

Robert P. Miller Park



Photo courtesy of Aerial Photography, Inc.

City of Delray Beach, Florida
Comprehensive Annual Financial Report
For Year Ended
September 30, 2010

Robert P. Miller Park
1905 S. W. 4th Avenue
Delray Beach, FL

The Park is named after Robert P. Miller who in the early 1970's went to Mayor Jack Saunders and the City Commission to lobby for a regulation size, lighted little league baseball field. We were the only city at the time between Vero Beach and Key West not to have one. After the Mayor and Commission appointed Bob Miller as chairman of a committee of five to research and start the process of building the field, the County was approached to negotiate the property near the transfer station off S.W. 4th Avenue. The County then helped pave the way for access into the park. At the same time, Ken Ellingsworth helped the committee apply for the Bicentennial Grant for \$250,000 - the largest grant ever given in the State of Florida. The field built as a result was "Little Fenway". To Bob Miller's surprise, the committee came to name the park after the man who started it all - Robert P. Miller.

One Field Wasn't Enough: Bob Miller then went back to the Commission to thank the Mayor and express how appreciative he was, but also noted another problem. There was only ONE little league field and there wasn't enough places for all the children in Delray Beach to play. Slowly the City added fields with the last one built being Sergio Field, named after another longtime City resident and current City employee Fred Sergio. Soon after, Bucky Dent's Baseball School moved into the South end of the park with an agreement with the City to help maintain the fields.

Renovations to Robert P. Miller Park began in 2007 and were completed in the spring of 2010. The multi-phase construction included three new little league fields, one major league field, two-story concession stand/press box building, Miracle League Field and concession stand building, four batting cages, major league practice infield, 3-bay storage building, new pavilion and pitching and hitting wall area. The original playground was relocated, additional parking was added, and the fencing and play surface on Little Fenway at the North end of the park was replaced.

The Miracle League Field was built to accommodate children with disabilities. The field is designed with a custom synthetic turf and handicapped accessible dugouts, restrooms and drinking fountains. County and private contributions funded the construction of the field.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2010
with Report of Independent Certified Public Accountants

Comprehensive Annual Financial Report

City of Delray Beach, Florida

Year Ended September 30, 2010
with Report of Independent Certified Public Accountants

Prepared by the

Finance Department

David A. Boyd, C.P.A., M.P.A., Director
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Rebecca O'Connor
Mary Ann Young, CGFO
Dolores Egan
Maureen Owens
Yvonne Walker

City of Delray Beach, Florida
Comprehensive Annual Financial Report
Year Ended September 30, 2010

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Introductory Section

CITY OF DELRAY BEACH



May 9, 2011

Honorable Mayor
City Commission
City Manager
City Staff
Citizens and Friends of Delray Beach, Florida

100 N.W. 1st AVENUE • DELRAY BEACH, FLORIDA 33444 • 561/243-7000

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Delray Beach for the fiscal year ended September 30, 2010. This report was prepared by the Finance Department and responsibility for the accuracy, completeness and the fairness of the data as presented rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective changes in financial position and cash flows where applicable thereof of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs and condition have been included.

The City of Delray Beach offers the readers of its financial statements the Management Discussion and Analysis (MD&A) which is an overview and analysis of financial activities for the fiscal year ended September 30, 2010. **This analysis is considered "required supplementary information" for the annual audit and we encourage readers to review and consider this when presented with additional information provided in the financial statements.**

PRIMARY GOVERNMENT AND COMPONENT UNITS

This report includes all funds of the primary government (the City of Delray Beach) and all organizations and component units for which the City is financially accountable including the following:

- **South Central Regional Wastewater Treatment and Disposal Board (SCRWTDB)** - this entity was established as a joint venture with equity interests between the cities of Delray Beach and Boynton Beach on December 26, 1974, and is therefore accounted for using the equity method in the financial statements. This agreement created a legal entity which provides wastewater treatment and disposal services as well as water reuse transmission plant to the south central region of Palm Beach County without regard to political or governmental boundaries. The entity is governed by a Board composed of the Commission members of each city.
- **Community Redevelopment Agency (CRA)** - this entity is a component unit of the City of Delray Beach and, based upon accounting and reporting criteria, is required to be discretely presented within the financial statements. Discrete presentation requires that the financial information be presented in columns separate from that of the City's basic financial statements. The CRA is a dependent special district established by the City of Delray Beach under authority granted by Florida Statute Chapter 163, Part III. It is a legally separate entity established by Ordinance 46-85 passed by the City of Delray Beach City Commission on June 18, 1985. The CRA is governed by a seven member board appointed by the City Commission of the City of Delray Beach. The CRA receives tax increment funds (TIF) from the City of Delray Beach and Palm Beach County based upon the operating millage of those entities for the taxable assessed values of properties in the CRA district in excess of the 1985 taxable assessed valuations.
- **Downtown Development Authority (DDA)** - this entity is also a component unit of the City of Delray Beach and is also required to be discretely presented within the financial statements. The DDA was

created after the City petitioned the State of Florida. An Act allowing the DDA became law on March 22, 1971. The original boundary of the DDA was established by Section 3, Chapter 71-604 Laws of Florida 1971. The expanded boundary was established by Chapter 94-476 Laws of Florida effective May 13, 1994. This entity is allowed to charge an ad valorem millage rate to the commercial businesses within its boundaries not to exceed one (1) mil. The resolutions regarding millage rates and budgetary submissions must be approved in a public hearing process by the City of Delray Beach.

THE CITY OF DELRAY BEACH

The City of Delray Beach is a political subdivision of the State of Florida and is located in the southeastern part of the state in Palm Beach County on the Atlantic shoreline. Delray Beach was first settled as an agricultural community in 1895 and first incorporated in 1911. It was later incorporated as the City of Delray Beach on May 11, 1927. The City has a current estimated permanent population of 64,218 (2000 census permanent population was 60,020) with another estimated 12,600 seasonal residents.

The current total land area of the City is 16.5 square miles. Delray Beach is primarily residential (67%) with a balance of commercial (10%), light industrial (4%), vacant and agricultural (1%), recreation and open space (13%) and education and government facilities (5%). It is a mature community with 99.1% build-out (based upon land area) and, therefore, its focus is not upon growth, but upon quality development of remaining vacant areas and redevelopment of areas in a state of decline or deterioration. This would include the redevelopment of commercial and industrial areas which are no longer functionally competitive in the regional marketplace.

The City of Delray Beach is a full service city with a Commission-Manager form of local government. The citizens elect a Mayor at large on a non-partisan basis every two (2) years who presides over four (4) Commissioners who are elected at large on a non-partisan basis for two (2) year terms in alternating years. The City Commission sets policy, approves legislation, adopts the Annual Budget, and sets rates and fees. The City Commission appoints the City Manager, who is the Chief Operational Officer of the City, and the City Attorney, who acts on all legal matters pertaining to the City. The City Manager is charged with overseeing the daily business of the City and is responsible for the supervision of the City departments and employees. Department Heads serve at the pleasure of the City Manager and other employees are covered with either Civil Service regulations or union agreements.

The City of Delray Beach is considered a full service municipality providing citizens with police, fire, emergency medical services including transport, parks and recreation, beach lifeguards, public works, water, sewer, garbage and trash, community improvement and inspection services along with planning, personnel, management and financial support services. The City also provides services to unincorporated areas and adjacent municipalities. Water, fire protection, emergency medical services, emergency police dispatch services, building inspection and permitting and limited sewer services are provided to the Town of Gulfstream. Sewer services, fire protection and emergency medical services and limited water services are provided to the Town of Highland Beach. Both areas are serviced on a contractual basis.

The City encourages the participation of residents and business owners in educational forums, discussing problems within our community, and in contributing their input into resolving these problems. One venue for this is the Annual Town Hall Meeting (including an Annual Citizen's Roundtable and Infrastructure Hearing) held each year prior to the annual budget process which includes a comprehensive report on the prior year accomplishments of the Planning and Zoning Board, the Community Redevelopment Board and the City of Delray Beach including the distribution of the City's Annual Report. Other venues include area-wide meetings with neighborhood associations, established boards and committees, charettes, a Resident's Academy, a Student's Academy, a Police Academy, a Speaker's Bureau and special meetings. In the prior fiscal year, the City Commission initiated a Budget Task Force (a 9-member citizen task force) to evaluate and make recommendations on the budget as well as other financial documents) that later became the full-time Financial Review Board and a Green Task Force (a 7-member citizen task force) to make recommendations on improving environmental sustainability of City programs, service, equipment and facilities, conservation, and best practices regarding efficient use of resources that also was extended into a full-time board.

Delray Beach is known locally, regionally and nationally for its special events and vibrant downtown activities. Over the past year, there were over 50 special events including the Green Market in the Park, Art and Jazz on the Avenue, Garlic Fest, Roots Cultural Festival, U.S.T.A. 12 Year Old Boy's and Girl's National Tennis Championship, the U.S.T.A. Boy's 18 and 16 Clay Court National Championships, the U.S.T.A. Summer Smash

Regional Championships , the 10th Annual ATP International Tennis Championships (ITC) featuring James Blake (USA) and Tommy Haas (Germany), the 18th Annual Chris Evert/Raymond James Pro-Celebrity Tennis Classic charity tournament including comedians Chevy Chase and Jon Livitz. The 47th Annual Delray Affair attracted over 150,000 visitors over a three-day period. The 4th of July fireworks display attracted over 40,000 observers. The City displayed its 100-foot Christmas tree and had over 25,000 attend its First Night event at Old School Square. There are numerous musicals, parades, shows, art and craft festivals, movies, lectures, exhibits, performances and other special activities.

The Delray Beach Tennis Center is a full-service tennis facility with 14 clay courts, 7 hard courts, and an 8,200 seat tennis stadium. The facility include 19 lit courts, a pavilion and conference room, pro shop and locker room offering a wide range of adult and junior programs as well as professional events.

The Delray Beach Golf Club, designed by Donald Ross in 1923, is one of Palm Beach County's finest public golf courses which includes a par 72-6,907 yard golf course, driving ranges, 2 putting areas, banquet facilities, restaurant, bar and lounge area and pro shop facilities. The Lakeview Golf Course is a par 60- 3,006 yard executive course favored by many beginners, senior citizens and casual golfers. .

The City of Delray Beach has received the prestigious honor of being recognized as an All-America City in both 1993 and 2001. The City was also a finalist in the 1998 All-America City award competition. The City of Delray Beach is the only city in Florida to have received this prestigious honor twice.

The City of Delray Beach celebrated its 31st year in Sister's Cities Program relationship with Miyazu, Japan and a later relationship with Moshi, Tanzania, Africa.

CURRENT MAJOR INITIATIVES

General Employee Pension Plan Changes

The City in an effort to achieve cost savings in the General Employees Pension Plan had various alternatives costed out by the plan's actuaries. Although this action could have been very contentious, every effort was made to inform the employees why changes needed to be made and give them a chance to discuss the proposed changes. Numerous meetings were held with employees and the plan actuary discussing the pros and cons of each proposed change. Once the last meeting was held, employees had an opportunity to rank the various alternatives. The plan changes were effective October 5, 2010 and are expected to save the City over \$900,000 in fiscal year 2011.

Neighborhood Stabilization Program

As with a number of cities in Florida, property foreclosures have been a big problem. The City makes every effort to work with various financial institutions to keep the properties maintained. The City has received a \$1.9 million grant which is to be used for the acquisition, rehabilitation, disposition of foreclosed homes and homeownership assistance. During the year fourteen foreclosed properties were acquired.

Miller Park Renovations

Renovations to Robert P Miller Park began in 2007 and were completed in the spring of 2010. The multi-phase construction included three new little league fields, one major league field, a two-story concession stand/press box building, Miracle League field and concession stand building, four batting cages, major league practice infield, storage building, new pavilion and pitching and hitting wall area. The original playground was relocated; additional parking was added, and the fencing and play surface on Little Fenway at the north end of the park was replaced. The Miracle League field was built to accommodate children with disabilities. The field is designed with a custom synthetic turf and handicapped accessible dugouts, restrooms and drinking fountains. County and private contributions funded the construction of the field.

Employee Health and Wellness Center

The Employee Health and Wellness Center for employees and their dependents opened in June, 2010. The Center provides primary care by a licensed physician with no co-payment and dispenses many generic prescription drugs at no cost to the employees and dependents covered under one of the City's medical insurance plans. The City

established the Center in close proximity to city work areas to encourage employees to be pro-active in their health care through preventive medicine. Through regular examinations and medical screenings, illnesses and diseases can be prevented as opposed to having to be cured or treated. The on-site staff, in addition to the physician, includes a dietician, nutritionist and radiology technician. Lab work, diagnostic testing and x-ray imaging is provided at the Center as well as weight loss programs. The Center is popular with employees and their dependents with approximately 60% of employees utilizing the Center.

Reclaimed Water Project

The Reclaimed Water Transmission System is a multi-phase project which will provide reclaimed water for irrigation of golf courses, parks and residential properties. Currently the municipal golf course and barrier island residents are connected to the reclaimed water system. This system provides irrigation water at significantly lower costs than using potable drinking water and will also relieve the potable drinking water system of those irrigation demands.

GENERAL FINANCIAL INFORMATION

Internal Accounting Controls

In the development and evaluation of the City's accounting and financial reporting systems, consideration is given to the adequacy and accuracy of the internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance that the assets of the City are safeguarded against loss from unauthorized use or disposition and that there are reliable financial records for the preparation of financial statements and for the accountability of those assets.

All internal control evaluations utilize these criteria. We believe that the City's system of internal accounting controls adequately safeguards the assets of the City and provides reasonable assurance of the proper recording of financial transactions.

Single Audit

As a recipient of Federal, State and County financial assistance, the City is also responsible for ensuring that an adequate system of internal controls is in place to maintain compliance with applicable laws, regulations and guidelines related to those programs. This internal control system is subject to periodic evaluation by management.

As a part of the single audit process, tests are made to determine the adequacy of the internal control structure, including the portion related to federal financial assistance programs, and to determine compliance with applicable laws and regulations.

The results of the City's single audit for the fiscal year ended September 30, 2010 disclosed no instances of material weaknesses in the internal control structure and disclosed no significant violation of applicable laws and regulations.

Budgetary Control

The City maintains a system of budgetary controls within its accounting and financial management systems. The objective of these budgetary controls is to monitor compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Appropriated budgets are legally required to be adopted for the General Fund. Nonappropriated budgets, which are not legally required to be adopted, are also prepared for Special Revenue Funds, Enterprise Funds and Internal Service Funds. The level of budgetary control is at the division and departmental level.

As part of the budgetary control system, an encumbrance system is utilized. An encumbrance is a commitment to acquire goods or services (purchase order) which have not been paid for at a particular point in time. For operating purposes, outstanding encumbrances lapse at year-end and are then reappropriated as part of the new year's budget. Blanket purchase orders are closed at year-end and are not reappropriated.

Cash Management

The City has a Banking Services Agreement with a local banking institution based upon competitive bidding of its banking services. The City uses a pooled-cash concept for all operating funds with the exception of the pension trust funds which are administered by professional money managers and performance monitors. The deposits and investments of the City are safeguarded by utilizing State approved public depositories and by investing in fully collateralized instruments as required by the State of Florida.

OTHER INFORMATION

Independent Audit

Florida Statutes Chapter 166 requires that the City be audited on an annual basis by independent certified public accountants. The certified public accounting firm of Caler, Donten, Levine, Porter & Veil, P.A. was selected to perform the audit of the City's general purpose financial statements. In addition to meeting the requirements set forth in the Florida Statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act and the related OMB Circular A-133. The auditor's reports related to the single audit are included in the Single Audit Section.

Financial Statement Awards

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Delray Beach, Florida, for its CAFR for the fiscal year ended September 30, 2009. This was the 26th consecutive year the City received this prestigious national award.

This award is the highest form of recognition in governmental accounting and financial reporting. Its attainment represents a significant accomplishment for the City and indicates that the contents of the CAFR conformed to strict program standards and satisfied Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. A certificate is valid for a period of one year only. We believe our current report continues to conform to the requirements of the certificate program, and we will submit it to the GFOA to determine its eligibility for the Certificate of Achievement.

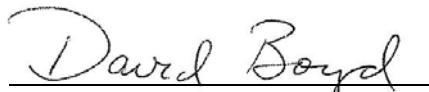
ACKNOWLEDGMENTS

A Comprehensive Annual Financial Report of this type and depth, illustrating the results of operations of the entire City and its various diversified funds and activities, could not have been prepared so completely and professionally without the dedication and efficiency of the entire Finance Department. The efforts of Milena Walinski, Assistant Finance Director, and her entire Financial Services Division and Rebecca O'Connor, Treasurer, deserve special individual recognition.

We believe this report clearly illustrates that the City of Delray Beach has developed and continues to maintain a strong financial condition and we wish to thank the City Commission, City Manager and the citizens of the City of Delray Beach for their continued support for fiscal responsibility.

It is with great pride that we present this Comprehensive Annual Financial Report at this time.

Respectfully submitted,



David A. Boyd, C.P.A., M.P.A.
Finance Director



Milena Walinski, CGFO
Assistant Finance Director

The Government Finance Officers Association (G.F.O.A.) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Delray Beach, Florida, for its Comprehensive Annual Financial Report (C.A.F.R.) for the fiscal year ended September 30, 2009.

In order to be awarded a certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A certificate is valid for a period of one year only. We believe our current report continues to conform to certificate program requirement, and we are submitting it to G.F.O.A. to determine its eligibility for another certificate.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Delray Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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.



President

Executive Director

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2010

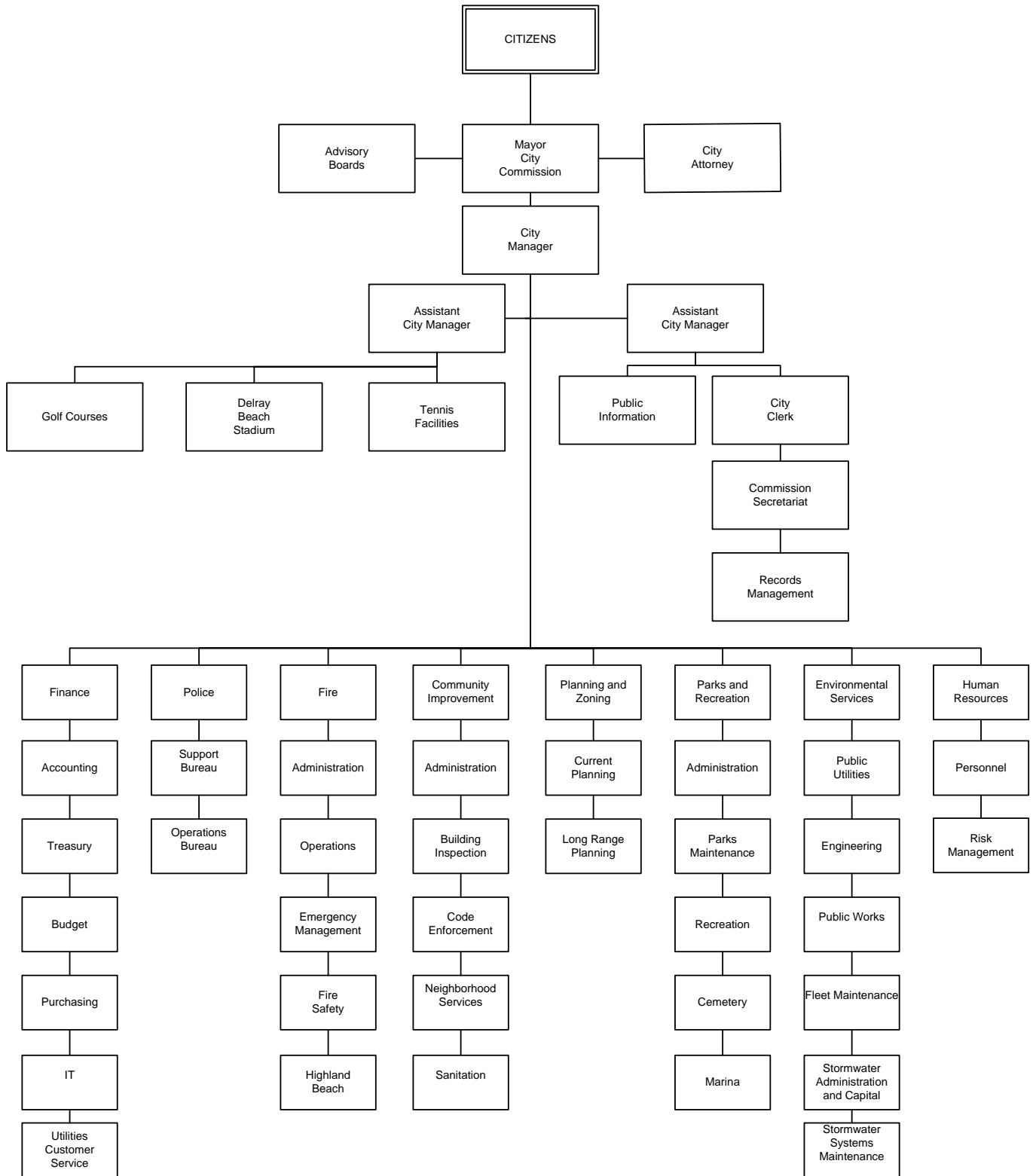
CITY COMMISSION

Mayor.....Nelson “Woodie” McDuffie
Vice-Mayor.....Gary Eliopoulos
Deputy Vice-Mayor.....Adam Frankel
Commissioner.....Fred B. Fetzer
Commissioner.....Angeleta Gray

CITY STAFF

City Manager.....David T. Harden
City Attorney.....Brian Shutt
Assistant City Manager.....Robert A. Barcinski
Assistant City Manager.....Douglas E. Smith
City Clerk.....Chevelle D. Nubin
Community Improvement Director.....Lula C. Butler
Environmental Services Director.....Richard C. Hasko
Finance Director.....David A. Boyd
Fire Chief.....David C. James
Human Resources Director.....Bruce J. Koeser
Parks and Recreation Director.....Linda Karch
Planning and Zoning Director.....Paul Dorling
Police Chief.....Anthony Strianese

City Organizational Chart



Financial Section



CALER, DONTEN, LEVINE,
PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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MARK D. VEIL, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor and
City Commission
City of Delray Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Delray Beach, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Delray Beach, Florida. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police and Firefighters' Retirement System Fund, a fiduciary fund of the City, which represents 50%, 55% and 39%, respectively, of the assets, net assets/fund balances and revenues/additions of the aggregate remaining fund information of the City, and the Delray Beach Downtown Development Authority, a discretely presented component unit of the City, which represents .2%, 0% and 3.9%, respectively, of the assets, net assets and revenues of the City's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police and Firefighters' Retirement System Fund and Delray Beach Downtown Development Authority, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. 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 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, based on our audit and the report of other auditors, 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 units, each major fund and the aggregate remaining fund information of the City of Delray Beach, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2011 on our consideration of the internal control over financial reporting of the City of Delray Beach, Florida, 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 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 considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 3 through 16 and the budgetary comparison and pension information on pages 66 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Delray Beach, Florida as a whole. The introductory section, the combining and individual fund financial statements and schedules, the statistical section and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, the Schedule of Expenditures of Federal Awards and State Financial Assistance, and the other supplementary information are the responsibility of management and were derived from and directly related to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Caler, Dauter, Levine,
Porter & Veil, P.A.*

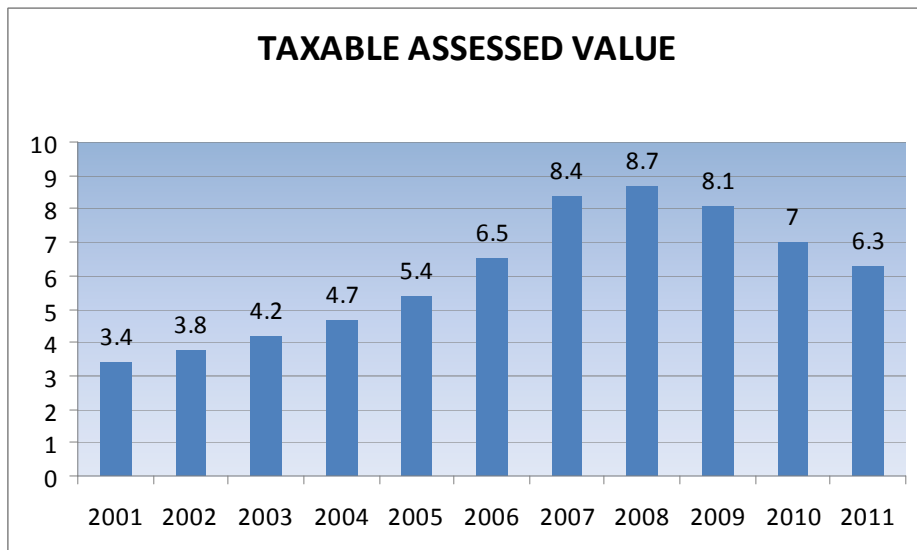
May 4, 2011

Management's Discussion and Analysis

Representing the City of Delray Beach (City) management team, the Finance Department offers readers of the City's financial statements this Management's Discussion and Analysis (MD&A), which is a narrative overview and analysis of the overall financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our Transmittal Letter, which can be found on pages i through vi of this report and the actual detailed financial statements beginning on page 17.

Financial Highlights

- The City's single largest source of revenue is from property taxes derived from the taxable assessed value of properties within the City, as summarized below (in billions).



- The overall financial condition of the City's General Fund operations is influenced by the real estate market, the current state of the economy and State tax reform legislation. The impact of all three factors has led to the current 14.0% decrease in taxable assessed property values, from \$8.1 billion to \$7.0 billion or a decrease of \$1.1 billion. This is the second decrease in the City's taxable assessed value since 1994. A decrease in taxable the taxable assessed value of properties from \$7.0 billion to \$6.3 billion or 10% is projected for fiscal year 2011.
- The assets of the City (Primary Government) exceeded its liabilities at September 30, 2010 by \$229,325,570 (Total Net Assets). Of this amount, \$61,423,047 (Unrestricted Net Assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The total net assets of the City (Primary Government) increased by \$7,179,835. Net assets of the City's governmental activities increased by \$1,962,628 to \$113,199,911, while net assets of the City's business-type activities increased by \$5,217,207 to \$116,125,659. These changes are shown in the "Statement of Activities" and exclude the effect of a \$637,201 restatement to increase beginning net assets of the City's business-type activities related to South Central Regional Wastewater Treatment and Disposal Board, as discussed further in Note 10 to the financial statements. The increase in net assets is largely attributed to a decrease in expenses.
- At September 30, 2010, the City's governmental funds reported combined ending fund balances of \$37,650,790 which decreased \$320,159 from the prior year. The decrease is due primarily to the Capital Improvement Fund using fund balance to complete projects. \$33,137,095 or 88.01% of the combined ending fund balance is available for spending at the City's discretion (unreserved fund balance). Of this amount, \$20,337,823 is in the General Fund, \$7,421,960 is in Capital Projects Funds and \$5,377,312 is in Special Revenue Funds.
- At September 30, 2010, unreserved fund balance for the General Fund was \$20,337,823 or 21.66% of total 2010 General Fund expenditures of \$93,884,879. This compares to \$19,747,589 in unreserved fund balance last year, which represented 21.11% of total expenditures of \$93,560,917. The City's financial policy is to strive to maintain between 15%-25% of unreserved fund balance compared to the expenditure budget as an acceptable reserve for first quarter cash flow (there are no tax remittances during the first several months of a fiscal year) and for unanticipated expenses such as storm damage costs, uninsured legal claims and other unforeseen expenses.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information that explains in more detail some of the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances and to report information about the City in a manner similar to those reports issued and used by private sector companies.

The Statement of Net Assets includes all of the City's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors and others (liabilities). These assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. The difference between assets and liabilities (net

assets) provides the basis for computing rate of return, evaluating the capital structure of the City, and assessing the liquidity and financial flexibility of the City. Over time, increases or decreases in net assets may help to serve as a useful indicator of whether the overall financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for which the related cash flows occurred in different fiscal periods (e.g., uncollected revenues and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City 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 City include such areas as General Government, Public Safety, Physical Environment, and Parks and Recreation. The business-type activities of the City that rely on user fees and charges include areas such as Water and Sewer, Municipal Golf Course, Lakeview Golf Course, City Marina, Sanitation and Stormwater Utility operations.

Both of the government-wide financial statements include not only the City itself (known as the Primary Government), but also a legally separate Community Redevelopment Agency (CRA) and a Downtown Development Authority (DDA) for which the City is financially accountable (known as component units). Financial information for these component units are reported separately from the financial information presented for the Primary Government itself. The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

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. As a result of this difference in focus, reconciliations are provided between the fund financial statements and government-wide financial statements to understand the long-term impact of short-term financing decisions.

The City maintains thirteen individual governmental funds. Information is presented separately for the General Fund, which is the City's only major governmental fund for 2010. Data for the other (non-major) governmental funds are aggregated into a single presentation. Individual fund data for each of these non-major governmental

funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 19 through 22 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds, which are described below:

Enterprise funds are used to report business-type activities that charge fees to customers for the use of specific goods or services. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility, the municipal golf course, the Lakeview golf course, the marina, sanitation operations and stormwater utility.

Internal service funds are used to account for the financing of insurance services and central garage services provided to other departments of the City on a cost-reimbursement basis. Because these services predominantly support governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements 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 system which is considered to be a major fund of the City. Conversely, the remaining enterprise funds are considered non-major funds and the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the individual internal service funds are provided in the form of *combining statements* elsewhere in this report. The City's proprietary fund financial statements can be found on pages 23 to 25 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held in trust 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 City's operations. The accounting methods used for fiduciary funds are similar to that used for proprietary funds. Individual fund data for each of the fiduciary funds is provided in the form of *combining statements* elsewhere in this report. The City's fiduciary fund financial statements can be found on pages 26 to 27 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information and clarification that are essential to a full understanding of the data presented in the

government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Additionally, the City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with these budgets.

Required supplementary information can be found on pages 66 through 69 of this report.

The *combining statements* for non-major governmental, non-major proprietary and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 71 of this report.

Government-Wide Financial Analysis

Our analysis of the government-wide financial statements of the City begins below. One of the most important questions asked about the City's finances is "Is the City of Delray Beach, as a whole, better off or worse off as a result of this year's activities?" The Condensed Statement of Net Assets and the Condensed Statement of Activities will report information about the City's activities in a way that will help answer this question. These two statements report the net assets of the City and the changes in net assets during the year. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the financial health or financial condition. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will also need to consider other non-financial factors such as changes in economic conditions, regulations, and new or changed government legislation.

To begin our analysis, a summary of the City's government-wide statement of net assets is presented in Table A-1.

Table A-1
Condensed Statement of Net Assets (\$ in millions)

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|----------------|--------------------------|--------------------|----------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 (Restated) | 2010 | 2009 (Restated) |
| Current and other assets | \$58.6 | \$57.2 | \$61.1 | \$58.5 | \$119.7 | \$115.7 |
| Capital assets | 141.7 | 143.8 | 101.6 | 103.5 | 243.3 | 247.3 |
| Total Assets | 200.3 | 201.0 | 162.7 | 162.0 | 363.0 | 363.0 |
| Current liabilities | 10.9 | 9.8 | 9.2 | 9.0 | 20.1 | 18.8 |
| Non-current liabilities | 76.2 | 80.0 | 37.4 | 42.1 | 113.6 | 122.1 |
| Total Liabilities | 87.1 | 89.8 | 46.6 | 51.1 | 133.6 | 140.9 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 77.7 | 76.5 | 69.5 | 66.2 | 147.2 | 142.7 |
| Restricted | 13.6 | 10.7 | 7.1 | 1.6 | 20.7 | 12.3 |
| Unrestricted | 21.9 | 24.0 | 39.5 | 43.1 | 61.4 | 67.1 |
| Total Net Assets | \$113.2 | \$111.2 | \$116.1 | \$110.9 | \$229.3 | \$222.1 |

The overall financial condition of the City remained consistent as evidenced by Table A-1.

