

# **INDIAN RIVER COUNTY, FLORIDA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR  
OCTOBER 1, 2006  
THROUGH  
SEPTEMBER 30, 2007**

Jeffrey K. Barton  
Clerk of the Circuit Court

Prepared By:  
Clerk of the Circuit Court Finance Department

Diane Bernardo  
Finance Director

**Indian River County, Florida**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Fiscal Year Ended September 30, 2007

**Board of County Commissioners as of September 30, 2007**

Gary C. Wheeler <i>Chairman</i>	Joseph E. Flescher Wesley S. Davis
Sandra L. Bowden <i>Vice-Chairman</i>	Peter D. O'Bryan

**Current Board of County Commissioners (after November 20, 2007)**

Sandra L. Bowden <i>Chairman</i>	Joseph E. Flescher Peter D. O'Bryan
Wesley S. Davis <i>Vice-Chairman</i>	Gary C. Wheeler

**Elected Constitutional Officers**

Jeffrey K. Barton <i>Clerk of the Circuit Court</i>	Charles W. Sembler <i>Tax Collector</i>	David C. Nolte <i>Property Appraiser</i>
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Kay Clem  
*Supervisor of Elections*

Roy Raymond  
*Sheriff*

**County Management**

Joseph Baird  
*County Administrator*

William G. Collins II  
*County Attorney*

Jason Brown  
*Budget Director*

James W. Davis  
*Director of Public Works*

John W. King  
*Director of Emergency Services*

Erik Olson  
*Director of Utilities*

Robert M. Keating  
*Director of Community Development*

Cliff Crawford  
*Director of Recreation*

Thomas W. Frame  
*Director of General Services*

James Sexton  
*Director of Human Resources*

Robert J. Komarinetz  
*Director of Golf Course*

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# JEFFREY K. BARTON

Clerk of Circuit Court and Comptroller  
1801 27<sup>th</sup> Street  
Vero Beach, Florida 32960-3388  
Telephone (772) 226-1945



March 6, 2008

To the Citizens of Indian River County:

The Comprehensive Annual Financial Report of Indian River County, Florida for the fiscal year ended September 30, 2007, is respectfully submitted. State law requires that every general-purpose government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report was prepared by the Finance Department under the supervision of the Clerk of the Circuit Court. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Department and is contingent upon the internal control established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective of the financial statements is to provide reasonable, rather than absolute, assurance that they are free of any material misstatements.

Section 11.45, Florida Statutes, requires an annual audit of all County agencies. The County has directed that the annual audit be more extensive than that required by Florida Statutes by requiring that the annual audit be a single audit covering all the funds and account groups of the County. The unqualified opinion of the auditors, Harris, Cotherman, Jones, Price and Associates, Certified Public Accountants – Chartered, of the County's financial statements for the year ended September 30, 2007 has been included in this report. The independent auditors' report is located at the front of the financial section of this report. The audit was also designed to meet the requirements of Government Auditing Standards, the Florida Single Audit Act, the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and revised OMB Circular A-133.

Readers of this report are encouraged to read Management's Discussion and Analysis (MD&A), which provides basic financial information about the County and an overview of the County's activities. The MD&A immediately follows the independent auditors' report.

## Profile of the Government

Indian River County, established on June 29, 1925 by an act of the Florida Legislature, is on the central Atlantic coast of Florida, approximately 100 miles southeast of Orlando and 135 miles north of Miami. The County is bordered by Brevard County to the north, St. Lucie County to the south, and Osceola and Okeechobee Counties on the west. There are approximately 100 miles of waterfront land in the County, including 23 miles of Atlantic beaches.

The City of Vero Beach is the seat of County government. The functional (seasonal plus resident) population reaches approximately 160,000. Like the rest of the state of Florida, the County has experienced significant population growth. Government and the service industry remain the largest sectors of employment in the County with other major sources of jobs found in retail trade and agriculture. Indian River citrus is a well-recognized name and product throughout the United States and internationally.

Indian River County is a Non-Charter County established under the Constitution and the Laws of the State of Florida. This Comprehensive Annual Financial Report (CAFR) includes the funds of the primary government (the Board of County Commissioners, the Clerk of the Circuit Court, the Property Appraiser, the Sheriff, the Supervisor of Elections and the Tax Collector), the blended component units consisting of the Emergency Services District and the Solid Waste Disposal District and one discretely presented component unit, the Indian River County Housing Authority.

These component units were included because generally accepted accounting principles require that organizations for which the County is financially accountable be reported with the primary government (the County) as the reporting entity. This CAFR does not include the Indian River County School District, the Indian River County Mosquito Control District or the Indian River County Memorial Hospital.

