

City of Rockledge, Florida

FINANCIAL STATEMENTS

Year Ended September 30, 2017



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

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City of Rockledge, Florida
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As of September 30, 2017

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**City of Rockledge, Florida
City Officials
As of September 30, 2017**

MAYOR

Thomas J. Price

CITY COUNCIL

Dr. Joe Lee Smith

Dr. R. Shaun Ferguson

T. Patrick O'Neill

Frank T. Forester

Duane A. Daski

Ted J. Hartselle

CITY MANAGER

Dr. Brenda Fettrow

FINANCE DIRECTOR

Matthew D. Trine

CITY ATTORNEY

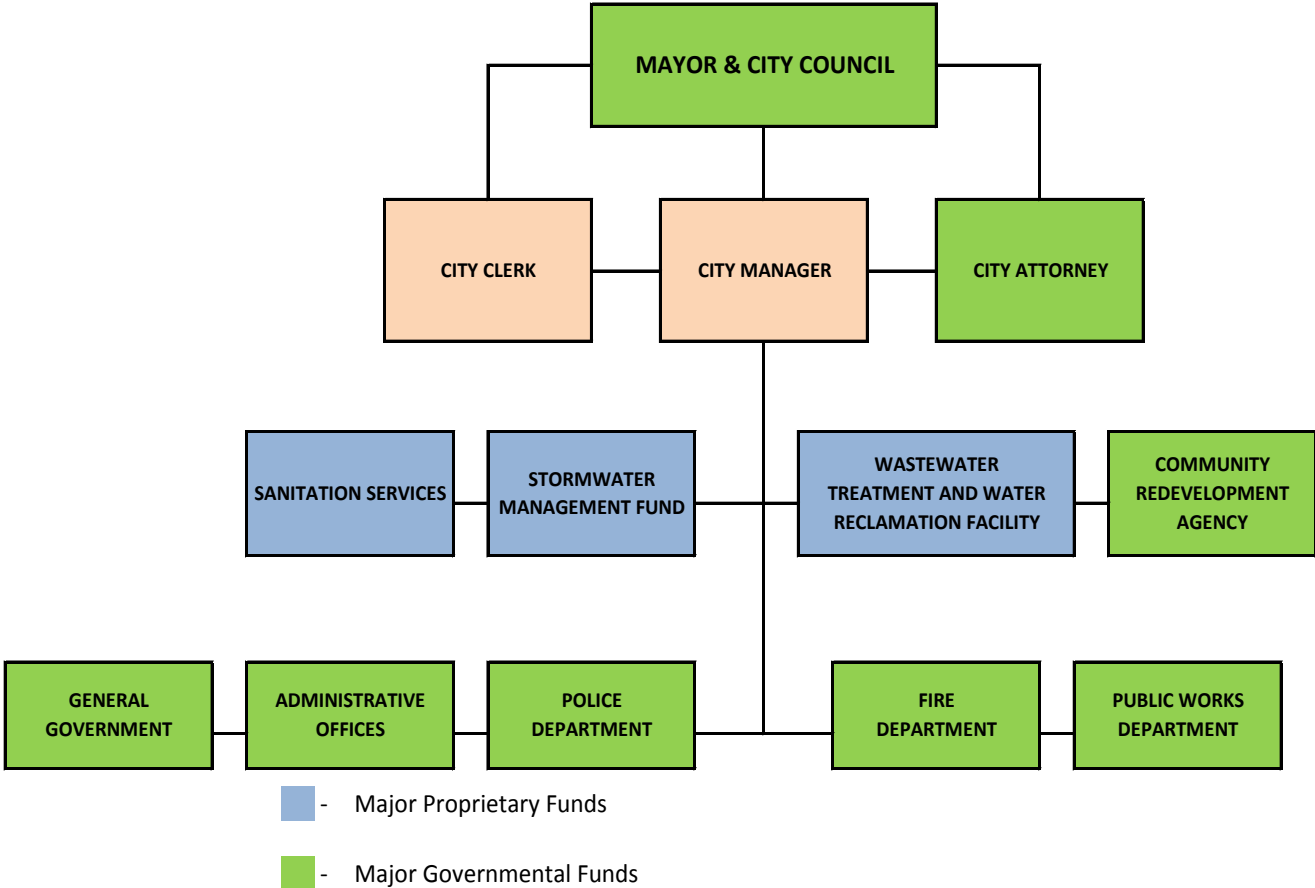
Joseph Miniclier

CITY CLERK/PUBLIC RELATIONS

Lisa C. Nicholas

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**City of Rockledge, Florida
Organization Chart
As of September 30, 2017**



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CITY OF ROCKLEDGE

March 27, 2018

CITY HALL
1600 HUNTINGTON LANE
ROCKLEDGE, FL 32955
TELEPHONE: 321-221-7540
FAX: 321-204-6356

BUILDING DIVISION
1600 HUNTINGTON LANE
ROCKLEDGE, FL 32955
TELEPHONE: 321-221-7540
FAX: 321-204-6356

**FIRE & EMERGENCY
SERVICES DEPT.**
1800 ROCKLEDGE BLVD.
ROCKLEDGE, FL 32955
TELEPHONE: 321-221-7540
FAX: 321-204-6386

POLICE DEPT.
1776 JACK OATES BLVD.
ROCKLEDGE, FL 32955
TELEPHONE: 321-690-3988
FAX: 321-690-3996

PUBLIC WORKS DEPT.
1400 N. GARDEN ROAD
ROCKLEDGE, FL 32955
TELEPHONE: 321-221-7540
FAX: 321-204-6353

**WASTEWATER
TREATMENT & WATER
RECLAMATION DEPT.**
1700 JACK OATES BLVD.
ROCKLEDGE, FL 32955
TELEPHONE: 321-221-7540
FAX: 321-204-6377

**REDEVELOPMENT
& RENTAL FACILITIES**
123 BARTON BLVD. - #103
ROCKLEDGE, FL 32955
TELEPHONE: 321-221-7540
FAX: 321-204-6385

www.cityofrockledge.org

The Honorable Mayor,
Members of City Council,
and Citizens of the City of Rockledge:

The Comprehensive Annual Financial Report of the City of Rockledge, Florida, for the fiscal year ended September 30, 2017, is hereby submitted. The report includes Management's Discussion and Analysis and is reflective of management's position on the financial status of the City. The administration, with the support of the elected officials, has established an internal framework to protect the City from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The firm of Carr, Riggs & Ingram, LLC, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2017 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

The report reflects work compliant with Governmental Accounting Standards Board (GASB) Statement No. 34 and was performed independent of the audit provisions. This includes accounting for streets, roads, sidewalks, stormwater facilities and all wastewater related infrastructure. This information will have an impact on the financial structure of the report and there will be additional statements within the document depicting those requirements. The City is also required to consider the impact of GASB Statement No. 45, which relates to post-employment benefits, such as health insurance available to employees who have retired. Since insurance is purchased by the retired individual, it has minimal impact on the financial picture of the City.

Furthermore, the report reflects GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This statement will continue to have a significant impact on net position for the entity-wide statements and the enterprise fund level statements. For more information on the impact of GASB 68, please refer to Note 10 in the Notes to Financial Statements.

PROFILE OF THE CITY

Economic conditions continued to improve in 2017, as is evidenced in the overall value of building activity. Total permit value was up from \$44.7 million in 2016 to \$65.7 million in 2017. Total permits issued were 2,661, up 27 percent from 2,086 the previous year. New construction increased in residential units (95 new single family homes, 57 in 2016) and remained steady in commercial buildings (four new commercial buildings, six in 2016). Assessed value increased by 6.27 percent in 2017, which is the sixth consecutive year of increased values; however, the recovery from the recession as to property values is still in progress.

Under its Charter, the City operates as a Council-Manager form of government. The Mayor and City Council are elected at large on a non-partisan basis with staggered three-year terms. They are responsible for passing ordinances, adopting budgets, appointing committees, and hiring the City Manager, City Clerk, and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing daily operations, and appointing department directors and hiring all other employees of the City. The City currently has 243 full-time equivalent positions and 12 part-time positions, as well as volunteers in the police department. Volunteers also operate the Georgia Phillips Reading Room at the Community Resource Center.

The City provides a full range of services, including police and fire protection; public works, including sanitation, stormwater management, street and sidewalk maintenance, etc.; planning, community development and grants acquisition; building inspection services and code enforcement; wastewater treatment and reclaimed water; and general administration and support services. The City has three proprietary enterprise funds – wastewater treatment/reclaimed water, stormwater, and sanitation. The City also has a Community Redevelopment Agency and associated budget as outlined in Florida Statutes, Chapter 163. As for recreation and leisure services, the City is part of a recreational district created by legislative act in 1971 that serves the central mainland of Brevard County.

The annual budget is a foundation for the financial planning and control for the City and is meant to further the Strategic Plan of the City. The budget process begins at staff level in May of each year and is

worked through the Council Finance and Budget Committee in June, July, and August. A public workshop is held in August and public hearings in September for adoption of the budget to begin October 1 of each year. The annual tax millage rate is also established at the same time as adoption of the budget.

The budgets are adopted by fund and department. The City Manager can make appropriate transfers within departmental budgets without Council approval. Changes to overall budgets require approval by the City Council. The City Council receives monthly reports of financial conditions of the City, including comparisons as to budget and actual expenditures.

FACTORS AFFECTING FINANCIAL CONDITIONS

As a part of the Central Florida Regional economy, Rockledge has slowly rebounded financially since the recession years of 2009-2012. During Fiscal Year 2017, unemployment dropped to 4.6 percent, continuing the downward trend that once reached double digits. The expansion of business in the city continues to be positive. Economic development on a comprehensive basis has been aided by redevelopment projects, public works projects, and public/private partnerships. The City marketing efforts continue in order to attract new business, support existing business, and in revitalization of vacant and underutilized properties.

The City of Rockledge has an adopted Business Plan, Investment Strategy, and comprehensive approach to financial matters as well as budgeting. Each budget reflects delivering service at the highest level that can be supported by available revenues. This focus includes personnel management, maintenance and operations, purchasing, and projects. Capital Projects are once again being completed, as well as the upgrade of vehicles and equipment. Emphasis for the future must be centered on maintenance of facilities and infrastructure.

As a top priority, the City continues to lessen the debt load for all budget funds. In four years, the City has been able to lower the debt principal from \$8 million to \$3.9 million, or \$144 per capita. The debt service includes:

- General Fund total debt stands at \$486,000 for the Police Station new construction and technology upgrades (retiring in 2019). Also, the City purchased a 6.2-acre parcel from a private individual, and the balance is \$113,000 (retiring in 2019).
- The bonded debt for the Wastewater Plant stands at \$547,000 (retiring in 2018) and the State Revolving Fund is at \$779,000 and will be paid off in 2022.
- The Community Redevelopment Agency (CRA) tax-exempt loan for the Barton Boulevard Project has now been reduced to \$1.3 million at a 1.60 percent interest rate, with payoff complete by 2022. In addition, the CRA has purchased a Barton Boulevard property for redevelopment purposes using the credit line with Community Bank of the South. As of September 30, 2017, debt service principal was \$737,000.

Major projects completed in Fiscal Year 2017 included the purchase of a parcel within the Barton Boulevard corridor and the nearly complete design for the Civic Hub, the continuation of the Barnes

Boulevard Widening project, the completion of Phase I of the SCADA system for the Wastewater Treatment Plant, and the near completion of the Breeze Swept septic-to-sewer conversion project for 141 homes. Other major accomplishments include:

- Continued implementation of the Compensation and Classification System for employees
- Stormwater improvements impacting the Faull Drive and Virginia Park areas of the City
- Purchase of seven police vehicles, a fire vehicle, a 40 foot articulating boom, and two public works vehicles
- Completed accessibility upgrades and window restoration for the City-owned Old St. Mary's Church building
- Completed painting and renovations of all three fire stations
- Installed a generator for the Public Works Department Administration Building
- Completed City-wide street resurfacing
- Continued sign replacement per Federal Law

Cash reserves have been maintained by the City as a "rainy day" fund. During times of emergency response and disaster mitigation, these fund reserves have allowed the City to respond in a timely and efficient manner. These reserves are invested in certificates of deposit, cash management sweep accounts, and money market accounts. Yields have continued to be low, but longer-term investments (three to five years) have provided more reasonable returns to the City. Risk Management includes insurance for workers' compensation, general liability, property, vehicular, fiduciary, and public officials through the Florida League of Cities Municipal Trust Program. The City continues to focus on reducing workers' compensation costs through safety programs and training. Liability, property and casualty insurance have also been maintained at reasonable cost levels.

City Council has continued to pay close attention to the funded status of the three pension plans provided for City employees. The unfunded liability continues to improve over the recessionary levels, with the 2017 market performance above investment objectives. The General, Fire, and Police Employees plans funded status improved in 2017. The funded status of each plan was calculated as follows as of September 30, 2017:

Police	97.01%	General	83.53%	Fire	77.40%
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The City continues to be in an overall positive position when compared with other pension plans statewide. However, the Fire Employees Retirement Plan's funded status, while improving, remains under 80 percent, which is considered the baseline for healthy pension plans. Monitoring of all three plans remains a priority, and benefit evaluation is ongoing.

ECONOMIC FACTORS, AND NEXT YEAR'S BUDGET AND RATES

When establishing priorities for the Fiscal Year 2017 Budget, the City considered many factors for setting tax rates and user fees for business-type activities. Most recently, the City has emphasized maintenance, replacement and renewal, and limited capital projects. City facilities, vehicles, equipment, etc., are in good order but continued evaluation is necessary. Maintaining adequate reserves is important to orderly services in the event of a catastrophic situation.

The nearly 12 square miles of the City is substantially developed, though there continues to be residential, commercial, and industrial development. The CRA has concentrated on attracting new business to the districts, property improvements, and removal of dilapidated structures. Since 2004, the City has funded 90 property improvement projects with matching grants totaling \$674,000 (\$10,000 limit on any one grant). The result has been to leverage over \$2.5 million in private investment to enhance the tax base. The State of Florida continues to make changes to revenue sources that fund the City budget, especially the General Fund. City Staff evaluates the budget on a monthly basis and recommendations are made to the City Council periodically to ensure financial responsibility.

While the budget uncertainties have become less problematic, the growth is expected to remain moderate at best, and potential changes to ad-valorem tax exemptions may reduce the City's tax base. Diligence to detail is important in allocation of revenues moving forward. The City will need to continue to evaluate personnel costs, staffing levels, and benefits, while at the same time keeping salary ranges competitive so as not to become a training ground for other entities.

Enterprise funds such as sewer, sanitation, and the stormwater utility, continue to meet financial requirements. Fee increases are evaluated each year based on need and expansion requirements. Federal and State requirements, especially unfunded mandates, will have a direct impact on all of these budgets. The gallonage charge for sewer underwent a two-year gallonage rate increase, with the first increase effective in Fiscal Year 2017. The rates for residential and commercial recycling, garbage, and trash collection increased as well for Fiscal Year 2017. Although the stormwater utility fees remained the same for Fiscal Year 2017, a subsequent increase was enacted. Stormwater and Sewer rates still remain among the lowest in Brevard County.

CONCLUSION

The preparation of this report would not have been possible without the excellent work of the Finance Division. An extensive amount of work occurs during the year, as well as during the audit, to ensure accuracy and appropriate evaluation of procedures. Other City departments contribute extensively to sound financial practices of this local government to ensure accountability and the carrying out of the mission of the City. Appreciation is also expressed to the independent audit team led by Christine Noll-Rhan for its tireless efforts on this yearly project. Final thanks are expressed to you, the City Council, for your direction during the year and trust in your staff to carry out your policies. It is truly a team effort.


The 2017 Fiscal Year was a very successful year with much accomplished in all budgetary areas. The main emphasis has been placed on the maintenance of existing facilities to extend usefulness for longer

periods. City staff will continue to focus on quality service delivery to the citizens within budgetary allocations.

A final note, this will be the first full fiscal year under the guidance of City Manager Dr. Brenda Fettrow. The City of Rockledge has and will continue to serve the citizens with continued high-quality service, while keeping the tax rates at a reasonable level. We are honored to follow in this tradition and to have the opportunity to move Rockledge forward and enjoy continued success.

Sincerely,

CITY OF ROCKLEDGE, FLORIDA



Dr. Brenda Fettrow, City Manager



Matthew D. Trine, Finance Director



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
of the City of Rockledge, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 auditors' 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.

Opinion

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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Rockledge, 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 management's discussion and analysis (pages 5 through 13) and the required supplementary information (pages 77 through 91) 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 Rockledge, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion on them 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 March 27, 2018 on our consideration of the City of Rockledge, 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 Rockledge'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 Rockledge, Florida's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
March 27, 2018

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City of Rockledge, Florida Management's Discussion and Analysis

As management of the City of Rockledge (the "City"), we offer readers of the City's financial statements this narrative overview 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 vii to x of this report.

FINANCIAL HIGHLIGHTS

- Total assets and liabilities of the City as of September 30, 2017, were \$105,547,131 and \$15,196,726, respectively. Deferred outflows related to bond refunding and pensions were \$2,091,194. Deferred inflows related to pensions, business tax revenue, and grant revenue were \$2,551,195.
- City-wide total revenues (\$28,567,468) consisted of \$9,285,498 of charges for services, \$2,577,337 in grants and capital contributions, and \$16,704,633 of general revenues. Total expenses were \$24,409,233.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$89,890,404 (net position). Of this amount, \$6,615,568 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$4,158,235 or 4.85 percent due to current year operations. The governmental net position increased by \$1,806,186, or 4.04 percent, and the business-type net position increased by \$2,352,049 or 5.73 percent. There were no transfers from the governmental funds to the proprietary funds during the year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$10,980,108, or 66.02 percent of the total expenditures and transfers out.
- Net positions of the General Employees, Police Employees, and Fire Employees' Pension Trust Funds increased by \$892,439, \$1,648,569, and \$1,202,605, respectively. These changes were primarily the result of plan contributions and an increase in fair value of investments offset by benefit payments. For the general employees, benefit payments exceeded contributions in the current 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 comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other required supplementary information in addition to 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 information on all the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between these four financial statement

City of Rockledge, Florida Management's Discussion and Analysis

elements 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 giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement 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, administrative services, city attorney, mayor and council, public works, planning and development, police, fire, community relations, and beautification and parks. The business-type activities of the City include wastewater system, stormwater utility, and sanitation services.

The government-wide financial statements can be found on pages 17 through 19 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 the City's funds 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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City'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 five 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 Community Redevelopment Agency (CRA), which are the City's only major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

City of Rockledge, Florida Management's Discussion and Analysis

The City adopts an annual appropriated budget for its General Fund and the CRA. Budgetary comparison schedules have been provided for the General Fund and CRA to demonstrate compliance with the budget and are presented as required supplementary information. The basic governmental funds' financial statements can be found on pages 20 and 22 of this report.

