

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2019



CITY OF VERO BEACH, FLORIDA

Prepared by: Finance Department

Cynthia D. Lawson
Finance Director

CITY OF VERO BEACH, FLORIDA
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INTRODUCTORY SECTION

City of Vero Beach, Florida

CITY OFFICIALS

As of September 30, 2019

CITY COUNCIL

Val Zudans, Mayor

Anthony W. Young, Vice Mayor

Laura Moss

Harry Howle III

Robbie Brackett

CITY MANAGER

Monte K. Falls

CITY CLERK

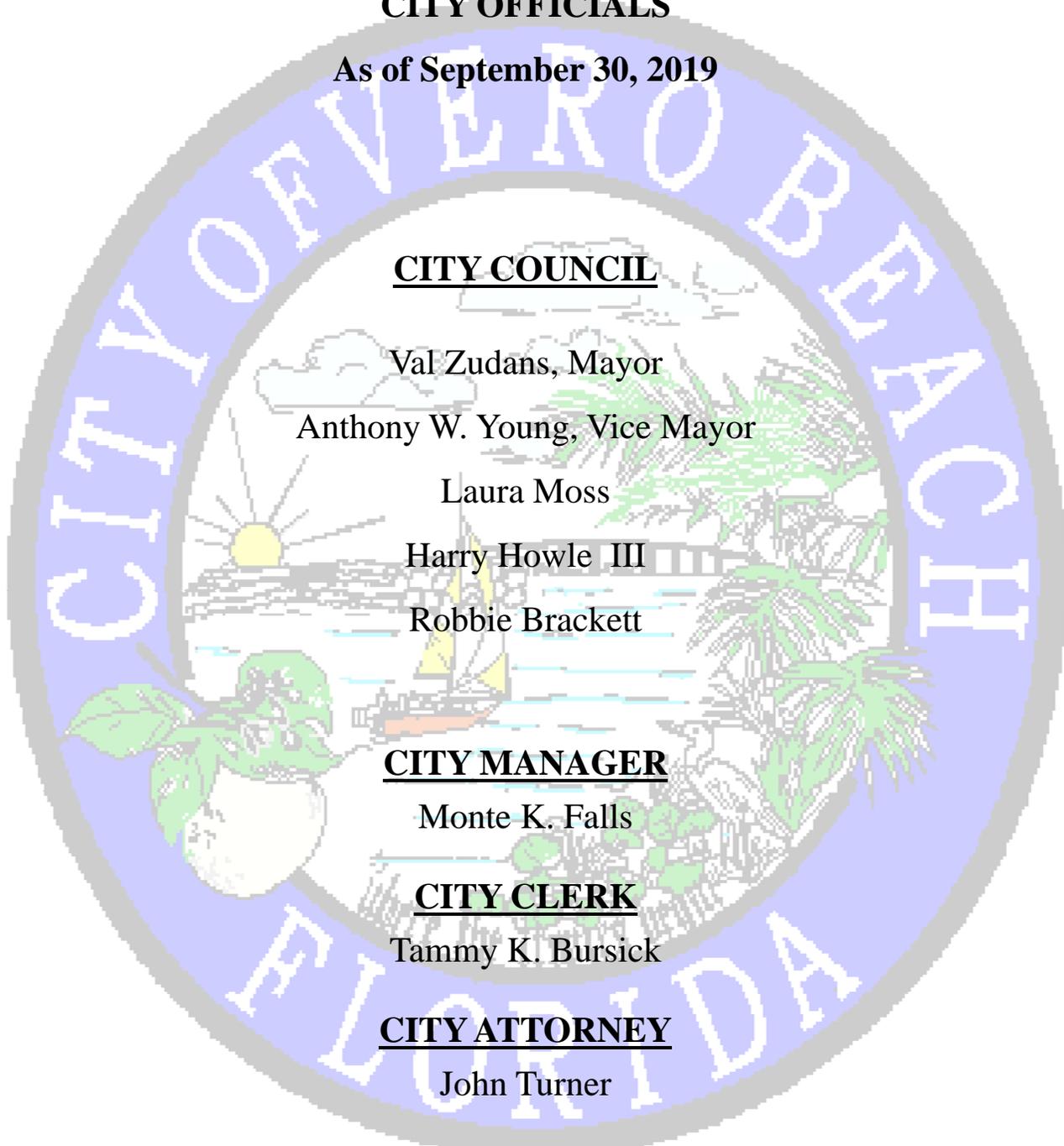
Tammy K. Bursick

CITY ATTORNEY

John Turner

FINANCE DIRECTOR

Cynthia D. Lawson



City of Vero Beach

1053 – 20th PLACE – P.O. BOX 1389
VERO BEACH, FLORIDA – 32961-1389
Telephone: (772) 978-4770 • Fax: (772) 978-4707

April 20, 2020

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

The Comprehensive Annual Financial Report of the City of Vero Beach, Florida (the “City”), for the fiscal year ended September 30, 2019, 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 comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. 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 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 amended. 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 Cherry Bekaert LLP was selected by the City Council to perform this audit. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The auditor's reports related specifically to compliance are included in the Compliance Section.

Generally Accepted Accounting Principles (“GAAP”) require 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 auditor.

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 17,000 residents. In addition, the City operates a water and sewer system, a solid waste collection system, a park and recreation system, a cemetery, an airport and a marina. The electric system previously operated by the City was sold to Florida Power & Light (FPL) on December 17, 2018.

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 reporting 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 putting an adequate internal control structure 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

The City of Vero Beach and Indian River County rely on three primary economic activities: tourism, citrus and agriculture, and retirement. In addition to these economic drivers, the area has seen an increase in recent years in the healthcare and retail industries. Vero Beach is a family oriented community. Sunny beaches, beautiful weather and low-density housing attract tourists and future residents. In addition to its natural beauty, the City of Vero Beach has a vibrant arts and cultural scene which appeals to both visitors and residents.

Retirees are attracted by the climate and general lifestyle in Vero Beach. The median age in Indian River County was 47 in 1980, 47 in 2000 and 54.5 in 2018, as compared to the median age of 42.2 for the State of Florida as a whole in 2018.

Several key financial indicators continue to improve, indicating a continued recovery from some of the financial challenges of recent years. The City's taxable assessed value increased for the sixth year in a row, by 6.6% to \$2.85 billion in 2019, after increasing 7.2% in 2018. In total, the City's taxable assessed value has increased 31.6% since 2013. The unemployment rate decreased for the ninth consecutive year down to 3.7% in 2019. The City's leadership actively manages its assets and maintains an emphasis on quality of life and service delivery in order to attract new businesses and residents.

Long-Term Financial Planning/Financial Policies

The City of Vero Beach government strives to maintain compatibility 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 one of central Florida's premier places to live, work and play is reflected in the City's organizational structure and the priorities expressed by its annual budget. Out of the total operating expenditures in the General Fund budget, 34.3% is dedicated to public safety through our police department, with an additional 18.3% budgeted for culture & recreation to maintain the City's parks and recreation facilities and provide recreation programs and community events.

In December 2018, the City completed the sale of its electric utility to Florida Power & Light (FPL), thereby achieving the goal of lower electric rates for the City's residents and customers. In order to implement a long-term financial plan for the use of the sale proceeds, the City adopted an updated General Fund fund balance policy to commit the residual electric utility cash and investments to increase emergency reserves, establish a reserve for unfunded pension and other postemployment benefit (OPEB) liabilities, and set aside funds for future capital projects and infrastructure improvements.

Long-term financial planning also includes monitoring the City's water and sewer rates while providing quality service for customers. City officials and staff continue to pursue operational efficiency and costs savings.

Relevant Financial Policies

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

The assessed taxable value of property within the City of Vero Beach increased this year in keeping with the continued recovery of the local real estate market. In conjunction with this increase in values, the City adopted a millage rate of 2.5194 (the same as the prior year's millage rate). As a result, property tax revenue increased 6.7% from the prior year and represented 27.6% of total general government revenue (excluding the residual transfer in from the electric system).

Utility and other tax collections (including intergovernmental revenue from State shared sales taxes) represent 30.0% of general government revenue. Total revenues for telecommunications tax, gas tax and State sales tax increased by only 0.4% from last year. Prior to the COVID-19 pandemic, State estimates for FY 19-20 projected that these revenue sources in total would grow by another 1.2% in the coming year, indicating that State revenue analysts were previously anticipating a modest growth in the overall Florida economy.

Transfers from the enterprise funds are designed to be a return to ownership for the general government, and have historically been in the 27% - 35% range of total general government revenues. The total transfers of \$6.0 million for this fiscal year, primarily from the Electric and Water Sewer utilities, decreased slightly to 24% of total general government revenues (as compared to 28% in the prior year), due in part to the sale of the Electric utility in December 2018.

Most other revenue sources remained relatively level, with the exception of investment earnings which are up 1,623.0% (or \$389K) from last year, as the earnings rate on the City's short-term investments improved dramatically. Federal and state grants received as reimbursement for specific capital projects vary from year to year.

Overall, general government expenditures are up by 2.3% (\$540K) from the prior year. This is primarily as a result of increased personnel costs (a 3% salary increase for all employees and a 6% increase in health insurance rates), as well as the addition of 2 full time School Resource Officers to the Police Department. The City also experienced unanticipated costs for hurricane preparation and recovery. The City continues its goal of limiting operating budgets and staffing to the minimum required for effective service delivery.

The Electric Utility enterprise fund revenues decreased by 78.6% from the prior year; due to only 3 months of operation prior to the sale to FPL. Water and Sewer enterprise fund revenues increased slightly, by 1.4% or \$225K, due to an increase in metered water sales (which are weather dependent) and sewer service charges. In both systems, charges for services and other income provided adequate revenue to meet operating and capital needs. The City continues to carefully monitor water and sewer utility rates in order to keep rates competitive while also maintaining rate sufficiency for operations, capital improvements and debt service coverage.

Major Initiatives

General Government Major general government policy objectives are to keep all infrastructures safe and functional, minimize the property tax burden to City taxpayers, and to carefully and thoughtfully manage growth. Significant funding is also provided to support and enhance a police presence adequate to suppress crime. The budget for next year decreases the current full time General Fund staffing level by 3 positions, in order to offset some of the loss in annual revenues from the sale of the electric utility.

Electric During the past year, the City closed on the sale of its electric utility to Florida Power & Light (FPL) effective December 17, 2018 and the City's electric utility transmission and distribution assets and all its customers were transferred to FPL on that date.

Water and Sewer The water and sewer system revenues met operating and capital needs for this fiscal year, with an overall increase in net position at year end. Careful rate management will continue to be a focus in order to maintain viable processing and distribution systems while planning for future supply needs. The major initiative within the Water and Sewer utility is the implementation of the Septic Tank Effluent Pump (STEP) program; this program was designed as a cost effective alternative to traditional sewer hook-ups in order to encourage homeowners to make voluntary connections to the City's sewer system. The City continues to study the relocation of water and sewer infrastructure from its current riverfront property site to another City location.

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 has established itself as a popular boating haven along the Indian River, and occupancy and revenues are improving as part of the overall economic recovery. The Marina continues to pursue its long-term goal of superior services to boaters at reasonable cost. At present, the City Council is exploring various options to improve the Marina's aging capital infrastructure.

Risk Management The City has transitioned to fully insured workers compensation and third party general liability insurance. As a result, for the fiscal year ended September 30, 2019, 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 in the internal service fund were for 'legacy' claims of various types and the City has established adequate reserves to fund these outstanding claims to completion. The City's Human Resources department continues to manage closure of outstanding claims and serves as a liaison to the City's third party insurance providers. In addition, the risk manager identifies potential safety hazards 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 fiscal year ended September 30, 2018. This was the thirty sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

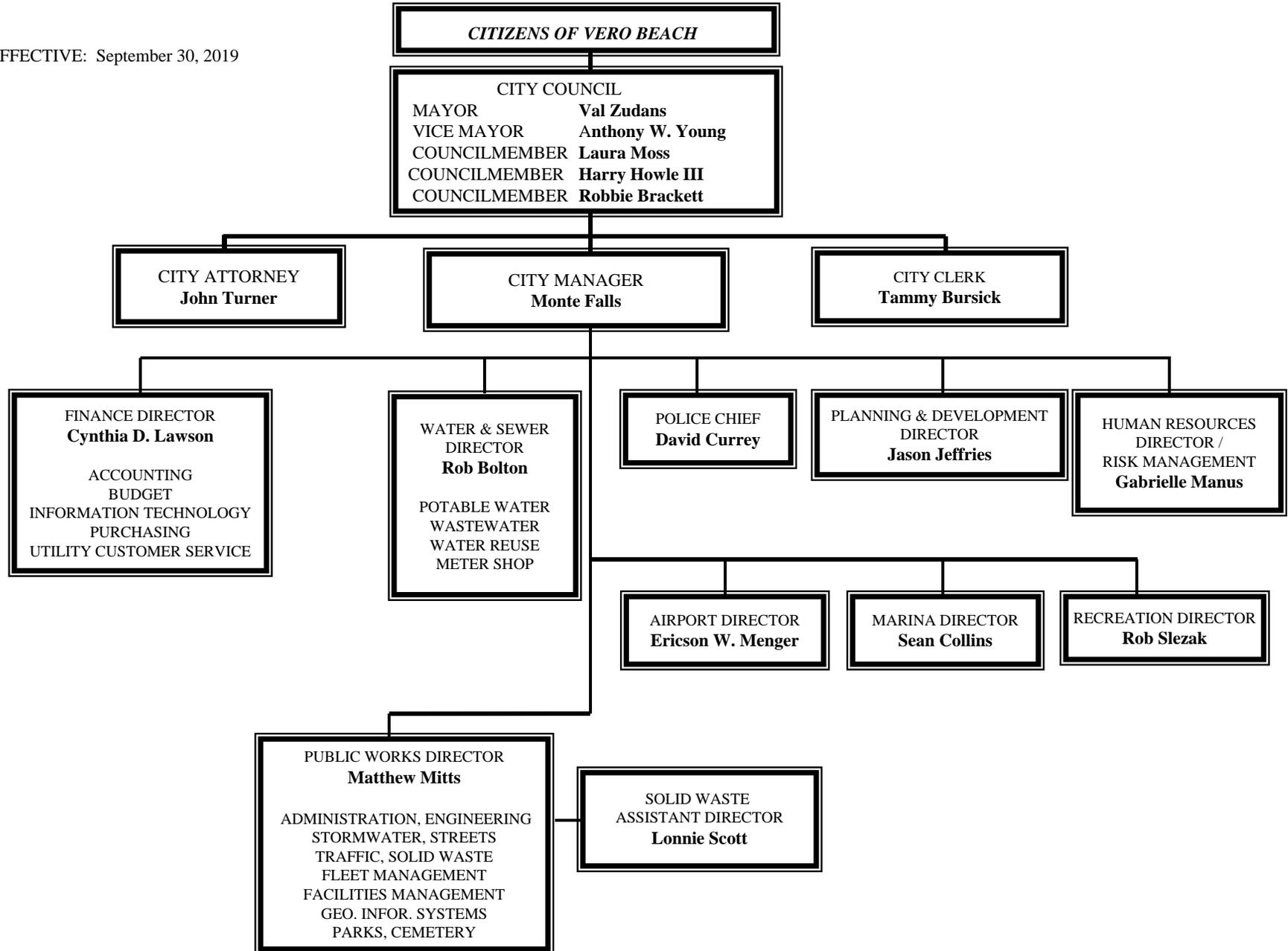
The preparation of this report was made possible by the financial policy direction established by the City Council, the support of the City Manager and the dedicated service of the entire staff of the Finance department. All who assisted in this report's preparation and publication have my sincere thanks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



Cynthia D. Lawson
Finance Director

CITY OF VERO BEACH, FLORIDA ORGANIZATIONAL CHART

EFFECTIVE: September 30, 2019





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, 2018

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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Report of Independent Auditor

To the 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, 2019, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cheryl Behrman LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
April 20, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section in the Comprehensive Annual Financial Report has been developed in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 34 (GASB 34). It is intended to provide the readers of this report with a general overview and analysis of the financial activities of the City of Vero Beach for the fiscal year ended September 30, 2019.

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 Transmittal Letter, the financial statements, and notes to the financial statements.

Financial Highlights

The City is in good financial condition. For the year ended September 30, 2019:

- The City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$188.0 million (net position). Of this amount, \$69.8 million was from governmental activities and \$118.2 million was from business-type activities.
- Unrestricted net positions for governmental and business activities respectively were \$26.0 million and \$16.9 million.
- The City's revenues for governmental funds, excluding other financing sources, were \$22.2 million. The expenditures for governmental funds were \$32.3 million.
- The business-type activities of the City had total revenues of \$54.1 million and total expenses of \$43.9 million before special items and transfers.
- At the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$73.6 million, an increase of \$59.2 million in comparison with the prior year. Approximately \$15.6 million, or 21%, 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 \$25.4 million. Long-term liabilities for governmental activities decreased by \$5.0 million.

Overview of the Financial Statements

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

The *Financial Section* of the report includes the Report of Independent Auditor, 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 Fund Statements and Schedules

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. The government-wide financial statements categorize the City's financial information as governmental or business-type, and the emphasis is on the change in net position. 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 outflow 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, and solid waste.

Fund Financial Statements. The fund financial statements follow the government-wide financial statements, and are expanded under the GASB 34 reporting model. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Vero Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City categorizes funds into three basic fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide statements, governmental fund related statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

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

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

The City maintains twelve 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.

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 for internal service funds are included as governmental activities, not business-type activities, in the government-wide financial statements.

The City's Enterprise funds are the basis for the business-type activities information in the government-wide financial statements. The proprietary fund statements provide more detail about individual Enterprise fund operations. The City of Vero Beach uses enterprise funds to account for its Electric, Water and Sewer, Airport, Marina, and Solid Waste 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 Employee Retirement Plan, the Police Officers' Retirement Fund and the Firefighter's Relief and Pension Fund. The City also has an Other Post Employment Benefits (OPEB) trust fund, for the provision of retiree health insurance premium subsidies. The basic fiduciary fund financial statements can be found after the basic proprietary fund 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 changes in net position and employer contributions for the City's employee pension funds and Other Post Employment Benefits (OPEB) fund, and a schedule of investment returns for all fiduciary funds.

The 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 auditor.

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 \$188.0 million. Further, the City has positive balances in all categories of net position-net investment in capital assets, restricted and unrestricted.

The City's combined net position decreased by \$21.0 million from the amounts previously reported at the end of fiscal year 2018. Governmental activities are responsible for an increase of \$46.8 million, while the business-type activities are responsible for a decrease of \$67.8 million. The primary reason for both the governmental activities increase and the business-type activities decrease is the sale of the City's Electric utility system to Florida Power & Light (FPL) on December 17, 2018. Business-type net assets no longer include any assets or liabilities associated with the electric utility, as that business-type fund ceased operations and has been closed out as of September 30, 2019. All electric transmission and distribution capital assets were sold to FPL. As part of the sale, outstanding electric utility bonds and capital lease-purchase debt was defeased. As of September 30, 2019 all residual cash, investments, assets and liabilities were transferred to the General Fund.

The following schedule provides a comparative summary of net position for the City for fiscal years 2019 and 2018. 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	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 79,936,017	\$ 18,431,680	\$ 34,352,275	\$ 81,829,556	\$ 114,288,292	\$ 100,261,236
Capital assets, net	38,131,860	48,638,554	112,783,863	187,962,414	150,915,723	236,600,968
Total assets	118,067,877	67,070,234	147,136,138	269,791,970	265,204,015	336,862,204
Deferred Outflows of Resources						
Deferred Outflows-Pensions	1,448,597	773,288	604,885	219,410	2,053,482	992,698
Deferred Outflows-OPEB	637,782	-	188,492	-	826,274	-
Total deferred outflows	2,086,379	773,288	793,377	219,410	2,879,756	992,698
Liabilities						
Long-term liabilities	45,848,736	39,967,652	25,093,202	67,353,108	70,941,938	107,320,760
Other liabilities	1,648,729	1,455,632	3,294,926	14,318,980	4,943,655	15,774,612
Total liabilities	47,497,465	41,423,284	28,388,128	81,672,088	75,885,593	123,095,372
Deferred Inflows of Resources						
Deferred Inflows-Pensions	1,804,580	3,427,378	1,010,620	2,307,154	2,815,200	5,734,532
Deferred Inflows-OPEB	1,058,358	1,459	312,717	1,566	1,371,075	3,025
Total deferred inflows	2,862,938	3,428,837	1,323,337	2,308,720	4,186,275	5,737,557
Net Position						
Net investment in capital assets	35,627,735	41,230,126	101,288,693	152,332,030	136,916,428	193,562,156
Restricted	8,170,538	4,118,073	-	2,000,000	8,170,538	6,118,073
Unrestricted	25,995,580	(22,356,798)	16,929,357	31,698,542	42,924,937	9,341,744
Total net position	\$ 69,793,853	\$ 22,991,401	\$ 118,218,050	\$ 186,030,572	\$ 188,011,903	\$ 209,021,973

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 the funds 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, 2019 and 2018. For more detailed information see the Statement of Activities in the Financial Section of this report.

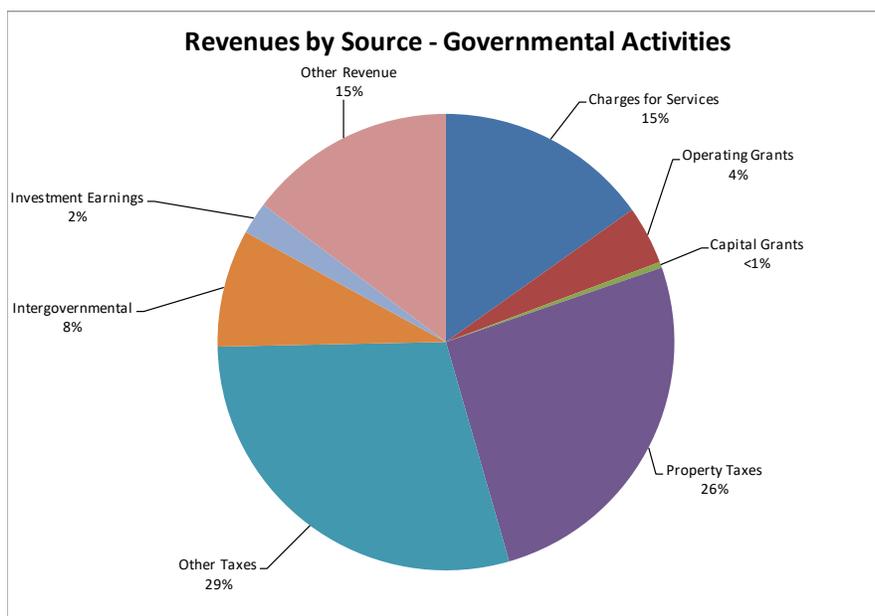
	Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 4,074,306	\$ 4,613,553	\$ 44,492,134	\$ 116,350,292	\$ 48,566,440	\$ 120,963,845
Operating grants	1,111,910	79,794	99,840	2,128,768	1,211,750	2,208,562
Capital grants	109,670	347,023	5,946,756	2,561,161	6,056,426	2,908,184
General Revenues						
Property Taxes	6,940,767	6,504,063	-	-	6,940,767	6,504,063
Other Taxes	7,835,291	6,320,711	-	-	7,835,291	6,320,711
Intergovernmental	2,238,673	2,184,765			2,238,673	2,184,765
Investment earnings	619,781	59,253	3,057,391	121,409	3,677,172	180,662
Other revenue (expense)	3,956,831	441,187	466,126	719,471	4,422,957	1,160,658
Total revenues	26,887,229	20,550,349	54,062,247	121,881,101	80,949,476	142,431,450
Expenses:						
General Government	20,276,511	10,777,489	-	-	20,276,511	10,777,489
Public Safety	9,316,420	8,257,722	-	-	9,316,420	8,257,722
Physical Environment	275,397	225,226	-	-	275,397	225,226
Transportation	3,045,625	2,525,844	-	-	3,045,625	2,525,844
Culture and Recreation	4,719,915	4,681,936	-	-	4,719,915	4,681,936
Interest on long-term debt	483,390	263,554	-	-	483,390	263,554
Electric System	-	-	19,332,640	81,136,691	19,332,640	81,136,691
Water and Sewer System	-	-	15,622,061	14,437,913	15,622,061	14,437,913
Municipal Airport	-	-	4,340,883	3,905,791	4,340,883	3,905,791
Municipal Marina	-	-	1,796,148	1,441,555	1,796,148	1,441,555
Solid Waste	-	-	2,759,977	2,615,601	2,759,977	2,615,601
Total expenses	38,117,258	26,731,771	43,851,709	103,537,551	81,968,967	130,269,322
Special Item - sale of electric utility	-	-	(19,990,579)	-	(19,990,579)	-
Change in net position before transfers	(11,230,029)	(6,181,422)	(9,780,041)	18,343,550	(21,010,070)	12,162,128
Transfers	58,032,481	6,353,386	(58,032,481)	(6,353,386)	-	-
Change in net position	46,802,452	171,964	(67,812,522)	11,990,164	(21,010,070)	12,162,128
Net position - beginning	22,991,401	22,819,437	186,030,572	174,040,408	209,021,973	196,859,845
Net position - ending	\$ 69,793,853	\$ 22,991,401	\$ 118,218,050	\$ 186,030,572	\$ 188,011,903	\$ 209,021,973

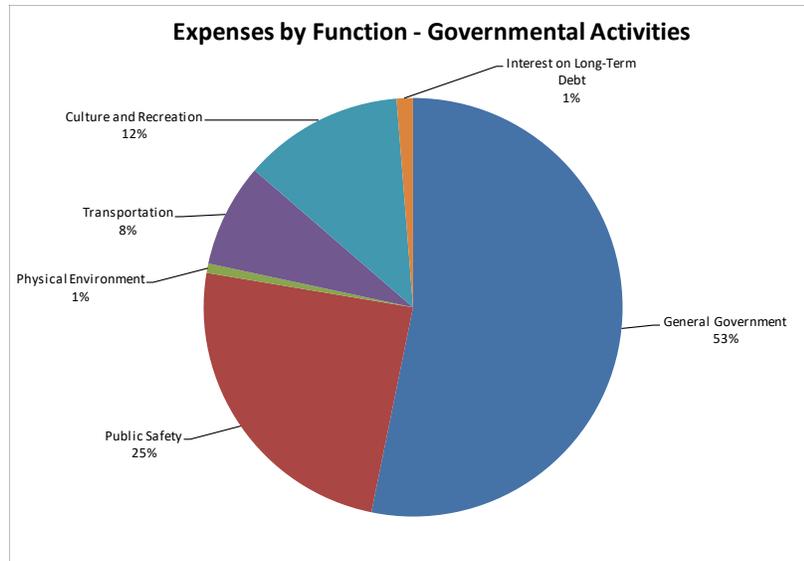
Governmental Activities. Net position of the City’s governmental-type activities increased by \$46.8 million from the amounts previously reported at the end of fiscal year 2018. The primary reason for this increase was the transfer in of all residual cash, investments, and other assets from the electric utility fund as a result of the sale of the utility to FPL and the closing of the Electric System fund as of September 30, 2019.

Property tax revenues increased by \$0.4 million over the amount collected in 2018, as the City adopted the same millage rate as the prior year but experienced a 6.6% rise in taxable property values. The City also had an increase of \$1.5 million in other taxes, since the sale of the electric utility to FPL resulted in a franchise fee revenue of \$1.2 million as a new revenue source to the general government. In addition, the City has an increase of \$0.6 million in investment earnings due to a substantial increase in the earnings rate for the City’s pooled cash investments. Finally, the City had an increase of \$3.5 million due to cash proceeds from the sale of surplus property. The remainder of the City’s major revenue sources, including sales tax and intergovernmental sources, remained relatively stable from 2018 to 2019.

Total governmental activities expenses increased by \$11.4 million or 43%. This is due almost entirely to a loss of \$11.0 million on the sale of real property belonging to the general government. Aside from this loss, the increase in expenses was only \$0.4 million or 1.4% as normal operating costs rose slightly due to salary and benefit cost increases from the prior year.

The following graphs provide an analysis of the City’s revenue sources for governmental activities by type, and its governmental activities expenses by function.

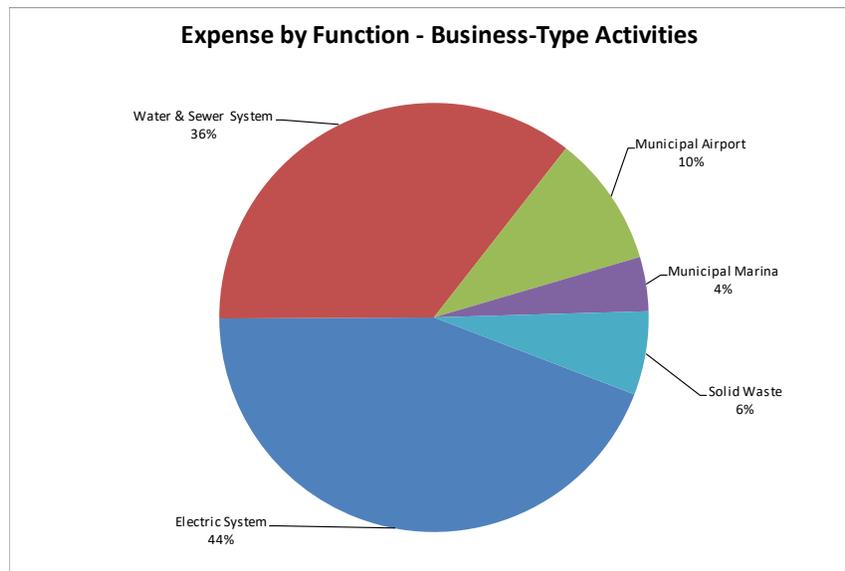




Business-type Activities: Net position of the City’s business-type activities showed a decrease of \$67.8 million from the amounts previously reported at the end of fiscal year 2018. This change is attributable to the sale of the City’s electric utility to FPL and the subsequent close out of the Electric System business-type fund. Net investment in capital assets decreased as the Electric System assets were either sold to FPL or transferred to other funds. The decrease in net position of \$77.3 million dollars from the close out of the Electric System fund was offset by an increase of \$2.0 million in the Water and Sewer System fund due to increased investment earnings and capital contributions and an increase of \$4.5 million in the Airport fund due to increased investment in capital assets. In addition, the net position of the Marina improved by \$3.0 million dollars as a result of paying off the Series 2007A Capital Improvement Loan in February 2019.

