

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2018



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, 2018

CITY COUNCIL

Harry Howle III, Mayor

Lange Sykes, Vice Mayor

Laura Moss

Anthony W. Young

Val Zudans

CITY MANAGER

James R. O'Connor

CITY CLERK

Tammy K. Bursick

CITY ATTORNEY

Wayne R. Coment

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

March 26, 2019

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, 2018, 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 16,000 residents. In addition, the City operates an electric system, water and sewer system, a solid waste collection system, a park and recreation system, a cemetery, an airport and a marina.

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

The City Manager and Finance Director maintain budgetary control, in conformance with the City Charter and Florida Statutes, through constant review. Budgetary responsibility for the General Fund is established at the departmental level and at the fund level for the Proprietary and all other budgeted funds. Detailed monthly budget reports are provided to each department. Quarterly summary financial 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 53.9 in 2017, as compared to the median age of 41.8 for the State of Florida as a whole in 2017.

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 fifth year in a row, by 7.2% to \$2.67 billion in 2018, after increasing 5.0% in 2017. In total, the City's taxable assessed value has increased 25% since 2013. The unemployment rate decreased for the eighth consecutive year down to 3.9% in 2018. 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, 32.8% is dedicated to public safety through our police department, with an additional 18.0% budgeted for culture & recreation to maintain the City's parks and recreation facilities and provide recreation programs and community events.

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

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 7.2% from the prior year and represented 26.3% of total general government revenue.

Utility and other tax collections (including intergovernmental revenue from state shared sales taxes) represent 24.0% of general government revenue. Total revenues for telecommunications tax, gas tax and State sales tax increased 4.2% from last year. State estimates for FY 18-19 project that these revenue sources in total will grow by another 1.4% in the coming year, indicating that State revenue analysts are anticipating additional modest growth in the overall Florida economy.

Transfers from the enterprise funds are designed to be a return to ownership, the general government, and have historically been in the 27% - 35% range of total general government revenues. The total transfers of \$6.9 million for this fiscal year, primarily from the Electric and Water Sewer utilities, decreased slightly to 28% of total general government revenues (as compared to 30% in the prior year).

Most other revenue sources remained relatively level, with the exception of investment earnings which are down 50.0% (or \$25K) from last year, as the earnings rate on the City's short-term investments remained low. Federal and state grants received as reimbursement for specific capital projects vary from year to year.

Overall, general government expenditures are up slightly, by 1.3% (\$290K) from the prior year. This is primarily as a result of increased personnel costs (a 2% salary increase for all employees and a 10% increase in health insurance rates), as well as the transfer of \$425K to the General Government Capital & Construction fund to support annual street resurfacing and other capital projects. 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 increased by 6.5% from the prior year; this is due to the combination of a rate increase for bulk power costs in December 2017 and an increase in residential electric sales revenue due to higher than projected kWh sales. Water and Sewer enterprise fund revenues decreased by 2.5%, primarily due to a decrease in metered water sales (which are weather dependent). In both systems, charges for services and other income provided adequate revenue to meet operating and capital needs. The City continues to carefully monitor utility rates in order to keep rates competitive while also maintaining rate sufficiency for operations, capital improvements and debt service coverage.

Major Initiatives

General Government Major general government policy objectives are to keep all infrastructures safe and functional, 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 maintains the current staffing levels in order to provide the level of service expected by the citizens, with the addition of two full-time School Resource Officers to the Police department.

Electric During the past year, the City continued its efforts to finalize the sale of its electric utility to FPL. In October 2017, the City Council approved an Asset Purchase and Sale Agreement for the full sale of the electric system. The sale was primarily contingent on unanimous approval by all FMPA member entities and the FMPA Board of Directors for the City's exit from FMPA at the negotiated price. As of March 22, 2018 all of the required approvals by FMPA member cities and the FMPA Board were obtained. As a result, the City and FPL closed on the sale effective December 17, 2018 and the City's electric utility assets and 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 has also approved an engineering study on 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. The Airport's commercial airline service provider has been successful, and the Airport continues to implement capital improvements and operational protocols necessary to support this service.

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.

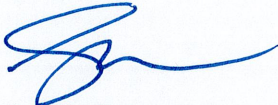
Risk Management The City has transitioned to fully insured workers compensation and third party general liability insurance. As a result, for the fiscal year ended September 30, 2018, the Liability Insurance internal service fund received no self insurance premium revenues; instead, insurance premiums 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, 2017. This was the thirty fifth 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.

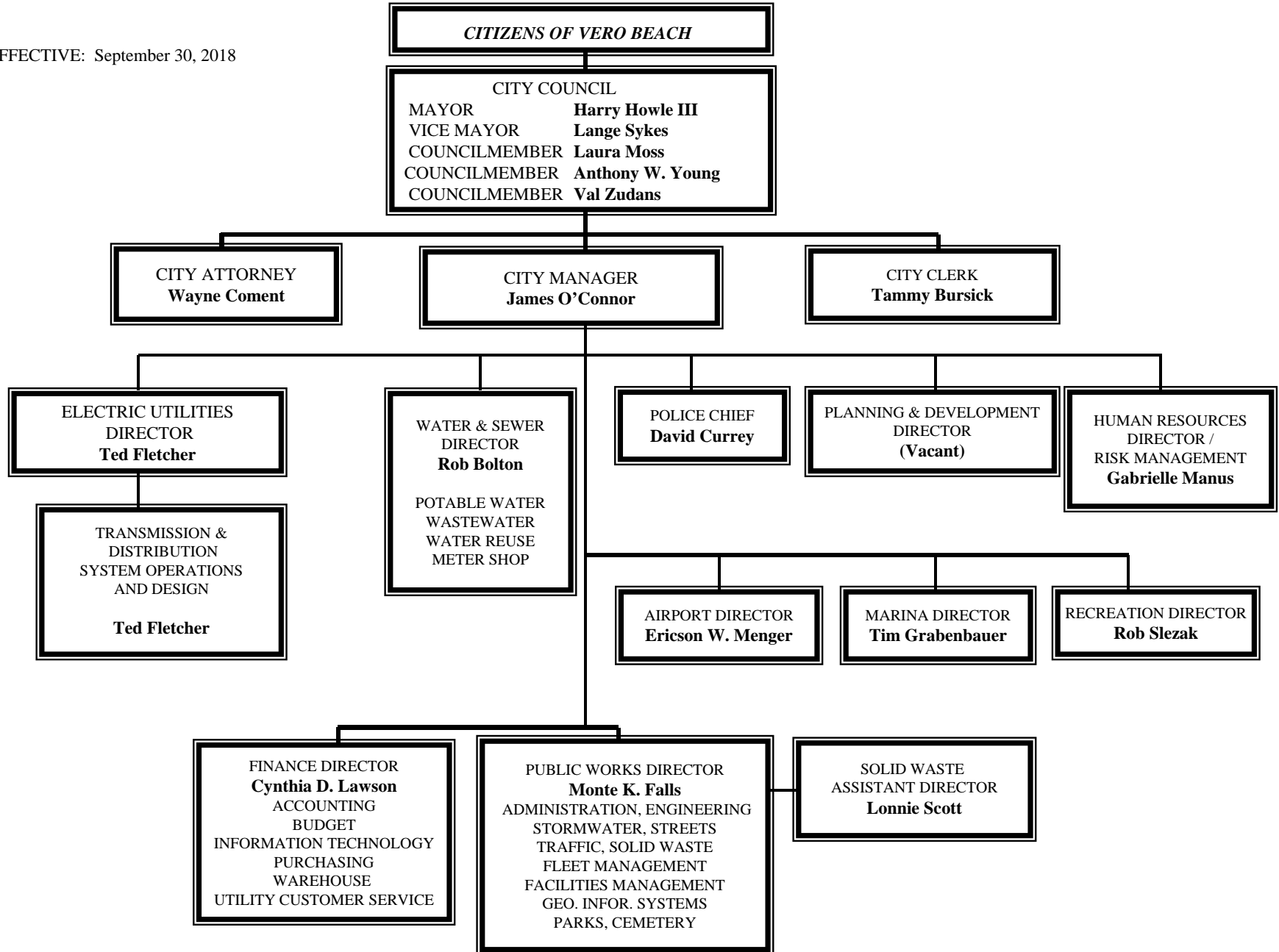
The preparation of this report was made possible by the financial policy direction established by the City Council, the support of the City Manager and the dedicated service of the entire staff of the Finance department. All who assisted in this report's preparation and publication have my sincere thanks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

A handwritten signature in blue ink, appearing to read 'C. Lawson', with a long horizontal flourish extending to the right.

Cynthia D. Lawson
Finance Director

CITY OF VERO BEACH, FLORIDA ORGANIZATIONAL CHART

EFFECTIVE: September 30, 2018





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, 2017

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, 2018, 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, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, effective October 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 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 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 schedules and the schedule of expenditures of federal awards 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 March 26, 2019 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.

Handwritten signature of Cheryl Behrman in black ink.

Orlando, Florida
March 26, 2019

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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, 2018.

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, 2018:

- The City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$209.0 million (net position). Of this amount, \$23.0 million was from governmental activities and \$186.0 million was from business-type activities.
- Unrestricted net positions for governmental and business activities respectively were \$22.4 million (deficit) and \$31.7 million. The deficit in governmental unrestricted net position is attributable primarily to the recognition of a net pension liability of \$12.9 million and a net other post employment benefits (OPEB) liability of \$14.8 million for governmental activities as of the year ended September 30, 2018.
- The City's revenues for governmental funds, excluding other financing sources, were \$20.7 million. The expenditures for governmental funds were \$28.9 million.
- The business-type activities of the City had total revenues of \$121.9 million and total expenses of \$103.5 million before transfers.
- At the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$14.4 million, a decrease of \$0.2 million in comparison with the prior year. Approximately \$8.1 million, or 56%, 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 \$6.5 million. Long-term liabilities for governmental activities decreased by \$0.6 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. In June 2017, the City established an additional fiduciary fund, the 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 \$209.0 million. Further, the City has combined positive balances in all categories of net position-net investment in capital assets, restricted and unrestricted. The City's combined net position increased by \$0.1 million from the amounts previously reported at the end of fiscal year 2017. Governmental activities are responsible for a decrease of \$5.1 million, while the business-type activities are responsible for an increase of \$5.2 million. The primary reason for the governmental activities decrease is the recognition of an additional \$5.4 million in net OPEB liability as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. For additional information regarding the net OPEB liability see Note 14 – Other Post Employment Benefits (OPEB) Plan in the Notes to Financial Statements section of this report. The primary reasons for the business-type activities increase are a \$2.8 million increase in the net investment in capital assets and a \$2.4 million increase in unrestricted net position (due to increased electric utility revenues and the receipt of \$2.1 million in grant revenue from prior year hurricanes).

The following schedule provides a comparative summary of net position for the City for fiscal years 2018 and 2017. 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 18,431,680	\$ 19,955,526	\$ 81,829,556	\$ 75,358,838	\$ 100,261,236	\$ 95,314,364
Capital assets, net	48,638,554	48,176,975	187,962,414	191,526,994	236,600,968	239,703,969
Total assets	67,070,234	68,132,501	269,791,970	266,885,832	336,862,204	335,018,333
Deferred Outflows of Resources						
Deferred Outflows-Pensions	773,288	1,598,104	219,410	1,553,446	992,698	3,151,550
Liabilities						
Long-term liabilities	39,967,652	37,848,064	67,353,108	69,333,506	107,320,760	107,181,570
Other liabilities	1,455,632	1,726,626	14,318,980	16,653,659	15,774,612	18,380,285
Total liabilities	41,423,284	39,574,690	81,672,088	85,987,165	123,095,372	125,561,855
Deferred Inflows of Resources						
Deferred Inflows-Pensions	3,427,378	2,045,006	2,307,154	1,650,802	5,734,532	3,695,808
Deferred Inflows-OPEB	1,459	-	1,566	-	3,025	-
Total deferred inflows	3,428,837	2,045,006	2,308,720	1,650,802	5,737,557	3,695,808
Net Position						
Net investment in capital assets	41,230,126	40,283,960	152,332,030	149,467,827	193,562,156	189,751,787
Restricted	4,118,073	5,257,686	2,000,000	2,000,000	6,118,073	7,257,686
Unrestricted	(22,356,798)	(17,430,737)	31,698,542	29,333,484	9,341,744	11,902,747
Total net position	\$ 22,991,401	\$ 28,110,909	\$ 186,030,572	\$ 180,801,311	\$ 209,021,973	\$ 208,912,220

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, 2018 and 2017. For more detailed information see the Statement of Activities in the Financial Section of this report.

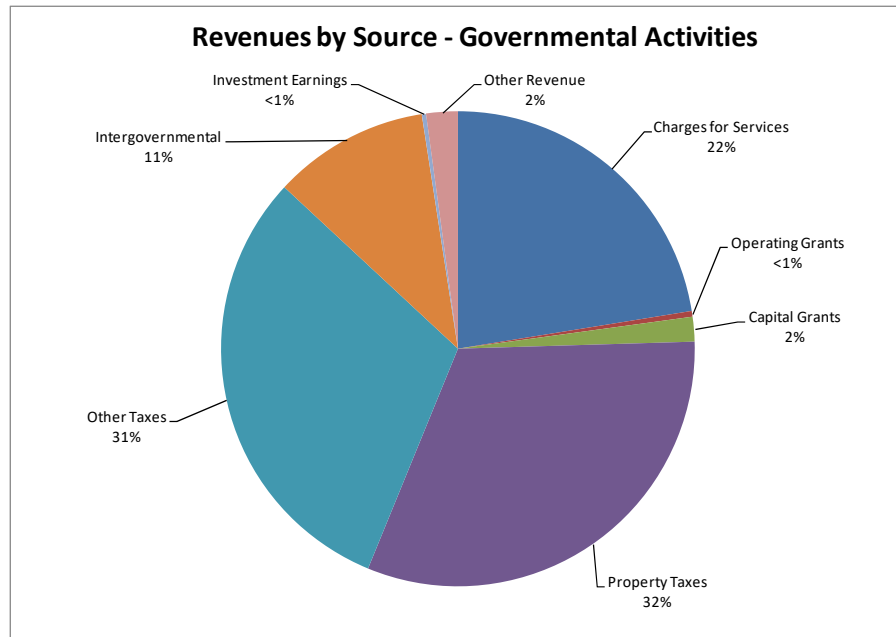
	Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 4,613,553	\$ 4,586,130	\$ 116,350,292	\$ 110,602,835	\$ 120,963,845	\$ 115,188,965
Operating grants	79,794	570,180	2,128,768	804,917	2,208,562	1,375,097
Capital grants	347,023	2,113,592	2,561,161	7,168,130	2,908,184	9,281,722
General Revenues						
Property Taxes	6,504,063	6,067,927	-	-	6,504,063	6,067,927
Other Taxes	6,320,711	6,053,513	-	-	6,320,711	6,053,513
Intergovernmental	2,184,765	2,152,732			2,184,765	2,152,732
Investment earnings	59,253	79,629	121,409	139,248	180,662	218,877
Other revenue (expense)	441,187	102,235	719,471	165,839	1,160,658	268,074
Total revenues	20,550,349	21,725,938	121,881,101	118,880,969	142,431,450	140,606,907
Expenses:						
General Government	10,777,489	10,461,740	-	-	10,777,489	10,461,740
Public Safety	8,257,722	8,647,963	-	-	8,257,722	8,647,963
Physical Environment	225,226	214,628	-	-	225,226	214,628
Transportation	2,525,844	2,410,448	-	-	2,525,844	2,410,448
Culture and Recreation	4,681,936	4,644,893	-	-	4,681,936	4,644,893
Interest on long-term debt	263,554	277,386	-	-	263,554	277,386
Electric System	-	-	81,136,691	90,705,047	81,136,691	90,705,047
Water and Sewer System	-	-	14,437,913	13,604,066	14,437,913	13,604,066
Municipal Airport	-	-	3,905,791	3,226,727	3,905,791	3,226,727
Municipal Marina	-	-	1,441,555	1,377,152	1,441,555	1,377,152
Solid Waste	-	-	2,615,601	2,552,714	2,615,601	2,552,714
Total expenses	26,731,771	26,657,058	103,537,551	111,465,706	130,269,322	138,122,764
Special Item - loss on impairment of assets	-	-	-	(24,123,342)	-	(24,123,342)
Change in net position before transfers	(6,181,422)	(4,931,120)	18,343,550	(16,708,079)	12,162,128	(21,639,199)
Transfers	6,353,386	6,267,886	(6,353,386)	(6,267,886)	-	-
Change in net position	171,964	1,336,766	11,990,164	(22,975,965)	12,162,128	(21,639,199)
Net position, beginning of year, as previously reported	28,110,909	26,774,143	180,801,311	203,777,276	208,912,220	230,551,419
Prior period restatement (Note 1)	(5,291,472)	-	(6,760,903)	-	(12,052,375)	-
Net position - beginning as restated	22,819,437	26,774,143	174,040,408	203,777,276	196,859,845	230,551,419
Net position - ending	\$ 22,991,401	\$ 28,110,909	\$ 186,030,572	\$ 180,801,311	\$ 209,021,973	\$ 208,912,220

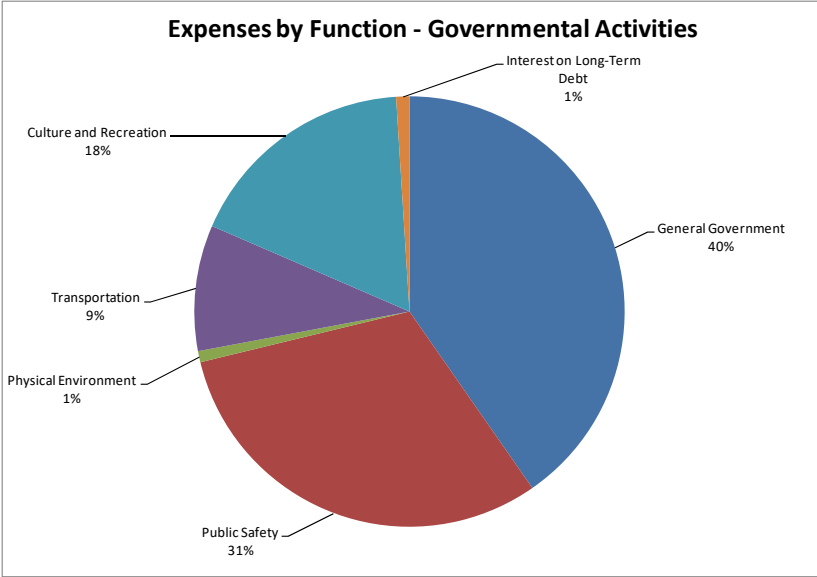
Governmental Activities. Net position of the City's governmental-type activities decreased by \$5.1 million from the amounts previously reported at the end of fiscal year 2017. The primary reason for this decrease is the recognition of \$14.8 million in net OPEB liability as of the end of fiscal year 2018, in accordance with the requirements of GASB 75. This is an increase of \$5.4 million over the net OPEB obligation reported at the end of fiscal year 2017.

Property tax revenues increased by \$0.4 million over the amount collected in 2017, as the City adopted the same millage rate as the prior year but experienced a 7.2% rise in taxable property values. The remainder of the City's major revenue sources, including sales tax and intergovernmental sources, remained relatively stable from 2017 to 2018.

Total governmental activities expenses increased by less than 1% from the prior fiscal year. Although normal operating costs were higher as a result of salary and benefit cost increases, this was offset by the fact that the City had a decrease in hurricane related expenditures since cleanup and repairs for Hurricanes Matthew and Irma were largely complete in the prior year.

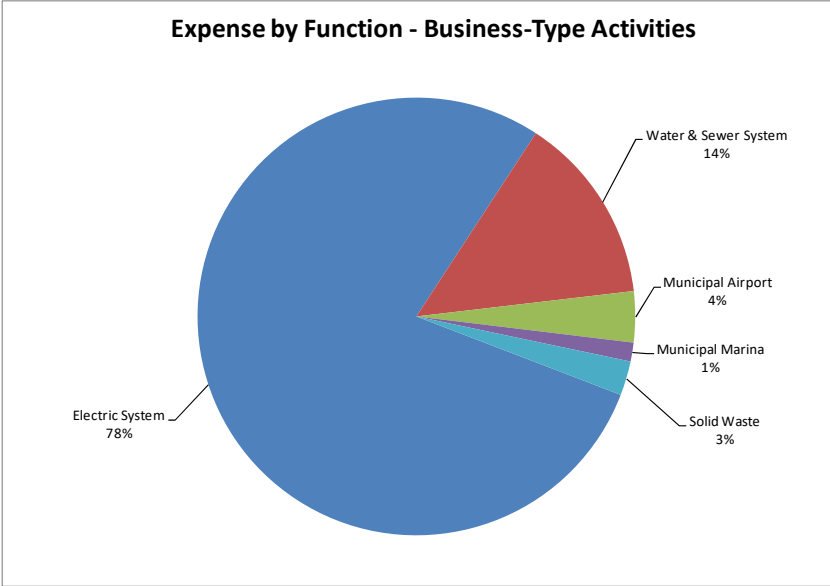
The following graphs provide an analysis of the City's revenue sources for governmental activities by type, and its governmental activities expenses by function.





Business-type Activities: Net position of the City’s business-type activities showed an increase of \$5.2 million from the amounts previously reported at the end of fiscal year 2017. This change is attributable to both an increase in the net investment in capital assets of \$2.8 million and an increase in unrestricted net position of \$2.4 million. Net investment in capital assets increased as the City’s water & sewer utility fund invested in several major projects and principal payments decreased outstanding debt. The increase in unrestricted net position was most significant in the electric utility, as unrestricted cash increased due to the combination of a rate increase for bulk power costs in December 2017 and an increase in residential electric sales revenue based on higher than projected kWh sales. This also contributed to the increase in charges for services of \$5.7 million over that reported in 2017.

Total expenses for the electric utility decreased by \$9.6 million. In part, this was due to \$3.0 million for utility service restoration and repairs due to hurricanes occurring in fiscal year 2017 (Hurricane Matthew and Hurricane Irma) and for which relatively few costs continued into fiscal year 2018. The City’s electric utility expenses also decreased significantly without the \$5.7 million loss on disposal of power plant assets which was recognized in fiscal year 2017. 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 2018, the City's governmental funds reported combined ending fund balances of \$14.4 million, a decrease of \$0.2 million from the prior year. This is primarily due to an increase of \$1.0 million in the committed emergency (disaster) reserves, offset by a reduction of \$1.2 million in restricted reserves. The emergency reserves were restored to the target level of \$2,000,000 in accordance with the City's adopted policy by a combination of State and Federal disaster assistance revenue and a portion of the unappropriated increase in fund balance for fiscal year 2018. The restricted reserves were decreased by 2018 expenditures for general government capital and construction projects.

