

City of Vero
Beach, Florida



Year Ended
September 30,
2012

Comprehensive
Annual Financial
Report

Prepared by: Department of Finance

Cynthia D. Lawson
Director of Finance

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CITY OF VERO BEACH, FLORIDA

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INTRODUCTORY SECTION

CITY OF VERO BEACH, FLORIDA

CITY OFFICIALS

September 30, 2012



Pilar Turner
Mayor

Tracy Carroll
Council Member

Richard G. Winger
Council Member

A. Craig Fletcher
Vice Mayor

Jay Kramer
Council Member

James R. O'Connor
City Manager

Wayne R. Coment
City Attorney

Tammy K. Vock
City Clerk

Cynthia D. Lawson
Finance Director

City of Vero Beach

1053 – 20th PLACE – P.O. BOX 1389

VERO BEACH, FLORIDA – 32961-1389

Telephone: (772) 978-4770 • Fax: (772) 978-4707

April 26, 2012

To the Council Members and the Citizens of Vero Beach, Florida:

The Comprehensive Annual Financial Report of the City of Vero Beach, Florida, for the fiscal year ended September 30, 2012, is hereby submitted as required to meet Florida Statutes 218.39 and Rules of the Florida Auditor General. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Management of the City and is contingent upon the internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data are reported in a manner designed to present fairly the financial position and results of operations and the cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The funds and entities related to the City of Vero Beach included in this Comprehensive Annual Financial Report are within the financial accountability of the City Council. The criteria used in determining the reporting entity are consistent with the Governmental Accounting Standards Board (GASB) Statement No.14, *The Financial Reporting Entity*. As a result of applying the reporting entity criteria, no other component units exist over which the City has any financial accountability that would require inclusion in the City's financial statements.

State statutes require an annual audit by independent certified public accountants. The accounting firm of Harris, Cotherman, Jones, Price & Associates, CPAs - Chartered was selected by the City Council. Harris Cotherman, Jones, Price & Associates, CPAs, combined with and changed their name to Rehmann Robson effective September 1, 2012. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The independent auditors' reports related specifically to compliance are included in the Compliance Section.

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 City of Vero Beach's MD&A can be found in the Financial Section, immediately following the report of the independent auditors.

Profile of the City

The City of Vero Beach is the County seat for Indian River County and is a political subdivision of the State of Florida. The City, through its Council-Manager form of government, provides a full range of services, including general government, public safety, public improvements, planning and zoning, and related general and administrative services, to approximately 15,000 residents. In addition, the City operates an electric system, water and sewer system, a solid waste collection system, a park and recreation system, a cemetery, an airport and a marina.

The City's fiscal year begins October 1st and ends September 30th as required by Florida Statutes. All references to years in this report are to fiscal years ending on September 30th. The City's accounting, budgetary and financial reporting systems have been designed to conform to the standards set forth by the American Institute of Certified Public Accountants, the Governmental Accounting Standards Board and the State of Florida. Funds are structured to comply with the legal requirements of various revenue bond resolutions and the Charter and Ordinances of the City.

The City Manager and Finance Director maintain budgetary control, in conformance with the City Charter and Florida Statutes, through constant review. Budgetary responsibility for the General Fund is established at the departmental level and at the fund level for the Proprietary and all other budgeted funds. Detailed monthly budget reports are prepared for each department. Monthly summary financial reports and interim financial information is provided for both internal and external use.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse; and, that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The City's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

As a recipient of federal and state financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to that assistance. This internal control structure is subject to periodic evaluation by management.

Local Economy

Tourism/Citrus and Agriculture/Retirement

The City of Vero Beach and Indian River County rely on three primary economic activities: tourism, citrus and agriculture, and retirement. Vero Beach is a family oriented community. Sunny beaches, beautiful weather and low-density housing attract tourists and future residents. Climate and soil have combined to produce tasty and popular Indian River citrus and other agricultural products.

Retirees are attracted by the climate and general lifestyle in Vero Beach. The median age in Indian River County was 47 in 1980, 45 in 1995, 47 in 2000 and 49 in 2011, as compared to the median age of 40 for the State of Florida as a whole.

While City of Vero Beach continues to feel effects of the current economic downturn, some financial indicators appear to be improving. The City's taxable assessed value decreased by 2.6% to \$2.1 billion in 2012 but this was lower than the 4.3% decrease in 2011. The unemployment rate decreased for the third consecutive year to 12.6% in 2012. The City's leadership is determined to actively manage financial assets and continue efforts to attract new businesses which benefit and complement our unique lifestyle.

Long-Term Financial Planning/Financial Policies

The City of Vero Beach strives to maintain linkage between its vision for the future, its departmental goals and objectives, and the allocation of its financial and human resources. The vision of Vero Beach as a safe, secure, attractive environment in which to live, work and play is reflected in the City's organization structure and the priorities given in the annual budget. Over 50% of the General Fund budget for operating expenditures is dedicated to public safety through our police department and public services through our public works divisions as they maintain our City's infrastructure, buildings and parks.

Long-term financial planning includes monitoring the City's electric and water and sewer rates while providing quality service for its citizens. City officials and staff have negotiated an agreement for purchase and sale of the City's electric system with Florida Power and Light (FPL), with the goal of achieving additional savings on electric rates for the City's residents and customers. At the present time, the City and FPL are working to obtain the necessary contractual and regulatory approvals to complete the sale and asset transfer.

In the Water & Sewer Utility, the City began to implement the recommendations of the November 2011 water, wastewater and re-use system optimization study in order to achieve cost efficiency in its utility operations.

Relevant Financial Policies

There are three main revenue sources for the City's general government: Ad valorem taxes; utility taxes, other taxes and shared revenues; and transfers from business activities (enterprise funds).

Assessed property taxable values within the City of Vero Beach decreased slightly again this year in keeping with the continuing national trend of declining property values. This decrease was offset by the City's levy of the rolled-back millage rate of 2.0336. As a result, property tax collections remained level with the prior year and represented 21% of total general government revenue. The City continued to maintain a low millage rate of \$2.0336 through its focus on reducing discretionary operating expenditures while still maintaining an acceptable level of service for City residents.

Utility and other tax collections (including intergovernmental revenue from state shared sales taxes) represent 27% of general government revenue. Total revenues for telecommunications tax, gas tax and State sales tax decreased 3% from last year; however, State estimates for FY 12-13 project an overall 3% increase for these revenue sources. These trends indicate that the statewide sales tax revenue declines of recent years are stabilizing.

Transfers from the enterprise funds are designed to be a return to ownership, the general government, and have historically been in the 27% - 33% range of total general government revenues. The total transfers of \$7.3 million for this fiscal year are up slightly to 35% of total general government revenues and are primarily from the Electric and Water Sewer Systems.

Declines in most other revenue sources have leveled off, with the exception of investment earnings which are down 31% from last year. Federal and state grants received as reimbursement for specific capital projects vary from year to year.

Most major general government expenditure categories have decreased as efforts are being made to reduce positions and cut operating budgets to a minimum; overall, general government expenditures are down 2% from the prior year. The Electric Utility enterprise fund revenues increased by 3% from the prior year, while the Water and Sewer enterprise fund revenues decreased by 6%. In both systems, charges for services and other income provided adequate revenue to meet operating and capital needs. The City continues to carefully monitor utility rates in order to keep rates competitive while also maintaining rate sufficiency for operations, capital improvements and debt service coverage.

Major Initiatives

General Government. Major general government policy objectives are to keep all infrastructures safe and functional, contain the property tax burden to City taxpayers, and to carefully and thoughtfully manage growth. Also, significant funding is provided to support and enhance a police presence adequate to suppress crime. The budget for next year incorporates continued reductions in the workforce, with the goal of maintaining operating budgets at a minimum while still providing the level of service expected by the citizens.

Electric. The City continues its efforts to finalize the sale of its electric utility to Florida Power & Light (FPL). The City and FPL have negotiated and approved a sale and purchase agreement which addresses the sale price and the issues related to the retirement of the City's outstanding utility debt/bonds, the transfer of assets, the transfer of employees and associated liabilities, and the lease of the existing power plant site. At the present time, FPL and City staff are negotiating with the Florida Municipal Power Association (FMPPA) to determine what obligations and liabilities are associated with the termination of the City's existing contract with FMPPA. The City and FPL are also working on other regulatory approvals as outlined in the Purchase and Sale Agreement.

Water and Sewer. Despite a slight decrease in revenues, the water and sewer system met operating and capital needs for this fiscal year, with an increase in net assets at year end. Implementation of the recommendations from the November 2011 optimization study was started; as a result, the City outsourced its laboratory operations for an annual savings of \$ 380,000. During the year, the City completed negotiations for renewal of its franchise agreement to serve the community of Indian River Shores. Careful rate management and optimized efficiency will continue to be a focus, in order to maintain viable processing and distribution systems while planning for future needs.

Solid Waste. The City provides solid waste services to cover the cost of collecting, hauling and disposing of solid waste and recovered material for its citizens. While the City's commercial and residential rates are equal to or lower than private haulers, the City offers a higher level of service to our customers. Examples of this superior service include side yard pick-up, call back service if the customer does not have their garbage out in time and special pick-ups by request.

Airport. Modernization of the Vero Beach Municipal Airport continues with financial assistance from Federal and State grants. Improvements of the airstrip and associated taxiways, ramps and aprons are being completed per the Airport Master Plan. Airport revenue is primarily from rental operations and expenses are related to property management, property maintenance, and general administrative activities. The City receives federal and state grant subsidies for most capital improvements to the facilities. Capital expenditures continue per the Airport Master Plan as we rehabilitate and improve the aviation assets.

Marina. The Marina spares no effort to live up to its long-term policy of superior services to boaters at reasonable cost. The addition of the 1.19 acres with 64 dry storage slips and 20 wet slips has lead to a continued increase in revenues along with additional customers. The Marina has established itself as a popular boating haven along the Indian River.

Recreation. The services and programs offered by the Recreation Department are very popular with City and County residents and tourists. The City has a strong commitment to provide recreational facilities and opportunities for its residents and visitors. Recreation, by its very nature, cannot be expected to operate without substantial general fund subsidy. The amount of the subsidy is based on Council policy and is determined in the context of other general government operations and the City's current economic challenges. The City's General Fund contributed \$2.4 million to Recreation for operations and capital this fiscal year. This subsidy enabled the Recreation Department to have another successful year providing recreational activities and programs for people of all ages.

Risk Management. The City was self insured for the fiscal year ending September 30, 2012 and has a full time risk manager. The risk manager is empowered by the City Manager to close down any project that is being undertaken without appropriate safety devices or conditions. The risk manager makes periodic tours of the City to identify potential hazard areas and recommends corrective measures. These corrective measures become priority projects to reduce the City's exposure to loss. The City's self insurance is, in effect, a captive insurance company that the City runs on sound insurance industry principles. This information has formed the basis of the City's efforts to establish adequate reserves to reduce the City's exposure to unforeseen losses. The City has undertaken an effort to transition to fully insured programs for health, workers compensation, liability and other risks beginning in Fiscal Year 2012-2013.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vero Beach for its comprehensive annual financial report (CAFR) for the year ended September 30, 2011. This was the thirtieth consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the governmental unit must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

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

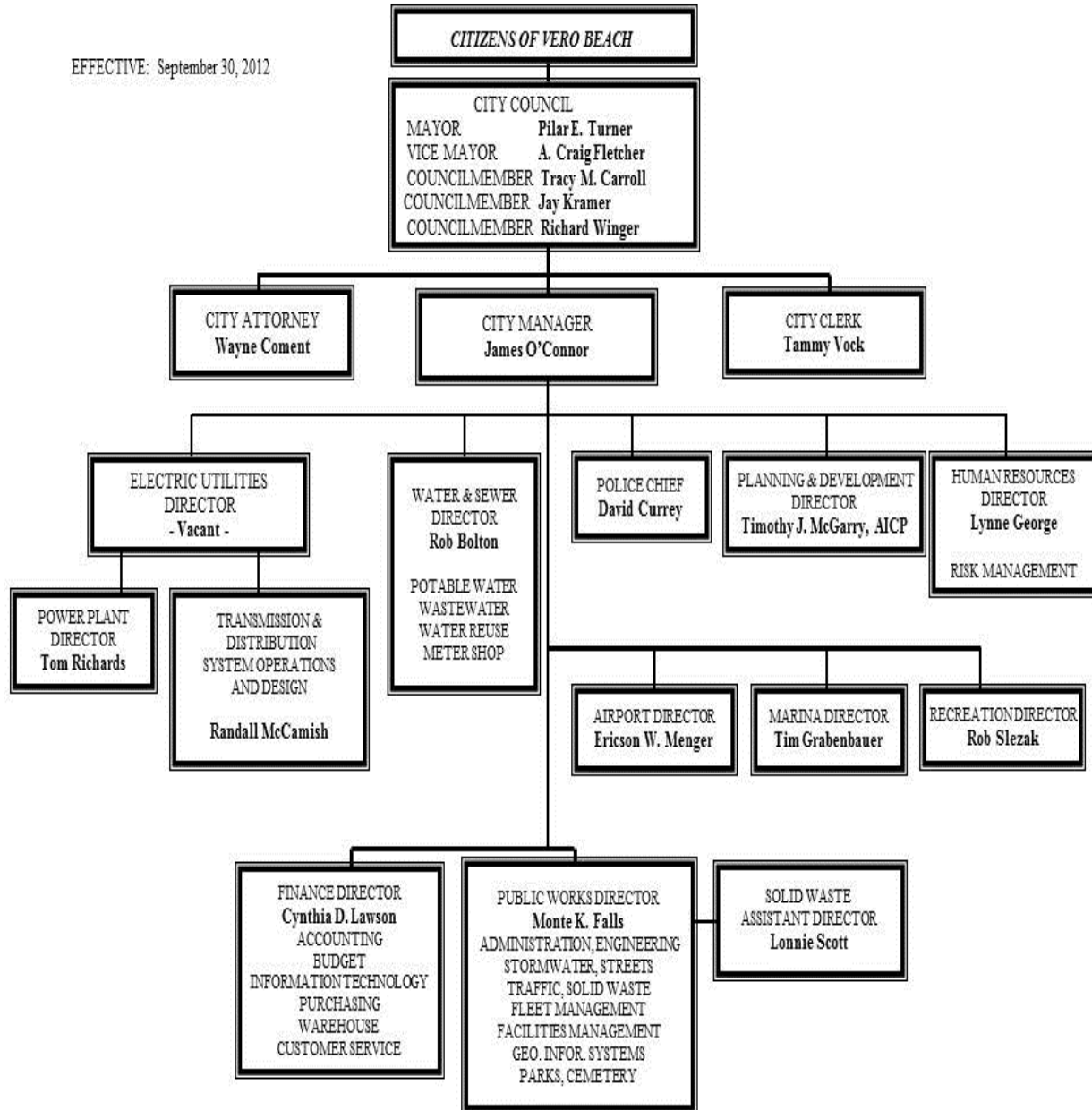
The preparation of this report was made possible by the clear policy and direction established by the City Council, the assistance of the City Manager and the dedicated service of the entire staff of the finance department. All who assisted in the preparation and publication of this report have my sincere thanks for their contributions.



Cynthia D. Lawson
Finance Director

CITY OF VERO BEACH, FLORIDA ORGANIZATIONAL CHART

EFFECTIVE: September 30, 2012



CITY OF VERO BEACH, FLORIDA

GFOA Certificate of Achievement

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Vero Beach
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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



Christopher P. Morrell

President

Jeffrey R. Enos

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

April 26, 2013

Honorable Mayor and
Members of the City Council
City of Vero Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Vero Beach, Florida* (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Vero Beach, Florida. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vero Beach, Florida as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013, on our consideration of the City of Vero Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 or provide any assurance on it.

A handwritten signature in cursive script that reads "Lehmann Lobson".

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

This section in the Comprehensive Annual Financial Report has been developed in accordance with the Governmental Accounting Standards Board Statement Number 34 (GASB 34). It is intended to provide the readers of this report with a general overview and analysis of the financial activities of the City of Vero Beach for the fiscal year ended September 30, 2012.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes, and currently known facts. Please read it in conjunction with additional information in the letter of transmittal, the financial statements, and notes to the financial statements.

Financial Highlights

The City is in good financial condition. Current operations are stable, and staff is always planning and preparing for major changes or developments that are expected to occur in the future. For the year ended September 30, 2012:

- The City's total assets exceeded its liabilities by \$257.5 million (net assets). Of this amount, \$34.0 million was from governmental activities and \$223.5 million was from business-type activities. Unrestricted net assets for governmental and business activities respectively were \$(0.5)million (deficit) and \$50.3 million. The deficit in governmental unrestricted net assets is attributable primarily to the increase in net other postemployment benefits obligation (OPEB) liability.
- The City's revenues for governmental funds, excluding transfers, were \$15.9 million. The expenditures for governmental activities were \$21.4 million.
- The business-type activities of the City had total revenues of \$112.9 million and total expenses of \$107.9 million before transfers.
- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$12.3 million, a decrease of \$0.6 million in comparison with the prior year. Approximately \$7.5 million or 61 % of this total amount is available for spending at the government's discretion (unassigned fund balance).
- The City's long-term debt for business-type activities decreased by \$5.8 million. Long term liabilities for governmental activities increased by \$3.2 million.

Overview of the Financial Statements

The *Introductory Section* of the report includes the letter of transmittal, a list of City officials, an organization chart, and a copy of last year's Certificate of Achievement for Excellence in Financial Reporting.

The *Financial Section* of the report includes the Independent Auditor's Report, this MD&A, the basic financial statements, required supplementary information, and combining and individual fund statements & schedules.

The *MD&A* is prepared by management and is intended to serve as an introduction to the basic financial statements. It is written to provide an objective and easily readable analysis of the City's financial activities and a summary of basic financial information for the City.

The Basic Financial Statements include:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

In addition to the Basic Financial Statements, the Financial Section also includes the following sections:

- Required Supplementary Information
- Combining & Individual Financial Statements and Schedules

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

After the Financial Section, other information about the City and its physical and financial environment is available in the Statistical and Compliance Sections.

Government-Wide Financial Statements. The government-wide financial statements are the statement of net assets and the statement of activities. This summary information is designed to provide a broad overview of the City as a whole that is similar to private sector financial statements. Summary information is categorized as governmental and business-type; and emphasis is on the change in net assets. The government-wide financial statements categorize the City's financial information as governmental or business-type. Governmental activities are primarily supported by property taxes, sales & other taxes, federal and state grants, transfers from the proprietary funds, and state shared revenues. Business-type activities are supported by charges to the users of services. Charges and fees are intended to recover all or a significant portion of costs.

The statement of net assets shows the total assets and liabilities for the City. Net assets are sub-divided into three categories:

- Invested in capital assets, net of related debt
- Restricted
- Unrestricted

The statement of activities presents information on all revenues and expenses of the City and the change in net assets. Revenues and expenses are reported by major function and program. Governmental activities financed by the City include public safety, physical environment, transportation, culture and recreation, and general government services. Business-type activities financed by user fees and charges include electric, water & sewer, airport, marina, solid waste, and recreation.

Fund Financial Statements. The fund financial statements follow the government-wide financial statements, and are expanded under the GASB 34 reporting model. 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 of Vero Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City categorizes funds into three basic fund types: 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 statements. However, unlike the government-wide statements, governmental fund related 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. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison highlights the long-term impact of the City's near term financial decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, offer a reconciliation to assist with this comparison.

The City of Vero Beach maintains eleven individual governmental funds. The general fund is the only major fund in this group. All other governmental funds have been combined into a single, aggregated presentation as non-major funds. Data for each individual non-major governmental fund is provided via the combining statements elsewhere in this report.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

Proprietary Funds. The City's proprietary funds fall into two categories - enterprise funds and internal service funds. The proprietary fund financial statements provide separate information for the City's individual enterprise funds since they are considered to be major funds. None of the internal service funds are major funds; so data for internal service funds are aggregated in a separate column. Also, because the internal service funds represent activities that predominately satisfy internal governmental needs, balance sheet and other data are included as governmental activities, not business-type activities, in the government-wide financial statements.

The City's Enterprise funds are the basis for the business-type activities information in the government-wide financial statements. The proprietary fund statements provide more detail about individual enterprise fund operations. The City of Vero Beach uses enterprise funds to account for its Electric, Water and Sewer, Airport, Marina, Solid Waste, and Recreation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among some of the City's various functions. Included in the internal service fund group are the City's risk-management and health insurance funds. Individual fund data for the internal services funds is provided in the form of combining statements elsewhere in this report, and is included in the governmental rather than business-type activities category in the government-wide financial statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has three pension trust funds to account for the General Employees' Pension plan, the Police Officers' Pension plan and the Firefighter's Relief and Pension plan. The basic fiduciary fund financial statements can be found after the basic proprietary fund financial statements.

Notes to the Financial Statements. Notes to Financial Statements provide additional information that is essential to a complete understanding of the data provided in both the government-wide and fund financial statements. The notes to the financial statements are the last section of the Basic Financial Statements and follow the fiduciary fund financial statements.

Other Information. Required Supplementary Information (RSI) is the next section in this report. In the City's case, RSI schedules show the funding progress and contributions of the City's employee pension funds and the OPEB fund.

Combining and Individual Fund Statements and Schedules section includes combining and individual fund statements for non-major and other funds, and various other statements and schedules of interest to the reader.

The Statistical Section presents information designed to give users a better historical perspective and to assist readers in assessing current financial status and trends of the governmental unit. Economic information is presented to allow a broader understanding of the financial and social environment in which the City government operates.

The Compliance Section contains various reports and schedules with information about the City's internal control, federal and state grants, and any additional comments from the auditors.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

Government-Wide Financial Analysis

The Statement of Net Assets and the concept of net assets are useful indicators of a governmental entity's financial health and stability. In the case of the City of Vero Beach, total assets (current and capital) exceed total liabilities (current and long-term) by \$257.5 million. Further, the City has combined positive balances in all categories of net assets---investment in capital, restricted and unrestricted. The City's combined net assets decreased by \$3.0 million from the amounts previously reported at the end of fiscal year 2011. Governmental activities are responsible for a decrease of \$3.7 million, while the business-type activities are responsible for an increase of \$750,000.

The following schedule provides a comparative summary of net assets for the City of Vero Beach for fiscal years 2012 and 2011. For more detail, see the Statement of Net Assets in the Financial Section of this report immediately following this MD&A.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 22,161,873	\$ 22,216,000	\$ 68,338,251	\$ 63,763,817	\$ 90,500,124	\$ 85,979,817
Capital assets, net	40,798,083	41,291,945	246,935,772	255,709,585	287,733,855	297,001,530
Total assets	62,959,956	63,507,945	315,274,023	319,473,402	378,233,979	382,981,347
Liabilities						
Long-term liabilities	16,877,988	25,093,464	78,633,648	84,474,048	95,511,636	109,567,512
Other liabilities	12,080,846	659,524	13,103,375	12,220,288	25,184,221	12,879,812
Total liabilities	28,958,834	25,752,988	91,737,023	96,694,336	120,695,857	122,447,324
Net assets:						
Invested in capital assets, net of related debt	29,908,083	28,499,031	171,182,649	174,571,430	201,090,732	203,070,461
Restricted	4,598,726	5,028,407	2,000,000	2,000,000	6,598,726	7,028,407
Unrestricted	(505,687)	4,227,519	50,354,351	46,207,636	49,848,664	50,435,155
Total net assets	\$ 34,001,122	\$ 37,754,957	\$ 223,537,000	\$ 222,779,066	\$ 257,538,122	\$ 260,534,023

By far the largest portion of the City's net assets is investment in capital assets (less any related outstanding debt used to acquire those assets). The City of Vero Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate debt.

The City's net assets are also grouped as restricted and unrestricted. Restricted net assets are subject to restrictions on how they may be used. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

The Statement of Activities reconciles and links net assets to the sources of changes in net assets. Program revenues and expenses are presented by function and with their positive or negative effect on net assets. General revenues and transfers, and their effect on net assets, are shown separately. The statement of activities combines the effects of all revenues, expenses and transfers to calculate net assets by governmental activities, business-type activities, and in total. The schedule below provides a comparative summary of activities and the changes in net assets for the City of Vero Beach for the fiscal years ended September 30, 2012 and 2011. For more detailed information see the Statement of Activities in the Financial Section of this report.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenues:						
Charges for services	\$ 3,616,509	\$ 3,471,666	\$ 111,329,898	\$ 110,016,836	\$ 114,946,407	\$ 113,488,502
Operating grants	527,612	531,753	-	177,937	527,612	709,690
Capital grants	82,739	88,014	1,199,221	2,585,075	1,281,960	2,673,089
General revenues:						
Property taxes	4,245,008	4,238,150	-	-	4,245,008	4,238,150
Other taxes	7,142,763	7,320,101	-	-	7,142,763	7,320,101
Investment earnings	216,447	298,044	220,054	355,413	436,501	653,457
Other	117,811	54,178	223,142	143,184	340,953	197,362
Total revenues	15,948,889	16,001,906	112,972,315	113,278,445	128,921,204	129,280,351
Expenses:						
General government	9,797,132	12,958,247	-	-	9,797,132	12,958,247
Public safety	7,585,350	7,776,116	-	-	7,585,350	7,776,116
Physical environment	155,472	133,192	-	-	155,472	133,192
Transportation	2,479,329	2,652,809	-	-	2,479,329	2,652,809
Cultural and recreation	866,935	807,693	-	-	866,935	807,693
Interest on long-term debt	620,728	528,045	-	-	620,728	528,045
Electric system	-	-	81,518,083	81,241,261	81,518,083	81,241,261
Water & sewer system	-	-	14,787,816	15,390,337	14,787,816	15,390,337
Municipal airport	-	-	3,133,745	3,086,270	3,133,745	3,086,270
Municipal marina	-	-	1,701,291	1,717,969	1,701,291	1,717,969
Solid waste	-	-	2,301,788	2,268,793	2,301,788	2,268,793
Recreation	-	-	3,336,862	3,462,899	3,336,862	3,462,899
Total expenses	21,504,946	24,856,102	106,779,585	107,167,529	128,284,531	132,023,631
Change in net assets, before transfers	(5,556,057)	(8,854,196)	6,192,730	6,110,916	636,673	(2,743,280)
Transfers	4,678,934	4,140,811	(4,678,934)	(4,140,811)	-	-
Change in net assets	(877,123)	(4,713,385)	1,513,796	1,970,105	636,673	(2,743,280)
Net assets, beginning of year, as previously stated	37,754,957	42,468,342	222,779,066	220,808,961	260,534,023	263,277,303
Prior period restatement (See Note 1)	(2,876,712)	-	(755,862)	-	(3,632,574)	-
Net assets - end of year	\$ 34,001,122	\$ 37,754,957	\$ 223,537,000	\$ 222,779,066	\$ 257,538,122	\$ 260,534,023

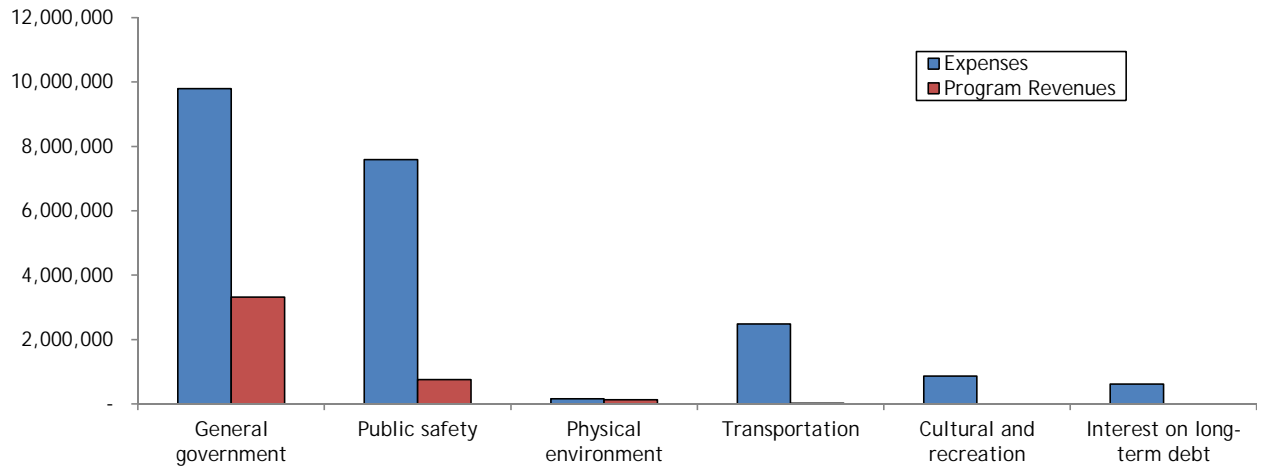
Governmental Activities: Net assets of the City's governmental-type activities decreased by \$3.7 million from the amounts previously reported at the end of fiscal year 2011. Of the \$3.7 million decrease, \$0.9 million is due to current year activities, and \$2.8 million is due to a prior period restatement primarily attributable to a recalculation of the net other post employment benefits (OPEB) obligation. This change does not require the use of current financial resources and thus is not reported as an expenditure in governmental funds.