Proprietary funds. The City maintains three enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its wastewater system, stormwater utility, and sanitation services operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds' financial statements provide separate information for each individual enterprise fund.

The basic proprietary funds' financial statements can be found on pages 23 through 27 of this report.

The City maintains one internal service fund. The City uses an internal service fund to account for its insurance function. The internal service fund is combined with governmental activities on the government-wide statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of individuals or entities outside the City. Specifically, the fiduciary funds represent amounts held for the satisfaction of pension plan liabilities and operating expenditures. Fiduciary funds are not reflected 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 basic fiduciary funds' financial statements can be found on pages 28 and 29 of this report.

Notes to the financial statements. The notes provide additional information that is essential for 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 31 through 73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits to its employees.

The required supplementary information can be found on pages 77 through 91 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental funds and fiduciary funds, are presented immediately following the required supplementary information.

The combining statements and schedules can be found on pages 95 through 96 of this report.

City of Rockledge, Florida
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$89,890,404 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$15,495,257	\$13,896,763	\$ 8,265,195	\$ 7,938,128	\$23,760,452	\$21,834,891
Capital assets	42,712,455	43,088,758	39,074,224	37,389,393	81,786,679	80,478,151
Total assets	58,207,712	56,985,521	47,339,419	45,327,521	105,547,131	102,313,042
Deferred outflow of resources	1,620,289	2,221,505	470,905	686,126	2,091,194	2,907,631
Long-term liabilities	10,285,927	12,326,567	3,110,976	4,174,027	13,396,903	16,500,594
Other liabilities	835,777	1,124,015	964,046	662,988	1,799,823	1,787,003
Total liabilities	11,121,704	13,450,582	4,075,022	4,837,015	15,196,726	18,287,597
Deferred inflow of resources	2,181,804	1,038,137	369,391	162,770	2,551,195	1,200,907
Net investment in capital assets	40,126,774	40,091,387	37,817,923	35,445,283	77,944,697	75,536,670
Restricted	2,628,476	1,258,914	2,701,663	2,564,919	5,330,139	3,823,833
Unrestricted	3,769,243	3,368,006	2,846,325	3,003,660	6,615,568	6,371,666
Total net position	\$46,524,493	\$44,718,307	\$43,365,911	\$41,013,862	\$89,890,404	\$85,732,169

A significant portion of the City's net position (87 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in 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. This category represented 88 percent of net position in the prior year. The increase in investment in capital assets totaled \$2,408,027 for the City as a whole, which is smaller in comparison to the overall increase in net position (\$4.16 million) sufficient to decrease the percentage of this category to total net position.

An additional portion of the City's net position (5.9 percent) represents resources that are subject to external restrictions on how they may be used. This includes unspent funds designated for CRA, transportation and other capital projects, unexpended impact fee collections required to be used for the renewal and replacement of the wastewater system, and amounts required to be set aside for debt service and the operation of the building department. The remaining balance (\$6,615,568 or 7.4 percent) represents unrestricted net position that may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City 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 Rockledge, Florida Management's Discussion and Analysis

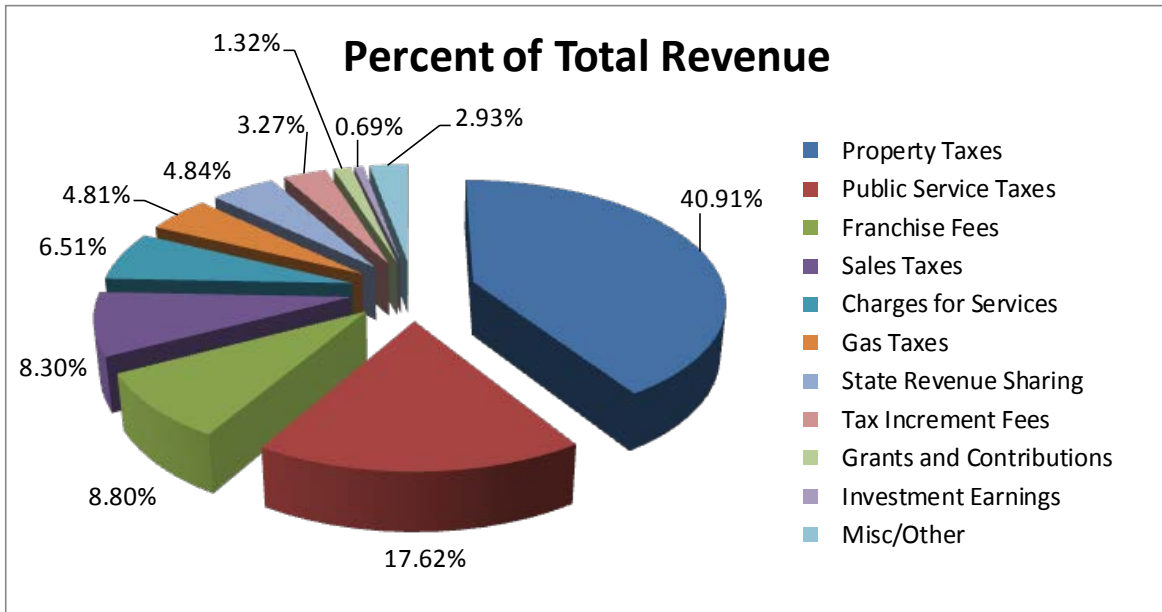
Governmental activities. Governmental activities increased the City's net position by \$1,806,186, compared to an increase of \$656,949 in the prior year. Revenues increased by 4.9 percent or \$867,092 with the largest increases related to property taxes (\$409,836), sales tax (\$117,107), and tax increment fees (\$102,206). All revenue categories increased except for public service taxes and investment earnings, which decreased \$110,841, in aggregate.

Expenditures decreased compared to 2016 by \$282,145. This decrease included a decrease in planning and development (\$405,612), fire (\$138,004), police (\$40,790), and administrative services (\$23,517). Although most categories decreased, public works and general government expenditures increased an aggregate of \$334,047. Interest on long-term debt decreased \$3,731.

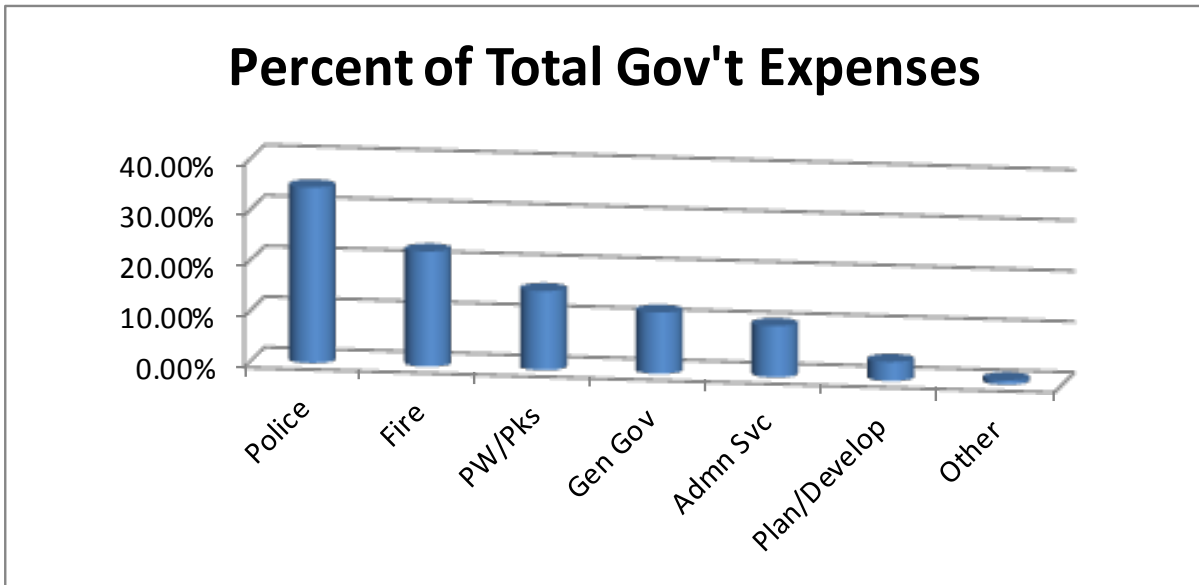
Schedule of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Programs revenues:						
Charges for services	\$ 1,204,907	\$ 1,132,109	\$ 8,080,591	\$ 7,860,873	\$ 9,285,498	\$ 8,992,982
Grants and contributions	245,209	153,330	2,332,128	739,193	2,577,337	892,523
General revenues:						
Property taxes	7,621,679	7,211,843	-	-	7,621,679	7,211,843
Tax increment fees	605,398	503,192	-	-	605,398	503,192
Gas taxes	890,542	852,134	-	-	890,542	852,134
Sales tax	1,537,609	1,420,502	-	-	1,537,609	1,420,502
Franchise fees	1,629,519	1,614,889	-	-	1,629,519	1,614,889
State revenue sharing	895,795	828,610	-	-	895,795	828,610
Public services taxes	3,262,780	3,334,088	-	-	3,262,780	3,334,088
Investment earnings	83,813	123,346	31,456	51,556	115,269	174,902
Other	542,042	478,158	-	-	542,042	478,158
Total revenues	18,519,293	17,652,201	10,444,175	8,651,622	28,963,468	26,303,823
Expenses:						
General government	1,974,985	1,772,664	-	-	1,974,985	1,772,664
Administrative services	1,698,634	1,722,151	-	-	1,698,634	1,722,151
Mayor and council	52,352	46,318	-	-	52,352	46,318
City attorney	91,552	99,409	-	-	91,552	99,409
Police	5,800,342	5,841,132	-	-	5,800,342	5,841,132
Fire	3,800,922	3,938,926	-	-	3,800,922	3,938,926
Public works	2,615,109	2,483,383	-	-	2,615,109	2,483,383
Planning and development	632,251	1,037,863	-	-	632,251	1,037,863
Other	-	2,715	-	-	-	2,715
Interest on long-term debt	46,960	50,691	-	-	46,960	50,691
Wastewater system	-	-	4,045,516	4,252,809	4,045,516	4,252,809
Sanitation services	-	-	3,283,303	2,524,783	3,283,303	2,524,783
Stormwater utility	-	-	763,307	795,707	763,307	795,707
Total expenses	16,713,107	16,995,252	8,092,126	7,573,299	24,805,233	24,568,551
Increase (decrease) in net position	1,806,186	656,949	2,352,049	1,078,323	4,158,235	1,735,272
Net position, beginning	44,718,307	44,061,358	41,013,862	39,935,539	85,732,169	83,996,897
Net position, ending	\$ 46,524,493	\$ 44,718,307	\$ 43,365,911	\$ 41,013,862	\$ 89,890,404	\$ 85,732,169

Revenue by Source - Governmental Activities



Expenses by Program - Governmental Activities
as a Percentage of Total Expenses

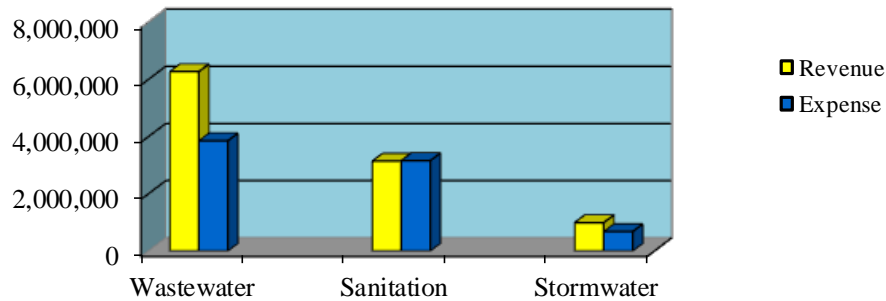


City of Rockledge, Florida Management's Discussion and Analysis

Business-type activities. Business-type activities increased the City's net position by \$2,352,049, compared to an increase of \$1,078,323 in the prior year. On the statement of net position, capital asset balances increased \$1,684,831. Liabilities decreased \$761,993 reflecting principal payments on enterprise fund indebtedness, bolstered by the recording of a decrease in net pension liability of \$302,431.

On the statement of activities, operational revenues increased by 20.8 percent over the prior year. An increase in charges for services of \$219,718 was accompanied by an increase in grants and contributions of \$1,592,935. Interest income decreased roughly \$20,000. Expenses increased a total of \$518,827, with an increase in the Sanitation Fund of \$758,520, a decrease in the Stormwater Fund of \$32,400, and a decrease in the Wastewater Fund of \$207,293.

Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,427,818, an increase of \$1,716,465 when compared to the prior year. Of this total amount, \$10,980,108 represents the General Fund unassigned fund balance, which is available for spending at the City's discretion. Restricted fund balances in the General, CRA, and special revenue funds, which are restricted by law or administrative action for specific purposes, total \$1,702,796. A portion of governmental fund balance (\$497,239) is assigned to reflect that management has designated a future use for these amounts. The remainder of fund balance is nonspendable because it has already been committed to inventories (\$85,949) or prepaid expenses (\$161,726).

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,980,108, while total fund balance reached \$12,048,679. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 66.02 percent of total expenditures and transfers out for

City of Rockledge, Florida Management's Discussion and Analysis

recurring operational costs reported in other funds, while total fund balance represents 72.45 percent of that same amount. The General Fund's fund balance increased by \$1,289,298 during the current fiscal year.

CRA. In its 13th year of existence, the CRA fund balance increased by \$424,138 after decreasing \$137,374 in the prior year. The revenues for this fund are derived from the additional tax revenue generated by new construction and, as the CRA is continuing to implement plans and improvements to the area, funds were expended primarily on the acquisition of a parcel of land, debt service, neighborhood improvements and façade grants. A transfer of \$744,375, consisting of taxes generated by the "incremental" growth between the current value and the base year value, was made from the General Fund to the CRA pursuant to an interlocal agreement with Brevard County.

Expenditures for ongoing development projects and debt service were \$814,595 and \$519,059, respectively, for a total of \$1,333,654 in the current year. An influx of cash from an additional draw on the line of credit helped offset the increase in expenditures for the year, providing the CRA a positive fund balance of \$1,319,778 as of September 30, 2017. This represents an increase from the fund balance of \$895,640 of the prior year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Schedule of Changes in Net Position

	Wastewater System	Sanitation Services	Stormwater Utility
Unrestricted net position, September 30, 2016	\$ 1,248,028	\$ 733,244	\$ 1,022,388
Increase (decrease) in net position	2,253,253	(133,357)	232,153
Increase in net position net investment in capital assets	(1,907,049)	(1,256)	(464,335)
Increase in net position restricted for renewal and replacement	(439,965)	-	-
Decrease in net position restricted for debt service	303,221	-	-
Increase (decrease) in unrestricted net position	<u>209,460</u>	<u>(134,613)</u>	<u>(232,182)</u>
Unrestricted net position, September 30, 2017	<u>\$ 1,457,488</u>	<u>\$ 598,631</u>	<u>\$ 790,206</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted expenditures for the General Fund increased by \$242,000 from the original budget to the final budget. These increases (decreases) can be summarized as follows:

• General Government	\$ 91,500
• Police	\$ 80,000
• Public Works	\$ 36,500
• Mayor and City Council	\$ 35,000
• Fire Department	\$ 13,000
• City Attorney	\$ 0
• Administrative Office	(\$ 14,000)

City of Rockledge, Florida Management's Discussion and Analysis

Expenditures in all general fund departments were within budgeted amounts for the year ended September 30, 2017. The most significant reason for expenditures remaining under budget was watchful management by the City Manager, the Department Heads, and the Finance Director. The large increase in the budget for General Government and Police are related to additional costs for City-wide operations and pension funding, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$81,786,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, furniture and equipment, transmission lines and facilities, and streets and drainage.

The total increase in the City's investment in capital assets for the current fiscal year was \$1,308,528 or 1.62 percent. This overall change between fiscal years is the result of significant capital asset purchases offset by disposals and depreciation expense for the year. The larger increases in capital asset categories relate to the purchase of buildings and improvements for General Fund operations, including a commercial property along Barton Boulevard (\$404,266), ramp access and window restoration at the Old St. Mary's Church (\$150,780), garbage truck and compactor for Sanitation Services (\$216,001), the completion of Faull Drive outfall improvements for Stormwater (\$210,337), and lift station level controls and pumps for Wastewater (\$147,148). These increases in capital assets were offset by depreciation expense for the current year of approximately \$3 million. Capital assets are discussed more fully in Note 3 of the financial statements.

Schedule of Capital Assets (Net)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$14,426,853	\$14,446,853	\$ 3,677,911	\$ 3,677,911	\$ 18,104,764	\$ 18,124,764
Buildings	10,149,520	9,309,467	13,529,751	13,529,751	23,679,271	22,839,218
Improvements	2,207,615	1,337,115	-	-	2,207,615	1,337,115
Equipment	5,438,468	5,022,675	7,459,245	6,168,424	12,897,713	11,191,099
Vehicles	3,970,180	5,090,386	4,715,193	4,665,897	8,685,373	9,756,283
Infrastructure	26,016,279	26,016,279	34,723,459	34,203,586	60,739,738	60,219,865
Construction-in-progress	536,656	1,679,440	5,002,810	3,754,885	5,539,466	5,434,325
	62,745,571	62,902,215	69,108,369	66,000,454	131,853,940	128,902,669
Accumulated depreciation	(20,033,116)	(19,813,457)	(30,034,145)	(28,611,061)	(50,067,261)	(48,424,518)
Total	\$42,712,455	\$43,088,758	\$39,074,224	\$37,389,393	\$ 81,786,679	\$ 80,478,151

Long-term debt. At the end of the current fiscal year, the City had total outstanding bonded debt of \$547,000, dedicated for and backed by the net sewer revenues created by the operations of the wastewater system. This reduction in outstanding bonds relates to principal and interest payments due during fiscal year 2017.

City of Rockledge, Florida Management's Discussion and Analysis

In addition, the City owed \$779,293 under the State of Florida revolving loan program for the construction of a reclaimed water project. The indebtedness is also backed by the revenues of the wastewater system, but is subordinate to the bonded indebtedness of the wastewater system. Additional debt, guaranteed by the full faith and credit of the City, has been entered into for the purpose of purchasing parklands currently in use or in the developmental stages. Certain of these parklands will be used to reduce stormwater runoff in an established area of the City, while also being considered as the site for an as yet undetermined commercial pursuit.

On July 22, 2005, the City, through its CRA, borrowed \$4,000,000 for the acquisition and construction of additions and improvements to Barton Boulevard in the City of Rockledge Redevelopment Area. Pursuant to the loan agreement (the Series 2005 Note), the excess of income, fees, and earnings over the costs of operation and maintenance of the CRA are irrevocably pledged to the payment of principal and interest on the Series 2005 Note. The Series 2005 Note does not constitute a general obligation or indebtedness of the CRA, and the lender shall never have the right to require or compel the levy of taxes for the payment of principal or interest, nor does it constitute a lien on any property of the CRA other than the pledged funds noted above.

