

CITY OF WEST MELBOURNE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE
FISCAL YEAR ENDED
SEPTEMBER 30, 2017



West Melbourne

F L O R I D A

Prepared by:
THE FINANCE DEPARTMENT

CITY OF WEST MELBOURNE, FLORIDA

CITY COUNCIL

HAL J. ROSE, MAYOR

ANDREA YOUNG, DEPUTY MAYOR

PAT BENTLEY, COUNCIL MEMBER

ADAM GAFFNEY, COUNCIL MEMBER

BILL METTRICK, COUNCIL MEMBER

BARBARA SMITH, COUNCIL MEMBER

JOHN "COACH" TICE, COUNCIL MEMBER

CITY MANAGER

SCOTT MORGAN

CITY ATTORNEY

MORRIS RICHARDSON

FINANCE DIRECTOR

MARGI STARKEY

City of West Melbourne, Florida
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September 30, 2017

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MAYOR
Hal J. Rose

DEPUTY MAYOR
Andrea Young

COUNCIL MEMBERS
Pat Bentley
Adam Gaffney
Bill Mettrick
Barbara A. Smith
John "Coach" Tice



City Hall
2240 Minton Road
West Melbourne, FL 32904
Phone: (321) 727-7700
Fax: (321) 768-2390
www.westmelbourne.org

May 10, 2018

To the Honorable Mayor, Members of the City Council, and
Citizens of the City of West Melbourne:

The Comprehensive Annual Financial Report of the City of West Melbourne, Florida (the "City"), for the fiscal year ended September 30, 2017 is hereby submitted pursuant to Florida Statutes Chapter 218.39 and Chapter 10.550 of the Rules of the Auditor General of the State of Florida.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Carr, Riggs & Ingram, LLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of West Melbourne's financial statements for the year ended September 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

The City of West Melbourne was founded in 1959 and incorporated on July 2, 1970, as a political subdivision of the State of Florida. It is located in east central Florida within Brevard County. It currently occupies 10.3 square miles and has an estimated population of 21,360. The City is empowered to levy a property tax on real property located within its boundaries, which the City has levied continuously since fiscal year 2006. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of West Melbourne has operated under the council-manager form of government since 1970. Policy making and legislative authority are vested in the City Council consisting of the mayor and six other members, all elected on a non-partisan basis. Council members, since 2014, serve staggered four year terms, and are elected to represent the City at large. The Council appoints the City Attorney, Police Chief and City Manager. The City Manager appoints the heads of various City departments.

The City of West Melbourne provides a full range of services, including police protection services, street maintenance and construction, building inspections, parks and recreation amenities, and

stormwater planning and construction. The City also operates a water distribution and sewer collection and treatment system, both systems of which are a single legal enterprise and reported as a proprietary fund.

The annual budget serves as the foundation for the City's financial planning and control. Budgetary control is maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The Council is required to hold two public hearings and adopt a final budget by no later than September 30th of each year.

Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. This comparison is presented as part of the Required Supplementary Information or as part of the Supplementary Information.

Local Economy

The City of West Melbourne is located in east central Florida, approximately forty five miles south of the Kennedy Space Center and encompassing an area of 10.3 square miles. The area is a major hub for technology driven industry such as RELM Wireless, Lockheed Martin, Confluent RF Systems, Mack Technologies, Terry Laboratories and USSI. Corporate headquarters, manufacturers, and technology oriented companies are located within the City of West Melbourne limits. The City's diverse business community includes traditional businesses, which encompass retail and wholesale trade, transportation, the utilities sector, the professional and business services sector, real estate, finance, and the construction sector, both light manufacturing and military contractors. The City remains attractive to such a vibrant mix of businesses because it maintains one of the lowest tax rates in Brevard County, which has given the City an edge as a better place to do business. The City continues to pursue technology oriented manufacturing, warehousing/distribution, and professional service companies seeking a competitive advantage in the marketplace.

The City has established an economic enhancement district (WAVE District) to allow access to state and federal job creation incentives, a tax abatement program to reduce operating expenses for manufacturers selecting West Melbourne, and has initiated a redevelopment and capital improvement program to focus public infrastructure improvements on its commercial corridors and business parks.

In 1970, West Melbourne's population was approximately 3,050. Since 2000, the City has experienced the highest population growth percentage of any municipality in Brevard County. The most recent State population estimate for the City is 21,360. The population in the City is relatively young and well-educated with over 45% of its population under the age of 45. With a comparatively high median household income which exceeds State and County levels, combined with a relatively young and well-educated population, the City has ideal market conditions for the continued development of high-technology, knowledge-based businesses, as well as traditional businesses and service providers.

The unemployment rate for the State of Florida and Brevard County declined in 2017. As of September 30, 2017, the unemployment rate in the United States was 4.2%, down from 4.9% a year earlier. For Brevard County, the unemployment rate was 3.6%, down from 4.9% as reported by the Florida Department of Economic Opportunity. It is expected that the unemployment rate for Brevard County will not significantly change in 2018.

Long-term financial planning and major initiatives

The City's strategic plans for its long-term financial planning and budgeting are crafted with a strong foundational financial position that has been balanced with deliberate thought to our resources, while reducing already healthy levels of debt. The City Council and the City Manager understand the need for expansion to meet the City's increasing population, and the resultant demands that such expansion will place on City resources. The City has determined that it will maintain a minimum fund balance reserve of 20% of the annual general fund expenditures, a rate that management considers to be a prudent reserve level for meeting unanticipated expenditure requirements, a major revenue shortfall, or an emergency.

The City is also cognizant of the other cities' financial challenges as a result of unmanaged expansion and excessive leverage. Contextually, at the end of the current fiscal year, the unrestricted fund balance (which is the total of the committed, assigned, and unassigned components of the fund balance) in the general fund, was 52% of total general fund expenditures. This is a strong position, which reduces the need to borrow to finance future construction and expansion projections.

Strategic plans for the City of West Melbourne include completion of the site improvements around the City's new, hurricane-resistant public works maintenance yard building; completing architectural plans for the expansion and renovation of the police station, awarding construction bids for completing the master planned improvements for West Melbourne Community Park, continuing to prepare land use plans to encourage development of a new City Center; and completing the partnership with the Florida Department of Transportation to install street lighting at the U.S. 192 entry into the City from I-95. The cost of all these key initiatives will be funded without the issuance of any new debt.

Since 2000, the City of West Melbourne is, by percentage, the fastest growing municipality in Brevard County. Since 2010, the City's population has grown 16.4%. During fiscal year 2016-2017, the City issued 307 building permits for new single family homes. Building permit revenues, representing both residential and significant commercial activity, increased by 13.0% over the prior fiscal year. The trend of growth in commercial development is expected to extend into the near term. This is expected to be both with continued infill site commercial development, as well as opportunities within three large commercial centers that are still developing in the City – Hammock Landing, Coastal Commerce, and the West Melbourne Interchange Center.

The City Council has updated the Capital Improvements Element of the Comprehensive Plan in accordance with Florida Statutes 163.3177(3)(b), and management has projected the capital improvement program for the next five years as financially feasible. The 2017 to 2022 projection matches future sources of revenues with planned capital expenditures that incorporate long range plans of the City, with major sewer projects estimated at \$7.7 million, water projects estimated at \$8.0 million, stormwater system improvements of \$4.0 million, and transportation system improvements estimated at \$4.9 million. Combined capital improvements for all major and secondary projects are estimated at \$28.4 million over the five year span.

The millage rate for the City of West Melbourne was 2.4633 for fiscal year 2016 - 2017. This was unchanged from the fiscal year 2015 – 2016 millage rate of 2.4633.

The City was most recently reviewed by Standard and Poors (S&P) on February 23, 2018. S&P upgraded the rating on the 2010D Florida Municipal Loan Council revenue bonds from AA- to AA.

Relevant Financial Policies

The City of West Melbourne has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). Actual General Fund revenues fell short of the final budget by approximately \$27,000. During fiscal year 2017, General Fund appropriations increased by approximately \$72,000 while actual expenditures were below the final budgeted amount. Overall, operational activity resulted in an excess of expenditures over revenues of approximately \$932,000.

Awards and Acknowledgements

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 West Melbourne for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated service of the Finance department. We wish to also express our appreciation to members of other City departments for their assistance in providing the data necessary to prepare this report. Credit must also be given to the Mayor and the City Council for their consistent support for management as it seeks to prudently manage the City of West Melbourne's finances.

Respectfully submitted,



Scott Morgan
City Manager



Margi Starkey
Finance Director

**City of West Melbourne, Florida
Principal Officials
September 30, 2017**

City Council

Hal J. Rose	Mayor
Andrea Young	Deputy Mayor
Pat Bentley	Council Member
Adam Gaffney	Council Member
Bill Mettrick	Council Member
Barbara Smith	Council Member
John "Coach" Tice	Council Member



Executive Management Team

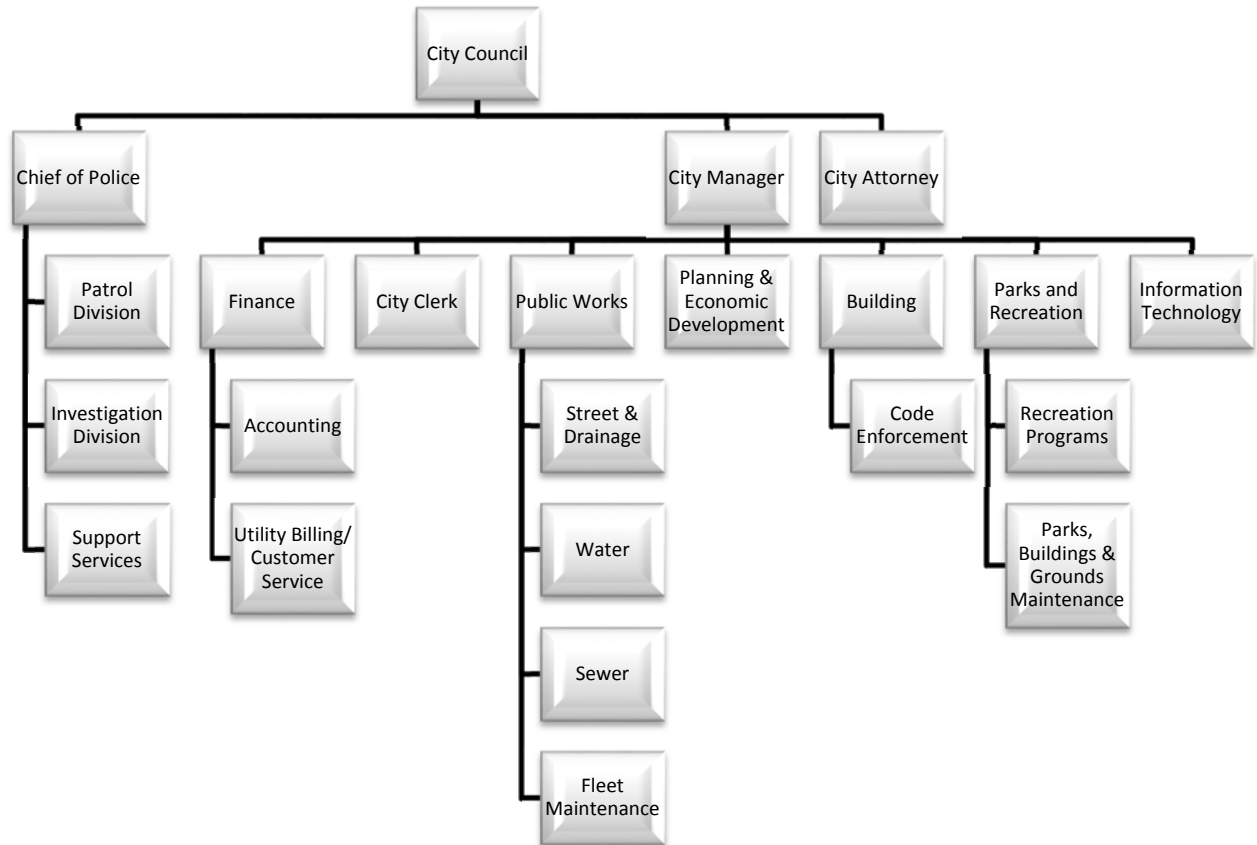
Scott Morgan	City Manager
Morris Richardson	City Attorney
Richard T. Wiley	Police Chief
Keith Mills, AICP, CPM	Deputy City Manager
Mark Piccirillo	Public Works Director
Margi Starkey	Finance Director
Cynthia Hanscom	City Clerk
Tom Forbes, CBO	Building Official
Christy Fischer, AICP	Planning & Economic Development Director
Thomas Bradford	Information Technology Director
Richard Boprey	Parks & Recreation Director
Kimberly Gale	Human Resources Director

As of September 30, 2017



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City of West Melbourne, Florida
Organizational Chart
September 30, 2017





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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of West Melbourne
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of West Melbourne, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Melbourne, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of West Melbourne, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Melbourne, Florida, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Melbourne, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules of nonmajor special revenue and capital projects funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the budgetary schedules of nonmajor governmental funds are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the budgetary

schedules of nonmajor governmental funds are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018 on our consideration of the City of West Melbourne, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of West Melbourne, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Melbourne, Florida's internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

Melbourne, Florida
May 10, 2018



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City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

As management of the City of West Melbourne ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-8 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$80,938,829 (*net position*). Of this amount, \$18,602,710 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$9,593,831 from fiscal year 2017 activities. The increase is largely due to an increase in capital grants and contributions.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,074,626, an increase of \$1,447,884 in comparison with the prior year. Approximately 42% of this amount (\$7,193,960) is available for spending at the government's discretion (*assigned and unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was \$7,193,960, or approximately 52% of total general fund expenditures.
- The City's total outstanding long-term debt, not including compensated absences and other post-employment benefits, decreased by \$2,356,036 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event

City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, recreation, and community development. The business-type activities of the City include a Water and Sewer System. The government-wide financial statements can be found on pages 30-33 of this report.

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. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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 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 six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the community redevelopment agency, which are considered to be major funds. Data from the other four 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 elsewhere in this report.

The City of West Melbourne adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and the community redevelopment agency fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 34-37 of this report.

City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

Proprietary funds. The City maintains one type of proprietary fund—an enterprise fund. *Enterprise funds* are 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 its Water and Sewer System.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer System, which is considered to be a major fund. The basic proprietary fund financial statements can be found on pages 38-43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund. The *Pension trust fund* is used to report resources held in trust for retirees and beneficiaries covered by the *Police Officers' Retirement Plan*.

The fiduciary fund financial statements can be found on pages 44-45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-87 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary compliance and pension and other post-employment benefits obligations. The City adopts an annual appropriated budget for its general fund, community redevelopment agency fund, special revenue funds (recreation and storm water), and capital projects construction fund. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with this budget. The required supplementary information can be found on pages 91-102 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 105-110 of this report.

The Statistical Section includes tables and schedules to provide a more detailed picture of the financial condition of the City than those presented in the financial statements. These include the schedule of bonded debt and interest to maturity and assorted multi-year financial and statistical information and can be found on pages 115-136 of this report.

City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of West Melbourne, Florida, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,938,829 at the close of the most recent fiscal year.

City of West Melbourne's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 18,484,244	\$ 17,018,621	\$ 13,862,137	\$ 11,251,851	\$ 32,346,381	\$ 28,270,472
Capital assets	21,610,816	19,337,219	46,020,305	45,247,856	67,631,121	64,585,075
Total assets	<u>40,095,060</u>	<u>36,355,840</u>	<u>59,882,442</u>	<u>56,499,707</u>	<u>99,977,502</u>	<u>92,855,547</u>
Deferred outflows	1,139,209	1,495,493	342,900	398,871	1,482,109	1,894,364
Long-term liabilities	3,149,323	4,166,245	13,337,757	15,510,153	16,487,080	19,676,398
Other liabilities	1,123,530	1,234,265	1,984,741	1,793,291	3,108,271	3,027,556
Total liabilities	<u>4,272,853</u>	<u>5,400,510</u>	<u>15,322,498</u>	<u>17,303,444</u>	<u>19,595,351</u>	<u>22,703,954</u>
Deferred inflows	897,559	612,925	27,872	88,034	925,431	700,959
Net position:						
Net investment in						
capital assets	21,230,403	18,758,700	33,382,704	30,394,742	54,613,107	49,153,442
Restricted	7,214,372	6,076,253	508,640	504,046	7,723,012	6,580,299
Unrestricted	7,619,082	7,002,945	10,983,628	8,608,312	18,602,710	15,611,257
Total net position	<u>\$ 36,063,857</u>	<u>\$ 31,837,898</u>	<u>\$ 44,874,972</u>	<u>\$ 39,507,100</u>	<u>\$ 80,938,829</u>	<u>\$ 71,344,998</u>

By far the largest portion of the City's net position (67.5%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, 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.

