

CITY OF VERO BEACH, FLORIDA

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND COMPLIANCE REPORTING

As of and for the Year Ended September 30, 2023

And Report of Independent Auditor

CITY OF VERO BEACH, FLORIDA
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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

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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 Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 schedule of expenditures of federal awards and state financial assistance, 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 Chapter 10.550, Rules of the Auditor General is presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards and state financial is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2025, 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.

Cherry Bekaert LLP

Orlando, Florida
April 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

This section in the financial statements 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 (the “City”) for the fiscal year ended September 30, 2023.

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

For the year ended September 30, 2023:

- The City’s total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$206.4 million (net position). Of this amount, \$67.0 million was from governmental activities and \$139.4 million was from business-type activities.
- Unrestricted net positions for governmental and business activities, respectively, were \$24.1 million and \$24.4 million.
- The City’s revenues for governmental funds, excluding other financing sources, were \$31.1 million. The expenditures for governmental funds were \$33.4 million.
- The business-type activities of the City had total revenues of \$32.9 million and total expenses of \$31.5 million before transfers.
- At the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$62.6 million, a decrease of \$2.8 million in comparison with the prior year. Approximately \$10.3 million, or 16%, 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 \$0.5 million. Long-term liabilities for governmental activities decreased by \$0.2 million.

Overview of the Financial Statements

The *Financial Section* of the report includes the Report of Independent Auditor, this MD&A, the basic financial statements, required supplementary information, and the schedule of expenditures of federal awards and state financial assistance.

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.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

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
- Schedule of Expenditures of Federal Awards and State Financial Assistance

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

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 and 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, interest and fiscal charges, and general government services. Business-type activities financed by user fees and charges include water and 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 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.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

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. There are three major funds in this group; the general fund, the infrastructure and real estate improvements fund, and the general government capital and construction fund. All other governmental funds have been combined into a single, aggregated presentation as non-major funds.

Proprietary Funds. The City's proprietary funds fall into two categories – enterprise funds and an internal service fund. The proprietary fund financial statements provide separate information for the City's individual enterprise funds since they are considered to be major funds. The City has a single internal service fund, which is shown in a separate column. Also, because the internal service fund represents an activity that predominately satisfies internal governmental needs, balance sheet and other data for the internal service fund are included as governmental activities, not business-type activities, in the government-wide financial statements.

The City's enterprise funds are the basis for the business-type activities information in the government-wide financial statements. The proprietary fund statements provide more detail about individual Enterprise fund operations. The City uses enterprise funds to account for its 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. The City's single internal service fund is the City's liability self-insurance fund. The internal service fund is included in the governmental rather than business-type activities category in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has three pension trust funds to account for the General Employee Retirement Plan, the Police Officers' Retirement Fund, and the Firefighter's Relief and Pension Fund. The City also has an Other Post Employment Benefits ("OPEB") trust fund, for the provision of retiree health insurance premium subsidies. The basic fiduciary fund financial statements can be found after the basic proprietary fund financial statements.

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

Other Information. Required Supplementary Information ("RSI") is the next section in this report. In the City's case, RSI schedules show the changes in net position and employer contributions for the City's employee pension funds and OPEB fund, and a schedule of investment returns for all fiduciary funds.

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.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

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 \$206.4 million. Further, the City has positive balances in all categories of net position-net investment in capital assets, restricted and unrestricted.

The City's combined net position decreased by \$1.3 million from the amounts previously reported at the end of fiscal year 2022. Governmental activities are responsible for decrease of \$3.2 million, while the business-type activities are responsible for an increase of \$2.0 million. Explanations for those changes are described below under the governmental activities and business-type activities sections of this MD&A.

The following schedule provides a comparative summary of net position for the City for fiscal years 2023 and 2022. 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	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 62,128,117	\$ 75,068,697	\$ 39,452,243	\$ 51,034,661	\$ 101,580,360	\$ 126,103,358
Capital assets, net	49,608,647	38,428,168	133,107,728	121,209,822	182,716,375	159,637,990
Total assets	111,736,764	113,496,865	172,559,971	172,244,483	284,296,735	285,741,348
Deferred Outflows of Resources						
Deferred Outflows-Pensions	11,154,134	16,333,116	2,112,411	4,518,237	13,266,545	20,851,353
Deferred Outflows-OPEB	1,050,805	1,390,779	345,407	419,678	1,396,212	1,810,457
Total deferred outflows	12,204,939	17,723,895	2,457,818	4,937,915	14,662,757	22,661,810
Liabilities						
Long-term liabilities	48,844,930	52,192,111	19,075,964	21,208,705	67,920,894	73,400,816
Other liabilities	1,739,644	1,319,369	3,487,986	4,207,645	5,227,630	5,527,014
Total liabilities	50,584,574	53,511,480	22,563,950	25,416,350	73,148,524	78,927,830
Deferred Inflows of Resources						
Deferred Inflows-Leases	1,525,521	1,653,878	11,912,410	12,839,022	13,437,931	14,492,900
Deferred Inflows-Unavailable Revenue	825,810	-	-	-	825,810	-
Deferred Inflows-Pensions	339,614	509,421	-	-	339,614	509,421
Deferred Inflows-OPEB	3,692,748	5,331,884	1,132,554	1,490,639	4,825,302	6,822,523
Total deferred inflows	6,383,693	7,495,183	13,044,964	14,329,661	19,428,657	21,824,844
Net Position						
Net investment in capital assets	38,035,313	35,943,853	114,988,589	115,378,336	153,023,902	151,322,189
Restricted	4,869,860	4,325,886	-	-	4,869,860	4,325,886
Unrestricted	24,068,263	29,944,358	24,420,286	22,058,051	48,488,549	52,002,409
Total net position	\$ 66,973,436	\$ 70,214,097	\$ 139,408,875	\$ 137,436,387	\$ 206,382,311	\$ 207,650,484

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.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

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, 2023 and 2022. 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	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 3,711,338	\$ 4,355,973	\$ 29,769,532	\$ 27,540,895	\$ 33,480,870	\$ 31,896,868
Operating grants	1,726,694	553,745	6,327	26,792	1,733,021	580,537
Capital grants	29,924	33,195	2,195,392	11,247,390	2,225,316	11,280,585
General Revenues	-	-	-	-	-	-
Property Taxes	9,833,255	8,146,789	-	-	9,833,255	8,146,789
Other Taxes	9,868,579	9,738,098	-	-	9,868,579	9,738,098
Intergovernmental	2,876,589	2,733,901	-	-	2,876,589	2,733,901
Investment earnings (losses)	1,918,455	(2,889,136)	711,648	(1,043,779)	2,630,103	(3,932,915)
Other revenue (expense)	744,179	205,516	169,291	154,101	913,470	359,617
Total revenues	<u>30,709,013</u>	<u>22,878,081</u>	<u>32,852,190</u>	<u>37,925,399</u>	<u>63,561,203</u>	<u>60,803,480</u>
Expenses:						
General Government	15,071,331	8,649,063	-	-	15,071,331	8,649,063
Public Safety	10,519,243	10,603,752	-	-	10,519,243	10,603,752
Physical Environment	245,221	344,018	-	-	245,221	344,018
Transportation	2,653,228	4,678,398	-	-	2,653,228	4,678,398
Culture and Recreation	4,740,327	5,525,649	-	-	4,740,327	5,525,649
Interest on long-term debt	65,324	119,507	-	-	65,324	119,507
Water and Sewer System	-	-	18,591,738	17,334,275	18,591,738	17,334,275
Municipal Airport	-	-	7,718,504	6,859,168	7,718,504	6,859,168
Municipal Marina	-	-	1,986,590	2,314,350	1,986,590	2,314,350
Solid Waste	-	-	3,237,870	3,120,111	3,237,870	3,120,111
Total expenses	<u>33,294,674</u>	<u>29,920,387</u>	<u>31,534,702</u>	<u>29,627,904</u>	<u>64,829,376</u>	<u>59,548,291</u>
Change in net position before transfers	(2,585,661)	(7,042,306)	1,317,488	8,297,495	(1,268,173)	1,255,189
Transfers	<u>(655,000)</u>	<u>1,319,000</u>	<u>655,000</u>	<u>(1,309,000)</u>	<u>-</u>	<u>10,000</u>
Change in net position	(3,240,661)	(5,723,306)	1,972,488	6,988,495	(1,268,173)	1,265,189
Net position - beginning	<u>70,214,097</u>	<u>75,937,403</u>	<u>137,436,387</u>	<u>130,457,892</u>	<u>207,650,484</u>	<u>206,395,295</u>
Net position - ending	<u>\$ 66,973,436</u>	<u>\$ 70,214,097</u>	<u>\$ 139,408,875</u>	<u>\$ 137,436,387</u>	<u>\$ 206,382,311</u>	<u>\$ 207,660,484</u>

Governmental Activities. Net position of the City's governmental-type activities decreased by \$3.2 million from the amounts previously reported at the end of fiscal year 2022. This was primarily due to a transfer out from the General Fund in the amount of \$ 2.0 million to the City Marina to support operations.

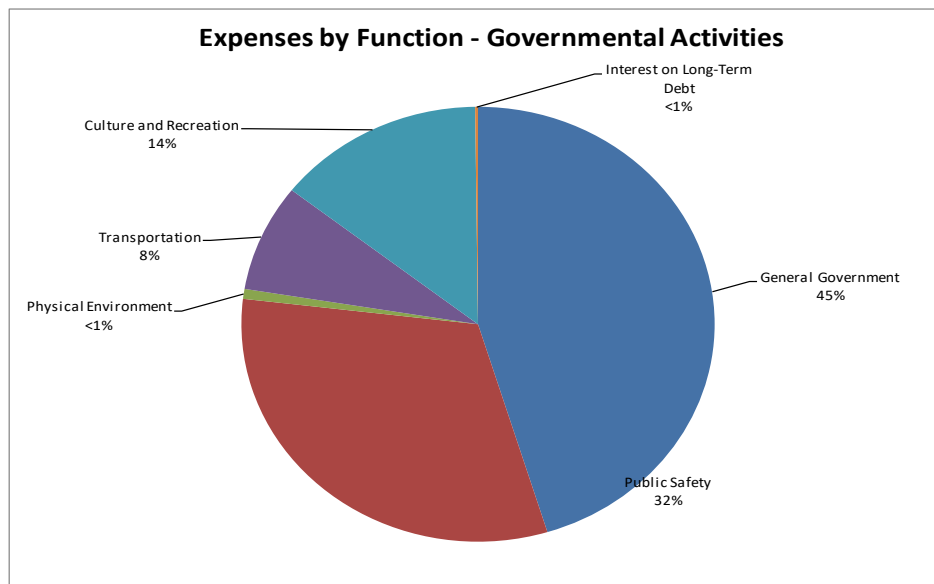
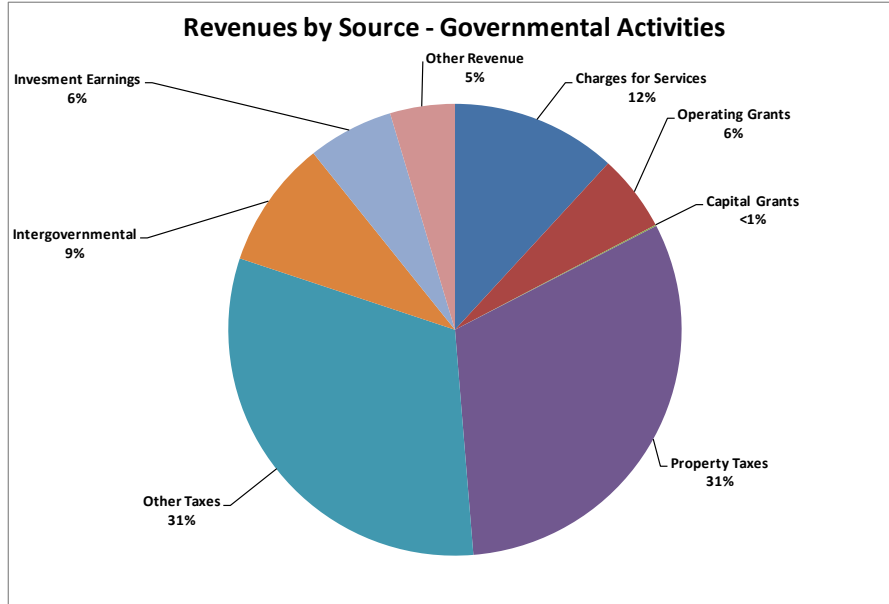
Property tax revenues increased by \$1.7 million over the amount collected in 2022, as the City adopted a millage rate of 2.6964. The City also had investment earnings of \$1.9 million for the City's pooled cash investments held primarily in short-term Treasury bonds and Federal instrumentalities. The City also had an increase in operating grant revenue of \$1.1 million over the prior year. Although charges for services decreased \$0.6 million, the remainder of the City's major revenue sources, including sales tax and intergovernmental sources, remained relatively stable from 2022 to 2023.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

Total governmental activities expenses increased by \$3.4 million or 11%. This is due primarily to the fact that there was an increase in general government expenses for pension and depreciation expenses.

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



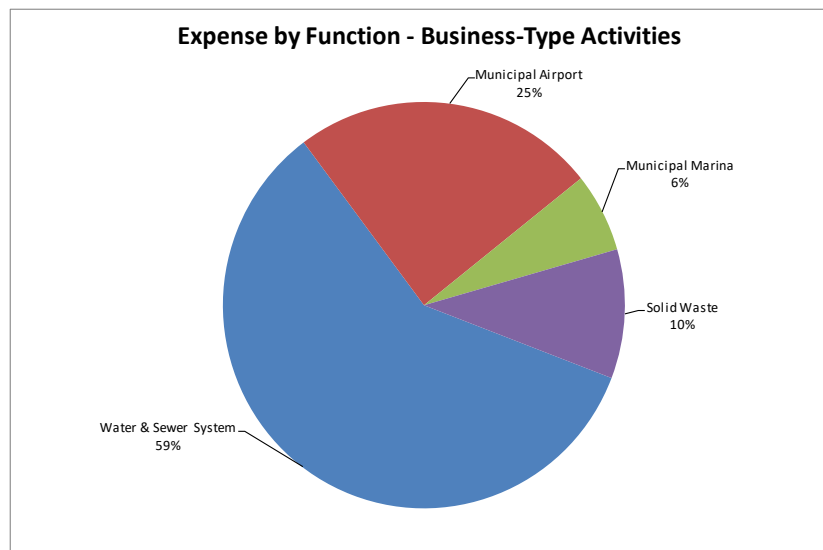
CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

Business-type Activities: Net position of the City's business-type activities showed an increase of \$2.0 million from the amounts previously reported at the end of fiscal year 2022. This is largely due to a transfer from the General Fund to the Marina fund to support operations.

Total revenues for the business-type activities decreased by \$5.1 million or 13 % due to a number of factors. There was a decrease of \$9.1 million in capital grant contributions and increased charges for services in the amount of \$2.2 million. Additionally, there were investment earnings in the amount of \$.7 million as compared to an investment earnings loss in the amount of \$1.0 million in the previous fiscal year.

Total expenses for the business-type activities increased by \$1.9 million or 6%. Operating expenses for the water and sewer fund increased by \$1.2 million, this increase was primarily driven by substantial rises in the cost of treatment chemicals and essential materials. The airport expenses increased by \$0.9 million due primarily to increased costs for personnel, professional services and other costs associated with additional Airline operations. 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 2023, the City's governmental funds reported combined ending fund balances of \$62.6 million, a decrease of \$2.8 million from the prior year. This is largely due to a one time budgeted transfer from the General Fund to the Marina fund to help support operations.

Total governmental revenue of \$31.1 million was an increase of \$8.5 million or 37% from the prior year. This increase is primarily due to an increase of \$1.7 million in property taxes, a gain of \$4.8 million in investment earnings over prior year, and increased revenue from operating grants in the amount of \$1.2 million over the prior year.

Total governmental expenditures of \$33.4 million showed an increase of \$3.4 million or 11% over the prior year. This is primarily due to increases in capital outlay in the general government capital construction fund. In addition, there was increase in public safety expenditures due to salary increases, increased professional services, and expenditures resulting from Hurricane Nicole.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

The governmental fund balance of \$62.6 million is available for spending, subject to regulatory, statutory, and budgetary restrictions. Of the available balance, \$10.3 million, or 16%, is unassigned; the remainder of fund balance is non-spendable, restricted, committed, or assigned and is not available for new spending because the funds have already been designated by law or covenant as follows:

Nonspendable:	
Inventory	\$ 143,628
Prepaid items	4,180
Restricted	
General Government	111,269
Public Safety	94,322
Culture & Recreation	853,727
Physical Environment	3,810,542
Committed	
Physical Environment	984,990
Cemetery	318,971
Unfunded Pension Liability Reserve	7,790,560
Other Post Employment Benefits (OPEB) Reserve	7,666,842
Capital and Infrastructure Reserve	22,922,462
Emergency (Disaster) Reserve	5,000,000
Assigned	2,588,819
Total Nonspendable, Restricted, Committed, Assigned	<u><u>\$ 52,290,312</u></u>

The General Fund is the City's major governmental fund. As of September 30, 2023, its fund balance was \$54.1 million, with \$10.3 of that unassigned.

General Fund revenue for 2023 totaled \$23.6 million in the original budget and \$23.8 million in the final budget, with actual revenue received of \$26.8. The primary reason for the increase in revenues from the original budget was an investment earnings of \$1.8 million for the fiscal year for the City's pooled cash investments held primarily in short-term Treasury bonds and Federal instrumentalities. In addition, the City received disaster recovery grants revenue in the amount of \$1.7 million for hurricanes that occurred in prior years.

General fund expenditures for 2023 totaled \$27 million and were over the final budget by \$461,482 (or 1.7%). It was a result primarily of slightly higher than anticipated operating expenditures in public safety, professional services, and Hurricane Nicole related expenditures.

The fiscal year ended with a net decrease in General Fund balance of \$3.5 million. This was primarily due to budgeted transfers to other funds.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

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 \$24.4 million. Of this amount the water and sewer fund has \$17.1 million, the Airport fund has \$5.5 million, and the Marina fund has \$3.2 million.

The Internal Service Fund (a category of the City's proprietary funds) is an accounting device used to accumulate and allocate self-insurance costs internally among some of the City's various functions. At the fund level it has a total net position of \$1.4 million. Payments for legacy insurance claims were made from reserves for estimated claims payable. There was a non-operating gain of \$0.8 million due to one of the former employees passing away.