### Local Economy

Strong growth in the County continued and has provided the County the opportunity to lower tax rates while still providing a high level of services to County residents and visitors. Property tax values increased 25% from \$14.2 billion in 2006 to \$17.8 billion in 2007 due to the building boom in 2005 and 2006. Construction activity has subsequently decreased in 2007 due to the fall of the economy, decreasing interest rates, increasing fuel prices, and the downsizing of the northern manufacturing plants. All of these factors contributed to a decrease in new construction with 1,673 permits issued in 2007 for a value of \$387.2 million. Our Statistical Schedule 19, on page 194, reflects our peak activity of growth in 2005 and 2006. Even though our construction has slowed, our County population continued to grow. Population growth, which was averaging about 2.15% per year in the 1990s, had increased over 2006 by 3.3%. Indian River County's estimated population can be found on Statistical Schedule 17 on page 192.

Total employment for FY 2007 was 57,292 with jobs in government, medical services, financial services, manufacturing, retail, construction and citrus. The unemployment rate increased from 4.7% in 2006 to 7.0% in 2007 due to the decrease in residential and commercial construction and remodeling.

Just slightly less than 10% of the total County acreage is dedicated to citrus production. The County is a major producer of citrus in the state with citrus production increasing from 7.5 million boxes in 2006 to 12.3 million boxes in 2007.

### Long Term Financial Planning

The Utilities Department has planned on the addition of several new water distribution and wastewater collection lines to serve new customers. Expansion of the West Regional Wastewater Plant began during fiscal year 2006-2007 at an estimated cost of \$21.1 million. Additionally, the North R/O Water Plant expansion is also underway at an estimated cost of \$14 million. All of these improvements will be funded by current Utility capacity charges and from the additional customer base they will serve.

The widening of a northern artery, County Road 510 has begun. This will increase capacity from two to four lanes from U.S. Highway 1 to County Road 512 at a cost of approximately \$80 million. Funding will be provided by traffic impact fees and gas taxes and is estimated to be completed during fiscal year 2011-2012.

On January 15, 2008, the County entered into a locally funded agreement with the Florida Department of Transportation (FDOT) to advance the 6-laning of State Road 60 from 82<sup>nd</sup> Avenue to 66<sup>th</sup> Avenue (Segment One). The agreement obligates the County to pay \$34,669,601 to the FDOT in three installments: \$3,466,960 in February 2008, \$13,867,840 in March 2008, and \$17,334,801 in May 2008 with funding coming from gas taxes. The FDOT will reimburse the County in eight quarterly installments over a two-year period beginning no sooner than July 2009. Repayments to the County will include principal and any accumulated interest earnings that have not been used for supplemental costs of the project.

In March 1989, Indian River County voters passed the optional one-cent sales tax which is effective for a fifteen year period. In November 2002, a voter referendum approved extending the optional one-cent sales tax another 15 years until December 31, 2019. Many capital projects have been completed with this funding that otherwise would have been funded by ad valorem dollars. In 2007, \$14.5 million was received and will be used towards funding numerous capital projects including the following construction projects:

- **66<sup>th</sup> Avenue** – One of the main arterials of the County that connects the north and south areas is increasing from two to four lanes from State Road 60 to County Road 510 with construction costs estimated at over \$80 million. Construction of a portion of this roadway is scheduled in the five-year plan for \$38 million with funding also from traffic impact fees and gas taxes.
- **South County Park** - The expansion of this park is necessary to provide recreation facilities and programs to the growing population in the County. A multi-purpose facility will be constructed at a cost of \$2.3 million. Ad valorem tax proceeds and user fees will fund increased operating costs. The impact to ad valorem taxpayers could be reduced through the use of possible public-private partnerships to operate this facility.
- **Indian River County Jail** - The Indian River County jail has reached capacity. The existing 453-bed jail is being expanded to accommodate an additional 256 beds and infirmary space. To date, \$23.8 million has been spent. Operating costs associated with the expansion are estimated at \$4 million per year and will be funded by ad valorem tax dollars.
- **Fire/EMS Stations** - Fire/EMS Station 12 (located in the south, central area) construction began during fiscal year 2006-2007 at a cost of \$2.2 million including land acquisition, with a \$750,000 CDBG grant providing additional funding. Construction of Fire/EMS Station 13 is scheduled for fiscal year 2008-2009 at a cost of \$2.6 million.

### Relevant Financial Policies

In accordance with Section 218.415, Florida Statutes, the County adopted an investment policy, which guides the investment of County surplus funds. This policy establishes investment objectives, maturity and liquidity requirements, portfolio composition, risk and diversification requirements, and authorized investments. The primary objectives of investment activities are to preserve capital and maintain sufficient liquidity to meet anticipated cash flow needs. The secondary objective is to obtain competitive returns on the investment of County surplus funds. During FY 2007, County investments had yields ranging from 1.88% to 5.75%. The average yield of the portfolio as of September 30, 2007 was 5.17%.