The Capital Improvement Note, dated April 1, 2009, was entered into for the purpose of constructing a new police facility within the City. The debt is secured with a pledge of utility tax revenues and franchise fees.

The City obtained an unsecured line of credit during 2014 to provide working capital for the CRA. During 2017, \$396,996 was drawn against the line of credit for a property purchase. The outstanding balance as of September 30, 2017, is \$736,915. Only interest is payable monthly. The entire amount of principal still outstanding, along with any accrued interest, is due July 16, 2019.

In 2015, the City purchased 6.3 acres of vacant property that will be used primarily for recreational purposes. A \$180,000 non-interest bearing note was used to finance this purchase. There are three equal annual installments due of \$37,500 to pay off the remainder of this note.

See Notes 5 and 6 for more information on the City's debt obligations.

Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Notes payable	\$2,585,681	\$2,997,371	\$ 779,293	\$ 999,251	\$ 3,364,974	\$ 3,996,622
Revenue bonds	-	-	547,000	944,858	547,000	944,858
Total indebtedness	<u>\$2,585,681</u>	<u>\$2,997,371</u>	<u>\$1,326,293</u>	<u>\$1,944,109</u>	<u>\$ 3,911,974</u>	<u>\$ 4,941,480</u>

CITY OF ROCKLEDGE, FLORIDA
Basic Financial Statements

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City of Rockledge, Florida
Statement of Net Position

<i>September 30, 2017</i>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 6,414,120	\$ 962,535	\$ 7,376,655	\$ 9,546
Certificates of deposit	7,655,520	1,313,381	8,968,901	-
Receivables (net)	513,806	836,319	1,350,125	-
Accrued interest and other	11,782	110	11,892	-
Prepaid items	161,726	72,251	233,977	-
Due from other governments	358,564	1,077,865	1,436,429	-
Internal balances	152,199	(152,199)	-	-
Inventories	85,949	113,265	199,214	-
Restricted assets:				
Cash and cash equivalents	141,591	2,851,434	2,993,025	-
Certificates of deposit	-	1,190,234	1,190,234	-
Capital assets:				
Non-depreciable	14,963,509	8,680,721	23,644,230	-
Depreciable (net)	27,748,946	30,393,503	58,142,449	385,423
Total assets	58,207,712	47,339,419	105,547,131	394,969
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow on refunding	-	49,062	49,062	-
Deferred outflow of pension expense	1,620,289	421,843	2,042,132	-
Total deferred outflow of resources	1,620,289	470,905	2,091,194	-
LIABILITIES				
Accounts payable	418,109	891,491	1,309,600	-
Accrued liabilities	387,176	72,555	459,731	-
Contribution payable - pension trust fund	21,948	-	21,948	-
Accrued interest	6,964	-	6,964	-
Unearned revenue	1,580	-	1,580	-
Non-current liabilities:				
Due within one year:				
Compensated absences	861,473	184,215	1,045,688	-
Notes payable	1,313,327	164,121	1,477,448	-
Bonds payable	-	547,000	547,000	-
Due in more than one year:				
Compensated absences	755,777	162,570	918,347	-
Other postemployment benefits	515,540	190,336	705,876	-
Net pension liability	5,567,456	1,268,492	6,835,948	-
Notes payable	1,272,354	594,242	1,866,596	-
Total liabilities	11,121,704	4,075,022	15,196,726	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow of business tax revenue	107,166	-	107,166	-
Deferred inflow of grant revenue	23,213	-	23,213	-
Deferred inflows of pension earnings	2,051,425	369,391	2,420,816	-
Total deferred inflows of resources	2,181,804	369,391	2,551,195	-
NET POSITION				
Net investment in capital assets	40,126,774	37,817,923	77,944,697	385,423
Restricted for:				
Capital projects	1,521,955	-	1,521,955	-
Debt services	925,680	656,814	1,582,494	-
Renewal and replacement	-	2,044,849	2,044,849	-
Public safety	172,634	-	172,634	-
Transportation	8,207	-	8,207	-
Unrestricted	3,769,243	2,846,325	6,615,568	9,546
Total net position	\$ 46,524,493	\$ 43,365,911	\$ 89,890,404	\$ 394,969

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

City of Rockledge, Florida
Statement of Activities

Year ended September 30, 2017

Program Revenues

Functions/Programs	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,021,945	\$ 144,198	\$ -	\$ 19,829
Administrative services	1,698,634	23,792	-	51,511
Mayor and city council	52,352	-	-	-
City attorney	91,552	-	-	-
Police	5,800,342	269,334	-	173,869
Fire	3,800,922	144,480	-	-
Public works	2,615,109	36,315	-	-
Planning and development	632,251	433,762	-	-
Parks and recreation	-	61,276	-	-
Community relations	-	91,750	-	-
Total governmental activities	<u>16,713,107</u>	<u>1,204,907</u>	-	<u>245,209</u>
Business-type activities:				
Wastewater systems	3,855,516	4,475,489	-	1,798,594
Sanitation services	3,160,303	2,673,077	-	471,034
Stormwater utility	680,307	932,025	-	62,500
Total business-type activities	<u>7,696,126</u>	<u>8,080,591</u>	-	<u>2,332,128</u>
Total primary government	<u><u>\$ 24,409,233</u></u>	<u><u>\$ 9,285,498</u></u>	-	<u><u>\$ 2,577,337</u></u>
Component unit:				
Rockledge Heritage Foundation	<u><u>\$ 11,641</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
General revenues and transfers:				
Taxes:				
Property taxes, levied for general purposes				
Gas tax				
Sales tax				
Franchise fees				
State revenue sharing				
Other taxes				
Investment earnings				
Miscellaneous				
Transfers, net				
<u>Total general revenues</u>				
<u>Change in net position</u>				
<u>Net position, beginning of year</u>				
<u><u>Net position, end of year</u></u>				

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

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,857,918)	\$ -	\$ (1,857,918)	
(1,623,331)	-	(1,623,331)	
(52,352)	-	(52,352)	
(91,552)	-	(91,552)	
(5,357,139)	-	(5,357,139)	
(3,656,442)	-	(3,656,442)	
(2,578,794)	-	(2,578,794)	
(198,489)	-	(198,489)	
61,276	-	61,276	
91,750	-	91,750	
<u>(15,262,991)</u>	<u>-</u>	<u>(15,262,991)</u>	
-	2,418,567	2,418,567	
-	(16,192)	(16,192)	
-	314,218	314,218	
-	<u>2,716,593</u>	<u>2,716,593</u>	
<u>(15,262,991)</u>	<u>2,716,593</u>	<u>(12,546,398)</u>	
			<u>\$ (11,641)</u>
8,227,077	-	8,227,077	-
890,542	-	890,542	-
1,537,609	-	1,537,609	-
1,629,519	-	1,629,519	-
895,795	-	895,795	-
3,262,780	-	3,262,780	-
83,813	31,456	115,269	848
146,042	-	146,042	-
396,000	(396,000)	-	-
<u>17,069,177</u>	<u>(364,544)</u>	<u>16,704,633</u>	<u>848</u>
1,806,186	2,352,049	4,158,235	(10,793)
44,718,307	41,013,862	85,732,169	405,762
<u>\$ 46,524,493</u>	<u>\$ 43,365,911</u>	<u>\$ 89,890,404</u>	<u>\$ 394,969</u>

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

City of Rockledge, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2017</i>	General	CRA	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,827,816	\$ 1,288,723	\$ 59,361	\$ 5,175,900
Certificates of deposit	7,655,520	-	-	7,655,520
Restricted cash and cash equivalents	141,591	-	-	141,591
Accounts receivable	513,806	-	-	513,806
Accrued interest and other	11,782	-	-	11,782
Due from other funds	223,896	96,206	-	320,102
Due from other governments	358,564	-	-	358,564
Inventories	85,949	-	-	85,949
Prepaid items	155,480	6,246	-	161,726
Total assets	\$ 12,974,404	\$ 1,391,175	\$ 59,361	\$ 14,424,940
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 78,677	\$ -	\$ -	\$ 78,677
Accrued payroll and related liabilities	385,253	1,914	-	387,167
Due to other funds	100,000	67,903	-	167,903
Contributions payable - pension trust fund	21,948	-	-	21,948
Compensated absences	209,468	-	-	209,468
Unearned revenue	-	1,580	-	1,580
Total liabilities	795,346	71,397	-	866,743
Deferred inflows of resources				
Deferred inflows of grant revenue	23,213	-	-	23,213
Deferred inflows of business tax receipts	107,166	-	-	107,166
Total deferred inflows of resources	130,379	-	-	130,379
Fund balances:				
Nonspendable:				
Inventories and prepaids	241,429	6,246	-	247,675
Restricted for:				
Public safety	141,637	-	30,997	172,634
Capital improvements	188,266	1,313,532	20,157	1,521,955
Transportation impact	-	-	8,207	8,207
Assigned for subsequent years budget	497,239	-	-	497,239
Unassigned	10,980,108	-	-	10,980,108
Total fund balances	12,048,679	1,319,778	59,361	13,427,818
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,974,404	\$ 1,391,175	\$ 59,361	\$ 14,424,940
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Governmental capital assets	\$ 62,745,571			
Less accumulated depreciation	(20,033,116)			42,712,455
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.				1,620,289
Deferred inflow of resources related to pension earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.				(2,051,425)
Internal service funds are used by the City to charge the cost of health insurance to individual funds. The net position of the internal service fund is included in governmental activities in the statement of net position. The internal service fund net position is				898,779
Long-term liabilities, including net OPEB obligation, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				
Net pension liability	\$ (5,567,456)			
Notes payable	(2,585,681)			
Compensated absences	(1,407,782)			
Other postemployment benefits	(515,540)			
Accrued interest	(6,964)			
				(10,083,423)
Net position of governmental activities				\$ 46,524,493

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

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

<i>Year ended September 30, 2017</i>	General	CRA	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	\$ 7,634,209	\$ 605,398	\$ -	\$ 8,239,607
Other local taxes	3,245,825	-	-	3,245,825
Licenses and permits	2,022,603	-	-	2,022,603
Intergovernmental	3,944,106	-	-	3,944,106
Charges for services	281,740	-	-	281,740
Fines and forfeitures	16,878	-	2,970	19,848
Interest and other	79,956	828	59	80,843
Miscellaneous revenue	298,526	10,195	-	308,721
Total revenues	17,523,843	616,421	3,029	18,143,293
Expenditures				
Current:				
General government	1,857,301	-	-	1,857,301
Administrative services	1,669,364	-	-	1,669,364
Mayor and city council	52,352	-	-	52,352
City attorney	91,552	-	-	91,552
Police	5,638,668	-	-	5,638,668
Fire	3,600,565	-	-	3,600,565
Public works	2,639,781	-	-	2,639,781
Planning and development	-	814,595	-	814,595
Debt service	336,587	519,059	-	855,646
Total expenditures	15,886,170	1,333,654	-	17,219,824
Excess (deficiency) of revenues over (under) expenditures	1,637,673	(717,233)	3,029	923,469
Other financing sources (uses)				
Transfers in	396,000	744,375	-	1,140,375
Transfers out	(744,375)	-	-	(744,375)
Proceeds from issuance of debt	-	396,996	-	396,996
Net other financing sources (uses)	(348,375)	1,141,371	-	792,996
Net change in fund balances	1,289,298	424,138	3,029	1,716,465
Fund balances, beginning of year	10,759,381	895,640	56,332	11,711,353
Fund balances, end of year	\$ 12,048,679	\$ 1,319,778	\$ 59,361	\$ 13,427,818

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

City of Rockledge, Florida

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended September 30, 2017

Net change in fund balances - total governmental funds		\$ 1,716,465
Amounts reported for governmental activities in the statement of activities are different because:		
<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 exceed depreciation in the current period.</p>		
Expenditures for capital assets	\$ 1,074,417	
Less current year depreciation	<u>(1,430,720)</u>	(356,303)
<p>In the statement of activities, only the gain or loss on the sale of capital assets are reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets sold or disposed.</p>		
Cost of capital assets	\$ (1,231,061)	
Depreciation and amortization expense	<u>1,211,061</u>	(20,000)
<p>Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.</p>		
		(396,996)
<p>Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position</p>		
		808,686
<p>Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.</p>		
		(175,128)
<p>Other postemployment 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>		
		83,380
<p>Cash pensions contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decrease net position.</p>		
		(74,398)
<p>Internal service funds are used by the City to charge the costs of health insurance to individual funds. The change in net position of internal service funds are reported with governmental activities.</p>		
		220,480
<hr/>		
Change in net position of governmental activities		<u>\$ 1,806,186</u>

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

City of Rockledge, Florida
Statement of Net Position - Proprietary Funds

<i>September 30, 2017</i>	Business-type Activities - Enterprise Funds				Governmental
	Wastewater System	Sanitation Services	Stormwater Utility	Total	Activities - Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 217,043	\$ 745,492	\$ 962,535	\$ 1,238,220
Certificates of deposit	801,060	512,321	-	1,313,381	-
Accounts receivable, net	415,569	284,698	98,386	798,653	-
Assessments receivable	17,600	-	20,066	37,666	-
Prepaid items	27,454	44,797	-	72,251	-
Due from other governments	378,444	643,435	55,986	1,077,865	-
Due from other funds	24,270	-	-	24,270	-
Inventory	2,184	111,081	-	113,265	-
Total current assets	1,666,581	1,813,375	919,930	4,399,886	1,238,220
Noncurrent assets:					
Restricted noncurrent assets:					
Cash and cash equivalents	2,851,434	-	-	2,851,434	-
Certificates of deposit	1,190,234	-	-	1,190,234	-
Accrued interest and other	110	-	-	110	-
Total restricted assets	4,041,778	-	-	4,041,778	-
Capital assets:					
Land	776,414	209,601	2,691,896	3,677,911	-
Construction in progress	4,613,123	25,315	364,372	5,002,810	-
Building	13,529,751	-	-	13,529,751	-
Equipment	6,358,799	586,195	514,251	7,459,245	-
Vehicles	1,063,917	3,401,709	249,567	4,715,193	-
Wastewater and stormwater lines	14,506,212	-	10,845,617	25,351,829	-
Reuse lines	9,371,630	-	-	9,371,630	-
	50,219,846	4,222,820	14,665,703	69,108,369	-
Less accumulated depreciation	(22,764,008)	(2,293,058)	(4,977,079)	(30,034,145)	-
Total capital assets, net of accumulated depreciation	27,455,838	1,929,762	9,688,624	39,074,224	-
Total noncurrent assets	31,497,616	1,929,762	9,688,624	43,116,002	-
Total assets	33,164,197	3,743,137	10,608,554	47,515,888	1,238,220
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow on refunding	49,062	-	-	49,062	-
Deferred outflow of pension expenses	189,293	211,253	21,297	421,843	-
Total deferred outflow of resources	238,355	211,253	21,297	470,905	-

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

City of Rockledge, Florida
Statement of Net Position - Proprietary Funds (Continued)

<i>September 30, 2017</i>	Business-type Activities - Enterprise Funds				Governmental
	Wastewater System	Sanitation Services	Stormwater Utility	Total	Activities - Internal Service Fund
LIABILITIES					
Current liabilities (payable from current assets):					
Accounts payable	529,048	323,914	2,092	855,054	-
Retainage payable	-	-	36,437	36,437	-
Accrued payroll and related liabilities	25,164	43,907	3,484	72,555	9
Due to other funds	144,561	31,908	-	176,469	-
Compensated absences	93,415	80,800	10,000	184,215	-
Claims payable	-	-	-	-	339,432
Current portion of note payable	164,121	-	-	164,121	-
Current portion of bonds payable	547,000	-	-	547,000	-
Total current liabilities	1,503,309	480,529	52,013	2,035,851	339,441
Noncurrent liabilities:					
Compensated absences	132,711	18,394	11,465	162,570	-
Net OPEB obligation	76,223	105,357	8,756	190,336	-
Net pension liability	570,969	637,472	60,051	1,268,492	-
Note payable due after one year	594,242	-	-	594,242	-
Total noncurrent liabilities	1,374,145	761,223	80,272	2,215,640	-
Total liabilities	2,877,454	1,241,752	132,285	4,251,491	339,441
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of pension earnings	166,410	184,245	18,736	369,391	-
Total deferred inflows of resources	166,410	184,245	18,736	369,391	-
NET POSITION					
Net investment in capital assets	26,199,537	1,929,762	9,688,624	37,817,923	-
Restricted for:					
Debt service	656,814	-	-	656,814	-
Renewal and replacement	2,044,849	-	-	2,044,849	-
Unrestricted	1,457,488	598,631	790,206	2,846,325	898,779
Total net position	\$ 30,358,688	\$ 2,528,393	\$ 10,478,830	\$ 43,365,911	\$ 898,779

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

City of Rockledge, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Fund

<i>Year ended September 30, 2017</i>	Business-type Activities - Enterprise Funds				Governmental
	Wastewater System	Sanitation Services	Stormwater Utility	Total	Activities - Internal Service Fund
Operating revenues:					
Charges for services	\$ 4,039,567	\$ 2,673,074	\$ -	\$ 6,712,641	\$ 2,497,846
Intergovernmental	6,803	471,034	-	477,837	-
Fees	435,922	-	932,025	1,367,947	-
Total operating revenues	4,482,292	3,144,108	932,025	8,558,425	2,497,846
Operating expenses:					
Salaries, wages and employee benefits	1,393,122	2,184,729	157,734	3,735,585	-
Contractual, materials, and supplies	996,906	499,513	177,377	1,673,796	-
Insurance claims and expense	-	-	-	-	2,277,366
Depreciation	1,088,798	214,746	296,659	1,600,203	-
Repairs and maintenance	221,053	261,312	48,537	530,902	-
Total operating expenses	3,699,879	3,160,300	680,307	7,540,486	2,277,366
Operating income (loss)	782,413	(16,192)	251,718	1,017,939	220,480
Nonoperating revenues (expenses):					
Capital grants	1,112,686	-	62,500	1,175,186	-
Interest income	24,489	5,835	935	31,259	-
Interest and fiscal charges	(155,440)	-	-	(155,440)	-
Total nonoperating revenues (expenses)	981,735	5,835	63,435	1,051,005	-
Income (loss) before contributions	1,764,148	(10,357)	315,153	2,068,944	220,480
Capital contributions	679,105	-	-	679,105	-
Transfers out	(190,000)	(123,000)	(83,000)	(396,000)	-
Change in net position	2,253,253	(133,357)	232,153	2,352,049	220,480
Net position, beginning of year	28,105,435	2,661,750	10,246,677	41,013,862	678,299
Net position, end of year	\$ 30,358,688	\$ 2,528,393	\$ 10,478,830	\$ 43,365,911	\$ 898,779