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 \$3.1 million or 13.2%, higher, and the actual expenditures were \$461 thousand, or 1.7%, higher. The actual net increase to the General Fund balance was \$1.0 million more than was projected in the final budget. Higher than anticipated revenues were received for property taxes, investment earnings, intergovernmental, and the continued receipt of disaster recovery grants revenue for hurricanes that occurred in prior years. Operating expenditures were slightly higher from the final budget slightly across all departments with no single event in particular responsible for the increases.

Original & Final Budget Comparison			
General Fund			
	Original	Final	Change
REVENUES			
Taxes	\$ 16,103,399	\$ 16,103,399	\$ -
Licenses and permits	162,000	162,000	-
Intergovernmental	2,067,750	2,067,750	-
Grants	972,003	1,003,836	31,833
Charges for services	3,423,511	3,423,511	-
Fines and forfeitures	135,000	135,000	-
Investment income (loss)	400,000	439,208	39,208
Rental	329,200	329,200	-
Miscellaneous	91,700	91,700	-
Total Revenues	\$ 23,684,563	\$ 23,755,604	\$ 71,041
EXPENDITURES			
Current:			
General government	\$ 6,441,933	\$ 6,441,933	\$ -
Public safety	9,180,612	9,180,612	-
Transportation	2,668,595	2,668,595	-
Culture/Recreation	4,841,509	4,841,509	-
Non-departmental	3,404,909	3,404,909	-
Total Expenditures	\$ 26,537,558	\$ 26,537,558	\$ -

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 a slight increase in grant revenue and investment income.

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

Capital Assets and Debt Administration

Capital Assets. The City's capital assets and right to use leased assets for its governmental and business-type activities as of September 30, 2023 are \$161.1 million (net of accumulated depreciation and amortization).

Capital Assets (Net of Depreciation and Amortization) (in 000s)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 5,009	\$ 5,009	\$ 6,364	\$ 6,364	\$ 11,373	\$ 11,373
Intangible assets	825	825	-	-	825	825
Buildings	9,720	8,353	16,844	16,490	26,564	24,843
Improvements other than buildings	4,539	4,637	86,194	90,990	90,733	95,627
Machinery and equipment	3,350	3,662	4,473	3,791	7,823	7,453
Infrastructure	14,168	15,129	-	-	14,168	15,129
Construction in progress	3,082	813	6,435	3,575	9,517	4,388
Leased machinery and equipment	25	37	-	-	25	37
Leased land	-	-	22	26	22	26
Total capital assets, net	\$ 40,718	\$ 38,465	\$ 120,332	\$ 121,236	\$ 161,050	\$ 159,701

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.

The net capital assets in government activities increased by \$2.3 million and the business-type assets decreased by \$0.9 million. 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 had total long-term debt outstanding of \$13.4 million. Of this amount, \$5.0 million was in notes and bonds secured solely by specified revenue sources and \$2.4 million was debt backed by the full faith and credit of the government. In addition, the City has a liability for approximately \$0.2 million in legacy claims payable and \$5.2 million in compensated absences. For more information on the changes in long-term debt see Note 8.

In addition to long-term debt, the City has long-term liabilities of \$31.4 million related to pensions (see Note 13) and \$22.4 million in net Other Post Employment Benefits (OPEB) liability (see Note 14).

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue Bonds and Notes	\$ 830	\$ 1,015	\$ 5,054	\$ 7,456	\$ 5,884	\$ 8,471
Financed Capital Purchases	1,827	1,209	259	81	2,086	1,290
Claims Payable	213	1,165	-	-	213	1,165
Compensated Absences	3,490	3,254	1,749	1,621	5,239	4,875
Total Long-Term Debt	\$ 6,360	\$ 6,643	\$ 7,062	\$ 9,158	\$ 13,422	\$ 15,801

CITY OF VERO BEACH, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2023

Economic Factors and Next Year's Budgets and Rates

The State of Florida (the "State"), 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 City-wide budget for fiscal year 2024 is \$186.8 million. This budget shows a net increase of 9 City-wide positions with total full-time staffing increasing to 341 positions across all funds. The Five Year Capital program also includes the design and beginning of construction of a new water reclamation facility in the City's water and sewer enterprise fund as well as the expansion of the Marina South Complex, which includes a floating dock, bulkhead, and a new dry storage building.

Ad valorem tax revenues are projected to increase by 15.4% as a result of the adoption of a millage rate of 2.7680 (which was 13.12% greater than the rolled-back millage rate of 2.4469 mills) combined with a 12.33 increase in taxable property values. This was an increase from the prior year's millage rate of 2.6964. The increased tax revenue (combined with other expenditure reductions and revenue increases) was used primarily to offset a decrease in the amount of residual cash from the electric utility sale proceeds used to balance the General Fund budget (FY 22-23 was year 5 of a 5 year transition plan) and to fund increased in personnel costs. The budgeted amounts for State shared revenues for gas tax and State sales tax sharing, were projected to increase slightly in the coming year due to conservative State estimates of the continued recovery of the State economy.

The adopted budget for FY 23-24 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 Annual Comprehensive Financial Report is also available on-line at www.covb.org under City Departments – Finance.

BASIC FINANCIAL STATEMENTS

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CITY OF VERO BEACH, FLORIDA
STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business- type Activities	Total Primary Government
Assets			
Equity in pooled cash and investments	\$ 65,670,431	\$ 33,295,453	\$ 98,965,884
Cash with fiscal agent	88,188	-	88,188
Receivables, net	3,299,709	16,272,480	19,572,189
Inventories	143,628	978,053	1,121,681
Prepaid costs	49,180	-	49,180
Assets held for resale	1,602,348	-	1,602,348
Right to use leased assets, net of amortization	24,966	22,578	47,544
Right to use subscription-based information technology arrangements, net of amortization	53,355	-	53,355
Restricted assets:			
Equity in pooled cash and investments	-	1,682,014	1,682,014
Capital assets:			
Land and intangible assets	5,833,627	6,363,514	12,197,141
Construction in progress	3,082,323	6,434,821	9,517,144
Capital assets not being depreciated	<u>8,915,950</u>	<u>12,798,335</u>	<u>21,714,285</u>
Capital assets being depreciated	102,459,048	249,056,849	351,515,897
Accumulated depreciation	<u>(70,682,301)</u>	<u>(141,545,791)</u>	<u>(212,228,092)</u>
Capital assets being depreciated, net	<u>31,776,747</u>	<u>107,511,058</u>	<u>139,287,805</u>
Total capital assets	<u>40,692,697</u>	<u>120,309,393</u>	<u>161,002,090</u>
Total assets	<u>111,624,502</u>	<u>172,559,971</u>	<u>284,184,473</u>
Deferred outflows of resources			
Deferred outflows related to pensions	11,154,134	2,112,411	13,266,545
Deferred outflows related to OPEB	1,050,805	345,407	1,396,212
Total deferred outflows	<u>12,204,939</u>	<u>2,457,818</u>	<u>14,662,757</u>
Liabilities			
Accounts payable and accrued liabilities	1,653,051	1,451,420	3,104,471
Deposits	-	2,036,566	2,036,566
Long-term liabilities:			
Due within one year	939,349	819,233	1,758,582
Due in more than one year:			
Miscellaneous liabilities	5,431,861	6,273,825	11,705,686
Unearned revenue	1,091,233	240,641	1,331,874
Net pension liability	24,409,382	7,016,195	31,425,577
Net other post employment benefits liability	<u>17,722,337</u>	<u>4,726,070</u>	<u>22,448,407</u>
Total liabilities	<u>51,247,213</u>	<u>22,563,950</u>	<u>73,811,163</u>
Deferred inflows of resources			
Deferred inflows related to leases	1,525,521	11,912,410	13,437,931
Deferred inflows related to pensions	339,614	-	339,614
Deferred inflows related to OPEB	3,692,748	1,132,554	4,825,302
Total deferred inflows	<u>5,557,883</u>	<u>13,044,964</u>	<u>18,602,847</u>
Net position			
Net investment in capital assets	38,102,169	114,952,835	153,055,004
Restricted for:			
Capital projects	2,308,153	-	2,308,153
Land purchases	1,454,382	-	1,454,382
Culture and recreation	881,916	-	881,916
Wellness programs	111,269	-	111,269
Law enforcement	114,140	-	114,140
Unrestricted	<u>24,052,316</u>	<u>24,456,040</u>	<u>48,508,356</u>
Total net position	<u>\$ 67,024,345</u>	<u>\$ 139,408,875</u>	<u>\$ 206,433,220</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, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 12,155,784	\$ 2,330,168	\$ 1,008,185	\$ -	\$ (8,817,431)	\$ -	\$ (8,817,431)
Public safety	11,167,815	279,266	-	-	(10,888,549)	-	(10,888,549)
Physical environment	323,379	255,451	-	-	(67,928)	-	(67,928)
Transportation	3,353,421	129,166	-	-	(3,224,255)	-	(3,224,255)
Culture/recreation	5,212,410	293,583	-	29,924	(4,888,903)	-	(4,888,903)
Interest and fiscal charges	18,256	-	-	-	(18,256)	-	(18,256)
Total governmental activities	<u>32,231,065</u>	<u>3,287,634</u>	<u>1,008,185</u>	<u>29,924</u>	<u>(27,905,322)</u>	<u>-</u>	<u>(27,905,322)</u>
Business-type activities:							
Water and sewer system	18,591,738	20,129,831	2,860	755,618	-	2,296,571	2,296,571
Municipal airport	7,718,504	3,925,614	3,169	1,439,774	-	(2,349,947)	(2,349,947)
Municipal marina	1,986,590	2,372,015	-	-	-	385,425	385,425
Solid waste	3,237,870	3,342,072	298	-	-	104,500	104,500
Total business-type activities	<u>31,534,702</u>	<u>29,769,532</u>	<u>6,327</u>	<u>2,195,392</u>	<u>-</u>	<u>436,549</u>	<u>436,549</u>
Total	<u>\$ 63,765,767</u>	<u>\$ 33,057,166</u>	<u>\$ 1,014,512</u>	<u>\$ 2,225,316</u>	<u>(27,905,322)</u>	<u>436,549</u>	<u>(27,468,773)</u>
General revenues:							
Property taxes					9,833,255	-	9,833,255
Sales and gas taxes					3,612,712	-	3,612,712
Utility taxes					6,255,867	-	6,255,867
Intergovernmental revenue not restricted to specific functions/programs					2,876,589	-	2,876,589
Investment income					1,964,788	711,648	2,676,436
Other revenue					827,359	169,291	996,650
Transfers - internal activities					(655,000)	655,000	-
Total general revenues and transfers					<u>24,715,570</u>	<u>1,535,939</u>	<u>26,251,509</u>
Change in net position					(3,189,752)	1,972,488	(1,217,264)
Net position - beginning					<u>70,214,097</u>	<u>137,436,387</u>	<u>207,650,484</u>
Net position - ending					<u>\$ 67,024,345</u>	<u>\$ 139,408,875</u>	<u>\$ 206,433,220</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, 2023

	General Fund	Infrastructure & Real Estate Improvements	General Government Capital & Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and investments	\$ 55,107,627	\$ 1,419,307	\$ 3,585,458	\$ 4,025,583	\$ 64,137,975
Cash with fiscal agent	-	-	88,188	-	88,188
Receivables, net:					
Accounts	79,305	-	-	-	79,305
Lease	1,017,893	-	-	-	1,017,893
Special assessments	-	-	10,709	-	10,709
Interest	269,056	7,807	3,042	10,817	290,722
Interest - leases	1,617	-	-	-	1,617
Due from other governments	1,385,492	500,115	-	-	1,885,607
Prepaid items	4,180	-	-	-	4,180
Inventories	143,628	-	-	-	143,628
Total assets	\$ 58,008,798	\$ 1,927,229	\$ 3,687,397	\$ 4,036,400	\$ 67,659,824
Liabilities					
Accounts payable and contracts payable	\$ 60,003	\$ -	\$ 1,087,869	\$ 49,927	\$ 1,197,799
Accrued liabilities	376,058	-	-	-	376,058
Evidence escrow	-	-	-	35,023	35,023
Unearned revenue	1,091,233	-	-	-	1,091,233
Total liabilities	<u>1,527,294</u>	<u>-</u>	<u>1,087,869</u>	<u>84,950</u>	<u>2,700,113</u>
Deferred inflows of resources					
Leases	1,525,521	-	-	-	1,525,521
Unavailable revenue	815,101	-	10,709	-	825,810
Total deferred inflows	<u>2,340,622</u>	<u>-</u>	<u>10,709</u>	<u>-</u>	<u>2,351,331</u>
Fund balances					
Nonspendable	147,808	-	-	-	147,808
Restricted	111,269	1,927,229	-	2,831,362	4,869,860
Committed	43,563,737	-	-	1,120,088	44,683,825
Assigned	-	-	2,588,819	-	2,588,819
Unassigned	10,318,068	-	-	-	10,318,068
Total fund balances	<u>54,140,882</u>	<u>1,927,229</u>	<u>2,588,819</u>	<u>3,951,450</u>	<u>62,608,380</u>
Total liabilities, deferred inflows, and fund balances	\$ 58,008,798	\$ 1,927,229	\$ 3,687,397	\$ 4,036,400	\$ 67,659,824

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, 2023

Ending fund balance - governmental funds	\$ 62,608,380
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Capital assets not being depreciated	8,915,950
Capital assets being depreciated, net	31,776,747
Assets held for resale	1,602,348

Right to use subscription-based information technology arrangements used in governmental activities are not financial resources and therefore are not reported in the funds.	53,355
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Right to use leased asset used in governmental activities are not financial resources and therefore are not reported in the funds.	24,966
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Some items are not recorded as revenues 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 FEMA reimbursements receivable	825,810
-----------------------------------------------------	---------

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	1,377,457
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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 or assets in the government-wide statement of net position.

Net pension liability	(24,409,382)
Deferred outflows related to pensions	11,154,134
Deferred inflows related to pensions	(339,614)

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	(17,722,337)
Deferred outflows related to OPEB	1,050,805
Deferred inflows related to OPEB	(3,692,748)

Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(2,657,384)
Accrued interest on long-term debt	(43,171)
Lease liability	(11,465)
Compensated absences	(3,489,506)

Total liabilities	<u>(6,201,526)</u>
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Net position of governmental activities	<u>\$ 67,024,345</u>
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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, 2023

	General Fund	Infrastructure & Real Estate Improvements	General Government Capital & Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 16,621,151	\$ 3,080,683	\$ -	\$ -	\$ 19,701,834
Licenses and permits	196,061	-	-	-	196,061
Intergovernmental	2,253,689	-	-	622,900	2,876,589
Special Assessments	-	-	-	105,850	105,850
Grants	1,726,694	-	-	-	1,726,694
Charges for services	3,422,965	-	-	288,373	3,711,338
Fines and forfeitures	325,887	-	-	31,768	357,655
Investment income (loss)	1,759,494	12,547	72,412	74,002	1,918,455
Rentals	143,840	-	-	-	143,840
Contributions from private sources	29,924	-	-	-	29,924
Lease	149,763	-	-	-	149,763
Miscellaneous	185,032	-	-	-	185,032
Total revenues	<u>26,814,500</u>	<u>3,093,230</u>	<u>72,412</u>	<u>1,122,893</u>	<u>31,103,035</u>
Expenditures					
Current:					
General government	9,927,035	-	-	-	9,927,035
Public safety	9,319,381	-	-	622,900	9,942,281
Physical environment	-	-	-	245,221	245,221
Transportation	2,653,228	-	-	-	2,653,228
Culture and recreation	4,740,327	-	-	-	4,740,327
Debt service:					
Principal	-	-	625,467	96,173	721,640
Interest and fiscal charges	1,474	-	43,349	20,501	65,324
Capital outlay	357,595	-	4,234,598	544,967	5,137,160
Total expenditures	<u>26,999,040</u>	<u>-</u>	<u>4,903,414</u>	<u>1,529,762</u>	<u>33,432,216</u>
Deficiency of revenues under expenditures	<u>(184,540)</u>	<u>3,093,230</u>	<u>(4,831,002)</u>	<u>(406,869)</u>	<u>(2,329,181)</u>
Other financing sources (uses)					
Sale of assets	60,069	-	87,346	-	147,415
Proceeds from insurance	76,244	-	-	-	76,244
Transfers in	1,345,000	-	4,297,000	1,207,910	6,849,910
Transfers out	(4,788,236)	(2,716,674)	-	-	(7,504,910)
Total other financing sources (uses)	<u>(3,306,923)</u>	<u>(2,716,674)</u>	<u>4,384,346</u>	<u>1,207,910</u>	<u>(431,341)</u>
Net change in fund balances	<u>(3,491,463)</u>	<u>376,556</u>	<u>(446,656)</u>	<u>801,041</u>	<u>(2,760,522)</u>
Fund balance - beginning	<u>57,632,345</u>	<u>1,550,673</u>	<u>3,035,475</u>	<u>3,150,409</u>	<u>65,368,902</u>
Fund balance - ending	<u>\$ 54,140,882</u>	<u>\$ 1,927,229</u>	<u>\$ 2,588,819</u>	<u>\$ 3,951,450</u>	<u>\$ 62,608,380</u>

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

CITY OF VERO BEACH, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds \$ (2,760,522)

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

Governmental funds report capital outlays and right to use leased assets 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 and amortization expense.