An additional portion of the City's net position (9.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$18,602,710 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2017, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

Statements of Activities

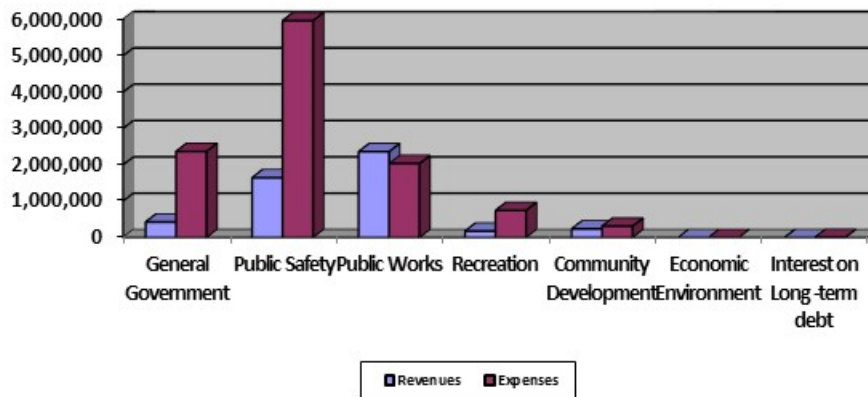
The following table reflects the condensed Statements of Activities for the current and prior year:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,813,111	\$ 2,821,494	\$ 11,185,565	\$ 10,460,397	\$ 13,998,676	\$ 13,281,891
Capital grants and contributions	2,036,754	4,273	5,253,638	2,653,015	7,290,392	2,657,288
General revenues:						
Local option gas tax	601,336	578,739	-	-	601,336	578,739
Property taxes	2,990,353	2,685,306	-	-	2,990,353	2,685,306
Public utility and telecommunication taxes	3,058,189	3,006,729	-	-	3,058,189	3,006,729
Payment in lieu of taxes	295,743	1,155,353	-	-	295,743	1,155,353
Franchise fees	1,671,784	1,639,785	-	-	1,671,784	1,639,785
Shared revenues	1,981,183	1,810,749	-	-	1,981,183	1,810,749
Unrestricted investment earnings	128,282	45,184	74,060	27,898	202,342	73,082
Miscellaneous	80,641	19,690	-	-	80,641	19,690
Transfers, net	6,100	-	(6,100)	-	-	-
Total revenues	15,663,476	13,767,302	16,507,163	13,141,310	32,170,639	26,908,612
Expenses:						
General government	2,369,589	2,129,445	-	-	2,369,589	2,129,445
Public safety	5,968,523	5,548,176	-	-	5,968,523	5,548,176
Public works	2,037,325	1,997,169	-	-	2,037,325	1,997,169
Recreation	746,068	1,714,308	-	-	746,068	1,714,308
Community development	311,233	260,560	-	-	311,233	260,560
Economic environment	176	6,956	-	-	176	6,956
Interest on long term debt	4,603	6,832	-	-	4,603	6,832
Water and sewer	-	-	11,139,291	10,686,656	11,139,291	10,686,656
Total expenses	11,437,517	11,663,446	11,139,291	10,686,656	22,576,808	22,350,102
Increase in net position	4,225,959	2,103,856	5,367,872	2,454,654	9,593,831	4,558,510
Net position - beginning	31,837,898	29,734,042	39,507,100	37,052,446	71,344,998	66,786,488
Net position - ending	\$ 36,063,857	\$ 31,837,898	\$ 44,874,972	\$ 39,507,100	\$ 80,938,829	\$ 71,344,998

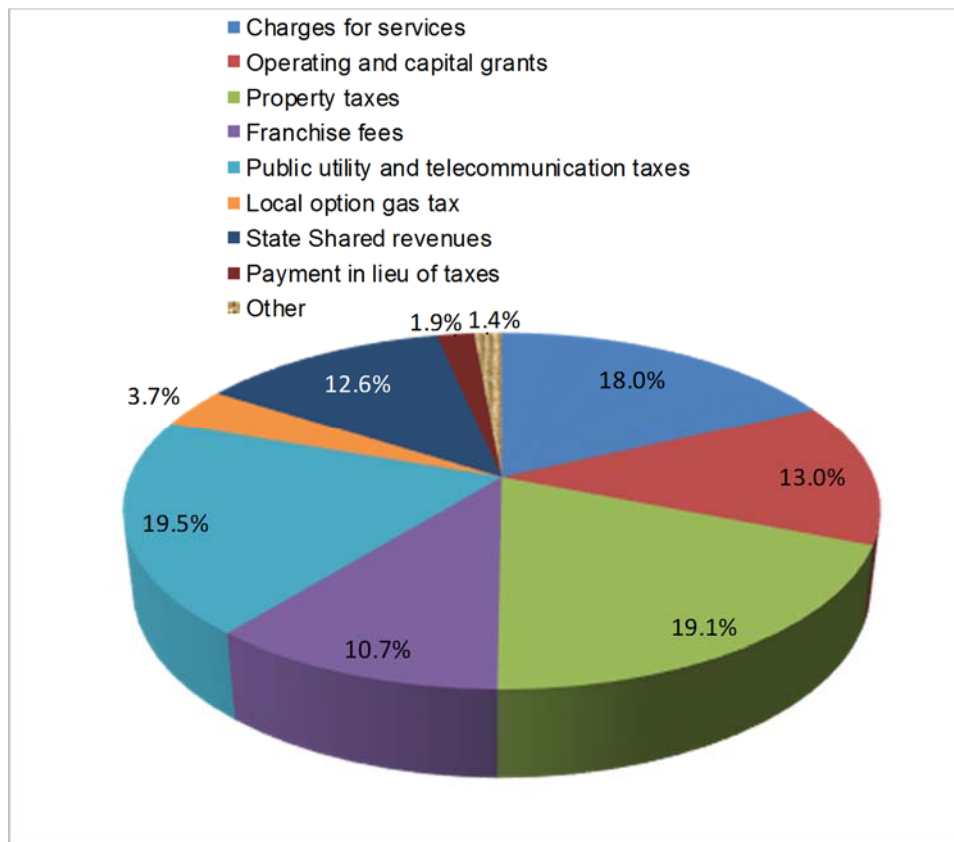
Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$4,225,959 from the prior fiscal year. General revenues decreased by approximately 1%. Increases in property taxes, shared revenues, unrestricted investment earnings, and miscellaneous revenues were negated by a decrease due to the conclusion in 2015-2016 in grant revenues from the State of Florida for construction of Space Coast Field of Dreams leasehold improvements in West Melbourne Community Park. Program revenues increased by approximately 72%, primarily from an increase in developer contributions.

Governmental activities expenses decreased \$225,929 (2%) compared to the fiscal year ending September 30, 2016. The primary reason for this decrease was the completion of the project with Space Coast Field of Dreams in 2015-2016. The first chart compares each program's expenses with the revenues generated by the program. The next chart displays the City's revenues by source. Public safety represents one of the City's major services and the majority of resources used to fund the service are not generated by the program. Revenues from taxes and other general resources provide the remaining funding necessary for public safety.

Expenses and Program Revenues-Governmental Activities



2017 Revenues by Source – Governmental Activities



Business-type Activities. Business-type activities increased the City’s net position by \$5,367,872. Operating revenues for the Water and Sewer System increased by approximately \$3,326,000 and this is attributed primarily to an increase in capital grants and contributions of approximately \$2,600,600 related to developer contributions for water and sewer infrastructure for Sawgrass Lakes, and Wesley Groves. Operating expenses of the Water and Sewer System increased by about \$459,000 due in part

City of West Melbourne, Florida
Management's Discussion and Analysis
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to an increase in spending for Melbourne water expenses, an outflow from increased City population water demands, and an increase in depreciation expense.

Financial Analysis of Governmental Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,074,626, an increase of \$1,447,884 in comparison with the prior year. Approximately 42% of this total amount (\$7,191,066) constitutes unassigned fund balance, which has not been appropriated for a specific purpose and is available for spending at the government's discretion. The remainder of fund balance represents a legally restricted funding source, has been committed or assigned to a specific purpose by City action or is not in liquid form available for new spending. The \$78,834 of prepaid items represents funds that have been disbursed for future expenditures, such as insurance or maintenance agreements. The restricted funds include confiscated funds of \$12,199 that can only be spent on law enforcement purposes. The advance of \$1,027,065 represents the long-term portion of an interest bearing loan to the Water and Sewer System and a non-interest bearing loan to the Community Redevelopment Agency. These will become available to the fund for expenditure as the loans are satisfied.

The committed fund balances totaling \$2,587,460 in three of the non-major funds are being expended for replacement vehicles and recreation and stormwater facilities. The \$551,279 in the Capital Projects Fund and \$3,432,646 in the General Fund are restricted for construction and maintenance of roads. The \$1,803,389 represents funds collected through permits and is restricted to enforcing the State's building code. The Community Redevelopment Agency had a restricted fund balance of \$387,794 at September 30, 2017.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,191,066, while total fund balance reached \$13,548,093. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and assigned fund balance represents 52% of total General Fund expenditures, while total fund balance represents 98% of that same amount.

The fund balance of the City's General Fund increased by \$1,069,177 during the current fiscal year, compared to a \$575,630 increase in the prior year. The City saw increased expenditures in the General Fund. Key factors in these results are as follows:

- Total revenues of the General Fund decreased by \$153,691, largely as a result of a decrease in revenues from the State of Florida for the construction of Space Coast Field of Dreams

City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

leasehold improvements in West Melbourne Community Park, offset in part by increases in property taxes, licenses and permits, and investment incomes.

- General Fund expenditures increased \$1,404,315 compared to the prior year, largely as a result of developer-donated street construction for the Sawgrass Lakes ongoing expansion (included in capital outlay), offset in part by decreases in recreation expenditures.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer System at the end of the year amounted to \$10,983,628. The total increase in net position for this fund was \$5,367,872. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no budget revenue amendments during the year ended September 30, 2017. There were two budget expenditure amendments totaling \$71,800 during the year ended September 30, 2017.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounted to \$67,631,121 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and other infrastructure items. The percentage increase from prior year (fiscal year 2016) in the City's investment in capital assets was nearly 5%.

City of West Melbourne's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,452,345	\$ 1,120,896	\$ 396,459	\$ 396,459	\$ 1,848,804	\$ 1,517,355
Construction in progress	2,159,213	1,668,177	90,783	1,023,944	2,249,996	2,692,121
Buildings	4,900,118	3,888,218	459,841	4,698	5,359,959	3,892,916
Improvements other than buildings	3,522,647	4,739,851	41,981,581	41,376,080	45,504,228	46,115,931
Machinery and equipment	1,537,020	1,616,378	3,091,641	2,446,675	4,628,661	4,063,053
Infrastructure	8,039,473	6,303,699	-	-	8,039,473	6,303,699
Total	\$ 21,610,816	\$ 19,337,219	\$ 46,020,305	\$ 45,247,856	\$ 67,631,121	\$ 64,585,075

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

- In the City's governmental activities, the developer street donations for Sawgrass Lakes, West Melbourne Community Park – Phase II, customer service location, the purchase of the Police Athletic League (PAL) house, as well as police station modifications and addition were the significant impacts to the increases obtained.

City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

- In the City's business-type activities, the City completed work on the reuse system disk filter, the Bry-Lynn/Woodland Manor water main replacement and interconnect, and the Laila area u-lining. The City also received developer water and sewer system donations for Sawgrass Lakes and Wesley Groves among others during the fiscal year.

Additional information on the City's capital assets can be found in Note III D on pages 64-65 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt and loans outstanding of \$12,445,745, which represents obligations secured by business-type activities revenue sources.

City of West Melbourne's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital leases	\$ 108,298	\$ 214,319	\$ -	\$ -	\$ 108,298	\$ 214,319
Compensated absences	364,138	294,729	64,877	56,610	429,015	351,339
Other post employment benefit:	191,412	165,002	36,588	31,998	228,000	197,000
Revenue bonds	-	-	9,531,900	11,623,400	9,531,900	11,623,400
Loans payable	-	-	2,913,845	3,072,360	2,913,845	3,072,360
Total	\$ 663,848	\$ 674,050	\$ 12,547,210	\$ 14,784,368	\$ 13,211,058	\$ 15,458,418

Additional information on the City's outstanding debt can be found in Notes III F and G on pages 66-69 of this report. The City's total debt was reduced by \$2,247,360 during the current fiscal year. Key factors in the City's fiscal year 2017 long term debt decrease include the following:

- The City continued to pay off the bonded debt and loans payable as they fell due, and made an advance principal payment on the Water and Sewer Revenue Bonds, Series 2007.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of West Melbourne and were considered in developing the 2017-2018 fiscal year budget.

- As of the United States Census count of April 1, 2010, the City had an estimated population of 18,335 people residing within the City's then 9.9-square miles. The population estimate issued for 2017 by the State of Florida, Office of Economic and Demographic Research shows the City's population has increased to 21,360 within the City's now 10.32-square mile area.
- During fiscal year 2017, the City issued building permits for the construction of 307 new single family homes. The City expects continued improvements in local economic conditions. The City has three large commercial centers, Hammock Landing, the West Melbourne Interchange Center and Coastal Commerce, where interest in new commercial development continues.
- As of September 2017, the unemployment rate in the United States was 4.2%. For the State of Florida, unemployment was 4.9%, down from 5.2% a year earlier. For Brevard County, the

City of West Melbourne, Florida
Management's Discussion and Analysis
September 30, 2017

unemployment rate was 3.6% as reported by the Florida Department of Economic Opportunity. It is expected that the unemployment rate for Brevard County will not significantly change in 2018.

- The City was founded in 1959, primarily to prevent property taxes from being imposed by a neighboring municipality. The City continues to pride itself on its low tax rate. The millage rate for the City of West Melbourne was 2.4633 for fiscal year 2016 - 2017. This was unchanged from the fiscal year 2015 – 2016 millage rate of 2.4633.

All of these factors were considered in preparing the City's budget for the fiscal year ending September 30, 2018.

Requests for Information

This financial report is designed to provide a general overview of the City of West Melbourne, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of West Melbourne, Attention: Finance Director, 2240 Minton Road, West Melbourne, Florida, 32904.

CITY OF WEST MELBOURNE, FLORIDA

Basic Financial Statements

City of West Melbourne, Florida
Statement of Net Position

<i>September 30, 2017</i>	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,993,175	\$ 2,517,417	\$ 7,510,592
Investments	11,715,843	8,094,086	19,809,929
Receivables, net	693,195	1,901,205	2,594,400
Due from other governments	240,042	-	240,042
Inventory	-	136,656	136,656
Prepaid items	78,834	-	78,834
Interfund balances	497,936	(497,936)	-
Restricted assets:			
Cash and cash equivalents	147,169	1,710,709	1,857,878
Net pension asset	118,050	-	118,050
Capital assets not being depreciated:			
Land	1,452,345	396,459	1,848,804
Construction in progress	2,159,213	90,783	2,249,996
Capital assets (net of accumulated depreciation):			
Buildings	4,900,118	459,841	5,359,959
Improvements other than buildings	3,522,647	41,981,581	45,504,228
Machinery and equipment	1,537,020	3,091,641	4,628,661
Infrastructure	8,039,473	-	8,039,473
Total assets	40,095,060	59,882,442	99,977,502
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,139,209	326,895	1,466,104
Deferred amount on advanced refunding	-	16,005	16,005
Total deferred outflows of resources	1,139,209	342,900	1,482,109

The accompanying notes are an integral part of this financial statement.

<i>September 30, 2017</i>	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts and contracts payable	652,418	676,591	1,329,009
Retainage payable	177,861	84,707	262,568
Accrued payroll and related liabilities	148,082	21,374	169,456
Payable from restricted assets:			
Accrued interest payable	-	250,913	250,913
Customer and developer escrow deposits	145,169	951,156	1,096,325
Noncurrent liabilities:			
Due within one year:			
Revenue bonds payable	-	993,600	993,600
Loans payable, net of unamortized discounts	-	165,000	165,000
Capital leases	108,298	-	108,298
Compensated absences	291,310	51,902	343,212
Due in more than one year:			
Revenue bonds payable	-	8,538,300	8,538,300
Loans payable	-	2,748,845	2,748,845
Net OPEB obligation	191,412	36,588	228,000
Net pension liability	2,485,475	790,547	3,276,022
Compensated absences	72,828	12,975	85,803
Total liabilities	4,272,853	15,322,498	19,595,351
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	729,521	27,872	757,393
Deferred revenue - business tax receipts	168,038	-	168,038
Total deferred inflows of resources	897,559	27,872	925,431
NET POSITION			
Net investment in capital assets	21,230,403	33,382,704	54,613,107
Restricted for:			
Long term portion of advances	1,027,065	-	1,027,065
Community development	387,794	-	387,794
Debt service	-	508,640	508,640
Transportation	3,983,925	-	3,983,925
Law enforcement	12,199	-	12,199
Building code enforcement	1,803,389	-	1,803,389
Unrestricted	7,619,082	10,983,628	18,602,710
Total net position	\$ 36,063,857	\$ 44,874,972	\$ 80,938,829

City of West Melbourne, Florida
Statement of Activities

For the Year Ended September 30, 2017

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,369,589	\$ 386,096	\$ -	\$ 40,000
Public safety	5,968,523	1,645,309	-	1,250
Public works	2,037,325	366,577	-	1,995,504
Recreation	746,068	177,282	-	-
Community development	311,233	237,847	-	-
Economic environment	176	-	-	-
Interest on long-term debt	4,603	-	-	-
Total governmental activities	11,437,517	2,813,111	-	2,036,754
Business-type activities:				
Water and sewer	11,139,291	11,185,565	-	5,253,638
Total business-type activities	11,139,291	11,185,565	-	5,253,638
Total primary government	\$ 22,576,808	\$ 13,998,676	\$ -	\$ 7,290,392

General revenues:

Taxes:

Property taxes

Franchise fees

Local option gas tax

Public utility and telecommunication taxes

Payment in lieu of taxes

Intergovernmental shared revenue - unrestricted

Investment earnings

Miscellaneous revenue

Transfers, net

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,943,493)	\$ -	\$ (1,943,493)
(4,321,964)	-	(4,321,964)
324,756	-	324,756
(568,786)	-	(568,786)
(73,386)	-	(73,386)
(176)	-	(176)
(4,603)	-	(4,603)
<u>(6,587,652)</u>	<u>-</u>	<u>(6,587,652)</u>
-	5,299,912	5,299,912
<u>-</u>	<u>5,299,912</u>	<u>5,299,912</u>
<u>(6,587,652)</u>	<u>5,299,912</u>	<u>(1,287,740)</u>
2,990,353	-	2,990,353
1,671,784	-	1,671,784
601,336	-	601,336
3,058,189	-	3,058,189
295,743	-	295,743
1,981,183	-	1,981,183
128,282	74,060	202,342
80,641	-	80,641
6,100	(6,100)	-
<u>10,813,611</u>	<u>67,960</u>	<u>10,881,571</u>
<u>4,225,959</u>	<u>5,367,872</u>	<u>9,593,831</u>
<u>31,837,898</u>	<u>39,507,100</u>	<u>71,344,998</u>
<u>\$ 36,063,857</u>	<u>\$ 44,874,972</u>	<u>\$ 80,938,829</u>

City of West Melbourne, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2017</i>	General	Community Redevelopment	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,631,276	\$ 1,198,689	\$ 163,210	\$ 4,993,175
Investments	8,653,600	-	3,062,243	11,715,843
Accounts receivable, net	693,195	-	-	693,195
Advance to other funds - current	270,871	-	-	270,871
Advance to other funds - long term	1,027,065	-	-	1,027,065
Due from other governments	240,042	-	-	240,042
Prepaid items	78,834	-	-	78,834
Restricted cash and cash equivalents	147,169	-	-	147,169
Total assets	\$ 14,742,052	\$ 1,198,689	\$ 3,225,453	\$ 19,166,194
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts and contracts payable	\$ 556,448	\$ 10,895	\$ 85,075	\$ 652,418
Retainage payable	177,861	-	-	177,861
Accrued payroll and related liabilities	146,443	-	1,639	148,082
Deposits	145,169	-	-	145,169
Advance from other funds - current	-	100,000	-	100,000
Advance from other funds - long term	-	700,000	-	700,000
Total liabilities	1,025,921	810,895	86,714	1,923,530
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - business tax receipts	168,038	-	-	168,038
Total deferred inflows of resources	168,038	-	-	168,038

The accompanying notes are an integral part of this financial statement.

<i>September 30, 2017</i>	General	Community Redevelopment	Nonmajor Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Prepaid items	78,834	-	-	78,834
Long term portion of advances	1,027,065	-	-	1,027,065
Restricted for:				
Confiscated funds	12,199	-	-	12,199
Transportation	3,432,646	-	551,279	3,983,925
Building code enforcement	1,803,389	-	-	1,803,389
Community development	-	387,794	-	387,794
Committed for:				
Recreation	-	-	428,064	428,064
Stormwater utilities	-	-	1,995,696	1,995,696
Vehicle replacement	-	-	163,700	163,700
Assigned for:				
Recycling	2,894	-	-	2,894
Unassigned	7,191,066	-	-	7,191,066
Total fund balances	13,548,093	387,794	3,138,739	17,074,626
Total liabilities and fund balances	\$ 14,742,052	\$ 1,198,689	\$ 3,225,453	

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

21,610,816

Deferred outflows and deferred inflows related to pension costs and earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

409,688

Long-term liabilities, including capital lease obligations, compensated absences, net pension liability (asset) and the net OPEB obligation are not due and payable in the current period and therefore are not reported in the funds.

(3,031,273)

Net position of governmental activities

\$ 36,063,857

City of West Melbourne, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

<i>For the year ended September 30, 2017</i>	General	Community Redevelopment	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 7,720,326	\$ -	\$ 366,577	\$ 8,086,903
Licenses and permits	1,714,142	-	-	1,714,142
Intergovernmental	2,623,769	295,743	-	2,919,512
Charges for services	406,439	-	94,298	500,737
Fines and forfeitures	172,536	-	-	172,536
Investment income	98,638	-	29,644	128,282
Miscellaneous	64,187	-	-	64,187
Total revenues	12,800,037	295,743	490,519	13,586,299
Expenditures				
Current:				
General government	1,915,566	-	-	1,915,566
Public safety	6,114,550	-	-	6,114,550
Public works	1,009,387	-	199,104	1,208,491
Recreation	549,453	-	-	549,453
Community development	303,003	-	-	303,003
Economic environment	-	176	-	176
Capital outlay	3,729,427	11,781	294,294	4,035,502
Debt service:				
Principal	106,021	-	-	106,021
Interest	4,603	-	-	4,603
Total expenditures	13,732,010	11,957	493,398	14,237,365
Excess (deficiency) of revenues over (under) expenditures	(931,973)	283,786	(2,879)	(651,066)
Other financing sources (uses)				
Transfers in	-	-	97,800	97,800
Transfers out	(91,700)	-	-	(91,700)
Developer contributions	1,995,504	-	-	1,995,504
Insurance proceeds	75,573	-	-	75,573
Proceeds from sale of capital assets	21,773	-	-	21,773
Net other financing sources (uses)	2,001,150	-	97,800	2,098,950
Net change in fund balances	1,069,177	283,786	94,921	1,447,884
Fund balances, beginning	12,478,916	104,008	3,043,818	15,626,742
Fund balances, ending	\$ 13,548,093	\$ 387,794	\$ 3,138,739	\$ 17,074,626

The accompanying notes are an integral part of this financial statement.