Total revenues for the business-type activities decreased by \$67.8 million. This was primarily due to a decrease of \$72.5 million in Electric System revenue, as the electric utility was in operation for only 3 months of the year prior to the sale to FPL. This was offset by increases in capital and operating grants.

Total expenses for the business-type activities decreased by \$60.0 million. Again, this was primarily attributable to the decrease of \$61.2 million in operating expenses for the electric utility due to the sale in December 2018. Total operating expenses for the remaining business-type activities remained relatively level. The following graph provides an analysis of the City’s business-type activity expenses by function.



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 2019, the City's governmental funds reported combined ending fund balances of \$73.6 million, an increase of \$59.2 million from the prior year. This is primarily due to the transfer in of \$54.0 million in residual assets from the Electric System fund, as the electric utility was sold to FPL and closed out as of September 30, 2019. The City Council adopted a revised General Fund fund balance policy in September 2019 under Resolution 2019-21 in order to increase its committed reserves from the increased fund balance attributable to the electric sale. The Unfunded Pension Liability Reserve is set aside for annual payments of the General Fund's portion of the actuarially determined contribution for the General Employee Retirement Plan. The Other Post Employment Benefits (OPEB) reserve is to be used annually for payment of the City's OPEB obligations for former electric utility employees. The Capital and Infrastructure Reserve is available for capital projects and infrastructure upgrades as appropriated by City Council in future budgets. The emergency (disaster) reserves were increased to \$5,000,000 with a portion of that being used in the current fiscal year for unreimbursed hurricane expenditures.

Total governmental revenue of \$22.2 million increased \$1.5 million from the previous year, primarily because of a \$2.0 million increase in tax revenue due to a new electric utility franchise fee which generated \$1.2 million dollars, a \$0.4 million increase in property taxes, a \$0.5 million increase in investment earnings (as a result of improved rates of return on investments) and other minor increases. This was offset by a decrease of \$0.6 million in charges for services as administrative charges to the electric utility decreased based on a partial year of operation. Total governmental expenditures showed an increase of \$3.4 million. This is primarily attributable to the February 2019 payoff of debt which increased debt service by \$4.5 million combined with a \$1.3 million decrease in capital expenditures.

The governmental fund balance of \$73.6 million is available for spending, subject to regulatory, statutory, and budgetary restrictions. Of the available balance, \$15.6 million, or 21%, is unassigned; the remainder of fund balance is non-spendable, restricted or committed and is not available for new spending because the funds have already been designated by law or covenant as follows:

Nonspendable:	
Inventory	\$ 44,251
Prepaid items	125,105
Restricted	
Public Safety	45,780
Culture & Recreation	890,760
Physical Environment	7,233,998
Committed	
Physical Environment	81,302
Unfunded Pension Liability Reserve	14,400,000
Other Post Employment Benefits (OPEB) Reserve	9,450,000
Capital and Infrastructure Reserve	21,000,000
Emergency (Disaster) Reserve	4,779,885
Total Nonspendable, Restricted, Committed	\$ 58,051,081

The General Fund is the City's major governmental fund. As of September 30, 2019, its fund balance was \$65.4 million, with \$15.6 million of that unassigned. This represents a \$55.1 million increase from the prior year's total fund balance, with \$7.5 million of that total as an increase in the unassigned amount.

General fund revenue for 2019 totaled \$17.8 million in the original budget and \$19.0 million in the final budget, with actual revenue received of \$19.1 million. These higher than anticipated revenues were primarily utility taxes and investment earnings. General fund expenditures were under the final budget by \$470,000, but higher than the original budget by \$123,000 due primarily to hurricane expenditures. With additional hurricane related grant proceeds received as well, and with the unbudgeted \$54.0 million residual transfer in from the electric utility close, the fiscal year 2019 ended with a net increase in fund balance of \$55.1 million.

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 \$16.9 million. Of this amount the Water & Sewer System has \$13.8 million and the Airport has \$5.0 million. There was a decrease in the total net position of the enterprise funds of \$67.8 million in the current year. This is due primarily to a decrease in the Electric utility net position of \$77.3 million, as a result of the sale of the electric utility to FPL and the closeout of this fund.

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 \$0.9 million, which is a decrease of \$0.3 million from the prior year, attributed primarily to the return of excess health insurance funds generated by prior year's premiums to various City funds.

General Fund Budgetary Highlights

Both the original and final budgets are estimates based on the best information available to management prior to year-end. By comparison to the original adopted budget, the actual revenues were \$1.3 million, or 7.4%, higher, and the actual expenditures were \$132 thousand, or 0.6%, higher. The actual net increase to the General Fund fund balance was \$54.6 million more than was projected in the final budget. This was a combination of revenues that were \$157 thousand higher than the final budget, expenditures that were \$470 thousand lower than the final budget and transfers in that were \$54.0 million higher than the final budget (as the residual transfer due to the sale of the electric utility was not included in the final budget).

Original & Final Budget Comparison General Fund

	Original	Final	Change
REVENUES			
Taxes	\$ 12,070,940	\$ 12,671,944	\$ 601,004
Licenses and permits	149,500	184,982	35,482
Intergovernmental	1,808,551	1,812,268	3,717
Grants	-	24,292	24,292
Charges for services	3,004,850	2,973,203	(31,647)
Fines and forfeitures	159,000	300,167	141,167
Investment earnings	80,000	411,366	331,366
Rental	389,944	325,097	(64,847)
Contributions from private sources	33,000	92,995	59,995
Miscellaneous	104,500	159,983	55,483
Total Revenues	<u>\$ 17,800,285</u>	<u>\$ 18,956,297</u>	<u>\$ 1,156,012</u>
EXPENDITURES			
Current:			
General government	\$ 5,981,649	\$ 5,837,070	\$ (144,579)
Public safety	8,212,591	8,371,972	159,381
Transportation	2,532,589	2,343,060	(189,529)
Culture/Recreation	4,473,401	4,498,023	24,622
Non-departmental	2,521,344	3,273,444	752,100
Total Expenditures	<u>\$ 23,721,574</u>	<u>\$ 24,323,569</u>	<u>\$ 601,995</u>

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

- Taxes: Estimated tax collections were revised upward for increased collections in utility taxes.
- Investment earnings: Estimated interest earnings on City investments were increased based on year to date performance.
- General Government and Transportation Expenditures: The final budgeted expenditures for salaries and health insurance costs were lower than originally anticipated due to turnover and vacancies across multiple departments. In addition, pension costs were lower due to pension plan performance.
- Public Safety: The final budget was increased to cover additional capital costs for portable radios and elevator repairs not completed in the prior year.
- Non-departmental Expenditures: The final budgeted expenditures were increased due to unanticipated costs for hurricane preparation and recovery, increased insurance premiums and professional services costs.

Capital Assets and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of September 30, 2019 are \$150.9 million (net of accumulated depreciation).

	Capital Assets (Net of Depreciation) (in 000s)					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 5,009	\$ 14,431	\$ 6,364	\$ 8,724	\$ 11,372	\$ 23,154
Intangible assets	825	825	-	-	825	825
Buildings	6,699	7,028	17,586	20,960	24,285	27,988
Improvements other than buildings	5,144	5,184	84,144	148,291	89,288	153,475
Machinery and equipment	4,117	4,041	2,628	4,928	6,745	8,969
Infrastructure	16,160	16,856	-	-	16,160	16,856
Construction in progress	179	274	2,062	5,059	2,241	5,333
Total capital assets, net	\$ 38,132	\$ 48,639	\$ 112,784	\$ 187,962	\$ 150,916	\$ 236,601

Capital assets include land, buildings, improvements other than buildings, intangible assets, infrastructure, machinery and equipment, and construction in progress and the change in each category are shown in the table above. Assets other than land and construction in progress are depreciable for the current year.

There was a decrease in net capital assets in government activities of \$10.5 million, due primarily to the sale of City owned land. The net capital assets of the business-type assets decreased by \$75.2 million due to the sale of the electric utility to Florida Power and Light. Additional information on the City's capital assets can be found in Note 7 of this report.

Long-Term Debt. At the end of the fiscal year, the City of Vero Beach had total long-term debt outstanding of \$20.1 million. Of this amount, \$10.9 million was in notes and bonds secured solely by specified revenue sources and \$2.6 million was debt backed by the full faith and credit of the government. In addition, the City has a liability for approximately \$1.3 million in legacy claims payable and \$5.3 million in compensated absences. For more information on the changes in long-term debt see Note 8.

In addition to long-term debt, the City has long term liabilities of \$20.3 million in net pension liability associated with various employee pension plans (see Note 13 in the Notes to Financial Statements) and \$30.2 million in net Other Post Employment Benefits (OPEB) liability (see Note 14).

Summary of Outstanding Long-Term Debt (in 000s)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue Bonds and Notes	\$ 1,190	\$ 5,802	\$ 10,859	\$ 34,921	\$ 12,049	\$ 40,723
Capital Lease-Purchases	1,314	1,593	148	707	1,462	2,300
Claims Payable	1,336	1,416	-	-	1,336	1,416
Compensated Absences	3,500	3,480	1,774	2,579	5,274	6,059
Total Long-Term Debt	\$ 7,340	\$ 12,291	\$ 12,781	\$ 38,207	\$ 20,121	\$ 50,498

Economic Factors and Next Year's Budgets 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. In the case of business-type activities these fees are designed to cover expenses. For some governmental activities, such as recreation, these fees do not provide for full cost recovery and these activities are subsidized by general revenues. Fees for all services are examined and adjusted as needed.

The adopted Citywide budget for fiscal year 2020 is \$67.2 million. This budget shows a net decrease of 2 Citywide staff positions, as the City continues its goal of lowering staffing costs as a result of the electric sale. Total budgeted salaries increased by \$172,000 as a result of a City-wide salary increase 3% which offset the staffing cuts.

Ad valorem tax revenues are projected to increase by 6.3% as a result of the adoption of a millage rate of 2.5000 (which was 3.87% greater than the rolled-back millage rate of 2.4069 mills) combined with a 6.6% increase in taxable property values. This was slightly lower than the prior year's millage rate of 2.5194. The increased tax revenue (combined with other expenditure reductions and revenue increases) was used primarily to offset the loss of revenues from the sale of the electric utility and to fund increased personnel and insurance costs. State shared revenues for gas tax and State sales tax sharing, as well as the local communications service tax revenue were all projected to increase slightly in the coming year (a total of 1.2% for all sources combined).

The adopted budget for FY 19-20 reflects the City Council's continued commitment to public safety, recreation and quality municipal services for its residents and visitors, as well as long-term financial stability.

Requests for Information

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

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

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

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BASIC FINANCIAL STATEMENTS

CITY OF VERO BEACH, FLORIDA
STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business- type Activities	Total Primary Government
Assets			
Equity in pooled cash and investments	\$ 74,747,318	\$ 25,248,795	\$ 99,996,113
Cash with fiscal agent	304,446	-	304,446
Receivables, net	3,067,549	6,639,519	9,707,068
Inventories	125,105	679,636	804,741
Prepaid costs	89,251	-	89,251
Assets held for resale	1,602,348	-	1,602,348
Restricted assets:			
Equity in pooled cash and investments	-	1,784,325	1,784,325
Capital assets:			
Land and intangible assets	5,833,627	6,363,514	12,197,141
Construction in progress	178,697	2,062,358	2,241,055
Capital assets not being depreciated	<u>6,012,324</u>	<u>8,425,872</u>	<u>14,438,196</u>
Capital assets being depreciated	94,291,580	218,595,023	312,886,603
Accumulated depreciation	<u>(62,172,044)</u>	<u>(114,237,032)</u>	<u>(176,409,076)</u>
Capital assets being depreciated, net	<u>32,119,536</u>	<u>104,357,991</u>	<u>136,477,527</u>
Total capital assets	<u>38,131,860</u>	<u>112,783,863</u>	<u>150,915,723</u>
Total assets	<u>118,067,877</u>	<u>147,136,138</u>	<u>265,204,015</u>
Deferred outflows of resources			
Deferred outflows related to pensions	1,448,597	604,885	2,053,482
Deferred outflows related to OPEB	637,782	188,492	826,274
Total deferred outflows	<u>2,086,379</u>	<u>793,377</u>	<u>2,879,756</u>
Liabilities			
Accounts payable and accrued liabilities	1,648,729	2,349,044	3,997,773
Deposits	-	945,882	945,882
Long-term liabilities:			
Due within one year	1,243,499	1,835,440	3,078,939
Due in more than one year:			
Miscellaneous liabilities	6,096,720	10,945,149	17,041,869
Unearned revenue	-	243,089	243,089
Net pension liability	14,605,098	5,728,947	20,334,045
Net other postemployment benefits liability	23,903,419	6,340,577	30,243,996
Total liabilities	<u>47,497,465</u>	<u>28,388,128</u>	<u>75,885,593</u>
Deferred inflows of resources			
Deferred inflows related to pensions	1,804,580	1,010,620	2,815,200
Deferred inflows related to OPEB	1,058,358	312,717	1,371,075
Total deferred inflows	<u>2,862,938</u>	<u>1,323,337</u>	<u>4,186,275</u>
Net position			
Net investment in capital assets	35,627,735	101,288,693	136,916,428
Restricted for:			
Capital projects	5,717,389	-	5,717,389
Land purchases	1,420,517	-	1,420,517
Culture and recreation	890,760	-	890,760
Cemetery care	96,092	-	96,092
Law enforcement	45,780	-	45,780
Unrestricted	<u>25,995,580</u>	<u>16,929,357</u>	<u>42,924,937</u>
Total net position	<u>\$ 69,793,853</u>	<u>\$ 118,218,050</u>	<u>\$ 188,011,903</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 20,276,511	\$ 2,806,806	\$ 1,106,760	\$ 67,606	\$ (16,295,339)	\$ -	\$ (16,295,339)
Public safety	9,316,420	481,695	5,150	42,189	(8,787,386)	-	(8,787,386)
Physical environment	275,397	192,322	-	-	(83,075)	-	(83,075)
Transportation	3,045,625	-	-	-	(3,045,625)	-	(3,045,625)
Culture/recreation	4,719,915	593,483	-	(125)	(4,126,557)	-	(4,126,557)
Interest and fiscal charges	483,390	-	-	-	(483,390)	-	(483,390)
Total governmental activities	<u>38,117,258</u>	<u>4,074,306</u>	<u>1,111,910</u>	<u>109,670</u>	<u>(32,821,372)</u>	<u>-</u>	<u>(32,821,372)</u>
Business-type activities:							
Electric System	19,332,640	19,789,486	1,930	10,470	-	469,246	469,246
Water and sewer system	15,622,061	16,709,377	91,881	902,817	-	2,082,014	2,082,014
Municipal airport	4,340,883	3,410,340	4,702	5,033,469	-	4,107,628	4,107,628
Municipal marina	1,796,148	1,754,644	92	-	-	(41,412)	(41,412)
Solid waste	2,759,977	2,828,287	1,235	-	-	69,545	69,545
Total business-type activities	<u>43,851,709</u>	<u>44,492,134</u>	<u>99,840</u>	<u>5,946,756</u>	<u>-</u>	<u>6,687,021</u>	<u>6,687,021</u>
Total	<u>\$ 81,968,967</u>	<u>\$ 48,566,440</u>	<u>\$ 1,211,750</u>	<u>\$ 6,056,426</u>	<u>(32,821,372)</u>	<u>6,687,021</u>	<u>(26,134,351)</u>
General revenues:							
Property taxes					6,940,767	-	6,940,767
Sales and gas taxes					2,838,430	-	2,838,430
Utility taxes					4,996,861	-	4,996,861
Intergovernmental revenue					2,238,673	-	2,238,673
Investment earnings					619,781	3,057,391	3,677,172
Other revenue					3,956,831	466,126	4,422,957
Special item - sale of electric utility					-	(19,990,579)	(19,990,579)
Transfers - internal activities					58,032,481	(58,032,481)	-
Total general revenues and transfers					<u>79,623,824</u>	<u>(74,499,543)</u>	<u>5,124,281</u>
Change in net position					<u>46,802,452</u>	<u>(67,812,522)</u>	<u>(21,010,070)</u>
Net position - beginning					22,991,401	186,030,572	209,021,973
Net position - ending					<u>\$ 69,793,853</u>	<u>\$ 118,218,050</u>	<u>\$ 188,011,903</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 64,594,716	\$ 7,993,323	\$ 72,588,039
Cash with fiscal agent	-	304,446	304,446
Receivables, net:			
Accounts	758,053	-	758,053
Special assessments	-	10,709	10,709
Interest	250,502	20,422	270,924
Due from other funds	-	103,936	103,936
Due from other governments	1,589,699	413,896	2,003,595
Prepaid items	44,251	-	44,251
Inventories	125,105	-	125,105
Total assets	\$ 67,362,326	\$ 8,846,732	\$ 76,209,058
Liabilities			
Accounts payable and contracts payable	\$ 402,128	\$ 524,195	\$ 926,323
Accrued liabilities	645,187	2,331	647,518
Evidence escrow	-	35,023	35,023
Due to other funds	-	103,936	103,936
Total liabilities	<u>1,047,315</u>	<u>665,485</u>	<u>1,712,800</u>
Deferred inflows of resources			
Unavailable revenue	871,615	10,709	882,324
Fund balances			
Nonspendable	169,356	-	169,356
Restricted	-	8,170,538	8,170,538
Committed	49,711,187	-	49,711,187
Unassigned	15,562,853	-	15,562,853
Total fund balances	<u>65,443,396</u>	<u>8,170,538</u>	<u>73,613,934</u>
Total liabilities, deferred inflows and fund balances	\$ 67,362,326	\$ 8,846,732	\$ 76,209,058

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

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

Ending fund balance - governmental funds	\$ 73,613,934
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Capital assets not being depreciated	6,012,324
Capital assets being depreciated, net	32,119,536
Assets held for resale	1,602,348
Some items are not recorded as revenues and expenditures in the governmental fund statement until available to pay liabilities of the current period. These items are recorded on the government-wide statements when revenues are earned.	
Deferred inflows for long-term special assessments receivable	10,709
Deferred inflows for FEMA reimbursements receivable	871,615
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	874,066
Net pension amounts are not considered to represent financial assets or liabilities and, therefore, are not presented in a governmental fund, but are reported as deferred outflows, deferred inflows and liabilities in the government-wide statement of net position.	
Net pension liability	(14,605,098)
Deferred outflows related to pensions	1,448,597
Deferred inflows related to pensions	(1,804,580)
Net OPEB amounts are not considered to represent financial assets or liabilities and, therefore, are not presented in a governmental fund, but are reported as deferred inflows and liabilities in the government-wide statement of net position.	
Net OPEB liability	(23,903,419)
Deferred outflows related to OPEB	637,782
Deferred inflows related to OPEB	(1,058,358)
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(2,504,125)
Accrued interest on long-term debt	(21,384)
Compensated absences	(3,500,094)
Total liabilities	<u>(6,025,603)</u>
Net position of governmental activities	<u>\$ 69,793,853</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 12,600,611	\$ 2,329,312	\$ 14,929,923
Licenses and permits	185,509	-	185,509
Intergovernmental	1,819,767	418,905	2,238,672
Grants	256,792	40,522	297,314
Charges for services	2,943,425	153,747	3,097,172
Fines and forfeitures	300,287	7,520	307,807
Investment earnings	413,873	118,865	532,738
Rentals	325,092	-	325,092
Contributions from private sources	103,376	-	103,376
Miscellaneous	164,991	-	164,991
Total revenues	<u>19,113,723</u>	<u>3,068,871</u>	<u>22,182,594</u>
Expenditures			
Current:			
General government	8,369,684	-	8,369,684
Public safety	8,188,130	424,180	8,612,310
Physical environment	-	206,813	206,813
Transportation	2,272,557	-	2,272,557
Culture and recreation	4,368,873	-	4,368,873
Debt service:			
Principal	-	5,370,430	5,370,430
Interest and fiscal charges	-	575,130	575,130
Capital outlay	654,039	1,840,674	2,494,713
Total expenditures	<u>23,853,283</u>	<u>8,417,227</u>	<u>32,270,510</u>
Deficiency of revenues under expenditures	<u>(4,739,560)</u>	<u>(5,348,356)</u>	<u>(10,087,916)</u>
Other financing sources (uses)			
Capital lease proceeds	-	480,073	480,073
Sale of assets	-	3,786,982	3,786,982
Proceeds from insurance	9,720	-	9,720
Transfer in - electric system residual	53,956,464	-	53,956,464
Transfers in	6,026,426	12,426,516	18,452,942
Transfers out	(119,112)	(7,292,750)	(7,411,862)
Total other financing sources (uses)	<u>59,873,498</u>	<u>9,400,821</u>	<u>69,274,319</u>
Net change in fund balances	55,133,938	4,052,465	59,186,403
Fund balance - beginning	<u>10,309,458</u>	<u>4,118,073</u>	<u>14,427,531</u>
Fund balance - ending	<u>\$ 65,443,396</u>	<u>\$ 8,170,538</u>	<u>\$ 73,613,934</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balances - total governmental funds \$ 59,186,403

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.

Purchases and donations of capital assets	3,315,773
Loss on disposal of capital assets	(10,990,648)
Depreciation expense	(2,831,819)
Assets held for resale	1,602,348

In the governmental funds, revenues cannot be recognized until they are available to pay liabilities of the current period. In the statement of activities, revenue is recognized as soon as it is earned regardless of its availability.

Change in deferred inflows for unavailable revenues	820,891
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Bond and capital lease purchase proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds and entering into capital lease purchases increases long-term liabilities in the statement of net position. Repayment of bond principal and capital lease purchases 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	5,370,430
Capital lease purchase proceeds	(480,073)

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 accrual for compensated absences	(19,976)
Change in net pension liability and related deferrals	573,857
Change in net OPEB liability and related deferrals	(9,526,333)
Change in accrued interest on bonds payable	91,741

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.

Change in net position of internal service funds	<u>(310,142)</u>
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Change in net position of governmental activities	<u><u>\$ 46,802,452</u></u>
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CITY OF VERO BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,070,940	\$ 12,671,944	\$ 12,600,611	\$ (71,333)
Licenses and permits	149,500	184,982	185,509	527
Intergovernmental	1,808,551	1,812,268	1,819,767	7,499
Grants	-	24,292	256,792	232,500
Charges for services	3,004,850	2,973,203	2,943,425	(29,778)
Fines and forfeitures	159,000	300,167	300,287	120
Investment earnings	80,000	411,366	413,873	2,507
Rentals	389,944	325,097	325,092	(5)
Contributions from private sources	33,000	92,995	103,376	10,381
Miscellaneous	104,500	159,983	164,991	5,008
Total revenues	17,800,285	18,956,297	19,113,723	157,426
Expenditures				
Current:				
General government	5,981,649	5,837,070	5,713,390	123,680
Public safety	8,212,591	8,371,972	8,346,369	25,603
Transportation	2,532,589	2,343,060	2,299,547	43,513
Culture/Recreation	4,473,401	4,498,023	4,440,399	57,624
Non-departmental	2,521,344	3,273,444	3,053,578	219,866
Total expenditures	23,721,574	24,323,569	23,853,283	470,286
Excess (deficiency) of revenues over (under) expenditures	(5,921,289)	(5,367,272)	(4,739,560)	627,712
Other financing sources (uses)				
Proceeds from insurance	-	9,720	9,720	-
Transfer in - electric system residual	-	-	53,956,464	53,956,464
Transfers in	6,014,488	6,026,426	6,026,426	-
Transfers out	(93,199)	(119,112)	(119,112)	-
Total other financing sources (uses)	5,921,289	5,917,034	59,873,498	53,956,464
Net change in fund balances	-	549,762	55,133,938	54,584,176
Fund balance - beginning	10,309,458	10,309,458	10,309,458	-
Fund balance - ending	\$ 10,309,458	\$ 10,859,220	\$ 65,443,396	\$ 54,584,176

CITY OF VERO BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Assets			
Current assets			
Equity in pooled cash and investments	\$ -	\$ 20,334,300	\$ 3,520,535
Receivables, net:			
Accounts	-	1,996,432	161,587
Special Assessments	-	156,609	-
Interest	-	53,454	14,097
Due from other governments	-	172,377	3,706,237
Inventories	-	660,864	-
Prepaid items	-	-	-
Restricted assets:			
Equity in pooled cash and investments	-	1,783,809	285
Total current assets	<u>-</u>	<u>25,157,845</u>	<u>7,402,741</u>
Capital assets:			
Land	-	184,989	1,722,672
Construction in progress	-	780,603	1,268,497
Capital assets not being depreciated	<u>-</u>	<u>965,592</u>	<u>2,991,169</u>
Capital assets being depreciated	-	140,162,970	73,314,095
Accumulated depreciation	-	(86,157,559)	(24,942,436)
Capital assets being depreciated, net	<u>-</u>	<u>54,005,411</u>	<u>48,371,659</u>
Total capital assets	<u>-</u>	<u>54,971,003</u>	<u>51,362,828</u>
Total assets	<u>-</u>	<u>80,128,848</u>	<u>58,765,569</u>
Deferred outflows of resources			
Deferred outflows related to pensions	-	412,169	61,091
Deferred outflows related to OPEB	-	129,966	8,959
Total deferred outflows of resources	<u>-</u>	<u>542,135</u>	<u>70,050</u>
Total assets and deferred outflows of resources	<u>\$ -</u>	<u>\$ 80,670,983</u>	<u>\$ 58,835,619</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			Governmental Activities
Municipal Marina	Solid Waste	Total	Internal Service Funds
\$ 277,651	\$ 1,116,309	\$ 25,248,795	\$ 2,159,279
37,670	336,372	2,532,061	-
-	-	156,609	-
-	2,649	70,200	24,268
800	1,235	3,880,649	-
18,772	-	679,636	-
-	-	-	45,000
-	231	1,784,325	-
<u>334,893</u>	<u>1,456,796</u>	<u>34,352,275</u>	<u>2,228,547</u>
4,455,853	-	6,363,514	-
13,258	-	2,062,358	-
<u>4,469,111</u>	<u>-</u>	<u>8,425,872</u>	<u>-</u>
2,401,289	2,716,669	218,595,023	8,047
(1,531,190)	(1,605,847)	(114,237,032)	(8,047)
<u>870,099</u>	<u>1,110,822</u>	<u>104,357,991</u>	<u>-</u>
<u>5,339,210</u>	<u>1,110,822</u>	<u>112,783,863</u>	<u>-</u>
<u>5,674,103</u>	<u>2,567,618</u>	<u>147,136,138</u>	<u>2,228,547</u>
16,129	115,496	604,885	-
2,969	46,598	188,492	-
<u>19,098</u>	<u>162,094</u>	<u>793,377</u>	<u>-</u>
<u>\$ 5,693,201</u>	<u>\$ 2,729,712</u>	<u>\$ 147,929,515</u>	<u>\$ 2,228,547</u>

Continued

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Liabilities			
Current liabilities:			
Accounts and contracts payable	\$ -	\$ 658,849	\$ 1,235,830
Accrued liabilities	-	198,932	28,988
Due to other governments	-	-	2,800
Claims payable	-	-	-
Customer deposits	-	-	184,031
Current portion of compensated absences	-	54,944	13,497
Revenue bonds and notes payable, not payable from restricted assets	-	700,207	17,257
Current portion of unearned revenue	-	-	10,373
Payable from restricted assets:			
Accrued interest payable	-	53,882	285
Customer deposits	-	718,230	-
Revenue bonds and notes payable	-	1,011,697	-
Total current liabilities	-	3,396,741	1,493,061
Noncurrent liabilities, net of current portion:			
Compensated absences	-	1,043,945	256,439
Revenue bonds and notes payable	-	9,189,872	37,459
Claims payable	-	-	-
Unearned revenue	-	-	243,089
Net pension liability	-	3,902,812	579,214
Net other postemployment benefits liability	-	4,400,049	323,615
Total noncurrent liabilities	-	18,536,678	1,439,816
Total liabilities	-	21,933,419	2,932,877
Deferred inflows of resources			
Deferred inflows related to pensions	-	688,632	102,073
Deferred inflows related to OPEB	-	215,623	14,865
Total deferred inflows of resources	-	904,255	116,938
Net position			
Net investment in capital assets	-	44,069,227	50,819,437
Unrestricted (deficit)	-	13,764,082	4,966,367
Total net position	-	57,833,309	55,785,804
Total liabilities, deferred inflows and net position	\$ -	\$ 80,670,983	\$ 58,835,619

