

City of  
Vero Beach,  
Florida



Year Ended  
September 30,  
2013

Comprehensive  
Annual Financial  
Report

Prepared by: Department of Finance

*Cynthia D. Lawson*  
Director of Finance

# CITY OF VERO BEACH, FLORIDA

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## INTRODUCTORY SECTION

# CITY OF VERO BEACH, FLORIDA

## CITY OFFICIALS

September 30, 2013



Pilar Turner  
*Council Member*

Tracy Carroll  
*Vice Mayor*

Richard G. Winger  
*Council Member*

A. Craig Fletcher  
*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 – 20<sup>th</sup> PLACE – P.O. BOX 1389

VERO BEACH, FLORIDA – 32961-1389

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

March 26, 2014

## **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, 2013, 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 provided to each department. Quarterly 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 2012, as compared to the median age of 40 for the State of Florida as a whole.

While the City of Vero Beach continues to feel effects of the current economic downturn, some financial indicators are improving. The City's taxable assessed value decreased by 2.9% to \$2.09 billion in 2013 but this was smaller than the 4.5% decrease in 2012. The unemployment rate decreased for the third consecutive year to 8.6% in 2012. The City's leadership is determined to actively manage financial assets and continue its 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 60% 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 continues 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).

The assessed taxable value of property within the City of Vero Beach decreased slightly again this year in keeping with the continuing national trend of declining property values. Despite this decrease, the City adopted the prior year millage rate of 2.0336. As a result, property tax revenue declined 3% from the prior year and represented 20% 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 and staffing levels while still providing an acceptable level of service for City residents.

Utility and other tax collections (including intergovernmental revenue from state shared sales taxes) represents 28% of general government revenue. Total revenues for telecommunications tax, gas tax and State sales tax increased 4% from last year, in keeping with the State's forecast. State estimates for FY 13-14 project that these revenue sources will remain level. These trends indicate a reversal of the statewide sales tax revenue declines of recent years.

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 \$7.1 million for this fiscal year remained level at 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 80% 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 the City continues to lower staffing levels and reduce operating budgets. However, in FY 12-13 the City included parks maintenance expenditures that were previously charged to the Recreation Fund in its General Fund budget; as a result, the Public Works Grounds Maintenance department expenditures increased from \$327,000 to \$905,000. This change in budget policy caused an increase of 2% in overall General Fund expenditures, with a corresponding decrease in the amount transferred out from the General Fund to support the Recreation Fund.

## 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 (FMPA) to determine what obligations and liabilities are associated with the termination of the City's existing contract with FMPA. The City and FPL are also working on other regulatory approvals as outlined in the Purchase and Sale Agreement.

**Water and Sewer.** Despite a decrease in revenues, the water and sewer system met operating and capital needs for this fiscal year, with an increase of \$1.3 million in net position at year end. Implementation of the recommendations from the November 2011 optimization study continued, resulting in the reduction of ten (10) additional staff positions. 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 \$1.6 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 transitioned to fully insured workers compensation and third party general liability insurance (with a self insurance retention) on October 1, 2012. As a result, for the fiscal year ended September 30, 2013, the Liability Insurance internal service fund received no self insurance premium revenues; instead, insurance premiums from third party providers were allocated directly to the appropriate operating fund. Claims expenses were primarily for 'legacy' claims of various types and the City has established adequate reserves to fund these outstanding claims to completion. The City continues to employ a full time risk manager, to manage closure of outstanding claims and serve as a liaison to the City's third party insurance providers. In addition, the risk manager makes periodic tours of the City to identify potential hazard areas and recommends corrective measures to reduce the City's exposure to loss.

### **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, 2012. 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.

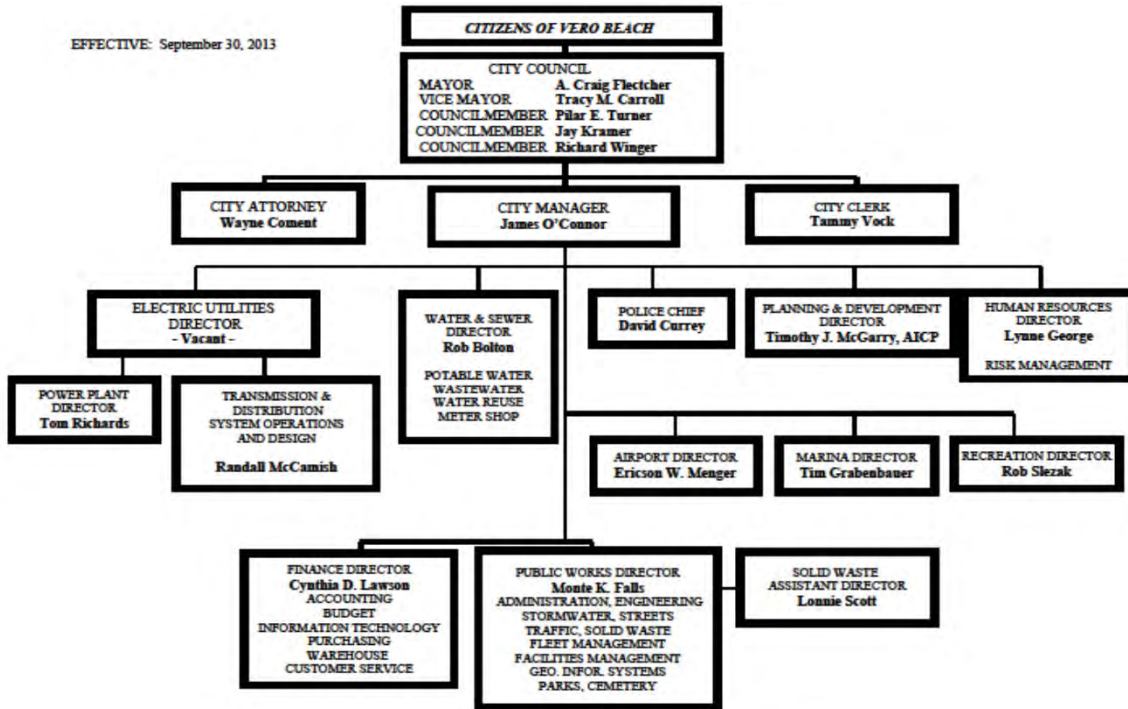
The preparation of this report was made possible by the clear policy and direction established by the City Council, the assistance of the City Manager and the dedicated service of the entire staff of the finance department. All who assisted in the preparation and publication of this report have my sincere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



Cynthia D. Lawson  
Finance Director

# CITY OF VERO BEACH, FLORIDA ORGANIZATIONAL CHART

EFFECTIVE: September 30, 2013



CITY OF VERO BEACH, FLORIDA

GFOA Certificate of Achievement



Government Finance Officers Association

**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, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Snow". The signature is written in a cursive, flowing style.

Executive Director/CEO

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## FINANCIAL SECTION



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**INDEPENDENT AUDITORS' REPORT**

March 26, 2014

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Vero Beach, Florida* (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Independent Auditors' Responsibility***

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

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

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

### *Opinions*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Vero Beach, Florida as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vero Beach, Florida's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, 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 grant 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobson". The signature is written in a cursive style with a large, prominent initial 'L'.

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## 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, Florida (the "City") for the fiscal year ended September 30, 2013.

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, 2013:

- The City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$259.1 million (net position). Of this amount, \$32.6 million was from governmental activities and \$226.5 million was from business-type activities. Unrestricted net position for governmental and business activities respectively were \$(2.2) million (deficit) and \$47.4 million. The deficit in governmental unrestricted net position is attributable primarily to the increase in net other postemployment benefits obligation (OPEB) liability.
- The City's revenues for governmental activities, excluding transfers, were \$15.9 million. The expenditures for governmental activities were \$19.6 million.
- The business-type activities of the City had total revenues of \$116.2 million and total expenses of \$107.5 million before transfers.
- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$14.2 million, an increase of \$1.9 million in comparison with the prior year. Approximately \$8.8 million or 62% 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 \$8.3 million. Long-term liabilities for governmental activities increased by \$0.5 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 position 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 position. 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 position shows the total assets, deferred outflows of resources, liabilities, and deferred inflows of resources for the City. Net position is sub-divided into three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

The statement of activities presents information on all revenues and expenses of the City and the change in net position. 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 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 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 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.

#### Government-Wide Financial Analysis

The Statement of Net Position and the concept of net position are useful indicators of a governmental entity's financial health and stability. In the case of the City, total assets (current and capital) plus deferred outflows of resources exceed total liabilities (current and long-term) and deferred inflows of resources by \$259.1 million. Further, the City has combined positive balances in all categories of net position--net investment in capital assets, restricted and unrestricted. The City's combined net position increased by \$2.0 million from the amounts previously reported at the end of fiscal year 2012. Governmental activities are responsible for a decrease of \$1.4 million, while the business-type activities are responsible for an increase of \$3.4 million.

## CITY OF VERO BEACH, FLORIDA

### Management's Discussion and Analysis

The following schedule provides a comparative summary of net position for the City for fiscal years 2013 and 2012. For more detail, see the Statement of Net Position in the Financial Section of this report immediately following this MD&A.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 22,303,362	\$ 22,161,873	\$ 65,857,829	\$ 67,908,306	\$ 88,161,191	\$ 90,070,179
Capital assets, net	40,051,269	40,798,083	244,340,817	246,935,772	284,392,086	287,733,855
<b>Total assets</b>	<b>62,354,631</b>	<b>62,959,956</b>	<b>310,198,646</b>	<b>314,844,078</b>	<b>372,553,277</b>	<b>377,804,034</b>
<b>Liabilities</b>						
Long-term liabilities	14,773,607	16,877,988	70,306,334	78,633,648	85,079,941	95,511,636
Other liabilities	14,999,974	12,080,846	13,394,956	13,103,375	28,394,930	25,184,221
<b>Total liabilities</b>	<b>29,773,581</b>	<b>28,958,834</b>	<b>83,701,290</b>	<b>91,737,023</b>	<b>113,474,871</b>	<b>120,695,857</b>
<b>Net position</b>						
Net investment in capital assets	29,631,269	29,908,083	177,072,568	170,752,704	206,703,837	200,660,787
Restricted	5,165,879	4,598,726	2,000,000	2,000,000	7,165,879	6,598,726
Unrestricted	(2,216,098)	(505,687)	47,424,788	50,354,351	45,208,690	49,848,664
<b>Total net position</b>	<b>\$ 32,581,050</b>	<b>\$ 34,001,122</b>	<b>\$226,497,356</b>	<b>\$223,107,055</b>	<b>\$259,078,406</b>	<b>\$257,108,177</b>

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

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

The Statement of Activities reconciles and links net position to the sources of changes in net position. Program revenues and expenses are presented by function and with their positive or negative effect on net position. General revenues and transfers, and their effect on net position, are shown separately. The Statement of Activities combines the effects of all revenues, expenses and transfers to calculate net position by governmental activities, business-type activities, and in total. The schedule below provides a comparative summary of activities and the changes in net position for the City for the fiscal years ended September 30, 2013 and 2012. 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 position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,557,442	\$ 3,616,509	\$113,614,278	\$111,329,898	\$117,171,720	\$114,946,407
Operating grants	519,600	527,612	-	-	519,600	527,612
Capital grants	282,007	82,739	2,209,793	1,199,221	2,491,800	1,281,960
General revenues:						
Property taxes	4,115,113	4,245,008	-	-	4,115,113	4,245,008
Other taxes	5,727,381	5,664,271	-	-	5,727,381	5,664,271
Intergovernmental	1,525,146	1,478,492	-	-	1,525,146	1,478,492
Investment earnings	46,097	216,447	68,290	220,054	114,387	436,501
Other revenue	121,400	117,811	270,430	223,142	391,830	340,953
<b>Total revenues</b>	<b>15,894,186</b>	<b>15,948,889</b>	<b>116,162,791</b>	<b>112,972,315</b>	<b>132,056,977</b>	<b>128,921,204</b>
<b>Expenses:</b>						
General government	12,037,462	9,797,132	-	-	12,037,462	9,797,132
Public safety	7,454,292	7,585,350	-	-	7,454,292	7,585,350
Physical environment	171,260	155,472	-	-	171,260	155,472
Transportation	2,325,155	2,479,329	-	-	2,325,155	2,479,329
Cultural and recreation	1,781,225	866,935	-	-	1,781,225	866,935
Interest on long-term debt and fiscal charges	253,000	620,728	-	-	253,000	620,728
Electric system	-	-	84,658,883	81,518,083	84,658,883	81,518,083
Water & sewer system	-	-	13,437,853	14,787,816	13,437,853	14,787,816
Municipal airport	-	-	3,180,768	3,133,745	3,180,768	3,133,745
Municipal marina	-	-	1,646,038	1,701,291	1,646,038	1,701,291
Solid waste	-	-	2,116,377	2,301,788	2,116,377	2,301,788
Recreation	-	-	2,495,572	3,336,862	2,495,572	3,336,862
<b>Total expenses</b>	<b>24,022,394</b>	<b>21,504,946</b>	<b>107,535,491</b>	<b>106,779,585</b>	<b>131,557,885</b>	<b>128,284,531</b>
Changes in net position, before transfers and extraordinary item	(8,128,208)	(5,556,057)	8,627,300	6,192,730	499,092	636,673
Transfers	5,236,999	4,678,934	(5,236,999)	(4,678,934)	-	-
<b>Change in net position before extraordinary item</b>	<b>(2,891,209)</b>	<b>(877,123)</b>	<b>3,390,301</b>	<b>1,513,796</b>	<b>499,092</b>	<b>636,673</b>
Extraordinary item Release of settlement reserve	1,471,137	-	-	-	1,471,137	-
<b>Changes in net position</b>	<b>(1,420,072)</b>	<b>(877,123)</b>	<b>3,390,301</b>	<b>1,513,796</b>	<b>1,970,229</b>	<b>636,673</b>
Net position, beginning of year, as restated (Note 21)	34,001,122	34,878,245	223,107,055	221,593,259	257,108,177	256,471,504
<b>Net position, end of year</b>	<b>\$ 32,581,050</b>	<b>\$ 34,001,122</b>	<b>\$226,497,356</b>	<b>\$223,107,055</b>	<b>\$259,078,406</b>	<b>\$257,108,177</b>

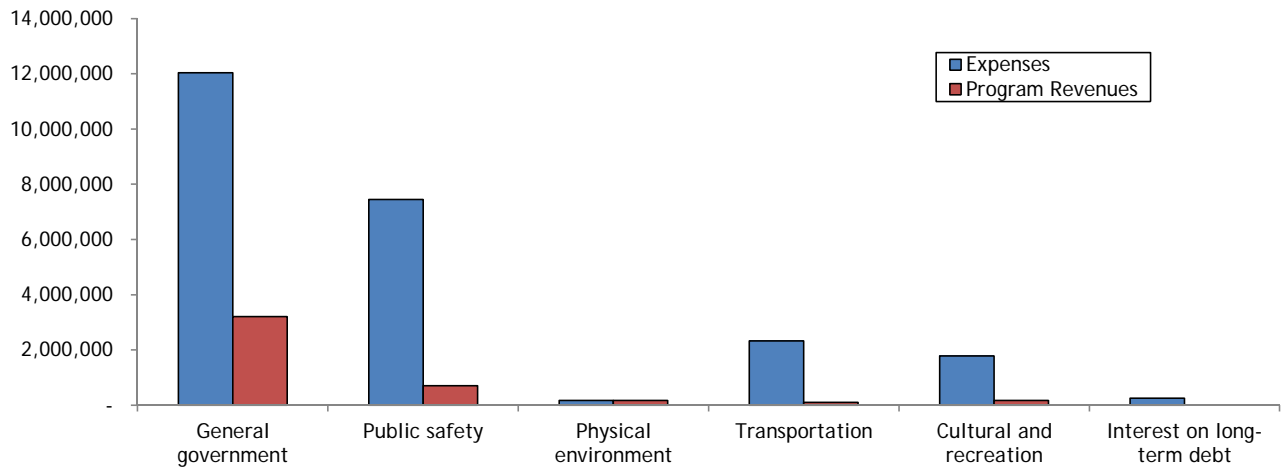
# CITY OF VERO BEACH, FLORIDA

## Management's Discussion and Analysis

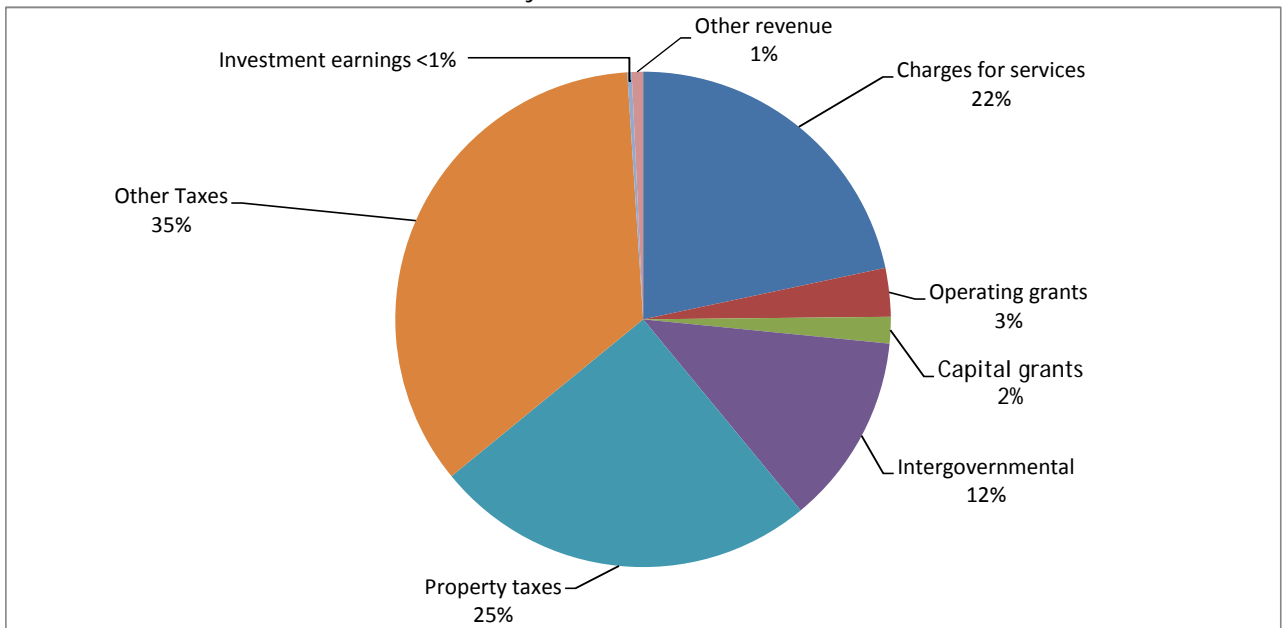
**Governmental Activities.** Net position of the City's governmental activities decreased by \$1.4 million from the amounts previously reported at the end of fiscal year 2012. This decrease was caused primarily by a \$2.6 million increase in the net OPEB obligation, offset by a \$1.4 million gain created by the release of an estimated liability in the insurance fund that settled for less than was originally estimated.

Most of the City's major revenue sources, including property taxes, sales tax, and investment earnings, remained relatively stable from 2012 to 2013, as did the governmental expenses.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

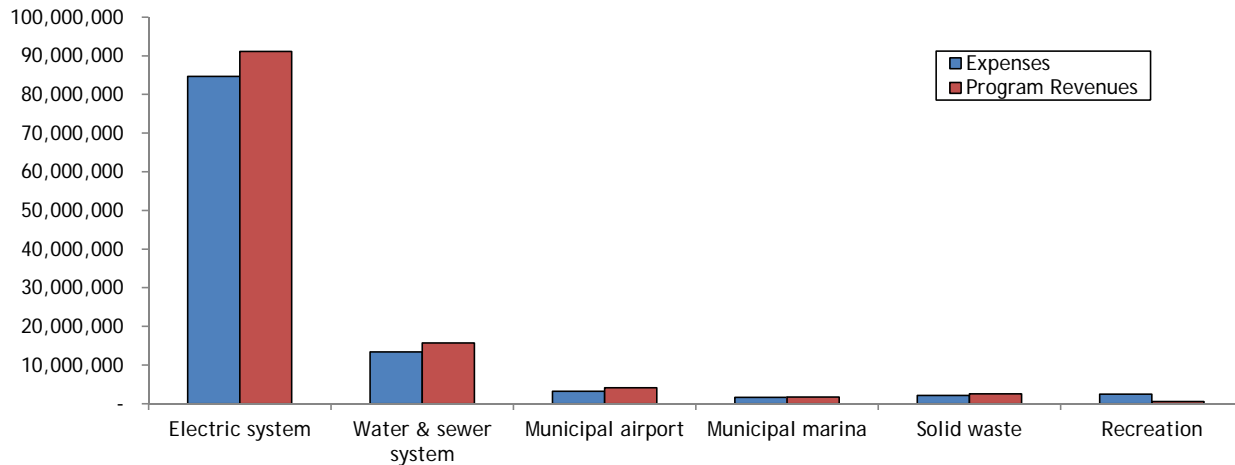


# CITY OF VERO BEACH, FLORIDA

## Management's Discussion and Analysis

**Business-type Activities.** Net position of the City's business-type activities showed an increase of \$3.4 million from the amount previously reported at the end of fiscal year 2012. Charges for services increased from 2012 by \$2.3 million, and total revenue increased by \$3.2 million. Total operating expenses for business-type activities increased by \$0.8 million. The primary changes which contributed to this increase are 1) a \$3.1 million increase in the City's electric expenses attributable to an increase in purchased power costs and 2) a \$1.3 million decrease in the City's water and sewer utility expenses, as operating costs decreased through the continued implementation of the recommendations of the November 2011 optimization study.