CITY OF VERO BEACH, FLORIDA

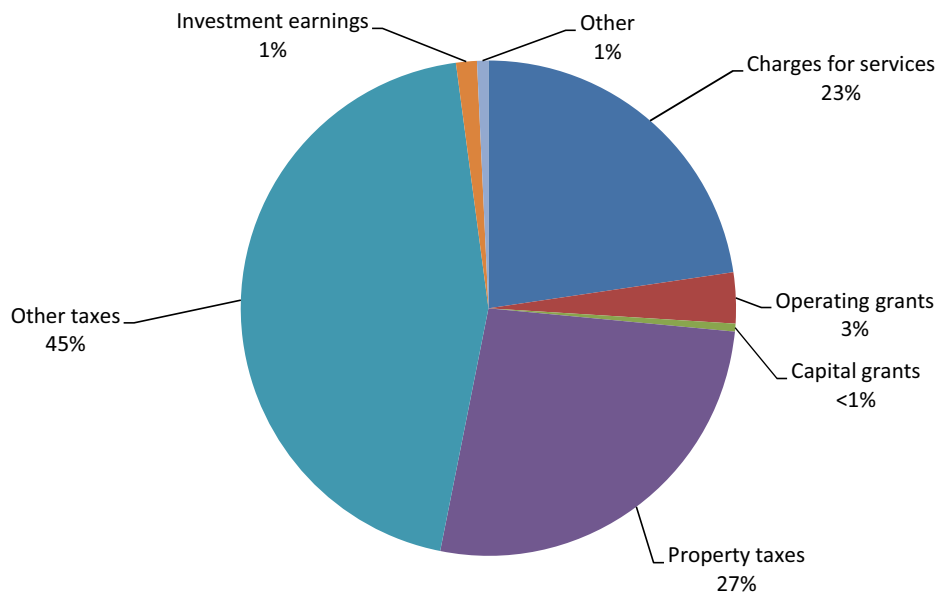
Management's Discussion and Analysis

Most of the City's major revenue sources, including property taxes, sales tax, and investment earnings, remained relatively stable from 2011 to 2012. The governmental expenses decreased by \$3.1 million in 2012. This was primarily due to decreases in loss payments for self insured liability and lower self insured health insurance claims costs (combined with increased premiums).

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

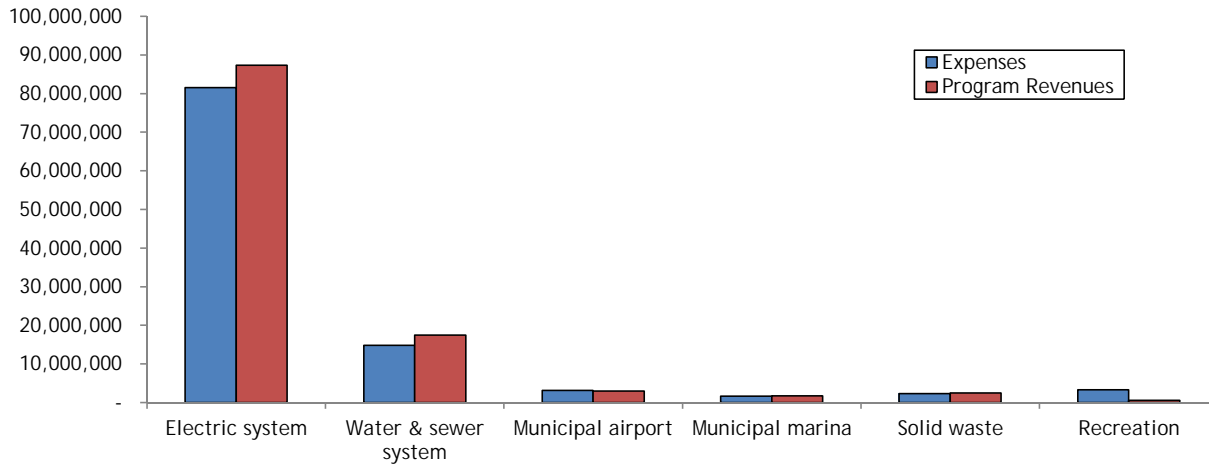


Business-type Activities: Net assets of the City's business-type activities showed an increase of \$0.8 million from the amount previously reported at the end of fiscal year 2011. Of the \$0.8 million increase, \$1.5 million is due to current year activities, and a decrease of \$0.7 million is due to a prior period restatement of depreciation expense based on an updated physical inventory of assets. Charges for services decreased from 2011 by \$1.3 million, and total revenue decreased by \$0.4 million. Capital and operating grants and contributions showed a decrease of \$1.5 million. Total operating expenses for business-type activities increased by \$0.5 million. The largest change is an \$0.6 million increase in the City's water and sewer utility expenses, as operating costs decreased through implementation of the recommendations of the November 2011 optimization study.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

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. As of the end of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$12.3 million, a decrease of \$ 0.6 million from the prior year. Total governmental revenue of \$ 15.9 million showed no decrease from the previous year. Governmental expenditures showed a net decrease of \$ 0.4 million. This was due to: a decrease of \$ 0.4 million in operating expenditures for the governmental funds as reductions in personnel expenditures and operating costs continued; a decrease of \$0.9 million in capital expenditures; and an increase of \$0.9 million in debt service associated with early payment of October 1, 2012 debt service payments in conjunction with the refinancing of debt. The City's governmental funds remain stable, as revenue decreases have leveled off from prior years and reductions in operating expenditures continue to be realized.

The general governmental fund balances of \$12.3 million are available for spending, subject to regulatory, statutory, and budgetary restrictions. Of the available balance, \$7.6 million or 61% is unassigned; the remainder of fund balance is non-spendable or restricted and not available for new spending because the funds have already been committed by law or covenant as follows:

- \$167,000 for non-spendable inventory
- \$50,000 for public safety
- \$927,000 for culture & recreation
- \$2.6 million for physical environment
- \$2,000 committed for physical environment

The General Fund is the City's major governmental fund. As of September 30, 2012, its fund balance was \$7.9 million. General fund revenue budgeted for 2012 was \$13.4 million, in both the original and final budgets, with actual revenue received of \$13.4 million. General fund expenditures were under the final budget by \$567,000 primarily in general government expenditures as all general fund programs kept operating costs to a minimum. The final budgeted net change in fund balance was a decrease of \$775,000 due to early payment of October 1, 2012 debt service in conjunction with a debt refinancing. However, due to fact that the actual operating expenditures were significantly under the final budget, the fiscal year 2012 ended with only a \$71,000 decrease in fund balance.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

Proprietary Funds. The City's Enterprise Funds generate revenues and expenses that are shown as business-type activities in the government-wide financial statements. At the fund level, enterprise funds have unrestricted net assets of \$50.3 million. Of this amount the Electric System has \$36.1 million and the Water & Sewer System has \$11.6 million. There was a total increase in the net assets of all enterprise funds of \$0.8 million from the prior year. For current year activities, this increase was \$1.5 million, attributed primarily to a \$1.6 million increase in the Water Utility revenue. The current year increase was reduced by a prior period restatement of depreciation expense of \$0.7 million for all enterprise funds.

The Internal Service Funds (a category of the City's proprietary funds) are an accounting device used to accumulate and allocate costs internally among some of the City's various functions. At the fund level they have total assets of \$8.2 million and an increase in net assets for the year of \$1.1 million.

General Fund Budgetary Highlights

Both original and final budget are estimates based on the best information available to management prior to year-end. The actual net decrease to General Fund fund balance was \$ 0.7 million less than was projected in the final budget. In the General Fund, expenditures were \$ 0.6 million under final budget. In addition, transfers out to support the Recreation Fund were lower than the final budget by \$ 0.01 million.

	Original & Final Budget Comparison General Fund		
	Original	Final	Change
Revenue			
Taxes	\$ 8,212,864	\$ 8,282,864	\$ 70,000
Licenses and permits	122,050	137,050	15,000
Intergovernmental	1,467,934	1,467,934	-
Grants	5,000	75,300	70,300
Charges for services	3,019,570	3,019,570	-
Fines and forfeitures	137,300	77,100	(60,200)
Investment earnings	205,000	135,000	(70,000)
Rental	90,650	90,650	-
Miscellaneous	145,000	128,500	(16,500)
Total Revenue	<u>\$13,405,368</u>	<u>\$13,413,968</u>	<u>\$ 8,600</u>
Expenditures			
Current:			
General government	\$ 7,123,948	\$ 7,249,404	\$ 125,456
Public safety	6,976,299	6,943,899	(32,400)
Transportation	2,455,129	2,442,057	(13,072)
Culture and recreation	900,283	797,828	(102,455)
Capital outlay	58,743	110,071	51,328
Total Expenditures	<u>\$17,514,402</u>	<u>\$17,543,259</u>	<u>\$ 28,857</u>

Changes in the budget during the year are based on either new or improved information or adjustments for unforeseen events. The primary changes between the original and final budget are as follows:

- Taxes: the final budget was increased to reflect higher collection of utility taxes than originally anticipated (based on actual Electric Utility operating revenue).
- General Fund Grants: the final budget reflected the receipt of additional public safety grant funding for Department of Justice strategic initiatives and FLDE taser replacements.
- Investment Earnings: The final budget was revised to decrease the expected investment earnings, as the City continued to experience lowered investment returns in the current economy.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

- General Government Expenditures: The final budgeted expenditures were increased due to a revised allocation of general insurance costs among the governmental and proprietary funds.
- Culture/Recreation Expenditures: Budgeted Culture/Recreation expenditures for parks ground maintenance (maintenance of the City's parks and beaches, including landscaping, tree replacement, boardwalks, public restrooms, lighting and other services) were decreased to reflect the lowering of operating expenditures in public works.

Capital Asset and Debt Administration

Capital Assets. The City of Vero Beach's capital assets for its governmental and business-type activities as of September 30, 2012 are \$287.7 million (net of accumulated depreciation).

	Capital Assets (Net of Depreciation) (in 000s)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 12,821	\$ 12,821	\$ 10,140	\$ 10,140	\$ 22,961	\$ 22,961
Intangible assets	825	825	-	-	825	825
Buildings	6,727	6,867	106,697	104,893	113,424	111,760
Non-building improvement	2,108	2,161	78,286	85,972	80,394	88,133
Machinery and equipment	1,763	2,157	50,126	53,518	51,889	55,675
Infrastructure	15,285	14,912	-	-	15,285	14,912
Construction in progress	1,269	1,549	1,687	1,187	2,956	2,736
Total capital assets, net	<u>\$ 40,798</u>	<u>\$ 41,292</u>	<u>\$ 246,936</u>	<u>\$ 255,710</u>	<u>\$ 287,734</u>	<u>\$ 297,002</u>

Capital assets include land, buildings, improvements other than buildings, intangible assets, infrastructure, machinery and equipment, and construction in progress and the change in each category are shown in the table above. Assets other than land and construction in progress are depreciable for the current year. For more detail about the changes in capital assets please see Note 8 in the Notes to the Financial Statements.

There was a restatement of beginning net assets of the Governmental Activities and the Proprietary Funds in the Statements of Net Assets due to asset retirements and depreciation expense which should have been properly booked prior to October 1, 2011. During the closeout of Fiscal Year 2011-2012, the City undertook an extensive physical inventory and review of its capital asset records. During this inventory and review, the City identified assets which had been disposed of in prior years but which were still capitalized (along with accumulated depreciation) in the asset inventories for various funds. In addition, some assets which had been replaced by subsequent construction projects had not been removed from the inventory when the new projects were capitalized. As a result of this inventory and analysis, it was concluded that a number of assets should have been retired prior to October 1, 2011. For the most part, these assets had exceeded their useful lives prior to disposal or retirement, and therefore the net effect of the adjustments less accumulated depreciation was not deemed material in the aggregate or in any individual fund. For more information on the capital assets restatement see Note 1 "Accounting Changes and Restatements" in the Notes to the Financial Statements.

Additional information on the City's capital assets can be found in Note 8 of this report.

Long-Term Debt. At the end of the fiscal year, the City of Vero Beach had total long-term liabilities of \$107 million. Of this amount \$43.5 million were bonds secured solely by specified revenue sources; and \$43.2 million was debt backed by the full faith and credit of the government. In addition, the City has a liability for approximately \$3.4 million in claims payable and \$16.9 million in compensated absences and other postemployment benefits (OPEB). For more information on the changes in long-term debt see Note 9 and Note 15 in the Notes to Financial Statements.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

	General Obligation and Revenue Bonds (in 000s)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ -	\$ -	\$ 47,477	\$ 46,900	\$ 47,477	\$ 46,900
Revenue notes	10,890	12,793	28,276	34,238	39,166	47,031
Claims payable	3,432	3,750	-	-	3,432	3,750
Compensated absences	2,556	2,919	2,881	3,336	5,437	6,255
Total long-term debt	<u>\$ 16,878</u>	<u>\$ 19,462</u>	<u>\$ 78,634</u>	<u>\$ 84,474</u>	<u>\$ 95,512</u>	<u>\$ 103,936</u>

Additional information on the City long-term debt can be found in Note 9.

Economic Factors and Next Year's Budget and Rates

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) rely primarily on property and a limited array of other permitted taxes (sales, gasoline, and utilities) and fees (franchise, occupational license) to finance governmental activities. For the business-type and certain other governmental activities (construction services and recreational programs), the user pays a related fee or charge associated with the service; and fees are designed to cover expenses. As discussed, Recreational programs also receive a multi-million dollar subsidy from the general fund. Fees for all services are examined and adjusted as needed.

The adopted city-wide budget for fiscal year 2013 is \$147.1 million. This budget shows a citywide staff reduction of 26 positions, and includes a combination of personnel reductions and decreases in operating expenditures. Ad valorem tax revenues are projected to decrease slightly as a result of the adoption of the prior year's millage rate combined with a 2.6% decrease in taxable values. The total State shared revenues for telecommunications tax, gas tax and State sales tax sharing are projected to increase slightly in the coming year, and the statewide sales tax revenue declines of recent years appear to be stabilizing. The city's health plan has been revised to reflect a fully insured health care plan, which replaces the current self funded plan, at a projected annual savings of \$600K. The City has also replaced its self insured workers compensation and general liability insurance with fully insured programs, for an additional \$400K of City-wide savings. The budget for 2013 only includes those revenues, expenses and capital projects needed in the next year to manage city operations efficiently during these challenging economic times.

City officials and staff have negotiated an agreement for purchase and sale of the City's electric system with Florida Power and Light, with the goal of achieving additional savings on electric rates for the City's residents and customers.

For fiscal year 2013, the City has adopted the prior year's millage rate of 2.0336 per \$1,000. Council and management are actively exploring revenue sources, other than tax increases, and additional expense reductions to maintain the beauty and ambiance of our City while providing the very high level of services our residents and utility customers expect.

CITY OF VERO BEACH, FLORIDA

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the City of Vero Beach's finances for all those with an interest in the City's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Vero Beach, P. O. Box 1389, Vero Beach, Florida 32961.

The City's CAFR is also available on-line at www.covb.org under City Departments - Finance.

BASIC FINANCIAL STATEMENTS

CITY OF VERO BEACH, FLORIDA

Statement of Net Assets
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 20,007,209	\$ 31,204,905	\$ 51,212,114
Receivables	812,992	15,926,087	16,739,079
Inventories	166,727	7,570,296	7,737,023
Prepays	-	6,212	6,212
Restricted assets:			
Equity in pooled cash and investments	-	13,200,806	13,200,806
Net pension obligation asset	1,174,945	-	1,174,945
Capital assets not being depreciated	14,915,433	11,827,414	26,742,847
Capital assets being depreciated, net	25,882,650	235,108,358	260,991,008
Unamortized bond costs	-	429,945	429,945
Total assets	62,959,956	315,274,023	378,233,979
Liabilities			
Accounts payable and accrued liabilities	604,976	8,679,177	9,284,153
Deposits	-	4,424,198	4,424,198
Long-term liabilities:			
Due within one year	2,362,059	6,323,901	8,685,960
Due in more than one year	14,515,929	72,309,747	86,825,676
Net other postemployment benefits obligation	11,475,870	-	11,475,870
Total liabilities	28,958,834	91,737,023	120,695,857
Net assets			
Invested in capital assets, net of related debt	29,908,083	171,182,649	201,090,732
Restricted for:			
Special revenue projects	2,260,311	-	2,260,311
Capital projects	2,289,232	-	2,289,232
Plant replacement and renewal	-	2,000,000	2,000,000
Law enforcement	49,183	-	49,183
Unrestricted (deficit)	(505,687)	50,354,351	49,848,664
Total net assets	\$ 34,001,122	\$ 223,537,000	\$ 257,538,122

The accompanying notes are an integral part of these basic financial statements.

CITY OF VERO BEACH, FLORIDA

Statement of Activities
For the Year Ended September 30, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 9,797,132	\$ 3,322,533	\$ -	\$ -	\$ (6,474,599)
Public safety	7,585,350	166,584	527,612	65,021	(6,826,133)
Physical environment	155,472	127,392	-	-	(28,080)
Transportation	2,479,329	-	-	17,718	(2,461,611)
Cultural and recreation	866,935	-	-	-	(866,935)
Interest and fiscal charges	620,728	-	-	-	(620,728)
Total governmental activities	<u>21,504,946</u>	<u>3,616,509</u>	<u>527,612</u>	<u>82,739</u>	<u>(17,278,086)</u>
Business-type activities:					
Electric system	81,518,083	86,941,142	-	363,835	5,786,894
Water and sewer system	14,787,816	17,312,617	-	169,052	2,693,853
Municipal airport	3,133,745	2,310,893	-	666,334	(156,518)
Municipal marina	1,701,291	1,715,912	-	-	14,621
Solid waste	2,301,788	2,487,424	-	-	185,636
Recreation	3,336,862	561,910	-	-	(2,774,952)
Total business-type activities	<u>106,779,585</u>	<u>111,329,898</u>	<u>-</u>	<u>1,199,221</u>	<u>5,749,534</u>
Total primary government	<u>\$ 128,284,531</u>	<u>\$ 114,946,407</u>	<u>\$ 527,612</u>	<u>\$ 1,281,960</u>	<u>\$ (11,528,552)</u>

CITY OF VERO BEACH, FLORIDA

Statement of Activities
For the Year Ended September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net revenue (expense)	\$ (17,278,086)	\$ 5,749,534	\$ (11,528,552)
General revenues:			
Property taxes	4,245,008	-	4,245,008
Sales and gas taxes	3,704,455	-	3,704,455
Utility taxes	3,438,308	-	3,438,308
Investment earnings	216,447	220,054	436,501
Other revenue	117,811	223,142	340,953
Transfers - internal activities	4,678,934	(4,678,934)	-
Total general revenues and transfers	16,400,963	(4,235,738)	12,165,225
Change in net assets	(877,123)	1,513,796	636,673
Net assets, beginning of year, as previously stated	37,754,957	222,779,066	260,534,023
Prior period restatement (See Note 1)	(2,876,712)	(755,862)	(3,632,574)
Net assets, beginning of year, as restated	34,878,245	222,023,204	256,901,449
Net assets, end of year	\$ 34,001,122	\$ 223,537,000	\$ 257,538,122

concluded

The accompanying notes are an integral part of these basic financial statements.

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CITY OF VERO BEACH, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 7,364,474	\$ 4,438,541	\$ 11,803,015
Receivables, net:			
Accounts	208,769	-	208,769
Special assessments	20,482	19,896	40,378
Interest	25,992	10,096	36,088
Due from other funds	104,413	-	104,413
Due from other governments	360,197	152,601	512,798
Inventories	166,727	-	166,727
Total assets	\$ 8,251,054	\$ 4,621,134	\$ 12,872,188
Liabilities			
Accounts and contracts payable	\$ 115,608	\$ 3,248	\$ 118,856
Accrued liabilities	322,906	805	323,711
Due to other funds	-	104,413	104,413
Deferred revenue	-	19,896	19,896
Total liabilities	438,514	128,362	566,876
Fund balances			
Nonspendable	166,727	-	166,727
Restricted	-	4,598,726	4,598,726
Committed	2,128	-	2,128
Unassigned (deficit)	7,643,685	(105,954)	7,537,731
Total fund balances	7,812,540	4,492,772	12,305,312
Total liabilities and fund balances	\$ 8,251,054	\$ 4,621,134	\$ 12,872,188

The accompanying notes are an integral part of these basic financial statements.

CITY OF VERO BEACH, FLORIDA

Reconciliation

Fund Balances of Governmental Funds to Net Assets of Governmental Activities September 30, 2012

Fund balances - total governmental funds	\$ 12,305,312
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	14,915,433
Capital assets being depreciated, net	25,880,896
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.	
Deferred special assessments	19,896
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net assets of governmental activities accounted for in internal service funds	4,699,124
A negative net pension obligation is not considered to represent a financial asset and therefore is not properly reported in a governmental fund, but is reported as a restricted asset in the government-wide statement of net assets	
Net pension asset	1,174,945
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds payable	(10,890,000)
Accrued interest on long-term debt	(105,642)
Compensated absences	(2,522,972)
Net other postemployment benefits obligation	<u>(11,475,870)</u>
Net assets of governmental activities	<u>\$ 34,001,122</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF VERO BEACH, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 8,298,460	\$ 1,710,228	\$ 10,008,688
Licenses and permits	138,185	-	138,185
Intergovernmental	1,478,492	573,416	2,051,908
Special assessments	-	11,516	11,516
Grants	65,021	6,202	71,223
Charges for services	3,003,695	127,392	3,131,087
Fines and forfeitures	95,532	16,991	112,523
Investment earnings	130,866	43,975	174,841
Rental	89,501	-	89,501
Miscellaneous	117,989	347	118,336
Total revenues	13,417,741	2,490,067	15,907,808
Expenditures			
Current:			
General government	6,940,344	-	6,940,344
Public safety	6,802,226	533,325	7,335,551
Physical environment	-	130,280	130,280
Transportation	2,291,290	-	2,291,290
Culture and recreation	827,972	-	827,972
Debt service:			
Principal	-	1,965,190	1,965,190
Interest and fiscal charges	-	620,728	620,728
Capital outlay	114,173	1,215,443	1,329,616
Total expenditures	16,976,005	4,464,966	21,440,971
Revenues under expenditures	(3,558,264)	(1,974,899)	(5,533,163)
Other financing sources (uses)			
Issuance of long-term debt	2,707,262	3,182,738	5,890,000
Payments to refunded bond escrow agent	-	(5,827,724)	(5,827,724)
Transfers in	7,304,088	9,994,349	17,298,437
Transfers out	(6,523,726)	(5,908,099)	(12,431,825)
Total other financing sources	3,487,624	1,441,264	4,928,888
Net change in fund balances	(70,640)	(533,635)	(604,275)
Fund balances, beginning of year	7,883,180	5,026,407	12,909,587
Fund balances, end of year	\$ 7,812,540	\$ 4,492,772	\$ 12,305,312

The accompanying notes are an integral part of these basic financial statements.

CITY OF VERO BEACH, FLORIDA

Reconciliation

Net Changes in Fund Balances of Governmental Funds to Change in Net Assets
of Governmental Activities
For the Year Ended September 30, 2012

Net change in fund balances - total governmental funds	\$ (604,275)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
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 and reported as depreciation expense.	
Purchase of capital assets	1,301,909
Loss on disposal of capital assets	(188,753)
Depreciation expense	(1,554,727)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Net change in deferred special assessments receivable	(11,491)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal payments on long-term liabilities	1,965,190
Issuance on long-term debt	(5,890,000)
Payment to refunded bond escrow agent	5,827,724
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in the accrual for compensated absences	300,369
Change in net pension obligation	(3,172)
Change in net other postemployment benefits obligation	(3,123,611)
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.	
Interest income from internal service funds	41,606
Transfers out from internal service funds	(187,678)
Operating income (loss) from governmental activities in internal service funds	<u>1,249,786</u>
Change in net assets of governmental activities	<u>\$ (877,123)</u>

The accompanying notes are an integral part of these basic financial statements.

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CITY OF VERO BEACH, FLORIDA

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 8,212,864	\$ 8,282,864	\$ 8,298,460	\$ 15,596
Licenses and permits	122,050	137,050	138,185	1,135
Intergovernmental	1,467,934	1,467,934	1,478,492	10,558
Grants	5,000	75,300	65,021	(10,279)
Charges for services	3,019,570	3,019,570	3,003,695	(15,875)
Fines and forfeitures	137,300	77,100	95,532	18,432
Investment earnings	205,000	135,000	130,866	(4,134)
Rental	90,650	90,650	89,501	(1,149)
Miscellaneous	145,000	128,500	117,989	(10,511)
Total revenues	13,405,368	13,413,968	13,417,741	3,773
Expenditures				
Current:				
General government	7,123,948	7,249,404	6,940,344	(309,060)
Public safety	6,976,299	6,943,899	6,802,226	(141,673)
Transportation	2,455,129	2,442,057	2,291,290	(150,767)
Culture and recreation	900,283	797,828	827,972	30,144
Capital Outlay	58,743	110,071	114,173	4,102
Total expenditures	17,514,402	17,543,259	16,976,005	(567,254)
Revenues under expenditures	(4,109,034)	(4,129,291)	(3,558,264)	571,027
Other financing sources (uses)				
Issuance of long-term debt	-	2,707,262	2,707,262	-
Transfers in	7,304,088	7,304,088	7,304,088	-
Transfers out	(3,195,054)	(6,656,953)	(6,523,726)	133,227
Total other financing sources	4,109,034	3,354,397	3,487,624	133,227
Net change in fund balances	-	(774,894)	(70,640)	704,254
Fund balances, beginning of year	7,883,180	7,883,180	7,883,180	-
Fund balances, end of year	\$ 7,883,180	\$ 7,108,286	\$ 7,812,540	\$ 704,254

The accompanying notes are an integral part of these basic financial statements.