City of West Melbourne, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

For the year ended September 30, 2017

Net change in fund balances - total governmental funds	\$ 1,447,884
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	2,303,645
<p>In the statement of activities, the gain (loss) on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.</p>	(30,048)
<p>The other post employment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.</p>	(26,410)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.</p>	106,021
<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, pension expenses and net pension liabilities (assets) are reported regardless of when the financial resources are available.</p>	1,124,770
<p>Deferred outflows and deferred inflows of resources related to pension costs are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.</p>	(630,494)
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	(69,409)
Change in net position of governmental activities	\$ 4,225,959

The accompanying notes are an integral part of this financial statement.

City of West Melbourne, Florida
Statement of Net Position - Proprietary Fund

Business-type
 Activities -
 Enterprise Fund

September 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$	2,517,417
Restricted current assets:		
Cash and cash equivalents		1,426,387
Investments		8,094,086
Accounts receivable, net		1,180,954
Accounts receivable earned, but not billed		592,646
Assessments receivable		127,605
Inventory		136,656
Total current assets		14,075,751

Noncurrent assets:

Restricted cash and cash equivalents:		
Bond debt service account		284,322
Total restricted assets		284,322
Capital assets:		
Land		396,459
Buildings		2,516,446
Improvements other than buildings		73,043,712
Machinery and equipment		7,974,697
Construction in progress		90,783
Less accumulated depreciation		(38,001,792)
Total capital assets, net of accumulated depreciation		46,020,305
Total noncurrent assets		46,304,627

Total assets		60,380,378
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		326,895
Deferred amount on advanced refunding		16,005
Total deferred outflows of resources		342,900

The accompanying notes are an integral part of this financial statement.

September 30, 2017

Business-type
Activities -
Enterprise Fund

LIABILITIES

Current liabilities (payable from current assets):

Accounts and contracts payable	676,591
Retainage payable	84,707
Accrued payroll and related liabilities	21,374
Compensated absences	51,902
Advance from other funds	170,871
Current portion of revenue bonds payable	993,600
Current portion of loans payable	165,000

Current liabilities (payable from restricted assets):

Accrued interest	250,913
Customer and developer escrow deposits	951,156

Total current liabilities	3,366,114
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Noncurrent liabilities:

Advance from other funds	327,065
Compensated absences	12,975
Net OPEB obligation	36,588
Loans payable, net of unamortized discount	2,748,845
Revenue bonds payable	8,538,300
Net pension liability	790,547

Total noncurrent liabilities	12,454,320
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Total liabilities	15,820,434
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	27,872
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Total deferred inflows of resources	27,872
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NET POSITION

Net investment in capital assets 33,382,704

Restricted for:

Debt service 508,640

Unrestricted 10,983,628

Total net position	\$ 44,874,972
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City of West Melbourne, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Fund

	Business-type Activities - Enterprise Fund
<i>For the Year Ended September 30, 2017</i>	
<hr/>	
Operating revenues:	
Charges for services	\$ 11,155,390
Other charges and fees	30,175
Total operating revenues	11,185,565
<hr/>	
Operating expenses:	
Personnel services	1,165,950
Contractual services	1,519,912
Supplies and other expenses	4,569,532
Depreciation	3,356,405
Total operating expenses	10,611,799
<hr/>	
Operating income	573,766
<hr/>	
Nonoperating revenues (expenses):	
Investment income	74,060
Interest expense	(527,492)
Total nonoperating revenues (expenses)	(453,432)
<hr/>	
Income before capital contributions and transfers	120,334
<hr/>	
Capital contributions	5,253,638
Transfers out	(6,100)
<hr/>	
Change in net position	5,367,872
Net position, beginning of year	39,507,100
Net position, end of year	\$ 44,874,972
<hr/> <hr/>	

The accompanying notes are an integral part of this financial statement.

City of West Melbourne, Florida
Statement of Cash Flows - Proprietary Fund

	Business-type Activities - Enterprise Fund
<i>For the Year Ended September 30, 2017</i>	
<hr/>	
Cash flows from operating activities:	
Cash received from customers for sales and services	\$ 10,920,558
Cash payments to employees	(1,097,707)
Cash payments to suppliers for goods and services	(5,977,414)
Net cash provided by operating activities	3,845,437
Cash flows from noncapital financing activities:	
Cash paid to other funds to repay advances	(165,858)
Transfers (to) other funds	(6,100)
Net cash used in noncapital financing activities	(171,958)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,128,854)
Collections of special assessment revenue	(128,650)
Principal paid on revenue bonds	(2,091,500)
Principal paid on loans	(160,000)
Capital contributions	5,253,638
Interest paid on long-term debt	(537,811)
Net cash used in capital and related financing activities	(1,793,177)
Cash flows from investing activities:	
Investment income	74,060
Proceeds from sales of investments	1,710,737
Purchase of investments	(3,066,517)
Net cash provided by investing activities	(1,281,720)
Net increase in cash and cash equivalents	598,582
Cash and cash equivalents, beginning of year	3,629,544
<hr/>	
Cash and cash equivalents, end of year	\$ 4,228,126
<hr/>	

The accompanying notes are an integral part of this financial statement.

For the Year Ended September 30, 2017

Business-type
Activities -
Enterprise Fund

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 573,766
<hr/>	
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	3,356,405
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(225,777)
Accounts receivable earned but not billed	(111,425)
Inventory	(24,214)
Deferred outflows of resources related to pensions	51,967
Increase (decrease) in liabilities:	
Accounts and contracts payable	136,244
Retainage payable	34,710
Accrued payroll and related liabilities	7,086
Net OPEB obligation	4,590
Net pension liability	64,762
Customer and developer escrow deposits	37,485
Deferred inflows of resources related to pensions	(60,162)
Total adjustments	3,271,671
Net cash provided by operating activities	\$ 3,845,437

Noncash capital and related financing activities:

Amortization of bond discount	\$ 1,485
<hr/>	
Amortization of deferred loss on refunding	\$ 4,004

City of West Melbourne, Florida
Statement of Fiduciary Net Position – Police Employees’ Pension Trust Fund

	Police Employees' Pension Trust Fund
<i>September 30, 2017</i>	
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 234,518
Investments at fair value:	
Fixed income mutual funds	948,124
U.S. and international stock mutual funds	8,548,346
U.S. government obligations	2,029,336
Mortgage-asset backed securities	342,153
Corporate bonds	385,100
Real estate funds	1,159,826
Contribution receivable	53,840
Interest receivable	9,573
<hr/>	
Total assets	13,710,816
 LIABILITIES	 -
<hr/>	
NET POSITION	
Restricted for pension benefits	\$ 13,710,816
<hr/> <hr/>	

The accompanying notes are an integral part of this financial statement.

City of West Melbourne, Florida
Statement of Changes in Fiduciary Net Position - Police Employees' Pension
Trust Fund

Police
Employees'
Pension Trust
Fund

For the year ended September 30, 2017

ADDITIONS

Contributions:	
City	\$ 694,581
Employees	194,487
State	141,328
Total contributions	1,030,396
Investment income:	
Net appreciation in the fair value of investments	1,268,636
Interest, dividends and other income	245,757
Total investment gains	1,514,393
Less investment-related expense	(50,893)
Net investment gains	1,463,500
Total additions	2,493,896

DEDUCTIONS

Benefit payments	488,464
Refunded contributions	5,499
Administrative expenses	46,693
Total deductions	540,656
Change in net position	1,953,240
Net position, beginning of year	11,757,576
Net position, end of year	\$ 13,710,816

The accompanying notes are an integral part of this financial statement.



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NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of West Melbourne, Florida (the “City”) was originally chartered as a Town on September 11, 1959. On July 2, 1970, the City was incorporated as a political subdivision of the State of Florida with a six member Council, including a Mayor and Deputy-Mayor. In November 1989, a seventh Council member was added and the Mayor became a voting member. The Mayor and Council are elected by the registered voters of the City of West Melbourne, with the entire Council selecting the Deputy-Mayor. The Council appoints the City Manager, who in turn functions as the administrator of the everyday operations of the City. The Council also appoints the Chief of Police and City Attorney. The City provides a full range of municipal services as directed by the City Charter including general government, public safety, public improvements, planning and zoning, water and sewer service, refuse collection, a recycling program and related general and administrative services to its residents.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

Blended component unit

West Melbourne–Brevard County Joint Redevelopment Agency – The West Melbourne-Brevard County Joint Community Redevelopment Agency (the “CRA”) was organized under Section 163 of the Florida Statutes and formally came into existence during the fiscal year ended September 30, 2013. The Joint Community Redevelopment Agency uses property tax incremental revenues derived from taxable real property within the geographic boundaries of the community redevelopment area to finance development within that area. Although legally separate, the CRA is reported as if it were part of the City, as a special revenue fund, because it is governed by a board comprised primarily of the City’s elected Council members. Additionally, the services provided by the CRA create a primarily financial benefit relationship with the City. The CRA does not issue separate financial statements. Their financial statements are included in the City’s Comprehensive Annual Financial Report for the year ended September 30, 2017.

B. Government-wide and fund financial statements

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The only proprietary fund is reported in the basic financial statements as a business-type activity.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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.

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 taxes, intergovernmental revenues, 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 government.

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.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

- The *West Melbourne-Brevard County Joint Community Redevelopment Agency Fund* (“*Community Redevelopment*”) is used to account for tax increment revenues derived from taxable real property within the geographic boundaries of the community redevelopment area to finance development within that area.

The City reports the following major proprietary fund:

- The *Water and Sewer Fund* accounts for water and sewer operations financed and operated in a manner similar to a private business enterprise. The fund is intended to be predominantly self-supported from user charges.

Additionally, the City reports the following fund type:

- The *Police Employees’ Pension Trust Fund* accounts for the activities of the City’s police pension and retirement system, which accumulates resources for pension benefit payments to qualified police employees.

The City’s nonmajor governmental funds consist of special revenue funds (Recreation and Stormwater Utility) and capital projects funds (Capital Projects and Vehicle Replacement).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported in the various functions concerned. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues generally result from producing and delivering goods and providing services such as water and sewer to the general public. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services and connection fees. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the definition of operating are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, followed by committed, assigned and unassigned amount when expenditures have been incurred for which resources in more than one classification can be used, then unrestricted resources as they are needed.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows, liabilities, deferred inflows and net position or equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Substantially all deposits at September 30, 2017, were invested using the pooled investment concept. Interest earned was allocated to the various funds based on their average cash and investment balances.

Investments for the City are reported at fair value except for the positions in the Florida PRIME, Florida SAFE and the Florida Local Government Investment Trust (FTIP) Day to Day Fund external investment pools. The Florida PRIME, Florida SAFE and FTIP Day to Day Fund external investment pools meet all of the specified criteria in Section 150: *Investments* of the GASB Codification to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the pool is equal to the value of pooled shares.

The City of West Melbourne is empowered by statute to invest in the following instruments and may divest itself of such investments, at prevailing market prices or rates subject to the limitations of Section 218.415 – a) the Local Government Surplus Funds Trust Fund, administered by the Florida State Board of Administration or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01, Florida Statutes; b) securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; c) savings accounts in state-certified qualified public depositories, as defined in Florida Statute 280.02; d) certificates of deposit and Repurchase Agreements in state-certified qualified public depositories, as defined in Florida Statute 280.02; e) direct obligations of the U.S. Treasury; and f) Federal agencies and instrumentalities.

The Police Pension Fund is authorized to invest surplus funds in a) equity investments (common stock, convertible bonds and preferred stock) in a corporation listed on one or more of the recognized international exchanges or electronic network; b) fixed income investments with a minimum rating of investment grade or higher as reported by a nationally recognized rating agency except that up to 5% of fixed income investments may be below investment grade; c) money market funds or short-term investment fund options provided by the Plan's custodian with a minimum rating of Standard & Poor's "A1" or Moody's "P1"; d) real estate investments and e) pooled funds including, but not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity.

Banks and savings and loans in which City funds are deposited must be classified as a qualified public depository as defined in the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, before any deposits are made with those institutions.

City of West Melbourne, Florida
Notes to Financial Statements

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)

1. Cash, cash equivalents and investments (continued)

Reclassification – Certain amount on the statement of net position and on the statement of cash flows – proprietary funds for fiscal year 2016 have been reclassified to be consistent with the 2017 presentation, as noted below:

Cash and cash equivalents, as previously reported	\$ 8,657,113
Reclassification of monies held in external investment pools	(5,027,569)
<u>Cash and cash equivalents, beginning of year - enterprise fund</u>	<u>\$ 3,629,544</u>

2. Receivables and payables

Outstanding balances between funds are reported as “due to/from other funds.” Long-term advances between funds are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All account and tax receivables are shown net of allowance for uncollectible accounts.

The City is permitted by State law to levy taxes up to 10 mills on assessed valuation. However, Chapter 74-430, Laws of Florida, a special act applicable only to governmental units in Brevard County, limits the annual increase to 10% of the prior year’s millage. During a Special Session in June 2007, the Florida Legislature adopted HB1B, which limits municipal property tax rates effective with the 2007-2008 fiscal year. This legislation establishes reductions in the millage rate based on a calculated growth in per capita taxes between the 2002 and 2007 fiscal years. The Legislature did authorize local governments to use the rolled back millage rate if approved by a super majority vote of the governing body. The West Melbourne City Council levy for the fiscal year ended September 30, 2017 was 2.4633 mills, which is less than the rolled back rate.

As provided by law, the Brevard County Property Appraiser assesses all properties for ad valorem taxing purposes and the Brevard County Tax Collector collects and distributes all taxes. Ad valorem taxes are levied based on property valuation as of January 1. The fiscal year for which ad valorem taxes are levied begins on October 1. Taxes are due beginning November 1, delinquent on April 1, and lien on May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax sale certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal year end.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)

3. Inventories and prepaid items

All inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The governmental funds did not have any inventories on hand at year end. Inventory in the proprietary fund consists of materials and supplies used in the production of goods and services.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Costs are recorded as expenditures or expenses when consumed rather than when purchased.

4. Restricted assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets, as follows:

- **Customer and Developer Deposit Accounts** - Deposited in non-interest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.
- **Bond and Capital Lease Debt Service Accounts** – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or capital lease obligations.
- **Law Enforcement Fines and Confiscated Property Account** - Fines and property generated and applied toward further education and enhancement of the police department.

5. Capital assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)

5. Capital assets (continued)

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

Buildings	10 to 50 years
Improvements other than buildings	2 to 50 years
Machinery and equipment	5 to 10 years
Infrastructure	10 to 40 years

6. Deferred outflows of resources

The financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred amount for advance refunding of debt in the Water and Sewer fund, which is a result of the difference in the carrying value of refunded debt and its reacquisition price, is reported as a deferred outflow of resources in the amount of \$16,005 at September 30, 2017 and is being amortized over the shorter of the life of the refunded or refunding debt.

7. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation is accrued when incurred in the government-wide and proprietary fund type financial statements. A liability for this amount is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements or if they will be liquidated with expendable, available financial resources.

8. Long-term debt and other long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)

9. Deferred inflows of resources

The financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a futures period and so will not be recognized as an inflow of resources (revenue) until that time. The City records its deferred business tax receipts in this category. This is a result of tax receipts received in advance of the associated tax year for which the receipts apply. This amount of \$168,038 at September 30, 2017 is deferred and recognized in the period it becomes available.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Police Officers' pension trust fund and the Florida Retirement System Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

The deferred outflows and deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities - Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Total deferred outflows of resources related to pensions were \$1,466,104 for the year ended September 30, 2017. Total deferred inflows of resources related to pensions were \$757,393 for the year ended September 30, 2017.

11. Fund equity

Fund balance, under Section 1800 of the GASB Codification, is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The five classifications provide clarity of the level of restrictions, as fund balance can have different levels of restraint, such as external versus internal compliance requirements. The constraints placed on fund balance for governmental funds are presented below:

Nonspendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (inventories, prepaid expenditures) and items such as the long-term amount of interfund advances, property acquired for resale, as well as unrealized gains.

Restricted Fund Balance – Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, deferred outflows, liabilities, deferred inflows and net position or equity (continued)

11. Fund equity (continued)

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the City Council, the City's highest level of decision making authority. Commitments may only be removed or changed by the City Council taking the same formal action (resolution) that imposed the constraint originally.

Assigned Fund Balance – Amounts that are constrained by the government's intent to be used for specific purposes that are neither considered restricted or committed. The authority to assign fund balance lies with the City Council and may occur through the budget process or formal action.

Unassigned Fund Balance – The residual classification for the General Fund resources. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. According to the City's Fund Balance policy, the General Fund shall maintain an unassigned, unappropriated fund balance equivalent to a minimum of twenty (20%) of the current fiscal year expenditures less capital outlay and transfers out. At September 30, 2017, this minimum balance is \$2,018,857.

Restricted amounts shall be spent first unless there are legal documents/contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of the classifications could be used.

12. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

13. Recently issued and implemented accounting pronouncements

The City has implemented GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of the GASB Statement are effective for fiscal year 2016-17. The objective of GASB Statement No. 77 is to improve financial reporting by providing financial statement users information about certain limitations on revenue-raising capacity for a government that has established tax abatement programs to encourage economic development or to induce behavior by individuals or entities that is beneficial to the government or its citizens. During the year ended September 30, 2017, the City had no commitments under such tax abatement programs.

City of West Melbourne, Florida
Notes to Financial Statements

NOTE II: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(3,031,273) difference are as follows:

Capital leases payable	\$ (108,298)
Net OPEB obligation	(191,412)
Net pension liability (asset)	(2,367,425)
Compensated absences	(364,138)
<hr/>	
Net adjustment to reduce fund balance - total governmental funds to arrive at <i>net position - governmental activities</i>	\$ (3,031,273)
<hr/>	

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$2,303,645 difference are as follows:

Capital outlay	\$ 4,035,502
Depreciation expense	(1,731,857)
<hr/>	
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ 2,303,645
<hr/>	

Another element of the reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$106,021 difference are as follows:

Principal repayments:	
Capital leases	\$ 106,021
<hr/>	
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ 106,021
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NOTE III: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At September 30, 2017, the City's carrying amount of cash deposits was \$9,364,420, not including petty cash and change accounts totaling \$4,050, and the bank balance was \$9,882,300. At September 30, 2017, the City's carry amount and bank balance of cash deposits in the City's pension trust funds was \$234,518. As of September 30, 2017, \$500,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

The investment program is established in accordance with the City's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the City to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

The investing of public funds with the Florida State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund is governed by Section 218.407, Florida Statutes. The SBA is under regulatory oversight of the State of Florida. The investment pool consists largely of corporate notes and commercial paper. On September 30, 2017, the City had \$6,677,481 invested. The fair value of the City's position in the pool is equal to the value of the pooled shares.