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

City of Rockledge, Florida
Statement of Cash Flows - Proprietary Funds

<i>Year Ended September 30, 2017</i>	Business-type Activities - Enterprise Funds				Governmental
	Wastewater System	Sanitation Services	Stormwater Utility	Total	Activities - Internal Service Fund
Cash flows from operating activities:					
Cash received from customers for sales and services	\$ 4,551,891	\$ 2,630,003	\$ 923,421	\$ 8,105,315	\$ 2,497,846
Cash payments to employees	(971,007)	(1,656,230)	(105,891)	(2,733,128)	9
Cash payments to suppliers for goods and services	(1,652,360)	(1,005,734)	(271,845)	(2,929,939)	-
Cash payments for insurance and claims expenses	-	-	-	-	(2,143,173)
Net cash provided by (used in) operating activities	1,928,524	(31,961)	545,685	2,442,248	354,682
Cash flows from noncapital financing activities:					
Cash transfers out to other funds	(190,000)	(123,000)	(83,000)	(396,000)	-
Net cash used in noncapital financing activities	(190,000)	(123,000)	(83,000)	(396,000)	-
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(1,731,975)	(216,002)	(621,515)	(2,569,492)	-
Proceeds from capital grants and contributions	1,112,686	-	62,500	1,175,186	-
Principal paid on revenue bonds	(533,000)	-	-	(533,000)	-
Principal paid on note payable	(137,846)	-	(103,042)	(240,888)	-
Interest paid on long-term debt, net of subsidy	(69,361)	-	-	(69,361)	-
Net cash provided by (used in) capital and related financing activities	(1,359,496)	(216,002)	(662,057)	(2,237,555)	-
Cash flows from investing activities:					
Investment income	24,489	5,835	935	31,259	-
Proceeds from sale/maturity of investments	211,418	-	-	211,418	-
Purchase of investments	-	(5,388)	-	(5,388)	-
Net cash provided by investing activities	235,907	447	935	237,289	-
Net increase (decrease) in cash and cash equivalents	614,935	(370,516)	(198,437)	45,982	354,682
Cash and cash equivalents, beginning of year	2,236,499	587,559	943,929	3,767,987	883,538
Cash and cash equivalents, end of year	\$ 2,851,434	\$ 217,043	\$ 745,492	\$ 3,813,969	\$ 1,238,220

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

City of Rockledge, Florida
Statement of Cash Flows - Proprietary Funds (Continued)

<i>Year Ended September 30, 2017</i>	Business-type Activities - Enterprise Funds				Governmental
	Wastewater System	Sanitation Services	Stormwater Utility	Total	Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 782,413	\$ (16,192)	\$ 251,718	\$ 1,017,939	\$ 220,480
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,088,798	214,746	296,659	1,600,203	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(19,188)	(58,790)	(12,056)	(90,034)	-
Due from other governments	(30,414)	(455,315)	3,452	(482,277)	-
Inventory	-	(25,884)	-	(25,884)	-
Assessments receivable	(17,600)	-	-	(17,600)	-
Prepaid items	(5,439)	(2,682)	-	(8,121)	-
Accrued interest receivable	23	-	-	23	-
Deferred outflows of pension expenses	58,424	64,480	6,238	129,142	-
Increase (decrease) in liabilities:					
Accounts payable	(12,920)	323,914	2,092	313,086	-
Accrued payroll and related liabilities	2,765	(8,782)	3,681	(2,336)	9
Accrued claims payable	-	-	-	-	134,193
Due to other funds	136,778	-	-	136,778	-
Due to other governments	-	-	-	-	-
Net OPEB obligation	(11,771)	(19,619)	(1,471)	(32,861)	-
Net pension liability	(136,821)	(151,002)	(14,608)	(302,431)	-
Deferred inflows of pension earnings	93,476	103,165	9,980	206,621	-
Total adjustments	1,146,111	(15,769)	293,967	1,424,309	134,202
Net cash provided by (used in) operating activities	\$ 1,928,524	\$ (31,961)	\$ 545,685	\$ 2,442,248	\$ 354,682
Noncash capital and related financing activities:					
Acquisition of capital assets through contributions from property owners, developers and other governments					
	\$ 679,105	\$ -	\$ -	\$ 679,105	\$ -

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

City of Rockledge, Florida
Statement of Fiduciary Net Position - Fiduciary Funds

<i>September 30, 2017</i>	Employee Pension Trust Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 859,744
Contributions receivable	13,871
Due from other funds	1,266
Interest receivable	37,050
Investments, at fair value	39,555,633
Total assets	40,467,564
<hr/>	
LIABILITIES	1,266
<hr/>	
NET POSITION	
Restricted for pension benefits	\$ 40,466,298
<hr/> <hr/>	

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

City of Rockledge, Florida

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

<i>Year ended September 30, 2017</i>	Employee Pension Trust Funds
ADDITIONS	
Contributions:	
State	\$ 333,508
Employer	1,333,722
Employees	536,612
Total contributions	2,203,842
Investment income:	
Net appreciation in the fair value of investments	3,766,518
Interest and dividends	872,830
	4,639,348
Less: investment related expense	(135,552)
Total investment income	4,503,796
Total additions	6,707,638
DEDUCTIONS	
Benefits paid	2,786,119
Administrative expenses	177,906
Total deductions	2,964,025
Change in net position	3,743,613
Net position held in trust for pension benefits, beginning of year	36,722,685
Net position held in trust for pension benefits, end of year	\$ 40,466,298

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rockledge, Florida (the City), was incorporated in 1887 under the provisions of Florida Statutes, Chapter 166. The current City Code, as adopted in 1963, authorizes the following services: public safety, public utilities, public works, planning and zoning, sanitation, and general administrative services. Education, health, and welfare are administered by other governmental entities.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to government units. The more significant accounting policies used by the City are described below.

A. REPORTING ENTITY

The City provides a full range of municipal services including police and fire protection, public works activities, parks and recreational facilities, planning and development, financial services, and general administrative services. In addition, the City operates three enterprise funds: Wastewater System, Sanitation Services, and Stormwater Utility, and an Internal Service Fund for employee health insurance transactions.

The City is a Florida municipal corporation governed by an elected mayor and a six-member council (the "Council"). As required by GAAP, financial statements are to present the City and its component units, which are entities for which the City is considered to be financially accountable or with which the City has an economic relationship. In evaluating the City, the primary government, as a reporting entity, all potential component units that may or may not fall within the financial accountability or economic relationship tests have been addressed. Financial accountability is present if the Council appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. An economic relationship exists when the economic resources received by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents and the primary government (or its component units) has the ability to otherwise access the resources. The concept of the ability to otherwise access resources is broad and is not based on the narrow concept of control. Government Accounting Standards Board (GASB) Statement No. 61 states that this broad concept includes situations where the primary government (or its component units) has received, directly or indirectly, a majority of economic resources provided by the organization, the organization has previously honored requests to provide resources to the primary government, or the other organization is financially interrelated with the primary government.

Blended component units, although legally separate entities are, in substance, part of the City's operations; therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are to be reported in separate columns in the combined financial statements to emphasize they are legally separate from the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (continued)

The accompanying financial statements present all the fund types of the City. There are no blended component units requiring presentation in the City's financial statements. The Rockledge Heritage Foundation, Inc. (the "Foundation") is a Florida, not-for-profit corporation dedicated to the preservation of significant historical assets within the City. Historically, the Foundation's primary focus was the restoration of the Rockledge Municipal Building, which is owned by the City. As such, the economic resources received by the Foundation are almost entirely for the direct benefit of the City and, accordingly, the Foundation has been included as a discretely presented component unit in the financial statements under criteria outlined in GASB Statement No. 61 and 80.

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 City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major, individual governmental funds and major, individual enterprise funds are reported as separate columns in the fund financial statements.

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 funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due or made.

Property taxes, franchise fees and utility taxes, state revenue sharing, fines and forfeitures, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the City.

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

The City does not currently employ an indirect cost allocation system. However, the City does charge the Wastewater System, Stormwater Utility, and Sanitation Services (enterprise funds) a fee for services provided. These fees serve to approximate the value of services provided these enterprise funds by the General Fund and are not eliminated at year end like a reimbursement. Reimbursements to the General Fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures in the General Fund.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are reported by general classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City may electively add funds as major funds when it believes such an addition would enhance its financial reporting. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)**

Major Governmental Funds

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Community Redevelopment Agency Fund (CRA) accounts for the redevelopment activities within the Redevelopment District.

Nonmajor Governmental Fund Types

The Special Revenue Funds account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Nonmajor special revenue funds include the Law Enforcement Education Fund, Transportation Impact Fee Fund and Taylor Park Trust Fund.

Major Proprietary Funds

The Wastewater System Fund accounts for the provision of sewer services to customers within the service area.

The Sanitation Services Fund accounts for the provision of garbage services to customers within the service area.

The Stormwater Utility Fund accounts for the operation and maintenance of the stormwater management activities of the City.

The Insurance Fund is an internal service fund that accounts for the health insurance coverage provided to other departments on a cost-reimbursement basis.

There are no nonmajor proprietary funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)**

Fiduciary Fund Types

The City's fiduciary funds consist solely of the Pension Trust Funds. These funds account for the activities of the General, Police, and Fire Pension Trust Funds, which accumulate resources for pension benefit payments to City employees. Since these assets are being held for the benefit of pension participants and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City has elected to report budgetary comparison as Required Supplementary Information (RSI). Please refer to the accompanying notes to the RSI for the city's budgetary information.

The City has no material violation of finance related legal and contractual provisions.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

F. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

Except as noted below, 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.

The City maintains a pooled cash account with a local bank which is available for use by all funds, except the Pension Trust Fund. The resulting investment income is allocated based on the respective cash balance of each fund. In the government-wide statement of net position, these amounts are displayed separately for governmental and business-type activities. Individual funds with negative balances at the end of the year are reclassified as "due to other funds" for reporting purposes with an offsetting due from other funds in the General Fund.

The deposits and investments of the Pension Trust Fund are held separately from other city funds by a trustee.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. DEPOSITS AND INVESTMENTS (continued)

Deposits

The City's and component unit's pooled cash deposits, with a carrying amount of \$10,242,274, and \$9,546, its deposits in the CRA escrow account of \$926,750 and extensive investment in certificates of deposits of \$10,159,135, are covered by federal depository insurance and by deposits held in banks that are members of the State of Florida's collateral pool. In addition, the City holds \$400 of petty cash. The Florida collateral pool is a multiple institution pool with the authority to assess member institutions in the event of any collateral shortfall. For this reason, the City considers these deposits insured. The cash and cash equivalents listed above are exempt from fair market value hierarchy requirements of GASB 72, as discussed below in this note.

Investments

The City's investments consist of certificates of deposit, which are held to maturity and are nonparticipating interest-earning investment contracts. The certificates of deposits are valued at cost plus accrued interest per GASB 31.

Local Investment Policy

The City has a local investment policy that mirrors the state statutes. State statutes and related city ordinances authorize the City to invest in direct obligations of the U.S. Treasury, federal agencies and instrumentalities, savings accounts, and certificates of deposit which are insured or held in state qualified depositories, repurchase agreements, money market funds registered with the Securities and Exchange Commission and possessing the highest credit rating from a nationally recognized rating agency, and the State Board of Administration's Local Government Surplus Funds Trust Fund. Investments are reported at fair value.

- (1) *Interest Rate Risk* - To mitigate interest rate risk, the City's investment policy requires that the investment portfolio be structured with securities that maintain the greatest degree of liquidity and flexibility. The portfolio will maintain a structure with maturities staged to meet the City's obligations as they come due.
- (2) *Credit Risk* - To mitigate credit risk, the City primarily invests in U.S. Government securities.
- (3) *Custodial Risk* - To mitigate custodial risk, all cash and securities are held in accounts bearing the name of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. DEPOSITS AND INVESTMENTS (continued)

(4) *Concentration of Credit Risk* - The City's investment policy requires that investments be diversified by security type and institution. No more than 50% of the City's funds will be invested with the same issuer, except direct obligations of the U. S. Treasury. No more than 50% of the City's funds will be invested through the same investment institution or dealer. No more than 20% of the City's funds will be invested beyond five years in any security with the same maturity date.

Pension Investment Policy

The pension funds have much broader investment policies. They may invest in stocks, bonds, investment trusts, common trust funds, mutual funds, mortgages, and others without restriction except that the plans prohibit investment in any one corporation in an amount that exceeds 5% of that plan's assets; nor shall the aggregate of its investments in stock exceed 75% of total assets.

A specific city ordinance created each pension fund. Investment policies for each of the three pension trust funds are determined by the Board of Trustees for each respective fund. For each fund, no more than 5% of fund assets may be invested in the securities (of whatever type) of any one issuing company, excluding the U. S. Government and its agencies. No investment may exceed 5% of the outstanding capital stock of any one company.

The aggregate investments in common and capital stock and convertible securities (at cost) may not exceed 75% of the assets of the funds. Each fund maintains a list of prohibited investment security types.

Fair Value Measurement

Investments are stated at fair value. Changes in the fair value during the year are included in investment income or loss. GASB 72, 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). The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as determined by the City's investment advisors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. DEPOSITS AND INVESTMENTS (continued)

The three levels of the fair value hierarchy under GASB 72 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 plan 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.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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 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.

Equities: Valued at quoted market prices.

US Real Estate Investment: Valued at net asset value.

Fixed income funds: Valued using pricing models maximizing the use of observable inputs of similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings.

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 Rockledge, Florida
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. DEPOSITS AND INVESTMENTS (continued)

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

	Maturity Date		Fair Value	Rating	Level
	1-5 Years	Over Five Years			
General employees:					
U.S. Government securities	\$ 1,090,358	\$ 1,026,366	\$ 2,116,724	Not rated	L2
Federal agencies	-	434,845	434,845	AAA	L2
Corporate bonds and notes	170,901	204,710	375,611	Baa - AAA	L2
Total	<u>\$ 1,261,259</u>	<u>\$ 1,665,921</u>	2,927,180		
Investments not subject to categorization:					
Real Estate			747,843	Not rated	-
Common stocks			11,366,661	Not rated	L1
Total investments			<u>\$ 15,041,684</u>		
Police officers:					
U.S. Government securities	\$ 945,354	\$ 869,702	\$ 1,815,056	Not rated	L2
Federal agencies	-	383,182	383,182	AAA	L2
Corporate bonds and notes	166,737	143,506	310,243	Baa - AAA	L2
Total	<u>\$ 1,112,091</u>	<u>\$ 1,396,390</u>	2,508,481		
Investments not subject to categorization:					
Real Estate			641,007	Not rated	-
Common stocks			10,037,568	Not rated	L1
Total investments			<u>\$ 13,187,056</u>		
Firefighter employees:					
U.S. Government securities	\$ 935,389	\$ 811,211	\$ 1,746,600	Not rated	L2
Federal agencies	-	312,289	312,289	AAA	L2
Corporate bonds and notes	71,077	194,174	265,251	Baa - AAA	L2
Total	<u>\$ 1,006,466</u>	<u>\$ 1,317,674</u>	2,324,140		
Investments not subject to categorization:					
Real Estate			534,171	Not rated	-
Common stocks			8,468,582	Not rated	L1
Total investments			<u>\$ 11,326,893</u>		

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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
Real Estate	\$1,923,021	N/A	Quarterly	30 days

- (1) *Interest Rate Risk* - To mitigate interest rate risk, the funds' investment policy requires that the portfolio be structured with sufficient liquidity to meet the funds' obligations as they come due.
- (2) *Credit Risk* - The three (3) pension trust funds each hold cash in their respective fund accounts. To mitigate credit risk, the time, savings, and money market deposits of each fund in an institution may not exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage held by that institution for those amounts.
- (3) *Custodial Risk* - To mitigate custodial risk, all cash and securities are held in accounts bearing the name of the respective fund. Securities in such accounts, even though held in the "street name" are considered held in the name of the fund. Fund managers are required to carry errors and omissions insurance coverage.
- (4) *Concentration of Credit Risk* - Each of the investment policies requires that investments be diversified by security type. Each fund has a manager tasked to invest the fund assets in a diversified portfolio of equities, fixed income, and cash equivalent securities. Each fund has an independent investment consultant to evaluate the performance of the investment manager.

G. RECEIVABLES

For the Wastewater System, Sanitation Services, and Stormwater Utility Funds, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2017 (unbilled receivable), is estimated and accrued at year end. The City deems all amounts collectable therefore an allowance for doubtful accounts is not necessary.

All account receivables are shown net of allowances for uncollectable accounts for governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State of Florida regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit cities to levy property taxes at a rate of up to ten mills. The operating millage rate in effect for the fiscal year ended September 30, 2017, was 6.25 mills.

All property is assessed according to its fair market value on January 1 of each year and, at that time, a lien is placed on the property for the taxes. The tax levy of the City is established by the Council prior to October 1 of each year and the Brevard County Property Appraiser incorporates the City's millage into the total tax levy, which also includes Brevard County, the Brevard County School Board, and the St. Johns Water Management District's tax requirements.

The following procedures were completed on or about the dates listed during the property tax levy process.

July - The Brevard County Property Tax Appraiser (the County Property Appraiser) forwarded to the City a certification of value of all real property within the City's boundaries which included the current year's taxable values, new construction, annexations, deletions, prior year taxable value, prior year millage rates, prior year ad valorem tax proceeds, and roll-back rates.

July - The Council sets the current year millage rate at not more than 110% of the rolled-back millage rate.

August - Notices of the proposed ad valorem tax assessments were mailed to each property owner by the County Property Appraiser.

September - As required by the State of Florida, a public meeting is held within 80 days of receipt of the certification of value to consider the budget and ad valorem tax millage rate.

September - Within 15 days of the meeting at which the Council adopted a tentative budget, the City advertised its intent to adopt a final budget and millage rate.

September - A final budget and millage rate hearing was held during which the Council set the current year's millage rate.

November - Tax notices were mailed to each property owner by the County Property Appraiser's office.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. PROPERTY TAXES (continued)

All taxes are billed on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

I. INVENTORIES

Inventories held by the General, Wastewater System, and Sanitation Services Funds consist principally of chemicals, maintenance supplies, gas, and diesel fuel. The costs of inventories are reported as expenditures when consumed rather than purchased and adjustments are made at year end to reflect actual physical inventory. All inventories of the General Fund are reflected as nonspendable within the fund balance. Inventories are valued at cost, using a first-in, first-out flow assumption.

J. CAPITAL ASSETS

Property, plant, and equipment purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

<u>Years</u>	
7 – 40	Buildings
10 – 40	Improvements other than buildings
3 – 20	Machinery and furniture
4 – 20	Vehicles (including heavy equipment)
40	Infrastructure
20 – 40	Waste and transmission lines and facilities

K. UNEARNED REVENUE

Unearned revenue includes deposits from participants in an art show held semi-annually by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. PREPAID ITEMS

Prepaid items represent payments to vendors for services that will benefit the City beyond September 30, 2017. These payments are recorded as expenditures or expenses when utilized rather than when cash is paid to the respective vendor.