CITY OF VERO BEACH, FLORIDA

Statement of Net Assets
 Proprietary Funds
 September 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 19,182,705	\$ 9,181,595	\$ 2,537,947
Receivables, net:			
Accounts	11,937,208	2,480,058	37,973
Special assessments	-	355,759	-
Interest	48,981	6,517	2,980
Due from other governments	-	-	755,785
Inventories	7,375,741	152,656	-
Prepays	4,290	-	-
Restricted assets:			
Equity in pooled cash and investments	9,452,654	1,562,405	-
Total current assets	<u>48,001,579</u>	<u>13,738,990</u>	<u>3,334,685</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and investments	2,000,000	-	-
Capital assets not being depreciated	2,188,524	316,241	2,935,891
Capital assets being depreciated, net	119,648,740	61,709,693	40,996,307
Deferred bond issuance costs	367,809	41,609	-
Total noncurrent assets	<u>124,205,073</u>	<u>62,067,543</u>	<u>43,932,198</u>
Total assets	<u>172,206,652</u>	<u>75,806,533</u>	<u>47,266,883</u>

Business-type Activities - Enterprise Funds				Governmental Activities
Municipal Marina	Solid Waste	Recreation	Total	Internal Service Funds
\$ -	\$ 225,644	\$ 77,014	\$ 31,204,905	\$ 8,204,194
4,703	296,123	-	14,756,065	-
-	-	-	355,759	-
-	-	-	58,478	14,959
-	-	-	755,785	-
41,899	-	-	7,570,296	-
-	-	1,922	6,212	-
-	-	-	-	-
185,747	-	-	11,200,806	-
<u>232,349</u>	<u>521,767</u>	<u>78,936</u>	<u>65,908,306</u>	<u>8,219,153</u>
-	-	-	2,000,000	-
4,775,738	-	1,611,020	11,827,414	-
657,797	622,138	11,473,683	235,108,358	1,754
20,527	-	-	429,945	-
<u>5,454,062</u>	<u>622,138</u>	<u>13,084,703</u>	<u>249,365,717</u>	<u>1,754</u>
<u>5,686,411</u>	<u>1,143,905</u>	<u>13,163,639</u>	<u>315,274,023</u>	<u>8,220,907</u>

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CITY OF VERO BEACH, FLORIDA

Statement of Net Assets
 Proprietary Funds
 September 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Liabilities			
Current liabilities:			
Accounts and contracts payable	\$ 693,051	\$ 254,730	\$ 364,743
Accrued liabilities	5,499,966	143,895	11,665
Due to other governments	-	666,900	-
Claims payable	-	-	-
Customer deposits	-	-	143,857
Current portion of compensated absences	56,020	48,676	8,972
Payable from restricted assets:			
Accrued interest payable	721,218	94,748	-
Customer deposits	4,202,436	-	-
Revenue bonds and notes payable	4,529,000	1,467,657	-
Total current liabilities	15,701,691	2,676,606	529,237
Noncurrent liabilities, net of current portion:			
Compensated absences	1,064,387	924,851	170,460
Claims payable	-	-	-
Revenue bonds and notes payable	44,130,000	21,624,637	-
Total noncurrent liabilities	45,194,387	22,549,488	170,460
Total liabilities	60,896,078	25,226,094	699,697
Net assets			
Invested in capital assets, net of related debt	73,178,264	38,933,640	43,932,198
Restricted for:			
Plant replacement and emergencies	1,000,000	-	-
Renewal and replacement	1,000,000	-	-
Unrestricted (deficit)	36,132,310	11,646,799	2,634,988
Total net assets	\$ 111,310,574	\$ 50,580,439	\$ 46,567,186

The accompanying notes are an integral part of these basic financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities
Municipal Marina	Solid Waste	Recreation	Total	Internal Service Funds
\$ 10,069	\$ 5,548	\$ 88,352	\$ 1,416,493	\$ 54,862
7,093	16,931	20,031	5,699,581	1,905
-	-	-	666,900	-
-	-	-	-	1,764,243
49,699	-	28,206	221,762	-
2,506	18,005	9,848	144,027	1,667
80,237	-	-	896,203	-
-	-	-	4,202,436	-
183,217	-	-	6,179,874	-
<u>332,821</u>	<u>40,484</u>	<u>146,437</u>	<u>19,427,276</u>	<u>1,822,677</u>
47,607	342,086	187,107	2,736,498	31,680
-	-	-	-	1,667,426
<u>3,818,612</u>	<u>-</u>	<u>-</u>	<u>69,573,249</u>	<u>-</u>
<u>3,866,219</u>	<u>342,086</u>	<u>187,107</u>	<u>72,309,747</u>	<u>1,699,106</u>
<u>4,199,040</u>	<u>382,570</u>	<u>333,544</u>	<u>91,737,023</u>	<u>3,521,783</u>
1,431,706	622,138	13,084,703	171,182,649	1,754
-	-	-	1,000,000	-
-	-	-	1,000,000	-
<u>55,665</u>	<u>139,197</u>	<u>(254,608)</u>	<u>50,354,351</u>	<u>4,697,370</u>
<u>\$ 1,487,371</u>	<u>\$ 761,335</u>	<u>\$ 12,830,095</u>	<u>\$ 223,537,000</u>	<u>\$ 4,699,124</u>

concluded

CITY OF VERO BEACH, FLORIDA

Statement of Revenue, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Operating revenues			
Charges for services	\$ 86,941,142	\$ 17,312,617	\$ 2,310,893
Operating expenses			
Production	60,672,067	3,853,956	-
Transmission and distribution	6,261,197	2,048,050	-
Administrative and general	3,959,233	2,839,364	-
Pollution control	-	2,010,021	-
Customer service	1,466,952	-	-
Claims expense	-	-	-
Operating charges	-	-	1,846,600
Depreciation	6,695,225	3,259,408	1,287,145
Total operating expenses	79,054,674	14,010,799	3,133,745
Operating income (loss)	7,886,468	3,301,818	(822,852)
Nonoperating revenues (expenses)			
Investment earnings	138,428	73,286	8,315
Interest/amortization expense	(2,394,249)	(777,017)	-
Federal and state grants	(69,160)	-	666,334
Miscellaneous	80,416	24,829	60,843
Total nonoperating revenues (expenses)	(2,244,565)	(678,902)	735,492
Income (loss) before capital contributions and transfers	5,641,903	2,622,916	(87,360)
Capital contributions and transfers			
Capital contributions	363,835	169,052	-
Transfers in	-	-	-
Transfers out	(5,766,213)	(1,163,566)	-
Total capital contributions and transfers	(5,402,378)	(994,514)	-
Change in net assets	239,525	1,628,402	(87,360)
Net assets, beginning of year, as previously stated	111,231,403	49,282,370	46,896,172
Prior period restatement	(160,354)	(330,333)	(241,626)
Net assets, beginning of year	111,071,049	48,952,037	46,654,546
Net assets, end of year	\$ 111,310,574	\$ 50,580,439	\$ 46,567,186

The accompanying notes are an integral part of these basic financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities
Municipal Marina	Solid Waste	Recreation	Total	Internal Service Funds
\$ 1,715,912	\$ 2,487,424	\$ 561,910	\$ 111,329,898	\$ 6,985,114
-	-	-	64,526,023	-
-	-	-	8,309,247	-
-	-	-	6,798,597	-
-	-	-	2,010,021	-
-	-	-	1,466,952	-
-	-	-	-	5,008,022
1,475,659	2,214,654	2,982,111	8,519,024	725,826
63,751	87,134	354,751	11,747,414	1,480
1,539,410	2,301,788	3,336,862	103,377,278	5,735,328
176,502	185,636	(2,774,952)	7,952,620	1,249,786
15	10	-	220,054	41,606
(161,881)	-	-	(3,333,147)	-
-	-	-	597,174	-
37,961	14,695	4,398	223,142	-
(123,905)	14,705	4,398	(2,292,777)	41,606
52,597	200,341	(2,770,554)	5,659,843	1,291,392
-	-	-	532,887	-
-	-	2,487,476	2,487,476	-
(82,881)	(153,750)	-	(7,166,410)	(187,678)
(82,881)	(153,750)	2,487,476	(4,146,047)	(187,678)
(30,284)	46,591	(283,078)	1,513,796	1,103,714
1,520,256	735,692	13,113,173	222,779,066	3,595,410
(2,601)	(20,948)	-	(755,862)	-
1,517,655	714,744	13,113,173	222,023,204	3,595,410
\$ 1,487,371	\$ 761,335	\$ 12,830,095	\$ 223,537,000	\$ 4,699,124

CITY OF VERO BEACH, FLORIDA

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Cash flows from operating activities			
Receipts from customers and users	\$ 86,147,795	\$ 17,503,781	\$ 1,705,397
Cash received from other funds for self-insurance	-	-	-
Payments to vendors	(65,577,918)	(6,927,055)	(1,063,128)
Payments for personnel services	(6,345,976)	(3,944,836)	(480,743)
Benefit payments	-	-	-
Net cash provided by operating activities	<u>14,223,901</u>	<u>6,631,890</u>	<u>161,526</u>
Cash flows from noncapital financing activities			
Transfers in	-	-	-
Transfers out	(5,766,213)	(1,163,566)	-
Net cash used in noncapital financing activities	<u>(5,766,213)</u>	<u>(1,163,566)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(2,451,012)	(293,764)	(947,735)
Proceeds from issuance of long-term debt	-	626,754	-
Receipt (repayment) of capital grant	(69,160)	-	666,334
Capital contributions	363,835	169,052	-
Special assessments received	-	102,518	-
Principal paid on long-term debt	(4,341,000)	(1,494,633)	-
Interest and agent fees paid on long-term debt	(2,350,917)	(772,478)	-
Net cash used in capital and related financing activities	<u>(8,848,254)</u>	<u>(1,662,551)</u>	<u>(281,401)</u>
Cash flows from investing activities			
Purchase of pooled investments	-	-	(10,735)
Proceeds from sale and maturity of pooled investments	1,071,775	1,095,006	-
Interest received	138,428	73,286	8,315
Net cash provided by investing activities	<u>1,210,203</u>	<u>1,168,292</u>	<u>(2,420)</u>
Net change in cash and cash equivalents	819,637	4,974,065	(122,295)
Cash and cash equivalents, beginning of year	<u>2,355,537</u>	<u>2,232,765</u>	<u>1,067,331</u>
Cash and cash equivalents, end of year	<u>\$ 3,175,174</u>	<u>\$ 7,206,830</u>	<u>\$ 945,036</u>

Business-type Activities - Enterprise Funds				Governmental Activities
Municipal Marina	Solid Waste	Recreation	Total	Internal Service Funds
\$ 1,755,305	\$ 2,537,048	\$ 566,308	\$ 110,215,634	\$ -
-	-	-	-	7,242,533
(1,198,860)	(1,345,644)	(2,108,696)	(78,221,301)	(527,604)
(270,415)	(863,948)	(841,501)	(12,747,419)	(207,274)
-	-	-	-	(5,326,139)
<u>286,030</u>	<u>327,456</u>	<u>(2,383,889)</u>	<u>19,246,914</u>	<u>1,181,516</u>
-	-	2,487,476	2,487,476	-
(82,881)	(153,750)	-	(7,166,410)	(187,678)
<u>(82,881)</u>	<u>(153,750)</u>	<u>2,487,476</u>	<u>(4,678,934)</u>	<u>(187,678)</u>
(7,324)	-	(29,631)	(3,729,466)	-
-	-	-	626,754	-
-	-	-	597,174	-
-	-	-	532,887	-
-	-	-	102,518	-
(176,153)	-	-	(6,011,786)	-
(164,044)	-	-	(3,287,439)	-
<u>(347,521)</u>	<u>-</u>	<u>(29,631)</u>	<u>(11,169,358)</u>	<u>-</u>
(13)	(14)	-	(10,762)	(53,765)
-	-	-	2,166,781	-
15	10	-	220,054	41,606
<u>2</u>	<u>(4)</u>	<u>-</u>	<u>2,376,073</u>	<u>(12,159)</u>
(144,370)	173,702	73,956	5,774,695	981,679
<u>271,202</u>	<u>34,884</u>	<u>3,058</u>	<u>5,964,777</u>	<u>877,855</u>
<u>\$ 126,832</u>	<u>\$ 208,586</u>	<u>\$ 77,014</u>	<u>\$ 11,739,472</u>	<u>\$ 1,859,534</u>

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CITY OF VERO BEACH, FLORIDA

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Classified on the statement of net assets as			
Equity in pooled cash and investments	\$ 19,182,705	\$ 9,181,595	\$ 2,537,947
Restricted assets:			
Current:			
Equity in pooled cash and investments	9,452,654	1,562,405	-
Noncurrent:			
Equity in pooled cash and investments	2,000,000	-	-
	<u>30,635,359</u>	<u>10,744,000</u>	<u>2,537,947</u>
Less: investments not meeting definition of cash equivalents	<u>(27,460,185)</u>	<u>(3,537,170)</u>	<u>(1,592,911)</u>
	<u>\$ 3,175,174</u>	<u>\$ 7,206,830</u>	<u>\$ 945,036</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Cash flows from operating activities			
Operating income (loss)	\$ 7,886,468	\$ 3,301,818	\$ (822,852)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	6,695,225	3,259,408	1,287,145
Other revenue	80,416	24,829	60,843
Bad debt expense	9,308	252,867	-
Change in:			
Accounts receivable	(883,071)	(86,532)	(666,339)
Inventories	198,755	20,304	-
Prepays	2,246	-	-
Accounts payable	369,782	52,056	333,576
Accrued liabilities	(103,185)	31,766	(1,224)
Accrued compensated absences	(183,114)	(224,626)	(3,744)
Claims payable	-	-	-
Customer deposits	151,071	-	(25,879)
Net cash provided by operating activities	<u>\$ 14,223,901</u>	<u>\$ 6,631,890</u>	<u>\$ 161,526</u>

The accompanying notes are an integral part of these basic financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities
Municipal Marina	Solid Waste	Recreation	Total	Internal Service Funds
\$ -	\$ 225,644	\$ 77,014	\$ 31,204,905	\$ 8,204,194
185,747	-	-	11,200,806	-
-	-	-	2,000,000	-
<u>185,747</u>	<u>225,644</u>	<u>77,014</u>	<u>44,405,711</u>	<u>8,204,194</u>
<u>(58,915)</u>	<u>(17,058)</u>	<u>-</u>	<u>(32,666,239)</u>	<u>(6,344,660)</u>
<u>\$ 126,832</u>	<u>\$ 208,586</u>	<u>\$ 77,014</u>	<u>\$ 11,739,472</u>	<u>\$ 1,859,534</u>

\$ 176,502	\$ 185,636	\$ (2,774,952)	\$ 7,952,620	\$ 1,249,786
63,751	87,134	354,751	11,747,414	1,480
37,961	14,695	4,398	223,142	-
-	60,147	-	322,322	-
1,432	(25,218)	-	(1,659,728)	253,189
8,587	-	-	227,646	-
-	-	-	2,246	4,230
1,963	4,766	76,834	838,977	42,562
(260)	(1,222)	(676)	(74,801)	(1,493)
(4,584)	1,518	(40,818)	(455,368)	(50,121)
-	-	-	-	(318,117)
<u>678</u>	<u>-</u>	<u>(3,426)</u>	<u>122,444</u>	<u>-</u>
<u>\$ 286,030</u>	<u>\$ 327,456</u>	<u>\$ (2,383,889)</u>	<u>\$ 19,246,914</u>	<u>\$ 1,181,516</u>

concluded

CITY OF VERO BEACH, FLORIDA

Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2012

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 522	\$ 40
Interest receivable	151,699	-
Investments, at fair value:		-
Mutual fund investments	60,497,903	-
Treasury and agency bonds & notes	4,347,943	-
Corporate bonds	5,483,973	-
Municipal bonds and notes	105,918	-
Real estate	5,908,412	-
Corporate stocks	18,416,155	-
Total investments, at fair value	<u>94,760,304</u>	<u>-</u>
Total assets	<u>94,912,525</u>	<u>40</u>
Liabilities		
Accrued liabilities	8,617	40
DROP plan payable	318,553	-
Total liabilities	<u>327,170</u>	<u>\$ 40</u>
Net assets		
Held in trust for pension benefits and other purposes	<u>\$ 94,585,355</u>	

The accompanying notes are an integral part of these basic financial statements.

CITY OF VERO BEACH, FLORIDA

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended September 30, 2012

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 5,029,621
Plan members	618,646
State (passed thru to Police & Firefighter's Premium Tax Trust Fund)	<u>527,612</u>
Total contributions	<u>6,175,879</u>
Investment income:	
Interest and dividends	2,392,459
Net appreciation (depreciation) in fair value of investments	<u>13,200,009</u>
Total investment income	15,592,468
Investment expense	<u>(226,900)</u>
Net investment income	<u>15,365,568</u>
Total additions	<u>21,541,447</u>
Deductions	
Benefit payments	7,256,332
DROP plan benefits	257,973
Refunds of contributions	27,673
Administrative expenses	<u>397,055</u>
Total deductions	<u>7,939,033</u>
Change in net assets	13,602,414
Net assets, beginning of year	<u>80,982,941</u>
Net assets, end of year	<u><u>\$ 94,585,355</u></u>

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Vero Beach ("the City"), located in Indian River County, is a political subdivision of the State of Florida pursuant to Article VIII, Section 1(a) of the Constitution of the State of Florida. The legislative branch of the City is composed of a five-member elected Council. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council appointed City Manager.

The financial statements of the City have been prepared in conformity with U.S. Generally Accepted Accounting Principles as applied to governmental units. GAAP requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates. Based upon the application of the criteria as set forth in Governmental Accounting Standards Board Statement Number 14, *Defining the Financial Reporting Entity*, there are no potential component units or related organizations of the City. The more significant of the City's accounting policies are described below:

Reporting Entity

The accompanying financial statements present the financial position, results of operations, and cash flows of the City of Vero Beach, Florida, the primary government. The reporting entity for the City includes all functions of government for which the City Council is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund transfer activity has been removed from these statements, but interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

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 and fiduciary fund financial statements. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting of Certain Shared Nonexchange Revenues* (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

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. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. All material revenues, except for local business tax revenues, are considered measurable and available and are thus susceptible to accrual. Local business tax revenues are not considered available since neither a legally enforceable claim exists nor were the related services provided before October 1, 2011. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. An exception to this general rule is principal and interest on general long-term obligations, which are recognized when due.

Property taxes, utility taxes, communication taxes, sales and fuel taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The government reports the following major proprietary funds:

The *Electric System Fund* accounts for the activities of the government's electric system services provided to the customers within our designated service territory.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

The *Water & Sewer System Fund* accounts for the activities of the government's water and sewer system for provision of water and sewer services to the customers within our designated service areas.

The *Municipal Airport Fund* accounts for the activities of the government's general aviation airport.

The *Municipal Marina Fund* accounts for the activities of the government's marina.

The *Solid Waste Fund* accounts for the activities of the government's solid waste disposal service to both commercial enterprises and residents.

The *Recreation Fund* accounts for the activities of the government's recreation and parks system.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Permanent Fund* accounts for assets that are permanently restricted for cemetery care. The principal must be maintained intact and invested.

The *Pension Trust Funds* accounts for the activities of the General Employees' Retirement Plan, the Police Officers' Retirement Fund, and the Firemen's Relief and Pension Fund, which accumulate resources for pension benefit payments to qualified city employees, police officers, and firefighters.

Agency Funds are used to accumulate resources held in a purely custodial capacity for the benefit of employees and retirees.

The *Internal Service Fund* accounts for self-insurance services provided to other departments of the City on a cost reimbursement basis for worker's compensation, automobile liability, general liability and health insurance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used, such as vehicle maintenance charges from the government's Fleet Management to other various functions of the government, are not eliminated in the statement of activities.

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

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include 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.

Restricted net assets are assets that are subject to restrictions beyond the City's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed.

Assets, liabilities and equity

Deposits and investments

The City, for accounting and investment purposes, maintains a pooled cash and investment account for all funds. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. The "equity in pooled cash and investments" represents the amount owned by each fund. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with maturities of three months or less when purchased to be cash equivalents. Pooled investments consist of U.S. Government Obligations, Wells Fargo Advantage Funds, Regions Bank and the Florida State Board of Administration's Local Government Investment Pool (SBA).

Investments, including the Pension Trust Funds, are stated at fair value. Income from investments held by the individual funds is recorded in the respective fund as it is earned. All other investments owned by the City are accounted for in the City's investment pool. Income earned, from cash and pooled investments, is allocated to the respective funds based upon average monthly cash balances. All fair market valuations are based on quoted market prices.

Receivables and payables

Activity between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year of a short-term nature and any other outstanding balances between funds are reported as due to and from other funds. The long-term portion of any borrowings between funds is reported as advances to and from other funds. Long-term advances of the governmental funds are recorded by the advancing fund as a receivable and a reservation of fund balance. Repayments reduce the corresponding receivable and the reserve. Any residual outstanding balances between the governmental activities and business-type activities at year-end are reported in the government-wide financial statements as internal balances.

All accounts and notes receivable are reported net of any allowances for uncollectibles.

Restricted assets

Certain assets of the governmental activities, representing equity in pooled investments, are classified as restricted on the statement of net assets because they are limited as to use by Federal, State or local law.

Certain proceeds of the City's enterprise revenue bonds and notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond and note covenants.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Other assets

Inventories are comprised of materials and supplies held for consumption and are stated at cost on the basis of the weighted average method of accounting for the General Fund, Electric System Fund, Water and Sewer Fund, and the Municipal Marina Fund. The weighted average method of inventory results in charges against revenue on the basis of an average of the number of units acquired at each price level. Inventories are recognized as expenditures when they are used (consumption method), as opposed to when they are acquired (purchase method).

Prepaid expenses consist of prepaid insurance premiums and postage costs that have been prepaid for the next fiscal year. Prepaid expenses are recognized as expenditures when they are used (consumption method), as opposed to when they are acquired (purchase method).

Inventory and prepaid expense balances in the governmental fund types are offset by a fund balance reserve that indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital assets

Capital assets, including land, buildings, improvements other than buildings, intangible assets (i.e. software, easements and right-of-ways), infrastructure (i.e., roads, bridges, sidewalks, and similar items) and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if constructed. Contributions or donations of capital assets received from federal, state or local sources are recorded as contributions when received and are stated at estimated fair market value.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on enterprise fund projects during the construction period based upon average accumulated project expenditures. The costs of normal maintenance and repairs that do not improve or extend the life of the respective assets are not capitalized.

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

	Years
Buildings	40-50
Non-building improvements	10-20
Infrastructure	15-30
Machinery and equipment	3-15

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Effective October 1, 2009 the City implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments are allowed to initially recognize intangible assets obtained through nonexchange transactions at estimated fair value if determining actual historical cost at acquisition is not practical due to inadequate records. See above for description of intangible assets.

Compensated absences

It is the City's policy to grant all full-time employees annual leave based upon the number of years of employment. Annual leave may be used or accumulated up to a limit of 60 working days for general employees and police officers. Upon termination, the employee can receive a cash payment based upon the employee's current wage rate and the number of leave hours accumulated.

Medical leave accrues to all full-time, permanent employees at a rate of one workday per month starting during the first full month of employment. No employee will accumulate paid sick leave for any month in which the employee was on medical leave for more than 15 consecutive working days. Medical leave may be accumulated without limit. Employees retiring in accordance with existing City retirement plans will receive a cash payment based upon the employee's base rate of pay for unused medical leave days accumulated up to a maximum of 120 days. Any medical leave in excess of 120 days remaining at retirement shall be added to an employee's length of continuous service. All eligible employees who leave the City due to resignation, permanent disability, or death, and who have been employed by the City for at least one year, will be paid an amount equal to the employee's accrued medical leave (up to a maximum of 120 days) multiplied by 3%-4% based on years of service (up to a maximum of 33 years) at the employee's final pay rate.

For employees with more than one year of service but less than three years of service, the minimum payment shall equal 10% of accrued medical leave.

In July 2012, a change was approved to the City's compensated absences policy for all employees not covered under a collective bargaining agreement. For these employees, all accrued sick and vacation balances were 'frozen' in July 2012 and are eligible for payment under the policy outlined above. For all sick accruals going forward, any accumulated amounts unused at the time of termination or retirement are not eligible for payout. In addition, these employees are limited to a carryover of no more than five annual vacation days on each employment anniversary date. All unused annual leave remains eligible for payment upon termination.

Accumulated compensated absences for annual leave and medical leave are recorded as expenses in the government-wide and the proprietary funds when incurred. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. In the proprietary funds bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Interfund transactions

During the course of normal operations, the City has numerous transactions between funds. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City departments and funds as transfers or operating revenue. All City funds record these payments to the internal service funds as transfers or operating expenditures/expenses.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Accounting Changes and Restatements

There was a restatement of beginning net assets of the Governmental Activities and the Proprietary Funds in the Statements of Net Assets due to asset retirements and depreciation expense which should have been properly booked prior to October 1, 2011. During the closeout of Fiscal Year 2011-2012, the City undertook an extensive physical inventory and review of its capital asset records. During this inventory and review, the City identified assets which had been disposed of in prior years but which were still capitalized (along with accumulated depreciation) in the asset inventories for various funds. In addition, some assets which had been replaced by subsequent construction projects had not been removed from the inventory when the new projects were capitalized. As a result of this inventory and analysis, it was concluded that a number of assets should have been retired prior to October 1, 2011. For the most part, these assets had exceeded their useful lives prior to disposal or retirement, and therefore the net effect of the adjustments less accumulated depreciation was not deemed material in the aggregate or in any individual fund.

Additionally, the City identified an additional \$2,720,259 in OPEB liability that should have been properly recorded prior to October 1, 2011. The governmental activities beginning net assets were restated to reflect this additional liability.

2. BUDGETARY INFORMATION

The City follows the procedures set forth below in establishing the budgetary data reflected in the financial statements:

Budgets are legally adopted for the general fund, enterprise funds, an internal service fund and the special revenue fund for Law Enforcement Education. Other funds that have legally adopted budgets include the capital projects funds and the permanent fund.

The budget process begins in February and ends in September. Through a series of discussions and public meetings the City's level of service goals and anticipated revenues and expenditures for the next fiscal year are discussed and documented as the Annual Budget.

- Revenues are projected from rate structures, historical data, estimates and statistical trends available from City sources and outside agencies.
- Expenses are estimated on cost analyses, expected needs, and historical data produced by the finance and operating departments.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

In July of each year, the City Manager presents a proposed annual budget to the City Council for the fiscal year beginning the following October 1st. In a series of meetings that are open to the public, the City Council meets to review the budget and thoroughly discuss it in detail and in overview.