### Major Initiatives

Construction was completed on the new County Administration Complex during fiscal year 2006-2007. Optional one-cent sales tax funded this project at over \$43 million. Operating costs will increase slightly due to the larger size of the new facility and will be funded by ad valorem taxes.

The Board of County Commissioners approved the Comprehensive Beach Preservation Plan (BPP) in 1999. Several areas of County beaches have been listed as critically eroded. The Beach Preservation Plan provides for renourishment of these portions. State grants, local option sales tax, and tourist tax make up the necessary funding for these projects. The County will complete restoration efforts of the South County Beach (Sector 7) and the Ambersand Beach (Sectors 1 & 2) in fiscal year 2007-2008. These areas experienced drastic erosion after the 2004 and 2005 hurricanes. FEMA grants totaling approximately \$10.0 million will assist in providing emergency renourishment for storm protection from future hurricanes. Grant applications will also be submitted for construction of additional offshore artificial reefs.

Indian River County has entered into an agreement with Indian River Community College to construct a joint-use library for both Indian River County and the college. This additional facility will provide a resource to serve the County's growing population and students of the college. Funding for the project is from one-cent sales tax, library impact fees, gas tax and a Challenge Grant secured by the college. Ad valorem taxes will provide most of the funding for operating costs. The college will contribute a portion of the operating costs in this joint venture, which will reduce the impact on ad valorem dollars.

Public Works, Utilities, and Community Development are currently proceeding with the design and construction of storm water projects in Vero Lake Estates, East Gifford, and Roseland areas. Local funds will be used to match several State grants awarded for these storm water projects. The East Gifford Storm Water Watershed M.S.B.U. was created to account for local non-ad valorem assessments collected as a local match to receive a State grant for a comprehensive storm water improvement project for this area. Implementation of the Storm Water Master Plan as required by The National Pollutant Discharge Elimination System Requirements (NPDES) will reduce the amount of freshwater runoff and chemicals (fertilizers, pesticides, herbicides) entering the Indian River Lagoon.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Indian River County for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2006. This was the 24th consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, Indian River County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the 2006-2007 fiscal year. This was the 16th consecutive year that the County has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document had to be judged proficient as a policy document, financial plan, operations guide, and communications device.