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the entity-wide statement of net position and the proprietary funds statement of net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. The City currently has a deferred loss on refunding and deferred outflows of pension expenses that meet this criteria. A deferred loss on refunding results from a difference in the carrying value of refunded debt and its reacquisition price. This amount will be charged to interest expense over the life of the refunding debt. Deferred outflows of pension expenses represent differences between actual pension experiences and actuarial assumptions. These will be charged to pension expense over the actuarial assumption's timeline.

N. LONG-TERM DEBT

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

O. ACCUMULATED UNUSED COMPENSATED ABSENCES

The City records the vested portion of accumulated compensated absences at year end based on each employee's accumulated unused hours and rate of pay. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

P. OTHER POSTEMPLOYMENT BENEFITS

The City allows retirees to participate in its employee health insurance program. The City accrues an other postemployment benefit liability for the cost of providing those benefits in the government-wide and enterprise fund financial statements based on actuarial measurement annually.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. PENSION PLANS

The City sponsors and administers three pension plans covering substantially all the full-time employees. The City's policy is to fund the annual pension costs in the annual budget.

General employees, police officers, and firefighters are enrolled in separate, defined benefit pension plans restated October 1, 1999 with subsequent amendments. Annual costs of the pension plans are actuarially computed using the entry age normal actuarial cost method as described in Note 10.

The City accounts for its pension plans in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the recording of defined benefit plan investments at market value.

R. DEFERRED INFLOWS OF RESOURCES

This separate financial statement element, deferred inflows of resources, represents a receipt of net position that applies to a future period and will not be recognized as a revenue until then. The City currently has a deferred inflow of pension earnings, business tax receipts, and unavailable grant revenues that meet this criteria. Deferred inflows of pension revenues represent differences between actual pension experiences and actuarial assumptions. These will be recognized as a reduction of pension expense over the actuarial assumption's timeline.

S. NET POSITION

Net position of proprietary funds, governmental activities, and business-type activities are made up of three components. Net investment in capital assets represents net capital assets less related long-term liabilities, where unspent debt proceeds increase this amount. Restricted net position represents assets that are legally restricted for specific purposes. They include bond sinking and reserve funds, special revenues restricted by statute and ordinance, bond proceeds, and other sources restricted for capital projects or improvements. The balance of net position is considered unrestricted net position.

T. FUND EQUITY

In the fund financial statements, fund balance for governmental funds is reported in classifications that are based on the relative strength of the constraints that control how amounts in the funds can be spent.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. FUND EQUITY (continued)

Fund balance is reported in the following five components:

Nonspendable - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. This would include inventories, advances, and prepaid items.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by third-party (creditors, grantors, contributors) agreements, constitutional provisions, or enabling legislation.

Committed - includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action of the government's highest level of decision making authority, which includes ordinances and resolutions. Commitments may be changed by the government only by taking the same action that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The authority for assigning fund balance is expressed by the City Council, City Manager, or their designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for other governmental funds besides the General Fund, if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted (committed, assigned, and unassigned) fund resources are available for use, it is the City's policy to generally use restricted resources first, and then unrestricted resources. When unrestricted resources are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

U. NET POSITION RESTRICTED BY ENABLING LEGISLATION

In the government-wide financial statements, governmental activities report restricted net position of \$2,628,476. Management has determined that, of this amount, \$30,997 is restricted for law enforcement purposes by enabling legislation.

City of Rockledge, Florida
Notes to Financial Statements

NOTE 2 - ACCOUNTS RECEIVABLE

The accounts receivable and allowance for uncollectible accounts at September 30, 2017, were as follows:

	Accounts Receivable	Unbilled Receivable	Allowance for Uncollectible	Net
General Fund	\$ 513,806	\$ -	\$ -	\$ 513,806
Enterprise Funds:				
Wastewater System Fund	329,207	86,362	-	415,569
Sanitation Services Fund	219,520	65,178	-	284,698
Stormwater Utility Fund	75,111	23,275	-	98,386
Totals	\$ 1,137,644	\$ 174,815	\$ -	\$ 1,312,459

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2017. There are no other reserves for receivables recorded by the City as of September 30, 2017.

NOTE 3 - CAPITAL ASSETS

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

Governmental activities:	
General government (infrastructure)	\$ 357,445
Administrative services	117,957
Police	370,980
Fire	196,347
Public works	65,193
Planning and development	322,798
Total depreciation expense - governmental activities	\$ 1,430,720
Business-type activities:	
Wastewater system	\$ 1,088,798
Sanitation services	214,746
Stormwater utility	296,659
Total depreciation expense - business-type activities	\$ 1,600,203

City of Rockledge, Florida
Notes to Financial Statements

NOTE 3 - CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets during the year ended September 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,446,853	\$ -	\$ (20,000)	\$ 14,426,853
Construction-in-progress	1,679,440	170,861	(1,313,645)	536,656
Total capital assets, not being depreciated	16,126,293	170,861	(1,333,645)	14,963,509
Capital assets, being depreciated:				
Buildings	9,309,467	840,053	-	10,149,520
Improvements other than buildings	1,337,115	870,500	-	2,207,615
Furniture and equipment	5,022,675	416,393	(600)	5,438,468
Vehicles	5,090,386	90,255	(1,210,461)	3,970,180
Infrastructure	26,016,279	-	-	26,016,279
Total capital assets, being depreciated	46,775,922	2,217,201	(1,211,061)	47,782,062
Less accumulated depreciation for:				
Buildings	(2,478,077)	(239,771)	-	(2,717,848)
Improvements other than buildings	(292,513)	(39,712)	-	(332,225)
Furniture and equipment	(3,819,426)	(208,344)	600	(4,027,170)
Vehicles	(4,017,211)	(290,095)	1,210,461	(3,096,845)
Infrastructure	(9,206,230)	(652,798)	-	(9,859,028)
Total accumulated depreciation	(19,813,457)	(1,430,720)	1,211,061	(20,033,116)
Total capital assets, being depreciated, net	26,962,465	786,481	-	27,748,946
Governmental activities capital assets, net	\$ 43,088,758	\$ 957,342	\$ (1,333,645)	\$ 42,712,455
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,677,911	\$ -	\$ -	\$ 3,677,911
Construction-in-progress	3,754,885	2,724,481	(1,476,556)	5,002,810
Total capital assets, not being depreciated	7,432,796	2,724,481	(1,476,556)	8,680,721
Capital assets, being depreciated:				
Buildings	13,529,751	-	-	13,529,751
Machinery and equipment	6,168,424	1,290,821	-	7,459,245
Vehicles	4,665,897	226,415	(177,119)	4,715,193
Waste and transmission lines and facilities	34,203,586	519,873	-	34,723,459
Total capital assets, being depreciated	58,567,658	2,037,109	(177,119)	60,427,648
Less accumulated depreciation for:				
Buildings	(7,154,103)	(290,008)	-	(7,444,111)
Machinery and equipment	(2,150,355)	(225,793)	-	(2,376,148)
Vehicles	(2,935,681)	(247,009)	177,119	(3,005,571)
Waste and transmission lines and facilities	(16,370,922)	(837,393)	-	(17,208,315)
Total accumulated depreciation	(28,611,061)	(1,600,203)	177,119	(30,034,145)
Total capital assets, being depreciated, net	29,956,597	436,906	-	30,393,503
Business-type activities capital assets, net	\$ 37,389,393	\$ 3,161,387	\$ (1,476,556)	\$ 39,074,224

NOTE 4 - WASTEWATER SYSTEM BONDS

On July 22, 2011, the City issued \$3,670,000 in Sewer Refunding Revenue Bonds with an interest rate of 2.17% to refund the outstanding balance of the Sewer Refunding Revenue Bonds, Series 2001 (Series 2001 Bonds) with an average interest rate of 4.8%. The proceeds of these bonds, along with \$291,443 from the 2001 sinking fund and \$3,000,000 in cash contributions from the City (less payment of \$41,057 in issuance costs) were invested in a noninterest bearing cash account. On October 1, 2011, these funds were used to pay \$170,386 of accrued interest and maturing principal of \$275,000. The remaining \$6,475,000 in outstanding Series 2001 Bonds were called and paid off as of this date in accordance with the redemption provisions of the Series 2001 Bonds.

The Sewer Refunding Revenue Bonds, Series 2011 (2011 Series Bonds) is the sole outstanding bond issue of the City. These bonds were issued on July 22, 2011, and contained an original principal balance of \$3,670,000 with an interest rate of 2.17%. Principal and interest are payable semiannually on April 1 and October 1 of each year. These bonds have a final maturity date of October 1, 2018, and the amount outstanding as of September 30, 2017, is \$547,000. The Series 2011 Bonds were issued to refund the Series 2001 Bonds. As part of this transaction, substantially all of the existing debt covenants for the 2001 Series Bonds were incorporated by reference.

A. BOND CONVENANTS

The 2011 Series Bonds resolutions provide for:

1) Establishment and maintenance of various accounts

- Revenue fund records all operating revenues and expenses of the system;
- Payment account records all debt service requirements including the reserve account;
- Renewal and replacement fund records all the improvements, extensions, and replacements of the system; and
- Connection fee account records the receipt of impact fees and the cost of acquiring and constructing improvements or additions to the wastewater system.

Under the terms of the 2011 Series Bonds, the principal and interest payments coming due under this issue are to be paid solely from revenue derived by the City from the operations of the Wastewater System. If the revenue is not sufficient to pay for the debt service, the City is required to increase the sewer rates to cover the required debt service (see Note 13).

2) Restrictions on the use of cash from operations in order of priority

- Deposits are made to the revenue fund to meet current operations according to the existing bond ordinance.

NOTE 4 - WASTEWATER SYSTEM BONDS (Continued)

A. BOND CONVENANTS (continued)

- Deposits to the payment account are required each month equal to one-sixth of the principal and interest coming due on the next semi-annual payment date. The City is not currently required to provide for a reserve account as part of its sinking fund, due to its obtainment of a reserve account insurance policy, which has been deposited in the reserve account in lieu of cash pursuant to the bond resolution. The amount of the insurance (\$815,300) exceeds the maximum annual debt service of the 2011 Series Bonds. Under terms of the agreement, the insurer will fund deficits in the payment account, if they arise, for principal and interest coming due.
- The renewal and replacement account must maintain a balance equal to the lesser of 5% of gross revenues received in the immediately preceding fiscal year, \$100,000, or an amount certified by the consulting engineer, as appropriate. Funds equal to one-twelfth of 5% of gross revenues for the preceding fiscal year are required to be deposited monthly; however, no such monthly deposit shall be required whenever the amount in this fund shall satisfy the conditions above.

3) Investment restrictions

- Funds are required to be continuously secured in the same manner as state and municipal deposits of funds are required to be secured by the laws of the State of Florida.
- All monies deposited shall be continuously invested in direct obligations of, or obligations that are guaranteed by, the United States of America, obligations of its several agencies, the Local Government Surplus Funds Trust Fund, money market funds registered under the Federal Investment Company Act of 1940, collateralized or insured certificates of deposit, commercial paper with an A-1 rating or better, and certain collateralized repurchase agreements.

4) Redemption provision

The 2001 Series Bonds provided that the bonds maturing on or after October 1, 2012, could be redeemed prior to their respective maturities on or after October 1, 2011, at the option of the issuer, from any monies legally available, upon notice as provided in the authorizing resolution. The 2001 Series bonds were redeemed at par, together with accrued interest, in accordance with this provision as part of the refunding transaction that resulted in the issuance of the Series 2011 Bonds.

The following is a schedule of interest expense and interest paid on the Series 2011 bonds.

NOTE 4 - WASTEWATER SYSTEM BONDS (Continued)

A. BOND CONVENANTS (continued)

Interest expense	\$	20,561
Amortization of defeased loss on refunding		(86,080)
		(86,080)
Total interest paid on indebtedness	\$	(65,519)
		(65,519)

B. BONDED INDEBTEDNESS - FUTURE REQUIREMENTS

Debt service requirements for the Wastewater System's (Enterprise Fund) outstanding bonded indebtedness as of September 30, 2017, are as follows:

Year Ending September 30,	Principal	Interest	Total
2018	\$ 547,000	\$ 8,919	\$ 555,919
Total	\$ 547,000	\$ 8,919	\$ 555,919

NOTE 5 – NOTES PAYABLE

On September 21, 2009, the City entered into an agreement to purchase land for a stormwater management project at Huntington Lakes. The \$600,000 note is with a private third-party and carries interest at 3.0% with principal payments of \$100,000 (plus interest) due each October 1st. Final payment on the note was due October 1, 2016. Unpaid interest in the amount of \$3,042 accrued on this note and added to the principal. During the fiscal year ended September 30, 2017, the outstanding principal was fully satisfied, leaving no amount owed as of September 30, 2017.

On April 1, 2009, the City borrowed \$2,000,000 through a local bank for the purpose of constructing a police facility. As of September 30, 2010, the City owed \$1,763,069 on this note. Principal of \$14,932 was paid in October 2010 bringing the outstanding balance on the note to \$1,748,137. On November 1, 2010, the City borrowed an additional \$500,000 at the same interest rate of 3.95% bringing the monthly payments to \$25,983. The City obtained a second loan modification on this note, effective August 12, 2011, at an effective interest rate of 2.87% and payments of \$24,924 per month. This interest rate and payment amount remain in effect for five years, at which time the interest rate increases to 3.37% with monthly payments of \$25,076 through May 1, 2019. Interest of \$17,901 was paid on this note during the year ended September 30, 2017. The note is secured with a pledge of utility tax revenues and franchise fees collected by the City. As of September 30, 2017, the principal outstanding on the note was \$486,266.

On July 22, 2005, the City, through its Community Redevelopment Agency (CRA), borrowed \$4,000,000 through a local bank for the acquisition and construction of additions and improvements to Barton Boulevard in the City of Rockledge Redevelopment Area. Pursuant to the loan agreement (Series 2005 Note), the excess of income, fees and earnings over the costs of operation and maintenance of the CRA are irrevocably pledged to the payment of principal and

NOTE 5 – NOTES PAYABLE (Continued)

interest on the Series 2005 Note. The Series 2005 Note does not constitute a general obligation or indebtedness of the CRA and the lender shall never have the right to require or compel the levy of taxes for the payment of principal or interest nor does it constitute a lien on any property of the CRA other than the pledged funds noted above. The Series 2005 Note has a maturity date of January 31, 2022, and bore interest at 3.49% until resetting on January 31, 2012. Effective January 31, 2012, the rate was adjusted to the five-year U.S. Treasury rate minus 30 basis points (0.43%). This rate was effective through January 31, 2017, when the rate was adjusted for a final time to the five-year U.S. Treasury rate minus 30 basis points (1.6%), which will remain in effect until January 31, 2022. Payments were interest only on January 31, 2007, on the unpaid principal balance and, beginning on January 31, 2007, annual principal payments of \$250,000 plus accrued interest are due. Interest of \$6,438 was paid on this note during the year ended September 30, 2017. As of September 30, 2017, the remaining principal outstanding on the note was \$1,250,000.

On October 7, 2013, the City, through its Community Redevelopment Agency (CRA), opened a \$750,000 line of credit through a local bank in order to facilitate short-term financing needs. The line of credit has a maturity date of July 16, 2019, and bears interest at the Wall Street Journal Prime Rate, which was 4.25% on September 30, 2017. In 2013 and 2015, the City drew \$500,000 and \$350,000 from the line of credit, which was used with other funds to purchase parcels of land and buildings. On September 30, 2016, the City increased the line of credit to \$1,000,000 and drew \$200,000 to purchase land. On October 4, 2017, the City increased the line of credit to \$2,000,000 and drew \$396,996 to purchase land and a commercial building. As of September 30, 2017, the principal outstanding on the line of credit was \$736,915.

In July 2015, the City purchased a vacant 6.3 acre piece of property that will be used primarily for recreational purposes. The purchase price was \$190,000 and was partially funded by a \$180,000 promissory note with a private third party, bearing no interest. Payments of \$37,500 are due annually on October 15th. As of September 30, 2017, the principal outstanding on the note was \$112,500.

The City borrowed \$2,779,452 under the State of Florida Revolving Fund Program under a small community pre-construction loan contract for the construction of a reclaimed water project. The effective interest rate for the funds borrowed under the program is 2.98%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of \$93,323, with a final payment of \$93,324 due on December 15, 2021, commenced June 15, 2002. Interest of \$13,408 was paid on this note during the year ended September 30, 2017. As of September 30, 2017, the principal outstanding on the note was \$779,293.

City of Rockledge, Florida
Notes to Financial Statements

NOTE 5 – NOTES PAYABLE (Continued)

The following is a summary of governmental activities notes payable for the year ended September 30, 2017:

Year Ending September 30,	Governmental Activities									
	Redevelopment Agency		CRA Malloy LOC		Capital Improvement		6.3 Acre Property		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 250,000	\$ 5,375	\$ 736,915	\$ 24,049	\$ 288,912	\$ 10,188	\$ 37,500	\$ -	\$ 1,313,327	\$ 39,612
2019	250,000	4,300	-	-	197,354	2,141	37,500	-	484,854	6,441
2020	250,000	3,225	-	-	-	-	37,500	-	287,500	3,225
2021	250,000	2,150	-	-	-	-	-	-	250,000	2,150
2022	250,000	1,075	-	-	-	-	-	-	250,000	1,075
Total	1,250,000	16,125	736,915	24,049	486,266	12,329	112,500	-	2,585,681	52,503
Current portion	(250,000)	(5,375)	(736,915)	(24,049)	(288,912)	(10,188)	(37,500)	-	(1,313,327)	(39,612)
Payable after one year	\$ 1,000,000	\$ 10,750	\$ -	\$ -	\$ 197,354	\$ 2,141	\$ 75,000	\$ -	\$ 1,272,354	\$ 12,891

The following is a summary of business-type activities notes payable for the year ended September 30, 2017:

Year Ending September 30,	Business-type Activities			
	Wastewater System -			
	SRF		Total	
	Principal	Interest	Principal	Interest
2018	\$ 164,121	\$ 11,263	\$ 164,121	\$ 11,263
2019	169,165	8,741	169,165	8,741
2020	174,363	6,141	174,363	6,141
2021	179,722	3,463	179,722	3,463
2022	91,922	701	91,922	701
Total	779,293	30,309	779,293	30,309
Unamortized issue discount	(20,930)	-	(20,930)	-
Carrying value	758,363	30,309	758,363	30,309
Current portion	(164,121)	(11,263)	(164,121)	(11,263)
Payable after one year	\$ 594,242	\$ 19,046	\$ 594,242	\$ 19,046

City of Rockledge, Florida
Notes to Financial Statements

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable:					
Community Redevelopment Agency Note, Series 2005	\$ 1,500,000	\$ -	\$ (250,000)	\$ 1,250,000	\$ 250,000
CRA LOC	579,919	396,996	(240,000)	736,915	736,915
Capital Improvement Note	767,452	-	(281,186)	486,266	288,912
6.3 Acre Property Note	150,000	-	(37,500)	112,500	37,500
Total notes payable	2,997,371	396,996	(808,686)	2,585,681	1,313,327
Other postemployment benefits	598,920	-	(83,380)	515,540	-
Compensated absences	1,500,794	901,738	(785,282)	1,617,250	861,473
Net pension liability	7,229,482	1,472,421	(3,134,447)	5,567,456	-
Governmental activity long-term liabilities	\$ 12,326,567	\$ 2,771,155	\$ (4,811,795)	\$ 10,285,927	\$ 2,174,800
Business-type activities:					
Bonds payable:					
Sewer Refunding Revenue Bonds, Series 2011	\$ 1,080,000	\$ -	\$ (533,000)	\$ 547,000	\$ 547,000
Less deferred amounts:					
Loss on refunding	(135,142)	86,080	-	(49,062)	-
Total bonds payable	944,858	86,080	(533,000)	497,938	547,000
Notes payable	999,251	-	(240,888)	758,363	164,121
Other postemployment benefits	223,197	-	(32,861)	190,336	-
Compensated absences	300,656	228,158	(182,029)	346,785	184,215
Net pension liability	1,570,923	302,540	(604,971)	1,268,492	-
Business-type activity long-term liabilities	\$ 4,038,885	\$ 616,778	\$ (1,593,749)	\$ 3,061,914	\$ 895,336

Compensated absences, other postemployment benefits and the net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities. Business-type activities compensated absences will be liquidated by the respective proprietary fund.