Purchases and donations of capital assets	5,968,134
Depreciation and amortization expense	(3,646,773)
Loss on disposal of capital assets	(3,477)

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. (388,585)

Bond and lease purchase proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds and entering into lease purchases increases long-term liabilities in the statement of net position. Repayment of bond principal and 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	769,844
Financed capital purchase proceeds	(977,420)

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	(259,345)
Change in net pension liability and related deferrals	(4,323,276)
Change in net OPEB liability and related deferrals	1,561,518
Change in accrued interest on bonds payable	(47,068)

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>917,218</u>
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Change in net position of governmental activities	<u>\$ (3,189,752)</u>
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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
BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 16,103,399	\$ 16,103,399	\$ 16,621,151	\$ 517,752
Licenses and permits	162,000	162,000	196,061	34,061
Intergovernmental	2,067,750	2,067,750	2,253,689	185,939
Grants	972,003	1,003,836	1,726,694	722,858
Charges for services	3,423,511	3,423,511	3,422,965	(546)
Fines and forfeitures	135,000	135,000	325,887	190,887
Investment income	400,000	439,208	1,759,494	1,320,286
Rentals	329,200	329,200	143,840	(185,360)
Contributions from private sources	-	-	29,924	29,924
Lease	-	-	149,763	149,763
Miscellaneous	91,700	91,700	185,032	93,332
Total revenues	23,684,563	23,755,604	26,814,500	3,058,896
Expenditures				
Current:				
General government	7,390,125	7,390,125	10,284,630	(2,894,505)
Public safety	10,531,912	10,531,912	9,319,381	1,212,531
Transportation	3,061,387	3,061,387	2,653,228	408,159
Culture/Recreation	5,554,134	5,554,134	4,740,327	813,807
Debt service	-	-	1,474	(1,474)
Total expenditures	26,537,558	26,537,558	26,999,040	(461,482)
Excess (deficiency) of revenues over (under) expenditures	(2,852,995)	(2,781,954)	(184,540)	2,597,414
Other financing sources (uses)				
Proceeds from insurance	-	-	76,244	76,244
Sale of assets	1,000	1,000	60,069	59,069
Transfers in	1,345,000	1,345,000	1,345,000	-
Transfers out	(3,091,236)	(3,091,236)	(4,788,236)	(1,697,000)
Total other financing sources (uses)	(1,745,236)	(1,745,236)	(3,306,923)	(1,561,687)
Net change in fund balances	(4,598,231)	(4,527,190)	(3,491,463)	1,035,727
Fund balance - beginning	57,632,345	57,632,345	57,632,345	-
Fund balance - ending	\$ 53,034,114	\$ 53,105,155	\$ 54,140,882	\$ 1,035,727

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, 2023

	Water and Sewer System	Municipal Airport
Assets		
Current assets:		
Equity in pooled cash and investments	\$ 22,611,255	\$ 6,324,079
Receivables, net:		
Accounts	2,409,779	168,972
Lease	-	772,054
Special Assessments	125,829	-
Interest	71,771	16,292
Interest - leases	-	40,512
Due from other governments	2,485	932,316
Inventories	938,004	-
Prepaid items	-	-
Right to use leased assets, net of amortization	-	-
Restricted assets:		
Equity in pooled cash and investments	1,680,984	841
Total current assets	<u>27,840,107</u>	<u>8,255,066</u>
Noncurrent assets:		
Lease receivable	-	11,321,057
Total noncurrent assets	<u>-</u>	<u>11,321,057</u>
Capital assets:		
Land	184,989	1,722,672
Construction in progress	3,966,921	2,269,822
Capital assets not being depreciated	<u>4,151,910</u>	<u>3,992,494</u>
Capital assets being depreciated	147,663,182	95,464,641
Accumulated depreciation	(98,953,629)	(38,387,356)
Capital assets being depreciated, net	<u>48,709,553</u>	<u>57,077,285</u>
Total capital assets	<u>52,861,463</u>	<u>61,069,779</u>
Total assets	<u>80,701,570</u>	<u>80,645,902</u>
Deferred outflows of resources		
Deferred outflows related to pensions	1,439,082	213,561
Deferred outflows related to OPEB	244,180	14,451
Total deferred outflows of resources	<u>1,683,262</u>	<u>228,012</u>
Total assets and deferred outflows of resources	<u>\$ 82,384,832</u>	<u>\$ 80,873,914</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 Fund
\$ 3,513,082	\$ 847,037	\$ 33,295,453	\$ 1,531,456
20,307	387,775	2,986,833	-
-	-	772,054	-
-	-	125,829	-
536	2,726	91,325	13,856
-	-	40,512	-
12	57	934,870	-
40,049	-	978,053	-
-	-	-	45,000
22,578	-	22,578	-
-	189	1,682,014	-
<u>3,596,564</u>	<u>1,237,784</u>	<u>40,929,521</u>	<u>1,590,312</u>
-	-	11,321,057	-
-	-	<u>11,321,057</u>	-
4,455,853	-	6,363,514	-
198,078	-	6,434,821	-
<u>4,653,931</u>	<u>-</u>	<u>12,798,335</u>	<u>-</u>
2,533,457	3,395,569	249,056,849	8,047
(1,840,083)	(2,364,723)	(141,545,791)	(8,047)
<u>693,374</u>	<u>1,030,846</u>	<u>107,511,058</u>	<u>-</u>
<u>5,347,305</u>	<u>1,030,846</u>	<u>120,309,393</u>	<u>-</u>
<u>8,943,869</u>	<u>2,268,630</u>	<u>172,559,971</u>	<u>1,590,312</u>
56,477	403,291	2,112,411	-
10,388	76,388	345,407	-
<u>66,865</u>	<u>479,679</u>	<u>2,457,818</u>	<u>-</u>
<u>\$ 9,010,734</u>	<u>\$ 2,748,309</u>	<u>\$ 175,017,789</u>	<u>\$ 1,590,312</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, 2023

	Water and Sewer System	Municipal Airport
Liabilities		
Current liabilities:		
Accounts and contracts payable	\$ 786,349	\$ 449,647
Accrued liabilities	112,052	17,474
Claims payable	-	-
Customer deposits	-	407,750
Current portion of compensated absences	56,775	11,479
Revenue bonds and notes payable, not payable from restricted assets	547,406	15,814
Current portion of unearned revenue	-	10,373
Lease payable	-	-
Interest payable - leases	-	-
Payable from restricted assets:		
Accrued interest payable	28,124	841
Capital project deposit	636,371	-
Customer deposits	905,618	-
Revenue bonds and notes payable	110,871	-
Total current liabilities	3,183,566	913,378
Noncurrent liabilities, net of current portion:		
Compensated absences	1,078,722	218,091
Revenue bonds and notes payable	4,388,436	48,245
Claims payable	-	-
Unearned revenue	-	240,641
Lease payable	-	-
Net pension liability	4,779,752	709,352
Net other post employment benefits liability	3,222,088	250,291
Total noncurrent liabilities	13,468,998	1,466,620
Total liabilities	16,652,564	2,379,998
Deferred inflows of resources		
Deferred inflows related to leases	-	11,912,410
Deferred inflows related to OPEB	817,644	47,614
Total deferred inflows of resources	817,644	11,960,024
Net position		
Net investment in capital assets	47,814,750	60,998,581
Restricted for:		
Unrestricted (deficit)	17,099,874	5,535,311
Total net position	64,914,624	66,533,892
Total liabilities, deferred inflows, and net position	\$ 82,384,832	\$ 80,873,914

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 Fund
\$ 12,694	\$ 2,065	\$ 1,250,755	\$ -
10,797	20,392	160,715	-
-	-	-	63,857
86,827	-	494,577	-
1,106	18,086	87,446	-
-	54,556	617,776	-
-	-	10,373	-
3,140	-	3,140	-
423	-	423	-
-	189	29,154	-
-	-	636,371	-
-	-	905,618	-
-	-	110,871	-
<u>114,987</u>	<u>95,288</u>	<u>4,307,219</u>	<u>63,857</u>
21,008	343,634	1,661,455	-
-	155,476	4,592,157	-
-	-	-	148,998
-	-	240,641	-
20,213	-	20,213	-
187,600	1,339,491	7,016,195	-
63,595	1,190,096	4,726,070	-
<u>292,416</u>	<u>3,028,697</u>	<u>18,256,731</u>	<u>148,998</u>
<u>407,403</u>	<u>3,123,985</u>	<u>22,563,950</u>	<u>212,855</u>
-	-	11,912,410	-
34,363	232,933	1,132,554	-
<u>34,363</u>	<u>232,933</u>	<u>13,044,964</u>	<u>-</u>
5,358,690	780,814	114,952,835	-
<u>3,210,278</u>	<u>(1,389,423)</u>	<u>24,456,040</u>	<u>1,377,457</u>
<u>8,568,968</u>	<u>(608,609)</u>	<u>139,408,875</u>	<u>1,377,457</u>
<u>\$ 9,010,734</u>	<u>\$ 2,748,309</u>	<u>\$ 175,017,789</u>	<u>\$ 1,590,312</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, 2023

	Water and Sewer System	Municipal Airport
Operating revenues		
Charges for services	\$ 20,129,831	3,925,614
Total operating revenue	<u>20,129,831</u>	<u>3,925,614</u>
Operating expenses		
Production	3,929,578	-
Transmission and distribution	4,276,396	-
Administrative and general	3,361,331	-
Pollution control	2,149,394	-
Customer service	980,226	-
Claims expense	-	-
Operating charges	-	3,239,213
Depreciation and amortization	3,782,035	4,454,850
Total operating expenses	<u>18,478,960</u>	<u>7,694,063</u>
Operating income (loss)	<u>1,650,871</u>	<u>(3,768,449)</u>
Nonoperating revenues (expenses)		
Investment income	570,593	111,389
Interest/amortization expense	(112,778)	(24,441)
Federal and state grant reimbursements	2,860	3,169
Miscellaneous revenue	49,846	13,585
Total nonoperating revenues (expenses)	<u>510,521</u>	<u>103,702</u>
Income (loss) before capital contributions and transfers	<u>2,161,392</u>	<u>(3,664,747)</u>
Capital contributions and transfers		
Capital grants and contributions	755,618	1,439,774
Transfers In	-	-
Transfers Out	(1,032,000)	-
Total capital contributions and transfers	<u>(276,382)</u>	<u>1,439,774</u>
Changes in net position	<u>1,885,010</u>	<u>(2,224,973)</u>
Total net position - beginning	<u>63,029,614</u>	<u>68,758,865</u>
Total net position - end of year	<u>\$ 64,914,624</u>	<u>\$ 66,533,892</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 Fund
\$ 2,372,015	\$ 3,342,072	\$ 29,769,532	\$ -
<u>2,372,015</u>	<u>3,342,072</u>	<u>29,769,532</u>	<u>-</u>
-	-	3,929,578	-
-	-	4,276,396	-
-	-	3,361,331	-
-	-	2,149,394	-
-	-	980,226	-
-	-	-	33,260
1,910,524	2,938,378	8,088,115	-
76,066	282,933	8,595,884	-
<u>1,986,590</u>	<u>3,221,311</u>	<u>31,380,924</u>	<u>33,260</u>
385,425	120,761	(1,611,392)	(33,260)
14,825	14,841	711,648	46,333
-	(16,559)	(153,778)	-
-	298	6,327	-
90,350	15,510	169,291	904,145
<u>105,175</u>	<u>14,090</u>	<u>733,488</u>	<u>950,478</u>
490,600	134,851	(877,904)	917,218
-	-	2,195,392	-
2,000,000	-	2,000,000	-
(117,000)	(196,000)	(1,345,000)	-
<u>1,883,000</u>	<u>(196,000)</u>	<u>2,850,392</u>	<u>-</u>
2,373,600	(61,149)	1,972,488	917,218
6,195,368	(547,460)	137,436,387	460,239
<u>\$ 8,568,968</u>	<u>\$ (608,609)</u>	<u>\$ 139,408,875</u>	<u>\$ 1,377,457</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, 2023

	Water and Sewer System	Municipal Airport
Operating activities		
Receipts from customers and users	\$ 19,984,997	\$ 3,884,639
Cash received from vendors for program expenses	-	-
Payment to vendors	(8,595,160)	(3,611,292)
Payments for personnel services	(6,292,239)	91,755
Benefit payments	-	-
Net cash provided by (used in) operating activities	5,097,598	365,102
Noncapital financing activities		
Grant reimbursements	2,860	3,169
Transfers in	-	-
Transfers out	(1,032,000)	-
Net cash provided by (used in) noncapital financing activities	(1,029,140)	3,169
Capital and related financing activities		
Purchase of capital assets	(5,029,192)	(2,129,411)
Capital contributions	769,804	1,504,619
Leases	-	-
Principal paid on bonds, notes and capital leases	(656,551)	-
Interest and agent fees paid on long-term financing	(111,304)	(24,441)
Net cash used in capital and related financing activities	(5,027,243)	(649,233)
Investing activities		
Purchases of pooled investments	(2,883,137)	(750,676)
Proceeds from sale and maturity of pooled investments	2,229,076	580,380
Interest received	550,392	107,270
Net cash provided by (used in) investing activities	(103,669)	(63,026)
Net increase (decrease) in cash and cash equivalents	(1,062,454)	(343,988)
Cash and cash equivalents		
Beginning of year	5,833,163	2,652,651
End of year	\$ 4,770,709	\$ 2,308,663
Cash and cash equivalents classified as:		
Equity in pooled cash and investments	\$ 22,611,255	\$ 6,324,079
Restricted assets:		
Current:		
Equity in pooled cash and investments	1,680,984	841
Less: investments not meeting definition of cash equivalents	(19,521,530)	(4,016,257)
	\$ 4,770,709	\$ 2,308,663

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
\$ 2,462,383	\$ 3,307,414	\$ 29,639,433	\$ -
-	-	-	896,202
(1,974,450)	(2,918,234)	(17,099,136)	-
20,794	56,420	(6,123,270)	-
-	-	-	(937,405)
<u>508,727</u>	<u>445,600</u>	<u>6,417,027</u>	<u>(41,203)</u>
14	495	6,538	-
2,000,000	-	2,000,000	-
<u>(117,000)</u>	<u>(196,000)</u>	<u>(1,345,000)</u>	<u>-</u>
<u>1,883,014</u>	<u>(195,505)</u>	<u>661,538</u>	<u>-</u>
(3,763)	(207,903)	(7,370,269)	-
-	-	2,274,423	-
566	-	566	-
-	(159,748)	(816,299)	-
-	(16,559)	(152,304)	-
<u>(3,197)</u>	<u>(384,210)</u>	<u>(6,063,883)</u>	<u>-</u>
(419,362)	(100,553)	(4,153,728)	(181,762)
324,227	77,742	3,211,425	140,528
14,289	14,318	686,269	44,804
<u>(80,846)</u>	<u>(8,493)</u>	<u>(256,034)</u>	<u>3,570</u>
<u>2,307,698</u>	<u>(142,608)</u>	<u>758,648</u>	<u>(37,633)</u>
<u>609,892</u>	<u>478,768</u>	<u>9,574,474</u>	<u>98,921</u>
<u>\$ 2,917,590</u>	<u>\$ 336,160</u>	<u>\$ 10,333,122</u>	<u>\$ 61,288</u>
\$ 3,513,082	\$ 847,037	\$ 33,295,453	\$ 1,531,456
-	189	1,682,014	-
<u>(595,492)</u>	<u>(511,066)</u>	<u>(24,644,345)</u>	<u>(1,470,168)</u>
<u>\$ 2,917,590</u>	<u>\$ 336,160</u>	<u>\$ 10,333,122</u>	<u>\$ 61,288</u>

Continued

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

YEAR ENDED SEPTEMBER 30, 2023

	Water and Sewer System	Municipal Airport
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 1,650,871	\$ (3,768,449)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	3,782,035	4,454,850
Miscellaneous revenue	49,846	13,585
Change in assets, liabilities, deferred inflows and deferred outflows:		
Accounts receivable	(301,162)	23,345
Special assessments receivable	17,900	-
Inventories	(246,089)	-
Prepaid items	101,819	37,211
Deferred outflows related to pensions	1,638,971	243,225
Accounts and contracts payable	(324,632)	(533,441)
Accrued liabilities	(14,690)	2,826
Accrued compensated absences	85,878	42,166
Unearned revenue	-	18,299
Claims payable	-	-
Net pension liability	(1,185,667)	(175,954)
Net other post employment benefits liability	(246,064)	(17,682)
Customer deposits	88,582	5,688
Total adjustments	<u>3,446,727</u>	<u>4,114,118</u>
Net cash provided by (used in) operating activities	<u>\$ 5,097,598</u>	<u>\$ 345,669</u>
Supplemental disclosure		
Capital amounts in account payable	<u>\$ -</u>	<u>\$ 7,139</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 Fund
\$ 385,425	\$ 120,761	\$ (1,611,392)	\$ 870,885
76,066	282,933	8,595,884	-
90,350	15,510	169,291	-
(175)	(50,168)	(328,160)	-
-	-	17,900	-
(7,870)	-	(253,959)	-
10,686	20,078	169,794	5,950
64,321	459,309	2,405,826	-
(68,874)	(45)	(926,992)	(13,893)
2,132	111	(9,621)	-
8,951	820	137,815	-
-	-	18,299	-
-	-	-	(904,145)
(46,531)	(332,274)	(1,740,426)	-
(5,947)	(71,435)	(341,128)	-
193	-	94,463	-
<u>123,302</u>	<u>324,839</u>	<u>8,008,986</u>	<u>(912,088)</u>
<u>\$ 508,727</u>	<u>\$ 445,600</u>	<u>\$ 6,397,594</u>	<u>\$ (41,203)</u>
<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 47,139</u>	<u>\$ -</u>

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

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

SEPTEMBER 30, 2023

	Pension and Other Post Employment Benefits Trust Funds
Assets	
Cash and cash equivalents	\$ 8,417,791
Interest receivable	59,285
Other receivables	3,336,324
Investments:	
Money market mutual funds	3,258,115
Mutual fund investments - equities	101,222,270
Mutual fund investments - fixed income	365,215
Corporate stocks	20,617,043
Corporate bonds	1,261,974
Treasury and agency bonds and notes	3,554,609
Real estate	6,879,178
Mortgage/asset backed securities	4,755,191
Municipal bonds and notes	88,038
Total investments	<u>142,001,633</u>
Total assets	<u>153,815,033</u>
Net position	
Restricted for pension benefits	148,228,946
Restricted for OPEB benefits	5,586,087
Total net position	<u>\$ 153,815,033</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, 2023

	Pension and Other Post Employment Benefits Trust Funds
Additions	
Contributions:	
Employer	\$ 5,414,575
Plan members	284,656
State (passed through the Police & Firefighter's Premium Tax Trust Fund)	622,900
	<hr/>
Total contributions	6,322,131
	<hr/>
Investment income:	
Interest and dividends	4,086,400
Net appreciation in fair value of investments	12,628,151
Total investment income	16,714,551
	<hr/>
Investment expense	(1,009,934)
	<hr/>
Net investment income	15,704,617
	<hr/>
Total additions	22,026,748
	<hr/>
Deductions	
Benefit payments	12,941,447
DROP plan benefits	855,184
Refunds of contributions	2,199
Administrative expenses	207,055
	<hr/>
Total deductions	14,005,885
	<hr/>
Change in net position	8,020,863
	<hr/>
Net position restricted for pension and OPEB benefits - beginning of year	145,794,170
	<hr/>
Net position restricted for pension and OPEB benefits - end of year	\$ 153,815,033
	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

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CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

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. 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. Government Accounting Standards Board ("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, 2023

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. Custodial funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, custodial 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, 2023. 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 funds:

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.

The *General Government Capital and Construction Fund*. It accounts for the acquisition and construction of capital facilities and other capital assets for general government functions such as public safety, transportation, public works and recreation.

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The *Infrastructure and Real Estate Improvements Fund*. This fund accounts for the receipt of local government infrastructure sales tax revenues (and associated interest earnings) that are limited by Florida Statutes to expenditure for capital equipment and improvements and associated debt service.