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			Governmental Activities
Municipal Marina	Solid Waste	Total	Internal Service Funds
\$ 89,599	\$ 8,286	\$ 1,992,564	\$ 18,481
9,641	51,348	288,909	-
-	-	2,800	-
-	-	-	400,800
43,621	-	227,652	-
328	19,935	88,704	-
-	17,575	735,039	-
-	-	10,373	-
-	231	54,398	-
-	-	718,230	-
-	-	1,011,697	-
<u>143,189</u>	<u>97,375</u>	<u>5,130,366</u>	<u>419,281</u>
6,236	378,770	1,685,390	-
-	32,428	9,259,759	-
-	-	-	935,200
-	-	243,089	-
153,184	1,093,737	5,728,947	-
108,793	1,508,120	6,340,577	-
<u>268,213</u>	<u>3,013,055</u>	<u>23,257,762</u>	<u>935,200</u>
<u>411,402</u>	<u>3,110,430</u>	<u>28,388,128</u>	<u>1,354,481</u>
26,951	192,964	1,010,620	-
4,926	77,303	312,717	-
<u>31,877</u>	<u>270,267</u>	<u>1,323,337</u>	<u>-</u>
5,339,210	1,060,819	101,288,693	-
(89,288)	(1,711,804)	16,929,357	874,066
<u>5,249,922</u>	<u>(650,985)</u>	<u>118,218,050</u>	<u>874,066</u>
<u>\$ 5,693,201</u>	<u>\$ 2,729,712</u>	<u>\$ 147,929,515</u>	<u>\$ 2,228,547</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Operating revenues			
Charges for services	\$ 19,789,486	\$ 16,709,377	\$ 3,410,340
Total operating revenue	<u>19,789,486</u>	<u>16,709,377</u>	<u>3,410,340</u>
Operating expenses			
Production	12,769,068	2,705,601	-
Transmission and distribution	1,984,097	3,417,446	-
Administrative and general	3,205,191	2,629,337	-
Pollution control	-	1,953,743	-
Customer service	-	821,615	-
Claims expense	-	-	-
Operating charges	-	-	2,260,488
Depreciation	1,116,882	3,423,337	2,078,622
Total operating expenses	<u>19,075,238</u>	<u>14,951,079</u>	<u>4,339,110</u>
Operating income (loss)	<u>714,248</u>	<u>1,758,298</u>	<u>(928,770)</u>
Nonoperating revenues (expenses)			
Investment earnings	2,281,612	592,432	152,846
Interest/amortization expense	(257,402)	(263,145)	(1,773)
Loss on disposal of capital assets	-	(407,837)	-
Federal and state grant reimbursements	1,930	91,881	4,702
Miscellaneous revenue	97,847	33,807	269,692
Total nonoperating revenues (expenses)	<u>2,123,987</u>	<u>47,138</u>	<u>425,467</u>
Income (loss) before special item, capital contributions and transfers	2,838,235	1,805,436	(503,303)
Special item - sale of electric utility	(19,990,579)	-	-
Capital contributions and transfers			
Capital grants and contributions	10,470	902,817	5,033,469
Transfers In	-	216,191	10,639
Transfers Out	(60,181,159)	(996,000)	-
Total capital contributions and transfers	<u>(60,170,689)</u>	<u>123,008</u>	<u>5,044,108</u>
Changes in net position	(77,323,033)	1,928,444	4,540,805
Total net position - beginning	<u>77,323,033</u>	<u>55,904,865</u>	<u>51,244,999</u>
Total net position - end of year	<u>\$ -</u>	<u>\$ 57,833,309</u>	<u>\$ 55,785,804</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			Governmental Activities
Municipal Marina	Solid Waste	Total	Internal Service Funds
\$ 1,754,644	\$ 2,828,287	\$ 44,492,134	\$ -
1,754,644	2,828,287	44,492,134	-
-	-	15,474,669	-
-	-	5,401,543	-
-	-	5,834,528	-
-	-	1,953,743	-
-	-	821,615	-
-	-	-	7,758
1,415,338	2,436,305	6,112,131	3,103
62,891	322,082	7,003,814	-
1,478,229	2,758,387	42,602,043	10,861
276,415	69,900	1,890,091	(10,861)
212	30,289	3,057,391	87,044
(317,919)	(1,590)	(841,829)	-
-	-	(407,837)	-
92	1,235	99,840	-
55,272	9,508	466,126	-
(262,343)	39,442	2,373,691	87,044
14,072	109,342	4,263,782	76,183
-	-	(19,990,579)	-
-	-	5,946,756	-
3,163,261	30,587	3,420,678	-
(103,000)	(173,000)	(61,453,159)	(386,325)
3,060,261	(142,413)	(52,085,725)	(386,325)
3,074,333	(33,071)	(67,812,522)	(310,142)
2,175,589	(617,914)	186,030,572	1,184,208
\$ 5,249,922	\$ (650,985)	\$ 118,218,050	\$ 874,066

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Operating activities			
Receipts from customers and users	\$ 29,347,150	\$ 18,026,187	\$ 3,590,639
Cash received from vendors for program expenses	-	-	-
Payment to vendors	(22,355,104)	(5,835,193)	(1,243,916)
Payments for personnel services	(11,233,329)	(6,057,526)	(962,088)
Benefit payments	-	-	-
Net cash provided by (used in) operating activities	<u>(4,241,283)</u>	<u>6,133,468</u>	<u>1,384,635</u>
Noncapital financing activities			
Transfers in	-	735,129	10,639
Transfers out	(13,677,616)	(996,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(13,677,616)</u>	<u>(260,871)</u>	<u>10,639</u>
Capital and related financing activities			
Grant reimbursements	12,349	91,881	-
Purchase of capital assets	(302,386)	(1,832,959)	(4,655,213)
Proceeds from sale of capital assets	24,329,111	(447)	-
Capital contributions	10,470	817,936	1,604,016
Principal paid on bonds, notes and capital leases	(20,249,189)	(1,607,671)	16,374
Interest and agent fees paid on long-term financing	(570,112)	(271,696)	(1,633)
Net cash (used in) capital and related financing activities	<u>3,230,243</u>	<u>(2,802,956)</u>	<u>(3,036,456)</u>
Investing activities			
Purchases of pooled investments	(60,974,763)	(27,450,390)	(5,112,539)
Proceeds from sale and maturity of pooled investments	67,921,763	24,373,647	5,538,055
Interest received	2,192,471	575,366	148,229
Net cash provided by (used in) investing activities	<u>9,139,471</u>	<u>(2,501,377)</u>	<u>573,745</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,549,185)</u>	<u>568,264</u>	<u>(1,067,437)</u>
Cash and cash equivalents			
Beginning of year	<u>5,549,185</u>	<u>4,435,125</u>	<u>1,391,386</u>
End of year	<u>\$ -</u>	<u>\$ 5,003,389</u>	<u>\$ 323,949</u>
Cash and cash equivalents classified as:			
Equity in pooled cash and investments	\$ -	\$ 20,334,300	\$ 3,520,535
Restricted assets:			
Current:			
Equity in pooled cash and investments	-	1,783,809	285
Noncurrent:			
Equity in pooled cash and investments	-	-	-
Less: investments not meeting definition of cash equivalents	-	(17,114,720)	(3,196,871)
	<u>\$ -</u>	<u>\$ 5,003,389</u>	<u>\$ 323,949</u>

Business-type Activities - Enterprise Funds			Governmental Activities
Municipal Marina	Solid Waste	Total	Internal Service Funds
\$ 1,805,417	\$ 2,854,398	\$ 55,623,791	\$ -
-	-	-	240
(1,144,960)	(906,167)	(31,485,340)	2,706
(405,356)	(1,599,592)	(20,257,891)	-
-	-	-	(87,758)
<u>255,101</u>	<u>348,639</u>	<u>3,880,560</u>	<u>(84,812)</u>
3,163,261	30,587	3,939,616	-
(103,000)	(173,000)	(14,949,616)	(386,325)
<u>3,060,261</u>	<u>(142,413)</u>	<u>(11,010,000)</u>	<u>(386,325)</u>
-	-	104,230	-
(165,716)	(239,576)	(7,195,850)	-
-	-	24,328,664	-
-	-	2,432,422	-
(2,786,250)	5,534	(24,621,202)	-
(373,783)	(1,510)	(1,218,734)	-
<u>(3,325,749)</u>	<u>(235,552)</u>	<u>(6,170,470)</u>	<u>-</u>
(13,833)	(1,122,717)	(93,537,692)	(3,426,993)
13,825	1,092,959	97,833,465	3,523,879
212	29,377	2,916,066	84,803
<u>204</u>	<u>(381)</u>	<u>7,211,839</u>	<u>181,689</u>
<u>(10,183)</u>	<u>(29,707)</u>	<u>(6,088,248)</u>	<u>(289,448)</u>
287,485	366,095	12,029,276	702,145
<u>\$ 277,302</u>	<u>\$ 336,388</u>	<u>\$ 5,941,028</u>	<u>\$ 412,697</u>
\$ 277,651	\$ 1,116,309	\$ 25,248,795	\$ 2,159,279
-	231	1,784,325	-
-	-	-	-
(349)	(780,152)	(21,092,092)	(1,746,582)
<u>\$ 277,302</u>	<u>\$ 336,388</u>	<u>\$ 5,941,028</u>	<u>\$ 412,697</u>

Continued

CITY OF VERO BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 714,248	\$ 1,758,298	\$ (928,770)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,116,882	3,423,337	2,078,622
Miscellaneous revenue	97,847	33,807	269,692
Change in assets, liabilities and deferred outflows:			
Accounts receivable	13,071,792	572,581	(97,566)
Special assessments receivable	-	(7,808)	-
Due from other funds	-	120,065	-
Inventories	-	(264,933)	-
Prepaid items	7,273	-	-
Deferred outflows related to pensions	123,500	(346,830)	(51,395)
Accounts and contracts payable	(502,715)	(98,570)	87,856
Accrued liabilities	6,182,977	46,191	4,549
Due to other funds	-	-	-
Accrued compensated absences	(877,479)	131,883	7,847
Unearned revenue	-	-	(10,373)
Claims payable	-	-	-
Net pension liability	(7,321,168)	29,391	4,394
Net other postemployment benefits liability	(9,446,547)	16,258	1,121
Deferred inflows related to pensions	(1,298,621)	1,568	112
Customer deposits	(6,109,272)	718,230	18,546
Total adjustments	<u>(4,955,531)</u>	<u>4,375,170</u>	<u>2,313,405</u>
Net cash provided by (used in) operating activities	<u>\$ (4,241,283)</u>	<u>\$ 6,133,468</u>	<u>\$ 1,384,635</u>
Noncash Capital and Related Financing Activities			
Capital lease addition	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,721</u>

Business-type Activities - Enterprise Funds			Governmental Activities
Municipal Marina	Solid Waste	Total	Internal Service Funds
\$ 276,415	\$ 69,900	\$ 1,890,091	\$ (10,861)
62,891	322,082	7,003,814	-
55,272	9,508	466,126	-
6,656	16,603	13,570,066	240
-	-	(7,808)	-
-	-	120,065	-
14,222	-	(250,711)	-
-	-	7,273	-
(13,566)	(97,184)	(385,475)	-
45,571	2,716	(465,142)	5,809
(705)	15,544	6,248,556	-
(120,065)	-	(120,065)	-
(61,966)	(5,021)	(804,736)	-
-	-	(10,373)	-
-	-	-	(80,000)
1,173	8,241	(7,277,969)	-
371	5,830	(9,422,967)	-
(13)	420	(1,296,534)	-
(11,155)	-	(5,383,651)	-
<u>(21,314)</u>	<u>278,739</u>	<u>1,990,469</u>	<u>(73,951)</u>
<u>\$ 255,101</u>	<u>\$ 348,639</u>	<u>\$ 3,880,560</u>	<u>\$ (84,812)</u>
<u>\$ -</u>	<u>\$ 23,010</u>	<u>\$ 56,731</u>	<u>\$ -</u>

CITY OF VERO BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

SEPTEMBER 30, 2019

	Pension and Other Postemployment Benefits Trust Funds
Assets	
Interest receivable	\$ 99,887
Other receivables	27,350
Prepaid expenses	1,500
Investments	
Money market mutual funds	1,473,795
Mutual fund investments	102,827,995
Corporate stocks	28,029,333
Corporate bonds	7,370,426
Treasury and agency bonds and notes	4,602,700
Real estate	780,601
Mortgage/asset backed securities	5,392,362
Municipal bonds and notes	134,447
Total investments	<u>150,611,659</u>
Total assets	<u>150,740,396</u>
Liabilities	
Prepaid contributions	38,886
Refunds payable	17,716
Expenses payable	<u>58,104</u>
Total liabilities	<u>114,706</u>
Net position	
Restricted for pension and OPEB benefits	<u>\$ 150,625,690</u>

The notes to the financial statements are an integral part of this statement.

CITY OF VERO BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	Pension and Other Postemployment Benefits Trust Funds
Additions	
Contributions:	
Employer	\$ 15,006,809
Plan members	212,777
State (passed through the Police & Firefighter's Premium Tax Trust Fund)	418,905
	<hr/>
Total contributions	15,638,491
	<hr/>
Investment income:	
Interest and dividends	3,610,264
Net appreciation in fair value of investments	3,170,027
Total investments income	6,780,291
	<hr/>
Investment expense	(788,439)
	<hr/>
Net investment income	5,991,852
	<hr/>
Total additions	21,630,343
	<hr/>
Deductions	
Benefit payments	11,567,189
DROP plan benefits	575,789
Refunds of contributions	53,182
Administrative expenses	238,408
	<hr/>
Total deductions	12,434,568
	<hr/>
Change in net position	9,195,775
	<hr/>
Net position restricted for pension and OPEB benefits - beginning of year	141,429,915
	<hr/>
Net position restricted for pension and OPEB benefits - end of year	\$ 150,625,690
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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. Generally Accepted Accounting Principles ("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 (GASB) Statement No. 61, *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.

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 City recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are presented as unearned revenue by the City.

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 revenues are considered measurable and available only when cash is received by the City. Property taxes, utility taxes, communications taxes, sales taxes, fuel taxes, grant revenue, interest revenue, charges for services, and certain intergovernmental 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, 2018. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Exceptions to this general rule are principal and interest on general long-term obligations, as well as expenditures related to compensated absences and claims and judgements, 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 fund:

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

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. The City's electric utility was sold to Florida Power and Light (FPL) on December 17, 2018 and the financial statements for the year ended September 30, 2019 represent the results of the partial year of operation and the closure of the enterprise fund as a result of the sale and asset transfer.

The *Water & Sewer System Fund* accounts for the activities of the government's water & 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.

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 and Other Post Employment Benefits (OPEB) Trust Funds* account for the activities of the General Employee Retirement Plan, the Police Officers' Retirement Fund, the Firefighter's Relief and Pension Fund, and the Other Post Employment Benefits plan, which accumulate resources for pension benefit and retiree health insurance payments for qualified city employees, police officers, and firefighters.

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

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

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

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 those for Pension and Other Post Employment Benefits (OPEB) Trust Funds, are stated at fair value or amortized cost. 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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 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 items consist of prepaid postage costs, pension contributions and workers compensation costs that have been prepaid for the next fiscal year.

Inventories and prepaid items 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 acquisition 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:

	<u>Years</u>
Buildings	40-50
Non-building improvements	10-20
Infrastructure	15-30
Machinery, equipment, software, and other	3-15

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

It is the City's policy to grant all full-time employees annual leave between 10 and 25 days per year based upon the number of years of employment. In July 2012 (for employees not covered under a collective bargaining agreement) and in April 2015 (for those employees who are covered under collective bargaining) current annual leave balances were 'frozen'. In addition to the 'frozen' accrual, annual leave may be accumulated up to a limit of 25 working days for general employees and police officers (except lieutenants). Upon termination, the employee receives a cash payment for unused annual leave hours based upon the employee's then current wage rate.

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. In July 2012 (for employees not covered under a collective bargaining agreement) and in April 2015 (for those employees who are covered under collective bargaining) current medical leave balances were 'frozen'. Medical leave may be accumulated up to a maximum of 180 days in addition to the 'frozen' balance.

All eligible employees who leave the City due to resignation, retirement, permanent disability, or death, and who have been employed by the City for at least one year, receive a cash payment amount equal to the employee's accrued 'frozen' 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 but less than three years of service, the minimum payment is 10%.

Accrued medical leave in excess of the 'frozen' amount is not eligible for a cash payout. In accordance with various specific provisions of existing City retirement plans, however, medical leave in excess of the amounts paid out may be used to increase an employee's length of continuous service for retirement benefits.

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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. Deferred inflows of resources represent 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental and business-type activities report deferred outflows and deferred inflows of resources related to the pension and other postemployment benefit plans.

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 or negative fund balance in other governmental funds.

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 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.

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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, and an internal service fund. Non major funds with legally adopted budgets include the special revenue funds for Confiscated Property, Law Enforcement Education and the Historic Downtown Vero Beach Economic Development Zone, the two capital projects funds and the Cemetery permanent fund.

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

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

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 one or two times per year. In fiscal year 2019 the budget was amended once, in November 2019, 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 reassign resources among the various account line items within an individual department without City Council approval, provided that the department's budgeted appropriation is not overspent in total. In addition, the City Manager may transfer resources among departments that are in the same fund without City Council approval provided that such transfer does not 1) exceed fifty thousand dollars in any one fiscal year and 2) does not exceed the total appropriation for that fund. As a result, the most stringent level of budgetary control is the departmental level, and the supplementary budget comparisons provide sufficient detail to demonstrate compliance at both the department and fund levels.

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

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2019:

Statement of net position	
Equity in pooled cash and investments	\$ 99,996,113
Restricted assets:	
Equity in pooled cash and investments	1,784,325
Statement of fiduciary net position	
Pension Trust funds:	
Investments	147,727,290
OPEB Trust fund:	
Investments	2,884,369
Total	\$ 252,392,097
Deposits and investments	
Bank deposits	
Checking and savings accounts	\$ 5,772,609
Investments:	
Cash and investment pool	95,993,829
Pension trust fund investments	147,727,290
OPEB trust fund investments	2,884,369
Cash on hand	14,000
Total	\$ 252,392,097

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.

The City maintains a cash and investment pool that is available for use by all funds except the Pension and Other Post Employment Benefits (OPEB) 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, 2019, and for the year then ended, includes money market mutual fund investments with Wells Fargo Advantage Funds and Regions Bank, the Florida State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (SBA) and investment in obligations of the U.S. Treasury and federal instrumentalities.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

3. DEPOSITS AND INVESTMENTS - *Continued*

Wells Fargo Advantage Funds is the entity under which Wells Fargo Bank, N.A. conducts its investment management business. The City utilizes the Wells Fargo Advantage Government Money Market Fund - GVIXX to handle its pooled cash and investments, considered a money market mutual fund. 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 rated AAAM by Standard and Poor's and Aaa-mf 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 invests cash and funds not otherwise invested in the Fidelity Institutional Money Market Government Portfolio – Class I (FIGXX), which is rated AAAM by Standard and Poor's and Aaa-mf by Moody's, and is also considered a money market mutual fund.

The City has retained Insight Investment (formerly called Cutwater Asset Management (a subsidiary of Bank of New York Mellon) as the City's investment advisor for funds held with Regions Bank. Insight is responsible for the investment management of the City's assets in U.S. Treasury Notes, rated AA+ long-term /A-1+ short-term by Standard and Poor's and Aaa by Moody's. The City also has investments in various Federal Instrumentalities and Government-Sponsored Enterprises, including; Federal Home Loan Bank; Federal Farm Credit Bank; Federal National Mortgage Association; Federal Home Loan Mortgage Corporation; and Overseas Private Investment Corporation. The federal instrumentalities, which were assigned ratings by Standard and Poor's, were all rated AA+.

SBA investments are held in Florida PRIME (formerly Fund A) which is an open-pool investment fund operated by the SBA that operates in essentially the same fashion as a mutual fund and is open to non-pension assets of all Florida governmental entities. Florida PRIME is rated AAAM by Standard and Poor's and will buy only top tier, money-market assets of the highest quality. It is a qualifying investment pool 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.

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 average maturity of the portfolio as a whole may not exceed three years.

The deposits and investments of the Pension Trust Funds and the OPEB Trust Fund are held separately from those of other City funds. As prescribed by the Plan documents, the investment portfolios for these funds at September 30, 2019 and for the year then ended include investment obligations of the U.S. Treasury, various domestic and international stocks and bonds, and real estate.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

3. DEPOSITS AND INVESTMENTS – Continued

Custodial Credit Risk – Investments

The following is a summary of the City’s general investments as of September 30, 2019:

<u>Investment Type</u>	<u>Value</u>
U.S. Treasury notes	\$ 68,484,139
Federal instrumentalities	7,685,752
Mortgage backed securities	13,816,451
Money market mutual funds	5,600,386
Florida PRIME	407,101
Total	<u>\$ 95,993,829</u>

The types of deposits and investments and their level of risk exposure as of September 30, 2019 were typical of these items during the fiscal year then ended.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

3. DEPOSITS AND INVESTMENTS – Continued

The City categorizes its fair value measurements within the fair value hierarchy established in accordance with generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain other investments are valued at amortized cost, which approximates fair value, or net asset value per share (NAV). As of September 30, 2019, the City had the following investments and effective duration presented in terms of years:

Investment Type	Assigned Value	Investment Maturity (In Years)			Valuation
		Less Than 1	From 1-3	Over 4	
General investments					
U.S. Treasury notes	\$ 68,484,139	\$ 30,438,301	\$ 35,319,475	\$ 2,726,363	2
Federal instrumentalities	7,685,752	2,554,569	2,476,063	2,655,120	2
Mortgage backed securities	13,816,451	-	1,767,149	12,049,302	2
Money market mutual funds	5,600,386	5,600,386	-	-	Amortized Cost
Florida PRIME	407,101	407,101	-	-	Amortized Cost
	<u>95,993,829</u>	<u>39,000,357</u>	<u>39,562,687</u>	<u>17,430,785</u>	
Pension fund investments					
Money market mutual funds	1,473,795	1,473,795	-	-	1
Mutual fund investments	99,943,626	99,943,626	-	-	1
Corporate stocks	28,029,333	28,029,333	-	-	1
Corporate bonds	7,370,426	-	5,144,680	2,225,746	2
U.S. Treasury bonds and notes	2,899,341	-	369,423	2,529,918	2
Federal instrumentalities	1,703,359	-	1,661,244	42,115	2
Mortgage/asset-backed securities	780,601	121	947	779,533	2
Real estate investment trust	5,392,362	5,392,362	-	-	NAV
Municipal bonds & notes	134,447	15,005	41,366	78,076	2
	<u>147,727,290</u>	<u>134,854,242</u>	<u>7,217,660</u>	<u>5,655,388</u>	
OPEB fund investments					
Mutual fund investments	<u>2,884,369</u>	<u>2,884,369</u>	<u>-</u>	<u>-</u>	
	<u>\$246,605,488</u>	<u>\$176,738,968</u>	<u>\$ 46,780,347</u>	<u>\$23,086,173</u>	

There are no restrictions or limitations on withdrawals of investments valued at amortized cost; however, Florida PRIME may, on the occurrence of an event that has a material impact on liquidity or operations, impose restrictions on withdrawals for up to 48 hours. The investments valued at NAV may be redeemed quarterly with 60 days' notice and have no unfunded commitments.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

3. DEPOSITS AND INVESTMENTS – Continued

U.S. Treasury bonds and notes, federal instrumentalities, mortgage/asset-backed securities, corporate bonds and municipal bonds and notes in Level 2 of the fair value hierarchy are valued by surveying various market makers and dealers, as well as data from the new issue market.

The following table discloses credit ratings by investment type for the City's investments at September 30, 2019:

Investment Type	S&P Credit Rating	Total Assigned Value
General investments		
U.S. Treasury notes	AA+	\$ 68,484,139
Federal instrumentalities	AA+	7,685,752
Mortgage backed securities	AA+	13,816,451
Money market mutual funds	AAA _m	5,600,386
Florida PRIME	AAA _m	407,101
		<u>\$ 95,993,829</u>

		General Employee Retirement Plan	Police Officers' Retirement Fund	Firefighter's Relief and Pension Fund	OPEB Trust Fund	Total Assigned Value
Pension and OPEB fund investments						
Money market mutual funds	AAA _m	\$ -	\$ 946,252	\$ 527,543	\$ -	\$ 1,473,795
Mutual fund investments	Not Rated	96,424,465	2,429,069	1,090,092	2,884,369	102,827,995
Corporate stocks	Not Rated	-	24,119,096	3,910,237	-	28,029,333
Corporate bonds	AA	-	-	7,062	-	7,062
	AA-	-	540,556	-	-	540,556
	A+	-	653,018	-	-	653,018
	A	-	1,413,131	46,126	-	1,459,257
	A-	-	2,964,127	13,385	-	2,977,512
	BBB+	-	1,726,560	6,461	-	1,733,021
U.S. Treasury bonds and notes	AA+	-	2,899,341	-	-	2,899,341
Federal instrumentalities	AA+	-	1,623,254	80,105	-	1,703,359
Mortgage/asset backed securities	Not Rated	-	178,884	601,717	-	780,601
Real estate investment trust	Not Rated	-	4,199,608	1,192,754	-	5,392,362
Municipal bonds & notes	AAA	-	-	10,478	-	10,478
	AA+	-	-	5,426	-	5,426
	AA	-	-	76,821	-	76,821
	AA-	-	-	10,783	-	10,783
	A+	-	-	15,005	-	15,005
	A-	-	-	15,934	-	15,934
		<u>96,424,465</u>	<u>43,692,896</u>	<u>7,609,929</u>	<u>2,884,369</u>	<u>150,611,659</u>
		<u>\$ 96,424,465</u>	<u>\$ 43,692,896</u>	<u>\$ 7,609,929</u>	<u>\$ 2,884,369</u>	<u>\$ 246,605,488</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

4. RECEIVABLES

Receivables are comprised of the following at year end September 30, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts	\$ 2,620,092	\$ 2,794,517
Allowance for uncollectible receivables	(1,837,771)	(262,456)
Special assessments	10,709	156,609
Interest	270,924	70,200
Due from other governments	2,003,595	3,880,649
	<u>\$ 3,067,549</u>	<u>\$ 6,639,519</u>

The Electric Fund, Water and Sewer 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 ranges from 2 - 3% of sales. The amount of bad debt expense at September 30, 2019 was approximately \$341,000 for all three utilities. As of September 30, 2019, the residual balance of electric utility accounts receivable (and the associated allowance for uncollectible accounts) was transferred to the City's General Fund due to the sale and closure of the electric utility. No other allowances for uncollectible accounts are maintained, since other fund accounts receivable are considered collectible as reported at September 30, 2019.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of September 30, 2019, accounts payable and accrued liabilities consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts and contracts payable	\$ 944,804	\$ 1,992,564
Accrued liabilities	682,541	288,909
Due to other governments	-	2,800
Accrued interest on long-term debt	21,384	54,398
Current portion of unearned revenue	-	10,373
	<u>\$ 1,648,729</u>	<u>\$ 2,349,044</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2019, was as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund capital and construction	\$ 103,936	\$ -
Infrastructure & real estate improvements	-	103,936
	<u>\$ 103,936</u>	<u>\$ 103,936</u>

This balance resulted from a short-term interfund loan to cover an unrestricted cash deficit.

For the year ended September 30, 2019, the interfund transfers consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Totals</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Government- wide</u>	
General Fund	\$ -	\$ 119,112	\$ -	\$ -	\$ 119,112
Nonmajor Governmental Funds	11,938	7,280,812	-	-	7,292,750
Proprietary Funds					
Electric system fund	4,473,191	5,025,262	3,304,980	-	12,803,433
Electric system - residual transfer	53,956,464	-	-	(6,578,739)	47,377,725
Water & sewer system fund	996,000	-	-	-	996,000
Municipal marina fund	103,000	-	-	-	103,000
Solid waste	173,000	-	-	-	173,000
Internal Service Funds	269,297	1,330	115,698	-	386,325
	<u>\$ 59,982,890</u>	<u>\$ 12,426,516</u>	<u>\$ 3,420,678</u>	<u>\$ (6,578,739)</u>	<u>\$ 69,251,345</u>

The City's routine budgeted transfers from the General Fund and nonmajor governmental funds are for the payment of debt service obligations and the transfer of revenues from the capital project fund that collects local government infrastructure sales tax revenue to the capital project fund with the budgetary authority to expend this revenue. The General Fund also transferred ad valorem tax revenue to the Historic Downtown Vero Beach Economic Development Zone fund for the associated tax increment for FY 2019, to be used for capital projects. The transfers from the various proprietary funds into the General Fund are budgeted amounts which represent a financial return to the City's general government for the operation of these utilities and business-type enterprises; this transfer is budgeted at 6% of each fund's annual operating revenue. The transfer from internal service funds to all other funds is a return of excess balances from the health insurance fund.

In addition to the routine transfers noted above, the City sold its electric utility to Florida Power & Light effective December 17, 2018. As a result of this sale, the Electric Utility transferred funds to the nonmajor governmental funds and the Marina for the payoff of outstanding debt from cash sale proceeds.

At September 30, 2019 all residual assets and liabilities of the Electric Utility were transferred to the General Fund. This residual transfer included all cash and investment balances, all remaining utility accounts receivable (with the corresponding allowance for uncollectible accounts), power plant capital assets not sold to FPL (including impaired assets held for resale) and all Other Post Employment Benefit (OPEB) liabilities associated with former Electric Utility employees.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

7. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 14,430,654	\$ -	\$ (9,977,515)	\$ 555,408	\$ 5,008,547
Intangible assets	825,080	-	-	-	825,080
Construction in progress	273,566	147,679	-	(242,548)	178,697
	<u>15,529,300</u>	<u>147,679</u>	<u>(9,977,515)</u>	<u>312,860</u>	<u>6,012,324</u>
Capital assets being depreciated:					
Buildings	15,891,214	433,141	(1,652,938)	1,527,291	16,198,708
Improvements other than buildings	17,617,454	275,246	-	783,695	18,676,395
Machinery and equipment	12,963,028	1,119,158	(686,469)	322,966	13,718,683
Infrastructure	45,407,008	290,786	-	-	45,697,794
	<u>91,878,704</u>	<u>2,118,331</u>	<u>(2,339,407)</u>	<u>2,633,952</u>	<u>94,291,580</u>
Less accumulated depreciation for:					
Buildings	(8,863,279)	(316,067)	639,805	(960,406)	(9,499,947)
Improvements other than buildings	(12,433,468)	(452,520)	-	(646,395)	(13,532,383)
Machinery and equipment	(8,922,053)	(1,076,140)	686,469	(290,248)	(9,601,972)
Infrastructure	(28,550,650)	(987,092)	-	-	(29,537,742)
	<u>(58,769,450)</u>	<u>(2,831,819)</u>	<u>1,326,274</u>	<u>(1,897,049)</u>	<u>(62,172,044)</u>
Total capital assets being depreciated, net	<u>33,109,254</u>	<u>(713,488)</u>	<u>(1,013,133)</u>	<u>736,903</u>	<u>32,119,536</u>
Governmental activities capital assets, net	<u>\$ 48,638,554</u>	<u>\$ (565,809)</u>	<u>\$ (10,990,648)</u>	<u>\$ 1,049,763</u>	<u>\$ 38,131,860</u>

Depreciation of governmental activities by function

General Government	\$ 1,038,787
Public Safety	527,942
Transportation	622,809
Physical Environment	72,034
Cultural and Recreation	570,247
	<u>\$ 2,831,819</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

7. CAPITAL ASSETS – Continued

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 8,723,720	\$ -	\$ (1,804,798)	\$ (555,408)	\$ 6,363,514
Construction in progress	5,059,278	753,086	(1,273,016)	(2,476,990)	2,062,358
	<u>13,782,998</u>	<u>753,086</u>	<u>(3,077,814)</u>	<u>(3,032,398)</u>	<u>8,425,872</u>
Capital assets being depreciated:					
Buildings	41,049,397	264,251	(5,918,044)	(1,527,291)	33,868,313
Improvements other than buildings	318,301,802	8,958,148	(151,814,397)	(783,695)	174,661,858
Machinery and equipment	16,552,456	451,407	(6,616,045)	(322,966)	10,064,852
	<u>375,903,655</u>	<u>9,673,806</u>	<u>(164,348,486)</u>	<u>(2,633,952)</u>	<u>218,595,023</u>
Less accumulated depreciation for:					
Buildings	(20,088,881)	(724,925)	3,571,500	960,406	(16,281,900)
Improvements other than buildings	(170,010,873)	(5,523,552)	84,369,908	646,395	(90,518,122)
Machinery and equipment	(11,624,485)	(755,337)	4,652,564	290,248	(7,437,010)
	<u>(201,724,239)</u>	<u>(7,003,814)</u>	<u>92,593,972</u>	<u>1,897,049</u>	<u>(114,237,032)</u>
Total capital assets being depreciated, net	<u>174,179,416</u>	<u>2,669,992</u>	<u>(71,754,514)</u>	<u>(736,903)</u>	<u>104,357,991</u>
Business-type activities capital assets, net	<u>\$ 187,962,414</u>	<u>\$ 3,423,078</u>	<u>\$ (74,832,328)</u>	<u>\$ (3,769,301)</u>	<u>\$ 112,783,863</u>

Depreciation of business-type activities by function

Electric System	\$ 1,116,882
Water & sewer system	3,423,337
Municipal airport	2,078,622
Municipal marina	62,891
Solid waste	322,082
	<u>\$ 7,003,814</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT

The City's outstanding long-term liabilities include bonds payable, loans payable, claims payable, capital lease-purchase contracts 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 and general liability 'legacy' claims that are due within one year. The estimate is approximately 30% of the ending balance.