The final adoption of the City's budget complies with the "Truth in Millage" Statute of Florida that mandates two public hearings prior to adoption of the ad valorem tax millage rate and the budget. Prior to October 1 of each year, the public hearings are completed, and the Council adopts the final budget and establishes the ad valorem tax millage rate.

The budget may be formally amended by City Council at any time during the fiscal year; however, in practice, it is usually amended two or three times per year. In fiscal year 2012 the budget was amended twice. In June 2012 and October 2012, the fiscal year 2012 budget was amended to recognize changes in projected revenues and expenditures for the general fund, enterprise funds and capital projects funds. Budget amounts shown in the financial statements reflect the amendments to the originally adopted budget.

The City Manager is authorized to transfer budgeted amounts between accounts within a department. At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation among programs within one department, or among departments that are in the same fund and under his supervision, provided that such transfer does not exceed fifty thousand dollars in any one fiscal year and does not exceed the total appropriation for that fund.

All legally adopted budgets are prepared in accordance with generally accepted accounting principles. Appropriations lapse at the end of the fiscal year.

3. FUND DEFICIT

At September 30, 2012, the Crestlawn cemetery permanent fund has an ending fund balance deficit of \$105,954. This deficit is attributable primarily due to insufficient revenues to cover fixed operating costs.

At September 30, 2012, the statement of net assets for the City's business-type activities reflects a \$254,608 deficit in unrestricted net assets for the Recreation Fund. This deficit is attributable primarily to the fact that budgeted transfers to the Recreation Fund from the General Fund are sufficient to support annual operating charges and cash needs, but the Recreation Fund does not currently have sufficient assets to offset its liability for compensated absences, or sufficient operating revenue to cover annual depreciation expenses.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2012:

	Primary Government
Statement of Net Assets	
Equity in pooled cash and investments	\$ 51,212,114
Restricted assets:	
Equity in pooled cash and investments	13,200,806
Statement of Fiduciary Net Assets	
Pension trust funds:	
Cash and cash equivalents	522
Investments	94,760,304
Other fiduciary funds:	
Cash and cash equivalents	40
Total	<u>\$159,173,786</u>
Deposits and investments	
Bank deposits:	
Checking and savings accounts	\$ 9,368,494
Investments:	
Cash and investment pool	55,031,338
Pension trust fund investments	94,760,304
Cash on hand	13,650
Total	<u>\$159,173,786</u>

Bank Deposits and Treasurer's Investment Pool

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. It is City's policy to review and verify a bank's creditworthiness through a system of ratio analysis and from information provided by several third-party sources. In addition, the City's investment policy places concentration limits on the total amount deposited with a single financial institution.

Investments

The City maintains a cash and investment pool that is available for use by all funds except the Pension Trust Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

City ordinances authorize the City to make investments through authorized depositories. The City's investment policy is designed to mirror the guidelines set forth in Florida Statute Section 218.415(15). As prescribed by the Florida statutes and City ordinance, the City's investment portfolio at September 30, 2012, and for the year then ended, includes investments with Wells Fargo Advantage Funds, Regions Bank, the Florida State Board of Administration's Local Government Surplus Trust Funds Investment Pool (SBA) and investment obligations of the U.S. Treasury.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Wells Fargo Advantage Funds is the firm under which Wells Fargo Bank, N.A. conducts its investment management business. The City has the Wells Fargo Advantage Government Money Market Fund - GVIXX to handle its pooled cash and investments. The fund invests exclusively in high-quality, short term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. This fund is an SEC registered 2a-7 money market fund with AAAM ratings by Standard and Poor's and Aaa by Moody's.

Regions Bank serves as a Custodian for the investments of the City of Vero Beach. In accordance with the Custody Agreement, Regions Bank will invest funds in the Federated Government Obligations Fund #395. This fund is rated AAAM by Standard and Poor's, AAA by Fitch and Aaa by Moody's. The fund offers a high level of liquidity and will sweep available cash automatically. The City has retained Cutwater Asset Management as the City's investment advisor. Cutwater is responsible for the investment management of the City's assets in U S Treasury N/B Notes and Agency Funds rated AAA by Standard and Poor's and Aaa by Moody's.

The Florida PRIME (formerly Fund A) is one of two open-pool investment funds operated by the State Board of Administration (SBA) of Florida. Both funds operate in essentially the same fashion as mutual funds and are open to non-pension assets of all Florida governmental entities. Florida PRIME is rated AAAM by S&P and will buy only top tier, money-market assets of the highest quality. It is structured as a "2a - 7" like fund with an objective to pool investments from participants in a portfolio of eligible securities that principally provides liquidity while preserving capital and secondarily provides competitive yields net of fees. The SBA Fund B Surplus Funds Trust Fund is accounted for as a fluctuating net asset value (NAV) pool. Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA.

To the extent possible, the City will attempt to match its investments with overall anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than seven (7) years from the date of purchase. No more than 30% of the City's non-pension investment portfolio shall be placed in securities maturing in more than three (3) years.

The deposits and investments of the Pension Trust Funds are held separately from those of other City funds. As prescribed by the Plan documents, the investment portfolios for these funds at September 30, 2012 and for the year then ended include investment obligations of the U.S. Treasury, various domestic and international stocks and bonds.

Custodial Credit Risk - Investments. The following is a summary of the City's investments as of September 30, 2012:

U.S. government securities	\$ 45,292,665
Mututal fund investments	9,449,400
Local government surplus funds trust fund	<u>289,273</u>
Total	<u>\$ 55,031,338</u>

The types of deposits and investments and their level of risk exposure as of September 30, 2012 were typical of these items during the fiscal year then ended.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 208,769	\$ 18,572,774
Allowance for uncollectible receivables	-	(3,816,709)
Special assessments	40,378	355,759
Interest	51,047	58,478
Due from other governments	512,798	755,785
	<u>\$ 812,992</u>	<u>\$ 15,926,087</u>

The Electric System Fund, Water and Sewer System Fund, and Solid Waste Fund operating revenues are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during September that have not been read as of year-end are accrued based upon meter readings taken at the beginning of October and billed in October.

Special assessments receivable are recorded at the time the related project is completed and are secured by liens on the property benefited. Revenue in governmental funds is deferred until such time it becomes an available, spendable, or appropriable resource. Special assessment revenues are recorded in the government-wide and enterprise fund financial statements when earned.

The City provides an allowance for electric, water and sewer, and solid waste accounts receivable that may become uncollectible, which approximates 2 - 4% of sales. The amount of bad debt expense at September 30, 2012 was approximately \$324,500. No other allowances for uncollectible accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2012.

Of the amounts reported for receivables above, special assessments receivable in the amount of \$19,896 are not expected to be collected within one year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts and contracts	\$ 173,718	\$ 1,416,493
Accrued liabilities	325,616	5,699,581
Due to other governments	-	666,900
Accrued interest on long-term debt	105,642	896,203
	<u>\$ 604,976</u>	<u>\$ 8,679,177</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2012, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General fund	\$ 104,413	\$ -
Nonmajor governmental funds	-	104,413
	<u>\$ 104,413</u>	<u>\$ 104,413</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended September 30, 2012, interfund transfers consisted of the following:

Transfers Out	Transfers in			Totals
	General Fund	Nonmajor Governmental Funds	Recreation Fund	
General fund	\$ -	\$ 4,106,750	\$ 2,416,976	\$ 6,523,726
Nonmajor governmental funds	-	5,837,599	70,500	5,908,099
Electric system fund	5,766,213	-	-	5,766,213
Water & sewer system fund	1,113,566	50,000	-	1,163,566
Municipal marina	82,881	-	-	82,881
Solid waste	153,750	-	-	153,750
Internal service funds	187,678	-	-	187,678
	<u>\$ 7,304,088</u>	<u>\$ 9,994,349</u>	<u>\$ 2,487,476</u>	<u>\$ 19,785,913</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

8. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended September 30, 2012, was as follows:

	Beginning Balance, as previously stated	Prior Period Adjustment	Additions	Disposals	Transfers	Ending Balance
Governmental Activities						
Capital assets, not being depreciated:						
Land	\$ 12,820,931	\$ -	\$ -	\$ -	\$ -	\$ 12,820,931
Intangible assets	825,080	-	-	-	-	825,080
Construction in progress	1,549,127	-	76,450	(83,111)	(273,044)	1,269,422
	<u>15,195,138</u>	<u>-</u>	<u>76,450</u>	<u>(83,111)</u>	<u>(273,044)</u>	<u>14,915,433</u>
Capital assets, being depreciated:						
Buildings	11,669,116	(3,924)	27,751	-	-	11,692,943
Non-building improvements	4,092,336	-	-	-	-	4,092,336
Machinery and equipment	11,399,601	(1,630,523)	184,580	-	-	9,953,658
Infrastructure	35,232,564	-	1,013,128	-	273,044	36,518,736
	<u>62,393,617</u>	<u>(1,634,447)</u>	<u>1,225,459</u>	<u>-</u>	<u>273,044</u>	<u>62,257,673</u>
Less accumulated depreciation for:						
Buildings	(4,802,464)	3,473	(167,164)	-	-	(4,966,155)
Non-building improvements	(1,931,564)	-	(53,118)	-	-	(1,984,682)
Machinery and equipment	(9,242,467)	1,474,521	(423,170)	-	-	(8,191,116)
Infrastructure	(20,320,315)	-	(912,755)	-	-	(21,233,070)
	<u>(36,296,810)</u>	<u>1,477,994</u>	<u>(1,556,207)</u>	<u>-</u>	<u>-</u>	<u>(36,375,023)</u>
Total capital assets being depreciated, net	<u>26,096,807</u>	<u>(156,453)</u>	<u>(330,748)</u>	<u>-</u>	<u>273,044</u>	<u>25,882,650</u>
Governmental activities capital assets, net	<u>\$ 41,291,945</u>	<u>\$ (156,453)</u>	<u>\$ (254,298)</u>	<u>\$ (83,111)</u>	<u>\$ -</u>	<u>\$ 40,798,083</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

	Beginning Balance, as previously stated	Prior Period Adjustment	Additions	Disposals	Transfers	Ending Balance
Business-type Activities						
Capital assets, not being depreciated:						
Land	\$ 10,140,182	\$ -	\$ -	\$ -	\$ -	\$ 10,140,182
Construction in progress	1,187,409	-	1,322,931	-	(823,108)	1,687,232
	<u>11,327,591</u>	<u>-</u>	<u>1,322,931</u>	<u>-</u>	<u>(823,108)</u>	<u>11,827,414</u>
Capital assets, being depreciated:						
Buildings	228,660,544	(878,262)	2,296,702	-	-	230,078,984
Non-building improvements	150,476,670	(2,172,859)	11,031	(6,400)	823,108	149,131,550
Machinery and equipment	77,650,609	(2,130,287)	98,799	(5,390)	-	75,613,731
	<u>456,787,823</u>	<u>(5,181,408)</u>	<u>2,406,532</u>	<u>(11,790)</u>	<u>823,108</u>	<u>454,824,265</u>
Less accumulated depreciation for:						
Buildings	(123,767,404)	806,838	(421,902)	-	-	(123,382,468)
Non-building improvements	(64,504,824)	1,674,278	(8,021,476)	6,400	-	(70,845,622)
Machinery and equipment	(24,133,601)	1,944,430	(3,304,036)	5,390	-	(25,487,817)
	<u>(212,405,829)</u>	<u>4,425,546</u>	<u>(11,747,414)</u>	<u>11,790</u>	<u>-</u>	<u>(219,715,907)</u>
Total capital assets being depreciated, net	<u>244,381,994</u>	<u>(755,862)</u>	<u>(9,340,882)</u>	<u>-</u>	<u>823,108</u>	<u>235,108,358</u>
Business-type activities capital assets, net	<u>\$ 255,709,585</u>	<u>\$ (755,862)</u>	<u>\$ (8,017,951)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,935,772</u>

Information regarding the prior period adjustment is contained in Note 1 - Summary of Significant Accounting Policies under "Accounting Changes and Restatements."

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation of governmental activities by function	
General government	\$ 1,176,093
Public safety	246,234
Transportation	96,219
Cultural and recreation	36,181
Capital assets held in the City's internal service fund are charged to general government	<u>1,480</u>
	<u>\$ 1,556,207</u>
Depreciation of business-type activities by function	
Electric system	\$ 6,695,225
Water & Sewer system	3,259,408
Municipal airport	1,287,145
Municipal marina	63,751
Solid waste	354,751
Recreation	<u>87,134</u>
	<u>\$ 11,747,414</u>

9. LONG-TERM DEBT

The City's outstanding long-term liabilities include bonds payable, loans payable, claims payable, and compensated absences. Compensated absences are liquidated by all funds affected (primarily the general fund, electric fund and water and sewer fund) and the due within-one-year portion of the compensated absences is based upon a 5% estimate of the ending balance. Claims payable also uses a percentage basis for estimating its portion of worker's compensation, auto, and general liability claims that are due within one year. The estimate is approximately 20% of the ending balance. Health insurance claims are based on incurred but not reported claims estimated by the insurance administrator.

The following is a summary of long-term debt changes of the City for the year ended September 30, 2012:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue notes	\$ 12,792,914	\$ 5,890,000	\$ (7,792,914)	\$ 10,890,000	\$ 470,000
Claims payable	3,749,786	4,974,398	(5,292,513)	3,431,671	1,764,243
Compensated absences	2,918,764	56,714	(419,161)	2,556,317	127,816
Totals	<u>\$ 19,461,464</u>	<u>\$ 10,921,112</u>	<u>\$ (13,504,588)</u>	<u>\$ 16,877,988</u>	<u>\$ 2,362,059</u>
Business-Type Activities:					
Revenue bonds and notes	\$ 81,138,155	\$ 626,754	\$ (6,011,786)	\$ 75,753,123	\$ 6,179,874
Compensated absences	3,335,893	32,418	(487,786)	2,880,525	144,027
Totals	<u>\$ 84,474,048</u>	<u>\$ 659,172</u>	<u>\$ (6,499,572)</u>	<u>\$ 78,633,648</u>	<u>\$ 6,323,901</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

	Balance As of 9/30/12
<u>Governmental Activities</u>	
<u>Series 2007B-2 Refunding Revenue Note</u>	
In 2007 the City issued a \$5,000,000 refunding revenue note to refinance a loan agreement originally entered into for part of the purchase of the former 9-hole Dodgertown Golf Course. Principal payments are due annually beginning on October 1, 2017 through October 1, 2025. The note bears interest at 3.98% payable semiannually on April 1 and October 1 of each year until maturity. The note is secured by, and payable from, non-ad valorem revenues.	\$ 5,000,000
<u>Series 2012A Refunding Revenue Note</u>	
In July 2012, the City issued a \$2,385,000 refunding revenue note to refinance the remaining principal on a loan agreement originally entered into in 2005 for part of the purchase of the former 9-hole Dodgertown Golf Course. Principal payments are due annually on August 1 through August 1, 2017. The note bears interest at 1.18% payable semiannually on February 1 and August 1 of each year until maturity. The note is secured by, and payable from, non-ad valorem revenues.	2,385,000
<u>Series 2012B Refunding Revenue Note</u>	
In July 2012, the City issued a \$3,505,000 refunding revenue note to refinance the remaining principal on a loan agreement originally entered into in 2007 for the refunding of the general government Sunshine Loans. Principal payments are due annually on October 1 through October 1, 2016. The note bears interest at 1.06% payable semiannually on April 1 and October 1 of each year until maturity. The note is secured by, and payable from, non-ad valorem revenues.	<u>3,505,000</u>
Total governmental activities	<u>\$ 10,890,000</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Balance
As of 9/30/12

Business-type Activities

Series 2003A Electric Refunding Revenue Bonds

In June 2008, the Series 2003A Refunding Revenue Bonds were remarketed from M-STARS to a Fixed Mode in the aggregate principal amount of \$56,325,000 at a fixed rate of 4.11%. Principal payments are due annually on December 1 through December 1, 2021. Interest is payable semiannually on June 1 and December 1 of each year until maturity. The note is secured by, and payable from, Net Revenues derived by the City from the operation of the Electric System and moneys deposited into all Electric funds and accounts established under the adopted resolution.

\$ 43,475,000

Series 2008 Electric System Refunding Revenue Note

In June 2008, the City issued an \$8,247,000 revenue note to refund the Electric Fund Sunshine Loans. Principal payments are due annually on December 1 through December 1, 2016. The note bears interest at 4.14% payable quarterly on March 1, June 1, September 1 and December 1 of each year until maturity. The note is secured by all lawfully available Electric revenues of the City. The note is junior and subordinate to the Series 2003 A Bonds.

5,184,000

Series 2008 Water & Sewer System Refunding Revenue Note

In June 2008, the City issued a \$14,833,000 revenue note to refund the Water & Sewer Fund Sunshine Loans and the Water And Sewer System 2003A Revenue Bonds. Principal payments are due annually on December 1 through December 1, 2021. The note bears interest at 4.28% payable quarterly on March 1, June 1, September 1 and December 1 of each year until maturity. The note is secured by all lawfully available Water and Sewer revenues of the City.

11,735,000

WW310201 State Revolving Fund (SRF) Clean Water Construction Loan (Original & Amendment #2)

In November 2009, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for construction of capital improvements in the Water & Sewer system fund. In December 2012, this agreement was amended to increase the available funding for the City's project. The loan agreement was finalized in July 2012 based on final project costs. The final principal amount of the original loan is \$10,278,159 (including disbursements, capitalized interest and service fees) at an interest rate of 2.62%. The final principal amount of Amendment #2 is \$1,684,394 (including disbursements and service fees) at an interest rate of 2.26 %. Payments on both principal amounts are due semiannually on February 1 and August 1 through August 1, 2030. Interest payments on both principal amounts are payable semiannually on February 1 and August 1 each year until maturity. The note is secured by Gross Revenues derived yearly from the operation of the Water and Sewer system, after payment of Operation and Maintenance expense and the satisfaction of all senior obligations.

10,884,814

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Balance
As of 9/30/12

DW 310220 State Revolving Fund (SRF) Drinking Water Construction Loan

In January 2010, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for construction of capital improvements in the Water & Sewer system fund. The loan agreement was finalized in January 2012 based on final project costs. The final principal amount of the loan was \$313,150 (including disbursements and capitalized interest) at an interest rate of 2.82%. The SRF also disbursed funding in the amount of \$1,752,336 towards project costs which was categorized as principal forgiveness and recorded as a grant. Principal payments are due semiannually on April 15 and October 15 through October 15, 2030. Interest is payable semiannually on April 15 and October 15 each year until maturity. The note is secured by Gross Revenues derived yearly from the operation of the Water and Sewer system, after payment of Operation and Maintenance expense and the satisfaction of all senior obligations.

\$ 294,527

DW 310221 State Revolving Fund (SRF) Drinking Water Construction Loan

In December 2010, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for construction of capital improvements in the Water & Sewer system fund. The loan agreement was finalized in January 2012 based on final project costs. The final principal amount of the loan was \$196,800 (including disbursements and service fees) at an interest rate of 2.43%. Principal payments are due semiannually on April 15 and October 15 through October 15, 2030. Interest is payable semiannually on April 15 and October 15 each year until maturity. The note is secured by Gross Revenues derived yearly from the operation of the Water and Sewer system, after payment of Operation and Maintenance expense and the satisfaction of all senior obligations.

177,952

Series 2007A Capital Improvement Revenue Note

In October 2007, the City issued a \$4,656,250 revenue note for the purchase of property to expand its public Marina. Principal payments are due annually on October 1 through October 1, 2027. The note bears interest at 4.01% payable semiannually on April 1 and October 1 of each year until maturity. The note is secured Marina Revenues and non-ad valorem revenues to the extent that Marina Revenues are insufficient.

4,001,830

Total business-type activities

\$ 75,753,123

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Annual debt service requirements to maturity for long-term debt are as follows:

GOVERNMENTAL ACTIVITIES

Year Ended	Refunding Revenue Note Series 2007B-2		Refunding Revenue Note Series 20012A		Capital Improvement Revenue Note Series 2012B	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ -	\$ 199,000	\$ 470,000	\$ 28,612	\$ -	\$ 25,388
2014	-	199,000	470,000	22,597	855,000	32,622
2015	-	199,000	475,000	17,051	875,000	23,453
2016	-	199,000	480,000	11,446	885,000	14,125
2017	-	199,000	490,000	5,782	890,000	4,717
2023-2027	2,560,097	748,218	-	-	-	-
2018-2022	2,439,903	198,952	-	-	-	-
	<u>\$ 5,000,000</u>	<u>\$ 1,942,170</u>	<u>\$ 2,385,000</u>	<u>\$ 85,488</u>	<u>\$ 3,505,000</u>	<u>\$ 100,305</u>

ELECTRIC FUND

Year Ended	Electric System Revenue Note Series 2008		Electric Revenue Refunding Bond Series 2003A	
	Principal	Interest	Principal	Interest
2013	\$ 954,000	\$ 184,996	\$ 3,575,000	\$ 2,020,625
2014	994,000	144,258	3,725,000	1,838,125
2015	1,035,000	101,834	3,875,000	1,648,125
2016	1,078,000	57,649	4,050,000	1,450,000
2017	1,123,000	11,623	4,225,000	1,251,000
2018-2022	-	-	24,025,000	2,985,625
	<u>\$ 5,184,000</u>	<u>\$ 500,360</u>	<u>\$ 43,475,000</u>	<u>\$ 11,193,500</u>

WATER AND SEWER FUND

Year Ended	Water & Sewer Revenue Refunding Note Series 2008		SRF Clean WaterWW310201 (Original & Amendment 2)	
	Principal	Interest	Principal	Interest
2013	\$ 965,000	\$ 471,282	\$ 482,612	\$ 276,389
2014	1,006,000	428,663	495,074	263,925
2015	1,049,000	384,226	507,861	251,139
2016	1,094,000	337,885	520,978	238,022
2017	1,141,000	289,553	534,435	224,565
2018-2022	6,480,000	647,264	2,886,543	908,456
2023-2027	-	-	3,279,259	515,741
2028-2031	-	-	2,178,052	98,947
	<u>\$ 11,735,000</u>	<u>\$ 2,558,873</u>	<u>\$ 10,884,814</u>	<u>\$ 2,777,184</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Year Ended	SRF Drinking Water DW310220		SRF Drinking Water DW310221	
	Principal	Interest	Principal	Interest
2013	\$ 12,323	\$ 8,219	\$ 7,722	\$ 4,278
2014	12,673	7,869	7,911	4,089
2015	13,033	7,510	8,105	3,895
2016	13,403	7,139	8,303	3,697
2017	13,783	6,759	8,506	3,494
2018-2022	75,015	27,696	45,751	14,249
2023-2027	86,289	16,421	51,624	8,376
2028-2031	68,008	3,890	40,030	1,969
	<u>\$ 294,527</u>	<u>\$ 85,503</u>	<u>\$ 177,952</u>	<u>\$ 44,047</u>

MARINA FUND

Year Ended	Marina Capital Improvement Revenue	
	Principal	Interest
2013	\$ 183,217	\$ 156,800
2014	190,564	149,306
2015	198,206	141,511
2016	206,154	133,403
2017	214,420	124,971
2018-2022	1,208,183	486,045
2023-2027	1,470,646	218,319
2028-2031	330,440	6,625
	<u>\$ 4,001,830</u>	<u>\$ 1,416,980</u>

Refunded Debt

Defeased Debt

The following bonds have been defeased by investments in governmental obligations held in escrow for payment of principal and interest:

	Year Defeased	Original Bond Amount	Defeased Outstanding at September 30, 2012
Water & Sewer Revenue Bonds, Series 1982	1985	\$ 5,000,000	\$ 2,070,000
Water & Sewer Revenue Bonds, Series 1991	1993	16,500,000	9,110,000
Water & Sewer Revenue Bonds, Series 1993A	2003	61,750,000	47,435,000
Water & Sewer Refunding Revenue Bonds, Series 1993B	2003	18,085,000	9,345,000

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

10. LEASES

Leases Receivable

The following is a summary of the City's general capital assets leased as of September 30, 2012:

Land and buildings	<u>\$ 261,698</u>
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The following schedule, by major classes, provides an analysis of the airport property that is leased as of September 30, 2012:

Land and buildings	\$ 4,468,865
Less accumulated depreciation	<u>(1,111,550)</u>
	<u>\$ 3,357,315</u>

The City is involved in various leasing arrangements involving its general capital assets. Rental income is recorded in the General Fund. The following is a schedule, by year, of minimum future rental income as of September 30:

Year Ended September 30,	Amount
2013	\$ 15,301
2014	15,301
2015	<u>15,301</u>
Total	<u>\$ 45,903</u>

The Airport Fund is involved in various leasing arrangements for its facilities. These leases consist of operating leases for land, buildings, and other improvements. The Airport has been updating its leases to include various legal provisions and an escalation clause for monthly rental payments. This annual escalation clause is based upon the United States Department of Labor, Consumer Price Index. The majority of the Airport leases are subordinate to any current or future agreements between the City and the United States. The following is a schedule, by years, of minimum future rental income on noncancelable operating leases as of September 30:

Year Ended September 30,	Amount
2013	\$ 1,174,350
2014	1,052,295
2015	1,042,713
2016	1,013,054
2017	1,007,538
2018-2022	5,200,079
2023-2027	5,130,907
2028-2032	4,247,237
2033-2037	2,353,447
2038-2041	<u>39,468</u>
Total	<u>\$22,261,088</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

11. RISK MANAGEMENT

Primary Government

Effective October 1, 1988, the City made a decision to retain additional risks in certain areas. A self-insurance program and a related internal service fund were established to provide coverage for statutory worker's compensation, automobile liability and general liability. The City still maintains outside commercial coverage for property damage, Airport liability and excess liability. The City purchases commercial insurance policies for the power plant, water treatment plant, airport, public official liability and other "catastrophic" occurrences and workers' compensation claims in excess of \$250,000 for employees with statutory limits per accident. For each of the past three fiscal years, the amount of the settled claims did not exceed the commercial coverage limitations. In addition, there were no significant reductions in insurance coverage from the coverage held in the prior year.

All departments of the City participate in the self-insurance program. Payments are made by various funds to the Self-Insurance Fund based on past experience of the amounts needed to pay current year claims. The claims liability reported in the Fund at September 30, 2012 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" as amended by GASB Statement No. 30 " Risk Financing Omnibus", which requires that claims liabilities be based upon the estimated ultimate costs of settling the claims which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

On October 1, 2002 the City of Vero Beach moved from a fully insured health insurance policy to a self-insured policy. With outside assistance the City hired a third party administrator to handle health coverage claims. Specific stop loss coverage was set at \$100,000 per incident and aggregate stop loss at \$1,000,000 per person.