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 2013, the City's governmental funds reported combined ending fund balances of \$14.2 million, an increase of \$1.8 million from the prior year. Total governmental revenue of \$15.9 million remained level with the previous year. Governmental expenditures showed a net decrease of \$1.9 million. This was primarily due to a decrease in debt service expenditures of \$1.8 million. The City's debt service expenditures for 2012 included early payment of October 1, 2012 debt service in conjunction with the refinancing of debt. As a result, the 2013 debt service expenditures represent interest only, with no principal payment for this fiscal year. 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 governmental fund balances of \$14.2 million are available for spending, subject to regulatory, statutory, and budgetary restrictions. Of the available balance, \$8.8 million or 62% is unassigned; the remainder of fund balance is nonspendable or restricted and not available for new spending because the funds have already been committed by law or covenant as follows:

- \$164,000 for nonspendable inventory
- \$35,000 for public safety
- \$901,000 for culture & recreation
- \$4.3 million for physical environment
- \$3,000 committed for physical environment

# CITY OF VERO BEACH, FLORIDA

## Management's Discussion and Analysis

The General Fund is the City's major governmental fund. As of September 30, 2013, its fund balance was \$9.1 million. General fund revenue budgeted for 2013 was \$13.1 million, in both the original and final budgets, with actual revenue received of \$13.1 million. General fund expenditures were under the final budget by \$0.5 million 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 an increase of \$0.8 million. However, due to fact that the actual operating expenditures were significantly under the final budget, the fiscal year 2013 ended with a \$1.3 million increase in fund balance.

**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 position of \$47.4 million. Of this amount the Electric System has \$32.7 million and the Water & Sewer System has \$11.7 million. There was a total increase in the net position of all Enterprise funds of \$3.4 million from the prior year. This increase was attributed primarily to a \$4.0 million increase in the Electric Utility revenue, offset by a \$1.8 million decrease in water utility revenue.

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 net position of \$4.6 million, which is similar to the prior year.

### 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 increase to General Fund fund balance was \$0.5 million more than was projected in the final budget due to expenditures that were \$0.5 million under final budget.

	Original & Final Budget Comparison General Fund		
	Original	Final	Change
<b>Revenues</b>			
Taxes	\$ 8,188,188	\$ 8,227,188	\$ 39,000
Licenses and permits	118,000	146,600	28,600
Intergovernmental	1,510,614	1,514,614	4,000
Grants	3,000	7,398	4,398
Charges for services	2,869,804	2,869,804	-
Fines and forfeitures	79,000	114,000	35,000
Investment earnings	131,500	11,500	(120,000)
Rental	90,200	90,200	-
Miscellaneous	123,500	131,500	8,000
<b>Total revenues</b>	<b>\$ 13,113,806</b>	<b>\$ 13,112,804</b>	<b>\$ (1,002)</b>
<b>Expenditures</b>			
<b>Current:</b>			
General government	\$ 6,971,116	\$ 6,945,164	\$ (25,952)
Public safety	6,777,776	6,789,894	12,118
Physical environment	-	-	-
Transportation	2,307,426	2,251,649	(55,777)
Culture and recreation	1,808,310	1,785,947	(22,363)
Capital outlay	45,033	50,110	5,077
<b>Total expenditures</b>	<b>\$ 17,909,661</b>	<b>\$ 17,822,764</b>	<b>\$ (86,897)</b>

# CITY OF VERO BEACH, FLORIDA

## Management's Discussion and Analysis

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 revised to reflect higher property tax revenue than originally anticipated; budgeted property tax revenues are based on a 95% collection rate, but the actual collection rate was 96.7%.
- **Investment Earnings:** The final budget was revised to decrease the expected investment earnings, as the City continued to experience lowered investment returns due to the current economy.
- **Total General Fund Expenditures:** Only minor adjustments were required in all departments/functions, with the total expenditures decreasing by \$87,000 (less than 1%) from original to final budget.

### Capital Asset and Debt Administration

Capital Assets. the City's capital assets for its governmental and business-type activities as of September 30, 2013 are \$284.4 million (net of accumulated depreciation).

	Capital Assets (Net of Depreciation) (in 000s)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 12,821	\$ 12,821	\$ 10,134	\$ 10,140	\$ 22,955	\$ 22,961
Intangible assets	825	825	-	-	825	825
Buildings	6,548	6,727	107,826	106,697	114,374	113,424
Non-building improvement	2,603	2,108	75,863	78,286	78,466	80,394
Machinery and equipment	1,630	1,763	49,801	50,126	51,431	51,889
Infrastructure	14,411	15,285	-	-	14,411	15,285
Construction in progress	1,213	1,269	717	1,687	1,930	2,956
<b>Total capital assets, net</b>	<b>\$ 40,051</b>	<b>\$ 40,798</b>	<b>\$ 244,341</b>	<b>\$ 246,936</b>	<b>\$ 284,392</b>	<b>\$ 287,734</b>

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, intangible assets and construction in progress are depreciable for the current year.

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 had total long-term liabilities of \$85.1 million. Of this amount \$67.3 million were bonds secured solely by specified revenue sources; and \$10.4 million was debt backed by the full faith and credit of the government. In addition, the City has a liability for approximately \$1.5 million in claims payable and \$19.9 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.

	General Obligation and Revenue Bonds (in 000s)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ -	\$ -	\$ 39,900	\$ 43,475	\$ 39,900	\$ 43,475
Revenue notes	10,420	10,890	27,368	32,278	37,788	43,168
Capital leases	132	-	-	-	132	-
Claims payable	1,482	3,432	-	-	1,482	3,432
Compensated absences	2,740	2,556	3,038	2,881	5,778	5,437
<b>Total long-term debt</b>	<b>\$ 14,774</b>	<b>\$ 16,878</b>	<b>\$ 70,306</b>	<b>\$ 78,634</b>	<b>\$ 85,080</b>	<b>\$ 95,512</b>

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

# CITY OF VERO BEACH, FLORIDA

## Management's Discussion and Analysis

### 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 2014 is \$ 144.5 million. This budget reflects a city-wide staff reduction of 27 positions for a savings of \$950,000 in salaries, in addition to associated personnel and operating expenditures. Ad valorem tax revenues are projected to increase slightly as a result of the adoption of the prior year's millage rate of 2.0336 combined with a 1.7% increase in taxable values. The total State Shared revenues for telecommunications tax, gas tax and State sales tax sharing are projected to remain level in the coming year. City officials and staff continue to work towards the sale of the City's electric system to Florida Power & Light, with the goal of achieving savings on electric rates for the City's residents and customers. The adopted budget for Fiscal Year 2014 reflects the City Council's direction to provide a balanced budget while reducing City staff positions and improving efficiencies in anticipation of this sale. The City continues its commitment to preserving the beauty and ambience of our City while providing the highest quality services possible for its residents and visitors.

### Requests for Information

This financial report is designed to provide a general overview of the City'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](http://www.covb.org) under City Departments - Finance.



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## BASIC FINANCIAL STATEMENTS

# CITY OF VERO BEACH, FLORIDA

## Statement of Net Position

September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 19,903,103	\$ 29,280,489	\$ 49,183,592
Receivables	1,020,065	16,849,588	17,869,653
Inventories	163,813	6,808,041	6,971,854
Prepays	45,000	8,080	53,080
Restricted assets:			
Equity in pooled cash and investments	-	12,911,631	12,911,631
Net pension obligation asset	1,171,381	-	1,171,381
Capital assets:			
Land and intangible assets	13,646,011	10,134,032	23,780,043
Construction in progress	1,212,780	716,909	1,929,689
Capital assets not being depreciated	<u>14,858,791</u>	<u>10,850,941</u>	<u>25,709,732</u>
Capital assets being depreciated	62,420,220	464,568,329	526,988,549
Accumulated depreciation	<u>(37,227,742)</u>	<u>(231,078,453)</u>	<u>(268,306,195)</u>
Capital assets being depreciated, net	<u>25,192,478</u>	<u>233,489,876</u>	<u>258,682,354</u>
Total capital assets	<u>40,051,269</u>	<u>244,340,817</u>	<u>284,392,086</u>
<b>Total assets</b>	<u>62,354,631</u>	<u>310,198,646</u>	<u>372,553,277</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	894,927	8,503,020	9,397,947
Deposits	-	4,891,936	4,891,936
Long-term liabilities:			
Due within one year	2,987,408	5,577,127	8,564,535
Due in more than one year	11,786,199	64,729,207	76,515,406
Net other postemployment benefits obligation	<u>14,105,047</u>	<u>-</u>	<u>14,105,047</u>
<b>Total liabilities</b>	<u>29,773,581</u>	<u>83,701,290</u>	<u>113,474,871</u>
<b>Net position</b>			
Net investment in capital assets	29,631,269	177,072,568	206,703,837
Restricted for:			
Special revenue projects	2,236,270	-	2,236,270
Capital projects	2,894,832	-	2,894,832
Plant replacement and renewal	-	2,000,000	2,000,000
Law enforcement	34,777	-	34,777
Unrestricted (deficit)	<u>(2,216,098)</u>	<u>47,424,788</u>	<u>45,208,690</u>
<b>Total net position</b>	<u>\$ 32,581,050</u>	<u>\$ 226,497,356</u>	<u>\$ 259,078,406</u>

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, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenues	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Primary government</b>					
Governmental activities:					
General government	\$ 12,037,462	\$ 3,209,874	\$ -	\$ -	\$ (8,827,588)
Public safety	7,454,292	177,152	519,600	5,593	(6,751,947)
Physical environment	171,260	170,416	-	-	(844)
Transportation	2,325,155	-	-	103,631	(2,221,524)
Cultural and recreation	1,781,225	-	-	172,783	(1,608,442)
Interest and fiscal charges	253,000	-	-	-	(253,000)
<b>Total governmental activities</b>	<b>24,022,394</b>	<b>3,557,442</b>	<b>519,600</b>	<b>282,007</b>	<b>(19,663,345)</b>
Business-type activities:					
Electric system	84,658,883	90,957,716	-	174,186	6,473,019
Water and sewer system	13,437,853	15,482,251	-	194,190	2,238,588
Municipal airport	3,180,768	2,303,092	-	1,841,417	963,741
Municipal marina	1,646,038	1,720,499	-	-	74,461
Solid waste	2,116,377	2,586,679	-	-	470,302
Recreation	2,495,572	564,041	-	-	(1,931,531)
<b>Total business-type activities</b>	<b>107,535,491</b>	<b>113,614,278</b>	<b>-</b>	<b>2,209,793</b>	<b>8,288,580</b>
<b>Total primary government</b>	<b>\$ 131,557,885</b>	<b>\$ 117,171,720</b>	<b>\$ 519,600</b>	<b>\$ 2,491,800</b>	<b>\$ (11,374,765)</b>

# CITY OF VERO BEACH, FLORIDA

## Statement of Activities

For the Year Ended September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net position</b>			
Net revenue (expense)	\$ (19,663,345)	\$ 8,288,580	\$ (11,374,765)
General revenues:			
Property taxes	4,115,113	-	4,115,113
Sales and gas taxes	2,234,588	-	2,234,588
Utility taxes	3,492,793	-	3,492,793
Intergovernmental revenue: state revenue sharing / sales tax	1,525,146	-	1,525,146
Investment earnings	46,097	68,290	114,387
Other revenue	121,400	270,430	391,830
Transfers - internal activities	5,236,999	(5,236,999)	-
Total general revenues and transfers	16,772,136	(4,898,279)	11,873,857
Changes in net position before extraordinary item	(2,891,209)	3,390,301	499,092
Extraordinary item			
Release of settlement reserve (Note 11)	1,471,137	-	1,471,137
Changes in net position	(1,420,072)	3,390,301	1,970,229
Net position, beginning of year, as restated (Note 21)	34,001,122	223,107,055	257,108,177
Net position, end of year	\$ 32,581,050	\$ 226,497,356	\$ 259,078,406

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, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in pooled cash and investments	\$ 8,812,962	\$ 4,995,084	\$ 13,808,046
Receivables, net:			
Accounts	210,973	-	210,973
Special assessments	20,482	16,265	36,747
Interest	17,792	6,909	24,701
Due from other funds	81,803	-	81,803
Due from other governments	356,173	165,539	521,712
Inventories	163,813	-	163,813
<b>Total assets</b>	<b>\$ 9,663,998</b>	<b>\$ 5,183,797</b>	<b>\$ 14,847,795</b>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 166,331	\$ 1,661	\$ 167,992
Accrued liabilities	403,128	972	404,100
Due to other funds	-	81,803	81,803
<b>Total liabilities</b>	<b>569,459</b>	<b>84,436</b>	<b>653,895</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue - Special assessment receivable	-	16,265	16,265
<b>Fund balances</b>			
Nonspendable	163,813	-	163,813
Restricted	-	5,165,879	5,165,879
Committed	2,742	-	2,742
Unassigned (deficit)	8,927,984	(82,783)	8,845,201
<b>Total fund balances</b>	<b>9,094,539</b>	<b>5,083,096</b>	<b>14,177,635</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,663,998</b>	<b>\$ 5,183,797</b>	<b>\$ 14,847,795</b>

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 Position of Governmental Activities  
September 30, 2013

Fund balances - total governmental funds \$ 14,177,635

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

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

Capital assets not being depreciated	14,858,791
Capital assets being depreciated, net	25,191,570

Some items are recorded as revenues and expenditures in the fund statements when paid or when received. These items are recorded on the government-wide statements when incurred in the case of expenditures and when revenues are earned.

Deferred inflows for long-term special assessments receivable	16,265
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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 position of governmental activities accounted for in internal service funds	4,665,815
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A net pension asset is not considered to represent a financial asset and therefore is not properly reported in a governmental fund, but is reported as an asset in the government-wide statement of net position.

Net pension asset	1,171,381
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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	(10,552,386)
Accrued interest on long-term debt	(107,424)
Compensated absences	(2,735,550)
Net other postemployment benefits obligation	(14,105,047)

Net position of governmental activities \$ 32,581,050

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



# CITY OF VERO BEACH, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 8,208,513	\$ 1,794,311	\$10,002,824
Licenses and permits	143,097	-	143,097
Intergovernmental	1,525,146	519,600	2,044,746
Special assessments	-	3,631	3,631
Grants	5,593	272,783	278,376
Charges for services	2,875,106	170,416	3,045,522
Fines and forfeitures	107,746	11,246	118,992
Investment earnings	26,366	7,443	33,809
Rental	89,501	-	89,501
Miscellaneous	121,250	150	121,400
<b>Total revenues</b>	<b>13,102,318</b>	<b>2,779,580</b>	<b>15,881,898</b>
<b>Expenditures</b>			
Current:			
General government	6,722,124	-	6,722,124
Public safety	6,687,572	527,674	7,215,246
Physical environment	-	147,408	147,408
Transportation	2,080,976	-	2,080,976
Culture and recreation	1,750,289	-	1,750,289
Debt service:			
Principal	-	516,402	516,402
Interest and fiscal charges	-	253,000	253,000
Capital outlay	50,555	877,040	927,595
<b>Total expenditures</b>	<b>17,291,516</b>	<b>2,321,524</b>	<b>19,613,040</b>
Revenues over (under) expenditures	(4,189,198)	458,056	(3,731,142)
<b>Other financing sources (uses)</b>			
Issuance of long-term debt	-	178,788	178,788
Transfers in	7,069,541	1,823,000	8,892,541
Transfers out	(1,598,344)	(1,869,520)	(3,467,864)
<b>Total other financing sources</b>	<b>5,471,197</b>	<b>132,268</b>	<b>5,603,465</b>
<b>Net change in fund balances</b>	<b>1,281,999</b>	<b>590,324</b>	<b>1,872,323</b>
Fund balances, beginning of year	7,812,540	4,492,772	12,305,312
<b>Fund balances, end of year</b>	<b>\$ 9,094,539</b>	<b>\$ 5,083,096</b>	<b>\$14,177,635</b>

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 Position  
of Governmental Activities  
For the Year Ended September 30, 2013

Net change in fund balances - total governmental funds \$ 1,872,323

Amounts reported for *governmental activities* 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	856,634
Loss on disposal of capital assets	(1,782)
Depreciation expense	(1,588,145)

Special assessments are long-term in nature and are collectible over several years.

However the current receipts are reflected as revenues on the fund statements.

Change in deferred inflows for long-term special assessments receivable	(3,631)
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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 position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	516,402
Issuance of long-term debt	(178,788)

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	(212,578)
Change in net pension asset	(3,564)
Change in net other postemployment benefits obligation	(2,629,177)

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	12,288
Transfers out from internal service funds	(187,678)
Operating income (loss) from governmental activities in internal service funds	(1,329,056)
Extraordinary gain from release of settlement reserves in internal service funds	1,471,137

<b>Change in net position of governmental activities</b>	<b>\$ (1,420,072)</b>
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The accompanying notes are an integral part of these basic financial statements.