	Beginning Balance	Additions	Deductions	Ending Balance	Due within One Year
Governmental Activities:					
Revenue Notes	\$ 5,802,148	\$ -	\$ (4,612,148)	\$ 1,190,000	\$ 85,000
Capital Lease-Purchase	1,592,335	480,073	(758,283)	1,314,125	582,694
Claims Payable	1,416,000	-	(80,000)	1,336,000	400,800
Compensated Absences	3,480,118	257,033	(237,057)	3,500,094	175,005
Totals	\$ 12,290,601	\$ 737,106	\$ (5,687,488)	\$ 7,340,219	\$ 1,243,499
Business-type Activities:					
Revenue Bonds and Notes	\$ 34,920,697	\$ -	\$ (24,062,156)	\$ 10,858,541	\$ 1,686,068
Capital Lease-Purchase	707,000	56,731	(615,777)	147,954	60,668
Compensated Absences	2,578,830	197,383	(1,002,119)	1,774,094	88,704
Totals	\$ 38,206,527	\$ 254,114	\$ (25,680,052)	\$ 12,780,589	\$ 1,835,440

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

	Balance as of
	9/30/19
Revenue Notes - Governmental activities	
<i>Series 2016 Capital Improvement Revenue Note</i>	
In March 2016, the City issued a \$1,400,000 capital improvement revenue note to finance a portion of the costs for the reconstruction of Airport Drive (34th Ave). Principal payments are due annually beginning on October 1, 2016 through October 1, 2030. The note bears interest at 2.47%, 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. Principal and interest paid for the current year was \$115,443.	<u>\$ 1,190,000</u>
Total governmental activities	<u>\$ 1,190,000</u>

In February 2019, the City Council authorized the cash defeasance of the Series 2007B-2 Refunding Revenue Note, using cash from the sale of the Electric Utility (transferred to the general government). The City made its scheduled October 1, 2018 principal payment of \$491,672 and the outstanding principal amount as of February 1, 2019 was \$4,035,476. The original maturity date of this note was October 1, 2025. The payoff of this loan resulted in a savings to the City of \$259,467.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

Balance as of
9/30/19

Revenue Bonds and Notes – Business-type activities

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. Principal and interest paid for the current year was \$1,123,506 and Water and Sewer Net Revenues were \$5,899,000.

\$ 3,305,000

WW310201 State Revolving Fund (SRF) Clean Water Construction Loan (Original and 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 actual 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 15 and August 15 through August 15, 2030. Interest payments on both principal amounts are payable semiannually on February 15 and August 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. Principal and interest paid for the current year was \$756,594 and Water and Sewer Net Revenues were \$5,899,000.

7,233,214

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

	Balance as of 9/30/19
<i>DW310220 State Revolving Fund (SRF) Drinking Water Construction Loan</i>	
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 actual project costs. The final principal amount of the loan is \$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. Principal and interest paid for the current year was \$20,337 and Water and Sewer Net Revenues were \$5,899,000.	\$ 200,561
<i>DW310221 State Revolving Fund (SRF) Drinking Water Construction Loan</i>	
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 actual project costs. The final principal amount of the loan is \$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. Principal and interest paid for the current year was \$11,892 and Water and Sewer Net Revenues were \$5,899,000.	119,766
Total business-type activities	\$ 10,858,541

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

The City closed on the sale of its electric utility to Florida Power & Light (FPL) on December 17, 2018. Per the terms of the Asset Purchase and Sale Agreement, FPL deposited funds into a bond escrow account to defease the outstanding Series 2003A Electric Refunding Revenue bonds. The City made its scheduled December 1, 2018 principal payment of \$4,600,000 and the outstanding principal amount as of December 17, 2018 was \$15,025,000. The original final maturity date of these bonds was December 1, 2021. The defeasance of these bonds resulted in a savings to the City of \$1,383,937.

In February 2019, the City Council authorized the cash defeasance of the Series 2007A Capital Improvement Revenue Note using cash from the sale of the Electric Utility (transferred to the Marina fund). The City made its scheduled October 1, 2018 principal payment of \$231,962 and the outstanding principal amount as of February 1, 2019 was \$2,554,288. The original maturity date of this note was October 1, 2027. The payoff of this loan resulted in a savings to the City of \$220,438.

The debt obligations all allow for the obligors to take whatever legal actions are necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of defaults as follows:

- **Series 2016 Capital Improvement Revenue Note** – The note holder may declare the entire debt then remaining unpaid immediately due and payable. The City would be obligated to pay all costs of collection and enforcement of the provisions of the note, as well as late fees if the full amount is not paid within five (5) days after it is due.
- **Series 2013 Water & Sewer System Refunding Revenue Note** – The note holder may declare the entire debt then remaining unpaid immediately due and payable. The City would be obligated to pay all costs of collection and enforcement of the provisions of the note, as well as late fees if the full amount is not paid within fifteen (15) days after it is due.
- **State Revolving Fund (SRF) Loans** – The Florida Department of Environmental Protection (DEP), subject to the rights of prior liens on the pledged revenue, may establish rates and collect fees for use of the water and sewer systems to fund fulfillment of the agreement, require an accounting of the pledged utility revenues, prevent unlawful activities or violations of the rights of the DEP, request a court to appoint a receiver to manage the City's water and sewer systems, intercept the delinquent amount (plus penalties) from any funds due to the City from State of Florida revenue or tax sharing funds, notify financial market credit rating agencies and potential creditors of the default, sue for payment of amounts due (along with interest and costs of collection), or accelerate the repayment schedule and increase the interest rate as much as 1.667 times.
- **Capital Lease-Purchase Agreements** – The lender has the right to take any combination of remedial steps including declaring all payments to the end of the then current budget year to be immediately due and payable, requiring the City to deliver any or all of the equipment and additional collateral to the lender, forcibly taking possession of the equipment if it is not delivered timely by the City, and taking any necessary legal actions to enforce its rights (with the City liable for all costs of enforcement).

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

Capital Lease-Purchases

The City leases various vehicles and capital equipment under municipal lease-purchase agreements. These agreements have terms of 4-6 years and ownership of the assets transfers to the City at the end of the capital lease-purchase period. These agreements include non-appropriation clauses under which possession of the vehicles reverts to the bank, with no further obligations to the City, if the City should fail to appropriate the funds for the lease payments in any given fiscal year. The City currently has the following capital lease-purchase agreements outstanding at September 30, 2019:

	Balance as of 9/30/19
Capital Lease-Purchases - Governmental activities	
<i>KS State Bank Agreement #3347763</i>	
In March 2015 the City entered into a capital lease-purchase with KS State Bank in the original amount of \$336,384 to purchase a vac-con truck. Principal and interest payments are due annually beginning on August 1, 2015 through August 1, 2020. The interest rate for this agreement is 2.84%. Principal and interest paid for the current year was \$60,786.	\$ 59,107
<i>KS State Bank Agreement #3349052</i>	
In December 2015 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for governmental activities is \$725,172. Principal and interest payments are due annually beginning on August 1, 2016 through August 1, 2020. The interest rate for this agreement is 2.48%. Principal and interest paid for the current year (attributable to governmental activities) was \$152,909.	151,336
<i>KS State Bank Agreement #3351254</i>	
In March 2017 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for governmental activities is \$701,267. Principal and interest payments are due annually beginning on August 30, 2017 through August 30, 2021. The interest rate for this agreement is 2.83%. Principal and interest paid for the current year (attributable to governmental activities) was \$146,522.	288,009
<i>KS State Bank Agreement #3352836</i>	
In January 2018 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for governmental activities is \$707,945. Principal and interest payments are due annually beginning on August 1, 2018 through August 1, 2022. The interest rate for this agreement is 2.93%. Principal and interest paid for the current year (attributable to governmental activities) was \$152,420.	431,718

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

	Balance as of 9/30/19
Capital Lease-Purchases - Governmental activities (continued)	
<i>KS State Bank Agreement #3354915</i>	
In February 2019 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for governmental activities is \$480,073. Principal and interest payments are due annually beginning on August 15, 2019 through August 15, 2023. The interest rate for this agreement is 3.95%. Principal and interest paid for the current year (attributable to governmental activities) was \$105,651.	383,955
Total governmental activities	\$ 1,314,125
Capital Lease-Purchases - Business-type activities	
<i>KS State Bank Agreement #3349052</i>	
In December 2015 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for business-type activities is \$450,973. Principal and interest payments are due annually beginning on August 1, 2016 through August 1, 2020. The interest rate for this agreement is 2.48%. Principal and interest paid for the current year (attributable to business-type activities) was \$176,284 which includes the payoff of electric utility vehicles transferred to Florida Power & Light using electric utility sale proceeds.	\$ 13,499
<i>KS State Bank Agreement #3351254</i>	
In March 2017 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for business-type activities is \$738,740. Principal and interest payments are due annually beginning on August 30, 2017 through August 30, 2021. The interest rate for this agreement is 2.83%. Principal and interest paid for the current year (attributable to business-type activities) was \$411,864 which includes the payoff of electric utility vehicles transferred to Florida Power & Light using electric utility sale proceeds.	45,109
<i>KS State Bank Agreement #3352836</i>	
In January 2018 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for business-type activities is \$72,108. Principal and interest payments are due annually beginning on August 1, 2018 through August 1, 2022. The interest rate for this agreement is 2.93%. Principal and interest paid for the current year (attributable to business-type activities) was \$15,457.	43,973

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

Capital Lease-Purchases - Business-type activities (continued)	Balance as of 9/30/19
<i>KS State Bank Agreement #3354915</i>	
In February 2019 the City entered into a capital lease-purchase with KS State Bank to purchase various fleet and police department vehicles for both governmental and business-type activities. The original amount of the borrowing for business-type activities is \$56,731. Principal and interest payments are due annually beginning on August 15, 2019 through August 15, 2023. The interest rate for this agreement is 3.95%. Principal and interest paid for the current year (attributable to business-type activities) was \$12,784.	45,373
Total business-type activities	\$ 147,954

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

Governmental Activities:

Years Ended September 30,	Capital Improvement Revenue Note Series 2016		KS State Bank Capital Lease-Purchase # 3347763	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 85,000	\$ 28,343	\$ 59,107	\$ 1,679
2021	90,000	26,182	-	-
2022	90,000	23,959	-	-
2023	95,000	21,674	-	-
2024	95,000	19,328	-	-
2025-2029	510,000	59,651	-	-
2030-2031	225,000	5,619	-	-
	\$ 1,190,000	\$ 184,756	\$ 59,107	\$ 1,679

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3349052 (partial)		KS State Bank Capital Lease-Purchase # 3351254 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 151,336	\$ 3,753	\$ 141,995	\$ 8,151
2021	-	-	146,014	4,132
	\$ 151,336	\$ 3,753	\$ 288,009	\$ 12,283

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3352836 (partial)		KS State Bank Capital Lease-Purchase # 3354915 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 139,771	\$ 12,649	\$ 90,485	\$ 15,166
2021	143,866	8,554	94,059	11,592
2022	148,081	4,339	97,775	7,877
2023	-	-	101,637	4,015
	\$ 431,718	\$ 25,542	\$ 383,955	\$ 38,650

Business-type Activities

Water and Sewer Fund:

Years Ended September 30,	Water & Sewer Refunding Rev Note Series 2013		SRF Clean Water WW 310201 (Orig & Amendment 2)	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 1,085,000	\$ 46,410	\$ 576,932	\$ 182,068
2021	1,100,000	28,056	591,838	167,162
2022	1,120,000	9,408	607,130	151,870
2023	-	-	622,818	136,182
2024	-	-	638,913	120,087
2025-2029	-	-	3,450,959	344,041
2030	-	-	744,624	14,376
	\$ 3,305,000	\$ 83,874	\$ 7,233,214	\$ 1,115,785

Years Ended September 30,	SRF Drinking Water DW 310220		SRF Drinking Water DW 310221	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 14,991	\$ 5,551	\$ 9,145	\$ 2,855
2021	15,417	5,125	9,368	2,632
2022	15,855	4,687	9,597	2,402
2023	16,305	4,237	9,832	2,168
2024	16,768	3,774	10,072	1,927
2025-2029	91,260	11,451	54,181	5,821
2030-2031	29,965	849	17,571	429
	\$ 200,561	\$ 35,674	\$ 119,766	\$ 18,234

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

Water and Sewer Fund (continued):

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3349052 (partial)		KS State Bank Capital Lease-Purchase # 3351254 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 13,499	\$ 335	\$ 7,893	\$ 453
2021	-	-	8,116	230
	\$ 13,499	\$ 335	\$ 16,009	\$ 683

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3352836 (partial)	
	Principal	Interest (FY)
2020	\$ 4,444	\$ 402
2021	4,574	272
2022	4,709	138
	\$ 13,727	\$ 812

Airport Fund:

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3351254 (partial)		KS State Bank Capital Lease-Purchase # 3352836 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 5,587	\$ 321	\$ 5,314	\$ 481
2021	5,745	163	5,470	325
2022	-	-	5,630	165
	\$ 11,332	\$ 483	\$ 16,414	\$ 971

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

Airport Fund (continued):

KS State Bank Capital Lease-Purchase # 3354915 (partial)			
	Principal		Interest (FY)
2020	\$ 6,356	\$	1,065
2021	6,607		814
2022	6,868		553
2023	7,139		282
	\$ 26,970	\$	2,715

Solid Waste Fund:

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3351254 (partial)		KS State Bank Capital Lease-Purchase # 3352836 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2020	\$ 8,760	\$ 503	\$ 4,478	\$ 405
2021	9,008	255	4,609	274
2022			4,744	139
	\$ 17,768	\$ 758	\$ 13,832	\$ 818

KS State Bank Capital Lease-Purchase # 335915 (partial)			
	Principal		Interest (FY)
2020	\$ 4,337	\$	727
2021	4,508		556
2022	4,686		378
2023	4,871		192
	\$ 18,403	\$	1,852

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

8. LONG TERM DEBT – Continued

Defeased Debt

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

	<u>Year Defeased</u>	<u>Original Bond Amount</u>	<u>Defeased Outstanding at 9/30/19</u>
Water and Sewer Revenue Bonds, Series 1991	1993	\$ 16,500,000	\$ 3,320,000
Water and Sewer Refunding Revenue Bonds, Series 1993B	2003	18,085,000	3,385,000

9. LEASES

Rental Income

The City is involved in various leasing arrangements, wherein land and buildings with a carrying value of \$5,760 are leased to outside parties. Rental income of \$325,092 was recorded in the General Fund for the year ended September 30, 2018. During year ended September 30, 2019 the City sold its downtown Post Office property, and as a result not longer has minimum future rental income to report.

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 subject to federal requirements established by the Federal Aviation Administration.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

9. LEASES – Continued

The following is a schedule, by years, of minimum future rental income on non-cancellable operating leases as of September 30, 2019:

<u>Years Ended September 30,</u>	<u>Amount</u>
2020	\$ 2,703,124
2021	2,326,498
2022	2,241,441
2023	2,158,239
2024	2,127,678
2025 - 2029	9,597,100
2030 – 2034	7,035,261
2035 – 2039	3,756,783
2040 – 2044	2,574,459
2045 – 2049	1,563,567
Total	<u>\$ 36,084,150</u>

10. RISK MANAGEMENT

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. The City did not have any settlements that exceeded coverage in any of the prior three fiscal years.

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, 2018, the Liability Insurance internal service fund received no self-insurance premium revenues; instead, insurance premiums from third party insurance providers were allocated as direct charges to the appropriate operating fund. Claims expenses within the Liability Insurance internal service fund were 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, 2019, the Health Insurance internal service fund received no premium revenues and the City has undertaken a closeout of this fund by returning excess funds generated by prior year's premiums to the various City funds.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

10. RISK MANAGEMENT – Continued

The claims liability reported in the Fund at September 30, 2019 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.

The change in the Fund's claim liability amount during the past two fiscal years is as follows:

	Liability Insurance
Estimated Liability, September 30, 2017	\$ 1,497,000
Claims & changes in estimates	(7,267)
Claim payments	<u>(73,733)</u>
Estimated liability, September 30, 2018	1,416,000
Claims & changes in estimates	7,758
Claim payments	<u>(87,758)</u>
Estimated liability, September 30, 2019	<u><u>\$ 1,336,000</u></u>

11. RESTRICTED ASSETS

The Water and Sewer, Marina and Solid Waste enterprise funds have certain cash and investments that are restricted either by bond resolutions, ordinances, or governmental regulations. The following is a summary of restricted assets by fund at September 30, 2019:

	Water and Sewer System	All Other Proprietary Funds	Total
Sinking funds	\$ 1,065,579	\$ -	\$ 1,065,579
Debt service	-	516	516
Customer deposits	<u>718,230</u>	<u>-</u>	<u>718,230</u>
	<u><u>\$ 1,783,809</u></u>	<u><u>\$ 516</u></u>	<u><u>\$ 1,784,325</u></u>

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

12. 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, 2019 was 2.5194 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.

13. PENSION PLANS

The City administers three single-employer public employee retirement systems (PERS); the General Employee Retirement Plan, the Police Officers' Retirement Fund, and the Firefighter's Relief and Pension Fund. All three of the City's pension plans provide retirement, disability, and death benefits as established by City Ordinance. All of these pension plans are included as trust funds in the City's financial statements and separate reports for these pension plans are not available. For the year ended September 30, 2019, the City recognized total pension expense of \$3,798,840 for the three pension plans. In regards to governmental funds, net pension liabilities have been liquidated by the General Fund, Crestlawn Cemetery Fund and Police & Firefighter Premium Tax Trust Fund.

GENERAL EMPLOYEE RETIREMENT PLAN

General Information about the Plan

Plan description. The General Employee Retirement Plan is a single employer defined benefit pension plan that provides pensions for all permanent full time general employees of the City. The plan was established by City Ordinance and adopted by Resolution, and the City Council has the authority to establish and amend the benefit terms. Management of the General Employee Retirement Plan is vested in the General Employee Retirement Plan Committee which consists of five members – the City Manager, City Clerk, City Attorney, City Finance Director and City Human Resources Director.

Benefits provided. Effective June 30, 2015, the accrued benefits of all participants of the General Employee Retirement Plan were frozen, with no future service accruals and no new entrants; all eligible participants on that date became fully vested and their benefit was calculated according to the Plan provisions currently in effect.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Retirement benefits for the City's General Employee Retirement Plan are calculated at 2.25 percent of average basic monthly compensation for each year of service accrued before October 1, 2010, plus 1.60 percent of average basic monthly compensation for each year of service accrued after September 30, 2010. Average basic monthly compensation is the average salary of the participant's highest five consecutive years within the last 10 years of consecutive service preceding retirement (or July 1, 2015 in the case of active participants in the now frozen Plan). Participants with 25 years of service or those who were at age 65 on September 30, 2010 receive 2.25 percent of average basic monthly compensation for each of the first 25 years of continuous service, plus 0.5 percent for each year thereafter. Normal retirement age is 65, and pension benefits are reduced by 1.5% for each year preceding normal retirement for benefits accrued before October 1, 2010 and 3% for each year preceding normal retirement for benefits accrued after that date.

Disability benefits are equal to normal pension accrued but not less than 25 percent of basic monthly compensation at the date of disability; provided however that the disability benefit, when combined with workers compensation and social security payments, cannot exceed 100 percent of the salary at the time of disability. The death benefit is payable to the designated beneficiary as though the participant had retired on their date of death, and begins when the participant would have reached age 55. Benefit terms provide for an annual cost of living adjustment (COLA) of 1 percent per year for all participants who retired on or after October 1, 1998; at their discretion, the City Council may grant a COLA annually to those who retired prior to that date.

Employees covered by benefit terms. At September 30, 2019, the following employees were covered by the General Employee Retirement Plan benefit terms.

Inactive plan members or members or beneficiaries currently receiving benefits	414
Inactive plan members entitled to but not yet receiving benefits	114
Active plan members	196
	<hr/>
	724
	<hr/>

Contributions. The City establishes the required annual contribution to the plan based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of the plan members.

As noted above, all additional benefit accruals and employee contributions ceased as of July 1, 2015 when the plan was frozen. As a result, all future City contributions are payments toward amortization of the unfunded accrued liability and are no longer related to payroll.

Net Pension Liability – General Employee Retirement Plan

The City's net pension liability for the General Employee Retirement Plan was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2019.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Actuarial assumptions. The total pension liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	N/A
Salary Increases, including inflation	N/A
Investment Rate of Return	6.50%, net of investment expense, including inflation
Cost-of-living adjustments	2.0% and 1.8% COLA for 2018 and 2019 respectively, 1% annually thereafter

In accordance with the requirements of Florida Statute Section 112.63(f) the mortality tables for the City's valuation were updated to match the tables used by the Florida Retirement System Pension Plan, specifically the PUB-2010 base tables, set back one year for males, projected generationally using scale MP-2018 for healthy actives and inactive. For disabled retirees, the mortality table was updated to the PUB-2010 disabled table, set forward three years for both males and females, projected generationally using scale MP-2018.

The long-term expected rate of return on General Employee Retirement Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	47.5 %	6.41 %
International Equity	7.5	6.96
Fixed Income	37.5	1.96
Emerging Markets Equity	2.5	9.86
Real Estate	5.0	4.76
Total	<u>100 %</u>	

For fiscal year ended September 30, 2019, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 4.56%.

Discount rate. The discount rate used to measure the total pension liability for the General Employee Retirement Plan is 6.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made equal to the difference between the actuarially determined contribution and the member contributions. Since member contributions ceased as of June 30, 2015 when the plan was frozen, the City is responsible for the entire actuarially determined contribution. Based on those assumptions, the General Employee Retirement Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the plan.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Changes in the Net Pension Liability – General Employee Retirement Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2018	\$ 110,232,181	\$ 87,862,773	\$ 22,369,408
Changes for the year:			
Service cost	468,239	-	468,239
Interest	6,953,167	-	6,953,167
Differences between expected and actual experience	3,324,807	-	3,324,807
Changes of assumptions	(1,933,292)	-	(1,933,292)
Contributions - employer	-	12,002,990	(12,002,990)
Net investment income	-	4,106,761	(4,106,761)
Benefit payments (including refunds of employee contributions)	(7,457,236)	(7,457,236)	-
Administrative expenses	-	(89,490)	89,490
Net Changes	<u>1,355,685</u>	<u>8,563,025</u>	<u>(7,207,340)</u>
Balances at 9/30/2019	<u>\$ 111,587,866</u>	<u>\$ 96,425,798</u>	<u>\$ 15,162,068</u>

The employee contributions of \$12,002,990 for fiscal year ended September 30, 2019 included both the actuarially determined contribution of \$4,278,984 and an excess contribution of \$7,724,006 from the proceeds of the sale of the Electric Utility to FPL. This excess contribution was intended to fully fund the portion of the unfunded pension liability associated with former Electric Utility employees. A portion of the net pension liability is expected to be paid by the City's remaining enterprise funds (based on each fund's pensionable payroll in 2015 when the plan was frozen) and therefore has been allocated to these funds as follows as of September 30, 2019.

	<u>Net Pension Liability</u>
Governmental activities	\$ 9,433,121
Business-type activities:	
Water & sewer system	3,902,812
Airport	579,214
Municipal marina	153,184
Solid waste	1,093,737
Total Business-type activities	<u>5,728,947</u>
Grand Total	<u><u>\$ 15,162,068</u></u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the General Employee Retirement Fund, calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%).

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net Pension Liability	\$ 27,201,656	\$ 15,162,068	\$ 5,025,399

Pension plan fiduciary net position. Detailed information about the General Employee Retirement Fund fiduciary net position is available in the combining statements beginning on page 102.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – General Employee Retirement Fund

For the year ended September 30, 2019, the General Employee Retirement Fund recognized total pension expense of \$2,279,703. A portion of this total pension expense is expected to be paid by the City’s enterprise funds (based on each fund’s pensionable payroll in 2015 when the plan was frozen) and, therefore, has been allocated to these funds as follows:

	Pension Expense
Governmental activities	\$ 1,007,595
Business-type activities:	
Electric Utility	660,344
Water & sewer system	416,783
Airport	61,837
Municipal marina	16,347
Solid waste	116,797
Total Business-type activities	1,272,108
Grand Total	\$ 2,279,703

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

At September 30, 2019, the General Employee Retirement Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,602,109	\$ 78,097
Net difference between projected and actual earnings on pension plan investments	-	1,666,996
Assumption changes	-	931,586
Total	<u>\$ 1,602,109</u>	<u>\$ 2,676,679</u>

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

Year ended September 30:

2020	\$ (689,334)
2021	(761,277)
2022	26,211
2023	349,830
Total	<u>\$ (1,074,570)</u>

POLICE OFFICERS' RETIREMENT FUND

General Information about the Plan

Plan description. The Police Officers' Retirement Fund is a single employer defined benefit pension plan that provides pensions for all permanent full-time police officers employed by the City. This Plan was established and is amended by City Ordinance and is subject to compliance with Chapter 185, Florida Statutes. Management of the Police Officers' Retirement Fund is vested in a Board of Trustees, which consists of five members – two City residents appointed by City Council, two police officer participants elected by active plan members and a fifth member chosen by the previous four and appointed by City Council.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Benefits provided. Retirement benefits for the Police Officers’ Retirement Fund are calculated at 3 percent of average monthly salary times credited service (plus \$5 times credited service). Average monthly salary is one-twelfth the average of compensation (including incentives and up to 300 hours of overtime annually) for the five highest years of credited service. Normal retirement is the earlier of age 55 with 10 years of credited service, or 25 years of credited service with no age requirement. For early retirement, accrued pension benefits are reduced by 2.5% for each year prior to the normal retirement date. Disability benefits are the greater of either the accrued benefit at the time of disability or 50 percent of the average monthly salary. The pre-retirement death benefit payable to the designated survivor is the greater of either the accrued benefit or 25 percent of average monthly salary. Participants are fully vested after ten years of credited service and if employment is terminated prior to vesting, the participant receives a refund of their contributions with interest. Benefit terms provide for a 1 percent COLA annually on October 1st.

Deferred Retirement Option Program. Members of the Police Officers’ Retirement Fund are eligible to enter the Deferred Retirement Option Plan (DROP) at the normal retirement date. The accrued benefit is frozen and no further employee contributions are payable after DROP entry. The accrued benefit accumulates at the net investment return on fund assets less an administrative fee. The maximum DROP participation is 5 years. DROP participants are not eligible for pre-retirement death or disability benefits. As of September 30, 2019 \$741,620 is payable to DROP Participants.

Employees covered by benefit terms. At September 30, 2019, the following employees were covered by the benefit terms of the Police Officers’ Retirement Fund.

Inactive plan members or members or beneficiaries currently receiving benefits	53
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	49
	104
	104

Contributions. The City establishes the required annual contribution to the plan based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of the plan members.

For the Police Officers’ Retirement Fund, for the year ended September 30, 2019, the contribution rate of plan members is 5.5 percent of compensation for those participants hired prior to October 1, 2012 and 8 percent of compensation for those hired on or after that date. The City’s contribution rate was 31.79 percent of annual payroll. The City’s contribution was reduced by State of Florida Chapter revenue generated by insurance premium tax.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Net Pension Liability - Police Officers' Retirement Fund

The City's net pension liability for the Police Officers' Retirement Fund was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2019.

Actuarial assumptions. The total pension liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5%
Salary Increases, including inflation	4.28% - 6.25% based on service
Investment Rate of Return	7.65%, net of investment expense, including inflation

In accordance with the requirements of Florida statutes, the mortality tables used in the valuation are the same as the mortality assumptions used for special risk employees in the valuation of the Florida Retirement System (FRS) as of the July 1, 2018 FRS valuation report.

The actuarial assumptions used in the October 1, 2019 valuation were based on the results of an actuarial experience study dated November 26, 2012 for the period October 1, 2006 to September 30, 2011.

The long-term expected rate of return on the Police Officers' Retirement Fund investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45 %	7.5 %
International Equity	15	8.5
Domestic Fixed Income	25	2.5
Global Bond	5	3.5
Real Estate	10	4.5
Total	<u>100 %</u>	

For fiscal year ended September 30, 2019, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 3.6%.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Discount rate. The discount rate used to measure the total pension liability for the Police Officers' Retirement Fund was 7.65%. The projection of cash flows used to determine the discount rate assumed that City contributions (including State premium tax contributions) will be made equal to the difference between the actuarially determined contribution and the member contribution. Based on those assumptions, the Police Officers' Retirement Fund fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the plan.

Changes in the Net Pension Liability - Police Officers' Retirement Fund

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2018	\$ 46,846,951	\$ 43,682,138	\$ 3,164,813
Changes for the year:			
Service cost	605,715	-	605,715
Interest	3,525,391	-	3,525,391
Differences between expected and actual experience	49,124	-	49,124
Changes of assumptions	-	-	-
Contributions - employer	-	788,992	(788,992)
Contributions - State	-	280,231	(280,231)
Contributions - employee	-	212,777	(212,777)
Net investment income	-	1,563,321	(1,563,321)
Benefit payments (including refunds of employee contributions)	(2,738,251)	(2,738,251)	-
Administrative expenses	-	(91,872)	91,872
Net Changes	<u>1,441,979</u>	<u>15,198</u>	<u>1,426,781</u>
Balances at 9/30/2018	<u>\$ 48,288,930</u>	<u>\$ 43,697,336</u>	<u>\$ 4,591,594</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Police Officers' Retirement Fund, calculated using the discount rate of 7.65%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%).