The total net assets of the City increased by \$7.2 million or approximately 3.2% from \$222.1 million to \$229.3 million. The increase in net assets was primarily as a result of operations in the City's business-type activities. A significant portion of the City's net assets (\$147.2 million or 64.2% of the total net assets) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) net of any related debt that is still outstanding. Although the City's investment in 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 these liabilities.

An additional portion of the City's net assets (9.0%) represents resources that are subject to restrictions on how they may be used. The balance in restricted assets reflects an increase of \$8.4 million from the prior year. This increase is primarily due to increases in net assets of business-type activities restricted for the repayment of long-term debt and in net assets of governmental activities restricted for other purposes.

The unrestricted portion of net assets represents resources that may be used to meet the City's ongoing obligations to its citizens and creditors. The 2010 balance decreased \$5.7 million due to the reclassification of net assets to other categories, as described above.

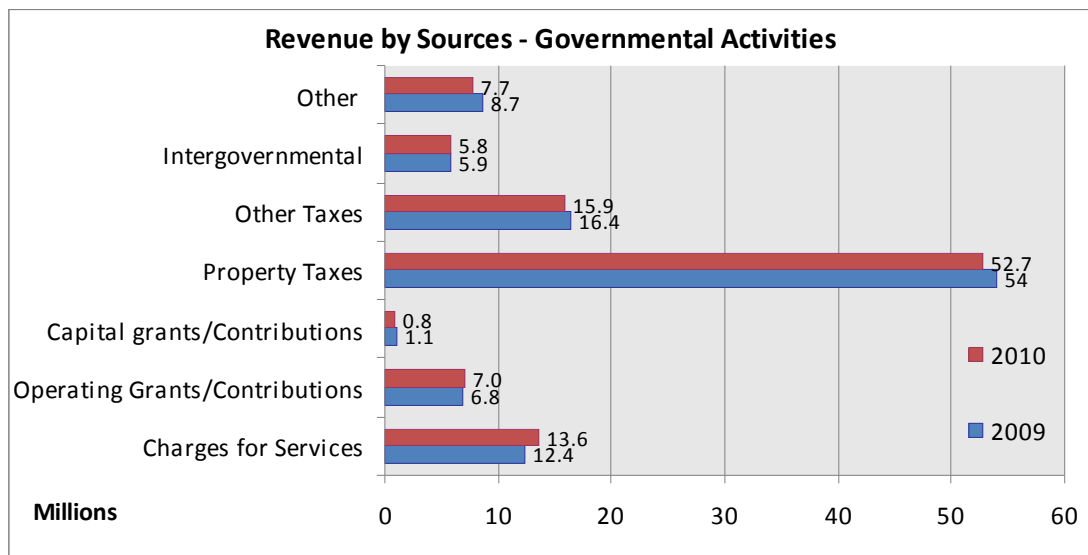
While the Condensed Statement of Net Assets shows the change in financial position of net assets, the Condensed Statement of Activities provides answers as to the nature and the source of these changes. This is shown below in Table A-2.

Table A-2
Changes in Net Assets
Condensed Statement of Activities (\$ in millions)

| | Governmental Activities | | Business-type Activities | | Totals | |
|---------------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$13.6 | \$12.4 | \$42.6 | \$44.8 | \$56.2 | \$57.2 |
| Operating grants, contributions | 7.0 | 6.8 | 1.2 | 1.3 | 8.2 | 8.1 |
| Capital grants, contributions | 0.8 | 1.1 | 0.9 | 1.1 | 1.7 | 2.2 |
| General Revenues: | | | | | | |
| Property Taxes | 52.7 | 54.0 | 0.0 | 0.0 | 52.7 | 54.0 |
| Other taxes | 15.9 | 16.4 | 0.0 | 0.0 | 15.9 | 16.4 |
| Intergovernmental | 5.8 | 5.9 | 0.0 | 0.0 | 5.8 | 5.9 |
| Other | 7.7 | 8.7 | 0.0 | 0.0 | 7.7 | 8.7 |
| Total Revenues | 103.5 | 105.3 | 44.7 | 47.2 | 148.2 | 152.5 |
| Expenses | | | | | | |
| General government | \$22.5 | \$22.3 | \$0.0 | \$0.0 | \$22.5 | \$22.3 |
| Public safety | 56.0 | 54.2 | 0.0 | 0.0 | 56.0 | 54.2 |
| Physical environment | 8.4 | 9.9 | 0.0 | 0.0 | 8.4 | 9.9 |
| Parks and recreation | 15.3 | 14.8 | 0.0 | 0.0 | 15.3 | 14.8 |
| Interest on long-term debt | 2.9 | 3.3 | 0.0 | 0.0 | 2.9 | 3.3 |
| Water and sewer | 0.0 | 0.0 | 26.2 | 25.6 | 26.2 | 25.6 |
| Municipal golf course | 0.0 | 0.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Lakeview golf course | 0.0 | 0.0 | 0.7 | 0.7 | 0.7 | 0.7 |
| City marina | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Sanitation | 0.0 | 0.0 | 4.4 | 4.5 | 4.4 | 4.5 |
| Stormwater utility | 0.0 | 0.0 | 1.5 | 1.4 | 1.5 | 1.4 |
| Total Expenses | 105.1 | 104.5 | 35.9 | 35.3 | 141.0 | 139.8 |
| Change in Net Assets Before Transfers | (1.6) | 0.8 | 8.8 | 11.9 | 7.2 | 12.7 |
| Transfers | 3.6 | 3.5 | (3.6) | (3.5) | 0.0 | 0.0 |
| Increase in Net Assets | 2.0 | 4.3 | 5.2 | 8.4 | 7.2 | 12.7 |
| Beginning Net Assets- Restated | 111.2 | 106.9 | 110.9 | 102.5 | 222.1 | 209.4 |
| Ending Net Assets | \$113.2 | \$111.2 | \$116.1 | \$110.9 | \$229.3 | \$222.1 |

Governmental activities increased the City's net assets by \$2.0 million. The increase in net assets is the result of slight variances in revenues and expenses with the most notable being:

- The revenues in most categories decreased from the prior year, with the exception being charges for services and operating grants and contributions. In charges for services, parking fees increased \$.4 million due to a fee increase for meters on A1A and increased parking fines of \$.5 million. The balance of the increase in charges for services consists of various fee increases. The increase of \$.2 million in operating grants and contribution is directly related to the receipt of American Recovery and Reinvestment Act (ARRA) funds.



- Most departmental expenses increased due to benefit increases, with the exception being physical environment which reflected a decrease of \$1.5 million, primarily in maintenance projects funded in the capital project funds. Interest on long-term debt also decreased \$.4 million.

Business-type activities increased the City's net assets by \$5.2 million from the prior year. Although both revenues and expenses decreased, expenses decreased by a larger amount which resulted in the net increase for the year. As noted earlier, this increase excludes the effect of a \$637,201 restatement to increase beginning net assets of the City's business-type activities related to South Central Regional Wastewater Treatment and Disposal Board, as discussed further in Note 10 to the financial statements.

Financial Analysis of the City of Delray Beach Major Funds

Governmental Fund

The General Fund was the only major governmental fund for 2010. Comparative information for the General Fund for 2010 and 2009 is as follows:

Major Fund Information (\$ in Millions)

| | 2010 | 2009 |
|---------------------------------|------------|------------|
| Revenues | \$94.2 | \$95.0 |
| Expenditures | (93.9) | (93.6) |
| Other financing sources (uses) | (0.0) | (0.6) |
| Increase in Fund Balance | 0.3 | 0.8 |

The General Fund, which is the primary operating fund of the City and is not supported by user fees, recognized \$94,206,050 in total revenues offset with \$93,884,879 in expenditures and \$58 in net other financing sources. This resulted in an increase in fund balance of \$321,229. The fund balance increased from \$23,740,349 in 2009 to \$24,061,578 in 2010. Of this amount, \$20,337,823 is in unreserved fund balance, which represents 21.66% of our present expenditure levels. This represents an increase of .55% from the prior year. Our internal financial policy is to maintain 15-25% of our expenditures in unreserved fund balance for first quarter cash flow, uninsured legal claims and other emergency purposes.

Proprietary Funds

The Water and Sewer Fund was the only major proprietary fund for 2010. Comparative information for all proprietary funds for 2010 and 2009 is as follows:

| \$ in Millions | <u>Operating Income</u> | | <u>Change in Net Assets</u> | |
|-------------------------------|-------------------------|-------|-----------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Enterprise Funds | | | | |
| Water/Sewer | \$9.5 | \$9.1 | \$3.7 | \$6.7 |
| Municipal Golf Course | 0.1 | 0.4 | (0.0) | 0.4 |
| Lakeview Golf Course | 0.0 | 0.0 | (0.0) | (0.0) |
| City Marina | 0.1 | 0.1 | 0.0 | 0.1 |
| Sanitation | 1.0 | 0.6 | 1.0 | 0.4 |
| Stormwater Utility | 0.7 | 0.7 | 0.4 | 0.4 |
| Internal Service Funds | | | | |
| Insurance | 1.2 | 0.2 | 0.6 | 1.8 |
| Central Garage | 0.0 | 0.1 | 0.6 | 0.7 |

Water and Sewer Fund

Water/sewer service fee revenues decreased 6.7% from \$34.5 million to \$32.2 million and expenses decreased 10.6% from \$25.4 million to \$22.7 million which resulted in an increase in net assets.

Other Enterprise Funds

The City has five (5) other (non-major) enterprise funds consisting of the Municipal Golf Course, Lakeview Golf Course, City Marina, Sanitation and the Stormwater Utility.

The **Municipal Golf Course** has an operating income this year of \$125,280 compared to \$369,002 last year.

The **Lakeview Golf Course** has an operating income of \$57,340 versus \$53,929 last fiscal year.

The **Marina Fund** has an operating income this year of \$65,808 compared to \$108,885 last year. There was a back lash to the rate increase in the prior year which left many vacant slips. This potential revenue loss was offset by the higher rates paid by transients boaters who filled the vacant slips. The dockage rates were reduced for fiscal year 2010 which has resulted in a fully rented marina.

The **Sanitation Fund** generated an operating income of \$1,036,911 this year compared to \$504,311 last year. The increase stemmed from a settlement with the debris hauler during Hurricane Frances.

The **Stormwater Utility Fund** has an operating income this year of \$688,556 compared to \$747,274 last fiscal year. Stormwater fees are billed and received on the property tax bills.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department to other departments within the City on a cost reimbursement basis. The City has two internal service funds; the Insurance Fund is used to account for all personnel insurances (health, life, disability) and property and casualty insurance, and the Central Garage Fund handles all the fueling, maintenance and replacement of city vehicles.

The **Insurance Fund** recorded a decrease in our required self-insured "Incurred but Not Reported" (IBNR) claims liability from \$4,714,863 to \$4,265,219 for property, health and workers' compensation claims. The decrease reflects slower claim development for all lines of insurance and a reduction in very large claims. All required reserves are determined by outside actuaries. The Insurance Fund has \$4,114,190 in Unrestricted Net Assets.

The **Central Garage Fund** has an operating income of \$26,998 compared to \$139,996 last year. The decrease in operating income is due primarily to an increase in depreciation expense.

General Fund Budgetary Highlights

The difference between the original and final amended budget for 2010 was a decrease of \$0.9 million. There was a positive variance between the final adopted budget and actual results of operations of \$1.4 million. Current year revenues were relatively stable compared to 2009. Actual revenues exceeded the final budget by \$0.2 million. All revenue categories exceeded their budget except fees and permits and charges for services, which were under budget. Actual expenditures were less than final budget by \$1.2 million. All expenditure categories were under budget except for general government, and interest and fiscal changes by a minimal amount. The overage in general government was caused by an unexpected non-departmental expense of \$496,000.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2010, the City had \$243.3 million invested in a variety of capital assets, as reflected in Table A-3 below. This represents a net decrease of \$4.1 million from the previous fiscal year. Additional information can be found in Note 9 to the financial statements.

**Table A-3
Capital Assets
(\$ In Millions)**

| | Beginning Balance 10/01/2009 | Increases | Decreases | Ending Balance 9/30/2010 |
|---------------------------------|------------------------------------|--------------|----------------|--------------------------------|
| Governmental Activities: | | | | |
| Land | \$37.5 | \$0.6 | (\$0.0) | \$38.1 |
| Construction in Progress | 7.5 | 1.1 | (7.2) | 1.4 |
| Non-Depreciable Assets | 45.0 | 1.7 | (7.2) | 39.5 |
| Buildings | 37.8 | 0.0 | (0.0) | 37.8 |
| Improvements Other | 106.7 | 9.6 | (0.1) | 116.2 |
| Equipment | 36.4 | 2.9 | (1.7) | 37.6 |
| Less: Accumulated Depreciation | (82.1) | (9.0) | 1.7 | (89.4) |
| Depreciable Assets - Net | 98.8 | 3.5 | (0.1) | 102.2 |
| Capital Assets - Governmental | \$143.8 | \$5.2 | \$(7.3) | \$141.7 |

**Table A-3
Capital Assets (Continued)
(\$ In Millions)**

| | Beginning Balance 10/01/2009 | Increases | Decreases | Ending Balance 9/30/2010 |
|----------------------------------|------------------------------------|--------------|----------------|--------------------------------|
| Business-Type Activities: | | | | |
| Land | \$5.6 | \$0.1 | \$0.0 | \$5.7 |
| Construction in Progress | 3.4 | 0.3 | (3.3) | 0.4 |
| Non-Depreciable Assets | 9.0 | 0.4 | (3.3) | 6.1 |
| Buildings | 13.6 | 0.0 | 0.0 | 13.6 |
| Improvements Other | 153.4 | 4.7 | (0.1) | 158.0 |
| Equipment | 13.7 | 0.7 | (0.1) | 14.1 |
| Less: Accumulated Depreciation | (86.1) | (4.2) | 0.1 | (90.2) |
| Depreciable Assets - Net | 94.6 | 1.2 | (0.3) | 95.5 |
| Capital Assets - Business-Type | \$103.6 | \$1.6 | \$(3.6) | \$101.6 |

Infrastructure assets have been included in the category "Improvements Other".

Major capital assets changes during the fiscal year 2010 are:

- Completion of Miller Field baseball complex for \$6.5 million.
- Total capital assets of business-type activities have remained relatively constant from the prior year.

Debt Administration

As of September 30, 2010, the City had total debt outstanding of \$96.6 million compared to \$105.2 million as of September 30, 2009. Of this \$96.7 million, and gross of any related unamortized premiums, discounts or losses on refunding, \$27.1 million is general obligation bond debt which is debt backed by the full faith and credit of the City, \$36.5 million is revenue bond debt which is secured by other specified revenue sources or the promise to budget and appropriate sufficient revenues to pay for the debt service, \$32.2 million is revenue bonds that are backed by a pledge of water and sewer system revenues and \$0.3 million is for installment agreements that are secured by the promise to budget and appropriate sufficient revenues to pay the debt.

The changes in the City's long-term debt for 2010 are summarized as follows:

**Table A-4
Long-Term Debt
(\$ in Millions)**

| | Beginning Balance 10/01/2009 | Increases | Decreases | Ending Balance 9/30/2010 |
|----------------------------------|------------------------------------|--------------|----------------|--------------------------------|
| Governmental Activities: | | | | |
| Revenue Bonds | \$37.4 | \$0.0 | (\$0.9) | \$36.5 |
| General Obligation Bonds | 29.5 | 0.0 | (2.4) | 27.1 |
| Unamortized Premium | 1.1 | 0.0 | (0.1) | 1.0 |
| Unamortized Loss on Refinancing | (0.4) | 0.0 | 0.1 | (0.3) |
| Total Bonds Payable | 67.6 | 0.0 | (3.3) | 64.3 |
| Installment Agreements | 0.3 | 0.0 | (0.1) | 0.2 |
| Governmental Activities | \$67.9 | \$0.0 | \$(3.4) | \$64.5 |
| Business-Type Activities: | | | | |
| Revenue Bonds | \$37.4 | \$0.0 | \$(5.2) | \$32.2 |
| Unamortized Premium | 0.1 | 0.0 | (0.0) | 0.1 |
| Unamortized Loss on Refinancing | (0.3) | 0.0 | 0.1 | (0.2) |
| Total Bonds Payable | 37.2 | 0.0 | (5.1) | 32.1 |
| Business Type Activities | \$37.3 | \$1.0 | \$(5.1) | \$32.2 |
| Total Debt Outstanding | \$105.2 | \$0.0 | \$(8.5) | \$96.7 |

Long-term debt activity for 2010 related to repayments of bonds and installment agreements and amortization of bond premiums, discounts, and losses on refunding.

The general obligation bonds of the City maintain an underlying rating of AA- from Standard & Poor's and A1 from Moody's Investors Services, Inc. For more detailed information regarding the City's debt and debt financing activity, refer to Note 12 to the financial statements.

Economic Factors and FY 2010-11 Budget and Rates

- ❖ The City received the FEMA response to a second and final appeal by the City for \$494,991. Since this appeal was denied, a settlement has been negotiated with the debris contractor with an immediate payment of \$100,000 and the balance to be paid over 5 years. There will be four payments of \$80,000 and a final payment of \$74,991. The recovery of these funds from the contractor will represent revenues in the year collected.
- ❖ The City has taken several steps to maintain balanced budgets for the past year such as freezing salaries, line item reductions in operating budgets, deferred capital projects and other budgetary controls. The City reviewed the General Employees Pension Plan to determine if cost savings could be achieved. Numerous meetings were held with employees and the plan

actuary to discuss the pros and cons of each proposed change. The plan changes were effective October 5, 2010 and are saving the City over \$900,000 in FY 2011.

- ❖ The City agreed to continue funding for the ATP Champions Tour Event with Amendment No. 3 with the following changes: extending the term from 2 five year and 1 six year renewal to an expiration date of March, 2030; clarification of event and appearance fees; if the vendor defaults and relocates the event to another city, payment of \$1 million would be made to the City within 2 years; and the annual payment would be reduced to \$350,000.
- ❖ In an effort to enhance collection of ambulance fees, the City has brought the function of billing and collections "in house". During the previous three years, this function was outsourced, but the results were not comparable to what had previously been achieved by the Fire Department. The Fire Department assumed the billing and collections in January, 2011. This change is expected to generate an additional \$250,000 per year.
- ❖ With the acquisition of software that will interface with Police dispatch, the process to monitor and bill for false alarms becomes more streamlined. The software will become operational in May 2011 and at that time the City will begin charging an alarm registration fee. This new fee is expected to generate \$380,000.
- ❖ The Florida legislature is considering various proposals which could have a significant impact on local governments' revenues and expenditures, as well as governments' ability to maintain or improve services to the residents. The City is monitoring these initiatives and their future impact to the City.

Requests for Information

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

Office of the Director of Finance
100 N. W. 1st Avenue
Delray Beach, FL 33444
Phone: (561) 243-7117

Basic Financial Statements

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2010

| | Primary Government | | | Component Units | |
|---|-----------------------|-----------------------|-----------------------|---|---|
| | Governmental | Business-Type | Total | Community Redevelopment Agency (CRA) | Downtown Development Authority (DDA) |
| | Activities | Activities | | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 49,895,045 | \$ 689,670 | \$ 50,584,715 | \$ 10,140,463 | \$ 68,834 |
| Investments | 11,500,000 | - | 11,500,000 | - | - |
| Receivables: | | | | | |
| Accounts, net | 2,032,677 | 3,421,590 | 5,454,267 | 1,145,307 | 456 |
| Unbilled accounts | - | 1,204,315 | 1,204,315 | - | - |
| Interest receivable | 1,011,794 | - | 1,011,794 | - | - |
| Due from other governments | 2,625,685 | - | 2,625,685 | - | - |
| Due from component units | 468,512 | - | 468,512 | - | - |
| Due from primary government | - | - | - | 108,527 | - |
| Internal balances | (16,359,998) | 16,359,998 | - | - | - |
| Inventories | 93,808 | 319,239 | 413,047 | - | - |
| Prepaid expenses | 179,808 | 79,143 | 258,951 | - | 14,451 |
| Deposits | - | - | - | 4,041 | - |
| Notes receivable | 5,192,312 | - | 5,192,312 | - | - |
| Net pension asset | 58,412 | - | 58,412 | - | - |
| Bond issuance costs, net | 509,826 | 86,406 | 596,232 | 19,444 | - |
| Restricted assets | - | 7,814,504 | 7,814,504 | - | - |
| Other asset: | | | | | |
| Investment in regional plant joint venture | - | 31,118,318 | 31,118,318 | - | - |
| Assets held for resale | 1,406,227 | - | 1,406,227 | - | - |
| Capital assets: | | | | | |
| Non-depreciable capital assets | 39,526,004 | 6,030,997 | 45,557,001 | 26,608,295 | - |
| Depreciable capital assets, net | 102,141,770 | 95,573,728 | 197,715,498 | 2,416,808 | - |
| Total Assets | <u>200,281,882</u> | <u>162,697,908</u> | <u>362,979,790</u> | <u>40,442,885</u> | <u>83,741</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | 5,124,768 | 1,582,741 | 6,707,509 | 2,113,298 | 3,708 |
| Contracts payable and retainages | - | 86,156 | 86,156 | 87,071 | - |
| Deposits | 1,236,300 | 1,110,471 | 2,346,771 | 8,212 | - |
| Unearned revenue | 3,262,048 | 118,636 | 3,380,684 | 6,154 | - |
| Accrued interest on long-term debt | 339,778 | 15,525 | 355,303 | - | - |
| Due to component units | 108,527 | - | 108,527 | - | - |
| Due to primary government | - | - | - | 468,512 | - |
| Payable from restricted assets | - | 6,087,574 | 6,087,574 | - | - |
| Net other postemployment benefits obligation | 840,766 | 184,416 | 1,025,182 | - | - |
| Noncurrent liabilities: | | | | | |
| Due within one year | 5,758,527 | 155,179 | 5,913,706 | 1,846,168 | - |
| Due in more than one year | 70,411,257 | 37,231,551 | 107,642,808 | 11,271,531 | - |
| Total Liabilities | <u>87,081,971</u> | <u>46,572,249</u> | <u>133,654,220</u> | <u>15,800,946</u> | <u>3,708</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 77,727,858 | 69,465,739 | 147,193,597 | 15,907,404 | - |
| Restricted for: | | | | | |
| Debt service | 507,348 | 5,389,770 | 5,897,118 | - | - |
| Capital Projects | 7,427,945 | 1,726,930 | 9,154,875 | - | - |
| Other purposes | 5,656,933 | - | 5,656,933 | - | - |
| Unrestricted | 21,879,827 | 39,543,220 | 61,423,047 | 8,734,535 | 80,033 |
| Total Net Assets | <u>\$ 113,199,911</u> | <u>\$ 116,125,659</u> | <u>\$ 229,325,570</u> | <u>\$ 24,641,939</u> | <u>\$ 80,033</u> |

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2010

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Units | |
|---|-----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Community Redevelopment Agency (CRA) | Downtown Development Authority (DDA) |
| | | | | | Governmental Activities | Business-type Activities | Total | | |
| PRIMARY GOVERNMENT | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| General Government | \$ 22,451,901 | \$ 3,279,505 | \$ 4,930,159 | \$ 598,366 | \$ (13,643,871) | \$ - | \$ (13,643,871) | | |
| Public Safety | 56,042,835 | 7,346,627 | 1,921,898 | - | (46,774,310) | - | (46,774,310) | | |
| Physical Environment | 8,378,489 | 1,371,036 | 92,887 | 160,346 | (6,754,220) | - | (6,754,220) | | |
| Parks and Recreation | 15,334,070 | 1,578,023 | 89,883 | - | (13,666,164) | - | (13,666,164) | | |
| Interest on Long-term Debt | 2,863,293 | - | - | - | (2,863,293) | - | (2,863,293) | | |
| Total Governmental Activities | 105,070,588 | 13,575,191 | 7,034,827 | 758,712 | (83,701,858) | - | (83,701,858) | | |
| Business-type Activities: | | | | | | | | | |
| Water and Sewer | 26,196,959 | 31,861,348 | 386,822 | 872,684 | - | 6,923,895 | 6,923,895 | | |
| Municipal Golf Course | 3,006,373 | 2,995,351 | 43,671 | - | - | 32,649 | 32,649 | | |
| Lakeview Golf Course | 669,681 | 666,964 | 5,643 | - | - | 2,926 | 2,926 | | |
| City Marina | 137,095 | 185,435 | 9,997 | - | - | 58,337 | 58,337 | | |
| Sanitation | 4,391,569 | 4,770,585 | 780,500 | - | - | 1,159,516 | 1,159,516 | | |
| Stormwater Utility | 1,490,446 | 2,105,069 | 13,260 | - | - | 627,883 | 627,883 | | |
| Total Business-type Activities | 35,892,123 | 42,584,752 | 1,239,893 | 872,684 | - | 8,805,206 | 8,805,206 | | |
| Total Primary Government | \$ 140,962,711 | \$ 56,159,943 | \$ 8,274,720 | \$ 1,631,396 | (83,701,858) | 8,805,206 | (74,896,652) | | |
| COMPONENT UNITS | | | | | | | | | |
| Community Redevelopment Agency | \$ 10,840,983 | \$ 231,897 | \$ 474,768 | \$ - | | | \$ (10,134,318) | \$ - | |
| Downtown Development Authority | 504,785 | - | - | - | | | - | (504,785) | |
| Total Component Units | \$ 11,345,768 | \$ 231,897 | \$ 474,768 | \$ - | | | (10,134,318) | (504,785) | |
| General Revenues | | | | | | | | | |
| Property Taxes | | | | | 52,656,596 | - | 52,656,596 | 11,879,297 | 473,715 |
| Franchise Fees | | | | | 4,986,589 | - | 4,986,589 | - | - |
| Utility Service Taxes | | | | | 9,038,143 | - | 9,038,143 | - | - |
| Sales Taxes | | | | | 1,301,502 | - | 1,301,502 | - | - |
| Local Business Tax | | | | | 616,861 | - | 616,861 | - | - |
| Intergovernmental not restricted to specific programs | | | | | 5,763,694 | - | 5,763,694 | - | - |
| Investment earnings | | | | | 227,535 | 5,800 | 233,335 | 26,862 | 2,486 |
| Miscellaneous | | | | | 7,479,767 | - | 7,479,767 | - | 6,600 |
| Transfers | | | | | 3,593,799 | (3,593,799) | - | - | - |
| Total General Revenues and Transfers | | | | | 85,664,486 | (3,587,999) | 82,076,487 | 11,906,159 | 482,801 |
| Change in Net Assets | | | | | 1,962,628 | 5,217,207 | 7,179,835 | 1,771,841 | (21,984) |
| Net Assets - October 1, 2009, as restated | | | | | 111,237,283 | 110,908,452 | 222,145,735 | 22,870,098 | 102,017 |
| Net Assets - September 30, 2010 | | | | | \$ 113,199,911 | \$ 116,125,659 | \$ 229,325,570 | \$ 24,641,939 | \$ 80,033 |

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010

| | <u>Major Fund</u> <u>General</u> <u>Fund</u> | <u>Non-Major</u> <u>Governmental</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---------------------------------------|--|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 47,650,981 | \$ 556,294 | \$ 48,207,275 |
| Investments | 10,000,000 | - | 10,000,000 |
| Accounts receivable, net | 1,969,127 | 35,436 | 2,004,563 |
| Interest receivable | 1,011,794 | - | 1,011,794 |
| Due from other governments | 901,423 | 1,724,262 | 2,625,685 |
| Due from component units | 431,266 | 37,246 | 468,512 |
| Due from other funds | - | 11,865,767 | 11,865,767 |
| Notes receivable | 3,432,822 | 1,759,490 | 5,192,312 |
| Inventories | 44,879 | - | 44,879 |
| Prepaid items | 155,286 | 2,971 | 158,257 |
| Assets held for resale | - | 1,406,227 | 1,406,227 |
| Total Assets | <u>\$ 65,597,578</u> | <u>\$ 17,387,693</u> | <u>\$ 82,985,271</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued items | \$ 2,963,804 | \$ 884,615 | \$ 3,848,419 |
| Deposits | 1,236,300 | - | 1,236,300 |
| Due to other funds | 35,211,236 | 239,395 | 35,450,631 |
| Deferred revenue | 2,117,798 | 2,572,806 | 4,690,604 |
| Due to component units | 6,862 | 101,665 | 108,527 |
| Total Liabilities | <u>41,536,000</u> | <u>3,798,481</u> | <u>45,334,481</u> |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Inventories | 44,879 | - | 44,879 |
| Prepaid items | 155,286 | 2,971 | 158,257 |
| Long-term notes receivables | 3,258,322 | - | 3,258,322 |
| Encumbrances | 259,283 | - | 259,283 |
| Debt service | - | 507,348 | 507,348 |
| Capital projects | 5,985 | - | 5,985 |
| Other purposes | - | 279,621 | 279,621 |
| Unreserved, undesignated reported in: | | | |
| General Fund | 20,337,823 | - | 20,337,823 |
| Capital Projects Funds | - | 7,421,960 | 7,421,960 |
| Special Revenue Funds | - | 5,377,312 | 5,377,312 |
| Total Fund Balances | <u>24,061,578</u> | <u>13,589,212</u> | <u>37,650,790</u> |
| Total Liabilities and Fund Balances | <u>\$ 65,597,578</u> | <u>\$ 17,387,693</u> | <u>\$ 82,985,271</u> |

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

CITY OF DELRAY BEACH, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2010

Total Fund Balances - Governmental Funds \$ 37,650,790

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

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

| | | |
|-------------------------------|---------------------|-------------|
| Capital assets | \$ 212,594,388 | |
| Less accumulated depreciation | <u>(78,397,887)</u> | 134,196,501 |

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

| | | |
|-----------------------|----------------|-----------|
| Interest receivable | 974,149 | |
| Rent receivable | 100,000 | |
| Long-term receivables | <u>354,407</u> | 1,428,556 |

Net pension assets of defined benefit pension plans are reported in the statement of net assets. Because the net pension asset does not represent available, spendable resources, it is not reported in governmental funds.

