | 9,761,000 | 6,164,540 | 3,596,460 |
| Total Expenditures | <u>6,992,700</u> | <u>9,761,000</u> | <u>6,164,540</u> | <u>3,596,460</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(594,300)</u> | <u>(2,817,600)</u> | <u>701,136</u> | <u>3,518,736</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 501,700 | 501,700 | 501,700 | - |
| Transfers (Out) | - | (12,800) | (12,800) | - |
| Total Other Financing Sources and (Uses) | <u>501,700</u> | <u>488,900</u> | <u>488,900</u> | <u>-</u> |
| Net Change in Fund Balance | <u>(92,600)</u> | <u>(2,328,700)</u> | <u>1,190,036</u> | <u>3,518,736</u> |
| Fund Balance - Beginning | <u>286,900</u> | <u>2,619,400</u> | <u>3,161,705</u> | <u>542,305</u> |
| Fund Balance - Ending | <u>\$ 194,300</u> | <u>\$ 290,700</u> | <u>\$ 4,351,741</u> | <u>\$ 4,061,041</u> |



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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

| | Budget | Actual Amounts | Variance with Budget - Positive (Negative) |
|---|--------------------|-----------------------|---|
| 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

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

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

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



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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) Net Debt Outstanding | Percentage of Debt Applicable to the City | City's Share of Debt |
|------------------------|--------------------------------|---|-------------------------|
| 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

| <u>Taxpayers</u> | <u>Percentage of Total Taxes Levied</u> | <u>Taxes Assessed</u> |
|------------------------------|---|---------------------------|
| 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 | <u>1,514,920</u> | <u>1,514,920</u> | <u>1,135,492</u> |
| 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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**Harris, Cotherman,
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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



Harris, Cotherman, O'Keefe & Associates

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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, Cotherman,
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, Cotherman, 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

14.218

Name of Federal Program

Community Development Block Grant

CSFA Number

52.901
52.011

Name of State Project

State Housing Initiatives Partnership Program
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