The Florida Local Government Investment Trust (Florida SAFE) is a common law trust organized under the laws of the State of Florida as an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01 of the Florida Statutes. The investment pool consists of obligations guaranteed by the full faith and credit of the United States, U.S. government agency obligations, commercial paper, bank obligations and other obligations permitted by applicable Florida Statutes. At September 30, 2017, the City's share of Florida SAFE was \$7,097,048. The fair value of the City's position in the pool is equal to the value of the pooled shares.

The Florida Surplus Asset Fund Trust (FTIP) Day to Day Fund is a common law trust organized under the laws of the State of Florida as an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01 of the Florida Statutes. The investment pool offers two open-ended managed funds available only to public entities in Florida. The investment pools consist of short- to intermediate-term securities permitted by applicable Florida Statutes. At September 30, 2017, the City's share of the FTIP Day to Day Fund was \$4,022,256. The fair value of the City's position in the FTIP Day to Day Fund investment pool is equal to the value of the pooled shares.

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in either external investment pool.

Cash with escrow and paying agents of \$508,641 accounted for in the Water and Sewer Fund represents reserves and balances to service outstanding bonds.

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Interest earned was allocated to the various funds based on their average cash and investment balances. The pension trust funds are authorized to invest in corporate bonds and stocks, money markets funds, and mortgages and notes.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as “qualified public depositories,” as required under the Florida Security for Public Deposits Act.

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2017, the City's pension investments are held in street name in the form of stock, debt securities and U.S. government bonds through a financial brokerage firms segregated out from the assets and investments held by other clients of the investment firm and their own assets.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months. The City's Police Officers' Plan does not address interest rate risk.

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy and the investment policy for the City's Police Officers' Plan, limit investments to securities with specific ranking criteria.

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City’s investment policy does not address concentration risk. The Police Officer & Pension Plan restricts the percentage of assets that may be held in the stock of any one company and the bonds issued by any one issuer.

At September 30, 2017, the City had the following investments:

Investment type	Fair Value	Investment Maturities (in years)				Rating	Agency
		Less than 1	1-5	6-10	More than 10		
Primary government:							
State Board of Administration							
Florida Prime	\$ 6,677,481	\$ 6,677,481	\$ -	\$ -	\$ -	AAAm	S&P
Florida Trust Investment Pool							
Day to Day Fund	4,022,256	4,022,256	-	-	-	AAAm	S&P
Short Term Bond Fund	2,013,144	2,013,144	-	-	-	AAAf/S1	S&P
Florida SAFE Investment Pool	7,097,048	7,097,048	-	-	-	AAAm	S&P
Total primary government investments	\$ 19,809,929	\$ 19,809,929	\$ -	\$ -	\$ -		
Pension trust funds:							
Money market funds	\$ 234,518	\$ 234,518	\$ -	\$ -	\$ -	Not Rated	
US and international stock mutual funds	8,548,346	8,548,346	-	-	-	4★	MS*
Corporate bonds:							
Corporate bonds (A)	385,100	-	262,465	122,635	-	AA+ -A-	S&P
Fixed income mutual funds	948,124	948,124	-	-	-	4★	MS*
US government obligations	2,029,336	350,478	679,956	998,902	-	Not Rated	
Mortgage/asset backed securities	342,153	-	40,041	130,746	171,366	Not Rated	
Real estate fund	1,159,826	-	-	-	1,159,826	Not Rated	
Total fiduciary fund investments	\$ 13,647,403	\$ 10,081,466	\$ 982,462	\$ 1,252,283	\$ 1,331,192		

* MS = Morningstar

Fair Value

GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of September 30, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs Other than Quoted Prices (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fiduciary fund:				
Money market funds	\$ 234,518	\$ 234,518	\$ -	\$ -
Mutual funds - stock	8,548,346	8,548,346	-	-
Corporate bonds	385,100	-	385,100	-
Fixed income mutual funds	948,124	-	948,124	-
US government obligations	2,029,336	-	2,029,336	-
Mortgage/asset backed securities	342,153	-	342,153	-
Total investments measured by fair value level	12,487,577	\$ 8,782,864	\$ 3,704,713	\$ -

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs Other than Quoted Prices (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at the net asset value (NAV):				
Primary government:				
Florida Trust Investment Pool (FTIP)				
Short Term Bond Fund	2,013,144			
Fiduciary fund:				
Real estate funds	1,159,826			
Total investments measured at fair value	\$ 15,660,547			

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017.

Debt and equity securities – Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based on the price or yield of similar debt securities.

Mutual funds – Mutual funds classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those investments. Mutual funds classified in Level 2 of the fair value hierarchy, while underlying securities have observable Level 1 pricing inputs or observable Level 2 significant other pricing inputs, are not publicly quoted and are based on market-corroborated data.

Fixed income funds – Fixed income funds classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those investments. Fixed income funds classified in Level 2 of the fair value hierarchy are not publicly quoted and are based on market-corroborated data.

Real estate funds – Real estate funds are valued at net asset value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Fair Value of Investments in Entities that Use Net Asset Value (NAV)

The following table summarizes investments measured at fair value based on NAV per share as of September 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
FTIP Short Term Bond Fund	\$ 2,013,144	None	Monthly	None stated
Real estate funds	1,159,826	None	Quarterly	30 days prior to last day of the quarter
<hr/>				
Total investments measured at net asset value	\$ 3,172,970			

FTIP Short Term Bond Fund – The pool is valued using the quoted value of underlying assets or similar assets and multiplied by the City’s percentage of ownership in the pool.

Real estate funds – The real estate funds invest primarily in U.S. commercial and multi-family residential real estate. Distributions from each fund will be received as the underlying investments of the funds are liquidated. The funds were formed as open-ended investments and will have perpetual existence unless terminated by the ownership (partners). Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the City’s ownership interest in partners’ capital.

B. Restricted assets

The balances of the restricted asset accounts in the governmental activities at September 30, 2017 are as follows:

	Governmental Activities
Customer and developer deposit accounts	\$ 145,169
Law enforcement fines and confiscated property account	2,000
Totals	\$ 147,169

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

B. Restricted assets (continued)

The balances of the restricted asset accounts in the business-type activities at September 30, 2017 are as follows:

	Business-type Activities
Customer and developer deposit accounts	\$ 951,156
Accrued interest	250,913
Bond debt service accounts - current	224,319
Bond debt service account - noncurrent	284,322
Totals	\$ 1,710,710

C. Receivables

Receivables and amounts due from other governments as of fiscal year end for the individual major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes	\$ 273,525	\$ -	\$ 273,525
Solid waste	85,729	-	85,729
Utilities	-	1,892,250	1,892,250
Franchise fees	297,243	-	297,243
Special assessments	-	127,605	127,605
Other	36,698	-	36,698
Gross receivables	693,195	2,019,855	2,713,050
Less: allowance for uncollectible accounts	-	(118,650)	(118,650)
Net total receivables	\$ 693,195	\$ 1,901,205	\$ 2,594,400

The City provides an allowance for water and sewer accounts receivable that may become uncollectible. At September 30, 2017, this allowance was \$118,650. No other allowances for doubtful accounts are maintained since all other accounts receivable are considered collectible at September 30, 2017.

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets

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

Governmental activities:	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,120,896	\$ 331,449	\$ -	\$ 1,452,345
Construction in progress	1,668,177	730,483	(239,447)	2,159,213
Total capital assets, not being depreciated	2,789,073	1,061,932	(239,447)	3,611,558
Capital assets, being depreciated:				
Buildings	6,064,963	261,006	1,105,590	7,431,559
Improvements other than buildings	6,414,826	89,807	(1,019,880)	5,484,753
Machinery and equipment	5,183,299	539,322	(489,822)	5,232,799
Infrastructure	10,316,064	2,322,882	-	12,638,946
Total capital assets being depreciated	27,979,152	3,213,017	(404,112)	30,788,057
Less accumulated depreciation for:				
Buildings	(2,176,745)	(208,078)	(146,618)	(2,531,441)
Improvements other than buildings	(1,674,975)	(367,579)	80,448	(1,962,106)
Machinery and equipment	(3,566,921)	(554,451)	425,593	(3,695,779)
Infrastructure	(4,012,365)	(601,749)	14,641	(4,599,473)
Total accumulated depreciation	(11,431,006)	(1,731,857)	374,064	(12,788,799)
Total capital assets being depreciated, net	16,548,146	1,481,160	(30,048)	17,999,258
Governmental activities capital assets, net	\$ 19,337,219	\$ 2,543,092	\$ (269,495)	\$ 21,610,816
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 396,459	\$ -	\$ -	\$ 396,459
Construction in progress	1,023,944	54,704	(987,865)	90,783
Total capital assets, not being depreciated	1,420,403	54,704	(987,865)	487,242
Capital assets, being depreciated:				
Buildings	2,038,018	478,428	-	2,516,446
Improvements other than buildings	69,487,708	3,556,004	-	73,043,712
Machinery and equipment	6,947,114	1,027,583	-	7,974,697
Total capital assets being depreciated	78,472,840	5,062,015	-	83,534,855
Less accumulated depreciation for:				
Buildings	(2,033,320)	(23,285)	-	(2,056,605)
Improvements other than buildings	(28,111,628)	(2,950,503)	-	(31,062,131)
Machinery and equipment	(4,500,439)	(382,617)	-	(4,883,056)
Total accumulated depreciation	(34,645,387)	(3,356,405)	-	(38,001,792)
Total capital assets, being depreciated, net	43,827,453	1,705,610	-	45,533,063
Business-type activities capital assets, net	\$ 45,247,856	\$ 1,760,314	\$ (987,865)	\$ 46,020,305

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital assets (continued)

Depreciation/amortization expense was charged to functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 294,416
Public safety	450,283
Public works	813,973
Recreation	173,185
Total depreciation expense - governmental activities	\$ 1,731,857
<u>Business-type activities:</u>	
Water and Sewer	\$ 3,356,405

E. Interfund receivables, payable and transfers

Interfund balances – The composition of interfund balances as of September 30, 2017, is as follows:

<u>Advances to/from other funds:</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Current:		
General Fund	Community Redevelopment Fund	\$ 100,000
General Fund	Water and Sewer Fund	170,871
General Fund	Nonmajor Governmental Funds	-
Total current		270,871
Noncurrent:		
General Fund	Community Redevelopment Fund	700,000
General Fund	Water and Sewer Fund	327,065
Total noncurrent		1,027,065
		\$ 1,297,936

Between the General Fund and the Water and Sewer Fund the advances are interfund loans to cover cash shortfalls and the cost of construction projects. The amount is being repaid to the General Fund with interest.

Between the General Fund and the CRA Fund the advances are interfund loans used for working capital for the CRA to begin operations. The amount is being repaid to the General Fund over 10 years without interest, administration or service charges.

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund receivables, payable and transfers (continued)

Interfund transfers – The composition of interfund transfers as of September 30, 2017, is as follows:

Description	Total Transfers Out	Transfers In		
		Governmental Funds		Proprietary Funds
		General Fund	Nonmajor Governmental Funds	Water and Sewer Fund
Governmental funds:				
General Fund	\$ (91,700)	\$ -	\$ -	\$ -
Nonmajor governmental fund	-	-	97,800	-
Total - governmental funds	(91,700)	-	97,800	-
Proprietary funds:				
Water and Sewer Fund	(6,100)	-	-	-
Total	\$ (97,800)	\$ -	\$ 97,800	\$ -

The transfers from the General Fund and the Water and Sewer Fund to the Vehicle Replacement Fund reflect the City's budgeted transfers to fund future replacement of City-owned vehicles and are based on a capital replacement schedule developed during the budgeting process.

F. Capital leases

In a prior year, the City entered into a lease agreement as lessee to finance the acquisition of vehicles and related equipment for the Police Department. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore has been recorded at the present value of future minimum lease payments.

Asset:	
Machinery and equipment	\$ 520,750
Less: accumulated depreciation	(471,098)
Total	\$ 49,652

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

<i>Year ending September 30, 2018</i>	\$ 110,624
Less: amount representing interest	(2,326)
Present value of minimum lease	\$ 108,298

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term debt and liabilities

Revenue Bonds

The City issues revenue bonds to pay the costs of constructing certain capital projects and to refund all or a portion of previously issued revenue bonds. The bonds are secured by and payable from the gross revenues of the City's water and sewer system. The bond resolutions provide that revenues in excess of debt service requirements may be used for general operating purposes. Debt service sinking fund requirements, where applicable, on outstanding bonds have been met or exceeded, in accordance with the bond resolutions.

Revenue bonds outstanding at year-end are as follows:

Business-type activities:

Water and Sewer Revenue Bonds, Series 2007	\$ 5,763,000
Water and Sewer Revenue Refunding Bonds, Series 2014	3,768,900
Total business-type activities	\$ 9,531,900

Water and Sewer Revenue Bonds, Series 2007 – \$8,015,000 Water and Sewer Revenue Bonds, Series 2007 (\$5,763,000 remaining at September 30, 2017) - On July 25, 2007, the City issued the West Melbourne Water and Sewer Revenue Bonds, Series 2007 in the principal amount of \$8,015,000. These bonds were sold to: (i) pay the cost of constructing certain capital improvements to the System, and (ii) finance the costs of issuance of the Series 2007 Bonds. The Series 2007 bonds bear interest at 4.49% per annum, payable semi-annually on April 1 and October 1. Principal is due annually beginning April 1, 2017, in amounts increasing from \$35,000 to \$860,000. The final maturity is April 1, 2026.

Water and Sewer Refunding Revenue Bonds, Series 2014 – On September 4, 2014, the City issued \$5,778,300 Water and Sewer Revenue Refunding Bonds, Series 2014 (\$3,768,900 remaining at September 30, 2017), a refunding bank loan. These bonds were sold to: (i) fully refund \$960,000 of outstanding Water and Sewer Revenue Refunding Bonds Series 1999, (ii) fully refund \$1,300,000 of outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2004, (iii) partially refund \$2,925,000 of outstanding Florida Municipal Loan Council Series 2005D, and (iv) partially refund \$1,200,000 of outstanding Water and Sewer Revenue Bonds, Series 2007. The Series 2014 bonds bear interest at 2.30% per annum, payable semi-annually on April 1 and October 1. Principal is due annually beginning October 1, 2014, in amounts that range from \$104,700 to \$1,039,500, until final maturity on October 1, 2026.

Loans Payable

The City obtained loans to pay the costs of constructing certain capital projects and to finance costs of issuance of revenue bonds. The loans are secured by and payable from the gross revenues of the City's water and sewer system. Loans outstanding at year end, excluding discounts, are as follows:

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term debt and liabilities (continued)

Business-type activities:

Florida Municipal Loan Council, Series 2010D	\$ 2,925,000
Total business-type activities	\$ 2,925,000

Loan Payable - Florida Municipal Loan Council, Series 2010D – \$3,820,000 loan payable (\$2,925,000 remaining at September 30, 2017) Florida Municipal Loan Council - On August 25, 2010, the City entered into a loan agreement to: (i) to pay the cost of constructing certain capital improvements to the System, and (ii) finance the City’s pro-rata costs of issuance of the FMLC Series 2010D Bonds. The loan bears interest at rates ranging from 2.00% to 4.25% per annum, payable semi-annually on April 1 and October 1. Principal is due annually beginning October 1, 2011, in amounts increasing from \$160,000 to \$270,000 at final maturity on October 1, 2030.

Annual debt service requirements to maturity for revenue bonds and loans outstanding as of September 30, 2017 excluding premiums and discounts are as follows:

<i>Year ending September 30,</i>	<u>Business-type Activities</u>	
	Principal	Interest
2018	1,158,600	471,259
2019	1,203,500	415,716
2020	1,246,200	370,065
2021	1,283,600	323,593
2022	1,329,200	276,285
2023-2027	5,230,800	635,992
2028-2031	1,005,000	87,868
Totals	\$ 12,456,900	\$ 2,580,778

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 214,319	\$ -	\$ (106,021)	\$ 108,298	\$ 108,298
Compensated absences	294,729	295,616	(226,207)	364,138	291,310
Other post-employment benefits	165,002	26,410	-	191,412	-
Governmental activities long-term liabilities	\$ 674,050	\$ 322,026	\$ (332,228)	\$ 663,848	\$ 399,608

City of West Melbourne, Florida
Notes to Financial Statements

NOTE III: DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term debt and liabilities (continued)

Changes in Long-term Liabilities (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds payable	\$ 11,623,400	\$ -	\$ (2,091,500)	\$ 9,531,900	\$ 993,600
Total bonds payable	11,623,400	-	(2,091,500)	9,531,900	993,600
Loan payable:					
Loans payable	3,085,000	-	(160,000)	2,925,000	165,000
Plus/less deferred amounts:					
For issuance discount	(12,640)	1,485	-	(11,155)	-
Total loans payable	3,072,360	1,485	(160,000)	2,913,845	165,000
Compensated absences	56,610	58,750	(50,483)	64,877	51,902
Other post-employment benefits	31,998	4,590	-	36,588	-
Business-type activities long-term liabilities	\$ 14,784,368	\$ 64,825	\$ (2,301,983)	\$ 12,547,210	\$ 1,210,502

Long-term liabilities such as compensated absences and other post-employment benefits are liquidated by the respective funds that are obligated for the related cost. For governmental activities, compensated absences and the net OPEB obligation are generally liquidated by the general fund.

Summary of Defeased Debt Outstanding

The following outstanding debt is defeased. Since governmental obligations are held in escrow for the payment of principal and interest, the bonds are not liabilities of the City.

	Outstanding at year end
Water and Sewer Revenue Bonds (Loans):	
Series 1978	\$ 81,000
Total business-type activities	\$ 81,000

NOTE IV: OTHER INFORMATION

A. 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; worker's compensation and natural disasters.

The City is a member of the Preferred Governmental Insurance Trust (the "Trust"). The Trust is self-governed by a Board of Trustees and was created to provide worker's compensation, property, and casualty coverage to all segments of the public entity insurance marketplace, pursuant to various provisions of Florida Statutes. The Trust maintains minimal risk by purchasing excess of loss coverage at relatively low retention levels and program options include guaranteed cost, deductibles, self-insured retentions and basket aggregate products. Only workers compensation is subject to audit thus avoiding additional premium charges beyond policy expirations.

There have been no significant reductions in insurance coverage during the fiscal year 2017. Also, there have been no settlements that exceeded insurance coverage for each of the past three fiscal years.

B. Employee retirement plans – defined contribution plan

General Employees' Retirement Plan

Plan Description. The City of West Melbourne General Employees' Retirement Plan is a defined contribution plan administered 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 hired prior to July 1, 2008 are eligible to participate after six months of service.

Employer contributions are vested according to the following schedule: 50% after three years of service; 75% after four years; 100% after five years. There are currently three employees participating in this plan.

Funding Policy. 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 are 2% and 8% of eligible earnings for employees and employer, respectively. Administrative costs are financed through investment earnings. Required and actual contributions for the year ended September 30, 2017 were \$5,335 from employees and \$21,344 from the employer. Of the employer's portion, all was paid from forfeitures remaining in the plan.

Participant Loans. The Plan allows participants to borrow from their fund accounts the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account and bear interest at a fixed rate of prime plus 0.5%, as determined on the last day of the month preceding the month the loan is disbursed. Principal and interest are paid ratably through bi-weekly payroll deductions over a period not to exceed five years.

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans

Florida Retirement System

The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. All City employees except for sworn police officers participate in these plans. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees.

The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided. Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

City of West Melbourne, Florida
Notes to Financial Statements

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Florida Retirement System (continued)

Contributions. The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer’s contribution rates as of September 30, 2017, were as follows:

	FRS	HIS
Regular class	6.26%	1.66%
Senior management service class	21.05%	1.66%
DROP from FRS	11.60%	1.66%

The employer’s contributions for the year ended September 30, 2017, were \$205,301 to the FRS and \$50,569 to the HIS.