Total governmental revenue of \$20.7 million decreased \$0.5 million from the previous year, primarily because of a \$1.4 million decrease in grant revenue (as a major capital project supported by grants was completed in 2017), offset by an increase in property taxes (up \$0.4 million) and other minor increases. Total governmental expenditures showed a decrease of \$1.2 million, primarily attributable to a \$0.7 million decrease in debt service for a retired loan and a \$0.8 million decrease in capital expenditures.

The governmental fund balance of \$14.4 million is available for spending, subject to regulatory, statutory, and budgetary restrictions. Of the available balance, \$8.1 million, or 56%, 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	\$ 106,988
Prepaid items	5,946
Restricted	
Public Safety	45,709
Culture & Recreation	862,736
Physical Environment	3,209,628
Committed	
Physical Environment	62,387
Emergency (Disaster) Reserve	2,000,000
Total Nonspendable, Restricted, Committed	\$ 6,293,394

The General Fund is the City's major governmental fund. As of September 30, 2018, its fund balance was \$10.3 million, with \$8.1 million of that unassigned. This represents \$1.0 million increase from the prior year's total fund balance, with no change to the unassigned amount.

General fund revenue for 2018 totaled \$16.6 million in the original budget and \$17.3 million in the final budget, with actual revenue received of \$17.4 million. These higher than anticipated revenues included FEMA/DEM hurricane reimbursements. General fund expenditures were under the final budget by \$190,000, but higher than the original budget by \$321,000 due primarily to hurricane expenditures. With additional hurricane related insurance proceeds received as well, the fiscal year 2018 ended with a net increase in fund balance of \$977,000. A portion of these funds were used to restore the emergency (disaster) reserve to \$2.0 million per the City's adopted policy as described above.

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 \$31.7 million. Of this amount the Electric System has \$19.0 million and the Water & Sewer System has \$11.3 million. There was an increase in the total net position of the enterprise funds of \$12.0 million in the current year. This is due primarily to an increase in the Electric utility net position of \$8.2 million, as a result of increased revenues due to a rate change and higher sales. This increase served to restore the loss in net position (particularly in unrestricted net position and unrestricted cash) that was experienced by the electric utility in fiscal year 2017.

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 \$1.2 million, which is a decrease of \$0.5 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 \$850 thousand, or 5.1%, higher, and the actual expenditures were \$321 thousand, or 1.4%, higher. The actual net increase to the General Fund fund balance was \$281 thousand more than was projected in the final budget. This was a result of revenues and transfers in that were \$91 thousand higher than the final budget and expenditures that were \$190 thousand lower than the final budget.

Original & Final Budget Comparison General Fund

	<u>Original</u>	<u>Final</u>	<u>Change</u>
REVENUES			
Taxes	\$ 10,410,231	\$ 10,629,527	\$ 219,296
Licenses and permits	160,500	146,414	(14,086)
Intergovernmental	1,767,639	1,766,191	(1,448)
Grants	-	574,643	574,643
Charges for services	3,561,325	3,524,637	(36,688)
Fines and forfeitures	124,000	190,680	66,680
Investment earnings	101,500	29,500	(72,000)
Rental	376,944	386,765	9,821
Contributions from private sources	-	12,037	12,037
Miscellaneous	84,500	85,063	563
Total Revenues	<u>\$ 16,586,639</u>	<u>\$ 17,345,457</u>	<u>\$ 758,818</u>
EXPENDITURES			
Current:			
General government	6,051,482	5,998,253	(53,229)
Public safety	7,754,726	7,658,580	(96,146)
Transportation	2,497,052	2,319,978	(177,074)
Culture/Recreation	4,233,824	4,256,224	22,400
Non-departmental	2,454,385	3,269,622	815,237
Total Expenditures	<u>\$ 22,991,469</u>	<u>\$ 23,502,657</u>	<u>\$ 511,188</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 ad valorem taxes and utility taxes.

- General Government, Public Safety 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.
- Culture and Recreation: The final budget was increased to cover additional part-time salary costs for recreation programs and summer camps.
- Non-departmental Expenditures: The final budgeted expenditures were increased due to continuing costs for dune restoration and debris removal associated with the impact of two hurricanes in fiscal year 2017.

Capital Assets and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of September 30, 2018 are \$236.6 million (net of accumulated depreciation).

	Capital Assets (Net of Depreciation) (in 000s)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 14,431	\$ 14,431	\$ 8,724	\$ 8,724	\$ 23,154	\$ 23,154
Intangible assets	825	825	-	-	825	825
Buildings	7,028	7,284	20,960	21,528	27,988	28,812
Improvements other than buildings	5,184	5,018	148,291	141,718	153,475	146,736
Machinery and equipment	4,041	3,021	4,928	4,912	8,969	7,932
Infrastructure	16,856	12,503	-	-	16,856	12,503
Construction in progress	274	5,095	5,059	14,646	5,333	19,741
Total capital assets, net	\$ 48,639	\$ 48,177	\$ 187,962	\$ 191,527	\$ 236,601	\$ 239,704

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 an increase in net capital assets in government activities of \$0.4 million, due primarily to the purchase of fleet vehicles. The net capital assets of the business-type assets decreased by \$3.6 million as electric utility investment in capital assets was substantially decreased (and did not offset annual depreciation) in fiscal year 2018 due to the planned sale of the 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 \$50.5 million. Of this amount, \$34.9 million was in notes and bonds secured solely by specified revenue sources and \$8.1 million was debt backed by the full faith and credit of the government. In addition, the City has a liability for approximately \$1.4 million in legacy claims payable and \$6.1 million in compensated absences. For more information on the changes in long-term debt see Note 8.

	Summary of Outstanding Long-Term Debt (in 000s)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue Bonds and Notes	\$ 5,802	\$ 6,355	\$ 34,921	\$ 41,165	\$ 40,723	\$ 47,520
Capital Lease-Purchases	1,593	1,538	707	894	2,300	2,432
Claims Payable	1,416	1,497	-	-	1,416	1,497
Compensated Absences	3,480	3,461	2,579	2,620	6,059	6,081
Total Long-Term Debt	\$ 12,291	\$ 12,851	\$ 38,207	\$ 44,679	\$ 50,498	\$ 57,530

In addition to long-term debt, the City has long term liabilities of \$25.9 million in net pension liability associated with various employee pension plans (see Note 13 in the Notes to Financial Statements) and \$30.7 million in net Other Post Employment Benefits (OPEB) liability (see Note 14).

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 2019 is \$135.2 million. This budget shows a net decrease of 70 Citywide staff positions, as the adopted budget assumes the sale of the Electric Utility would be closed in the first quarter of the fiscal year. Total budgeted salaries decreased by \$2.5 million as a result of this staffing decrease.

Ad valorem tax revenues are projected to increase by 6% as a result of the adoption of the prior year's millage rate of 2.5194 (which was 4.83% greater than the rolled-back millage rate of 2.4033 mills) combined with a 7.0% increase in taxable property values. The increased tax revenue (combined with other expenditure reductions and revenue increases) was used primarily to fund salary increases, an increase of 6% in health insurance rates, and the addition of two full-time School Resource Officers (SROs) to the Police department. State shared revenues for gas tax and State sales tax sharing, as well as the local communications service tax revenue are all projected to increase slightly in the coming year (a total of 1.4% for all sources combined).

The adopted budget for FY 18-19 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, 2018

	Primary Government		
	Governmental Activities	Business- type Activities	Total Primary Government
Assets			
Equity in pooled cash and investments	\$ 16,535,643	\$ 45,656,258	\$ 62,191,901
Cash with fiscal agent	287,486	-	287,486
Receivables, net	1,450,617	16,777,444	18,228,061
Inventories	106,988	4,188,053	4,295,041
Prepaid costs	50,946	7,273	58,219
Assets held for resale	-	1,602,348	1,602,348
Restricted assets:			
Equity in pooled cash and investments	-	13,598,180	13,598,180
Capital assets:			
Land and intangible assets	15,255,734	8,723,720	23,979,454
Construction in progress	273,566	5,059,278	5,332,844
Capital assets not being depreciated	<u>15,529,300</u>	<u>13,782,998</u>	<u>29,312,298</u>
Capital assets being depreciated	91,878,704	375,903,655	467,782,359
Accumulated depreciation	(58,769,450)	(201,724,239)	(260,493,689)
Capital assets being depreciated, net	<u>33,109,254</u>	<u>174,179,416</u>	<u>207,288,670</u>
Total capital assets	<u>48,638,554</u>	<u>187,962,414</u>	<u>236,600,968</u>
Total assets	<u>67,070,234</u>	<u>269,791,970</u>	<u>336,862,204</u>
Deferred outflows of resources			
Deferred outflows related to pensions	<u>773,288</u>	<u>219,410</u>	<u>992,698</u>
Liabilities			
Accounts payable and accrued liabilities	1,455,632	7,989,447	9,445,079
Deposits	-	6,329,533	6,329,533
Long-term liabilities:			
Due within one year	1,837,644	6,877,326	8,714,970
Due in more than one year	10,452,957	31,329,201	41,782,158
Unearned revenue	-	253,462	253,462
Net pension liability	12,880,848	13,006,916	25,887,764
Net other postemployment benefits liability	14,796,203	15,886,203	30,682,406
Total liabilities	<u>41,423,284</u>	<u>81,672,088</u>	<u>123,095,372</u>
Deferred inflows of resources			
Deferred inflows related to pensions	3,427,378	2,307,154	5,734,532
Deferred inflows related to OPEB	1,459	1,566	3,025
Total deferred inflows	<u>3,428,837</u>	<u>2,308,720</u>	<u>5,737,557</u>
Net position			
Net investment in capital assets	41,230,126	152,332,030	193,562,156
Restricted for:			
Special revenue projects	2,232,725	-	2,232,725
Capital projects	1,749,315	-	1,749,315
Plant replacement and renewal	-	2,000,000	2,000,000
Cemetery care	90,324	-	90,324
Law enforcement	45,709	-	45,709
Unrestricted (deficit)	<u>(22,356,798)</u>	<u>31,698,542</u>	<u>9,341,744</u>
Total net position	<u>\$ 22,991,401</u>	<u>\$ 186,030,572</u>	<u>\$ 209,021,973</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, 2018

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	\$ 10,777,489	\$ 3,636,392	\$ 74,713	\$ 130,954	\$ (6,935,430)	\$ -	\$ (6,935,430)
Public safety	8,257,722	258,911	5,081	12,976	(7,980,754)	-	(7,980,754)
Physical environment	225,226	218,324	-	-	(6,902)	-	(6,902)
Transportation	2,525,844	-	-	104,554	(2,421,290)	-	(2,421,290)
Culture/recreation	4,681,936	499,926	-	98,539	(4,083,471)	-	(4,083,471)
Interest and fiscal charges	263,554	-	-	-	(263,554)	-	(263,554)
Total governmental activities	<u>26,731,771</u>	<u>4,613,553</u>	<u>79,794</u>	<u>347,023</u>	<u>(21,691,401)</u>	<u>-</u>	<u>(21,691,401)</u>
Business-type activities:							
Electric System	81,136,691	92,290,247	1,483,000	173,436	-	12,809,992	12,809,992
Water and sewer system	14,437,913	16,484,264	645,768	1,112,029	-	3,804,148	3,804,148
Municipal airport	3,905,791	2,936,011	-	1,275,075	-	305,295	305,295
Municipal marina	1,441,555	1,781,640	-	-	-	340,085	340,085
Solid waste	2,615,601	2,858,130	-	621	-	243,150	243,150
Total business-type activities	<u>103,537,551</u>	<u>116,350,292</u>	<u>2,128,768</u>	<u>2,561,161</u>	<u>-</u>	<u>17,502,670</u>	<u>17,502,670</u>
Total	<u>\$ 130,269,322</u>	<u>\$ 120,963,845</u>	<u>\$ 2,208,562</u>	<u>\$ 2,908,184</u>	<u>(21,691,401)</u>	<u>17,502,670</u>	<u>(4,188,731)</u>
General revenues:							
Property taxes					6,504,063	-	6,504,063
Sales and gas taxes					2,814,155	-	2,814,155
Utility taxes					3,506,556	-	3,506,556
Intergovernmental revenue					2,184,765	-	2,184,765
Investment earnings					59,253	121,409	180,662
Other revenue					441,187	719,471	1,160,658
Transfers - internal activities					6,353,386	(6,353,386)	-
Total general revenues and transfers					<u>21,863,365</u>	<u>(5,512,506)</u>	<u>16,350,859</u>
Change in net position					<u>171,964</u>	<u>11,990,164</u>	<u>12,162,128</u>
Net position - beginning					28,110,909	180,801,311	208,912,220
Restatement of beginning net position					<u>(5,291,472)</u>	<u>(6,760,903)</u>	<u>(12,052,375)</u>
Net position - beginning, as restated					<u>22,819,437</u>	<u>174,040,408</u>	<u>196,859,845</u>
Net position - ending					<u>\$ 22,991,401</u>	<u>\$ 186,030,572</u>	<u>\$ 209,021,973</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, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 10,272,990	\$ 3,717,041	\$ 13,990,031
Cash with fiscal agent	-	287,486	287,486
Receivables, net:			
Accounts	234,557	-	234,557
Special assessments	-	10,709	10,709
Interest	46,741	17,636	64,377
Due from other funds	-	183,896	183,896
Due from other governments	523,224	595,482	1,118,706
Prepaid items	5,946	-	5,946
Inventories	106,988	-	106,988
Total assets	\$ 11,190,446	\$ 4,812,250	\$ 16,002,696
Liabilities			
Accounts payable and contracts payable	\$ 271,484	\$ 497,655	\$ 769,139
Accrued liabilities	558,780	1,917	560,697
Due to other funds	-	183,896	183,896
Total liabilities	<u>830,264</u>	<u>683,468</u>	<u>1,513,732</u>
Deferred inflows of resources			
Unavailable revenue	<u>50,724</u>	<u>10,709</u>	<u>61,433</u>
Fund balances			
Nonspendable	112,934	-	112,934
Restricted	-	4,118,073	4,118,073
Committed	2,062,387	-	2,062,387
Unassigned	8,134,137	-	8,134,137
Total fund balances	<u>10,309,458</u>	<u>4,118,073</u>	<u>14,427,531</u>
Total liabilities, deferred inflows and fund balances	\$ 11,190,446	\$ 4,812,250	\$ 16,002,696

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, 2018

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

Ending fund balance - governmental funds	\$ 14,427,531
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	15,529,300
Capital assets being depreciated, net	33,109,254
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	50,724
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	1,184,208
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	(12,880,848)
Deferred outflows related to pensions	773,288
Deferred inflows related to pensions	(3,427,378)
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	(14,796,203)
Deferred inflows related to OPEB	(1,459)
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	(7,394,483)
Accrued interest on long-term debt	(113,124)
Compensated absences	(3,480,118)
Total liabilities	<u>(10,987,725)</u>
Net position of governmental activities	<u>\$ 22,991,401</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, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 10,676,961	\$ 2,295,063	\$ 12,972,024
Licenses and permits	146,704	-	146,704
Intergovernmental	1,787,521	397,244	2,184,765
Grants	578,224	111,515	689,739
Charges for services	3,531,836	201,443	3,733,279
Fines and forfeitures	186,148	4,740	190,888
Investment earnings	24,020	22,555	46,575
Rentals	387,474	-	387,474
Contributions from private sources	36,901	214,689	251,590
Miscellaneous	80,605	-	80,605
Total revenues	17,436,394	3,247,249	20,683,643
Expenditures			
Current:			
General government	8,953,247	-	8,953,247
Public safety	7,647,112	399,044	8,046,156
Physical environment	-	197,833	197,833
Transportation	2,251,096	-	2,251,096
Culture and recreation	4,188,960	-	4,188,960
Debt service:			
Principal	-	1,206,477	1,206,477
Interest and fiscal charges	-	274,346	274,346
Capital outlay	272,488	3,479,019	3,751,507
Total expenditures	23,312,903	5,556,719	28,869,622
Deficiency of revenues under expenditures	(5,876,509)	(2,309,470)	(8,185,979)
Other financing sources (uses)			
Capital lease proceeds	-	707,945	707,945
Sale of assets	28,000	36,106	64,106
Proceeds from insurance	377,757	-	377,757
Transfers in	6,909,697	3,056,729	9,966,426
Transfers out	(461,476)	(2,630,923)	(3,092,399)
Total other financing sources (uses)	6,853,978	1,169,857	8,023,835
Net change in fund balances	977,469	(1,139,613)	(162,144)
Fund balance - beginning	9,331,989	5,257,686	14,589,675
Fund balance - ending	\$ 10,309,458	\$ 4,118,073	\$ 14,427,531

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, 2018

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

Net change in fund balances - total governmental funds \$ (162,144)

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	2,934,330
Loss on disposal of capital assets	(1,907)
Loss on impairment of capital assets	(72,879)
Depreciation expense	(2,397,965)

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	(515,029)
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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	1,206,477
Capital lease purchase proceeds	(707,945)

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	(18,894)
Change in net pension liability and related deferrals	537,457
Change in net OPEB liability and related deferrals	(134,858)
Change in accrued interest on bonds payable	10,792

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>(505,471)</u>
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Change in net position of governmental activities	<u><u>\$ 171,964</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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,410,231	\$ 10,629,527	\$ 10,676,961	\$ 47,434
Licenses and permits	160,500	146,414	146,704	290
Intergovernmental	1,767,639	1,766,191	1,787,521	21,330
Grants	-	574,643	578,224	3,581
Charges for services	3,561,325	3,524,637	3,531,836	7,199
Fines and forfeitures	124,000	190,680	186,148	(4,532)
Investment earnings	101,500	29,500	24,020	(5,480)
Rentals	376,944	386,765	387,474	709
Contributions from private sources	-	12,037	36,901	24,864
Miscellaneous	84,500	85,063	80,605	(4,458)
Total revenues	<u>16,586,639</u>	<u>17,345,457</u>	<u>17,436,394</u>	<u>90,937</u>
Expenditures				
Current:				
General government	6,051,482	5,998,253	5,912,888	85,365
Public safety	7,754,726	7,658,580	7,644,133	14,447
Transportation	2,497,052	2,319,978	2,288,089	31,889
Culture/Recreation	4,233,824	4,256,224	4,224,291	31,933
Non-departmental	2,454,385	3,269,622	3,243,502	26,120
Total expenditures	<u>22,991,469</u>	<u>23,502,657</u>	<u>23,312,903</u>	<u>189,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,404,830)</u>	<u>(6,157,200)</u>	<u>(5,876,509)</u>	<u>280,691</u>
Other financing sources (uses)				
Proceeds from insurance	-	377,757	377,757	-
Sale of assets	-	28,000	28,000	-
Transfers in	6,909,697	6,909,697	6,909,697	-
Transfers out	(443,782)	(461,476)	(461,476)	-
Total other financing sources (uses)	<u>6,465,915</u>	<u>6,853,978</u>	<u>6,853,978</u>	<u>-</u>
Net change in fund balances	61,085	696,778	977,469	280,691
Fund balance - beginning	<u>9,331,989</u>	<u>9,331,989</u>	<u>9,331,989</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,393,074</u>	<u>\$ 10,028,767</u>	<u>\$ 10,309,458</u>	<u>\$ 280,691</u>

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

SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Assets			
Current assets			
Equity in pooled cash and investments	\$ 21,934,037	\$ 17,418,360	\$ 5,187,523
Receivables, net:			
Accounts	13,075,245	2,569,013	64,021
Special Assessments	-	148,801	-
Interest	104,754	36,388	9,479
Due from other funds	-	120,065	-
Due from other governments	10,419	87,496	272,082
Inventories	3,759,128	395,931	-
Prepaid items	7,273	-	-
Assets held for resale	1,602,348	-	-
Restricted assets:			
Equity in pooled cash and investments	10,255,315	1,054,743	145
Total current assets	<u>50,748,519</u>	<u>21,830,797</u>	<u>5,533,250</u>
Noncurrent assets			
Restricted assets:			
Equity in pooled cash and investments	2,000,000	-	-
Total noncurrent assets	<u>2,000,000</u>	<u>-</u>	<u>-</u>
Capital assets:			
Land	2,360,206	184,989	1,722,672
Construction in progress	1,217,811	2,361,004	1,437,430
Capital assets not being depreciated	<u>3,578,017</u>	<u>2,545,993</u>	<u>3,160,102</u>
Capital assets being depreciated	167,040,353	136,407,833	67,277,235
Accumulated depreciation	(93,999,811)	(81,804,999)	(22,871,638)
Capital assets being depreciated, net	<u>73,040,542</u>	<u>54,602,834</u>	<u>44,405,597</u>
Total capital assets	<u>76,618,559</u>	<u>57,148,827</u>	<u>47,565,699</u>
Total assets	<u>129,367,078</u>	<u>78,979,624</u>	<u>53,098,949</u>
Deferred outflows of resources			
Deferred outflows related to pensions	123,500	65,339	9,696
Total assets and deferred outflows of resources	<u>\$ 129,490,578</u>	<u>\$ 79,044,963</u>	<u>\$ 53,108,645</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
\$ -	\$ 1,116,338	\$ 45,656,258	\$ 2,545,612
44,326	352,975	16,105,580	240
-	-	148,801	-
-	1,737	152,358	22,028
-	-	120,065	-
708	-	370,705	-
32,994	-	4,188,053	-
-	-	7,273	45,000
-	-	1,602,348	-
<u>287,826</u>	<u>151</u>	<u>11,598,180</u>	<u>-</u>
<u>365,854</u>	<u>1,471,201</u>	<u>79,949,621</u>	<u>2,612,880</u>
-	-	2,000,000	-
-	-	2,000,000	-
4,455,853	-	8,723,720	-
43,033	-	5,059,278	-
<u>4,498,886</u>	<u>-</u>	<u>13,782,998</u>	<u>-</u>
2,205,799	2,972,435	375,903,655	11,368
(1,468,300)	(1,579,491)	(201,724,239)	(11,368)
<u>737,499</u>	<u>1,392,944</u>	<u>174,179,416</u>	<u>-</u>
<u>5,236,385</u>	<u>1,392,944</u>	<u>187,962,414</u>	<u>-</u>
<u>5,602,239</u>	<u>2,864,145</u>	<u>269,912,035</u>	<u>2,612,880</u>
<u>2,563</u>	<u>18,312</u>	<u>219,410</u>	<u>-</u>
<u>\$ 5,604,802</u>	<u>\$ 2,882,457</u>	<u>\$ 270,131,445</u>	<u>\$ 2,612,880</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, 2018