City of Rockledge, Florida
Notes to Financial Statements

NOTE 7 - PLEDGED REVENUES

The City has revenue notes and bonds outstanding at September 30, 2017, for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Issued	Principal Outstanding	Total Pledged Revenue (1)	Total Pledged Revenue Over Debt Service Required (2)	Current Year Debt Service Paid	Current Year Total Revenue
Governmental Activities:						
Revenue Notes:						
Community Redevelopment Agency Revenue Note, Series 2005 (3) Maturity: 2022, Interest rate: 3.495% Purpose: Improvements to Barton Blvd. Pledged revenue: Net revenues of the CRA	\$ 4,000,000	\$ 1,500,000	NA	NA	\$ 256,438	NA
Capital Improvement Note, Series 2009 Maturity: 2019, Interest rate: 2.87% Purpose: Construction of new police facility Pledged revenue: Utility taxes and franchise fees	\$ 2,500,000	\$ 486,266	\$ 498,595	1917.2%	\$ 299,087	\$ 3,822,767
Business-type Activities:						
Revenue Bonds:						
Sewer Refunding Revenue Bonds, Series 2011 Maturity: 2018, Interest rate: 2.17% Purpose: Refunding and system improvements Pledged revenue: Net system revenues and connection fees plus interest income	\$ 3,670,000	\$ 547,000	\$ 555,919	402.5%	\$ 550,899	\$ 2,217,594

- (1) Total pledged revenue is the total outstanding principal and interest.
(2) Total pledged revenue over debt service required is calculated using the current year total revenues for the remaining years of debt service.
(3) The excess of income, fees, and earnings over the cost of operations and maintenance are irrevocably pledged to the payment of principal and interest on the Series 2005 note. However, the note does not constitute a general obligation or indebtedness of the CRA nor does it constitute a lien on any property of the CRA.

NOTE 8 - TRANSFERS TO/FROM OTHER FUNDS

Operating Transfers	Transfers		Net
	In	Out	
Major Funds:			
General Fund	\$ 396,000	\$ (744,375)	\$ (348,375)
Community Redevelopment Agency	744,375	-	744,375
Wastewater System	-	(190,000)	(190,000)
Sanitation Services	-	(123,000)	(123,000)
Stormwater Utility	-	(83,000)	(83,000)
Total	\$ 1,140,375	\$ (1,140,375)	\$ -

NOTE 8 - TRANSFERS TO/FROM OTHER FUNDS (Continued)

The transfer from the General Fund to the Community Redevelopment Agency Fund provides reimbursement for budgeted capital improvements within the redevelopment district. The transfers from the Wastewater System, Sanitation Services, and Stormwater Utility Funds to the General Fund were to provide reimbursement for administrative expenses.

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 42,712,455	\$ 39,074,224	\$ 81,786,679
Outstanding debt related to capital assets	(2,585,681)	(1,256,301)	(3,841,982)
	\$ 40,126,774	\$ 37,817,923	\$ 77,944,697

NOTE 10 - RETIREMENT PLANS

A. DESCRIPTION OF PLANS

The City maintains three contributory single-employer defined benefit pension plans (Plans) that provide for retirement, disability and death benefits as described below. These Plans are:

- City of Rockledge General Employees' Retirement Plan (General Employees)
- City of Rockledge Police Employees' Retirement Plan (Police Employees)
- City of Rockledge Fire Employees' Retirement Plan (Fire Employees)

Each plan is administered by a separate board of trustees comprised of five members, two of whom are appointed by the City Council, two of whom are full-time participants of the respective employee group (General, Police, or Fire) and one is chosen by a majority of the previous four members. Each board of trustees is empowered to hire its own attorneys and consultants at the pension fund's expense, and to bring and defend lawsuits.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (ALL PLANS)

Basis of Accounting

The Plans' 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 each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits, refunds, and administrative costs are

NOTE 10 - RETIREMENT PLANS (Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (ALL PLANS) (continued)

recognized when due and payable in accordance with the terms of each plan. On-behalf payments, made by the state totaling \$138,409 and \$195,099 for the Fire Employees' and Police Employees' plans, respectively, were recognized as revenues and expenditures in the General Fund during the year ended September 30, 2017.

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.

Presentation of Financial Statements

The Plans do not issue stand-alone financial reports and are not included in the reports of any other entity.

Funding Requirements

The City uses the entry age normal actuarial cost method (EAN) to determine required contributions. This method provides a stable pattern of minimum required contributions as a level percentage of payroll (General and Police) or contributions at a level dollar amount (Fire) and allows a more transparent analysis of the changes experienced from one year to the next.

The General Employees plan requires employee contributions at 6% of basic compensation. City contributions are actuarially determined sufficient to pay current costs and amortize unfunded past service costs, if any, as provided in Chapter 112, Florida Statutes. For 2017, employee contributions to the plan totaled \$275,299, while City contributions were \$680,623 or 14.9% of covered payroll.

Florida Statutes, Chapters 175 and 185, require members to contribute not less than .5% of their annual salary. The Police Employees and Fire Employees plans, as approved by the City Council, require members to contribute 7% of their basic compensation. The City is required to contribute at an actuarially determined rate, which includes the state's premium tax proceeds. Employer contributions for police officers and firefighters include on-behalf payments from the state of Florida related to state excise taxes collected on homeowners' insurance policies. The current required rate is 9.5% of annual covered payroll for police officers and 28.7% of covered payroll for firefighters. The City contributed \$218,130 and \$434,969 for Police Employees and Fire Employees plans, respectively, for the year ended September 30, 2017. Municipalities that have established pension plans complying with the provisions of Chapters 175 and 185, Florida Statutes, and that have enacted appropriate taxing legislation are eligible to receive revenues generated from excise taxes on gross receipts of certain insurance premiums from policyholders covering property within the City limits.

NOTE 10 - RETIREMENT PLANS (Continued)

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (ALL PLANS) (continued)

These state premium tax proceeds are the Firefighters' Pension Fund Excise Tax, which is imposed on the gross receipts of property insurance policy premiums, and the Police Officers' Pension Fund Excise Tax, which is imposed on the gross receipts of casualty insurance policy premiums. These revenues, taken as a whole, amounted to \$333,508 for the year ended September 30, 2017.

C. PLAN MEMBERSHIP AND BENEFITS

The makeup of plan participants as of the October 1, 2017 valuation was as follows:

Plan Membership	General Employees	Police Employees	Fire Employees
Inactive plan members or beneficiaries currently receiving benefits	50	16	23
Inactive plan members entitled to, but not yet receiving benefits	4	5	2
Active plan members	136	45	32
	<u>190</u>	<u>66</u>	<u>57</u>

All three plans provide retirement, termination, disability, and death benefits. A summary of those benefits, by plan, is outlined below.

	<u>General Employees</u>	<u>Police Employees</u>	<u>Fire Employees</u>
Normal Retirement:	Age 65 and 10 years of service	Age 52 and 10 years of service	Age 52 and 25 years or age 55 and 10 years of service
	Benefit equals 2.75% x Avg Monthly Comp x credited service	Benefit equals 3% x Avg Monthly Comp x credited service (if hired prior to 1/2/13, retirees receive additional 1.5% for service over 25 years)	Benefit equals 3% x Avg Monthly Comp x credited service, plus additional 1.5% for service over 25 years (after 10/1/12 rates are 2.75% times the average monthly comp and 1.25% for additional service).

NOTE 10 - RETIREMENT PLANS (Continued)

C. PLAN MEMBERSHIP AND BENEFITS (continued)

	<u>General Employees</u>	<u>Police Employees</u>	<u>Fire Employees</u>
Early Retirement:	Age 55 and 10 years of service, reduced at 5/9% per month first 60 months and 5/18% thereafter.	Age 44 and 25 years or age 50 and 10 years of service, reduced at 1/4% per month with a minimum of 50% for those with 25 years credited service.	Age 45 and 25 years or age 50 and 10 years of service, reduced at 1/4% per month with a minimum of 50% for those with 25 years credited service.
Termination of Employment:	Vested employees receive full benefits upon retirement age. Nonvested are entitled to return of employee contributions with 5% interest.	Vested employees receive full benefits upon retirement age. Nonvested are entitled to return of employee contributions with 5% interest.	Vested employees receive full benefits upon retirement age. Nonvested are entitled to return of employee contributions with 5% interest.
Disability Benefits:	Line-of-duty benefit reduced 50% Non-line-of-duty benefit based on 10 years certain and continuous annuity payable determined at time of disability adjusted for years of service	Line-of-duty benefit reduced 50% Non-line-of-duty benefit based on 10 years certain and continuous annuity payable determined at time of disability adjusted for years of service	Line-of-duty benefit reduced 50% Non-line-of-duty benefit based on 10 years certain and continuous annuity payable determined at time of disability adjusted for years of service
Pre-retirement Death Benefits:	Survivor benefit is 10 year certain amount adjusted for vesting status at time of death of plan member	Survivor benefit is 10 year certain amount adjusted for vesting status at time of death of plan member	Survivor benefit is 10 year certain amount adjusted for vesting status at time of death of plan member

NOTE 10 - RETIREMENT PLANS (Continued)

C. PLAN MEMBERSHIP AND BENEFITS (continued)

Deferred Retirement Option (DROP):	<u>General Employees</u> Employees eligible at early retirement date. Accrued benefit frozen but earns interest until DROP exit (no more than 5 years later)	<u>Police Employees</u> Employees eligible at normal retirement date. Accrued benefit frozen but earns interest until DROP exit (no more than 5 years later)	<u>Fire Employees</u> Employees eligible at normal retirement date. Accrued benefit frozen but earns interest until DROP exit (no more than 5 years later)
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D. PENSION PLAN INVESTMENTS

Each plan’s investment policy was adopted by the respective Pension Board of Trustees, which has the authority for establishing and amending investment policy decisions for each of the plans that they administer. The policy outlines suitable, authorized investments along with asset allocations.

Each plan’s investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Independent investment managers and an independent custodian handle all pension investments and disbursements.

In order to provide for a diversified portfolio, several investment management firms are selected to be responsible for the assets and allocation of the Trustees’ mandate only, and are provided specific performance objectives and investment criteria. In order to maintain a balanced portfolio, the allocation of assets are targeted at no more than 5% in common stock, capital stock, or convertible stock of any one issuing company. Fixed income investments issued to any single corporation shall not exceed 5% of the total fund and all investments, and shall have a minimum rating of investment grade (Baa – AAA) or higher by at least one major credit rating agency. The plans did not hold investments in any one organization that represent 5% or more of the plans’ fiduciary net position.

For the year ended September 30, 2017, the annual money-weighted rate of return on the plans’ investments, net of pension investment expense, was 12.4% for General, 12.4% for Police, and 12.0% for Fire. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	General Employees	Police Employees	Fire Employees
Annual money-weighted rate of return net of investment expenses	12.4%	12.4%	12.0%

NOTE 10 - RETIREMENT PLANS (Continued)

E. NET PENSION LIABILITY, SIGNIFICANT ASSUMPTIONS, AND DISCOUNT RATE

The components of the net pension liability of the City as of September 30, 2017, were as follows:

General Employees:	
Total pension liability	\$ 18,322,632
Plan fiduciary net position	(15,304,543)
City's net pension liability	\$ 3,018,089
Plan fiduciary net position as a percentage of the total pension liability	
	83.53%
Police Employees:	
Total pension liability	\$ 13,925,025
Plan fiduciary net position	(13,509,158)
City's net pension liability	\$ 415,867
Plan fiduciary net position as a percentage of the total pension liability	
	97.01%
Fire Employees:	
Total pension liability	\$ 15,054,589
Plan fiduciary net position	(11,652,597)
City's net pension liability	\$ 3,401,992
Plan fiduciary net position as a percentage of the total pension liability	
	77.40%

The total pension liability was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions applied to all measurement periods for each plan.

	General Employees'	Police Employees'	Fire Employees'
Inflation	2.50%	2.50%	2.50%
Salary increases (including inflation)	6.00%	6.00%	6.00%
Investment rate of return (net of investment expense, including inflation)	7.90%	8.00%	7.90%
Discount rate	7.90%	8.00%	7.90%

NOTE 10 - RETIREMENT PLANS (Continued)

E. NET PENSION LIABILITY, SIGNIFICANT ASSUMPTIONS, AND DISCOUNT RATE (continued)

Mortality rates were based on the July 1, 2016 FRS special risk actuarial valuation for the Police and Fire Employees plans and the July 1, 2016 FRS not special risk actuarial valuation for the General Employees plan. Disabled tables were used for disabled lives.

For the Fire Employees and Police Employees plans, actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 1999 to September 30, 2005. The actuarial assumptions used for General Employees plan were not based upon a known comprehensive experience review.

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. 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 plans' target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	General Employees		Police Employees		Fire Employees	
	Long-term Expected		Long-term Expected		Long-term Expected	
	Target Allocation	Rate of Return	Target Allocation	Rate of Return	Target Allocation	Rate of Return
Domestic equity	50.00%	7.50%	50.00%	7.50%	50.00%	7.50%
International equity	15.00%	8.50%	15.00%	8.50%	15.00%	8.50%
Domestic bonds	22.50%	2.50%	22.50%	2.50%	22.50%	2.50%
International bonds	5.00%	3.50%	5.00%	3.50%	5.00%	3.50%
Real estate	5.00%	4.50%	5.00%	4.50%	5.00%	4.50%
Alternative Assets	2.50%	6.14%	2.50%	6.14%	2.50%	6.14%

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, each 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 net pension liability.

NOTE 10 - RETIREMENT PLANS (Continued)

F. PENSION PLAN FINANCIAL STATEMENTS

The following tables present the statement of net position - fair value, and statement of changes in net position - fair value, of all the trusts' investments as of and for the year ended September 30, 2017.

ASSETS	Employee Benefit Funds			
	General Employees	Police Employees	Fire Employees	Totals
Cash and cash equivalents	\$ 250,252	\$ 308,194	\$ 301,298	\$ 859,744
Contributions receivable	-	-	13,871	13,871
Due from other plan	-	1,266	-	1,266
Accrued interest and prepaid expenses	13,873	12,642	10,535	37,050
Total current assets	264,125	322,102	325,704	911,931
Investments, at fair value	15,041,684	13,187,056	11,326,893	39,555,633
Total assets	15,305,809	13,509,158	11,652,597	40,467,564
LIABILITIES				
Due to other plan	1,266	-	-	1,266
Net position held in trust for pension benefits	\$ 15,304,543	\$ 13,509,158	\$ 11,652,597	\$ 40,466,298

City of Rockledge, Florida
Notes to Financial Statements

NOTE 10 - RETIREMENT PLANS (Continued)

F. PENSION PLAN FINANCIAL STATEMENTS (continued)

	Employee Benefit Funds			<u>Totals</u>
	<u>General Employees</u>	<u>Police Employees</u>	<u>Fire Employees</u>	
Additions:				
Contributions:				
Employer	\$ 680,623	\$ 218,130	\$ 434,969	\$ 1,333,722
State	-	195,099	138,409	333,508
Plan members	275,299	155,403	105,910	536,612
Total contributions	955,922	568,632	679,288	2,203,842
Investment income:				
Net appreciation in fair value of investments	1,441,846	1,268,450	1,056,222	3,766,518
Interest and dividends	329,108	296,190	247,532	872,830
	1,770,954	1,564,640	1,303,754	4,639,348
Less: investment related expense	(60,522)	(38,698)	(36,332)	(135,552)
Net investment income	1,710,432	1,525,942	1,267,422	4,503,796
Total additions	2,666,354	2,094,574	1,946,710	6,707,638
Deductions:				
Benefits	1,727,630	382,951	675,538	2,786,119
Administrative expense	46,285	63,054	68,567	177,906
Total deductions	1,773,915	446,005	744,105	2,964,025
Net increase	892,439	1,648,569	1,202,605	3,743,613
Net position held in trust for pension benefits:				
Balance at beginning of year	14,412,104	11,860,589	10,449,992	36,722,685
Balance at end of year	\$ 15,304,543	\$ 13,509,158	\$ 11,652,597	\$ 40,466,298

G. PENSION EXPENSE AND DEFERRED INFLOWS/OUTFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2017, the City recognized a pension expense of \$764,895 for the General Employees plan; \$435,220 for the Police Employees plan; and \$574,846 for the Fire Employees plan. On September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Rockledge, Florida
Notes to Financial Statements

NOTE 10 - RETIREMENT PLANS (Continued)

G. PENSION EXPENSE AND DEFERRED INFLOWS/OUTFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

	General		Police		Fire	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 345,743	\$ -	\$ 252,136	\$ -	\$ 235,859
Changes of assumptions	599,529	-	178,266	3,385	207,367	47
Net difference between projected and actual earnings	418,194	581,810	334,388	574,862	304,388	426,974
Total	\$ 1,017,723	\$ 927,553	\$ 512,654	\$ 830,383	\$ 511,755	\$ 662,880

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

<u>Year Ending September 30:</u>	General	Police	Fire
	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>
2018	\$ 119,963	\$ 1,379	\$ 25,538
2019	119,965	1,377	25,538
2020	(89,131)	(165,817)	(119,364)
2021	(42,523)	(128,069)	(75,157)
2022	(18,104)	(12,664)	(7,680)
2023	-	(7,681)	-
2024	-	(6,254)	-
2025	-	-	-
	\$ 90,170	\$ (317,729)	\$ (151,125)

City of Rockledge, Florida
Notes to Financial Statements

NOTE 10 - RETIREMENT PLANS (Continued)

H. CHANGES IN NET PENSION LIABILITY AND SENSITIVITY TO CHANGES IN DISCOUNT RATE

General Employees

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2016	\$ 18,194,812	\$ 14,412,104	\$ 3,782,708
Changes for a year:			
Service cost	580,743	-	580,741
Interest	1,405,981	-	1,405,981
Differences between expected and actual experience	(163,308)	-	(163,308)
Changes of assumptions	32,034	-	32,034
Changes of benefit terms	-	-	-
Contributions - employer	-	680,623	(680,623)
Contributions - employee	-	275,299	(275,299)
Net investment income	-	1,710,432	(1,710,431)
Benefit payments, including refunds of employee contributions	(1,727,630)	(1,727,630)	-
Administrative expense	-	(46,285)	46,286
Net changes	127,820	892,439	(764,619)
Balances at September 30, 2017	\$ 18,322,632	\$ 15,304,543	\$ 3,018,089

The sensitivity of the net pension liability to changes in the discount rate is shown below.