Changes in the balances of claims liabilities are as follows:

	Liability Insurance	Health Insurance
Estimated liability, September 30, 2010	\$ 2,732,784	743,803
Claims & changes in estimates	915,884	5,631,386
Claim payments	<u>(571,271)</u>	<u>(5,702,800)</u>
Estimated liability, September 30, 2011	3,077,397	672,389
Claims & changes in estimates	184,005	4,790,390
Claim payments	<u>(364,977)</u>	<u>(4,927,535)</u>
Estimated liability, September 30, 2012	<u>\$ 2,896,425</u>	<u>\$ 535,244</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

12. RESTRICTED ASSETS

The Electric System and Water and Sewer Enterprise Funds have certain cash, investments, and various receivables that are restricted either by bond resolutions, ordinances, or governmental regulations. The following is a summary of restricted assets by fund at September 30, 2012:

	Business-type Activities			Total
	Electric System	Water & Sewer System	Marina	
Sinking funds	\$ 721,218	\$ 94,748	\$ 2,530	\$ 818,496
Emergency repair	1,000,000	-	-	1,000,000
Renewal and replacement	1,000,000	-	-	1,000,000
Bonds payable	4,529,000	1,467,657	183,217	6,179,874
Customer deposits	4,202,436	-	-	4,202,436
	<u>\$11,452,654</u>	<u>\$ 1,562,405</u>	<u>\$ 185,747</u>	<u>\$ 13,200,806</u>

13. PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2012 was 2.0336 mills.

Property taxes are billed and collected within the same fiscal period, and are reflected on the modified accrual basis. Ad valorem taxes on property values have a lien assessment and date of January 1, with the millage established during September. The fiscal year for which taxes are levied begins October 1. All taxes are due and payable on November 1 with discounts allowed for early payments at the rate of 4% in November, 3% in December, 2% in January and 1% in February. All unpaid taxes become delinquent on April 1. Unpaid taxes are collected via the sale of tax certificates on or prior to June 1. The tax certificate money is then sent to the appropriate taxing agency, in accordance with its tax levy, to complete its ad valorem tax revenue requirement. Property tax revenues are recognized in the fiscal year for which they are levied and also become due and payable.

14. BENEFIT PLANS

The City participates in three single-employer public employee retirement systems (PERS): the General Employees' Retirement Plan, the Police Officers' Retirement Fund, and the Firefighters' Relief and Pension Fund. The payroll for employees covered for the year ended September 30, 2012 was \$21,873,536, inclusive of \$18,830,488 related to City employees and \$3,043,048 related to Police Officers. This year there was no payroll related to employees of the South Indian River County Fire District. The City's total payroll for all of its employees was approximately \$23,150,255. On-behalf payments of fringe benefits and salaries for the City's employees were recognized as revenues and expenditures/expenses during the current period. Pension plans are reported on the same basis of accrual as used in the basic financial statements, previously discussed in Note I. A separate audited GAAP-basis pension benefit plan report is not available for any of the City's PERS plans.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

The City Council approved changes to the General Employee PERS effective October 1, 2010. Under the current provisions of the plan, all full-time City employees begin mandatory participation in the General Employee PERS on the first day of the month following the date of hire. Benefits fully vest after five years of service. City employees who retire at or after age sixty-five with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a) 2.25 percent of their average highest five years of compensation for each year of credited service up to 25 years prior to September 30, 2010 and b) 1.6% for each year of credited service beginning October 1, 2010 until retirement. An early retirement reduction factor is applied at 1.5% for each year preceding normal retirement (age 65) for benefits accrued prior to September 30, 2010 and 3% for each year preceding normal retirement for benefits accrued after October 1, 2010. The PERS also provides death and disability benefits. These benefit provisions and other requirements are established by City ordinance. City employees are required to contribute 3.25 percent of their monthly salary. Employee contributions cease after 25 years of service. The City is required to contribute the additional amount necessary to fund the PERS, using the actuarial basis specified by City ordinance.

All full-time police officers are eligible from date of employment to participate in the Police Officers' PERS. Each police officer may decline participation within twelve months of his date of employment. Benefits fully vest after 10 years of service. Police officers who retire at the earlier of age fifty-five and ten years of contributing service or age fifty-two and twenty-five years of contributing service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3 percent of their average compensation over the highest five years of employment, multiplied by credited service.

The Police Officers' PERS also provides death and disability benefits. These benefits and other requirements are established by State statute and City ordinance. The police officers are required to contribute 3 percent of their compensation. For fiscal year 2012 the Police Officers' PERS also received contributions from the State in the amount of \$252,275 from insurance premium tax refunds. The City is required to contribute the remaining amount necessary to pay the annual normal cost plus an amount sufficient to fund any unfunded accrued liability.

For the fiscal year ending September 30, 2013, the city has amended its ordinance to increase the required contribution from police officers to 5.5% of compensation for current employees and 8% of compensation for new hires.

The Firefighters' PERS operates in essentially the same manner as the Police Officers' PERS, with two exceptions. One difference is that this PERS is for the benefit of a group of former employees of the City, and no new members will be added in the future. In October 1981, the South Indian River County Fire District took over operations of the City's Fire Department. Full-time firemen were given the option of joining the Florida Retirement System or remaining in the City's plan. Twenty full-time firemen and all of the volunteers elected to remain in the City's plan. Those who joined the Florida Retirement System received refunds of their contributions from the City's plan.

The other difference is that retirees under the Firefighters' PERS are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3 percent of their average base compensation of the three years of highest earnings, multiplied by credited service, plus \$25 multiplied by credited service.

The City has by Statute retained fiduciary responsibility for this PERS, and employer contributions to the PERS are made by Indian River County. For fiscal year 2012 the PERS received contributions from the State in the amount of \$275,337 from insurance premium tax refunds and \$58,439 employer contributions from the City of Vero Beach.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

At September 30, 2012, the City's three PERS memberships consisted of the following:

	General Employees	Police Officers	Firefighters
Retirees and beneficiaries currently receiving benefits	309	39	15
DROP participants	-	4	-
Terminated employees entitled to benefits but not yet receiving	95	2	-
Fully, partially and non-vested active plan participants	379	48	-
	<u>783</u>	<u>93</u>	<u>15</u>

Annual Pension Cost and Net Pension Asset

In the General Employees PERS, there have been no changes in actuarial assumption or plan provisions with this valuation. Based on the actuarial valuation report as of October 1, 2012, the General Employee PERS had actuarial value of assets of \$56,700,541 and actuarial accrued liability (AAL) of \$96,081,699 resulting in an unfunded AAL (UAAL) of \$39,381,158 at a funded ratio of 59%. The total recommended city annual contribution increased from \$4,153,621 or 22.06% of payroll for the plan year beginning October 1, 2011, to \$4,641,248 or 27.15% of payroll for the plan year beginning October 1, 2012. The increase is primarily a slight increase in the annual payment on the unfunded actuarial accrued liability as a result of updated actuarial assumptions.

The investment rate of return on an actuarial basis for the year ended September 30, 2012 was 1.31%. Since the rate of return was less than the assumed rate of return of 7.75% per year, there was an actuarial investment loss amounting to \$3,618,461. The return on a market basis was 18%. The asset valuation method requires that the actuarial value of assets be no more than 120% and no less than 80% of the market value of assets. As of the valuation date, the smoothed actuarial value of assets is equal to 96.8 % of market value.

The General Employees PERS had a significant loss from sources other than investments, amounting to \$2,922,060. This loss was primarily attributable to data adjustments and lower annuitant mortality than expected. The funded ratio has decreased from 62.62% as of October 1, 2011 to 59.01% as of October 1, 2012, primarily due to the recognition of the remaining fiscal 2008 investment loss.

In the Firefighters' PERS there were no changes in actuarial methods since the last valuation and there have been no revisions in benefits. The assumed investment rate of return has been lowered from 7.00% to 6.75%. Based on the actuarial valuation report as of October 1, 2012, the Firefighters' PERS had actuarial value of assets of \$7,015,782 and actuarial accrued liability (AAL) of \$8,427,439 resulting in an unfunded AAL (UAAL) of \$1,411,657 at a funded ratio of 83.2%. There was no covered payroll at October 1, 2011. The annual required contribution was \$333,776 for fiscal year 2012.

In the Police Officers' PERS there were no revisions in benefits since the last valuation. Changes in actuarial methods and assumptions since the last valuation include lowering the assumed rate of return from 8.0% to 7.75%, a change in mortality table, higher rates of termination, and a lowered average payroll increase assumption. Based on the actuarial valuation report as of October 1, 2012, the Police Officers' PERS had actuarial value of assets of \$28,622,785 and actuarial accrued liability (AAL) of \$36,315,246 resulting in an unfunded AAL (UAAL) of \$7,692,461 at a funded ratio of 79%. The covered payroll was \$3,043,048 and the ratio of UAAL as a percentage of covered payroll was 253%. The annual required contribution was \$1,069,836 for fiscal year 2012.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits of the City's three single-employer public employee retirement systems (PERS). Disclosures for the funded status of the three defined benefit plans can also be found in the required supplementary information.

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The APC for the General Employees, Police Officers, and Firefighters plans are as follows:

General Employees			
Three-Year Trend Information			
Years Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 4,050,000	101%	n/a
2011	4,115,761	100%	n/a
2012	4,153,621	100%	n/a

Police Officers			
Three-Year Trend Information			
Years Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 856,093	94%	\$ (1,180,205)
2011	1,005,696	100%	(1,177,552)
2012	1,072,483	100%	(1,174,905)

Firefighters			
Three-Year Trend Information			
Years Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 394,116	73%	\$ (8,071)
2011	317,482	98%	(565)
2012	334,301	100%	(40)

The employer's contribution is based on the annual required contribution (ARC) calculation. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 20 years.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Net Pension Obligation (NPO) is the cumulative difference between annual pension cost and the employer's contribution to the plan. Because an NPO is a long-term liability, it is not reported as a liability in the City's governmental funds. Instead, an expenditure is recognized in the governmental funds only as the NPO is actually liquidated. However, a negative NPO is not considered to represent a financial asset in the governmental funds of the City and is therefore not reported on a fund level. It is reported, however, as a restricted asset in the government-wide statement of net assets for the City.

The following table shows the components of the City's Police and Firefighters PERS plan cost for the year, the amount actually contributed, and the changes in the net pension asset (NPA) for the last three fiscal years.

	Police Officers		
	2012	2011	2010
Annual required contribution *	\$ 1,069,836	\$ 1,003,043	\$ 808,241
Interest on net pension asset	(94,204)	(94,416)	(98,245)
Adjustment to annual required contribution	96,851	97,069	146,097
Net pension cost	1,072,483	1,005,696	856,093
Contributions made	(1,069,836)	(1,003,043)	(808,241)
Decrease in net pension asset	2,647	2,653	47,852
Net pension asset, beginning of year	(1,177,552)	(1,180,205)	(1,228,057)
Net pension asset, end of year	<u>\$ (1,174,905)</u>	<u>\$ (1,177,552)</u>	<u>\$ (1,180,205)</u>

	Firefighters		
	2012	2011	2010
Annual required contribution *	\$ 333,776	\$ 309,976	\$ 286,894
Interest on net pension obligation	(40)	(565)	(8,071)
Adjustment to annual required contribution	565	8,071	115,293
Net pension cost (expense)	334,301	317,482	394,116
Contributions made	(333,776)	(309,976)	(286,894)
Increase (decrease) in net pension obligation	525	7,506	107,222
Net pension asset, beginning of year	(565)	(8,071)	(115,293)
Net pension asset, end of year	<u>\$ (40)</u>	<u>\$ (565)</u>	<u>\$ (8,071)</u>

* Includes expected state contribution

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. Actuarial valuations as of October 1, 2012 for the City's three public employee retirements systems (PERS) are presented below.

	General Employees	Police Officers	Firefighters
Valuation date	October 1, 2012	October 1, 2012	October 1, 2012
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	5 year smoothed market, further adjusted (if necessary) to be within 20% of market value.	5 year smoothed market, further adjusted (if necessary) to be within 20% of market value.	Recognize 20% of difference between market value and expected actuarial value of assets.
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Amortization period	Closed	Closed	Closed
Remaining amortization period	6-29 years	30 years	10 years
Actuarial assumptions:			
Investment rate of return	7.75% per year	7.75% per year	6.8%
Projected salary increases	3.75-6.50% per year	6.5% per year	n/a
Includes inflation rate at	3.75% per year	4.0% per year	3.0% per year
Cost of living adjustment	1.0% annually	1.0% annually	2.0% annually
Post retirement benefits	1.0% per year	1.0% per year	2.0% per year
Healthy life mortality	1994 GAM - set back one year for males and three years for females	1983 GAM	RP-2000 GM
Disabled life mortality	RP-2000 disabled retiree mortality rate	1983 GAM - set forward 5 years	RP-2000 GM - set forward 5 years

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Combining Statement of Fiduciary Net Assets				
Pension Trust Funds				
	General Employees' Pension	Police Officers' Pension	Firefighters' Relief & Pension	Total
Assets				
Cash and cash equivalents	\$ -	\$ 298	\$ 224	\$ 522
Interest receivable	-	130,536	21,163	151,699
Investments, at fair value:				
Mutual fund investments	58,551,652	1,252,808	693,443	60,497,903
Treasury and agency bonds & notes	-	3,650,441	697,502	4,347,943
Corporate bonds	-	4,270,941	1,213,032	5,483,973
Municipal bonds and notes	-	-	105,918	105,918
Real estate	-	2,627,399	3,281,013	5,908,412
Corporate stocks	-	17,641,090	775,065	18,416,155
Total investments, at fair value	<u>58,551,652</u>	<u>29,442,679</u>	<u>6,765,973</u>	<u>94,760,304</u>
Total assets	<u>58,551,652</u>	<u>29,573,513</u>	<u>6,787,360</u>	<u>94,912,525</u>
Liabilities				
Expenses payable	-	6,875	1,742	8,617
DROP plan payable	-	318,553	-	318,553
Total liabilities	<u>-</u>	<u>325,428</u>	<u>1,742</u>	<u>327,170</u>
Net assets				
Held in trust for pension benefits and other purposes	<u>\$58,551,652</u>	<u>\$ 29,248,085</u>	<u>\$ 6,785,618</u>	<u>\$ 94,585,355</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Combining Statement of Changes in Fiduciary Net Assets				
Pension Trust Funds				
	General Employees' Pension	Police Officers' Pension	Firefighters' Relief & Pension	Total
Additions				
Contributions:				
Employer	\$ 4,153,621	\$ 817,561	\$ 58,439	\$ 5,029,621
Plan members	507,866	110,780	-	618,646
State	-	252,275	275,337	527,612
Total contributions	<u>4,661,487</u>	<u>1,180,616</u>	<u>333,776</u>	<u>6,175,879</u>
Investment income:				
Interest and dividends	1,329,220	850,439	212,800	2,392,459
Net appreciation (depreciation) in fair value of investments	8,241,943	4,161,820	796,246	13,200,009
Total investment income	9,571,163	5,012,259	1,009,046	15,592,468
Investment expense	(33,794)	(155,075)	(38,031)	(226,900)
Net investment income	<u>9,537,369</u>	<u>4,857,184</u>	<u>971,015</u>	<u>15,365,568</u>
Total additions	<u>14,198,856</u>	<u>6,037,800</u>	<u>1,304,791</u>	<u>21,541,447</u>
Deductions				
Benefit payments	5,089,456	1,423,177	743,699	7,256,332
DROP plan benefits	-	257,973	-	257,973
Refunds of contributions	10,330	17,343	-	27,673
Administrative expenses	262,754	89,232	45,069	397,055
Total deductions	<u>5,362,540</u>	<u>1,787,725</u>	<u>788,768</u>	<u>7,939,033</u>
Change in net assets	8,836,316	4,250,075	516,023	13,602,414
Net assets, beginning of year	<u>49,715,336</u>	<u>24,998,010</u>	<u>6,269,595</u>	<u>80,982,941</u>
Net assets, end of year	<u>\$58,551,652</u>	<u>\$ 29,248,085</u>	<u>\$ 6,785,618</u>	<u>\$ 94,585,355</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

15. OTHER POSTEMPLOYMENT BENEFITS

Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The City, by policy, has elected to provide retirees with a total or partial subsidy. Members who leave employment with the City and begin to receive retirement benefits immediately are eligible to continue enrollment as retirees. Police officers must be age 55 with 10 years of service or any age with 25 years of service, or age 50 with 10 years of service for early retirement. General members must be age 65 with 5 years of service, or age 55 with 5 years of service for early retirement. Disabled members are eligible for the same benefit as other retirees.

Retirees under all of the City's Pension Plans may continue their life insurance benefit at a reduced level of \$20,000 prior to age 70 and \$10,000 after age 70. To help pay for medical coverage for the retired member and family members, the City offers a Premium Assistance Program that pays a portion of the premium for the retiree only. The City will subsidize the retiree's health care cost based on the following schedule: General employees - 2.75% per month per year of service of the single premium and Police officers - 4.00% per month per year of service of the single premium, up to 100% of the premium rate. In addition, the City pays the difference between the true age-related cost of the medical benefits, and the average premium rates established for the option and tier of coverage. Retirees pay the contribution depending on the option and tier of coverage elected. The amount of contribution is the difference between the premium rate for the option and tier of coverage, and the amount of the subsidy provided by the City. Coverage for spouses or dependents is paid entirely by the retiree.

Membership of the Plan consisted of the following at September 30, 2012, the date of the latest actuarial valuation:

	Number in Plan	Employer Costs
Active participants	408	\$ 29,397,000
Retired participants	219	14,643,000
	<hr/>	<hr/>
Total	<u>627</u>	<u>\$ 44,040,000</u>

Based on GASB Statements Nos. 43 and 45 which set forth the guidelines for treatment of Other Postemployment Benefits (OPEB), the City had an actuary calculate future funding requirements as of October 1, 2010. Based on the actuarial valuation report as of October 1, 2012, the General Employee PERS had actuarial value of assets of \$0 and actuarial accrued liability (AAL) of \$44,040,000 resulting in an unfunded AAL (UAAL) of \$44,040,000 at a funded ratio of 0%. The Annual required contribution for the fiscal year ended September 30, 2012 is \$3,926,000. The City has elected to fund the OPEB obligation on a pay-as-you-go basis. A separate audited GAAP basis postemployment benefit plan report is not available. The City's funded status and funded ratio are both 0% as the City has elected to fund the OPEB on a pay-as-you-go basis. Disclosures for the OPEB funded status and the schedule of funding progress can also be found in the required supplementary information.

The schedules of funding progress and employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

The employer's contribution is based on the annual required contribution (ARC) calculation. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 20 years. Actual claims and premiums, including the effect of the implicit rate subsidy paid on behalf of retirees, may be treated as employer contributions and act to reduce the Net OPEB Obligation (NOO).

The following schedule is a summary of the unfunded actuarial accrued liability for the City's OPEB.

	2012	2011	2010
Normal costs	\$ 1,170,000	\$ 1,170,000	\$ 1,269,000
Amortization of accrued liability	2,587,000	2,464,000	2,180,000
Interest on net OPEB obligation	169,000	164,000	155,000
Annual required contribution	3,926,000	3,798,000	3,604,000
Interest on net OPEB obligation	375,852	265,736	155,616
Adjustment to annual required contribution	(321,241)	(218,712)	(123,504)
Net OPEB cost	3,980,611	3,845,024	3,636,112
Contributions made	(857,000)	(1,398,000)	(1,189,000)
Increase in net OPEB obligation	3,123,611	2,447,024	2,447,112
Net OPEB obligation, beginning of year	8,352,259	5,905,235	3,458,123
Net OPEB obligation, end of year	\$ 11,475,870	\$ 8,352,259	\$ 5,905,235

Since 2008, the city has recorded an annual amount for City OPEB contributions made based on the City's premium assistance and self-insured actual medical claims payments for retirees. Based on further review of the GASB guidance regarding calculation of self-insured OPEB employer contributions, the City has revised its estimate of contributions made for all fiscal years reported to date (see table above). As a result, the total net OPEB of \$5,632,000 reported at the end of 2011 has been increased by \$2,720,259. This adjustment has been reflected in the government-wide statement of net assets as a prior period adjustment.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the previous two years were as follows:

Three-Year Trend Information			
Years Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 3,980,611	22%	\$(11,475,870)
2011	3,845,024	36%	(8,352,259)
2012	3,636,112	33%	(5,905,235)

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Actuarial methods and significant assumptions used to determine the annual required contributions are as follows:

Valuation date	October 1, 2010
Actuarial cost method	Entry age normal
Benefit financing	Pay-as-you-go
Actuarial assumptions:	
Investment rate of return	4.5% per year
Projected cost increases	Getzen trend model: 8.20% graded to 4.90% over 75 years
Post retirement benefits	1.0% per year

16. DEFERRED COMPENSATION PLAN

The City offers a deferred compensation plan to its employees in addition to the pension plans. Participation is optional. The City has adopted the provisions of IRS code Section 457(g) and GASB Statement No. 32 "Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans". Under these provisions, all assets and income of the plan are held in trust for the exclusive benefit of participants. Accordingly, the assets and liabilities of the plan are not reported within the City's financial statements.

17. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Inventory	\$ 166,727	\$ -	\$ 166,727
Restricted for:			
Public safety	-	49,183	49,183
Culture and recreation	-	927,148	927,148
Physical environment	-	3,622,395	3,622,395
Total restricted	-	4,598,726	4,598,726
Committed	2,128	-	2,128
Unassigned	7,643,685	(105,954)	7,537,731
Total fund balances- governmental funds	\$ 7,812,540	\$ 4,492,772	\$ 12,305,312

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

18. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of September 30, 2012, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 14,915,433	\$ 11,827,414
Capital assets being depreciated, net	<u>25,882,650</u>	<u>235,108,358</u>
	40,798,083	246,935,772
Related debt:		
Total bonds and notes payable	<u>10,890,000</u>	<u>75,753,123</u>
	\$ 29,908,083	\$171,182,649
Invested in capital assets, net of capital - related debt	<u><u>\$ 29,908,083</u></u>	<u><u>\$171,182,649</u></u>

19. COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

Contract Commitments

The City is a participant in various long-term agreements with Florida Municipal Power Agency (FMPA). FMPA was created pursuant to Chapter 163.01, as amended by The Florida Interlocal Cooperation Act of 1969. The City by agreement has no equity interest in any of the assets owned by FMPA; however, the City does have limited oversight authority over the operations of FMPA through its one member appointment to the 26-member FMPA Board of Directors. Consequently, FMPA does not constitute a joint venture under NCGA Statement No. 7, nor does it meet the criteria for a reporting entity of the City of Vero Beach under GASB Statement No. 14. Furthermore, as stated previously, the City has no equity interest in any plant owned by FMPA, and is only contractually obligated for its participation in the acquisitions of FMPA. The financial statements from FMPA will be prepared and distributed by the agency under separate cover.

Based upon the All Requirements Project (ARP) agreement, the City has agreed to purchase all electric and energy requirements and sell all capacity and energy exclusively with FMPA. Power rates charged and received by the City are subject to a majority vote of the FMPA Board of Directors. For financial and operational reasons, the City served notice and exited the ARP in fiscal year 2010. Effective January 1, 2010, the Orlando Utilities Commission (OUC) became the Supplemental Wholesale Provider for the City of Vero Beach (CoVB) electrical needs. The contract provides for OUC to dispatch and supply all capacity, energy, and reserve requirements that the City may have in excess of the CoVB Units 1-5, the St. Lucie Project, and the Stanton Project. The term of this contract is twenty years with an option to extend for an additional ten years. The City is currently negotiating a release from this contract with the FMPA Board of Directors.

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Grants

In early 2011, the U.S. Department of Homeland Security, Office of the Inspector General (OIG) conducted an audit of public assistance funds awarded to the City associated with Hurricanes Frances and Jeanne. The results of these audits were released on May 12, 2011. In total, the OIG audit questioned \$2.6 million in costs associated with Hurricane Frances and \$1.3 million in costs associated with Hurricane Jeanne. The primary issue resulting in questioned costs for both storms was which damages and losses associated with the storms should have been covered by insurance rather than public disaster assistance funding. The questioned costs associated with the resolution of insurance coverage for Hurricane Frances was \$2.1 million and for Hurricane Jeanne was \$763,000. The OIG questioned costs also included issues related to supporting documentation, contractual procedures and small project closeout. In March 2012, the City received notification from FEMA that it intended to de-obligate funding for various projects totaling \$2.3 million for Hurricane Frances and \$1.4 million for Hurricane Jeanne. The City appealed these notices on May 7, 2012.

As noted in the OIG audit reports for both storms, at the time of the audit the Federal Emergency Management Agency (FEMA) had not completed its insurance review to determine insured losses because the City did not have a final statement of loss or a schedule of insurance settlements (including insurance proceeds received by the City and settlements paid directly to contractors performing disaster related work). Since that time, the City has been working diligently with its insurance carrier, Florida Municipal Insurance Trust (FMIT) and FEMA to resolve these issues.

In March 2013, the City received notification from the State Department of Emergency Management that the insurance coverage issues had been resolved in cooperation with the FMIT and its consultants; as a result of this review, the FMIT has provided an additional \$1.6 million in insurance proceeds directly to the State on behalf of the City to replace funds de-obligated by FEMA. The State will request that FEMA reinstate the funding obligation for those losses not deemed to be the responsibility of insurance or the City as determined by this review. The City anticipates that if these requests are successful, the resulting net obligation of the City for both storms will be minimal. The City continues its appeal for those projects that were de-obligated based on documentation and contractual issues, which total approximately \$970,000 for both storms. The State representative has indicated that the State may request the City to begin periodic repayment of de-obligated funds pending the final resolution with FEMA of the reinstatements and appeals; additional information regarding this will be available in late summer 2013.

20. SUBSEQUENT EVENTS

Sale of the City's Electric Utility to Florida Power & Light

The City continues to pursue completion of the sale of its electric utility to Florida Power & Light (FP&L). In February 2013, the City and FP&L approved an Asset Purchase and Sale Agreement which established a purchase price of \$111.5 million (in addition to other monetary considerations both pre and post sale) and provided for retirement of the City's outstanding utility debt/bonds, the transfer of assets, the transfer of employees and associated liabilities, and the lease of the existing power plant site. This agreement has a target closing date of no earlier than January 1, 2014 and no later than December 31, 2016. The closing date is dependent upon various regulatory and contractual approvals by third parties, including the Federal Energy Regulatory Commission, the Florida Public Service Commission, the Orlando Utilities Commission (OUC) and the Florida Municipal Power Agency (FMPA).

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

In October 2012, the City approved three agreements with the OUC which provide for the termination of the City's contract with OUC and for the transfer of 100% of the City's power entitlement shares in Florida Municipal Power Agency (FMPA) projects, in consideration of the payment of \$54 million by the City to OUC at the closing of the FPL transaction. At the present time, the City staff and transactional attorneys are working with the FMPA to negotiate the City's early withdrawal from the All Requirements Project (ARP).