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Liabilities			
Current liabilities:			
Accounts and contracts payable	\$ 502,715	\$ 418,538	\$ 101,330
Accrued liabilities	6,049,844	152,741	24,439
Due to other funds	-	-	-
Due to other governments	-	-	2,800
Claims payable	-	-	-
Customer deposits	-	-	165,485
Current portion of compensated absences	43,874	48,350	13,104
Revenue bonds and notes payable, not payable from restricted assets	1,008,717	658,597	10,596
Current portion of unearned revenue	-	-	10,373
Payable from restricted assets:			
Accrued interest payable	312,710	62,433	145
Customer deposits	6,109,272	-	-
Revenue bonds and notes payable	3,833,333	992,310	-
Total current liabilities	17,860,465	2,332,969	328,272
Noncurrent liabilities, net of current portion:			
Compensated absences	833,605	918,656	248,985
Revenue bonds and notes payable	15,407,139	10,858,540	27,746
Claims payable	-	-	-
Unearned revenue	-	-	253,462
Net pension liability	7,321,168	3,873,421	574,820
Net other postemployment benefits liability	9,445,616	4,469,007	328,368
Total noncurrent liabilities	33,007,528	20,119,624	1,433,381
Total liabilities	50,867,993	22,452,593	1,761,653
Deferred inflows of resources			
Deferred inflows related to pensions	1,298,621	687,064	101,961
Deferred inflows related to OPEB	931	441	32
Total deferred inflows of resources	1,299,552	687,505	101,993
Net position			
Net investment in capital assets	56,369,370	44,639,380	47,527,357
Restricted for:			
Plant replacement and emergencies	1,000,000	-	-
Renewal and replacement	1,000,000	-	-
Unrestricted (deficit)	18,953,663	11,265,485	3,717,642
Total net position	77,323,033	55,904,865	51,244,999
Total liabilities, deferred inflows and net position	\$ 129,490,578	\$ 79,044,963	\$ 53,108,645

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
\$ 44,028	\$ 205,186	\$ 1,271,797	\$ 12,672
10,346	35,804	6,273,174	-
120,065	-	120,065	-
-	-	2,800	-
-	-	-	424,800
54,776	-	220,261	-
3,427	20,186	128,941	-
-	12,870	1,690,780	-
-	-	10,373	-
55,864	151	431,303	-
-	-	6,109,272	-
231,962	-	5,057,605	-
<u>520,468</u>	<u>274,197</u>	<u>21,316,371</u>	<u>437,472</u>
65,103	383,540	2,449,889	-
2,554,288	31,599	28,879,312	-
-	-	-	991,200
-	-	253,462	-
152,011	1,085,496	13,006,916	-
110,368	1,532,844	15,886,203	-
<u>2,881,770</u>	<u>3,033,479</u>	<u>60,475,782</u>	<u>991,200</u>
<u>3,402,238</u>	<u>3,307,676</u>	<u>81,792,153</u>	<u>1,428,672</u>
26,964	192,544	2,307,154	-
11	151	1,566	-
<u>26,975</u>	<u>192,695</u>	<u>2,308,720</u>	<u>-</u>
2,447,448	1,348,475	152,332,030	-
-	-	1,000,000	-
-	-	1,000,000	-
(271,859)	(1,966,389)	31,698,542	1,184,208
<u>2,175,589</u>	<u>(617,914)</u>	<u>186,030,572</u>	<u>1,184,208</u>
<u>\$ 5,604,802</u>	<u>\$ 2,882,457</u>	<u>\$ 270,131,445</u>	<u>\$ 2,612,880</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, 2018

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Operating revenues			
Charges for services	\$ 92,290,247	\$ 16,484,264	\$ 2,936,011
Miscellaneous	-	-	-
Total operating revenue	<u>92,290,247</u>	<u>16,484,264</u>	<u>2,936,011</u>
Operating expenses			
Production	58,919,153	2,945,719	-
Transmission and distribution	9,126,139	3,523,911	-
Administrative and general	4,699,477	2,797,349	-
Pollution control	-	1,807,093	-
Customer service	1,385,814	-	-
Claims expense	-	-	-
Operating charges	-	-	2,375,083
Depreciation	5,340,457	3,069,722	1,526,735
Total operating expenses	<u>79,471,040</u>	<u>14,143,794</u>	<u>3,901,818</u>
Operating income (loss)	<u>12,819,207</u>	<u>2,340,470</u>	<u>(965,807)</u>
Nonoperating revenues (expenses)			
Investment earnings	68,596	44,452	6,073
Interest/amortization expense	(992,314)	(294,119)	(1,173)
Loss on disposal of capital assets	(673,337)	-	-
Federal and state grant reimbursements (refunds)	1,483,000	645,768	(2,800)
Miscellaneous revenue	593,276	19,057	31,606
Total nonoperating revenues (expenses)	<u>479,221</u>	<u>415,158</u>	<u>33,706</u>
Income (loss) before capital contributions, special item and transfers	<u>13,298,428</u>	<u>2,755,628</u>	<u>(932,101)</u>
Capital contributions and transfers			
Capital grants and contributions	173,436	1,112,029	1,275,075
Transfers In	134,316	71,812	10,639
Transfers Out	(5,400,452)	(974,000)	-
Total capital contributions and transfers	<u>(5,092,700)</u>	<u>209,841</u>	<u>1,285,714</u>
Changes in net position	<u>8,205,728</u>	<u>2,965,469</u>	<u>353,613</u>
Total net position - beginning	73,085,718	54,930,763	51,002,319
Restatement of beginning net position	<u>(3,968,413)</u>	<u>(1,991,367)</u>	<u>(110,933)</u>
Total net position - beginning, as restated	<u>69,117,305</u>	<u>52,939,396</u>	<u>50,891,386</u>
Total net position - end of year	<u>\$ 77,323,033</u>	<u>\$ 55,904,865</u>	<u>\$ 51,244,999</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
\$ 1,781,640	\$ 2,858,130	\$ 116,350,292	\$ -
-	-	-	1,462
<u>1,781,640</u>	<u>2,858,130</u>	<u>116,350,292</u>	<u>1,462</u>
-	-	61,864,872	-
-	-	12,650,050	-
-	-	7,496,826	-
-	-	1,807,093	-
-	-	1,385,814	-
-	-	-	(7,267)
1,274,066	2,355,334	6,004,483	6,238
55,760	258,317	10,250,991	-
<u>1,329,826</u>	<u>2,613,651</u>	<u>101,460,129</u>	<u>(1,029)</u>
<u>451,814</u>	<u>244,479</u>	<u>14,890,163</u>	<u>2,491</u>
135	2,153	121,409	12,679
(111,729)	(1,432)	(1,400,767)	-
-	(518)	(673,855)	-
-	-	2,125,968	-
52,693	22,839	719,471	-
<u>(58,901)</u>	<u>23,042</u>	<u>892,226</u>	<u>12,679</u>
392,913	267,521	15,782,389	15,170
-	621	2,561,161	-
40,112	30,587	287,466	-
(102,000)	(164,400)	(6,640,852)	(520,641)
<u>(61,888)</u>	<u>(133,192)</u>	<u>(3,792,225)</u>	<u>(520,641)</u>
<u>331,025</u>	<u>134,329</u>	<u>11,990,164</u>	<u>(505,471)</u>
1,859,102	(76,591)	180,801,311	1,689,679
(14,538)	(675,652)	(6,760,903)	-
<u>1,844,564</u>	<u>(752,243)</u>	<u>174,040,408</u>	<u>1,689,679</u>
<u>\$ 2,175,589</u>	<u>\$ (617,914)</u>	<u>\$ 186,030,572</u>	<u>\$ 1,184,208</u>

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, 2018

	Business-type Activities - Enterprise Funds		
	Electric System	Water and Sewer System	Municipal Airport
Operating activities			
Receipts from customers and users	\$ 92,422,112	\$ 16,399,731	\$ 2,940,147
Cash received from vendors for program expenses	-	-	-
Payment to vendors	(67,021,822)	(5,923,523)	(2,468,829)
Payments for personnel services	(8,932,574)	(5,205,040)	(940,298)
Benefit payments	-	-	-
Net cash provided by (used in) operating activities	16,467,716	5,271,168	(468,980)
Noncapital financing activities			
Transfers in	134,768	71,812	10,639
Transfers out	(5,400,452)	(974,000)	-
Net cash provided by (used in) noncapital financing activities	(5,265,684)	(902,188)	10,639
Capital and related financing activities			
Grant reimbursements	2,179,222	560,916	-
Purchase of capital assets	(2,286,926)	(3,801,303)	(656,135)
Capital contributions	173,436	1,266,615	2,596,410
Principal paid on bonds, notes and capital leases	(4,636,025)	(1,621,127)	(10,625)
Interest and agent fees paid on long-term financing	(1,066,241)	(302,649)	(1,080)
Net cash (used in) capital and related financing activities	(5,636,534)	(3,897,548)	1,928,570
Investing activities			
Purchases of pooled investments	(30,258,944)	(15,127,720)	(3,922,160)
Proceeds from sale and maturity of pooled investments	24,130,388	14,901,587	3,016,369
Interest received	50,039	33,974	4,112
Net cash provided by (used in) investing activities	(6,078,517)	(192,159)	(901,679)
Net increase (decrease) in cash and cash equivalents	(513,019)	279,273	568,550
Cash and cash equivalents			
Beginning of year	6,062,204	4,155,852	822,836
End of year	\$ 5,549,185	\$ 4,435,125	\$ 1,391,386
Cash and cash equivalents classified as:			
Equity in pooled cash and investments	\$ 21,934,037	\$ 17,418,360	\$ 5,187,523
Restricted assets:			
Current:			
Equity in pooled cash and investments	10,255,315	1,054,743	145
Noncurrent:			
Equity in pooled cash and investments	2,000,000	-	-
Less: investments not meeting definition of cash equivalents	(28,640,167)	(14,037,978)	(3,796,282)
	\$ 5,549,185	\$ 4,435,125	\$ 1,391,386

Business-type Activities - Enterprise Funds			Governmental Activities
Municipal Marina	Solid Waste	Total	Internal Service Funds
\$ 1,823,916	\$ 2,873,456	\$ 116,459,362	\$ -
-	-	-	1,222
(1,054,103)	(855,106)	(77,323,383)	(8,936)
(280,006)	(1,551,465)	(16,909,383)	-
-	-	-	(73,733)
<u>489,807</u>	<u>466,885</u>	<u>22,226,596</u>	<u>(81,447)</u>
40,112	30,587	287,918	-
(102,452)	(164,400)	(6,641,304)	(520,641)
<u>(62,340)</u>	<u>(133,813)</u>	<u>(6,353,386)</u>	<u>(520,641)</u>
7,197	-	2,747,335	-
(91,109)	(452,063)	(7,287,536)	-
-	-	4,036,461	-
(223,018)	(12,784)	(6,503,579)	-
(116,201)	(1,363)	(1,487,534)	-
<u>(423,131)</u>	<u>(466,210)</u>	<u>(8,494,853)</u>	<u>-</u>
(8,040)	(820,524)	(49,308,824)	(2,360,971)
8,033	1,218,216	42,048,344	2,916,157
135	1,375	88,125	11,051
128	399,067	(7,172,355)	566,237
<u>4,464</u>	<u>265,929</u>	<u>605,197</u>	<u>(35,851)</u>
<u>283,021</u>	<u>100,166</u>	<u>11,424,079</u>	<u>737,996</u>
<u>\$ 287,485</u>	<u>\$ 366,095</u>	<u>\$ 12,029,276</u>	<u>\$ 702,145</u>
\$ -	\$ 1,116,338	\$ 45,656,258	\$ 2,545,612
287,826	151	11,598,180	-
-	-	2,000,000	-
(341)	(750,394)	(47,225,162)	(1,843,467)
<u>\$ 287,485</u>	<u>\$ 366,095</u>	<u>\$ 12,029,276</u>	<u>\$ 702,145</u>

Continued

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

YEAR ENDED SEPTEMBER 30, 2018

	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)	\$ 12,819,207	\$ 2,340,470	\$ (965,807)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	5,340,457	3,069,722	1,526,735
Miscellaneous revenue	593,276	19,057	31,606
Change in assets, liabilities and deferred outflows:			
Accounts receivable	(915,081)	(95,686)	(21,339)
Special assessments receivable	-	(7,904)	-
Due from other funds	-	93,560	-
Inventories	(294,817)	299,344	-
Prepaid items	(99)	-	-
Deferred outflows related to pensions	750,885	397,272	58,956
Accounts and contracts payable	(1,209,091)	(307,993)	(1,041,339)
Accrued liabilities	(165,195)	6,769	1,228
Due to other funds	-	-	-
Accrued compensated absences	(9,443)	(64,552)	21,232
Unearned revenue	-	-	(10,373)
Claims payable	-	-	-
Net pension liability	(1,351,582)	(715,084)	(106,119)
Net other postemployment benefits liability	86,090	40,733	2,992
Deferred inflows related to pensions	369,439	195,460	29,006
Customer deposits	453,670	-	4,242
Total adjustments	<u>3,648,509</u>	<u>2,930,698</u>	<u>496,827</u>
Net cash provided by (used in) operating activities	<u>\$ 16,467,716</u>	<u>\$ 5,271,168</u>	<u>\$ (468,980)</u>
Noncash Capital and Related Financing Activities			
Capital lease proceeds	<u>\$ 22,509</u>	<u>\$ -</u>	<u>\$ 26,918</u>
Transfers of capital assets	<u>\$ (452)</u>	<u>\$ -</u>	<u>\$ -</u>
Noncash capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Business-type Activities - Enterprise Funds			Governmental Activities
Municipal Marina	Solid Waste	Total	Internal Service Funds
\$ 451,814	\$ 244,479	\$ 14,890,163	\$ 2,491
55,760	258,317	10,250,991	-
52,693	22,839	719,471	-
(14,993)	(7,513)	(1,054,612)	(240)
-	-	(7,904)	-
-	-	93,560	-
(7,352)	-	(2,825)	-
-	-	(99)	-
15,591	111,332	1,334,036	-
39,463	(36,573)	(2,555,533)	(2,698)
771	(1,240)	(157,667)	-
(93,560)	-	(93,560)	-
4,430	6,893	(41,440)	-
-	-	(10,373)	-
-	-	-	(81,000)
(28,063)	(200,396)	(2,401,244)	-
1,006	13,971	144,792	-
7,671	54,776	656,352	-
4,576	-	462,488	-
<u>37,993</u>	<u>222,406</u>	<u>7,336,433</u>	<u>(83,938)</u>
<u>\$ 489,807</u>	<u>\$ 466,885</u>	<u>\$ 22,226,596</u>	<u>\$ (81,447)</u>
<u>\$ -</u>	<u>\$ 22,682</u>	<u>\$ 72,109</u>	<u>\$ -</u>
<u>\$ 452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 621</u>	<u>\$ 621</u>	<u>\$ -</u>

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

SEPTEMBER 30, 2018

	Pension and Other Postemployment Benefits Trust Funds
Assets	
Cash and cash equivalents	\$ 649
Interest receivable	93,133
Other receivables	29,400
Investments	
Money market mutual funds	1,269,402
Mutual fund investments	93,184,686
Corporate stocks	28,445,545
Corporate bonds	5,795,427
Treasury and agency bonds and notes	6,123,011
Real estate	1,070,989
Mortgage/asset backed securities	5,410,983
Municipal bonds and notes	136,193
Total investments	<u>141,436,236</u>
Total assets	<u>141,559,418</u>
Liabilities	
Prepaid contributions	5,946
Refunds payable	18,629
Expenses payable	<u>104,928</u>
Total liabilities	<u>129,503</u>
Net position	
Restricted for pension and OPEB benefits	<u>\$ 141,429,915</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, 2018

	Pension and Other Postemployment Benefits Trust Funds
Additions	
Contributions:	
Employer	\$ 7,354,117
Plan members	213,729
State (passed through the Police & Firefighter's Premium Tax Trust Fund)	397,244
	<hr/>
Total contributions	7,965,090
	<hr/>
Investment income:	
Interest and dividends	3,217,435
Net appreciation in fair value of investments	9,369,932
Total investments income	12,587,367
	<hr/>
Investment expense	(852,204)
	<hr/>
Net investment income	11,735,163
	<hr/>
Total additions	19,700,253
	<hr/>
Deductions	
Benefit payments	10,903,792
Refunds of contributions	84,159
Administrative expenses	224,465
	<hr/>
Total deductions	11,212,416
	<hr/>
Change in net position	8,487,837
	<hr/>
Net position restricted for pension and OPEB benefits - beginning of year	132,942,078
	<hr/>
Net position restricted for pension and OPEB benefits - end of year	\$ 141,429,915
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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, 2018

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, 2018

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, 2017. 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, 2018

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 *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, 2018

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, 2018

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

Prepaid 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, 2018

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, 2018

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards

In the current year, the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 75). This Statement requires local governments to report a liability, deferred outflows of resources, deferred inflows of resources and expenses on the face of the financial statements for the other postemployment benefits (OPEB) that they provide and requires enhanced note disclosures and supplementary information about a government's OPEB liability. The implementation of GASB 75 resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position - beginning, as previously reported	\$ 28,110,909	\$ 180,801,311
Change in other postemployment benefits liability	<u>(5,291,472)</u>	<u>(6,760,903)</u>
Net position - beginning, as restated	<u>\$ 22,819,437</u>	<u>\$ 174,040,408</u>

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 and Law Enforcement Education, 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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

2. BUDGETARY INFORMATION - *Continued*

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 2018 the budget was amended once, in November 2018, 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.

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2018:

Statement of net position	
Equity in pooled cash and investments	\$ 62,191,901
Restricted assets:	
Equity in pooled cash and investments	13,598,180
Statement of fiduciary net position	
Pension Trust funds:	
Investments	139,486,884
OPEB Trust fund:	
Investments	1,949,352
Total	<u>\$ 217,226,317</u>
Deposits and investments	
Bank deposits	
Checking and savings accounts	\$ 9,899,221
Investments:	
Cash and investment pool	65,875,510
Pension trust fund investments	139,486,884
OPEB trust fund investments	1,949,352
Cash on hand	15,350
Total	<u>\$ 217,226,317</u>

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

3. DEPOSITS AND INVESTMENTS - *Continued*

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, 2018, 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.

Wells Fargo Advantage Funds is the firm 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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

3. DEPOSITS AND INVESTMENTS – Continued

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, 2018 and for the year then ended include investment obligations of the U.S. Treasury, various domestic and international stocks and bonds, and real estate.

Custodial Credit Risk – Investments

The following is a summary of the City's general investments as of September 30, 2018:

<u>Investment Type</u>	<u>Value</u>
U.S. Treasury notes	\$ 46,528,567
Federal instrumentalities	8,320,202
Mortgage backed securities	4,316,063
Money market mutual funds	6,313,706
Florida PRIME	396,972
Total	\$ 65,875,510

The types of deposits and investments and their level of risk exposure as of September 30, 2018 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, 2018

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, 2018, 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	\$ 46,528,568	\$ 4,916,716	\$ 41,611,852	\$ -	2
Federal instrumentalities	8,320,202	3,596,243	4,723,959	-	2
Mortgage backed securities	4,316,063	8,150	131,598	4,176,315	2
Money market mutual funds	6,313,706	6,313,706	-	-	Amortized Cost
Florida PRIME	396,971	396,971	-	-	Amortized Cost
	<u>65,875,510</u>	<u>15,231,786</u>	<u>46,467,409</u>	<u>4,176,315</u>	
Pension fund investments					
Money market mutual funds	1,269,402	1,269,402	-	-	Amortized Cost
Mutual fund investments	91,235,334	91,235,334	-	-	1
Corporate stocks	28,445,545	28,445,545	-	-	1
Corporate bonds	5,795,427	972,232	3,510,748	1,312,447	2
U.S. Treasury bonds and notes	5,448,017	-	-	5,448,017	2
Federal instrumentalities	674,994	539,985	41,535	93,474	2
Mortgage/asset-backed securities	1,070,989	15	3,804	1,067,170	2
Real estate	5,410,983	5,410,983	-	-	NAV
Municipal bonds & notes	136,193	-	20,055	116,138	2
	<u>139,486,884</u>	<u>127,873,496</u>	<u>3,576,142</u>	<u>8,037,246</u>	
OPEB fund investments					
Mutual fund investments	1,949,352	1,949,352	-	-	
	<u>\$207,311,746</u>	<u>\$145,054,634</u>	<u>\$ 50,043,551</u>	<u>\$12,213,561</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, 2018

3. DEPOSITS AND INVESTMENTS – Continued

The following table discloses credit ratings by investment type for the City's investments at September 30, 2018:

Investment Type	S&P Credit Rating					Total Assigned Value
General investments						
U.S. Treasury notes	AA+					\$ 46,528,567
Federal instrumentalities	AA+					8,320,202
Mortgage backed securities	AA+					4,316,063
Money market mutual funds	AAAm					6,313,706
Florida PRIME	AAAm					396,972
						<u>\$ 65,875,510</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	AAAm	\$ -	\$ 783,108	\$ 486,294	\$ -	\$ 1,269,402
Mutual fund investments	Not Rated	87,858,987	2,343,533	1,032,814	1,949,352	93,184,686
Corporate stocks	Not Rated	-	24,407,836	4,037,709	-	28,445,545
Corporate bonds	AAA	-	-	9,323	-	9,323
	AA+	-	365,613	13,410	-	379,023
	AA	-	677,338	15,458	-	692,796
	AA-	-	547,007	56,306	-	603,313
	A+	-	655,184	73,543	-	728,727
	A	-	1,084,173	114,058	-	1,198,231
	A-	-	1,211,490	127,615	-	1,339,105
	BBB+	-	670,575	164,831	-	835,406
	Not Rated	-	-	9,503	-	9,503
U.S. Treasury bonds and notes	AA+	-	5,448,017	-	-	5,448,017
Federal instrumentalities	AA+	-	539,985	135,009	-	674,994
Mortgage/asset backed securities	AA+	-	679,741	391,248	-	1,070,989
Real estate	Not Rated	-	4,285,081	1,125,902	-	5,410,983
Municipal bonds & notes	AAA	-	-	50,557	-	50,557
	AA+	-	-	5,280	-	5,280
	AA	-	-	40,683	-	40,683
	AA-	-	-	9,688	-	9,688
	A+	-	-	14,775	-	14,775
	A-	-	-	15,210	-	15,210
		<u>87,858,987</u>	<u>43,698,681</u>	<u>7,929,216</u>	<u>1,949,352</u>	<u>141,436,236</u>
		<u>\$ 87,858,987</u>	<u>\$ 43,698,681</u>	<u>\$ 7,929,216</u>	<u>\$ 1,949,352</u>	<u>\$ 207,311,746</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

4. RECEIVABLES

Receivables are comprised of the following at year end September 30, 2018:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts	\$ 234,797	\$ 18,252,553
Allowance for uncollectible receivables	-	(2,146,973)
Special assessments	10,709	148,801
Interest	86,405	152,358
Due from other governments	1,118,706	370,705
	<u>\$ 1,450,617</u>	<u>\$ 16,777,444</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, 2018 was approximately \$247,000 for all three utilities. No other allowances for uncollectible accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2018.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of September 30, 2018, accounts payable and accrued liabilities consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts and contracts payable	\$ 781,811	\$ 1,271,797
Accrued liabilities	560,697	6,273,174
Due to other governments	-	2,800
Accrued interest on long-term debt	113,124	431,303
Current portion of unearned revenue	-	10,373
	<u>\$ 1,455,632</u>	<u>\$ 7,989,447</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2018, was as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Water and sewer system	120,065	-
General fund capital and construction	183,896	
Municipal marina		120,065
Infrastructure & real estate improvements	-	183,896
	<u>\$ 303,961</u>	<u>\$ 303,961</u>