# CITY OF VERO BEACH, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

September 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 8,188,188	\$ 8,227,188	\$ 8,208,513	\$ (18,675)
Licenses and permits	118,000	146,600	143,097	(3,503)
Intergovernmental	1,510,614	1,514,614	1,525,146	10,532
Grants	3,000	7,398	5,593	(1,805)
Charges for services	2,869,804	2,869,804	2,875,106	5,302
Fines and forfeitures	79,000	114,000	107,746	(6,254)
Investment earnings	131,500	11,500	26,366	14,866
Rental	90,200	90,200	89,501	(699)
Miscellaneous	123,500	131,500	121,250	(10,250)
<b>Total revenues</b>	<b>13,113,806</b>	<b>13,112,804</b>	<b>13,102,318</b>	<b>(10,486)</b>
<b>Expenditures</b>				
Current:				
General government	5,435,581	5,386,457	5,208,772	(177,685)
Public safety	6,809,851	6,824,640	6,722,317	(102,323)
Transportation	2,317,384	2,262,786	2,091,109	(171,677)
Culture and recreation	1,808,310	1,785,947	1,750,289	(35,658)
Non-departmental	1,538,535	1,562,934	1,519,029	(43,905)
<b>Total expenditures</b>	<b>17,909,661</b>	<b>17,822,764</b>	<b>17,291,516</b>	<b>(531,248)</b>
Revenues under expenditures	(4,795,855)	(4,709,960)	(4,189,198)	520,762
<b>Other financing sources (uses)</b>				
Transfers in	7,069,541	7,069,541	7,069,541	-
Transfers out	(1,541,964)	(1,598,343)	(1,598,344)	(1)
<b>Total other financing sources</b>	<b>5,527,577</b>	<b>5,471,198</b>	<b>5,471,197</b>	<b>(1)</b>
<b>Net change in fund balances</b>	<b>731,722</b>	<b>761,238</b>	<b>1,281,999</b>	<b>520,761</b>
Fund balances, beginning of year	7,812,540	7,812,540	7,812,540	-
<b>Fund balances, end of year</b>	<b>\$ 8,544,262</b>	<b>\$ 8,573,778</b>	<b>\$ 9,094,539</b>	<b>\$ 520,761</b>

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

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# CITY OF VERO BEACH, FLORIDA

## Statement of Net Position

Proprietary Funds  
September 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
<b>Assets</b>			
Current assets:			
Equity in pooled cash and investments	\$ 15,907,030	\$ 10,149,228	\$ 2,703,071
Receivables, net:			
Accounts	12,872,777	2,362,598	39,593
Special assessments	-	271,528	-
Interest	33,527	4,462	2,041
Due from other funds	-	221,758	-
Due from other governments	-	-	714,555
Inventories	6,623,614	144,104	-
Prepays	6,158	-	-
Restricted assets:			
Equity in pooled cash and investments	10,055,769	588,735	-
Total current assets	<u>45,498,875</u>	<u>13,742,413</u>	<u>3,459,260</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and investments	<u>2,000,000</u>	<u>-</u>	<u>-</u>
Capital assets:			
Land and intangible assets	1,851,400	184,988	1,722,672
Construction in progress	358,791	139,780	218,338
Capital assets not being depreciated	<u>2,210,191</u>	<u>324,768</u>	<u>1,941,010</u>
Capital assets being depreciated	257,224,889	127,229,182	55,388,294
Accumulated depreciation	<u>(138,066,807)</u>	<u>(68,062,429)</u>	<u>(12,776,408)</u>
Capital assets being depreciated, net	<u>119,158,082</u>	<u>59,166,753</u>	<u>42,611,886</u>
Total capital assets	<u>121,368,273</u>	<u>59,491,521</u>	<u>44,552,896</u>
Total assets	<u>168,867,148</u>	<u>73,233,934</u>	<u>48,012,156</u>

Business-type Activities - Enterprise Funds				Governmental Activities
Municipal Marina	Solid Waste	Recreation	Total	Internal Service Funds
\$ -	\$ 471,104	\$ 50,056	\$ 29,280,489	\$ 6,095,057
17,574	309,175	-	15,601,717	133,893
-	-	-	271,528	-
-	-	-	40,030	10,236
-	-	-	221,758	-
-	-	-	714,555	-
40,323	-	-	6,808,041	-
-	-	1,922	8,080	45,000
-	-	-	-	-
267,127	-	-	10,911,631	-
<u>325,024</u>	<u>780,279</u>	<u>51,978</u>	<u>63,857,829</u>	<u>6,284,186</u>
-	-	-	2,000,000	-
4,763,952	-	1,611,020	10,134,032	-
-	-	-	716,909	-
<u>4,763,952</u>	<u>-</u>	<u>1,611,020</u>	<u>10,850,941</u>	<u>-</u>
1,832,120	3,172,256	19,721,588	464,568,329	30,880
(1,207,261)	(2,404,019)	(8,561,529)	(231,078,453)	(29,972)
<u>624,859</u>	<u>768,237</u>	<u>11,160,059</u>	<u>233,489,876</u>	<u>908</u>
<u>5,388,811</u>	<u>768,237</u>	<u>12,771,079</u>	<u>244,340,817</u>	<u>908</u>
<u>5,713,835</u>	<u>1,548,516</u>	<u>12,823,057</u>	<u>310,198,646</u>	<u>6,285,094</u>

continued...

# CITY OF VERO BEACH, FLORIDA

## Statement of Net Position

Proprietary Funds  
September 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
<b>Liabilities</b>			
Current liabilities:			
Accounts and contracts payable	\$ 455,756	\$ 156,412	\$ 97,915
Accrued liabilities	5,861,613	126,522	16,457
Due to other funds	-	-	-
Due to other governments	-	666,900	-
Claims payable	-	-	-
Customer deposits	-	-	138,694
Current portion of compensated absences	56,583	52,637	10,537
Payable from restricted assets:			
Accrued interest payable	658,344	73,077	-
Customer deposits	4,678,425	-	-
Revenue bonds and notes payable	4,719,000	515,658	-
<b>Total current liabilities</b>	<b>16,429,721</b>	<b>1,591,206</b>	<b>263,603</b>
Noncurrent liabilities, net of current portion:			
Compensated absences	1,075,068	1,000,106	200,208
Revenue bonds and notes payable	39,411,000	18,803,979	-
<b>Total noncurrent liabilities</b>	<b>40,486,068</b>	<b>19,804,085</b>	<b>200,208</b>
<b>Total liabilities</b>	<b>56,915,789</b>	<b>21,395,291</b>	<b>463,811</b>
<b>Net position</b>			
Net investment in capital assets	77,238,273	40,171,884	44,552,896
Restricted for:			
Plant replacement and emergencies	1,000,000	-	-
Renewal and replacement	1,000,000	-	-
Unrestricted (deficit)	32,713,086	11,666,759	2,995,449
<b>Total net position</b>	<b>\$ 111,951,359</b>	<b>\$ 51,838,643</b>	<b>\$ 47,548,345</b>

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
\$ 31,775	\$ 2,094	\$ 7,707	\$ 751,659	\$ 131,703
5,880	18,987	25,260	6,054,719	1,905
221,758	-	-	221,758	-
-	-	-	666,900	-
-	-	-	-	1,481,391
46,169	-	28,648	213,511	-
2,407	18,986	10,755	151,905	214
76,563	-	-	807,984	-
-	-	-	4,678,425	-
190,564	-	-	5,425,222	-
<u>575,116</u>	<u>40,067</u>	<u>72,370</u>	<u>18,972,083</u>	<u>1,615,213</u>
45,725	360,728	204,345	2,886,180	4,066
<u>3,628,048</u>	<u>-</u>	<u>-</u>	<u>61,843,027</u>	<u>-</u>
<u>3,673,773</u>	<u>360,728</u>	<u>204,345</u>	<u>64,729,207</u>	<u>4,066</u>
<u>4,248,889</u>	<u>400,795</u>	<u>276,715</u>	<u>83,701,290</u>	<u>1,619,279</u>
1,570,199	768,237	12,771,079	177,072,568	908
-	-	-	1,000,000	-
-	-	-	1,000,000	-
<u>(105,253)</u>	<u>379,484</u>	<u>(224,737)</u>	<u>47,424,788</u>	<u>4,664,907</u>
<u>\$ 1,464,946</u>	<u>\$ 1,147,721</u>	<u>\$ 12,546,342</u>	<u>\$ 226,497,356</u>	<u>\$ 4,665,815</u>

concluded



CITY OF VERO BEACH, FLORIDA

**Statement of Revenues, Expenses and Changes in Fund Net Position**

Proprietary Funds

For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
<b>Operating revenues</b>			
Charges for services	\$ 90,957,716	\$ 15,482,251	\$ 2,303,092
<b>Operating expenses</b>			
Production	63,488,353	2,708,007	-
Transmission and distribution	6,273,813	3,023,150	-
Administrative and general	4,316,201	1,943,620	-
Pollution control	-	1,836,335	-
Customer service	1,485,661	-	-
Claims expense	-	-	-
Operating charges	-	-	1,839,486
Depreciation	6,952,108	3,273,013	1,341,282
<b>Total operating expenses</b>	<b>82,516,136</b>	<b>12,784,125</b>	<b>3,180,768</b>
Operating income (loss)	8,441,580	2,698,126	(877,676)
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	41,645	24,142	2,482
Interest/amortization expense	(2,142,747)	(634,784)	-
Loss on sale of capital assets	-	(18,944)	-
Miscellaneous	106,330	38,364	14,936
<b>Total nonoperating revenues (expenses)</b>	<b>(1,994,772)</b>	<b>(591,222)</b>	<b>17,418</b>
Income (loss) before capital contributions and transfers	6,446,808	2,106,904	(860,258)
<b>Capital contributions and transfers</b>			
Capital grants and contributions	174,186	194,190	1,841,417
Transfers in	-	-	-
Transfers out	(5,612,400)	(1,001,281)	-
<b>Total capital contributions and transfers</b>	<b>(5,438,214)</b>	<b>(807,091)</b>	<b>1,841,417</b>
Changes in net position before extraordinary item	1,008,594	1,299,813	981,159
<b>Extraordinary item</b>			
Release of settlement reserve (Note 11)	-	-	-
Changes in net position	1,008,594	1,299,813	981,159
Net position, beginning of year, as restated (Note 21)	110,942,765	50,538,830	46,567,186
Net position, end of year	\$ 111,951,359	\$ 51,838,643	\$ 47,548,345

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
\$ 1,720,499	\$ 2,586,679	\$ 564,041	\$ 113,614,278	\$ 50,000
-	-	-	66,196,360	-
-	-	-	9,296,963	-
-	-	-	6,259,821	-
-	-	-	1,836,335	-
-	-	-	1,485,661	-
-	-	-	-	1,070,689
1,432,319	2,026,860	2,143,245	7,441,910	307,522
60,593	89,517	352,327	12,068,840	845
1,492,912	2,116,377	2,495,572	104,585,890	1,379,056
227,587	470,302	(1,931,531)	9,028,388	(1,329,056)
11	10	-	68,290	12,288
(153,126)	-	-	(2,930,657)	-
-	-	-	(18,944)	-
37,512	70,374	2,914	270,430	-
(115,603)	70,384	2,914	(2,610,881)	12,288
111,984	540,686	(1,928,617)	6,417,507	(1,316,768)
-	-	-	2,209,793	-
-	-	1,644,864	1,644,864	-
(113,882)	(154,300)	-	(6,881,863)	(187,678)
(113,882)	(154,300)	1,644,864	(3,027,206)	(187,678)
(1,898)	386,386	(283,753)	3,390,301	(1,504,446)
-	-	-	-	1,471,137
(1,898)	386,386	(283,753)	3,390,301	(33,309)
1,466,844	761,335	12,830,095	223,107,055	4,699,124
\$ 1,464,946	\$ 1,147,721	\$ 12,546,342	\$ 226,497,356	\$ 4,665,815

# CITY OF VERO BEACH, FLORIDA

## Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 90,143,931	\$ 15,418,372	\$ 2,358,577
Cash received from vendor for program expenses	-	-	-
Payments to vendors	(68,113,441)	(5,919,717)	(1,616,629)
Payments for personnel services	(6,151,618)	(3,640,994)	(445,686)
Benefit payments	-	-	-
<b>Net cash provided by operating activities</b>	<b>15,878,872</b>	<b>5,857,661</b>	<b>296,262</b>
<b>Cash flows from noncapital financing activities</b>			
Transfers in	-	-	-
Transfers out	(5,612,400)	(1,001,281)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(5,612,400)</b>	<b>(1,001,281)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(6,483,116)	(757,541)	(1,975,037)
Proceeds from issuance of long-term debt	-	8,465,000	-
Receipt (repayment) of capital grant	-	-	-
Capital contributions	174,186	194,190	1,841,417
Special assessments received	-	84,231	-
Principal paid on long-term debt	(4,529,000)	(12,237,655)	-
Interest and agent fees paid on long-term debt	(2,142,747)	(634,784)	-
<b>Net cash used in capital and related financing activities</b>	<b>(12,980,677)</b>	<b>(4,886,559)</b>	<b>(133,620)</b>
<b>Cash flows from investing activities</b>			
Purchase of pooled investments	(72,901)	(850,000)	(4,381)
Proceeds from sale and maturity of pooled investments	7,154,829	826,274	361,235
Interest received	41,645	24,142	2,482
<b>Net cash provided by (used in) investing activities</b>	<b>7,123,573</b>	<b>416</b>	<b>359,336</b>
<b>Net change in cash and cash equivalents</b>	<b>4,409,368</b>	<b>(29,763)</b>	<b>521,978</b>
Cash and cash equivalents, beginning of year	3,175,174	7,206,830	945,036
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,584,542</b>	<b>\$ 7,177,067</b>	<b>\$ 1,467,014</b>

Business-type Activities - Enterprise Funds				Governmental Activities
Municipal Marina	Solid Waste	Recreation	Total	Internal Service Funds
\$ 1,745,140	\$ 2,644,001	\$ 566,955	\$ 112,876,976	\$ -
-	-	-	-	50,000
(929,864)	(1,162,794)	(1,417,537)	(79,159,982)	(171,822)
(267,812)	(845,843)	(782,538)	(12,134,491)	(221,818)
-	-	-	-	(1,594,830)
<u>547,464</u>	<u>635,364</u>	<u>(1,633,120)</u>	<u>21,582,503</u>	<u>(1,938,470)</u>
-	-	1,644,864	1,644,864	-
(113,882)	(154,300)	-	(6,881,863)	(187,678)
<u>(113,882)</u>	<u>(154,300)</u>	<u>1,644,864</u>	<u>(5,236,999)</u>	<u>(187,678)</u>
(15,870)	(235,614)	(38,702)	(9,505,880)	-
-	-	-	8,465,000	-
-	-	-	-	-
-	-	-	2,209,793	-
-	-	-	84,231	-
(183,217)	-	-	(16,949,872)	-
(153,126)	-	-	(2,930,657)	-
<u>(352,213)</u>	<u>(235,614)</u>	<u>(38,702)</u>	<u>(18,627,385)</u>	<u>-</u>
(9)	(8)	-	(927,299)	(21,840)
58,653	16,499	-	8,417,490	1,002,780
11	10	-	68,290	17,011
<u>58,655</u>	<u>16,501</u>	<u>-</u>	<u>7,558,481</u>	<u>997,951</u>
140,024	261,951	(26,958)	5,276,600	(1,128,197)
<u>126,832</u>	<u>208,586</u>	<u>77,014</u>	<u>11,739,472</u>	<u>1,859,534</u>
<u>\$ 266,856</u>	<u>\$ 470,537</u>	<u>\$ 50,056</u>	<u>\$ 17,016,072</u>	<u>\$ 731,337</u>

continued...

# CITY OF VERO BEACH, FLORIDA

## Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
<b>Reconciliation of cash and cash equivalents to balance sheet</b>			
<b>Classified on the statement of net position as:</b>			
Equity in pooled cash and investments	\$ 15,907,030	\$ 10,149,228	\$ 2,703,071
Restricted assets:			
Current:			
Equity in pooled cash and investments	10,055,769	588,735	-
Noncurrent:			
Equity in pooled cash and investments	2,000,000	-	-
	<u>27,962,799</u>	<u>10,737,963</u>	<u>2,703,071</u>
Less: investments not meeting definition of cash equivalents	<u>(20,378,257)</u>	<u>(3,560,896)</u>	<u>(1,236,057)</u>
	<u>\$ 7,584,542</u>	<u>\$ 7,177,067</u>	<u>\$ 1,467,014</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ 8,441,580	\$ 2,698,126	\$ (877,676)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	6,952,108	3,273,013	1,341,282
Abandonment of CIP Project	-	-	13,060
Release of settlement reserve	-	-	-
Loss on disposal of capital assets	-	18,944	-
Miscellaneous revenue	106,330	19,420	14,936
Bad debt expense	336,291	41,486	-
Change in:			
Accounts receivable	(1,256,406)	(143,729)	40,549
Inventories	752,127	8,552	-
Prepays	(1,868)	-	-
Accounts and contracts payable	(237,296)	(98,323)	(266,831)
Accrued liabilities	298,773	(39,044)	4,792
Accrued compensated absences	11,244	79,216	31,313
Claims payable	-	-	-
Customer deposits	475,989	-	(5,163)
	<u>\$ 15,878,872</u>	<u>\$ 5,857,661</u>	<u>\$ 296,262</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
\$ -	\$ 471,104	\$ 50,056	\$ 29,280,489	\$ 6,095,057
267,127	-	-	10,911,631	-
-	-	-	2,000,000	-
<u>267,127</u>	<u>471,104</u>	<u>50,056</u>	<u>42,192,120</u>	<u>6,095,057</u>
(271)	(567)	-	(25,176,048)	(5,363,720)
<u>\$ 266,856</u>	<u>\$ 470,537</u>	<u>\$ 50,056</u>	<u>\$ 17,016,072</u>	<u>\$ 731,337</u>

\$ 227,587	\$ 470,302	\$ (1,931,531)	\$ 9,028,388	\$ (1,329,056)
60,593	89,517	352,327	12,068,840	845
-	-	-	13,060	-
-	-	-	-	1,471,137
-	-	-	18,944	-
37,512	70,374	2,914	251,486	-
-	13,182	-	390,959	-
(12,871)	(26,234)	-	(1,398,691)	(133,893)
1,576	-	-	762,255	-
-	-	-	(1,868)	(45,000)
21,707	(3,456)	(80,646)	(664,845)	76,842
216,871	2,056	5,229	488,677	-
(1,981)	19,623	18,145	157,560	(29,067)
-	-	-	-	(1,950,278)
(3,530)	-	442	467,738	-
<u>\$ 547,464</u>	<u>\$ 635,364</u>	<u>\$ (1,633,120)</u>	<u>\$ 21,582,503</u>	<u>\$ (1,938,470)</u>

concluded

# CITY OF VERO BEACH, FLORIDA

## Statement of Fiduciary Net Position

Fiduciary Funds

September 30, 2013

	Pension Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ (2,015)	\$ (9,194)
Interest receivable	105,863	-
Other receivables	16,791	9,194
Investments, at fair value:		
Mutual fund investments	67,345,779	-
Corporate stocks	24,741,243	-
Corporate bonds	5,442,677	-
Treasury and agency bonds & notes	4,812,473	-
Real estate	3,656,633	-
Municipal bonds and notes	91,132	-
Total investments, at fair value	<u>106,089,937</u>	<u>-</u>
<b>Total assets</b>	<u>106,210,576</u>	<u>\$ -</u>
<b>Liabilities</b>		
Accrued liabilities	1,747	
DROP plan payable	<u>472,051</u>	
<b>Total liabilities</b>	<u>473,798</u>	
<b>Net position</b>		
Held in trust for pension benefits and other purposes	<u>\$ 105,736,778</u>	

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

# CITY OF VERO BEACH, FLORIDA

## Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended September 30, 2013

	Pension Trust Funds
<b>Additions</b>	
Contributions:	
Employer	\$ 5,574,485
Plan members	642,423
State (passed thru to Police & Firefighter's Premium Tax Trust Fund)	519,599
	<hr/>
Total contributions	6,736,507
	<hr/>
Investment income:	
Interest and dividends	2,482,381
Net appreciation (depreciation) in fair value of investments	10,754,974
	<hr/>
Total investment income	13,237,355
Investment expense	(514,339)
	<hr/>
Net investment income	12,723,016
	<hr/>
<b>Total additions</b>	19,459,523
	<hr/>
<b>Deductions</b>	
Benefit payments	7,821,036
DROP plan benefits	238,789
Refunds of contributions	63,991
Administrative expenses	184,284
	<hr/>
<b>Total deductions</b>	8,308,100
	<hr/>
<b>Change in net position</b>	11,151,423
	<hr/>
Net position, beginning of year	94,585,355
	<hr/>
<b>Net position, end of year</b>	<u>\$ 105,736,778</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, Florida ("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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund 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.

### *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 unearned 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, 2013. 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 Funds* 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 position represents resources 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position 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 position 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

### *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.

## Notes to Financial Statements

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 liabilities in the government-wide and the proprietary funds when incurred. An expense for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

### *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 position. In the proprietary funds bond premiums and discounts 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.

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.

### *Deferred inflows of resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### *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.

### *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.

## 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.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

- 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.

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 2013 the budget was amended once. In November 2013, the fiscal year 2013 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, 2013, the Crestlawn cemetery permanent fund has an ending fund balance deficit of \$82,783. This deficit is attributable primarily due to insufficient revenues to cover fixed operating costs.

At September 30, 2013, the statement of net position for the City's proprietary funds reflects a \$224,737 deficit in unrestricted net position 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.

At September 30, 2013, the statement of net position for the City's proprietary funds reflects a \$105,253 deficit in unrestricted net position for the Marina Fund. In Fiscal Year's ending September 30, 2009 through September 30, 2011, the City received grant funding to offset its debt service payments for the Series 2007A loan. That grant revenue is no longer available and as a result, the City's marina operation has not generated sufficient cash to cover both operations and debt service. The City has recognized this situation, and the adopted budget for Fiscal Year 13-14 incorporates \$274,000 in operating expenditure reductions in order to improve this deficit position.

# 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, 2013:

	Primary Government
<b>Statement of Net Position</b>	
Equity in pooled cash and investments	\$ 49,183,592
Restricted assets:	
Equity in pooled cash and investments	12,911,631
<b>Statement of Fiduciary Net Position</b>	
Pension trust funds:	
Cash and cash equivalents	(2,015)
Investments	106,089,937
Other fiduciary funds:	
Cash and cash equivalents	<u>(9,194)</u>
<b>Total</b>	<u><u>\$ 168,173,951</u></u>
<b>Deposits and investments</b>	
Bank deposits:	
Checking and savings accounts	\$ 6,960,418
Investments:	
Cash and investment pool	55,111,961
Pension trust fund investments	106,087,922
Cash on hand	<u>13,650</u>
<b>Total</b>	<u><u>\$168,173,951</u></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. The City's cash deposits are fully insured by either federal depository insurance or by the multiple financial institution collateral pool pursuant to the Public Depository Security Act of the State of Florida.