58,412

Premiums, discounts, gains and losses on refundings are reported as "Other Financing Sources and Uses" and bond issuance costs are charged to expenditures when debt is issued in the governmental funds. These items, however, are deferred and amortized over the life of the bonds in the government-wide statements.

| | | |
|---------------------|------------------|-----------|
| Bond issuance costs | 509,826 | |
| Loss on refunding | 324,756 | |
| Bond premium | <u>(992,462)</u> | (157,880) |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.

| | | |
|--|------------------|--------------|
| Accrued interest payable | (339,778) | |
| Bonds and installment agreements payable | (63,782,036) | |
| Compensated absences | (7,342,528) | |
| Net other postemployment benefits obligation | <u>(817,161)</u> | (72,281,503) |

Internal service funds are used by management to charge the costs of fleet management and insurance to individual funds. The net assets of the internal service funds are included in governmental activities in the statement of net assets.

| | | |
|---|--------------------|------------|
| Net assets | 13,573,865 | |
| Less amount allocated to business-type activities | <u>(1,268,830)</u> | 12,305,035 |

Total Net Assets - Governmental Activities \$ 113,199,911

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2010

| | <u>Major Fund</u> <u>General</u> <u>Fund</u> | <u>Non-Major</u> <u>Governmental</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|--|--|---|---|
| REVENUES | | | |
| Taxes | \$ 63,613,102 | \$ - | \$ 63,613,102 |
| Fees and permits | 7,848,364 | - | 7,848,364 |
| Intergovernmental | 7,799,002 | 4,999,519 | 12,798,521 |
| Charges for services | 8,612,915 | 509,147 | 9,122,062 |
| Fines and forfeitures | 1,075,159 | 516,195 | 1,591,354 |
| Miscellaneous | 5,257,508 | 2,366,800 | 7,624,308 |
| Total Revenues | <u>94,206,050</u> | <u>8,391,661</u> | <u>102,597,711</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 17,175,494 | 3,047,675 | 20,223,169 |
| Public safety | 54,933,837 | 816,910 | 55,750,747 |
| Physical environment | 4,536,001 | 1,159,352 | 5,695,353 |
| Parks and recreation | 11,976,180 | 1,068,355 | 13,044,535 |
| Capital outlay | 239,625 | 5,816,868 | 6,056,493 |
| Debt service: | | | |
| Principal retirement | 3,328,750 | 28,783 | 3,357,533 |
| Interest and fiscal charges | 1,694,992 | 1,178,823 | 2,873,815 |
| Total Expenditures | <u>93,884,879</u> | <u>13,116,766</u> | <u>107,001,645</u> |
| Excess of revenues over (under) expenditures | 321,171 | (4,725,105) | (4,403,934) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | 22,161 | - | 22,161 |
| Transfers in | 3,434,948 | 4,113,461 | 7,548,409 |
| Transfers out | (3,457,051) | (29,744) | (3,486,795) |
| Total Other Financing Sources (Uses) | <u>58</u> | <u>4,083,717</u> | <u>4,083,775</u> |
| Net change in fund balances | 321,229 | (641,388) | (320,159) |
| Fund balances - October 1, 2009 | 23,740,349 | 14,230,600 | 37,970,949 |
| Fund balances - September 30, 2010 | <u>\$ 24,061,578</u> | <u>\$ 13,589,212</u> | <u>\$ 37,650,790</u> |

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

CITY OF DELRAY BEACH, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (320,159)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense and capital outlays in the current period were as follows.

| | | |
|----------------------|--------------------|-------------|
| Capital outlays | \$ 6,056,493 | |
| Depreciation expense | <u>(7,292,049)</u> | (1,235,556) |

In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds the proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balance by the net book value of the assets retired. (1,518,737)

Some revenues reported in the statement of activities do not generate current financial resources and are therefore not reported as revenue by the funds.

| | | |
|---------------------------------|---------------|---------|
| Donations of capital assets | 758,712 | |
| Change in long-term receivables | <u>78,905</u> | 837,617 |

Some expenses reported in the statement of activities are not reported in the funds because they have no effect on current financial resources.

| | | |
|--|---------------|----------|
| Change in net pension asset | (3,613) | |
| Change in net other postemployment benefits obligation | (119,837) | |
| Compensated absences | 10,195 | |
| Change in accrued interest payable | <u>21,272</u> | (91,983) |

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Governmental funds report the effect of issue costs, premium, discount and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities.

| | | |
|-------------------------------------|---------------|-----------|
| Debt Retirement and Issue Costs | | |
| Principal paid | 3,357,533 | |
| Amortization of bond issuance costs | (50,670) | |
| Amortization of debt costs | <u>39,920</u> | 3,346,783 |

Internal service funds are used by management to charge the costs of fleet maintenance and insurance to individual funds. The change in net assets of internal service funds is reported with governmental activities.

| | | |
|---|------------------|----------------|
| Change in net assets | 1,160,866 | |
| Less amount allocated to business-type activities | <u>(216,203)</u> | <u>944,663</u> |

Change in Net Assets of Governmental Activities \$ 1,962,628

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010

| | <u>Major Fund</u> | | <u>Total</u> | <u>Governmental</u> |
|--|----------------------|----------------------|-----------------------|----------------------|
| | <u>Water</u> | | <u>Business-Type</u> | <u>Activities -</u> |
| | <u>and</u> | <u>Non-Major</u> | <u>Enterprise</u> | <u>Internal</u> |
| | <u>Sewer</u> | <u>Enterprise</u> | <u>Enterprise</u> | <u>Service</u> |
| | <u>Fund</u> | <u>Funds</u> | <u>Funds</u> | <u>Funds</u> |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 669,253 | \$ 20,417 | \$ 689,670 | \$ 1,687,770 |
| Investments | - | - | - | 1,500,000 |
| Accounts receivable, net | 2,381,831 | 1,039,759 | 3,421,590 | 28,114 |
| Unbilled accounts receivable | 1,204,315 | - | 1,204,315 | - |
| Due from other funds | 10,471,371 | 6,124,379 | 16,595,750 | 8,493,696 |
| Inventories | 216,432 | 102,807 | 319,239 | 48,929 |
| Prepaid expenses | 10,900 | 68,243 | 79,143 | 21,551 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 7,205,068 | 609,436 | 7,814,504 | - |
| Total Current Assets | <u>22,159,170</u> | <u>7,965,041</u> | <u>30,124,211</u> | <u>11,780,060</u> |
| Noncurrent Assets: | | | | |
| Property, land and equipment: | | | | |
| Land | 969,545 | 4,694,070 | 5,663,615 | - |
| Buildings | 9,244,387 | 4,370,104 | 13,614,491 | 909 |
| Improvements other than buildings | 142,581,991 | 15,450,588 | 158,032,579 | - |
| Equipment | 11,065,151 | 3,063,260 | 14,128,411 | 18,423,693 |
| Construction in progress | 328,843 | 38,539 | 367,382 | 62,758 |
| Accumulated depreciation | (80,542,461) | (9,659,292) | (90,201,753) | (11,016,087) |
| Other assets: | | | | |
| Bond issue costs, net | 36,251 | 50,155 | 86,406 | - |
| Investment in regional plant joint venture | 31,118,318 | - | 31,118,318 | - |
| Total Noncurrent Assets | <u>114,802,025</u> | <u>18,007,424</u> | <u>132,809,449</u> | <u>7,471,273</u> |
| Total Assets | <u>136,961,195</u> | <u>25,972,465</u> | <u>162,933,660</u> | <u>19,251,333</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued expenses | 767,850 | 814,891 | 1,582,741 | 1,276,349 |
| Contracts payable and retainages | 86,156 | - | 86,156 | - |
| Unearned revenue | 63,513 | 55,123 | 118,636 | - |
| Accrued interest on long-term debt | 15,525 | - | 15,525 | - |
| Current maturities of installment agreements | - | 32,464 | 32,464 | - |
| Current maturities of revenue bonds | 78,880 | - | 78,880 | - |
| Compensated absences payable | 43,835 | - | 43,835 | 1,482 |
| Insurance claims payable | - | - | - | 1,603,342 |
| Due to other funds | - | 1,504,582 | 1,504,582 | - |
| Refundable deposits | 990,301 | 120,170 | 1,110,471 | - |
| | <u>2,046,060</u> | <u>2,527,230</u> | <u>4,573,290</u> | <u>2,881,173</u> |
| Current Liabilities Payable from Restricted Assets: | | | | |
| Accrued interest on long-term debt | 633,503 | 64,301 | 697,804 | - |
| Current maturities of revenue bonds | 4,844,635 | 545,135 | 5,389,770 | - |
| | <u>5,478,138</u> | <u>609,436</u> | <u>6,087,574</u> | <u>-</u> |
| Total Current Liabilities | <u>7,524,198</u> | <u>3,136,666</u> | <u>10,660,864</u> | <u>2,881,173</u> |
| Noncurrent Liabilities: | | | | |
| Net other postemployment benefits obligation | 169,663 | 14,753 | 184,416 | 23,605 |
| Long-term portion of compensated absences payable | 770,709 | 48,083 | 818,792 | 110,813 |
| Long-term portion of insurance claims payable | - | - | - | 2,661,877 |
| Accrued interest on capital appreciation bonds | 9,774,887 | - | 9,774,887 | - |
| Revenue bonds payable, net | 22,698,446 | 3,874,645 | 26,573,091 | - |
| Installment agreements | - | 64,781 | 64,781 | - |
| Total Noncurrent Liabilities | <u>33,413,705</u> | <u>4,002,262</u> | <u>37,415,967</u> | <u>2,796,295</u> |
| Total Liabilities | <u>40,937,903</u> | <u>7,138,928</u> | <u>48,076,831</u> | <u>5,677,468</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 56,025,495 | 13,440,244 | 69,465,739 | 7,471,273 |
| Restricted for: | | | | |
| Debt service | 4,844,635 | 545,135 | 5,389,770 | - |
| Renewal and replacement | 1,726,930 | - | 1,726,930 | - |
| Unrestricted | 33,426,232 | 4,848,158 | 38,274,390 | 6,102,592 |
| Total Net Assets | <u>\$ 96,023,292</u> | <u>\$ 18,833,537</u> | <u>114,856,829</u> | <u>\$ 13,573,865</u> |
| Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds | | | | |
| Cummulative prior year adjustments | | | 1,052,627 | |
| Current year adjustment | | | 216,203 | |
| Net Assets of Business-Type Activities, Statement of Net Assets | | | <u>\$ 116,125,659</u> | |

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | <u>Major Fund</u> <u>Water</u> <u>and</u> <u>Sewer</u> <u>Fund</u> | <u>Non-Major</u> <u>Enterprise</u> <u>Funds</u> | <u>Total</u> <u>Business-Type</u> <u>Activities-</u> <u>Enterprise</u> <u>Funds</u> | <u>Governmental</u> <u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Funds</u> |
|--|--|---|---|---|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 31,861,348 | \$ 10,723,404 | \$ 42,584,752 | \$ 15,924,596 |
| Other operating revenue | 386,822 | 706,620 | 1,093,442 | 2,548,595 |
| Total Operating Revenues | <u>32,248,170</u> | <u>11,430,024</u> | <u>43,678,194</u> | <u>18,473,191</u> |
| OPERATING EXPENSES | | | | |
| Personal services | 7,693,945 | 682,113 | 8,376,058 | 1,256,490 |
| Other operating expenses | 11,630,364 | 7,955,239 | 19,585,603 | 14,240,996 |
| Depreciation | 3,424,630 | 818,777 | 4,243,407 | 1,703,922 |
| Total Operating Expenses | <u>22,748,939</u> | <u>9,456,129</u> | <u>32,205,068</u> | <u>17,201,408</u> |
| Operating Income | 9,499,231 | 1,973,895 | 11,473,126 | 1,271,783 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | - | 5,800 | 5,800 | 4,089 |
| Rent revenue | - | 146,451 | 146,451 | - |
| Share of regional plant joint venture change in net assets | (1,728,525) | - | (1,728,525) | - |
| Interest expense | (1,897,584) | (241,404) | (2,138,988) | - |
| Gain (loss) on disposal of equipment | (5,370) | (22,964) | (28,334) | 71,535 |
| Other nonoperating expenses | (7,308) | (103) | (7,411) | - |
| Total Nonoperating Revenues (Expenses) | <u>(3,638,787)</u> | <u>(112,220)</u> | <u>(3,751,007)</u> | <u>75,624</u> |
| Income Before Capital Contributions and Transfers | 5,860,444 | 1,861,675 | 7,722,119 | 1,347,407 |
| Capital contributions | 832,599 | 40,085 | 872,684 | 281,274 |
| Transfers in | 108,991 | - | 108,991 | 189,250 |
| Transfers out | <u>(3,141,120)</u> | <u>(561,670)</u> | <u>(3,702,790)</u> | <u>(657,065)</u> |
| Change In Net Assets | 3,660,914 | 1,340,090 | 5,001,004 | 1,160,866 |
| Net Assets - October 1, 2009, as restated | 92,362,378 | 17,493,447 | 109,855,825 | 12,412,999 |
| Net Assets - September 30, 2010 | <u>\$ 96,023,292</u> | <u>\$ 18,833,537</u> | 114,856,829 | <u>\$ 13,573,865</u> |
| Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds | | | | |
| Cummulative prior year adjustments | | | 1,052,627 | |
| Current year adjustment | | | 216,203 | |
| Net Assets of Business-Type Activities, Statement of Net Assets | | | <u>\$ 116,125,659</u> | |
| Reconciliation of Change in Net Assets to the Statement of Activities | | | | |
| Change In Net Assets as reported above | | | \$ 5,001,004 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | |
| Current year adjustment | | | <u>216,203</u> | |
| Change In Net Assets as reported on the Statement of Activities for Business-type Activities | | | <u>\$ 5,217,207</u> | |

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | <u>Major Fund</u> <u>Water</u> <u>and</u> <u>Sewer</u> <u>Fund</u> | <u>Non-Major</u> <u>Enterprise</u> <u>Funds</u> | <u>Total</u> <u>Business-Type</u> <u>Activities-</u> <u>Enterprise</u> <u>Funds</u> | <u>Governmental</u> <u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Funds</u> |
|---|--|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 28,380,061 | \$ 10,080,058 | \$ 38,460,119 | \$ 18,304,652 |
| Receipts from others | 1,212,414 | 146,439 | 1,358,853 | - |
| Payments to suppliers | (11,574,597) | (7,817,891) | (19,392,488) | (5,250,881) |
| Payments to employees | (7,638,153) | (678,688) | (8,316,841) | (7,842,694) |
| Payments to others | - | - | - | (2,063,188) |
| Net cash provided by operating activities | <u>10,379,725</u> | <u>1,729,918</u> | <u>12,109,643</u> | <u>3,147,889</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | 108,991 | - | 108,991 | 10,000 |
| Transfers to other funds | (3,141,120) | (382,420) | (3,523,540) | (657,065) |
| Net cash used in noncapital financing activities | <u>(3,032,129)</u> | <u>(382,420)</u> | <u>(3,414,549)</u> | <u>(647,065)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | (1,033,272) | (564,917) | (1,598,189) | (1,099,142) |
| Proceeds from the sale of capital assets | - | - | - | 97,071 |
| Principal paid on capital debt | (4,695,282) | (563,027) | (5,258,309) | - |
| Interest paid on capital debt | (1,294,047) | (214,838) | (1,508,885) | - |
| Net cash used in capital and related financing activities | <u>(7,022,601)</u> | <u>(1,342,782)</u> | <u>(8,365,383)</u> | <u>(1,002,071)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | - | 5,800 | 5,800 | 4,089 |
| Sale of investments | 2,259,234 | - | 2,259,234 | 33,500 |
| Net cash provided by investing activities | <u>2,259,234</u> | <u>5,800</u> | <u>2,265,034</u> | <u>37,589</u> |
| Net change in cash and cash equivalents | 2,584,229 | 10,516 | 2,594,745 | 1,536,342 |
| Cash and cash equivalents - October 1, 2009 | 5,290,092 | 619,337 | 5,909,429 | 151,428 |
| Cash and cash equivalents - September 30, 2010 | <u>\$ 7,874,321</u> | <u>\$ 629,853</u> | <u>\$ 8,504,174</u> | <u>\$ 1,687,770</u> |
| Reconciliation of cash and cash equivalents to statement of net assets: | | | | |
| Unrestricted cash and cash equivalents | \$ 669,253 | \$ 20,417 | \$ 689,670 | \$ 1,687,770 |
| Restricted cash and cash equivalents | 7,205,068 | 609,436 | 7,814,504 | - |
| Cash and cash equivalents - September 30, 2010 | <u>\$ 7,874,321</u> | <u>\$ 629,853</u> | <u>\$ 8,504,174</u> | <u>\$ 1,687,770</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 9,499,231 | \$ 1,973,895 | \$ 11,473,126 | \$ 1,271,783 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation expense | 3,424,630 | 818,777 | 4,243,407 | 1,703,922 |
| Provision for doubtful accounts | 89,622 | 1,714 | 91,336 | - |
| Miscellaneous and other revenue (expense) | (7,308) | 146,348 | 139,040 | - |
| Change in assets and liabilities: | | | | |
| Accounts receivable | 91,975 | (408,858) | (316,883) | 17,116 |
| Due from other governments | 832,900 | 33,307 | 866,207 | - |
| Due from other funds | (3,698,797) | (1,015,828) | (4,714,625) | (185,655) |
| Inventories | (3,134) | 11,505 | 8,371 | (1,860) |
| Prepaid expenses | (10,900) | 5,871 | (5,029) | 499,142 |
| Accounts payable and accrued expenses | 69,801 | (104,899) | (35,098) | 263,543 |
| Unearned revenue | - | 43,940 | 43,940 | - |
| Compensated absences payable | 15,118 | 292 | 15,410 | 24,530 |
| Net OPEB obligation | 40,674 | 3,133 | 43,807 | 5,012 |
| Insurance claims payable | - | - | - | (449,644) |
| Due to other funds | - | 224,962 | 224,962 | - |
| Refundable deposits | 35,913 | (4,241) | 31,672 | - |
| Total adjustments | 880,494 | (243,977) | 636,517 | 1,876,106 |
| Net cash provided by operating activities | <u>\$ 10,379,725</u> | <u>\$ 1,729,918</u> | <u>\$ 12,109,643</u> | <u>\$ 3,147,889</u> |
| NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Amortization of bond premiums | \$ (5,437) | \$ (9,834) | \$ (15,271) | \$ - |
| Amortization of debt issue costs | \$ 15,041 | \$ 8,722 | \$ 23,763 | \$ - |
| Amortization of deferred loss on refundings | \$ 23,435 | \$ 33,849 | \$ 57,284 | \$ - |
| Capital contributions | \$ 832,599 | \$ 40,085 | \$ 872,684 | \$ 281,274 |
| Equipment transferred from enterprise funds | \$ - | \$ (179,250) | \$ (179,250) | \$ 179,250 |

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2010

| | Pension Trust Funds |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,800,335 |
| Investments: | |
| U.S. Government securities and mutual funds | 4,939,529 |
| U.S. Government agency securities | 4,434,199 |
| Municipal obligations | 802,438 |
| Domestic fixed income mutual fund | 5,341,260 |
| Corporate bonds and mutual funds | 14,215,891 |
| Equity securities and mutual funds | 55,786,867 |
| Alternative investments | 95,474,559 |
| DROP participant directed mutual funds | 10,945,229 |
| Due from broker for securities sold | 713,613 |
| Employee contributions receivable | 91,147 |
| Prepaid expenses | 246,352 |
| Interest and dividends receivable | 318,618 |
| Total Assets | 197,110,037 |
| LIABILITIES | |
| Accounts payable | 131,285 |
| Due to broker for securities purchased | 582,357 |
| Total Liabilities | 713,642 |
| NET ASSETS | |
| Held in trust for pension benefits | \$ 196,396,395 |

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended September 30, 2010

| | <u>Pension Trust Funds</u> |
|--|------------------------------------|
| ADDITIONS | |
| Contributions | |
| Employer | \$ 10,057,992 |
| State | 1,677,668 |
| Plan members | 1,812,961 |
| Total contributions | <u>13,548,621</u> |
| Investment earnings | |
| Net appreciation in fair value of investments | 13,985,330 |
| Interest and dividends | 2,922,795 |
| | <u>16,908,125</u> |
| Less investment expenses - custodian fees | 565,972 |
| Net investment earnings | <u>16,342,153</u> |
| Other income | <u>70,857</u> |
| Total additions | <u>29,961,631</u> |
| DEDUCTIONS | |
| Benefits | 12,237,824 |
| Refunds of contributions | 109,279 |
| Other operating expenses | 353,376 |
| Total deductions | <u>12,700,479</u> |
| Change In Net Assets | 17,261,152 |
| Net Assets - October 1, 2009, as originally reported | 167,902,401 |
| Prior period adjustment - error correction | 11,232,842 |
| Net Assets - October 1, 2009, as restated | <u>179,135,243</u> |
| Net Assets - September 30, 2010 | <u>\$ 196,396,395</u> |

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

1. Financial Reporting Entity

In conformance with the pronouncements of the Governmental Accounting Standards Board (GASB), the financial reporting entity of the City of Delray Beach, Florida (the "City"), includes the primary government and all organizations for which the primary government is financially accountable. The City was established pursuant to Section 12677, Laws of Florida, 1927. Financial accountability was determined based on the City's ability to impose its will on an organization or the potential of the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Discretely Presented Component Units

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Two dependent special districts of the City, created pursuant to Florida Statutes, have been included in the reporting entity as discretely presented component units. The districts are the Delray Beach Community Redevelopment Agency (CRA) and the Delray Beach Downtown Development Authority (DDA). Both of these entities are considered component units, as the City appoints the governing board of each, and has the ability to remove members of the board at will.

The CRA is a dependent special district established by the City under authority granted by Florida Statute 163, Section III. The purpose of the CRA is to promote and guide the physical and economic redevelopment of approximately 1,900 acres in the center of the City. The CRA is a legally separate entity established by Ordinance number 46-85 of the Delray Beach City Commission on June 18, 1985. The CRA is governed by a seven member Board of Commissioners appointed by the Delray Beach City Commission.

The DDA was created after the City petitioned the State of Florida. An Act allowing the DDA became law on March 22, 1971. The original boundary of the DDA was established by Section 3, Chapter 71-604 Laws of Florida 1971. The expanded boundary was established by Chapter 94-476 Laws of Florida effective May 13, 1994. The purpose of the DDA is to promote and guide the economic development and improvement of the downtown area of the City. The governing body of the DDA is appointed by the Delray Beach City Commission. In addition, the City approves the DDA's budget.

Except as otherwise indicated, the notes to the financial statements pertain only to the primary government of the City. The separate financial statements of the CRA and the DDA can be obtained directly from the respective entities.

Joint Venture

The South Central Regional Wastewater Treatment and Disposal Board (the "Board") is reported as a joint venture accounted for using the equity method as discussed in Note 10. The Board is an independent special district created by the Cities of Delray Beach and Boynton Beach, whose City Commissions comprise the Board's governing body. Control and oversight are exercised equally by both cities represented on the Board.

The separate financial statements of the Board can be obtained directly from the finance department of the Board.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

2. Significant Accounting Policies

The City maintains its accounting records in accordance with the principles and policies applicable to governmental units set forth by the GASB as well as U.S. generally accepted accounting principles (GAAP) as promulgated by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board (FASB). The City does not apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds. Following is a summary of the significant accounting policies of the City:

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The City does not allocate indirect costs; however, an administrative service fee is charged by the General Fund to other operating funds that is eliminated like a reimbursement (reducing revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (such as finance, legal, human resources, information systems, etc.).

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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of 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. The proprietary fund financial statements distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering services. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administration, and depreciation. Other revenues and expenses are considered nonoperating revenues and expenses. Water and sewer and other proprietary fund revenues are recognized as earned when the services are provided.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Ad valorem taxes and charges for services are susceptible to accrual when collected in the current year or within 60 days subsequent to year end, provided that amounts received pertain to billings through the fiscal year just ended. Intergovernmental revenue and utility service taxes are recorded in accordance with their legal or contractual requirements if collected in the current period or within 30 days after year end, except for grant revenue, which is recorded when the related expenditures/expenses are incurred and the eligibility requirements have been met. Interest is recorded when earned. Licenses and permits, fines and

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

2. Significant Accounting Policies (Continued)

forfeitures and miscellaneous revenue are recorded as revenue when received in cash, because they are generally not measurable until actually received.

Other Revenues - Emergency medical transport services provided by the City are billed and recorded at the time services are rendered. Other material revenues which are susceptible to accrual include franchise taxes, state revenue sharing and other state shared revenue. Revenues which are not both available and measurable and are thus not susceptible to accrual include utilities taxes, permits and occupational licenses.

Business taxes collected in advance of periods to which they relate are recorded as unearned revenue. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except that principal and interest on long-term obligations are reported only when due in conformity with GAAP.

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for water and sewer services provided by the City to residents and other users.

Additionally, the City reports the following fund types:

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost reimbursement basis, including insurance services and the operation of the central garage.

Pension Trust Funds - The Pension Trust funds account for the accumulation of resources to be used for the retirement annuities of employees, police officers and firefighters.

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consist of restricted and unrestricted cash deposits, time deposits, institutional money market mutual fund shares and Florida PRIME (formerly known as the Local Government Investment Pool or LGIP). Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due for various City services and utilities, provided primarily to local businesses and residents. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable and historical collection trends. Accounts receivable are written off on an individual basis in the year the City deems them uncollectible. An allowance for doubtful accounts has been provided for those accounts where collectability appears to be doubtful. The City does not require collateral from its customers, except for the Water and Sewer Fund, which requires deposits for services. The City maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

2. Significant Accounting Policies (Continued)

Unbilled Service Receivables

Within the enterprise funds, the Water and Sewer Fund recognizes revenue on the basis of monthly cycle billings to customers for services provided. As a result of this cycle billing method, there are unbilled receivables at the end of each fiscal year with respect to services provided, but not billed at such date. It is the policy of the City to accrue these amounts at year-end. The other enterprise funds do not have unbilled receivables at year-end.

Inventories

Inventories consist of materials, supplies and goods held for sale and are carried at cost on the average cost basis. General Fund inventories are accounted for using the consumption method whereby inventories are recorded as expenditures in the period when used.

Prepaid Items/Expenses

Payments for insurance premiums and other administrative expenditures/expenses extending over more than one accounting period are accounted for as prepaid items/expenses and allocated between accounting periods.

Intra-Entity Transactions

Intra-entity transactions consist of transactions and balances between the primary government and its discretely presented component units and are separately reported from interfund balances. Current maturities of long-term intra-entity transactions are reported separately as due to and due from the respective entities.

Interfund Transactions

Transactions among funds during the year are described as follows:

Interfund services provided and used - Transactions which are revenues to the recipient fund and expenditures/expenses to the disbursing fund. These are transactions which would otherwise be recorded as revenues or expenditures/expenses if they were conducted with organizations external to the City.

Reimbursements - These transactions are reimbursements of a fund for the disbursement of monies initially made from it, which are properly applicable to another fund. Such reimbursements are recorded as an expenditure or expense in the reimbursing fund and as reductions of the interfund receivable in the fund that is reimbursed.

Transfers - Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue. These transfers are recorded as transfers in (out).

Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the residual amounts, which is presented as internal balances.

Assets Held for Resale

Assets held for resale represent residential properties purchased by the City pursuant to its Neighborhood Stabilization Program (NSP). The intent of the City is to rehabilitate and resell the properties to low income residents. The properties are reported at the lower of cost or estimated net realizable value.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

2. Significant Accounting Policies (Continued)

Capital Assets

Capital asset acquisitions are recorded as expenditures in the governmental fund financial statements. Such assets are capitalized at historical cost in the government-wide financial statements for both governmental activities and business-type activities. In the case of gifts or contributions, such assets are recorded at fair value at the date of receipt. Capital costs which materially extend the useful life of existing properties are capitalized. Capital assets are defined as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year.

Interest is capitalized on projects during the construction period based upon average accumulated project expenditures. Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, lighting and drainage systems and similar assets that are immovable and of value only to the City) are capitalized and reported in the Improvements Other Than Buildings category.

Depreciation of capital assets is provided on the straight-line basis over the assets' estimated useful lives. Amortization of assets recorded under capital leases is recorded with depreciation expense. Estimated useful lives assigned to various categories of assets are as follows:

| | |
|-----------------------------------|---------------|
| Buildings | 20 – 40 years |
| Improvements Other than Buildings | 10 – 30 years |
| Machinery and equipment | 4 – 15 years |
| Automotive equipment | 4 – 8 years |
| Office equipment | 5 years |
| Water meters | 30 years |
| Pumping equipment | 15 – 20 years |
| Wells and springs | 10 years |
| Sewer system | 60 years |
| Water distribution system | 50 years |

Bond Issue Costs, Premiums, Discounts, and Deferred Amounts on Refunding

In the government-wide financial statements and the enterprise funds, expenses incurred in connection with the issuance of long-term debt, as well as bond discounts, premiums and deferred amounts on refunding, are deferred and amortized over the term of the related financing using a method that approximates the effective interest method. For governmental funds, these costs are considered to be period costs.

Unearned/Deferred Revenue

Unearned revenue in the Governmental Activities and deferred revenue in the Governmental Funds includes amounts received in advance for business licenses, grants and long-term receivables for various housing assistance programs provided by the City. Unearned revenue in the Business-type Activities and Proprietary Funds is composed of advance utility payments from customers and other amounts received in advance of the related services being provided by the City.

Compensated Absences

The City accrues compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, and has elected the termination payment method of accounting for sick leave. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

2. Significant Accounting Policies (Continued)

The City's policy regarding the accumulation of compensated absences is summarized as follows:

Vacation Leave - Employees become eligible to use accrued vacation after one year of continuous service and may then use vacation as it is earned. The maximum vacation days allowed to be accumulated is 18, 24-hour days for fire department personnel and 36 days for all other full-time personnel. Vacation hours are earned at the following monthly rates:

| <u>Years of Continuous Service</u> | <u>Fire Department</u> | <u>Other Personnel</u> |
|------------------------------------|------------------------|------------------------|
| 0 – 3 years | \$12.00/month | \$8.00/month |
| 3 – 7 years | \$14.00/month | \$9.33/month |
| 7 – 11 years | \$16.00/month | \$10.66/month |
| Thereafter | \$18.00/month | \$12.00/month |

Upon termination in good standing, employees are compensated for all accrued vacation leave at their pay rate on the date of termination.

Sick Leave - Employees earn hours of sick leave per month based on their scheduled work hours; 8 hours per month for 40-hour work week employees and 9.6 hours per month for 48-hour work week employees. If an employee retires with 20 years or more of service, sick leave is paid up to a maximum of 1,120 hours for general employees and police or 1,344 hours for 48-hour work week firefighter employees.

Upon retirement with less than 20 years of service or resignation, employees are compensated for unused sick leave at their pay rate on the date of termination, up to 560 hours (70 days) for general employees and police and 672 hours (84 days) for firefighters according to the following vesting schedule:

| <u>Years of Service</u> | <u>Percent Vested</u> |
|-------------------------|-----------------------|
| 0 – 5 years | 0% |
| 5 – 10 years | 25 |
| 10 – 15 years | 50 |
| 15 – 20 years | 75 |

Fund Balance/Net Assets

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance to indicate the portion of fund balance that is not appropriable for expenditure or is legally segregated by outside parties for a specific purpose. Designations indicate tentative managerial plans or intent to use financial resources in a future period. Undesignated fund balance indicates the portion of fund balance which is available for future use.

Net Assets

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt is that portion of net assets that relates to the City's capital assets reduced by the portion of the assets that has been acquired through the use of long-term debt. This amount is offset by any unspent proceeds that are outstanding at fiscal year-end. Restricted net assets are that portion of net assets that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. The entity-wide statement of net assets reports governmental activities net assets of \$13,592,226

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

2. Significant Accounting Policies (Continued)

restricted for debt service, capital projects and other purposes and business-type activities net assets of \$7,116,700 restricted for debt service and capital projects. Unrestricted net assets consist of net assets not included in invested in capital assets, net of related debt or restricted.

Property Taxes

Ad valorem property taxes are assessed on property valuations as of January 1 and levied the following October. Property taxes are due March 31 and become delinquent April 1. These taxes are collected by Palm Beach County and remitted to the City. Revenue is recognized at the time monies are received from Palm Beach County. At September 30, unpaid delinquent taxes are reflected as a receivable and are offset in full by an allowance for estimated uncollectible accounts. Delinquent property taxes must be advertised within 45 days after delinquency, and after May 1 the property is subject to levy, seizure and sale. Delinquent tax certificates are sold on June 1 and become a lien on the property.

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ended September 30, 2010, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage reduction applied to the prior year (2008/2009) property tax revenue. The percentage reduction is calculated based on the compound annual growth rate in the per capita property taxes levied for five preceding fiscal years. The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus an adjustment for growth in per capita Florida personal income; 2) a two-thirds vote to adopt a rate equal to the adjusted current year roll back millage rate plus 10%; or, 3) any millage rate approved by unanimous vote or referendum. For the fiscal year ended September 30, 2010, the City adopted an operating millage rate of 7.1900 and a debt service millage of 0.5316. This millage rate resulted in a net tax levy of \$52,477,859 for 2010, representing a reduction of approximately 3% from the property tax levy for 2009. Future property tax growth is limited to the annual growth rate of per capita personal income plus the value of new construction.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year-end.

On-behalf Payments

The City receives on-behalf payments from the State of Florida to be used for Police and Firefighters pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements, but are not budgeted and therefore are not included in the General Fund budgetary basis financial statements. On-behalf payments to the City totaled \$1,677,668 for the fiscal year ended September 30, 2010.