Federal Aviation Administration (FAA) Land-Use Compliance Inspection

In April 2011, the U.S. Department of Transportation, Federal Aviation Administration (FAA) conducted a land-use compliance inspection at the Vero Beach Municipal Airport. The FAA report on this compliance inspection, issued in August 2011, included questions related to the use of Airport property, and charges to the Airport for services and pollution mitigation. In November 2011, the City submitted to the FAA an Airport Land Use Inspection Corrective Action Plan, which provided the City's response to the audit findings and its intended corrective actions. As of April 2013, the City has not yet received any FAA correspondence regarding their review of the Corrective Action Plan.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERO BEACH, FLORIDA

Required Supplementary Information
General Employees' Pension Fund

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
10/1/2007	\$ 52,695,243	\$ 69,008,656	\$ 16,313,413	76%	\$ 15,539,566	105%
10/1/2008	54,248,064	74,551,024	20,302,960	73%	16,548,463	123%
10/1/2009	53,616,835	80,438,088	26,821,253	67%	18,811,487	143%
10/1/2010	56,190,600	91,016,655	34,826,055	62%	19,305,268	180%
10/1/2011	56,403,049	90,069,213	33,666,164	63%	18,830,488	179%
10/1/2012	56,700,541	96,081,699	39,381,158	59%	17,094,905	230%

Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contributions	Percentage Contributed
2007	\$ 2,656,451	100%
2008	2,866,308	100%
2009	3,347,010	100%
2010	4,028,814	100%
2011	4,115,761	100%
2012	4,153,621	100%

CITY OF VERO BEACH, FLORIDA

Required Supplementary Information
Police Officers' Pension Fund

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
10/1/2007	\$ 27,583,499	\$ 27,133,633	\$ (449,866)	102%	\$ 3,673,793	-12%
10/1/2008	28,608,568	29,623,745	1,015,177	97%	3,858,411	26%
10/1/2009	28,530,813	31,682,021	3,151,208	90%	3,869,093	81%
10/1/2010	28,794,176	32,234,739	3,440,563	89%	3,723,032	92%
10/1/2011	28,681,765	33,700,669	5,018,904	85%	3,186,869	157%
10/1/2012	28,622,785	36,315,246	7,692,461	79%	3,043,048	253%

Schedule of Employer Contributions

Year Ended September 30,	City		State	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2007	\$ 220,360	100%	\$ 358,179	100%
2008	249,179	100%	358,179	100%
2009	343,454	100%	271,043	100%
2010	548,910	100%	259,331	100%
2011	737,862	100%	265,181	100%
2012	817,561	100%	252,275	100%

CITY OF VERO BEACH, FLORIDA

Required Supplementary Information
Firefighters' Relief and Pension Fund

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
10/1/2007	\$ 7,196,956	\$ 8,837,584	\$ 1,640,628	81%	n/a	n/a
10/1/2008	7,237,912	8,718,721	1,480,809	83%	n/a	n/a
10/1/2009	7,216,297	8,413,467	1,197,170	86%	n/a	n/a
10/1/2010	7,150,942	8,372,361	1,221,419	85%	n/a	n/a
10/1/2011	7,018,988	8,311,501	1,292,513	84%	n/a	n/a
10/1/2012	7,015,782	8,427,439	1,411,657	83%	n/a	n/a

Schedule of Employer Contributions

Year Ended September 30,	City		State	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2007	n/a	n/a	\$ 338,212	123%
2008	n/a	n/a	305,778	163%
2009	n/a	n/a	298,956	134%
2010	4,554	100%	282,340	100%
2011	43,405	100%	266,572	100%
2012	58,439	100%	275,337	100%

CITY OF VERO BEACH, FLORIDA

Required Supplementary Information
Other Postemployment Benefits Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
10/1/2008	\$ -	\$ 32,315,000	\$ 32,315,000	0%	\$ 25,466,000	127%
10/1/2009	-	33,832,000	33,832,000	0%	24,507,000	138%
10/1/2010	-	41,940,000	41,940,000	0%	23,555,000	178%
10/1/2011	-	44,040,000	44,040,000	0%	23,448,777	188%
10/1/2012	-	44,040,000	44,040,000	0%	23,150,255	190%

Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contributions	Percentage Contributed
2008	\$ 3,042,000	50%
2009	3,042,000	37%
2010	3,604,000	33%
2011	3,798,000	37%
2012	3,926,000	22%

* The City has elected to fund the OPEB on a pay-as-you-go basis.

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COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

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CITY OF VERO BEACH, FLORIDA

■ General Fund

General Fund - to account in more detail the resources traditionally associated with governments, which are not reported for in another fund.

CITY OF VERO BEACH, FLORIDA

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes:				
Property taxes	\$ 4,172,405	\$ 4,242,405	\$ 4,245,008	\$ 2,603
Utility taxes	2,030,000	2,030,000	2,154,765	124,765
Telecommunications tax	1,355,255	1,355,255	1,283,543	(71,712)
Local option gas tax	475,204	475,204	469,931	(5,273)
Local business tax	180,000	180,000	145,213	(34,787)
Total taxes	8,212,864	8,282,864	8,298,460	15,596
Licenses and permits:				
Sign permit fees	6,000	6,000	7,460	1,460
Burglar alarm permit fees	30,000	45,000	53,821	8,821
Vehicle for hire permits	1,050	1,050	240	(810)
Miscellaneous license fees	85,000	85,000	76,664	(8,336)
Total licenses and permits	122,050	137,050	138,185	1,135
Intergovernmental revenue:				
State revenue sharing	557,284	557,284	553,672	(3,612)
State sales tax revenue	910,650	910,650	924,820	14,170
Total intergovernmental revenue	1,467,934	1,467,934	1,478,492	10,558
Grants:				
OJP grants	5,000	75,300	65,021	(10,279)
Charges for services:				
Planning department	72,000	72,000	56,125	(15,875)
Administrative services	2,855,900	2,855,900	2,855,900	-
Airport security	91,670	91,670	91,670	-
Total charges for services	3,019,570	3,019,570	3,003,695	(15,875)
Fines, forfeitures and seizures	137,300	77,100	95,532	18,432
Miscellaneous revenues:				
Investment earnings	205,000	135,000	130,866	(4,134)
Rental	90,650	90,650	89,501	(1,149)
Miscellaneous	145,000	128,500	117,989	(10,511)
Total miscellaneous revenues	440,650	354,150	338,356	(15,794)
Total revenue	13,405,368	13,413,968	13,417,741	3,773

continued...

CITY OF VERO BEACH, FLORIDA

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
General government:				
City council:				
Personal services	\$ 81,114	\$ 82,754	\$ 82,011	\$ (743)
Operating	16,000	11,000	7,154	(3,846)
Total city council	<u>97,114</u>	<u>93,754</u>	<u>89,165</u>	<u>(4,589)</u>
City clerk:				
Personal services	316,105	311,105	307,779	(3,326)
Operating	60,100	60,100	52,685	(7,415)
Total city clerk	<u>376,205</u>	<u>371,205</u>	<u>360,464</u>	<u>(10,741)</u>
City manager:				
Personal services	275,140	279,240	279,251	11
Operating	14,800	26,800	26,361	(439)
Total city manager	<u>289,940</u>	<u>306,040</u>	<u>305,612</u>	<u>(428)</u>
City hall:				
Operating	<u>154,610</u>	<u>134,610</u>	<u>115,960</u>	<u>(18,650)</u>
City attorney:				
Personal services	537,838	516,069	514,628	(1,441)
Operating	22,174	28,900	24,457	(4,443)
Capital outlay	-	6,928	5,478	(1,450)
Total city attorney	<u>560,012</u>	<u>551,897</u>	<u>544,563</u>	<u>(7,334)</u>
Human resources:				
Personal services	303,625	311,004	308,432	(2,572)
Operating	39,621	56,971	44,452	(12,519)
Total human resources	<u>343,246</u>	<u>367,975</u>	<u>352,884</u>	<u>(15,091)</u>
Finance administration:				
Personal services	645,182	647,182	643,669	(3,513)
Operating	45,500	43,500	38,710	(4,790)
Total finance administration	<u>690,682</u>	<u>690,682</u>	<u>682,379</u>	<u>(8,303)</u>
Information technology:				
Personal services	530,989	558,789	554,480	(4,309)
Operating	118,300	104,800	91,837	(12,963)
Capital outlay	25,600	25,600	21,165	(4,435)
Total information technology	<u>674,889</u>	<u>689,189</u>	<u>667,482</u>	<u>(21,707)</u>

continued...

CITY OF VERO BEACH, FLORIDA

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
General government (concluded):				
Purchasing:				
Personal services	\$ 377,127	\$ 396,245	\$ 393,945	\$ (2,300)
Operating	20,370	20,370	14,587	(5,783)
Total purchasing	<u>397,497</u>	<u>416,615</u>	<u>408,532</u>	<u>(8,083)</u>
Warehouse:				
Personal services	235,123	225,803	226,100	297
Operating	30,153	30,153	23,316	(6,837)
Total warehouse	<u>265,276</u>	<u>255,956</u>	<u>249,416</u>	<u>(6,540)</u>
Planning:				
Personal services	574,302	575,555	551,786	(23,769)
Operating	52,111	52,111	29,514	(22,597)
Total planning	<u>626,413</u>	<u>627,666</u>	<u>581,300</u>	<u>(46,366)</u>
Public works - fleet management:				
Personal services	300,178	290,178	285,170	(5,008)
Operating	113,869	99,369	75,978	(23,391)
Capital outlay	-	36,000	35,819	(181)
Total public works - fleet management	<u>414,047</u>	<u>425,547</u>	<u>396,967</u>	<u>(28,580)</u>
Public works - facilities management:				
Personal services	541,062	524,914	512,027	(12,887)
Operating	122,868	112,368	99,258	(13,110)
Capital outlay	-	-	18,532	18,532
Total public works - facilities management	<u>663,930</u>	<u>637,282</u>	<u>629,817</u>	<u>(7,465)</u>
Public works - GIS:				
Personal services	167,944	167,944	167,570	(374)
Operating	6,000	6,000	3,220	(2,780)
Total public works - GIS	<u>173,944</u>	<u>173,944</u>	<u>170,790</u>	<u>(3,154)</u>
Total general government	<u>5,727,805</u>	<u>5,742,362</u>	<u>5,555,331</u>	<u>(187,031)</u>
Public safety:				
Police:				
Personal services	6,161,618	6,166,818	6,124,669	(42,149)
Operating	814,681	777,081	677,557	(99,524)
Capital outlay	23,743	32,143	33,179	1,036
Total public safety	<u>7,000,042</u>	<u>6,976,042</u>	<u>6,835,405</u>	<u>(140,637)</u>

continued...

CITY OF VERO BEACH, FLORIDA

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Transportation:				
Public works - traffic:				
Personal services	\$ 132,053	\$ 145,553	\$ 136,947	\$ (8,606)
Operating	73,335	73,335	58,388	(14,947)
Total public works - traffic	<u>205,388</u>	<u>218,888</u>	<u>195,335</u>	<u>(23,553)</u>
Public works - administration:				
Personal services	448,820	444,820	436,513	(8,307)
Operating	70,200	67,700	51,913	(15,787)
Total public works - administration	<u>519,020</u>	<u>512,520</u>	<u>488,426</u>	<u>(24,094)</u>
Public works - stormwater:				
Personal services	622,066	600,536	596,694	(3,842)
Operating	91,830	91,830	73,014	(18,816)
Capital outlay	2,500	2,500	-	(2,500)
Total public works - stormwater	<u>716,396</u>	<u>694,866</u>	<u>669,708</u>	<u>(25,158)</u>
Public works - streets:				
Personal services	114,987	110,987	92,038	(18,949)
Operating	239,161	239,161	196,631	(42,530)
Total public works - streets	<u>354,148</u>	<u>350,148</u>	<u>288,669</u>	<u>(61,479)</u>
Public works - engineering & survey:				
Personal services	617,303	629,761	621,431	(8,330)
Operating	46,874	39,874	27,721	(12,153)
Capital outlay	5,400	5,400	-	(5,400)
Total public works - engineering & survey	<u>669,577</u>	<u>675,035</u>	<u>649,152</u>	<u>(25,883)</u>
Total transportation	<u>2,464,529</u>	<u>2,451,457</u>	<u>2,291,290</u>	<u>(160,167)</u>
Culture and recreation:				
Public works - grounds maintenance:				
Personal services	347,000	257,400	326,923	69,523
Operating	553,283	540,428	501,049	(39,379)
Total culture and recreation	<u>900,283</u>	<u>797,828</u>	<u>827,972</u>	<u>30,144</u>

continued...

CITY OF VERO BEACH, FLORIDA

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (continued)				
Nondepartmental:				
Personal services	\$ 518,684	\$ 428,252	\$ 401,269	\$ (26,983)
Operating	903,059	1,147,318	1,064,738	(82,580)
Total nondepartmental	1,421,743	1,575,570	1,466,007	(109,563)
Total expenditures	17,514,402	17,543,259	16,976,005	(567,254)
Revenue over (under) expenditures	(4,109,034)	(4,129,291)	(3,558,264)	571,027
Other financing sources (uses)				
Issurance of long-term debt	-	2,707,262	2,707,262	-
Transfers in:				
Electric revenue fund	5,766,213	5,766,213	5,766,213	-
Water & sewer revenue fund	1,113,566	1,113,566	1,113,566	-
Solid waste fund	153,750	153,750	153,750	-
Marina fund	82,881	82,881	82,881	-
Health insurance fund	187,678	187,678	187,678	-
Total transfers in	7,304,088	7,304,088	7,304,088	-
Transfers out:				
Debt service fund	(724,110)	(4,106,750)	(4,106,750)	-
Cemetary	-	-	-	-
Recreation fund	(2,470,944)	(2,550,203)	(2,416,976)	133,227
Total transfers out	(3,195,054)	(6,656,953)	(6,523,726)	133,227
Total other financing sources (uses)	4,109,034	3,354,397	3,487,624	133,227
Net change in fund balances	-	(774,894)	(70,640)	704,254
Fund balances, beginning of year	7,883,180	7,883,180	7,883,180	-
Fund balances, end of year	\$ 7,883,180	\$ 7,108,286	\$ 7,812,540	\$ 704,254

concluded

The accompanying notes are an integral part of these basic financial statements.

CITY OF VERO BEACH, FLORIDA

Nonmajor Governmental Funds

Special Revenue Funds

Confiscated Property Fund - accounts for funds seized as felony forfeitures. With court approval, title to seized funds and equipment is transferred to the City, and may be used for police-related work or sold in order to purchase needed police-related capital equipment.

Law Enforcement Education Fund - accounts for funds provided for police education. These funds are derived from a \$2.00 fee imposed on all traffic citations.

Police and Firefighters Premium Tax Fund - accounts for excise tax collected on property and casualty insurance policies by the State of Florida Department of Revenue and remitted to the City. These tax revenues are to be used as retirement contributions to Police and Firefighter's Pension Plans.

Asset Management Fund - accounts for funds received from the sale of surplus City land. Interest earnings can be transferred to the General Fund to support the Recreation Department. The principal is available to purchase additional land for general governmental use.

Whitaker Trust Fund - accounts for private donations received for park improvement projects.

Downey Little Flower Trust Fund - accounts for private donations received for park improvement projects.

Debt Service Fund

Debt Service Fund - accounts for the collection of transfers and payments associated with general government debt.

Capital Projects Funds

Paving and Assessments Fund - accounts for the paving or resurfacing of streets and sidewalks. Financing is provided by special assessments, interfund loans, general fund transfers, and one cent local option sales tax.

Infrastructure and Real Estate Improvements Fund - accounts for infrastructure and real estate improvement projects financed by the one cent local option sales tax.

Permanent Fund

Crestlawn Cemetery Fund - accounts for principal trust amounts received, sale of cemetery lots and related interest income that provides for the operation of the City's cemetery.

CITY OF VERO BEACH, FLORIDA

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2012

	Special Revenue Funds			
	Confiscated Property	Law Enforcement Education	Police & Firefighter Premium Tax Trust	Asset Management
Assets				
Equity in pooled cash and investments	\$ 34,533	\$ 14,796	\$ -	\$ 1,330,715
Receivables, net:				
Special assessments	-	-	-	-
Interest	-	-	-	2,748
Due from other governments	-	-	-	-
Total assets	<u>\$ 34,533</u>	<u>\$ 14,796</u>	<u>\$ -</u>	<u>\$ 1,333,463</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ 146	\$ -	\$ 300
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>146</u>	<u>-</u>	<u>300</u>
Fund balances				
Restricted	34,533	14,650	-	1,333,163
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	<u>34,533</u>	<u>14,650</u>	<u>-</u>	<u>1,333,163</u>
Total liabilities and fund balances	<u>\$ 34,533</u>	<u>\$ 14,796</u>	<u>\$ -</u>	<u>\$ 1,333,463</u>

Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Permanent Fund	
Whitaker Trust	Downey Little Flower	Debt Service	Paving & Assessments	Infrastructure & Real Estate Improvements	Crestlawn Cemetery	Total
\$ 777,152	\$ 148,865	\$ -	\$ 569,400	\$ 1,563,080	\$ -	\$ 4,438,541
-	-	-	19,896	-	-	19,896
1,270	-	-	-	6,078	-	10,096
-	-	-	-	152,601	-	152,601
<u>\$ 778,422</u>	<u>\$ 148,865</u>	<u>\$ -</u>	<u>\$ 589,296</u>	<u>\$ 1,721,759</u>	<u>\$ -</u>	<u>\$ 4,621,134</u>
\$ 139	\$ -	\$ -	\$ 1,264	\$ 663	\$ 736	\$ 3,248
-	-	-	-	-	805	805
-	-	-	-	-	104,413	104,413
-	-	-	19,896	-	-	19,896
<u>139</u>	<u>-</u>	<u>-</u>	<u>21,160</u>	<u>663</u>	<u>105,954</u>	<u>128,362</u>
778,283	148,865	-	568,136	1,721,096	-	4,598,726
-	-	-	-	-	(105,954)	(105,954)
<u>778,283</u>	<u>148,865</u>	<u>-</u>	<u>568,136</u>	<u>1,721,096</u>	<u>(105,954)</u>	<u>4,492,772</u>
<u>\$ 778,422</u>	<u>\$ 148,865</u>	<u>\$ -</u>	<u>\$ 589,296</u>	<u>\$ 1,721,759</u>	<u>\$ -</u>	<u>\$ 4,621,134</u>

CITY OF VERO BEACH, FLORIDA

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2012

	Special Revenue Funds			
	Confiscated Property	Law Enforcement Education	Police & Firefighter Premium Tax Trust	Asset Management
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	527,612	-
Special assessments	-	-	-	-
Grants	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	14,219	2,772	-	-
Investment earnings	-	-	-	7,666
Miscellaneous	-	-	-	-
Total revenue	14,219	2,772	527,612	7,666
Expenditures				
Current:				
Public safety	1,022	4,691	527,612	-
Physical environment	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	5,350	-	-	-
Total expenditures	6,372	4,691	527,612	-
Revenue over (under) expenditures	7,847	(1,919)	-	7,666
Other financing sources (uses)				
Issuance of long-term debt	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	7,847	(1,919)	-	7,666
Fund balances, beginning of year	26,686	16,569	-	1,325,497
Fund balances, end of year	\$ 34,533	\$ 14,650	\$ -	\$ 1,333,163

Special Revenue Funds		Debt Service Funds	Capital Projects Funds		Permanent Fund	
Whitaker Trust	Downey Little Flower	Debt Service	Paving & Assessments	Infrastructure & Real Estate Improvements	Crestlawn Cemetery	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,710,228	\$ -	\$ 1,710,228
-	-	-	45,804	-	-	573,416
-	-	-	11,516	-	-	11,516
-	-	-	6,202	-	-	6,202
-	-	-	-	-	127,392	127,392
-	-	-	-	-	-	16,991
3,574	-	-	1,077	31,638	20	43,975
-	-	-	347	-	-	347
<u>3,574</u>	<u>-</u>	<u>-</u>	<u>64,946</u>	<u>1,741,866</u>	<u>127,412</u>	<u>2,490,067</u>
-	-	-	-	-	-	533,325
-	-	-	-	-	130,280	130,280
-	-	1,965,190	-	-	-	1,965,190
-	-	566,361	-	54,367	-	620,728
-	-	-	1,210,093	-	-	1,215,443
<u>-</u>	<u>-</u>	<u>2,531,551</u>	<u>1,210,093</u>	<u>54,367</u>	<u>130,280</u>	<u>4,464,966</u>
<u>3,574</u>	<u>-</u>	<u>(2,531,551)</u>	<u>(1,145,147)</u>	<u>1,687,499</u>	<u>(2,868)</u>	<u>(1,974,899)</u>
-	-	-	-	3,182,738	-	3,182,738
-	-	(5,827,724)	-	-	-	(5,827,724)
-	-	8,359,275	1,635,074	-	-	9,994,349
(40,500)	-	-	-	(5,867,599)	-	(5,908,099)
<u>(40,500)</u>	<u>-</u>	<u>2,531,551</u>	<u>1,635,074</u>	<u>(2,684,861)</u>	<u>-</u>	<u>1,441,264</u>
(36,926)	-	-	489,927	(997,362)	(2,868)	(533,635)
<u>815,209</u>	<u>148,865</u>	<u>-</u>	<u>78,209</u>	<u>2,718,458</u>	<u>(103,086)</u>	<u>5,026,407</u>
<u>\$ 778,283</u>	<u>\$ 148,865</u>	<u>\$ -</u>	<u>\$ 568,136</u>	<u>\$ 1,721,096</u>	<u>\$ (105,954)</u>	<u>\$ 4,492,772</u>

CITY OF VERO BEACH, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Confiscated Property Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Fines and forfeitures	\$ -	\$ 14,220	\$ 14,219	\$ (1)
Total revenue	-	14,220	14,219	(1)
Expenditures				
Current:				
Public safety	-	1,022	6,372	5,350
Net change in fund balance	-	13,198	7,847	(5,351)
Fund balance, beginning of year	26,686	26,686	26,686	-
Fund balance, end of year	\$ 26,686	\$ 39,884	\$ 34,533	\$ (5,351)

CITY OF VERO BEACH, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Law Enforcement Education Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Fines and forfeitures	\$ 5,000	\$ 2,600	\$ 2,772	\$ 172
Total revenue	5,000	2,600	2,772	172
Expenditures				
Current:				
Public safety	19,500	4,225	4,691	466
Net change in fund balance	(14,500)	(1,625)	(1,919)	(294)
Fund balance, beginning of year	16,569	16,569	16,569	-
Fund balance, end of year	\$ 2,069	\$ 14,944	\$ 14,650	\$ (294)

CITY OF VERO BEACH, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Paving & Assessments Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Intergovernmental	\$ -	\$ -	\$ 45,804	\$ 45,804
Special assessments	30,000	30,000	11,516	(18,484)
Grants	175,000	100,000	6,202	(93,798)
Investment earnings	2,000	2,000	1,077	(923)
Miscellaneous	-	-	347	347
Total revenue	207,000	132,000	64,946	(67,054)
Expenditures				
Capital outlay	3,492,074	1,492,574	1,210,093	(282,481)
Revenue over (under) expenditures	(3,285,074)	(1,360,574)	(1,145,147)	215,427
Other financing sources				
Proceeds from issuance of debt	1,700,000	-	-	-
Transfers in	1,585,074	1,635,074	1,635,074	-
Total other financing sources	3,285,074	1,635,074	1,635,074	-
Net change in fund balance	-	274,500	489,927	215,427
Fund balance, beginning of year	78,209	78,209	78,209	-
Fund balance, end of year	\$ 78,209	\$ 352,709	\$ 568,136	\$ 215,427

CITY OF VERO BEACH, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Infrastructure & Real Estate Improvements Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Taxes	\$ 1,622,117	\$ 1,622,117	\$ 1,710,228	\$ 88,111
Investment earnings	135,000	34,000	31,638	(2,362)
Total revenue	1,757,117	1,656,117	1,741,866	85,749
Expenditures				
Interest and fiscal charges	-	60,000	54,367	(5,633)
Revenue over (under) expenditures	1,757,117	1,596,117	1,687,499	91,382
Other financing sources (uses)				
Issuance of long-term debt	-	3,182,738	3,182,738	-
Transfers out	(2,572,376)	(5,867,880)	(5,867,599)	281
Total other financing sources (uses)	(2,572,376)	(2,685,142)	(2,684,861)	281
Net change in fund balance	(815,259)	(1,089,025)	(997,362)	91,663
Fund balance, beginning of year	2,718,458	2,718,458	2,718,458	-
Fund balance, end of year	<u>\$ 1,903,199</u>	<u>\$ 1,629,433</u>	<u>\$ 1,721,096</u>	<u>\$ 91,663</u>

CITY OF VERO BEACH, FLORIDA

Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Crestlawn Cemetery Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Charges for services	\$ 159,000	\$ 119,000	\$ 127,392	\$ 8,392
Investment earnings	-	-	20	20
Total revenue	159,000	119,000	127,412	8,412
Expenditures				
Current:				
Physical environment	138,663	134,913	130,280	(4,633)
Net change in fund balance	20,337	(15,913)	(2,868)	13,045
Fund balance, beginning of year	(103,086)	(103,086)	(103,086)	-
Fund balance, end of year	<u>\$ (82,749)</u>	<u>\$ (118,999)</u>	<u>\$ (105,954)</u>	<u>\$ 13,045</u>

CITY OF VERO BEACH, FLORIDA

Internal Service Funds

Health Insurance Fund - accounts for the expenses incurred for health insurance claims for employees and retirees under the City's self-insured plan. Revenues are generated by charges to the various departments and funds based on past experience, as well as employee and retiree contributions.

Liability Insurance Fund - accounts for the expenses incurred for worker's compensation, general and auto liability and property damage claims. Insurance recoveries for buildings and plant facilities are remitted to the appropriate fund. Revenues are generated by charges to the various department and funds on past experience and actuarial estimates.