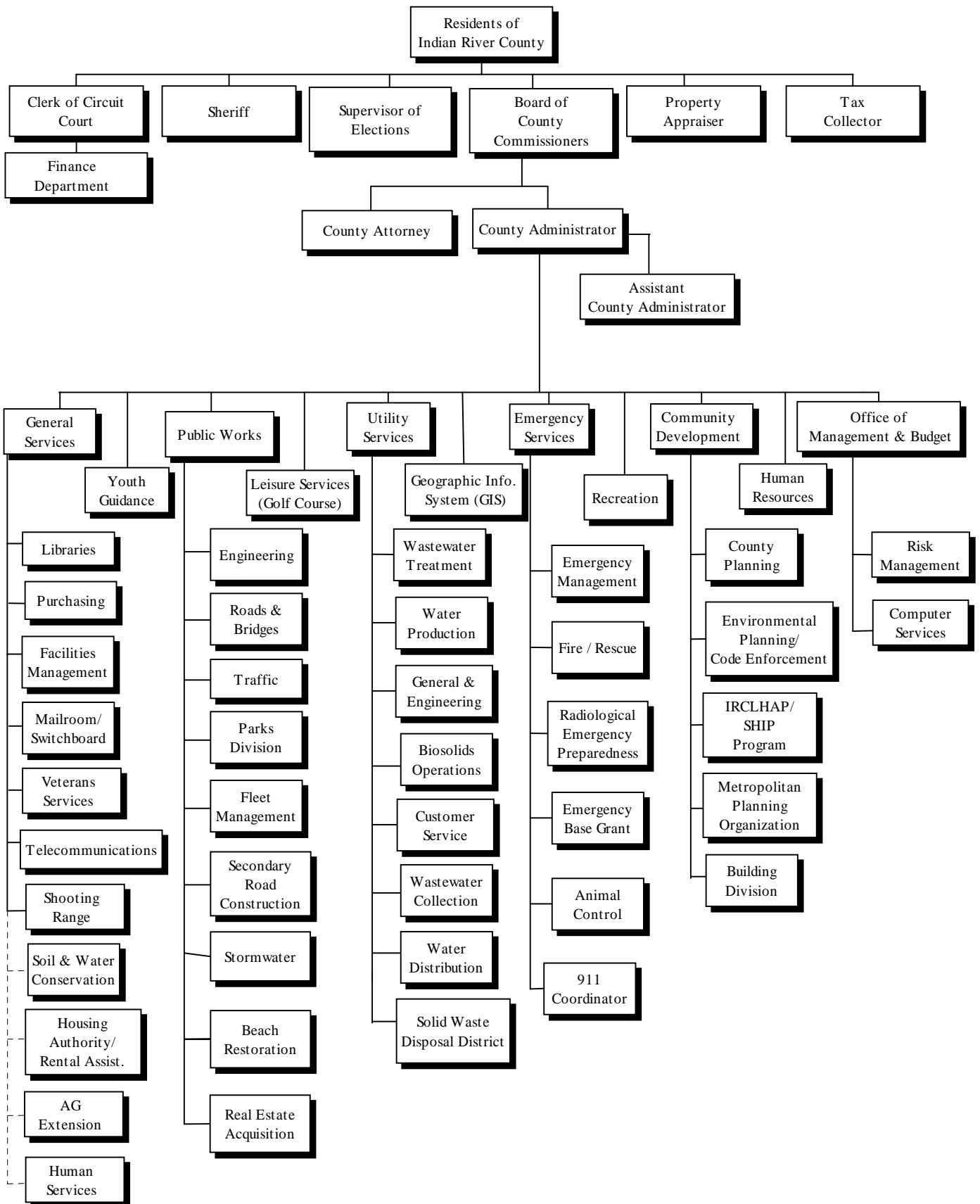
Summary

I would like to thank the entire staff of the Finance Department for their invaluable assistance in the preparation of this report. I would also like to thank the Board of County Commissioners and their staff, and the other Constitutional Officers for their personal interest and unfailing support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

Jeffrey K. Barton  
Clerk of the Circuit Court and Comptroller  
JKB/ms

# Indian River County Departmental Organization



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Indian River County  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

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



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director





**Harris, Cotherman,  
Jones, Price & Associates**

Certified Public Accountants - Chartered

5070 North Highway A1A, Suite 250

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**Independent Auditors' Report**

The Honorable Board of County Commissioners and Constitutional Officers  
Indian River County, Florida

We have audited the accompanying financial statements of governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Indian River County, Florida (the "County") as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2008 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The Honorable Board of County Commissioners and Constitutional Officers  
Indian River County, Florida  
Page two

The Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the County's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of Indian River County, Florida. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Harris, Cotherman, Jones, Price & Associates*  
*Certified Public Accountants - Chartered*

Vero Beach, Florida

March 5, 2008

**Indian River County, Florida**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2007**

We offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

**Financial Highlights**

- The County's overall financial position improved over 2006.
- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$914.2 million (net assets). Of this amount, \$108.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$61.3 million. Governmental activities accounted for 83% of this increase. Interest income of \$16.0 million in governmental activities and \$9.2 million in business-type activities together represented 41% of the \$61.3 million increase. The water and sewer capital contribution revenue declined substantially from \$26.5 million in 2006 to \$9.7 million in 2007, reflecting a considerable slowdown in the construction industry.
- As of the close of the current fiscal year, the County's governmental activities reported combined ending net assets of \$608.5 million, an increase of \$50.6 million in comparison with the prior year. Of the \$608.5 ending net assets, 10% or \$60.7 million, is unrestricted net assets.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund alone was \$50.3 million. The remaining balance of unreserved funds pertained to the insurance internal service fund.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are composed of three elements: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

**Indian River County, Florida**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2007**

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, culture and recreation, and court related. The major business-type activities of the County include a water and sewer utility, a solid waste disposal district and a golf course.

The government-wide financial statements include not only the Board of County Commissioners, but also the Clerk of the Circuit Court, Tax Collector, Property Appraiser, Sheriff and Supervisor of Elections. In addition, financial information is reported in a separate column for the Indian River County Housing Authority (the Authority). The Authority is not part of the primary government of Indian River County. The government-wide financial statements can be found on pages 17-19 of this report.

**Fund financial statements**

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 County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: 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 financial statements. However, unlike the government-wide financial statements, governmental fund financial 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. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 39 individual governmental funds. Information is presented *separately* in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, six special revenue funds, and the optional (one-cent) sales tax funds. All are considered to be major funds. Data from the other 31 governmental funds are

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located behind the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds can be found on pages 102-161 of this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-31 of this report.

***Proprietary funds***

The County maintains *two* different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer utility, solid waste disposal district, shooting range, golf course, and building department. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet management, self insurance, and geographic information systems. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility, solid waste disposal district and golf course, which are considered to be major funds of the County. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements behind the notes to the financial statements.

The basic proprietary fund financial statements can be found on pages 33-39 of this report.

***Fiduciary funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 40 of this report.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-96 of this report.

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$914.2 million at the close of the fiscal year. By far, the largest portion of the County's net assets (60 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported as 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 these liabilities.