#### *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, 2013, 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, 2013 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 general investments as of September 30, 2013:

U.S. government securities	\$ 45,461,944
Mutual fund investments	9,356,013
Local government surplus funds trust fund	<u>294,004</u>
<b>Total</b>	<b><u>\$ 55,111,961</u></b>

The types of deposits and investments and their level of risk exposure as of September 30, 2013 were typical of these items during the fiscal year then ended.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

As of September 30, 2013, the City had the following investments and effective duration presented in terms of years:

Investment Type	Investment Maturity (In Years)				
	Fair Value	Less than 1	From 1 - 3	From 4 - 7	Over 7
<b>General Investments</b>					
U.S. government securities	\$ 45,461,944	\$ 6,615,660	\$ 33,610,063	\$ 5,236,221	\$ -
Mutual fund investments	9,356,013	9,356,013	-	-	-
Local government surplus funds trust fund	294,004	294,004	-	-	-
	<u>55,111,961</u>	<u>16,265,677</u>	<u>33,610,063</u>	<u>5,236,221</u>	<u>-</u>
<b>Pension Fund Investments</b>					
Mutual Fund Investments	67,345,779	67,345,779	-	-	-
Corporate Stocks	24,741,243	24,741,243	-	-	-
Corporate Bonds	5,442,677	415,152	158,164	1,424,932	3,444,429
Treasury and Agency Notes & Bonds	4,812,473	30,039	932,233	1,063,480	2,786,721
Real Estate	3,656,633	3,656,633	-	-	-
Municipal Bonds & Notes	91,132	-	-	-	91,132
	<u>106,089,937</u>	<u>96,188,846</u>	<u>1,090,397</u>	<u>2,488,412</u>	<u>6,322,282</u>
	<u>\$161,201,898</u>	<u>\$112,454,523</u>	<u>\$ 34,700,460</u>	<u>\$ 7,724,633</u>	<u>\$ 6,322,282</u>

## 5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts	\$ 344,866	\$ 19,359,819
Allowance for uncollectible receivables	-	(3,758,102)
Special assessments	36,747	271,528
Interest	34,937	40,030
Due from other funds	81,803	221,758
Due from other governments	521,712	714,555
	<u>\$ 1,020,065</u>	<u>\$ 16,849,588</u>

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

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, 2013 was approximately \$393,200. No other allowances for uncollectible accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2013.

Of the amounts reported for receivables above, special assessments receivable in the amount of \$16,265 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	\$ 299,695	\$ 751,659
Accrued liabilities	406,005	6,054,719
Due to other funds	81,803	221,758
Due to other governments	-	666,900
Accrued interest on long-term debt	107,424	807,984
	<u>\$ 894,927</u>	<u>\$ 8,503,020</u>

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2013, was as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 81,803	\$ -
Crestlawn Cemetary	-	81,803
Water and Sewer System	221,758	\$ -
Marina	-	221,758
	<u>\$ 303,561</u>	<u>\$ 303,561</u>

These balances resulted from the short-term interfund loans to cover unrestricted cash deficits.

For the year ended September 30, 2013, interfund transfers consisted of the following:

Transfers Out	Transfers in			Totals
	General Fund	Nonmajor Governmental Funds	Recreation Fund	
General fund	\$ -	\$ 19,611	\$ 1,578,733	\$ 1,598,344
Nonmajor governmental funds	-	1,803,389	66,131	1,869,520
Electric system fund	5,612,400	-	-	5,612,400
Water & sewer system fund	1,001,281	-	-	1,001,281
Municipal marina	113,882	-	-	113,882
Solid waste	154,300	-	-	154,300
Internal service funds	187,678	-	-	187,678
	<u>\$ 7,069,541</u>	<u>\$ 1,823,000</u>	<u>\$ 1,644,864</u>	<u>\$ 10,537,405</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, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 12,820,931	\$ -	\$ -	\$ -	\$ 12,820,931
Intangible assets	825,080	-	-	-	825,080
Construction in progress	1,269,422	31,250	(21,926)	(65,966)	1,212,780
	<u>14,915,433</u>	<u>31,250</u>	<u>(21,926)</u>	<u>(65,966)</u>	<u>14,858,791</u>
Capital assets, being depreciated:					
Buildings	11,692,943	-	-	-	11,692,943
Non-building improvements	4,092,336	561,415	-	65,966	4,719,717
Machinery and equipment	9,953,658	285,894	(749,528)	-	9,490,024
Infrastructure	36,518,736	-	(1,200)	-	36,517,536
	<u>62,257,673</u>	<u>847,309</u>	<u>(750,728)</u>	<u>65,966</u>	<u>62,420,220</u>
Less accumulated depreciation for:					
Buildings	(4,966,155)	(178,437)	-	-	(5,144,592)
Non-building improvements	(1,984,682)	(131,666)	-	-	(2,116,348)
Machinery and equipment	(8,191,116)	(403,823)	735,071	-	(7,859,868)
Infrastructure	(21,233,070)	(875,064)	1,200	-	(22,106,934)
	<u>(36,375,023)</u>	<u>(1,588,990)</u>	<u>736,271</u>	<u>-</u>	<u>(37,227,742)</u>
Total capital assets being depreciated, net	<u>25,882,650</u>	<u>(741,681)</u>	<u>(14,457)</u>	<u>65,966</u>	<u>25,192,478</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 40,798,083</u>	<u>\$ (710,431)</u>	<u>\$ (36,383)</u>	<u>\$ -</u>	<u>\$ 40,051,269</u>



# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 10,140,182	\$ -	\$ (6,150)	\$ -	\$ 10,134,032
Construction in progress	1,687,232	461,982	(13,568)	(1,418,737)	716,909
	<u>11,827,414</u>	<u>461,982</u>	<u>(19,718)</u>	<u>(1,418,737)</u>	<u>10,850,941</u>
Capital assets, being depreciated:					
Buildings	230,078,984	986,639	(2,068)	602,437	231,665,992
Non-building improvements	149,131,550	7,594,878	(34,791)	816,300	157,507,937
Machinery and equipment	75,613,731	465,541	(684,872)	-	75,394,400
	<u>454,824,265</u>	<u>9,047,058</u>	<u>(721,731)</u>	<u>1,418,737</u>	<u>464,568,329</u>
Less accumulated depreciation for:					
Buildings	(123,382,468)	(459,847)	2,068	-	(123,840,247)
Non-building improvements	(70,845,622)	(10,832,111)	32,925	-	(81,644,808)
Machinery and equipment	(25,487,817)	(780,041)	674,460	-	(25,593,398)
	<u>(219,715,907)</u>	<u>(12,071,999)</u>	<u>709,453</u>	<u>-</u>	<u>(231,078,453)</u>
Total capital assets being depreciated, net	<u>235,108,358</u>	<u>(3,024,941)</u>	<u>(12,278)</u>	<u>1,418,737</u>	<u>233,489,876</u>
<b>Business-type activities capital assets, net</b>	<u>\$246,935,772</u>	<u>\$ (2,562,959)</u>	<u>\$ (31,996)</u>	<u>\$ -</u>	<u>\$244,340,817</u>

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

### Depreciation of governmental activities by function

General government	\$ 1,127,653
Public safety	230,230
Transportation	175,474
Physical environment	23,852
Cultural and recreation	30,936
Capital assets held in the City's internal service fund are charged to general government	845
	<u>\$ 1,588,990</u>

### Depreciation of business-type activities by function

Electric system	\$ 6,952,108
Water & sewer system	3,273,013
Municipal airport	1,341,282
Municipal marina	60,593
Solid waste	89,517
Recreation	352,327
	<u>\$ 12,068,840</u>

In addition, the City placed into operations an asset that had formerly been fully depreciated and retired, with a cost and accumulated depreciation of \$3,159.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### 9. LONG-TERM DEBT

The City's outstanding long-term liabilities include bonds payable, loans payable, claims payable, a capital lease 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, 2013:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Revenue notes	\$ 10,890,000	\$ -	\$ (470,000)	\$ 10,420,000	\$ 1,325,000
Capital leases	-	178,788	(46,402)	132,386	43,021
Claims payable	3,431,673	1,070,689	(3,020,971)	1,481,391	1,481,391
Compensated absences	2,556,317	253,450	(69,937)	2,739,830	137,996
<b>Totals</b>	<b>\$ 16,877,990</b>	<b>\$ 1,502,927</b>	<b>\$ (3,607,310)</b>	<b>\$ 14,773,607</b>	<b>\$ 2,987,408</b>
<b>Business-type activities:</b>					
Revenue bonds and notes	\$ 75,753,123	\$ 8,465,000	\$ (16,949,874)	\$ 67,268,249	\$ 5,425,222
Compensated absences	2,880,525	232,993	(75,433)	3,038,085	151,905
<b>Totals</b>	<b>\$ 78,633,648</b>	<b>\$ 8,697,993</b>	<b>\$ (17,025,307)</b>	<b>\$ 70,306,334</b>	<b>\$ 5,577,127</b>

#### Governmental activities

##### Series 2007B-2 Refunding Revenue Note

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

##### Series 2012A Refunding Revenue Note

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.

1,915,000

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### Series 2012B Refunding Revenue Note

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.

\$ 3,505,000

Total governmental activities

\$ 10,420,000

### 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.

\$ 39,900,000

#### 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.

4,230,000

#### Series 2013 Water & Sewer System Refunding Revenue Note

In July 2013, the City issued a \$8,465,000 refunding revenue note to refinance the remaining principal on a loan agreement originally entered into in 2008 for the refunding of the Water & Sewer Fund Sunshine Loans and the Water & Sewer System 2003A Revenue Bonds. Principal payments are due annually on December 1 through December 1, 2021. The note bears interest at 1.68% payable semi-annually on June 1, and December 1 of each year until maturity. The note is secured by all lawfully available Water and Sewer revenues of the City.

8,465,000

#### 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.

10,402,203

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### 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.

\$ 282,204

### 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.

170,229

### 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.

3,818,613

### **Total business-type activities**

\$ 67,268,249

In June 2013, the City authorized the issuance of the Series 2013 Water and Sewer Refunding Revenue Note in the amount of \$8,465,000 at an interest rate of 1.68%. This amount, along with an additional \$2,357,524 from available City funds (including accumulated sinking funds), was used to 1) refund the Series 2008 Capital Improvement Refunding Revenue Note with an outstanding principal amount of \$10,770,000 and accumulated interest due at closing of \$11,524 and 2) pay the costs of issuance estimated at \$ 41,000. The refinancing of the loan resulted in a savings to the City of \$1,433,664 with a present value of \$1,223,000.

# 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 September	Refunding Revenue Note Series 2007B-2		Refunding Revenue Note Series 2012A		Capital Improvement Revenue Note Series 2012B	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ -	\$ 199,000	\$ 470,000	\$ 22,597	\$ 855,000	\$ 32,622
2015	-	199,000	475,000	17,051	875,000	23,452
2016	-	199,000	480,000	11,446	885,000	14,125
2017	-	199,000	490,000	5,782	890,000	4,717
2018	472,852	189,590	-	-	-	-
2019-2023	2,661,989	644,299	-	-	-	-
2024-2027	1,865,159	113,281	-	-	-	-
	<u>\$ 5,000,000</u>	<u>\$ 1,743,170</u>	<u>\$ 1,915,000</u>	<u>\$ 56,876</u>	<u>\$ 3,505,000</u>	<u>\$ 74,916</u>

### Electric fund

Year Ended September	Electric Revenue Refunding Bond Series 2003A		Electric System Revenue Note Series 2008	
	Principal	Interest	Principal	Interest
2014	\$ 3,725,000	\$ 1,838,125	\$ 994,000	\$ 144,258
2015	3,875,000	1,648,125	1,035,000	101,834
2016	4,050,000	1,450,000	1,078,000	57,649
2017	4,225,000	1,251,000	1,123,000	11,623
2018	4,400,000	1,043,250	-	-
2019-2022	19,625,000	1,942,375	-	-
	<u>\$ 39,900,000</u>	<u>\$ 9,172,875</u>	<u>\$ 4,230,000</u>	<u>\$ 315,364</u>

CITY OF VERO BEACH, FLORIDA

Notes to Financial Statements

Water and Sewer fund

Year Ended September	Water & Sewer Revenue Refunding Note Series 2013		SRF Clean WaterWW310201 (Original & Amendment 2)	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ 138,657	\$ 495,074	\$ 263,925
2015	1,000,000	133,812	507,861	251,139
2016	1,015,000	116,886	520,978	238,022
2017	1,030,000	99,708	534,435	224,565
2018	1,050,000	82,236	548,240	210,760
2019-2023	4,370,000	148,344	2,961,122	833,878
2024-2028	-	-	3,364,011	430,989
2029-2031	-	-	1,470,482	47,516
	<u>\$ 8,465,000</u>	<u>\$ 719,643</u>	<u>\$ 10,402,203</u>	<u>\$ 2,500,794</u>

Year Ended September	SRF Drinking Water DW310220		SRF Drinking Water DW310221	
	Principal	Interest	Principal	Interest
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	14,175	6,367	8,713	3,286
2019-2023	77,146	25,565	46,870	13,130
2024-2028	88,740	13,971	52,886	7,113
2029-2031	49,251	2,103	28,935	1,063
	<u>\$ 282,204</u>	<u>\$ 77,283</u>	<u>\$ 170,229</u>	<u>\$ 39,767</u>

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### Marina fund

Year Ended September	Marina Capital Improvement Revenue Note Series 2007A	
	Principal	Interest
2014	\$ 190,564	\$ 149,306
2015	198,206	141,511
2016	206,154	133,403
2017	214,420	124,971
2018	223,019	116,200
2019-2023	1,256,631	436,626
2024-2028	1,529,619	158,164
	<u>\$ 3,818,613</u>	<u>\$ 1,260,181</u>

### 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, 2013
Water & Sewer Revenue Bonds, Series 1982	1985	\$ 5,000,000	\$ 1,095,000
Water & Sewer Revenue Bonds, Series 1991	1993	16,500,000	8,440,000
Water & Sewer Revenue Bonds, Series 1993A	2003	61,750,000	4,373,500
Water & Sewer Refunding Revenue Bonds, Series 1993B	2003	18,085,000	8,605,000

## 10. LEASES

### *Leases Receivable*

The following is a summary of the City's general capital assets leased as of September 30, 2013:

Land and buildings	<u>\$ 261,698</u>
--------------------	-------------------

The following schedule, by major classes, provides an analysis of the airport property that is leased as of September 30, 2013:

Land and buildings	\$ 8,176,162
Less accumulated depreciation	<u>(1,904,884)</u>
	<u>\$ 6,271,278</u>

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

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
2014	\$ 15,301
2015	15,301
<b>Total</b>	<b>\$ 30,602</b>

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
2014	\$ 1,259,627
2015	1,128,035
2016	1,116,759
2017	1,111,855
2018	1,078,730
2019-2023	5,741,079
2024-2028	5,052,423
2029-2033	3,983,117
2034-2038	1,670,608
2039-2041	24,154
<b>Total</b>	<b>\$ 22,166,387</b>

### *Leases Payable*

The City is obligated under certain leases for office equipment accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. The following is a schedule by years for future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at September 30, 2013:



# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

Year Ended September 30,	Governmental Activities	Business-type Activities
2014	\$ 15,883	\$ 3,843
2015	9,464	332
2016	6,224	-
2017	4,710	-
2018	2,375	-
<b>Total</b>	<b>\$ 38,656</b>	<b>\$ 4,175</b>

### 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 maintained outside commercial coverage for property damage, Airport liability and excess liability. The City purchased 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. All departments of the City participated in the self-insurance program. Payments were made by various funds to the self-insurance funds based on past experience of the amounts needed to pay current year claims.

Effective October 1, 2012, the City transitioned to fully insured workers compensation and third party general liability insurance (with a self insurance retention). As a result, for the fiscal year ended September 30, 2013, the Liability Insurance internal service fund received no self insurance premium revenues; instead, insurance premiums from third party providers were allocated directly to the appropriate operating fund. Claims expenses were primarily for 'legacy' claims of various types and the City has established adequate reserves to fund these outstanding claims to completion.

The City moved to a fully insured health insurance plan effective October 1, 2012. As a result, for the fiscal year ended September 30, 2013, this fund received no premium revenues and all claims expenses were for the run out of self insured claims incurred prior to October 1, 2012.

The claims liability reported in the fund at September 30, 2013 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 and 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.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

Changes in the balances of claims liabilities are as follows:

	Liability Insurance	Health Insurance
Estimated liability, September 30, 2012	\$ 2,896,429	\$ 535,244
Claims & changes in estimates	572,180	498,509
Release of settlement reserves	(1,471,137)	-
Claim payments	(518,791)	(1,031,043)
Estimated liability, September 30, 2013	<u>\$ 1,478,681</u>	<u>\$ 2,710</u>

### *Release of settlement reserves*

In 2002, the City entered into a structured settlement agreement with an injured party who was severely disabled in an automobile accident involving a City employee. This settlement, which exceeded the damages limits in Florida Statute 768.28, was approved by the Florida Legislature through passage of a Claims Bill. The settlement, in addition to substantial lump sum payments to the claimant, included provisions which required the City to make annual payments and reimburse living & medical expenses for the life of the claimant. These expenses were covered by the City's liability insurance fund. An initial claims payable reserve of \$3,509,147 was established for fiscal year ending September 30, 2002; as of fiscal year ended September 30, 2013 this reserve balance was \$1,525,818. In late 2013, the claimant passed away. Per the terms of the agreement, the City's obligations ended upon the claimant's death. As a result, the excess reserve was released and appears as an extraordinary income of \$1,471,137 in the City's liability insurance (internal service) fund.

## 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, 2013:

	Business-type Activities			
	Electric System	Water & Sewer System	Marina	Total
Sinking funds	\$ 658,344	\$ 73,077	\$ 76,563	\$ 807,984
Emergency repair	1,000,000	-	-	1,000,000
Renewal and replacement	1,000,000	-	-	1,000,000
Bonds payable	4,719,000	515,658	190,564	5,425,222
Customer deposits	4,678,425	-	-	4,678,425
	<u>\$ 12,055,769</u>	<u>\$ 588,735</u>	<u>\$ 267,127</u>	<u>\$ 12,911,631</u>

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### 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, 2013 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 covered payroll for employees for the year ended September 30, 2013 was \$18,950,218, inclusive of \$16,224,526 related to City employees and \$2,725,692 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 \$20,750,170. 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.

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.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

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 5.5 percent of their compensation for employees prior to October 1, 2013 and 8 percent for employees hired on or after that date. For fiscal year 2013 the Police Officers' PERS also received contributions from the State in the amount of \$236,381 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.

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. For fiscal year 2013 the PERS received contributions from the State in the amount of \$283,218 from insurance premium tax refunds and \$45,076 employer contributions from the City of Vero Beach.

At September 30, 2013, the City's three PERS memberships consisted of the following:

	General Employees	Police Officers	Firefighters
Retirees and beneficiaries currently receiving benefits	324	42	15
DROP participants	-	2	-
Terminated employees entitled to benefits but not yet receiving	91	1	-
Fully, partially and non-vested active plan participants	350	46	-
	<u>765</u>	<u>91</u>	<u>15</u>

### *Annual Pension Cost and Net Pension Asset*

In the General Employees PERS, there have been no changes in plan provisions with this valuation. The payroll growth actuarial assumption was lowered from 3.75% to 1.25%, in compliance with Part VII, Chapter 112.54(5)(a), which requires that the payroll growth assumption used to amortize the outstanding bases be no greater than the actual average payroll growth for the prior ten years. All other actuarial assumptions remained the same. Based on the actuarial valuation report as of October 1, 2013, the General Employee PERS had actuarial value of assets of \$61,051,915 and actuarial accrued liability (AAL) of \$97,981,168 resulting in an unfunded AAL (UAAL) of \$36,929,253 at a funded ratio of 62%. The covered payroll was \$16,224,526 and the ratio of UAAL as a percentage of covered payroll was 228%. The total recommended city annual contribution increased from \$4,641,248 or 27.15% of payroll for the plan year beginning October 1, 2012, to \$4,972,378 or 30.65% of payroll for the plan year beginning October 1, 2013. The increase is primarily an increase in the annual payment on the unfunded actuarial accrued liability as a result of lowering the payroll growth assumption as described above.