CITY OF VERO BEACH, FLORIDA

Combining Statement of Net Assets

Internal Service Funds

September 30, 2012

	Health Insurance	Liability Insurance	Total
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 3,777,158	\$ 4,427,036	\$ 8,204,194
Receivables, net			
Interest	8,236	6,723	14,959
Total current assets	<u>3,785,394</u>	<u>4,433,759</u>	<u>8,219,153</u>
Noncurrent assets:			
Capital assets being depreciated, net	-	1,754	1,754
Total assets	<u>3,785,394</u>	<u>4,435,513</u>	<u>8,220,907</u>
Liabilities			
Current liabilities:			
Accounts and contracts payable	899	53,963	54,862
Accrued liabilities	-	1,905	1,905
Compensated absences	-	1,667	1,667
Claims payable	535,243	1,229,000	1,764,243
Total current liabilities	<u>536,142</u>	<u>1,286,535</u>	<u>1,822,677</u>
Noncurrent liabilities:			
Compensated absences	-	31,680	31,680
Claims payable	-	1,667,426	1,667,426
Total noncurrent liabilities	<u>-</u>	<u>1,699,106</u>	<u>1,699,106</u>
Total liabilities	<u>536,142</u>	<u>2,985,641</u>	<u>3,521,783</u>
Net assets			
Invested in capital assets, net of related debt	-	1,754	1,754
Unrestricted	3,249,252	1,448,118	4,697,370
Total net assets	<u>\$ 3,249,252</u>	<u>\$ 1,449,872</u>	<u>\$ 4,699,124</u>

CITY OF VERO BEACH, FLORIDA

Combining Statement of Revenue, Expenses and Changes in Fund Net Assets

Internal Service Funds

For the Year Ended September 30, 2012

	Health Insurance	Liability Insurance	Total
Operating revenue			
Charges for services	\$ 6,185,114	\$ 800,000	\$ 6,985,114
Operating expenses			
Claims expense	4,790,390	217,632	5,008,022
Operating charges	458,965	266,861	725,826
Depreciation expense	-	1,480	1,480
Total operating expenses	5,249,355	485,973	5,735,328
Operating income (loss)	935,759	314,027	1,249,786
Nonoperating revenue			
Investment earnings	22,890	18,716	41,606
Transfers out	(187,678)	-	(187,678)
Change in net assets	770,971	332,743	1,103,714
Net assets, beginning of year	2,478,281	1,117,129	3,595,410
Net assets, end of year	\$ 3,249,252	\$ 1,449,872	\$ 4,699,124

CITY OF VERO BEACH, FLORIDA

Combining Schedule of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2012

	Health Insurance	Liability Insurance	Total
Cash flows from operating activities			
Cash received from other funds for self-insurance	\$ 6,440,631	\$ 801,902	\$ 7,242,533
Payments to vendors	(458,066)	(69,538)	(527,604)
Payments for personnel services	-	(207,274)	(207,274)
Benefit payments	(4,927,536)	(398,603)	(5,326,139)
Net cash provided by (used in) operating activities	<u>1,055,029</u>	<u>126,487</u>	<u>1,181,516</u>
Cash flows from noncapital financing activities			
Transfers out	<u>(187,678)</u>	<u>-</u>	<u>(187,678)</u>
Cash flows from investing activities			
Purchase of pooled investments	(29,583)	(24,182)	(53,765)
Interest received	<u>22,890</u>	<u>18,716</u>	<u>41,606</u>
Net cash provided by investing activities	<u>(6,693)</u>	<u>(5,466)</u>	<u>(12,159)</u>
Change in cash and cash equivalents	860,658	121,021	981,679
Cash and cash equivalents, beginning of year	<u>(560,266)</u>	<u>1,438,121</u>	<u>877,855</u>
Cash and cash equivalents, end of year	<u>\$ 300,392</u>	<u>\$ 1,559,142</u>	<u>\$ 1,859,534</u>
Reconciliation of cash and cash equivalents to balance sheet			
Classified on the statement of net assets as			
Equity in pooled cash and investments	\$ 3,777,158	\$ 4,427,036	8,204,194
Less: investments not meeting definition of cash equivalents	<u>(3,476,766)</u>	<u>(2,867,894)</u>	<u>(6,344,660)</u>
	<u>\$ 300,392</u>	<u>\$ 1,559,142</u>	<u>\$ 1,859,534</u>

CITY OF VERO BEACH, FLORIDA

Combining Schedule of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2012

	Health Insurance	Liability Insurance	Total
Reconciliation of Operating income (loss) to net cash provided by operating activities			
Cash flows from operating activities			
Operating income (loss)	\$ 935,759	\$ 314,027	\$ 1,249,786
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	1,480	1,480
Change in:			
Accounts receivable	253,189	-	253,189
Interest receivable	2,328	1,902	4,230
Accounts payable	899	41,663	42,562
Accrued liabilities	-	(1,493)	(1,493)
Accrued compensated absences	-	(50,121)	(50,121)
Claims payable	(137,146)	(180,971)	(318,117)
Net cash provided by (used in) operating activities	<u>\$ 1,055,029</u>	<u>\$ 126,487</u>	<u>\$ 1,181,516</u>

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CITY OF VERO BEACH, FLORIDA

Agency Funds

Health and Life Insurance Fund - accounts for premiums and payments for life insurance coverage for all eligible active employees and retirees.

Retirement Premium Assistance Fund - accounts for for Blue Cross/Blue Shield health and life insurance costs for fully-insured eligible retirees. The City pays a portion of these expenditures.

CITY OF VERO BEACH, FLORIDA

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended September 30, 2012

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
<i>Health and Life Insurance Fund</i>				
Assets				
Cash and cash equivalents	\$ -	\$ 140,520	\$ (140,520)	\$ -
Liabilities				
Accounts payable	\$ -	\$ 140,520	\$ (140,520)	\$ -
<i>Retirement Premium Assistance Fund</i>				
Assets				
Cash and cash equivalents	\$ 1,028	\$ 80,097	\$ (81,085)	\$ 40
Total assets	\$ 1,028	\$ 80,097	\$ (81,085)	\$ 40
Liabilities				
Accrued liabilities	\$ -	\$ 81,085	\$ (81,085)	\$ -
Escrow	1,028	55,568	(56,556)	40
Total liabilities	\$ 1,028	\$ 136,653	\$ (137,641)	\$ 40
<i>Total All Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ 1,028	\$ 220,617	\$ (221,605)	\$ 40
Total assets	\$ 1,028	\$ 220,617	\$ (221,605)	\$ 40
Liabilities				
Accounts payable	\$ -	\$ 140,520	\$ (140,520)	\$ -
Accrued liabilities	-	81,085	(81,085)	-
Escrow	1,028	55,568	(56,556)	40
Total liabilities	\$ 1,028	\$ 277,173	\$ (278,161)	\$ 40

STATISTICAL SECTION

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CITY OF VERO BEACH, FLORIDA

Statistical Section Table of Contents

This part of the City's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of the City of Vero Beach, Florida.

		<u>Page</u>
Financial Trends Tables 1-4	These schedules contain trend information to help the reader understand and evaluate how the City's financial condition, performance and well-being have changed over time.	124
Revenue Capacity Tables 5-10	These schedules contain information to help the reader assess the City's ability to generate its most significant local revenue source, the property tax, and the municipal sales tax.	134
Debt Capacity Tables 11-14	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	140
Demographic and Economic Information Tables 15-17	These schedules present various demographic and economic indicators to help the reader understand the environment within which the City operates and how they affect the City's financial activities.	144
Operating Information Tables 18-19	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	148

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include data beginning in that year.

CITY OF VERO BEACH, FLORIDA

Net Assets by Component Last Nine Fiscal Years

	Fiscal Year		
	2012	2011	2010
Governmental Activities			
Invested in capital assets, net of related debt	\$ 29,908,083	\$ 28,499,031	\$ 26,837,755
Restricted	4,598,726	5,028,407	6,171,920
Unrestricted	(505,687)	4,227,519	9,458,667
Total governmental activities net assets	\$ 34,001,122	\$ 37,754,957	\$ 42,468,342
Business-Type Activities			
Invested in capital assets, net of related debt	\$ 171,182,649	\$ 174,571,428	\$ 174,465,006
Restricted	2,000,000	2,000,000	2,000,000
Unrestricted	50,354,351	46,207,638	44,343,955
Total business-type activities net assets	\$ 223,537,000	\$ 222,779,066	\$ 220,808,961
Primary Government			
Invested in capital assets, net of related debt	\$ 201,090,732	\$ 203,070,459	\$ 201,302,761
Restricted	6,598,726	7,028,407	8,171,920
Unrestricted	49,848,664	50,435,157	53,802,622
Total primary government net assets	\$ 257,538,122	\$ 260,534,023	\$ 263,277,303

Table 1 - Unaudited

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 22,195,840	\$ 20,349,914	\$ 19,864,110	\$ 18,808,203	\$ 8,046,708	\$ 17,226,815
8,564,965	9,219,045	8,780,723	9,616,102	21,247,950	8,007,212
10,369,274	12,171,672	13,925,562	10,578,652	5,055,392	3,908,198
<u>\$ 41,130,079</u>	<u>\$ 41,740,631</u>	<u>\$ 42,570,395</u>	<u>\$ 39,002,957</u>	<u>\$ 34,350,050</u>	<u>\$ 29,142,225</u>
\$ 170,554,819	\$ 156,249,140	\$ 155,765,991	\$ 142,603,896	\$ 137,398,626	\$ 134,041,416
2,000,000	2,800,000	2,800,000	2,800,000	2,800,000	3,778,339
28,152,936	34,276,978	35,693,641	36,048,628	29,522,731	23,766,782
<u>\$ 200,707,755</u>	<u>\$ 193,326,118</u>	<u>\$ 194,259,632</u>	<u>\$ 181,452,524</u>	<u>\$ 169,721,357</u>	<u>\$ 161,586,537</u>
\$ 192,750,659	\$ 176,599,054	\$ 175,630,101	\$ 161,412,099	\$ 145,445,334	\$ 151,268,231
10,564,965	12,019,045	11,580,723	12,416,102	24,047,950	11,785,551
38,522,210	46,448,650	49,619,203	46,627,280	34,578,123	27,674,980
<u>\$ 241,837,834</u>	<u>\$ 235,066,749</u>	<u>\$ 236,830,027</u>	<u>\$ 220,455,481</u>	<u>\$ 204,071,407</u>	<u>\$ 190,728,762</u>

CITY OF VERO BEACH, FLORIDA

Changes in Net Assets Last Nine Fiscal Years

	Fiscal Year		
	2012	2011	2010
Program revenues			
Governmental activities			
Charges for services:			
General government	\$ 3,322,533	\$ 3,249,020	\$ 3,433,293
Public safety	166,584	129,944	135,453
Physical environment	127,392	92,702	110,949
Operating grants and contributions	527,612	-	3,785
Capital grants and contributions	82,739	88,014	1,342,451
	<u>4,226,860</u>	<u>3,559,680</u>	<u>5,025,931</u>
Business-type activities			
Charges for services:			
Electric system	86,941,142	84,281,650	99,446,208
Water and sewer system	17,312,617	18,434,117	17,157,092
Municipal airport	2,310,893	2,592,932	2,685,178
Municipal marina	1,715,912	1,647,314	1,540,091
Solid waste	2,487,424	2,498,231	2,451,665
Recreation	561,910	562,592	576,807
Operating grants and contributions	-	177,937	317,745
Capital grants and contributions	1,199,221	2,585,075	5,513,352
	<u>112,529,119</u>	<u>112,779,848</u>	<u>129,688,138</u>
Total program revenue	<u>116,755,979</u>	<u>116,339,528</u>	<u>134,714,069</u>
Expenses			
Governmental Activities:			
General government	9,797,132	12,958,247	8,999,861
Public safety	7,585,350	7,776,116	8,154,065
Physical environment	155,472	133,192	176,820
Transportation	2,479,329	2,652,809	2,901,749
Culture and recreation	866,935	807,693	1,344,264
Interest and fiscal charges	620,728	528,045	570,752
	<u>21,504,946</u>	<u>24,856,102</u>	<u>22,147,511</u>
Business-Type Activities			
Electric system	81,518,083	81,241,261	80,438,637
Water and sewer system	14,787,816	15,390,337	14,587,327
Municipal airport	3,133,745	3,086,270	3,064,701
Municipal marina	1,701,291	1,717,969	1,602,132
Solid waste	2,301,788	2,268,793	2,407,124
Recreation	3,336,862	3,462,899	3,646,095
	<u>106,779,585</u>	<u>107,167,529</u>	<u>105,746,016</u>
Total expenses	<u>128,284,531</u>	<u>132,023,631</u>	<u>127,893,527</u>

Table 2 - Unaudited

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 3,482,547	\$ 3,530,467	\$ 3,536,054	\$ 3,500,962	\$ 3,613,837	\$ 3,265,796
144,526	157,792	172,443	154,676	157,698	183,021
124,607	146,996	90,385	205,923	133,917	106,182
9,195	306,748	8,946	-	2,812,903	667,140 *
668,420	586,685	465,201	240,905	866,826	468,203
<u>4,429,295</u>	<u>4,728,688</u>	<u>4,273,029</u>	<u>4,102,466</u>	<u>7,585,181</u>	<u>4,690,342</u>
104,432,117	98,489,596	92,099,204	94,264,554	81,860,141	65,150,040
15,364,272	14,392,131	15,310,166	15,148,429	13,418,679	12,513,316
2,681,794	2,624,696	2,406,034	2,169,832	2,053,833	2,079,273
1,522,730	1,652,540	1,291,337	1,341,631	1,257,958	1,033,963
2,390,865	2,433,243	2,278,265	2,236,082	2,222,416	2,098,850
580,649	620,170	664,053	681,444	565,403	602,708
825,373	356,208	26,953	745,907	10,009,957	5,545,848 *
1,214,759	4,274,250	4,959,499	3,847,988	2,472,523	5,735,187
<u>129,012,559</u>	<u>124,842,834</u>	<u>119,035,511</u>	<u>120,435,867</u>	<u>113,860,910</u>	<u>94,759,185</u>
133,441,854	129,571,522	123,308,540	124,538,333	121,446,091	99,449,527
9,758,981	11,452,290	8,771,513	8,106,685	10,466,736	8,389,917
8,194,248	8,094,139	8,132,778	7,514,267	7,563,676	7,147,317
190,891	185,442	180,112	181,309	173,403	370,876
3,030,214	3,374,155	2,832,720	3,022,822	3,800,394	3,168,288
916,770	923,899	878,329	863,708	1,782,762	911,607
612,897	453,842	647,535	603,007	210,242	141,828
<u>22,704,001</u>	<u>24,483,767</u>	<u>21,442,987</u>	<u>20,291,798</u>	<u>23,997,213</u> ⁽¹⁾	<u>20,129,833</u> ⁽¹⁾
92,310,015	96,414,156	78,972,447	82,460,581	76,899,908	66,661,237
15,240,453	16,400,519	14,806,983	13,876,550	17,700,150	13,379,478
2,966,218	2,753,855	2,537,191	2,447,632	2,974,216	1,995,280
1,548,029	1,754,468	1,285,844	1,314,617	1,244,330	1,031,750
2,503,471	2,493,815	2,371,283	2,399,373	4,405,481	4,988,484
3,976,091	4,125,518	4,260,534	4,198,959	3,918,700	3,631,047
<u>118,544,277</u>	<u>123,942,331</u>	<u>104,234,282</u>	<u>106,697,712</u>	<u>107,142,785</u> ⁽¹⁾	<u>91,687,276</u> ⁽¹⁾
141,248,278	148,426,098	125,677,269	126,989,510	131,139,998	111,817,109

continued...

CITY OF VERO BEACH, FLORIDA

Changes in Net Assets Last Nine Fiscal Years

	Fiscal Year		
	2012	2011	2010
Net revenue (expense)			
Governmental activities	\$ (17,278,086)	\$ (21,296,422)	\$ (17,121,580)
Business-type activities	5,749,534	5,612,319	23,942,122
Total net revenue (expense)	<u>(11,528,552)</u>	<u>(15,684,103)</u>	<u>6,820,542</u>
General Revenue			
Governmental activities			
Property taxes, levied for general operations	4,245,008	4,238,150	4,716,695
Sales tax	3,704,455	4,388,046	4,372,680
Utility tax	3,438,308	3,463,808	3,558,582
Unrestricted investment earnings	216,447	298,044	542,431
Other	117,811	54,178	3,806
Transfers	4,678,934	4,140,811	4,440,568
	<u>16,400,963</u>	<u>16,583,037</u>	<u>17,634,762</u>
Business-type activities			
Unrestricted investment earnings	220,054	355,413	388,308
Other	223,142	143,184	211,344
Transfers	(4,678,934)	(4,140,811)	(4,440,568)
	<u>(4,235,738)</u>	<u>(3,642,214)</u>	<u>(3,840,916)</u>
Total general revenue	<u>12,165,225</u>	<u>12,940,823</u>	<u>13,793,846</u>
Change in net assets			
Governmental activities	(877,123)	(4,713,385)	513,182
Business-type activities	1,513,796	1,970,105	20,101,206
Total change in net assets	<u>\$ 636,673</u>	<u>\$ (2,743,280)</u>	<u>\$ 20,614,388</u>

(1) Increase in operating grant revenue and related expenses due to hurricanes Frances and Jeanne

Table 2 - Unaudited

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ (18,274,706)	\$ (19,755,079)	\$ (17,169,958)	\$ (16,189,332)	\$ (16,412,032)	\$ (15,439,491)
10,468,282	900,503	14,801,229	13,738,155	6,718,125	3,071,909
<u>(7,806,424)</u>	<u>(18,854,576)</u>	<u>(2,368,729)</u>	<u>(2,451,177)</u>	<u>(9,693,907)</u>	<u>(12,367,582)</u>
5,021,184	5,344,705	5,703,827	4,968,621	4,391,711	3,909,213
4,572,056	5,127,694	5,424,640	5,884,222	6,150,474	5,346,790
3,744,719	3,792,531	3,895,906	4,050,240	3,764,126	3,658,084
602,859	1,147,970	1,588,859	1,256,350	633,866	250,882
14,424	32,416	147,374	221,942	785,076	1,001,105
3,708,912	3,479,999	3,976,790	4,460,863	4,239,200	2,890,200
<u>17,664,154</u>	<u>18,925,315</u>	<u>20,737,396</u>	<u>20,842,238</u>	<u>19,964,453</u>	<u>17,056,274</u>
481,109	1,224,617	1,779,430	1,233,195	551,301	653,400
141,159	421,365	203,238	1,220,678	5,104,594	230,759
<u>(3,708,912)</u>	<u>(3,479,999)</u>	<u>(3,976,790)</u>	<u>(4,460,863)</u>	<u>(4,239,200)</u>	<u>(3,364,200)</u>
<u>(3,086,644)</u>	<u>(1,834,017)</u>	<u>(1,994,122)</u>	<u>(2,006,990)</u>	<u>1,416,695</u>	<u>(2,480,041)</u>
<u>14,577,510</u>	<u>17,091,298</u>	<u>18,743,274</u>	<u>18,835,248</u>	<u>21,381,148</u>	<u>14,576,233</u>
(610,552)	(829,764)	3,567,438	4,652,906	3,552,421	1,616,783
<u>7,381,638</u>	<u>(933,514)</u>	<u>12,807,107</u>	<u>11,731,165</u>	<u>8,134,820</u>	<u>591,868</u>
<u>\$ 6,771,086</u>	<u>\$ (1,763,278)</u>	<u>\$ 16,374,545</u>	<u>\$ 16,384,071</u>	<u>\$ 11,687,241</u>	<u>\$ 2,208,651</u>

concluded

CITY OF VERO BEACH, FLORIDA

Fund Balances, Governmental Funds Last Ten Fiscal Years

	Fiscal Year		
	2012	2011	2010
General Fund			
Nonspendable:			
Inventory	\$ 166,727	\$ 135,474	\$ 155,984
Restricted for:			
Encumbrances	-	19,536	19,535
Physical environment	2,128	2,000	-
Unassigned	7,643,685	7,726,170	8,286,607
Total general fund	<u>7,812,540</u>	<u>7,883,180</u>	<u>8,462,126</u>
All Other Governmental Funds			
Restricted for:			
Debt service	-	-	3,739
Public safety	49,183	43,255	34,208
Culture and recreation	927,148	964,074	960,219
Physical environment	3,622,395	4,122,164	5,236,445
Unassigned	(105,954)	(103,086)	(62,691)
Total all other governmental funds	<u>4,492,772</u>	<u>5,026,407</u>	<u>6,171,920</u>
Total all funds	<u>\$12,305,312</u>	<u>\$12,909,587</u>	<u>\$14,634,046</u>

Note: This schedule has been updated retroactively to reflect implementation of GASB 54 *Fund Balance Reporting and Governmental Funds Type Definitions* based on information contained in prior year audited financial statements.

Note: The large increase in fund balance restricted for physical environment expenditures from 2004 to 2005 is due to the borrowing of \$10,000,000 for the purchase of property from the LA Dodger organization.

Table 3 - Unaudited

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 180,971	\$ 113,537	\$ 140,628	\$ 128,095	\$ 126,500	\$ 163,546	\$ 148,446
22,140	50,137	50,137	113,422	110,673	106,594	113,976
-	-	-	-	-	-	-
8,571,791	9,781,447	9,666,553	9,113,488	6,285,261	5,485,991	6,814,144
8,774,902	9,945,121	9,857,318	9,355,005	6,522,434	5,756,131	7,076,566
3,739	3,739	3,739	3,739	3,739	3,739	3,739
24,379	48,832	39,405	41,404	41,377	91,360	91,980
806,511	803,845	784,915	743,557	709,272	690,227	681,220
7,685,122	8,247,500	7,791,292	6,922,977	15,854,741	4,087,572	3,863,315
45,214	115,129	161,372	304,417	266,292	254,152	250,446
8,564,965	9,219,045	8,780,723	8,016,094	16,875,421	5,127,050	4,890,700
<u>\$17,339,867</u>	<u>\$19,164,166</u>	<u>\$18,638,041</u>	<u>\$17,371,099</u>	<u>\$23,397,855</u>	<u>\$10,883,181</u>	<u>\$11,967,266</u>

CITY OF VERO BEACH, FLORIDA

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

	Fiscal Year		
	2012	2011	2010
Revenue			
Taxes	\$10,008,688	\$10,163,606	\$10,749,610
Licenses and permits	138,185	106,574	3,174,684
Intergovernmental	2,051,908	2,106,289	35,338
Special assessments	11,516	22,864	96,815
Grants	71,223	87,707	2,257,828
Charges for services	3,131,087	2,988,790	412,287
Fines and forfeitures	112,523	106,210	111,028
Investment earnings	174,841	61,684	1,176,255
Rental	89,501	221,525	126,716
Miscellaneous	118,336	90,201	90,650
Total revenue	15,907,808	15,955,450	18,231,211
Expenditures			
Current:			
General government	6,940,344	7,115,755	7,304,070
Public safety	7,335,551	7,463,953	7,779,188
Physical environment	130,280	133,192	176,820
Transportation	2,291,290	2,483,447	2,767,901
Culture and recreation	827,972	758,802	846,206
Debt service:			
Principal	1,965,190	1,133,960	1,096,335
Interest and fiscal charges	620,728	528,045	570,752
Capital outlay	1,329,616	2,203,566	4,836,328
Total expenditures	21,440,971	21,820,720	25,377,600
Excess of revenue under expenditures	(5,533,163)	(5,865,270)	(7,146,389)
Other financing sources (uses)			
Capital contributions	-	-	-
Transfers in	17,298,437	10,553,456	11,884,520
Transfers out	(12,431,825)	(6,412,645)	(7,443,952)
Payments to refunded bond escrow agent	(5,827,724)	-	-
Debt proceeds	5,890,000	-	-
Total other financing sources (uses)	4,928,888	4,140,811	4,440,568
Net change in fund balances	\$ (604,275)	\$(1,724,459)	\$(2,705,821)
Debt service as a percentage of noncapital expenditures	12.8%	8.5%	8.1%

⁽¹⁾ The \$10,000,000 increase is borrowing for the purchase of property from the LA Dodger organization

⁽²⁾ The \$12,115,751 increase is the result of refinancing general government debt from variable to fixed interest rates

⁽³⁾ Debt service percentage is calculated on the actual principal paid

Table 4 - Unaudited

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$11,249,507	\$11,864,273	\$12,395,977	\$12,137,290	\$11,430,269	\$10,426,316	\$10,009,265
3,274,316	3,319,532	3,267,211	3,368,375	3,345,529	2,884,853	2,723,667
38,592	31,706	47,938	76,592	149,572	63,475	128,792
103,749	132,180	131,248	134,751	114,964	172,836	210,075
2,438,026	2,753,179	3,076,048	2,973,507	2,876,042	2,605,001	1,666,191
429,315	760,055	1,041,718	831,255	437,807	152,119	293,279
96,682	86,035	203,249	190,717	745,084	1,001,105	403,643
489,270	316,892	26,169	1,485,980	2,082,705	-	1,775,761
121,697	115,056	310,023	268,034	327,835	247,451	314,005
90,400	90,400	90,400	90,401	117,124	249,859	256,637
<u>18,331,554</u>	<u>19,469,308</u>	<u>20,589,981</u>	<u>21,556,902</u>	<u>21,626,931</u>	<u>17,803,015</u>	<u>17,781,315</u>
7,817,057	8,003,090	8,349,624	7,798,819	7,813,126	7,679,471	6,889,359
7,946,503	7,928,561	7,769,090	7,196,113	7,216,868	6,851,354	5,567,554
190,891	185,442	180,112	181,309	173,403	370,876	164,468
2,869,593	3,195,291	2,666,076	2,879,104	3,547,167	2,916,102	2,818,402
884,577	875,843	835,943	827,191	1,735,716	864,561	736,159
1,047,541	12,462,000 ⁽²⁾	898,000	831,000	471,000	439,000	409,000
612,897	453,842	647,535	603,006	210,242	141,828	184,160
2,495,706	1,836,970	1,953,449	11,727,979 ⁽¹⁾	2,183,935	2,514,188	4,026,165
<u>23,864,765</u>	<u>34,941,039</u>	<u>23,299,829</u>	<u>32,044,521</u>	<u>23,351,457</u>	<u>21,777,380</u>	<u>20,795,267</u>
<u>(5,533,211)</u>	<u>(15,471,731)</u>	<u>(2,709,848)</u>	<u>(10,487,619)</u>	<u>(1,724,526)</u>	<u>(3,974,365)</u>	<u>(3,013,952)</u>
-	402,104	-	-	-	-	-
10,296,500	20,589,003	8,860,235	8,658,488	8,715,230	8,689,344	7,965,511
(6,587,588)	(17,109,002)	(4,883,445)	(4,197,625)	(4,476,030)	(5,799,144)	(6,082,334)
-	-	-	-	-	-	-
-	12,115,751 ⁽²⁾	-	-	10,000,000 ⁽¹⁾	-	-
<u>3,708,912</u>	<u>15,997,856</u>	<u>3,976,790</u>	<u>4,460,863</u>	<u>14,239,200</u>	<u>2,890,200</u>	<u>1,883,177</u>
<u>\$(1,824,299)</u>	<u>\$ 526,125</u>	<u>\$ 1,266,942</u>	<u>\$(6,026,756)</u>	<u>\$12,514,674</u>	<u>\$(1,084,165)</u>	<u>\$(1,130,775)</u>
8.4%	4.0% ⁽³⁾	7.8%	7.6%	3.3%	3.1%	3.7%

Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years (in thousands)

Fiscal Year	Property Tax	Utility Tax	Sales Tax	Communications Tax	Gas Tax	Total
2003	\$ 3,454	\$ 2,223	\$ 2,031	\$ 1,701	\$ 599	\$ 10,008
2004	3,909	2,066	2,228	1,592	631	10,426
2005	4,392	2,197	2,652	1,567	623	11,431
2006	4,969	2,478	2,526	1,572	593	12,138
2007	5,703	2,454	2,275	1,442	521	12,395
2008	5,345	2,372	2,095	1,420	454	11,686
2009	5,021	2,291	1,866	1,453	456	11,087
2010	4,717	2,226	1,818	1,332	466	10,559
2011	4,238	2,138	2,014	1,326	447	10,163
2012	4,245	2,154	1,855	1,284	470	10,008

Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years (in thousands)

Fiscal Year	Real Property	Personal Property	Less: Real Property Exemption	Total Taxable Assessed Value	Total Direct Tax Rate	Total Estimated Actual Taxable Value
2003	\$2,051,615	\$ 199,625	\$ 560,738	\$ 1,690,502	\$ 2.14250	\$ 2,113,127
2004	2,354,385	186,216	673,393	1,867,208	2.14250	2,334,011
2005	2,800,351	181,169	858,631	2,122,889	2.14250	2,653,611
2006	3,073,240	172,189	1,003,530	2,241,899	2.29250	2,802,374
2007	3,857,608	166,718	1,266,312	2,758,014	2.14250	3,447,518
2008	3,788,563	161,519	1,092,866	2,857,216	1.93670	3,571,519
2009	3,598,746	150,714	1,073,828	2,675,632	1.93670	3,344,539
2010	3,289,288	189,067	972,856	2,505,499	1.93670	3,131,875
2011	2,879,538	171,206	793,714	2,257,030	1.93670	2,821,288
2012	2,712,834	147,293	704,412	2,155,715	2.03360	2,694,644

Note: Total assessed value based on approximately 80% of estimated actual value. Values are established as of January 1 of the previous calendar year (i.e. January 1, 2005 taxable values apply to the fiscal year ending 2006).