Pension Liabilities and Pension Expense. In its financial statements for the year ended September 30, 2017, the City reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2017. The City’s proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 2,276,922	\$ 999,100
Proportion at:		
Current measurement date	0.0077%	0.0093%
Prior measurement date	0.0076%	0.0093%
Pension expense (benefit)	\$ 312,729	\$ 104,213

City of West Melbourne, Florida
Notes to Financial Statements

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Florida Retirement System (continued)

Deferred Outflows/Inflows of Resources Related to Pensions. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 208,967	\$ 12,613	\$ -	\$ 2,080
Changes of assumptions	765,206	-	140,439	86,393
Difference between projected and actual earnings on pension plan investments	-	56,428	554	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,737	-	71,981	-
Employer contributions subsequent to the measurement date	59,656	-	14,055	-
Total	\$ 1,101,566	\$ 69,041	\$ 227,029	\$ 88,473

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2018. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<i>Year ending September 30,</i>	FRS	HIS
2018	\$ 138,880	\$ 31,407
2019	338,009	31,407
2020	233,694	31,407
2021	51,270	25,782
2022	155,959	14,929
Thereafter	55,057	(10,431)
Total	\$ 972,869	\$ 124,501

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Florida Retirement System (continued)

Actuarial Assumptions. The total pension liability for each of the defined benefit plans was measured as of June 30, 2017. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2017. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2016, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.10%	N/A
Discount rate	7.10%	3.58%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2017:

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

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

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate (property)	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	<u>100%</u>		

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Florida Retirement System (continued)

Discount Rate. The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. FRS’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer’s proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Employer's proportionate share of the net pension liability	\$ 4,121,091	\$ 2,276,922	\$ 745,839	\$ 1,140,105	\$ 999,100	\$ 881,650

Pension Plans’ Fiduciary Net Position. Detailed information about the pension plans’ fiduciary net position is available in the State’s separately issued financial reports.

Payables to the Pension Plans. As of September 30, 2017, the City had an outstanding payable to the plans of \$1,702 for regular employee and employer contributions that were legally required to be paid to the plans but not remitted prior to the end of the year.

Police Employees' Pension Plan

The City maintains and administers a separate single-employer pension plan for all eligible police officers, which assets are included in the Police Employees' Retirement Trust Fund (the "Police Employees’ Pension Plan" or the “Plan”). The plan does not issue stand-alone financial reports and is not included in any other retirement system’s or the entity’s financial report.

Plan Description. The City of West Melbourne Police Retirement Plan (the “Plan”) is a single-employer defined benefit pension plan. The Plan is administered by a five-member Board of Trustees (two West Melbourne citizens appointed by the City Council, two plan participants selected by the plan membership, and a fifth board member selected by the other four board members and confirmed by the City Council as a ministerial action).

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

The Plan does not issue a stand-alone financial report. The Plan's financial statements as of September 30 are included in the City's Comprehensive Annual Financial Report. Pension plan data is provided from the respective actuarial reports as of September 30, 2017.

Basis of Accounting. The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments.

Description of Benefits. Benefits under the Plan are established in accordance with requirements of City Ordinance and Florida Statutes Chapter 185. Benefit provisions may be amended by the City Council but may not be reduced below the minimum specified by statute. During the year ended September 30, 2013, the City Council adopted Ordinance No. 2013-15 amending the Plan to increase member contributions of members hired prior to January 1, 2011, to reduce the cost of living adjustment of members hired prior to January 1, 2011 and not retired as of February 19, 2013, to clarify that the beneficiary of a vested terminated member who dies prior to retirement is entitled to ten years of benefit payments, and to reduce the rate of member earnings while participating in the DROP.

The Plan provides retirement, death and disability benefits to plan members and beneficiaries. Retirement benefits vest with the participants based on years of credited service at 20% per year after six years with full vesting provided after ten years. Employees qualifying for normal retirement are entitled to monthly benefits based on 3% of average final compensation times years of service. Employees hired prior to January 1, 2011 additionally receive \$10 per month per year of service. Generally, normal retirement occurs at attained age 55, or with 25 years of service, regardless of age. Early retirement benefits are available at attained age 50 and 10 years of service using reduced benefit formulas.

Service incurred disability benefits are available to employees with no vesting period and provide monthly income (as defined by the plan payable until death or recovery). Non-service incurred disability benefits (available to employees with ten years of plan participation) provide monthly income (as defined by the Plan) payable until death or recovery. In the event of death, the Plan provides for a 10-year certain and life annuity benefit.

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

Optional forms of benefits are available and may be elected by the employee as provided in the Plan.

Contribution Requirements and Funding Policy. The employer, employee and State contribution requirements are actuarially determined on an annual basis. Most administrative costs of the Plan are financed through investment earnings of the Plan. Plan members hired on or after January 1, 2011 are required to contribute 8.44% of pensionable pay and Plan members hired before January 1, 2011 are required to contribute 8.54% of pensionable pay. The City recognized as revenues and expenditures on-behalf payments relating to contributions for its public safety employees that the State paid to the Plan in the amount of \$141,328. These contributions are funded by an excise tax levied on certain casualty and property insurance premiums. If the remittance from the State is less than estimated by the actuary, the City pays the balance required to fund the total actuarial requirement.

The City's contributions to the Plan for the year ended September 30, 2017 totaled \$835,909, which includes the amount contributed by the State. Plan members contributed \$194,487 for the same fiscal year.

Plan Administration. The Plan is administered by a Board of Trustees comprised of two (2) Council appointees, two (2) members of the Department elected by the Membership and a fifth member elected by the other four (4) members of the Board of Trustees.

Plan Membership as of October 1, 2016:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	34
Total plan members	53

Benefits Provided. The Plan provides retirement, termination, disability and death benefits.

Normal Retirement. Normal retirement is the earlier of: 1) Age 55 and 10 years of credited service, or 2) 25 years of credited service, regardless of age. Upon retirement, the member receives a monthly benefit equal to 3.0% of Average Final Compensation (AFC) for each year of credited service.

Early Retirement. Members are eligible for early retirement upon attaining age 50 and completing 10 Years of credited service. Accrued benefits are reduced by 3% for each year from the otherwise normal retirement date.

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

Vesting. Vesting begins after 6 years of credited service. The members vest at 20% after 6 years of credited service plus 20% per year thereafter up to 100% after 10 years. Each member will receive an unreduced benefit payable at the later of age 55 or when the member would have attained 10 years of service. Reduced benefits are payable at the later of age 50 or when the member would have attained 10 years of service.

Disability. Eligibility for a service incurred disability is covered from date of employment. Eligibility for a non-service incurred liability vests after 10 years of credited service. The benefit for a service incurred disability is the member's accrued benefit but not less than 42% of AFC and not less than 25% of AFC for a non-service incurred disability.

Pre-Retirement Death Benefits. Eligibility for pre-retirement death benefits vests after 10 years of credited service. The benefit is the member's accrued benefit paid as 50% of the actuarially equivalent 50% Joint and Survivor form of benefit.

Cost of Living Adjustment. For Members hired before January 1, 2011, the base benefit is increased annually by a pro-rated portion of 2.0% each October 1 beginning 5 years after retirement. The pro-ration will be years of service prior to February 19, 2013 over total years of service at retirement. Minimum COLA for those hired before January 1, 2011 will be 1.0%.

Supplemental Benefit. Members hired before January 1, 2011 receive a monthly supplemental benefit equal to \$10 for each year of Credited Service. This supplemental benefit is not subject to cost-of-living adjustments, and is not provided to vested terminated members.

Contributions. Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investment Policy. The following was the Board's adopted asset allocation policy as of September 30, 2017:

Asset Class:	Target Allocation
Domestic equity	45.0%
International equity	15.0%
Broad market fixed income	22.5%
Non-core fixed income	5.0%
Real estate	10.0%
Alternative	2.5%
Total	100.0%

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

Concentrations. The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

Rate of Return. For the year ended September 30, 2017 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 12.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program.

<u>Eligibility:</u>	Members hired before January 1, 2011 who are eligible for Normal Retirement.
<u>Participation:</u>	Earlier of a) 60 months in the DROP program, or b) 31 years of employment with the City as a Police Officer.
<u>Rate of Return:</u>	6.5% per annum, compounded monthly and credited quarterly for those who entered DROP prior to February 19, 2013. 2.0% per annum for those who enter on or after February 19, 2013.

The DROP balance on September 30, 2017 was \$164,710.

Net Pension Liability of the Sponsor. The components of the net pension liability of the sponsor on September 30, 2017 were as follows:

Total pension liability	\$ 13,592,766
Plan fiduciary net position	(13,710,816)
<u>Sponsor's net pension liability (asset)</u>	<u>\$ (118,050)</u>
 Plan fiduciary net position as a percentage of total pension liability	 <u>100.87%</u>

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to the September 30, 2017 measurement period:

Inflation	2.50%
Salary increases	6.00%
Discount rate	7.10%
Investment rate of return	7.10%

Mortality assumptions were based on the RP-2000 Generational Table (100% Annuitant White Collar for females, 10% Annuitant White Collar / 90% Annuitant Blue Collar for males) using scale BB for active or inactive members. For disabled members, the mortality rates were based on 60% RP-2000 Disabled Female set forward 2 years / 40% Annuitant White Collar with no setback and no projection scale for females and 60% RP- 2000 Disabled Male setback 4 years / 40% Annuitant White Collar with no setback and no projection scale for males.

The following changes in key plan provisions or actuarial assumptions occurred in 2017:

Plan changes. City Ordinance 2017-10 implemented the following changes:

- Provided clarification that the pre-retirement death benefit shall be reduced by 3% per year for each year that commencement precedes the Normal Retirement Date, with a maximum reduction of 15%.
- Provided details surrounding the treatment of the existing Excess State Monies Reserve and how future annual state monies will be allocated between the City and the share plan.
- Provided that members hired on or after January 1, 2011 will be able to participate in the Deferred Retirement Option Plan (DROP).

Actuarial assumption changes. The mortality table was changed to comply with Chapter 2015-157, *Laws of Florida*, to be the same rates as used in the July 1, 2016 Florida Retirement System (FRS) valuation for special risk lives.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class:	Long Term Expected Real Rate of Return
Domestic equity	7.50%
International equity	8.50%
Broad market fixed income	2.50%
Non-core fixed income	2.50%
Real Estate	4.50%
Alternative	2.50%

Discount Rate. The discount rate used to measure the total pension liability was 7.10%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Sponsor's net pension liability (asset)	\$ 1,900,316	\$ (118,050)	\$ (1,721,450)

City of West Melbourne, Florida
Notes to Financial Statements

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

Net Pension Liability and Changes in the Net Pension Liability. The net pension liability for the Plan was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was also determined as of that date.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Reporting period ending September 30, 2016	\$ 12,969,376	\$ 11,757,576	\$ 1,211,800
Changes for the year:			
Service cost	426,777	-	426,777
Interest	917,986	-	917,986
Change in excess State money	(214,182)	-	(214,182)
Share plan allocation	121,800	-	121,800
Differences between expected and actual experience	(129,422)	-	(129,422)
Changes of assumptions	-	-	-
Changes of benefit terms	(5,606)	-	(5,606)
Contributions - Employer	-	694,581	(694,581)
Contributions - State	-	141,328	(141,328)
Contributions - Employee	-	194,487	(194,487)
Net investment income	-	1,463,500	(1,463,500)
Benefit payments, including refunds of employee contributions	(493,963)	(493,963)	-
Administrative expense	-	(46,693)	46,693
Net changes	623,390	1,953,240	(1,329,850)
Reporting period ending September 30, 2017	\$ 13,592,766	\$ 13,710,816	\$ (118,050)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City will recognize pension expense of \$227,084 for the Police Employees' Pension Plan. At September 30, 2017, the City reported deferred outflows and deferred inflows of resources from the following sources:

City of West Melbourne, Florida
Notes to Financial Statements

NOTE IV: OTHER INFORMATION (Continued)

C. Employee retirement plans – defined benefit plans (continued)

Police Employees' Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,180	\$ 199,887
Changes of assumptions	130,329	10,369
Net differences between projected and actual earnings on pension plan investments	-	389,623
Total	\$ 137,509	\$ 599,879

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year ended September 30:</i>	
2018	\$ (85,648)
2019	(21,893)
2020	(187,879)
2021	(144,742)
2022	(22,208)
Thereafter	-
Total	\$ (462,370)

The Plans' fiduciary net position has been determined on the same basis used by the pension plans and is equal to the fair value of assets calculated under the accrual basis of accounting.

Required Supplementary Information (RSI) following the notes to financial statements provides multi-year trend data to help determine whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Fiduciary Fund Financial Statements. The City does not issue separate financial statements for the Police Employees' Pension Trust Fund. The basic financial statements of the City include a statement of fiduciary net position and a statement of changes in fiduciary net position for the pension trust fund.

D. Post-employment benefits other than pensions (OPEB)

The City follows Section P50: *Postemployment Benefits Other Than Pensions – Employer Reporting* of the GASB Codification for certain post-employment health care benefits provided by the City.

NOTE IV: OTHER INFORMATION (Continued)

D. Post-employment benefits other than pensions (OPEB) (continued)

Plan Description. The OPEB plan is a single-employer benefit plan administered by the City. Medical insurance benefits are provided to employees and their eligible dependents through an employee group medical insurance plan. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this insurance. Benefit provisions for the insurance are established and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City.

Funding Policy. Contribution rates for the insurance are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute toward the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an OPEB obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. For the year ended September 30, 2017 the City estimated it subsidized \$5,000 of medical costs for its retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize an unfunded liability of the insurance over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the insurance, and changes in the City's net OPEB obligation to the City's insurance, including the implicit rate subsidy for medical insurance:

<i>For the year ended September 30,</i>	2017
Annual Required Contribution (ARC)	\$ 46,000
Interest on net OPEB Obligation	6,000
Adjustment to annual required contribution	(16,000)
Annual OPEB cost (expense)	36,000
Contributions made	(5,000)
Increase in net OPEB obligation	31,000
Net OPEB obligation - beginning of year	197,000
Net OPEB obligation - end of year	\$ 228,000

As of September 30, 2017, no trust has been established for the insurance.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ending September 30, 2017, 2016 and 2015 are as follows:

City of West Melbourne, Florida
Notes to Financial Statements

NOTE IV: OTHER INFORMATION (Continued)

D. Post-employment benefits other than pensions (OPEB) (continued)

<i>For the fiscal year ended September 30,</i>	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2017	\$ 36,000	14%	\$ 228,000
2016	24,000	25%	197,000
2015	23,000	22%	179,000

Funded Status and Funding Progress. Because the Plan has less than 200 members, the City is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of October 1, 2017. Accordingly, the City will be required to obtain a subsequent actuarial valuation within three years of that date. According to the October 1, 2017 valuation, the accrued liability for benefits as of September 30, 2017, was projected to be \$246,000, all of which was unfunded.

The funded status as of October 1, 2017, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2017	\$ -	\$ 246,000	\$ 246,000	0%	\$ 5,417,000	4.5%

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE IV: OTHER INFORMATION (Continued)

D. Post-employment benefits other than pensions (OPEB) (continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the October 1, 2017 actuarial valuation, the projected unit credit cost method was used. The annual required contribution (ARC) reflects a 15-year, level amortization of the unfunded actuarial accrued liability (AAL).

The actuarial assumptions included a 2.8% investment rate of return, with 2.75% of this amount being attributed to inflation. Annual medical costs are assumed to increase 8.0% in the first year of valuation, with future annual increases assumed to grade uniformly to 5.5% over a five year period, and with an ultimate rate of 5.0% thereafter. The amortization method is 15-year open period, level dollar payment.

E. Concentration – Water Supply

The City purchases all of its residents' water needs from the City of Melbourne, Florida under an agreement dated May 16, 2013, which is currently scheduled to expire December 31, 2026, with an optional fifteen year extension. During the year, approximately \$3.44 million (613,969,000 gallons) of water was purchased and management believes it will be able to continue purchasing water from the City of Melbourne, Florida, sufficient to meet all of its residents' water needs, for the foreseeable future.

F. Litigation

Various other suits 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 counsel for the City, the liabilities that may arise from such actions would not result in losses that would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial position of the City or results of operations.

G. Commitments and contingencies

In February of 2011, the City entered into a contract for the management, operation and maintenance of the wastewater treatment, collection and disposal facility. On December 15, 2015, the City Council approved a five-year extension of the contract. The term of the contract extension ends on April 30, 2021. The base fee for the first year was \$1,214,768 and is subject to annual adjustment. For fiscal year 2017, the City paid \$1,349,583 under this contract.

NOTE IV: OTHER INFORMATION (Continued)

G. Commitments and contingencies (continued)

Amounts received or receivable from grantor agencies 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, if any, to be immaterial.

The City has active construction projects as of September 30, 2017 for various projects including the construction of the West Melbourne Community Park – Phase II and the City Hall renovation. At year-end, the City's commitments with contractors totaled \$2,924,306. The commitments are being financed by general revenues and from capital contributions received from developers.

H. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The City is currently evaluating the effects that these statements will have on its 2018 financial statements.

I. Hurricane-Related Expenditures

In early September 2017, the City was impacted by Hurricane Irma. The estimated costs of emergency protective services, debris removal, roads and bridges, buildings, and other costs associated with the hurricane were \$293,000 as of the date of this report. The City believes that it will be able to obtain reimbursement of approximately \$276,000 through insurance and agreements with FEMA and with the State.

J. Subsequent Events

On March 21, 2018, the City prepaid \$864,450 of the principal on the Water and Sewer Revenue Bonds, Series 2007, bringing the outstanding principal balance to \$4,898,550. On April 20, 2018, the bond holder notified the City that, as a result of the corporate tax rate reduction granted the bond holder under the Tax Cuts and Jobs Act in December 2017, the bond holder would be retroactively increasing the rate on the face of the bonds from 4.49% to 5.45706% as of January 1, 2018. The net of these two actions resulted in a reduction of \$2,488,123 in future debt service payments.



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**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**



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City of West Melbourne, Florida
Required Pension Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Last Three Fiscal Years

<i>Florida Retirement System (FRS)</i>	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.0077%	0.0076%	0.0076%
Employer's proportionate share of the net pension liability (asset)	\$ 2,276,922	\$ 1,924,137	\$ 981,132
Employer's covered payroll ⁽²⁾	\$ 2,980,912	\$ 2,866,110	\$ 2,616,648
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	76.38%	67.13%	37.50%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%
<i>Health Insurance Subsidy Program (HIS)</i>		2016	2015
Employer's proportion of the net pension liability (asset)	0.0093%	0.0093%	0.0086%
Employer's proportionate share of the net pension liability (asset)	\$ 999,100	\$ 1,082,043	\$ 879,605
Employer's covered payroll ⁽²⁾	\$ 2,980,912	\$ 2,866,110	\$ 2,616,648
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.52%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

Notes to the schedule:

- (1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.
- (2) GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*, was implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit plan actives, members in DROP and investment plan members.
- (3) GASB Statement No. 68 was implemented in fiscal year 2015. Until a full 10-year trend is compiled, the City is presenting information only for those years for which it is available.