Recent Accounting Pronouncements

The City implemented Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, during the fiscal year ended September 30, 2010. Statement No. 51 establishes accounting and financial reporting requirements for intangible assets including easements, contractual rights and computer software. There were no significant changes as a result of adopting Statement No. 51.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

2. Significant Accounting Policies (Continued)

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting requirements for all governmental funds and establishes criteria for classifying fund balances. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2011.

The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements 14 and 34*, which modifies certain requirements for including of component units in the financial reporting entity. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2013.

Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the City.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses/expenditures. Actual results could vary from the estimates that were used.

3. Cash, Cash Equivalents and Investments

At September 30, 2010, cash and cash equivalents included deposits of \$19,718,358, money market accounts of \$26,952,760 and the Florida PRIME of \$11,728,101. At year-end, the City's deposits with financial institutions were entirely covered by federal deposit insurance and by a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as qualified public depositories by the State Treasurer of Florida. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories participating in the collateral pool.

Cash, cash equivalents and investments include unrestricted and restricted assets for the primary government which are summarized as follows:

| | |
|---|----------------------|
| Deposits with financial institutions and cash on hand | \$ 19,718,358 |
| Money market mutual funds | 26,952,760 |
| Florida PRIME | 11,728,101 |
| Time deposits | 11,500,000 |
| Total cash, cash equivalents and investments - primary government | <u>\$ 69,899,219</u> |
| Cash and cash equivalents | \$ 50,584,715 |
| Investments | 11,500,000 |
| Restricted cash and cash equivalents | 7,814,504 |
| Total primary government | <u>69,899,219</u> |
| Cash, cash equivalents and investments - pension trust funds | 3,800,335 |
| Total cash, cash equivalents and investments | <u>\$ 73,699,554</u> |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

3. Cash, Cash Equivalents and Investments (Continued)

Florida Statutes and City policy authorize the City and its pension trust funds to invest in Florida PRIME; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; money market mutual funds limited to U.S. Government securities; obligations of the Federal Farm Credit Banks, Freddie Mac, the Federal Home Loan Bank or its district banks; obligations guaranteed by the Government National Mortgage Association; obligations of Fannie Mae; certain authorized pool investment programs and any additional investments specifically authorized by City Ordinance. Pension trust funds may also invest in tax sale certificates of the State of Florida or any of its political subdivisions, preferred and common stocks of certain domestic and international corporations, debt securities of certain domestic and international corporations, mutual funds (including exchange traded funds), and alternative investments that are not publicly traded.

The deposits in the Florida PRIME fund consist of equity in an external 2a7-like investment pool administered by the State of Florida pursuant to statutory requirements. Regulation 2a7 of the U.S. Securities and Exchange Commission (SEC) allows registered mutual funds to use amortized cost rather than fair value to report net assets used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, the term-to-maturity of individual investments, the dollar-weighted average of the portfolio, portfolio diversification, divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. Cash balances from all funds are combined, and the requirements of all funds are considered in determining the amount to be invested. Earnings are allocated to each fund based on respective month-end balances.

The City's investments at September 30, 2010 consist of the following:

| | Carrying Amount (Fair Value) | | |
|---|-------------------------------------|--|-----------------------|
| | Primary Government | Fiduciary Funds Pension Trust | Total |
| Investments: | | | |
| Time deposits with financial institutions | \$ 11,500,000 | \$ - | \$ 11,500,000 |
| U.S. Government securities and mutual funds | - | 4,939,529 | 9,373,728 |
| U.S. Government agency securities | - | 4,434,199 | 9,373,728 |
| Municipal obligations | - | 802,438 | 802,438 |
| Domestic fixed income mutual fund | - | 5,341,260 | 5,341,260 |
| Corporate bonds and mutual funds | - | 14,215,891 | 14,215,891 |
| Equity securities and mutual funds | - | 55,786,867 | 55,786,867 |
| Alternative investments | - | 95,474,559 | 95,474,559 |
| DROP participant directed mutual funds | - | 10,945,229 | 10,945,229 |
| Total investments | \$ 11,500,000 | \$ 191,939,972 | \$ 203,439,972 |

At September 30, 2010, approximately 50% of City pension fund investments were invested in alternative investments. These alternative investments consist of pooled funds and funds of funds that are not publicly traded and invest in fixed income securities, equity securities, timberlands and real estate. These alternative investments are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets, if available, or by valuations of a fund's underlying assets as provided by the general partner or investment manager, since the assets are not publicly traded. The funds may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair values of alternative investment funds have been estimated by the management of the pension funds and their investment advisors in the absence of readily ascertainable market values. Therefore, the values of such funds may not necessarily be indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

3. Cash, Cash Equivalents and Investments (Continued)

differences could be material. The alternative investments may also have restrictions for liquidating positions in the funds and future funding commitments. Future confirming events will affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material. The alternative investment funds expose the pension funds to additional investment risks, including liquidity risks; counterparty and custody risks; foreign political, economic and governmental risks; and, market risk.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The City's investment policy requires investment of operating funds primarily in shorter term securities and structuring of the investment portfolio so that securities mature to meet cash requirements. The policy further limits investments to securities maturing in five years or less, except in certain limited situations requiring approval by the City Commission. Cash and cash equivalents of the primary government include \$11,728,101 invested in Florida PRIME and \$26,952,760 invested in money market mutual funds. Both had weighted average maturities of less than 90 days, resulting in minimal interest rate risk. Time deposits include three certificates of deposit, each maturing one year from the date of purchase. The table below summarizes the average effective duration in years of the fixed income investments.

| | Average Duration (in years) | Fair Value |
|---|-----------------------------------|--------------|
| Pension Trust Funds | | |
| U.S. Government securities and mutual funds | 5.8 | \$ 4,939,529 |
| U.S. Government agency securities | 4.6 | 4,434,199 |
| Municipal obligations | 5.2 | 802,438 |
| Domestic fixed income mutual fund | 6.0 | 5,341,260 |
| Corporate bonds and mutual funds | 4.3 | 14,215,891 |

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. The City's investment policy addresses credit risk by limiting investments to the safest types of securities, which are generally those receiving the highest credit ratings from a Nationally Recognized Statistical Rating Organization (NRSRO). The City utilizes ratings from Standard & Poor's and Moody's Investor Services for its investments. At September 30, 2010, the City's Florida PRIME and money market mutual fund investments were rated AAAM. Pension investments in debt securities must be rated in one of the top three investment grades by a Nationally Recognized Statistical Rating Organization (NRSRO). The fixed income mutual fund and fixed income alternative investment funds of the pension funds are not rated. The NRSRO ratings for the fixed income investments of the pension funds at September 30, 2010 are summarized as follows. All other securities are not rated.

| | NRSRO Rating | Fair Value |
|--|-----------------|--------------|
| Pension Trust Funds | | |
| Money market mutual funds | Unrated | \$ 3,794,328 |
| U.S. Government and agency securities and mutual funds | AAA | 9,373,728 |
| Municipal obligations | A - AA | 802,438 |
| Corporate bonds and mutual funds | A - AAA | 14,215,891 |

Custodial Credit Risk: Custodial credit risk is defined as the risk that the City may not recover cash and investments held by another party in the event of financial failure. The City's investment policy requires cash and investments to be fully insured or collateralized, or held in independent custodial safekeeping accounts in the name of the City. At September 30, 2010 all investments were held in independent custodial safekeeping accounts, except money market mutual funds, mutual funds and alternative investments, which are *unclassified* pursuant to GASB Statement No. 3.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

3. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy requires diversification of investments to minimize potential losses on individual securities. In the City pension funds, securities of a single issuer are limited to no more than 5% of the plan's net assets invested in common stocks and debt securities. Investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

Market Risk: The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations, commercial mortgage backed securities and alternative investments or mutual funds investing in these securities or entities, are particularly sensitive to changes in financial markets and economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Foreign Currency Risk: There was no significant exposure to foreign currency risk in the City's investments.

Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Discretely Presented Component Units

Cash: The CRA's cash at September 30, 2010, includes deposits with financial institutions with a bank balance of approximately \$11,300,000, a book balance of \$10,140,213, and \$250 of petty cash. The CRA's deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. The DDA's cash balance at September 30, 2010, includes deposits with financial institutions that were fully covered by federal depository insurance.

4. Receivables

Current receivables and the allowance for doubtful accounts at September 30, 2010 were as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| Property Taxes Receivable: | | |
| General Fund | \$ 1,446,694 | \$ - |
| Stormwater Utility Fund | - | 25,021 |
| Accounts Receivable: | | |
| General Fund | 5,887,424 | - |
| Water and Sewer Fund | - | 3,124,080 |
| Non-Major Funds | 35,436 | 1,039,759 |
| Internal Service Funds | 28,114 | - |
| Allowance for doubtful accounts | (5,364,991) | (767,270) |
| | <u>\$ 2,032,677</u> | <u>\$ 3,421,590</u> |

5. Due from Other Governments

The total amount due from other governments of \$2,625,685 at September 30, 2010 represents the amount due from federal and state sources for intergovernmental revenues and grant reimbursements within various funds.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

6. Notes Receivable

Notes receivable at September 30, 2010 consist of the following:

General Fund:

Note receivable from a developer for the construction of an urban development project. Principal and interest payments are due in equal annual installments of \$149,244 based on a 50-year amortization schedule. A balloon payment for the remaining principal and interest, including the deferred interest, is due in 2022 (see below). \$ 3,258,322

Non-interest-bearing note receivable from EPOCH to assist in funding of a museum project. Payments of \$3,500 are due on December 31 of each year, to be paid in full by December 31, 2017. 24,500

Non-interest-bearing note receivable from CRC for the sale of land, payable in annual installments of \$30,000 through 2015. 150,000

Total General Fund 3,432,822

Non-Major Governmental Funds:

Non-interest-bearing notes receivable from property owners for rehabilitation, enhancement and preservation of real estate. Principal payments are amortized over 5-20 years. Repayment of loans is contingent upon the sale of real estate prior to the required time frame or release date. 1,759,490

Total Governmental Activities \$ 5,192,312

The City's application for a grant of approximately \$4 million through the Urban Development Action Grant Program (UDAG) was approved for the purpose of constructing a low-income housing project within the City. In connection with this grant, the City approved three agreements and several amendments to the agreements with the developer. As part of the first agreement, the City sold 36 acres of property to the developer for \$730,000 and held a non-interest bearing, five year promissory note for \$720,000. The second and third agreements provided a \$4,608,000 loan to the developer, consisting of \$3,840,000 UDAG monies at 3% interest amortized over a 50 year period and City funds of \$768,000 at 0% interest amortized over a 25 year period. Both the \$768,000 and \$720,000 notes were paid in full in fiscal years 2006 and 2010, respectively. The City's lien on an 11 acre parcel was released in connection with the payoff of the \$720,000 note in 2010. The remaining balance owed to the City on the \$3,840,000 loan amount at September 30, 2010 was \$3,258,322. At September 30, 2010, interest of \$974,149 has been accrued and deferred on the City's books in compliance with the repayment provisions of the UDAG loan.

7. Due from Component Units

The amounts due from component units at September 30, 2010 include the following amounts due from the Delray Beach Community Redevelopment Agency:

General Fund:

| | |
|--|-----------|
| Reimbursement for Plan Reviewer II | \$ 18,828 |
| Reimbursement for Parking Study | 22,937 |
| Reimbursement for Clean and Safe Program | 262,001 |
| Reimbursement for Parking Management | 27,500 |
| Rent for Parking Garage | 100,000 |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

7. Due from Component Units (Continued)

Community Development Fund:

| | |
|--|-------------------|
| Reimbursement for Curb Appeal Program | \$ 27,754 |
| Reimbursement for Planner - Neighborhood Resource Center | 9,188 |
| Reimbursement for West Settler's Program Income | 304 |
| Total Due from Component Units | <u>\$ 468,512</u> |

8. Restricted Assets

Restricted assets in the Enterprise Funds result from revenue bond requirements to fund the current portions of principal and interest and a renewal and replacement reserve. The required cash balances and reserve requirements at September 30, 2010 have been met for outstanding bond issues. Restricted assets are not reported on the balance sheets of the governmental funds; however, cash and cash equivalents and other assets of the debt service fund (a non-major fund) are restricted for debt service in accordance with revenue bond requirements. The City's policy is to first apply restricted resources when expenses are incurred for purposes for which both restricted and unrestricted net assets are available.

Net assets are restricted to the extent that restricted assets exceed liabilities payable from restricted assets at September 30, 2010. Restricted assets, liabilities payable from restricted assets and restricted net assets of the Enterprise Funds at September 30, 2010 are summarized as follows:

| | <u>Restricted for</u> | | |
|---|-------------------------|--|---------------------|
| | <u>Debt Service</u> | <u>Renewal and Replacement</u> | <u>Total</u> |
| Restricted Assets | | | |
| Water and Sewer Fund: | | | |
| Cash and cash equivalents | \$ 5,478,138 | \$ 1,726,930 | \$ 7,205,068 |
| Non-Major Enterprise Funds: | | | |
| Cash and cash equivalents | 609,436 | - | 609,436 |
| Total Restricted Assets | \$ 6,087,574 | \$ 1,726,930 | \$ 7,814,504 |
| Liabilities Payable from Restricted Assets | | | |
| Water and Sewer Fund | 633,503 | - | 633,503 |
| Non-Major Enterprise Funds | 64,301 | - | 64,301 |
| Total Liabilities Payable from Restricted Assets | 697,804 | - | 697,804 |
| Restricted Net Assets | \$ 5,389,770 | \$ 1,726,930 | \$ 7,116,700 |

9. Capital Assets

The major components of capital assets for the City at September 30, 2010 are summarized as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| <u>Non-depreciable Assets:</u> | | | | |
| Land | \$ 37,560,144 | \$ 598,366 | \$ - | \$ 38,158,510 |
| Construction in Progress | 7,467,910 | 1,090,315 | (7,190,731) | 1,367,494 |
| Total Non-depreciable Assets | 45,028,054 | 1,688,681 | (7,190,731) | 39,526,004 |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

9. Capital Assets (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| <u>Depreciable Assets:</u> | | | | |
| Buildings | \$ 37,836,453 | \$ - | \$ (49,446) | \$ 37,787,007 |
| Improvements Other Than Buildings | 106,676,458 | 9,570,332 | (148,627) | 116,098,163 |
| Equipment | 36,411,205 | 2,898,613 | (1,639,244) | 37,670,574 |
| Total Depreciable Assets | 180,924,116 | 12,468,945 | (1,837,317) | 191,555,744 |
| <u>Less Accumulated Depreciation for:</u> | | | | |
| Buildings | (12,659,783) | (1,223,640) | 44,778 | (13,838,645) |
| Improvements Other Than Buildings | (46,594,354) | (4,283,824) | 144,066 | (50,734,112) |
| Equipment | (22,864,886) | (3,488,507) | 1,512,176 | (24,841,217) |
| Total Accumulated Depreciation | (82,119,023) | (8,995,971) | 1,701,020 | (89,413,974) |
| Total Depreciable Assets, net | 98,805,093 | 3,472,974 | (136,297) | 102,141,770 |
| Governmental Activities Capital Assets, net | \$ 143,833,147 | \$ 5,161,655 | \$ (7,327,028) | \$ 141,667,774 |
| Business-Type Activities: | | | | |
| <u>Non-depreciable Assets:</u> | | | | |
| Land | \$ 5,576,862 | \$ 86,753 | \$ - | \$ 5,663,615 |
| Construction in Progress | 3,372,936 | 339,807 | (3,345,361) | 367,382 |
| Total Non-depreciable Assets | 8,949,798 | 426,560 | (3,345,361) | 6,030,997 |
| <u>Depreciable Assets:</u> | | | | |
| Buildings | 13,614,491 | - | - | 13,614,491 |
| Improvements Other Than Buildings | 153,385,358 | 4,718,951 | (71,730) | 158,032,579 |
| Equipment | 13,710,523 | 680,308 | (262,420) | 14,128,411 |
| Total Depreciable Assets | 180,710,372 | 5,399,259 | (334,150) | 185,775,481 |
| <u>Less Accumulated Depreciation for:</u> | | | | |
| Buildings | (7,114,826) | (412,436) | - | (7,527,262) |
| Improvements Other Than Buildings | (68,711,225) | (3,093,635) | 71,730 | (71,733,130) |
| Equipment | (10,280,292) | (737,336) | 76,267 | (10,941,361) |
| Total Accumulated Depreciation | (86,106,343) | (4,243,407) | 147,997 | (90,201,753) |
| Total Depreciable Assets, net | 94,604,029 | 1,155,852 | (186,153) | 95,573,728 |
| Business-Type Activities Capital Assets, net | \$ 103,553,827 | \$ 1,582,412 | \$ (3,531,514) | \$ 101,604,725 |

Depreciation expense for the fiscal year ended September 30, 2010 was charged to functions/programs of the primary government as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General Government | \$ 998,706 |
| Public Safety | 1,206,378 |
| Physical Environment | 2,680,987 |
| Parks and Recreation | 2,405,978 |
| Internal Service Funds | 1,703,922 |
| Total depreciation expense - Governmental Activities | <u>\$ 8,995,971</u> |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

9. Capital Assets (Continued)

Business-Type Activities:

| | |
|---|---------------------|
| Water and Sewer | \$ 3,424,630 |
| Municipal Golf Course | 260,121 |
| Lakeview Golf Course | 59,638 |
| City Marina | 72,937 |
| Sanitation | 1,968 |
| Stormwater Utility | 424,113 |
| Total depreciation expense - Business-Type Activities | <u>\$ 4,243,407</u> |

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency

Changes in capital assets of the Delray Beach Community Redevelopment Agency for the fiscal year ended September 30, 2010 are summarized as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|---------------------|-----------------------|---------------------------|
| <u>Non-depreciable Assets:</u> | | | | |
| Land and Land Improvements | \$ 23,465,339 | \$ 6,411,447 | \$ (4,153,314) | \$ 25,723,472 |
| Construction in progress | - | 884,823 | - | 884,823 |
| Total Non-depreciable Assets | <u>23,465,339</u> | <u>7,296,270</u> | <u>(4,153,314)</u> | <u>26,608,295</u> |
| <u>Depreciable Assets:</u> | | | | |
| Buildings | 2,817,240 | - | - | 2,817,240 |
| Equipment, Furniture, and Fixtures | 114,362 | - | - | 114,362 |
| Total Depreciable Assets | <u>2,931,602</u> | <u>-</u> | <u>-</u> | <u>2,931,602</u> |
| <u>Less Accumulated Depreciation for:</u> | | | | |
| Buildings | (311,756) | (102,249) | - | (414,005) |
| Equipment, Furniture, and Fixtures | (96,911) | (3,878) | - | (100,789) |
| Total Accumulated Depreciation | <u>(408,667)</u> | <u>(106,127)</u> | <u>-</u> | <u>(514,794)</u> |
| Total Depreciable Assets, net | <u>2,522,935</u> | <u>(106,127)</u> | <u>-</u> | <u>2,416,808</u> |
| Capital Assets, net | <u>\$ 25,988,274</u> | <u>\$ 6,501,755</u> | <u>\$ (2,428,759)</u> | <u>\$ 29,025,103</u> |

10. Investment in Regional Plant Joint Venture

In 1974, the City of Delray Beach joined with the City of Boynton Beach (Boynton Beach) to form a separate legal entity, the South Central Regional Wastewater Treatment and Disposal Board, (the "Board"). The Board, which is governed by a body composed of the commission members from each city, oversees the operation of the regional wastewater treatment and disposal plant which services both cities and surrounding areas. The interlocal agreement between the City and Boynton Beach specifies that the Board has the authority to accept and disburse funds, transact business and enter into contracts for budgeted items. In addition, the Board has the authority, subject to approval by a majority vote of each city commission before becoming effective, to adopt an annual budget, establish rates and charges for operations, maintenance, expansions and construction, enter into contracts for non-budgeted items and authorize the return of any surplus funds or levy additional charges for deficits of the Board to the respective cities.

Ownership of the regional wastewater treatment and disposal plant is vested proportionately with the cities in accordance with the capital investments of each city, which to date are approximately 50% each. The Board charges each city for its share of the Board's operating expenses based on the percentage of flow of wastewater from each

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

10. Investment in Regional Plant Joint Venture (Continued)

city. At September 30, 2010, accounts receivable of the Water and Sewer Fund and business-type activities included \$350,035 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities included \$297,476 due to the Board. For the year ended September 30, 2010, the City paid \$3,577,136 to the Board for operating expenses, repair and replacement and capital charges. Each individual city is responsible for setting the rates and collecting charges for wastewater disposal from customers within its jurisdiction.

The Board issues separate financial statements audited by other accountants who issued an unqualified opinion on those financial statements for the year ended September 30, 2010. Those financial statements may be obtained from the Board at 1801 N. Congress Avenue, Delray Beach, FL 33445. Financial information summarized from the audited financial statements of the Board as of and for the year ended September 30, 2010 is as follows:

| Net Assets | |
|--------------------------|--------------------------|
| Current and other assets | \$ 5,823,002 |
| Capital assets, net | 57,702,603 |
| | Total assets |
| | 63,525,605 |
| Current liabilities | 1,164,194 |
| Noncurrent liabilities | 124,775 |
| | Total liabilities |
| | 1,288,969 |
| Net assets | \$ 62,236,636 |

| Change in Net Assets | |
|---|-------------------------------|
| Charges for services | \$ 7,362,419 |
| Capital grants and contributions | 1,527,957 |
| | Total program revenues |
| | 8,890,376 |
| Program expenses | 11,585,963 |
| | Net program revenues |
| | (2,695,587) |
| Investment income | 27,006 |
| Transfers to joint venture participants | (788,468) |
| | Change in net assets |
| | \$ (3,457,049) |

The City accounts for its investment in the Board as a joint venture recorded on the equity method of accounting. At September 30, 2010, the City's 50% equity interest in the net assets of the Board totaled \$31,118,318 and has been reported as "Investment in regional plant joint venture" in the City's financial statements.

Prior Period Adjustment: The change in net assets in the table above does not reflect a prior period adjustment reported in the Board's audited financial statements for 2010 (audited by other auditors) to increase beginning fund balance/net assets by \$1,274,401 to correct an error in reporting surplus amounts approved by the cities that were reported in the Board's prior audited financial statements as a liability instead of unreserved fund balance and unrestricted net assets. The net effect of the error by the Board resulted in a restatement by the City to increase its investment in the joint venture and the unrestricted net assets of the Water and Sewer Fund and business-type activities by \$637,201 at October 1, 2009. The restatement had no effect on change in net assets of the prior year.

The Board enters into contracts for capital projects as an agent for the cities. All costs associated with such contracts are reimbursed by the cities. At September 30, 2010, commitments totaling \$1,949,326 were remaining on such contracts.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

11. Interfund Transactions and Balances

Total interfund receivables/payables and transfers as of and for the year ended September 30, 2010 were as follows:

| | Due From Other Funds | Due To Other Funds | Transfers In | Transfers Out |
|---------------------------------|---------------------------------|-------------------------------|---------------------|----------------------|
| Major Governmental Fund | | | | |
| General Fund | \$ - | \$ 35,211,236 | \$ 3,434,948 | \$ 3,457,051 |
| Other Governmental Funds | | | | |
| Special Revenue Funds: | | | | |
| Law Enforcement Trust | 280,618 | - | - | - |
| Developers Land Contribution | 324,577 | - | - | 1,500 |
| ARRA Economic Stimulus | - | 128,427 | - | - |
| Neighborhood Services | - | 110,968 | 149,430 | - |
| SHIP | 202,082 | - | - | - |
| Beautification | 451,109 | - | 910,225 | - |
| Special Projects | 2,355,717 | - | 30,166 | 12,000 |
| Cemetery Perpetual Care | 747,421 | - | - | - |
| Debt Service Fund: | | | | |
| Utilities Tax | 447,358 | - | 1,205,620 | 3,024 |
| Capital Projects Funds: | | | | |
| Capital Improvement | 5,718,169 | - | 1,803,020 | 13,220 |
| 2004 GO Bond | 979,528 | - | - | - |
| Beach Restoration | 359,188 | - | 15,000 | - |
| Total Governmental Funds | <u>11,865,767</u> | <u>35,450,631</u> | <u>7,548,409</u> | <u>3,486,795</u> |
| Major Proprietary Fund | | | | |
| Water and Sewer Fund | 10,471,371 | - | 108,991 | 3,141,120 |
| Other Proprietary Funds | | | | |
| Municipal Golf Course | - | 826,167 | - | 33,000 |
| Lakeview Golf Course | - | 678,415 | - | 15,000 |
| City Marina | 883,807 | - | - | 49,300 |
| Sanitation | 1,959,539 | - | - | 183,950 |
| Stormwater Utility | 3,281,033 | - | - | 280,420 |
| Internal Service Funds: | | | | |
| Insurance | 6,258,031 | - | - | 657,065 |
| Central Garage | 2,235,665 | - | 189,250 | - |
| Total Proprietary Funds | <u>25,089,446</u> | <u>1,504,582</u> | <u>298,241</u> | <u>4,359,855</u> |
| Total Primary Government | <u>\$ 36,955,213</u> | <u>\$ 36,955,213</u> | <u>\$ 7,846,650</u> | <u>\$ 7,846,650</u> |

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to various funds that the General Fund expects to collect in the subsequent year.

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, (3) move unrestricted General Fund revenues to finance various programs that the City must account for in another fund in accordance with budgetary authorizations, including amounts for capital projects and amounts provided as contributions or matching funds for beautification,

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

11. Interfund Transactions and Balances (Continued)

community development and other grant programs. For the year ended September 30, 2010, the Central Garage Fund received vehicle transfers from the Stormwater Utility Fund of \$179,250. The Insurance Fund transferred \$636,500 to the Capital Improvement Fund for various projects.

12. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2010:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Revenue bonds | \$ 37,405,774 | \$ - | \$ (906,573) | \$ 36,499,201 | \$ 940,985 |
| General obligation bonds | 29,465,000 | - | (2,375,000) | 27,090,000 | 2,485,000 |
| Unamortized bond premium | 1,128,604 | - | (136,142) | 992,462 | - |
| Unamortized loss on bond refinancing | (420,978) | - | 96,222 | (324,756) | - |
| Total bonds payable, net | 67,578,400 | - | (3,321,493) | 64,256,907 | 3,425,985 |
| Installment agreements | 268,795 | - | (75,960) | 192,835 | 64,375 |
| Compensated absences | 7,440,488 | 845,821 | (831,486) | 7,454,823 | 664,825 |
| Insurance claims payable | 4,714,863 | 8,243,300 | (8,692,944) | 4,265,219 | 1,603,342 |
| Total Governmental Activities | \$ 80,002,546 | \$ 9,089,121 | \$ (12,921,883) | \$ 76,169,784 | \$ 5,758,527 |
| Business-Type Activities: | | | | | |
| Revenue bonds | \$ 37,398,701 | \$ - | \$ (5,218,873) | \$ 32,179,828 | \$ 5,468,650 |
| Unamortized bond premium | 71,812 | - | (15,271) | 56,541 | - |
| Unamortized loss on bond refinancing | (251,912) | - | 57,284 | (194,628) | - |
| Total bonds payable, net | 37,218,601 | - | (5,176,860) | 32,041,741 | 5,468,650 |
| Accrued interest on capital appreciation bonds | 9,221,724 | 878,082 | (159,554) | 9,940,252 | 165,365 |
| Installment agreements | 136,681 | - | (39,436) | 97,245 | 32,464 |
| Compensated absences | 847,217 | 63,122 | (47,712) | 862,627 | 43,835 |
| Total Business-Type Activities | \$ 47,424,223 | \$ 941,204 | \$ (5,423,562) | \$ 42,941,865 | \$ 5,710,314 |

Debt service on revenue bonds and installment agreements is payable from available non-ad valorem revenues. Debt service on utility tax obligations is payable from utilities tax revenues. General obligation bonds are payable from ad valorem taxes. Compensated absences are generally liquidated by the General Fund. Noncurrent liabilities, including current maturities, at September 30, 2010 consisted of the following:

| Revenue Bonds: | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| 5.75% to 5.85%, \$28,104,475 Water and Sewer Revenue Bonds issued on June 1, 1993 (Series 1993). Capital appreciation bonds are due in amounts of \$265,000 to \$4,475,000 due October 1, 2011 through 2014. | \$ - | \$ 5,869,029 |

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2010

12. Noncurrent Liabilities (Continued)

| Revenue Bonds: | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| 5.50%, \$15,030,000 Water and Sewer Revenue Bonds issued on December 4, 1997 (Series 1997), with principal amounts of \$3,945,000 due through October 1, 2010, with semi-annual interest payments due each October 1 and April 1 through October 1, 2010. The bonds were issued to refund a portion of the Series 1991 bonds. | \$ - | \$ 3,945,000 |
| 5.245%, \$10,000,000 Revenue Bonds issued February 25, 2000 (Series 2000) due in principal amounts of \$465,000 to \$600,000 through June 1, 2019, with semi-annual interest payments due each June 1 and December 1 through June 1, 2019. The bonds were issued to finance all or a portion of the costs of certain roadway improvements including water, sewer and drainage work, and a portion of the costs of a tri-party radio system. | 3,552,983 | 1,272,017 |
| 3.6% to 4.2%, \$15,020,000 Utility Tax Revenue Bonds issued December 19, 2002 (Series 2002) due in principal amounts of \$420,000 to \$510,000 through June 1, 2016, with semi-annual interest payments due each June 1 and December 1 through June 1, 2016. The bonds were issued to current refund the Utilities Tax Revenue Refunding and Improvement Bonds, Series 1992, advance refund the Utilities Tax Revenue Refunding and Improvement Bonds, Series 1994, advance refund the Utilities Tax Revenue Bonds, Series 1995, current refund the Utilities Tax Revenue Bonds, Subordinate Series 1996 and current refund the Utilities Tax Revenue Bonds, Subordinate Series 1998. | - | 2,785,000 |
| 3.66%, \$9,685,000 Revenue Refunding and Improvement Bonds issued December 2, 2003 (Series 2003) due in principal amounts of \$605,000 to \$920,000 through June 1, 2019, with semi-annual interest payments due each June 1 and December 1 through June 1, 2019. The bonds were issued to current refund Series 1999 and Series 2002 Tax Exempt Bonds, in whole, and Series 2002 Taxable Bonds in part. | 6,340,000 | 390,000 |
| 4.12%, \$7,000,000 Water and Sewer Revenue Bonds issued May 6, 2006 (Series 2006A) with principal amounts of \$440,000 to \$650,000 due through October 1, 2021, with semi-annual interest payments due each October 1 and April 1 through October 1, 2021. The bonds were issued to finance the cost of a new Environmental Services building and for funding of various capital projects at the South Central Regional Wastewater Treatment Plant. | - | 6,330,000 |
| 3.98%, \$2,350,000 Water and Sewer Revenue Bonds issued November 17, 2006 (Series 2006B), with principal amounts of \$130,000 to \$205,000 due through October 1, 2021, with semi-annual interest payments due each October 1 and April 1 through October 1, 2021. The bonds were issued to finance the City's share of the Reclaimed Water Treatment Project at the South Central Regional Wastewater Treatment Plant. | - | 1,980,000 |

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2010

12. Noncurrent Liabilities (Continued)

| Revenue Bonds: | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| 4.41%, \$9,000,000 Water and Sewer Revenue Bonds issued September 18, 2007 (Series 2007), with principal amounts of \$210,000 to \$1,220,000 due through October 1, 2021, with semi-annual interest payments due each October 1 and April 1 through October 1, 2021. The bonds were issued to finance the City's share of the Reclaimed Water and Deep Well Project at the South Central Regional Wastewater Treatment Plant. | \$ - | \$ 8,610,000 |
| 4% - 5%, \$24,635,000 Utility Tax Revenue Bonds issued September 26, 2007 (Series 2007) due in principal amounts of \$25,000 to \$2,465,000 through June 1, 2032 with semi-annual interest payments due each June 1 and December 1 through June 1, 2032. The bonds were issued to finance various parks and recreation projects, Fire Station #4, Environmental Services Building (in part), and to refund the City's 2005 Line of Credit (which was used to fund the Old School Square Parking Garage Project). | 23,606,218 | 998,782 |
| Variable, \$3,000,000 Revenue Bonds issued September 26, 2008 (Series 2008) with semi-annual interest payments due each June 1 and December 1 through June 1, 2013. The variable rate (.88125% at September 30, 2010) is reset monthly and is based on the 30 day LIBOR plus sixty-two and one half basis points (.625). The bonds were issued to provide interim financing, in part, for the Old School Square Parking Garage Project. | 3,000,000 | - |
| Total Revenue Bonds | 36,499,201 | 32,179,828 |
| Unamortized bond premium | 729,558 | 56,541 |
| Unamortized loss on bond refunding | (159,086) | (194,628) |
| Total Revenue Bonds, Net | <u>37,069,673</u> | <u>32,041,741</u> |

General Obligation Bonds:

| | | |
|---|------------|---|
| 5.00%, \$15,685,000 General Obligation Bonds issued December 19, 2002 (Series 2002), due in annual principal installments of \$1,865,000 to \$2,055,000 through February 1, 2013, with semi-annual interest payments due each February 1 and August 1 through February 1, 2013. The bonds were issued to partially refund, on a current basis, General Obligation Bonds, Series 1993A and Series 1993B. | 5,880,000 | - |
| 3.25%-4.30%, \$14,000,000 General Obligation Bonds issued September 30, 2004 (Series 2004), due in annual principal installments of \$620,000 to \$1,025,000 through February 1, 2024, with semi-annual interest payments due each February 1 and August 1 through February 1, 2024. The bonds were issued for the acquisition of land, equipping of new parks and recreation centers, constructing a parking garage and purchasing library fixtures. | 11,210,000 | - |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

12. Noncurrent Liabilities (Continued)

| General Obligation Bonds: | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| 4.15%, \$10,000,000 General Obligation Bonds issued August 26, 2005 (Series 2005), due in annual principal installments of \$720,000 to \$1,135,000 starting February 1, 2014 through February 1, 2024, with semi-annual interest payments due February 1 and August 1 through February 1, 2024. The bonds were issued for the acquisition of land, equipping of new parks, recreation centers, parking garage and library. | \$ 10,000,000 | \$ - |
| Total General Obligation Bonds | 27,090,000 | - |
| Unamortized bond premium | 262,904 | - |
| Unamortized loss on bond refunding | (165,670) | - |
| Total General Obligation Bonds, Net | <u>27,187,234</u> | <u>-</u> |

Other Noncurrent Liabilities:

| | | |
|---|----------------------|----------------------|
| Long-term installment agreements for equipment: | | |
| 2.76% installment purchase agreements maturing in 2013 | 192,835 | 97,245 |
| Compensated absences payable | 7,454,823 | 862,627 |
| Insurance claims payable (see Note 15) | 4,265,219 | - |
| Accrued interest on capital appreciation bonds | - | 9,940,252 |
| Total Noncurrent Liabilities, including current portion | <u>\$ 76,169,784</u> | <u>\$ 42,941,865</u> |

Governmental Activities

The provisions of the various bond resolutions differ in some respects, but generally provide for:

1. Establishment and maintenance of certain cash reserves for the revenue bonds. The maximum deposit requirement is usually set at the highest future annual principal and interest payment. In lieu of establishing the reserve, the City has purchased surety bonds for this amount.
2. Annual debt service funding by monthly transfers to a cash reserve account for the revenue bonds.
3. Early redemption of outstanding bonds at call rates varying between 101% and 103% of the instrument's face value, depending on the bonds and call date.
4. Investing of cash reserves in time deposits or direct obligations of the U.S. Government.