The government reports the following major proprietary funds:

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

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

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

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

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.

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.

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, 2023

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 and amortization 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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Lease Receivables

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Restricted Assets

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

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

Other Assets

Inventories are comprised of materials and supplies held for consumption and are stated at cost on the basis of the weighted average method of accounting for the General Fund, Water and Sewer Fund, and the Municipal Marina Fund. The weighted average method of inventory results is charged against expense 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 costs consist of prepaid postage costs, insurance premiums, 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.

Assets Held for Resale

Assets held for resale consist of a building, turbines, and related spare parts that were part of the City's electric utility, which was sold in fiscal year 2019. These assets, which are still in place but not functional, met the test for impairment of assets established by the GASB and were recorded as 'assets held for resale' at their net realizable value.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. The costs of normal maintenance and repairs that do not improve or extend the life of the respective assets are not capitalized.

The right to use and subscription assets are initially measured at an amount equal to the present value of the related liability plus any lease or subscription payments made prior to the lease or subscription term, less lease or subscription incentives, and plus ancillary charges necessary to place the leased or subscription asset into service. The right to use and subscription assets are amortized on a straight-line basis over the life of the related lease or subscription.

Capital assets are depreciated or amortized 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
Subscription-based or leased assets	Term of the arrangement

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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 and State law, however, medical leave in excess of the amounts paid out may be used to increase an employee's length of continuous service or the calculation of pensionable wages for retirement benefits.

Accumulated compensated absences for annual leave and 'frozen' 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 which approximates the effective interest method. Bonds payable are recorded net of the applicable bond premium or discount.

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

Deferred Inflows 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 assets 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 assets 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 post-employment benefit plans, and leases.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Balance

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 GAAP 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.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2023, the General Fund had \$2,894,505 of general government expenditures in excess of appropriations. These expenditures were all funded by greater than anticipated investment income, as well as positive budget variances for public safety, transportation, and culture/recreation.

CITY OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

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

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

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

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

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

The budget may be formally amended by City Council at any time during the fiscal year; however, in practice, it is usually amended one or two times per year 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 \$50,000 in any one fiscal year and 2) does not exceed the total appropriation for that fund. As a result, the most stringent level of budgetary control is the departmental level, and the supplementary budget comparisons provide sufficient detail to demonstrate compliance at both the department and fund levels.

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

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2023:

Statement of net position	
Equity in pooled cash and investments	\$ 98,964,884
Cash with fiscal agent	88,188
Restricted assets:	
Equity in pooled cash and investments	1,682,014
Statement of fiduciary net position	
Pension Trust funds:	
Cash and investments	136,415,546
OPEB Trust fund:	
Cash and investments	5,586,087
Total	\$ 242,736,719
Deposits and investments	
Bank deposits	
Checking and savings accounts	\$ 9,683,586
Investments:	
Cash and investment pool	90,944,558
Pension trust fund cash and investments	136,503,734
OPEB trust fund cash and investments	5,586,087
Cash on hand	18,754
Total	\$ 242,736,719

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 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 OF VERO BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

3. DEPOSITS AND INVESTMENTS – Continued

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, 2023, and for the year then ended, includes money market mutual fund investments with Allspring (formerly Wells Fargo Asset Management) 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.

In late 2021 Wells Fargo Asset Management was acquired by Allspring. The City utilizes the Allspring Government Money Market Fund – GVIXX, considered a money market mutual fund, to invest a portion of its pooled cash. 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 & 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 & 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 & 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 & 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 & 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 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 years; the average maturity of the portfolio as a whole may not exceed three years.

The deposits and investments of the Pension Trust Funds and the OPEB Trust Fund are held separately from those of other City funds. As prescribed by the Plan documents, the investment portfolios for these funds at September 30, 2023 and for the year then ended include investment obligations of the U.S. Treasury, various domestic and international stocks and bonds, and real estate.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

3. DEPOSITS AND INVESTMENTS – Continued

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires securities to be held by a third party custodian and be properly designated as an asset of the City and held in the City’s name. As of September 30, 2024, the Authority’s investments were held with a third party custodian as required by the Authority’s investment policy.

Concentrations of Credit Risk

The following is a summary of the City’s general investments as of September 30, 2023:

<u>Investment Type</u>	<u>Value</u>
U.S. Treasury notes	\$ 67,250,350
Federal instrumentalities	6,461,711
Mortgage backed securities	15,243,394
Money market mutual funds	1,813,820
Florida PRIME	436,543
Total	<u>\$ 91,205,818</u>

The types of deposits and investments and their level of risk exposure as of September 30, 2023 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, 2023

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, or net asset value per share (“NAV”). As of September 30, 2023, 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	\$ 67,250,350	\$ 8,542,862	\$ 50,916,484	\$ 7,791,004	2
Federal instrumentalities	6,461,711	1,621,424	408,724	4,431,563	2
Mortgage backed securities	15,243,394	11,478	1,079,779	14,152,137	2
Money market mutual funds	1,813,820	1,813,820	-	-	Amortized Cost
Florida PRIME	436,543	436,543	-	-	Amortized Cost
	<u>91,205,818</u>	<u>12,426,127</u>	<u>52,404,987</u>	<u>26,374,704</u>	
Pension fund investments					
Money market mutual funds	3,258,115	3,258,115	-	-	1
Mutual fund investments-equities	95,636,183	95,636,183	-	-	1
Mutual fund investments-fixed income	365,215	365,215	-	-	1
Corporate stocks	20,617,043	20,617,043	-	-	1
Corporate bonds	1,261,974	-	-	1,261,974	2
U.S. Treasury bonds and notes	3,554,609	-	53	3,554,556	2
Mortgage/asset-backed securities	4,755,191	-	-	4,755,191	2
Real estate investment trust	6,879,178	6,879,178	-	-	NAV
Municipal bonds & notes	88,038	-	-	88,038	2
	<u>136,415,546</u>	<u>126,755,734</u>	<u>53</u>	<u>9,659,759</u>	
OPEB fund investments					
Mutual fund investments-equities	<u>5,586,087</u>	<u>5,586,087</u>	<u>-</u>	<u>-</u>	1
	<u>\$ 233,207,451</u>	<u>\$ 144,767,948</u>	<u>\$ 52,405,040</u>	<u>\$ 36,034,463</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, 2023

3. DEPOSITS AND INVESTMENTS – Continued

The City is invested in a mutual fund that is not available in an exchange or an active market; however, as a practical expedient, the fair value is determined based on the NAV of the underlying assets as traded in an exchange or active market. No shareholder has the right to require the funds to redeem their shares. There is no public market for shares, and none is expected to develop. Consequently, shareholders may not be able to liquidate their investment other than as a result of repurchase of shares by the funds. Unfunded commitments to private investments totaled \$0 as of September 30, 2023. Direct private equity investments are generally valued at NAV, unless there is an active secondary trading market in the securities, in which case, direct private equity investments are valued using market prices as of the close of the last business day of the statement period.

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

The following table discloses credit ratings by investment type for the City's investments at September 30, 2023:

Investment Type	S&P / Moody's Credit Rating	Total Assigned Value
General investments		
U.S. Treasury notes	AA+	\$ 67,250,350
Federal instrumentalities	AA+	6,461,711
Mortgage backed securities	AA+	15,243,394
Money market mutual funds	AAAm	1,813,820
Florida PRIME	AAAm	436,543
		<u>91,205,818</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	-	2,147,076	1,111,039	-	3,258,115
Mutual fund investments-equities	Not Rated	95,106,165	-	530,018	5,586,087	101,222,270
Mutual fund investments-fixed income	Not Rated	-	293,082	72,133	-	365,215
Corporate stocks	Not Rated	-	17,532,922	3,084,121	-	20,617,043
Corporate bonds	AA+ - Baa3	-	1,083,172	178,802	-	1,261,974
U.S. Treasury bonds and notes	Aaa / AA+	-	3,282,339	272,270	-	3,554,609
Mortgage/asset backed securities	Not Rated	-	4,407,789	347,402	-	4,755,191
Real estate investment trust	Not Rated	-	6,015,474	863,704	-	6,879,178
Municipal bonds & notes	AAA - A-	-	-	88,038	-	88,038
		<u>95,106,165</u>	<u>34,761,854</u>	<u>6,547,527</u>	<u>5,586,087</u>	<u>142,001,633</u>
		\$ 95,106,165	\$ 34,761,854	\$ 6,547,527	\$ 5,586,087	\$ 233,207,451

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

4. RECEIVABLES

Receivables are comprised of the following at September 30, 2023:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts	\$ 1,170,596	\$ 2,660,409
Allowance for uncollectible receivables	(1,091,291)	(219,276)
Lease	1,145,011	12,638,024
Special assessments	10,709	125,829
Interest (including leases)	292,339	132,624
Due from other governments	<u>1,885,607</u>	<u>934,870</u>
	<u>\$ 3,412,971</u>	<u>\$ 16,272,480</u>

The 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 water and sewer and solid waste accounts receivable that may become uncollectible, which ranges from 1 to 3% of sales. The amount of bad debt expense at September 30, 2023 was approximately \$35,068 for both utilities. No other allowances for uncollectible accounts are maintained, since other fund accounts receivable are considered collectible as reported at September 30, 2023.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of September 30, 2023, accounts payable and accrued liabilities consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts and contracts payable	\$ 1,200,227	\$ 1,232,151
Accrued liabilities	411,081	160,715
Accrued interest on long-term debt	30,278	29,154
Lease payable (including interest)	11,465	19,027
Current portion of unearned revenue	-	10,373
	<u>\$ 1,653,051</u>	<u>\$ 1,451,420</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund balances as of September 30, 2023.

For the year ended September 30, 2023, the interfund transfers consisted of the following:

Transfers Out	<u>Transfers In</u>				Totals
	General Fund	General Government Capital & Construction Fund	Nonmajor Governmental Funds	Municipal Marina Fund	
General Fund	\$ -	\$ 1,580,326	\$ 1,207,910	\$ 2,000,000	\$ 4,788,236
Infrastructure & real estate improvements fund	-	2,716,674	-	-	2,716,674
Proprietary Funds					
Water & sewer system fund	1,032,000	-	-	-	1,032,000
Municipal marina fund	117,000	-	-	-	117,000
Solid waste	196,000	-	-	-	196,000
	<u>\$ 1,345,000</u>	<u>\$ 4,297,000</u>	<u>\$ 1,207,910</u>	<u>\$ 2,000,000</u>	<u>\$ 8,849,910</u>

The City's routine budgeted transfers from the General Fund and Infrastructure & Real Estate Improvements 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 transferred ad valorem tax revenue to the Historic Downtown Vero Beach Economic Development Zone fund for the associated tax increment for FY 2023 to be used for capital projects. The General Fund also transferred funds to the Stormwater Utility capital project fund to support stormwater 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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

7. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 5,008,547	\$ -	\$ -	\$ -	\$ 5,008,547
Intangible assets	825,080	-	-	-	825,080
Construction in progress	812,537	2,277,309	-	(7,523)	3,082,323
	<u>6,646,164</u>	<u>2,277,309</u>	<u>-</u>	<u>(7,523)</u>	<u>8,915,950</u>
Capital assets being depreciated:					
Buildings	18,153,471	2,532,017	-	-	20,685,488
Improvements other than buildings	19,324,514	195,248	-	-	19,519,762
Machinery and equipment	14,553,478	887,462	(778,178)	-	14,662,762
Infrastructure	47,560,770	30,266	-	-	47,591,036
	<u>99,592,233</u>	<u>3,644,993</u>	<u>(778,178)</u>	<u>-</u>	<u>102,459,048</u>
Less accumulated depreciation for:					
Buildings	(9,800,309)	(1,164,852)	-	-	(10,965,161)
Improvements other than buildings	(14,687,975)	(292,823)	-	-	(14,980,798)
Machinery and equipment	(10,891,256)	(1,196,362)	774,701	-	(11,312,917)
Infrastructure	(32,430,689)	(992,736)	-	-	(33,423,425)
	<u>(67,810,229)</u>	<u>(3,646,773)</u>	<u>774,701</u>	<u>-</u>	<u>(70,682,301)</u>
Total capital assets being depreciated, net	<u>31,782,004</u>	<u>(1,780)</u>	<u>(3,477)</u>	<u>-</u>	<u>31,776,747</u>
Right to use assets being amortized:					
Leased machinery and equipment	49,461	-	-	-	49,461
Less accumulated amortization for:					
Leased machinery and equipment	(12,644)	(11,851)	-	-	(24,495)
Total right to use assets being amortized, net	<u>36,817</u>	<u>(11,851)</u>	<u>-</u>	<u>-</u>	<u>24,966</u>
Governmental activities capital assets, net	<u>\$ 38,464,985</u>	<u>\$ 2,263,678</u>	<u>\$ (3,477)</u>	<u>\$ (7,523)</u>	<u>\$ 40,717,663</u>

Depreciation and amortization of governmental activities by function

General Government	\$ 1,759,618
Public Safety	648,572
Transportation	700,193
Physical Environment	78,158
Cultural and Recreation	472,083
	<u>\$ 3,658,624</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

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	\$ 6,363,514	\$ -	\$ -	\$ -	\$ 6,363,514
Construction in progress	3,574,909	4,400,281	(134,136)	(1,406,233)	6,434,821
	<u>9,938,423</u>	<u>4,400,281</u>	<u>(134,136)</u>	<u>(1,406,233)</u>	<u>12,798,335</u>
Capital assets being depreciated:					
Buildings	34,702,215	1,150,285	-	-	35,852,500
Improvements other than buildings	197,478,080	1,907,724	-	-	199,385,804
Machinery and equipment	12,041,011	1,777,534	-	-	13,818,545
	<u>244,221,306</u>	<u>4,835,543</u>	<u>-</u>	<u>-</u>	<u>249,056,849</u>
Less accumulated depreciation for:					
Buildings	(18,212,523)	(796,074)	-	-	(19,008,597)
Improvements other than buildings	(106,486,972)	(6,704,585)	-	-	(113,191,557)
Machinery and equipment	(8,250,412)	(1,095,225)	-	-	(9,345,637)
	<u>(132,949,907)</u>	<u>(8,595,884)</u>	<u>-</u>	<u>-</u>	<u>(141,545,791)</u>
Total capital assets being depreciated, net	<u>111,271,399</u>	<u>(3,760,341)</u>	<u>-</u>	<u>-</u>	<u>107,511,058</u>
Right to use assets being amortized:					
Leased land	29,982	-	-	-	29,982
Less accumulated amortization for:					
Leased land	(3,702)	(3,702)	-	-	(7,404)
Total right to use assets being amortized, net	<u>26,280</u>	<u>(3,702)</u>	<u>-</u>	<u>-</u>	<u>22,578</u>
Business-type activities capital assets, net	<u>\$ 121,236,102</u>	<u>\$ 636,238</u>	<u>\$ (134,136)</u>	<u>\$ (1,406,233)</u>	<u>\$ 120,331,971</u>
Depreciation and amortization of business-type activities by function					
Water & sewer system		\$ 3,902,800			
Municipal airport		4,313,347			
Municipal marina		82,587			
Solid waste		300,851			
		<u>\$ 8,599,585</u>			

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT

The City's outstanding long-term liabilities include bonds payable, loans payable, claims payable, financed capital purchases and compensated absences. All of the City's bonds, notes and lease-purchase contracts are considered direct debt for disclosure purposes. 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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Revenue Notes	\$ 925,000	\$ -	\$ (95,000)	\$ 830,000	\$ 95,000
Financed Capital Purchases	1,524,808	977,420	(674,844)	1,827,384	606,018
Leases	24,321	-	(12,856)	11,465	11,465
Claims Payable	1,117,000	-	(904,145)	212,855	63,856
Compensated Absences	3,230,161	420,853	(161,508)	3,489,506	174,475
Totals	\$ 6,821,290	\$ 1,398,273	\$ (1,848,353)	\$ 6,371,210	\$ 950,814
Business-type Activities:					
Revenue Bonds and Notes	\$ 5,703,265	\$ -	\$ (648,955)	\$ 5,054,310	\$ 661,419
Financed Capital Purchases	108,653	236,797	(86,790)	258,660	70,369
Leases	27,055	-	(3,702)	23,353	3,702
Compensated Absences	1,611,085	218,370	(80,554)	1,748,901	87,445
Totals	\$ 7,450,058	\$ 455,167	\$ (820,001)	\$ 7,085,224	\$ 822,935

**Balance as of
9/30/23**

Revenue Notes - Governmental activities

Series 2016 Capital Improvement Revenue Note

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 \$116,674.

\$ 830,000

Total governmental activities

\$ 830,000

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

Balance as of
9/30/23

Revenue Bonds and Notes – Business-type activities

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

In November 2009, the City entered into a loan agreement with the State of Florida Department of Environmental Protection for construction of capital improvements in the Water & Sewer system fund. In December 2012, this agreement was amended to increase the available funding for the City’s project. The loan agreement was finalized in July 2012 based on actual project costs. The final principal amount of the original loan is \$10,278,159 (including disbursements, capitalized interest and service fees) at an interest rate of 2.62%. The final principal amount of Amendment #2 is \$1,684,394 (including disbursements and service fees) at an interest rate of 2.26%. Payments on both principal amounts are due semiannually on February 15 and August 15 through August 15, 2030. Interest payments on both principal amounts are payable semiannually on February 15 and August 15 each year until maturity. The note is secured by Gross Revenues derived yearly from the operation of the Water and Sewer system, after payment of Operation and Maintenance expense and the satisfaction of all senior obligations. Principal and interest paid for the current year was \$622,818 and Water and Sewer Net Revenues were \$1,605,000.

\$ 4,834,494

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 & 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 \$16,305 and Water and Sewer Net Revenues were \$1,605,000.

137,993

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

Balance as of
9/30/23

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 & 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 \$9,832 and Water and Sewer Net Revenues were \$1,605,000.