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

For the year ended September 30, 2018, 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>Internal Service Funds</u>	
General Fund	\$ -	\$ 461,476	\$ -	\$ -	\$ 461,476
Nonmajor Governmental Funds	-	2,593,923	37,000	-	2,630,923
Proprietary Funds					
Electric system fund	5,400,000	-	452	-	5,400,452
Water & sewer system fund	974,000	-	-	-	974,000
Municipal marina fund	102,000	-	-	-	102,000
Solid waste	164,400	-	-	-	164,400
Internal Service Funds	269,297	1,330	250,014	-	520,641
	<u>\$ 6,909,697</u>	<u>\$ 3,056,729</u>	<u>\$ 287,466</u>	<u>\$ -</u>	<u>\$ 10,253,892</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 newly created Historic Downtown Vero Beach Economic Development Zone fund for the associated tax increment for FY 2018, 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 the non-major government funds to the proprietary funds in 2018 was a transfer of funds to support marina capital improvements. The transfer from internal service funds to all other funds is a return of excess balances from the health insurance fund.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

7. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Impairments</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 14,430,654	\$ -	\$ -	\$ -	\$ -	\$ 14,430,654
Intangible assets	825,080	-	-	-	-	825,080
Construction in progress	5,095,255	198,951	-	(966)	(5,019,674)	273,566
	<u>20,350,989</u>	<u>198,951</u>	<u>-</u>	<u>(966)</u>	<u>(5,019,674)</u>	<u>15,529,300</u>
Capital assets being depreciated:						
Buildings	15,868,274	22,940	-	-	-	15,891,214
Improvements other than buildings	17,195,840	601,576	(179,962)	-	-	17,617,454
Machinery and equipment	11,417,261	1,943,649	-	(398,838)	956	12,963,028
Infrastructure	40,220,638	5,186,370	-	-	-	45,407,008
	<u>84,702,013</u>	<u>7,754,535</u>	<u>(179,962)</u>	<u>(398,838)</u>	<u>956</u>	<u>91,878,704</u>
Less accumulated depreciation for:						
Buildings	(8,584,267)	(279,012)	-	-	-	(8,863,279)
Improvements other than buildings	(12,178,034)	(362,517)	107,083	-	-	(12,433,468)
Machinery and equipment	(8,396,481)	(923,031)	-	398,518	(1,059)	(8,922,053)
Infrastructure	(27,717,245)	(833,405)	-	-	-	(28,550,650)
	<u>(56,876,027)</u>	<u>(2,397,965)</u>	<u>107,083</u>	<u>398,518</u>	<u>(1,059)</u>	<u>(58,769,450)</u>
Total capital assets being depreciated, net	<u>27,825,986</u>	<u>5,356,570</u>	<u>(72,879)</u>	<u>(320)</u>	<u>(103)</u>	<u>33,109,254</u>
Governmental activities capital assets, net	<u>\$ 48,176,975</u>	<u>\$ 5,555,521</u>	<u>\$ (72,879)</u>	<u>\$ (1,286)</u>	<u>\$ (5,019,777)</u>	<u>\$ 48,638,554</u>

Depreciation of governmental activities by function

General Government	\$ 1,060,400
Public Safety	420,223
Transportation	333,917
Physical Environment	28,068
Cultural and Recreation	555,357
	<u>\$ 2,397,965</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

7. CAPITAL ASSETS – Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 8,723,720	\$ -	\$ -	\$ -	\$ 8,723,720
Construction in progress	14,645,562	1,173,240	(247,911)	(10,511,613)	5,059,278
	<u>23,369,282</u>	<u>1,173,240</u>	<u>(247,911)</u>	<u>(10,511,613)</u>	<u>13,782,998</u>
Capital assets being depreciated:					
Buildings	40,754,549	294,848	-	-	41,049,397
Improvements other than buildings	304,219,536	15,585,180	(1,502,914)	-	318,301,802
Machinery and equipment	16,074,323	1,065,903	(586,814)	(956)	16,552,456
	<u>361,048,408</u>	<u>16,945,931</u>	<u>(2,089,728)</u>	<u>(956)</u>	<u>375,903,655</u>
Less accumulated depreciation for:					
Buildings	(19,226,911)	(861,970)	-	-	(20,088,881)
Improvements other than buildings	(162,501,135)	(8,339,313)	829,575	-	(170,010,873)
Machinery and equipment	(11,162,650)	(1,049,708)	586,814	1,059	(11,624,485)
	<u>(192,890,696)</u>	<u>(10,250,991)</u>	<u>1,416,389</u>	<u>1,059</u>	<u>(201,724,239)</u>
Total capital assets being depreciated, net	<u>168,157,712</u>	<u>6,694,940</u>	<u>(673,339)</u>	<u>103</u>	<u>174,179,416</u>
Business-type activities capital assets, net	<u>\$ 191,526,994</u>	<u>\$ 7,868,180</u>	<u>\$ (921,250)</u>	<u>\$(10,511,510)</u>	<u>\$ 187,962,414</u>

Depreciation of business-type activities by function

Electric System	\$ 5,340,457
Water & sewer system	3,069,722
Municipal airport	1,526,735
Municipal marina	55,760
Solid waste	258,317
	<u>\$ 10,250,991</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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	\$ 6,355,000	\$ -	\$ (552,852)	\$ 5,802,148	\$ 576,672
Capital Lease-Purchase	1,538,015	707,945	(653,625)	1,592,335	662,166
Claims Payable	1,497,000	-	(81,000)	1,416,000	424,800
Compensated Absences	3,461,224	124,017	(105,123)	3,480,118	174,006
Totals	\$ 12,851,239	\$ 831,962	\$ (1,392,600)	\$ 12,290,601	\$ 1,837,644
Business-type Activities:					
Revenue Bonds and Notes	\$41,164,842	\$ -	\$ (6,244,145)	\$34,920,697	\$ 6,482,869
Capital Lease-Purchase	894,325	72,108	(259,433)	707,000	265,516
Compensated Absences	2,620,270	82,325	(123,765)	2,578,830	128,941
Totals	\$44,679,437	\$ 154,433	\$ (6,627,343)	\$38,206,527	\$ 6,877,326

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

	Balance as of 9/30/18
Revenue Notes - Governmental activities	
<i>Series 2007B-2 Refunding Revenue Note</i>	
In 2007 the City issued a \$5,000,000 refunding revenue note to refinance a loan agreement originally entered into for part of the purchase of the former 9-hole Dodgertown Golf Course. Principal payments are due annually beginning on October 1, 2017 through October 1, 2025. The note bears interest at 3.98%, payable semiannually on April 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 \$662,442.	\$ 4,527,148
<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 \$112,481.	<u>1,275,000</u>
Total governmental activities	<u>\$ 5,802,148</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

	Balance as of
	9/30/18
Revenue Bonds and Notes – Business-type activities	
<i>Series 2003A Electric Refunding Revenue Bonds</i>	
In June 2008, the Series 2003A Refunding Revenue Bonds were remarketed from M-STARS to a Fixed Mode in the aggregate principal amount of \$56,325,000 at a fixed rate of 4.11%. Principal payments are due annually on December 1 through December 1, 2021. Interest is payable semiannually on June 1 and December 1 of each year until maturity. The note is secured by, and payable from, Net Revenues derived by the City from the operation of the Electric System and moneys deposited into all Electric funds and accounts established under the adopted resolution. Principal and interest paid for the current year was \$5,369,917 and Electric System Net Revenues were \$20,305,000.	\$ 19,625,000
<i>Series 2013 Water & Sewer System Refunding Revenue Note</i>	
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 \$1,126,356 and Water and Sewer Revenues were \$16,484,000.	4,370,000
<i>WW310201 State Revolving Fund (SRF) Clean Water Construction Loan (Original and Amendment #2)</i>	
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 \$756,654 and Water and Sewer Net Revenues were \$6,119,000.	7,795,617

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

Balance as of
9/30/18

DW310220 State Revolving Fund (SRF) Drinking Water Construction Loan

In January 2010, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for construction of capital improvements in the Water & Sewer system fund. The loan agreement was finalized in January 2012 based on 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 \$20,342 and Water and Sewer Net Revenues were \$6,119,000.

\$ 215,138

DW310221 State Revolving Fund (SRF) Drinking Water Construction Loan

In December 2010, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for construction of capital improvements in the Water & Sewer system fund. The loan agreement was finalized in January 2012 based on 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 \$11,894 and Water and Sewer Net Revenues were \$6,119,000.

128,692

Series 2007A Capital Improvement Revenue Note

In October 2007, the City issued a \$4,656,250 revenue note for the purchase of property to expand its public Marina. Principal payments are due annually on October 1 through October 1, 2027. The note bears interest at 4.01% payable semiannually on April 1 and October 1 of each year until maturity. The note is secured by Marina Revenues and non-ad valorem revenues to the extent that Marina Revenues are insufficient. Principal and interest paid for the current year was \$334,747.

2,786,250

Total business-type activities

\$ 34,920,697

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018:

	Balance as of 9/30/18
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.	\$ 116,582
<i>KS State Bank Agreement #3347565</i>	
In January 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 \$891,617. Principal and interest payments are due annually beginning on March 15, 2015 through March 15, 2019. The interest rate for this agreement is 2.63%. Principal and interest paid for the current year (attributable to governmental activities) was \$187,460.	183,138
<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 \$155,089.	299,009
<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 \$150,146.	426,096

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

	Balance as of
	9/30/18
	<hr/>
Capital Lease-Purchases - Governmental activities (continued)	
<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.	<hr/> 567,510
Total governmental activities	<hr/> \$ 1,592,335 <hr/>
Capital Lease-Purchases - Business-type activities	
<i>KS State Bank Agreement #3347565</i>	
In January 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 \$70,026. Principal and interest payments are due annually beginning on March 15, 2015 through March 15, 2019. The interest rate for this agreement is 2.63%. Principal and interest paid for the current year (attributable to business-type activities) was \$14,529.	\$ 14,383
<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 \$96,262.	185,949
<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 \$157,835.	448,864

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

	Balance as of 9/30/18
Capital Lease-Purchases - Business-type activities (continued)	
<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 \$15,807.	<u>57,804</u>
Total business-type activities	\$ 707,000

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

Governmental Activities:

Years Ended September 30,	Refunding Revenue Note Series 2007B-2		Capital Improvement Revenue Note Series 2016	
	Principal	Interest (FY)	Principal	Interest (FY)
2019	\$ 491,672	\$ 170,396	\$ 85,000	\$ 30,443
2020	511,240	150,438	85,000	28,343
2021	531,588	129,686	90,000	26,182
2022	552,745	108,108	90,000	23,959
2023	574,744	85,671	95,000	21,674
2024-2028	1,865,159	113,281	500,000	72,124
2029-2031	-	-	330,000	12,474
	\$ 4,527,148	\$ 757,580	\$ 1,275,000	\$ 215,199
	KS State Bank Capital Lease-Purchase # 3347763		KS State Bank Capital Lease-Purchase # 3347565 (partial)	
Years Ended September 30,	Principal	Interest (FY)	Principal	Interest (FY)
2019	\$ 57,475	\$ 3,311	\$ 183,138	\$ 4,322
2020	59,107	1,679	-	-
	\$ 116,582	\$ 4,990	\$ 183,138	\$ 4,322

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – 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)
2019	\$ 147,673	\$ 7,415	\$ 138,087	\$ 12,059
2020	151,336	3,753	141,995	8,151
2021	-	-	146,014	4,132
	\$ 299,009	\$ 11,168	\$ 426,096	\$ 24,342

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3352836 (partial)	
	Principal	Interest (FY)
2019	\$ 135,792	\$ 16,628
2020	139,771	12,649
2021	143,866	8,554
2022	148,081	4,339
	\$ 567,510	\$ 42,170

Business-type Activities

Electric Fund:

Years Ended September 30,	Electric Refunding Revenue Bond Series 2003A		KS State Bank Capital Lease-Purchase # 3347565 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2019	\$ 4,600,000	\$ 818,250	\$ 14,383	\$ 339
2020	4,800,000	607,250	-	-
2021	5,000,000	386,250	-	-
2022	5,225,000	130,625	-	-
	\$ 19,625,000	\$ 1,942,375	\$ 14,383	\$ 339

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

Electric 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)
2019	\$ 91,836	\$ 4,612	\$ 131,514	\$ 11,485
2020	94,113	2,334	135,236	7,763
2021	-	-	139,063	3,935
	\$ 185,949	\$ 6,946	\$ 405,813	\$ 23,183

Years Ended September 30,	KS State Bank Capital Lease-Purchase # 3352836 (partial)	
	Principal	Interest (FY)
2019	\$ 4,317	\$ 529
2020	4,444	402
2021	4,574	272
2022	4,709	138
	\$ 18,044	\$ 1,341

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)
2019	\$ 1,065,000	\$ 64,470	\$ 562,403	\$ 196,597
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	-	-	622,819	136,182
2024-2028	-	-	3,364,012	430,988
2029-2033	-	-	1,470,483	47,516
	\$ 4,370,000	\$ 148,344	\$ 7,795,617	\$ 1,312,382

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

Water and Sewer Fund (continued):

Years Ended September 30,	SRF Drinking Water DW 310220		SRF Drinking Water DW 310221	
	Principal	Interest (FY)	Principal	Interest (FY)
2019	\$ 14,577.31	\$ 5,964.85	\$ 8,926.64	\$ 3,073.32
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
2024-2028	88,740	13,971	52,886	7,114
2029-2033	49,253	2,103	28,937	1,063
	\$ 215,138	\$ 41,639	\$ 128,692	\$ 21,307

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)
2019	\$ 5,433	\$ 474	\$ 5,163	\$ 632
2020	5,587	321	5,314	481
2021	5,745	163	5,470	325
2022	-	-	5,631	165
	\$ 16,765	\$ 958	\$ 21,578	\$ 1,603

Marina Fund:

Years Ended September 30,	Marina Capital Improvement Rev Note Series 2007A	
	Principal	Interest (FY)
2019	\$ 231,962	\$ 107,078
2020	241,263	97,590
2021	250,938	87,721
2022	261,001	77,457
2023	271,467	66,781
2024-2028	1,529,619	158,164
	\$ 2,786,250	\$ 594,790

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

8. LONG TERM DEBT – Continued

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)
2019	\$ 8,519	\$ 744	\$ 4,351	\$ 533
2020	8,760	503	4,478	405
2021	9,008	255	4,609	274
2022	-	-	4,744	139
	<u>\$ 26,286</u>	<u>\$ 1,502</u>	<u>\$ 18,182</u>	<u>\$ 1,351</u>

Defeased Debt

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

	Year Defeased	Original Bond Amount	Defeased Outstanding at 9/30/18
Water and Sewer Revenue Bonds, Series 1991	1993	\$ 16,500,000	\$ 4,375,000
Electric Refunding Revenue Bonds, Series 1993 A	2003	61,750,000	21,995,000
Water and Sewer Refunding Revenue Bonds, Series 1993B	2003	18,085,000	4,320,000

9. LEASES

Rental Income

The City is involved in various leasing arrangements, wherein land and buildings with a carrying value of \$261,698 are leased to outside parties. Rental income of \$387,474 was recorded in the General Fund for the year ended September 30, 2018. The following is a schedule, by year, of minimum future rental income as of September 30, 2018:

Year Ended September 30,	Amount
2019	\$ 120,744
2020	120,744
Total	<u>\$ 241,488</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

9. LEASES – Continued

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.

The following is a schedule, by years, of minimum future rental income on non-cancellable operating leases as of September 30, 2018:

<u>Years Ended September 30,</u>	<u>Amount</u>
2019	\$ 2,431,758
2020	2,198,449
2021	2,133,708
2022	2,091,139
2023	2,029,237
2024 - 2028	9,143,295
2029 – 2033	6,604,106
2034 – 2038	4,089,066
2039 – 2043	2,294,322
2044 – 2048	<u>1,732,862</u>
Total	<u>\$ 34,747,942</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, 2018, 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, 2018

10. RISK MANAGEMENT – Continued

The claims liability reported in the Fund at September 30, 2018 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, 2016	\$ 1,605,000
Claims & changes in estimates	(97,123)
Claim payments	<u>(10,877)</u>
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	<u>\$ 1,416,000</u>

11. RESTRICTED ASSETS

The Electric System and Water and Sewer Enterprise Funds have certain cash, investments, and various receivables that are restricted either by bond resolutions, ordinances, or governmental regulations. The following is a summary of restricted assets by fund at September 30, 2018:

	Business-type Activities				Total
	Electric System	Water and Sewer System	Marina	All Other Proprietary Funds	
Sinking funds	\$ 4,146,043	\$ 1,054,743	\$ -	\$ -	\$ 5,200,786
Emergency repair	1,000,000	-	-	-	1,000,000
Renewal and replacement	1,000,000	-	-	-	1,000,000
Debt service	-	-	287,826	296	288,122
Customer deposits	<u>6,109,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,109,272</u>
	<u>\$ 12,255,315</u>	<u>\$ 1,054,743</u>	<u>\$ 287,826</u>	<u>\$ 296</u>	<u>\$ 13,598,180</u>

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018 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.

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 Pension 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.

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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

13. PENSION PLANS – Continued

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, 2018, the following employees were covered by the General Employee Retirement Plan benefit terms.

Inactive plan members or members or beneficiaries currently receiving benefits	395
Inactive plan members entitled to but not yet receiving benefits	93
Active plan members	255
	<u>743</u>

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2018.

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	N/A
Salary Increases, including inflation	N/A
Investment Rate of Return	6.50%, net of investment expense, including inflation
Cost-of-living adjustments	1% annually

In accordance with the requirements of Florida Statute Section 112.63(f) the mortality tables for the City's valuation are the RP-2000 Combined Healthy White Collar and Blue Collar tables with Scale BB for both males and females for pre and post retirement, and the RP-2000 Disabled Retiree Mortality Table with setbacks for disabled retirees.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

13. PENSION PLANS – Continued

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, 2018 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	50 %	6.40 %
International Equity	10	7.40
Fixed Income	30	1.75
Short-Term Money Market	5	1.10
Real Estate	5	5.10
Total	<u>100 %</u>	

For fiscal year ended September 30, 2018, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 8.47%.

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, 2018

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 9/30/2017	\$ 110,065,427	\$ 83,566,338	\$ 26,499,089
Changes for the year:			
Service cost	510,973	-	510,973
Interest	6,960,909	-	6,960,909
Differences between expected and actual experience	(334,153)	-	(334,153)
Changes of assumptions	-	-	-
Contributions - employer	-	4,377,313	(4,377,313)
Net investment income	-	6,963,235	(6,963,235)
Benefit payments (including refunds of employee contributions)	(6,970,975)	(6,970,975)	-
Administrative expenses	-	(73,138)	73,138
Net Changes	<u>166,754</u>	<u>4,296,435</u>	<u>(4,129,681)</u>
Balances at 9/30/2018	<u>\$ 110,232,181</u>	<u>\$ 87,862,773</u>	<u>\$ 22,369,408</u>

A portion of the net pension liability 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 as of September 30, 2018.

	Net Pension Liability
Governmental activities	\$ 9,362,492
Business-type activities:	
Electric utility	7,321,168
Water & sewer system	3,873,421
Airport	574,820
Municipal marina	152,011
Solid waste	1,085,496
Total Business-type activities	<u>13,006,916</u>
Grand Total	<u>\$ 22,369,408</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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	\$ 34,728,741	\$ 22,369,408	\$ 11,997,642

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 103.

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, 2018, the General Employee Retirement Fund recognized total pension expense of \$3,670,717. 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	\$ 1,536,342
Business-type activities:	
Electric Utility	1,201,370
Water & sewer system	635,611
Airport	94,325
Municipal marina	24,944
Solid waste	178,125
Total Business-type activities	<u>2,134,375</u>
Grand Total	<u>\$ 3,670,717</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

13. PENSION PLANS – Continued

At September 30, 2018, 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	\$ 377,345	\$ 206,125
Net difference between projected and actual earnings on pension plan investments	-	3,761,737
Assumption changes	-	-
Total	<u>\$ 377,345</u>	<u>\$ 3,967,862</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:	
2019	\$ (446,104)
2020	(1,709,687)
2021	(1,111,107)
2022	<u>(323,619)</u>
Total	<u>\$ (3,590,517)</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, 2018

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, 2018 \$850,680 is payable to DROP Participants.

Employees covered by benefit terms. At September 30, 2018, 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	46
	101

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, 2018, 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 after that date. The City’s contribution rate was 31.67 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, 2018

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2018.

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	6.25% to 4.28% 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 table 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).

The actuarial assumptions used in the October 1, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2006 to September 30, 2011. The net assumed investment return of 7.65% was revised from 7.75% used in the prior valuation.

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	7.5 %
International Equity	15	8.5
Domestic Bonds	30	2.5
Real Estate	10	4.5
Total	100 %	

For fiscal year ended September 30, 2018, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 10.16%.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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 9/30/2017	\$ 44,533,618	\$ 40,539,658	\$ 3,993,960
Changes for the year:			
Service cost	637,288	-	637,288
Interest	3,416,827	-	3,416,827
Differences between expected and actual experience	(149,084)	-	(149,084)
Changes of assumptions	495,820	-	495,820
Contributions - employer	-	773,856	(773,856)
Contributions - State	-	258,540	(258,540)
Contributions - employee	-	213,729	(213,729)
Net investment income	-	4,119,480	(4,119,480)
Benefit payments (including refunds of employee contributions)	(2,087,518)	(2,087,518)	-
Administrative expenses	-	(135,607)	135,607
Net Changes	<u>2,313,333</u>	<u>3,142,480</u>	<u>(829,147)</u>
Balances at 9/30/2018	<u>\$ 46,846,951</u>	<u>\$ 43,682,138</u>	<u>\$ 3,164,813</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)	\$ 8,673,954	\$ 3,164,813	\$ (1,410,175)

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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 103.

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, 2018, the Police Officers’ Retirement Fund recognized pension expense of \$950,919. At September 30, 2018, 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	\$ 71,680	\$ 109,851
Net difference between projected and actual earnings on pension plan investments	-	1,288,434
Changes of assumptions	<u>543,673</u>	<u>-</u>
Total	<u>\$ 615,353</u>	<u>\$ 1,398,285</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:	
2019	\$ 248,472
2020	(411,483)
2021	(420,810)
2022	<u>(199,111)</u>
Total	<u>\$ (782,932)</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, 2018

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%, 66^{2/3}%, 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, 2018, 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	14
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	-
	14

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017 rolled forward to September 30, 2018.

Actuarial assumptions. The total pension liability in the October 1, 2017 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) assumptions for the Special Risk class in accordance with Florida Statutes. These mortality assumptions are based on the RP-2000 Combined Healthy Participant Mortality Table for males and females, 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, 2018

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, 2018 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
Fixed Income	30	2.5
Real Estate	10	4.5
Total	<u>100 %</u>	

For fiscal year ended September 30, 2018, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 7.4%.