The investment rate of return on an actuarial basis for the year ended September 30, 2013 was 8.55%. Since the rate of return was greater than the assumed rate of return of 7.75% per year, there was an actuarial investment gain amounting to \$453,745. The return on a market basis was 13%. 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 93.1% of market value.

The General Employees PERS had a significant gain from sources other than investments, amounting to \$1,016,693. This gain was primarily attributable to a drop in payroll and salary increases less than expected for ongoing active participants, offset by data adjustments. The funded ratio has increased from 59.01% as of October 1, 2012 to 62.31% as of October 1, 2013.

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 6.75% to 6.50%. Based on the actuarial valuation report as of October 1, 2013, the Firefighters' PERS had actuarial value of assets of \$7,071,430 and actuarial accrued liability (AAL) of \$8,529,593 resulting in an unfunded AAL (UAAL) of \$1,458,163 at a funded ratio of 82.9%. There was no covered payroll at October 1, 2013. The annual required contribution was \$328,294 for fiscal year 2013.

In the Police Officers' PERS, there were two changes in benefit assumptions since the last valuation. The amount of benefits payable takes into account additional pensionable compensation for the 4.62% pay cut and furlough days experienced for certain members in fiscal 2011 through 2013. In addition, this valuation accounts for 'frozen' accrued sick leave over 120 days, which may be applied towards pension benefits. Actuarial methods and assumptions remained consistent, with some mortality improvements applied to the valuation year. Based on the actuarial valuation report as of October 1, 2013, the Police Officers' PERS had actuarial value of assets of \$30,454,547 and actuarial accrued liability (AAL) of \$37,388,896 resulting in an unfunded AAL (UAAL) of \$6,934,349 at a funded ratio of 81.5%. The covered payroll was \$2,725,692 and the ratio of UAAL as a percentage of covered payroll was 252%. The annual required contribution was \$1,124,361 for fiscal year 2013.

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.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

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
2011	\$ 4,115,761	100%	n/a
2012	4,153,621	100%	n/a
2013	4,641,428	100%	n/a

Police Officers			
Three-Year Trend Information			
Years Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 1,005,696	100%	\$ (1,177,552)
2012	1,072,483	100%	(1,174,905)
2013	1,127,888	100%	(1,171,378)

Firefighters			
Three-Year Trend Information			
Years Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 317,482	98%	\$ (565)
2012	334,301	100%	(40)
2013	328,331	100%	(3)

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.

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 position for the City.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

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		
	2013	2012	2011
Annual required contribution *	\$ 1,124,361	\$ 1,069,836	\$ 1,003,043
Interest on net pension asset	(91,055)	(94,204)	(94,416)
Adjustment to annual required contribution	94,582	96,851	97,069
Net pension cost	1,127,888	1,072,483	1,005,696
Contributions made	(1,124,361)	(1,069,836)	(1,003,043)
Decrease in net pension asset	3,527	2,647	2,653
Net pension asset, beginning of year	(1,174,905)	(1,177,552)	(1,180,205)
<b>Net pension asset, end of year</b>	<b>\$ (1,171,378)</b>	<b>\$ (1,174,905)</b>	<b>\$ (1,177,552)</b>
	Firefighters		
	2013	2012	2011
Annual required contribution *	\$ 328,294	\$ 333,776	\$ 309,976
Interest on net pension obligation	(3)	(40)	(565)
Adjustment to annual required contribution	40	565	8,071
Net pension cost (expense)	328,331	334,301	317,482
Contributions made	(328,294)	(333,776)	(309,976)
Decrease in net pension asset	37	525	7,506
Net pension asset, beginning of year	(40)	(565)	(8,071)
<b>Net pension asset, end of year</b>	<b>\$ (3)</b>	<b>\$ (40)</b>	<b>\$ (565)</b>

\* 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, 2013 for the City's three public employee retirements systems (PERS) are presented below.

	General Employees	Police Officers	Firefighters
Valuation date	10/1/2013	10/1/2013	10/1/2013
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	4-27 years	30 years	10 years
Actuarial assumptions:			
Investment rate of return	7.75% per year	7.75% per year	6.5%
Projected salary increases	3.75-6.50% per year	6.25%-4.28%	n/a
	3.75% per year	4.0% per year	3.0% per year
Includes inflation rate at 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	RP-2000 CM, Scale AA	RP-2000 CM
Disabled life mortality	RP-2000 disabled retiree mortality rate	1983 GAM - set forward 5 years	RP-2000 CM - set forward 5 years



# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

	Combining Statement of Fiduciary Net Position			
	Pension Trust Funds			
	General Employees' Pension	Police Officers' Pension	Firefighters' Relief & Pension	Total
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ (1,415)	\$ (600)	\$ (2,015)
Interest receivable	-	84,426	21,437	105,863
Distribution receivable	-	16,791	-	16,791
Investments, at fair value:				
Mutual fund investments	65,567,886	1,455,306	322,587	67,345,779
Corporate stocks	-	21,016,930	3,724,313	24,741,243
Corporate bonds	-	3,749,142	1,693,535	5,442,677
Treasury and agency bonds & notes	-	4,306,096	506,377	4,812,473
Real estate	-	2,780,303	876,330	3,656,633
Municipal bonds and notes	-	-	91,132	91,132
Total investments, at fair value	<u>65,567,886</u>	<u>33,307,777</u>	<u>7,214,274</u>	<u>106,089,937</u>
<b>Total assets</b>	<u>65,567,886</u>	<u>33,407,579</u>	<u>7,235,111</u>	<u>106,210,576</u>
<b>Liabilities</b>				
Expenses payable	-	-	1,747	1,747
DROP plan payable	-	472,051	-	472,051
<b>Total liabilities</b>	<u>-</u>	<u>472,051</u>	<u>1,747</u>	<u>473,798</u>
<b>Net position</b>				
Held in trust for pension benefits and other purposes	<u>\$ 65,567,886</u>	<u>\$ 32,935,528</u>	<u>\$ 7,233,364</u>	<u>\$ 105,736,778</u>

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

Combining Statement of Changes in Fiduciary Net Position				
Pension Trust Funds				
	General Employees' Pension	Police Officers' Pension	Firefighters' Relief & Pension	Total
<b>Additions</b>				
Contributions:				
Employer	\$ 4,641,428	\$ 887,981	\$ 45,076	\$ 5,574,485
Plan members	483,025	159,398	-	642,423
State	-	236,381	283,218	519,599
<b>Total contributions</b>	<b>5,124,453</b>	<b>1,283,760</b>	<b>328,294</b>	<b>6,736,507</b>
Investment income:				
Interest and dividends	1,385,424	855,471	241,486	2,482,381
Net appreciation (depreciation) in fair value of investments	6,443,524	3,594,980	716,470	10,754,974
<b>Total investment income</b>	<b>7,828,948</b>	<b>4,450,451</b>	<b>957,956</b>	<b>13,237,355</b>
Investment expense	(294,462)	(179,283)	(40,594)	(514,339)
<b>Net investment income</b>	<b>7,534,486</b>	<b>4,271,168</b>	<b>917,362</b>	<b>12,723,016</b>
<b>Total additions</b>	<b>12,658,939</b>	<b>5,554,928</b>	<b>1,245,656</b>	<b>19,459,523</b>
<b>Deductions</b>				
Benefit payments	5,571,860	1,490,603	758,573	7,821,036
DROP plan benefits	-	238,789	-	238,789
Refunds of contributions	30,727	33,264	-	63,991
Administrative expenses	40,118	104,829	39,337	184,284
<b>Total deductions</b>	<b>5,642,705</b>	<b>1,867,485</b>	<b>797,910</b>	<b>8,308,100</b>
<b>Change in net position</b>	<b>7,016,234</b>	<b>3,687,443</b>	<b>447,746</b>	<b>11,151,423</b>
Net position, beginning of year	58,551,652	29,248,085	6,785,618	94,585,355
<b>Net position, end of year</b>	<b>\$ 65,567,886</b>	<b>\$ 32,935,528</b>	<b>\$ 7,233,364</b>	<b>\$105,736,778</b>

# 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 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 the medical coverage of retired employees, the City provides a subsidy through a Premium Assistance Program. The amount of the subsidy for general employees is 2.75% of the base plan premium per year of service and for police officers is 4% of the base plan premium per year of service. The Premium Assistance Program subsidy is available only for the retiree portion of the health insurance premium, although retirees may elect spouse and dependent coverage entirely at their own expense. Apart from this direct subsidy, a liability arises because the full premiums charged by the City's health insurance vendor are based on a blending of the experience among younger active employees and retired non-Medicare employees. Since retirees generally have higher costs, the City is actually subsidizing the cost of the retiree and dependent coverage even when retirees pay all or a significant portion of the blended premium. GASB No. 45 calls this the "implicit rate subsidy". Based on its policy, the City has assumed an obligation to pay for this implicit subsidy for the covered lifetimes of the current retirees and their dependents, as well as for the covered lifetimes of current employees after they retire in the future, and this significantly impacts the City's Other Post Employment Benefits (OPEB) liability.

Membership of the Plan and associated Actuarial Accrued Liability (AAL) consisted of the following at September 30, 2013, the date of the latest actuarial valuation:

	Number in Plan	AAL
Active participants	410	\$ 31,269,734
Retired participants	223	24,325,422
	<hr/>	<hr/>
Total	633	\$ 55,595,156
	<hr/> <hr/>	<hr/> <hr/>

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, 2012. 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 \$55,595,156 resulting in an unfunded AAL (UAAL) of \$55,595,156 at a funded ratio of 0%. The covered payroll was \$2,0448,071 and the ratio of UAAL as a percentage of covered payroll was 272%. The Annual required contribution for the fiscal year ended September 30, 2013 is \$3,689,977. 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.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

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.

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 30 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.

	2013	2012	2011
Normal costs	\$ 1,665,113	\$ 1,170,000	\$ 1,170,000
Amortization of accrued liability	2,024,864	2,587,000	2,464,000
Interest on normal cost and amortization	-	169,000	164,000
Annual required contribution	3,689,977	3,926,000	3,798,000
Interest on net OPEB obligation	459,035	375,852	265,736
Adjustment to annual required contribution	(409,853)	(321,241)	(218,712)
Net OPEB cost	3,739,159	3,980,611	3,845,024
Contributions made	(1,109,982)	(857,000)	(1,398,000)
Increase in net OPEB obligation	2,629,177	3,123,611	2,447,024
Net OPEB obligation, beginning of year	11,475,870	8,352,259	5,905,235
Net OPEB obligation, end of year	\$ 14,105,047	\$ 11,475,870	\$ 8,352,259

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2013 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
2011	\$ 3,845,024	36%	\$ (8,352,259)
2012	3,980,611	22%	(11,475,870)
2013	3,739,159	30%	(14,105,047)

# 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, 2012
Actuarial cost method	Entry age normal
Amortization method	Level % closed
Remaining Amortization Period	28 years
Benefit financing	Pay-as-you-go
Actuarial assumptions:	
Investment rate of return	4.0% per year
Projected cost increases	3-8%
Inflation rate assumption	3%

### 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	AAL
Nonspendable:			
Inventory	\$ 163,813	\$ -	\$ 163,813
Restricted for:			
Public safety	-	34,777	34,777
Culture and recreation	-	900,833	900,833
Physical environment	-	4,230,269	4,230,269
Total restricted	-	5,165,879	5,165,879
Committed	2,742	-	2,742
Unassigned (deficit)	8,927,984	(82,783)	8,845,201
<b>Total fund balances- governmental funds</b>	<b>\$ 9,094,539</b>	<b>\$ 5,083,096</b>	<b>\$ 14,177,635</b>

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### 18. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets, net of related debt as of September 30, 2013, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 14,858,791	\$ 10,850,941
Capital assets being depreciated, net	<u>25,192,478</u>	<u>233,489,876</u>
	40,051,269	244,340,817
Related debt:		
Total bonds and notes payable	<u>10,420,000</u>	<u>67,268,249</u>
Net investment in capital assets	<u>\$ 29,631,269</u>	<u>\$177,072,568</u>

### 19. COMMITMENTS AND CONTINGENCIES

#### *Encumbrances and Construction Commitments*

The City did not have any significant outstanding encumbrances or construction commitments at September 30, 2013.

#### *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 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.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

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.

### *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).

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 Florida Municipal Insurance Trusts (FMIT) and its consultants; as a result of this review, the FMIT 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.

In June 2013, the City received a determination letter from FEMA indicating that the City's first appeal had been denied. In its denial letter, FEMA stated that they had not yet received the final determinations of coverage and statements of loss prepared by the FMIT in cooperation with the State Department of Emergency Management. The FEMA determination letter also reiterated FEMA's position regarding lack of supporting documentation and contract procedures. On August 1, 2013, the City submitted a second appeal package to FEMA. In response to the insurance issues, the City provided a spreadsheet and backup documentation with the final determination of eligible project costs, insurance proceeds and public assistance funding by project as agreed to by the State. The City also provided copies of invoices and supporting documentation for all questioned charges, as well as narrative regarding the contracting procedures. The City has not received any response to its second appeal as of March 2014.

# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### 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).

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 FP&L transaction. The City staff, transactional attorneys and FP&L officials are continuing their efforts to negotiate with FMPA for 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 March 2014, the City has not yet received any FAA correspondence regarding their review of the Corrective Action Plan.

#### *Removal and Sale of Fuel in Electric Utility In-Service Tank #2*

In October 2013, the City received a non-conformance letter from the Florida Department of Environmental Protection indicating that the City was in violation for not having an up-to-date inspection of the in-service tank #2 at the City's power plant. In order to correct this violation and eliminate the need for an inspection, the City made the decision to remove the tank from service, sell the existing fuel inventory in the tank, and have the tank cleaned and left empty in the event it needs to be returned to service in the future. In response to a bid request, the City entered into a contract in January 2014 with a vendor who will remove the fuel, pay the City for that fuel and clean the tank. As of September 30, 2013 the fuel inventory in Tank 2 is valued at \$1,272,737. The vendor's payment to the City for the fuel is estimated at \$901,400 (pending quality testing after the removal). The resulting difference of \$371,337 will be an Electric Utility loss on disposal of assets in the fiscal year ended September 30, 2014.



# CITY OF VERO BEACH, FLORIDA

## Notes to Financial Statements

### 21. RESTATEMENT

The City adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position of the Electric System enterprise fund, the Water and Sewer System enterprise fund, the Municipal Marina enterprise fund, and Business-type activities decreased by \$367,809, \$41,609, \$20,527, and \$429,945, respectively.



## 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)
10/1/2008	\$ 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%
10/1/2013	61,051,915	97,981,168	36,929,253	62%	16,224,526	228%

Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contributions	Percentage Contributed
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%
2013	4,641,428	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)
10/1/2008	\$ 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%
10/1/2013	30,454,547	37,388,896	6,934,349	81%	2,725,692	254%

### Schedule of Employer Contributions

Year Ended September 30,	City		State	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
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%
2013	887,980	100%	236,381	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)
10/1/2008	\$ 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
10/1/2013	7,071,430	8,529,593	1,458,163	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
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%
2013	45,076	100%	283,218	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 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)
10/1/2008	\$ -	\$ 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	-	55,595,156	55,595,156	0%	23,150,255	240%
10/1/2013	-	55,595,156	55,595,156	0%	20,448,071	272%

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%
2013	3,689,977	30%

\* 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 for the resources traditionally associated with governments, which are not reported 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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 4,055,616	\$ 4,114,616	\$ 4,115,113	\$ 497
Utility taxes	2,140,000	2,108,000	2,104,475	(3,525)
Telecommunications tax	1,356,012	1,397,012	1,388,318	(8,694)
Local option gas tax	471,560	442,560	440,277	(2,283)
Local business tax	165,000	165,000	160,330	(4,670)
<b>Total taxes</b>	<b>8,188,188</b>	<b>8,227,188</b>	<b>8,208,513</b>	<b>(18,675)</b>
Licenses and permits:				
Sign permit fees	7,500	7,500	7,245	(255)
Burglar alarm permit fees	35,000	58,100	58,100	-
Vehicle for hire permits	500	500	60	(440)
Miscellaneous license fees	75,000	80,500	77,692	(2,808)
<b>Total licenses and permits</b>	<b>118,000</b>	<b>146,600</b>	<b>143,097</b>	<b>(3,503)</b>
Intergovernmental revenues:				
State revenue sharing	547,746	547,746	551,187	3,441
State sales tax revenue	962,868	966,868	973,959	7,091
<b>Total intergovernmental revenues</b>	<b>1,510,614</b>	<b>1,514,614</b>	<b>1,525,146</b>	<b>10,532</b>
Grants:				
OJP grants	3,000	7,398	5,593	(1,805)
Charges for services:				
Planning department	70,000	70,000	75,302	5,302
Administrative services	2,708,134	2,708,134	2,708,134	-
Airport security	91,670	91,670	91,670	-
<b>Total charges for services</b>	<b>2,869,804</b>	<b>2,869,804</b>	<b>2,875,106</b>	<b>5,302</b>
Fines, forfeitures and seizures	79,000	114,000	107,746	(6,254)
Miscellaneous revenues:				
Investment earnings	131,500	11,500	26,366	14,866
Rental	90,200	90,200	89,501	(699)
Miscellaneous	123,500	131,500	121,250	(10,250)
<b>Total miscellaneous revenues</b>	<b>345,200</b>	<b>233,200</b>	<b>237,117</b>	<b>3,917</b>
<b>Total revenues</b>	<b>13,113,806</b>	<b>13,112,804</b>	<b>13,102,318</b>	<b>(10,486)</b>

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures</b>				
Current:				
General government:				
City council:				
Personal services	\$ 79,664	\$ 78,664	\$ 78,082	\$ (582)
Operating	16,000	8,000	2,842	(5,158)
Total city council	95,664	86,664	80,924	(5,740)
City clerk:				
Personal services	320,179	326,810	325,286	(1,524)
Operating	47,100	47,100	41,852	(5,248)
Total city clerk	367,279	373,910	367,138	(6,772)
City manager:				
Personal services	276,931	283,689	284,357	668
Operating	12,450	12,450	10,486	(1,964)
Total city manager	289,381	296,139	294,843	(1,296)
City hall:				
Operating	141,040	126,040	107,186	(18,854)
City attorney:				
Personal services	438,752	452,863	452,348	(515)
Operating	21,974	21,974	18,012	(3,962)
Capital outlay	-	-	1,450	1,450
Total city attorney	460,726	474,837	471,810	(3,027)
Human resources:				
Personal services	121,146	129,463	124,926	(4,537)
Operating	75,550	75,550	47,681	(27,869)
Total human resources	196,696	205,013	172,607	(32,406)
Finance administration:				
Personal services	665,029	657,734	654,226	(3,508)
Operating	49,700	48,491	34,486	(14,005)
Capital outlay	-	1,209	1,209	-
Total finance administration	714,729	707,434	689,921	(17,513)
Information technology:				
Personal services	532,383	533,705	527,928	(5,777)
Operating	112,350	112,332	101,611	(10,721)
Capital outlay	3,000	3,018	3,018	-
Total information technology	647,733	649,055	632,557	(16,498)