**Indian River County Net Assets (In Millions)**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 275.1	\$ 319.9	\$ 157.5	\$ 162.1	\$ 432.6	\$ 482.0
Capital assets	447.6	355.5	239.2	219.7	686.8	575.2
Total assets	<u>722.7</u>	<u>675.4</u>	<u>396.7</u>	<u>381.8</u>	<u>1119.4</u>	<u>1057.2</u>
Long-term liabilities	70.8	74.8	62.0	65.0	132.8	139.8
Other liabilities	43.4	42.8	29.0	21.8	72.4	64.6
Total liabilities	<u>114.2</u>	<u>117.6</u>	<u>91.0</u>	<u>86.8</u>	<u>205.2</u>	<u>204.4</u>
Net assets:						
Invested in capital assets,						
net of related debt	374.5	278.2	174.5	152.2	549.0	430.4
Restricted	173.3	158.0	83.8	89.0	257.1	247.0
Unrestricted	60.7	121.6	47.4	53.8	108.1	175.4
Total net assets	<u>\$ 608.5</u>	<u>\$ 557.8</u>	<u>\$ 305.7</u>	<u>\$ 295.0</u>	<u>\$ 914.2</u>	<u>\$ 852.8</u>

A portion of the County's net assets (28.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (\$108.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The government's net assets increased by \$61.4 million during the current fiscal year. There was a \$118.6 million increase in net assets invested in capital assets, net of related debt resulting from 1) the purchase of properties for purposes of environmental conservation, and 2), the construction of roads, the administration complex, the 43<sup>rd</sup> Avenue complex, the Utilities Operations Center, the Emergency Operations Center and a major jail expansion. In 2007, the County elected to reclassify certain funds previously identified as unrestricted. Consequently, our discussion is limited to the net change of restricted plus unrestricted net assets, which decreased by \$57.2 million, largely the result of land and other capital assets outlays.

**Indian River County, Florida**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2007**

**Indian River County Changes in Net Assets (In Millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 26.5	\$ 43.8	\$ 46.1	\$ 49.8	\$ 72.6	\$ 93.6
Operating grants/contributions	25.6	13.4	0.1	1.2	25.7	14.6
Capital grants/contributions	13.4	13.1	9.7	26.8	23.1	39.9
General revenues:						
Property taxes	99.7	84.9	-	-	99.7	84.9
Sales taxes	20.7	21.9	-	-	20.7	21.9
Franchise fees	9.7	9.3	-	-	9.7	9.3
State shared revenues	12.4	13.0	-	-	12.4	13.0
Other	17.6	15.4	9.3	6.4	26.9	21.8
Total revenues	<u>225.6</u>	<u>214.8</u>	<u>65.2</u>	<u>84.2</u>	<u>290.8</u>	<u>299.0</u>
Expenses:						
General government	15.5	14.6	-	-	15.5	14.6
Public safety	42.1	58.6	-	-	42.1	58.6
Physical environment	35.0	8.5	-	-	35.0	8.5
Transportation	26.2	22.0	-	-	26.2	22.0
Economic environment	1.0	1.1	-	-	1.0	1.1
Human services	13.9	12.3	-	-	13.9	12.3
Culture/Recreation	31.2	11.5	-	-	31.2	11.5
Court related	6.8	6.0	-	-	6.8	6.0
Interest on long-term debt	3.2	2.5	-	-	3.2	2.5
Water and sewer	-	-	37.5	33.4	37.5	33.4
Solid waste	-	-	10.3	11.5	10.3	11.5
Golf course	-	-	3.1	3.1	3.1	3.1
Other	-	-	3.7	4.1	3.7	4.1
Total expenses	<u>174.9</u>	<u>137.1</u>	<u>54.6</u>	<u>52.1</u>	<u>229.5</u>	<u>189.2</u>
Increase in net assets before transfers	50.7	77.7	10.6	32.1	61.3	109.8
Transfers	<u>(0.1)</u>	<u>5.1</u>	<u>0.1</u>	<u>(5.1)</u>	<u>-</u>	<u>-</u>
Increase in net assets	50.6	82.8	10.7	27.0	61.3	109.8
Net assets - October 1, 2006	557.8	475.0	295.0	268.0	852.8	743.0
Net assets - September 30, 2007	<u>\$ 608.5</u>	<u>\$ 557.8</u>	<u>\$ 305.7</u>	<u>\$ 295.0</u>	<u>\$ 914.2</u>	<u>\$ 852.8</u>

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

**Governmental Activities**

Governmental activities revenues exceeded expenses by \$50.6 million, accounting for 83 percent of the total growth in the County's net assets. Key elements of this increase are as follows:

- Program revenues decreased \$4.8 million. Charges for services decreased by \$17.3 million or 39%. The decrease was primarily due to a large reduction in impact fee collections, an effect of the slow down in construction activity.
- Operating grants in 2007 were \$25.6 million, an increase of 90% over the 2006 operating grant revenues. Transportation grants increased by \$1.9 million, economic environment grants increased by \$5.5 million, and culture/recreation grants increased by \$5.8 million. These increases were partially offset by decreases in the public safety and human services grants.
- Capital grants and contributions were \$0.3 million higher in 2007 than in 2006, an overall increase of 3%. This was largely due to contributions by developers for increased road capacity in the southern part of the County.
- Property taxes levied for general purposes increased by \$10.1 million, or 12%, as a result of higher property valuations. Property taxes, levied for debt service increased by \$4.6 million, or 188% which is the result of additional collections earmarked for debt service on the 2006 Limited General Obligation bonds.
- Interest earnings, a major component of general revenues, increased by \$3.8 million, the result of higher interest rates in 2007.
- The governmental expenses were \$37.8 million higher in 2007 than in 2006. The increase was largely the result of environmentally sensitive land purchases and beach restoration costs.

**Business-type activities**

Business-type activities increased the County's net assets by \$10.7 million, accounting for 17 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities decreased by \$3.7 million or 7%. Water and sewer impact fee charges decreased \$0.5 million, or 2%, due to lower meter installations. Solid waste charges decreased \$1.8 million, or 13%, due to a calm hurricane season. County building charges decreased by \$1.6 million, or 35%, due to decreased construction activity in the County. These decreases were offset partially by revenue increases in the golf course and shooting range.
- Operating grants for business-type activities decreased by \$1.1 million because 2006 included FEMA grant revenue from the September 2004 and October 2005 hurricanes.
- Of the \$17.1 million decrease in capital grants and contributions, \$16.8 million is water and sewer utility related. Due to the decrease in construction activity, the water and sewer utility department of the County experienced a 63% decrease in developer capital contributions.

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

**Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds**

Unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$222.9 million, a decrease of \$43.8 million in comparison with the prior year.

- The fund balance of the County's General Fund increased by \$5.0 million. Key factors in this growth are as follows:(1) an increase of tax revenues of \$7.7 million resulting from increased property values and increased franchise taxes, and (2) an increase in interest income of \$1.7 million resulting from higher interest rates.
- In the Impact Fees Fund there was a \$12.3 million decrease. The slowdown in construction activity is reflected by a decrease in special assessments revenue of \$17.6 million, or 72%. The transportation expenditures increased by \$12.5 million, or 131%. Culture/recreation reported \$1.4 million in expenditures in 2007 for contributions toward three community projects: the joint-use library with the local community college, soccer fields lighting in the central part of the county, and lighting improvements at a multi-purpose park.
- The Land Acquisition Fund decreased by \$25.4 million in fund balance, largely the result of \$31.1 million in land purchase expenditures.
- The Optional Sales Tax Fund decreased by \$12.9 million, with \$39.5 million of expenditures in capital projects including \$14.1 million for the administrative complex, \$4.1 million for the emergency operations center and \$14.8 million for the jail expansion project.
- Of the \$222.9 million combined ending fund balances, \$199.9 million, or 90%, is classified as unreserved, undesignated fund balance.

The remainder of fund balance is *reserved* to indicate that it is not available for new spending. The largest reserved amount is in the Optional Sales Tax Fund, which is reserved for capital projects in the amount of \$16.0 million and also for a \$0.74 million loan to another fund. Other reservations include the Secondary Roads Construction Fund's two reservations of \$0.67 million for capital projects and \$0.71 million for advances to other funds; the two debt service funds listed on pages 108-109; and one construction reserve fund listed on page 109.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$50.3 million. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. Unreserved, undesignated fund balance represents 56 percent of total general fund expenditures. The impact fees fund had a \$73.1 million unreserved, undesignated fund balance, and the total impact fee expenditures were 32 percent of the ending fund balance indicating future road construction.

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

**Proprietary funds**

Unrestricted net assets in the solid waste disposal district at the end of the year amounted to \$21.7 million, for the golf course (\$0.6) million, and for the County utilities \$21.4 million.

Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

**General Fund Budgetary Highlights**

During the year there was a \$4.7 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$1,699,684 supplemental appropriation to the Community Transportation Coordinator to provide countywide public transportation.
- \$1,522,349 supplemental appropriation to various departments for damages to facilities and equipment from the three major hurricanes that affected Indian River County in 2004 and 2005.
- \$612,200 supplemental appropriation to the Tax Collector's office.
- \$195,750 supplemental appropriation to purchase a new generator for the Sheriff's Administration Building.
- \$115,349 supplemental appropriation for various vehicles and equipment items that needed to be replaced.

Actual revenues exceeded budget for the following reasons:

- Taxes and franchise fee revenues exceeded the total budget amount.
- Rising interest rates resulted in increased interest earnings.