City of West Melbourne, Florida
Required Pension Supplementary Information
Schedule of Contributions – Florida Retirement System
Last Three Fiscal Years

<i>Florida Retirement System (FRS)</i>	2017	2016	2015
Contractually required contribution	\$ 205,301	\$ 199,039	\$ 185,321
Contributions in relation to the contractually required contribution	205,301	199,039	185,321
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll ⁽¹⁾	\$ 3,048,186	\$ 3,022,624	\$ 2,654,154
Contributions as a percentage of covered payroll	6.74%	6.58%	6.98%
<hr/>			
<i>Health Insurance Subsidy Program (HIS)</i>	2017	2016	2015
Contractually required contribution	\$ 50,569	\$ 50,187	\$ 35,935
Contributions in relation to the contractually required contribution	50,569	50,187	35,935
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll ⁽¹⁾	\$ 3,048,186	\$ 3,022,624	\$ 2,654,154
Contributions as a percentage of covered payroll	1.66%	1.66%	1.35%

Notes to the schedule:

- (1) Covered-employee payroll includes defined benefit plan actives, investment plan members and members in DROP.
- (2) GASB Statement No. 68 was implemented in fiscal year 2015. Until a full 10-year trend is compiled, the City is presenting information only for those years for which it is available.

City of West Melbourne, Florida
Required Pension Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Five Fiscal Years

Police Employees' Pension Plan					
<i>For the year ended September 30,</i>	2017	2016	2015	2014	2013
Total pension liability					
Service cost	\$ 426,777	\$ 431,817	\$ 373,517	\$ 349,217	\$ 325,155
Interest	917,986	881,847	852,748	802,323	753,170
Change in Excess State Money	(214,182)	-	-	-	-
Share Plan Allocation	121,800	-	-	-	-
Changes of benefit terms	(5,606)	-	-	-	-
Differences between expected and actual experience	(129,422)	10,052	(184,074)	-	-
Changes of assumptions	-	(14,515)	-	304,099	-
Benefit payments, including refunds of employee contributions	(493,963)	(740,129)	(652,537)	(304,307)	(572,002)
Net change in total pension liability	623,390	569,072	389,654	1,151,332	506,323
Total pension liability - beginning	12,969,376	12,400,304	12,010,650	10,859,318	10,352,995
Total pension liability - ending (a)	\$ 13,592,766	\$ 12,969,376	\$ 12,400,304	\$ 12,010,650	\$ 10,859,318
Plan fiduciary net position					
Contributions - employer	\$ 694,581	\$ 573,560	\$ 582,408	\$ 606,424	\$ 605,565
Contributions - state	141,328	138,223	119,977	117,718	110,917
Contributions - employee	194,487	161,203	151,179	139,016	135,524
Net investment income	1,463,500	1,078,301	(67,763)	1,003,043	948,930
Benefit payments, including refunds of employee contributions	(493,963)	(740,129)	(652,537)	(304,307)	(572,002)
Administrative expense	(46,693)	(48,793)	(46,398)	(41,892)	(36,475)
Net change in plan fiduciary net position	1,953,240	1,162,365	86,866	1,520,002	1,192,459
Plan fiduciary net position - beginning	11,757,576	10,595,211	10,508,345	8,988,343	7,795,884
Plan fiduciary net position - ending (b)	\$ 13,710,816	\$ 11,757,576	\$ 10,595,211	\$ 10,508,345	\$ 8,988,343
Net pension liability - ending (a) - (b)	\$ (118,050)	\$ 1,211,800	\$ 1,805,093	\$ 1,502,305	\$ 1,870,975
Plan fiduciary net position as a percentage of the total pension liability					
	100.87%	90.66%	85.44%	87.49%	82.77%
Covered payroll⁽²⁾	\$ 2,304,347	\$ 1,899,385	\$ 1,938,150	\$ 1,635,200	\$ 1,599,176
Net pension liability as a percentage of covered payroll	-5.12%	63.80%	93.13%	91.87%	117.00%

Notes to the schedule:

⁽¹⁾ The amounts presented for each fiscal year were determined as of September 30. The City implemented GASB Statement No. 67 for the fiscal year ending September 30, 2014. As a result this information is only available for the past five fiscal years.

⁽²⁾ During fiscal year ending September 30, 2017, the City implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*. The covered employee payroll amounts shown are in compliance with GASB Statement No. 82, except for the 9/30/2015, 9/30/2014 and 9/30/2013 measurement periods, which include DROP payroll.

City of West Melbourne, Florida
Required Pension Supplementary Information
Schedule of Contributions
Last Five Fiscal Years

Police Employees' Pension Plan					
<i>For the year ended September 30,</i>	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 539,217	\$ 502,767	\$ 532,371	\$ 567,905	\$ 588,816
Contributions in relation to the actuarially determined contributions	835,909	711,783	702,385	724,142	663,726
Contribution deficiency (surplus)	\$ (296,692)	\$ (209,016)	\$ (170,014)	\$ (156,237)	\$ (74,910)
Covered payroll ⁽²⁾	\$ 2,304,347	\$ 1,899,385	\$ 1,938,150	\$ 1,635,200	\$ 1,599,176
Contributions as a percentage of covered payroll	36.28%	37.47%	36.24%	44.28%	41.50%

Notes to the schedule:

⁽¹⁾ The amounts presented for each fiscal year were determined as of September 30. The City implemented GASB Statement No. 67 for the fiscal year ending September 30, 2014. As a result this information is only available for the past five fiscal years.

⁽²⁾ During fiscal year ending September 30, 2017, the City implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*. The covered employee payroll amounts shown are in compliance with GASB Statement No. 82, except for the 9/30/2015, 9/30/2014 and 9/30/2013 measurement periods, which include DROP payroll.

City of West Melbourne, Florida
Required Pension Supplementary Information
Schedule of Investment Returns
Last Five Fiscal Years

Police Employees' Pension Plan					
<i>For the year ended September 30,</i>	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	12.36%	9.80%	-0.65%	10.96%	11.98%

City of West Melbourne, Florida
Required Pension Supplementary Information
Police Employees' Pension Plan
Notes to Schedule

Valuation Date: 10/1/2015

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

Methods and assumptions used to determine contribution rates:

Funding method: Frozen Entry Age Actuarial Cost Method.
Amortization method: Level dollar, closed.
Remaining amortization period: 29 Years (as of 10/01/2015 valuation)
Asset smoothing method: All assets are valued at market value with an adjustment made to uniformly spread actuarial gains and losses (as measured by actual market value investment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment returns against expected market value investment return) over a five-year period.
Inflation: 2.5% per year.
Salary increases: 6.0% per year until the assumed retirement age. The assumed salary increases were utilized and carried over from the prior actuary.
Interest rate: 7.1% per year, compounded annually, net of investment related expenses
Payroll growth: None assumed for amortization of the Unfunded Actuarial Accrued Liability.

Normal Retirement Rates:

<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Normal Retirement</u>
0	60%
1	40%
2	40%
3	40%
4	40%
5 or more	100%

Early retirement rate: Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 5.0% per year. The assumed rates of Early Retirement were utilized and carried over from the prior actuary. We feel these rates are reasonable based on long-term expectations and based upon plan provisions.

City of West Melbourne, Florida
Required Pension Supplementary Information
Police Employees' Pension Plan
Notes to Schedule

Termination rates: See table below.
Disability rates: See table below.
Mortality rate: **Female:** RP-2000 Generational Table, 100% Annuitant White Collar, using scale BB.
Male: RP-2000 Generational Table, 10% Annuitant White Collar, 90% Annuitant Blue Collar, using scale BB.
The assumed rates of mortality were mandated by Chapter 2015-157, *Laws of Florida* .

Terminating Rate Table

Age	% Terminating During the Year
20	12.4%
25	11.7%
30	10.5%
35	8.3%
40	5.7%
45	3.5%
50	1.5%
55	0.6%
60	0.5%

Disability Rate Table

Age	% Becoming Disabled During the Year
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%
55	1.55%

It is assumed that 75% of disablements and active Member deaths are service related.

City of West Melbourne, Florida
Required Other Postemployment Benefits Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
10/1/2017	\$ -	\$ 246,000	\$ 246,000	0.0%	\$ 5,417,000	4.5%
10/1/2014	-	184,000	184,000	0.0%	4,552,000	4.0%
10/1/2012	-	236,000	236,000	0.0%	4,244,000	5.6%
10/1/2008	-	135,000	135,000	0.0%	4,218,000	3.2%

City of West Melbourne, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

<i>For the Year Ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 7,576,100	\$ 7,576,100	\$ 7,720,326	\$ 144,226
Licenses and permits	951,700	951,700	1,714,142	762,442
Intergovernmental	3,720,700	3,720,700	2,623,769	(1,096,931)
Charges for services	289,300	289,300	406,439	117,139
Fines and forfeitures	171,200	171,200	172,536	1,336
Investment income	68,900	68,900	98,638	29,738
Miscellaneous	49,600	49,600	64,187	14,587
Total revenues	12,827,500	12,827,500	12,800,037	(27,463)
Expenditures				
General government:				
City Council and Clerk	265,300	265,300	236,927	28,373
Executive and administration	387,400	387,400	374,795	12,605
Finance	281,700	281,700	275,365	6,335
Legal counsel	276,550	276,550	267,228	9,322
Information technology	460,300	460,300	451,499	8,801
Other general services	656,300	656,300	674,052	(17,752)
Total general government	2,327,550	2,327,550	2,279,866	47,684
Public Safety:				
Law enforcement	7,496,600	7,496,600	5,942,299	1,554,301
Protective inspections	858,150	887,950	873,699	14,251
Total public safety:	8,354,750	8,384,550	6,815,998	1,568,552
Public works	2,019,300	2,061,300	1,320,557	740,743
Recreation	2,918,750	2,918,750	2,901,962	16,788
Community development	304,700	304,700	303,003	1,697
Debt service:				
Principal	106,000	106,000	106,021	(21)
Interest	4,700	4,700	4,603	97
Total expenditures	16,035,750	16,107,550	13,732,010	2,375,540
Excess (deficiency) of revenues over (under) expenditures	(3,208,250)	(3,280,050)	(931,973)	2,348,077
Other financing sources (uses)				
Transfers out	(91,700)	(91,700)	(91,700)	-
Developer contributions	-	-	1,995,504	1,995,504
Insurance proceeds	-	-	75,573	75,573
Proceeds from sale of capital assets	35,500	35,500	21,773	(13,727)
Net other financing sources (uses)	(56,200)	(56,200)	2,001,150	2,057,350
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,264,450)	(3,336,250)	1,069,177	4,405,427
Fund balances, beginning of year	12,478,916	12,478,916	12,478,916	-
Fund balances, end of year	\$ 9,214,466	\$ 9,142,666	\$ 13,548,093	\$ 4,405,427

City of West Melbourne, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Community Redevelopment

<i>For the Year Ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 479,600	\$ 479,600	\$ 295,743	\$ (183,857)
Miscellaneous	701,800	701,800	-	(701,800)
Total revenues	1,181,400	1,181,400	295,743	(885,657)
Expenditures				
Current:				
Community development	1,079,900	1,079,900	11,957	1,067,943
Debt service:				
Principal	101,500	101,500	-	101,500
Total expenditures	1,181,400	1,181,400	11,957	1,169,443
Excess (deficiency) of revenues over (under) expenditures	-	-	283,786	283,786
Fund balances, beginning of year	104,008	104,008	104,008	-
Fund balances, end of year	\$ 104,008	\$ 104,008	\$ 387,794	\$ 283,786

City of West Melbourne, Florida
Notes to Required Supplementary Information

A. Budgetary information

An annual budget is prepared for all Funds of the City except for the Pension Trust Funds which are effectively controlled through governing agreements and related City ordinances. The annual operating budgets are prepared on a basis consistent with generally accepted accounting principles except for the Enterprise Fund, which uses a modified basis that includes debt proceeds, capital contributions, capital outlay and debt service principal. Budgets are adopted by the City Council pursuant to City Charter using the following procedures:

- Budget preparation begins with the formulation of a budget calendar by the City Manager, which is distributed generally during April of each year.
- Workshops with the City Council are then held regarding budget priorities.
- Budget instructions containing City Council priorities are then distributed to department heads along with forms and worksheets.
- Each department of the City submits an initial expenditure budget proposal to the Finance Director during May of each year. The Finance Director prepares a proposed budget showing each fund, organization unit (department), program activity, purpose or object of expenditure for the past three years, the current years actual to date and budget, and the next year's proposed budget.
- The City Manager reviews the departmental request, and then meets with department heads, where proposed departmental budgets are amended.
- The City Manager and Finance Director prepare their final revenue estimates, which contain comparative and estimated data for each fund and revenue source, during June.
- The proposed budget is presented to the City Council during July each year. At this time, the City Clerk advertises the public hearing on the proposed budget.
- The City Council holds a series of budget workshops and public hearings on the proposed budget, and adopts the official annual budget of the City during September of each year.
- When the budget is formally approved, budget documents are distributed to departments for budget implementation on October 1. During the fiscal year, the Finance Director monitors and reviews budgetary activities and prepares projections to be used to determine year-end cash balance and to prepare for the upcoming fiscal year budget.

Budgetary integration is established in the accounting records for management control purposes at the object of expenditure level; however, the City Charter establishes the level at which expenditures may not legally exceed the total City-wide appropriations. Therefore, the City Manager may, at any time, transfer appropriation amounts between line items, expenditure classifications, departments and funds without formal approval by City Council.

However, any revisions that increase the total appropriations at the fund level of the City must be approved through amendment by the City Council. The Council approved several budgetary amendments during the year.

City of West Melbourne, Florida
Notes to Required Supplementary Information

B. Encumbrances

Open purchase orders and other commitments are recognized as expenditures in the period in which the actual goods or services are received and a liability is incurred. Encumbrances (e.g., purchase order, contracts) outstanding at year end for unfulfilled obligations are cancelled and reappropriated in the succeeding year's budget. Accordingly, there were no encumbrances outstanding at year end.

C. Financial Reporting for Pension Plans

Section P20: *Pension Activities – Reporting for Benefits Provided Through Trusts That Meet Specified Criteria – Defined Benefit* of the GASB Codification requires supplementary information be reported on the pension plans in addition to that provided in the Notes to Financial Statements. This information is presented in the Required Supplementary Information section of the report.

CITY OF WEST MELBOURNE, FLORIDA

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Recreation – The Recreation Special Revenue Fund was established to ensure that impact-generating development bear a proportionate share of the cost of improvements to the City’s recreation system.

The recreation fee paid to the City is based upon the appraised value of the land, prior to development (per acre value), multiplied by the required recreation acreage on site, less any approved recreational improvements (\$ value of acreage value).

Stormwater Utility – The Stormwater Fund is used to account for the proceeds of assessments to pay for drainage improvements within the City. The Stormwater Utility Fund is provided for in the City Code of Ordinances, Sections 58-411 and 58-412.

Capital Projects Fund

Capital project funds are used to account for the acquisition of capital assets or the construction of major capital projects.

Capital Improvement Construction – The Capital Improvement Construction Fund is used to purchase or construct certain capital assets, exclusive of capital improvements financed by proprietary funds or trust funds, including proceeds from an agreement with Brevard County to collect road impact fees from developers in the City.

Vehicle Replacement – The Vehicle Replacement Fund is used to account for vehicle replacement resources which are derived from periodic charges to operations to ensure timely replacement of vehicles.



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City of West Melbourne, Florida
Combining Balance Sheet – Nonmajor Governmental Funds

<i>September 30, 2017</i>	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Stormwater Utility	Capital Projects	Vehicle Replacement	
ASSETS					
Cash and cash equivalents	\$ -	\$ 484,532	\$ -	\$ 163,700	\$ 648,232
Investments	468,623	1,589,386	1,004,234	-	3,062,243
Total assets	\$ 468,623	\$ 2,073,918	\$ 1,004,234	\$ 163,700	\$ 3,710,475
LIABILITIES					
Accounts payable	\$ 8,492	\$ 76,583	\$ -	\$ -	\$ 85,075
Negative equity in pooled cash	32,067	-	452,955	-	485,022
Accrued payroll and related liabilities	-	1,639	-	-	1,639
Total liabilities	40,559	78,222	452,955	-	571,736
FUND BALANCES					
Restricted	-	-	551,279	-	551,279
Committed	428,064	1,995,696	-	163,700	2,587,460
Total fund balances	428,064	1,995,696	551,279	163,700	3,138,739
Total liabilities and fund balances	\$ 468,623	\$ 2,073,918	\$ 1,004,234	\$ 163,700	\$ 3,710,475

City of West Melbourne, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

<i>For the year ended September 30, 2017</i>	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Stormwater Utility	Capital Projects	Vehicle Replacement	
REVENUES					
Taxes	\$ -	\$ 366,577	\$ -	\$ -	\$ 366,577
Charges for services	94,298	-	-	-	94,298
Investment income	5,020	14,343	10,281	-	29,644
Miscellaneous	-	-	-	-	-
Total revenues	99,318	380,920	10,281	-	490,519
EXPENDITURES					
Current:					
Public works	-	199,104	-	-	199,104
Capital outlay	33,457	260,837	-	-	294,294
Total expenditures	33,457	459,941	-	-	493,398
Excess (deficiency) of revenues over (under) expenditures	65,861	(79,021)	10,281	-	(2,879)
Other financing sources					
Transfers in	-	-	-	97,800	97,800
Net change in fund balances	65,861	(79,021)	10,281	97,800	94,921
Fund balances, beginning of year	362,203	2,074,717	540,998	65,900	3,043,818
Fund balances, end of year	\$ 428,064	\$ 1,995,696	\$ 551,279	\$ 163,700	\$ 3,138,739

City of West Melbourne, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Recreation Fund

<i>For the Year Ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Charges for services	\$ -	\$ -	\$ 94,298	\$ 94,298
Investment income	-	-	5,020	5,020
Total revenues	-	-	99,318	99,318
Expenditures				
Current:				
Recreation	300,000	300,000	33,457	266,543
Total expenditures	300,000	300,000	33,457	266,543
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(300,000)	65,861	365,861
Fund balances, beginning of year	362,203	362,203	362,203	-
Fund balances, end of year	\$ 62,203	\$ 62,203	\$ 428,064	\$ 365,861

City of West Melbourne, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Stormwater Utility Fund

<i>For the Year Ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 361,000	\$ 361,000	\$ 366,577	\$ 5,577
Investment income	5,500	5,500	14,343	8,843
Total revenues	366,500	366,500	380,920	14,420
Expenditures				
Current:				
Public works	551,200	551,200	459,941	91,259
Total expenditures	551,200	551,200	459,941	91,259
Excess (deficiency) of revenues over (under) expenditures	(184,700)	(184,700)	(79,021)	105,679
Fund balances, beginning of year	2,074,717	2,074,717	2,074,717	-
Fund balances, end of year	\$ 1,890,017	\$ 1,890,017	\$ 1,995,696	\$ 105,679

City of West Melbourne, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Projects Fund

<i>For the Year Ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Investment income	\$ -	\$ -	\$ 10,281	\$ 10,281
Total revenues	-	-	10,281	10,281
Expenditures				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	10,281	10,281
Fund balances, beginning of year	540,998	540,998	540,998	-
Fund balances, end of year	\$ 540,998	\$ 540,998	\$ 551,279	\$ 10,281

City of West Melbourne, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Vehicle Replacement Fund

<i>For the Year Ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Capital Outlay	97,800	97,800	-	97,800
Total expenditures	97,800	97,800	-	97,800
Excess (deficiency) of revenues over (under) expenditures	(97,800)	(97,800)	-	97,800
Other financing sources				
Transfers in	97,800	97,800	97,800	-
Net change in fund balance				
Fund balances, beginning of year	-	-	65,900	(65,900)
Fund balances, end of year	\$ -	\$ -	\$ 163,700	\$ 31,900

STATISTICAL SECTION



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STATISTICAL SECTION

This part of the City of West Melbourne, Florida's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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A. Financial Trends

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

- Schedule A1** Net Position by Component
- Schedule A2** Changes in Net Position – Governmental Activities
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- Schedule A4** Changes in Net Position – Total Government
- Schedule A5** Fund Balances – Governmental Funds
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B. Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local own-source revenues - ad valorem property taxes, occupational license taxes, and building permits revenues.