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability (Asset)	\$ 10,387,413	\$ 4,591,594	\$ (226,058)

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Pension plan fiduciary net position. Detailed information about the Police Officers’ Retirement Fund fiduciary net position is available in the combining statements beginning on page 102.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Police Officers’ Retirement Fund

For the year ended September 30, 2019, the Police Officers’ Retirement Fund recognized pension expense of \$1,332,317. At September 30, 2019, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,691	\$ 70,618
Net difference between projected and actual earnings on pension plan investments	148,527	-
Changes of assumptions	<u>235,155</u>	<u>-</u>
Total	<u>\$ 451,373</u>	<u>\$ 70,618</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Police Officers’ pension will be recognized in pension expense as follows:

Year ended September 30:	
2020	\$ (55,373)
2021	(64,700)
2022	156,999
2023	<u>343,829</u>
Total	<u>\$ 380,755</u>

FIREFIGHTER’S RELIEF AND PENSION FUND

General Information about the Plan

Plan description. The Firefighter’s Relief and Pension Fund is a single employer defined benefit pension plan that provides pensions for a group of former Fire Department employees of the City. This Plan was established and is amended by City Ordinance and is subject to compliance with Chapter 175, Florida Statutes. In October 1981, the South Indian River County Fire District took over operation of the City’s Fire Department. At that time, 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, but no new members are being added. Management of the Firefighter’s Relief and Pension Fund is vested in a Board of Trustees, which consists of five members – retired firefighters who are members of the plan and elected by the retirees.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Benefits provided. Retirement benefits for the Firefighter’s Relief and Pension Fund are calculated at 3 percent of final average compensation times years of credited service (plus \$25 times credited service). Final average compensation is the average of compensation over the highest 3 years of employment. The post retirement death benefit is determined by the form of benefit elected upon retirement; these options include 10 Years Certain and Life, Single Life Annuity or the 50%, 66⅔%, 75% and 100% Joint and Survivor Options. Benefit terms provide for a 2 percent COLA annually on October 1st.

Employees covered by benefit terms. At September 30, 2019, the following employees were covered by the benefit terms of the Firefighter’s Relief and Pension Fund.

Inactive plan members or members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	-
	12

At the present time, all members of the plan (which is closed to new entrants) are retirees or beneficiaries.

Contributions. The City establishes the required annual contribution to the plan based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

For the Firefighter’s Relief and Pension Fund there is no contribution by plan members and no annual payroll, as all plan members are retirees or beneficiaries. The City funds the entire actuarially determined contribution, less the amount provided by State of Florida Chapter revenue from insurance premium tax.

Net Pension Liability - Firefighter’s Relief and Pension Fund

The City’s net pension liability for the Firefighter’s Relief and Pension Fund was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2018 rolled forward to September 30, 2019.

Actuarial assumptions. The total pension liability in the October 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5%
Salary Increases, including inflation	N/A
Investment Rate of Return	6.00%

Mortality rates used in this valuation match the Florida Retirement System (FRS) July 1, 2017 assumptions for the Special Risk class in accordance with Florida Statutes. These mortality assumptions are based on the RP-2000 Mortality Table for Annuitants with mortality improvements projected to all future years after 2000 using Scale BB.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

For the Firefighter’s Relief and Pension Fund, a full actuarial experience study has not been performed. Since there are no active employees, there are only two relevant assumptions – the assumed investment rate of return and the mortality rates. Both are reviewed annually by the Board.

The long-term expected rate of return on Firefighter’s Relief and Pension Fund investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45 %	7.5 %
International Equity	20	8.5
Domestic Fixed Income	20	2.5
Global Bond	5	3.5
Real Estate	10	4.5
Total	<u>100 %</u>	

For fiscal year ended September 30, 2019, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 2.4%.

Discount rate. The discount rate used to measure the total pension liability for the Firefighter’s Relief and Pension Fund was 6.00%. The projection of cash flows used to determine the discount rate assumed that City contributions (including State premium tax contributions) will be equal to the actuarially determined contributions as there are no member contributions). Based on those assumptions, the Firefighter’s Relief and Pension Plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the plan.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Changes in the Net Pension Liability - Firefighter’s Relief and Pension Fund

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2018	\$ 8,289,195	\$ 7,935,652	\$ 353,543
Changes for the year:			
Service cost	-	-	-
Interest	475,071	-	475,071
Differences between expected and actual experience	176,997	-	176,997
Changes of assumptions	-	-	-
Contributions - employer	-	121,788	(121,788)
Contributions - State	-	138,674	(138,674)
Contributions - employee	-	-	-
Net investment income	-	185,191	(185,191)
Benefit payments (including refunds of employee contributions)	(742,693)	(742,693)	-
Administrative expenses	-	(20,425)	20,425
Net Changes	<u>(90,625)</u>	<u>(317,465)</u>	<u>226,840</u>
Balances at 9/30/2019	<u>\$ 8,198,570</u>	<u>\$ 7,618,187</u>	<u>\$ 580,383</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Firefighter’s Relief and Pension Fund, calculated using the discount rate of 6.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%).

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability (Asset)	\$ 1,274,749	\$ 580,383	\$ (23,614)

Pension plan fiduciary net position. Detailed information about the Firefighter’s Relief and Pension Plan’s fiduciary net position is available in the combining statements beginning on page 102.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

13. PENSION PLANS – Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Firefighter’s Relief and Pension Fund

For the year ended September 30, 2019, the Firefighter’s Relief and Pension Fund recognized pension expense of \$186,820. At September 30, 2019, the Fund reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	67,903
Changes of assumptions	-	-
Total	<u>\$ -</u>	<u>\$ 67,903</u>

Amounts reported as deferred inflows of resources related to the Firefighter’s pension will be recognized in pension expense as follows:

Year ended September 30:	
2020	\$ (102,517)
2021	(54,409)
2022	33,851
2023	<u>55,172</u>
Total	<u>\$ (67,903)</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

General Information about the Plan

Plan Description. 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 other post employment benefits plan is a single employer defined benefit plan administered by the City. The plan is included as a trust fund in the City's financial statements and a separate report for the Plan is not available. 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 employee 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 City pension Plans may also continue their life insurance benefit at a reduced level of \$20,000 prior to age 70 and \$10,000 after age 70.

In June 2017, the City established a qualifying OPEB trust and an OPEB Trust Committee to administer the Trust. The OPEB Trust Committee consists of the City Manager, Finance Director and Human Resources Director. In regards to governmental funds, net OPEB liabilities have been liquidated by the General Fund and Crestlawn Cemetery Fund.

Benefits Provided. 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; for police officers, the subsidy 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. This is called 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 OPEB liability.

Effective January 1, 2015 it became mandatory for all retirees and dependents turning 65 after that date to enroll in Medicare Part B and change coverage to a Medicare Advantage plan to remain covered under the City's insurance program. Retirees who attained age 65 prior to January 1, 2015 were allowed to continue coverage under the core City plan and migration to a Medicare Advantage plan is optional for these members.

Employees covered by benefit terms. Membership of the Plan consisted of the following at October 1, 2018, the date of the latest actuarial valuation:

	Number in Plan
Active participants	302
Retired participants	248
	<u>550</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – Continued

Contributions. The City establishes the required annual contribution to the plan based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Actuarially determined contribution rates are calculated as of October 1, which is 12 months prior to the end of the fiscal year in which contributions are made and reported. The City has the authority to establish and amend the funding policy for its OPEB Plan.

Net OPEB Liability

The City's net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated October 1, 2018 and rolled forward to the September 30, 2019 measurement date.

Actuarial assumptions. The total OPEB liability in the October 1, 2018 valuation (rolled-forward to the measurement date of September 30, 2019) was determined using the following actuarial assumptions.

Inflation	2.5 %
Salary Increases, including inflation	3.75% to 6.50%, including inflation, varies based on service or age
Investment Rate of Return	6.00%
Healthcare Cost Trend Rates	Starting 6.75% for 2019 and decreasing gradually to 4.24% ultimate trend rate (plus 0.51% for excise tax beginning in 2022) - Getzen Model

Mortality rates were based on the various RP-2000 mortality tables with generational projections as used for Regular and Special Risk class members in the July 1, 2018 actuarial valuation of the Florida Retirement System (FRS). They are based on the results of a statewide experience study covering the period 2008-2013.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The following is the OPEB VantageTrust portfolio's target allocation of assets, as well as best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	59 %	7.5 - 8.5 %
Fixed Income	34	2.5 %
Multi-Strategy *	7	various
Total	100 %	

* includes real estate investment trust (REIT's), convertible securities and derivative based strategies

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – Continued

For fiscal year ended September 30, 2019, the annual rate of return on the plan investments, net of investment expenses, was 4.22%.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that City would continue to fund the actuarially determined contribution. Based on this assumption, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Single Discount Rate of 6.00% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9/30/2018	\$ 32,631,758	\$ 1,949,352	\$ 30,682,406
Changes for the year:			
Service cost	526,731	-	526,731
Interest	1,951,770	-	1,951,770
Differences between expected and actual experience	(1,722,633)	-	(1,722,633)
Change in Benefit Terms	-	-	-
Changes in assumptions and other inputs	998,719	-	998,719
Contributions - employer	-	2,093,039	(2,093,039)
Contributions - employee	-	-	-
Net investment income	-	99,958	(99,958)
Benefit payments	(1,257,980)	(1,257,980)	-
Administrative expenses	-	-	-
Net Changes	<u>496,607</u>	<u>935,017</u>	<u>(438,410)</u>
Balances at 9/30/2018	<u>\$ 33,128,365</u>	<u>\$ 2,884,369</u>	<u>\$ 30,243,996</u>

The City’s net OPEB liability is allocated to both the governmental activities and the business-type activities based on their share of the actual OPEB premium costs. Due to the sale of the Electric Utility to Florida Power & Light, the net OPEB liability associated with the Electric System Fund was transferred to governmental activities as of 9/30/19.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – Continued

For the fiscal year ending September 30, 2019, the net OPEB liability is allocated as follows:

	<u>Net OPEB Liability</u>
Governmental Activities	<u>\$ 23,903,419</u>
Business-Type Activities	
Water & Sewer Fund	4,400,049
Airport Fund	323,615
Marina Fund	108,793
Solid Waste Fund	1,508,120
Total Business Type Activities	<u>6,340,577</u>
Total Net OPEB Liability	<u><u>\$ 30,243,996</u></u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the OPEB plan, calculated using the discount rate of 6.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%).

	<u>1% Decrease (5.0%)</u>	<u>Current Discount Rate (6.0%)</u>	<u>1% Increase (7.0%)</u>
Net OPEB Liability	\$ 35,046,355	\$ 30,243,996	\$ 26,313,565

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the net OPEB liability of the OPEB plan, calculated using the same healthcare cost trend rate as employed in the most recent funding valuation as well as what the net pension liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 25,866,549	\$ 30,243,996	\$ 35,677,450

OPEB plan fiduciary net position. Detailed information about the OPEB Plan fiduciary net position is available in the combining statements beginning on page 102.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the OPEB plan recognized total OPEB expense of \$2,196,405. The City's OPEB expense is allocated to both the governmental activities and the business-type activities based on their share of the actual OPEB premium costs. For the fiscal year ending September 30, 2019, the OPEB expense is allocated as follows:

	<u>OPEB Expense</u>
Governmental Activities	<u>\$ 1,045,933</u>
Business-Type Activities	
Electric Fund	649,423
Water & Sewer Fund	345,475
Airport Fund	23,815
Marina Fund	7,891
Solid Waste Fund	123,868
Total Business Type Activities	<u>1,150,472</u>
Total OPEB Expense	<u><u>\$ 2,196,405</u></u>

At September 30, 2019, the OPEB plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,371,075
Net difference between projected and actual earnings on pension plan investments	31,375	-
Changes of assumptions	794,899	-
Total	<u>\$ 826,274</u>	<u>\$ 1,371,075</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2020	\$ (140,083)
2021	(140,083)
2022	(140,083)
2023	(124,552)
Total	<u><u>\$ (544,801)</u></u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

Combining Statement of Fiduciary Net Position
Pension and Other Post Employment Benefits (OPEB) Trust Funds

	General Employee Pension	Police Officers' Pension	Firefighter's Relief and Pension	OPEB Trust Fund	Totals
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest receivable	-	90,172	9,715	-	99,887
Other receivables	1,333	26,017	-	-	27,350
Prepaid expenses	-	1,500	-	-	1,500
Investments, at fair value					
Money market mutual funds	-	946,252	527,543	-	1,473,795
Mutual fund investments	96,424,465	2,429,069	1,090,092	2,884,369	102,827,995
Corporate stocks	-	24,119,096	3,910,237	-	28,029,333
Corporate bonds	-	7,297,392	73,034	-	7,370,426
Treasury and agency bonds & notes:					
U.S. Treasury bonds & notes	-	2,899,341	-	-	2,899,341
Federal instrumentalities	-	1,623,254	80,105	-	1,703,359
Mortgage/asset backed securities	-	178,884	601,717	-	780,601
Real estate	-	4,199,608	1,192,754	-	5,392,362
Municipal bonds & notes	-	-	134,447	-	134,447
Total investments, at fair value	<u>96,424,465</u>	<u>43,692,896</u>	<u>7,609,929</u>	<u>2,884,369</u>	<u>150,611,659</u>
Total assets	<u>96,425,798</u>	<u>43,810,585</u>	<u>7,619,644</u>	<u>2,884,369</u>	<u>150,740,396</u>
Liabilities					
Prepaid employer contribution	-	38,886	-	-	38,886
Refunds payable	-	17,716	-	-	17,716
Expenses payable	-	56,647	1,457	-	58,104
Total liabilities	<u>-</u>	<u>113,249</u>	<u>1,457</u>	<u>-</u>	<u>114,706</u>
Net position					
Restricted for pension and OPEB benefits	<u>\$ 96,425,798</u>	<u>\$ 43,697,336</u>	<u>\$ 7,618,187</u>	<u>\$ 2,884,369</u>	<u>\$ 150,625,690</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Post Employment Benefits (OPEB) Trust Funds**

	General Employee Pension	Police Officers' Pension	Firefighter's Relief and Pension	OPEB Trust Fund	Totals
Additions					
Contributions:					
Employer	\$ 12,002,990	\$ 788,992	\$ 121,788	\$ 2,093,039	\$ 15,006,809
Employee	-	212,777	-	-	212,777
State	-	280,231	138,674	-	418,905
Total contributions	12,002,990	1,282,000	260,462	2,093,039	15,638,491
Investment earnings					
Interest and dividends	2,287,555	1,074,547	248,162	-	3,610,264
Net appreciation in fair value of investments	2,264,277	797,308	6,039	102,403	3,170,027
Total investment income	4,551,832	1,871,855	254,201	102,403	6,780,291
Investment expense	(445,071)	(271,913)	(69,010)	(2,445)	(788,439)
Net investment income	4,106,761	1,599,942	185,191	99,958	5,991,852
Total additions	16,109,751	2,881,942	445,653	2,192,997	21,630,343
Deductions					
Benefit payments	7,435,503	2,131,013	742,693	1,257,980	11,567,189
DROP plan benefits	-	575,789	-	-	575,789
Refunds of contributions	21,733	31,449	-	-	53,182
Administrative expenses	89,490	128,493	20,425	-	238,408
Total deductions	7,546,726	2,866,744	763,118	1,257,980	12,434,568
Change in net position	8,563,025	15,198	(317,465)	935,017	9,195,775
Net position restricted for pension benefits, beginning	87,862,773	43,682,138	7,935,652	1,949,352	141,429,915
Net position restricted for pension and OPEB benefits, ending	\$ 96,425,798	\$ 43,697,336	\$ 7,618,187	\$ 2,884,369	\$ 150,625,690

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

15. 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.

16. 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 the constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Inventory	\$ 44,251	\$ -	\$ 44,251
Prepaid items	125,105	-	125,105
	<u>169,356</u>	<u>-</u>	<u>169,356</u>
Restricted:			
Public Safety	-	45,780	45,780
Culture & Recreation	-	890,760	890,760
Physical Environment	-	7,233,998	7,233,998
	<u>-</u>	<u>8,170,538</u>	<u>8,170,538</u>
Committed:			
Physical Environment	81,302	-	81,302
Unfunded Pension Liability Reserve	14,400,000	-	14,400,000
Other Post Employment Benefits (OPEB) Reserve	9,450,000	-	9,450,000
Capital and Infrastructure Reserve	21,000,000	-	21,000,000
Emergency (Disaster) Reserve	4,779,885	-	4,779,885
	<u>49,711,187</u>	<u>-</u>	<u>49,711,187</u>
Unassigned	<u>15,562,853</u>	<u>-</u>	<u>15,562,853</u>
Total fund balances - governmental funds	<u>\$ 65,443,396</u>	<u>\$ 8,170,538</u>	<u>\$ 73,613,934</u>

The restricted funds for public safety are for law enforcement education and confiscated property. The restricted culture and recreation funds are monies from private donations which were designated by the donors for capital improvements and maintenance for City recreation facilities. The funds restricted for physical environment are primarily sales tax revenues (and associated interest earnings) limited by Florida Statutes to expenditures for capital equipment and improvements and associated debt service. This category also includes ad valorem tax increment revenues restricted for capital improvements in the Historic Downtown economic development zone.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

16. FUND BALANCES – GOVERNMENTAL FUNDS (continued)

The City Council adopted a revised General Fund fund balance policy in September 2019 under Resolution 2019-21 in order to increase its committed reserves using funds made available by the sale of the Electric Utility. The Unfunded Pension Liability Reserve is set aside for annual payments of the General Fund's portion of the actuarially determined contribution for the General Employee Retirement Plan. The Other Post Employment Benefits (OPEB) reserve is to be used annually for payment of the City's OPEB obligations for former electric utility employees. The Capital and Infrastructure Reserve is available for capital projects and infrastructure upgrades as appropriated by City Council in future budgets. The emergency (disaster) reserves were increased to \$5,000,000 with a portion of that being used in the current fiscal year for unreimbursed hurricane expenditures. The remaining restricted General Fund balances are for tree planting and replacement per various City resolutions and ordinances.

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets is as follows as of September 30, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets:		
Capital assets not being depreciated	\$ 6,012,324	\$ 8,425,872
Capital assets being depreciated, net	32,119,536	104,357,991
	<u>38,131,860</u>	<u>112,783,863</u>
Related debt:		
Contracts payable (retainage)	-	488,677
Total bonds, notes payable, and capital lease-purchases	<u>2,504,125</u>	<u>11,006,493</u>
Net investment in capital assets	<u><u>\$ 35,627,735</u></u>	<u><u>\$ 101,288,693</u></u>

18. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has the following construction commitments with contractors as of September 30, 2019:

Fund	Contractor/Project Description	Project Description	Contract Amount	Paid to Date	Retainage Payable	Balance to Completion
Business-Type Activities						
Municipal Airport	Ranger Construction Industries	Extend/Mark/Light Taxiway E	\$ 2,644,338	\$ 2,379,904	\$ 264,434	\$ -
	Paragon Electric of Vero, Inc	Extend/Mark/Light Taxiway E	793,961	714,565	79,396	-
	Ranger Construction Industries	Rehabilitate North Apron	1,116,547	1,004,892	111,655	-
	DG Investment Intermediate Holdings	Airfield Security Improvements	374,658	298,710	33,192	42,756
		TOTAL	<u><u>\$ 4,929,504</u></u>	<u><u>\$ 4,398,071</u></u>	<u><u>\$ 488,677</u></u>	<u><u>\$ 42,756</u></u>

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

18. COMMITMENTS AND CONTINGENCIES – Continued

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.

Grants

Hurricane Matthew. In October 2016, the City of Vero Beach was impacted by Hurricane Matthew and experienced significant costs associated with emergency protective measures, restoration of electric utility services, post-storm debris removal and damage to City infrastructure. On October 8, 2016 there was a Federal Major Disaster declaration that made the City eligible for Federal and State public assistance funding to reimburse a share of the eligible project costs associated with this storm. In December 2016, the City Council approved a Public Assistance State Agreement for Hurricane Matthew (FEMA-4283-DR-FL), which enabled the City to apply for and receive public assistance funding. Through March 2020, the City has submitted Project Worksheets (PWs) totaling \$3,486,710. Of this total amount, \$3,486,710 was obligated by the Federal Emergency Management Agency (FEMA) prior to September 30, 2019, which has been recognized on the financial statements. The City has received \$ 2,916,157 in funding to date.

Hurricane Irma. In September 2017, the City of Vero Beach was hit by Hurricane Irma and again experienced significant expenses for storm preparedness, emergency response, electric utility restoration, debris removal and damage to City facilities. On September 20, 2017 there was a Federal Major Disaster making the City eligible for Federal and State public assistance funding to reimburse a share of the eligible program costs associated with this storm. In April 2019, the City Council approved a Public Assistance State Agreement for Hurricane Irma (FEMA-4337-DR-FL) which enabled the City to apply for and receive public assistance funding. Through March 2020, the City has submitted Project Worksheets (PWs) totaling \$3,310,318. Of this total amount, \$986,220 was obligated by the Federal Emergency Management Agency (FEMA) prior to September 30, 2019, which has been recognized on the financial statements. The City has received \$729,110 in funding to date.

Hurricane Dorian. In late August 2019, the City of Vero Beach was part of an emergency declaration due to Hurricane Dorian. Although the impact to the City from this storm was minimal, the City is eligible to recover costs for pre-impact protective actions and sand replacement for beach erosion. As of September 30, 2019, the City had not submitted any Project Worksheets (PWs) yet for this storm.

Hurricanes Frances and Jeanne. In late September 2019, the Florida Department of Emergency Management (DEM) staff undertook a financial reconciliation of various storms which still remain unclosed including Hurricane Jeanne (DR-1561) and Hurricane Frances (DR-1545). As a result, the City received an invoice on September 18, 2019 which acknowledged that money was still owed to the City for Hurricane Frances (DR-1545) due to a successful second appeal. Unfortunately, this invoice offset the funds owed to the City with additional insurance related de-obligations for Hurricane Jeanne (DR-1561). These further de-obligations are the result of a Florida-wide audit of insurance issues for 2004-2005 storms performed by the Federal Emergency Management Agency (FEMA) as requested by the U.S. Department of Homeland Security, Office of the Inspector General (OIG) in December 2018 (DHS OIG Audit 15-19-D). These de-obligations also required the offset of some funds due for Hurricane Irma (DR-4337) to net the invoice to zero. The City had several meetings with the DEM staff regarding this invoice and the latest insurance de-obligations, which City staff did not agree with. The DEM insurance specialists who reviewed these de-obligations advised the City that in order to appeal these to FEMA on our behalf they would have to re-open the entire storm for insurance review, not just the projects in question. The DEM staff has cautioned the City that doing so could risk additional de-obligations as well as further delays

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

18. COMMITMENTS AND CONTINGENCIES – Continued

to closing this storm (which will continue to put City funds at risk). The City staff agreed with DEM's assessment that the likelihood of a successful appeal almost 15 years after these storms was low. Based on staff's recommendation, in November 2019 the City Council approved acceptance of this offsetting invoice and the final close out of both storms. As a result, Hurricanes Jeanne and Frances were officially closed out in December 2019.

19. SUBSEQUENT EVENTS

COVID-19

Towards the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, stock market conditions deteriorated rapidly during 2020, with a significant short-term effect on the City's pension and Other Post Employment Benefit trust fund common and preferred stock investments.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Changes in Net Pension Liability and Related Ratios – General Employee Retirement Plan
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 468,239	\$ 510,973	\$ 557,046	\$ 689,965	\$ 1,455,560	\$ 1,525,171
Interest	6,953,167	6,960,909	6,853,564	6,546,450	7,466,958	7,257,316
Change of benefit terms	-	-	-	-	(1,270,795)	-
Differences between expected and actual experience	3,324,807	(334,153)	1,132,034	358,687	2,986,908	-
Changes of assumptions	(1,933,292)	-	-	3,151,956	-	-
Benefit payments (including refunds of member contributions)	(7,457,236)	(6,970,975)	(6,719,219)	(6,439,345)	(6,104,373)	(6,050,479)
Net change in total pension liability	1,355,685	166,754	1,823,425	4,307,713	4,534,258	2,732,008
Total pension liability - beginning	110,232,181	110,065,427	108,242,002	103,934,289	99,400,031	96,668,023
Total pension liability - ending (a)	\$ 111,587,866	\$ 110,232,181	\$ 110,065,427	\$ 108,242,002	\$ 103,934,289	\$ 99,400,031
Plan fiduciary net position						
Contributions - employer	\$ 12,002,990	\$ 4,377,313	\$ 4,499,935	\$ 4,274,277	\$ 4,889,995	\$ 4,972,378
Contributions - employee	-	-	-	-	373,250	461,199
Net investment income	4,106,761	6,963,235	8,865,531	7,205,701	859,603	6,975,362
Benefit payments (including refunds of member contributions)	(7,457,236)	(6,970,975)	(6,719,219)	(6,439,345)	(6,104,373)	(6,050,479)
Administrative expense	(89,490)	(73,138)	(27,102)	(20,457)	(32,265)	-
Other	-	-	14,461	-	-	-
Net change in plan fiduciary net position	8,563,025	4,296,435	6,633,606	5,020,176	(13,790)	6,358,460
Plan fiduciary net position - beginning	87,862,773	83,566,338	76,932,732	71,912,556	71,926,346	65,567,886
Plan fiduciary net position - ending (b)	\$ 96,425,798	\$ 87,862,773	\$ 83,566,338	\$ 76,932,732	\$ 71,912,556	\$ 71,926,346
City's net pension liability - ending (a) - (b)	\$ 15,162,068	\$ 22,369,408	\$ 26,499,089	\$ 31,309,270	\$ 32,021,733	\$ 27,473,685
Plan fiduciary net position as a percentage of the total pension liability	86.41%	79.71%	75.92%	71.07%	69.19%	72.36%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ 15,456,663	\$ 15,704,293
City's net pension liability as percentage of covered employee payroll	N/A	N/A	N/A	N/A	207.2%	174.9%

Notes to Schedule:

Employer Contributions. For 2019, the employer contribution included both the actuarially determined contribution of \$4,278,984 and an excess contribution of \$7,724,006 from the proceeds of the sale of the Electric Utility to Florida Power & Light

Benefit changes. The pension plan was frozen as of June 30, 2015, with no future service accruals and no new entrants. As a result there are no employee contributions or covered employee payroll amounts for fiscal year ended 9/30/16.

Change of assumptions. For 2019 and 2016, the mortality rates were updated in accordance with Florida Statute Section 112.63(f)

Information is not available for years preceding fiscal year 2014.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers’ Retirement Fund
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 605,715	\$ 637,288	\$ 575,896	\$ 543,187	\$ 550,357	\$ 478,211
Interest	3,525,391	3,416,827	3,264,313	3,086,536	3,009,258	2,881,001
Change of benefit terms	-	-	-	-	-	118,425
Differences between expected and actual experience	49,124	(149,084)	133,676	26,221	(642,610)	96,146
Changes of assumptions	-	495,820	1,274	710,848	44,151	41,761
Benefit payments (including refunds of member contributions)	(2,738,251)	(2,087,518)	(2,063,153)	(2,141,125)	(1,793,418)	(2,248,284)
Net change in total pension liability	1,441,979	2,313,333	1,912,006	2,225,667	1,167,738	1,367,260
Total pension liability - beginning	46,846,951	44,533,618	42,621,612	40,395,945	39,228,207	37,860,947
Total pension liability - ending (a)	\$ 48,288,930	\$ 46,846,951	\$ 44,533,618	\$ 42,621,612	\$ 40,395,945	\$ 39,228,207
Plan fiduciary net position						
Contributions - employer	\$ 788,992	\$ 773,856	\$ 756,381	\$ 853,491	\$ 852,721	\$ 869,837
Contributions - State	280,231	258,540	241,345	252,594	228,139	233,451
Contributions - employee	212,777	213,729	208,521	191,664	191,782	167,975
Net investment income	1,563,321	4,119,480	4,336,908	2,915,646	385,598	3,088,757
Benefit payments (including refunds of member contributions)	(2,738,251)	(2,087,518)	(2,063,153)	(2,141,125)	(1,793,418)	(2,248,284)
Administrative expense	(91,872)	(135,607)	(116,981)	(107,071)	(86,344)	(86,354)
Net change in plan fiduciary net position	15,198	3,142,480	3,363,021	1,965,199	(221,522)	2,025,382
Plan fiduciary net position - beginning	43,682,138	40,539,658	37,176,637	35,211,438	35,432,960	33,407,578
Plan fiduciary net position - ending (b)	\$ 43,697,336	\$ 43,682,138	\$ 40,539,658	\$ 37,176,637	\$ 35,211,438	\$ 35,432,960
City's net pension liability - ending (a) - (b)	\$ 4,591,594	\$ 3,164,813	\$ 3,993,960	\$ 5,444,975	\$ 5,184,507	\$ 3,795,247
Plan fiduciary net position as a percentage of the total pension liability	90.49%	93.24%	91.03%	87.22%	87.17%	90.33%
Covered payroll	\$ 3,363,227	\$ 3,259,812	\$ 3,261,894	\$ 3,169,645	\$ 2,938,951	\$ 2,899,869
City's net pension liability as percentage of covered payroll	136.5%	97.1%	122.4%	171.8%	176.4%	130.9%

Notes to Schedule:

Benefit changes. In 2014, the valuation was adjusted for the fact that leave payouts are not capped for pension purposes.

Change of assumptions. The net assumed return was revised at October 1, 2018 to 7.65%. Effective with the October 1, 2016 valuation, the mortality table was revised to the mortality assumption used for special risk employees in the valuation of the Florida Retirement System (FRS) as required by Florida statutes.