Long-term installment agreements consist of several agreements with vendors for the purchase of equipment used in governmental activities. At September 30, 2010, the gross amount of the equipment held under these agreements was \$260,600 and the accumulated amortization totaled \$21,733. Amortization expense related to equipment purchased under long-term installment agreements is included in depreciation in the accompanying financial statements. Most agreements call for termination of the agreement and forfeiture of the equipment in the event the payments are not budgeted or made. Future payments through final maturity under governmental activities long-term installment agreements as of September 30, 2010 are as follows:

| | |
|---|-------------------|
| Fiscal year ending September 30: | |
| 2011 | \$ 68,887 |
| 2012 | 68,888 |
| 2013 | <u>63,147</u> |
| Total minimum payments | 200,922 |
| Less amount representing interest | <u>(8,087)</u> |
| Outstanding balance at September 30, 2010 | <u>\$ 192,835</u> |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

12. Noncurrent Liabilities (Continued)

Pledged Governmental Revenues: The City has pledged the future utilities service tax revenues of the City to repay the outstanding Utility Tax Revenue Bonds Series 2002 and 2007 issued to finance various capital improvements. The utility tax bonds are payable solely from the utilities service tax revenues received by the City and are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 30 percent of utilities service tax revenues. Total principal and interest remaining to be paid on the utility tax revenue bonds is \$48,110,536 at September 30, 2010. Principal and interest paid and utility tax revenues received for the current year were \$1,830,674 and \$9,038,143, respectively.

The City has also pledged the future non ad-valorem revenues of the City to repay the outstanding Series 2000 and 2008 Revenue Bonds and the Series 2003 Revenue Refunding and Improvement Bonds issued to finance various capital improvements. The revenue bonds are payable solely from the non ad-valorem revenues received by the City and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 10 percent of non ad-valorem revenues. Total principal and interest remaining to be paid on the revenue bonds is \$17,265,645 at September 30, 2010. Principal and interest paid and non-ad valorem revenues received for the current year were \$1,596,974 and \$48,613,404, respectively.

Legal Debt Margin: The City has not established a legal debt margin limit but has established policy guidelines for the management of debt. The City strives to maintain gross, bonded general obligation principal debt at a level not to exceed 2% of the assessed value of taxable property within the City. The City also strives to ensure that its net bonded debt per capita does not exceed \$700 and that the combined total of its direct net bonded debt and its share of overlapping debt issued by Palm Beach County does not exceed \$2,000 per capita.

Debt Maturities: The annual requirements to pay principal and interest to maturity on the governmental activities bonds outstanding as of September 30, 2010 are as follows:

| Fiscal Year Ending September 30 | Revenue Bonds | | General Obligation Bonds | | |
|---------------------------------------|---------------|---------------|--------------------------|--------------|---------------|
| | Principal | Interest | Principal | Interest | Total |
| 2011 | \$ 940,985 | \$ 1,622,850 | \$ 2,485,000 | \$ 1,091,540 | \$ 6,140,375 |
| 2012 | 985,381 | 1,582,791 | 2,600,000 | 973,840 | 6,142,012 |
| 2013 | 4,028,145 | 1,540,633 | 2,720,000 | 849,827 | 9,138,605 |
| 2014 | 1,065,322 | 1,469,892 | 1,410,000 | 758,937 | 4,704,151 |
| 2015 | 1,113,078 | 1,424,130 | 1,465,000 | 702,092 | 4,704,300 |
| 2016-2020 | 6,343,094 | 6,370,777 | 8,330,000 | 2,556,928 | 23,600,799 |
| 2021-2025 | 7,646,477 | 4,778,807 | 8,080,000 | 697,626 | 21,202,910 |
| 2026-2030 | 9,757,173 | 2,665,713 | - | - | 12,422,886 |
| 2031-2032 | 4,619,546 | 349,224 | - | - | 4,968,770 |
| Total | \$ 36,499,201 | \$ 21,804,817 | \$ 27,090,000 | \$ 7,630,790 | \$ 93,024,808 |

Interest Expense: Total interest costs incurred on governmental activities debt for the year ended September 30, 2010 were \$2,863,293, all of which was expensed.

Business-Type Activities

The provisions of the bond resolutions for the debt of the Water and Sewer Fund, Municipal Golf Course Fund, Lakeview Golf Course Fund and the Stormwater Utility Fund differ in some respects, but generally provide for:

1. Annual debt service funding by monthly transfers of cash to a reserve account.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

12. Noncurrent Liabilities (Continued)

2. Establishment of certain cash reserves for the Water and Sewer and Utility Tax Revenue Bonds. The maximum deposit required is usually set at the highest future annual principal and interest payment. The City purchased sureties equal to the requirements.
3. Maintenance of a renewal and replacement cash reserve set at 5% of the previous year's gross revenue.
4. Early redemption of outstanding bonds at call rates ranging from 101% to 102% of the instrument's face value depending on the bonds and call date. Primarily bonds are subject to a penalty for early redemption.
5. Investing of cash reserves in time deposits, direct obligations of the U.S. Government and other authorized investments with varying maturity restrictions.
6. The use of cash is generally restricted to the following priority: operation and maintenance, debt service, reserves, renewal and replacement, and any other lawful purpose.

Long-term installment agreements consist of several agreements with vendors for the purchase of equipment used in business-type activities. At September 30, 2010, the gross amount of the equipment held under these agreements was \$131,420 and the accumulated amortization totaled \$38,496. Amortization expense related to equipment purchased under long-term installment agreements is included in depreciation in the accompanying financial statements. Most agreements call for termination of the agreement and forfeiture of the equipment in the event the payments are not budgeted or made. Minimum future lease payments through maturity under business-type activities long-term installment agreements (capital leases) as of September 30, 2010 are as follows:

| | |
|---|------------------|
| Fiscal year ending September 30: | |
| 2011 | \$ 34,739 |
| 2012 | 34,740 |
| 2013 | 31,845 |
| Total minimum payments | <u>101,324</u> |
| Less amount representing interest | <u>(4,079)</u> |
| Outstanding balance at September 30, 2010 | <u>\$ 97,245</u> |

Pledged Utility Revenues: The City has pledged the future net revenues (generally customer revenues, net of specified operating expenses) of the water and sewer utility to repay the outstanding water and sewer utility revenue bonds issued from 1993 through 2007 to finance improvements to the system. The water and sewer utility revenue bonds are payable solely from the utility net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 50 percent of utility net revenues. Total principal and interest remaining to be paid on the water and sewer utility revenue bonds is \$44,322,451. Principal and interest paid and utility net revenues for the current year were \$5,989,329 and \$12,794,875, respectively.

Defeased Bonds: At September 30, 2010 there were no defeased bonds outstanding.

Segment Information: A portion of the City's Series 2002 and Series 2007 Utility Tax Revenue Bonds, Series 2000 Revenue Bonds and Series 2003 Revenue Refunding and Improvement Bonds, were used to finance improvements to the City's two golf courses and stormwater utility. The City's golf courses and the stormwater utility are accounted for in three separate non-major enterprise funds, however the revenue streams of those funds are not specifically pledged for the repayment of those bonds, which are secured by the City's utility tax revenues and non-ad valorem revenues. Accordingly, segment information is not required or presented for the golf course and stormwater utility operations.

Debt Maturities: The annual requirements to pay principal and interest to maturity on the business-type activities bonds outstanding as of September 30, 2010 are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

12. Noncurrent Liabilities (Continued)

| Fiscal Year Ending September 30 | Revenue Bonds | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2011 | \$ 5,468,650 | \$ 1,215,935 | \$ 6,684,585 |
| 2012 | 3,000,356 | 3,784,019 | 6,784,375 |
| 2013 | 2,980,061 | 3,812,581 | 6,792,642 |
| 2014 | 2,886,403 | 3,846,564 | 6,732,967 |
| 2015 | 2,870,648 | 3,861,218 | 6,731,866 |
| 2016-2020 | 9,976,906 | 2,189,050 | 12,165,956 |
| 2021-2025 | 4,388,523 | 377,856 | 4,766,379 |
| 2026-2030 | 412,827 | 112,787 | 525,614 |
| 2031-2032 | 195,454 | 14,776 | 210,230 |
| Total | <u>\$ 32,179,828</u> | <u>\$ 19,214,786</u> | <u>\$ 51,394,614</u> |

Interest Expense: Total interest costs incurred on business-type activities debt for the year ended September 30, 2010 were \$2,138,988, all of which was expensed.

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency

Component Unit - Changes in the noncurrent liabilities of the Delray Beach Community Redevelopment Agency (CRA) for the year ended September 30, 2010 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|-------------|-----------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Revenue bonds | \$ 14,050,000 | \$ - | \$ (1,275,000) | \$ 12,775,000 | \$ 1,670,000 |
| Note payable | 494,787 | - | (162,253) | 332,534 | 166,003 |
| Pollution remediation obligation | 30,000 | - | (19,835) | 10,165 | 10,165 |
| Total noncurrent liabilities | <u>\$ 14,574,787</u> | <u>\$ -</u> | <u>\$ (1,457,088)</u> | <u>\$ 13,117,699</u> | <u>\$ 1,846,168</u> |

The CRA outstanding Revenue Bonds at September 30, 2010 consist of the following:

| | |
|--|----------------------|
| 4.80% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), maturity date September 1, 2019. | \$ 4,820,000 |
| 4.2982% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 2004A Tax Exempt), maturity date September 1, 2019. | 6,735,000 |
| 5.9095% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bonds (Series 2004B Taxable), maturity date September 1, 2016. | <u>1,220,000</u> |
| Total Revenue Bonds | <u>\$ 12,775,000</u> |

Tax Increment Redevelopment Revenue Improvement Note, Series 2006 Taxable: On September 21, 2006, the CRA authorized the issuance of a revolving note agreement with a financial institution for an amount not to exceed \$7 million to finance the development of affordable housing and other redevelopment projects pursuant to the CRA's redevelopment plan. Interest on the outstanding principal balance of the note accrues at a rate equivalent to the one

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

12. Noncurrent Liabilities (Continued)

month LIBOR rate plus 28 basis points and is payable semi-annually on June 1st and December 1st, until maturity of the note on December 1, 2009, at which time all outstanding principal is due. The note is secured by a pledge of tax increment revenues on parity with the CRA's outstanding revenue bonds. During the year ended September 30, 2010 the CRA had no borrowings on this note and the note was canceled at September 30, 2010.

Note Payable: The note payable is to the South Florida Regional Planning Council (the "Council") based on an interlocal agreement between the CRA and the Council to provide funding to the CRA for the brownfield remediation and redevelopment of 20 platted lots in the Carver Square subdivision within the CRA boundaries of the City. Interest at 3.0% on the outstanding principal balance is payable semiannually on June 2nd and December 2nd, commencing June 2, 2009. Principal payments are due in equal annual installments of \$87,763 on June 2nd and December 2nd, commencing December 2, 2009 and through maturity on December 2, 2011.

Pollution Remediation Obligation: In 2005 and 2006, the CRA purchased 20 platted lots in the Carver Square subdivision of the City for brownfield remediation and redevelopment of the lots for construction of affordable single family homes. Based on the level of pollution present, State law required the CRA to perform pollution remediation after the property was acquired. The CRA estimated the liability to be \$475,971 based on the contracted costs to perform the required work. In 2009, additional monitoring work was required increasing the total estimated cost by \$30,000. The liability could change over time due to changes in the costs of goods and services or changes in the remediation effort required by regulatory authorities. The CRA accounts for the pollution obligation in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes the accounting and financial reporting requirements for pollution remediation obligations of all governments.

Pledged Revenues: The CRA has pledged a portion of future tax increment revenues to repay its outstanding revenue bonds issued in 1999 and 2004 to finance various redevelopment projects within the redevelopment district. The revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district. Tax increment revenues were projected to produce more than 200 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on all debt at September 30, 2010 was \$15,461,200, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$1,926,128 and \$11,879,297, respectively.

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2010, were \$658,813 and \$664,401, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Annual Debt Service: The annual debt service requirements at September 30, 2010 for all CRA debt, excluding the pollution remediation obligation, are as follows:

| Fiscal Year Ending September 30, | Principal | Interest | Total |
|---|------------------|-----------------|---------------|
| 2011 | \$ 1,836,003 | \$ 593,597 | \$ 2,429,600 |
| 2012 | 1,761,531 | 516,299 | 2,277,830 |
| 2013 | 1,670,000 | 437,454 | 2,107,454 |
| 2014 | 1,750,000 | 358,764 | 2,108,764 |
| 2015 | 1,420,000 | 276,274 | 1,696,274 |
| 2016-2019 | 4,670,000 | 517,074 | 5,187,074 |
| | \$ 13,107,534 | \$ 2,699,462 | \$ 15,806,996 |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

13. Pension Plans

Description of the Plans

The City contributes to two single-employer defined benefit pension plans covering substantially all full-time City employees. The General Employees' Pension Fund is for employees who have completed one year of credited service excluding the City Commission, City Manager, Assistant City Manager, City Attorney and associates, department heads upon their written election not to participate, and firefighters and police officers covered under the Police and Firefighters' Retirement System Fund. The Police and Firefighters' Retirement System Fund covers all non-civilian police and fire employees. Each plan is administered by an independent Board of Trustees and is accounted for by the City as a separate fund. The costs of administering the plans are financed by the plans' respective investment earnings. An actuarial report is prepared annually for each plan.

General Employees' Pension Fund - The benefit provisions and all other requirements of the General Employees' Pension Fund are established by City Ordinance and are summarized as follows:

The funding methods and determination of benefits payable are provided in the various sections of the City's Code of Ordinances, including subsequent amendments thereto. The Code provides, in general, that funds are to be accumulated from employee contributions, City contributions and income from investment of accumulated funds. The operations of the fund are administered and managed by the General Employees' Pension Fund Board of Trustees. The retirement committee (the Board of Trustees) consists of a chairperson and four additional members; all of whom are appointed by the City Commission.

Vesting—Benefits vest 50% after five years of service plus 10% each additional year.

Eligibility for Retirement—For normal retirement, completion of 30 years credited service regardless of age, or 10 years of service and attainment of age 60.

Annual Retirement Benefit—2.5% of the average monthly compensation times years of service with a maximum benefit of 75%. The monthly benefit is payable over the remaining life of the participant and upon death, 100% to the surviving spouse for one year and 60% thereafter until death or remarriage. Effective July 2005 participants have the option of a 3% multiplier with a maximum benefit of 90%. Employees selecting this option will contribute an additional 3.45% of earnings. There was also an option of purchasing all or a portion of prior service at the increased multiplier.

Other Benefits—The system also provides for optional retirement benefits, early retirement, extended retirement, disability retirement and death benefits.

Deferred Retirement Option Plan (DROP)—Employees with 10 years of credited service and eligible for normal retirement have the option of entering the DROP plan. When entering the DROP plan, the employee will not terminate employment with the City but will cease accruing a pension benefit, and the monthly benefit under the applicable plan as of the election date will be directed to a self-administered 401(a) Plan. After a maximum of 60 months, the employee must terminate employment with the City.

Employee Contributions—Effective October 1, 2003, the plan became contributory after 3 years being noncontributory. The employee contribution rate is 2.50% of an employee's basic annual compensation. If the employee chooses the 3% multiplier, there is an additional contribution of 3.45%, for a total of 5.95%. If an employee leaves covered employment or dies before five years of credited service, accumulated employee contributions are refunded to the employee or the designated beneficiary.

City Contributions—City contributions are based upon actuarially determined amounts, which together with earnings and employee contributions, are sufficient to fund the plan.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

13. Pension Plans (Continued)

Police and Firefighters' Retirement System Fund - The benefit provisions and all other requirements of the Police and Firefighters' Retirement System Fund are established by City Ordinance and are summarized as follows:

The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the fund. The statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations and income from investment of accumulated funds. The act also provides that, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the fund by an appropriation from current funds, or from any revenues which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The operations of the fund are administered and managed by the Police and Firefighters' Retirement System Board of Trustees, consisting of two outside commission appointees, two designees from the chief(s), one member of each department elected by the membership and the Mayor of the City.

Vesting—Benefits fully vest after 10 years of service.

Eligibility for Normal Retirement—Upon completion of 20 years of service regardless of age.

Annual Retirement Benefit—Normal retirement benefits are based upon 2.5% of average monthly earnings times years of service with a maximum benefit of 75% up to 20 years. After 20 years of service, a 3% multiplier is used for each year of service. Employees who were actively employed as of March 15, 2004 may elect a normal retirement benefit using a 3.5% multiplier for each year of service once 20 years of service is attained with a maximum of 87.5%. Employees selecting this option will contribute an additional 3% of earnings. The normal retirement benefit is payable over the remaining life of the member, and upon death 100% of the benefit is payable to the spouse for one year and 60% thereafter until death or remarriage.

Other Benefits—The plan also provides for disability retirement and death benefits.

Deferred Retirement Option Plan (DROP)—Employees with 20 years of credited service have the option of entering the DROP plan. When entering the DROP plan, the employee will not terminate employment with the City, but will cease accruing a pension benefit under the plan, and the monthly benefit as of the election date will be directed to a self-administered 401(a) plan. After a maximum of 60 months, the employee must terminate employment with the City.

Employee Contributions—Effective March 15, 2004, if the employee selected the 3.5% multiplier, the contribution is 6%. If not selected, the employee contribution rate remains at 3% of an employee's annual compensation. If an employee leaves covered employment prior to vesting, contributions are refunded to the employee with interest.

State of Florida Contributions—Pursuant to Chapters 175 and 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on properties within the City is collected by the state and remitted to the City annually for the Police and Firefighters' Retirement System Fund.

City Contributions—City contributions are based upon actuarially determined amounts which, together with earnings, employee and state contributions, are sufficient to fund the plan.

Membership

Membership data of the City's pension plans as of October 1, 2009, the date of the most recent actuarial valuations, is summarized as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

13. Pension Plans (Continued)

| | General Employees' Pension Fund | Police and Firefighters' Retirement System Fund |
|--|--|--|
| Retirees and beneficiaries receiving benefits | 223 | 182 |
| Terminated employees entitled to benefits but not receiving them | 44 | 5 |
| Active members | 424 | 246 |

Related Party Transactions

There were no City securities included in the assets of the General Employees' Pension Fund or the Police and Firefighters' Retirement System Fund.

Actuarial Methods and Significant Assumptions

The actuarial methods and significant assumptions used to determine the annual required contributions for the current year are summarized as follows:

| | General Employees' Pension Fund | Police and Firefighters' Retirement System Fund |
|-----------------------------------|--|--|
| Valuation date | October 1, 2009 | October 1, 2009 |
| Actuarial cost method | Aggregate Actuarial Cost ⁽¹⁾ | Entry Age Normal |
| Post retirement benefit increases | None | Annual increase of 1% plus that which can be funded by State revenue |
| Amortization method | N/A ⁽¹⁾ | Level Percent of Payroll – Closed |
| Remaining amortization period | N/A ⁽¹⁾ | 30 years |
| Asset valuation method | Recognition of 20% of difference between market value of assets and expected actuarial asset value | 5 year Smooth Market (as of October 1, 2005) |
| Actuarial assumptions: | | |
| Investment rate of return* | 7.25% | 8.20% |
| Projected salary increases* | 4.4% -7.2% based on service | 6.25% |
| Cost of living increases | N/A | 1.00% |
| * Includes inflation rate | 3.00% | 4.00% |

(1) Use of the Aggregate Actuarial Cost method does not identify and separately amortize unfunded liabilities; however, effective October 1, 2009, the most recent valuation date, the actuarial cost method was changed from the Aggregate Actuarial Cost method to the Entry Age Normal method using the Level Dollar – Closed amortization method over a period of 25 years. Accordingly, information about funded status and funding progress presented below and as required supplementary information following the notes to the financial statements was prepared using the Entry Age Actuarial Cost method.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

13. Pension Plans (Continued)

Contribution Requirements and Contributions Made

The Florida Legislature, City Commission and each Pension Board govern the City and employee contribution requirements for both plans. The City's contribution to the plans is an actuarially determined periodic amount to ensure that sufficient assets will be available to pay benefits when due. Annual pension costs and contribution information for the last three fiscal years are as follows:

| Year Ended September 30 | Annual Pension Cost | Percentage Contributed | Net Pension Obligation (Asset) |
|--|----------------------------|-------------------------------|---------------------------------------|
| General Employees' Pension Fund | | | |
| 2010 | \$ 2,996,262 | 100% | \$ 0 |
| 2009 | 2,502,936 | 100 | 0 |
| 2008 | 2,398,379 | 100 | 0 |
| Police and Firefighters' Retirement System Fund | | | |
| 2010 | \$ 7,065,343 | 100% | \$ (58,412) |
| 2009 | 5,381,809 | 100 | (58,412) |
| 2008 | 5,608,475 | 100 | (62,025) |

The changes in the City's net pension asset related to the Police and Firefighters' Retirement System Fund for the current year were as follows:

| | |
|--|--------------|
| Annual required contribution (ARC) | \$ 7,061,730 |
| Interest on net pension obligation (NPO) | (5,272) |
| Adjustment to ARC | 8,885 |
| Annual pension cost | 7,065,343 |
| Contributions made | 7,061,730 |
| Increase in NPO | 3,613 |
| NPO (asset) at October 1, 2009 | (62,025) |
| NPO (asset) at September 30, 2010 | \$ (58,412) |

Funded Status and Funding Progress

The funded status of the plans as of October 1, 2009, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

| Plan | Actuarial Valuation Date | Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|-----------------------|---------------------------------|----------------------------|--|------------------------------|---------------------------|----------------------------|--|
| General Employees | 10/1/2009 | \$ 84,476,640 | \$ 90,079,371 | \$ 5,602,731 | 93.80% | \$ 19,359,146 | 28.9% |
| Police & Firefighters | 10/1/2009 | 117,804,617 | 182,523,094 | 64,718,477 | 64.54 | 17,901,995 | 361.52 |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

13. Pension Plans (Continued)

The schedules of funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Pension Plan Financial Statements

The General Employees' Pension Fund does not issue a publicly available financial report. The financial statements for the General Employees' Pension Fund as of and for the year ended September 30, 2010 are as follows:

| Statement of Plan Net Assets | |
|--|----------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 416,760 |
| Investments: | |
| Equity securities | 9,296,627 |
| Alternative investments | 68,239,356 |
| Employee contributions receivable | 31,918 |
| Prepaid expenses | 60,076 |
| Interest and dividends receivable | 21,869 |
| Total assets | <u>78,066,606</u> |
| LIABILITIES | |
| Accounts payable | 25,192 |
| Total liabilities | <u>25,192</u> |
| NET ASSETS held in trust for pension benefits | <u>\$ 78,041,414</u> |
| Statement of Changes in Plan Net Assets | |
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 2,996,262 |
| Plan members | 603,014 |
| Total contributions | <u>3,599,276</u> |
| Investment earnings | |
| Net appreciation in fair value of investments | 6,730,296 |
| Interest | 171 |
| Dividends | 206,923 |
| | <u>6,937,390</u> |
| Less investment expenses – custodian fees | 114,665 |
| Net investment income | <u>6,822,725</u> |
| Other income | 55,518 |
| Total additions | <u>10,477,519</u> |
| DEDUCTIONS | |
| Benefits | 3,457,396 |
| Refunds of contributions | 56,890 |
| Other operating expenses | 133,668 |
| Total deductions | <u>3,647,954</u> |
| Change in net assets | 6,829,565 |
| Net Assets at October 1, 2009 | <u>71,211,849</u> |
| Net Assets at September 30, 2010 | <u>\$ 78,041,414</u> |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

13. Pension Plans (Continued)

The Police and Firefighters' Retirement System Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Delray Beach, 100 NW 1st Avenue, Delray Beach, FL 33444 or by calling (561) 243-7012.

Prior Period Adjustment: The Police and Firefighters' Retirement System Fund (audited by other auditors) reported a prior period adjustment in its audited financial statements for 2010 to increase beginning net assets at October 1, 2009 by \$11,232,842 for participant DROP accounts of \$9,742,718 and State contributions of \$1,490,124 that were reported as liabilities in the prior audited financial statements of the Police and Firefighters' Retirement System Fund. The restatement had no effect on change in net assets of the prior year.

Significant Accounting Policies

Basis of Accounting - The City's financial statements for the two pension funds are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that contributions are due. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments - Investments in the two pension funds are reported at fair value determined by the independent custodian for each plan using various third-party pricing sources.

Other Employee Benefit Plans

For employees not covered by one of the City's pension plans, the City contributed 9.5% of the base salary to the ICMA 457 Deferred Compensation Plan up to allowable limits. In 1996 the City instituted a 401(a) plan for department heads with a 3% match (Resolution 17-97). In 2000, this program was opened to certain eligible management and key employees to contribute up to 3% of their base salary to the ICMA Deferred Compensation Plan or 3% of their base salary to the ICMA 401(a) Plan with the City matching the contribution (Administrative Policy EB-15). Employees who were eligible to participate in the 401(a) Plan could exceed the 3% contribution with after tax dollars. All contributions are in accordance with Internal Revenue Service regulations. Activity in the 401(a) Plan for the year ended September 30, 2010 is summarized as follows:

| | |
|-------------------------------|-------------------|
| Balance at October 1, 2009 | \$ 479,295 |
| Employer contributions | 35,781 |
| Employee contributions | 71,156 |
| Investment gain | 46,777 |
| Distributions | (67,511) |
| Balance at September 30, 2010 | <u>\$ 565,498</u> |

The City has implemented a VantageCare Retirement Health Savings Plan which allows employees in the calendar year prior to termination (retirement), to make an election to deposit tax free part or all of their accumulated sick and vacation pay into the Plan. The Plan would then allow tax free withdrawals if the funds are used for qualified medical expenses. The effective date of the Plan was August 2002. In March 2007, the City was notified by ICMA, the administrator of VantageCare Retirement Health Savings Plan that all voluntary contributions must cease immediately. Therefore, contributions were allowed until December 31, 2007 if the employee made the election prior to December 31, 2006.

| | |
|----------------------------------|-------------------|
| Balance at October 1, 2009 | \$ 529,245 |
| Investment gain | 21,250 |
| Service fees | (2,040) |
| Distributions | (82,406) |
| Balance as of September 30, 2010 | <u>\$ 466,049</u> |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

14. Other Postemployment Benefits (OPEB)

Description of the Plans

The City's other postemployment benefit (OPEB) plans are described as follows:

OPEB Plan - The City administers a single-employer defined benefit plan (the "OPEB Plan") that provides medical and life insurance benefits to eligible retired employees and their beneficiaries. The City Commission has the authority to establish and amend premiums for and the benefit provisions of the OPEB Plan. The OPEB Plan is financed on a "pay-as-you-go" basis and is not administered as a formal qualifying trust. The OPEB Plan does not issue a publicly available financial report.

Florida Statute 112.0801 requires the City to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the OPEB Plan from separately rating retirees and active employees. Therefore, both groups (active and retirees) are charged an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. OPEB Plan members receiving benefits contribute 100% of the monthly premiums ranging from a minimum of \$556 to a maximum of \$1,488 for medical/prescription coverage and at a rate of \$.33 per \$1,000 of the face value for life insurance coverage.

Delray Beach Police, Firefighters & Paramedics Retiree Benefit Fund - The Delray Beach Police, Firefighters & Paramedic Retiree Benefit Fund (the "Retiree Benefit Fund") is a single-employer defined benefit plan established for the purpose of providing full or partial reimbursement for health insurance premiums or other qualified benefits permitted under Section 501(c)(9) of the Internal Revenue Code. The Retiree Benefit Fund was established pursuant to collective bargaining agreements between the City and the Professional Firefighters & Paramedics of Delray Beach, Local 1842, IAFF and the Police Benevolent Association (PBA). A Trust was created on May 14, 2002 and is administered by a separate Board of Trustees consisting of seven individuals, including the President of the Local 1842, IAFF, five union representatives (three PBA, two Local 1842, IAFF) and a non-bargaining unit active firefighter elected by non-bargaining unit participants. The City is neither the trustee nor the administrator of the Retiree Benefit Fund. Accordingly, since the City does not control, have access to or hold any assets of the Trust and has no reversionary rights in the assets of the Trust, the Retiree Benefit Fund is not reported as a fiduciary fund of the City. The Retiree Benefit Fund does not issue a publicly available financial report.