- Schedule B1** Assessed Value and Estimated Actual Value of Taxable Property
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These schedules present information to help the reader assess the affordability of the City's current levels of debt outstanding and the City's ability to issue additional debt in the future, as necessary.

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Schedule C2 Direct and Overlapping Governmental Activities Debt

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D. Demographic and Economic Information Financial Trends

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Schedule D1 Demographic and Economic Statistics

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E. Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Schedule E1 Employees by Function/Program

Schedule E2 Operating Indicators by Function/Program

Schedule E3 Capital Asset Statistics by Function/Program

Additional Notes

Unless otherwise noted, the information in these schedules is derived from the City's Comprehensive Annual Financial Report (CAFR) for the relevant year.

City of West Melbourne, Florida
Net Position by Component
Last Ten Fiscal Years

Schedule A1

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in										
capital assets	\$ 21,230,403	\$ 18,758,700	\$ 17,684,340	\$ 16,495,227	\$ 16,539,186	\$ 17,064,967	\$ 16,332,610	\$ 16,410,297	\$ 16,315,773	\$ 11,704,052
Restricted	7,214,372	6,076,253	4,874,993	4,819,617	3,943,676	3,566,201	4,730,711	6,036,950	6,609,018	10,312,194
Unrestricted	7,619,082	7,002,945	7,174,709	10,199,474	9,737,050	8,651,915	7,870,008	4,501,006	3,022,598	2,439,081
Total governmental activities										
net position	36,063,857	31,837,898	29,734,042	31,514,318	30,219,912	29,283,083	28,933,329	26,948,253	25,947,389	24,455,327
Business-type activities										
Net investment in										
capital assets	33,382,704	30,394,742	29,978,165	27,276,931	27,230,064	27,697,548	26,335,220	25,464,007	29,455,192	25,920,359
Restricted	508,640	504,046	797,698	931,435	860,751	168,289	129,795	597,249	799,172	2,824,527
Unrestricted	10,983,628	8,608,312	6,276,583	6,325,820	6,808,543	7,074,313	8,350,179	8,828,740	3,781,171	3,615,216
Total business-type activities										
net position	44,874,972	39,507,100	37,052,446	34,534,186	34,899,358	34,940,150	34,815,194	34,889,996	34,035,535	32,360,102
Primary government										
Net investment in										
capital assets	54,613,107	49,153,442	47,662,505	43,772,158	43,769,250	44,762,515	42,667,830	41,874,304	45,770,965	37,624,411
Restricted	7,723,012	6,580,299	5,672,691	5,751,052	4,804,427	3,734,490	4,860,506	6,634,199	7,408,190	13,136,721
Unrestricted	18,602,710	15,611,257	13,451,292	16,525,294	16,545,593	15,726,228	16,220,187	13,329,746	6,803,769	6,054,297
Total primary government										
net position	\$ 80,938,829	\$ 71,344,998	\$ 66,786,488	\$ 66,048,504	\$ 65,119,270	\$ 64,223,233	\$ 63,748,523	\$ 61,838,249	\$ 59,982,924	\$ 56,815,429

Notes:

Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted only (a) when an external party, (b) a constitutional provision, (c) or enabling legislation imposes legally enforceable limits on how they may be used.

City of West Melbourne, Florida
Changes in Net Position – Governmental Activities
Last Ten Fiscal Years

Schedule A2

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
General government	\$ 2,369,589	\$ 2,129,445	\$ 2,021,970	\$ 1,862,813	\$ 1,735,188	\$ 2,043,225	\$ 1,511,738	\$ 1,485,649	\$ 1,849,272	\$ 2,428,527
Public safety	5,968,523	5,548,176	5,403,754	5,034,270	4,942,386	5,171,866	5,132,249	5,334,155	5,427,339	5,361,429
Public works	2,037,325	1,997,169	2,035,490	1,666,681	1,487,912	1,962,606	1,269,753	1,627,575	1,568,208	1,456,103
Recreation	746,068	1,714,308	2,859,495	775,071	765,755	681,544	490,099	408,002	413,426	455,920
Community development	311,233	260,560	263,056	295,950	280,870	270,453	259,291	280,768	308,491	354,828
Economic environment	176	6,956	15,000	-	-	-	-	-	-	-
Interest on long term debt	4,603	6,832	9,014	8,346	1,109	2,894	5,241	6,770	3,567	1,628
Total Expenses	11,437,517	11,663,446	12,607,779	9,643,131	9,213,220	10,132,588	8,668,371	9,142,919	9,570,303	10,058,435
Program Revenues:										
Charges for services:										
General government	386,096	412,040	375,474	362,026	248,423	357,434	1,482,850	1,001,515	1,264,487	1,406,570
Public safety	1,645,309	1,492,599	956,302	942,241	814,871	717,671	159,752	141,957	169,232	115,964
Public works	366,577	362,326	360,351	356,485	345,826	343,331	-	-	-	-
Recreation	177,282	351,800	69,165	153,527	107,632	151,600	54,613	2,627	145,388	31,175
Community development	237,847	202,729	344,996	271,592	139,910	100,802	123,014	156,677	75,465	312,797
Operating grants and contributions	-	-	-	-	275,000	194,171	25,206	312,779	318,112	446,366
Capital grants and contributions	2,036,754	4,273	404,657	10,553	10,020	110,603	900,000	329,613	1,588,948	894,682
Total Program Revenues	4,849,865	2,825,767	2,510,945	2,096,424	1,941,682	1,975,612	2,745,435	1,945,168	3,561,632	3,207,554
Net (Expense) Revenue	(6,587,652)	(8,837,679)	(10,096,834)	(7,546,707)	(7,271,538)	(8,156,976)	(5,922,936)	(7,197,751)	(6,008,671)	(6,850,881)
General Revenues:										
Property taxes	2,990,353	2,685,306	2,406,066	2,146,830	1,998,440	1,972,161	2,352,766	2,589,851	1,964,629	2,032,998
Franchise taxes	1,671,784	1,639,785	1,611,017	1,551,463	1,415,125	1,421,808	1,426,016	1,427,271	1,483,964	1,397,893
Local option gas tax	601,336	578,739	523,989	493,346	479,425	449,903	349,443	321,778	-	-
Public utility taxes	3,058,189	3,006,729	2,926,332	2,875,172	2,787,819	2,641,329	2,556,430	2,607,033	2,345,478	2,414,883
Payment in lieu of taxes	295,743	1,155,353	2,542,187	27,706	-	-	-	-	-	-
Intergovernmental shared revenue - unrestricted	1,981,183	1,810,749	1,704,254	1,561,377	1,442,388	1,309,239	1,155,303	1,116,715	1,084,702	1,890,507
Investment income	128,282	45,184	86,879	49,030	51,936	61,239	43,423	59,164	158,477	345,041
Miscellaneous revenue	80,641	19,690	6,787	136,189	33,234	48,221	24,631	76,803	43,483	36,570
Transfers, net	6,100	-	-	-	-	-	-	-	420,000	(420,000)
Total General Revenues	10,813,611	10,941,535	11,807,511	8,841,113	8,208,367	7,903,900	7,908,012	8,198,615	7,500,733	7,697,892
Change in Net Position	\$ 4,225,959	\$ 2,103,856	\$ 1,710,677	\$ 1,294,406	\$ 936,829	\$ (253,076)	\$ 1,985,076	\$ 1,000,864	\$ 1,492,062	\$ 847,011

City of West Melbourne, Florida
Changes in Net Position – Business-Type Activities
Last Ten Fiscal Years

Schedule A3

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Water and sewer	\$ 11,139,291	\$ 10,686,656	\$ 10,925,645	\$ 10,481,059	\$ 10,068,335	\$ 9,735,530	\$ 9,576,024	\$ 8,578,538	\$ 8,139,455	\$ 7,816,082
Total Expenses	11,139,291	10,686,656	10,925,645	10,481,059	10,068,335	9,735,530	9,576,024	8,578,538	8,139,455	7,816,082
Program Revenues:										
Charges for services:										
Water and sewer	11,155,390	10,449,117	9,843,569	9,255,274	8,853,461	8,739,148	8,438,991	8,089,606	7,538,292	6,670,623
Other charges and fees	30,175	11,280	61,599	13,290	14,731	11,570	39,036	-	-	-
Operating grants and contributions	-	-	-	-	-	63,500	-	-	-	-
Capital grants and contributions	5,253,638	2,653,015	3,918,895	1,019,375	1,158,156	1,037,225	999,903	1,310,947	2,628,596	2,056,422
Total Program Revenues	16,439,203	13,113,412	13,824,063	10,287,939	10,026,348	9,851,443	9,477,930	9,400,553	10,166,888	8,727,045
Net (Expense) Revenue	5,299,912	2,426,756	2,898,418	(193,120)	(41,987)	115,913	(98,094)	822,015	2,027,433	910,963
General Revenues:										
Interest income	74,060	27,898	25,238	6,343	1,195	9,043	23,292	32,445	68,003	340,277
Miscellaneous	-	-	-	-	-	-	-	-	-	34,549
Transfers, net	(6,100)	-	-	-	-	-	-	-	(420,000)	420,000
Total General Revenues	67,960	27,898	25,238	6,343	1,195	9,043	23,292	32,445	(351,997)	794,826
Change in Net Position	\$ 5,367,872	\$ 2,454,654	\$ 2,923,656	\$ (186,777)	\$ (40,792)	\$ 124,956	\$ (74,802)	\$ 854,460	\$ 1,675,436	\$ 1,705,789

City of West Melbourne, Florida
Changes in Net Position – Total Government
Last Ten Fiscal Years

Schedule A4

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental activities	\$ 11,437,517	\$ 11,663,446	\$ 12,607,779	\$ 9,643,131	\$ 9,213,220	\$ 10,132,588	\$ 8,668,371	\$ 9,142,919	\$ 9,570,303	\$ 10,058,435
Business-type activities	11,139,291	10,686,656	10,925,645	10,481,059	10,068,335	9,735,530	9,576,024	8,578,538	8,139,455	7,816,082
Total Expenses	22,576,808	22,350,102	23,533,424	20,124,190	19,281,555	19,868,118	18,244,395	17,721,457	17,709,758	17,874,517
Program Revenues:										
Governmental activities	4,849,865	2,825,767	2,510,945	2,096,424	1,941,682	1,975,612	2,745,435	1,945,168	3,561,632	3,207,554
Business-type activities	16,439,203	13,113,412	13,824,063	10,287,939	10,026,348	9,851,443	9,477,930	9,400,553	10,166,888	8,727,045
Total Program Revenues	21,289,068	15,939,179	16,335,008	12,384,363	11,968,030	11,827,055	12,223,365	11,345,721	13,728,520	11,934,599
Net (Expense) Revenue	(1,287,740)	(6,410,923)	(7,198,416)	(7,739,827)	(7,313,525)	(8,041,063)	(6,021,030)	(6,375,736)	(3,981,238)	(5,939,918)
General Revenues:										
Governmental activities	10,813,611	10,941,535	11,807,511	8,841,113	8,208,367	7,903,900	7,908,012	8,198,615	7,500,733	7,697,892
Business-type activities	67,960	27,898	25,238	6,343	1,195	9,043	23,292	32,445	(351,997)	794,826
Total General Revenues	10,881,571	10,969,433	11,832,749	8,847,456	8,209,562	7,912,943	7,931,304	8,231,060	7,148,736	8,492,718
Change in Net Position	\$ 9,593,831	\$ 4,558,510	\$ 4,634,333	\$ 1,107,629	\$ 896,037	\$ (128,120)	\$ 1,910,274	\$ 1,855,324	\$ 3,167,498	\$ 2,552,800

City of West Melbourne, Florida
Fund Balances – Governmental Funds
Last Ten Fiscal Years

Schedule A5

	2017	2016	2015	2014	2013	2012	2011*	2010	2009	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,638,927	\$ 4,504,323	\$ 4,049,433
Unreserved	-	-	-	-	-	-	-	2,228,294	1,178,495	2,346,067
Nonspendable	1,105,899	1,398,180	894,365	1,103,899	1,220,001	1,517	62,030	-	-	-
Restricted	5,248,234	4,133,311	3,258,871	3,031,364	2,744,493	215,020	273,932	-	-	-
Committed	-	-	-	-	-	3,317,956	3,627,226	-	-	-
Assigned	2,894	51,623	155,779	206,048	206,048	-	-	-	-	-
Unassigned	7,191,066	6,895,802	7,594,271	7,124,662	5,646,888	5,044,908	4,081,845	-	-	-
Total General Fund	\$ 13,548,093	\$ 12,478,916	\$ 11,903,286	\$ 11,465,973	\$ 9,817,430	\$ 8,579,401	\$ 8,045,033	\$ 6,867,221	\$ 5,682,818	\$ 6,395,500
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,673,717	\$ 1,943,336	\$ 3,892,219
Unreserved, reported in										
Special revenue funds	-	-	-	-	-	-	-	2,138,704	2,063,586	2,370,542
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Non-spendable	-	-	-	-	337	-	39	-	-	-
Restricted	939,073	645,006	804,328	796,967	1,199,183	957,653	2,051,590	-	-	-
Committed	2,587,460	2,502,820	2,333,426	2,516,167	2,513,709	2,392,011	2,343,120	-	-	-
Total all other governmental funds	\$ 3,526,533	\$ 3,147,826	\$ 3,137,754	\$ 3,313,134	\$ 3,713,229	\$ 3,349,664	\$ 4,394,749	\$ 3,812,421	\$ 4,006,922	\$ 6,262,761

* Beginning in FY 2011, GASB 54 was implemented classifying fund balances as nonspendable, restricted, committed, assigned or unassigned.

City of West Melbourne, Florida
Changes in Fund Balances – Governmental Funds
Last Ten Fiscal Years

Schedule A6

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes	\$ 8,086,903	\$ 7,694,146	\$ 7,303,766	\$ 6,929,950	\$ 6,547,210	\$ 6,378,629	\$ 6,691,869	\$ 6,953,768	\$ 6,227,332	\$ 5,956,496
Licenses and permits	1,714,142	1,589,162	1,007,632	955,661	874,496	777,293	819,462	890,762	1,108,439	1,328,754
Intergovernmental	2,919,512	3,549,114	4,772,241	2,092,982	2,206,833	2,063,916	2,429,952	1,681,659	1,490,373	2,813,184
Charges for services	500,737	658,953	507,942	508,704	360,969	352,927	250,022	270,057	376,884	410,756
Fines and forfeits	172,536	168,169	184,607	221,516	207,706	167,385	159,752	171,457	196,373	136,102
Investment income	128,282	45,184	86,879	49,030	51,936	61,669	74,764	59,164	158,494	345,233
Miscellaneous	64,187	47,077	455,389	282,172	50,401	77,693	55,826	116,916	29,193	21,870
Total Revenues	13,586,299	13,751,805	14,318,456	11,040,015	10,299,551	9,879,512	10,481,647	10,143,783	9,587,088	11,012,395
Expenditures:										
General government	1,915,566	1,765,503	1,687,452	1,600,523	1,484,670	1,880,897	1,345,429	1,309,978	1,724,020	2,243,762
Public safety	6,114,550	5,340,909	5,051,196	4,789,545	4,702,132	5,011,051	5,066,521	5,079,371	5,252,830	5,078,154
Public works	1,208,491	1,235,765	1,299,929	1,063,471	927,617	1,242,174	819,315	1,195,661	1,206,399	1,162,104
Recreation	549,453	1,541,003	2,611,184	567,119	561,500	546,884	438,518	353,683	360,285	399,741
Community development	303,003	257,482	278,462	302,462	280,870	275,079	267,912	279,871	307,528	353,376
Economic environment	176	6,956	15,000	-	-	-	-	-	-	-
Capital outlay	4,035,502	2,923,358	3,032,901	1,394,338	1,277,442	1,369,943	769,812	869,577	4,271,437	2,073,019
Debt service:										
Principal retired	106,021	103,792	101,609	112,053	22,351	61,306	74,184	58,970	32,557	11,564
Interest	4,603	6,832	9,014	8,346	1,109	2,894	5,240	6,770	3,567	1,628
Total Expenditures	14,237,365	13,181,600	14,086,747	9,837,857	9,257,691	10,390,228	8,786,931	9,153,881	13,158,623	11,323,348
Excess (deficiency) of revenues over (under) expenditures	(651,066)	570,205	231,709	1,202,158	1,041,860	(510,716)	1,694,716	989,902	(3,571,535)	(310,953)
Other Financing Sources (Uses)										
Developer contributions	1,995,504	-	-	-	-	-	-	-	-	-
Insurance proceeds	75,573	-	-	-	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	522,120	-	65,424	-	183,015	-
Transfers in	97,800	65,900	-	-	-	-	-	-	1,763,890	-
Transfers out	(91,700)	(65,900)	-	-	-	-	-	-	(1,343,890)	(420,000)
Proceeds from sale of capital assets	21,773	15,497	30,224	46,290	37,614	-	-	-	-	-
Net other financing sources (uses)	2,098,950	15,497	30,224	46,290	559,734	-	65,424	-	603,015	(420,000)
Net Change in Fund Balances	\$ 1,447,884	\$ 585,702	\$ 261,933	\$ 1,248,448	\$ 1,601,594	\$ (510,716)	\$ 1,760,140	\$ 989,902	\$ (2,968,520)	\$ (730,953)
Debt Service as a % of Noncapital Expenditures										
	1.10%	1.10%	1.02%	1.45%	0.29%	0.72%	1.00%	0.80%	0.41%	0.14%

City of West Melbourne, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Schedule B1

Fiscal Year Ended September 30	Real Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2017	\$ 1,543,748,475	\$ 98,537,137	\$ 383,216,930	\$ 1,259,068,682	\$ 2.4633	1,712,215,741	73.53%
2016	1,405,729,894	94,515,457	369,581,311	1,130,664,040	2.4633	1,490,776,551	75.84%
2015	1,321,519,510	79,727,214	357,842,747	1,043,403,977	2.3850	1,303,447,014	80.05%
2014	1,162,011,200	72,647,356	335,035,441	899,623,115	2.2975	1,171,566,553	76.79%
2013	1,159,336,830	61,140,731	333,036,486	887,441,075	2.2975	925,900,650	95.85%
2012	1,326,472,340	71,618,712	350,293,610	1,047,797,442	2.2975	890,107,311	117.72%
2011	1,438,821,470	70,169,982	334,066,861	1,174,924,591	2.2975	1,094,995,651	107.30%
2010	1,592,050,010	68,429,240	389,672,684	1,270,806,566	2.2975	1,195,750,438	106.28%
2009	1,597,054,340	68,653,429	346,124,770	1,319,582,999	1.5899	1,420,699,000	92.88%
2008	1,624,117,150	76,685,464	422,428,640	1,278,373,974	1.5899	1,336,155,759	95.68%

Source: Brevard County Property Appraiser

City of West Melbourne, Florida
Tax Revenues by Source – Governmental Funds
Last Ten Fiscal Years

Schedule B2

Fiscal Year	Property Taxes	Utility Taxes and Franchise Fees	Inter- Governmental ⁽¹⁾	Other Inter- Governmental ⁽²⁾	Totals
2017	\$ 2,990,353	\$ 5,096,550	\$ 2,846,693	\$ 31,569	\$ 10,965,165
2016	2,685,306	4,646,514	2,510,672	31,020	9,873,512
2015	2,406,066	4,897,700	2,282,524	31,985	9,618,275
2014	2,146,830	4,783,120	2,028,461	26,262	8,984,673
2013	1,998,440	4,548,770	1,896,041	25,772	8,469,023
2012	1,972,161	4,406,468	1,729,977	29,265	8,137,871
2011	2,352,766	4,339,103	1,483,399	21,347	8,196,615
2010	2,589,851	4,363,909	1,412,628	25,865	8,392,253
2009	1,964,629	4,262,702	1,361,682	19,500	7,608,513
2008	2,032,998	3,923,497	1,434,308	18,961	7,409,764

⁽¹⁾ Includes half-cent sales taxes, cigarette and motor fuel taxes, local option gas taxes and police pension premium taxes.