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, 2018

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 9/30/2017	\$ 8,387,014	\$ 7,846,410	\$ 540,604
Changes for the year:			
Service cost	-	-	-
Interest	480,914	-	480,914
Differences between expected and actual experience	164,840	-	164,840
Changes of assumptions	-	-	-
Contributions - employer	-	146,657	(146,657)
Contributions - State	-	138,704	(138,704)
Contributions - employee	-	-	-
Net investment income	-	563,174	(563,174)
Benefit payments (including refunds of employee contributions)	(743,573)	(743,573)	-
Administrative expenses	-	(15,720)	15,720
Net Changes	<u>(97,819)</u>	<u>89,242</u>	<u>(187,061)</u>
Balances at 9/30/2018	<u>\$ 8,289,195</u>	<u>\$ 7,935,652</u>	<u>\$ 353,543</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)	\$ 1,079,434	\$ 353,543	\$ (275,585)

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 103.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018, the Firefighter’s Relief and Pension Fund recognized pension expense of \$125,121. At September 30, 2018, 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	-	368,385
Changes of assumptions	-	-
Total	<u>\$ -</u>	<u>\$ 368,385</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:	
2019	\$ (79,788)
2020	(157,691)
2021	(109,583)
2022	<u>(21,323)</u>
Total	<u>\$ (368,385)</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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.

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, 2016, the date of the latest actuarial valuation:

	Number in Plan
Active participants	356
Retired participants	220
	<u>576</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated October 1, 2016 and rolled forward to the September 30, 2018 measurement date.

Actuarial assumptions. The total OPEB liability in the October 1, 2016 valuation (rolled-forward to the measurement date of September 30, 2018) 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 7.25% decreasing gradually to 4.58% ultimate rate - Getzen Model

Mortality rates were based on the RP-2000 Combined Healthy Participant Mortality Table for active participants and the RP-2000 Annuitant Healthy Mortality Table for inactive members, with mortality improvements projected to all future years using Scale BB. These are the same mortality rates currently in use for Regular and Special Risk class members 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	2.50
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, 2018

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – Continued

For fiscal year ended September 30, 2018, the annual rate of return on the plan investments, net of investment expenses, was 6.27%.

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 9/30/2017	\$ 31,395,453	\$ 989,672	\$ 30,405,781
Changes for the year:			
Service cost	541,547	-	541,547
Interest	1,880,643	-	1,880,643
Differences between expected and actual experience	-	-	-
Change in Benefit Terms	-	-	-
Contributions - employer	-	2,056,291	(2,056,291)
Contributions - employee	-	-	-
Net investment income	-	89,274	(89,274)
Benefit payments	(1,185,885)	(1,185,885)	-
Administrative expenses	-	-	-
Net Changes	<u>1,236,305</u>	<u>959,680</u>	<u>276,625</u>
Balances at 9/30/2018	<u>\$ 32,631,758</u>	<u>\$ 1,949,352</u>	<u>\$ 30,682,406</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. For the fiscal year ending September 30, 2018, the net OPEB liability is allocated as follows:

	Net OPEB Liability
Governmental Activities	<u>\$ 14,796,203</u>
Business-Type Activities	
Electric Fund	9,445,616
Water & Sewer Fund	4,469,007
Airport Fund	328,368
Marina Fund	110,368
Solid Waste Fund	1,532,844
Total Business Type Activities	<u>15,886,203</u>
Total Net OPEB Liability	<u><u>\$ 30,682,406</u></u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – Continued

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	\$ 35,398,482	\$ 30,682,406	\$ 26,828,599

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 current healthcare cost trend rate of 7.25% down to 4.58%, 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 (6.25% down to 3.58%) or 1-percentage-point higher (8.25% down to 5.58%).

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 26,140,986	\$ 30,682,406	\$ 36,410,844

OPEB plan fiduciary net position. Detailed information about the OPEB Plan fiduciary net position is available in the combining statements beginning on page 103.

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

For the year ended September 30, 2018, the OPEB plan recognized total OPEB expense of \$2,335,941. 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, 2018, the OPEB expense is allocated as follows:

	<u>OPEB Expense</u>
Governmental Activities	<u>\$ 1,126,478</u>
Business-Type Activities	
Electric Fund	719,122
Water & Sewer Fund	340,239
Airport Fund	24,999
Marina Fund	8,403
Solid Waste Fund	116,700
Total Business Type Activities	<u>1,209,463</u>
Total OPEB Expense	<u><u>\$ 2,335,941</u></u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – Continued

At September 30, 2018, 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	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,025
Changes of assumptions	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 3,025</u>

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

Year ended September 30:	
2019	\$ (756)
2020	(756)
2021	(756)
2022	<u>(757)</u>
Total	<u>\$ (3,025)</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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	\$ -	\$ 623	\$ 26	\$ -	\$ 649
Accrued interest receivable	-	79,016	14,117	-	93,133
Other receivables	3,786	25,614	-	-	29,400
Investments, at fair value					
Money market mutual funds	-	783,108	486,294	-	1,269,402
Mutual fund investments	87,858,987	2,343,533	1,032,814	1,949,352	93,184,686
Corporate stocks	-	24,407,836	4,037,709	-	28,445,545
Corporate bonds	-	5,211,380	584,047	-	5,795,427
Treasury and agency bonds & notes:					
U.S. Treasury bonds & notes	-	5,448,017	-	-	5,448,017
Federal instrumentalities	-	539,985	135,009	-	674,994
Mortgage/asset backed securities	-	679,741	391,248	-	1,070,989
Real estate	-	4,285,081	1,125,902	-	5,410,983
Municipal bonds & notes	-	-	136,193	-	136,193
Total investments, at fair value	<u>87,858,987</u>	<u>43,698,681</u>	<u>7,929,216</u>	<u>1,949,352</u>	<u>141,436,236</u>
Total assets	<u>87,862,773</u>	<u>43,803,934</u>	<u>7,943,359</u>	<u>1,949,352</u>	<u>141,559,418</u>
Liabilities					
Prepaid employer contribution	-	5,946	-	-	5,946
Refunds payable	-	18,629	-	-	18,629
Expenses payable	-	97,221	7,707	-	104,928
Total liabilities	<u>-</u>	<u>121,796</u>	<u>7,707</u>	<u>-</u>	<u>129,503</u>
Net position					
Restricted for pension and OPEB benefits	<u>\$ 87,862,773</u>	<u>\$ 43,682,138</u>	<u>\$ 7,935,652</u>	<u>\$ 1,949,352</u>	<u>\$ 141,429,915</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

**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	\$ 4,377,313	\$ 773,856	\$ 146,657	\$ 2,056,291	\$ 7,354,117
Employee	-	213,729	-	-	213,729
State	-	258,540	138,704	-	397,244
Total contributions	<u>4,377,313</u>	<u>1,246,125</u>	<u>285,361</u>	<u>2,056,291</u>	<u>7,965,090</u>
Investment earnings					
Interest and dividends	2,041,837	958,392	217,206	-	3,217,435
Net appreciation in fair value of investments	<u>5,376,687</u>	<u>3,489,098</u>	<u>413,192</u>	<u>90,955</u>	<u>9,369,932</u>
Total investment income	<u>7,418,524</u>	<u>4,447,490</u>	<u>630,398</u>	<u>90,955</u>	<u>12,587,367</u>
Investment expense	(455,289)	(328,010)	(67,224)	(1,681)	(852,204)
Net investment income	<u>6,963,235</u>	<u>4,119,480</u>	<u>563,174</u>	<u>89,274</u>	<u>11,735,163</u>
Total additions	<u>11,340,548</u>	<u>5,365,605</u>	<u>848,535</u>	<u>2,145,565</u>	<u>19,700,253</u>
Deductions					
Benefit payments	6,943,510	2,030,824	743,573	1,185,885	10,903,792
Refunds of contributions	27,465	56,694	-	-	84,159
Administrative expenses	<u>73,138</u>	<u>135,607</u>	<u>15,720</u>	<u>-</u>	<u>224,465</u>
Total deductions	<u>7,044,113</u>	<u>2,223,125</u>	<u>759,293</u>	<u>1,185,885</u>	<u>11,212,416</u>
Change in net position	4,296,435	3,142,480	89,242	959,680	8,487,837
Net position restricted for pension benefits, beginning	<u>83,566,338</u>	<u>40,539,658</u>	<u>7,846,410</u>	<u>989,672</u>	<u>132,942,078</u>
Net position restricted for pension and OPEB benefits, ending	<u>\$ 87,862,773</u>	<u>\$ 43,682,138</u>	<u>\$ 7,935,652</u>	<u>\$ 1,949,352</u>	<u>\$ 141,429,915</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Inventory	\$ 106,988	\$ -	\$ 106,988
Prepaid items	5,946	-	5,946
	<u>112,934</u>	<u>-</u>	<u>112,934</u>
Restricted:			
Public Safety	-	45,709	45,709
Culture & Recreation	-	862,736	862,736
Physical Environment	-	3,209,628	3,209,628
	<u>-</u>	<u>4,118,073</u>	<u>4,118,073</u>
Committed:			
Physical Environment	62,387	-	62,387
Emergency (Disaster) Reserve	2,000,000	-	2,000,000
	<u>2,062,387</u>	<u>-</u>	<u>2,062,387</u>
Unassigned	<u>8,134,137</u>	<u>-</u>	<u>8,134,137</u>
Total fund balances - governmental funds	<u>\$ 10,309,458</u>	<u>\$ 4,118,073</u>	<u>\$ 14,427,531</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.

The General Fund fund balance committed for emergency (disaster) reserves per City resolution was replenished to its target level of \$2,000,000 in accordance with the City's adopted policy by a combination of State and Federal disaster assistance revenue and a portion of the unappropriated increase in fund balance for fiscal year ending September 30, 2018. The remaining restricted General Fund balances are for tree planting and replacement per various City resolutions and ordinances.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets is as follows as of September 30, 2018:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital assets:		
Capital assets not being depreciated	\$ 15,529,300	\$ 13,782,998
Capital assets being depreciated, net	<u>33,109,254</u>	<u>174,179,416</u>
	48,638,554	187,962,414
Related debt:		
Contracts payable (retainage)	13,945	2,687
Total bonds, notes payable, and capital lease-purchases	<u>7,394,483</u>	<u>35,627,697</u>
Net investment in capital assets	<u>\$ 41,230,126</u>	<u>\$ 152,332,030</u>

18. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has the following construction commitments with contractors as of September 30, 2018:

Fund	Contractor/Project Description	Project Description	Contract Amount	Paid to Date	Retainage Payable	Balance to Completion
Governmental Activities						
General Government	Bill Bryant & Associates	Leisure Square Improvements - Restroom	\$ 117,033	\$ 91,486	\$ 10,165	\$ 15,382
General Government	Summit Construction	Riverside Grand Pavilion	<u>245,350</u>	<u>34,020</u>	<u>3,780</u>	<u>207,550</u>
		Total - Governmental Activities	362,383	125,506	13,945	222,932
Business-Type Activities						
Municipal Marina	Bill Bryant & Associates	Update Northern Restrooms	<u>116,276</u>	<u>24,180</u>	<u>2,687</u>	<u>89,409</u>
		TOTAL	<u>\$ 478,659</u>	<u>\$ 149,686</u>	<u>\$ 16,632</u>	<u>\$ 312,341</u>

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.

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

18. COMMITMENTS AND CONTINGENCIES – Continued

Contract Commitments

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

Based upon the All Requirements Project (ARP) agreement, the City has agreed to purchase all electric and energy requirements and sell all capacity and energy exclusively with FMPA. Power rates charged and received by the City are subject to a majority vote of the FMPA Board of Directors. For financial and operational reasons, the City served notice and exited the ARP in fiscal year 2010. Effective January 1, 2010, the Orlando Utilities Commission (OUC) became the Supplemental Wholesale Provider for the City of Vero Beach (CoVB) electrical needs, and this contract was amended and restated in November 2015. The amended contract provides for OUC to dispatch and supply all capacity, energy, and reserve requirements that the City may have in excess of the St. Lucie Project, and the Stanton Project. The initial term of the amended contract is through December 31, 2023.

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 2019, the City has submitted Project Worksheets (PWs) totaling \$3,486,710. Of this total amount, \$3,232,521 was obligated by the Federal Emergency Management Agency (FEMA) prior to September 30, 2018, which has been recognized on the financial statements. The City has received \$ 2,706,323 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. The City's estimated expenses for this storm are \$3.4 million. Although there was a Federal Major Disaster declaration on September 20, 2017, making the City eligible for public assistance funding, the State Department of Emergency Management (DEM) has not yet issued a State public assistance agreement for this storm. The City has submitted the required storm damage inventories and other supporting documentation to FEMA personnel, but as of March 2019 there have been no PWs obligated by either the State or Federal government. Accordingly, the City has not recognized revenue for potential future receipts.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

18. COMMITMENTS AND CONTINGENCIES – Continued

Hurricanes Frances and Jeanne. In early 2011, the U.S. Department of Homeland Security, Office of the Inspector General (OIG) conducted an audit of public assistance funds awarded to the City associated with Hurricanes Frances and Jeanne. In total, the OIG audit findings released in May 2011 questioned \$2.6 million in costs associated with Hurricane Frances and \$1.3 million in costs associated with Hurricane Jeanne. The primary issue resulting in questioned costs for both storms was which damages and losses associated with the storms should have been covered by insurance rather than public disaster assistance funding. In March 2012, the City received notification from FEMA that it intended to de-obligate funding for various projects totaling \$2.3 million for Hurricane Frances and \$1.4 million for Hurricane Jeanne. The City appealed these notices in May 2012.

As noted in the OIG audit reports for both storms, at the time of the audit the FEMA had not completed its insurance review to determine insured losses because the City did not have a final statement of loss or a schedule of insurance settlements. In March 2013, the City received notification from the DEM that the insurance coverage issues had been resolved in cooperation with the Florida Municipal Insurance Trust (FMIT) and its consultants; as a result of this review, the FMIT provided an additional \$1.6 million in insurance proceeds directly to the State on behalf of the City to replace funds de-obligated by FEMA.

In August 2013, the City submitted a second appeal package to FEMA. In this second appeal, the City provided documentation for the final determination of eligible project costs, insurance proceeds and public assistance funding by project. The State DEM reviewed the City's second appeal and in September 2014 forwarded this appeal to FEMA with a recommendation for approval.

Despite the continuation of the appeal process, the State DEM notified the City that it was required to reimburse the State for funds already de-obligated by FEMA. Although the State acknowledged that funds would be returned if the appeals were successful, it requested that the City make the State whole for funds already removed from the State's accounts by FEMA. As of September 30, 2016 the City had paid the total of \$1,169,800 owed for Hurricane Frances and the total of \$864,303 owed for Hurricane Jeanne under these repayment agreements.

On November 21, 2016 the City received FEMA's final determination on the Second Appeal, which indicated that \$1,190,200 out of the total of \$2,167,793 under appeal would be reinstated. After seventeen months of repeated attempts by the City to bring this reimbursement to the attention of DEM officials, the State reimbursed a portion of these funds in April 2018. This reimbursement was offset by a previously unrecognized de-obligation of funds for additional insurance audits by the OIG and reductions for other PW closeouts. In total, the City received a net of \$671,000 of the funds restored by the second appeal. The DEM has made it clear that there will be no further consideration of this matter and in the absence of any mechanism to force further review at the State or Federal level, the City considers this appeal to be closed.

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

19. SUBSEQUENT EVENTS

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

For the last several years, the City has continued to pursue completion of the sale of its electric utility to Florida Power & Light (FPL).

In October 2017, the City Council approved an Asset Purchase and Sale Agreement between the City and FPL for the full sale of the electric system at a total price of \$185 million (subject to certain adjustments at closing). This sale price included payment of the outstanding electric utility bonds (Series 2003A), termination of the OUC Power Purchase agreement, termination of the City's FMPA agreements and a cash payment of approximately \$39.1 million to the City.

The sale was primarily contingent on unanimous approval by all FMPA member entities and the FMPA Board of Directors for the City's exit from FMPA at the negotiated price. As of March 22, 2018, all of the required approvals by FMPA member cities and the FMPA Board were obtained. As a result, the City and FPL continued to proceed towards a contractual closing date for the full sale and transfer of its electric utility assets and customers.

The City closed on the sale of its electric utility to FPL effective December 17, 2018. As of that date, all capital assets and inventory associated with power transmission and distribution (as shown in the Asset Purchase and Sale Agreement) were transferred to the ownership of FPL, along with all City electric utility customers.

Per the various terms of the Asset Purchase and Sale Agreement, FPL paid an adjusted sales price of \$ 183.3 million, to include the following:

- \$ 15.2 million paid into a bond escrow to defease the outstanding Series 2003A electric utility bonds.
- \$ 20.0 million paid directly to OUC to terminate the Power Purchase Agreement between OUC and the City.
- \$ 105.4 million paid directly to FMPA to terminate the City's FMPA agreements
- \$ 3.5 million paid directly to FMPA for the City's November 2019 and pro-rated partial December 2018 bills for Stanton I, Stanton II and St Lucie purchased power.
- \$ 39.1 million in cash to the City.

As of March 2019, the City has rendered its final electric bills pro-rated through December 17, 2018 to its electric utility customers and is in the process of collection on these final bills. Approximately 14,000 of the City's electric customer accounts are also City Water & Sewer Utility customers, so the City's Customer Service department continues to serve this customer base with reduced staffing.

Under the Asset Purchase and Sale Agreement, the City retained ownership of the power plant site (land and building), the assets associated with power production and a portion of its customer service assets. The power generation equipment (and associated inventory), which is still in place but is not functional and is no longer permitted for power generation, was impaired and reported at fair value in fiscal year ended September 30, 2017, shown on the Electric Utility fund balance sheet as 'assets held for resale'. The remaining assets will either be transferred to other funds (including items such as computers, tools and office furniture), sold as surplus or held by the City until a decision is made regarding the future use of the land on which the power plant building is located.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 510,973	\$ 557,046	\$ 689,965	\$ 1,455,560	\$ 1,525,171
Interest	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	(334,153)	1,132,034	358,687	2,986,908	-
Changes of assumptions	-	-	3,151,956	-	-
Benefit payments (including refunds of member contributions)	(6,970,975)	(6,719,219)	(6,439,345)	(6,104,373)	(6,050,479)
Net change in total pension liability	<u>166,754</u>	<u>1,823,425</u>	<u>4,307,713</u>	<u>4,534,258</u>	<u>2,732,008</u>
Total pension liability - beginning	<u>110,065,427</u>	<u>108,242,002</u>	<u>103,934,289</u>	<u>99,400,031</u>	<u>96,668,023</u>
Total pension liability - ending (a)	<u>\$ 110,232,181</u>	<u>\$ 110,065,427</u>	<u>\$ 108,242,002</u>	<u>\$ 103,934,289</u>	<u>\$ 99,400,031</u>
Plan fiduciary net position					
Contributions - employer	\$ 4,377,313	\$ 4,499,935	\$ 4,274,277	\$ 4,889,995	\$ 4,972,378
Contributions - employee	-	-	-	373,250	461,199
Net investment income	6,963,235	8,865,531	7,205,701	859,603	6,975,362
Benefit payments (including refunds of member contributions)	(6,970,975)	(6,719,219)	(6,439,345)	(6,104,373)	(6,050,479)
Administrative expense	(73,138)	(27,102)	(20,457)	(32,265)	-
Other	-	14,461	-	-	-
Net change in plan fiduciary net position	<u>4,296,435</u>	<u>6,633,606</u>	<u>5,020,176</u>	<u>(13,790)</u>	<u>6,358,460</u>
Plan fiduciary net position - beginning	<u>83,566,338</u>	<u>76,932,732</u>	<u>71,912,556</u>	<u>71,926,346</u>	<u>65,567,886</u>
Plan fiduciary net position - ending (b)	<u>\$ 87,862,773</u>	<u>\$ 83,566,338</u>	<u>\$ 76,932,732</u>	<u>\$ 71,912,556</u>	<u>\$ 71,926,346</u>
City's net pension liability - ending (a) - (b)	<u>\$ 22,369,408</u>	<u>\$ 26,499,089</u>	<u>\$ 31,309,270</u>	<u>\$ 32,021,733</u>	<u>\$ 27,473,685</u>
Plan fiduciary net position as a percentage of the total pension liability	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	207.2%	174.9%

Notes to Schedule:

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 2016, the mortality rates were updated in accordance with Florida Statute Section 112.63(f)

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 637,288	\$ 575,896	\$ 543,187	\$ 550,357	\$ 478,211
Interest	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	(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)	(2,087,518)	(2,063,153)	(2,141,125)	(1,793,418)	(2,248,284)
Net change in total pension liability	<u>2,313,333</u>	<u>1,912,006</u>	<u>2,225,667</u>	<u>1,167,738</u>	<u>1,367,260</u>
Total pension liability - beginning	<u>44,533,618</u>	<u>42,621,612</u>	<u>40,395,945</u>	<u>39,228,207</u>	<u>37,860,947</u>
Total pension liability - ending (a)	<u>\$ 46,846,951</u>	<u>\$ 44,533,618</u>	<u>\$ 42,621,612</u>	<u>\$ 40,395,945</u>	<u>\$ 39,228,207</u>
Plan fiduciary net position					
Contributions - employer	\$ 773,856	\$ 756,381	\$ 853,491	\$ 852,721	\$ 869,837
Contributions - State	258,540	241,345	252,594	228,139	233,451
Contributions - employee	213,729	208,521	191,664	191,782	167,975
Net investment income	4,119,480	4,336,908	2,915,646	385,598	3,088,757
Benefit payments (including refunds of member contributions)	(2,087,518)	(2,063,153)	(2,141,125)	(1,793,418)	(2,248,284)
Administrative expense	(135,607)	(116,981)	(107,071)	(86,344)	(86,354)
Net change in plan fiduciary net position	<u>3,142,480</u>	<u>3,363,021</u>	<u>1,965,199</u>	<u>(221,522)</u>	<u>2,025,382</u>
Plan fiduciary net position - beginning	<u>40,539,658</u>	<u>37,176,637</u>	<u>35,211,438</u>	<u>35,432,960</u>	<u>33,407,578</u>
Plan fiduciary net position - ending (b)	<u>\$ 43,682,138</u>	<u>\$ 40,539,658</u>	<u>\$ 37,176,637</u>	<u>\$ 35,211,438</u>	<u>\$ 35,432,960</u>
City's net pension liability - ending (a) - (b)	<u>\$ 3,164,813</u>	<u>\$ 3,993,960</u>	<u>\$ 5,444,975</u>	<u>\$ 5,184,507</u>	<u>\$ 3,795,247</u>
Plan fiduciary net position as a percentage of the total pension liability	93.24%	91.03%	87.22%	87.17%	90.33%
Covered payroll	\$ 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	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, 2018

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

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

Notes to Schedule:

Benefit changes . There have been no changes in benefit provisions since GASB 67 implementation.