Information is not available for years preceding fiscal year 2014.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Changes in Net Pension Liability and Related Ratios – Firefighter’s Relief and Pension Fund
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	475,071	480,914	460,574	503,480	515,130	529,277
Change of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	176,997	164,840	147,994	(321,469)	168,392	-
Changes of assumptions	-	-	466,714	160,377	164,475	-
Benefit payments (including refunds of member contributions)	(742,693)	(743,573)	(728,993)	(714,699)	(720,087)	(773,744)
Net change in total pension liability	(90,625)	(97,819)	346,289	(372,311)	127,910	(244,467)
Total pension liability - beginning	8,289,195	8,387,014	8,040,725	8,413,036	8,285,126	8,529,593
Total pension liability - ending (a)	\$ 8,198,570	\$ 8,289,195	\$ 8,387,014	\$ 8,040,725	\$ 8,413,036	\$ 8,285,126
Plan fiduciary net position						
Contributions - employer	\$ 121,788	\$ 146,657	\$ 84,119	\$ 104,007	\$ 65,751	\$ 42,311
Contributions - State	138,674	138,704	183,499	225,939	271,303	296,198
Net investment income	185,191	563,174	873,992	676,519	84,490	702,893
Benefit payments (including refunds of member contributions)	(742,693)	(743,573)	(728,993)	(714,699)	(720,087)	(773,744)
Administrative expense	(20,425)	(15,720)	(16,663)	(18,271)	(17,351)	(8,167)
Net change in plan fiduciary net position	(317,465)	89,242	395,954	273,495	(315,894)	259,491
Plan fiduciary net position - beginning	7,935,652	7,846,410	7,450,456	7,176,961	7,492,855	7,233,364
Plan fiduciary net position - ending (b)	\$ 7,618,187	\$ 7,935,652	\$ 7,846,410	\$ 7,450,456	\$ 7,176,961	\$ 7,492,855
City's net pension liability - ending (a) - (b)	\$ 580,383	\$ 353,543	\$ 540,604	\$ 590,269	\$ 1,236,075	\$ 792,271
Plan fiduciary net position as a percentage of the total pension liability	92.92%	95.73%	93.55%	92.66%	85.31%	90.44%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's net pension liability as percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit changes. There have been no changes in benefit provisions since GASB 68 implementation.

Change of assumptions. In 2017 the mortality assumption was changed to match those used by the Florida Retirement System (FRS) for the Special Risk class in accordance with Florida Statutes.

Information is not available for years preceding fiscal year 2014.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Employer Contributions – General Employee Retirement Plan
Last Ten Fiscal Years

Year Ending September 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 4,278,984	\$ 4,377,313	\$ 4,499,935	\$ 4,274,277	\$ 4,889,995	\$ 4,972,378	\$ 4,641,428	\$ 4,153,621	\$ 4,115,761	\$ 4,028,814
Contributions in relation to the actuarially determined contribution	12,002,990	4,377,313	4,499,935	4,274,277	4,889,995	4,972,378	4,641,428	4,153,621	4,115,761	4,050,000
Contribution deficiency (excess)	\$ (7,724,006)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (21,186)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ 15,704,293	\$ 16,224,526	\$ 17,094,905	\$ 18,830,488	\$ 19,305,268	\$ 18,811,487
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	31.14%	30.65%	27.15%	22.06%	21.32%	21.53%

Notes to Schedule

Valuation Date:

Actuarially determined contributions is calculated using an October valuation date as of the beginning of the year in which contributions are reported.

Methods and Assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	9
Asset valuation method	5-year smoothed market
Inflation	N/A
Salary Increases	N/A
Investment rate of return	6.5% net of investment expenses, including inflation
Retirement age	Rates based on age ranging from 55-70 years, with 100% retirement at age 70
Mortality	Fiscal year 2019: PUB-2010 base tables, set back one year for males, projected generationally using scale MP-2018 for healthy actives and inactive. For disabled retirees, the PUB -2010 disabled table, set forward three years for both males and females, projected generationally using scale MP-2018 Fiscal year 2018 and prior: 50% RP-2000 Combined Healthy White Collar and 50% RP-2000 Combined Healthy Blue Collar with Scale BB. RP-2000 Disabled Retiree Mortality table with four year set back for males and two year set forward for females

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Employer Contributions – Police Officers’ Retirement Fund
Last Ten Fiscal Years

Year Ending September 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,069,223	\$ 1,032,396	\$ 997,726	\$ 1,106,085	\$ 1,080,860	\$ 1,103,288	\$ 1,124,361	\$ 1,069,836	\$ 1,003,043	\$ 808,241
Contributions in relation to the actuarially determined contribution	1,069,223	1,032,396	997,726	1,106,085	1,080,860	1,103,288	1,124,361	1,069,836	1,003,043	808,241
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,363,227	\$ 3,259,812	\$ 3,261,894	\$ 3,169,645	\$ 2,938,951	\$ 2,899,869	\$ 2,947,305	\$ 3,013,887	\$ 3,297,317	\$ 3,577,177
Contributions as a percentage of covered payroll	31.79%	31.67%	30.59%	34.90%	36.79%	38.05%	38.15%	35.50%	30.42%	22.59%

Notes to Schedule

Valuation Date:

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

Methods and Assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary Increases	Scale of increase rates from 6.25% to 4.28% depending on years fo service, including inflation
Investment rate of return	7.75% net of investment expenses, including inflation, revised to 7.65% for the October 1, 2018 valuation
Retirement age	Members are assumed to retire at a rate of 5% per year eligible for early retirement, at a rate of 80% in the year of the Normal Retirement Date, and at a rate of 40% for each of the four years subsequent to the Normal Retirement Date. 100% of members are assumed to retire in the fifth year subsequent to the Normal Retirement Date.
Mortality	In accordance with the requirements of Florida statutes, the mortality tables used in this valuation are the same as the mortality assumptions for special risk employees used in the valuation of the Florida Retirement System (FRS) as of the July 1, 2018 FRS valuation report.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Employer Contributions – Firefighter’s Relief and Pension Fund
Last Ten Fiscal Years

Year Ending September 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 260,242	\$ 285,361	\$ 267,618	\$ 329,946	\$ 337,054	\$ 338,509	\$ 328,294	\$ 333,686	\$ 309,977	\$ 286,894
Contributions in relation to the actuarially determined contribution	260,242	285,361	267,618	329,946	337,054	338,509	328,294	333,686	309,977	286,894
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A									

Notes to Schedule

Valuation Date:

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

Methods and Assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary Increases	N/A
Investment rate of return	6.00% net of investment expenses, including inflation
Retirement age	N/A
Mortality	RP-2000 Mortality Table for Annuitants (for post-retirement mortality) with mortality improvement projected to all future years after 2000 using Scale BB.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

**Schedule of Changes in Net OPEB Liability and Related Ratios –
Other Postemployment Benefits Plan
Last Ten Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 526,731	\$ 541,547	\$ 517,526
Interest	1,951,770	1,880,643	1,806,107
Change of benefit terms	-	-	-
Differences between expected and actual experience	(1,722,633)	-	-
Changes of assumptions	998,719	-	-
Benefit payments	(1,257,980)	(1,185,885)	(1,024,866)
Net change in total OPEB liability	<u>496,607</u>	<u>1,236,305</u>	<u>1,298,767</u>
Total OPEB liability - beginning	32,631,758	31,395,453	30,096,686
Total OPEB liability - ending (a)	<u>\$ 33,128,365</u>	<u>\$ 32,631,758</u>	<u>\$ 31,395,453</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,093,039	\$ 2,056,291	\$ 1,971,583
Net investment income	99,958	89,274	42,955
Benefit payments	(1,257,980)	(1,185,885)	(1,024,866)
Administrative expense	-	-	-
Net change in plan fiduciary net position	<u>935,017</u>	<u>959,680</u>	<u>989,672</u>
Plan fiduciary net position - beginning	1,949,352	989,672	-
Plan fiduciary net position - ending (b)	<u>\$ 2,884,369</u>	<u>\$ 1,949,352</u>	<u>\$ 989,672</u>
City's net OPEB liability - ending (a) - (b)	<u>\$ 30,243,996</u>	<u>\$ 30,682,406</u>	<u>\$ 30,405,781</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.71%	5.97%	3.15%
Covered employee payroll	\$ 19,799,596	\$ 22,166,418	\$ 18,157,544
City's net OPEB liability as percentage of covered employee payroll	152.75%	138.42%	167.46%

Notes to Schedule:

Note. The OPEB trust fund was established in June 2017, so no historical information for prior years is available.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Employer Contributions – Other Postemployment Benefits Plan
Last Ten Fiscal Years

Year Ending September 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,093,039	\$ 2,056,291	\$ 1,971,853	\$ 2,127,974	\$ 2,077,932	\$ 2,448,550	\$ 3,689,977	\$ 3,926,000	\$ 3,798,000	\$ 3,604,000
Contributions in relation to the actuarially determined contribution	2,093,039 (2)	2,056,291 (2)	1,971,853	774,300	784,887	1,193,698	1,109,982	857,000	1,398,000	1,189,000 (1)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 1,353,674	\$ 1,293,045	\$ 1,254,852	\$ 2,579,995	\$ 3,069,000	\$ 2,400,000	\$ 2,415,000
Covered employee payroll	\$ 19,799,596	\$ 22,166,418	\$ 18,157,544	\$ 18,701,186	\$ 18,701,186	\$ 20,448,071	\$ 20,448,071	\$ 23,150,255	\$ 23,555,000	\$ 23,555,000
Contributions as a percentage of covered employee payroll	10.57%	9.28%	10.86%	4.14%	4.20%	5.84%	5.43%	3.70%	5.94%	5.05%

Notes to Schedule

Note 1: The City's estimate of contributions for all fiscal years to date was revised in 2010 due to corrections in assumptions for calculation of City contributions.

Note 2: A qualifying OPEB Trust was established in June 2017

Valuation Date:

Actuarially determined contributions are calculated using an October valuation date as of the beginning of the year in which contributions are reported, and are rolled forward for years for which a complete annual valuation was not required.

Methods and Assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed
Remaining amortization period	26
Asset valuation method	Market Value
Inflation	2.50%
Salary Increases	3.75 % to 6.5 %
Investment rate of return	6.0% net of investment expenses, including inflation
Healthcare cost trend rate	Based on the Getzen Model, with trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.75% (including the impact of the excise tax).
Mortality	Mortality tables used for Regular Class and Special Risk Class members in the July 1, 2018 actuarial valuation of the Florida Retirement System. Based on a statewide experience study covering 2008-2013 with generational projection.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

Schedule of Investment Returns – All Pension Plans and Other Postemployment Benefits Plan
Last Ten Fiscal Years

Annual money-weighted rate of return, net of investment expense

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Employees' Retirement Plan	4.56%	8.47%	11.69%	10.17%	1.20%	10.69%	12.85%	18.74%	1.60%	8.85%
Police Officers' Retirement Fund	3.60%	10.16%	11.45%	7.99%	0.87%	9.08%	14.17%	19.27%	-1.69%	-9.89%
Firefighter's Relief and Pension Fund	2.40%	7.40%	12.10%	9.70%	1.20%	10.00%	13.60%	15.50%	0.00%	6.70%
Other Post Employment Benefits (OPEB) Plan	4.22%	6.27%	9.07%	-	-	-	-	-	-	-

Note: The OPEB trust fund was established in June 2017; there is no investment data available prior to funding of the trust.

COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES

CITY OF VERO BEACH, FLORIDA

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 6,832,063	\$ 6,940,767	\$ 6,940,767	\$ -
Utility taxes	1,968,250	2,606,650	2,550,428	(56,222)
Electric utility franchise fee	1,350,000	1,270,000	1,241,963	(28,037)
Telecommunications tax	1,233,511	1,193,511	1,204,471	10,960
Local option gas tax	527,116	507,116	509,118	2,002
Local business tax	160,000	153,900	153,864	(36)
Total taxes	<u>12,070,940</u>	<u>12,671,944</u>	<u>12,600,611</u>	<u>(71,333)</u>
Licenses and permits:				
Sign permit fees	7,500	8,100	8,095	(5)
Burglar alarm permit fees	45,000	50,300	50,368	68
Miscellaneous license fees	97,000	126,582	127,046	464
Total licenses and permits	<u>149,500</u>	<u>184,982</u>	<u>185,509</u>	<u>527</u>
Intergovernmental revenues:				
State revenue sharing	573,284	577,001	577,001	-
State sales tax revenue	1,235,267	1,235,267	1,242,766	7,499
Total intergovernmental revenues	<u>1,808,551</u>	<u>1,812,268</u>	<u>1,819,767</u>	<u>7,499</u>
Grants:				
OJP grants	-	6,257	6,693	436
FEMA (Hurricanes Frances, Jeanne & Matthew)	-	18,035	250,099	232,064
Total grants	<u>-</u>	<u>24,292</u>	<u>256,792</u>	<u>232,500</u>
Charges for Services:				
Planning department	90,000	93,797	93,797	-
Administrative services	2,297,570	2,297,570	2,297,571	1
Recreation	378,000	364,056	363,965	(91)
Airport security	94,280	94,280	64,571	(29,709)
School resource officers	145,000	123,500	123,521	21
Total charges for services	<u>3,004,850</u>	<u>2,973,203</u>	<u>2,943,425</u>	<u>(29,778)</u>
Fines, forfeitures and seizures	<u>159,000</u>	<u>300,167</u>	<u>300,287</u>	<u>120</u>
Miscellaneous revenues:				
Investment earnings	80,000	411,366	413,873	2,507
Rentals	389,944	325,097	325,092	(5)
Contributions from private sources	33,000	92,995	103,376	10,381
Miscellaneous	104,500	159,983	164,991	5,008
Total miscellaneous revenues	<u>607,444</u>	<u>989,441</u>	<u>1,007,332</u>	<u>17,891</u>
Total revenues	<u>17,800,285</u>	<u>18,956,297</u>	<u>19,113,723</u>	<u>157,426</u>

CITY OF VERO BEACH, FLORIDA

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2019

Expenditures	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Current:				
General government:				
City council:				
Personnel services	\$ 78,152	\$ 78,502	\$ 78,456	\$ 46
Operating	8,950	8,600	6,846	1,754
Total city council	<u>87,102</u>	<u>87,102</u>	<u>85,302</u>	<u>1,800</u>
City clerk:				
Personnel services	432,336	430,646	430,461	185
Operating	121,100	123,890	116,038	7,852
Capital outlay	4,500	3,400	3,324	76
Total city clerk	<u>557,936</u>	<u>557,936</u>	<u>549,823</u>	<u>8,113</u>
City manager:				
Personnel services	346,451	351,061	350,770	291
Operating	11,400	9,400	8,264	1,136
Total city manager	<u>357,851</u>	<u>360,461</u>	<u>359,034</u>	<u>1,427</u>
City hall:				
Operating	<u>134,292</u>	<u>129,292</u>	<u>119,996</u>	<u>9,296</u>
City attorney:				
Personnel services	519,043	464,114	463,734	380
Operating	20,475	100,475	90,019	10,456
Total city attorney	<u>539,518</u>	<u>564,589</u>	<u>553,753</u>	<u>10,836</u>
Human resources:				
Personnel services	369,243	367,767	367,652	115
Operating	84,296	76,396	55,136	21,260
Capital outlay	-	2,400	1,893	507
Total human resources	<u>453,539</u>	<u>446,563</u>	<u>424,681</u>	<u>21,882</u>
Finance administration:				
Personnel services	835,694	798,296	798,172	124
Operating	58,419	61,109	54,429	6,680
Capital outlay	-	1,310	1,310	-
Total finance administration	<u>894,113</u>	<u>860,715</u>	<u>853,911</u>	<u>6,804</u>
Information technology:				
Personnel services	645,157	636,672	636,612	60
Operating	134,200	136,300	130,220	6,080
Capital outlay	2,200	2,200	1,977	223
Total information technology	<u>781,557</u>	<u>775,172</u>	<u>768,809</u>	<u>6,363</u>
Purchasing:				
Personnel services	529,667	510,105	510,049	56
Operating	22,316	24,916	21,480	3,436
Total purchasing	<u>551,983</u>	<u>535,021</u>	<u>531,529</u>	<u>3,492</u>
Warehouse:				
Personnel services	48,623	37,416	37,234	182
Operating	5,509	16,109	14,018	2,091
Total warehouse	<u>54,132</u>	<u>53,525</u>	<u>51,252</u>	<u>2,273</u>

Continued

CITY OF VERO BEACH, FLORIDA

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Planning:				
Personnel services	\$ 523,911	\$ 455,434	\$ 455,276	\$ 158
Operating	37,900	36,400	31,210	5,190
Total planning	561,811	491,834	486,486	5,348
Public works - fleet management:				
Personnel services	4,910	11,723	4,972	6,751
Operating	3,224	7,254	2,996	4,258
Capital outlay	10,750	10,750	10,709	41
Total public works - fleet management	18,884	29,727	18,677	11,050
Public works - facilities management:				
Personnel services	621,881	610,063	610,000	63
Operating	173,626	149,626	116,390	33,236
Total public works - facilities management	795,507	759,689	726,390	33,299
Public works - GIS:				
Personnel services	189,574	181,594	181,408	186
Operating	3,850	3,850	2,339	1,511
Total public works - GIS	193,424	185,444	183,747	1,697
Total general government	5,981,649	5,837,070	5,713,390	123,680
Public safety:				
Police:				
Personnel services	7,192,423	7,252,104	7,251,659	445
Operating	863,062	842,394	814,683	27,711
Capital outlay	157,106	277,474	280,027	(2,553)
Total public safety	8,212,591	8,371,972	8,346,369	25,603
Transportation:				
Public works - administration:				
Personnel services	492,071	466,382	466,245	137
Operating	73,190	69,190	58,804	10,386
Capital outlay	5,000	5,000	4,095	905
Total public works - administration	570,261	540,572	529,144	11,428
Public works - streets/stormwater/traffic:				
Personnel services	1,064,935	948,872	947,696	1,176
Operating	393,458	376,458	351,554	24,904
Capital outlay	14,700	15,700	16,135	(435)
Total public works - streets	1,473,093	1,341,030	1,315,385	25,645
Public works - engineering & survey:				
Personnel services	452,774	424,997	424,901	96
Operating	28,961	29,701	23,357	6,344
Capital outlay	7,500	6,760	6,760	-
Total public works - engineering & survey	489,235	461,458	455,018	6,440
Total transportation	2,532,589	2,343,060	2,299,547	43,513

CITY OF VERO BEACH, FLORIDA

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Culture and recreation:				
Public works - grounds maintenance:				
Personnel services	\$ 1,550,802	\$ 1,462,446	\$ 1,461,371	\$ 1,075
Operating	601,746	624,746	587,497	37,249
Capital outlay	45,500	65,500	56,653	8,847
Total public works - culture and recreation	<u>2,198,048</u>	<u>2,152,692</u>	<u>2,105,521</u>	<u>47,171</u>
Recreation:				
Personnel services	1,781,388	1,826,366	1,825,972	394
Operating	475,865	500,515	494,033	6,482
Capital outlay	18,100	18,450	14,873	3,577
Total recreation	<u>2,275,353</u>	<u>2,345,331</u>	<u>2,334,878</u>	<u>10,453</u>
Total culture and recreation	<u>4,473,401</u>	<u>4,498,023</u>	<u>4,440,399</u>	<u>57,624</u>
Nondepartmental:				
Personnel services	1,301,448	1,332,548	1,305,297	27,251
Operating	1,219,896	1,683,671	1,491,998	191,673
Capital outlay	-	257,225	256,283	942
Total nondepartmental	<u>2,521,344</u>	<u>3,273,444</u>	<u>3,053,578</u>	<u>219,866</u>
Total expenditures	<u>23,721,574</u>	<u>24,323,569</u>	<u>23,853,283</u>	<u>470,286</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,921,289)</u>	<u>(5,367,272)</u>	<u>(4,739,560)</u>	<u>627,712</u>
Other financing sources (uses)				
Proceeds from insurance	-	9,720	9,720	-
Transfers in:				
Electric system residual	-	-	53,956,464	53,956,464
Electric revenue fund	4,473,191	4,473,191	4,473,191	-
Water & sewer fund	996,000	996,000	996,000	-
Solid waste fund	173,000	173,000	173,000	-
Marina fund	103,000	103,000	103,000	-
Health insurance fund	269,297	269,297	269,297	-
Capital & construction fund	-	11,938	11,938	-
Total transfers in	<u>6,014,488</u>	<u>6,026,426</u>	<u>59,982,890</u>	<u>53,956,464</u>
Transfers out:				
Cemetery fund	(38,000)	(64,070)	(64,070)	-
Economic development zone fund	(55,199)	(55,042)	(55,042)	-
Total transfers out	<u>(93,199)</u>	<u>(119,112)</u>	<u>(119,112)</u>	<u>-</u>
Total other financing sources (uses)	<u>5,921,289</u>	<u>5,917,034</u>	<u>59,873,498</u>	<u>53,956,464</u>
Net change in fund balances	<u>-</u>	<u>549,762</u>	<u>55,133,938</u>	<u>54,584,176</u>
Fund balance - beginning	<u>10,309,458</u>	<u>10,309,458</u>	<u>10,309,458</u>	<u>-</u>
Fund balance - ending	<u>\$ 10,309,458</u>	<u>\$ 10,859,220</u>	<u>\$ 65,443,396</u>	<u>\$ 54,584,176</u>

CITY OF VERO BEACH, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	Special Revenue Funds				
	Confiscated Property	Law Enforcement Education	Historic Downtown Vero Beach Economic Development Zone	Police & Firefighter Premium Tax Trust	Asset Management
Assets					
Equity in pooled cash and investments	\$ 69,013	\$ 11,790	\$ 73,518	\$ -	\$ 1,413,835
Cash with fiscal agent	-	-	-	-	-
Receivables, net:					
Special assessments	-	-	-	-	-
Interest	-	-	-	-	6,992
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 69,013</u>	<u>\$ 11,790</u>	<u>\$ 73,518</u>	<u>\$ -</u>	<u>\$ 1,420,827</u>
Liabilities, deferred inflows and fund balances					
Liabilities:					
Accounts and contracts payable	-	-	-	-	310
Accrued liabilities	-	-	-	-	-
Evidence escrow	35,023	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>35,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310</u>
Deferred inflows of resources:					
Unavailable revenue - Special assessment receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted:	33,990	11,790	73,518	-	1,420,517
Total fund balances	<u>33,990</u>	<u>11,790</u>	<u>73,518</u>	<u>-</u>	<u>1,420,517</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 69,013</u>	<u>\$ 11,790</u>	<u>\$ 73,518</u>	<u>\$ -</u>	<u>\$ 1,420,827</u>

Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Whitaker Trust	Downey Little Flower	Debt Service	General Government Capital and Construction	Infrastructure & Real Estate Improvements	Crestlawn Cemetery	
\$ 734,210	\$ 153,539	\$ -	\$ 5,438,834	\$ -	\$ 98,584	\$ 7,993,323
-	-	-	304,446	-	-	304,446
-	-	-	10,709	-	-	10,709
2,813	341	-	2,848	7,428	-	20,422
-	-	-	103,936	-	-	103,936
-	-	-	40,038	373,858	-	413,896
<u>\$ 737,023</u>	<u>\$ 153,880</u>	<u>\$ -</u>	<u>\$ 5,900,811</u>	<u>\$ 381,286</u>	<u>\$ 98,584</u>	<u>\$ 8,846,732</u>
109	34	-	523,581	-	161	524,195
-	-	-	-	-	2,331	2,331
-	-	-	-	-	-	35,023
-	-	-	-	103,936	-	103,936
<u>109</u>	<u>34</u>	<u>-</u>	<u>523,581</u>	<u>103,936</u>	<u>2,492</u>	<u>665,485</u>
-	-	-	10,709	-	-	10,709
736,914	153,846	-	5,366,521	277,350	96,092	8,170,538
<u>736,914</u>	<u>153,846</u>	<u>-</u>	<u>5,366,521</u>	<u>277,350</u>	<u>96,092</u>	<u>8,170,538</u>
<u>\$ 737,023</u>	<u>\$ 153,880</u>	<u>\$ -</u>	<u>\$ 5,900,811</u>	<u>\$ 381,286</u>	<u>\$ 98,584</u>	<u>\$ 8,846,732</u>

CITY OF VERO BEACH, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds				
	Confiscated Property	Law Enforcement Education	Historic Downtown Vero Beach Economic Development Zone	Police & Firefighter Premium Tax Trust	Asset Management
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	418,905	-
Grants	13,585	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	3,961	3,559	-	-	-
Investment earnings	-	-	-	-	50,528
Total revenues	<u>17,546</u>	<u>3,559</u>	<u>-</u>	<u>418,905</u>	<u>50,528</u>
Expenditures					
Current:					
Public safety	2,130	3,145	-	418,905	-
Physical environment	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	15,759	-	-	-	-
Total expenditures	<u>17,889</u>	<u>3,145</u>	<u>-</u>	<u>418,905</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(343)</u>	<u>414</u>	<u>-</u>	<u>-</u>	<u>50,528</u>
Other financing sources (uses)					
Capital lease proceeds	-	-	-	-	-
Sale of assets	-	-	-	-	-
Transfers in	-	-	55,042	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>55,042</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(343)</u>	<u>414</u>	<u>55,042</u>	<u>-</u>	<u>50,528</u>
Fund balance (deficit) - beginning	<u>34,333</u>	<u>11,376</u>	<u>18,476</u>	<u>-</u>	<u>1,369,989</u>
Fund balance - ending	<u>\$ 33,990</u>	<u>\$ 11,790</u>	<u>\$ 73,518</u>	<u>\$ -</u>	<u>\$ 1,420,517</u>

Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Whitaker Trust	Downey Little Flower	Debt Service	General Government Capital and Construction	Infrastructure & Real Estate Improvements	Crestlawn Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ 2,329,312	\$ -	\$ 2,329,312
-	-	-	-	-	-	418,905
-	-	-	26,937	-	-	40,522
-	-	-	-	-	153,747	153,747
-	-	-	-	-	-	7,520
23,040	4,984	-	38,893	311	1,109	118,865
<u>23,040</u>	<u>4,984</u>	<u>-</u>	<u>65,830</u>	<u>2,329,623</u>	<u>154,856</u>	<u>3,068,871</u>
-	-	-	-	-	-	424,180
-	-	-	-	-	206,813	206,813
-	-	4,612,148	758,282	-	-	5,370,430
-	-	527,664	47,466	-	-	575,130
-	-	-	1,817,240	-	7,675	1,840,674
-	-	<u>5,139,812</u>	<u>2,622,988</u>	<u>-</u>	<u>214,488</u>	<u>8,417,227</u>
<u>23,040</u>	<u>4,984</u>	<u>(5,139,812)</u>	<u>(2,557,158)</u>	<u>2,329,623</u>	<u>(59,632)</u>	<u>(5,348,356)</u>
-	-	-	480,073	-	-	480,073
-	-	-	3,786,982	-	-	3,786,982
-	-	5,139,812	2,141,000	5,025,262	65,400	12,426,516
-	-	-	(11,938)	(7,280,812)	-	(7,292,750)
-	-	<u>5,139,812</u>	<u>6,396,117</u>	<u>(2,255,550)</u>	<u>65,400</u>	<u>9,400,821</u>
23,040	4,984	-	3,838,959	74,073	5,768	4,052,465
<u>713,874</u>	<u>148,862</u>	<u>-</u>	<u>1,527,562</u>	<u>203,277</u>	<u>90,324</u>	<u>4,118,073</u>
<u>\$ 736,914</u>	<u>\$ 153,846</u>	<u>\$ -</u>	<u>\$ 5,366,521</u>	<u>\$ 277,350</u>	<u>\$ 96,092</u>	<u>\$ 8,170,538</u>

CITY OF VERO BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - CONFISCATED PROPERTY FUND

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ -	\$ 13,584	\$ 13,585	\$ 1
Fines and forfeitures	-	3,961	3,961	-
Total revenues	-	17,545	17,546	1
Expenditures				
Current:				
Public safety	-	2,130	2,130	-
Capital outlay	-	15,759	15,759	-
Total expenditures	-	17,889	17,889	-
Net change in fund balances	-	(344)	(343)	-
Fund balance - beginning	34,333	34,333	34,333	-
Fund balance - ending	\$ 34,333	\$ 33,989	\$ 33,990	\$ 1

CITY OF VERO BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - LAW ENFORCEMENT EDUCATION FUND

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ -	\$ 3,559	\$ 3,559	\$ -
Expenditures				
Current:				
Public safety	-	3,145	3,145	-
Total expenditures	-	3,145	3,145	-
Net change in fund balances	-	414	414	-
Fund balance - beginning	11,376	11,376	11,376	-
Fund balance - ending	\$ 11,376	\$ 11,790	\$ 11,790	\$ -

CITY OF VERO BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - HISTORIC DOWNTOWN VERO BEACH ECONOMIC DEVELOPMENT ZONE

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Other financing sources				
Transfers in	\$ 55,199	\$ 55,042	\$ 55,042	\$ -
Total other financing sources	<u>55,199</u>	<u>55,042</u>	<u>55,042</u>	<u>-</u>
Net change in fund balances	55,199	55,042	55,042	-
Fund balance - beginning	<u>18,476</u>	<u>18,476</u>	<u>18,476</u>	<u>-</u>
Fund balance - ending	<u>\$ 73,675</u>	<u>\$ 73,518</u>	<u>\$ 73,518</u>	<u>\$ -</u>

CITY OF VERO BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - GENERAL GOVERNMENT CAPITAL AND CONSTRUCTION FUND

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 500,000	\$ -	\$ 26,937	\$ 26,937
Investment earnings	1,000	36,748	38,893	2,145
Contributions from private sources	5,000	-	-	-
Total revenues	<u>506,000</u>	<u>36,748</u>	<u>65,830</u>	<u>29,082</u>
Expenditures				
Debt Service:				
Principal and interest	828,053	811,552	805,748	5,804
Capital outlay	2,896,630	2,370,999	1,817,240	553,759
Total expenditures	<u>3,724,683</u>	<u>3,182,551</u>	<u>2,622,988</u>	<u>559,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,218,683)</u>	<u>(3,145,803)</u>	<u>(2,557,158)</u>	<u>588,645</u>
Other financing sources (uses)				
Capital lease proceeds	543,800	480,073	480,073	-
Sale of assets	1,225,000	3,786,982	3,786,982	-
Transfers in	2,481,000	2,156,000	2,141,000	15,000
Transfers out	-	(11,938)	(11,938)	-
Total other financing sources (uses)	<u>4,249,800</u>	<u>6,411,117</u>	<u>6,396,117</u>	<u>15,000</u>
Net change in fund balances	1,031,117	3,265,314	3,838,959	603,645
Fund balance - beginning	<u>1,527,562</u>	<u>1,527,562</u>	<u>1,527,562</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,558,679</u>	<u>\$ 4,792,876</u>	<u>\$ 5,366,521</u>	<u>\$ 573,645</u>