Participants in the Retiree Benefit Fund include persons employed by the City of Delray Beach Fire Rescue Department as certified firefighters or paramedics on or after October 1, 2001; persons employed by the City of Delray Beach Police Department as certified law enforcement officers on or after October 1, 2004; and, certain Police and Fire Rescue department employees for whom contributions were made for each year since October 1, 2001, regardless of the employee's certification as a firefighter, paramedic or law enforcement officer. Participants are eligible for benefits on or after the first day of the month following the date of their retirement from the City. The Retiree Benefit Fund currently does not require contributions from participants. The obligation of the City to fund the Retiree Benefit Fund is established by the applicable collective bargaining agreements in effect between the City and the unions. The Retiree Benefit Fund provides for a minimum annual benefit of \$3,900 for covered employees that are not certified as firefighters, paramedics or law enforcement officers. For certified firefighters, paramedics and law enforcement officers, the Retiree Benefit Fund provides for an annual benefit of \$5,200 reduced 3% per year for service less than 25 years, and increased 3% per year for service greater than 25 years.

Actuarial Methods and Significant Assumptions

The actuarial methods and significant assumptions used to determine the annual required contributions for the current year and the plans' funded status are summarized as follows:

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2010

14. Other Postemployment Benefits (OPEB) (Continued)

| | OPEB Plan | Retiree Benefit Fund |
|-----------------------------------|---|---|
| Valuation date | October 1, 2007 | October 1, 2008 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Post retirement benefit increases | None | None |
| Health care cost trend rates | 10% per year initially, reduced annually by .5% to an ultimate rate of 5% in 2018 | N/A – Benefits are for fixed amounts and do not adjust for changes in health care costs |
| Amortization method | Level Percent of Payroll – Closed | Level Percent of Payroll – Closed |
| Remaining amortization period | 29 years | 23 – 29 years |
| Asset valuation method | N/A ⁽¹⁾ | Market Value of Assets |
| Actuarial assumptions: | | |
| Investment rate of return | 4.5% ⁽²⁾ | 8.0% net of investment related expenses |
| Projected salary increases* | 3.0 - 4.0% | 6.25% |
| * Includes inflation rate | 3.0% | 4.00% |

(1) The plan is funded on a pay-as-you-go basis and is not administered as a formal qualifying trust. There were no plan assets as of October 1, 2007, the date of the most recent valuation.

(2) Since there are currently no invested plan assets held in trust to finance the OPEB obligations, the investment rate of return is the long-term expectation of investment return on assets held in City funds pursuant to its investment policy.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. In addition, projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and accordingly, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Contribution Requirements and Contributions Made

The annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization on any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB costs and contribution information for the last two fiscal years (information is not available for years prior to 2009, which was the year the City adopted Statement No. 45) are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

14. Other Postemployment Benefits (OPEB) (Continued)

| Year Ended September 30 | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation (Asset) |
|--------------------------------|-------------------------|-------------------------------|------------------------------------|
| OPEB Plan | | | |
| 2010 | \$ 999,504 | 74% | \$ 1,205,343 |
| 2009 | 949,409 | 0 | 949,409 |
| Retiree Benefit Fund | | | |
| 2010 | \$ 574,563 | 115% | \$ (180,161) |
| 2009 | 576,584 | 116 | (92,883) |

The changes in the City's net OPEB obligation (asset) related to the OPEB Plan and Retiree Benefit Fund for the year ended September 30, 2010 were as follows:

| | OPEB Plan | Retiree Benefit Fund | Total |
|---|------------------|-----------------------------|--------------|
| Annual required contribution | \$ 990,678 | \$ 576,584 | \$ 1,567,262 |
| Interest on net OPEB obligation (asset) | 42,723 | (7,431) | 35,292 |
| Adjustment to annual required contribution | (33,897) | 5,410 | (28,487) |
| Annual OPEB cost | 999,504 | 574,563 | 1,574,067 |
| Contributions made | (743,570) | (661,841) | (1,405,411) |
| Increase in net OPEB obligation (asset) | 255,934 | (87,278) | 168,656 |
| Net OPEB obligation at October 1, 2009 | 949,409 | (92,883) | 856,526 |
| Net OPEB obligation (asset) at September 30, 2010 | \$ 1,205,343 | \$ (180,161) | \$ 1,025,182 |

Funded Status and Funding Progress

The funded status of the OPEB Plan and Retiree Benefit Fund as of the most recent actuarial valuation date is as follows (dollar amounts in thousands):

| Plan | Actuarial Valuation Date | Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|----------------------|---------------------------------|----------------------------|--|------------------------------|---------------------------|----------------------------|--|
| OPEB Plan | 10/1/2007 | \$ - | \$ 11,436 | \$ 11,436 | 0.0% | \$ 42,431 | 27.0% |
| Retiree Benefit Fund | 10/1/2008 | 2,057 | 7,970 | 5,913 | 25.8 | 20,257 | 29.2 |

The schedule of funding progress is intended to present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since fiscal year 2009 was the year of implementation of Statement No. 45, funded status information for prior years is not available.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

15. Self-Insurance Program

The City has a Managed Retention, Protected Self-Insurance Program whereby the City is mainly self-insured for liability coverage. Workers' compensation, fidelity and property coverage are insured with large deductible self-insured retentions. There were no significant changes in insurance coverage from the prior year and the amounts of settlements did not exceed insurance coverage for any of the past three years. A loss fund of \$1,950,000 maximum applies per year over which an aggregate coverage of \$1,000,000 of commercial insurance would apply should the loss fund be exhausted in a given year. The City also maintains a self-insured health plan with Cigna as the third-party administrator. The City is self-insured up to a stop loss of \$100,000 per claim and has purchased excess insurance for claims exceeding the stop loss for individual and aggregate claims.

Contributions from other funds are made as needed to meet the estimated payments resulting from purchased and self-insurance programs, and operating expenses based on the City's historical experience and a case-by-case evaluation of claims. For the year ended September 30, 2010, contributions of \$13,177,033 were made to the Insurance Fund by other funds and are reflected as interfund services provided and used in the accompanying financial statements.

The City has recorded a claims liability of \$4,265,219 (\$1,603,342 current and \$2,661,877 long-term) at September 30, 2010, which is a decrease of \$449,644 from the prior year. The decrease reflects slower claims development for all lines of insurance and a reduction in very large claims. The liability falls within the actuarially determined range, from an actuarial valuation for all claims based upon the date the loss was incurred and includes a provision for claims incurred but not yet reported (IBNR). The following summarizes the claims liability activity for the current and prior year:

| | |
|-------------------------------|---------------------|
| Balance at September 30, 2008 | \$ 5,815,988 |
| Claims incurred | 6,811,396 |
| Claims paid | <u>(7,912,521)</u> |
| Balance at September 30, 2009 | 4,714,863 |
| Claims incurred | 8,229,290 |
| Claims paid | <u>(8,678,934)</u> |
| Balance at September 30, 2010 | <u>\$ 4,265,219</u> |

The claims liability at September 30, 2010 and 2009 is summarized as follows:

| | <u>2010</u> | <u>2009</u> |
|-------------|---------------------|---------------------|
| Current | \$ 1,603,342 | \$ 1,736,416 |
| Non-current | 2,661,877 | 2,978,447 |
| | <u>\$ 4,265,219</u> | <u>\$ 4,714,863</u> |

16. Related Party Transactions

The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2010 the CRA's tax increment revenues include \$7,405,249 received from the City. CRA expenditures for the year ended September 30, 2010, include charges of approximately \$1,364,000 for contractual services provided by the City to the CRA in connection with various administrative and development activities and a \$500,000 sponsorship of City tennis tournaments. At September 30, 2010, the City had a receivable from the CRA of \$468,512 for reimbursements of certain administrative and redevelopment expenditures and a payable of \$108,527 to the CRA for a reimbursement of a completed project.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

17. Expenditures in Excess of Appropriations

For the year ended September 30, 2010 expenditures exceeded the budgeted appropriations for the following General Fund departments:

| | |
|--------------------------------------|----------|
| General Government | |
| City Manager | \$ 1,393 |
| City Clerk | 6,931 |
| Finance | 23,604 |
| Cemetery | 8,810 |
| Miscellaneous (nondepartmental) | 496,541 |
| Public Safety | |
| Community Improvement Administration | 1,159 |
| Building Inspection | 6,322 |
| Code Compliance | 5,259 |
| Physical Environment | |
| Traffic Operations | 12,074 |
| Street Maintenance | 35,668 |
| Building Maintenance | 22,270 |
| Parks and Recreation | |
| Administration | 2,044 |
| Summer Day Camp | 150 |
| Catherine Strong Park | 1,384 |
| Parks Maintenance | 134,986 |
| Soccer Complex | 93 |
| Tennis Centers | 6,712 |

The excess expenditures were offset by savings in other City departments.

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency

For the year ended September 30, 2010 expenditures exceeded the final budgeted appropriations for the following General Fund functions:

| | |
|--------------------------------------|--------|
| General Government | \$ 536 |
| Property Management | 1 |
| Economic Development | |
| Southwest Neighborhood Plan | 6,720 |
| Affordable/Workforce Housing Program | 87,071 |

18. Commitments and Contingencies

Contract Commitments

The City has various long-term contractual obligations for construction projects on which work has not been completed. The remaining commitments on these obligations at September 30, 2010 were as follows:

| | |
|------------------------|---------------------|
| Capital Projects funds | \$ 3,592,304 |
| Water and Sewer Fund | 567,898 |
| | <u>\$ 4,160,202</u> |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

18. Commitments and Contingencies (Continued)

Payments from the Water and Sewer Fund for work in progress have been capitalized as construction in progress in the Water and Sewer Fund. The projects financed by the capital projects funds have been capitalized in the government-wide financial statements as construction in progress.

Litigation, Claims and Assessments

The City is a defendant in certain lawsuits and is involved in other legal matters occurring in the normal course of operations. While the ultimate outcome of these matters cannot be determined at this time, in the opinion of the City and its management, no material losses in excess of estimated liabilities or insured limits are expected to result from the settlement of these claims.

Grants

The grant revenues received by the City are subject to audit and adjustment by the grantor agencies, principally the Federal government and the State of Florida. If expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement would be a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant and applicable federal and state laws and regulations.

Debt Service Reserve Surety Bond

The City's Utility Tax Revenue Bonds (Series 2002 and 2007) and Water and Sewer Revenue Bonds (Series 1993 and 1997), collectively the "Bonds", require the City to maintain a debt service reserve equivalent to the maximum principal and interest due on the Bonds in any year through maturity. The Bonds' resolutions provide that the City may purchase a credit facility for the debt service reserve requirement from an institution with the highest credit rating for municipal bonds insured or guaranteed by that institution. The City purchased surety bonds from Ambac Assurance Corporation (AMBAC), MBIA Assurance Corp. (MBIA) and Financial Security Assurance Holdings Ltd. (FSA) to satisfy the debt service reserve requirement for the Bonds at the date of issue. At September 30, 2010 AMBAC, MBIA and FSA had credit ratings that were less than the highest rating from Moody's Investor Service, Inc. (Moody's) and Standard & Poor's (S&P) or had their ratings withdrawn by these agencies. In addition, in November 2010, AMBAC petitioned for relief under Chapter 11 of the United States Bankruptcy Code. City management, in consultation with bond counsel, has determined that the City is not required to obtain surety bonds or provide cash and investments to replace the sureties on hand at September 30, 2010. The Bonds outstanding at September 30, 2010 have a credit rating no lower than the City's underlying rating of AA- from S&P.

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency

Operating Grants: The CRA entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2011:

| | |
|---|---------------------|
| City of Delray Beach – Clean and Safe Program | \$ 1,116,717 |
| City of Delray Beach – International Tennis Championships | 500,000 |
| Delray Beach Community Land Trust, Inc. | 300,000 |
| Delray Beach Public Library Association, Inc. | 308,000 |
| Downtown Marketing Cooperative | 240,000 |
| Old School Square, Inc. | 285,000 |
| EPOCH, Inc. | <u>182,310</u> |
| Total Grant Commitments | <u>\$ 2,932,027</u> |

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2010

18. Commitments and Contingencies (Continued)

Delray Beach Public Library: The CRA entered into an agreement dated July 1, 2003, with the City and the Delray Beach Public Library Association, Inc. (the "Library") for relocation of the Delray Beach Public Library to West Atlantic Avenue. Under the terms of the agreement, the CRA in 2005 exchanged a parcel of property owned by the CRA on West Atlantic Avenue with a carrying value of approximately \$509,000 for the current library site owned by the City. The CRA also agreed that in the event it disposes of the current library site, any proceeds in excess of \$1.7 million, plus all related selling expenses incurred by the CRA, will be paid to the City.

CRA Contract Commitments: At September 30, 2010 the CRA had outstanding construction commitments consisting of the following:

| | Total Project Authorization | Expended Through September 30, 2010 | Retainage Payable at September 30, 2010 | Remaining Commitment at September 30, 2010 |
|-----------------------------------|-----------------------------------|--|--|---|
| Palm Manor | \$ 995,000 | \$ 783,643 | \$ 87,071 | \$ 124,286 |
| Old School Garage space build-out | 458,760 | - | - | 458,760 |
| Other projects | <u>217,757</u> | <u>128,777</u> | - | <u>88,980</u> |
| | <u>\$ 1,671,517</u> | <u>\$ 912,420</u> | <u>\$ 87,071</u> | <u>\$ 672,026</u> |

19. Subsequent Events

General Employees Pension Fund: On October 5, 2010, the City Commission approved various changes to the General Employees' Pension Fund. Among those changes was an increase in the member contribution rate by .55% of compensation, reduction of the disability and death benefits from 75% to 65% of average final compensation, as defined, and an increase in the age and service requirements to the earlier of age 62 with ten years of service or 30 years of service regardless of age for members hired on or before October 5, 2010, and age 65 with ten years of service for members hired thereafter. The amendment also changes the normal form of payment from a 60% joint and survivor annuity to a life annuity. The changes in age and service requirements and normal form of payment do not apply to employees who were within ten years of normal retirement eligibility as of October 5, 2010. The changes are expected to result in cost savings to the City in future years and were effective upon approval.

Bond Ratings: In March 2011, Standards & Poor's Rating Services raised its rating on the City's Utility Tax Revenue Bonds from A to AA-1.

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Taxes | \$ 62,100,190 | \$ 63,247,960 | \$ 63,613,102 | \$ 365,142 |
| Fees and permits | 9,905,210 | 8,410,210 | 7,848,364 | (561,846) |
| Intergovernmental | 5,814,220 | 6,120,058 | 6,121,334 | 1,276 |
| Charges for services | 8,565,380 | 8,720,747 | 8,612,915 | (107,832) |
| Fines and forfeitures | 821,700 | 649,400 | 1,075,159 | 425,759 |
| Miscellaneous | 5,363,720 | 5,165,630 | 5,279,669 | 114,039 |
| Total Revenues | <u>92,570,420</u> | <u>92,314,005</u> | <u>92,550,543</u> | <u>236,538</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 16,745,520 | 16,906,964 | 17,196,850 | (289,886) |
| Public safety | 54,730,490 | 54,688,577 | 53,449,251 | 1,239,326 |
| Physical environment | 4,692,460 | 4,629,618 | 4,454,946 | 174,672 |
| Parks and recreation | 11,923,460 | 12,042,383 | 12,002,129 | 40,254 |
| Debt service: | | | | |
| Principal retirement | 3,469,120 | 3,328,750 | 3,328,750 | - |
| Interest and fiscal charges | 1,704,360 | 1,694,620 | 1,694,992 | (372) |
| Total Expenditures | <u>93,265,410</u> | <u>93,290,912</u> | <u>92,126,918</u> | <u>1,163,994</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | (694,990) | (976,907) | 423,625 | 1,400,532 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from the sale of capital assets | - | - | 22,161 | 22,161 |
| Transfers in | 3,445,350 | 3,433,850 | 3,434,948 | 1,098 |
| Transfers out | (3,371,570) | (3,387,015) | (3,457,051) | (70,036) |
| Appropriation of prior year surplus | 621,210 | - | - | - |
| Total Other Financing Sources (Uses) | <u>694,990</u> | <u>46,835</u> | <u>58</u> | <u>(46,777)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (930,072)</u> | 423,683 | <u>\$ 1,353,755</u> |
| Fund balance - October 1, 2009 | | | 23,740,349 | |
| Difference between GAAP and budgetary basis | | | (102,454) | |
| Fund balance - September 30, 2010 | | | <u>\$ 24,061,578</u> | |

The notes to budgetary comparison schedule are an integral part of this schedule.

City of Delray Beach, Florida
Notes to Budgetary Comparison Schedule
September 30, 2010

1. Budgetary Accounting

An appropriated budget has been legally adopted for the General Fund on the same modified-accrual basis used to reflect revenues and expenditures, except that for budgetary purposes, current year encumbrances are treated as expenditures, on-behalf payments from the state for police and firefighters’ pension benefits are not budgeted and capital outlays are reflected as current expenditures within each governmental function. The City Commission approved budget amendments totaling \$40,947 during the year ended September 30, 2010, which increased the original General Fund appropriations (expenditures and transfers out) from \$96,636,980 to a revised total of \$96,677,927.

2. Budget and Actual Comparisons

The budgetary comparison schedule for the General Fund is prepared on the basis of accounting used in preparing the appropriated budget. As indicated in Note 1, current year encumbrances are treated as expenditures for budgetary purposes and on-behalf payments are not budgeted. In addition, for budgetary purposes, the proceeds from the sale of capital assets are included in miscellaneous revenues but are considered an “other financing source” for GAAP. As a result, the General Fund revenues and expenditures reported in the budgetary comparison schedule differ from the revenues and expenditures reported on the basis of GAAP. These differences can be reconciled as follows:

| | Revenues | Expenditures |
|---|-----------------|---------------------|
| Current year encumbrances outstanding at year end | \$ - | \$ 259,283 |
| Prior year encumbrances paid in the current year | - | (339,576) |
| Net encumbered expenditures | - | (80,293) |
| On-behalf payments for pension benefits | (1,677,668) | (1,677,668) |
| Proceeds from sale of capital assets | 22,161 | - |
| Net differences - GAAP and budgetary basis | (1,655,507) | (1,757,961) |
| GAAP basis | 94,206,050 | 93,884,879 |
| Budgetary basis | \$ 92,550,543 | \$ 92,126,918 |

City of Delray Beach, Florida

Required Supplementary Information—
Schedules of Pension Funding Progress

September 30, 2010

| General Employees' Pension Plan | | | | | | | |
|--|--------------------------------------|---|---|---------------------------|----------------------------|--|--|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)— Entry Age (b) | Unfunded (Assets in Excess of) AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll [(b-a)/c] | |
| 10/1/2004 | \$ 58,552,571 | \$ 59,247,630 | \$ 695,059 | 98.8 % | \$ 15,844,035 | 4.4 % | |
| 10/1/2005 | 61,455,670 | 62,126,597 | 670,927 | 98.9 | 16,203,652 | 4.1 | |
| 10/1/2006 | 70,326,850 | 71,373,310 | 1,046,460 | 98.5 | 16,839,131 | 6.2 | |
| 10/1/2007 | 77,436,230 | 78,839,518 | 1,403,288 | 98.2 | 17,817,350 | 7.9 | |
| 10/1/2008 | 80,987,834 | 84,913,592 | 3,925,758 | 95.4 | 18,990,051 | 20.7 | |
| 10/1/2009 | 84,476,640 | 90,079,371 | 5,602,731 | 93.8 | 19,359,146 | 28.9 | |

Note: Effective October 1, 2009, the actuarial cost method was changed from the Aggregate Actuarial Cost method to the Entry Age Normal Cost method using the Level Dollar – Closed amortization method over a period of 25 years.

| Police and Firefighters' Retirement System | | | | | | | |
|---|--------------------------------------|---|---|---------------------------|----------------------------|--|--|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)— Entry Age (b) | Unfunded (Assets in Excess of) AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded (Assets in Excess of) AAL as a Percentage of Covered Payroll [(b-a)/c] | |
| 10/1/2004 | \$ 82,914,153 | \$ 112,927,236 | \$ 30,013,083 | 73.4 % | \$ 15,512,087 | 193.5 % | |
| 10/1/2005 | 87,160,398 | 123,307,335 | 36,146,937 | 70.7 | 15,005,297 | 240.9 | |
| 10/1/2006 | 93,291,628 | 134,029,918 | 40,738,290 | 69.6 | 15,143,925 | 269.0 | |
| 10/1/2007 | 120,659,009 | 154,278,004 | 33,618,995 | 78.2 | 16,893,879 | 199.0 | |
| 10/1/2008 | 119,979,020 | 169,034,580 | 49,055,560 | 71.0 | 17,564,005 | 279.3 | |
| 10/1/2009 | 117,804,614 | 182,523,094 | 64,718,477 | 64.5 | 17,901,995 | 361.5 | |

Note: During the fiscal year ended September 30, 2009, the asset valuation method was changed to Actuarial Value of Assets (AVA) from a five year smoothed market for the Police and Firefighters' Retirement System Plan. With this change, the development of the Market Value of Assets (MVA) also changed resulting in the receivable for the City contribution for the fiscal year following the valuation date, to no longer be included in the MVA. The investment return assumption was also changed from 8.4% to 8.3% per year.

City of Delray Beach, Florida

Required Supplementary Information—
Schedules of Employer and State Pension Contributions

For the Fiscal Year Ended September 30, 2010

| General Employees' Pension Plan | | |
|--|---|------------------------------------|
| Fiscal Year Ended September 30, | Annual Required Contribution | Percentage Contribution |
| 2005 | \$ 1,441,861 | 100.0 % |
| 2006 | 2,011,383 | 100.0 |
| 2007 | 2,008,058 | 100.0 |
| 2008 | 2,398,379 | 100.0 |
| 2009 | 2,502,936 | 100.0 |
| 2010 | 2,996,262 | 100.0 |

| Police and Firefighters' Retirement System | | | | |
|---|--------------------------------------|--|---|------------------------------------|
| Fiscal Year Ended September 30, | Annual State Contribution | Annual Required Employer Contribution | Total Annual Required Contribution | Percentage Contribution |
| 2005 | \$ 504,922 | \$ 4,177,846 | \$ 4,682,768 | 100.0 % |
| 2006 | 504,922 | 4,789,159 | 5,294,081 | 100.0 |
| 2007 | 504,922 | 5,174,531 | 5,679,453 | 100.0 |
| 2008 | 504,922 | 5,608,475 | 6,113,397 | 100.0 |
| 2009 | 504,922 | 5,381,809 | 5,886,731 | 100.0 |
| 2010 | 504,922 | 7,061,730 | 7,566,652 | 100.0 |

Note: The annual State contribution reflects the base amount that may be applied to the total annual required employer contribution based on interpretations by the State of Florida, Division of Retirement. State contributions in excess of the base

Combining and Individual Fund Statements and Schedules

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Law Enforcement Trust Fund – This fund accounts for revenue received from confiscated and forfeited properties from cases involving the City's police department. Expenditures from this fund are generally for police education and training programs and equipment.

Developers Land Contribution Fund – This fund accounts for revenue received from developers operating within the City for projects other than those financed by proprietary funds. The City uses the developer contributions to purchase land or capital improvements for recreation facilities.

ARRA Economic Stimulus Fund – This fund accounts for revenue received from the federal government for various programs under the American Recovery and Reinvestment Act.

Neighborhood Services Fund – This fund accounts for revenue received from federal, state and local governments under numerous grant programs which are used for various community development and improvement projects within the City.

SHIP Fund – This fund accounts for revenue received from the Florida Housing Finance Agency for the State Housing Initiatives Partnership (SHIP) Program to provide for renovation of buildings to be used for affordable multi-family housing within the City.

Beautification Fund – This fund accounts for revenue received from public service taxes, which is used for capital improvements to beautify the City.

Special Projects Fund – This fund is used to account for assets held in trust by the City for a variety of earmarked purposes.

Cemetery Perpetual Care Fund – This fund is used to account for assets held by the City to provide maintenance for the cemetery grounds. City Ordinance allows for the use of principal in achieving this purpose.

Debt Service Fund

Utilities Tax Fund – This fund is used to account for assets held for the repayment of principal and interest on debt reported in the government-wide financial statements.

Capital Projects Fund

Capital Projects Funds are used to account for financial resources for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and similar trust funds). The capital projects funds used by the City are as follows:

Capital Improvement Fund – This fund is used to account for the construction of major capital facilities not accounted for in the *2004 GO Bond Fund* or *Beach Restoration Fund*.

2004 GO Bond Fund – This fund is used to account for the construction of major capital facilities financed by the City's 2004 general obligation bond issue and subsequent financing.

Beach Restoration Fund – This fund is used to account for improvements to the municipal beach area of the City.

CITY OF DELRAY BEACH, FLORIDA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2010

| | Special Revenue | | | | | | | | Debt Service | Capital Projects | | | Total Non-Major Governmental Funds |
|--------------------------------------|-----------------------|------------------------------|------------------------|-----------------------|------------|----------------|------------------|-------------------------|---------------|---------------------|--------------|-------------------|------------------------------------|
| | Law Enforcement Trust | Developers Land Contribution | ARRA Economic Stimulus | Neighborhood Services | SHIP | Beautification | Special Projects | Cemetery Perpetual Care | Utilities Tax | Capital Improvement | 2004 GO Bond | Beach Restoration | |
| | | | | | | | | | | | | | |
| ASSETS | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 144 | \$ - | \$ - | \$ - | \$ - | \$ 59,990 | \$ 496,160 | \$ - | \$ - | \$ 556,294 |
| Accounts receivable, net | - | - | - | 32 | - | - | 13,087 | 22,317 | - | - | - | - | 35,436 |
| Due from other governments | - | - | 315,518 | 652,314 | - | - | 12,443 | - | - | 627,534 | - | 116,453 | 1,724,262 |
| Due from component units | - | - | - | 37,246 | - | - | - | - | - | - | - | - | 37,246 |
| Due from other funds | 280,618 | 324,577 | - | - | 202,082 | 451,109 | 2,355,717 | 747,421 | 447,358 | 5,718,169 | 979,528 | 359,188 | 11,865,767 |
| Notes receivable | - | - | - | 1,041,809 | 717,681 | - | - | - | - | - | - | - | 1,759,490 |
| Prepaid items | 1,000 | - | - | - | - | - | 1,675 | - | - | - | 296 | - | 2,971 |
| Assets held for resale | - | - | - | 1,406,227 | - | - | - | - | - | - | - | - | 1,406,227 |
| Total Assets | \$ 281,618 | \$ 324,577 | \$ 315,518 | \$ 3,137,772 | \$ 919,763 | \$ 451,109 | \$ 2,382,922 | \$ 769,738 | \$ 507,348 | \$ 6,841,863 | \$ 979,824 | \$ 475,641 | \$ 17,387,693 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | | | | |
| Accounts payable and accrued items | \$ 997 | \$ 3,304 | \$ 187,091 | \$ 98,203 | \$ 5,955 | \$ 22,286 | \$ 8,237 | \$ - | \$ - | \$ 541,191 | \$ - | \$ 17,351 | \$ 884,615 |
| Due to other funds | - | - | 128,427 | 110,968 | - | - | - | - | - | - | - | - | 239,395 |
| Deferred revenue | - | - | - | 1,444,108 | 913,808 | - | 25 | - | - | 214,865 | - | - | 2,572,806 |
| Due to component units | - | - | - | - | - | - | - | - | - | 101,665 | - | - | 101,665 |
| Total Liabilities | 997 | 3,304 | 315,518 | 1,653,279 | 919,763 | 22,286 | 8,262 | - | - | 857,721 | - | 17,351 | 3,798,481 |
| FUND BALANCES | | | | | | | | | | | | | |
| Reserved for: | | | | | | | | | | | | | |
| Prepaid items | 1,000 | - | - | - | - | - | 1,675 | - | - | - | 296 | - | 2,971 |
| Debt service | - | - | - | - | - | - | - | - | 507,348 | - | - | - | 507,348 |
| Other purposes | 279,621 | - | - | - | - | - | - | - | - | - | - | - | 279,621 |
| Unreserved, reported in: | | | | | | | | | | | | | |
| Capital Projects Funds | - | - | - | - | - | - | - | - | - | 5,984,142 | 979,528 | 458,290 | 7,421,960 |
| Special Revenue Funds | - | 321,273 | - | 1,484,493 | - | 428,823 | 2,372,985 | 769,738 | - | - | - | - | 5,377,312 |
| Total Fund Balances | 280,621 | 321,273 | - | 1,484,493 | - | 428,823 | 2,374,660 | 769,738 | 507,348 | 5,984,142 | 979,824 | 458,290 | 13,589,212 |
| Total Liabilities and Fund Balances | \$ 281,618 | \$ 324,577 | \$ 315,518 | \$ 3,137,772 | \$ 919,763 | \$ 451,109 | \$ 2,382,922 | \$ 769,738 | \$ 507,348 | \$ 6,841,863 | \$ 979,824 | \$ 475,641 | \$ 17,387,693 |

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2010

| | Special Revenue | | | | | | | | Debt Service | Capital Projects | | | Total Non-Major Governmental Funds |
|---------------------------------------|-----------------------|------------------------------|------------------------|-----------------------|------------|----------------|------------------|-------------------------|---------------|---------------------|--------------|-------------------|------------------------------------|
| | Law Enforcement Trust | Developers Land Contribution | ARRA Economic Stimulus | Neighborhood Services | SHIP | Beautification | Special Projects | Cemetery Perpetual Care | Utilities Tax | Capital Improvement | 2004 GO Bond | Beach Restoration | |
| | REVENUES | | | | | | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ 1,194,390 | \$ 2,380,575 | \$ 534,857 | \$ - | \$ 33,097 | \$ - | \$ - | \$ 820,337 | \$ - | \$ 36,263 | \$ 4,999,519 |
| Charges for services | - | - | - | - | - | - | 502,142 | 7,005 | - | - | - | - | 509,147 |
| Fines and forfeitures | 90,787 | - | - | - | - | - | 425,408 | - | - | - | - | - | 516,195 |
| Miscellaneous | 99 | 29,631 | - | 660,907 | 1,069 | 321 | 71,554 | 68,841 | 3,025 | 1,530,780 | 385 | 188 | 2,366,800 |
| Total Revenues | 90,886 | 29,631 | 1,194,390 | 3,041,482 | 535,926 | 321 | 1,032,201 | 75,846 | 3,025 | 2,351,117 | 385 | 36,451 | 8,391,661 |
| EXPENDITURES | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| General government | - | - | 410,558 | 1,646,326 | 535,926 | - | 103,892 | 1,090 | - | 349,883 | - | - | 3,047,675 |
| Public safety | 67,959 | - | 430,781 | - | - | - | 176,143 | - | - | 142,027 | - | - | 816,910 |
| Physical environment | - | - | - | - | - | 1,041,466 | 72,800 | - | - | 45,086 | - | - | 1,159,352 |
| Parks and recreation | - | - | - | - | - | - | 137,262 | - | - | 734,779 | 2,500 | 193,814 | 1,068,355 |
| Capital outlay | - | 10,349 | 353,051 | 140,556 | - | 6,000 | 41,995 | - | - | 5,264,917 | - | - | 5,816,868 |
| Debt service: | | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | 28,783 | - | - | - | 28,783 |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | 1,178,823 | - | - | - | 1,178,823 |
| Total Expenditures | 67,959 | 10,349 | 1,194,390 | 1,786,882 | 535,926 | 1,047,466 | 532,092 | 1,090 | 1,207,606 | 6,536,692 | 2,500 | 193,814 | 13,116,766 |
| Excess of Revenues Over (Under) | | | | | | | | | | | | | |
| Expenditures | 22,927 | 19,282 | - | 1,254,600 | - | (1,047,145) | 500,109 | 74,756 | (1,204,581) | (4,185,575) | (2,115) | (157,363) | (4,725,105) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | |
| Transfers in | - | - | - | 149,430 | - | 910,225 | 30,166 | - | 1,205,620 | 1,803,020 | - | 15,000 | 4,113,461 |
| Transfers out | - | (1,500) | - | - | - | - | (12,000) | - | (3,024) | (13,220) | - | - | (29,744) |
| Total Other Financing Sources (Uses) | - | (1,500) | - | 149,430 | - | 910,225 | 18,166 | - | 1,202,596 | 1,789,800 | - | 15,000 | 4,083,717 |
| Net change in fund balance | 22,927 | 17,782 | - | 1,404,030 | - | (136,920) | 518,275 | 74,756 | (1,985) | (2,395,775) | (2,115) | (142,363) | (641,388) |
| Fund balances - October 1, 2009 | 257,694 | 303,491 | - | 80,463 | - | 565,743 | 1,856,385 | 694,982 | 509,333 | 8,379,917 | 981,939 | 600,653 | 14,230,600 |
| Fund balances - September 30, 2010 | \$ 280,621 | \$ 321,273 | \$ - | \$ 1,484,493 | \$ - | \$ 428,823 | \$ 2,374,660 | \$ 769,738 | \$ 507,348 | \$ 5,984,142 | \$ 979,824 | \$ 458,290 | \$ 13,589,212 |

Non-Major Enterprise Funds

Enterprise funds are used to account for operations that provide a service to citizens, financed primarily by a user charge, and where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Delray Beach Municipal Golf Course Fund – This fund is used to account for the services and activities of the City's municipal golf course.