General Employees	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.90%	7.90%	8.90%
City's net position liability	\$5,208,880	\$ 3,018,089	\$ 1,174,145

City of Rockledge, Florida
Notes to Financial Statements

NOTE 10 - RETIREMENT PLANS (Continued)

**H. CHANGES IN NET PENSION LIABILITY AND SENSITIVITY TO CHANGES IN DISCOUNT RATE
(continued)**

Police Employees

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2016	\$ 12,902,368	\$ 11,860,589	\$ 1,041,779
Changes for a year:			
Service cost	427,707	-	427,707
Interest	1,047,395	-	1,047,395
Differences between expected and actual experience	(65,611)	-	(65,611)
Changes of assumptions	(3,883)	-	(3,883)
Changes of benefit terms	-	-	-
Contributions - employer	-	218,130	(218,130)
Contributions - state	-	195,099	(195,099)
Contributions - employee	-	155,403	(155,403)
Net investment income	-	1,525,942	(1,525,942)
Benefit payments, including refunds of employee contributions	(382,951)	(382,951)	-
Administrative expense	-	(63,054)	63,054
Net changes	1,022,657	1,648,569	(625,912)
Balances at September 30, 2017	\$ 13,925,025	\$ 13,509,158	\$ 415,867

The sensitivity of the net pension liability to changes in the discount rate is shown below.

Police Employees	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
City's net position liability	\$ 2,079,529	\$ 415,867	\$ (975,885)

City of Rockledge, Florida
Notes to Financial Statements

NOTE 10 - RETIREMENT PLANS (Continued)

**H. CHANGES IN NET PENSION LIABILITY AND SENSITIVITY TO CHANGES IN DISCOUNT RATE
(continued)**

Fire Employees

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2016	\$ 14,425,910	\$ 10,449,992	\$ 3,975,918
Changes for a year:			
Service cost	274,692	-	274,692
Interest	1,133,189	-	1,133,189
Differences between expected and actual experience	(103,605)	-	(103,605)
Changes of assumptions	(59)	-	(59)
Changes of benefit terms	-	-	-
Contributions - employer	-	434,969	(434,969)
Contributions - state	-	138,409	(138,409)
Contributions - employee	-	105,910	(105,910)
Net investment income	-	1,267,422	(1,267,422)
Benefit payments, including refunds of employee contributions	(675,538)	(675,538)	-
Administrative expense	-	(68,567)	68,567
Net changes	628,679	1,202,605	(573,926)
Balances at September 30, 2017	\$ 15,054,589	\$ 11,652,597	\$ 3,401,992

The sensitivity of the net pension liability to changes in the discount rate is shown below.

Fire Employees	1% Decrease	Current Discount Rate	1% Increase
	6.90%	7.90%	8.90%
City's net position liability	\$ 5,067,938	\$ 3,401,992	\$ 2,008,168

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The City follows GASB Statement No. 45, Accounting and Reporting for Postemployment Benefits Other than Pensions, for certain postemployment healthcare provided by the City.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

A. PLAN DESCRIPTION (continued)

The other postemployment benefit plan (OPEB Plan) is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees are presumed to have higher costs, the City is subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. GASB No. 45 refers to this as the “implicit rate subsidy.”

Retirees and their dependents are permitted to remain covered under the City’s medical plan as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employers per Ch. 112.08, F.S. The City Council has the authority to amend the benefits of the OPEB Plan. The OPEB Plan does not issue a stand-alone report.

B. FUNDING POLICY

For the OPEB Plan, contribution requirements of the City are established and may be amended through action of the City Council. Currently, there are 229 active participants and 14 retirees and their spouses. The City’s OPEB benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. There is no OPEB trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term investments in accordance with the investment policy and described previously. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on those investments. The City selected an interest rate of 4% for this purpose.

C. 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 the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and, under GASB Statements No. 43 and No. 45, any unfunded actuarial liabilities (or funding excess) is to be amortized over a period not to exceed thirty years. The City has elected a single-year amortization period for its unfunded actuarial liability. The following table shows the components of the City’s net obligation to the OPEB Plan.

City of Rockledge, Florida
Notes to Financial Statements

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION (continued)

	Valuation as of 10/1/2016
Normal cost (service cost for one year)	\$ 38,523
Amortization of unfunded actuarial accrued liability	680,921
Interest on normal cost and amortization	28,778
Annual required contribution (ARC)	748,222
Interest on Net OPEB Obligation	32,885
Adjustment to ARC	(855,002)
Annual OPEB cost (expense)	(73,895)
Employer contributions made	(42,346)
Increase (decrease) in net OPEB obligation	(116,241)
Net OPEB obligation at beginning of year	822,117
Net OPEB obligation at end of year	\$ 705,876

Calculations are based upon the types of benefits provided under the terms of the OPEB plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. The City's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2017 (with eight applicable preceding years) were as follows :

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions Toward OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$ 292,820	\$26,833	9.16%	\$ 265,987
9/30/2010	\$ 305,154	\$31,331	10.27%	\$ 539,810
9/30/2011	\$ 67,152	\$28,533	42.49%	\$ 578,429
9/30/2012	\$ 95,791	\$23,570	24.61%	\$ 650,650
9/30/2013	\$ 21,069	\$22,323	105.95%	\$ 649,396
9/30/2014	\$ 107,111	\$22,352	20.87%	\$ 734,155
9/30/2015	\$ 119,059	\$26,241	22.04%	\$ 826,973
9/30/2016	\$ 28,356	\$33,212	117.12%	\$ 822,117
9/30/2017	\$ (73,895)	\$42,346	-57.30%	\$ 705,876

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (Continued)

D. FUNDED STATUS AND FUNDING PROGRESS

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan net position is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, inflation, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the ARC are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

E. ACTUARIAL METHODS AND ASSUMPTIONS

In any long-term actuarial valuation, certain assumptions are made regarding the population, the investment discount rates, and the benefits provided. The actuarial assumptions included a payroll growth rate of 6%, and healthcare inflation of 6.5%, adjusted annually to an ultimate rate of 5% after three years. The obligation was fully amortized as of September 30, 2010. The entry age normal percent of pay actuarial cost method was used, with amortization of the Unfunded Actuarial Accrued Liability (UAAL) as a level percent of expected payroll (closed over a single year). While the actuarial cost method and amortization of the UAAL using a level percentage of expected payroll are the most common methods used for government pension valuations (and likely for OPEB valuations), the use of a single-year amortization period is very conservative and reflects the City's desire to remove as much uncertainty as possible surrounding its future OPEB obligations. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City purchases separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the City faces under Florida statutes. Coverage for general liability claims is a maximum of \$1,000,000 combined single limit.

The commercial insurance carried is a claims incurred policy for which the City is covered for claims originating against the City during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The City has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended September 30, 2017.

NOTE 12 - RISK MANAGEMENT (Continued)

As of September 30, 2017, the City has an estimated \$339,432 in outstanding claims incurred but not reported. The employee medical insurance is a shared cost policy for which the City pays a recurring administrative fee and claims as asserted. The City's health insurance expenditure is based upon a carryforward experience level, whereby each month the City pays the benefit payments net of the specific stop loss, plus the in-month change in experience deficit, plus adjustments. Consequently, the City does not believe it has any future exposure for medical claims by its employees beyond this estimate.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The 2011 Series Bonds include a rate covenant requiring the City to maintain sewer rates sufficient to provide net revenues (as defined by the bond issue) of at least 100% of the annual debt service becoming due in the current fiscal year. When the City refinanced these bonds with the Series 2011 Bonds (see Note 4), substantially all of the existing debt covenants of the 2001 Series Bonds, including the rate covenant noted above, were incorporated by reference. Should the City fail to satisfy this covenant, it must cause its consulting engineer to review its rates and methods and implement any suggested rate increase.

During the ordinary course of its operation, the City is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

NOTE 14 - COMMUNITY REDEVELOPMENT AGENCY

The purpose of the Rockledge CRA is to stimulate economic growth, promote private development opportunities, and maintain a safe, prosperous community while focusing on improving the quality of life of the citizens of Rockledge.

City of Rockledge, Florida
Notes to Financial Statements

NOTE 14 - COMMUNITY REDEVELOPMENT AGENCY (Continued)

Pursuant to Chapter 163.387 (8) of the Florida Statutes, the following information is provided regarding the receipts and expenditures of the CRA.

	Actual Budgetary Basis
<hr/>	
Resources (inflows):	
Property taxes	\$ 605,398
Income on investments	-
Other	11,023
Proceeds from loan	396,996
Transfer in	744,375
<hr/>	
Amounts available for appropriation	1,757,792
<hr/>	
Personal services	109,917
Administrative office	7,478
Legal and accounting	18,584
Planning, engineering, and design	176,006
Grants and capital acquisitions	474,976
Promotional expenses and events	20,896
Travel and training	3,975
Debt service	519,059
Contingencies	2,763
<hr/>	
Total charges to appropriations	1,333,654
<hr/>	
Excess of resources over charges to appropriations	424,138
<hr/>	
Fund balance allocation	(424,138)
<hr/>	
Excess (deficiency) of resources and fund balance allocation over charges to appropriations	\$ -
<hr/>	

Property taxes consisted of the incremental tax receipts provided by increased assessed values over 2001 levels. Planning, engineering, and design expenditures were for the Barton Boulevard corridor, as well as improvements to the Florida Avenue Gateway which feeds into U.S. Highway 1 just north of Barton.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to September 30, 2017, the City entered into a City Council approved contract to install an enterprise Software solution to include training and software. The City's estimated cost for the software installation and training are \$376,810, with the overall goal of more efficient operations for the City.

Although the damage caused by Hurricane Irma occurred prior to the end of the fiscal year, subsequent hurricane related expenses for labor, equipment utilization, materials, and services for preparedness, response, and debris removal are estimated to exceed \$800,000.

As a result of Hurricane Irma, Fire Station No. 2 sustained considerable roof and interior damage. City Council approved the refinancing of the existing Series 2009 Note to provide \$2,000,000 in funding to replace the fire station and the scheduled purchase of a replacement fire apparatus. Additionally, City Council approved a construction manager at risk contract for the rebuilding of the station, with estimated costs not to exceed \$2,500,000.

As a result of Hurricane Irma, the Master Drainage Outfall sustained considerable structural damage. City Council approved a Continuing Services Agreement task order to begin engineering the repair or replacement of the headwall and associated sections of large diameter culverts. The total cost of this repair or replacement is dependent upon the results of the engineering study, and cannot be reasonably determined at this time.

The City has considered subsequent events through March 27, 2018.

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

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City of Rockledge, Florida
Budgetary Comparison Schedule – General Fund

<i>Year ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 7,603,000	\$ 7,603,000	\$ 7,634,209	\$ 31,209
Other local taxes	4,810,000	4,810,000	3,245,825	(1,564,175)
Permits and fees	408,500	518,000	2,022,603	1,504,603
Intergovernmental	3,809,200	3,885,700	3,944,106	58,406
Charges for services	108,750	164,750	281,740	116,990
Fines and forfeitures	17,000	17,000	16,878	(122)
Miscellaneous revenue	744,650	744,650	378,482	(366,168)
Total revenues	17,501,100	17,743,100	17,523,843	(219,257)
Expenditures				
Category:				
Administrative:				
Personal services	1,476,000	1,456,000	1,429,438	26,562
Operating expenditures	168,950	168,950	199,903	(30,953)
Capital Improvement	40,000	46,000	40,023	5,977
Police:				
Personal services	5,069,000	5,149,000	4,946,980	202,020
Operating expenditures	479,150	479,150	394,612	84,538
Capital Improvement	347,900	347,900	297,076	50,824
Fire:				
Personal services	3,656,000	3,645,000	3,255,042	389,958
Operating expenditures	210,350	226,350	321,084	(94,734)
Capital Improvement	85,000	93,000	24,439	68,561
Public works:				
Personal services	1,989,000	2,025,000	1,973,397	51,603
Operating expenditures	590,750	590,750	589,248	1,502
Capital Improvement	138,900	139,400	77,136	62,264
Mayor and City Council:				
Personal services	34,300	68,300	40,306	27,994
Operating expenditures	10,700	11,700	12,046	(346)
City attorney:				
Personal services	114,600	111,100	85,984	25,116
Operating expenditures	2,500	6,000	5,568	432
General government:				
Personal services	442,500	442,500	304,147	138,353
Operating expenditures	2,308,500	2,400,000	901,019	1,498,981
Capital Improvement	337,000	337,000	652,135	(315,135)
Total expenditures	\$ 17,501,100	\$ 17,743,100	\$ 15,549,583	\$ 2,193,517

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Budgetary Comparison Schedule – General Fund

<i>Year Ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess of revenues over expenditures	\$ -	\$ -	\$ 1,974,260	\$ 1,974,260
Transfers in	-	-	396,000	396,000
Transfers out	-	-	(744,375)	(744,375)
Net change in fund balance	-	-	1,625,885	1,625,885
Fund balances, beginning of the year,	10,759,381	10,759,381	10,759,381	-
Fund balance, end of year	\$ 10,759,381	\$ 10,759,381	\$ 12,385,266	\$ 1,625,885

Note that this schedule is prepared on a budgetary basis. This differs from Generally Accepted Accounting Principles (GAAP) in the presentation of amounts transferred in and out, debt service, and certain intragovernmental charges. This presentation also differs from a GAAP basis due to the exclusion of the Debt service payments amounts.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida

Budgetary Comparison Schedule – Community Redevelopment Agency

<i>Year ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 599,000	\$ 604,000	\$ 605,398	\$ 1,398
Reserve funds	264,000	-	-	-
Miscellaneous revenue	10,000	11,000	11,023	23
Total revenues	873,000	615,000	616,421	1,421
Expenditures				
Planning and development:				
Personnel services	139,500	144,500	109,917	34,583
Administrative office	60,500	13,000	7,478	5,522
Legal and accounting	17,000	22,000	18,584	3,416
Planning, engineering, and design	600,000	640,000	176,006	463,994
Grants and capital acquisitions	130,000	530,000	474,976	55,024
Promotional expenses and events	27,000	27,000	20,896	6,104
Travel and training	5,000	5,000	3,975	1,025
Public/ private partnerships	100,000	100,000	-	100,000
Debt Service	508,000	520,000	519,059	941
Contingencies	20,000	20,000	2,763	17,237
Total expenditures	1,607,000	2,021,500	1,333,654	687,846
Excess (deficiency) of revenues over (under) expenditures				
	(734,000)	(1,406,500)	(717,233)	689,267
Other financing sources				
Proceeds from issuance of debt	-	400,000	396,996	(3,004)
Transfers in	734,000	742,500	744,375	1,875
Other financing sources	734,000	1,142,500	1,141,371	(1,129)
Net change in fund balance	-	(264,000)	424,138	688,138
Fund balances, beginning of year	895,640	895,640	895,640	-
Fund balances, end of year	\$ 895,640	\$ 631,640	\$ 1,319,778	\$ 688,138

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting (GAAP) in the presentation.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Budgetary Notes to Required Supplementary Information

NOTE A – BUDGETARY INFORMATION

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a) Prior to the first day of August of each year, the city manager prepares a proposed budget for the next succeeding fiscal year and submits it to the council. The recommended budget includes proposed expenditures and the sources of receipts to finance them.
- b) Complete copies of the proposed budget are made available for public inspection. Public hearings are conducted to obtain taxpayers' comments.
- c) The budget is enacted through passage of an ordinance and becomes the basis for the millage levied by the council.
- d) The city manager is authorized to transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any department must be approved by the council. Expenditures may not exceed legal appropriations at the department level. All appropriations lapse at year end.
- e) Formal budgetary integration is employed as a management control device during the year for the General Fund and all major, special revenue funds (if any). Formal budgetary integration is not employed for the Law Enforcement Education, Community Redevelopment, and Taylor Park Trust Funds, because effective budgetary control is alternatively achieved through expenditure eligibility provisions. Formal budget integration is also not employed for the Transportation Impact Fee Fund because projects are approved individually.
- f) Budgets are legally adopted on a basis consistent with GAAP except for transfers, debt service, and certain intragovernment amounts.
- g) The budgetary comparison schedule shown in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

City of Rockledge, Florida
Budgetary Notes to Required Supplementary Information

NOTE B - EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Revenues

Actual amounts (budgetary basis) of total revenue as reported on the statement of revenues, expenditures and charges in fund balance – budget and actual equal total revenue as reported on the statement of revenues, expenditures, and changes in fund balances.