81,823

Total business-type activities

\$ 5,054,310

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

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

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

Financed Capital Purchases

The City has financed various vehicles and capital equipment under municipal financed capital purchase contracts. These contracts have terms of 4 to 6 years and ownership of the assets transfers to the City at the end of the contract period. These contracts 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 financed capital purchase payments in any given fiscal year. The City currently has the following financed capital purchase contracts outstanding at September 30, 2023:

	Balance as of 9/30/23
Financed Capital Purchase Contracts - Governmental activities	
<i>KS State Bank Agreement #3357959</i>	
In September 2020 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet and police department vehicles for governmental activities. The original amount of the borrowing for governmental activities is \$212,626. Principal and interest payments are due annually beginning on December 15, 2020 through December 15, 2024. The interest rate for this agreement is 2.88%. Principal and interest paid for the current year (attributable to governmental activities) was \$41,602.	86,833
<i>KS State Bank Agreement #3358236</i>	
In December 2020 the City entered into a financed capital purchase contract with KS State Bank to purchase police department vehicles for governmental activities. The original amount of the borrowing for governmental activities is \$675,107. Principal and interest payments are due annually beginning on April 1, 2021 through April 1, 2025. The interest rate for this agreement is 2.88%. Principal and interest paid for the current year (attributable to governmental activities) was \$132,542.	276,645
<i>KS State Bank Agreement #3358617</i>	
In April 2021 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet vehicles for both governmental and business-type activities. The original amount of the borrowing for governmental activities is \$193,567. Principal and interest payments are due annually beginning on August 1, 2021 through August 1, 2025. The interest rate for this agreement is 2.89%. Principal and interest paid for the current year (attributable to governmental activities) was \$37,949.	79,219

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

	Balance as of 9/30/23
Financed Capital Purchase Contracts - Governmental activities (continued)	
<i>KS State Bank Agreement #3359767</i>	
In December 2021 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet vehicles for both governmental and business-type activities. The original amount of the borrowing for governmental activities is \$1,029,374 . Principal and interest payments are due annually beginning on April 1, 2022 through April 1, 2026. The interest rate for this agreement is 2.48%. Principal and interest paid for the current year (attributable to governmental activities) was \$197,051.	571,331
<i>KS State Bank Agreement #3361513</i>	
In March 2023 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet vehicles for both governmental and business-type activities. The original amount of the borrowing for governmental activities is \$796,193 Principal and interest payments are due annually beginning on August 1, 2023 through August 1, 2027. The interest rate for this agreement is 4.88%. Principal and interest paid for the current year (attributable to governmental activities) was \$164,064.	632,129
<i>KS State Bank Agreement #3361962</i>	
In August 2023 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet vehicles for governmental activities. The original amount of the borrowing for governmental activities is \$181,227. Principal and interest payments are due annually beginning on December 1, 2023 through December 1, 2027. The interest rate for this agreement is 5.85%. Principal and interest paid for the current year (attributable to governmental activities) was \$0.	181,227
Total governmental activities	\$ 1,827,384

Financed Capital Purchase Contracts - Business-type activities

KS State Bank Agreement #3358617

In April 2021 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet vehicles for both governmental and business-type activities. The original amount of the borrowing for business-type activities is \$53,831. Principal and interest payments are due annually beginning on August 1, 2021 through August 1, 2025. The interest rate for this agreement is 2.89%. Principal and interest paid for the current year (attributable to business-type activities) was \$10,554.	\$ 22,031
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CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

Financed Capital Purchase Contracts - Business-type activities (continued)	Balance as of 9/30/23
<i>KS State Bank Agreement #3359767</i>	
In December 2021 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet vehicles for both governmental and business-type activities. The original amount of the borrowing for business-type activities is \$80,441. Principal and interest payments are due annually beginning on April 1, 2022 through April 1, 2026. The interest rate for this agreement is 2.48%. Principal and interest paid for the current year (attributable to business-type activities) was \$15,431.	\$ 48,628
<i>KS State Bank Agreement #3361513</i>	
In March 2023 the City entered into a financed capital purchase contract with KS State Bank to purchase various fleet vehicles for both governmental and business-type activities. The original amount of the borrowing for business-type activities is \$236,797. Principal and interest payments are due annually beginning on August 1, 2023 through August 1, 2027. The interest rate for this agreement is 4.88%. Principal and interest paid for the current year (attributable to business-type activities) was \$48,795.	188,001
Total business-type activities	\$ 258,660

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

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

Governmental Activities

Years Ended September 30,	Capital Improvement Revenue Note Series 2016		KS State Bank Financed Capital Purchase # 3361513 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2024	\$ 95,000	\$ 19,328	\$ 146,923	\$ 30,848
2025	100,000	16,920	154,093	23,678
2026	100,000	14,450	161,613	16,158
2027	100,000	11,980	169,500	8,272
2028	105,000	9,448	-	-
2029-2032	330,000	12,474	-	-
	\$ 830,000	\$ 84,600	\$ 632,129	\$ 78,956

Years Ended September 30,	KS State Bank Financed Capital Purchase # 3357959		KS State Bank Financed Capital Purchase # 3358236	
	Principal	Interest (FY)	Principal	Interest (FY)
2024	\$ 42,800	\$ 2,501	\$ 136,359	\$ 7,967
2025	44,033	1,268	140,286	4,040
	\$ 86,833	\$ 3,769	\$ 276,645	\$ 12,007

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

Governmental Activities (continued):

Years Ended September 30,	KS State Bank Financed Capital Purchase # 3358617 (partial)		KS State Bank Financed Capital Purchase # 3359767 (partial)	
	Principal	Interest (FY)	Principal	Interest (FY)
2024	\$ 39,045	\$ 2,289	\$ 202,539	\$ 15,256
2025	40,174	1,161	207,944	9,850
2026	-	-	160,848	4,300
	\$ 79,219	\$ 3,450	\$ 571,331	\$ 29,406

Years Ended September 30,	KS State Bank Financed Capital Purchase # 3361962	
	Principal	Interest (FY)
2024	\$ 38,352	\$ 2,739
2025	32,733	8,358
2026	34,648	6,443
2027	36,675	4,416
2028	38,819	2,271
	\$ 181,227	\$ 24,227

Business-type Activities

Water and Sewer Fund:

Years Ended September 30,	SRF Clean Water WW 310201 (Orig & Amendment 2)		SRF Drinking Water DW 310220	
	Principal	Interest (FY)	Principal	Interest (FY)
2024	\$ 638,913	\$ 120,087	\$ 16,768	\$ 3,774
2025	655,424	103,576	17,244	3,298
2026	672,363	86,637	17,734	2,808
2027	689,741	69,259	18,238	2,304
2028	707,570	51,430	18,756	1,787
2029-2032	1,470,483	47,516	49,253	2,103
	\$ 4,834,494	\$ 478,505	\$ 137,993	\$ 16,074

Years Ended September 30,	SRF Drinking Water DW 310221	
	Principal	Interest (FY)
2024	\$ 10,072	\$ 1,927
2025	10,319	1,681
2026	10,571	1,429
2027	10,829	1,171
2028	11,094	906
2029-2032	28,938	1,063
	\$ 81,823	\$ 8,177

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

8. LONG-TERM DEBT – Continued

Airport Fund:

<u>Years Ended September 30,</u>	<u>KS State Bank Financed Capital Purchase # 3359767 (partial)</u>	
	<u>Principal</u>	<u>Interest (FY)</u>
2024	\$ 15,814	\$ 1,206
2025	16,206	814
2026	16,608	412
2027	-	-
	<u>\$ 48,628</u>	<u>\$ 2,432</u>

Solid Waste Fund:

<u>Years Ended September 30,</u>	<u>KS State Bank Financed Capital Purchase # 3361513 (partial)</u>		<u>KS State Bank Financed Capital Purchase # 3358617 (partial)</u>	
	<u>Principal</u>	<u>Interest (FY)</u>	<u>Principal</u>	<u>Interest (FY)</u>
2024	\$ 43,697	\$ 9,175	\$ 10,859	\$ 637
2025	45,829	7,042	11,171	322
2026	48,066	4,806	-	-
2027	50,410	2,460	-	-
	<u>\$ 188,002</u>	<u>\$ 23,483</u>	<u>\$ 22,030</u>	<u>\$ 959</u>

9. LEASES

The City is involved in various leasing arrangements as both lessee and lessor for machinery and equipment, land and buildings. As of October 1, 2021, the City adopted the provisions of GASB Statement No. 87, *Leases*, which amended the existing accounting standards for lease reporting. The new guidance requires lessees in a leasing arrangement to recognize a right to use assets and a lease liability for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability will be equal to the present value of lease payments. Additionally, GASB 87 requires lessors in a leasing arrangement to recognize a lease receivable and a deferred inflow of resources for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability (lessees) or deferred inflow (lessors) will be equal to the present value of lease payments.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

9. LEASES – Continued

Lease Receivables

The City leases land, buildings and Airport facilities (non-regulated leases) to various third-party tenants doing business in the City of Vero Beach. These leases have terms between 39 months and 40 years, with payments required monthly or annually. In addition to fixed payments and variable payments that are fixed in substance, the present value of which is included in the lease receivable, the City receives variable payments that depend on future performance of the lessee that are excluded from the measurement of the lease receivable and recognized as inflows of resources.

In fiscal year 2023, the City recognized \$910,359 of lease revenue and \$216,171 of interest revenue related to these leases. In addition, the City recognized \$87,935 in variable lease revenue not included in the lease receivable. As of September 30, 2023 the City's lease receivables were valued at \$13,783,035. The deferred inflow of resources associated with these leases to be recognized over the remaining terms of these leases is \$11,816,297. The principal and interest requirements to maturity for the lease receivable at September 30, 2023 are as follows:

Governmental Activities

Years Ended September 30,	Principal	Interest
2024	\$ 115,495	\$ 19,170
2025	117,880	16,782
2026	120,259	14,398
2027	122,687	11,967
2028	124,841	9,245
2029-2032	543,849	14,393
Total	\$ 1,145,011	\$ 85,955

Business-type Activities

Airport Fund:

Years Ended September 30,	Principal	Interest
2024	\$ 772,054	\$ 233,841
2025	768,742	218,098
2026	770,340	202,771
2027	783,081	187,236
2028	797,150	182,325
2029-2033	3,669,027	518,735
2034-2038	2,141,481	419,702
2039-2043	1,111,964	262,052
2044-2048	1,171,852	146,846
2049-2053	652,333	39,739
Total	\$ 12,638,024	\$ 2,411,345

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

9. LEASES – Continued

Right to Use Assets and Lease Liabilities

The City has entered into agreements to lease certain land, machinery and equipment which qualify as ‘other than short-term leases’ under the requirements of GASB 87 and have therefore been recorded at the present value of the future minimum lease payments as of the date of their inception. The right to use asset balance included \$24,966 in machinery and equipment and \$22,579 in land as of September 30, 2023. The terms and conditions for these leases vary and generally contain renewal options for periods ranging from 4 to 10 years. If the City is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from the present value calculation of the right to use lease asset and the lease liability determination. The City’s leases generally do not include termination options for either party to the lease or restrictive financial or other covenants.

Payments due under the lease contracts include fixed, periodic payments over the lease terms plus, for many of the City’s leases, variable and non-lease component payments. For the City’s leases, variable lease payments that depend on future performance or usage of the underlying asset and non-lease components are excluded from the measurement of the lease liability and recognized as outflows of resources.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2023, were as follows:

Governmental Activities

Years Ended September 30,	Principal	Interest
2024	\$ 8,904	\$ 184
2025	2,561	109
Total	<u>\$ 11,465</u>	<u>\$ 293</u>

Business-type Activities

Marina Fund:

Years Ended September 30,	Principal	Interest
2024	\$ 3,140	\$ 416
2025	3,202	350
2026	3,268	284
2027	3,334	217
2028	3,334	217
2029-2032	<u>7,074</u>	<u>235</u>
Total	<u>\$ 23,352</u>	<u>\$ 1,719</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

9. LEASES – Continued

Regulated Leases

As lessor, the City has leasing agreements with third parties for aeronautical use (as defined by the Federal Aviation Administration) of the Airport’s airfield, land, buildings and other facilities, which are subject to exclusive use by respective lessees and qualify to be treated as regulated leases in accordance with the requirements of GASB 87. As of September 30, 2023, the remaining amount of expected future minimum payments under these agreements is as follows.

<u>Years Ended September 30,</u>	<u>Amount</u>
2024	\$ 1,097,918
2025	1,089,194
2026	1,081,332
2027	1,065,720
2028	1,065,720
2029-2033	4,688,927
2034-2038	3,541,058
2039-2043	2,427,931
2044-2048	2,208,447
2049-2053	<u>185,852</u>
Total	<u>\$ 18,452,099</u>

For the fiscal year ended September 30, 2023 the City recognized \$1,108,558 of inflows of resources from fixed lease revenue payments and \$159,252 of inflows of resources from variable lease payments not included in expected future minimum payments related to these regulated lease agreements. Variable lease payments are based on usage measures including fuel sales and concessions.

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 workers’ 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 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, automobile liability, and third party general liability insurance (with a self-insurance retention). The City is not self-insured for automobile liability. As a result, for the fiscal year ended September 30, 2023, 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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

10. RISK MANAGEMENT – Continued

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 claims liability reported in the Fund at September 30, 2023 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, 2021	\$ 1,165,000
Claims & changes in estimates	6,453
Claim payments	<u>(54,453)</u>
Estimated liability, September 30, 2022	1,117,000
Claims & changes in estimates	(885,652)
Claim payments	<u>(18,493)</u>
Estimated liability, September 30, 2023	<u>\$ 212,855</u>

11. RESTRICTED ASSETS

The Water and Sewer, Marina and Solid Waste enterprise funds have certain cash and investments that are restricted either by bond resolutions, ordinances, or governmental regulations. The following is a summary of restricted assets by fund at September 30, 2023:

	Water and Sewer System	All Other Proprietary Funds	Total
Sinking funds	\$ 138,995	\$ -	\$ 138,995
Debt service	-	1,030	1,030
Capital project deposit	636,371	-	636,371
Customer deposits	<u>905,618</u>	<u>-</u>	<u>905,618</u>
	<u>\$ 1,680,984</u>	<u>\$ 1,030</u>	<u>\$ 1,682,014</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

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, 2023 was 2.7680 mills.

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

13. PENSION PLANS

The City administers three single-employer public employee retirement systems (PERS); the General Employee Retirement Plan, the Police Officers' Retirement Fund, and the Firefighter's Relief and Pension Fund. All three of the City's pension plans provide retirement, disability, and death benefits as established by City Ordinance. All of these pension plans are included as trust funds in the City's financial statements and separate reports for these pension plans are not available. For the year ended September 30, 2023, the City recognized total pension expense of \$8,931,429 for the three pension plans. In regard to governmental funds, net pension liabilities have been liquidated by the General Fund, Crestlawn Cemetery Fund, and Police & Firefighter Premium Tax Trust Fund.

GENERAL EMPLOYEE RETIREMENT PLAN

General Information about the Plan

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

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

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% of average basic monthly compensation for each year of service accrued before October 1, 2010, plus 1.60% 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% of average basic monthly compensation for each of the first 25 years of continuous service, plus 0.5% for each year thereafter. Normal retirement age is 65, and pension benefits are reduced by 1.5% for each year preceding normal retirement for benefits accrued before October 1, 2010 and 3% for each year preceding normal retirement for benefits accrued after that date.

Disability benefits are equal to normal pension accrued but not less than 25% 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% 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% 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, 2023, the following employees were covered by the General Employee Retirement Plan benefit terms.

Inactive plan members or members or beneficiaries currently receiving benefits	452
Inactive plan members entitled to but not yet receiving benefits	90
Active plan members	126
	668
	668

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. The City’s contributions to the plan for the year ended September 30, 2023 were \$3,076,273.

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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

Net Pension Liability – General Employee Retirement Plan

The City’s net pension asset for the General Employee Retirement Plan was measured as of September 30, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2023.

Actuarial assumptions. The total pension liability in the October 1, 2023 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	6.25%, net of investment expense, including inflation
Cost-of-living adjustments	1% per year

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

The long-term expected rate of return on General Employee Retirement Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2023 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	45.0 %	6.91 %
International Equity	7.5	7.21
Fixed Income	40.0	1.61
Emerging Markets Equity	2.5	8.71
Real Estate	5.0	3.61
Total	<u>100 %</u>	

For fiscal year ended September 30, 2023, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 5.3%.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

Discount rate. The discount rate used to measure the total pension liability for the General Employee Retirement Plan is 6.25%. 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.

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 9/30/2022	\$ 112,975,491	\$ 89,800,196	\$ 23,175,295
Changes for the year:			
Service cost	233,506	-	233,506
Interest	6,816,258	-	6,816,258
Differences between expected and actual experience	1,947,619	-	1,947,619
Contributions - employer	-	3,076,273	(3,076,273)
Net investment income	-	10,622,357	(10,622,357)
Benefit payments (including refunds of employee contributions)	(8,297,731)	(8,297,731)	-
Administrative expenses	-	(94,930)	94,930
Net Changes	<u>699,652</u>	<u>5,305,969</u>	<u>(4,606,317)</u>
Balances at 9/30/2023	<u>\$ 113,675,143</u>	<u>\$ 95,106,165</u>	<u>\$ 18,568,978</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

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, 2023.

	Net Pension Liability
Governmental activities	\$ 11,552,783
Business-type activities:	
Water & sewer system	4,779,752
Airport	709,352
Municipal marina	187,600
Solid waste	1,339,491
Total Business-type activities	7,016,195
Grand Total	\$ 18,568,978

Sensitivity of the net pension liability (asset) 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 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%).

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension Liability	\$ 28,319,548	\$ 18,568,978	\$ 8,818,370

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

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

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, 2023, the General Employee Retirement Fund recognized total pension expense of \$4,837,358. 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:

	<u>Pension Expense</u>
Governmental activities	<u>\$ 3,009,636</u>
Business-type activities:	
Water & sewer system	1,245,136
Airport	184,780
Municipal marina	48,865
Solid waste	348,940
Total Business-type activities	<u>1,827,721</u>
Grand Total	<u><u>\$ 4,837,357</u></u>

At September 30, 2023, 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	\$ 585,648	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>5,005,189</u>	<u>-</u>
Total	<u><u>\$ 5,590,837</u></u>	<u><u>\$ -</u></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:

2024	\$ 1,543,951
2025	1,258,041
2026	3,824,041
2027	<u>(1,035,196)</u>
Total	<u><u>\$ 5,590,837</u></u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

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.

Benefits provided. Retirement benefits for the Police Officers’ Retirement Fund are calculated at 3% 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% 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% 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 without interest. Benefit terms provide for a 1% 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, 2023, \$468,084 is payable to DROP Participants.

Employees covered by benefit terms. At September 30, 2023, 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	55
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	53
	111
	111

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – 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. 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, 2023, the contribution rate of plan members is 5.5% of compensation for those participants hired prior to October 1, 2012 and 8% of compensation for those hired on or after that date. The City's contribution rate was 24.65% of annual payroll. The City's contribution was reduced by State of Florida Chapter revenue generated by insurance premium tax. The City's contributions to the plan for the year ended September 30, 2023 were \$455,050.

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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2023.

Actuarial assumptions. The total pension liability in the October 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5%
Salary Increases, including inflation	Age based
Investment Rate of Return	7.25%, net of investment expenses and inflation

In accordance with the requirements of Florida statutes, the mortality tables used in the valuation are the same as the mortality assumptions used for special risk employees in the valuation of the Florida Retirement System ("FRS") as of the July 1, 2021 FRS valuation report.