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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (continued)</b>				
General government (concluded):				
Purchasing:				
Personal services	\$ 360,652	\$ 362,162	\$ 360,375	\$ (1,787)
Operating	19,289	19,289	15,842	(3,447)
Total purchasing	<u>379,941</u>	<u>381,451</u>	<u>376,217</u>	<u>(5,234)</u>
Warehouse:				
Personal services	238,911	241,391	239,824	(1,567)
Operating	27,434	27,434	23,988	(3,446)
Total warehouse	<u>266,345</u>	<u>268,825</u>	<u>263,812</u>	<u>(5,013)</u>
Planning:				
Personal services	613,431	604,131	600,729	(3,402)
Operating	50,522	50,522	52,181	1,659
Total planning	<u>663,953</u>	<u>654,653</u>	<u>652,910</u>	<u>(1,743)</u>
Public works - fleet management:				
Personal services	291,670	315,544	312,813	(2,731)
Operating	105,615	55,615	58,696	3,081
Total public works - fleet management	<u>397,285</u>	<u>371,159</u>	<u>371,509</u>	<u>350</u>
Public works - facilities management:				
Personal services	478,550	491,106	486,711	(4,395)
Operating	141,394	141,394	93,863	(47,531)
Total public works - facilities management	<u>619,944</u>	<u>632,500</u>	<u>580,574</u>	<u>(51,926)</u>
Public works - GIS:				
Personal services	189,515	153,427	144,229	(9,198)
Operating	5,350	5,350	2,535	(2,815)
Total public works - GIS	<u>194,865</u>	<u>158,777</u>	<u>146,764</u>	<u>(12,013)</u>
Total general government	<u>5,435,581</u>	<u>5,386,457</u>	<u>5,208,772</u>	<u>(177,685)</u>
Public safety:				
Police:				
Personal services	6,065,933	6,076,324	6,032,503	(43,821)
Operating	711,843	713,570	655,069	(58,501)
Capital outlay	32,075	34,746	34,745	(1)
Total public safety	<u>6,809,851</u>	<u>6,824,640</u>	<u>6,722,317</u>	<u>(102,323)</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (continued)</b>				
Transportation:				
Public works - administration:				
Personal services	\$ 440,611	\$ 420,766	\$ 417,757	\$ (3,009)
Operating	65,300	65,300	54,535	(10,765)
Total public works - administration	<u>505,911</u>	<u>486,066</u>	<u>472,292</u>	<u>(13,774)</u>
Public works - streets/stormwater/traffic:				
Personal services	898,662	901,746	819,187	(82,559)
Operating	349,819	349,819	295,831	(53,988)
Capital outlay	2,500	2,500	1,675	(825)
Total public works - streets	<u>1,250,981</u>	<u>1,254,065</u>	<u>1,116,693</u>	<u>(137,372)</u>
Public works - engineering & survey:				
Personal services	500,490	462,653	472,701	10,048
Operating	52,544	51,365	20,965	(30,400)
Capital outlay	7,458	8,637	8,458	(179)
Total public works - engineering & survey	<u>560,492</u>	<u>522,655</u>	<u>502,124</u>	<u>(20,531)</u>
Total transportation	<u>2,317,384</u>	<u>2,262,786</u>	<u>2,091,109</u>	<u>(171,677)</u>
Culture and recreation:				
Public works - grounds maintenance:				
Personal services	1,272,874	1,245,553	1,232,333	(13,220)
Operating	535,436	540,394	517,956	(22,438)
Total culture and recreation	<u>1,808,310</u>	<u>1,785,947</u>	<u>1,750,289</u>	<u>(35,658)</u>
Nondepartmental:				
Personal services	547,284	487,284	463,258	(24,026)
Operating	991,251	1,075,650	1,055,771	(19,879)
Total nondepartmental	<u>1,538,535</u>	<u>1,562,934</u>	<u>1,519,029</u>	<u>(43,905)</u>
<b>Total expenditures</b>	<u>17,909,661</u>	<u>17,822,764</u>	<u>17,291,516</u>	<u>(531,248)</u>
Revenues over (under) expenditures	<u>(4,795,855)</u>	<u>(4,709,960)</u>	<u>(4,189,198)</u>	<u>520,762</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, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Other financing sources (uses)</b>				
Transfers in:				
Electric revenue fund	\$ 5,612,400	\$ 5,612,400	\$ 5,612,400	\$ -
Water & sewer revenue fund	1,001,281	1,001,281	1,001,281	-
Solid waste fund	154,300	154,300	154,300	-
Marina fund	113,882	113,882	113,882	-
Health insurance fund	187,678	187,678	187,678	-
Total transfers in	<u>7,069,541</u>	<u>7,069,541</u>	<u>7,069,541</u>	<u>-</u>
Transfers out:				
Debt service fund	(19,610)	(19,610)	(19,611)	(1)
Recreation fund	(1,522,354)	(1,578,733)	(1,578,733)	-
Total transfers out	<u>(1,541,964)</u>	<u>(1,598,343)</u>	<u>(1,598,344)</u>	<u>(1)</u>
<b>Total other financing sources (uses)</b>	<u>5,527,577</u>	<u>5,471,198</u>	<u>5,471,197</u>	<u>(1)</u>
<b>Net change in fund balances</b>	731,722	761,238	1,281,999	520,761
Fund balances, beginning of year	<u>7,812,540</u>	<u>7,812,540</u>	<u>7,812,540</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 8,544,262</u>	<u>\$ 8,573,778</u>	<u>\$ 9,094,539</u>	<u>\$ 520,761</u>

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 and other general government capital improvement projects. 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, 2013

	Special Revenue Funds			
	Confiscated Property	Law Enforcement Education	Police & Firefighter Premium Tax Trust	Asset Management
<b>Assets</b>				
Equity in pooled cash and investments	\$ 24,042	\$ 10,868	\$ -	\$ 1,333,557
Receivables, net:				
Special assessments	-	-	-	-
Interest	-	-	-	1,880
Due from other governments	-	-	-	-
<b>Total assets</b>	<u>\$ 24,042</u>	<u>\$ 10,868</u>	<u>\$ -</u>	<u>\$ 1,335,437</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ 133	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>133</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessment receivable	-	-	-	-
<b>Fund balances</b>				
Restricted	24,042	10,735	-	1,335,437
Unassigned (deficit)	-	-	-	-
<b>Total fund balances (deficit)</b>	<u>24,042</u>	<u>10,735</u>	<u>-</u>	<u>1,335,437</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 24,042</u>	<u>\$ 10,868</u>	<u>\$ -</u>	<u>\$ 1,335,437</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
\$ 751,362	\$ 148,865	\$ -	\$ 1,218,068	\$ 1,508,322	\$ -	\$ 4,995,084
-	-	-	16,265	-	-	16,265
869	-	-	-	4,160	-	6,909
-	-	-	-	165,539	-	165,539
<u>\$ 752,231</u>	<u>\$ 148,865</u>	<u>\$ -</u>	<u>\$ 1,234,333</u>	<u>\$ 1,678,021</u>	<u>\$ -</u>	<u>\$ 5,183,797</u>
\$ 263	\$ -	\$ -	\$ -	\$ 1,257	\$ 8	\$ 1,661
-	-	-	-	-	972	972
-	-	-	-	-	81,803	81,803
<u>263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,257</u>	<u>82,783</u>	<u>84,436</u>
-	-	-	16,265	-	-	16,265
751,968	148,865	-	1,218,068	1,676,764	-	5,165,879
-	-	-	-	-	(82,783)	(82,783)
<u>751,968</u>	<u>148,865</u>	<u>-</u>	<u>1,218,068</u>	<u>1,676,764</u>	<u>(82,783)</u>	<u>5,083,096</u>
<u>\$ 752,231</u>	<u>\$ 148,865</u>	<u>\$ -</u>	<u>\$ 1,234,333</u>	<u>\$ 1,678,021</u>	<u>\$ -</u>	<u>\$ 5,183,797</u>

CITY OF VERO BEACH, FLORIDA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Governmental Funds  
 For the Year Ended September 30, 2013

	Special Revenue Funds			
	Confiscated Property	Law Enforcement Education	Police & Firefighter Premium Tax Trust	Asset Management
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	519,600	-
Special assessments	-	-	-	-
Grants	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	8,368	2,878	-	-
Investment earnings	-	-	-	2,274
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>8,368</b>	<b>2,878</b>	<b>519,600</b>	<b>2,274</b>
<b>Expenditures</b>				
Current:				
Public safety	1,281	6,793	519,600	-
Physical environment	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	17,578	-	-	-
<b>Total expenditures</b>	<b>18,859</b>	<b>6,793</b>	<b>519,600</b>	<b>-</b>
Revenues over (under) expenditures	(10,491)	(3,915)	-	2,274
<b>Other financing sources (uses)</b>				
Issuance of long-term debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(10,491)</b>	<b>(3,915)</b>	<b>-</b>	<b>2,274</b>
Fund balances, beginning of year	34,533	14,650	-	1,333,163
<b>Fund balances, end of year</b>	<b>\$ 24,042</b>	<b>\$ 10,735</b>	<b>\$ -</b>	<b>\$ 1,335,437</b>

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
\$ -	\$ -	\$ -	\$ -	\$ 1,794,311	\$ -	\$ 1,794,311
-	-	-	-	-	-	519,600
-	-	-	3,631	-	-	3,631
-	-	-	272,783	-	-	272,783
-	-	-	-	-	170,416	170,416
-	-	-	-	-	-	11,246
816	-	-	594	3,746	13	7,443
-	-	-	-	-	150	150
<u>816</u>	<u>-</u>	<u>-</u>	<u>277,008</u>	<u>1,798,057</u>	<u>170,579</u>	<u>2,779,580</u>
-	-	-	-	-	-	527,674
-	-	-	-	-	147,408	147,408
-	-	470,000	46,402	-	-	516,402
-	-	253,000	-	-	-	253,000
-	-	-	859,462	-	-	877,040
<u>-</u>	<u>-</u>	<u>723,000</u>	<u>905,864</u>	<u>-</u>	<u>147,408</u>	<u>2,321,524</u>
<u>816</u>	<u>-</u>	<u>(723,000)</u>	<u>(628,856)</u>	<u>1,798,057</u>	<u>23,171</u>	<u>458,056</u>
-	-	-	178,788	-	-	178,788
-	-	723,000	1,100,000	-	-	1,823,000
(27,131)	-	-	-	(1,842,389)	-	(1,869,520)
<u>(27,131)</u>	<u>-</u>	<u>723,000</u>	<u>1,278,788</u>	<u>(1,842,389)</u>	<u>-</u>	<u>132,268</u>
(26,315)	-	-	649,932	(44,332)	23,171	590,324
<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>\$ 751,968</u>	<u>\$ 148,865</u>	<u>\$ -</u>	<u>\$ 1,218,068</u>	<u>\$ 1,676,764</u>	<u>\$ (82,783)</u>	<u>\$ 5,083,096</u>

# CITY OF VERO BEACH, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Confiscated Property Fund

For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Fines and forfeitures	\$ -	\$ 8,100	\$ 8,368	\$ 268
<b>Expenditures</b>				
Current:				
Public safety	-	-	1,281	1,281
Capital outlay	-	17,600	17,578	(22)
<b>Total expenditures</b>	-	17,600	18,859	1,259
<b>Net change in fund balance</b>	-	(9,500)	(10,491)	(991)
Fund balance, beginning of year	34,533	34,533	34,533	-
<b>Fund balance, end of year</b>	<u>\$ 34,533</u>	<u>\$ 25,033</u>	<u>\$ 24,042</u>	<u>\$ (991)</u>

# CITY OF VERO BEACH, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Law Enforcement Education Fund

For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Fines and forfeitures	\$ -	\$ 2,200	\$ 2,878	\$ 678
<b>Expenditures</b>				
Current:				
Public safety	-	5,000	6,793	1,793
<b>Net change in fund balance</b>	-	(2,800)	(3,915)	(1,115)
Fund balance, beginning of year	14,650	14,650	14,650	-
<b>Fund balance, end of year</b>	<u>\$ 14,650</u>	<u>\$ 11,850</u>	<u>\$ 10,735</u>	<u>\$ (1,115)</u>

# CITY OF VERO BEACH, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Paving & Assessments Fund

For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 3,631	\$ 3,631
Grants	-	272,783	272,783	-
Investment earnings	1,000	1,000	594	(406)
<b>Total revenues</b>	<b>1,000</b>	<b>273,783</b>	<b>277,008</b>	<b>3,225</b>
<b>Expenditures</b>				
Debt service:				
Principal	-	50,000	46,402	(3,598)
Capital outlay	788,950	982,145	859,462	(122,683)
<b>Total expenditures</b>	<b>788,950</b>	<b>1,032,145</b>	<b>905,864</b>	<b>(126,281)</b>
Revenues over (under) expenditures	(787,950)	(758,362)	(628,856)	129,506
<b>Other financing sources</b>				
Proceeds from issuance of debt	-	-	178,788	178,788
Transfers in	1,100,000	1,100,000	1,100,000	-
<b>Total other financing sources</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>1,278,788</b>	<b>178,788</b>
Net change in fund balance	312,050	341,638	649,932	308,294
Fund balance, beginning of year	568,136	568,136	568,136	-
<b>Fund balance, end of year</b>	<b>\$ 880,186</b>	<b>\$ 909,774</b>	<b>\$ 1,218,068</b>	<b>\$ 308,294</b>

# CITY OF VERO BEACH, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Infrastructure & Real Estate Improvements Fund

For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 1,704,918	\$ 1,704,918	\$ 1,794,311	\$ 89,393
Investment earnings	25,000	25,000	3,746	(21,254)
<b>Total revenues</b>	<u>1,729,918</u>	<u>1,729,918</u>	<u>1,798,057</u>	<u>68,139</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(1,852,390)</u>	<u>(1,842,390)</u>	<u>(1,842,389)</u>	<u>1</u>
<b>Total other financing sources (uses)</b>	<u>(1,852,390)</u>	<u>(1,842,390)</u>	<u>(1,842,389)</u>	<u>1</u>
<b>Net change in fund balance</b>	<u>(122,472)</u>	<u>(112,472)</u>	<u>(44,332)</u>	<u>68,140</u>
Fund balance, beginning of year	<u>1,721,096</u>	<u>1,721,096</u>	<u>1,721,096</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,598,624</u></u>	<u><u>\$ 1,608,624</u></u>	<u><u>\$ 1,676,764</u></u>	<u><u>\$ 68,140</u></u>



# CITY OF VERO BEACH, FLORIDA

## Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Crestlawn Cemetery Fund

For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Charges for services	\$ 159,000	\$ 159,000	\$ 170,416	\$ 11,416
Investment earnings	-	-	13	13
Miscellaneous	-	-	150	150
<b>Total revenues</b>	<b>159,000</b>	<b>159,000</b>	<b>170,579</b>	<b>11,579</b>
<b>Expenditures</b>				
Current:				
Physical environment	151,562	153,195	147,408	(5,787)
<b>Net change in fund balance</b>	<b>7,438</b>	<b>5,805</b>	<b>23,171</b>	<b>17,366</b>
Fund balance, beginning of year	(105,954)	(105,954)	(105,954)	-
<b>Fund balance, end of year</b>	<b>\$ (98,516)</b>	<b>\$ (100,149)</b>	<b>\$ (82,783)</b>	<b>\$ 17,366</b>

## 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. The City moved to a fully insured health insurance plan effective October 1, 2012. As a result, for the fiscal year ended September 30, 2013, this fund received no premium revenues and all claims expenses were for the run out of self insured claims incurred prior to October 1, 2012.

*Liability Insurance Fund* - accounts for the expenses incurred for self insured worker's compensation, general and auto liability and property damage claims. The City moved to fully insured workers compensation and third party general liability insurance (with a self insurance retention) on October 1, 2012. As a result, for the fiscal year ended September 30, 2013, this fund received no self insurance premium revenues; instead, insurance premiums from third party providers were allocated directly to the appropriate fund. Claims expenses were primarily for 'legacy' claims of various types.

# CITY OF VERO BEACH, FLORIDA

## Combining Statement of Net Position

Internal Service Funds

September 30, 2013

	Health Insurance	Liability Insurance	Total
<b>Assets</b>			
Current assets:			
Equity in pooled cash and investments	\$ 2,583,002	\$ 3,512,055	\$ 6,095,057
Receivables, net			
Accounts	133,893	-	133,893
Interest	5,636	4,600	10,236
Prepays	-	45,000	45,000
Total current assets	<u>2,722,531</u>	<u>3,561,655</u>	<u>6,284,186</u>
Capital assets:			
Capital assets being depreciated	-	30,880	30,880
Accumulated depreciation	-	(29,972)	(29,972)
Capital assets being depreciated, net	<u>-</u>	<u>908</u>	<u>908</u>
<b>Total assets</b>	<u>2,722,531</u>	<u>3,562,563</u>	<u>6,285,094</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts and contracts payable	100,000	31,703	131,703
Accrued liabilities	-	1,905	1,905
Claims payable	2,710	1,478,681	1,481,391
Compensated absences	-	214	214
Total current liabilities	<u>102,710</u>	<u>1,512,503</u>	<u>1,615,213</u>
Noncurrent liabilities:			
Compensated absences	-	4,066	4,066
<b>Total liabilities</b>	<u>102,710</u>	<u>1,516,569</u>	<u>1,619,279</u>
<b>Net position</b>			
Net investment in capital assets	-	908	908
Unrestricted	2,619,821	2,045,086	4,664,907
<b>Total net position</b>	<u>\$ 2,619,821</u>	<u>\$ 2,045,994</u>	<u>\$ 4,665,815</u>

## CITY OF VERO BEACH, FLORIDA

### Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended September 30, 2013

	Health Insurance	Liability Insurance	Total
<b>Operating revenues</b>			
Charges for services	\$ 50,000	\$ -	\$ 50,000
<b>Operating expenses</b>			
Claims expense	498,509	572,180	1,070,689
Operating charges	-	307,522	307,522
Depreciation expense	-	845	845
<b>Total operating expenses</b>	<u>498,509</u>	<u>880,547</u>	<u>1,379,056</u>
Operating income (loss)	(448,509)	(880,547)	(1,329,056)
<b>Nonoperating revenues</b>			
Investment earnings	6,756	5,532	12,288
Transfers out	<u>(187,678)</u>	<u>-</u>	<u>(187,678)</u>
Change in net position before extraordinary item	(629,431)	(875,015)	(1,504,446)
<b>Extraordinary item</b>			
Release of settlement reserve	<u>-</u>	<u>1,471,137</u>	<u>1,471,137</u>
Change in net position	(629,431)	596,122	(33,309)
Net position, beginning of year	<u>3,249,252</u>	<u>1,449,872</u>	<u>4,699,124</u>
Net position, end of year	<u>\$ 2,619,821</u>	<u>\$ 2,045,994</u>	<u>\$ 4,665,815</u>

# CITY OF VERO BEACH, FLORIDA

## Combining Schedule of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2013

	Health Insurance	Liability Insurance	Total
<b>Cash flows from operating activities</b>			
Cash received from vendor for program expenses	\$ 50,000	\$ -	\$ 50,000
Payments to vendors	(34,792)	(137,030)	(171,822)
Payments for personnel services	-	(221,818)	(221,818)
Benefit payments	(1,031,042)	(563,788)	(1,594,830)
<b>Net cash used in operating activities</b>	<u>(1,015,834)</u>	<u>(922,636)</u>	<u>(1,938,470)</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers out	(187,678)	-	(187,678)
<b>Cash flows from investing activities</b>			
Purchase of pooled investments	(12,014)	(9,826)	(21,840)
Cash received on sale of pooled investments	919,100	83,680	1,002,780
Interest received	9,356	7,655	17,011
<b>Net cash used in investing activities</b>	<u>916,442</u>	<u>81,509</u>	<u>997,951</u>
<b>Change in cash and cash equivalents</b>	<u>(287,070)</u>	<u>(841,127)</u>	<u>(1,128,197)</u>
Cash and cash equivalents, beginning of year	<u>300,392</u>	<u>1,559,142</u>	<u>1,859,534</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 13,322</u></u>	<u><u>\$ 718,015</u></u>	<u><u>\$ 731,337</u></u>
<b>Reconciliation of cash and cash equivalents to balance sheet</b>			
<b>Classified on the statement of net position as</b>			
Equity in pooled cash and investments	\$ 2,583,002	\$ 3,512,055	6,095,057
Less: investments not meeting definition of cash equivalents	(2,569,680)	(2,794,040)	(5,363,720)
	<u><u>\$ 13,322</u></u>	<u><u>\$ 718,015</u></u>	<u><u>\$ 731,337</u></u>

# CITY OF VERO BEACH, FLORIDA

## Combining Schedule of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2013

	Health Insurance	Liability Insurance	Total
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>			
Operating income (loss)	\$ (448,509)	\$ (880,547)	\$ (1,329,056)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	-	845	845
Release of settlement reserve	-	1,471,137	1,471,137
Change in:			
Accounts receivable	(133,893)	-	(133,893)
Prepays		(45,000)	(45,000)
Accounts and contracts payable	99,101	(22,259)	76,842
Accrued liabilities	-	-	-
Accrued compensated absences	-	(29,067)	(29,067)
Claims payable	(532,533)	(1,417,745)	(1,950,278)
<b>Net cash used in operating activities</b>	<b><u>\$ (1,015,834)</u></b>	<b><u>\$ (922,636)</u></b>	<b><u>\$ (1,938,470)</u></b>

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## CITY OF VERO BEACH, FLORIDA

### Agency Funds

*Health and Life Insurance Fund* - accounts for premiums and payments for fully-insured Blue Cross/Blue Shield health and life insurance coverage for all eligible active employees. The City pays a portion of these expenditures.