Actual expenditures were lower than anticipated for the following reasons:

- Various budgeted capital improvements expenditures were deferred until next fiscal year.
- Positions budgeted but not filled.
- Operating expenditures were less than budgeted.

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual is shown on page 25.

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

**Capital Assets and Debt Administration**

**Capital assets**

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$686.8 million (net of accumulated depreciation). This investment in capital assets includes land, right-of-way, buildings and improvements, equipment, infrastructure and construction in progress. The overall increase in the County's investment in capital assets for the current fiscal year was 19 percent (a 26 percent increase for governmental activities and a 9 percent increase for business-type activities).

Governmental activities had the following major increases during the fiscal year:

- An increase in buildings primarily due to the capitalization of the county administration building, the 43<sup>rd</sup> Avenue complex, the Emergency Operations Center, and the county jail expansion.
- An increase in improvements due to the capitalization of fire station, county parks, and Dodgertown improvements.
- An increase in land primarily due to the purchase of properties for purposes of environmental conservation including the \$12.1 million Sexton ranch property and the \$13.8 Sebastian Harbor Preserve.

Business-type activities had the following major increases during the fiscal year:

- An increase in buildings due to the capitalization of the Utilities Operations Center.
- An increase in construction in progress was due to the North County R/O Plant Expansion and West Regional Wastewater Transmission Project.

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

**Indian River County Capital Assets (Net of Depreciation, In Millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 114.6	\$ 83.5	\$ 18.4	\$ 18.4	\$ 133.0	\$ 101.9
Right-of-way	20.0	15.9	-	-	20.0	15.9
Buildings and improvements	144.7	62.2	182.7	173.8	327.4	236.0
Equipment	31.8	28.8	7.3	7.4	39.1	36.2
Infrastructure	67.4	68.2	-	-	67.4	68.2
Construction in progress	69.1	96.9	30.8	20.1	99.9	117.0
<b>Total</b>	<b>\$ 447.6</b>	<b>\$ 355.5</b>	<b>\$ 239.2</b>	<b>\$ 219.7</b>	<b>\$ 686.8</b>	<b>\$ 575.2</b>

Additional information on the County's capital assets can be found in Note 6 on page 67 of this report.

**Long-term debt**

At the end of the current fiscal year, the County had total *bonded* debt outstanding of \$137.0 million. Of this amount, \$58.5 million is debt backed by the full faith and credit of the government. The revenue bonds represent bonds secured solely by specified revenue sources.

**Indian River County's Outstanding Debt General Obligation and Revenue Bonds  
(In Millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
<b><u>General Obligation Debt:</u></b>						
General Obligation, Series 2001	\$ 7.4	\$ 8.0	\$ -	\$ -	\$ 7.4	\$ 8.0
General Obligation Ref., Series 2003	3.5	4.7	-	-	3.5	4.7
Limited General Oblig., Series 2006	47.6	50.0	-	-	47.6	50.0
<b><u>Revenue Bonds:</u></b>						
Spring Training Facility, Series 2001	14.0	14.5	-	-	14.0	14.5
Recreational Revenue Ref., Series 2003	-	-	4.6	5.1	4.6	5.1
Water and Sewer Ref. Rev., Series 1993A	-	-	33.0	34.2	33.0	34.2
Water and Sewer Ref. Rev., Series 2005	-	-	26.9	28.2	26.9	28.2
<b>Total</b>	<b>\$ 72.5</b>	<b>\$ 77.2</b>	<b>\$ 64.5</b>	<b>\$ 67.5</b>	<b>\$ 137.0</b>	<b>\$ 144.7</b>

**Indian River County, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2007**

The County's General Obligation and Revenue Bonds maintain a "AAA" rating from Standard & Poor's. It is the County's policy to receive two bond ratings for each issue. Standard & Poor's rating is required on all issues. A second rating from Fitch or Moody's is also required.

Additional information on the County's long-term debt can be found in Note 12 on pages 73-86 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The County's staff and elected officials considered many factors in developing the fiscal year 2007-2008 budget. One major factor was the tax reform legislation passed in June 2007 which required Indian River County to cut tax revenues by 5% in the General Fund. A reduction of 3% was required in the Fire District.

Indian River County's local economy consists of construction, tourism, retail, agriculture, and light manufacturing. Construction activity has fallen sharply as a result of the downturn in real estate. The unemployment rate increased from 4.7% in 2006 to 7.0% in 2007. The tourist tax revenue decreased slightly while the population grew by an estimated 3.3% from 2006 to 2007.

Revenue projections for 2007-2008 are quite weak as a result of recent slowdowns in the national and local economies. The tax roll is increasing by only 3% compared to 25.3% last year. State shared tax revenues are projected to decrease 2.7%, while half cent sales tax revenue is projected to decrease 13.9%. Interest earnings are expected to decrease slightly as short term rates are projected to fall from last year's rates. The total proposed budget (with capital project expenditure adjustments) is a decrease of 2.7% from last year.