The actuarial assumptions used in the October 1, 2023 valuation were based on the results of an actuarial experience study dated June 30, 2020.

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. The long-term expected rate of return on the Police Officers' Retirement Fund investments is 6%.

For fiscal year ended September 30, 2023, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 5.3%.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

Discount rate. The discount rate used to measure the total pension liability for the Police Officers’ Retirement Fund was 7.25%. 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 9/30/2022	\$ 55,617,452	\$ 45,001,750	\$ 10,615,702
Changes for the year:			
Service cost	679,326	-	679,326
Interest	4,012,824	-	4,012,824
Differences between expected and actual experience	1,674,476	-	1,674,476
Changes of assumptions	660,515	-	660,515
Changes of benefit terms	-	-	-
Contributions - employer	-	455,050	(455,050)
Contributions - State	-	362,800	(362,800)
Contributions - employee	-	284,656	(284,656)
Net investment income	-	3,740,912	(3,740,912)
Benefit payments (including refunds of employee contributions)	(3,401,053)	(3,401,053)	-
Administrative expenses	-	(96,761)	96,761
Net Changes	<u>3,626,088</u>	<u>1,345,604</u>	<u>2,280,484</u>
Balances at 9/30/2023	<u>\$ 59,243,540</u>	<u>\$ 46,347,354</u>	<u>\$ 12,896,186</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Police Officers’ Retirement Fund, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%).

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 20,253,059	\$ 12,896,186	\$ 6,813,359

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

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.

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, 2023, the Police Officers' Retirement Fund recognized pension expense of \$3,795,289. At September 30, 2023, 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	\$ 1,616,163	\$ 339,614
Net difference between projected and actual earnings on pension plan investments	4,693,068	-
Changes of assumptions	<u>1,041,675</u>	<u>-</u>
Total	<u>\$ 7,350,906</u>	<u>\$ 339,614</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:

<u>Year Ended September 30:</u>	
2024	\$ 1,815,697
2025	2,362,635
2026	2,937,222
2027	<u>(104,262)</u>
Total	<u>\$ 7,011,292</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

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.

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

Employees covered by benefit terms. At September 30, 2023, 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	11
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	-
	11
	11

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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

Net Pension Liability (Asset) – 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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2022 rolled forward to September 30, 2023.

Actuarial assumptions. The total pension liability in the October 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

Mortality rates used in this valuation match the Florida Retirement System (FRS) July 1, 2020 assumptions for the Special Risk class in accordance with Florida Statutes. These mortality assumptions are based on the PUB-2010 Headcount-Weighted Mortality Tables with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.

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, 2023 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	10	8.5
Domestic Fixed Income	25	2.5
Global Bond/Non-Core Fixed Income	10	3.5
Real Estate	10	4.5
Total	<u>100 %</u>	

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

13. PENSION PLANS – Continued

For fiscal year ended September 30, 2023, the annual money-weighted rate of return on the plan investments, net of investment expenses, was 8.90%.

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.

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 (Asset) (a) - (b)
Balances at 9/30/2022	\$ 6,776,582	\$ 6,499,860	\$ 276,722
Changes for the year:			
Interest	384,263	-	384,263
Differences between expected and actual experience	(29,787)	-	(29,787)
Contributions - State	-	264,448	(264,448)
Net investment income	-	556,555	(556,555)
Benefit payments (including refunds of employee contributions)	(744,383)	(744,383)	-
Administrative expenses	-	(28,440)	28,440
Other	121,778	-	121,778
Net Changes	<u>(268,129)</u>	<u>48,180</u>	<u>(316,309)</u>
Balances at 9/30/2023	<u>\$ 6,508,453</u>	<u>\$ 6,548,040</u>	<u>\$ (39,587)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) 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)	\$ 400,035	\$ (39,587)	\$ (430,033)

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.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

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, 2023, the Firefighter’s Relief and Pension Fund recognized pension expense of \$298,783. At September 30, 2023, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 324,803	\$ -
Total	<u>\$ 324,803</u>	<u>\$ -</u>

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

Year Ended September 30:

2024	\$ 113,656
2025	11,525
2026	235,985
2027	<u>(36,363)</u>
Total	<u>\$ 324,803</u>

AGGREGATE PENSION PLAN INFORMATION

The aggregate amount of net pension liabilities, related deferred outflows or resources and deferred inflows of resources, and pension and pension expense for the City’s defined benefit pension plans are as follows:

	<u>General Employee Retirement Plan</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighter's Relief and Pension Fund</u>	<u>Totals</u>
Net pension liability	\$ 18,568,978	\$ 12,896,186	\$ (39,587)	\$ 31,425,577
Deferred outflows of resources	5,590,836	7,350,906	324,803	13,266,545
Deferred inflows of resources	-	339,614	-	339,614
Pension expense	4,837,357	3,795,289	298,783	8,931,429

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

14. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

General Information about the Plan

Plan Description. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The other post-employment benefits plan is a single employer defined benefit plan administered by the City. The plan is included as a trust fund in the City’s financial statements and a separate report for the Plan is not available. The City, by policy, has elected to provide retirees with a subsidy. Members who leave employment with the City and begin to receive retirement benefits immediately are eligible to continue enrollment as retirees. Police officers must be age 55 with 10 years of service or any age with 25 years of service, or age 50 with 10 years of service for early retirement. General employee members must be age 65 with 5 years of service, or age 55 with 5 years of service for early retirement. Disabled members are eligible for the same benefit as other retirees. Retirees under all City pension Plans may also continue their life insurance benefit at a reduced level of \$20,000 prior to age 70 and \$10,000 after age 70.

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

Benefits Provided. To help pay for the medical coverage of retired employees, the City provides a subsidy through a Premium Assistance Program. The amount of the subsidy for general employees is 2.75% of the base plan premium per year of service; for police officers, the subsidy is 4% of the base plan premium per year of service. The Premium Assistance Program subsidy is available only for the retiree portion of the health insurance premium, although retirees may elect spouse and dependent coverage entirely at their own expense. Apart from this direct subsidy, a liability arises because the full premiums charged by the City’s health insurance vendor are based on a blending of the experience among younger active employees and retired non-Medicare employees. Since retirees generally have higher costs, the City is actually subsidizing the cost of the retiree and dependent coverage even when retirees pay all or a significant portion of the blended premium. This is called the “implicit rate subsidy”. Based on its policy, the City has assumed an obligation to pay for this implicit subsidy for the covered lifetimes of the current retirees and their dependents, as well as for the covered lifetimes of current employees after they retire in the future, and this significantly impacts the City’s OPEB liability.

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

Employees covered by benefit terms. Membership of the Plan consisted of the following at October 1, 2022, the date of the latest actuarial valuation:

	<u>Number in Plan</u>
Active participants	239
Retired participants	<u>312</u>
	<u>551</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

14. OTHER POST EMPLOYMENT 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, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated October 1, 2022 and rolled forward to the September 30, 2023 measurement date.

Actuarial assumptions. The total OPEB liability in the October 1, 2022 valuation (rolled-forward to the measurement date of September 30, 2023) was determined using the following actuarial assumptions.

Inflation	2.5%
Salary Increases, including inflation	3.75% to 8.0%, including inflation, varies based on service or age
Investment Rate of Return	6.00%
Healthcare Cost Trend Rates	Trend starting 6.50% and decreasing gradually to 4.00% ultimate trend rate - based on the Getzen Model

Mortality rates were based on the adjusted Pub-2010 mortality tables with generational mortality improvements using Scale MP-2018 as used for Regular and Special Risk class members in the July 1, 2022 actuarial valuation of the Florida Retirement System (FRS). They are based on the results of a statewide experience study covering the period 2013-2018.

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 Mission Square 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	54 %	7.5 - 8.5 %
Fixed Income	34	2.50
Multi-Strategy *	12	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, 2023

14. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN – Continued

For fiscal year ended September 30, 2023, the annual rate of return on the plan investments, net of investment expenses, was 11.90%.

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 9/30/2022	\$ 27,260,441	\$ 4,492,364	\$ 22,768,077
Changes for the year:			
Service cost	446,185	-	446,185
Interest	1,621,800	-	1,621,800
Differences between expected and actual experience	(716,064)	-	(716,064)
Change in Benefit Terms	-	-	-
Changes in assumptions and other inputs	775,374	-	775,374
Contributions - employer	-	1,883,252	(1,883,252)
Contributions - employee	-	-	-
Net investment income	-	566,135	(566,135)
Benefit payments	(1,353,242)	(1,353,242)	-
Administrative expenses	-	(2,422)	2,422
Net Changes	<u>774,053</u>	<u>1,093,723</u>	<u>(319,670)</u>
Balances at 9/30/2023	<u>\$ 28,034,494</u>	<u>\$ 5,586,087</u>	<u>\$ 22,448,407</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, 2023, the net OPEB liability is allocated as follows:

	Net OPEB Liability
Governmental Activities	<u>\$ 17,722,337</u>
Business-Type Activities	
Water & Sewer Fund	3,222,088
Airport Fund	250,291
Marina Fund	63,595
Solid Waste Fund	1,190,096
Total Business Type Activities	<u>4,726,070</u>
Total Net OPEB Liability	<u>\$ 22,448,407</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

14. OTHER POST EMPLOYMENT 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 (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Net OPEB Liability	\$ 26,038,298	\$ 22,448,407	\$ 19,462,095

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 19,073,938	\$ 22,448,407	\$ 26,584,513

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

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

For the year ended September 30, 2023, the OPEB plan recognized total OPEB benefit of \$19,395. The City's OPEB benefit 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, 2023, the OPEB benefit is allocated as follows:

	<u>OPEB Expense</u>
Governmental Activities	<u>\$ (15,917)</u>
Business-Type Activities	
Water & Sewer Fund	(2,509)
Airport Fund	(180)
Marina Fund	(61)
Solid Waste Fund	(728)
Total Business Type Activities	<u>(3,478)</u>
Total OPEB Expense	<u><u>\$ (19,395)</u></u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

14. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN – Continued

At September 30, 2023, 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	\$ -	\$ 409,843
Net difference between projected and actual earnings on pension plan investments	232,939	-
Changes of assumptions	<u>-</u>	<u>3,252,185</u>
Total	<u>\$ 232,939</u>	<u>\$ 3,662,028</u>

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

Year Ended September 30:

2024	\$ (1,599,993)
2025	(868,846)
2026	(733,430)
2027	(229,103)
2028	<u>2,283</u>
Total	<u>\$ (3,429,089)</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

14. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN – Continued

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	\$ -	\$ 8,417,791	\$ -	\$ -	\$ 8,417,791
Accrued interest receivable	-	59,285	-	-	59,285
Other receivables	-	3,329,545	6,779	-	3,336,324
Investments, at fair value					
Money market mutual funds	-	2,147,076	1,111,040	-	3,258,116
Mutual fund investments-equities	95,106,165	-	530,018	5,586,087	101,222,270
Mutual fund investments-fixed income	-	293,082	72,133	-	365,215
Corporate stocks	-	17,532,922	3,084,121	-	20,617,043
Corporate bonds	-	1,083,172	178,802	-	1,261,974
Treasury and agency bonds & notes:					
U.S. Treasury bonds & notes	-	3,282,339	272,270	-	3,554,609
Mortgage/asset backed securities	-	4,407,788	347,402	-	4,755,190
Real estate	-	6,015,474	863,704	-	6,879,178
Municipal bonds & notes	-	-	88,038	-	88,038
Total investments, at fair value	<u>95,106,165</u>	<u>34,761,853</u>	<u>6,547,528</u>	<u>5,586,087</u>	<u>142,001,633</u>
Total assets	<u>95,106,165</u>	<u>46,568,474</u>	<u>6,554,307</u>	<u>5,586,087</u>	<u>153,815,033</u>
Net position					
Restricted for pension and OPEB benefits	<u>\$ 95,106,165</u>	<u>\$ 46,568,474</u>	<u>\$ 6,554,307</u>	<u>\$ 5,586,087</u>	<u>\$ 153,815,033</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

14. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN – Continued

**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	\$ 3,076,273	\$ 455,050	\$ -	\$ 1,883,252	\$ 5,414,575
Employee	-	284,656	-	-	284,656
State	-	362,800	260,100	-	622,900
Total contributions	<u>3,076,273</u>	<u>1,102,506</u>	<u>260,100</u>	<u>1,883,252</u>	<u>6,322,131</u>
Investment earnings					
Interest and dividends	2,742,349	1,172,872	171,179	-	4,086,400
Net appreciation in fair value of investments	8,393,395	3,225,307	443,315	566,134	12,628,151
Total investment income	<u>11,135,744</u>	<u>4,398,179</u>	<u>614,494</u>	<u>566,134</u>	<u>16,714,551</u>
Investment expense	(515,848)	(436,147)	(57,939)	-	(1,009,934)
Net investment income	<u>10,619,896</u>	<u>3,962,032</u>	<u>556,555</u>	<u>566,134</u>	<u>15,704,617</u>
Total additions	<u>13,696,169</u>	<u>5,064,538</u>	<u>816,655</u>	<u>2,449,386</u>	<u>22,026,748</u>
Deductions					
Benefit payments	8,297,731	3,398,854	744,383	1,355,663	13,796,631
Refunds of contributions	-	2,199	-	-	2,199
Administrative expenses	92,469	96,761	17,825	-	207,055
Total deductions	<u>8,390,200</u>	<u>3,497,814</u>	<u>762,208</u>	<u>1,355,663</u>	<u>14,005,885</u>
Change in net position	5,305,969	1,566,724	54,447	1,093,723	8,020,863
Net position restricted for pension and OPEB benefits, beginning	<u>89,800,196</u>	<u>45,001,750</u>	<u>6,499,860</u>	<u>4,492,364</u>	<u>145,794,170</u>
Net position restricted for pension and OPEB benefits, ending	<u>\$ 95,106,165</u>	<u>\$ 46,568,474</u>	<u>\$ 6,554,307</u>	<u>\$ 5,586,087</u>	<u>\$ 153,815,033</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

15. GENERAL EMPLOYEES' DEFINED CONTRIBUTION PENSION PLAN

The City contributes to a defined contribution pension plan for all full time and permanent part time general employees. This defined contribution plan is administered by ICMA Retirement Corporation (d.b.a. Mission Square Retirement) and was established under the provisions of IRS Section 401(a) on July 1, 2015.

Benefit terms, including contribution requirements, for the general employees' defined contribution plan are established and may be amended by the City Council. For participants in the plan who were employed prior to July 1, 2015 the City makes an employer contribution of 9% of earnings (excluding overtime) and there is a mandatory employee match of 3%. For participants employed on or after July 1, 2015, the employer contribution is 7% and the mandatory employee match is 5%. For the year ended September 30, 2023, employee contributions totaled \$486,390 and the City recognized pension expense of \$1,091,003 for this plan.

Employees are immediately vested in all contributions (both employer and employee) and earnings on those contributions as of the first date of employment. As a result, there are no forfeitures of contributions to reduce the City's pension expenses. The assets and liabilities of this plan are held in trust by ICMA Retirement Corporation and are not reported within the City's financial statements.

16. DEFERRED COMPENSATION PLAN

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

In addition to the optional deferred compensation plan, the City makes employer contributions to a deferred compensation plan under the terms of the contracts for the City Manager and the City Attorney at 4% of salary. For the fiscal year ended September 30, 2023 the City's employer contributions for these two employees totaled \$11,394. The City also makes employer contributions to a deferred compensation plan as the result of a settlement agreement for a single employee, totaling \$3,684 for the fiscal year.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

17. FUND BALANCES – GOVERNMENTAL FUNDS

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

	<u>General Fund</u>	<u>Infrastructure & Real Estate Improvements</u>	<u>General Government Capital & Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Inventory	\$ 143,628	\$ -	\$ -	\$ -	\$ 143,628
Prepaid items	4,180	-	-	-	4,180
	<u>147,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,808</u>
Restricted:					
General Government	111,269	-	-	-	111,269
Public Safety	-	-	-	94,322	94,322
Culture & Recreation	-	-	-	853,727	853,727
Physical Environment	-	1,927,229	-	1,883,313	3,810,542
	<u>111,269</u>	<u>1,927,229</u>	<u>-</u>	<u>2,831,362</u>	<u>4,869,860</u>
Committed:					
Physical Environment	183,873	-	-	801,117	984,990
Cemetery	-	-	-	318,971	318,971
Unfunded Pension Liability Reserve	7,790,560	-	-	-	7,790,560
Other Post Employment Benefits (OPEB) Reserve	7,666,842	-	-	-	7,666,842
Capital and Infrastructure Reserve	22,922,462	-	-	-	22,922,462
Emergency (Disaster) Reserve	5,000,000	-	-	-	5,000,000
	<u>43,563,737</u>	<u>-</u>	<u>-</u>	<u>1,120,088</u>	<u>44,683,825</u>
Assigned	-	-	2,588,819	-	2,588,819
Unassigned	10,318,068	-	-	-	10,318,068
Total fund balances - governmental funds	<u>\$ 54,140,882</u>	<u>\$ 1,927,229</u>	<u>\$ 2,588,819</u>	<u>\$ 3,951,450</u>	<u>\$ 62,608,380</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 in the Infrastructure and Real Estate improvements fund are sales tax revenues (and associated interest earnings) limited by Florida Statutes to expenditures for capital equipment and improvements and associated debt service. For nonmajor funds, this category includes ad valorem tax increment revenues restricted for capital improvements in the Historic Downtown economic development zone and funds restricted for land purchases in the asset management fund.

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

17. FUND BALANCES – GOVERNMENTAL FUNDS – Continued

The following are the purposes of the General Fund committed reserves, in accordance with the City's adopted General Fund fund balance policy (Resolution 2019-21):

- The Unfunded Pension Liability Reserve is set aside for annual payments of the General Fund's portion of the actuarially determined contribution for the General Employee Retirement Plan.
- The OPEB reserve is used annually for payment of the City's OPEB obligations for former electric utility employees.
- The Capital and Infrastructure Reserve is available for capital projects and infrastructure upgrades as appropriated by City Council in future budgets.
- The emergency (disaster) reserves are designated for expenditures in the event of an emergency, primarily tropical storms and hurricanes.

The remaining committed General Fund balances are for tree planting and replacement per various City resolutions and ordinances. The committed fund balance in the nonmajor funds is stormwater utility funding restricted for stormwater expenditures by City ordinance, and funds restricted by ordinance for cemetery care.