*Retirement Premium Assistance Fund* - accounts for fully-insured Blue Cross/Blue Shield health and life insurance costs for 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, 2013

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<i>Health and Life Insurance Fund</i>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 4,266,733	\$ (4,266,733)	\$ -
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 4,266,733	\$ (4,266,733)	\$ -
<i>Retirement Premium Assistance Fund</i>				
<b>Assets</b>				
Cash and cash equivalents	\$ 40	\$ 681,297	\$ (681,337)	\$ (9,194)
Other receivables	-	-	-	9,194
<b>Total assets</b>	<u>\$ 40</u>	<u>\$ 681,297</u>	<u>\$ (681,337)</u>	<u>\$ -</u>
<b>Liabilities</b>				
Escrow	\$ 40	\$ 681,297	\$ (681,337)	\$ -
<i>Total All Agency Funds</i>				
<b>Assets</b>				
Cash and cash equivalents	\$ 40	\$ 4,948,030	\$ (4,948,070)	\$ -
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 4,266,733	\$ (4,266,733)	\$ -
Escrow	40	681,297	(681,337)	-
<b>Total liabilities</b>	<u>\$ 40</u>	<u>\$ 4,948,030</u>	<u>\$ (4,948,070)</u>	<u>\$ -</u>

## 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>
<b>Financial Trends</b> 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.	128
<b>Revenue Capacity</b> 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.	138
<b>Debt Capacity</b> 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.	144
<b>Demographic and Economic Information</b> 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.	148
<b>Operating Information</b> 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.	152

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 Position by Component Last Ten Fiscal Years

	Fiscal Year		
	2013	2012	2011
<b>Governmental activities</b>			
Net investment in capital assets	\$ 29,631,269	\$ 29,908,083	\$ 28,499,031
Restricted	5,165,879	4,598,726	5,028,407
Unrestricted	(2,216,098)	(505,687)	4,227,519
<b>Total governmental activities net position</b>	<b>\$ 32,581,050</b>	<b>\$ 34,001,122</b>	<b>\$ 37,754,957</b>
<b>Business-type activities</b>			
Net investment in capital assets	\$ 177,072,568	\$ 171,182,649	\$ 174,571,428
Restricted	2,000,000	2,000,000	2,000,000
Unrestricted	47,424,788	50,354,351	46,207,638
<b>Total business-type activities net position</b>	<b>\$ 226,497,356</b>	<b>\$ 223,537,000</b>	<b>\$ 222,779,066</b>
<b>Primary government</b>			
Net investment in capital assets	\$ 206,703,837	\$ 201,090,732	\$ 203,070,459
Restricted	7,165,879	6,598,726	7,028,407
Unrestricted	45,208,690	49,848,664	50,435,157
<b>Total primary government net position</b>	<b>\$ 259,078,406</b>	<b>\$ 257,538,122</b>	<b>\$ 260,534,023</b>

Table 1 - Unaudited

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
\$ 26,837,755	\$ 22,195,840	\$ 20,349,914	\$ 19,864,110	\$ 18,808,203	\$ 8,046,708	\$ 17,226,815
6,171,920	8,564,965	9,219,045	8,780,723	9,616,102	21,247,950	8,007,212
9,458,667	10,369,274	12,171,672	13,925,562	10,578,652	5,055,392	3,908,198
<u>\$ 42,468,342</u>	<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>
\$ 174,465,006	\$ 170,554,819	\$ 156,249,140	\$ 155,765,991	\$ 142,603,896	\$ 137,398,626	\$ 134,041,416
2,000,000	2,000,000	2,800,000	2,800,000	2,800,000	2,800,000	3,778,339
44,343,955	28,152,936	34,276,978	35,693,641	36,048,628	29,522,731	23,766,782
<u>\$ 220,808,961</u>	<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>
\$ 201,302,761	\$ 192,750,659	\$ 176,599,054	\$ 175,630,101	\$ 161,412,099	\$ 145,445,334	\$ 151,268,231
8,171,920	10,564,965	12,019,045	11,580,723	12,416,102	24,047,950	11,785,551
53,802,622	38,522,210	46,448,650	49,619,203	46,627,280	34,578,123	27,674,980
<u>\$ 263,277,303</u>	<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>

continued...

# CITY OF VERO BEACH, FLORIDA

## Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year		
	2013	2012	2011
<b>Program revenues</b>			
Governmental activities			
Charges for services:			
General government	\$ 3,209,874	\$ 3,322,533	\$ 3,249,020
Public safety	177,152	166,584	129,944
Physical environment	170,416	127,392	92,702
Operating grants and contributions	519,600	527,612	-
Capital grants and contributions	282,007	82,739	88,014
	<u>4,359,049</u>	<u>4,226,860</u>	<u>3,559,680</u>
Business-type activities			
Charges for services:			
Electric system	90,957,716	86,941,142	84,281,650
Water and sewer system	15,482,251	17,312,617	18,434,117
Municipal airport	2,303,092	2,310,893	2,592,932
Municipal marina	1,720,499	1,715,912	1,647,314
Solid waste	2,586,679	2,487,424	2,498,231
Recreation	564,041	561,910	562,592
Operating grants and contributions	-	-	177,937
Capital grants and contributions	2,209,793	1,199,221	2,585,075
	<u>115,824,071</u>	<u>112,529,119</u>	<u>112,779,848</u>
<b>Total program revenues</b>	<u>120,183,120</u>	<u>116,755,979</u>	<u>116,339,528</u>
<b>Expenses</b>			
Governmental activities:			
General government	12,037,462	9,797,132	12,958,247
Public safety	7,454,292	7,585,350	7,776,116
Physical environment	171,260	155,472	133,192
Transportation	2,325,155	2,479,329	2,652,809
Culture and recreation	1,781,225	866,935	807,693
Interest and fiscal charges	253,000	620,728	528,045
	<u>24,022,394</u>	<u>21,504,946</u>	<u>24,856,102</u>
Business-type activities			
Electric system	84,658,883	81,518,083	81,241,261
Water and sewer system	13,437,853	14,787,816	15,390,337
Municipal airport	3,180,768	3,133,745	3,086,270
Municipal marina	1,646,038	1,701,291	1,717,969
Solid waste	2,116,377	2,301,788	2,268,793
Recreation	2,495,572	3,336,862	3,462,899
	<u>107,535,491</u>	<u>106,779,585</u>	<u>107,167,529</u>
<b>Total expenses</b>	<u>131,557,885</u>	<u>128,284,531</u>	<u>132,023,631</u>

Table 2 - Unaudited

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
\$ 3,433,293	\$ 3,482,547	\$ 3,530,467	\$ 3,536,054	\$ 3,500,962	\$ 3,613,837	\$ 3,265,796
135,453	144,526	157,792	172,443	154,676	157,698	183,021
110,949	124,607	146,996	90,385	205,923	133,917	106,182
3,785	9,195	306,748	8,946	-	2,812,903	667,140 *
1,342,451	668,420	586,685	465,201	240,905	866,826	468,203
<u>5,025,931</u>	<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>
99,446,208	104,432,117	98,489,596	92,099,204	94,264,554	81,860,141	65,150,040
17,157,092	15,364,272	14,392,131	15,310,166	15,148,429	13,418,679	12,513,316
2,685,178	2,681,794	2,624,696	2,406,034	2,169,832	2,053,833	2,079,273
1,540,091	1,522,730	1,652,540	1,291,337	1,341,631	1,257,958	1,033,963
2,451,665	2,390,865	2,433,243	2,278,265	2,236,082	2,222,416	2,098,850
576,807	580,649	620,170	664,053	681,444	565,403	602,708
317,745	825,373	356,208	26,953	745,907	10,009,957 *	5,545,848 *
5,513,352	1,214,759	4,274,250	4,959,499	3,847,988	2,472,523	5,735,187
<u>129,688,138</u>	<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>
134,714,069	133,441,854	129,571,522	123,308,540	124,538,333	121,446,091	99,449,527
8,999,861	9,758,981	11,452,290	8,771,513	8,106,685	10,466,736	8,389,917
8,154,065	8,194,248	8,094,139	8,132,778	7,514,267	7,563,676	7,147,317
176,820	190,891	185,442	180,112	181,309	173,403	370,876
2,901,749	3,030,214	3,374,155	2,832,720	3,022,822	3,800,394	3,168,288
1,344,264	916,770	923,899	878,329	863,708	1,782,762	911,607
570,752	612,897	453,842	647,535	603,007	210,242	141,828
<u>22,147,511</u>	<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> <sup>(1)</sup>	<u>20,129,833</u> <sup>(1)</sup>
80,438,637	92,310,015	96,414,156	78,972,447	82,460,581	76,899,908	66,661,237
14,587,327	15,240,453	16,400,519	14,806,983	13,876,550	17,700,150	13,379,478
3,064,701	2,966,218	2,753,855	2,537,191	2,447,632	2,974,216	1,995,280
1,602,132	1,548,029	1,754,468	1,285,844	1,314,617	1,244,330	1,031,750
2,407,124	2,503,471	2,493,815	2,371,283	2,399,373	4,405,481	4,988,484
3,646,095	3,976,091	4,125,518	4,260,534	4,198,959	3,918,700	3,631,047
<u>105,746,016</u>	<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> <sup>(1)</sup>	<u>91,687,276</u> <sup>(1)</sup>
127,893,527	141,248,278	148,426,098	125,677,269	126,989,510	131,139,998	111,817,109



# CITY OF VERO BEACH, FLORIDA

## Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year		
	2013	2012	2011
<b>Net revenues (expense)</b>			
Governmental activities	\$ (19,663,345)	\$ (17,278,086)	\$ (21,296,422)
Business-type activities	8,288,580	5,749,534	5,612,319
<b>Total net revenues (expense)</b>	<u>(11,374,765)</u>	<u>(11,528,552)</u>	<u>(15,684,103)</u>
<b>General revenues</b>			
Governmental activities:			
Property taxes, levied for general operations	4,115,113	4,245,008	4,238,150
Sales and gas taxes	2,234,588	2,225,963	2,829,121
Utility taxes	3,492,793	3,438,308	3,463,808
Intergovernmental revenue: state revenue sharing	1,525,146	1,478,492	1,558,925
Investment earnings	46,097	216,447	298,044
Other revenues	121,400	117,811	54,178
Transfers	5,236,999	4,678,934	4,140,811
	<u>16,772,136</u>	<u>16,400,963</u>	<u>16,583,037</u>
Business-type activities:			
Investment earnings	68,290	220,054	355,413
Other revenues	270,430	223,142	143,184
Transfers	(5,236,999)	(4,678,934)	(4,140,811)
	<u>(4,898,279)</u>	<u>(4,235,738)</u>	<u>(3,642,214)</u>
<b>Total general revenues</b>	<u>11,873,857</u>	<u>12,165,225</u>	<u>12,940,823</u>
<b>Change in net position before extraordinary item</b>			
Governmental activities	(2,891,209)	(877,123)	(4,713,385)
Business-type activities	3,390,301	1,513,796	1,970,105
<b>Extraordinary item</b>			
Governmental activities - Release of settlement reserve	1,471,137	-	-
<b>Change in net position</b>			
Governmental activities	(1,420,072)	(877,123)	(4,713,385)
Business-type activities	3,390,301	1,513,796	1,970,105
<b>Total change in net position</b>	<u>\$ 1,970,229</u>	<u>\$ 636,673</u>	<u>\$ (2,743,280)</u>

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

Table 2 - Unaudited

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
\$ (17,121,580)	\$ (18,274,706)	\$ (19,755,079)	\$ (17,169,958)	\$ (16,189,332)	\$ (16,412,032)	\$ (15,439,491)
23,942,122	10,468,282	900,503	14,801,229	13,738,155	6,718,125	3,071,909
<u>6,820,542</u>	<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>
4,716,695	5,021,184	5,344,705	5,703,827	4,968,621	4,391,711	4,391,711
2,825,674	2,993,549	3,404,030	3,569,353	3,881,487	4,097,901	4,351,649
3,558,582	3,744,719	3,792,531	3,895,906	4,050,240	3,764,126	3,764,126
1,547,006	1,578,507	1,723,664	1,855,287	2,002,735	2,052,573	1,798,825
542,431	602,859	1,147,970	1,588,859	1,256,350	633,866	633,866
3,806	14,424	32,416	147,374	221,942	785,076	785,076
4,440,568	3,708,912	3,479,999	3,976,790	4,460,863	4,239,200	4,239,200
<u>17,634,762</u>	<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>19,964,453</u>
388,308	481,109	1,224,617	1,779,430	1,233,195	551,301	551,301
211,344	141,159	421,365	203,238	1,220,678	5,104,594	5,104,594
(4,440,568)	(3,708,912)	(3,479,999)	(3,976,790)	(4,460,863)	(4,239,200)	(4,239,200)
<u>(3,840,916)</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>1,416,695</u>
<u>13,793,846</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>21,381,148</u>
513,182	(610,552)	(829,764)	3,567,438	4,652,906	3,552,421	4,524,962
20,101,206	7,381,638	(933,514)	12,807,107	11,731,165	8,134,820	4,488,604
-	-	-	-	-	-	-
513,182	(610,552)	(829,764)	3,567,438	4,652,906	3,552,421	4,524,962
20,101,206	7,381,638	(933,514)	12,807,107	11,731,165	8,134,820	4,488,604
<u>\$ 20,614,388</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>\$ 9,013,566</u>

concluded

# CITY OF VERO BEACH, FLORIDA

## Fund Balances, Governmental Funds Last Ten Fiscal Years

	Fiscal Year		
	2013	2012	2011
<b>General fund</b>			
Nonspendable:			
Inventories	\$ 163,813	\$ 166,727	\$ 135,474
Restricted for:			
Encumbrances	-	-	19,536
Physical environment	2,742	2,128	2,000
Unassigned	8,927,984	7,643,685	7,726,170
<b>Total general fund</b>	<b>9,094,539</b>	<b>7,812,540</b>	<b>7,883,180</b>
<b>All other governmental funds</b>			
Restricted for:			
Debt service	-	-	-
Public safety	34,777	49,183	43,255
Culture and recreation	900,833	927,148	964,074
Physical environment	4,230,269	3,622,395	4,122,164
Unassigned	(82,783)	(105,954)	(103,086)
<b>Total all other governmental funds</b>	<b>5,083,096</b>	<b>4,492,772</b>	<b>5,026,407</b>
<b>Total all funds</b>	<b>\$14,177,635</b>	<b>\$12,305,312</b>	<b>\$12,909,587</b>

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.

Table 3 - Unaudited

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
\$ 155,984	\$ 180,971	\$ 113,537	\$ 140,628	\$ 128,095	\$ 126,500	\$ 163,546
19,535	22,140	50,137	50,137	113,422	110,673	106,594
-	-	-	-	-	-	-
8,286,607	8,571,791	9,781,447	9,666,553	9,113,488	6,285,261	5,485,991
8,462,126	8,774,902	9,945,121	9,857,318	9,355,005	6,522,434	5,756,131
3,739	3,739	3,739	3,739	3,739	3,739	3,739
34,208	24,379	48,832	39,405	41,404	41,377	91,360
960,219	806,511	803,845	784,915	743,557	709,272	690,227
5,236,445	7,685,122	8,247,500	7,791,292	6,922,977	15,854,741	4,087,572
(62,691)	45,214	115,129	161,372	304,417	266,292	254,152
6,171,920	8,564,965	9,219,045	8,780,723	8,016,094	16,875,421	5,127,050
<u>\$14,634,046</u>	<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>

# CITY OF VERO BEACH, FLORIDA

## Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

	Fiscal Year		
	2013	2012	2011
<b>Revenues</b>			
Taxes	\$10,002,824	\$10,008,688	\$10,163,606
Licenses and permits	143,097	138,185	106,574
Intergovernmental	2,044,746	2,051,908	2,106,289
Special assessments	3,631	11,516	22,864
Grants	278,376	71,223	87,707
Charges for services	3,045,522	3,131,087	2,988,790
Fines and forfeitures	118,992	112,523	106,210
Investment earnings	33,809	174,841	61,684
Rental	89,501	89,501	221,525
Miscellaneous	121,400	118,336	90,201
<b>Total revenues</b>	<b>15,881,898</b>	<b>15,907,808</b>	<b>15,955,450</b>
<b>Expenditures</b>			
Current:			
General government	6,722,124	6,940,344	7,115,755
Public safety	7,215,246	7,335,551	7,463,953
Physical environment	147,408	130,280	133,192
Transportation	2,080,976	2,291,290	2,483,447
Culture and recreation	1,750,289	827,972	758,802
Debt service:			
Principal	516,402	1,965,190	1,133,960
Interest and fiscal charges	253,000	620,728	528,045
Capital outlay	927,595	1,329,616	2,203,566
<b>Total expenditures</b>	<b>19,613,040</b>	<b>21,440,971</b>	<b>21,820,720</b>
Excess of revenues under expenditures	(3,731,142)	(5,533,163)	(5,865,270)
<b>Other financing sources (uses)</b>			
Capital contributions	-	-	-
Transfers in	8,892,541	17,298,437	10,553,456
Transfers out	(3,467,864)	(12,431,825)	(6,412,645)
Payments to refunded bond escrow agent	-	(5,827,724)	-
Issuance of long-term debt	178,788	5,890,000	-
<b>Total other financing sources (uses)</b>	<b>5,603,465</b>	<b>4,928,888</b>	<b>4,140,811</b>
<b>Net change in fund balances</b>	<b>\$ 1,872,323</b>	<b>\$ (604,275)</b>	<b>\$(1,724,459)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.1%</b>	<b>12.8%</b>	<b>8.5%</b>

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

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

<sup>(3)</sup> Debt service percentage is calculated on the actual principal paid

Table 4 - Unaudited

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
\$10,749,610	\$11,249,507	\$11,864,273	\$12,395,977	\$12,137,290	\$11,430,269	\$10,426,316
3,174,684	3,274,316	3,319,532	3,267,211	3,368,375	3,345,529	2,884,853
35,338	38,592	31,706	47,938	76,592	149,572	63,475
96,815	103,749	132,180	131,248	134,751	114,964	172,836
2,257,828	2,438,026	2,753,179	3,076,048	2,973,507	2,876,042	2,605,001
412,287	429,315	760,055	1,041,718	831,255	437,807	152,119
111,028	96,682	86,035	203,249	190,717	745,084	1,001,105
1,176,255	489,270	316,892	26,169	1,485,980	2,082,705	-
126,716	121,697	115,056	310,023	268,034	327,835	247,451
90,650	90,400	90,400	90,400	90,401	117,124	249,859
<u>18,231,211</u>	<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>
7,304,070	7,817,057	8,003,090	8,349,624	7,798,819	7,813,126	7,679,471
7,779,188	7,946,503	7,928,561	7,769,090	7,196,113	7,216,868	6,851,354
176,820	190,891	185,442	180,112	181,309	173,403	370,876
2,767,901	2,869,593	3,195,291	2,666,076	2,879,104	3,547,167	2,916,102
846,206	884,577	875,843	835,943	827,191	1,735,716	864,561
1,096,335	1,047,541	12,462,000 <sup>(2)</sup>	898,000	831,000	471,000	439,000
570,752	612,897	453,842	647,535	603,006	210,242	141,828
4,836,328	2,495,706	1,836,970	1,953,449	11,727,979 <sup>(1)</sup>	2,183,935	2,514,188
<u>25,377,600</u>	<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>(7,146,389)</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>
-	-	402,104	-	-	-	-
11,884,520	10,296,500	20,589,003	8,860,235	8,658,488	8,715,230	8,689,344
(7,443,952)	(6,587,588)	(17,109,002)	(4,883,445)	(4,197,625)	(4,476,030)	(5,799,144)
-	-	-	-	-	-	-
-	-	12,115,751 <sup>(2)</sup>	-	-	10,000,000 <sup>(1)</sup>	-
<u>4,440,568</u>	<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>\$(2,705,821)</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>
8.1%	8.4%	4.0% <sup>(3)</sup>	7.8%	7.6%	3.3%	3.1%

**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
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	1,835	1,326	447	9,984
2012	4,245	2,154	1,710	1,284	470	9,863
2013	4,115	2,104	1,794	1,388	440	9,841

**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
2004	\$2,354,385	\$ 186,216	\$ 673,393	\$ 1,867,208	\$ 2.1425	\$ 2,334,011 <sup>(1)</sup>
2005	2,800,351	181,169	858,631	2,122,889	2.1425	2,653,611 <sup>(1)</sup>
2006	3,073,240	172,189	1,003,530	2,241,899	2.2925	2,802,374 <sup>(1)</sup>
2007	3,857,608	166,718	1,266,312	2,758,014	2.1425	3,447,518 <sup>(1)</sup>
2008	3,788,563	161,519	1,092,866	2,857,216	1.9367	3,571,519 <sup>(1)</sup>
2009	3,598,746	150,714	1,073,828	2,675,632	1.9367	3,344,539 <sup>(1)</sup>
2010	3,289,288	189,067	972,856	2,505,499	1.9367	3,131,875 <sup>(1)</sup>
2011	2,879,538	171,206	793,714	2,257,030	1.9367	2,821,288 <sup>(1)</sup>
2012	2,712,834	147,293	704,412	2,155,715	2.0336	2,694,644 <sup>(1)</sup>
2013	2,598,970	139,190	644,906	2,093,254	2.0336	2,640,821 <sup>(2)</sup>

(1) 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).