Expenditures

	General Fund
Actual amounts (budgetary basis) "total expenditures" as reported on the statement of revenues, expenditures and changes in fund balance -- budget to actual	\$ 15,549,583
Debt service	336,587
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 15,886,170

NOTE C - EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

The budgetary schedules present comparisons of the legally adopted budget with actual data on budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of the resultant timing differences in the excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) (GAAP Basis) for the year ended September 30, 2017 is presented in the following table:

	General Fund
Excess of revenues over expenditures and other financing sources (Budgetary Basis)	\$ 1,625,885
Adjustments:	
Debt Service	(336,587)
Excess of revenues over expenditures and other financing sources (GAAP Basis)	\$ 1,289,298



City of Rockledge, Florida Schedules of Defined Benefit Pension Plans

The schedules presented in the following required supplementary information are intended to provide information that is essential to understanding trends and puts the current period information into historical perspective. The Government Accounting Standards Board (GASB) concludes that a period of ten years will provide information to identify cyclical factors and other trends in connection with defined benefit pension plans. GASB Statement No. 67 sets the requirements for the ten-year schedules to be implemented prospectively. Until a full ten years of data is compiled, the schedules will present data that is available. GASB Statement No. 68 (GASB 68) requires that governments providing defined benefit pensions recognize long-term obligations for pension benefits as a liability and to more comprehensibly and comparably measure the annual costs of pension benefits.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Four Fiscal Years
General Employees

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 580,743	\$ 502,300	\$ 500,506	\$ 490,047
Interest	1,405,981	1,321,703	1,239,002	1,143,136
Difference between expected and actual experience	(163,308)	(211,999)	(132,223)	(24,739)
Changes of assumptions	32,034	840,843	23,782	22,355
Benefit payments, including refunds of member contributions	(1,727,630)	(753,910)	(429,686)	(438,263)
Net change in total pension liability	127,820	1,698,937	1,201,381	1,192,536
Total pension liability - beginning	18,194,812	16,495,875	15,294,494	14,101,958
Total pension liability - ending (a)	\$ 18,322,632	\$ 18,194,812	\$ 16,495,875	\$ 15,294,494
Plan fiduciary net position				
Contribution - employer	\$ 680,623	\$ 561,465	\$ 562,320	\$ 443,171
Contribution employee	275,299	255,031	249,718	244,731
Net investment income	1,710,432	1,227,300	(3,709)	1,129,042
Benefit payments, including refunds of member contributions	(1,727,630)	(753,910)	(429,686)	(438,263)
Administrative expense	(46,285)	(55,175)	(64,461)	(77,399)
Net change in plan fiduciary net position	892,439	1,234,711	314,182	1,301,282
Plan fiduciary net position - beginning	14,412,104	13,177,393	12,863,211	11,561,929
Plan fiduciary net position - ending (b)	\$ 15,304,543	\$ 14,412,104	\$ 13,177,393	\$ 12,863,211
Net pension liability - ending (a) - (b)	\$ 3,018,089	\$ 3,782,708	\$ 3,318,482	\$ 2,431,283
Plan fiduciary net position as a percentage of the total pension liability	83.53%	79.21%	79.88%	84.10%
Covered employee payroll	\$ 4,573,157	\$ 4,387,506	\$ 3,864,720	\$ 4,094,475
Net pension liability as a percentage of covered employee payroll	66.00%	86.22%	85.87%	59.38%

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

SCHEDULE OF CONTRIBUTIONS

Last Four Fiscal Years

General Employees

	2017	2016	2015	2014
Actuarially determined contribution	\$ 672,777	\$ 561,465	\$ 562,320	\$ 443,171
Contributions in relation to the actuarially determined contributions	680,623	561,465	562,320	443,171
Contribution deficiency (excess)	\$ (7,846)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,573,157	\$ 4,387,506	\$ 3,864,720	\$ 4,094,475
Contributions as a percentage of covered employee payroll	14.7%	12.8%	14.6%	10.8%

Notes to Schedule

Valuation Date: 10/1/17

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

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Four Fiscal Years

Police Employees

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 427,707	\$ 411,090	\$ 424,738	\$ 383,990
Interest	1,047,395	961,067	900,239	828,134
Difference between expected and actual experience	(65,611)	(156,120)	(118,810)	10,982
Changes of assumptions	(3,883)	226,678	11,608	11,211
Benefit payments, including refunds of member contributions	(382,951)	(395,306)	(470,342)	(277,266)
Net change in total pension liability	1,022,657	1,047,409	747,433	957,051
Total pension liability - beginning	12,902,368	11,854,959	11,107,526	10,150,475
Total pension liability - ending (a)	\$ 13,925,025	\$ 12,902,368	\$ 11,854,959	\$ 11,107,526
Plan fiduciary net position				
Contribution - employer	\$ 218,130	\$ 214,124	\$ 218,903	\$ 175,170
Contribution - state	195,099	191,152	175,977	175,891
Contribution employee	155,403	162,989	158,642	158,054
Net investment income	1,525,942	1,041,785	11,458	943,080
Benefit payments, including refunds of member contributions	(382,951)	(395,306)	(470,342)	(277,266)
Administrative expense	(63,054)	(52,859)	(70,435)	(69,739)
Net change in plan fiduciary net position	1,648,569	1,161,885	24,203	1,105,190
Plan fiduciary net position - beginning	11,860,589	10,698,704	10,674,501	9,569,311
Plan fiduciary net position - ending (b)	\$ 13,509,158	\$ 11,860,589	\$ 10,698,704	\$ 10,674,501
Net pension liability - ending (a) - (b)	\$ 415,867	\$ 1,041,779	\$ 1,156,255	\$ 433,025
Plan fiduciary net position as a percentage of the total pension liability	97.01%	91.93%	90.25%	96.10%
Covered employee payroll	\$ 2,220,009	\$ 2,412,232	\$ 2,156,109	\$ 2,253,905
Net pension liability as a percentage of covered employee payroll	18.73%	43.19%	53.63%	19.21%

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

SCHEDULE OF CONTRIBUTIONS

Last Four Fiscal Years

Police Employees

	2017	2016	2015	2014
Actuarially determined contribution	\$ 210,378	\$ 214,124	\$ 218,903	\$ 175,170
Contributions in relation to the actuarially determined contributions	218,130	214,124	218,903	175,170
Contribution deficiency (excess)	\$ (7,752)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,220,009	\$ 2,412,232	\$ 2,156,109	\$ 2,253,905
Contributions as a percentage of covered employee payroll	9.5%	8.9%	10.2%	7.8%

Notes to Schedule

Valuation Date: 10/1/17

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

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Four Fiscal Years
Fire Employees

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 274,692	\$ 246,725	\$ 250,317	\$ 229,390
Interest	1,133,189	1,079,211	1,057,332	1,033,194
Difference between expected and actual experience	(103,605)	(66,127)	(223,951)	(123,099)
Changes of assumptions	(59)	307,379	12,388	11,756
Benefit payments, including refunds of member contributions	(675,538)	(815,013)	(806,383)	(936,323)
Net change in total pension liability	628,679	752,175	289,703	214,918
Total pension liability - beginning	14,425,910	13,673,735	13,384,032	13,169,114
Total pension liability - ending (a)	\$ 15,054,589	\$ 14,425,910	\$ 13,673,735	\$ 13,384,032
Plan fiduciary net position				
Contribution - employer	\$ 434,969	\$ 390,264	\$ 362,979	\$ 381,796
Contribution - state	138,409	154,239	173,333	185,014
Contribution employee	105,910	104,923	100,309	98,920
Net investment income	1,267,422	884,745	23,097	824,985
Benefit payments, including refunds of member contributions	(675,538)	(815,013)	(806,383)	(936,323)
Administrative expense	(68,567)	(59,280)	(71,278)	(68,075)
Net change in plan fiduciary net position	1,202,605	659,878	(217,943)	486,317
Plan fiduciary net position - beginning	10,449,992	9,790,114	10,008,057	9,521,740
Plan fiduciary net position - ending (b)	\$ 11,652,597	\$ 10,449,992	\$ 9,790,114	\$ 10,008,057
Net pension liability - ending (a) - (b)	\$ 3,401,992	\$ 3,975,918	\$ 3,883,621	\$ 3,375,975
Plan fiduciary net position as a percentage of the total pension liability	77.40%	72.44%	71.60%	74.78%
Covered employee payroll	\$ 1,513,002	\$ 1,554,319	\$ 1,366,711	\$ 1,424,542
Net pension liability as a percentage of covered employee payroll	224.85%	255.80%	284.16%	236.99%

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

SCHEDULE OF CONTRIBUTIONS

Last Four Fiscal Years

Fire Employees

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 434,969	\$ 390,264	\$ 362,979	\$ 381,796
Contributions in relation to the actuarially determined contributions	<u>434,969</u>	<u>390,264</u>	<u>362,979</u>	<u>381,796</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,513,002	\$ 1,554,319	\$ 1,366,711	\$ 1,424,542
Contributions as a percentage of covered employee payroll	28.7%	25.1%	26.6%	26.8%

Notes to Schedule

Valuation Date: 10/1/17

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

Plan Changes in Benefit Terms

There have been no changes in benefits since the prior valuation of all three pension plans.

Changes of Assumptions

For the Police Employees', and Fire Employees' Plans: Mortality rates are based on those used for the special risk Florida Retirement System as of July 1, 2016. For the General Employees' Plan: Mortality rates are based on those used for the not special risk Florida Retirement System as of July 1, 2016. In the previous year, the Police and Fire Employees' Plans mortality rates were based on those used for the special risk Florida Retirement System as of July 1, 2015. For the General Employees' Plan, mortality rates were based on those used for the not special risk Florida Retirement System as of July 1, 2015.

For the Police Employees' Plan, the payroll growth assumption uses level dollar amortization to amortize the Unfunded Accrued Liability. In the previous year, an assumption of 1.5% as a percent of pay was used.

The accompanying notes to required supplementary information are an integral part of this schedule.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

Methods and Assumptions Used To Determine Contribution Rates

	General Employees	Police Employees	Fire Employees
Actuarial cost method:	Entry Age	Entry Age	Entry Age
Amortization method:	Level % of pay	Level dollar	Level dollar
Remaining amortization period:	25 Years (as of 10/1/2015)	25 Years (as of 10/1/2015)	25 Years (as of 10/1/2015)
Asset valuation method :	5 Year smoothed market	5 Year smoothed market	5 Year smoothed market
Inflation:	2.5%	2.5%	2.5%
Payroll increases :	0.9% per year	6% per year	6% per year
Salary increases :	6% per year	6% per year	6% per year
*Interest rate:	7.9%	8%	7.9%
Retirement age:	Age 65 and 10 years of service	Age 52 and 10 years of service	Age 52 and 25 years or age 55 and 10 years.
Early retirement:	Age 55 and 10 years reduced at 5/9% per month first 60 months and 5/18% thereafter.	Age 44 and 25 years or age 50 and 10 years reduced at 3/12% per month with a minimum of 50% for those with 25 years credited service.	Age 45 and 25 years or age 50 and 10 years reduced at 0.25% per month with a minimum of 50% for those with 25 years credited service.
Mortality:	7/01/16 FRS not special risk	7/01/16 FRS special risk	7/01/16 FRS special risk

*Interest rate is compounded annually, net of investment-related expenses, including inflation.

City of Rockledge, Florida
Schedules of Defined Benefit Pension Plans

Money-weighted Rate of Return

This schedule is intended to provide information about the actual performance of the pension plan’s investment portfolio because it takes into account the effects of transactions that increase the amount of pension plan investments (such as contributions from employers, non-employer contributing entities, and plan members) and those that decrease the amount of pension plan investments (such as benefit payments).

	General Employees				Police Employees				Fire Employees			
	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
Annual money-weighted rate of return	12.4%	9.3%	-0.5%	9.4%	12.4%	9.2%	-0.6%	9.2%	12.0%	9.0%	-0.9%	9.0%

City of Rockledge, Florida
Schedules of Other Postemployment Benefits

Narrative Summary (OPEB Obligation)

The OPEB liability is currently partially funded with a combination of annual contributions to a professionally managed fund and City premium payments on a pay-as-you-go basis.

Schedule of Funding Progress (OPEB Obligation)

Schedule of Funding Progress								
Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	Ratio of UAAL to covered Payroll (b-a/c)	
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)					
10/1/2016	\$ -	\$ 680,921	\$ 680,921	0.0%	\$ 8,679,905	7.84%		
10/1/2015	\$ -	\$ 777,610	\$ 777,610	0.0%	\$ 8,552,261	9.09%		
10/1/2014	\$ -	\$ 774,663	\$ 774,663	0.0%	\$ 8,895,431	8.71%		

Schedule of Employer Contributions (OPEB Obligation)

Contributions began in October 2008 (FY2009)

Schedule of Employer Contributions			
Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
9/30/2017	\$ (73,895)	-57.3%	\$ 705,876
9/30/2016	\$ 28,356	117.1%	\$ 882,117
9/30/2015	\$ 119,059	22.0%	\$ 826,973

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OTHER SUPPLEMENTARY INFORMATION

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City of Rockledge, Florida

Combining Balance Sheet - Nonmajor Governmental Funds

<i>September 30, 2017</i>	Special Revenue Funds			Total Nonmajor Total Governmental
	Law Enforcement Education	Transportation Impact Fee	Taylor Park Trust	
ASSETS				
Cash and cash equivalents	\$ 30,997	\$ 8,207	\$ 20,157	\$ 59,361
Total assets	\$ 30,997	\$ 8,207	\$ 20,157	\$ 59,361
FUND BALANCES				
Restricted	\$ 30,997	\$ 8,207	\$ 20,157	\$ 59,361
Total fund balances	\$ 30,997	\$ 8,207	\$ 20,157	\$ 59,361

City of Rockledge, Florida

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
– Nonmajor Governmental Funds

<i>Year Ended September 30, 2017</i>	Special Revenue Funds			Total Nonmajor Governmental Funds
	Law Enforcement Education	Transportation Impact Fee	Taylor Park Trust	
Revenues				
Fines and forfeitures	\$ 2,970	\$ -	\$ -	\$ 2,970
Interest and other	30	9	20	59
Total revenues	3,000	9	20	3,029
Expenditures				
Current:				
Planning and development	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	3,000	9	20	3,029
Fund balances, beginning of year	27,997	8,198	20,137	56,332
Fund balances, end of year	\$ 30,997	\$ 8,207	\$ 20,157	\$ 59,361

**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 City Council
City of Rockledge, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rockledge, 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 Rockledge, Florida's basic financial statements, and have issued our report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rockledge, 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 Rockledge, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rockledge, 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 a 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 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

Condition: During the audit, we noted inventory in the Sanitation fund contained an unreconciled difference of \$7,288 as of September 30, 2017 between the year-end count and the general ledger.

Criteria: A fundamental element of internal control is that the journal entries are reviewed for completeness and accuracy and approved by the appropriate personnel.

Cause: The City's current accounting software does not allow journal entries to be posted subsequent to period end. As a result, the Finance Director maintains a summary of adjustments in excel spreadsheets. These adjustments do not undergo independent review.

Effect: There could be misstatements in the financial statements due to lack of review and approval of year-end adjustments, such as the difference in inventory.

Recommendation: We recommend that the City implement procedures by which the Finance Director's year-end recommendations are reviewed and approved by appropriate personnel.

Management Response: During the budget process for fiscal year 2018, City Council, the City Manager, and Staff recognized and took action on the need to upgrade the city-wide software system. Therefore, a new, and much enhanced, enterprise-wide software system has been installed. Among the many processes contemplated and improved upon during system implementation, journal entries can now be posted to a fiscal year up to six months after its end. Furthermore, all journal entries now require a submitter and an approver. Therefore, management believes this finding has been fully addressed.

Compliance and Other Matters

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

The City of Rockledge, Florida's Response to the Finding

The City of Rockledge, Florida's response to the finding identified in our audit is described previously. The City of Rockledge, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Melbourne, Florida

March 27, 2018

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and Members of City Council
City of Rockledge, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Rockledge, Florida (the "City"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 27, 2018.

Auditors' Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

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 Auditor General. Disclosures in those reports, which are dated March 27, 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 report, as noted below:

<u>Prior Year Findings and Management Letter Comments:</u>	
IC 2016-001 Revenue Recognition	Cleared
IC 2016-002 Accounts Payable	Cleared
IC 2016-003 Participant Data	Cleared
IC 2016-004 Expenditures in Excess of Appropriations	Cleared

Official Title and Legal Authority

Section 10.554(l)(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 Rockledge, Florida is disclosed in the footnotes.

Financial Condition and Management

Section 10.554(l)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Rockledge, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Rockledge, 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 for the City of Rockledge, Florida. It is management's responsibility to monitor the City of Rockledge, 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 communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendations:

ML 2017-002 INVENTORY VALUATION

Condition: The valuation of select small inventory items in the Public Works department are not being estimated using a methodology, such as weight, that can be reperformed.

Criteria: During our observation of inventory counts in the City's Public Works department, we noted that several inventory items were not counted by City employees. The value of these inventory items were also being estimated by Public Works personnel using a method that was not able to be re-performed.

Cause: The City is not counting, nor do they have a quantifiable method for estimating select inventory items.

Effect: There is potential for overstatement of inventory balances.

Recommendation: We recommend that the City use a methodology for estimating the inventory values of select inventory items that can be reperformed or to expense inventory items in which it is not cost effective due to immateriality and difficult to reasonably estimate.

Management Response: The value of certain items held in bulk stock for the maintenance of vehicles and equipment have historically been estimated utilizing the judgement of employees with decades of experience in procurement. However, management recognizes the need to more

specifically define the valuation of these items in a quantifiable manner for measurement and reporting. We will take steps to more clearly communicate the valuation process of these inventory items and ensure accurate reporting.

ML 2017-003 ACCRUED CLAIMS LIABILITY

Condition: The City could not obtain a LAG report for the use of estimating the City's accrued claims liability as of September 30, 2017.

Criteria: In order to estimate accrued claims liability at year-end, the City should obtain a LAG report which distributes the claims paid during a given period on the basis of both the incurred date and the paid date of the claim.

Cause: The City could not obtain a LAG report, and therefore utilized an estimate of the City's daily expense to calculate the accrued claims liability.

Effect: There is potential for an inaccurate estimate of accrued claims liability as of September 30, 2017.

Recommendation: We recommend that the City hire an actuary in order to obtain an estimate of the liability based upon professional methodology.

Management Response: The City has historically utilized the claims reported on the monthly billings from our insurance provider to estimate open claims at year end. Prospectively, the City will work closely with its insurance provider to determine the most accurate manner with which open claims can be measured.

Annual Financial Report

Section 10.554(l)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City of Rockledge, 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 us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we had the following finding:

ML 2017-004 STATE LAW ENFORCEMENT TRUST FUND EXPENDITURES

Condition: The City does not have a separate written certification that the request for expenditure of State law enforcement trust funds complies with the provisions of Florida State Statute 932.7055(5). Historically the police chief has used a Legislative Memorandum to convey requests

for expenditures, which prefaces that each request is being made in accordance with Florida law, although the Statute requirement is not specifically delineated.

Criteria: According to Florida Statutes section 932.7055 5(b) regarding the spending of proceeds from seized and forfeited property, any such funds may be expended upon request by the chief of police to the City Council, accompanied by written certification that the request complies with the provisions of this subsection.

Cause: We tested a sample of state forfeiture expenditures during the fiscal year and noted that no written certification statement of compliance with the provisions of the state statute accompanied the purchases. In addition, several of the state forfeiture expenditures sampled were not supported with evidence of Council approval.

Effect: The City is not in full compliance with Florida Statutes section 932.7055 5(b).

Recommendation: In order to more fully document the City's compliance with the provisions of Florida State Statute 932.7055(5), we recommend the police chief submit the required written certification statement to the City Council for approval of any forfeiture fund expenditures.

Management Response: Management recognizes the importance of adherence to rules governing even the smallest of forfeiture funds expenditure. We have taken steps to ensure that all parties involved in the disbursement of these funds are aware of these constraints. Future expenditures of these funds will only occur after proper documentation and Council approval are obtained.

Purpose of this Letter

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

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
March 27, 2018



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

To the Honorable Mayor and Members of City Council
City of Rockledge, Florida

We have examined City of Rockledge, 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 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 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*, for the year ended September 30, 2017.

This report is intended solely for the information and use of 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
March 27, 2018