Change of assumptions . 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, 2018

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

Year Ending September 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 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	\$ 3,347,010
Contributions in relation to the actuarially determined contribution	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	3,347,010
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (21,186)	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ 15,704,293	\$ 16,224,526	\$ 17,094,905	\$ 18,830,488	\$ 19,305,268	\$ 18,811,487	\$ 16,548,463
Contributions as a percentage of covered payroll	N/A	N/A	N/A	31.14%	30.65%	27.15%	22.06%	21.32%	21.53%	20.23%

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	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, 2018

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

Year Ending September 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 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	\$ 614,497
Contributions in relation to the actuarially determined contribution	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	614,497
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 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	\$ 3,733,644
Contributions as a percentage of covered payroll	31.67%	30.59%	34.90%	36.78%	38.06%	38.15%	35.50%	30.42%	22.59%	16.46%

Notes to Schedule

Valuation Date:

Actuarially determined contributions are calculated based on the valuation as of the beginning of the year prior to 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	Effective with the October 1, 2016 valuation, the mortality table has been revised to the mortality assumption used for special risk employees in the valuation of the Florida Retirement System (FRS), as required by Florida statutes.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

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

Year Ending September 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 285,361	\$ 267,618	\$ 329,946	\$ 337,054	\$ 338,509	\$ 328,294	\$ 333,686	\$ 309,977	\$ 286,894	\$ 298,956
Contributions in relation to the actuarially determined contribution	285,361	267,618	329,946	337,054	338,509	328,294	333,686	309,977	286,894	400,420
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (101,464)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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 improvementst projected to all future years after 2000 using Scale BB.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

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

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 541,547	\$ 517,526
Interest	1,880,643	1,806,107
Change of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(1,185,885)	(1,024,866)
Net change in total OPEB liability	<u>1,236,305</u>	<u>1,298,767</u>
Total OPEB liability - beginning	31,395,453	30,096,686
Total OPEB liability - ending (a)	<u>\$ 32,631,758</u>	<u>\$ 31,395,453</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,056,291	\$ 1,971,583
Net investment income	89,274	42,955
Benefit payments	(1,185,885)	(1,024,866)
Administrative expense	-	-
Net change in plan fiduciary net position	<u>959,680</u>	<u>989,672</u>
Plan fiduciary net position - beginning	989,672	-
Plan fiduciary net position - ending (b)	<u>\$ 1,949,352</u>	<u>\$ 989,672</u>
City's net OPEB liability - ending (a) - (b)	<u>\$ 30,682,406</u>	<u>\$ 30,405,781</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.97%	3.15%
Covered employee payroll	\$ 22,166,418	\$ 18,157,544
City's net OPEB liability as percentage of covered employee payroll	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, 2018

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

Year Ending September 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 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	\$ 3,042,000
Contributions in relation to the actuarially determined contribution	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	1,133,000
Contribution deficiency (excess)	\$ -	\$ -	\$ 1,353,674	\$ 1,293,045	\$ 1,254,852	\$ 2,579,995	\$ 3,069,000	\$ 2,400,000	\$ 2,415,000	\$ 1,909,000
Covered employee payroll	\$ 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	\$ 24,507,000
Contributions as a percentage of covered employee payroll	9.28%	10.86%	4.14%	4.20%	5.84%	5.43%	3.70%	5.94%	5.05%	4.62%

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	7.25% initial year, ranging from 7.0% to 4.3% through 2041, 4.58% ultimate
Mortality	RP-2000 Combined Participant Mortality Table with Scale BB for active participants. RP-2000 Mortality Table for Annuitants for non-disabled inactive members. RP-2000 Disabled Retiree Mortality table with setbacks for disabled.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2018

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Employees' Retirement Plan	8.47%	11.69%	10.17%	1.20%	10.69%	12.85%	18.74%	1.60%	8.85%	-1.36%
Police Officers' Retirement Fund	10.16%	11.45%	7.99%	0.87%	9.08%	14.17%	19.27%	-1.69%	-9.89%	-1.41%
Firefighter's Relief and Pension Fund	7.40%	12.10%	9.70%	1.20%	10.00%	13.60%	15.50%	0.00%	6.70%	1.00%
Other Post Employment Benefits (OPEB) Plan	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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 6,428,767	\$ 6,504,063	\$ 6,504,063	\$ -
Utility taxes	2,147,000	2,293,000	2,294,273	1,273
Telecommunications tax	1,186,028	1,186,028	1,212,283	26,255
Local option gas tax	488,436	498,436	519,092	20,656
Local business tax	160,000	148,000	147,250	(750)
Total taxes	<u>10,410,231</u>	<u>10,629,527</u>	<u>10,676,961</u>	<u>47,434</u>
Licenses and permits:				
Sign permit fees	7,500	7,500	7,790	290
Burglar alarm permit fees	45,000	41,600	41,600	-
Miscellaneous license fees	94,000	97,314	97,314	-
Right of way permit fees	14,000	-	-	-
Total licenses and permits	<u>160,500</u>	<u>146,414</u>	<u>146,704</u>	<u>290</u>
Intergovernmental revenues:				
State revenue sharing	572,583	571,135	571,135	-
State sales tax revenue	1,195,056	1,195,056	1,216,386	21,330
Total intergovernmental revenues	<u>1,767,639</u>	<u>1,766,191</u>	<u>1,787,521</u>	<u>21,330</u>
Grants:				
OJP grants	-	-	3,581	3,581
FMIT Matching Safety grant	-	1,500	1,500	-
FEMA (Hurricanes Frances, Jeanne & Matthew)	-	538,143	538,143	-
Historical resources grant	-	35,000	35,000	-
Total grants	<u>-</u>	<u>574,643</u>	<u>578,224</u>	<u>3,581</u>
Charges for Services:				
Planning department	100,000	86,358	86,523	165
Administrative services	3,013,345	3,013,345	3,013,345	-
Recreation	356,000	306,532	307,396	864
Airport security	91,980	91,980	98,150	6,170
School resource officers	-	26,422	26,422	-
Total charges for services	<u>3,561,325</u>	<u>3,524,637</u>	<u>3,531,836</u>	<u>7,199</u>
Fines, forfeitures and seizures	<u>124,000</u>	<u>190,680</u>	<u>186,148</u>	<u>(4,532)</u>
Miscellaneous revenues:				
Investment earnings	101,500	29,500	24,020	(5,480)
Rentals	376,944	386,765	387,474	709
Contributions from private sources	-	12,037	36,901	24,864
Miscellaneous	84,500	85,063	80,605	(4,458)
Total miscellaneous revenues	<u>562,944</u>	<u>513,365</u>	<u>529,000</u>	<u>15,635</u>
Total revenues	<u>16,586,639</u>	<u>17,345,457</u>	<u>17,436,394</u>	<u>90,937</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, 2018

Expenditures	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Current:				
General government:				
City council:				
Personnel services	\$ 68,895	\$ 75,515	\$ 75,487	\$ 28
Operating	8,950	12,822	11,710	1,112
Total city council	<u>77,845</u>	<u>88,337</u>	<u>87,197</u>	<u>1,140</u>
City clerk:				
Personnel services	432,473	419,423	419,145	278
Operating	82,500	82,500	79,340	3,160
Total city clerk	<u>514,973</u>	<u>501,923</u>	<u>498,485</u>	<u>3,438</u>
City manager:				
Personnel services	338,884	336,384	336,105	279
Operating	11,400	11,100	9,634	1,466
Total city manager	<u>350,284</u>	<u>347,484</u>	<u>345,739</u>	<u>1,745</u>
City hall:				
Operating	<u>140,137</u>	<u>129,862</u>	<u>120,190</u>	<u>9,672</u>
City attorney:				
Personnel services	523,279	545,902	545,805	97
Operating	22,225	22,060	19,670	2,390
Capital outlay	1,500	3,165	3,035	130
Total city attorney	<u>547,004</u>	<u>571,127</u>	<u>568,510</u>	<u>2,617</u>
Human resources:				
Personnel services	360,298	359,495	359,402	93
Operating	89,296	70,246	64,524	5,722
Capital outlay	1,300	4,350	3,253	1,097
Total human resources	<u>450,894</u>	<u>434,091</u>	<u>427,179</u>	<u>6,912</u>
Finance administration:				
Personnel services	834,877	800,477	796,854	3,623
Operating	46,600	42,200	43,283	(1,083)
Total finance administration	<u>881,477</u>	<u>842,677</u>	<u>840,137</u>	<u>2,540</u>
Information technology:				
Personnel services	628,294	614,894	622,309	(7,415)
Operating	121,750	129,750	122,960	6,790
Capital outlay	35,000	32,500	28,722	3,778
Total information technology	<u>785,044</u>	<u>777,144</u>	<u>773,991</u>	<u>3,153</u>
Purchasing:				
Personnel services	423,926	421,126	420,849	277
Operating	26,313	25,313	22,643	2,670
Capital outlay	-	1,000	984	16
Total purchasing	<u>450,239</u>	<u>447,439</u>	<u>444,476</u>	<u>2,963</u>
Warehouse:				
Personnel services	274,645	210,159	206,005	4,154
Operating	22,035	64,162	60,289	3,873
Total warehouse	<u>296,680</u>	<u>274,321</u>	<u>266,294</u>	<u>8,027</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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Planning:				
Personnel services	\$ 570,600	\$ 570,743	\$ 569,093	\$ 1,650
Operating	37,400	70,900	68,566	2,334
Capital outlay	3,900	3,900	3,716	184
Total planning	<u>611,900</u>	<u>645,543</u>	<u>641,375</u>	<u>4,168</u>
Public works - fleet management:				
Personnel services	5,402	10,873	7,071	3,802
Operating	3,534	7,363	4,789	2,574
Capital outlay	6,800	5,500	4,776	724
Total public works - fleet management	<u>15,736</u>	<u>23,736</u>	<u>16,636</u>	<u>7,100</u>
Public works - facilities management:				
Personnel services	598,598	597,498	595,782	1,716
Operating	141,945	131,945	104,071	27,874
Total public works - facilities management	<u>740,543</u>	<u>729,443</u>	<u>699,853</u>	<u>29,590</u>
Public works - GIS:				
Personnel services	184,876	181,276	180,128	1,148
Operating	3,850	3,850	2,698	1,152
Total public works - GIS	<u>188,726</u>	<u>185,126</u>	<u>182,826</u>	<u>2,300</u>
Total general government	<u>6,051,482</u>	<u>5,998,253</u>	<u>5,912,888</u>	<u>85,365</u>
Public safety:				
Police:				
Personnel services	6,764,455	6,692,600	6,690,189	2,411
Operating	867,535	830,821	812,266	18,555
Capital outlay	122,736	135,159	141,678	(6,519)
Total public safety	<u>7,754,726</u>	<u>7,658,580</u>	<u>7,644,133</u>	<u>14,447</u>
Transportation:				
Public works - administration:				
Personnel services	478,767	478,867	476,652	2,215
Operating	72,822	70,822	68,208	2,614
Capital outlay	3,400	3,926	3,835	91
Total public works - administration	<u>554,989</u>	<u>553,615</u>	<u>548,695</u>	<u>4,920</u>
Public works - streets/stormwater/traffic:				
Personnel services	1,043,739	903,439	897,496	5,943
Operating	379,297	380,770	366,317	14,453
Capital outlay	18,500	17,627	17,322	305
Total public works - streets	<u>1,441,536</u>	<u>1,301,836</u>	<u>1,281,135</u>	<u>20,701</u>
Public works - engineering & survey:				
Personnel services	442,440	426,040	424,242	1,798
Operating	36,087	22,487	18,181	4,306
Capital outlay	22,000	16,000	15,836	164
Total public works - engineering & survey	<u>500,527</u>	<u>464,527</u>	<u>458,259</u>	<u>6,268</u>
Total transportation	<u>2,497,052</u>	<u>2,319,978</u>	<u>2,288,089</u>	<u>31,889</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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Culture and recreation:				
Public works - grounds maintenance:				
Personnel services	\$ 1,429,231	\$ 1,363,111	\$ 1,353,778	\$ 9,333
Operating	574,500	620,420	609,005	11,415
Capital outlay	10,205	10,205	10,205	-
Total public works - culture and recreation	<u>2,013,936</u>	<u>1,993,736</u>	<u>1,972,988</u>	<u>20,748</u>
Recreation:				
Personnel services	1,688,874	1,716,674	1,714,857	1,817
Operating	503,864	517,509	511,320	6,189
Capital outlay	27,150	28,305	25,126	3,179
Total recreation	<u>2,219,888</u>	<u>2,262,488</u>	<u>2,251,303</u>	<u>11,185</u>
Total culture and recreation	<u>4,233,824</u>	<u>4,256,224</u>	<u>4,224,291</u>	<u>31,933</u>
Nondepartmental:				
Personnel services	1,244,228	1,280,263	1,265,791	14,472
Operating	1,210,157	1,989,359	1,963,711	25,648
Capital outlay	-	-	14,000	(14,000)
Total nondepartmental	<u>2,454,385</u>	<u>3,269,622</u>	<u>3,243,502</u>	<u>26,120</u>
Total expenditures	<u>22,991,469</u>	<u>23,502,657</u>	<u>23,312,903</u>	<u>189,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,404,830)</u>	<u>(6,157,200)</u>	<u>(5,876,509)</u>	<u>280,691</u>
Other financing sources (uses)				
Proceeds from insurance	-	377,757	377,757	-
Gain on sale of assets	-	28,000	28,000	-
Transfers in:				
Electric revenue fund	5,400,000	5,400,000	5,400,000	-
Water & sewer fund	974,000	974,000	974,000	-
Solid waste fund	164,400	164,400	164,400	-
Marina fund	102,000	102,000	102,000	-
Health insurance fund	269,297	269,297	269,297	-
Total transfers in	<u>6,909,697</u>	<u>6,909,697</u>	<u>6,909,697</u>	<u>-</u>
Transfers out:				
Construction fund	(425,000)	(425,000)	(425,000)	-
Cemetery fund	-	(18,000)	(18,000)	-
Economic development zone fund	(18,782)	(18,476)	(18,476)	-
Total transfers out	<u>(443,782)</u>	<u>(461,476)</u>	<u>(461,476)</u>	<u>-</u>
Total other financing sources (uses)	<u>6,465,915</u>	<u>6,853,978</u>	<u>6,853,978</u>	<u>-</u>
Net change in fund balances	<u>61,085</u>	<u>696,778</u>	<u>977,469</u>	<u>280,691</u>
Fund balance - beginning	<u>9,331,989</u>	<u>9,331,989</u>	<u>9,331,989</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,393,074</u>	<u>\$ 10,028,767</u>	<u>\$ 10,309,458</u>	<u>\$ 280,691</u>

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

SEPTEMBER 30, 2018

	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	\$ 34,333	\$ 11,376	\$ 18,476	\$ -	\$ 1,364,701
Cash with fiscal agent	-	-	-	-	-
Receivables, net:					
Special assessments	-	-	-	-	-
Interest	-	-	-	-	5,561
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 34,333	\$ 11,376	\$ 18,476	\$ -	\$ 1,370,262
Liabilities, deferred inflows and fund balances					
Liabilities:					
Accounts and contracts payable	-	-	-	-	273
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	273
Deferred inflows of resources:					
Unavailable revenue - Special assessment receivable	-	-	-	-	-
Fund balances:					
Restricted:	34,333	11,376	18,476	-	1,369,989
Total fund balances	34,333	11,376	18,476	-	1,369,989
Total liabilities, deferred inflows and fund balances	\$ 34,333	\$ 11,376	\$ 18,476	\$ -	\$ 1,370,262

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	
\$ 711,656	\$ 148,702	\$ -	\$ 1,335,136	\$ -	\$ 92,661	\$ 3,717,041
-	-	-	287,486	-	-	287,486
-	-	-	10,709	-	-	10,709
2,312	189	-	2,150	7,424	-	17,636
-	-	-	183,896	-	-	183,896
-	-	-	215,716	379,766	-	595,482
<u>\$ 713,968</u>	<u>\$ 148,891</u>	<u>\$ -</u>	<u>\$ 2,035,093</u>	<u>\$ 387,190</u>	<u>\$ 92,661</u>	<u>\$ 4,812,250</u>
94	29	-	496,822	17	420	497,655
-	-	-	-	-	1,917	1,917
-	-	-	-	183,896	-	183,896
<u>94</u>	<u>29</u>	<u>-</u>	<u>496,822</u>	<u>183,913</u>	<u>2,337</u>	<u>683,468</u>
-	-	-	10,709	-	-	10,709
713,874	148,862	-	1,527,562	203,277	90,324	4,118,073
<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>\$ 713,968</u>	<u>\$ 148,891</u>	<u>\$ -</u>	<u>\$ 2,035,093</u>	<u>\$ 387,190</u>	<u>\$ 92,661</u>	<u>\$ 4,812,250</u>

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

YEAR ENDED SEPTEMBER 30, 2018

	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	-	-	-	397,244	-
Grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	4,740	-	-	-
Investment earnings	-	-	-	-	4,255
Contributions from private sources	-	-	-	-	-
Total revenues	-	4,740	-	397,244	4,255
Expenditures					
Current:					
Public safety	-	1,800	-	397,244	-
Physical environment	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	1,800	-	397,244	-
Excess (deficiency) of revenues over (under) expenditures	-	2,940	-	-	4,255
Other financing sources (uses)					
Capital lease proceeds	-	-	-	-	-
Sale of assets	-	-	-	-	-
Transfers in	-	-	18,476	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	18,476	-	-
Net change in fund balances	-	2,940	18,476	-	4,255
Fund balance (deficit) - beginning	34,333	8,436	-	-	1,365,734
Fund balance - ending	\$ 34,333	\$ 11,376	\$ 18,476	\$ -	\$ 1,369,989

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	
\$ -	\$ -	\$ -	\$ -	\$ 2,295,063	\$ -	\$ 2,295,063
-	-	-	-	-	-	397,244
-	-	-	111,515	-	-	111,515
-	-	-	-	-	201,443	201,443
-	-	-	-	-	-	4,740
4,873	207	-	12,025	490	705	22,555
-	-	-	214,689	-	-	214,689
<u>4,873</u>	<u>207</u>	<u>-</u>	<u>338,229</u>	<u>2,295,553</u>	<u>202,148</u>	<u>3,247,249</u>
-	-	-	-	-	-	399,044
-	-	-	-	-	197,833	197,833
-	-	552,852	653,625	-	-	1,206,477
-	-	222,071	52,275	-	-	274,346
-	-	-	3,458,231	-	20,788	3,479,019
-	-	<u>774,923</u>	<u>4,164,131</u>	<u>-</u>	<u>218,621</u>	<u>5,556,719</u>
<u>4,873</u>	<u>207</u>	<u>(774,923)</u>	<u>(3,825,902)</u>	<u>2,295,553</u>	<u>(16,473)</u>	<u>(2,309,470)</u>
-	-	-	707,945	-	-	707,945
-	-	-	36,106	-	-	36,106
-	-	774,923	2,244,000	-	19,330	3,056,729
-	-	-	(37,000)	(2,593,923)	-	(2,630,923)
-	-	<u>774,923</u>	<u>2,951,051</u>	<u>(2,593,923)</u>	<u>19,330</u>	<u>1,169,857</u>
4,873	207	-	(874,851)	(298,370)	2,857	(1,139,613)
<u>709,001</u>	<u>148,655</u>	<u>-</u>	<u>2,402,413</u>	<u>501,647</u>	<u>87,467</u>	<u>5,257,686</u>
<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>

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONFISCATED PROPERTY FUND

YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	34,333	34,333	34,333	-
Fund balance - ending	\$ 34,333	\$ 34,333	\$ 34,333	\$ -

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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ -	\$ 4,700	\$ 4,740	\$ 40
Expenditures				
Current:				
Public safety	-	2,800	1,800	1,000
Total expenditures	-	2,800	1,800	1,000
Net change in fund balances	-	1,900	2,940	1,040
Fund balance - beginning	8,436	8,436	8,436	-
Fund balance - ending	\$ 8,436	\$ 10,336	\$ 11,376	\$ 1,040

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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Other financing sources				
Transfers in	18,697	18,476	18,476	-
Total other financing sources	<u>18,697</u>	<u>18,476</u>	<u>18,476</u>	<u>-</u>
Net change in fund balances	18,697	18,476	18,476	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 18,697</u>	<u>\$ 18,476</u>	<u>\$ 18,476</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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 2,000	\$ -	\$ -	\$ -
Grants	761,000	135,000	111,515	(23,485)
Investment earnings	1,000	11,000	12,025	1,025
Contributions from private sources	110,000	110,135	214,689	104,554
Total revenues	<u>874,000</u>	<u>256,135</u>	<u>338,229</u>	<u>82,094</u>
Expenditures				
Debt Service:				
Principal and interest	724,538	705,900	705,900	-
Capital outlay	4,157,746	4,193,290	3,458,231	735,059
Total expenditures	<u>4,882,284</u>	<u>4,899,190</u>	<u>4,164,131</u>	<u>735,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,008,284)</u>	<u>(4,643,055)</u>	<u>(3,825,902)</u>	<u>817,153</u>
Other financing sources (uses)				
Capital lease proceeds	761,516	761,516	707,945	53,571
Sale of assets	50,000	36,200	36,106	94
Transfers in	2,269,000	2,244,000	2,244,000	-
Transfers out	-	(37,000)	(37,000)	-
Total other financing sources (uses)	<u>3,080,516</u>	<u>3,004,716</u>	<u>2,951,051</u>	<u>53,665</u>
Net change in fund balances	<u>(927,768)</u>	<u>(1,638,339)</u>	<u>(874,851)</u>	<u>870,818</u>
Fund balance - beginning	<u>2,402,413</u>	<u>2,402,413</u>	<u>2,402,413</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,474,645</u>	<u>\$ 764,074</u>	<u>\$ 1,527,562</u>	<u>\$ 763,488</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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,300,139	\$ 2,300,139	\$ 2,295,063	\$ (5,076)
Investment earnings	5,000	5,000	490	(4,510)
Total revenues	<u>2,305,139</u>	<u>2,305,139</u>	<u>2,295,553</u>	<u>(9,586)</u>
Other financing uses				
Transfers out	<u>(2,593,922)</u>	<u>(2,593,922)</u>	<u>(2,593,923)</u>	<u>(1)</u>
Total other financing uses	<u>(2,593,922)</u>	<u>(2,593,922)</u>	<u>(2,593,923)</u>	<u>(1)</u>
Net change in fund balances	(288,783)	(288,783)	(298,370)	(9,587)
Fund balance - beginning	<u>501,647</u>	<u>501,647</u>	<u>501,647</u>	<u>-</u>
Fund balance - ending	<u>\$ 212,864</u>	<u>\$ 212,864</u>	<u>\$ 203,277</u>	<u>\$ (9,587)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 205,500	\$ 202,000	\$ 201,443	\$ (557)
Investment earnings	-	-	705	705
Total revenues	<u>205,500</u>	<u>202,000</u>	<u>202,148</u>	<u>148</u>
Expenditures				
Current:				
Physical environment	202,464	200,139	197,833	2,306
Capital outlay	3,000	20,800	20,788	12
Total expenditures	<u>205,464</u>	<u>220,939</u>	<u>218,621</u>	<u>2,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36</u>	<u>(18,939)</u>	<u>(16,473)</u>	<u>(2,170)</u>
Other financing sources				
Transfers in	1,330	19,330	19,330	-
Total other financing sources	<u>1,330</u>	<u>19,330</u>	<u>19,330</u>	<u>-</u>
Net change in fund balances	1,366	391	2,857	(2,170)
Fund balance - beginning	<u>87,467</u>	<u>87,467</u>	<u>87,467</u>	<u>-</u>
Fund balance - ending	<u>\$ 88,833</u>	<u>\$ 87,858</u>	<u>\$ 90,324</u>	<u>\$ 2,466</u>