The assigned fund balance in the General Fund represents the amount appropriated to balance the budget in the subsequent fiscal year. The assigned fund balance in the General Government Capital and Construction fund is proceeds from property sales assigned by City Council budget action for capital expenditures in the General Government Capital and Construction Fund.

18. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets is as follows as of September 30, 2023:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 8,915,950	\$ 12,798,335
Capital assets being depreciated, net	31,776,747	107,511,058
Right to use leased assets	24,966	22,578
Right to use SBITA assets	53,355	-
	<u>40,771,018</u>	<u>120,331,971</u>
Related debt:		
Total bonds, notes payable, and capital lease-purchases	2,657,384	5,312,970
Capital amounts in accounts payable	-	47,139
Leases payable	11,465	19,027
	<u>2,668,849</u>	<u>5,379,136</u>
Net investment in capital assets	<u>\$ 38,102,169</u>	<u>\$ 114,952,835</u>

CITY OF VERO BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

19. COMMITMENTS AND CONTINGENCIES

Litigation

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

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability				
Service cost	\$ 233,506	\$ 259,018	\$ 284,036	\$ 324,630
Interest	6,816,258	6,808,169	6,962,607	7,021,159
Change of benefit terms	-	-	-	-
Differences between expected and actual experience	1,947,619	1,250,497	(20,250)	(277,492)
Changes of assumptions	-	-	2,659,984	-
Benefit payments (including refunds of member contributions)	(8,297,731)	(8,027,745)	(8,067,652)	(7,789,336)
Net change in total pension liability	<u>699,652</u>	<u>289,939</u>	<u>1,818,725</u>	<u>(721,039)</u>
Total pension liability - beginning	<u>112,975,491</u>	<u>112,685,552</u>	<u>110,866,827</u>	<u>111,587,866</u>
Total pension liability - ending (a)	<u>\$ 113,675,143</u>	<u>\$ 112,975,491</u>	<u>\$ 112,685,552</u>	<u>\$ 110,866,827</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,076,273	\$ 2,465,838	\$ 2,684,129	\$ 3,069,174
Contributions - employee	-	-	-	-
Net investment income	10,622,357	(17,418,479)	19,102,773	7,610,589
Benefit payments (including refunds of member contributions)	(8,297,731)	(8,027,745)	(8,067,652)	(7,789,336)
Administrative expense	(94,930)	(87,379)	(94,537)	(72,977)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>5,305,969</u>	<u>(23,067,765)</u>	<u>13,624,713</u>	<u>2,817,450</u>
Plan fiduciary net position - beginning	<u>89,800,196</u>	<u>112,867,961</u>	<u>99,243,248</u>	<u>96,425,798</u>
Plan fiduciary net position - ending (b)	<u>\$ 95,106,165</u>	<u>\$ 89,800,196</u>	<u>\$ 112,867,961</u>	<u>\$ 99,243,248</u>
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 18,568,978</u>	<u>\$ 23,175,295</u>	<u>\$ (182,409)</u>	<u>\$ 11,623,579</u>
Plan fiduciary net position as a percentage of the total pension liability	83.66%	79.49%	100.16%	89.52%
Covered payroll	\$ -	\$ -	\$ -	\$ -
City's net pension liability (asset) as percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

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

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

Change of assumptions. For 2019 and 2016, the mortality rates were updated in accordance with Florida Statue Section 112.63(f)
For the September 30, 2021 measurement the long-term rate of return was lowered from 6.5% to 6.25%

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

2019	2018	2017	2016	2015	2014
\$ 468,239	\$ 510,973	\$ 557,046	\$ 689,965	\$ 1,455,560	\$ 1,525,171
6,953,167	6,960,909	6,853,564	6,546,450	7,466,958	7,257,316
-	-	-	-	(1,270,795)	-
3,324,807	(334,153)	1,132,034	358,687	2,986,908	-
(1,933,292)	-	-	3,151,956	-	-
(7,457,236)	(6,970,975)	(6,719,219)	(6,439,345)	(6,104,373)	(6,050,479)
1,355,685	166,754	1,823,425	4,307,713	4,534,258	2,732,008
110,232,181	110,065,427	108,242,002	103,934,289	99,400,031	96,668,023
<u>\$ 111,587,866</u>	<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>
\$ 12,002,990	\$ 4,377,313	\$ 4,499,935	\$ 4,274,277	\$ 4,889,995	\$ 4,972,378
-	-	-	-	373,250	461,199
4,106,761	6,963,235	8,865,531	7,205,701	859,603	6,975,362
(7,457,236)	(6,970,975)	(6,719,219)	(6,439,345)	(6,104,373)	(6,050,479)
(89,490)	(73,138)	(27,102)	(20,457)	(32,265)	-
-	-	14,461	-	-	-
8,563,025	4,296,435	6,633,606	5,020,176	(13,790)	6,358,460
87,862,773	83,566,338	76,932,732	71,912,556	71,926,346	65,567,886
<u>\$ 96,425,798</u>	<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>
<u>\$ 15,162,068</u>	<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>
86.41%	79.71%	75.92%	71.07%	69.19%	72.36%
\$ -	\$ -	\$ -	\$ -	\$ 15,456,663	\$ 15,704,293
N/A	N/A	N/A	N/A	207.2%	174.9%

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 679,326	\$ 632,225	\$ 634,974	\$ 570,050
Interest	4,012,824	3,880,464	3,798,187	3,621,631
Change of benefit terms	-	(462,637)	-	-
Differences between expected and actual experience	1,674,476	720,612	(849,033)	291,454
Changes of assumptions	660,515	614,022	598,192	1,112,988
Benefit payments (including refunds of member contributions)	(3,401,053)	(2,443,549)	(2,356,274)	(3,034,784)
Net change in total pension liability	<u>3,626,088</u>	<u>2,941,137</u>	<u>1,826,046</u>	<u>2,561,339</u>
Total pension liability - beginning	55,617,452	52,676,315	50,850,269	48,288,930
Total pension liability - ending (a)	<u>\$ 59,243,540</u>	<u>\$ 55,617,452</u>	<u>\$ 52,676,315</u>	<u>\$ 50,850,269</u>
Plan fiduciary net position				
Contributions - employer	\$ 455,050	\$ 697,348	\$ 752,804	\$ 765,548
Contributions - State	362,800	309,953	282,518	291,898
Contributions - employee	284,656	267,014	248,609	226,427
Net investment income	3,740,912	(8,272,580)	7,858,973	6,006,647
Benefit payments (including refunds of member contributions)	(3,401,053)	(2,443,549)	(2,356,274)	(3,034,784)
Administrative expense	(96,761)	(96,924)	(96,823)	(102,391)
Net change in plan fiduciary net position	<u>1,345,604</u>	<u>(9,538,738)</u>	<u>6,689,807</u>	<u>4,153,345</u>
Plan fiduciary net position - beginning	45,001,750	54,540,488	47,850,681	43,697,336
Plan fiduciary net position - ending (b)	<u>\$ 46,347,354</u>	<u>\$ 45,001,750</u>	<u>\$ 54,540,488</u>	<u>\$ 47,850,681</u>
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 12,896,186</u>	<u>\$ 10,615,702</u>	<u>\$ (1,864,173)</u>	<u>\$ 2,999,588</u>
Plan fiduciary net position as a percentage of the total pension liability	78.23%	80.91%	103.54%	94.10%
Covered payroll	\$ 4,281,992	\$ 4,085,625	\$ 3,816,451	\$ 3,543,511
City's net pension liability (asset) as percentage of covered payroll	301.2%	259.8%	-48.8%	84.7%

Notes to Schedule:

Benefit changes. For measurement date 9/30/23, no change in benefits. For measurement date 9/30/22, the plan was amended to provide for the following changes: Credited Service - Conversion of accrued annual and medical leave days to Credited Service is not permitted and Salary - The value of eligible medical leave in excess of 120 days at the time of retirement is included in the final benefit calculations at the member's base rate of pay at retirement. In 2014, the valuation was adjusted for the fact that leave payouts are not capped for pension purposes.

Change of assumptions. For measurement date 9/30/23, the net assumed investment return was lowered from 7.35% to 7.25%. For measurement date 9/30/22, the net assumed investment return was lowered from 7.45% to 7.35%. For measurement date 9/30/2021, the net assumed investment return was lowered from 7.55% to 7.45%. For measurement date 9/30/2020, as mandated by Florida Law, the assumed rates of mortality were changed to the rates used in the July 1, 2019 Florida Retirement System (FRS) valuation report for special risk employees, with appropriate adjustments based on plan demographics

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

2019	2018	2017	2016	2015	2014
\$ 605,715	\$ 637,288	\$ 575,896	\$ 543,187	\$ 550,357	\$ 478,211
3,525,391	3,416,827	3,264,313	3,086,536	3,009,258	2,881,001
-	-	-	-	-	118,425
49,124	(149,084)	133,676	26,221	(642,610)	96,146
-	495,820	1,274	710,848	44,151	41,761
(2,738,251)	(2,087,518)	(2,063,153)	(2,141,125)	(1,793,418)	(2,248,284)
1,441,979	2,313,333	1,912,006	2,225,667	1,167,738	1,367,260
46,846,951	44,533,618	42,621,612	40,395,945	39,228,207	37,860,947
<u>\$ 48,288,930</u>	<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>
\$ 788,992	\$ 773,856	\$ 756,381	\$ 853,491	\$ 852,721	\$ 869,837
280,231	258,540	241,345	252,594	228,139	233,451
212,777	213,729	208,521	191,664	191,782	167,975
1,563,321	4,119,480	4,336,908	2,915,646	385,598	3,088,757
(2,738,251)	(2,087,518)	(2,063,153)	(2,141,125)	(1,793,418)	(2,248,284)
(91,872)	(135,607)	(116,981)	(107,071)	(86,344)	(86,354)
15,198	3,142,480	3,363,021	1,965,199	(221,522)	2,025,382
43,682,138	40,539,658	37,176,637	35,211,438	35,432,960	33,407,578
<u>\$ 43,697,336</u>	<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>
<u>\$ 4,591,594</u>	<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>
90.49%	93.24%	91.03%	87.22%	87.17%	90.33%
\$ 3,363,227	\$ 3,259,812	\$ 3,261,894	\$ 3,169,645	\$ 2,938,951	\$ 2,899,869
136.5%	97.1%	122.4%	171.8%	176.4%	130.9%

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

	2023	2022	2021	2020
Total pension liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	384,263	402,221	448,188	470,078
Change of benefit terms	-	-	-	-
Differences between expected and actual experience	(29,787)	39,301	177,678	(106,292)
Changes of assumptions	-	-	(658,674)	-
Benefit payments (including refunds of member contributions)	(744,383)	(737,262)	(729,349)	(727,877)
Other	121,778	-	-	-
Net change in total pension liability	<u>(268,129)</u>	<u>(295,740)</u>	<u>(762,157)</u>	<u>(364,091)</u>
Total pension liability - beginning	<u>6,776,582</u>	<u>7,072,322</u>	<u>7,834,479</u>	<u>8,198,570</u>
Total pension liability - ending (a)	<u>\$ 6,508,453</u>	<u>\$ 6,776,582</u>	<u>\$ 7,072,322</u>	<u>\$ 7,834,479</u>
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ -	\$ 100,007
Contributions - State	264,448	167,180	163,564	141,264
Net investment income	556,555	(899,917)	1,527,760	(68,609)
Benefit payments (including refunds of member contributions)	(744,383)	(737,262)	(729,349)	(727,877)
Administrative expense	(28,440)	(24,718)	(15,588)	(14,782)
Net change in plan fiduciary net position	<u>48,180</u>	<u>(1,494,717)</u>	<u>946,387</u>	<u>(569,997)</u>
Plan fiduciary net position - beginning	<u>6,499,860</u>	<u>7,994,577</u>	<u>7,048,190</u>	<u>7,618,187</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,548,040</u>	<u>\$ 6,499,860</u>	<u>\$ 7,994,577</u>	<u>\$ 7,048,190</u>
City’s net pension liability (asset) - ending (a) - (b)	<u>\$ (39,587)</u>	<u>\$ 276,722</u>	<u>\$ (922,255)</u>	<u>\$ 786,289</u>
Plan fiduciary net position as a percentage of the total pension liability	100.61%	95.92%	113.04%	89.96%
Covered payroll	\$ -	\$ -	\$ -	\$ -
City’s net pension liability (asset) as percentage of covered payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

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

Change of assumptions . In the October 1, 2019 valuation the mortality assumption was updated to match those used by the Florida Retirement System (FRS) for the Special Risk class in its July 1, 2019 actuarial valuation report in accordance with Florida Statutes. In the October 1, 2020 valuation, the sum of the outstanding amortization bases of Unfunded Actuarial Accrued Liability was negative while the sum of the amortization payments was positive; as a result, the amortization bases were combined and offset in accordance with Internal Revenue Code Section 412(b)

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

2019	2018	2017	2016	2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
475,071	480,914	460,574	503,480	515,130	529,277
-	-	-	-	-	-
176,997	164,840	147,994	(321,469)	168,392	-
-	-	466,714	160,377	164,475	-
(742,693)	(743,573)	(728,993)	(714,699)	(720,087)	(773,744)
-	-	-	-	-	-
(90,625)	(97,819)	346,289	(372,311)	127,910	(244,467)
8,289,195	8,387,014	8,040,725	8,413,036	8,285,126	8,529,593
<u>\$ 8,198,570</u>	<u>\$ 8,289,195</u>	<u>\$ 8,387,014</u>	<u>\$ 8,040,725</u>	<u>\$ 8,413,036</u>	<u>\$ 8,285,126</u>
\$ 121,788	\$ 146,657	\$ 84,119	\$ 104,007	\$ 65,751	\$ 42,311
138,674	138,704	183,499	225,939	271,303	296,198
185,191	563,174	873,992	676,519	84,490	702,893
(742,693)	(743,573)	(728,993)	(714,699)	(720,087)	(773,744)
(20,425)	(15,720)	(16,663)	(18,271)	(17,351)	(8,167)
(317,465)	89,242	395,954	273,495	(315,894)	259,491
7,935,652	7,846,410	7,450,456	7,176,961	7,492,855	7,233,364
<u>\$ 7,618,187</u>	<u>\$ 7,935,652</u>	<u>\$ 7,846,410</u>	<u>\$ 7,450,456</u>	<u>\$ 7,176,961</u>	<u>\$ 7,492,855</u>
<u>\$ 580,383</u>	<u>\$ 353,543</u>	<u>\$ 540,604</u>	<u>\$ 590,269</u>	<u>\$ 1,236,075</u>	<u>\$ 792,271</u>
92.92%	95.73%	93.55%	92.66%	85.31%	90.44%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A	N/A	N/A	N/A

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

<u>Year Ending September 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 3,076,273	\$ 2,465,838	\$ 2,684,129	\$ 3,069,174	\$ 4,278,984	\$ 4,377,313	\$ 4,499,935	\$ 4,274,277	\$ 4,889,995	\$ 4,972,378
Contributions in relation to the actuarially determined contribution	3,076,273	2,465,838	2,684,129	3,069,174	12,002,990	4,377,313	4,499,935	4,274,277	4,889,995	4,972,378
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (7,724,006)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,704,293	\$ 16,224,526
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31.14%	30.65%

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	5
Asset valuation method	5-year smoothed market
Inflation	N/A
Salary Increases	N/A
Investment rate of return	6.25% net of investment expenses, including inflation
Retirement age	Rates based on age ranging from 55-70 years, with 100% retirement at age 70
Mortality	Current: PUB-2010 base tables, set back one year for males, projected generationally using scale MP-2018 for healthy actives and inactive. For disabled retirees, the PUB -2010 disabled table, set forward three years for both males and females, projected generationally using scale MP-2018
	Fiscal year 2018 and prior: 50% RP-2000 Combined Healthy White Collar and 50% RP-2000 Combined Healthy Blue Collar with Scale BB. RP-2000 Disabled Retiree Mortality table with four year set back for males and two year set forward for females

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 817,850	\$ 1,007,301	\$ 1,035,322	\$ 1,057,446	\$ 1,069,223	\$ 1,032,396	\$ 997,726	\$ 1,106,085	\$ 1,080,860	\$ 1,103,288
Contributions in relation to the actuarially determined contribution	817,850	1,007,301	1,035,322	1,057,446	1,069,223	1,032,396	997,726	1,106,085	1,080,860	1,103,288
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,281,992	\$ 4,085,625	\$ 3,816,451	\$ 3,543,511	\$ 3,363,227	\$ 3,259,812	\$ 3,261,894	\$ 3,169,645	\$ 2,938,951	\$ 2,899,869
Contributions as a percentage of covered payroll	19.10%	24.65%	27.13%	29.84%	31.79%	31.67%	30.59%	34.91%	36.78%	38.05%

Notes to Schedule

Valuation Date:

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

Methods and Assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary Increases	Scale of increase rates from 3.75% to 8.0% depending on age
Investment rate of return	7.25% net of investment related expenses, 7.35% in prior year
Retirement age	Members with less than 25 years of service are assumed to retire early at a rate of 5% per year from ages 50-54, at a rate of 50% in the year of the Normal Retirement Date with 100% to retire by age 56+. Members with 25 years of service or more retire at a rate of 15% under the age of 50, between 20% and 50% per year from ages 50-54 with 100% retired by age 55+
Mortality	In accordance with the requirements of Florida statutes, the mortality tables used in this valuation are the same as the mortality assumptions for special risk employees used in the valuation of the Florida Retirement System (FRS) as of the July 1, 2021 FRS valuation report, with appropriate adjustments based on plan demographics.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 20,892	\$ 15,742	\$ 160,001	\$ 241,271	\$ 260,242	\$ 285,361	\$ 267,618	\$ 329,946	\$ 337,054	\$ 338,509
Contributions in relation to the actuarially determined contribution	264,448	167,180	163,564	241,271	260,242	285,361	267,618	329,946	337,054	338,509
Contribution deficiency (excess)	\$ (243,556)	\$ (151,438)	\$ (3,563)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	In accordance with the requirements of Florida statutes, the mortality tables used in this valuation are the same as the mortality assumptions for special risk employees used in the valuation of the Florida Retirement System (FRS) as of the July 1, 2021 FRS valuation report, with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 446,185	\$ 516,122	\$ 485,484	\$ 598,599	\$ 526,731	\$ 541,547	\$ 517,526
Interest	1,621,800	1,853,278	1,807,052	1,981,623	1,951,770	1,880,643	1,806,107
Change of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(716,064)	(598,802)	322,308	2,221,808	(1,722,633)	-	-
Changes of assumptions	775,374	(4,194,455)	(425,395)	(6,136,371)	998,719	-	-
Benefit payments	(1,353,242)	(1,375,080)	(1,524,257)	(1,399,838)	(1,257,980)	(1,185,885)	(1,024,866)
Net change in total OPEB liability	774,053	(3,798,937)	665,192	(2,734,179)	496,607	1,236,305	1,298,767
Total OPEB liability - beginning	27,260,441	31,059,378	30,394,186	33,128,365	32,631,758	31,395,453	30,096,686
Total OPEB liability - ending (a)	\$ 28,034,494	\$ 27,260,441	\$ 31,059,378	\$ 30,394,186	\$ 33,128,365	\$ 32,631,758	\$ 31,395,453
Plan fiduciary net position							
Contributions - employer	\$ 1,883,252	\$ 1,729,262	\$ 2,014,452	\$ 1,957,905	\$ 2,093,039	\$ 2,056,291	\$ 1,971,583
Net investment income	566,135	(855,259)	810,274	250,536	99,958	89,274	42,955
Benefit payments	(1,353,242)	(1,375,080)	(1,524,257)	(1,399,838)	(1,257,980)	(1,185,885)	(1,024,866)
Administrative expense	(2,422)	-	-	-	-	-	-
Net change in plan fiduciary net position	1,093,723	(501,077)	1,300,469	808,603	935,017	959,680	989,672
Plan fiduciary net position - beginning	4,492,364	4,993,441	3,692,972	2,884,369	1,949,352	989,672	-
Plan fiduciary net position - ending (b)	\$ 5,586,087	\$ 4,492,364	\$ 4,993,441	\$ 3,692,972	\$ 2,884,369	\$ 1,949,352	\$ 989,672
City's net OPEB liability - ending (a) - (b)	\$ 22,448,407	\$ 22,768,077	\$ 26,065,937	\$ 26,701,214	\$ 30,243,996	\$ 30,682,406	\$ 30,405,781
Plan fiduciary net position as a percentage of the total OPEB liability	19.93%	16.48%	16.08%	12.15%	8.71%	5.97%	3.15%
Covered employee payroll	\$ 20,458,167	\$ 19,665,391	\$ 18,531,053	\$ 18,038,730	\$ 19,799,596	\$ 22,166,418	\$ 18,157,544
City's net OPEB liability as percentage of covered employee payroll	109.73%	115.78%	140.66%	148.02%	152.75%	138.42%	167.46%

Notes to Schedule:

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

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,883,252	\$ 1,729,262	\$ 2,014,452	\$ 1,957,905	\$ 2,093,039	\$ 2,056,291	\$ 1,971,853	\$ 2,127,974	\$ 2,077,932	\$ 2,448,550
Contributions in relation to the actuarially determined contribution	1,883,252	1,729,262	2,014,452	1,957,905	2,093,039	2,056,291	1,971,853	774,300	784,887	1,193,698
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,353,674	\$ 1,293,045	\$ 1,254,852
Covered employee payroll	\$ 20,458,167	\$ 19,665,391	\$ 18,531,053	\$ 18,038,730	\$ 19,799,596	\$ 22,166,418	\$ 18,157,544	\$ 18,701,186	\$ 18,701,186	\$ 20,448,071
Contributions as a percentage of covered employee payroll	9.21%	8.79%	10.87%	10.85%	10.57%	9.28%	10.86%	4.14%	4.20%	5.84%

Notes to Schedule

Note 1: 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 of Payroll, closed
Remaining amortization period	21
Asset valuation method	Market Value
Inflation	2.50%
Salary Increases	3.75 % to 8.0 %, including inflation - varies by plan type and either years of service or age
Investment rate of return	6.0% net of investment expenses, including inflation
Healthcare cost trend rate	Based on the Getzen Model, with trend starting at 6.50% and gradually decreasing to an ultimate trend rate of 4.00%.
Mortality	Mortality tables used for Regular Class and Special Risk Class members in the July 1, 2022 actuarial valuation of the Florida Retirement System. Adjustments based on a statewide experience study covering 2013-2018 with generational projection.

CITY OF VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Employees' Retirement Plan	5.61%	-15.83%	19.79%	8.09%	4.56%	8.47%	11.69%	10.17%	1.20%	10.69%
Police Officers' Retirement Fund	8.42%	-15.26%	16.51%	13.83%	3.60%	10.16%	11.45%	7.99%	0.87%	9.08%
Firefighter's Relief and Pension Fund	8.90%	-11.70%	22.60%	-0.90%	2.40%	7.40%	12.10%	9.70%	1.20%	10.00%
Other Post Employment Benefits (OPEB) Plan	11.90%	-16.54%	20.58%	7.92%	4.22%	6.27%	9.07%	-	-	-

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

SINGLE AUDIT ACT COMPLIANCE

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**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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 30, 2025.

Report on 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”) as a basis for designing 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on 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 financial statements. 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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Cherry Bekaert LLP

Orlando, Florida
April 30, 2025

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

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

Report on Compliance for the Major Federal Program and State Project

Opinion on the Major Federal Program and State Project

We have audited the City of Vero Beach, Florida's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on the City's major federal program and state project for the year ended September 30, 2023. The City's major federal program and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state project for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and Chapter 10.550, Rules of the Auditor General ("Chapter 10.550"). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.550 are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program and state project. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal program and state project.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.550, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Orlando, Florida
April 30, 2025

CITY OF VERO BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

FEDERAL / STATE AGENCY, PASS-THROUGH ENTITY FEDERAL PROGRAM / STATE PROJECT	ALN #	DATE OF AWARD	PROJECT IDENTIFICATION NUMBER	PROGRAM OR AWARD AMT	TOTAL EXPENDITURES
DEPARTMENT OF JUSTICE					
Florida Department of Law Enforcement					
Police Equipment (Non-lethal Pepperball)	16.738	1/1/23	8C023	2,662	\$ 2,662
TOTAL DEPARTMENT OF JUSTICE					<u>2,662</u>
DEPARTMENT OF HOMELAND SECURITY					
Florida Division of Emergency Management					
Disaster Grants - Public Assistance (COVID-19)	97.036	12/1/22	4486	44,958	44,958
TOTAL DEPARTMENT OF HOMELAND SECURITY					<u>44,958</u>
DEPARTMENT OF TRANSPORTATION					
Federal Aviation Administration (FAA)					
COVID-19: Airport Improvement Program (CARES Act Grant)	20.106	5/5/20	3-12-0083-043-2020	1,042,438	94,916
Airport Improvement Program 44	20.106	7/20/21	3-12-0083-044-2021	6,710,515	51,630
Airport Improvement Program (Master Plan Update)	20.106	5/25/22	3-12-0083-048-2022	800,037	368,005
Airport Improvement Program (Sweeper Truck)	20.106	5/18/23	3-12-0083-049-2023	192,685	5,391
Airport Improvement Program (Storm Water Master Plan)	20.106	5/18/23	3-12-0083-049-2023	184,230	7,369
Airport Improvement Program (Taxiway B Rehab Design)	20.106	6/15/23	3-12-0083-050-2024	271,314	1,124
TOTAL DEPARTMENT OF TRANSPORTATION					<u>528,435</u>
DEPARTMENT OF THE TREASURY					
Coronavirus State and Local Fiscal Recovery Funds	21.027	8/27/21	SLT-9497	2,562,386	972,003
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u><u>\$ 1,548,058</u></u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

FEDERAL / STATE AGENCY, PASS-THROUGH ENTITY FEDERAL PROGRAM / STATE PROJECT	CSFA #	DATE OF AWARD	PROJECT IDENTIFICATION NUMBER	PROGRAM OR AWARD AMT	TOTAL EXPENDITURES
FLORIDA DEPARTMENT OF TRANSPORTATION					
Aviation Development Grants(Rehabilitate RWY 12R-30L)	55.004	2/10/21	445950-1-94-01	1,415,000	\$ 127,727
Aviation Development Grants(Airport Facility Air Conditioning)	55.004	12/16/20	447634-1-94-01	200,000	254,756
Aviation Development Grants (Rehabilitate Southwest Apron)	55.004	5/22/20	433545-1-94-01	272,000	26,781
Aviation Development Grants (Airport Wayfinding Signage)	55.004	1/7/22	445965-1-94-01	400,000	9,301
Aviation Development Grants (Redevelop Commerical Park Phase I)	55.004	10/14/21	448085-1-94-01	250,000	203,980
Aviation Development Grants (Airport Master Plan Updates)	55.004	2/10/21	447631-1-94-01	32,500	20,445
Aviation Development Grants (Airfield Marking Project)	55.004	2/1/22	449242-1-94-01	160,000	156,877
Aviation Development Grants (Terminal Building Generator)	55.004	1/4/22	450372-1-94-01	206,400	24,490
Aviation Development Grants (Storm Water Master Plan)	55.004	2/1/23	450929-1-94-01	10,500	409
Aviation Development Grants (Taxiway B Rehab Design)	55.004	2/14/22	425751-1-94-01	15,000	20,227
Aviation Development Grants (Rehab Terminal Building Phase I)	55.004	7/19/22	449614-1-94-01	600,000	75,926
Aviation Development Grants (ARFF Vehicle Acquisition)	55.004	12/12/22	451499-1-94-01	30,000	<u>17,772</u>
TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION					<u>938,692</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE					<u><u>\$ 938,692</u></u>

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

NOTE 1 - ACCOUNTING POLICIES:

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

NOTE 2 - DISASTER GRANTS:

Following a Presidential declaration of a major disaster or emergency, the Federal Emergency Management Agency awards grants to assist affected entities with the response to, and recovery from, such disasters. In fiscal year 2023, FEMA approved \$44,958.13,of eligible expenditures incurred in fiscal year ended September 30, 2023 For COVID an event from March 2020.

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

YEAR ENDED SEPTEMBER 30, 2023

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? x yes no
Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards and State Financial Assistance Section

Internal control over major programs:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Type of auditor's report on compliance for the major federal program and state financial assistance project: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and Chapter 10.550, Rules of the Auditor General? yes x no

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2023

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

Federal Awards and State Financial Assistance Section (continued)

Identification of major federal and state programs:

Federal Program:

Name of Program	Assistance Listing Number
Cornavirus State and Local Fiscal Recovery Funds	21.027

State Program:

Name of Program	Assistance Listing Number
Florida Department of Transportation Aviation Development Grants	55.004

Dollar threshold used to determine Type A programs:

Federal	\$ 750,000
State	\$ 300,000

Auditee qualified as low-risk auditee for federal purposes?

yes no

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2023

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*.

2023-001 – Accounting and Finance Personnel Lack the Skills, Knowledge and Experience to Perform the Year-end Close

Criteria: Section 218.33, Florida Statutes, requires that local government entities follow uniform accounting practices and procedures including the use of proper accounting and fiscal management, which includes establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met and ensuring that financial information is reliable and properly reported.

Condition: The City's accounting and finance staff collectively lack the necessary skills, knowledge, and experience to perform the year-end close and prepare financial statements that are fairly presented in all material respects, in accordance with accounting principles generally accepted in the United States of America, within a reasonable period of time subsequent to the City's fiscal year-end.

Cause: The City experienced significant unplanned turnover including the senior members of its accounting and finance team. The individuals hired to fill these positions lacked the necessary skills, knowledge, and experience to perform the annual close process.

Effect: The City was not able to issue its financial statements in a timely manner and missed both the federal and state deadlines for filing audited financial statements.

Recommendation: We recommend the City re-evaluate the competencies necessary to perform the financial reporting function and attempt to recruit and retain individuals who possess these competencies.

Response / Planned Corrective Action: The City agrees with the auditors finding. As of January 2025, the City has hired an experienced governmental accountant to fill the role of finance director. Additionally, as of the date of this audit report, we are in negotiations to hire an individual to fill the role of assistant finance director. This individual was previously employed by the City and has performed the annual close at the City during their previous tenure.

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2023

Part II - Schedule of Financial Statement Findings (continued)

2023-002 - Internal Controls over Financial Reporting

Criteria: Management is responsible for the preparation and fair presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); 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.

Condition: During the current year, we noted the following group of transactions that had to be adjusted to fairly present the financial statements:

a) The net pension liability of the general employee's pension plan had not been adjusted from the September 30, 2022 balances. Adjustments were proposed by the auditor and accepted by management to decrease the net pension liability by approximately \$1.2 million in the Water and Sewer fund, by approximately \$176 thousand in the Airport fund, by approximately \$47 thousand in the Municipal Marina fund, and by approximately \$332 thousand in the Solid Waste fund.

b) Certain revenue accruals were not made by management as of September 30, 2023. Adjustments were proposed by the auditor and accepted by management to increase due from other governments in the General fund by approximately \$577 thousand, and in the Infrastructure and Real Estate Improvements fund by approximately \$500 thousand. An additional revenue accrual was observed that had not been recorded in the General fund. This difference was determined to be immaterial and was not recorded in the September 30, 2023 financial statements. As a result, due from other governments in the General fund is understated by approximately \$508 thousand.

c) The liability for accrued payroll had not been adjusted from the September 30, 2022 balances. Adjustments were proposed by the auditor and accepted by management to increase the liability for accrued wages in the General fund by approximately \$282 thousand, by approximately \$90 thousand in the Water and Sewer fund, by approximately \$17 thousand in the Airport fund, by approximately \$6 thousand in the Municipal Marina fund, and by approximately \$20 thousand in the Solid Waste fund.

d) The net other post employment benefits ("OPEB") liability had not been adjusted from the September 30, 2022 balances. Adjustments were proposed by the auditor and accepted by management to decrease the net OPEB liability by approximately \$41 thousand in the Water and Sewer fund, by approximately \$3 thousand in the Airport fund, by approximately \$1 thousand in the Municipal Marina fund, and by approximately \$12 thousand in the Solid Waste fund.

e) The liability for accrued compensated absences had not been adjusted from the September 30, 2022 balances. Adjustments were proposed by the auditor and accepted by management to increase the liability for accrued compensated absences by approximately \$86 thousand in the Water and Sewer fund, by approximately \$42 thousand in the Airport fund, by approximately \$9 thousand in the Municipal Marina fund, and by approximately \$1 thousand in the Solid Waste fund.

f) Certain expense accruals were not made by management as of September 30, 2023. Adjustments were proposed by the auditor and accepted by management to increase accounts payable in the General Government Capital and Construction fund by approximately \$732 thousand. Additionally, we noted the following differences that were determined to be immaterial and were not adjusted in the September 30, 2023 financial statements. As a result, accounts payable is understated in the General Fund by approximately \$330 thousand, in the General Government Capital and Construction fund by approximately \$7 thousand, in the Airport fund by approximately \$5 thousand, and in the aggregate remaining fund information by approximately \$16 thousand.

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2023

g) The claims liability for workers' compensation had not been adjusted from the September 30, 2022 balances. An adjustment was proposed by the auditor and accepted by management to decrease the claims liability by approximately \$904 thousand in the Internal Service fund.

h) Our audit procedure detected one lease that had not been recorded in the Solid Waste fund. An audit adjustment was proposed by the auditor and accepted by management to record the right to use asset, and the lease payable in the approximate amount of \$237 thousand.

i) Certain principal payments for leased assets had been recorded as lease expense rather than a reduction of the lease liability. Adjustments were proposed by the auditor and accepted by management to decrease the lease liability and expense by approximately \$23 thousand in the Airport fund, and by approximately \$64 thousand in the Solid Waste fund.

j) Our audit procedure detected that net position recorded in several funds was not in agreement to the September 30, 2022 audited financial statements. Adjustments were proposed by the auditor and accepted by management to increase the net position of the Airport fund by approximately \$3.4 million, the Municipal Marina fund by approximately \$177 thousand, and the Solid Waste fund by approximately \$64 thousand.

Cause: The City's procedures for financial statement preparation and review were not sufficient to identify the above conditions.

Effect: The accounting records as originally provided were not fully complete to provide for the preparation and fair presentation of the financial statements without recording the aforementioned accounting adjustments.

Recommendation: We recommend the City review its current policies and procedures over accounting and financial reporting including the year-end closing processes. Review procedures should be designed to identify potential U.S. GAAP departures.

Response / Planned Corrective Action: Management concurs with this recommendation.

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).

Part IV - State Financial Assistance 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 state financial assistance projects, as required to be reported by Chapter 10.550, Rules of the Auditor General.

There were no findings required to be reported by Chapter 10.550, Rules of the Auditor General.

CITY OF VERO BEACH, FLORIDA
SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2023

Prior Audit Findings:

There were no audit findings in the prior year.

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

OFFICE OF THE
DIRECTOR OF FINANCE

April 30, 2025

Internal controls over Financial Reporting

For the Fiscal Year Ended September 30, 2023

Condition:

During the current year, there were multiple transactions that had to be adjusted to fairly present the financial statements. The Financial Statement preparation and review were not sufficient to identify these conditions.

Response / Planned Corrective Action:

City Management acknowledges the reported conditions. As of January 2025, the City has hired an experienced governmental accountant to fill the role of Finance Director. Additionally, as of today, the City is in process of hiring an individual to fill a management position in the Finance Department. This individual was previously employed by the City and has performed the annual close during their previous tenure. These actions aim to strengthen year-end closing procedures, financial statement preparation, and enhance internal controls.

Completion Date: June 30, 2025

Responsible Contact Person:

Monte Falls, City Manager

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

OFFICE OF THE
DIRECTOR OF FINANCE

April 30, 2025

Accounting and Finance Personnel Insufficiencies

For the Fiscal Year Ended September 30, 2023

Condition:

During the current year, the City's accounting and finance staff collectively lacked the necessary skills, knowledge, and experience to perform the year-end close and prepare financial statements that are fairly presented in all material aspects, in accordance with accounting principles generally accepted in the United State of America, within a reasonable period of time subsequent to the City's fiscal year end.

Response / Planned Corrective Action:

City Management acknowledges the reported condition. As of January 2025, the City has hired an experienced governmental accountant to fill the role of Finance Director. Additionally, as of today, the City is in process of hiring an individual to fill a management position in the Finance Department. This individual was previously employed by the City and has performed the annual close during their previous tenure. In addition, there will be a review of the current staffing levels and other needs of the department, including updating the financial software as necessary to help ensure its future success. These actions aim to strengthen year-end closing procedures and financial statement preparation.

Completion Date: September 30, 2025

Responsible Contact Person:
Monte Falls, City Manager

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, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2025.

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 the Major Federal Program and State Financial Assistance Project and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 30, 2025, 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 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, we determined the City did not meet any of the conditions described 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

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

Cherry Bekaert LLP

Orlando, Florida
April 30, 2025

**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") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2023. 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 the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2023.

This report is intended solely for the information and use of the Florida Auditor General, the District Board members, and applicable management and is not intended to be, and should not be, used by anyone other than the specified parties.

Cherry Bekaert LLP

Orlando, Florida
April 30, 2025