CITY OF VERO BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - INFRASTRUCTURE AND REAL ESTATE IMPROVEMENTS FUND

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,580,224	\$ 2,330,224	\$ 2,329,312	\$ (912)
Investment earnings	500	296	311	15
Total revenues	<u>2,580,724</u>	<u>2,330,520</u>	<u>2,329,623</u>	<u>(897)</u>
Other financing sources (uses)				
Transfers in	5,098,000	5,025,262	5,025,262	
Transfers out	(7,654,443)	(7,281,705)	(7,280,812)	893
Total other financing sources (uses)	<u>(2,556,443)</u>	<u>(2,256,443)</u>	<u>(2,255,550)</u>	<u>893</u>
Net change in fund balances	24,281	74,077	74,073	(4)
Fund balance - beginning	<u>203,277</u>	<u>203,277</u>	<u>203,277</u>	<u>-</u>
Fund balance - ending	<u>\$ 227,558</u>	<u>\$ 277,354</u>	<u>\$ 277,350</u>	<u>\$ (4)</u>

CITY OF VERO BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - CRESTLAWN CEMETERY FUND

YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 182,000	\$ 152,600	\$ 153,747	\$ 1,147
Investment earnings	150	950	1,109	159
Total revenues	<u>182,150</u>	<u>153,550</u>	<u>154,856</u>	<u>1,306</u>
Expenditures				
Current:				
Physical environment	211,450	211,275	206,813	4,462
Capital outlay	7,500	7,675	7,675	-
Total expenditures	<u>218,950</u>	<u>218,950</u>	<u>214,488</u>	<u>4,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,800)</u>	<u>(65,400)</u>	<u>(59,632)</u>	<u>(3,156)</u>
Other financing sources				
Transfers in	39,330	65,400	65,400	-
Total other financing sources	<u>39,330</u>	<u>65,400</u>	<u>65,400</u>	<u>-</u>
Net change in fund balances	2,530	-	5,768	(3,156)
Fund balance - beginning	<u>90,324</u>	<u>90,324</u>	<u>90,324</u>	<u>-</u>
Fund balance - ending	<u>\$ 92,854</u>	<u>\$ 90,324</u>	<u>\$ 96,092</u>	<u>\$ 5,768</u>

CITY OF VERO BEACH, FLORIDA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2019

	<u>Health Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 377,195	\$ 1,782,084	\$ 2,159,279
Receivables, net:			
Interest	10,905	13,363	24,268
Prepaid costs	-	45,000	45,000
Total current assets	<u>388,100</u>	<u>1,840,447</u>	<u>2,228,547</u>
Capital assets:			
Capital assets being depreciated	-	8,047	8,047
Accumulated Depreciation	-	(8,047)	(8,047)
Capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 388,100</u>	<u>\$ 1,840,447</u>	<u>\$ 2,228,547</u>
Liabilities			
Current liabilities:			
Accounts payable and contracts payable	\$ 852	\$ 17,629	\$ 18,481
Claims payable	-	400,800	400,800
Total current liabilities	<u>852</u>	<u>418,429</u>	<u>419,281</u>
Noncurrent liabilities:			
Claims payable	-	935,200	935,200
Total noncurrent liabilities	<u>-</u>	<u>935,200</u>	<u>935,200</u>
Total liabilities	<u>852</u>	<u>1,353,629</u>	<u>1,354,481</u>
Net position			
Unrestricted	<u>387,248</u>	<u>486,818</u>	<u>874,066</u>
Total net position	<u>387,248</u>	<u>486,818</u>	<u>874,066</u>
Total liabilities and net position	<u>\$ 388,100</u>	<u>\$ 1,840,447</u>	<u>\$ 2,228,547</u>

CITY OF VERO BEACH, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS**

YEAR ENDED SEPTEMBER 30, 2019

	<u>Health Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
Operating revenue			
Miscellaneous	\$ -	\$ -	\$ -
Total operating revenue	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses			
Claims expense	-	7,758	7,758
Operating charges	3,103	-	3,103
Total operating expenditures	<u>3,103</u>	<u>7,758</u>	<u>10,861</u>
Operating income	<u>(3,103)</u>	<u>(7,758)</u>	<u>(10,861)</u>
Nonoperating revenues			
Investment earnings	18,055	68,989	87,044
Total nonoperating revenue	<u>18,055</u>	<u>68,989</u>	<u>87,044</u>
Transfers			
Transfers out	(386,325)	-	(386,325)
Total transfers	<u>(386,325)</u>	<u>-</u>	<u>(386,325)</u>
Changes in net position	(371,373)	61,231	(310,142)
Net position - beginning of year	<u>758,621</u>	<u>425,587</u>	<u>1,184,208</u>
Net position - end of year	<u>\$ 387,248</u>	<u>\$ 486,818</u>	<u>\$ 874,066</u>

CITY OF VERO BEACH, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	<u>Health Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
Operating activities			
Cash received from vendors for program expenses	\$ 240	\$ -	\$ 240
Payments to vendors	(3,087)	5,793	2,706
Benefit payments	-	(87,758)	(87,758)
Net cash provided by (used in) operating activities	<u>(2,847)</u>	<u>(81,965)</u>	<u>(84,812)</u>
Noncapital financing activities			
Transfers out	(386,325)	-	(386,325)
Net cash used in noncapital financing activities	<u>(386,325)</u>	<u>-</u>	<u>(386,325)</u>
Investing activities			
Purchases of pooled investments	(872,235)	(2,554,758)	(3,426,993)
Cash received on sale of pooled investments	944,746	2,579,133	3,523,879
Interest received	17,826	66,977	84,803
Net cash provided by investing activities	<u>90,337</u>	<u>91,352</u>	<u>181,689</u>
Change in cash and cash equivalents	<u>(298,835)</u>	<u>9,387</u>	<u>(289,448)</u>
Cash and cash equivalents			
Beginning of year	<u>559,708</u>	<u>142,437</u>	<u>702,145</u>
End of year	<u>\$ 260,873</u>	<u>\$ 151,824</u>	<u>\$ 412,697</u>
Cash and cash equivalents classified as:			
Equity in pooled cash and investments	\$ 377,195	\$ 1,782,084	\$ 2,159,279
Less: investments not meeting definition of cash equivalents	(116,322)	(1,630,260)	(1,746,582)
	<u>\$ 260,873</u>	<u>\$ 151,824</u>	<u>\$ 412,697</u>
Reconciliation of operating income to net cash used in operating activities			
Operating income	\$ (3,103)	(7,758)	\$ (10,861)
Change in assets, liabilities and deferred outflows:			
Accounts receivable	240	-	240
Accounts payable and contracts payable	16	5,793	5,809
Claims payable	-	(80,000)	(80,000)
Total adjustments	<u>256</u>	<u>(74,207)</u>	<u>(73,951)</u>
Net cash provided by (used in) operating activities	<u>\$ (2,847)</u>	<u>\$ (81,965)</u>	<u>\$ (84,812)</u>

CITY OF VERO BEACH, FLORIDA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	<u>Balance</u> <u>October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2019</u>
Health and Life Insurance Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 4,395,291	\$ (4,395,291)	\$ -
Liabilities				
Accounts payable	\$ -	\$ 4,395,291	\$ (4,395,291)	\$ -
Retirement Premium Assistance Fund				
Assets				
Cash and cash equivalents	\$ -	981,818	(981,818)	\$ -
Liabilities				
Escrow	\$ -	981,818	(981,818)	\$ -
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ -	\$ 5,377,109	\$ (5,377,109)	\$ -
Liabilities				
Accounts payable	\$ -	\$ 4,395,291	\$ (4,395,291)	\$ -
Escrow	-	981,818	(981,818)	-
Total liabilities	\$ -	\$ 5,377,109	\$ (5,377,109)	\$ -

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF LOCAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

LOCAL AGENCY, PASS-THROUGH ENTITY LOCAL PROJECT	DATE OF AWARD	PROJECT IDENTIFICATION NUMBER	PROGRAM OR AWARD AMT	TOTAL EXPENDITURES
ST. JOHN'S RIVER WATER MANAGEMENT DISTRICT				
Hybrid Septic Tank Effluent Pumping (STEP) System, Phase 2	2/18/16	28534	\$ 200,750	\$ 71,600
TOTAL EXPENDITURES OF LOCAL FINANCIAL ASSISTANCE				\$ 71,600

NOTES TO SCHEDULE OF EXPENDITURES OF LOCAL FINANCIAL ASSISTANCE

NOTE 1 - ACCOUNTING POLICIES:

The Schedule of Expenditures of Local Financial Assistance was prepared with the accounting policies described in 'Note 1 -Summary of Significant Accounting Policies' of the Notes to the Financial Statements.

STATISTICAL SECTION

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CITY OF VERO BEACH, FLORIDA
STATISTICAL SECTION

Statistical Section

This part of the City of Vero Beach, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends (Tables 1-4)

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

Revenue Capacity (Tables 5-10)

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax, and the municipal sales tax.

Debt Capacity (Tables 11-14)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic and Demographic Information (Tables 15-17)

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

Operating Information (Tables 18-19)

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF VERO BEACH, FLORIDA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS (TABLE 1) - UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental Activities				
Net investment in capital assets	\$ 35,627,735	\$ 41,230,126	\$ 40,283,960	\$ 36,988,494
Restricted	8,170,538	4,118,073	5,257,686	5,729,880
Unrestricted	<u>25,995,580 (6)</u>	<u>(22,356,798) (4)</u>	<u>(17,430,737)</u>	<u>(15,944,231) (3)</u>
Total Governmental Activities Net Position	<u>\$ 69,793,853</u>	<u>\$ 22,991,401</u>	<u>\$ 28,110,909</u>	<u>\$ 26,774,143</u>
Business-Type Activities				
Net investment in capital assets	\$ 101,288,693 (6)	\$ 152,332,030	\$ 149,467,827	\$ 165,590,074
Restricted	-	2,000,000	2,000,000	2,000,000
Unrestricted	<u>16,929,357</u>	<u>31,698,542 (5)</u>	<u>29,333,484</u>	<u>36,187,202 (3)</u>
Total Business-Type Activities Net Position	<u>\$ 118,218,050</u>	<u>\$ 186,030,572</u>	<u>\$ 180,801,311</u>	<u>\$ 203,777,276</u>
Primary Government				
Net investment in capital assets	\$ 136,916,428	\$ 193,562,156	\$ 189,751,787	\$ 202,578,568
Restricted	8,170,538	6,118,073	7,257,686	7,729,880
Unrestricted	<u>42,924,937</u>	<u>9,341,744</u>	<u>11,902,747</u>	<u>20,242,971</u>
Total Primary Government Net Position	<u>\$ 188,011,903</u>	<u>\$ 209,021,973</u>	<u>\$ 208,912,220</u>	<u>\$ 230,551,419</u>

(1) Impacted by addition of \$19.8 million in net pension liability due to implementation of GASB 68

(2) Impacted by addition of \$18.6 million in net pension liability due to implementation of GASB 68

(3) Impacted by reallocation of \$8.8 million in net OPEB obligations to business-type entities

(4) Impacted by addition of \$5.4 million in net OPEB liability due to implementation of GASB 75

(5) Impacted by addition of \$6.9 million in net OPEB liability due to implementation of GASB 75

(6) Impacted by sale of Electric System to Florida Power & Light in December 2018 and transfer of residual sale proceeds to the General Fund

2015	2014	2013	2012	2011	2010
\$ 35,672,967	\$ 28,542,240	\$ 29,631,269	\$ 29,908,083	\$ 28,499,031	\$ 26,837,755
5,088,640	5,400,588	5,165,879	4,600,854	5,028,407	6,171,920
(22,913,106) (1)	(4,475,195)	(2,216,098)	(402,043)	4,227,519	9,458,667
<u>\$ 17,848,501</u>	<u>\$ 29,467,633</u>	<u>\$ 32,581,050</u>	<u>\$ 34,106,894</u>	<u>\$ 37,754,957</u>	<u>\$ 42,468,342</u>
\$ 161,203,319	\$ 170,783,743	\$ 177,072,568	\$ 171,182,649	\$ 174,571,428	\$ 174,465,006
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
42,128,961 (2)	50,692,532	47,424,788	50,423,511	46,207,638	44,343,955
<u>\$ 205,332,280</u>	<u>\$ 223,476,275</u>	<u>\$ 226,497,356</u>	<u>\$ 223,606,160</u>	<u>\$ 222,779,066</u>	<u>\$ 220,808,961</u>
\$ 196,876,286	\$ 199,325,983	\$ 206,703,837	\$ 201,090,732	\$ 203,070,461	\$ 201,302,761
7,088,640	7,400,588	7,165,879	6,600,854	7,028,407	8,171,920
19,215,855	46,217,337	45,208,690	50,021,468	50,435,155	53,802,622
<u>\$ 223,180,781</u>	<u>\$ 252,943,908</u>	<u>\$ 259,078,406</u>	<u>\$ 257,713,054</u>	<u>\$ 260,534,023</u>	<u>\$ 263,277,303</u>

CITY OF VERO BEACH, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (TABLE 2) - UNAUDITED

	2019	2018	2017	2016
<u>Program Revenues</u>				
Governmental activities:				
Charges for Services:				
General Government	\$ 2,806,806	\$ 3,636,392	\$ 3,604,995	\$ 3,659,324
Public Safety	481,695	258,911	220,653	188,395
Physical Environment	192,322	218,324	233,292	339,528
Culture/Recreation	593,483	499,926	527,190	516,220
Operating Grants and Contributions	1,111,910	79,794	570,180	484,508
Capital Grants and Contributions	109,670	347,023	2,113,592	1,253,687
Total Governmental Activities Program Revenues	<u>5,295,886</u>	<u>5,040,370</u>	<u>7,269,902</u>	<u>6,441,662</u>
Business-Type Activities:				
Charges for Services:				
Electric System	19,789,486 (2)	92,290,247	86,654,495	91,981,478
Water and Sewer System	16,709,377	16,484,264	16,902,369	16,188,317
Municipal Airport	3,410,340	2,936,011	2,667,741	2,516,607
Municipal Marina	1,754,644	1,781,640	1,545,493	1,498,695
Solid Waste	2,828,287	2,858,130	2,832,737	2,747,822
Recreation	-	-	-	-
Operating Grants and Contributions	99,840	2,128,768	804,917	-
Capital Grants and Contributions	5,946,756	2,561,161	7,168,130	2,735,272
Total Business-Type Activities Program Revenues	<u>50,538,730</u>	<u>121,040,221</u>	<u>118,575,882</u>	<u>117,668,191</u>
Total Program Revenues	<u>\$ 55,834,616</u>	<u>\$ 126,080,591</u>	<u>\$ 125,845,784</u>	<u>\$ 124,109,853</u>
<u>Expenses</u>				
Governmental activities:				
General Government	\$ 20,276,511	\$ 10,777,489	\$ 10,461,740	\$ 9,595,925
Public Safety	9,316,420	8,257,722	8,647,963	8,374,255
Physical Environment	275,397	225,226	214,628	208,813
Transportation	3,045,625	2,525,844	2,410,448	2,683,590
Culture and Recreation	4,719,915	4,681,936	4,644,893	4,664,530
Interest and Fiscal Charges	483,390	263,554	277,386	276,390
Total Governmental Activities Expenses	<u>38,117,258</u>	<u>26,731,771</u>	<u>26,657,058</u>	<u>25,803,503</u>
Business-Type Activities:				
Electric System	19,332,640 (2)	81,136,691	90,705,047	84,176,814
Water and Sewer System	15,622,061	14,437,913	13,604,066	13,643,485
Municipal Airport	4,340,883	3,905,791	3,226,727	3,239,835
Municipal Marina	1,796,148	1,441,555	1,377,152	1,255,700
Solid Waste	2,759,977	2,615,601	2,552,714	2,550,937
Recreation	-	-	-	-
Total Business-Type Activities Expenses	<u>43,851,709</u>	<u>103,537,551</u>	<u>111,465,706</u>	<u>104,866,771</u>
Total Expenses	<u>\$ 81,968,967</u>	<u>\$ 130,269,322</u>	<u>\$ 138,122,764</u>	<u>\$ 130,670,274</u>

(1) Recreation enterprise fund eliminated - Recreation program revenues and expenses moved to General Fund

(2) Electric System results reflect partial year due to sale to Florida Power & Light in December 2018.

	2015	2014	2013	2012	2011	2010
\$	3,120,124	\$ 3,023,348	\$ 3,209,874	\$ 3,322,533	\$ 3,249,020	\$ 3,433,293
	194,385	174,406	177,152	166,584	129,944	135,453
	194,881	164,918	170,416	127,392	92,702	110,949
	509,375	-	-	-	-	-
	513,190	635,643	519,600	527,612	-	3,785
	91,742	179,446	282,007	82,739	88,014	1,342,451
	<u>4,623,697</u>	<u>4,177,761</u>	<u>4,359,049</u>	<u>4,226,860</u>	<u>3,559,680</u>	<u>5,025,931</u>
	92,830,617	93,252,348	90,957,716	86,941,142	84,281,650	99,446,208
	16,029,976	15,665,556	15,482,251	17,312,617	18,434,117	17,157,092
	2,514,581	2,442,121	2,303,092	2,310,893	2,592,932	2,685,178
	1,546,143	1,684,381	1,720,499	1,715,912	1,647,314	1,540,091
	2,740,889	2,705,412	2,586,679	2,487,424	2,498,231	2,451,665
	- (1)	579,465	564,041	561,910	562,592	576,807
	-	44,794	-	-	177,937	317,745
	<u>1,271,305</u>	<u>2,605,464</u>	<u>2,209,793</u>	<u>1,199,221</u>	<u>2,585,075</u>	<u>5,513,352</u>
	<u>116,933,511</u>	<u>118,979,541</u>	<u>115,824,071</u>	<u>112,529,119</u>	<u>112,779,848</u>	<u>129,688,138</u>
\$	<u>121,557,208</u>	<u>123,157,302</u>	<u>120,183,120</u>	<u>116,755,979</u>	<u>116,339,528</u>	<u>134,714,069</u>
\$	9,237,771	\$ 10,889,683	\$ 12,037,462	\$ 9,797,132	\$ 12,958,247	\$ 8,999,861
	7,498,780	7,491,964	7,454,292	7,585,350	7,776,116	8,154,065
	193,287	197,150	171,260	155,472	133,192	176,820
	3,835,253	2,151,441	2,325,155	2,479,329	2,652,809	2,901,749
	4,735,272	1,824,566	1,781,225	866,935	807,693	1,344,264
	249,296	257,600	253,000	620,728	528,045	570,752
	<u>25,749,659</u>	<u>22,812,404</u>	<u>24,022,394</u>	<u>21,504,946</u>	<u>24,856,102</u>	<u>22,147,511</u>
	84,536,494	84,916,435	84,658,883	81,518,083	81,241,261	80,438,637
	13,133,789	13,213,332	13,437,853	14,787,816	15,390,337	14,587,327
	3,314,122	3,072,287	3,180,768	3,133,745	3,086,270	3,064,701
	1,340,805	1,508,790	1,646,038	1,701,291	1,717,969	1,602,132
	2,287,153	2,266,298	2,116,377	2,301,788	2,268,793	2,407,124
	- (1)	2,659,264	2,495,572	3,336,862	3,462,899	3,646,095
	<u>104,612,363</u>	<u>107,636,406</u>	<u>107,535,491</u>	<u>106,779,585</u>	<u>107,167,529</u>	<u>105,746,016</u>
\$	<u>130,362,022</u>	<u>130,448,810</u>	<u>131,557,885</u>	<u>128,284,531</u>	<u>132,023,631</u>	<u>127,893,527</u>

Continued

CITY OF VERO BEACH, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (TABLE 2) - UNAUDITED

	2019	2018	2017	2016
<u>Net (Expense)/Revenue</u>				
Governmental activities	\$ (32,821,372)	\$ (21,691,401)	\$ (19,387,156)	\$ (19,361,841)
Business-Type Activities	6,687,021	17,502,670	7,110,176	12,801,420
Total Primary Government Net Expense	<u>\$ (26,134,351)</u>	<u>\$ (4,188,731)</u>	<u>\$ (12,276,980)</u>	<u>\$ (6,560,421)</u>
<u>General Revenues and Other Changes in Net Position</u>				
Governmental activities:				
Property Taxes, Levied for General Purposes	\$ 6,940,767	\$ 6,504,063	\$ 6,067,927	\$ 5,456,351
Sales and gas taxes	2,838,430	2,814,155	2,666,342	2,542,706
Utility Taxes	4,996,861	3,506,556	3,387,171	3,371,684
Intergovernmental revenue: state revenue sharing	2,238,673	2,184,765	2,152,732	1,679,141
Investment Earnings	619,781	59,253	79,629	167,602
Other revenues	3,956,831	441,187	102,235	500,070
Transfers	58,032,481	6,353,386	6,267,886	6,401,986
Total Governmental Activities	<u>79,623,824</u>	<u>21,863,365</u>	<u>20,723,922</u>	<u>20,119,540</u>
Business-Type Activities:				
Investment Earnings	3,057,391	121,409	139,248	294,211
Other revenues	466,126	719,471	165,839	(80,706)
Transfers	(58,032,481)	(6,353,386)	(6,267,886)	(6,401,986)
Total Business-Type Activities	<u>(54,508,964)</u>	<u>(5,512,506)</u>	<u>(5,962,799)</u>	<u>(6,188,481)</u>
Total general revenues	<u>\$ 25,114,860</u>	<u>\$ 16,350,859</u>	<u>\$ 14,761,123</u>	<u>\$ 13,931,059</u>
<u>Changes in net position before special/extraordinary items</u>				
Governmental activities:	\$ 46,802,452	\$ 171,964	\$ 1,336,766	\$ 757,699
Business-Type Activities:	(47,821,943)	11,990,164	1,147,377	6,612,939
<u>Special/Extraordinary Items</u>				
Special Item - sale electric utility	(19,990,579)	-	-	-
Special Item - loss on impairment of assets	-	-	(24,123,342)	-
Governmental activities - Release of settlement reserve	\$ -	\$ -	\$ -	\$ -
<u>Changes in Net Position</u>				
Governmental activities:	\$ 46,802,452	\$ 171,964	\$ 1,336,766	\$ 757,699
Business-Type Activities:	(67,812,522)	11,990,164	1,147,377	6,612,939
Total Primary Government Change in Net Position	<u>\$ (21,010,070)</u>	<u>\$ 12,162,128</u>	<u>\$ 2,484,143</u>	<u>\$ 7,370,638</u>

2015	2014	2013	2012	2011	2010
\$ (21,125,662)	\$ (18,634,643)	\$ (19,663,345)	\$ (17,278,086)	\$ (21,296,422)	\$ (17,121,580)
12,321,148	11,343,135	8,288,580	5,749,534	5,612,319	23,942,122
<u>\$ (8,804,514)</u>	<u>\$ (7,291,508)</u>	<u>\$ (11,374,765)</u>	<u>\$ (11,528,552)</u>	<u>\$ (15,684,103)</u>	<u>\$ 6,820,542</u>

\$ 4,335,449	\$ 4,189,203	\$ 4,115,113	\$ 4,245,008	\$ 4,238,150	\$ 4,716,695
2,525,140	2,558,056	2,234,588	2,225,963	2,829,121	2,825,674
3,321,721	3,413,665	3,492,793	3,438,308	3,463,808	3,558,582
1,645,349	1,607,641	1,525,146	1,478,492	1,558,925	1,547,006
228,767	89,954	46,097	216,447	298,044	542,431
94,948	144,557	121,400	117,811	54,178	3,806
6,656,986	5,147,454	5,236,999	4,678,934	4,140,811	4,440,568
<u>18,808,360</u>	<u>17,150,530</u>	<u>16,772,136</u>	<u>16,400,963</u>	<u>16,583,037</u>	<u>17,634,762</u>

296,383	126,448	68,290	220,054	355,413	388,308
(177,305)	(1,134,393)	270,430	223,142	143,184	211,344
(6,656,986)	(5,147,454)	(5,236,999)	(4,678,934)	(4,140,811)	(4,440,568)
<u>(6,537,908)</u>	<u>(6,155,399)</u>	<u>(4,898,279)</u>	<u>(4,235,738)</u>	<u>(3,642,214)</u>	<u>(3,840,916)</u>
<u>\$ 12,270,452</u>	<u>\$ 10,995,131</u>	<u>\$ 11,873,857</u>	<u>\$ 12,165,225</u>	<u>\$ 12,940,823</u>	<u>\$ 13,793,846</u>

\$ (2,317,302)	\$ (1,484,113)	\$ (2,891,209)	\$ (877,123)	\$ (4,713,385)	\$ 513,182
5,783,240	5,187,736	3,390,301	1,513,796	1,970,105	20,101,206

-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,471,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\$ (2,317,302)	\$ (1,484,113)	\$ (1,420,072)	\$ (877,123)	\$ (4,713,385)	\$ 513,182
5,783,240	5,187,736	3,390,301	1,513,796	1,970,105	20,101,206
<u>\$ 3,465,938</u>	<u>\$ 3,703,623</u>	<u>\$ 1,970,229</u>	<u>\$ 636,673</u>	<u>\$ (2,743,280)</u>	<u>\$ 20,614,388</u>

CITY OF VERO BEACH, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (TABLE 3) - UNAUDITED

	2019	2018	2017	2016	2015
General Fund					
Nonspendable					
Inventories and Prepaids	\$ 169,356	\$ 112,934	\$ 185,022	\$ 189,311	\$ 152,542
Committed for:					
Encumbrances		-	-	-	-
Physical environment	81,302	62,387	72,543	64,708	3,521
Emergency (Disaster) Reserve	4,779,885 (4)	2,000,000 (3)	1,009,706 (2)	2,000,000 (1)	-
Unfunded Pension Liability Reserve	14,400,000 (5)	-	-	-	-
OPEB Reserve	9,450,000 (5)	-	-	-	-
Capital & Infrastructure Reserve	21,000,000 (5)	-	-	-	-
Unassigned	<u>15,562,853</u>	<u>8,134,137</u>	<u>8,064,718</u>	<u>7,951,818</u>	<u>9,847,661</u>
Total General Fund	<u>65,443,396</u>	<u>10,309,458</u>	<u>9,331,989</u>	<u>10,205,837</u>	<u>10,003,724</u>
All Other Governmental Funds					
Restricted					
Debt service		\$ -	\$ -	\$ -	\$ -
Public safety	45,780	45,709	42,769	44,933	30,100
Culture & recreation	890,760	862,736	857,656	854,849	871,255
Physical environment	7,233,998	3,209,628	4,357,261	4,830,098	4,187,285
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,293)</u>
Total All Other Governmental Funds	<u>8,170,538</u>	<u>4,118,073</u>	<u>5,257,686</u>	<u>5,729,880</u>	<u>5,022,347</u>
Total Governmental Funds	<u>\$ 73,613,934</u>	<u>\$ 14,427,531</u>	<u>\$ 14,589,675</u>	<u>\$ 15,935,717</u>	<u>\$ 15,026,071</u>

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

(1) City adoption of formal General Fund fund balance policy by City Council resolution designated \$2 million as emergency (disaster) reserve

(2) Emergency (disaster) reserve decreased for hurricane expenditures for disaster recovery related to Hurricanes Matthew and Irma

(3) Emergency (disaster) reserve restored to target level using insurance proceeds, Federal and State disaster funding and available unappropriated fund balance

(4) Emergency (disaster) reserve increased to \$5 million from City adoption of revised General Fund fund balance policy by City Council resolution; Reserve decreased for hurricane expenditures for disaster recovery related to Hurricanes Matthew, Irma and Dorian.

(5) City adoption of revised General Fund fund balance policy by City Council resolution designated \$14.4 million as Unfunded Pension Liability Reserve, \$9.45 million OPEB Reserve and \$21.0 million Capital & Infrastructure Reserve.

2014	2013	2012	2011	2010
\$ 142,414	\$ 163,813	\$ 166,727	\$ 135,474	\$ 155,984
-	-	-	19,536	19,535
3,063	2,742	2,128	2,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
9,420,477	8,927,984	7,643,813	7,726,170	8,286,607
9,565,954	9,094,539	7,812,668	7,883,180	8,462,126
\$ -	\$ -	\$ -	\$ -	\$ 3,739
30,763	34,777	49,183	43,255	34,208
903,189	900,833	927,148	964,074	960,219
4,466,636	4,230,269	3,622,395	4,122,164	5,236,445
(88,058)	(82,783)	(105,954)	(103,086)	(62,691)
5,312,530	5,083,096	4,492,772	5,026,407	6,171,920
<u>\$ 14,878,484</u>	<u>\$ 14,177,635</u>	<u>\$ 12,305,440</u>	<u>\$ 12,909,587</u>	<u>\$ 14,634,046</u>

CITY OF VERO BEACH, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (TABLE 4) - UNAUDITED

	2019	2018	2017	2016	2015
Revenues					
Taxes	\$ 14,929,923	\$ 12,972,024	\$ 12,276,567	\$ 11,518,440	\$ 10,344,495
Licenses and permits	185,509	146,704	164,629	197,406	141,970
Intergovernmental	2,238,672	2,184,765	2,152,732	2,157,674	2,144,791
Special assessments	-	-	-	-	2,186
Grants	297,314	689,739	2,116,519	1,259,662	103,990
Charges for services	3,097,172	3,733,279	3,694,367	3,617,980	3,286,376
Fines and forfeitures	307,807	190,888	173,786	144,900	147,881
Investment earnings	532,738	46,575	63,328	128,604	182,099
Rental	325,092	387,474	384,965	388,401	274,493
Contributions from private sources	103,376	251,590	14,495	277,805	-
Miscellaneous	164,991	80,605	96,727	134,848	80,673
Total Revenues	22,182,594	20,683,643	21,138,115	19,825,720	16,708,954
Expenditures					
Current:					
General government	8,369,684	8,953,247	9,115,028	7,659,359	6,928,971
Public safety	8,612,310	8,046,156	7,706,238	7,692,670	7,154,142
Physical environment	206,813	197,833	191,852	183,932	174,602
Transportation	2,272,557	2,251,096	2,166,364	2,404,555	2,182,186
Culture and recreation	4,368,873	4,188,960	4,109,130	4,078,615	3,905,673
Debt Service:					
Principal	5,370,430 (2)	1,206,477	1,935,632	1,775,302	1,634,857
Interest and Fiscal Charges	575,130 (2)	274,346	287,813	264,037	249,296
Capital outlay	2,494,713	3,751,507	4,568,829	3,985,919	2,733,758
Total Expenditures	32,270,510	28,869,622	30,080,886	28,044,389	24,963,485
Excess of Revenues Over (Under) Expenditures	(10,087,916)	(8,185,979)	(8,942,771)	(8,218,669)	(8,254,531)
Other Financing Sources (Uses)					
Capital Contributions	-	-	1,500	-	1,500
Transfer in - electric system residual	53,956,464	-	-	-	-
Transfers in	18,452,942	9,966,426	10,498,894	10,211,440	10,104,049
Transfers out	(7,411,862)	(3,092,399)	(3,710,367)	(3,285,488)	(2,926,422)
Proceeds from sale of assets	3,786,982	64,106	45,014	77,191	14,275
Payments to refunded bond escrow agent	-	-	-	-	-
Proceeds from insurance	9,720	377,757	60,421	-	-
Debt Proceeds	480,073	707,945	701,267	2,125,172	1,228,001
Total Other Financing Sources (Uses)	69,274,319	8,023,835	7,596,729	9,128,315	8,421,403
Net Change in Fund Balances	\$ 59,186,403	\$ (162,144)	\$ (1,346,042)	\$ 909,646	\$ 166,872
Debt Service as a Percentage of Noncapital Expenditures	20.5%	(2) 5.7%	8.6%	8.4%	8.3%

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

(2) Includes final payoff of Series 2007B2 Dodgertown Loan in February 2019.