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

SEPTEMBER 30, 2018

	Health Insurance	Liability Insurance	Total
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 748,541	\$ 1,797,071	\$ 2,545,612
Receivables, net:			
Accounts	240	-	240
Interest	10,676	11,352	22,028
Prepaid costs	-	45,000	45,000
Total current assets	<u>759,457</u>	<u>1,853,423</u>	<u>2,612,880</u>
Capital assets:			
Capital assets being depreciated	-	11,368	11,368
Accumulated Depreciation	-	(11,368)	(11,368)
Capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 759,457</u>	<u>\$ 1,853,423</u>	<u>\$ 2,612,880</u>
Liabilities			
Current liabilities:			
Accounts payable and contracts payable	\$ 836	\$ 11,836	\$ 12,672
Claims payable	-	424,800	424,800
Total current liabilities	<u>836</u>	<u>436,636</u>	<u>437,472</u>
Noncurrent liabilities:			
Claims payable	-	991,200	991,200
Total noncurrent liabilities	<u>-</u>	<u>991,200</u>	<u>991,200</u>
Total liabilities	<u>836</u>	<u>1,427,836</u>	<u>1,428,672</u>
Net position			
Unrestricted	<u>758,621</u>	<u>425,587</u>	<u>1,184,208</u>
Total net position	<u>758,621</u>	<u>425,587</u>	<u>1,184,208</u>
Total liabilities and net position	<u>\$ 759,457</u>	<u>\$ 1,853,423</u>	<u>\$ 2,612,880</u>

CITY OF VERO BEACH, FLORIDA**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS**

YEAR ENDED SEPTEMBER 30, 2018

	<u>Health Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
Operating revenue			
Miscellaneous	\$ 1,462	\$ -	\$ 1,462
Total operating revenue	<u>1,462</u>	<u>-</u>	<u>1,462</u>
Operating expenses			
Claims expense	-	(7,267)	(7,267)
Operating charges	6,238	-	6,238
Total operating expenditures	<u>6,238</u>	<u>(7,267)</u>	<u>(1,029)</u>
Operating income	<u>(4,776)</u>	<u>7,267</u>	<u>2,491</u>
Nonoperating revenues			
Investment earnings	7,924	4,755	12,679
Total nonoperating revenue	<u>7,924</u>	<u>4,755</u>	<u>12,679</u>
Transfers			
Transfers out	(520,641)	-	(520,641)
Total transfers	<u>(520,641)</u>	<u>-</u>	<u>(520,641)</u>
Changes in net position	(517,493)	12,022	(505,471)
Net position - beginning of year	<u>1,276,114</u>	<u>413,565</u>	<u>1,689,679</u>
Net position - end of year	<u>\$ 758,621</u>	<u>\$ 425,587</u>	<u>\$ 1,184,208</u>

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

YEAR ENDED SEPTEMBER 30, 2018

	<u>Health Insurance</u>	<u>Liability Insurance</u>	<u>Total</u>
Operating activities			
Cash received from vendors for program expenses	\$ 1,222	\$ -	\$ 1,222
Payments to vendors	(5,629)	(3,307)	(8,936)
Benefit payments	-	(73,733)	(73,733)
Net cash provided by (used in) operating activities	<u>(4,407)</u>	<u>(77,040)</u>	<u>(81,447)</u>
Noncapital financing activities			
Transfers out	(520,641)	-	(520,641)
Net cash used in noncapital financing activities	<u>(520,641)</u>	<u>-</u>	<u>(520,641)</u>
Investing activities			
Purchases of pooled investments	(816,568)	(1,544,403)	(2,360,971)
Cash received on sale of pooled investments	1,315,191	1,600,966	2,916,157
Interest received	7,457	3,594	11,051
Net cash provided by investing activities	<u>506,080</u>	<u>60,157</u>	<u>566,237</u>
Change in cash and cash equivalents	<u>(18,968)</u>	<u>(16,883)</u>	<u>(35,851)</u>
Cash and cash equivalents			
Beginning of year	<u>578,676</u>	<u>159,320</u>	<u>737,996</u>
End of year	<u>\$ 559,708</u>	<u>\$ 142,437</u>	<u>\$ 702,145</u>
Cash and cash equivalents classified as:			
Equity in pooled cash and investments	\$ 748,541	\$ 1,797,071	\$ 2,545,612
Less: investments not meeting definition of cash equivalents	(188,833)	(1,654,634)	(1,843,467)
	<u>\$ 559,708</u>	<u>\$ 142,437</u>	<u>\$ 702,145</u>
Reconciliation of operating income to net cash used in operating activities			
Operating income	\$ (4,776)	7,267	\$ 2,491
Change in assets, liabilities and deferred outflows:			
Accounts receivable	(240)	-	(240)
Accounts payable and contracts payable	609	(3,307)	(2,698)
Claims payable	-	(81,000)	(81,000)
Total adjustments	<u>369</u>	<u>(84,307)</u>	<u>(83,938)</u>
Net cash provided by (used in) operating activities	<u>\$ (4,407)</u>	<u>\$ (77,040)</u>	<u>\$ (81,447)</u>

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

YEAR ENDED SEPTEMBER 30, 2018

	Balance			Balance
	October 1, 2017	Additions	Deletions	September 30, 2018
Health and Life Insurance Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 4,880,415	\$ (4,880,415)	\$ -
Liabilities				
Accounts payable	\$ -	\$ 4,880,415	\$ (4,880,415)	\$ -
Retirement Premium Assistance Fund				
Assets				
Cash and cash equivalents	\$ -	887,019	(887,019)	\$ -
Liabilities				
Escrow	\$ -	887,019	(887,019)	\$ -
Total All Agency Funds				
-				
Assets				
Cash and cash equivalents	\$ -	\$ 5,767,434	\$ (5,767,434)	\$ -
Liabilities				
Accounts payable	\$ -	\$ 4,880,415	\$ (4,880,415)	\$ -
Escrow	-	887,019	(887,019)	-
Total liabilities				
	\$ -	\$ 5,767,434	\$ (5,767,434)	\$ -

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

STATE / LOCAL AGENCY, PASS-THROUGH ENTITY STATE / LOCAL PROJECT	CSFA#	DATE OF AWARD	PROJECT IDENTIFICATION NUMBER	PROGRAM OR AWARD AMT	TOTAL EXPENDITURES
FLORIDA DEPARTMENT OF TRANSPORTATION					
Aviation Development Grants	55.004	5/22/13	429707-1-94-01	\$ 400,000	\$ 164,875
Aviation Development Grants	55.004	5/11/15	430941-1-94-01	728,600	23,872
Aviation Development Grants	55.004	9/13/16	439717-1-94-01	500,000	74,654
Aviation Development Grants	55.004	9/13/16	439716-1-94-01	800,000	15,631
Aviation Development Grants	55.004	2/28/17	437981-1-94-01	3,160,000	92,146
Aviation Development Grants	55.004	5/13/16	434602-1-94-01	2,640,000	121,788
TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION					<u>492,966</u>
FLORIDA DEPARTMENT OF STATE					
Division of Historical Resources	45.031	11/28/17	18.h.sm.200.051	35,000	35,000
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE					<u><u>\$ 527,966</u></u>
ST. JOHN'S RIVER WATER MANAGEMENT DISTRICT					
Reverse Osmosis (RO) Water Treatment Facility Expansion	n/a	10/22/15	28390	\$ 900,000	\$ 119,832
Hybrid Septic Tank Effluent Pumping (STEP) System, Phase 2	n/a	2/18/16	28534	200,750	56,500
TOTAL ST. JOHN'S RIVER WATER MANAGEMENT DISTRICT					<u>176,332</u>
FLORIDA INLAND NAVIGATION DISTRICT					
Fishing Pier at Riverside Park, Phase II	n/a	11/29/17	IR-VB-17-62	110,000	98,539
INDIAN RIVER LAGOON COUNCIL					
Vero Isles Outfalls Improvements	n/a	8/24/17	IRL 2016-026	122,000	104,554
TOTAL EXPENDITURES OF LOCAL FINANCIAL ASSISTANCE					<u><u>\$ 379,425</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND LOCAL FINANCIAL ASSISTANCE

NOTE 1 - ACCOUNTING POLICIES:

The Schedule of Expenditures of State and 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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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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental Activities				
Net investment in capital assets	\$ 41,230,126	\$ 40,283,960	\$ 36,988,494	\$ 35,672,967
Restricted	4,118,073	5,257,686	5,729,880	5,088,640
Unrestricted	<u>(22,356,798) (4)</u>	<u>(17,430,737)</u>	<u>(15,944,231) (3)</u>	<u>(22,913,106) (1)</u>
Total Governmental Activities				
Net Position	<u>\$ 22,991,401</u>	<u>\$ 28,110,909</u>	<u>\$ 26,774,143</u>	<u>\$ 17,848,501</u>
Business-Type Activities				
Net investment in capital assets	\$ 152,332,030	\$ 149,467,827	\$ 165,590,074	\$ 161,203,319
Restricted	2,000,000	2,000,000	2,000,000	2,000,000
Unrestricted	<u>31,698,542 (5)</u>	<u>29,333,484</u>	<u>36,187,202 (3)</u>	<u>42,128,961 (2)</u>
Total Business-Type Activities				
Net Position	<u>\$ 186,030,572</u>	<u>\$ 180,801,311</u>	<u>\$ 203,777,276</u>	<u>\$ 205,332,280</u>
Primary Government				
Net investment in capital assets	\$ 193,562,156	\$ 189,751,787	\$ 202,578,568	\$ 196,876,286
Restricted	6,118,073	7,257,686	7,729,880	7,088,640
Unrestricted	<u>9,341,744</u>	<u>11,902,747</u>	<u>20,242,971</u>	<u>19,215,855</u>
Total Primary Government				
Net Position	<u><u>\$ 209,021,973</u></u>	<u><u>\$ 208,912,220</u></u>	<u><u>\$ 230,551,419</u></u>	<u><u>\$ 223,180,781</u></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

2014	2013	2012	2011	2010	2009
\$ 28,542,240	\$ 29,631,269	\$ 29,908,083	\$ 28,499,031	\$ 26,837,755	\$ 22,195,840
5,400,588	5,165,879	4,600,854	5,028,407	6,171,920	8,564,965
(4,475,195)	(2,216,098)	(402,043)	4,227,519	9,458,667	10,369,274
<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>	<u>\$ 41,130,079</u>
\$ 170,783,743	\$ 177,072,568	\$ 171,182,649	\$ 174,571,428	\$ 174,465,006	\$ 170,554,819
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
50,692,532	47,424,788	50,423,511	46,207,638	44,343,955	28,152,936
<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>	<u>\$ 200,707,755</u>
\$ 199,325,983	\$ 206,703,837	\$ 201,090,732	\$ 203,070,461	\$ 201,302,761	\$ 192,750,659
7,400,588	7,165,879	6,600,854	7,028,407	8,171,920	10,564,965
46,217,337	45,208,690	50,021,468	50,435,155	53,802,622	38,522,210
<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>	<u>\$ 241,837,834</u>

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

	2018	2017	2016	2015
<u>Program Revenues</u>				
Governmental activities:				
Charges for Services:				
General Government	\$ 3,636,392	\$ 3,604,995	\$ 3,659,324	\$ 3,120,124
Public Safety	258,911	220,653	188,395	194,385
Physical Environment	218,324	233,292	339,528	194,881
Culture/Recreation	499,926	527,190	516,220	509,375
Operating Grants and Contributions	79,794	570,180	484,508	513,190
Capital Grants and Contributions	347,023	2,113,592	1,253,687	91,742
Total Governmental Activities Program Revenues	<u>5,040,370</u>	<u>7,269,902</u>	<u>6,441,662</u>	<u>4,623,697</u>
Business-Type Activities:				
Charges for Services:				
Electric System	92,290,247	86,654,495	91,981,478	92,830,617
Water and Sewer System	16,484,264	16,902,369	16,188,317	16,029,976
Municipal Airport	2,936,011	2,667,741	2,516,607	2,514,581
Municipal Marina	1,781,640	1,545,493	1,498,695	1,546,143
Solid Waste	2,858,130	2,832,737	2,747,822	2,740,889
Recreation	-	-	-	-
Operating Grants and Contributions	2,128,768	804,917	-	-
Capital Grants and Contributions	2,561,161	7,168,130	2,735,272	1,271,305
Total Business-Type Activities Program Revenues	<u>121,040,221</u>	<u>118,575,882</u>	<u>117,668,191</u>	<u>116,933,511</u>
Total Program Revenues	<u>\$ 126,080,591</u>	<u>\$ 125,845,784</u>	<u>\$ 124,109,853</u>	<u>\$ 121,557,208</u>
<u>Expenses</u>				
Governmental activities:				
General Government	\$ 10,777,489	\$ 10,461,740	\$ 9,595,925	\$ 9,237,771
Public Safety	8,257,722	8,647,963	8,374,255	7,498,780
Physical Environment	225,226	214,628	208,813	193,287
Transportation	2,525,844	2,410,448	2,683,590	3,835,253
Culture and Recreation	4,681,936	4,644,893	4,664,530	4,735,272
Interest and Fiscal Charges	263,554	277,386	276,390	249,296
Total Governmental Activities Expenses	<u>26,731,771</u>	<u>26,657,058</u>	<u>25,803,503</u>	<u>25,749,659</u>
Business-Type Activities:				
Electric System	81,136,691	90,705,047	84,176,814	84,536,494
Water and Sewer System	14,437,913	13,604,066	13,643,485	13,133,789
Municipal Airport	3,905,791	3,226,727	3,239,835	3,314,122
Municipal Marina	1,441,555	1,377,152	1,255,700	1,340,805
Solid Waste	2,615,601	2,552,714	2,550,937	2,287,153
Recreation	-	-	-	-
Total Business-Type Activities Expenses	<u>103,537,551</u>	<u>111,465,706</u>	<u>104,866,771</u>	<u>104,612,363</u>
Total Expenses	<u>\$ 130,269,322</u>	<u>\$ 138,122,764</u>	<u>\$ 130,670,274</u>	<u>\$ 130,362,022</u>

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

	2014	2013	2012	2011	2010	2009
\$	3,023,348	\$ 3,209,874	\$ 3,322,533	\$ 3,249,020	\$ 3,433,293	\$ 3,482,547
	174,406	177,152	166,584	129,944	135,453	144,526
	164,918	170,416	127,392	92,702	110,949	124,607
	-	-	-	-	-	-
	635,643	519,600	527,612	-	3,785	9,195
	179,446	282,007	82,739	88,014	1,342,451	668,420
	<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>	<u>4,429,295</u>
	93,252,348	90,957,716	86,941,142	84,281,650	99,446,208	104,432,117
	15,665,556	15,482,251	17,312,617	18,434,117	17,157,092	15,364,272
	2,442,121	2,303,092	2,310,893	2,592,932	2,685,178	2,681,794
	1,684,381	1,720,499	1,715,912	1,647,314	1,540,091	1,522,730
	2,705,412	2,586,679	2,487,424	2,498,231	2,451,665	2,390,865
	579,465	564,041	561,910	562,592	576,807	580,649
	44,794	-	-	177,937	317,745	825,373
	2,605,464	2,209,793	1,199,221	2,585,075	5,513,352	1,214,759
	<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>129,012,559</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>	<u>\$ 133,441,854</u>
\$	10,889,683	\$ 12,037,462	\$ 9,797,132	\$ 12,958,247	\$ 8,999,861	\$ 9,758,981
	7,491,964	7,454,292	7,585,350	7,776,116	8,154,065	8,194,248
	197,150	171,260	155,472	133,192	176,820	190,891
	2,151,441	2,325,155	2,479,329	2,652,809	2,901,749	3,030,214
	1,824,566	1,781,225	866,935	807,693	1,344,264	916,770
	257,600	253,000	620,728	528,045	570,752	612,897
	<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>	<u>22,704,001</u>
	84,916,435	84,658,883	81,518,083	81,241,261	80,438,637	92,310,015
	13,213,332	13,437,853	14,787,816	15,390,337	14,587,327	15,240,453
	3,072,287	3,180,768	3,133,745	3,086,270	3,064,701	2,966,218
	1,508,790	1,646,038	1,701,291	1,717,969	1,602,132	1,548,029
	2,266,298	2,116,377	2,301,788	2,268,793	2,407,124	2,503,471
	2,659,264	2,495,572	3,336,862	3,462,899	3,646,095	3,976,091
	<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>118,544,277</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>	<u>\$ 141,248,278</u>

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

	2018	2017	2016	2015
<u>Net (Expense)/Revenue</u>				
Governmental activities	\$ (21,691,401)	\$ (19,387,156)	\$ (19,361,841)	\$ (21,125,662)
Business-Type Activities	17,502,670	7,110,176	12,801,420	12,321,148
Total Primary Government Net Expense	<u>\$ (4,188,731)</u>	<u>\$ (12,276,980)</u>	<u>\$ (6,560,421)</u>	<u>\$ (8,804,514)</u>
<u>General Revenues and Other Changes in Net Position</u>				
Governmental activities:				
Property Taxes, Levied for General Purposes	\$ 6,504,063	\$ 6,067,927	\$ 5,456,351	\$ 4,335,449
Sales and gas taxes	2,814,155	2,666,342	2,542,706	2,525,140
Utility Taxes	3,506,556	3,387,171	3,371,684	3,321,721
Intergovernmental revenue: state revenue sharing	2,184,765	2,152,732	1,679,141	1,645,349
Investment Earnings	59,253	79,629	167,602	228,767
Other revenues	441,187	102,235	500,070	94,948
Transfers	6,353,386	6,267,886	6,401,986	6,656,986
Total Governmental Activities	<u>21,863,365</u>	<u>20,723,922</u>	<u>20,119,540</u>	<u>18,808,360</u>
Business-Type Activities:				
Investment Earnings	121,409	139,248	294,211	296,383
Other revenues	719,471	165,839	(80,706)	(177,305)
Transfers	(6,353,386)	(6,267,886)	(6,401,986)	(6,656,986)
Total Business-Type Activities	<u>(5,512,506)</u>	<u>(5,962,799)</u>	<u>(6,188,481)</u>	<u>(6,537,908)</u>
Total general revenues	<u>\$ 16,350,859</u>	<u>\$ 14,761,123</u>	<u>\$ 13,931,059</u>	<u>\$ 12,270,452</u>
<u>Changes in net position before special/extraordinary items</u>				
Governmental activities:	\$ 171,964	\$ 1,336,766	\$ 757,699	\$ (2,317,302)
Business-Type Activities:	11,990,164	1,147,377	6,612,939	5,783,240
<u>Special/Extraordinary Items</u>				
Special Item - loss on impairment of assets	-	(24,123,342)	-	-
Governmental activities - Release of settlement reserve	\$ -	\$ -	\$ -	\$ -
<u>Changes in Net Position</u>				
Governmental activities:	\$ 171,964	\$ 1,336,766	\$ 757,699	\$ (2,317,302)
Business-Type Activities:	11,990,164	(22,975,965)	6,612,939	5,783,240
Total Primary Government Change in Net Position	<u>\$ 12,162,128</u>	<u>\$ (21,639,199)</u>	<u>\$ 7,370,638</u>	<u>\$ 3,465,938</u>

2014	2013	2012	2011	2010	2009
\$ (18,634,643)	\$ (19,663,345)	\$ (17,278,086)	\$ (21,296,422)	\$ (17,121,580)	\$ (18,274,706)
11,343,135	8,288,580	5,749,534	5,612,319	23,942,122	10,468,281
<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>	<u>\$ (7,806,425)</u>
\$ 4,189,203	\$ 4,115,113	\$ 4,245,008	\$ 4,238,150	\$ 4,716,695	\$ 5,021,184
2,558,056	2,234,588	2,225,963	2,829,121	2,825,674	2,993,549
3,413,665	3,492,793	3,438,308	3,463,808	3,558,582	3,744,719
1,607,641	1,525,146	1,478,492	1,558,925	1,547,006	1,578,507
89,954	46,097	216,447	298,044	542,431	602,859
144,557	121,400	117,811	54,178	3,806	14,424
5,147,454	5,236,999	4,678,934	4,140,811	4,440,568	3,708,912
<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>	<u>17,664,154</u>
126,448	68,290	220,054	355,413	388,308	481,109
(1,134,393)	270,430	223,142	143,184	211,344	141,159
<u>(5,147,454)</u>	<u>(5,236,999)</u>	<u>(4,678,934)</u>	<u>(4,140,811)</u>	<u>(4,440,568)</u>	<u>(3,708,912)</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>(3,086,644)</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>	<u>\$ 14,577,510</u>
\$ (1,484,113)	\$ (2,891,209)	\$ (877,123)	\$ (4,713,385)	\$ 513,182	\$ (610,552)
5,187,736	3,390,301	1,513,796	1,970,105	20,101,206	7,381,637
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,471,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (1,484,113)	\$ (1,420,072)	\$ (877,123)	\$ (4,713,385)	\$ 513,182	\$ (610,552)
5,187,736	3,390,301	1,513,796	1,970,105	20,101,206	7,381,637
<u>\$ 3,703,623</u>	<u>\$ 1,970,229</u>	<u>\$ 636,673</u>	<u>\$ (2,743,280)</u>	<u>\$ 20,614,388</u>	<u>\$ 6,771,085</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund				
Nonspendable				
Inventories and Prepaids	\$ 112,934	\$ 185,022	\$ 189,311	\$ 152,542
Committed for:				
Encumbrances	-	-	-	-
Physical environment	62,387	72,543	64,708	3,521
Emergency (Disaster) Reserve	2,000,000 (3)	1,009,706 (2)	2,000,000 (1)	-
Unassigned	<u>8,134,137</u>	<u>8,064,718</u>	<u>7,951,818</u>	<u>9,847,661</u>
Total General Fund	<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	45,709	42,769	44,933	30,100
Culture & recreation	862,736	857,656	854,849	871,255
Physical environment	3,209,628	4,357,261	4,830,098	4,187,285
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,293)</u>
Total All Other Governmental Funds	<u>4,118,073</u>	<u>5,257,686</u>	<u>5,729,880</u>	<u>5,022,347</u>
Total Governmental Funds	<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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 142,414	\$ 163,813	\$ 166,727	\$ 135,474	\$ 155,984	\$ 180,971
-	-	-	19,536	19,535	22,140
3,063	2,742	2,128	2,000	-	-
-	-	-	-	-	-
<u>9,420,477</u>	<u>8,927,984</u>	<u>7,643,813</u>	<u>7,726,170</u>	<u>8,286,607</u>	<u>8,571,791</u>
<u>9,565,954</u>	<u>9,094,539</u>	<u>7,812,668</u>	<u>7,883,180</u>	<u>8,462,126</u>	<u>8,774,902</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,739	\$ 3,739
30,763	34,777	49,183	43,255	34,208	24,379
903,189	900,833	927,148	964,074	960,219	806,511
4,466,636	4,230,269	3,622,395	4,122,164	5,236,445	7,685,122
<u>(88,058)</u>	<u>(82,783)</u>	<u>(105,954)</u>	<u>(103,086)</u>	<u>(62,691)</u>	<u>45,214</u>
<u>5,312,530</u>	<u>5,083,096</u>	<u>4,492,772</u>	<u>5,026,407</u>	<u>6,171,920</u>	<u>8,564,965</u>
<u><u>\$ 14,878,484</u></u>	<u><u>\$ 14,177,635</u></u>	<u><u>\$ 12,305,440</u></u>	<u><u>\$ 12,909,587</u></u>	<u><u>\$ 14,634,046</u></u>	<u><u>\$ 17,339,867</u></u>