With area growth and the department's cost cutting measures, Solid Waste Disposal District (SWDD) residential rates have decreased 5.3% and the commercial assessment rates decreased 4.9% for the fiscal year 2007-2008.

Street lighting district assessment rates remained the same except for 5 districts that were able to see a decrease.

All other rates and user's fees remain unchanged from fiscal year 2006-2007.

**Request for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Clerk of the Circuit Court  
Attention: Finance Department  
1801 27<sup>th</sup> Street  
Vero Beach, FL 32960



## **BASIC FINANCIAL STATEMENTS**



**Indian River County, Florida**  
**Statement of Net Assets**  
**September 30, 2007**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 249,630,547	\$ 57,574,129	\$ 307,204,676	\$ 131,994
Investments	149,162	-	149,162	-
Accounts receivable - net	864,416	3,349,546	4,213,962	498
Internal balances	613,585	(613,585)	-	-
Due from other governments	8,988,200	46,599	9,034,799	80,901
Interest receivable	1,313,117	1,308,682	2,621,799	-
Inventories	150,992	833,768	984,760	-
Prepaid expenses	1,737,211	60	1,737,271	-
Current restricted assets:				
Cash and cash equivalents	10,833,243	87,621,284	98,454,527	665,876
Total current assets	<u>274,280,473</u>	<u>150,120,483</u>	<u>424,400,956</u>	<u>879,269</u>
Non-current assets:				
Unamortized bond costs	-	3,436,549	3,436,549	-
Intangible assets - net	-	40,282	40,282	-
Capital assets - non-depreciable	207,301,125	49,240,012	256,541,137	1,750,068
Capital assets - depreciable	392,669,292	330,293,790	722,963,082	9,691,788
Capital assets - accumulated depreciation	(152,377,655)	(140,356,270)	(292,733,925)	(4,778,799)
Non-current restricted assets:				
Special assessments receivable	106,430	2,192,721	2,299,151	-
Notes receivable	666,667	333,333	1,000,000	-
Impact fees receivable	-	1,108,443	1,108,443	-
Liens receivable	-	293,705	293,705	-
Deposits	-	14,000	14,000	894
Total non-current assets	<u>448,365,859</u>	<u>246,596,565</u>	<u>694,962,424</u>	<u>6,663,951</u>
Total assets	<u>722,646,332</u>	<u>396,717,048</u>	<u>1,119,363,380</u>	<u>7,543,220</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities (payable from current assets):				
Accounts payable	16,393,375	2,880,914	19,274,289	22,996
Claims payable	6,559,000	-	6,559,000	-
Due to other governments	1,036,390	43,375	1,079,765	-
Other deposits held in escrow	515,904	2,000	517,904	-
Unearned revenues	5,517,026	51,021	5,568,047	-
Accrued compensated absences	2,555,412	454,296	3,009,708	-
Capital leases	8,591	74,934	83,525	-
Current liabilities (payable from current restricted assets):				
Accounts payable	-	6,617,202	6,617,202	-
Retainage payable	5,288,622	1,801,672	7,090,294	-
Accrued interest payable	609,621	256,976	866,597	2,325
Closure and maintenance costs payable	-	10,509,598	10,509,598	-
Customer deposits	-	3,136,502	3,136,502	36,255
Bonds payable	4,935,000	3,105,000	8,040,000	191,000
Total current liabilities	<u>43,418,941</u>	<u>28,933,490</u>	<u>72,352,431</u>	<u>252,576</u>
Non-current liabilities:				
Accrued compensated absences	3,255,831	606,706	3,862,537	-
Capital leases	-	35,091	35,091	-
Bonds payable, net of premium and discount	67,506,835	61,421,825	128,928,660	2,599,400
Total long-term liabilities	<u>70,762,666</u>	<u>62,063,622</u>	<u>132,826,288</u>	<u>2,599,400</u>
Total liabilities	<u>114,181,607</u>	<u>90,997,112</u>	<u>205,178,719</u>	<u>2,851,976</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	374,501,758	174,540,682	549,042,440	3,872,657
Restricted for:				
Capital projects	31,918,851	83,581,721	115,500,572	-
Debt service	2,307,225	258,750	2,565,975	18,256
Road projects	90,489,139	-	90,489,139	-
Other purposes	48,521,726	-	48,521,726	611,365
Unrestricted	60,726,026	47,338,783	108,064,809	188,966
Total net assets	<u>\$ 608,464,725</u>	<u>\$ 305,719,936</u>	<u>\$ 914,184,661</u>	<u>\$ 4,691,244</u>

The accompanying notes are an integral part of the financial statements.