Source: Indian River County Property Appraiser

Property Tax Rates (\$1 per \$1,000 of Taxable Value) -
 Direct and Overlapping Governments
 Last Ten Fiscal Years (in thousands)

Fiscal Year	Total Direct & Overlapping Rates	Overlapping Rates					
		City of Vero Beach	Indian River County	School District	Emergency Services District	Indian River Memorial Hospital	Special Districts
2003	\$ 18.95160	\$ 2.14250	\$ 3.87290	\$ 8.71000	\$ 2.18710	\$ 1.04040	\$ 0.99870
2004	18.24790	2.14250	3.83770	8.49900	1.98360	0.83410	0.95100
2005	17.55720	2.14250	3.62330	8.24000	1.98360	0.66290	0.90490
2006	17.61180	2.29250	3.52040	8.24000	1.99110	0.66290	0.90490
2007	16.27150	2.14250	3.19140	7.44300	1.76390	0.61490	1.11580
2008	15.89250	1.93670	3.02020	7.53810	1.72010	0.61920	1.05820
2009	15.60620	1.93670	3.06890	7.04000	1.71480	0.75600	1.08980
2010	16.36370	1.93670	3.08920	7.59600	1.71480	0.94710	1.07990
2011	17.05330	1.93670	3.08920	8.25000	1.71480	0.93860	1.12400
2012	17.09150	2.03360	3.08920	8.24400	1.71480	0.93860	1.07130

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Vero Beach.

Source: Indian River County Property Appraiser

Principal Property Taxpayers
 Current Year and Nine Years Ago (in thousands)

Taxpayer	2012		
	Taxable Assessed Value	Ranking	% of Total Taxable Assessed Value
New Piper Aircraft Inc	\$ 22,457	1	0.67%
Cabana Beach Hotel & Resort LLC	12,370	2	0.37%
Flamevine Properties I LLC	11,737	3	0.35%
Bellsouth Telecommunications	11,056	4	0.33%
Ocean Drive at Vero Beach LLC	9,108	5	0.27%
Quail Valley LLC	8,644	6	0.26%
IRT Partners LP	8,099	7	0.24%
Logan Acquisitions Corp (Less)	7,693	8	0.23%
Riomar Country Club	7,534	9	0.23%
Indian River Plaza LLC	7,111	10	0.21%
Total Principal Property Taxpayers	<u>\$ 105,809</u>		
Total Taxable Assessed Value	<u>\$ 3,330,645</u>		

Taxpayer	2003		
	Taxable Assessed Value	Ranking	% of Total Taxable Assessed Value
New Piper Aircraft Inc	\$ 34,596	1	1.54%
Bellsouth Telecommunications	22,323	2	0.99%
Flight Safety, Inc	11,931	3	0.53%
Ocean Drive at Vero Beach LLC	10,500	4	0.47%
IRT Partners LP	8,330	5	0.37%
Molesta, Thomas	8,295	6	0.37%
AT&T Communications as Nominee	7,500	7	0.33%
PPS of Vero Beach	6,812	8	0.30%
AT&T Communications	6,392	9	0.28%
CSC The Pines of Vero	6,380	10	0.28%
Total Principal Property Taxpayers	<u>\$ 123,059</u>		
Total Taxable Assessed Value	<u>\$ 2,251,923</u>		

Source: Indian River County Property Appraiser

Property Taxes, Levies and Collections
Last Ten Fiscal Years (in thousands)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within Levy Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2003	\$ 3,622	\$ 3,454	95.4%	n/a	\$ 3,454	95.4%
2004	4,000	3,909	97.7%	0.47	3,910	97.8%
2005	4,548	4,392	96.6%	(0.12)	4,392	96.6%
2006	5,140	4,942	96.1%	-	4,942	96.1%
2007	5,913	5,707	96.5%	(2.74)	5,704	96.5%
2008	5,533	5,345	96.6%	(8.31)	5,336	96.4%
2009	5,182	5,018	96.8%	2.72	5,021	96.9%
2010	4,852	4,715	97.2%	2.77	4,717	97.2%
2011	4,371	4,233	96.8%	4.32	4,237	96.9%
2012	4,384	4,246	96.9%	0.90	4,247	96.9%

n/a: Information not available

Source: Indian River County Property Appraiser

Principal Payers of Electric and Water Service
Current Fiscal Year (in thousands)

Customer	Electric Usage (Kwh)	Electric Revenue	% of Total Electric Sales
IR Hospital	18,126	\$ 1,974	2.30%
New Piper Aircraft Inc	17,108	1,704	1.98%
Wal-Mart/Sams Club	9,964	1,062	1.24%
Publix Supermarkets	9,057	964	1.12%
IR Mall	7,958	884	1.03%
Vero Beach High School	7,246	808	0.94%
IRC Sheriff Dept	4,808	520	0.60%
IRC Board of County Commissioners	3,445	372	0.43%
Treasure Coast Rehab	3,326	356	0.41%
St. Edwards School	3,058	343	0.40%
Total Principal Payers of Electric Service	84,096	\$ 8,987	
Total Electric Service Sales		85,989	

Customer	Water Usage (Gallons)	Water Revenue ⁽¹⁾	% of Total Water Sales
IR Hospital	26,843	\$ 82	0.83%
New Piper Aircraft Inc	21,113	61	0.62%
John's Island	14,761	61	0.62%
Los Angeles Dodgers	8,092	26	0.26%
Treasure Coast Isle Condo	6,387	22	0.22%
Cabana Beach Hotel & Resort	5,967	18	0.18%
Flight Safety	5,886	19	0.19%
Driftwood Resort	5,589	16	0.16%
Vero Beach High School	5,467	17	0.17%
Moorings Development	5,092	31	0.31%
Total Principal Payers of Water Service	105,197	353	
Total Water Service Sales		9,862	

⁽¹⁾Disparity in ranking order between water usage and revenue is caused by rate structure tiers

Source: City of Vero Beach customer service

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years (in thousands)

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government
	Infrastructure Loans	Capital Improvement & Revenue Notes	Per Capita ⁽¹⁾	Electric Revenue Bonds	Water & Sewer Revenue Bonds	Capital Improvement & Revenue Notes	Per Capita ⁽²⁾	
2003	\$ 9,056	-	\$ 505	\$ 67,815	\$ 24,315	\$ 12,232	\$ 1,831	\$ 113,418
2004	8,617	-	481	65,985	14,450	11,847	1,619	100,899
2005	8,146	10,000 ⁽³⁾	1,014	63,935	13,900	11,437	1,566	107,418
2006	7,640	9,675	968	61,650	13,325	11,000	1,508	103,290
2007	7,097	9,320	917	59,110	12,725	10,534	1,445	98,786
2008	-	16,071	898	56,325	-	27,736 ⁽⁴⁾	1,475	100,132
2009	-	15,023	841	53,325	-	26,733	1,405	95,081
2010	-	13,927	915	50,175	-	35,500 ⁽⁵⁾	1,503	99,602
2011	-	12,793	841	46,900	-	34,238 ⁽⁵⁾	1,423	93,931
2012	-	10,890	711	43,475	-	32,278 ⁽⁵⁾	1,329	86,643

- ⁽¹⁾ The City's population is used to compute per capita on governmental debt
- ⁽²⁾ The City's service territory encompasses approximately 40 sq miles inside and outside the city limits. The service population of 57,000 is used to compute per capita on business-type debt.
- ⁽³⁾ The City borrowed \$10,000,000 to purchase property from the LA Dodger organization
- ⁽⁴⁾ The City refinanced its debt on loans and bonds from variable to fixed interest rates
- ⁽⁵⁾ The City secured \$10,625,600 in State revolving fund loans for water & sewer capital projects

■ Computation of Legal Debt Margin for General Obligation Bonds
September 30, 2012

There is no debt limitation in either the Florida Statutes (F.S.200.181) or City Ordinances.

The City has no outstanding general obligation debt.

The City has not had general obligation debt in over twenty years.

Computation of Direct and Overlapping Debt
September 30, 2012

Government Unit	Net Debt Outstanding	% Applicable to Governmental Unit ⁽¹⁾	City of Vero Beach Share of Debt
Debt Repaid with Property Taxes:			
Indian River County Limited General Obligation Bonds, Series 2006	\$ 33,200,714	16.32%	\$ 5,420,012
Indian River County School District General Obligation Bonds, 2002 Refunding	4,750,000	16.32%	775,437
Other Debt:			
Indian River County School District Certificates of Participation	127,629,571	16.32%	20,835,508
Indian River County School District Capital Lease Payable	689,849	16.32%	112,618
		Total Overlapping Debt	<u>27,143,574</u>
		Total Direct and Overlapping Debt	<u>\$ 38,033,574</u>

Source: Information on outstanding debt from Indian River County Comprehensive Annual Financial Report 2012

Note: Overlapping governments are those that coincide with the geographic boundaries of the City. schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Vero Beach.

⁽¹⁾ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentage was estimated by determining the portion of the County (and School District) taxable assessed value that is within the City's boundaries and dividing it by the total County taxable assessed value.

Revenue Bond Coverage

Last Ten Fiscal Years (in thousands)

Electric System							
Fiscal Year	Gross Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Overlapping Rates			Coverage ⁽³⁾
				Principal	Interest	Total	
2003	\$ 64,740	\$ 50,893	\$ 13,847	\$ 1,925	\$ 4,146	\$ 6,071	\$ 2.28
2004 ⁽⁴⁾	68,108 ⁽⁴⁾	57,664 ⁽⁴⁾	10,444 ⁽⁴⁾	2,080 ⁽⁴⁾	3,397 ⁽⁴⁾	5,477 ⁽⁴⁾	1.91
2005 ⁽⁴⁾	91,324 ⁽⁴⁾	67,910 ⁽⁴⁾	23,414 ⁽⁴⁾	2,315 ⁽⁴⁾	3,089 ⁽⁴⁾	5,404 ⁽⁴⁾	4.33
2006	95,788	73,455	22,333	2,566	3,406	5,972	3.74
2007	93,554	70,072	23,482	2,838	3,056	5,894	3.98
2008	99,747	84,485	15,262	2,870	5,703	8,573	1.78
2009	105,250	83,069	22,181	3,422	2,870	6,292	3.53
2010	99,843	70,805	29,038	3,995	2,700	6,695	4.34
2011	84,544	71,929	12,615	4,155	2,539	6,694	1.88
2012	87,160	72,359	14,801	4,341	2,394	6,735	2.20

Water & Sewer System							
Fiscal Year	Gross Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Overlapping Rates			Coverage ⁽³⁾
				Principal	Interest	Total	
2003	\$ 13,703	\$ 8,791	\$ 4,912	\$ 1,165	\$ 1,398	\$ 2,563	\$ 1.92
2004 ⁽⁴⁾	13,187 ⁽⁴⁾	9,294 ⁽⁴⁾	3,893 ⁽⁴⁾	1,160 ⁽⁴⁾	1,374 ⁽⁴⁾	2,534 ⁽⁴⁾	1.54
2005 ⁽⁴⁾	16,601 ⁽⁴⁾	14,354 ⁽⁴⁾	2,247 ⁽⁴⁾	695 ⁽⁴⁾	629 ⁽⁴⁾	1,324 ⁽⁴⁾	1.70
2006	15,898	10,586	5,312	731	701	1,432	3.71
2007	15,568	11,566	4,002	768	646	1,414	2.83
2008	14,787	11,842	2,945	94	1,965	2,059	1.43
2009	15,511	11,907	3,604	435	638	1,073	3.36
2010	19,329	11,241	8,088	851	614	1,465	5.52
2011	18,589	11,567	7,022	1,454	888	2,342	3.00
2012	17,411	10,751	6,660	1,495	777	2,272	2.93

(1) Gross revenue includes all revenue of the system (charges for services, interest revenue and miscellaneous revenue).

(2) Direct operating expenses include all expenses of operating the system except depreciation and interest expense.

(3) The City's coverage factor usually high enough that it is possible to show the coverage which includes all debt.

Coverage includes:

Debt with a first lien on net revenue, such as bonds which require a minimum coverage of 1.25.

Debt with a secondary lien on net revenue, such as the refunding revenue notes which do not have a coverage ratio requirement.

(4) Includes Hurricanes Frances and Jeanne revenue and expenditures

Demographic and Economic Data
Last Ten Fiscal Years

Fiscal Year	Vero Beach Population	Personal Income ⁽¹⁾ (in thousands)	Per Capita Personal Income ⁽¹⁾	Unemployment Rate ⁽²⁾
2003	17,918	\$ 4,804,190	\$ 39,953	8.2%
2004	17,918	5,071,395	40,677	6.9%
2005	17,895	5,886,319	46,219	4.8%
2006	17,895	7,002,160	54,045	4.2%
2007	17,895	7,810,408	59,419	5.8%
2008	17,889	7,669,062	57,107	8.2%
2009	17,855	7,610,327	56,303	13.6%
2010	15,220 ⁽³⁾	6,534,146	47,689	14.0%
2011	15,222 ⁽³⁾	6,736,286	48,726	13.6%
2012	15,318 ⁽³⁾	7,080,348	50,977	12.6%

Sources:

- (1) U.S. Department of Commerce, Bureau of Economic Analysis
- (2) Florida Agency for Workforce Innovation
- (3) U.S. Census

Principal Employers
Current Year and Nine Years Ago

Employer	2012		
	Employees	Ranking	% of Total Employees
School District of Indian River County	2,013	1	3.55%
Indian River Medical Center	1,608	2	2.84%
Indian River County	1,354	3	2.39%
Publix Supermarkets	1,006	4	1.77%
New Piper Aircraft Inc	700	5	1.23%
Sebastian River Medical Center	569	6	1.00%
John's Island	550	7	0.97%
City of Vero Beach	451	8	0.80%
Visiting Nurse Association	399	9	0.70%
Indian River Estates	350	10	0.62%
Total Principal Employers	<u>9,000</u>		
Total Employment	<u>56,700</u>		

Employer	2003		
	Employees	Ranking	% of Total Employees
School District of Indian River County	1,860	1	3.65%
Indian River Medical Center	1,450	2	2.85%
Indian River County	1,400	3	2.75%
New Piper Aircraft Inc	1,000	4	1.96%
Wal-Mart	700	5	1.38%
City of Vero Beach	700	6	1.38%
Publix Supermarkets	700	7	1.38%
SunAg	550	8	1.08%
Hale Indian River Groves	500	9	0.98%
John's Island	500	10	0.98%
Total Principal Employers	<u>9,360</u>		
Total Employment	<u>50,904</u>		

Source: Indian River County Property Appraiser

CITY OF VERO BEACH, FLORIDA

Full-Time Equivalent Government Employees by Function/Program Last Ten Fiscal Years

Function/ program	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities					
General government:					
City clerk	4	4	4	5	5
City manager	2	2	3	3	3
City attorney	4	4	4	4	4
Human resources	3	3	3	3	3
Finance	24	28	28	30	31
Planning & development	7	8	9	9	9
Fleet management	9	10	10	11	11
Facilities management	8	10	11	12	12
Geographical information systems	3	3	3	3	3
Risk management	3	3	3	3	3
Public safety	76	86	88	88	88
Physical environment	1	1	3	3	3
Transportation	34	40	44	47	47
Culture & recreation	34	35	36	39	39
	<u>212</u>	<u>237</u>	<u>249</u>	<u>260</u>	<u>261</u>
Business-Type Activities					
Electric system	108	113	113	119	120
Water & sewer system	72	74	82	86	85
Municipal airport	10	10	10	10	10
Municipal marina	6	6	6	6	6
Solid waste	26	27	29	29	29
Recreation	17	17	19	24	24
	<u>239</u>	<u>247</u>	<u>259</u>	<u>274</u>	<u>274</u>
Total	<u><u>451</u></u>	<u><u>484</u></u>	<u><u>508</u></u>	<u><u>534</u></u>	<u><u>535</u></u>

Source: City of Vero Beach, Florida Annual Budgets

Table 17 - Unaudited

Fiscal Year					
2007	2006	2005	2004	2003	
5	5	5	5	5	5
3	3	4	4	4	4
4	4	4	4	4	4
4	5	5	5	5	5
34	34	34	34	34	34
10	9	9	8	8	8
11	11	11	11	11	11
12	12	12	12	12	12
3	3	2	2	2	2
3	3	3	3	3	3
89	89	89	90	90	90
3	3	3	3	3	3
50	52	53	52	52	52
39	39	40	41	41	41
<u>270</u>	<u>272</u>	<u>274</u>	<u>274</u>	<u>274</u>	<u>274</u>
118	110	112	113	119	119
85	85	84	84	84	84
10	10	10	10	10	10
6	6	6	6	6	6
29	29	29	29	29	31
25	25	25	25	25	25
<u>273</u>	<u>265</u>	<u>266</u>	<u>267</u>	<u>275</u>	<u>275</u>
<u>543</u>	<u>537</u>	<u>540</u>	<u>541</u>	<u>549</u>	<u>549</u>

CITY OF VERO BEACH, FLORIDA

Operating Indicators

Last Ten Fiscal Years

Functions/Programs	Fiscal Year		
	2012	2011	2010
Public safety			
Police Department:			
Traffic violations	1,459	2,041	3,057
Parking tickets	2,024	2,680	2,158
Physical arrests	724	855	1,297
Transportation			
Streets and highways:			
Miles paved	-	-	-
Asphalt for road maintenance (tons)	377	4,105	4,297
Sidewalks repaired & constructed (sq ft)	35,100	15,058	9,463
Physical environment			
Storm water ditches maintained (miles) 4x per year	12	12	15
Culture and recreation			
Parks and public grounds (acreage maintained)	229	229	229
Electric system			
Customers	34,068	33,931	33,307
Residential consumption (Kw in thousands)	339,355	360,331	379,311
Commercial consumption (Kw in thousands)	346,042	346,105	350,703
Industrial consumption (Kw in thousands)	14,130	14,015	13,789
Water system			
Customers	22,435	22,403	21,986
Water consumption (gallons in thousands)	1,380,994	1,624,906	1,547,025
Irrigation water consumption (gallons in thousands)	322,867	396,500	348,509
Reuse water consumption (gallons in thousands)	649,450	531,145	508,716
Golf course water consumption (gallons in thousands)	176,314	419,812	441,165
Solid waste			
Customers	8,647	8,613	8,021
Refuse collected (tons)	15,872	15,425	15,649
Yard trash collected (tons)	2,010	2,251	2,250
Recyclables collected (tons)	16	11	8

Table 18 - Unaudited

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
3,373	4,170	4,112	4,148	4,659	4,428	4,786
2,251	1,725	1,926	2,113	1,287	1,353	1,409
903	1,154	1,185	862	1,062	947	994
-	0.30	0.68	0.68	-	7.57	0.99
1,180	251	150	150	150	150	150
11,000	36,720	46,575	9,000	5,800	4,760	8,060
15	15	15	15	15	15	15
229	229	229	229	189	189	189
33,216	33,231	33,442	33,299	32,496	32,084	32,355
347,195	351,613	363,230	366,479	397,421	339,891	372,546
347,717	365,446	364,997	350,111	356,502	328,677	343,640
12,026	19,379	17,534	16,879	13,642	14,918	15,227
21,899	22,016	22,114	22,126	21,945	21,782	21,996
1,466,096	1,468,473	1,621,813	1,644,306	1,780,774	1,663,739	1,776,723
377,507	375,001	476,129	441,762	376,397	355,112	346,207
517,712	541,931	650,699	622,802	533,441	586,768	619,359
449,761	454,868	422,609	426,975	430,357	479,309	585,000
8,130	8,078	8,132	8,230	8,298	8,306	8,705
16,318	18,566	19,348	21,535	26,724	22,157	20,374
2,198	2,227	2,000	1,736	3,822	3,025	2,977
11	5	21	96	1,152	563	4,180

CITY OF VERO BEACH, FLORIDA

Capital Asset Statistics

Last Ten Fiscal Years

Functions/Programs	Fiscal Year		
	2012	2011	2010
Public safety			
Police Department:			
Stations	1	1	1
Patrol units	35	36	44
Transportation			
Streets and highways:			
Miles maintained (paved and unpaved)	108	108	108
Physical environment			
Storm sewers (miles)	69	69	69
Storm water ditches (miles)	12	12	12
Culture and recreation			
Parks	17	17	17
Recreation centers	7	7	7
Electric system			
Steam - 4 units (total output MW)	119	119	119
Gas turbine - 1 unit (total output MW)	38	38	38
Water system			
Water mains (miles)	290	290	290
Service lines	11,975	11,967	11,967
Fire hydrants	1,240	1,231	1,160
Storage capacity (MGD)	13.8	13.8	13.8
Wastewater system			
Gravity sewer lines (miles)	132	132	132
Force mains (miles)	64	63	63
Manholes	2,660	2,660	2,660
Treatment capacity (MGD)	4.5	4.5	4.5
Solid waste			
Collection trucks	12	12	12

Table 19 - Unaudited

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
1	1	1	1	1	1	1
41	41	41	41	34	28	28
108	108	108	108	108	108	98
30	30	30	30	30	30	30
15	15	15	15	15	15	15
17	17	17	17	17	17	17
7	7	7	7	7	7	7
119	119	119	119	119	119	119
38	38	38	38	38	38	38
274	274	274	274	273	273	273
11,967	11,967	11,967	11,967	11,967	11,967	11,741
1,025	1,025	1,025	1,025	1,025	1,025	1,004
13.8	13.8	13.8	13.8	13.8	13.8	13.8
123	123	123	123	122	120	117
48	48	48	48	47	46	45
2,660	2,660	2,660	2,660	2,650	2,635	2,600
4.5	4.5	4.5	4.5	4.5	4.5	4.5
12	12	12	12	12	12	12

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SINGLE AUDIT ACT COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

April 26, 2013

Honorable Mayor and
Members of the City Council
City of Vero Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Vero Beach, Florida*, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements, and have issued our report thereon dated April 26, 2013. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CITY OF VERO BEACH, FLORIDA

Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2012

Federal/State Agency / Cluster / Program/Project Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	Direct	2010-BUBX10055011	\$ 6,963
Organized Crime Drug Enforcement Task Forces	16.unknown	Direct	FC/FLS1693	39,734
VBPD Radar Recording and Alternate Light Source	16.738	FDLE	2012-JAGC-INRI-3-C5-073	5,242
FDLE Taser Replacement	16.738	FDLE	2012-JAGC-INRI-3-C4-168	13,082
Subtotal				<u>18,324</u>
Total U.S. Department of Justice				<u>65,021</u>
U.S. Environmental Protection Agency				
ARRA-Nonpoint Source Implementation Grants	66.460	FDEP	C9-99451507-0	6,202
Clean Water Revolving Fund WW310201	66.458	FDEP	CS-120001-100	626,754
Total U.S. Environmental Protection Agency				<u>632,956</u>
U.S. Department of Transportation				
Federal Aviation Administration (FAA)				
Airport Improvement Program	20.106	Direct	3-12-0083-033-2009	4,835
Airport Improvement Program (grant funds reimbursed to FAA)	20.106	Direct	3-12-0083-034-2010	(18,936)
Airport Improvement Program	20.106	Direct	3-12-0083-035-2011	277,173
Airport Improvement Program	20.106	Direct	3-12-0083-036-2012	6,076
Total U.S. Department of Transportation				<u>269,148</u>
U.S. Department of Homeland Security				
Hurricane Frances	97.036	FLDCA	FEMA-1545-DR-FL	85,714
Total Expenditures of Federal Awards				<u>\$ 1,052,839</u>
Florida Department of Transportation				
Aviation Development Grants	55.004	Direct	405770-1-94-01	\$ 377
Aviation Development Grants	55.004	Direct	420768-1-94-01	17,562
Aviation Development Grants	55.004	Direct	420769-1-94-01	260,228
Aviation Development Grants	55.004	Direct	422489-1-94-01	19,401
Aviation Development Grants	55.004	Direct	425744-1-94-01	338
Aviation Development Grants	55.004	Direct	429255-1-94-01	13,566
Total Expenditures of State Financial Assistance				<u>\$ 311,472</u>

See notes to schedule of expenditures of federal awards and state financial assistance

CITY OF VERO BEACH, FLORIDA

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Vero Beach, Florida (the "City") under programs of the federal government for the year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3 LOAN BALANCES

The City was a recipient of clean water and drinking water state revolving fund loans in the fiscal years ended September 30, 2012 and 2011. Loans made during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards and state financial assistance. The balances outstanding for these loans at September 30, 2012 are included in Note 4 (debt requirements to maturity) of the financial statements.

4 PASS-THROUGH AGENCIES

The City receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
FDCA	Florida Department of Community Affairs
FDLE	Florida Department of Law Enforcement
FDEP	Florida Department of Environmental Protection



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*

April 26, 2013

Honorable Mayor and
Members of the City Council
City of Vero Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Vero Beach, Florida* (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated April 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Vero Beach, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Vero Beach, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Vero Beach, Florida's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Vero Beach, 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*.

This report is intended solely for the information and use of management, city council, others within the organization, federal and state awarding agencies and pass-through entities, and the auditor general of the state of Florida and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Lobson". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

April 26, 2013

Honorable Mayor and
Members of the City Council
City of Vero Beach, Florida

Compliance

We have audited the City of Vero Beach, Florida's (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2012. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City of Vero Beach, Florida's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Vero Beach, Florida complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City of Vero Beach, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, city council, others within the organization, federal awarding agencies and pass-through entities, and the auditor general of the state of Florida and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Lobson". The signature is written in a cursive, flowing style.

CITY OF VERO BEACH, FLORIDA

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards and State Projects

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs and state projects: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) or Chapter 10.550, *Rules of the Auditor General*? yes X no

Identification of major programs and projects:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clean Water State Revolving Funds
66.468	Drinking Water State Revolving Funds

<u>CSFA Number</u>	<u>Name of Federal Project</u>
55.004	Aviation Development Grants

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

Auditee qualified as low-risk auditee?	No	N/A
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CITY OF VERO BEACH, FLORIDA

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

CITY OF VERO BEACH, FLORIDA

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

CITY OF VERO BEACH, FLORIDA

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2012

None noted



INDEPENDENT AUDITORS'
MANAGEMENT LETTER

April 26, 2013

Honorable Mayor and
Members of City Council
City of Vero Beach
Vero Beach, Florida

We have audited the financial statements of the City of Vero Beach, Florida as of and for the fiscal year ended September 30, 2012 and have issued our report thereon dated April 26, 2013.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the Florida Single Audit Act. We have issued our 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 Standard and Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 26, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* (Section 10.554(1)(i)1) require that we address in the management letter, if not already addressed in the auditors' reports on Compliance and Internal Control or Schedule of Findings and Questioned Costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no findings or comments in the prior year.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Vero Beach, Florida complied with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(1)(i)3) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not identify any such recommendations.

The *Rules of the Auditor General* (Section 10.554(1)(i)4) require that we address violations of 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 more than inconsequential. In connection with our audit, we did not identify any such findings.

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

The Rules of the Auditor General (Section 10.554(1)(i)6) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the City of Vero Beach, Florida is disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.a), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the City of Vero Beach, Florida has not met any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the City of Vero Beach, Florida for the year ended September 30, 2012, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)7.c and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.