⁽²⁾ Includes mobile home taxes, alcohol beverage licenses, and municipal fuel rebate taxes. Amounts do not include non-recurring grants or contributions.

Note: Includes General, Special Revenue, Capital Projects and Debt Service Funds, as applicable.

Source: Financial Statements and records, City of West Melbourne.

City of West Melbourne, Florida
Other Non-Source Governmental Revenues
Last Ten Fiscal Years

Schedule B3

Fiscal Year ended September 30,	Business Tax Receipts	Building Permits	Total Revenues
2017	\$ 242,099	\$ 1,472,043	\$ 1,714,142
2016	264,587	1,324,575	1,589,162
2015	236,257	771,375	1,007,632
2014	234,882	720,779	955,661
2013	234,918	639,578	874,496
2012	213,699	563,593	777,292
2011	229,515	589,948	819,463
2010	207,018	683,744	890,762
2009	235,605	872,834	1,108,439
2008	232,029	1,107,606	1,339,635

City of West Melbourne, Florida
Water and Sewer Consumption – Rates and Revenue
Last Ten Fiscal Years

Schedule B4

Fiscal Year	Gallons of Water Consumed	Water Revenue ⁽²⁾	Total Direct Rate		Gallons of Sewer Treated	Sewer Revenue ⁽²⁾	Total Direct Rate	
			Water Base Rate	Water Usage Rate ⁽¹⁾			Sewer Base Rate	Sewer Usage Rate
2017	542,695,780	\$ 6,135,825	13.88	6.25	639,000,000	\$ 5,019,565	13.87	4.93
2016	526,709,790	5,746,972	13.88	6.25	633,100,000	4,702,145	13.87	4.93
2015	505,787,700	5,428,686	13.90	5.93	574,240,000	4,414,883	12.75	4.86
2014	492,565,900	5,124,447	13.90	5.93	593,380,000	4,130,827	12.75	4.86
2013	483,408,300	4,829,164	14.08	5.10	465,599,000	4,024,297	12.00	4.75
2012	484,424,200	4,794,699	14.08	5.10	465,519,400	3,944,449	12.03	4.60
2011	476,281,600	4,560,391	14.20	4.85	457,828,400	3,878,600	12.03	4.60
2010	464,586,000	3,942,966	14.30	4.67	444,153,400	4,146,640	21.20	4.60
2009	464,729,600	3,658,083	14.55	5.14	433,211,500	3,878,573	21.23	4.00
2008	460,877,400	3,223,607	13.60	4.80	436,970,900	3,447,016	20.12	4.36

⁽¹⁾ Beginning in fiscal year 2011, the consumption rate for water was tiered to promote conservation. The rate shown is for zero to three thousand gallons.

⁽²⁾ Revenues are not adjusted for bad debt.

City of West Melbourne, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Schedule B5

Fiscal Year	City Direct	Overlapping Rates				Total Overlapping and Direct
	Rate	Brevard County	Brevard County Schools	Special Districts	Total Overlapping	
	Operating Millage					
2017	2.4633	6.0802	6.5680	0.3981	13.0463	15.5096
2016	2.4633	6.4626	6.9160	0.6953	14.0739	16.5372
2015	2.3850	6.4568	7.2750	0.4412	14.1730	16.5580
2014	2.2975	6.4492	7.6060	0.4782	14.5334	16.8309
2013	2.2975	6.7334	8.0960	0.4782	15.3076	17.6051
2012	2.2975	6.7334	8.1120	0.4782	15.3236	17.6211
2011	2.2975	5.9271	7.6530	0.5627	14.1428	16.4403
2010	2.2975	5.1398	7.6870	0.5627	13.3895	15.6870
2009	1.5899	5.2949	7.6610	0.5627	13.5186	15.1085
2008	1.5899	5.2526	7.5310	0.5627	13.3463	14.9362

Source: Brevard County Property Appraiser website
Brevard County Tax Collector website

**City of West Melbourne, Florida
Principal Property Taxpayers
Current Year and Nine Years Prior**

Schedule B6

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Passco Haven Distributors	\$ 22,385,000	1	1.61%			
WE Reserves of Melbourne LLC	20,000,000	2	1.44%			
Grand Oaks Pennington LLC	17,200,000	3	1.23%			
West Melbourne Town Center, LLC	14,750,000	4	1.06%			
Northland Lakeside LLC	14,600,000	5	1.05%			
ARC SMWMBFL001 LLC	14,100,000	6	1.01%			
Wal-Mart Stores East Inc.	10,450,000	7	0.75%	\$ 10,000,000	4	0.76%
Windover Station LLC	8,300,000	8	0.60%			
Target Corporation	6,950,000	9	0.50%			
West Melbourne Associates LC	6,600,000	10	0.47%	6,000,000	8	0.45%
Alliance HC II Limited				19,000,000	1	1.44%
Kimco West Melbourne 668 Inc.				11,000,000	2	0.83%
BVF/APTCO Windover Apartments of Melbourne				10,500,000	3	0.80%
Charleston Apartments Limited				9,300,000	5	0.70%
BVF/APTCO Windover Apartments of Goldenpointe				7,500,000	6	0.57%
Cinemaworld of Florida, Inc.				6,790,000	7	0.51%
Publix Store on New Haven				6,000,000	9	0.45%
RDR Communities Inc				5,520,000	10	0.42%
Total taxable assessed value for principal property taxpayers	\$ 135,335,000		9.72%	\$ 91,610,000		6.93%

Sources:

Brevard County Property Appraiser
Brevard County Tax Collector
Florida Department of Revenue

City of West Melbourne, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years

Schedule B7

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2017	\$ 3,095,920	\$ 2,990,353	96.6%	\$ -	\$ 2,990,353	96.6%
2016	2,771,935	2,685,306	96.9%	-	2,685,306	96.9%
2015	2,488,332	2,406,066	96.7%	640	2,406,706	96.7%
2014	2,224,378	2,146,830	96.5%	-	2,146,830	96.5%
2013	2,067,347	1,998,440	96.7%	-	1,998,440	96.7%
2012	2,038,901	1,969,168	96.6%	1,677	1,970,845	96.7%
2011	2,407,318	2,225,208	92.4%	804	2,226,012	92.5%
2010	2,699,257	2,576,965	95.5%	15,074	2,592,039	96.0%
2009	2,029,902	1,964,629	96.8%	26,008	1,990,637	98.1%
2008	2,099,531	2,032,998	96.8%	7,515	2,040,513	97.2%

Source: City cash receipt source documents
Brevard County Tax Collector
Brevard County Property Appraiser

City of West Melbourne, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule C1

Fiscal Year	Governmental Activities	Business-type Activities		Total Outstanding Debt ⁽²⁾	Personal Income ⁽¹⁾	Percentage of Personal Income	Population	Debt per Capita
	Capital Leases	Water and Sewer Revenue Bonds	Notes and Loans Payable					
2017	\$ 108,298	\$ 9,531,900	\$ 2,913,845	\$ 12,554,043	\$ 562,862,617	2.23%	21,360	\$ 588
2016	214,319	11,623,400	3,072,360	14,910,079	557,289,720	2.68%	20,640	722
2015	318,111	12,414,000	3,455,829	16,187,940	535,855,500	3.02%	20,250	799
2014	419,720	12,593,300	3,834,257	16,847,277	550,823,000	3.06%	19,834	849
2013	531,773	10,805,344	7,175,776	18,512,893	534,092,160	3.47%	19,464	951
2012	31,974	11,355,324	7,533,550	18,920,848	524,597,920	3.61%	19,118	990
2011	93,115	11,884,329	7,866,288	19,843,732	522,064,800	3.80%	18,712	1,060
2010	101,906	12,393,334	8,063,994	20,559,234	579,485,705	3.55%	18,355	1,120
2009	160,876	12,347,339	4,269,909	16,778,124	489,113,260	3.43%	16,570	1,013
2008	10,413	12,836,347	4,824,569	17,671,329	587,344,292	3.01%	16,703	1,058

⁽¹⁾ Per capita income represents Brevard County since municipal data is not tracked.

⁽²⁾ All debt presented above is net of applicable discounts ,premiums, and losses on refundings, as applicable.

Source: Space Coast Economic Development Commission (www.spacecoastedc.org)

City of West Melbourne, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017

Schedule C2

Governmental Unit	Net Debt Outstanding	Percentage of Debt Applicable to the City ⁽¹⁾	City's Share of Debt
Debt repaid with property taxes			
Brevard County General Obligation Debt			
Limited Ad Valorem Tax Refunding Bond, Series 2013 South Brevard Recreation Special District, Limited	\$18,730,000	2.56%	\$ 479,488
Ad Valorem Tax Bonds, Series 2007 (reissued) 2016 South Brevard Recreation Special District, Limited	24,185,000	2.56%	619,136
Ad Valorem Tax Bonds, Series 2011	11,995,000	2.56%	307,072
Subtotal, overlapping debt			1,405,696
City of West Melbourne direct debt			
Capital Leases			108,298
Total direct and overlapping debt			\$ 1,513,994

Sources:

- (a) Net general obligation debt data was provided by Brevard County Finance
- (b) The taxable assessed values for City and the County were provided by the Brevard County Property Appraiser

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of Brevard County's net general obligation debt that is borne by the residents and businesses of the City of West Melbourne. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

⁽¹⁾ The percentage of overlapping debt applicable is estimated using the taxable assessed value of properties located within the City of West Melbourne divided by the county's total taxable assessed value. FY2016 total taxable assessed value for City of West Melbourne is \$1,393,194,043 and the total County taxable assessed value is \$54,405,266,920

City of West Melbourne, Florida
Pledged Revenue Coverage
Last Ten Fiscal Years

Schedule C3

Fiscal Year	Gross Revenues ^(a)	Less: Direct Operating Expense ^(b)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage ^(c)	Coverage ^(d)
				Principal	Interest	Total		
2017	\$ 13,663,993	\$ 7,261,494	\$ 6,402,499	\$ 2,251,500	\$ 519,689	\$ 2,771,189	2.31	1.44
2016	12,839,769	6,968,263	5,871,506	1,175,600	527,208	1,702,808	3.45	2.36
2015	11,269,847	7,383,777	3,886,070	559,300	514,131	1,073,431	3.62	2.55
2014	10,294,282	6,962,321	3,331,961	980,000	741,080	1,721,080	1.94	1.41
2013	10,027,543	6,580,977	3,446,566	950,000	822,702	1,772,702	1.94	1.29
2012	9,860,486	6,326,095	3,534,391	905,000	856,140	1,761,140	2.01	1.42
2011	9,501,223	6,408,777	3,092,446	875,000	781,867	1,656,867	1.87	1.26
2010	9,432,998	5,893,677	3,539,321	865,000	727,707	1,592,707	2.22	1.40
2009	10,234,891	5,688,480	4,546,411	840,000	760,318	1,600,318	2.84	2.04
2008	9,047,566	5,514,360	3,533,206	805,000	401,376	1,206,376	2.93	2.55

Notes:

- ^(a) Includes operating, non-operating revenue and connection fees.
- ^(b) Excludes depreciation expense, interest expense, amortization and non-recurring losses.
- ^(c) & ^(d) Coverage ratio required by most restrictive bond document is at least 1.1 without connection fees and 1.25 including connection fees. The 2017 coverage of 2.31 includes the connection fees and the coverage without connection fees was 1.44. Both requirements were met.

**City of West Melbourne, Florida
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Schedule C4

The City of West Melbourne has no general bonded debt.

**City of West Melbourne, Florida
Legal Debt Margin Information
Last Ten Fiscal Years**

Schedule C5

The City of West Melbourne has no Legal debt limit.

City of West Melbourne, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule D1

Year	Population ^(a)	Personal Income	Per Capita Income ^(b)	Public School Enrollment ^(c)	Unemployment Rate ^(d)
2017	21,360	562,862,617	26,351	3,431	3.6%
2016	20,640	557,289,720	27,000	3,314	4.3%
2015	20,250	535,855,500	26,462	3,497	5.6%
2014	19,834	550,823,000	27,772	3,787	6.5%
2013	19,464	534,092,160	27,440	3,498	7.2%
2012	19,118	524,597,920	27,440	3,445	8.8%
2011	18,712	522,064,800	27,900	3,394	11.0%
2010	18,355	579,485,705	31,571	3,442	11.0%
2009	16,570	489,113,260	29,518	2,664	10.9%
2008	16,703	587,344,292	35,164	2,592	7.2%

Sources:

- ^(a) University of Florida Bureau of Economic and Business Research
- ^(b) Space Coast Economic Development Commission and U.S. Census Bureau.
- ^(c) Meadowlane Elementary School, Central Junior High School and West Melbourne Elementary School of Science called Brevard County Schools within municipal boundaries.
- ^(d) U.S. Bureau of Labor Statistics

Notes:

- ^(b) Per capita income is for Brevard County, statistics aren't maintained for the City of West Melbourne.
- ^(d) Unemployment rates are for Brevard County, statistics aren't maintained for the City of West Melbourne.

City of West Melbourne, Florida

Principal Employers

For the Current Year and Nine Years Prior

Schedule D2

Employer	2017		2008	
	Number of Employees	Rank	Number of Employees	Rank
Harris Corporation	460	1		
Mack Technologies Florida Inc	286	2		
Publix Stores - Palm Bay Rd. #695	178	3	143	5
Publix Stores - New Haven #258	175	4	112	7
Harris Sanitation Inc	153	5		
Home Depot USA Inc.	128	6	168	4
City of West Melbourne	121	7	137	6
Buena Vida Estates Inc	121	8		
The Olive Garden	116	9		
USSI Global	113	10		
	<u>1,851</u>			
Walmart Stores East Inc.			432	1
Walmart Stores East Inc. (Sam's Club)			216	2
Waste Management			183	3
Central Junior High			112	8
Meadowlane Elementary			92	9
Meadowlane Intermediate			50	10
			<u>1,645</u>	

Source:

Principal employers in City of West Melbourne were determined by discussions with management, Economic Development Commission of Florida's Space Coast, or phone calls were made to the employers for employment numbers.

City of West Melbourne, Florida
Employees by Function/Program
Last Ten Fiscal Years

Schedule E1

<i>Function</i>	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
City Council/City Clerk	7	9	9	9	8	9	9	9	9	10
City Administration	4	3	3	3	2	2	3	2	2	6
Legal	2	2	2	2	2	2	2	2	2	2
Finance	11	14	14	11	10	10	9	8	8	10
Non-Departmental	-	-	-	-	-	-	-	1	1	-
Information Technology	2	2	2	2	2	2	2	2	3	3
Total General Government	26	30	30	27	24	25	25	24	25	31
Public Safety										
Police	51	52	48	45	46	46	50	48	53	55
Code Enforcement	12	12	9	9	9	9	11	13	14	14
Total Public Safety	63	64	57	54	55	55	61	61	67	69
Highways and Streets										
Public Works	11	11	12	10	10	8	10	12	15	15
Public Works - Water	9	8	8	9	7	10	10	10	11	10
Total Highways and Streets	20	19	20	19	17	18	20	22	26	25
Recreation and Parks	9	9	9	9	10	10	9	9	9	8
Community Development	3	3	4	4	4	4	4	4	4	4
Total Employees	121	125	120	113	110	112	119	120	131	137

Source: City payroll report

City of West Melbourne, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

Schedule E2

<i>Function</i>	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Dispatched calls	24,763	26,463	24,751	27,332	30,244	23,603	25,444	26,485	26,215	16,739
Alarms	743	921	862	525	728	755	768	723	533	850
Physical arrests	565	471	462	522	616	514	819	792	622	356
Traffic accidents	1,072	1,334	1,051	841	621	617	656	636	650	650
Traffic citations	2,932	2,008	2,363	3,157	3,495	3,311	4,546	7,126	7,754	4,767
Finance										
Purchase orders issued	592	590	682	660	716	608	696	506	831	1,194
Accounts payable checks	4,530	4,806	4,644	4,165	4,905	4,041	3,957	3,166	3,127	4,374
Highways and streets										
Street resurfacing (miles)	6.0	2.07	1.8	2.4	1.95	0.5	1.25	0.72	1.25	3.5
Culture and Recreation										
Recreation fees	\$ 94,298	\$ 271,483	\$ -	\$ 65,208	\$ 9,506	\$ 59,366	\$ 2,941	\$ 2,475	\$ 141,522	\$ 2,482
Building/Code Enforcement										
Permits issued (construction)	307	375	147	147	172	194	183	208	158	112
Licenses issued/renewed	1,248	1,132	1,802	1,835	1,763	1,623	1,968	1,972	1,846	1,859
Building Inspections	17,867	13,094	14,488	10,159	15,224	11,636	11,854	16,882	12,147	11,335
Municipal Water Department										
New connections	398	282	135	128	174	180	174	218	456	115
Average daily consumption ⁽¹⁾	1,486,838	1,443,205	1,385,720	1,349,496	1,324,406	1,327,190	1,304,881	1,365,851	1,303,672	1,363,806
Wastewater										
Average daily sewage treatment	1,700,000	1,700,000	1,570,000	1,640,000	1,624,000	1,627,000	1,605,000	1,666,000	1,604,000	1,615,000

Notes:

⁽¹⁾ Average daily consumption is calculated using total gallons sold for year divided by 365 day year

Source: Various City Departments

City of West Melbourne, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Schedule E3

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government:										
General government buildings	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Public Works:										
Public works buildings	3	3	1	1	1	1	1	1	1	1
Paved streets (lane miles)	99	99	98	98	98	98	98	98	98	98
Unpaved streets (lane miles)	0.65	0.65	3	3	3	3	3	3	3	3
Recreation and Community Development:										
Parks acreage	53	50	50	50	50	50	50	50	32	32
Parks	7	7	7	7	7	7	7	7	7	6
Tennis courts	4	4	4	4	4	4	4	4	4	4
Racquet ball courts	2	2	2	2	2	2	2	2	2	2
Exercise Trail	1	1	1	1	1	1	1	1	1	1
Water										
Potable Water lines (linear miles)	118	118	118	118	118	117	117	114	109	109
Sewer										
Sanitary sewer lines (linear miles)	100	100	100	100	100	100	97	97	97	97
Permitted sewer capacity(gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Lift stations	73	63	63	63	63	63	63	63	58	58

Source: Various city departments

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
City of West Melbourne, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Melbourne, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of West Melbourne, Florida's basic financial statements, and have issued our report thereon dated May 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Melbourne, Florida's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Melbourne, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Melbourne, Florida's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida

May 10, 2018

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and Members of City Council
City of West Melbourne, Florida

Report on the Financial Statements

We have audited the financial statements of the City of West Melbourne, Florida as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated May 10, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an Examination Conducted in Accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated May 10, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the findings and recommendations made in the preceding annual financial audit as noted below:

Prior Year Internal Control Finding:	Current Year Status:
2016-001 Trial Balance and Bank Reconciliations	Corrected
2016-002 Reporting in Compliance with State Project Agreement	Corrected
2016-003 Subrecipient Monitoring	Corrected

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the City of West Melbourne, Florida and its component units are disclosed in the footnotes.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the City of West Melbourne, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of West Melbourne, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of West Melbourne, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal, State and other granting agencies, the members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida

May 10, 2018



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Honorable Mayor and Members of City Council
City of West Melbourne, Florida

We have examined the City of West Melbourne, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management of the City of West Melbourne, Florida is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

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

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

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

Melbourne, Florida
May 10, 2018



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