(2) Amount provided by the Indian River County Property Appraiser.

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 <sup>(1)</sup>					
		City of Vero Beach	Indian River County	School District	Emergency Services District	Indian River Memorial Hospital	Special Districts
2004	18.2479	2.1425	3.8377	8.4990	1.9836	0.8341	0.9510
2005	17.5572	2.1425	3.6233	8.2400	1.9836	0.6629	0.9049
2006	17.6118	2.2925	3.5204	8.2400	1.9911	0.6629	0.9049
2007	16.2715	2.1425	3.1914	7.4430	1.7639	0.6149	1.1158
2008	15.8925	1.9367	3.0202	7.5381	1.7201	0.6192	1.0582
2009	15.6062	1.9367	3.0689	7.0400	1.7148	0.7560	1.0898
2010	16.3637	1.9367	3.0892	7.5960	1.7148	0.9471	1.0799
2011	17.0533	1.9367	3.0892	8.2500	1.7148	0.9386	1.1240
2012	17.0915	2.0336	3.0892	8.2440	1.7148	0.9386	1.0713
2013	17.1040	2.0336	3.0892	8.3029	1.7148	0.9386	1.0249

(1) 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	2013		
	Taxable Assessed Value	Ranking	% of Total Taxable Assessed Value
New Piper Aircraft Inc	\$ 22,457	1	1.07%
Cabana Beach Hotel & Resort LLC	12,370	2	0.59%
Flamevine Properties I LLC	11,737	3	0.56%
Bellsouth Telecommunications	11,056	4	0.53%
Ocean Drive at Vero Beach LLC	9,108	5	0.44%
Quail Valley LLC	8,644	6	0.41%
IRT Partners LP	8,099	7	0.39%
Logan Acquisitions Corp (Less)	7,693	8	0.37%
Riomar Country Club	7,534	9	0.36%
Indian River Plaza LLC	7,111	10	0.34%
Total Principal Property Taxpayers	<u>\$ 105,809</u>		
Total Taxable Assessed Value	<u>\$ 2,093,254</u>		

Taxpayer	2004		
	Taxable Assessed Value	Ranking	% of Total Taxable Assessed Value
New Piper Aircraft Inc	\$ 35,086	1	1.56%
Bellsouth Telecommunications	22,511	2	1.00%
Ocean Drive at Vero Beach LLC	12,000	3	0.53%
Flight Safety, Inc	11,736	4	0.52%
Sandler at Pincrest, LLC	10,014	5	0.45%
Quail Valley, LLC	8,522	6	0.38%
Molesta, Thomas	8,422	7	0.37%
IRT Partners, LP	8,276	8	0.37%
Cabana Beach Hotel & Resort	7,238	9	0.32%
AT&T Communications	7,201	10	0.32%
Total Principal Property Taxpayers	<u>\$ 131,006</u>		
Total Taxable Assessed Value	<u>\$ 2,249,103</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
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%
2013	4,257	3,994	93.8%	121.00	4,115	96.7%

Source: Indian River County Property Appraiser

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

Customer	Electric Usage (1000 Kwh)	Electric Revenue (thousands)	% of Total Electric Sales
IR Hospital	19,100	\$ 2,210	2.46%
New Piper Aircraft Inc	15,348	1,856	2.07%
Wal-Mart/Sams Club	9,921	1,132	1.26%
Publix Supermarkets	8,954	1,022	1.14%
Vero Beach High School	8,037	902	1.01%
IR Mall	7,786	925	1.03%
IRC Sheriff Dept	4,333	528	0.59%
St. Edwards School	4,191	524	0.58%
IRC Board of County Commissioners	3,244	375	0.42%
Lowes Companies, Inc.	2,964	342	0.38%
<b>Total Principal Payers of Electric Service</b>	<b>83,878</b>	<b>\$ 9,816</b>	
<b>Total Electric Service Sales</b>		<b>89,711</b>	

Customer	Water Usage (1000 Gallons)	Water Revenue (thousands) <sup>(1)</sup>	% of Total Water Sales
IR Hospital	25,903	\$ 79	1.23%
New Piper Aircraft Inc	19,532	56	0.87%
John's Island	13,664	81	1.26%
Los Angeles Dodgers	8,937	28	0.44%
Driftwood Resort	7,047	21	0.33%
Cabana Beach Hotel & Resort	6,540	20	0.31%
Vero Beach High School	4,823	16	0.25%
Flight Safety	4,653	15	0.23%
Vero Beach Elementary	4,353	14	0.22%
Vero Lodging, LLC.	4,349	13	0.20%
<b>Total Principal Payers of Water Service</b>	<b>99,801</b>	<b>343</b>	
<b>Total Water Service Sales</b>		<b>6,419</b>	

<sup>(1)</sup>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 & Capital Leases	Per Capita <sup>(1)</sup>	Electric Revenue Bonds	Water & Sewer Revenue Bonds	Capital Improvement & Revenue Notes	Per Capita <sup>(2)</sup>	
2004	\$ 8,617	\$ -	481	\$ 65,985	\$ 14,450	\$ 11,847	1,619	\$ 100,899
2005	8,146	10,000 <sup>(3)</sup>	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 <sup>(4)</sup>	1,475	100,132
2009	-	15,023	841	53,325	-	26,733	1,405	95,081
2010	-	13,927	915	50,175	-	35,500 <sup>(5)</sup>	1,503	99,602
2011	-	12,793	841	46,900	-	34,238 <sup>(5)</sup>	1,423	93,931
2012	-	10,890	711	43,475	-	32,278 <sup>(5)</sup>	1,329	86,643
2013	-	10,552	680	39,900	-	27,368	1,180	77,820

- (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, 2013

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, 2013

Government Unit	Net Debt Outstanding	% Applicable to Governmental Unit <sup>(1)</sup>	City of Vero Beach Share of Debt
Debt Repaid with Property Taxes:			
Indian River County Limited General Obligation Bonds, Series 2006	\$ 29,987,489	16.32%	\$ 4,895,453
Revenue Bonds - Spring Training Facility - Series 2001	8,145,000	16.32%	1,329,670
Other Debt:			
Indian River County School District Certificates of Participation	122,688,585	16.32%	20,028,893
Indian River County School District Capital Lease Payable	301,547	16.32%	49,228
		Total Overlapping Debt	<u>26,303,244</u>
Series 2007B Revenue Refunding Notes	5,000,000	100%	5,000,000
Series 2012A Refunding Revenue Note	1,915,000	100%	1,915,000
Series 2012B Refunding Revenue Note	3,505,000	100%	3,505,000
Capital Lease payable	132,386	100%	<u>132,386</u>
		Total Direct Debt	<u>10,552,386</u>
	Total Direct and Overlapping Debt		<u>\$ 36,855,630</u>

Source: Information on outstanding debt from Indian River County Comprehensive Annual Financial Report 2013

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.

<sup>(1)</sup> 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 <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage <sup>(3)</sup>	
				Principal	Interest	Total		
2004 <sup>(4)</sup>	\$ 68,108 <sup>(4)</sup>	\$ 57,664 <sup>(4)</sup>	\$ 10,444 <sup>(4)</sup>	\$ 2,080 <sup>(4)</sup>	\$ 3,397 <sup>(4)</sup>	\$ 5,477 <sup>(4)</sup>	1.91	
2005 <sup>(4)</sup>	91,324 <sup>(4)</sup>	67,910 <sup>(4)</sup>	23,414 <sup>(4)</sup>	2,315 <sup>(4)</sup>	3,089 <sup>(4)</sup>	5,404 <sup>(4)</sup>	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	
2013	91,106	75,564	15,542	4,529	2,143	6,672	2.33	

Water & Sewer System								
Fiscal Year	Gross Revenue <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage <sup>(3)</sup>	
				Principal	Interest	Total		
2004 <sup>(4)</sup>	\$ 13,187 <sup>(4)</sup>	\$ 9,294 <sup>(4)</sup>	\$ 3,893 <sup>(4)</sup>	\$ 1,160 <sup>(4)</sup>	\$ 1,374 <sup>(4)</sup>	\$ 2,534 <sup>(4)</sup>	1.54	
2005 <sup>(4)</sup>	16,601 <sup>(4)</sup>	14,354 <sup>(4)</sup>	2,247 <sup>(4)</sup>	695 <sup>(4)</sup>	629 <sup>(4)</sup>	1,324 <sup>(4)</sup>	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	
2013	15,545	9,511	6,034	1,468	635	2,103	2.87	

(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 <sup>(1)</sup> (in thousands)	Per Capita Personal Income <sup>(1)</sup>	Unemployment Rate <sup>(2)</sup>
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 <sup>(3)</sup>	6,534,146	47,689	14.0%
2011	15,222 <sup>(3)</sup>	6,736,286	48,726	13.6%
2012	15,318 <sup>(3)</sup>	7,080,348	50,977	12.6%
2013	15,527 <sup>(3)</sup>	7,429,653	52,855	8.6%

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	2013		
	Employees	Ranking	% of Total Employees
School District of Indian River County	2,123	1	3.98%
Indian River Medical Center	1,608	2	3.01%
Indian River County	1,354	3	2.54%
Publix Supermarkets	1,092	4	2.05%
New Piper Aircraft Inc	800	5	1.50%
Sebastian River Medical Center	576	6	1.08%
John's Island	550	7	1.03%
City of Vero Beach	425	8	0.80%
Visiting Nurse Association	401	9	0.75%
Indian River Estates	350	10	0.66%
<b>Total Principal Employers</b>	<b>9,279</b>		
<b>Total Employment</b>	<b>53,337</b>		

Employer	2004		
	Employees	Ranking	% of Total Employees
School District of Indian River County	1,950	1	3.99%
Indian River County	1,300	2	2.66%
Indian River Memorial Hospital	1,100	3	2.25%
Publix Supermarkets	800	4	1.63%
New Piper Aircraft Inc	750	5	1.53%
City of Vero Beach	600	6	1.23%
Wal-Mart	550	7	1.12%
Hale Indian River Groves	500	8	1.02%
John's Island	500	9	1.02%
Sebastian River Medical Center	500	10	1.02%
<b>Total Principal Employers</b>	<b>8,550</b>		
<b>Total Employment</b>	<b>48,930</b>		

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				
	2013	2012	2011	2010	2009
<b>Governmental Activities</b>					
General government:					
City clerk	4	4	4	4	5
City manager	2	2	2	3	3
City attorney	4	4	4	4	4
Human resources	2	3	3	3	3
Finance	24	24	28	28	30
Planning & development	7	7	8	9	9
Fleet management	9	9	10	10	11
Facilities management	7	8	10	11	12
Geographical information systems	3	3	3	3	3
Risk management	2	3	3	3	3
Public safety	74	76	86	88	88
Physical environment	1	1	1	3	3
Transportation	29	34	40	44	47
Culture & recreation	33	34	35	36	39
	<u>201</u>	<u>212</u>	<u>237</u>	<u>249</u>	<u>260</u>
<b>Business-Type Activities</b>					
Electric system	107	108	113	113	119
Water & sewer system	62	72	74	82	86
Municipal airport	9	10	10	10	10
Municipal marina	5	6	6	6	6
Solid waste	24	26	27	29	29
Recreation	17	17	17	19	24
	<u>224</u>	<u>239</u>	<u>247</u>	<u>259</u>	<u>274</u>
<b>Total</b>	<u>425</u>	<u>451</u>	<u>484</u>	<u>508</u>	<u>534</u>

Source: City of Vero Beach, Florida Annual Budgets

Table 17 - Unaudited

Fiscal Year					
2008	2007	2006	2005	2004	
5	5	5	5	5	5
3	3	3	4	4	4
4	4	4	4	4	4
3	4	5	5	5	5
31	34	34	34	34	34
9	10	9	9	9	8
11	11	11	11	11	11
12	12	12	12	12	12
3	3	3	2	2	2
3	3	3	3	3	3
88	89	89	89	89	90
3	3	3	3	3	3
47	50	52	53	52	52
39	39	39	40	41	41
<u>261</u>	<u>270</u>	<u>272</u>	<u>274</u>	<u>274</u>	<u>274</u>
120	118	110	112	113	113
85	85	85	84	84	84
10	10	10	10	10	10
6	6	6	6	6	6
29	29	29	29	29	29
24	25	25	25	25	25
<u>274</u>	<u>273</u>	<u>265</u>	<u>266</u>	<u>267</u>	<u>267</u>
<u>535</u>	<u>543</u>	<u>537</u>	<u>540</u>	<u>541</u>	<u>541</u>

# CITY OF VERO BEACH, FLORIDA

## Operating Indicators

Last Ten Fiscal Years

Functions/Programs	Fiscal Year		
	2013	2012	2011
Public safety			
Police Department:			
Traffic violations	3,209	1,459	2,041
Parking tickets	1,484	2,024	2,680
Physical arrests	529	724	855
Transportation			
Streets and highways:			
Miles paved	-	-	-
Asphalt for road maintenance (tons)	33	377	4,105
Sidewalks repaired & constructed (sq ft)	24,971	35,100	15,058
Physical environment			
Storm water ditches maintained (miles) 4x per year	12	12	12
Culture and recreation			
Parks and public grounds (acreage maintained)	229	229	229
Electric system			
Customers	34,308	34,068	33,931
Residential consumption (Kw in thousands)	337,620	339,355	360,331
Commercial consumption (Kw in thousands)	336,932	346,042	346,105
Industrial consumption (Kw in thousands)	14,261	14,130	14,015
Water system			
Customers	22,624	22,435	22,403
Water consumption (gallons in thousands)	1,318,175	1,380,994	1,624,906
Irrigation water consumption (gallons in thousands)	278,612	322,867	396,500
Reuse water consumption (gallons in thousands)	817,103	649,450	531,145
Golf course water consumption (gallons in thousands)	( <sup>1</sup> )	176,314	419,812
Solid waste			
Customers	8,707	8,647	8,613
Refuse collected (tons)	15,928	15,872	15,425
Yard trash collected (tons)	2,183	2,010	2,251
Recyclables collected (tons)	13	16	11

(<sup>1</sup>) Information not available

Table 18 - Unaudited

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
3,057	3,373	4,170	4,112	4,148	4,659	4,428
2,158	2,251	1,725	1,926	2,113	1,287	1,353
1,297	903	1,154	1,185	862	1,062	947
-	-	0.30	0.68	0.68	-	7.57
4,297	1,180	251	150	150	150	150
9,463	11,000	36,720	46,575	9,000	5,800	4,760
15	15	15	15	15	15	15
229	229	229	229	229	189	189
33,307	33,216	33,231	33,442	33,299	32,496	32,084
379,311	347,195	351,613	363,230	366,479	397,421	339,891
350,703	347,717	365,446	364,997	350,111	356,502	328,677
13,789	12,026	19,379	17,534	16,879	13,642	14,918
21,986	21,899	22,016	22,114	22,126	21,945	21,782
1,547,025	1,466,096	1,468,473	1,621,813	1,644,306	1,780,774	1,663,739
348,509	377,507	375,001	476,129	441,762	376,397	355,112
508,716	517,712	541,931	650,699	622,802	533,441	586,768
441,165	449,761	454,868	422,609	426,975	430,357	479,309
8,021	8,130	8,078	8,132	8,230	8,298	8,306
15,649	16,318	18,566	19,348	21,535	26,724	22,157
2,250	2,198	2,227	2,000	1,736	3,822	3,025
8	11	5	21	96	1,152	563

# CITY OF VERO BEACH, FLORIDA

## Capital Asset Statistics

Last Ten Fiscal Years

Functions/Programs	Fiscal Year		
	2013	2012	2011
Public safety			
Police Department:			
Stations	1	1	1
Patrol units	36	35	36
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	11,975	11,967
Fire hydrants	1,240	1,240	1,231
Storage capacity (MGD)	13.8	13.8	13.8
Wastewater system			
Gravity sewer lines (miles)	132	132	132
Force mains (miles)	65	64	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						
2010	2009	2008	2007	2006	2005	2004
1	1	1	1	1	1	1
44	41	41	41	41	34	28
108	108	108	108	108	108	108
69	30	30	30	30	30	30
12	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
290	274	274	274	274	273	273
11,967	11,967	11,967	11,967	11,967	11,967	11,967
1,160	1,025	1,025	1,025	1,025	1,025	1,025
13.8	13.8	13.8	13.8	13.8	13.8	13.8
132	123	123	123	123	122	120
63	48	48	48	48	47	46
2,660	2,660	2,660	2,660	2,660	2,650	2,635
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

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**INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL***

March 26, 2014

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, 2013, which collectively comprise the basic financial statements, and have issued our report thereon dated March 26, 2014. 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 and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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, 2013

Federal / State Agency / Cluster / Program / Project Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	Direct	2010-BUBX10055011	\$ 1,019
Organized Crime Drug Enforcement Task Forces	16.unknown	Direct	FC/FLS1693	176
Justice Assistance Grant	16.803	Direct	2013-JAGD-INRI-2-D8-124	<u>4,398</u>
<b>Total U.S. Department of Justice</b>				<u>5,593</u>
<b>U.S. Department of Transportation</b>				
Federal Aviation Administration (FAA)				
Airport Improvement Program	20.106	Direct	3-12-0083-035-2011	157,004
Airport Improvement Program	20.106	Direct	3-12-0083-036-2012	<u>114,644</u>
<b>Total U.S. Department of Transportation</b>				<u>271,648</u>
<b>U.S. Department of Homeland Security</b>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FLDCA	FEMA-1545-DR-FL	<u>302,623</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 579,864</u>
<b>Florida Department of Transportation</b>				
Stormwater Retrofit	55.024		428609-1-78-01	\$ 100,000
Aviation Development Grants	55.004		405770-1-94-01	1,624
Aviation Development Grants	55.004		420768-1-94-01	1,127,085
Aviation Development Grants	55.004		420769-1-94-01	4,371
Aviation Development Grants	55.004		430487-1-94-01	1,243
Aviation Development Grants	55.004		422489-1-94-01	41,279
Aviation Development Grants	55.004		425744-1-94-01	5,117
Aviation Development Grants	55.004		429255-1-94-01	<u>86,434</u>
				<u>1,267,153</u>
<b>Total Florida Department of Transportation</b>				1,367,153
<b>Florida Inland Navigation District</b>				
McWilliam Park Boat Ramp Reconstruction Phase 2				<u>172,783</u>
<b>Total Expenditures of State Financial Assistance</b>				<u>\$ 1,539,936</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 and state financial assistance (the "Schedule") includes the federal and state grant activity of the City of Vero Beach, Florida (the "City") under programs of the federal government and the state of Florida for the year ended September 30, 2013. 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 position 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. PASS-THROUGH AGENCY

The City received a federal grant as a subaward from a non-federal entity. The Pass-through entity, where applicable, has been identified in the Schedule with an abbreviation, "FLDCA", which stands for the Florida Department of Community Affairs.



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**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***

March 26, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vero Beach, Florida (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2014.

#### **Internal Control Over Financial Reporting**

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

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



Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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



**INDEPENDENT AUDITORS' REPORT ON EACH MAJOR FEDERAL PROGRAM AND STATE  
PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

March 26, 2014

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

***Report on Compliance for Each Major Federal Program and State Project***

We have audited the compliance of the City of Vero Beach, Florida (the "City") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the requirements described in the Florida 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, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Independent Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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 and OMB Circular A-133 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

### *Opinion on Each Major Federal Program and State Project*

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2013.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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 or a state project 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 or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Lehmann Johnson". 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, 2013

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

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>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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

Auditee qualified as low-risk auditee?	Yes	N/A
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# CITY OF VERO BEACH, FLORIDA

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2013

### SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

### 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, 2013

None noted



**INDEPENDENT AUDITORS'  
MANAGEMENT LETTER**

March 26, 2014

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, 2013 and have issued our report thereon dated March 26, 2014.

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 Standards* 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 identify 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, 2013, 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, 2013. 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 that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.