Lakeview Golf Course Fund – This fund is used to account for the services and activities of the City's executive municipal golf course.

City Marina Fund – This fund is used to account for the services and activities of the City's municipal marina.

Sanitation Fund – This fund is used to account for solid waste removal services for the City's residents and commercial customers.

Stormwater Utility Fund – This fund is used to account for the levy of drainage assessments and construction of drainage projects.

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR ENTERPRISE FUNDS
 September 30, 2010

| | Municipal Golf Course | Lakeview Golf Course | City Marina | Sanitation | Stormwater Utility | Total Non-Major Enterprise Funds |
|--|-----------------------------|----------------------------|---------------------|---------------------|-----------------------|---|
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 18,463 | \$ 1,954 | \$ - | \$ - | \$ - | \$ 20,417 |
| Accounts receivable, net | 1,457 | - | - | 1,038,302 | - | 1,039,759 |
| Due from other funds | - | - | 883,807 | 1,959,539 | 3,281,033 | 6,124,379 |
| Inventories | 83,801 | 19,006 | - | - | - | 102,807 |
| Prepaid expenses | 51,274 | 15,807 | 687 | - | 475 | 68,243 |
| Restricted assets | | | | | | |
| Cash and cash equivalents | 355,264 | 195,713 | - | - | 58,459 | 609,436 |
| Total Current Assets | <u>510,259</u> | <u>232,480</u> | <u>884,494</u> | <u>2,997,841</u> | <u>3,339,967</u> | <u>7,965,041</u> |
| Noncurrent Assets: | | | | | | |
| Property, land and equipment | | | | | | |
| Land | 1,415,483 | 1,963,894 | 42,840 | - | 1,271,853 | 4,694,070 |
| Buildings | 2,324,664 | 140,718 | - | - | 1,904,722 | 4,370,104 |
| Improvements other than buildings | 1,201,515 | 899,663 | 1,135,794 | 11,958 | 12,201,658 | 15,450,588 |
| Equipment | 1,751,703 | 387,793 | 87,652 | 27,236 | 808,876 | 3,063,260 |
| Construction in progress | - | - | - | - | 38,539 | 38,539 |
| Accumulated depreciation | (2,877,026) | (751,048) | (977,745) | (33,790) | (5,019,683) | (9,659,292) |
| Other asset | | | | | | |
| Bond issue costs, net | 31,105 | 19,050 | - | - | - | 50,155 |
| Total Noncurrent Assets | <u>3,847,444</u> | <u>2,660,070</u> | <u>288,541</u> | <u>5,404</u> | <u>11,205,965</u> | <u>18,007,424</u> |
| Total Assets | <u>4,357,703</u> | <u>2,892,550</u> | <u>1,173,035</u> | <u>3,003,245</u> | <u>14,545,932</u> | <u>25,972,465</u> |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable and accrued expenses | 87,254 | 11,925 | - | 617,002 | 98,710 | 814,891 |
| Unearned revenue | - | - | 55,123 | - | - | 55,123 |
| Current maturities of installment agreements | 32,464 | - | - | - | - | 32,464 |
| Due to other funds | 826,167 | 678,415 | - | - | - | 1,504,582 |
| Refundable deposits | 102,954 | - | 17,216 | - | - | 120,170 |
| | <u>1,048,839</u> | <u>690,340</u> | <u>72,339</u> | <u>617,002</u> | <u>98,710</u> | <u>2,527,230</u> |
| Current Liabilities Payable from Restricted Assets: | | | | | | |
| Accrued interest on long-term debt | 26,974 | 14,003 | - | - | 23,324 | 64,301 |
| Current maturities of revenue bonds | 328,290 | 181,710 | - | - | 35,135 | 545,135 |
| | <u>355,264</u> | <u>195,713</u> | <u>-</u> | <u>-</u> | <u>58,459</u> | <u>609,436</u> |
| Total Current Liabilities | <u>1,404,103</u> | <u>886,053</u> | <u>72,339</u> | <u>617,002</u> | <u>157,169</u> | <u>3,136,666</u> |
| Noncurrent Liabilities: | | | | | | |
| Net other postemployment benefits obligation | - | - | - | 5,901 | 8,852 | 14,753 |
| Compensated absences payable | - | - | - | 21,906 | 26,177 | 48,083 |
| Revenue bonds payable, net | 1,718,659 | 808,252 | - | - | 1,347,734 | 3,874,645 |
| Installment agreements | 64,781 | - | - | - | - | 64,781 |
| Total Noncurrent Liabilities | <u>1,783,440</u> | <u>808,252</u> | <u>-</u> | <u>27,807</u> | <u>1,382,763</u> | <u>4,002,262</u> |
| Total Liabilities | <u>3,187,543</u> | <u>1,694,305</u> | <u>72,339</u> | <u>644,809</u> | <u>1,539,932</u> | <u>7,138,928</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 1,672,145 | 1,651,058 | 288,541 | 5,404 | 9,823,096 | 13,440,244 |
| Restricted for debt service | 328,290 | 181,710 | - | - | 35,135 | 545,135 |
| Unrestricted (deficit) | (830,275) | (634,523) | 812,155 | 2,353,032 | 3,147,769 | 4,848,158 |
| Total Net Assets | <u>\$ 1,170,160</u> | <u>\$ 1,198,245</u> | <u>\$ 1,100,696</u> | <u>\$ 2,358,436</u> | <u>\$ 13,006,000</u> | <u>\$ 18,833,537</u> |

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2010

| | Municipal Golf Course | Lakeview Golf Course | City Marina | Sanitation | Stormwater Utility | Total Non-Major Enterprise Funds |
|--|-----------------------------|----------------------------|---------------------|---------------------|-----------------------|---|
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 2,995,351 | \$ 666,964 | \$ 185,435 | \$ 4,770,585 | \$ 2,105,069 | \$ 10,723,404 |
| Other operating revenue | 19,993 | 5,643 | 9,968 | 657,756 | 13,260 | 706,620 |
| Total Operating Revenues | <u>3,015,344</u> | <u>672,607</u> | <u>195,403</u> | <u>5,428,341</u> | <u>2,118,329</u> | <u>11,430,024</u> |
| OPERATING EXPENSES | | | | | | |
| Personal services | - | - | - | 265,915 | 416,198 | 682,113 |
| Other operating expenses | 2,629,943 | 555,629 | 56,658 | 4,123,547 | 589,462 | 7,955,239 |
| Depreciation | 260,121 | 59,638 | 72,937 | 1,968 | 424,113 | 818,777 |
| Total Operating Expenses | <u>2,890,064</u> | <u>615,267</u> | <u>129,595</u> | <u>4,391,430</u> | <u>1,429,773</u> | <u>9,456,129</u> |
| Operating Income | 125,280 | 57,340 | 65,808 | 1,036,911 | 688,556 | 1,973,895 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Interest revenue | - | - | 326 | 659 | 4,815 | 5,800 |
| Rent revenue | 23,678 | - | 29 | 122,744 | - | 146,451 |
| Interest expense | (115,943) | (54,323) | - | - | (71,138) | (241,404) |
| Loss on disposal of equipment | (354) | - | (7,500) | (139) | (14,971) | (22,964) |
| Other nonoperating expenses | (12) | (91) | - | - | - | (103) |
| Total Nonoperating Revenues (Expenses) | <u>(92,631)</u> | <u>(54,414)</u> | <u>(7,145)</u> | <u>123,264</u> | <u>(81,294)</u> | <u>(112,220)</u> |
| Income Before Capital Contributions and Transfers | 32,649 | 2,926 | 58,663 | 1,160,175 | 607,262 | 1,861,675 |
| Capital Contributions | - | - | - | - | 40,085 | 40,085 |
| Transfers out | (33,000) | (15,000) | (49,300) | (183,950) | (280,420) | (561,670) |
| Change In Net Assets | (351) | (12,074) | 9,363 | 976,225 | 366,927 | 1,340,090 |
| Net Assets - October 1, 2009 | 1,170,511 | 1,210,319 | 1,091,333 | 1,382,211 | 12,639,073 | 17,493,447 |
| Net Assets - September 30, 2010 | <u>\$ 1,170,160</u> | <u>\$ 1,198,245</u> | <u>\$ 1,100,696</u> | <u>\$ 2,358,436</u> | <u>\$ 13,006,000</u> | <u>\$ 18,833,537</u> |

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2010

| | Municipal Golf Course | Lakeview Golf Course | City Marina | Sanitation | Stormwater Utility | Total Non-Major Enterprise Funds |
|---|-----------------------------|----------------------------|----------------|--------------|-----------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers and users | \$ 3,019,240 | \$ 672,607 | \$ 117,719 | \$ 4,645,300 | \$ 1,625,192 | \$ 10,080,058 |
| Receipts from others | 23,666 | - | 29 | 122,744 | - | 146,439 |
| Payments to suppliers | (2,501,404) | (430,678) | (56,774) | (4,316,774) | (512,261) | (7,817,891) |
| Payments to employees | - | - | - | (265,599) | (413,089) | (678,688) |
| Net cash provided by operating activities | 541,502 | 241,929 | 60,974 | 185,671 | 699,842 | 1,729,918 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY | | | | | | |
| Transfers to other funds | (33,000) | (15,000) | (49,300) | (183,950) | (101,170) | (382,420) |
| Net cash used in noncapital financing activity | (33,000) | (15,000) | (49,300) | (183,950) | (101,170) | (382,420) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition and construction of capital assets | (53,322) | - | (12,000) | (2,380) | (497,215) | (564,917) |
| Principal paid on capital debt | (348,984) | (180,453) | - | - | (33,590) | (563,027) |
| Interest paid on capital debt | (95,526) | (47,592) | - | - | (71,720) | (214,838) |
| Net cash used in capital and related financing activities | (497,832) | (228,045) | (12,000) | (2,380) | (602,525) | (1,342,782) |
| CASH FLOWS FROM INVESTING ACTIVITY | | | | | | |
| Interest received | - | - | 326 | 659 | 4,815 | 5,800 |
| Net cash provided by investing activity | - | - | 326 | 659 | 4,815 | 5,800 |
| Net change in cash and cash equivalents | 10,670 | (1,116) | - | - | 962 | 10,516 |
| Cash and cash equivalents - October 1, 2009 | 363,057 | 198,783 | - | - | 57,497 | 619,337 |
| Cash and cash equivalents - September 30, 2010 | \$ 373,727 | \$ 197,667 | \$ - | \$ - | \$ 58,459 | \$ 629,853 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income | \$ 125,280 | \$ 57,340 | \$ 65,808 | \$ 1,036,911 | \$ 688,556 | \$ 1,973,895 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation expense | 260,121 | 59,638 | 72,937 | 1,968 | 424,113 | 818,777 |
| Provision for doubtful accounts | - | - | - | - | 1,714 | 1,714 |
| Miscellaneous revenue (expense) | 23,666 | (91) | 29 | 122,744 | - | 146,348 |
| Change in assets and liabilities: | | | | | | |
| Accounts receivable | (1,197) | - | - | (405,947) | (1,714) | (408,858) |
| Due from other governments | - | - | 33,307 | - | - | 33,307 |
| Due from other funds | - | - | (160,597) | (362,094) | (493,137) | (1,015,828) |
| Inventories | 13,820 | (2,315) | - | - | - | 11,505 |
| Prepaid expenses | 4,091 | 1,479 | (116) | - | 417 | 5,871 |
| Accounts payable and accrued expenses | 10,572 | 972 | - | (193,227) | 76,784 | (104,899) |
| Unearned revenue | - | - | 43,940 | - | - | 43,940 |
| Compensated absences payable | - | - | - | (937) | 1,229 | 292 |
| Other postemployment benefits obligation | - | - | - | 1,253 | 1,880 | 3,133 |
| Due to other funds | 100,056 | 124,906 | - | - | - | 224,962 |
| Refundable deposits | 5,093 | - | 5,666 | (15,000) | - | (4,241) |
| Total adjustments | 416,222 | 184,589 | (4,834) | (851,240) | 11,286 | (243,977) |
| Net cash provided by operating activities | \$ 541,502 | \$ 241,929 | \$ 60,974 | \$ 185,671 | \$ 699,842 | \$ 1,729,918 |
| NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Amortization of bond premiums | \$ (6,099) | \$ (3,735) | \$ - | \$ - | \$ - | \$ (9,834) |
| Amortization of debt issue costs | \$ 5,410 | \$ 3,312 | \$ - | \$ - | \$ - | \$ 8,722 |
| Amortization of deferred loss on refundings | \$ 24,849 | \$ 9,000 | \$ - | \$ - | \$ - | \$ 33,849 |
| Capital contributions | \$ - | \$ - | \$ - | \$ - | \$ 40,085 | \$ 40,085 |
| Equipment transferred to internal service funds | \$ - | \$ - | \$ - | \$ - | \$ (179,250) | \$ (179,250) |

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost reimbursement basis.

Insurance Fund – This fund is used to account for the payment of insurance claims against the City for certain self-insured coverages and for the payment of health insurance premiums. In addition, expenses related to reinsurance and claims administration are paid from this fund.

Central Garage Fund – This fund is used to account for the central garage operation of the City.

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 September 30, 2010

| | Insurance | Central Garage | Total Internal Service Funds |
|---|---------------------|---------------------------|---|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 1,687,670 | \$ 100 | \$ 1,687,770 |
| Investments | 1,500,000 | - | 1,500,000 |
| Accounts receivable, net | 28,114 | - | 28,114 |
| Due from other funds | 6,258,031 | 2,235,665 | 8,493,696 |
| Inventories | - | 48,929 | 48,929 |
| Prepaid expenses | 21,351 | 200 | 21,551 |
| Total Current Assets | 9,495,166 | 2,284,894 | 11,780,060 |
| Noncurrent Assets: | | | |
| Property, land and equipment | | | |
| Buildings | - | 909 | 909 |
| Equipment | 135,961 | 18,287,732 | 18,423,693 |
| Construction in progress | - | 62,758 | 62,758 |
| Accumulated depreciation | (17,780) | (10,998,307) | (11,016,087) |
| Total Noncurrent Assets | 118,181 | 7,353,092 | 7,471,273 |
| Total Assets | 9,613,347 | 9,637,986 | 19,251,333 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | 1,064,759 | 211,590 | 1,276,349 |
| Compensated absences payable | 1,482 | - | 1,482 |
| Insurance claims payable | 1,603,342 | - | 1,603,342 |
| Total Current Liabilities | 2,669,583 | 211,590 | 2,881,173 |
| Noncurrent Liabilities: | | | |
| Net other postemployment benefits obligation | 5,901 | 17,704 | 23,605 |
| Long-term portion of compensated absences payable | 43,615 | 67,198 | 110,813 |
| Long-term portion of insurance claims payable | 2,661,877 | - | 2,661,877 |
| Total Noncurrent Liabilities | 2,711,393 | 84,902 | 2,796,295 |
| Total Liabilities | 5,380,976 | 296,492 | 5,677,468 |
| NET ASSETS | | | |
| Invested in capital assets | 118,181 | 7,353,092 | 7,471,273 |
| Unrestricted | 4,114,190 | 1,988,402 | 6,102,592 |
| Total Net Assets | \$ 4,232,371 | \$ 9,341,494 | \$ 13,573,865 |

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2010

| | Insurance | Central Garage | Total Internal Service Funds |
|---|---------------------|---------------------------|---|
| OPERATING REVENUES | | | |
| Charges for services | \$ 13,177,033 | \$ 2,747,563 | \$ 15,924,596 |
| Other operating revenue | 718,504 | 1,830,091 | 2,548,595 |
| Total Operating Revenues | <u>13,895,537</u> | <u>4,577,654</u> | <u>18,473,191</u> |
| OPERATING EXPENSES | | | |
| Personal services | 339,219 | 917,271 | 1,256,490 |
| Other operating expenses | 12,307,249 | 1,933,747 | 14,240,996 |
| Depreciation | 4,284 | 1,699,638 | 1,703,922 |
| Total Operating Expenses | <u>12,650,752</u> | <u>4,550,656</u> | <u>17,201,408</u> |
| Operating Income | 1,244,785 | 26,998 | 1,271,783 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | 3,447 | 642 | 4,089 |
| Gain (loss) on disposal of equipment | (185) | 71,720 | 71,535 |
| Total Nonoperating Revenues | <u>3,262</u> | <u>72,362</u> | <u>75,624</u> |
| Income Before Capital Contributions and Transfers | 1,248,047 | 99,360 | 1,347,407 |
| Capital contributions | - | 281,274 | 281,274 |
| Transfers in | - | 189,250 | 189,250 |
| Transfers out | <u>(657,065)</u> | <u>-</u> | <u>(657,065)</u> |
| Change In Net Assets | 590,982 | 569,884 | 1,160,866 |
| Net Assets - October 1, 2009 | 3,641,389 | 8,771,610 | 12,412,999 |
| Net Assets - September 30, 2010 | <u>\$ 4,232,371</u> | <u>\$ 9,341,494</u> | <u>\$ 13,573,865</u> |

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2010

| | Insurance | Central Garage | Total Internal Service Funds |
|---|---------------------|-------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 14,712,383 | \$ 3,592,269 | \$ 18,304,652 |
| Payments to suppliers | (3,428,219) | (1,822,662) | (5,250,881) |
| Payments to employees | (6,945,142) | (897,552) | (7,842,694) |
| Payments to others | (2,063,188) | - | (2,063,188) |
| Net cash provided by operating activities | <u>2,275,834</u> | <u>872,055</u> | <u>3,147,889</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | - | 10,000 | 10,000 |
| Transfers to other funds | (657,065) | - | (657,065) |
| Net cash provided by (used in) noncapital financing activities | <u>(657,065)</u> | <u>10,000</u> | <u>(647,065)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (119,374) | (979,768) | (1,099,142) |
| Proceeds from the sale of capital assets | - | 97,071 | 97,071 |
| Net cash used in capital and related financing activities | <u>(119,374)</u> | <u>(882,697)</u> | <u>(1,002,071)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 3,447 | 642 | 4,089 |
| Sale of investments | 33,500 | - | 33,500 |
| Net cash provided by investing activities | <u>36,947</u> | <u>642</u> | <u>37,589</u> |
| Net change in cash and cash equivalents | 1,536,342 | - | 1,536,342 |
| Cash and cash equivalents - October 1, 2009 | 151,328 | 100 | 151,428 |
| Cash and cash equivalents - September 30, 2010 | <u>\$ 1,687,670</u> | <u>\$ 100</u> | <u>\$ 1,687,770</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 1,244,785 | \$ 26,998 | \$ 1,271,783 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 4,284 | 1,699,638 | 1,703,922 |
| Change in assets and liabilities: | | | |
| Accounts receivable | 17,116 | - | 17,116 |
| Due from other funds | 799,730 | (985,385) | (185,655) |
| Inventories | - | (1,860) | (1,860) |
| Prepaid expenses | 499,342 | (200) | 499,142 |
| Accounts payable and accrued expenses | 150,398 | 113,145 | 263,543 |
| Compensated absences payable | 8,570 | 15,960 | 24,530 |
| Other postemployment benefits obligation | 1,253 | 3,759 | 5,012 |
| Insurance claims payable | (449,644) | - | (449,644) |
| Total adjustments | <u>1,031,049</u> | <u>845,057</u> | <u>1,876,106</u> |
| Net cash provided by operating activities | <u>\$ 2,275,834</u> | <u>\$ 872,055</u> | <u>\$ 3,147,889</u> |
| NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Equipment contributed from governmental activities | \$ - | \$ 281,274 | \$ 281,274 |
| Equipment transferred from enterprise funds | <u>\$ -</u> | <u>\$ 179,250</u> | <u>\$ 179,250</u> |

Fiduciary Funds

Fiduciary Funds are used to account for assets held in trust or as an agent by the City for others and include pension trust funds.

General Employees' Pension Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all permanent, full-time City employees except those covered by the Police and Firefighters' Retirement System Fund.

Police and Firefighters' Retirement System Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all noncivilian police and fire department employees.

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF PLAN NET ASSETS
 PENSION TRUST FUNDS
 September 30, 2010

| | General Employees' Pension | Police and Firefighters' Retirement System | Total Pension Trust Funds |
|---|---|---|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 416,760 | \$ 3,383,575 | \$ 3,800,335 |
| Investments: | | | |
| U.S. Government securities and mutual funds | - | 4,939,529 | 4,939,529 |
| U.S. Government agency securities | - | 4,434,199 | 4,434,199 |
| Municipal obligations | - | 802,438 | 802,438 |
| Domestic fixed income mutual fund | - | 5,341,260 | 5,341,260 |
| Corporate bonds and mutual funds | - | 14,215,891 | 14,215,891 |
| Equity securities and mutual funds | 9,296,627 | 46,490,240 | 55,786,867 |
| Alternative investments | 68,239,356 | 27,235,203 | 95,474,559 |
| DROP participant directed mutual funds | - | 10,945,229 | 10,945,229 |
| Due from broker for securities sold | - | 713,613 | 713,613 |
| Employee contributions receivable | 31,918 | 59,229 | 91,147 |
| Prepaid expenses | 60,076 | 186,276 | 246,352 |
| Interest and dividends receivable | 21,869 | 296,749 | 318,618 |
| Total Assets | <u>78,066,606</u> | <u>119,043,431</u> | <u>197,110,037</u> |
| LIABILITIES | | | |
| Accounts payable | 25,192 | 106,093 | 131,285 |
| Due to broker for securities purchased | - | 582,357 | 582,357 |
| Total Liabilities | <u>25,192</u> | <u>688,450</u> | <u>713,642</u> |
| NET ASSETS | | | |
| Held in trust for pension benefits | <u>\$ 78,041,414</u> | <u>\$ 118,354,981</u> | <u>\$ 196,396,395</u> |

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2010

| | General Employees' Pension | Police and Firefighters' Retirement System | Total Pension Trust Funds |
|--|---|---|--|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 2,996,262 | \$ 7,061,730 | \$ 10,057,992 |
| State | - | 1,677,668 | 1,677,668 |
| Plan members | 603,014 | 1,209,947 | 1,812,961 |
| Total contributions | <u>3,599,276</u> | <u>9,949,345</u> | <u>13,548,621</u> |
| Investment earnings | | | |
| Net appreciation in fair value of investments | 6,730,296 | 7,255,034 | 13,985,330 |
| Interest and dividends | 207,094 | 2,715,701 | 2,922,795 |
| | <u>6,937,390</u> | <u>9,970,735</u> | <u>16,908,125</u> |
| Less investment expenses - custodian fees | 114,665 | 451,307 | 565,972 |
| Net investment earnings | <u>6,822,725</u> | <u>9,519,428</u> | <u>16,342,153</u> |
| Other income | 55,518 | 15,339 | 70,857 |
| Total additions | <u>10,477,519</u> | <u>19,484,112</u> | <u>29,961,631</u> |
| DEDUCTIONS | | | |
| Benefits | 3,457,396 | 8,780,428 | 12,237,824 |
| Refunds of contributions | 56,890 | 52,389 | 109,279 |
| Other operating expenses | 133,668 | 219,708 | 353,376 |
| Total deductions | <u>3,647,954</u> | <u>9,052,525</u> | <u>12,700,479</u> |
| Change In Net Assets | 6,829,565 | 10,431,587 | 17,261,152 |
| Net Assets - October 1, 2009, as originally reported | 71,211,849 | 96,690,552 | 167,902,401 |
| Prior period adjustment - error correction | - | 11,232,842 | 11,232,842 |
| Net Assets - October 1, 2009, as restated | <u>71,211,849</u> | <u>107,923,394</u> | <u>179,135,243</u> |
| Net Assets - September 30, 2010 | <u>\$ 78,041,414</u> | <u>\$ 118,354,981</u> | <u>\$ 196,396,395</u> |

Other Supplementary Information

City of Delray Beach, Florida

Schedules of Revenues and Other Financing Sources—
Budget and Actual—General Fund

For the Fiscal Year Ended September 30, 2010

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|---------------|---------------|---------------------------------|
| Revenues: | | | |
| Taxes: | | | |
| Ad valorem | \$ 52,243,000 | \$ 52,656,596 | \$ 413,596 |
| Sales and use | 1,300,000 | 1,301,502 | 1,502 |
| Utility | 5,007,960 | 5,079,018 | 71,058 |
| Communications Services Tax | 3,980,000 | 3,959,125 | (20,875) |
| Local business tax | 717,000 | 616,861 | (100,139) |
| Total taxes | 63,247,960 | 63,613,102 | 365,142 |
| Fees and permits: | | | |
| Building permits | 1,914,000 | 1,898,547 | (15,453) |
| Franchise fees | 5,290,900 | 4,986,589 | (304,311) |
| Miscellaneous | 1,145,110 | 892,362 | (252,748) |
| License fee | 60,200 | 70,866 | 10,666 |
| Total fees and permits | 8,410,210 | 7,848,364 | (561,846) |
| Intergovernmental: | | | |
| Federal shared revenue: | | | |
| Justice Assistance Grant | 70,375 | 52,807 | (17,568) |
| Historic Preservation | 15,000 | 14,295 | (705) |
| Hazmat Sustainment | 173,596 | 9,761 | (163,835) |
| Speed Enforcement Program | - | 22,508 | 22,508 |
| Highway Safety Fund Grant | 87,058 | 78,592 | (8,466) |
| Total federal shared revenue | 346,029 | 177,963 | (168,066) |
| State shared revenue: | | | |
| State revenue sharing | 1,500,000 | 1,567,713 | 67,713 |
| Local government sales tax | 3,827,000 | 3,940,212 | 113,212 |
| Alcoholic beverage licenses tax | 72,000 | 70,102 | (1,898) |
| Municipal fuel tax refund | 51,000 | 65,496 | 14,496 |
| Mobile home licenses tax | 1,000 | 688 | (312) |
| Fire incentive | 51,840 | 56,622 | 4,782 |
| State grants | 92,569 | 62,861 | (29,708) |
| Total state shared revenue | 5,595,409 | 5,763,694 | 168,285 |
| Shared revenue from local units: | | | |
| County occupational licenses | 125,000 | 126,057 | 1,057 |
| Local grants | 5,000 | 5,000 | - |
| PBC grants | 48,620 | 48,620 | - |
| Total shared revenue from local units | 178,620 | 179,677 | 1,057 |
| Total intergovernmental | 6,120,058 | 6,121,334 | 1,276 |

Continued on next page.

City of Delray Beach, Florida

Schedules of Revenues and Other Financing Sources—
Budget and Actual—General Fund (continued)

For the Fiscal Year Ended September 30, 2010

| | Final Budget | Actual | Variance Positive (Negative) |
|--|----------------------|----------------------|---------------------------------|
| Revenues (continued): | | | |
| Charges for services: | | | |
| General government | \$ 333,075 | \$ 417,730 | \$ 84,655 |
| Public safety | 6,084,530 | 5,755,084 | (329,446) |
| Physical environment | 78,500 | 88,121 | 9,621 |
| Parking | 1,121,329 | 1,275,910 | 154,581 |
| Human services | - | 189 | 189 |
| Culture and recreation | 1,103,313 | 1,075,881 | (27,432) |
| Total charges for services | <u>8,720,747</u> | <u>8,612,915</u> | <u>(107,832)</u> |
| Fines and forfeitures: | | | |
| Court | 463,100 | 831,546 | 368,446 |
| Penalties on licenses and permits | 69,200 | 61,580 | (7,620) |
| Violations of local ordinances | 117,100 | 182,033 | 64,933 |
| Total fines and forfeitures | <u>649,400</u> | <u>1,075,159</u> | <u>425,759</u> |
| Miscellaneous: | | | |
| Interest | 195,440 | 187,514 | (7,926) |
| Rents and special assessments | 88,620 | 152,843 | 64,223 |
| Sale of capital assets | 4,800 | 22,161 | 17,361 |
| Contributions and donations | 2,390,070 | 2,439,334 | 49,264 |
| Recovery of administrative costs | 2,313,000 | 2,313,000 | - |
| Other | 173,700 | 164,817 | (8,883) |
| Total miscellaneous | <u>5,165,630</u> | <u>5,279,669</u> | <u>114,039</u> |
| Total revenues | <u>92,314,005</u> | <u>92,550,543</u> | <u>236,538</u> |
| Transfers in: | | | |
| Water and Sewer Fund | 1,540,590 | 1,540,590 | - |
| Municipal Golf Course Fund | 48,000 | 48,000 | - |
| City Marina Fund | 49,300 | 49,300 | - |
| Utilities Tax Fund | 1,598,840 | 1,598,364 | (476) |
| Insurance Fund | - | 1,574 | 1,574 |
| Sanitation Fund | 83,950 | 83,950 | - |
| Stormwater Utility Fund | 101,170 | 101,170 | - |
| Special Projects Fund | 12,000 | 12,000 | - |
| Capital Improvement Fund | - | - | - |
| Total transfers in | <u>3,433,850</u> | <u>3,434,948</u> | <u>1,098</u> |
| Total revenues and transfers in | <u>\$ 95,747,855</u> | <u>95,985,491</u> | <u>\$ 237,636</u> |
| Reconciliation to GAAP basis statements: | | | |
| On-behalf payments | | 1,677,668 | |
| Revenue and other financing sources - GAAP basis | | <u>\$ 97,663,159</u> | |

City of Delray Beach, Florida

Schedules of Expenditures, Encumbrances and Other
Financing Uses—Compared with Appropriations—General Fund

For the Fiscal Year Ended September 30, 2010

| | Final Budget | Current Year Expenditures | Current Year Encumbrances Outstanding | Total Expenditures and Encumbrances | Unencumbered Balance Lapsed |
|--|--------------|------------------------------|---|---|--------------------------------|
| Expenditures: | | | | | |
| General government: | | | | | |
| City commission | \$ 331,618 | \$ 270,738 | \$ 20,439 | \$ 291,177 | \$ 40,441 |
| City manager | 518,300 | 519,693 | - | 519,693 | (1,393) |
| Human resources | 635,379 | 624,549 | - | 624,549 | 10,830 |
| City clerk | 576,180 | 583,111 | - | 583,111 | (6,931) |
| Finance | 1,606,905 | 1,630,014 | 495 | 1,630,509 | (23,604) |
| Information technology | 1,623,240 | 1,588,017 | 11,200 | 1,599,217 | 24,023 |
| City attorney | 944,466 | 874,144 | 41,614 | 915,758 | 28,708 |
| Administrative services administration | 707,170 | 681,794 | - | 681,794 | 25,376 |
| Clean and Safe | 209,340 | 206,460 | - | 206,460 | 2,880 |
| Cemetery | 373,210 | 382,020 | - | 382,020 | (8,810) |
| Old School Square | 194,750 | 194,750 | - | 194,750 | - |
| Library | 1,453,500 | 1,453,500 | - | 1,453,500 | - |
| Miscellaneous grants | 183,300 | 158,300 | - | 158,300 | 25,000 |
| Transfers to component units | 7,521,698 | 7,431,563 | - | 7,431,563 | 90,135 |
| Miscellaneous (nondepartmental) | 27,908 | 524,449 | - | 524,449 | (496,541) |
| Total general government | 16,906,964 | 17,123,102 | 73,748 | 17,196,850 | (289,886) |
| Public safety: | | | | | |
| Law enforcement | 27,587,332 | 26,845,052 | 26,437 | 26,871,489 | 715,843 |
| Fire control | 23,015,065 | 22,384,140 | 100,496 | 22,484,636 | 530,429 |
| Community improvement administration | 512,608 | 513,767 | - | 513,767 | (1,159) |
| Planning and zoning | 1,183,830 | 1,172,336 | 5,700 | 1,178,036 | 5,794 |
| Building inspection | 1,386,940 | 1,393,262 | - | 1,393,262 | (6,322) |
| Code compliance | 1,002,802 | 1,003,893 | 4,168 | 1,008,061 | (5,259) |
| Total public safety | 54,688,577 | 53,312,450 | 136,801 | 53,449,251 | 1,239,326 |
| Physical environment: | | | | | |
| Engineering | 675,144 | 603,273 | 10,435 | 613,708 | 61,436 |
| Parking facilities | 1,111,029 | 935,990 | - | 935,990 | 175,039 |
| Public works: | | | | | |
| Traffic operations | 427,730 | 439,804 | - | 439,804 | (12,074) |
| Administration | 185,880 | 183,268 | - | 183,268 | 2,612 |
| Street lighting | 830,390 | 794,793 | 30,000 | 824,793 | 5,597 |
| Street maintenance | 807,470 | 843,138 | - | 843,138 | (35,668) |
| Building maintenance | 591,975 | 614,145 | 100 | 614,245 | (22,270) |
| Total physical environment | 4,629,618 | 4,414,411 | 40,535 | 4,454,946 | 174,672 |

Continued on next page.