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

	2018	2017	2016	2015	2014
<u>Revenues</u>					
Taxes	\$ 12,972,024	\$ 12,276,567	\$ 11,518,440	\$ 10,344,495	\$ 10,320,454
Licenses and permits	146,704	164,629	197,406	141,970	128,494
Intergovernmental	2,184,765	2,152,732	2,157,674	2,144,791	2,148,831
Special assessments	-	-	-	2,186	3,420
Grants	689,739	2,116,519	1,259,662	103,990	273,850
Charges for services	3,733,279	3,694,367	3,617,980	3,286,376	2,846,518
Fines and forfeitures	190,888	173,786	144,900	147,881	138,627
Investment earnings	46,575	63,328	128,604	182,099	66,746
Rental	387,474	384,965	388,401	274,493	89,501
Contributions from private sources	251,590	14,495	277,805	-	-
Miscellaneous	80,605	96,727	134,848	80,673	143,276
Total Revenues	20,683,643	21,138,115	19,825,720	16,708,954	16,159,717
<u>Expenditures</u>					
Current:					
General government	8,953,247	9,115,028	7,659,359	6,928,971	6,646,807
Public safety	8,046,156	7,706,238	7,692,670	7,154,142	7,261,340
Physical environment	197,833	191,852	183,932	174,602	170,195
Transportation	2,251,096	2,166,364	2,404,555	2,182,186	1,956,491
Culture and recreation	4,188,960	4,109,130	4,078,615	3,905,673	1,756,644
Debt Service:					
Principal	1,206,477	1,935,632	1,775,302	1,634,857	1,368,021
Interest and Fiscal Charges	274,346	287,813	264,037	249,296	257,600
Capital outlay	3,751,507	4,568,829	3,985,919	2,733,758	1,189,224
Total Expenditures	28,869,622	30,080,886	28,044,389	24,963,485	20,606,322
Excess of Revenues Over (Under) Expenditures	(8,185,979)	(8,942,771)	(8,218,669)	(8,254,531)	(4,446,605)
<u>Other Financing Sources (Uses)</u>					
Capital Contributions	-	1,500	-	1,500	-
Transfers in	9,966,426	10,498,894	10,211,440	10,104,049	9,448,012
Transfers out	(3,092,399)	(3,710,367)	(3,285,488)	(2,926,422)	(4,300,558)
Proceeds from sale of assets	64,106	45,014	77,191	14,275	-
Payments to refunded bond escrow agent	-	-	-	-	-
Proceeds from insurance	377,757	60,421	-	-	-
Debt Proceeds	707,945	701,267	2,125,172	1,228,001	-
Total Other Financing Sources (Uses)	8,023,835	7,596,729	9,128,315	8,421,403	5,147,454
Net Change in Fund Balances	\$ (162,144)	\$ (1,346,042)	\$ 909,646	\$ 166,872	\$ 700,849
Debt Service as a Percentage of Noncapital Expenditures	5.7%	8.6%	8.4%	8.3%	8.3%

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

2013	2012	2011	2010	2009
\$ 10,002,824	\$ 10,008,688	\$ 10,163,606	\$ 10,749,610	\$ 11,249,507
143,097	138,185	106,574	3,174,684	3,274,316
2,044,746	2,051,908	2,106,289	35,338	38,592
3,631	11,516	22,864	96,815	103,749
278,376	71,223	87,707	2,257,828	2,438,026
3,045,522	3,131,087	2,988,790	412,287	429,315
118,992	112,523	106,210	111,028	96,682
33,809	174,841	61,684	1,176,255	489,270
89,501	89,501	221,525	126,716	121,697
121,400	118,336	90,201	90,650	90,400
15,881,898	15,907,808	15,955,450	18,231,211	18,331,554

6,722,124	6,940,344	7,115,755	7,304,070	7,817,057
7,215,246	7,335,551	7,463,952	7,779,188	7,946,503
147,408	130,280	133,192	176,820	190,891
2,080,976	2,291,290	2,483,447	2,767,901	2,869,593
1,750,289	827,972	758,802	846,206	884,577

516,402	1,965,190	1,133,960	1,096,335	1,047,541
253,000	620,728	528,045	570,752	612,897
927,595	1,329,616	2,203,566	4,836,328	2,495,706
19,613,040	21,440,971	21,820,719	25,377,600	23,864,765

(3,731,142)	(5,533,163)	(5,865,269)	(7,146,389)	(5,533,211)
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-	-	-	-	-
8,892,541	17,298,437	10,553,456	11,884,520	10,296,500
(3,467,864)	(12,431,825)	(6,412,645)	(7,443,952)	(6,587,588)
-	-	-	-	-
-	(5,827,724)	-	-	-
-	-	-	-	-
178,788	5,890,000	-	-	-

5,603,465	4,928,888	4,140,811	4,440,568	3,708,912
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\$ 1,872,323	\$ (604,275)	\$ (1,724,458)	\$ (2,705,821)	\$ (1,824,299)
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4.1% 12.8% 8.5% 8.1% 7.8% (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>
2009	5,021	2,291	1,866	1,453	456	11,088
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

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
2009	3,598,746	150,714	1,073,828	2,675,631	1.9367	3,344,539 (2)
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	3,822,520

(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	City of Vero Beach	OVERLAPPING RATES (1)				
			Indian River County	School District	Emergency Services District	Indian River Memorial Hospital	Special Districts
2009	15.6062	1.9367	3.0689	7.0400	1.7148	0.7560	1.0898
2010	16.3637	1.9367	3.0892	7.5960	1.7148	0.9471	1.0799
2011	17.0533	1.9367	3.0892	8.2500	1.7148	0.9386	1.1240
2012	17.0915	2.0336	3.0892	8.2440	1.7148	0.9386	1.0713
2013	17.1040	2.0336	3.0892	8.3029	1.7148	0.9386	1.0249
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

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 2018 AND YEAR 2009 (TABLE 8) - UNAUDITED

2018			
TAXPAYER	Taxable Assessed	Rank	Percentage of Total Taxable
	Value		Assessed Value
Piper Aircraft Inc	\$ 20,917	1	0.78%
3700 Ocean Drive LLC	18,342	2	0.69%
IRT Partners LP	10,441	3	0.39%
Cabana Beach Hotel & Resort LLC	9,291	4	0.35%
Ocean Drive at Vero Beach LLC	9,080	5	0.34%
TGM LLC (Less)	9,038	6	0.34%
Quail Valley LLC	8,892	7	0.33%
Indian River Plaza LLC	8,091	8	0.30%
Bellsouth Telecommunications	7,706	9	0.29%
Davison Kathleen (TR)	7,582	10	0.28%
Total Principal Property Taxpayers	<u>\$ 109,381</u>		
Total Taxable Assessed Value	<u>\$ 2,668,855</u>		

2009			
TAXPAYER	Taxable Assessed	Rank	Percentage of Total Taxable
	Value		Assessed Value
New Piper Aircraft Inc	\$ 23,430	1	0.88%
Cabana Beach Hotel & Resort LLC	18,218	2	0.68%
Bellsouth Telecommunications	15,559	3	0.58%
Ocean Drive at Vero Beach LLC	11,943	4	0.45%
IRT Partners LP	11,224	5	0.42%
Quail Valley LLC	10,969	6	0.41%
Vero Beach Gamma LLC	10,322	7	0.39%
Sandler at Pinecrest, LLC	10,289	8	0.38%
Logan Acquisitions Corp (Less)	9,096	9	0.34%
Thomas & Gail Molesta (1/2) (Less)	8,638	10	0.32%
Total Principal Property Taxpayers	<u>\$ 129,688</u>		
Total Taxable Assessed Value	<u>\$ 2,675,631</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
2009	5,182	5,018	96.8%	2.72	5,021	96.9%
2010	4,852	4,715	97.2%	2.77	4,717	97.2%
2011	4,371	4,233	96.8%	4.32	4,237	96.9%
2012	4,384	4,246	96.9%	0.90	4,247	96.9%
2013	4,257	3,994	93.8%	121.00	4,115	96.7%
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%

Source: Indian River County Property Appraiser and Tax Collector

CITY OF VERO BEACH, FLORIDA
PRINCIPAL PAYERS OF ELECTRIC AND WATER SERVICE
FISCAL YEAR 2018 (TABLE 10) - UNAUDITED

Ten Largest Electric Users - Fiscal Year 2018

	<u>Customer</u>	<u>Kwh Usage</u>	<u>Kwh Revenue</u>	<u>Percentage of Total Sales</u>
1	IR Memorial Hospital	24,121,136	\$ 2,686,798	2.95%
2	Piper Aircraft	20,565,887	2,001,798	2.20%
3	Wal-Mart/Sams	11,444,624	1,240,622	1.36%
4	Publix Stores	8,572,338	930,808	1.02%
5	Indian River Mall	6,244,721	703,783	0.77%
6	John's Island	5,218,652	600,675	0.66%
7	Vero Beach High School	4,705,416	540,224	0.59%
8	IRC Sheriff Dept	4,191,500	476,609	0.52%
9	IRC Commissioners	4,096,940	469,866	0.51%
10	Treasure Coast Rehab	3,022,334	329,358	0.36%

Total Principal Users of Electric Service 92,183,548 \$ 9,980,541 10.94%

Ten Largest Water Users - Fiscal Year 2018

	<u>Customer</u>	<u>Gallon Usage</u>	<u>Water Revenue*</u>	<u>Percentage of Total Sales</u>
1	IR Memorial Hospital	26,907,000	\$ 174,832	2.47%
2	Piper Aircraft	26,641,000	75,807	1.07%
3	Johns Island	16,677,000	104,692	1.48%
4	Los Angeles Dodgers / MILB	10,337,000	32,602	0.46%
5	Vero Beach High School	10,249,000	58,021	0.82%
6	Driftwood Resort	9,226,000	26,542	0.37%
7	Cabana Beach Hotel & Resort	8,381,000	24,505	0.35%
8	The Pines of Vero Condo Assoc	8,340,000	35,019	0.49%
9	Flight Safety	6,546,000	22,449	0.32%
10	Vero Hotel Management	4,978,000	13,593	0.19%

Total Principal Users of Water Service 128,282,000 \$ 568,059 8.02%

* - disparity in ranking order between water usage and revenue is caused by rate structure tiers.
Source: City of Vero Beach Customer Service

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					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	(2) Per Capita	
2009	-	-	15,023	841	53,325	-	-	26,733	1,405	95,081
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

- (1) The City's population is used to compute per capita on governmental debt.
(2) The City's service territory encompasses approximately 40 sq. miles inside and outside the city limits. The utility service population of 57,000 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.

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 2018 (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	\$ 11,495,000	15.35%	\$ 1,764,964
Other Debt:			
Indian River County School District Certificates of Participation	114,644,311	15.35%	17,602,705
		Total Overlapping Debt	19,367,669
Series 2007 B Revenue Refunding Notes	4,527,148	100%	4,527,148
Series 2016 Capital Improvement Revenue Note	1,275,000	100%	1,275,000
Capital Lease Payable	1,592,335	100%	1,592,335
		Total Direct Debt	7,394,483
		Total Direct and Overlapping Debt	\$ 26,762,152

Source: Information on outstanding debt from Indian River County Comprehensive Annual Financial Report 2018 and Indian River County School Board State of Florida Auditor General Financial and Federal Single Audit Report 2017

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
ELECTRIC 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 (3)
				Principal	Interest	Total	
2009	105,250	83,069	22,182	3,422	2,870	6,292	3.53
2010	99,843	70,805	29,038	3,995	2,700	6,695	4.34
2011	84,544	71,929	12,615	4,155	2,539	6,694	1.88
2012	87,160	72,359	14,801	4,341	2,394	6,735	2.20
2013	91,106	75,564	15,542	4,529	2,143	6,672	2.33
2014	93,400	76,285	17,115	7,955	1,855	9,810	1.74
2015	93,122	76,100	17,022	3,889	1,585	5,474	3.11
2016	92,247	76,278	15,969	4,151	1,393	5,544	2.88
2017	87,525 (4)	78,099 (4)	9,426	4,562	1,206	5,768	1.63
2018	94,435 (5)	74,131 (5)	20,304	4,636	992	5,628	3.61

(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.

(3) Coverage shown for all debt, including capital lease-purchases which do not have a specific coverage requirement.

(4) Operating revenues for FY 2017 include \$707K of grant revenue associated with Hurricane Matthew. Operating expenses for FY 2017 include \$2.968 million in hurricane expenses associated with Hurricanes Matthew and Irma.

(5) Operating revenues for FY 2018 include \$1.483 million of grant revenue associated with Hurricanes Jeanne, Francis, and Matthew. Operating expenses for FY 2018 include \$139.5K in hurricane expenses associated with Matthew and Irma.

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	
2009	15,511	11,907	3,604	435	638	1,073	3.36
2010	19,329	11,241	8,088	851	614	1,465	5.52
2011	18,589	11,567	7,022	1,454	888	2,342	3.00
2012	17,411	10,751	6,660	1,495	777	2,272	2.93
2013	15,545	9,511	6,034	1,468	635	2,103	2.87
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

(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</u>	<u>Total (1) Personal Income (in thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
2009	17,855	7,610,327	56,303	13.6%
2010 (3)	15,220	6,534,146	47,689	14.0%
2011 (3)	15,222	6,736,286	48,726	13.6%
2012 (3)	15,318	7,080,348	50,977	12.6%
2013 (3)	15,527	7,429,653	52,855	8.6%
2014 (3)	15,989	7,731,263	54,448	7.9%
2015 (3)	16,017	9,139,102	63,140	7.2%
2016 (3)	16,358	10,055,169	67,978	6.7%
2017 (3)	16,751	10,380,777	68,491	4.6%
2018 (3)	16,919	11,312,198	73,274	3.9%

(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 2018 AND YEAR 2009 (TABLE 16) - UNAUDITED

Employer	2018		
	Number of Employees	Ranking	Percentage of Total County Employment
School District of Indian River County	2,407	1	3.86%
Indian River Medical Center	2,099	2	3.37%
Indian River County	1,441	3	2.31%
Publix Supermarkets	1,300	4	2.09%
New Piper Aircraft, Inc	995	5	1.60%
Wal-Mart	736	6	1.18%
Sebastian River Medical Center	595	7	0.95%
John's Island	580	8	0.93%
Medical Data Systems	500	9	0.80%
Visiting Nurse Association	432	10	0.69%
Total Principal Employers	11,085		17.79%
Total County Employees	62,318		
Employer	2009		
	Number of Employees		Percentage of Total County Employment
School District of Indian River County	2,147		4.06%
Indian River County	1,706		3.23%
Indian River Medical Center	1,671		3.16%
Publix Supermarkets	1,104		2.09%
New Piper Aircraft, Inc	700		1.32%
City of Vero Beach	561		1.06%
John's Island	475		0.90%
Indian River Estates	442		0.84%
Wal-Mart	404		0.76%
Sebastian River Medical Center	380		0.72%
Total Principal Employers	9,590		18.15%
Total County Employees	52,832		

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Governmental Activities</u>										
General Government										
City Clerk	5	5	5	5	4	4	4	4	4	5
City Manager	2	2	2	2	2	2	2	2	3	3
City Attorney	4	4	3	3	3	4	4	4	4	4
Human Resources	(2) 4	4	4	2	2	2	3	3	3	3
Finance	25	25	25	23	22	24	24	28	28	30
Planning & Development	5	5	4	6	6	7	7	8	9	9
Fleet Management	8	8	8	8	8	9	9	10	10	11
Facilities Management	7	7	7	7	7	7	8	10	11	12
Geographical Information Systems	2	2	2	2	2	3	3	3	3	3
Risk Management	(2) -	-	-	2	2	2	3	3	3	3
Public Safety	76	76	76	72	72	74	76	86	88	88
Physical Environment	1	1	1	1	1	1	1	1	3	3
Transportation	25	25	24	24	24	29	34	40	44	47
Culture & Recreation	50	50	49	46	30	33	34	35	36	39
Total	214	214	210	203	185	201	212	237	249	260
<u>Business-Type Activities</u>										
Electric System	78	80	93	101	106	107	108	113	113	119
Water and Sewer System	55	53	51	54	58	62	72	74	82	86
Municipal Airport	12	12	10	8	8	9	10	10	10	10
Municipal Marina	3	3	2	2	2	5	6	6	6	6
Solid Waste	23	23	23	23	23	24	26	27	29	29
Recreation	(1) -	-	-	-	16	17	17	17	19	24
Total	171	171	179	188	213	224	239	247	259	274
Citywide Totals:	385	385	389	391	398	425	451	484	508	534

(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.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function/Program										
Public Safety										
Police Department										
Traffic Violations	2,238	2,353	2,403	2,757	2,349	3,209	1,459	2,041	3,057	3,373
Parking Tickets	4,377	4,852	2,051	1,517	1,589	1,484	2,024	2,680	2,158	2,251
Physical Arrests	693	781	839	676	617	529	724	855	1,297	903
Transportation										
Streets and Highways										
Miles Paved	-	-	-	-	-	-	-	-	-	-
Asphalt for road maintenance (tons)	2,874	48	114	1,134	1,217	33	377	4,105	4,297	1,180
Sidewalks Repaired & Constructed (sq. ft.)	18,380	2,357	60	10,062	12,039	24,971	35,100	15,058	9,463	11,000
Physical Environment										
Stormwater Ditches Maintained (miles) 4 x per year	12	12	12	12	12	12	12	12	15	15
Culture and Recreation										
Parks and Public Grounds (acreage maintained)	265	280	280	280	280	229	229	229	229	229
Electric System										
Customers	35,850	35,610	35,338	34,881	34,602	34,308	34,068	33,931	33,307	33,216
Residential Consumption (KW in 000s)	374,577	361,274	382,341	363,558	349,808	337,620	339,355	360,331	379,311	347,195
Commercial Consumption (KW in 000s)	336,692	339,887	351,600	344,425	339,867	336,932	346,042	346,105	350,703	347,717
Industrial Consumption (KW in 000s)	14,512	14,696	14,160	14,052	15,340	14,261	14,130	14,015	13,789	12,026
Water System										
Customers	23,868	23,565	23,318	23,039	22,964	22,624	22,435	22,403	21,986	21,899
Water Consumption (GAL in 000s)	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	1,466,096
Irrigation Water Consumption (GAL in 000s)	301,147	326,065	292,529	282,684	272,586	278,612	322,867	396,500	348,509	377,507
Reuse Water Consumption (GAL in 000s)	874,530	942,372	915,013	912,420	859,760	817,103	649,450	531,145	508,716	517,712
Solid Waste										
Customers	8,419	8,426	8,392	8,332	8,764	8,707	8,647	8,613	8,021	8,130
Refuse Collected (TONS)	16,910	16,611	16,486	16,462	16,139	15,928	15,872	15,425	15,649	16,318
Yard Trash Collected (TONS)	1,894	2,162	2,338	2,261	2,168	2,183	2,010	2,251	2,250	2,198
Recyclables Collected (TONS)	(1)	(1)	(1)	(1)	(1)	13	16	11	8	11

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

CITY OF VERO BEACH, FLORIDA

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (TABLE 19) - UNAUDITED

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Police Department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	45	41	35	41	41	36	35	36	44	41
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	30
Stormwater Ditches (miles)	12	12	12	12	12	12	12	12	12	15
Culture and Recreation										
Parks	17	17	17	17	17	17	17	17	17	17
Recreation Centers	6	6	6	6	6	7	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	119.000
Gas Turbine 1 Unit (total output MW)	(1) -	-	-	38.000	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	274
Service Lines	11,975	11,975	11,975	11,975	11,975	11,975	11,975	11,967	11,967	11,967
Fire Hydrants	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,231	1,160	1,025
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	123
Force Mains (miles)	65	65	65	65	65	65	64	63	63	48
Manholes	2,697	2,672	2,660	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	12	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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2019.

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 CPA". The signature is written in a cursive style.

Orlando, Florida
March 26, 2019

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

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* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2018. The City's major federal program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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; and 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). Those standards 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 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. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on the Major Federal Program

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 for the year ended September 30, 2018.

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 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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. Accordingly, this report is not suitable for any other purpose.



Orlando, Florida
March 26, 2019

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

FEDERAL AGENCY, PASS-THROUGH ENTITY FEDERAL PROGRAM	CFDA #	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	\$ 3,581
DEPARTMENT OF HOMELAND SECURITY					
Florida Department of Emergency Management					
Disaster Grants - Public Assistance (Hurricane Matthew)	97.036	10/12/16	FEMA-4283-DR-FL	2,424,391	1,270,445
Hazard Mitigation Grant	97.039	5/17/18	4283-51-R H0064	525,000	12,976
					<u>1,283,421</u>
DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration (FAA)					
Airport Improvement Program	20.106	9/12/16	3-12-0083-040-2016	4,058,859	467,109
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 1,754,111</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards 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 2018, FEMA approved \$1,270,445 of eligible expenditures for Hurricane Matthew, an event that occurred in October 2016. Of this amount, \$1,267,939 was incurred during the fiscal year ended September 30, 2017 and \$2,506 was incurred during the fiscal year ended September 30, 2018.

In addition to the reimbursements received from FEMA, the City receives a 12.5% funding match 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 2018, this state funding match totaled \$211,741.

NOTE 3 - STATE AND LOCAL ASSISTANCE:

The City also received state and 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 140 of this report.

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

YEAR ENDED SEPTEMBER 30, 2018

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 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, 2018

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

Federal Awards 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

Dollar threshold used to determine Type A programs:

Federal \$ 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, 2018

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, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2019.

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 on Internal Control over Compliance Required by the Uniform Guidance; 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 March 26, 2019, 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.

Handwritten signature of Cheryl Behrman in cursive script.

Orlando, Florida
March 26, 2019

**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, 2018. 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, 2018.

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

Cherry Bekaert LLP

Orlando, Florida
March 26, 2019