2014	2013	2012	2011	2010	
\$ 10,320,454	\$ 10,002,824	\$ 10,008,688	\$ 10,163,606	\$ 10,749,610	
128,494	143,097	138,185	106,574	3,174,684	
2,148,831	2,044,746	2,051,908	2,106,289	35,338	
3,420	3,631	11,516	22,864	96,815	
273,850	278,376	71,223	87,707	2,257,828	
2,846,518	3,045,522	3,131,087	2,988,790	412,287	
138,627	118,992	112,523	106,210	111,028	
66,746	33,809	174,841	61,684	1,176,255	
89,501	89,501	89,501	221,525	126,716	
143,276	121,400	118,336	90,201	90,650	
16,159,717	15,881,898	15,907,808	15,955,450	18,231,211	
6,646,807	6,722,124	6,940,344	7,115,755	7,304,070	
7,261,340	7,215,246	7,335,551	7,463,952	7,779,188	
170,195	147,408	130,280	133,192	176,820	
1,956,491	2,080,976	2,291,290	2,483,447	2,767,901	
1,756,644	1,750,289	827,972	758,802	846,206	
1,368,021	516,402	1,965,190	1,133,960	1,096,335	
257,600	253,000	620,728	528,045	570,752	
1,189,224	927,595	1,329,616	2,203,566	4,836,328	
20,606,322	19,613,040	21,440,971	21,820,719	25,377,600	
(4,446,605)	(3,731,142)	(5,533,163)	(5,865,269)	(7,146,389)	
-	-	-	-	-	
-	-	-	-	-	
9,448,012	8,892,541	17,298,437	10,553,456	11,884,520	
(4,300,558)	(3,467,864)	(12,431,825)	(6,412,645)	(7,443,952)	
-	-	-	-	-	
-	-	(5,827,724)	-	-	
-	-	-	-	-	
-	178,788	5,890,000	-	-	
5,147,454	5,603,465	4,928,888	4,140,811	4,440,568	
\$ 700,849	\$ 1,872,323	\$ (604,275)	\$ (1,724,458)	\$ (2,705,821)	
8.3%	4.1%	12.8%	8.5%	8.1%	(1)

CITY OF VERO BEACH, FLORIDA
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (TABLE 5) - UNAUDITED
(IN THOUSANDS)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Utility Tax</u>	<u>Sales Tax</u>	<u>Communications Tax</u>	<u>Gas Tax</u>	<u>Total</u>
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	2,155	1,710	1,284	470	9,863
2013	4,115	2,104	1,794	1,388	440	9,841
2014	4,189	2,182	2,066	1,231	492	10,160
2015	4,335	2,210	2,017	1,112	508	10,182
2016	5,456	2,258	2,041	1,112	502	11,369
2017	6,068	2,238	2,168	1,149	499	12,122
2018	6,504	2,294	2,295	1,212	519	12,824
2019	6,941	2,550	2,329	1,204	509	13,533

CITY OF VERO BEACH, FLORIDA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS (TABLE 6) - UNAUDITED

(IN THOUSANDS)

Fiscal Year (1)	Real Property	Personal Property	Less: Real Property Exemption	Total Taxable Assessed Value	Total Direct Tax Rate	Total Estimated Actual Taxable Value
2010	\$ 3,289,288	\$ 189,067	\$ 972,856	\$ 2,505,500	1.9367	\$ 3,131,875 (2)
2011	2,879,538	171,206	793,714	2,257,030	1.9367	2,821,288 (2)
2012	2,712,834	147,293	704,412	2,155,716	2.0336	2,694,645 (2)
2013	2,598,970	139,189	644,906	2,093,254	2.0336	2,640,821
2014	2,658,073	147,307	678,888	2,126,492	2.0336	2,677,414
2015	2,784,816	142,220	719,444	2,207,592	2.0336	2,927,202
2016	3,128,774	142,282	900,249	2,370,807	2.3800	3,271,233
2017	3,400,919	132,744	1,043,306	2,490,357	2.5194	3,533,840
2018	3,683,348	133,629	1,148,123	2,668,855	2.5194	3,817,008
2019	3,898,992	114,872	1,167,688	2,846,175	2.5194	4,013,894

(1): 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): Based on taxable assessed value at 80% of actual taxable value

Source: Indian River County Property Appraiser

CITY OF VERO BEACH, FLORIDA

PROPERTY TAX RATES (\$1 PER \$1,000 OF TAXABLE VALUE)

DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS (TABLE 7) - UNAUDITED

(IN THOUSANDS)

Fiscal Year	Total Direct & Overlapping Rates	OVERLAPPING RATES (1)					
		City of Vero Beach	Indian River County	School District	Emergency Services District	Indian River Memorial Hospital	Special Districts
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
2014	17.3707	2.0336	3.2620	8.1160	1.9799	0.9698	1.0094
2015	17.3156	2.0336	3.3375	7.9950	1.9799	0.9899	0.9797
2016	17.8742	2.3800	3.3602	7.9550	2.2551	0.9951	0.9288
2017	17.3212	2.5194	3.3602	7.4100	2.3010	0.8443	0.8863
2018	17.1391	2.5194	3.4604	7.0530	2.3655	0.8894	0.8514
2019	16.8729	2.5194	3.4604	6.7930	2.3655	0.9122	0.8224

Source: Indian River County Property Appraiser

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

CITY OF VERO BEACH, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
YEAR 2019 AND YEAR 2010 (TABLE 8) - UNAUDITED

2019			
TAXPAYER	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value
	Value		Assessed Value
3700 Ocean Drive LLC	\$ 18,453	1	0.65%
Piper Aircraft Inc	10,599	2	0.37%
IRT Partners LP	10,353	3	0.36%
New Piper Aircraft Inc	10,249	4	0.36%
Cabana Beach Hotel & Resort LLC	9,782	5	0.34%
TGM LLC (Less)	9,736	6	0.34%
Ocean Drive at Vero Beach LLC	9,028	7	0.32%
Quail Valley LLC	8,859	8	0.31%
Indian River Plaza LLC	8,241	9	0.29%
Backus Land Management LLC	8,110	10	0.28%
Total Principal Property Taxpayers	<u>\$ 103,410</u>		
Total Taxable Assessed Value	<u>\$ 2,846,175</u>		

2010			
TAXPAYER	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value
	Value		Assessed Value
New Piper Aircraft Inc	\$ 20,319	1	0.81%
Cabana Beach Hotel & Resort LLC	15,448	2	0.62%
Bellsouth Telecommunications	13,685	3	0.55%
Flight Safety Inc	10,957	4	0.44%
Quail Valley LLC	10,752	5	0.43%
Ocean Drive at Vero Beach LLC	10,537	6	0.42%
IRT Partners LP	9,796	7	0.39%
Logan Acquisitions Corp (Less)	9,087	8	0.36%
Indian River Plaza LLC	8,000	9	0.32%
Sandler at Pinecrest, LLC	7,717	10	0.31%
Total Principal Property Taxpayers	<u>\$ 116,298</u>		
Total Taxable Assessed Value	<u>\$ 2,505,500</u>		

Source: Indian River County Property Appraiser

CITY OF VERO BEACH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (TABLE 9) - UNAUDITED
(IN THOUSANDS)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2014	4,330	4,099	94.7%	90.31	4,189	96.7%
2015	4,504	4,262	94.6%	73.13	4,335	96.3%
2016	5,669	5,380	94.9%	76.19	5,456	96.2%
2017	6,277	5,968	95.1%	98.80	6,067	96.7%
2018	6,767	6,374	94.2%	128.38	6,502	96.1%
2019	7,192	6,816	94.8%	121.62	6,938	96.5%

Source: Indian River County Property Appraiser and Tax Collector

CITY OF VERO BEACH, FLORIDA
PRINCIPAL PAYERS OF ELECTRIC AND WATER SERVICE
FISCAL YEAR 2019 (TABLE 10) - UNAUDITED

Ten Largest Electric Users - Fiscal Year 2019

	Customer	Kwh Usage	Kwh Revenue	Percentage of Total Sales
1	The New Piper Aircraft	6,281,172	\$ 549,567	2.23%
2	IR Memorial Hospital	6,226,314	691,475	2.81%
3	Wal-Mart/Sams	2,848,516	312,244	1.27%
4	Publix Stores	2,505,962	276,204	1.12%
5	Johns Island	1,692,302	194,540	0.79%
6	Vero Beach High School	1,688,850	199,299	0.81%
7	Indian River Mall	1,451,848	164,492	0.67%
8	IRC Commissioners	1,111,203	124,345	0.51%
9	IRC Sheriff Dept	1,107,159	123,594	0.50%
10	St Edwards School	1,010,033	115,290	0.47%
Total Principal Users of Electric Service		(1) 25,923,359	\$ 2,751,050	11.18%

Ten Largest Water Users - Fiscal Year 2019

	Customer	Gallon Usage	Water Revenue*	Percentage of Total Sales
1	New Piper Aircraft Inc	35,681,000	\$ 98,766	1.33%
2	IR Memorial Hospital	30,229,000	228,802	3.07%
3	Johns Island	15,787,000	115,511	1.55%
4	IRC School Board	14,568,000	99,495	1.34%
5	Los Angeles Dodgers / MILB	10,157,000	32,322	0.43%
6	Treasure Coast Isle Condo	8,534,000	27,831	0.37%
7	The Pines of Vero Condo Assoc	7,683,000	34,761	0.47%
8	Driftwood Resort	7,152,000	20,986	0.28%
9	Cabana Beach Hotel & Resort	6,603,000	18,999	0.26%
10	Flight Safety	5,833,000	21,602	0.29%
Total Principal Users of Water Service		142,227,000	\$ 699,076	9.39%

* - disparity in ranking order between water usage and revenue is caused by rate structure tiers.

Source: City of Vero Beach Customer Service

(1) Electric System results reflect partial year due to sale to Florida Power & Light in December 2018.

CITY OF VERO BEACH, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (TABLE 11) - UNAUDITED
(IN THOUSANDS)

Fiscal Year	Governmental Activities				Business-Type Activities				(2) Per Capita	Total Primary Government
	Infrastructure Loans	Capital Lease-Purchase	Capital Improvement & Revenue Notes	(1) Per Capita	Electric Revenue Bonds	Water and Sewer Revenue Bonds	Capital Lease-Purchase	Capital Improvement & Revenue Notes		
2010	\$ -	\$ -	\$ 13,927	\$ 915	\$ 50,175	\$ -	\$ -	\$ 35,500 (3)	\$ 1,503	\$ 99,602
2011	-	-	12,793	841	46,900	-	-	34,238	1,423	93,931
2012	-	-	10,890	711	43,475	-	-	32,278	1,329	86,643
2013	-	-	10,552	680	39,900	-	-	27,368	1,180	77,820
2014	-	89	9,095	592	36,175	-	-	22,432	1,028	67,791
2015	-	1,033	7,745	548	32,300	-	56	20,705	931	61,838
2016	-	1,347	7,780	558	28,250	-	405	18,941	835	56,724
2017	-	1,538	6,355	471	24,025	-	894	17,140	738	49,952
2018	-	1,592	5,802	437	19,625	-	707	15,296	625	43,022
2019	-	1,314	1,190	145	- (4)	-	148	10,859	282	13,511

(1) The City's population is used to compute per capita on governmental debt.

(2) The City's service territory encompasses approximately 26 sq. miles inside and outside the city limits.

The utility service population of 57,000 was used to compute per capita on business-type debt until the sale of the electric utility system to Florida Power & Light in December 2018. Post sale, the utility service population of 39,000 is used to compute per capita on business-type debt.

(3) The City secured \$10,625,600 in State Revolving Fund Loans for Water & Sewer Capital Projects.

(4) The City defeased the outstanding Series 2003A Electric Refunding Revenue bonds in January 2019 using proceeds from the sale to Florida Power & Light.

CITY OF VERO BEACH, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
(TABLE 12) - UNAUDITED

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.

CITY OF VERO BEACH, FLORIDA

COMPUTATION OF DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

FISCAL YEAR 2019 (TABLE 13) - UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Indian River County limited General Obligation Refunding Note, Series 2015	\$ 7,268,000	15.32%	\$ 1,113,323
Other Debt:			
Indian River County School District Certificates of Participation	98,802,832	15.32%	15,134,759
		Total Overlapping Debt	<u>16,248,082</u>
Series 2016 Capital Improvement Revenue Note	1,190,000	100%	1,190,000
Capital Lease Payable	1,314,125	100%	1,314,125
		Total Direct Debt	<u>2,504,125</u>
	Total Direct and Overlapping Debt		<u>\$ 18,752,207</u>

Source: Information on outstanding debt from Indian River County Comprehensive Annual Financial Report 2019 and Indian River County School Board Annual Financial Report 2018-2019

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

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

CITY OF VERO BEACH, FLORIDA
PLEDGED REVENUE COVERAGE
WATER AND SEWER SYSTEM
LAST TEN FISCAL YEARS (TABLE 14) - UNAUDITED
(IN THOUSANDS)

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2014	15,710	9,580	6,129	516	437	953	6.43
2015	16,178	9,523	6,655	1,529	388	1,917	3.47
2016	16,271	10,247	6,024	1,558	357	1,915	3.15
2017	17,026	10,133	6,893	1,587	326	1,913	3.60
2018	17,193	11,074	6,119	1,621	294	1,915	3.20
2019	17,427	11,528	5,899	1,678	263	1,941	3.04

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

(2) Direct Operating Expenses includes all expenses of operating the system except depreciation.

CITY OF VERO BEACH, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (TABLE 15) - UNAUDITED

<u>Year</u>	<u>Vero Beach Population (3)</u>	<u>Total (1) Personal Income (in thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
2010	15,220	\$6,534,146	\$47,689	14.0%
2011	15,222	6,736,286	48,726	13.6%
2012	15,318	7,080,348	50,977	12.6%
2013	15,527	7,429,653	52,855	8.6%
2014	15,989	7,731,263	54,448	7.9%
2015	16,017	9,139,102	63,140	7.2%
2016	16,358	10,055,169	67,978	6.7%
2017	16,751	10,380,777	68,491	4.6%
2018	16,919	11,312,198	73,274	3.9%
2019	17,236	11,972,633	76,059	3.7%

(1) Total personal Income for Indian River County / Source: Bureau of Economic Analysis

(2) Source: U.S. Bureau of Labor Statistics

(3) Source: U.S. Census Bureau - QuickFacts

CITY OF VERO BEACH, FLORIDA
PRINCIPAL EMPLOYERS INDIAN RIVER COUNTY
YEAR 2019 AND YEAR 2010 (TABLE 16) - UNAUDITED

2019			
Employer	Number of Employees	Ranking	Percentage of Total County Employment
School District of Indian River County	2,121	1	3.37%
Cleveland Clinic Indian River Hospital	2,027	2	3.22%
Indian River County	1,521	3	2.42%
Publix Supermarkets	1,380	4	2.19%
New Piper Aircraft, Inc	1,003	5	1.59%
Wal-Mart / Wal-Mart Neighborhood Market	806	6	1.28%
Sebastian River Medical Center	750	7	1.19%
John's Island	589	8	0.94%
Indian River Estates	486	9	0.77%
Visiting Nurse Association	484	10	0.77%
Total Principal Employers	11,167		17.74%
Total County Employees	62,949		
2010			
Employer	Number of Employees		Percentage of Total County Employment
School District of Indian River County	2,080		3.87%
Indian River County	1,411		2.63%
Indian River Medical Center	1,334		2.48%
Publix Supermarkets	960		1.79%
New Piper Aircraft, Inc	850		1.58%
Sebastian River Medical Center	600		1.12%
John's Island	550		1.02%
City of Vero Beach	505		0.94%
Visiting Nurse Association	475		0.88%
Indian River Estates	442		0.82%
Total Principal Employers	9,207		17.14%
Total County Employees	53,721		

Source: Indian River County Chamber of Commerce, Bureau of Labor Statistics

CITY OF VERO BEACH, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (TABLE 17) - UNAUDITED

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>Governmental Activities</u>										
General Government										
City Clerk	5	5	5	5	5	4	4	4	4	4
City Manager	2	2	2	2	2	2	2	2	2	3
City Attorney	4	4	4	3	3	3	4	4	4	4
Human Resources	(2) 4	4	4	4	2	2	2	3	3	3
Finance	22	25	25	25	23	22	24	24	28	28
Planning & Development	4	5	5	4	6	6	7	7	8	9
Fleet Management	7	8	8	8	8	8	9	9	10	10
Facilities Management	7	7	7	7	7	7	7	8	10	11
Geographical Information Systems	2	2	2	2	2	2	3	3	3	3
Risk Management	(2) -	-	-	-	2	2	2	3	3	3
Public Safety	78	76	76	76	72	72	74	76	86	88
Physical Environment	1	1	1	1	1	1	1	1	1	3
Transportation	25	25	25	24	24	24	29	34	40	44
Culture & Recreation	49	50	50	49	46	30	33	34	35	36
Total	210	214	214	210	203	185	201	212	237	249
<u>Business-Type Activities</u>										
Electric System	(3) -	78	80	93	101	106	107	108	113	113
Water and Sewer System	67	55	53	51	54	58	62	72	74	82
Municipal Airport	12	12	12	10	8	8	9	10	10	10
Municipal Marina	3	3	3	2	2	2	5	6	6	6
Solid Waste	23	23	23	23	23	23	24	26	27	29
Recreation	(1) -	-	-	-	-	16	17	17	17	19
Total	105	171	171	179	188	213	224	239	247	259
Citywide Totals:	315	385	385	389	391	398	425	451	484	508

(1) Recreation enterprise fund eliminated - Recreation program employees moved to General Fund

(2) Risk Management staff was moved to the General Fund under Human Resources for FY 15-16.

(3) Electric Utility sold to Florida Power & Light in December 2018.

Source: City of Vero Beach, Florida Annual Budgets

CITY OF VERO BEACH, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (TABLE 18) - UNAUDITED

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Function/Program										
Public Safety										
Police Department										
Traffic Violations	1,793	2,238	2,353	2,403	2,757	2,349	3,209	1,459	2,041	3,057
Parking Tickets	4,794	4,377	4,852	2,051	1,517	1,589	1,484	2,024	2,680	2,158
Physical Arrests	648	693	781	839	676	617	529	724	855	1,297
Transportation										
Streets and Highways										
Miles Paved	-	-	-	-	-	-	-	-	-	-
Asphalt for road maintenance (tons)	630	2,874	48	114	1,134	1,217	33	377	4,105	4,297
Sidewalks Repaired & Constructed (sq. ft.)	114,225	18,380	2,357	60	10,062	12,039	24,971	35,100	15,058	9,463
Physical Environment										
Stormwater Ditches Maintained (miles) 4 x per year	12	12	12	12	12	12	12	12	12	15
Culture and Recreation										
Parks and Public Grounds (acreage maintained)	243	265	280	280	280	280	229	229	229	229
Electric System										
Customers	- (2)	35,850	35,610	35,338	34,881	34,602	34,308	34,068	33,931	33,307
Residential Consumption (KW in 000s)	100,403 (2)	374,577	361,274	382,341	363,558	349,808	337,620	339,355	360,331	379,311
Commercial Consumption (KW in 000s)	89,789 (2)	336,692	339,887	351,600	344,425	339,867	336,932	346,042	346,105	350,703
Industrial Consumption (KW in 000s)	4,051 (2)	14,512	14,696	14,160	14,052	15,340	14,261	14,130	14,015	13,789
Water System										
Customers	23,990	23,868	23,565	23,318	23,039	22,964	22,624	22,435	22,403	21,986
Water Consumption (GAL in 000s)	1,426,586	1,418,950	1,435,104	1,394,434	1,373,600	1,320,004	1,318,175	1,380,994	1,624,906	1,547,025
Irrigation Water Consumption (GAL in 000s)	302,852	301,147	326,065	292,529	282,684	272,586	278,612	322,867	396,500	348,509
Reuse Water Consumption (GAL in 000s)	930,789	874,530	942,372	915,013	912,420	859,760	817,103	649,450	531,145	508,716
Solid Waste										
Customers	8,250	8,419	8,426	8,392	8,332	8,764	8,707	8,647	8,613	8,021
Refuse Collected (TONS)	16,600	16,910	16,611	16,486	16,462	16,139	15,928	15,872	15,425	15,649
Yard Trash Collected (TONS)	1,858	1,894	2,162	2,338	2,261	2,168	2,183	2,010	2,251	2,250
Recyclables Collected (TONS)	(1)	(1)	(1)	(1)	(1)	(1)	13	16	11	8

(1) Information not available - recycling provided by Indian River County

(2) Electric System results reflect partial year due to sale to Florida Power & Light in December 2018.

CITY OF VERO BEACH, FLORIDA

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (TABLE 19) - UNAUDITED

<u>Function/Program</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Public Safety										
Police Department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	43	45	41	35	41	41	36	35	36	44
Transportation										
Streets and Highways										
Miles Maintained (Paved & Unpaved)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
Physical Environment										
Storm Sewers (miles)	69	69	69	69	69	69	69	69	69	69
Stormwater Ditches (miles)	12	12	12	12	12	12	12	12	12	12
Culture and Recreation										
Parks	17	17	17	17	17	17	17	17	17	17
Recreation Centers	6	6	6	6	6	6	7	7	7	7
Electric System										
Steam: 3 Units (total output MW)	(1) -	-	-	-	85.000	85.000	119.000	119.000	119.000	119.000
Gas Turbine 1 Unit (total output MW)	(1) -	-	-	-	38.000	38.000	38.000	38.000	38.000	38.000
Water										
Water Mains (miles)	290	290	290	290	290	290	290	290	290	290
Service Lines	11,975	11,975	11,975	11,975	11,975	11,975	11,975	11,975	11,967	11,967
Fire Hydrants	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,231	1,160
Storage Capacity (MGD)	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80	13.80
Wastewater										
Gravity Sewer Lines (miles)	132	132	132	132	132	132	132	132	132	132
Force Mains (miles)	65	65	65	65	65	65	65	64	63	63
Manholes	2,724	2,697	2,672	2,660	2,660	2,660	2,660	2,660	2,660	2,660
Treatment Capacity (MGD)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Solid Waste										
Collection Trucks	11	11	11	11	12	12	12	12	12	12

(1) Power plant decommissioned in FY 16

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SINGLE AUDIT ACT COMPLIANCE

**Report of Independent Auditor 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***

To the Honorable Mayor and Members of the City Council
City of 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2020.

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 first paragraph of this section 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Cheryl Behrman LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
April 20, 2020

**Report of Independent Auditor on Compliance for Each Major Federal Program
and State Financial Assistance Project and on Internal Control Over Compliance
Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General**

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

Report on Compliance for the Major Federal Program and State Financial Assistance Project

We have audited the City of Vero Beach, Florida's (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on the City's major federal programs and state financial assistance projects for the year ended September 30, 2019. The City's major federal program and state financial assistance project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and the requirements of laws, regulations, contracts, and grants applicable to its state financial assistance project.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program and state financial assistance project 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, 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 financial assistance 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 its major federal program and state financial assistance project. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Each Major Federal Program and State Financial Assistance 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 its major federal program and state financial assistance project for the year ended September 30, 2019.

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 the major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 state financial assistance 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 financial assistance 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 financial assistance 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Cheryl Behrman LLP".

Orlando, Florida
April 20, 2020

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

FEDERAL / STATE AGENCY, PASS-THROUGH ENTITY FEDERAL PROGRAM / STATE PROJECT	CFDA / CSFA#	DATE OF AWARD	PROJECT IDENTIFICATION NUMBER	PROGRAM OR AWARD AMT	TOTAL EXPENDITURES
DEPARTMENT OF JUSTICE					
Bureau of Justice Assistance					
Public Safety Partnership and Community Policing Grants	16.607	10/24/07	2010-B4BX10055011	\$ 3,581	\$ 5,150
Firearm Replacement	16.738	10/1/18	2019-JAGC-INRI-1-N2-073	11,780	11,780
Firearm Tactical Lighting	16.738	1/1/18	2019-JAGD-INRI-1-N3-038	3,347	3,347
					15,127
TOTAL DEPARTMENT OF JUSTICE					20,277
DEPARTMENT OF HOMELAND SECURITY					
Florida Department of Emergency Management					
Disaster Grants - Public Assistance (Hurricane Matthew)	97.036	10/12/16	FEMA-4283-DR-FL	2,662,275	190,642
Disaster Grants - Public Assistance (Hurricane Irma)	97.036	9/10/17	FEMA-4337-DR-FL	943,527	910,611
					1,101,253
Hazard Mitigation Grant	97.039	5/17/18	4283-51-R H0064	525,000	27,062
TOTAL DEPARTMENT OF HOMELAND SECURITY					1,128,315
DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration (FAA)					
Airport Improvement Program	20.106	7/24/19	3-12-0083-041-2019	168,996	2,340
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 1,150,932
FLORIDA DEPARTMENT OF TRANSPORTATION					
Aviation Development Grants	55.004	9/13/16	439717-1-94-01	\$ 967,743	\$ 337,677
Aviation Development Grants	55.004	9/13/16	439716-1-94.01	800,000	7,739
Aviation Development Grants	55.004	2/28/17	437981-1-94-01	3,255,663	1,128,543
Aviation Development Grants	55.004	5/13/16	434602-1-94-01	2,801,600	3,127,088
Aviation Development Grants	55.004	3/11/19	431034-2-94-01	2,485,000	85,462
Aviation Development Grants	55.004	9/18/18	442101-1-94-01	4,000,000	46
Aviation Development Grants	55.004	11/21/18	444286-1-94-01	60,000	16,190
Aviation Development Grants	55.004	6/4/19	445378-1-94-01	25,000	130
TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION					\$ 4,702,875
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE					\$ 4,702,875

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

NOTE 1 - ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared with the accounting policies described in 'Note 1 -Summary of Significant Accounting Policies' of the Notes to the Financial Statements. The City's federal awards did not include indirect cost reimbursement and; therefore, the City did not elect to use the 10 percent de minimus cost rate, as covered by 2 CFR 200.214.

NOTE 2 - DISASTER GRANTS:

Following a Presidential declaration of a major disaster or emergency, the Federal Emergency Management Agency awards grants to assist affected entities with the response to, and recovery from, such disasters. In fiscal year 2019, FEMA approved \$190,642 of eligible expenditures for Hurricane Matthew, an event that occurred in October 2016. Of this amount, \$190,642 was incurred during the fiscal year ended September 30, 2018. Also in fiscal year 2019, FEMA approved \$910,611 of eligible expenditures for Hurricane Irma, an event that occurred in September 2017. Of this amount, \$910,611 was incurred during the fiscal year ended September 30, 2018.

In addition to the reimbursements received from FEMA, the City receives a funding match ranging from 5% - 12.5% from the State of Florida Department of Emergency Management. The state match is not included in the SEFA in accordance with guidance provided the State of Florida Auditor General. For fiscal year 2019, this state funding match totaled \$74,088.

NOTE 3 - LOCAL ASSISTANCE:

The City also received local financial assistance that did not require a Single Audit under the federal or state single audit acts. These financial assistance projects are presented on page 138 of this report.

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's 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 Financial Assistance Section

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Type of auditor's report on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

Part I - Summary of Auditor's Results (continued)

Federal Awards and State Financial Assistance Section (continued)

Identification of major federal programs:

Federal Program:

Name of Program	CFDA Number
Department of Homeland Security Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036

State Program:

Name of Program	CSFA Number
Florida Department of Transportation Aviation Development Grants	55.004

Dollar threshold used to determine Type A programs:

Federal and State \$ 750,000

Auditee qualified as low-risk auditee for federal purposes? x yes no

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Part III - Federal Awards Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by 2CFR 200.516(a)

There were no findings required to be reported by 2 CFR 200.516(a).

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2019

Prior Audit Findings:

There were no audit findings in the prior year.

Corrective Action Plan:

There were no audit findings in the current year's independent auditor's reports that required corrective action.

Independent Auditor’s Management Letter

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

Report on the Financial Statements

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 fiscal year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 20, 2020.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (“Uniform Guidance”); and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Report of Independent Auditor on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Report of Independent Accountant on Compliance with Local Government Investment Policies. Disclosures in those reports and schedule, which are dated April 20, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Vero Beach, Florida was established by the State of Florida pursuant to Article VIII, Section 1(a) of the Constitution of the State of Florida. There are no component units related to this entity.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, the results of our tests did not indicate the City met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes.

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

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

Additional Matters

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

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Behrman CPA". The signature is written in a cursive style.

Orlando, Florida
April 20, 2020

**Report of Independent Accountant on Compliance
With Local Government Investment Policies**

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

We have examined the City of Vero Beach, Florida's (the "City's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2019. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2019.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.



Orlando, Florida
April 20, 2020