City of Delray Beach, Florida

Schedules of Expenditures, Encumbrances and Other
Financing Uses—Compared with Appropriations—General Fund (continued)

For the Fiscal Year Ended September 30, 2010

| | Final Budget | Current Year Expenditures | Current Year Encumbrances Outstanding | Total Expenditures and Encumbrances | Unencumbered Balance Lapsed |
|--|---------------|------------------------------|---|---|--------------------------------|
| Expenditures (continued): | | | | | |
| Parks and recreation: | | | | | |
| Administration | \$ 637,092 | \$ 639,136 | \$ - | \$ 639,136 | \$ (2,044) |
| After school program | 537,040 | 491,623 | - | 491,623 | 45,417 |
| Summer day camp program | - | 150 | - | 150 | (150) |
| Teen center | 245,990 | 233,434 | - | 233,434 | 12,556 |
| Beach operations | 1,492,287 | 1,473,685 | - | 1,473,685 | 18,602 |
| Catherine Strong Park | 182,926 | 184,310 | - | 184,310 | (1,384) |
| Community center | 318,115 | 303,097 | - | 303,097 | 15,018 |
| Veteran's Park | 149,757 | 149,010 | 679 | 149,689 | 68 |
| C. Spencer Pompey Park | 925,177 | 919,225 | 955 | 920,180 | 4,997 |
| Parks maintenance | 3,831,221 | 3,965,707 | 500 | 3,966,207 | (134,986) |
| Soccer complex | - | 93 | - | 93 | (93) |
| Tennis centers | 1,126,510 | 1,127,157 | 6,065 | 1,133,222 | (6,712) |
| Stadium | 1,633,660 | 1,585,893 | - | 1,585,893 | 47,767 |
| Aquatics | 376,943 | 363,361 | - | 363,361 | 13,582 |
| Athletics | 585,665 | 558,049 | - | 558,049 | 27,616 |
| Total parks and recreation | 12,042,383 | 11,993,930 | 8,199 | 12,002,129 | 40,254 |
| Debt service: | | | | | |
| Principal retirement | 3,328,750 | 3,328,750 | - | 3,328,750 | - |
| Interest and fiscal charges | 1,694,620 | 1,694,992 | - | 1,694,992 | (372) |
| Total debt service | 5,023,370 | 5,023,742 | - | 5,023,742 | (372) |
| Total expenditures and encumbrances | 93,290,912 | 91,867,635 | 259,283 | 92,126,918 | 1,163,994 |
| Other financing uses: | | | | | |
| Transfers out: | | | | | |
| Community Development Fund | 149,430 | 149,430 | - | 149,430 | - |
| Beautification Fund | 835,000 | 905,035 | - | 905,035 | (70,035) |
| Utilities Tax Fund | 1,205,620 | 1,205,620 | - | 1,205,620 | - |
| Capital Improvement Fund | 1,166,520 | 1,166,520 | - | 1,166,520 | - |
| Special Project Fund | 15,445 | 15,446 | - | 15,446 | (1) |
| Beach Restoration Fund | 15,000 | 15,000 | - | 15,000 | - |
| Total other financing uses | 3,387,015 | 3,457,051 | - | 3,457,051 | (70,036) |
| Total expenditures, encumbrances and other financing uses | \$ 96,677,927 | \$ 95,324,686 | \$ 259,283 | 95,583,969 | \$ 1,093,958 |
| Reconciliation to GAAP basis statements: | | | | | |
| Current year encumbrances outstanding | | | | (259,283) | |
| Prior year encumbrances paid in current year | | | | 339,576 | |
| On-behalf payments | | | | 1,677,668 | |
| Expenditures and other financing uses - GAAP basis | | | | \$ 97,341,930 | |

Schedules of Debt Service Requirements

City of Delray Beach, Florida

Summary Schedule of Debt Service Requirements
(Principal and Interest) to Maturity

| Fiscal Year Ending September 30 | General Obligation Bonds | Revenue Bonds | Water and Sewer Revenue Bonds | Installment Agreements | Total Requirements |
|--|-------------------------------------|----------------------|--|-----------------------------------|-------------------------------|
| 2011 | \$ 3,576,540 | \$ 3,427,325 | \$ 5,821,095 | \$ 103,626 | \$ 12,928,586 |
| 2012 | 3,573,840 | 3,427,914 | 5,924,633 | 103,628 | 13,030,015 |
| 2013 | 3,569,827 | 6,435,082 | 5,926,338 | 94,992 | 16,026,239 |
| 2014 | 2,168,937 | 3,341,602 | 5,926,579 | - | 11,437,118 |
| 2015 | 2,167,092 | 3,343,718 | 5,925,356 | - | 11,436,166 |
| 2016 | 2,171,935 | 3,342,026 | 2,117,568 | - | 7,631,529 |
| 2017 | 2,174,200 | 2,793,154 | 2,112,554 | - | 7,079,908 |
| 2018 | 2,179,513 | 2,793,728 | 2,109,653 | - | 7,082,894 |
| 2019 | 2,176,519 | 2,801,632 | 2,108,659 | - | 7,086,810 |
| 2020 | 2,184,761 | 2,591,500 | 2,109,353 | - | 6,885,614 |
| 2021 | 2,188,864 | 2,587,750 | 2,121,292 | - | 6,897,906 |
| 2022 | 2,188,760 | 2,590,750 | 2,119,371 | - | 6,898,881 |
| 2023 | 2,194,413 | 2,590,000 | - | - | 4,784,413 |
| 2024 | 2,205,589 | 2,590,500 | - | - | 4,796,089 |
| 2025 | - | 2,592,000 | - | - | 2,592,000 |
| 2026 | - | 2,589,250 | - | - | 2,589,250 |
| 2027 | - | 2,592,250 | - | - | 2,592,250 |
| 2028 | - | 2,590,500 | - | - | 2,590,500 |
| 2029 | - | 2,589,000 | - | - | 2,589,000 |
| 2030 | - | 2,587,500 | - | - | 2,587,500 |
| 2031 | - | 2,590,750 | - | - | 2,590,750 |
| 2032 | - | 2,588,250 | - | - | 2,588,250 |
| | \$ 34,720,790 | \$ 65,376,181 | \$ 44,322,451 | \$ 302,246 | \$ 144,721,668 |

City of Delray Beach, Florida

Combined Schedule of General Obligation Bond Debt Service Requirements

| Fiscal Year Ending September 30 | Principal | Interest | Total | Balance Outstanding at End of Fiscal Year |
|------------------------------------|----------------------|---------------------|----------------------|---|
| 2011 | \$ 2,485,000 | \$ 1,091,540 | \$ 3,576,540 | \$ 31,144,250 |
| 2012 | 2,600,000 | 973,840 | 3,573,840 | 27,570,410 |
| 2013 | 2,720,000 | 849,827 | 3,569,827 | 24,000,583 |
| 2014 | 1,410,000 | 758,937 | 2,168,937 | 21,831,646 |
| 2015 | 1,465,000 | 702,092 | 2,167,092 | 19,664,554 |
| 2016 | 1,530,000 | 641,935 | 2,171,935 | 17,492,619 |
| 2017 | 1,595,000 | 579,200 | 2,174,200 | 15,318,419 |
| 2018 | 1,665,000 | 514,513 | 2,179,513 | 13,138,906 |
| 2019 | 1,730,000 | 446,519 | 2,176,519 | 10,962,387 |
| 2020 | 1,810,000 | 374,761 | 2,184,761 | 8,777,626 |
| 2021 | 1,890,000 | 298,864 | 2,188,864 | 6,588,762 |
| 2022 | 1,970,000 | 218,760 | 2,188,760 | 4,400,002 |
| 2023 | 2,060,000 | 134,413 | 2,194,413 | 2,205,589 |
| 2024 | 2,160,000 | 45,589 | 2,205,589 | - |
| | <u>\$ 27,090,000</u> | <u>\$ 7,630,790</u> | <u>\$ 34,720,790</u> | |

City of Delray Beach, Florida

Schedule of General Obligation Bonds (Series 2002)

| Fiscal Year Ending September 30 | Principal | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|--|------------------|
| | February 1 | February 1 | February 1 | August 1 | | | |
| 2011 | \$ 1,865,000 | \$ 147,000 | \$ 100,375 | \$ 100,375 | \$ 2,112,375 | \$ 4,218,125 | 5.00% |
| 2012 | 1,960,000 | 100,375 | 100,375 | 51,375 | 2,111,750 | 2,106,375 | 5.00 |
| 2013 | 2,055,000 | 51,375 | - | - | 2,106,375 | - | 5.00 |
| | <u>\$ 5,880,000</u> | <u>\$ 298,750</u> | <u>\$ 151,750</u> | <u>\$ 151,750</u> | <u>\$ 6,330,500</u> | | |

- Original Authorization – \$18,000,000
- Issued – \$15,685,000
- Date of Issue – December 19, 2002
- Maturity Range – Serially February 1, 2004 through February 1, 2013
- Principal Payment Date – February 1 of each year
- Interest Payment Dates – February 1 and August 1
- Denomination – \$5,000
- Call Features – No optional or mandatory redemption
- Paying Agent/Registrar – Wells Fargo
Coral Springs, Florida
- Ratings at Date of Issue – Moody's Aaa (FSA insured)
Standard & Poor's AAA (FSA insured)

Projects: The bonds were issued for financing the cost of partially refunding the General Obligation Bonds (Series 1993A & 1993B).

City of Delray Beach, Florida

Schedule of General Obligation Bonds (Series 2004)

| Fiscal Year Ending September 30 | Principal | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|----------------------|---------------------|---------------------|----------------------|---------------|--|------------------|
| | February 1 | February 1 | February 1 | August 1 | | | |
| 2011 | \$ 620,000 | \$ 219,620 | \$ 209,545 | \$ 1,049,165 | \$ 13,625,211 | 3.25% | |
| 2012 | 640,000 | 209,545 | 197,545 | 1,047,090 | 12,578,121 | 3.75 | |
| 2013 | 665,000 | 197,545 | 185,907 | 1,048,452 | 11,529,669 | 3.50 | |
| 2014 | 690,000 | 185,907 | 172,970 | 1,048,877 | 10,480,792 | 3.75 | |
| 2015 | 715,000 | 172,970 | 159,564 | 1,047,534 | 9,433,258 | 3.75 | |
| 2016 | 745,000 | 159,564 | 144,664 | 1,049,228 | 8,384,030 | 4.00 | |
| 2017 | 775,000 | 144,664 | 130,133 | 1,049,797 | 7,334,233 | 3.75 | |
| 2018 | 805,000 | 130,133 | 114,837 | 1,049,970 | 6,284,263 | 3.80 | |
| 2019 | 835,000 | 114,837 | 98,555 | 1,048,392 | 5,235,871 | 3.90 | |
| 2020 | 870,000 | 98,555 | 81,155 | 1,049,710 | 4,186,161 | 4.00 | |
| 2021 | 905,000 | 81,155 | 62,602 | 1,048,757 | 3,137,404 | 4.10 | |
| 2022 | 940,000 | 62,602 | 42,863 | 1,045,465 | 2,091,939 | 4.20 | |
| 2023 | 980,000 | 42,863 | 22,038 | 1,044,901 | 1,047,038 | 4.25 | |
| 2024 | 1,025,000 | 22,038 | - | 1,047,038 | - | 4.30 | |
| | <u>\$ 11,210,000</u> | <u>\$ 1,841,998</u> | <u>\$ 1,622,378</u> | <u>\$ 14,674,376</u> | | | |

- Original Authorization – \$24,000,000
- Issued – \$14,000,000
- Date of Issue – September 30, 2004
- Maturity Range – Serially February 1, 2005 through February 1, 2024
- Principal Payment Date – February 1 of each year
- Interest Payment Dates – February 1 and August 1
- Denomination – \$5,000
- Call Features – No optional or mandatory redemption
- Paying Agent/Registrar – Wells Fargo
Coral Springs, Florida
- Ratings at Date of Issue – Moody’s Aaa (FSA insured)
Standard & Poor’s AAA (FSA insured)

Projects: The bonds were issued for the purpose of acquiring land, equipping new parks and recreation centers, constructing a parking garage and purchasing library fixtures in the City.

City of Delray Beach, Florida

Schedule of General Obligation Bonds (Series 2005)

| Fiscal Year Ending September 30 | Principal | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|--|------------------|
| | February 1 | February 1 | February 1 | August 1 | | | |
| 2011 | \$ - | \$ - | \$ 207,500 | \$ 207,500 | \$ 415,000 | \$ 13,300,914 | 4.15% |
| 2012 | - | - | 207,500 | 207,500 | 415,000 | 12,885,914 | 4.15 |
| 2013 | - | - | 207,500 | 207,500 | 415,000 | 12,470,914 | 4.15 |
| 2014 | 720,000 | - | 207,500 | 192,560 | 1,120,060 | 11,350,854 | 4.15 |
| 2015 | 750,000 | - | 192,560 | 176,998 | 1,119,558 | 10,231,296 | 4.15 |
| 2016 | 785,000 | - | 176,998 | 160,709 | 1,122,707 | 9,108,589 | 4.15 |
| 2017 | 820,000 | - | 160,709 | 143,694 | 1,124,403 | 7,984,186 | 4.15 |
| 2018 | 860,000 | - | 143,694 | 125,849 | 1,129,543 | 6,854,643 | 4.15 |
| 2019 | 895,000 | - | 125,849 | 107,278 | 1,128,127 | 5,726,516 | 4.15 |
| 2020 | 940,000 | - | 107,278 | 87,773 | 1,135,051 | 4,591,465 | 4.15 |
| 2021 | 985,000 | - | 87,773 | 67,334 | 1,140,107 | 3,451,358 | 4.15 |
| 2022 | 1,030,000 | - | 67,334 | 45,961 | 1,143,295 | 2,308,063 | 4.15 |
| 2023 | 1,080,000 | - | 45,961 | 23,551 | 1,149,512 | 1,158,551 | 4.15 |
| 2024 | 1,135,000 | - | 23,551 | - | 1,158,551 | - | |
| | <u>\$ 10,000,000</u> | <u>\$ 1,961,707</u> | <u>\$ 1,754,207</u> | <u>\$ 1,754,207</u> | <u>\$ 13,715,914</u> | | |

| | |
|------------------------|--|
| Original Authorization | - \$24,000,000 |
| Issued | - \$10,000,000 |
| Date of Issue | - August 26, 2005 |
| Maturity Range | - Serially February 1, 2014 through February 1, 2024 |
| Principal Payment Date | - February 1 of each year |
| Interest Payment Dates | - February 1 and August 1 |
| Denomination | - \$5,000 |
| Call Features | - Penalty with early prepayment |
| Paying Agent | - SunTrust Bank, NA |
| Ratings | - N/A |

Projects: The bonds were issued for the purpose of acquiring land, equipping new parks and recreation centers, constructing a parking garage and purchasing library fixtures in the City.

City of Delray Beach, Florida

Combined Schedule of Revenue Bond
Debt Service Requirements (Principal and Interest)

| Fiscal Year Ending September 30 | Principal | Interest | Total | Balance Outstanding at End of Fiscal Year |
|------------------------------------|----------------------|----------------------|----------------------|---|
| 2011 | \$ 1,565,000 | \$ 1,862,325 | \$ 3,427,325 | \$ 61,948,856 |
| 2012 | 1,630,000 | 1,797,914 | 3,427,914 | 58,520,942 |
| 2013 | 4,705,000 | 1,730,082 | 6,435,082 | 52,085,860 |
| 2014 | 1,710,000 | 1,631,602 | 3,341,602 | 48,744,258 |
| 2015 | 1,785,000 | 1,558,718 | 3,343,718 | 45,400,540 |
| 2016 | 1,860,000 | 1,482,026 | 3,342,026 | 42,058,514 |
| 2017 | 1,390,000 | 1,403,154 | 2,793,154 | 39,265,360 |
| 2018 | 1,450,000 | 1,343,728 | 2,793,728 | 36,471,632 |
| 2019 | 1,520,000 | 1,281,632 | 2,801,632 | 33,670,000 |
| 2020 | 1,375,000 | 1,216,500 | 2,591,500 | 31,078,500 |
| 2021 | 1,440,000 | 1,147,750 | 2,587,750 | 28,490,750 |
| 2022 | 1,515,000 | 1,075,750 | 2,590,750 | 25,900,000 |
| 2023 | 1,590,000 | 1,000,000 | 2,590,000 | 23,310,000 |
| 2024 | 1,670,000 | 920,500 | 2,590,500 | 20,719,500 |
| 2025 | 1,755,000 | 837,000 | 2,592,000 | 18,127,500 |
| 2026 | 1,840,000 | 749,250 | 2,589,250 | 15,538,250 |
| 2027 | 1,935,000 | 657,250 | 2,592,250 | 12,946,000 |
| 2028 | 2,030,000 | 560,500 | 2,590,500 | 10,355,500 |
| 2029 | 2,130,000 | 459,000 | 2,589,000 | 7,766,500 |
| 2030 | 2,235,000 | 352,500 | 2,587,500 | 5,179,000 |
| 2031 | 2,350,000 | 240,750 | 2,590,750 | 2,588,250 |
| 2032 | 2,465,000 | 123,250 | 2,588,250 | - |
| | <u>\$ 41,945,000</u> | <u>\$ 23,431,181</u> | <u>\$ 65,376,181</u> | |

City of Delray Beach, Florida

Schedule of Revenue Bonds (Series 2000)

| Fiscal Year Ending September 30 | Serial Bond | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|--------------|--|------------------|
| | Principal June 1 | December 1 | June 1 | | | | |
| 2011 | \$ 465,000 | \$ 126,536 | \$ 126,536 | \$ 718,072 | \$ 5,412,671 | 5.245% | |
| 2012 | 495,000 | 114,341 | 114,341 | 723,682 | 4,688,989 | 5.245 | |
| 2013 | 520,000 | 101,360 | 101,359 | 722,719 | 3,966,270 | 5.245 | |
| 2014 | 545,000 | 87,723 | 87,723 | 720,446 | 3,245,824 | 5.245 | |
| 2015 | 580,000 | 73,430 | 73,430 | 726,860 | 2,518,964 | 5.245 | |
| 2016 | 510,000 | 58,219 | 58,219 | 626,438 | 1,892,526 | 5.245 | |
| 2017 | 540,000 | 44,845 | 44,845 | 629,690 | 1,262,836 | 5.245 | |
| 2018 | 570,000 | 30,683 | 30,683 | 631,366 | 631,470 | 5.245 | |
| 2019 | 600,000 | 15,735 | 15,735 | 631,470 | - | 5.245 | |
| | <u>\$ 4,825,000</u> | <u>\$ 652,872</u> | <u>\$ 652,871</u> | <u>\$ 6,130,743</u> | | | |

- Original Authorization – \$10,000,000
- Issued – \$10,000,000
- Date of Issue – February 25, 2000
- Maturity Range – Serial Bonds: June 1, 1999 through June 1, 2019
- Principal Payment Date – June 1 of each year
- Interest Payment Dates – June 1 and December 1 of each year
- Pledged Revenue – Non-ad valorem tax revenues
- Denomination – N/A
- Call Features – Penalty for early payment
- Paying Agent – Bank of America
- Ratings – N/A

Projects: The bonds were issued to finance all or a portion of the costs of certain roadway improvements including water, sewer and drainage work, and a portion of the costs of a tri-party radio system. Approximately 74% of the bonds are governmental activities debt and 26% is business-type activities debt.

City of Delray Beach, Florida

Schedule of Utility Tax Revenue Bonds (Series 2002)

| Fiscal Year Ending September 30 | Serial Bond | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|--------------|--|------------------|
| | Principal June 1 | December 1 | June 1 | | | | |
| 2011 | \$ 470,000 | \$ 54,330 | \$ 54,330 | \$ 578,660 | \$ 2,591,376 | 3.60% | |
| 2012 | 485,000 | 45,870 | 45,870 | 576,740 | 2,014,636 | 3.70 | |
| 2013 | 510,000 | 36,898 | 36,898 | 583,796 | 1,430,840 | 3.85 | |
| 2014 | 420,000 | 27,080 | 27,080 | 474,160 | 956,680 | 4.00 | |
| 2015 | 440,000 | 18,680 | 18,680 | 477,360 | 479,320 | 4.10 | |
| 2016 | 460,000 | 9,660 | 9,660 | 479,320 | - | 4.20 | |
| | <u>\$ 2,785,000</u> | <u>\$ 192,518</u> | <u>\$ 192,518</u> | <u>\$ 3,170,036</u> | | | |

- Original Authorization – \$16,500,000
- Issued – \$15,020,000 Serial Bonds
- Date of Issue – December 19, 2002
- Maturity Range – Serial Bonds: June 1, 2003 through June 1, 2016
- Principal Payment Date – June 1 of each year
- Interest Payment Dates – June 1 and December 1 of each year for both serial and term bonds
- Pledged Revenue – Utilities service tax revenues
- Denomination – \$5,000
- Call Features – Serial Bonds: June 1, 2003 through May 31, 2014 -- No redemption
June 1, 2014 through May 31, 2016 at 100%
- Paying Agent/Registrar – Wells Fargo, Coral Springs, Florida
- Ratings at Date of Issue – Moody's Aaa (FSA insured)
Standard & Poor's AAA (FSA insured)

Projects: The bonds were issued to refund the City's outstanding Utility Tax Revenue Bonds, Series 1992, Series 1994, Series 1995, Series 1996, and Series 1998. Approximately 19% of the original bonds issued were governmental activities debt and approximately 81% of the bonds were business-type activities debt.

City of Delray Beach, Florida

Schedule of Revenue Refunding and Improvement Bonds (Series 2003)

| Fiscal Year Ending September 30 | Serial Bond | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|---------------------|-------------------|-------------------|---------------------|--------------|--|------------------|
| | Principal June 1 | December 1 | June 1 | | | | |
| 2011 | \$ 605,000 | \$ 123,125 | \$ 123,125 | \$ 851,250 | \$ 7,203,126 | 3.66% | |
| 2012 | 630,000 | 112,057 | 112,057 | 854,114 | 6,349,012 | 3.66 | |
| 2013 | 655,000 | 100,531 | 100,531 | 856,062 | 5,492,950 | 3.66 | |
| 2014 | 675,000 | 88,548 | 88,548 | 852,096 | 4,640,854 | 3.66 | |
| 2015 | 695,000 | 76,199 | 76,199 | 847,398 | 3,793,456 | 3.66 | |
| 2016 | 820,000 | 63,484 | 63,484 | 946,968 | 2,846,488 | 3.66 | |
| 2017 | 850,000 | 48,482 | 48,482 | 946,964 | 1,899,524 | 3.66 | |
| 2018 | 880,000 | 32,931 | 32,931 | 945,862 | 953,662 | 3.66 | |
| 2019 | 920,000 | 16,831 | 16,831 | 953,662 | - | 3.66 | |
| | <u>\$ 6,730,000</u> | <u>\$ 662,188</u> | <u>\$ 662,188</u> | <u>\$ 8,054,376</u> | | | |

Original Authorization – \$9,685,000
 Issued – \$9,685,000 Serial Bonds
 Date of Issue – December 2, 2003
 Maturity Range – Serial Bonds: June 1, 2003 through June 1, 2019
 Principal Payment Date – June 1 of each year
 Interest Payment Dates – June 1 and December 1 of each year for both serial and term bonds
 Pledged Revenue – Non-ad valorem tax revenues
 Denomination – N/A
 Call Features – Penalty for early payment
 Paying Agent – SunTrust Bank
 Ratings – N/A

Projects: The bonds were issued to current refund Series 1999 and Series 2002 Tax Exempt Bonds, in whole, and Series 2002 Taxable Bonds in part. Approximately 94% of the bonds are governmental activities debt and approximately 6% of the bonds are business-type activities debt.

City of Delray Beach, Florida

Schedule of Utility Tax Revenue Bonds (Series 2007)

| Fiscal Year Ending September 30 | Serial Bond | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|---------------|--|------------------|
| | Principal June 1 | December 1 | June 1 | | | | |
| 2011 | \$ 25,000 | \$ 613,750 | \$ 613,750 | \$ 1,252,500 | \$ 43,688,000 | 4.00% | |
| 2012 | 20,000 | 613,250 | 613,250 | 1,246,500 | 42,441,500 | 4.00 | |
| 2013 | 20,000 | 612,850 | 612,850 | 1,245,700 | 41,195,800 | 4.00 | |
| 2014 | 70,000 | 612,450 | 612,450 | 1,294,900 | 39,900,900 | 4.00 | |
| 2015 | 70,000 | 611,050 | 611,050 | 1,292,100 | 38,608,800 | 4.00 | |
| 2016 | 70,000 | 609,650 | 609,650 | 1,289,300 | 37,319,500 | 4.00 | |
| 2017 | - | 608,250 | 608,250 | 1,216,500 | 36,103,000 | 4.00 | |
| 2018 | - | 608,250 | 608,250 | 1,216,500 | 34,886,500 | 5.00 | |
| 2019 | - | 608,250 | 608,250 | 1,216,500 | 33,670,000 | 5.00 | |
| 2020 | 1,375,000 | 608,250 | 608,250 | 2,591,500 | 31,078,500 | 5.00 | |
| 2021 | 1,440,000 | 573,875 | 573,875 | 2,587,750 | 28,490,750 | 5.00 | |
| 2022 | 1,515,000 | 537,875 | 537,875 | 2,590,750 | 25,900,000 | 5.00 | |
| 2023 | 1,590,000 | 500,000 | 500,000 | 2,590,000 | 23,310,000 | 5.00 | |
| 2024 | 1,670,000 | 460,250 | 460,250 | 2,590,500 | 20,719,500 | 5.00 | |
| 2025 | 1,755,000 | 418,500 | 418,500 | 2,592,000 | 18,127,500 | 5.00 | |
| 2026 | 1,840,000 | 374,625 | 374,625 | 2,589,250 | 15,538,250 | 5.00 | |
| 2027 | 1,935,000 | 328,625 | 328,625 | 2,592,250 | 12,946,000 | 5.00 | |
| 2028 | 2,030,000 | 280,250 | 280,250 | 2,590,500 | 10,355,500 | 5.00 | |
| 2029 | 2,130,000 | 229,500 | 229,500 | 2,589,000 | 7,766,500 | 5.00 | |
| 2030 | 2,235,000 | 176,250 | 176,250 | 2,587,500 | 5,179,000 | 5.00 | |
| 2031 | 2,350,000 | 120,375 | 120,375 | 2,590,750 | 2,588,250 | 5.00 | |
| 2032 | 2,465,000 | 61,625 | 61,625 | 2,588,250 | - | 5.00 | |
| | <u>\$ 24,605,000</u> | <u>\$ 10,167,750</u> | <u>\$ 10,167,750</u> | <u>\$ 44,940,500</u> | | | |

- Original Authorization – \$27,000,000
- Issued – \$24,635,000 Serial Bonds
- Date of Issue – September 26, 2007
- Maturity Range – Serial Bonds: June 1, 2010 through June 1, 2027; Term Bond: June 1, 2032
- Principal Payment Date – June 1 of each year
- Interest Payment Dates – June 1 and December 1 of each year for both serial and term bonds
- Pledged Revenue – Utility service tax revenues
- Denomination – N/A
- Call Features – Penalty for early payment
- Paying Agent – Commerce Bank
- Ratings at Date of Issue – S&P: AAA, Moody's: Aaa
- Underlying Ratings – S&P: A, Moody's: A2

Projects: The bonds were issued to finance various parks and recreation projects, Fire Station #4, Environmental Services Building (in part), and to refund the City's 2005 Line of Credit (which was used to fund the Old School Square Parking Garage Project). Approximately 96% of the bonds are governmental activities debt and approximately 4% of the bonds are business-type activities debt.

City of Delray Beach, Florida

Schedule of Revenue Bonds (Series 2008)
(Taxable)

| Fiscal Year Ending September 30 | Principal | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate (1) |
|------------------------------------|---------------------|------------------|------------------|---------------------|--------------|--|----------------------|
| | June 1 | December 1 | June 1 | June 1 | | | |
| 2011 | \$ - | \$ 13,477 | \$ 13,366 | \$ 26,843 | \$ 3,053,683 | 0.88125% | |
| 2012 | - | 13,439 | 13,439 | 26,878 | 3,026,805 | 0.88125% | |
| 2013 | 3,000,000 | 13,439 | 13,366 | 3,026,805 | - | 0.88125% | |
| | <u>\$ 3,000,000</u> | <u>\$ 40,355</u> | <u>\$ 40,171</u> | <u>\$ 3,080,526</u> | | | |

| | |
|------------------------|---|
| Original Authorization | - \$3,000,000 |
| Issued | - \$3,000,000 |
| Date of Issue | - September 26, 2008 |
| Maturity | - June 1, 2013 |
| Principal Payment Date | - Required upon maturity |
| Interest Payment Dates | - June 1 and December 1 of each year |
| Pledged Revenue | - Non-ad valorem tax revenues |
| Denomination | - N/A |
| Call Features | - No prepayment penalty |
| Paying Agent | - TD Bank, N.A. |
| Ratings | - N/A |
| Interest | - Variable rate based on the 30-day LIBOR plus sixty-two and one-half basis points (.625) (London Inter Bank Offered Rate) |

Projects: The bonds were issued to provide interim financing for a portion of the City's Old School Square Parking Garage Project including land acquisition.

(1) Estimated rate for the period.

City of Delray Beach, Florida

Combined Schedule of Water and Sewer Revenue Bonds

| Fiscal Year Ending September 30 | Principal | Interest | Total | Balance Outstanding at End of Fiscal Year |
|------------------------------------|----------------------|----------------------|----------------------|---|
| 2011 | \$ 4,844,635 | \$ 976,460 | \$ 5,821,095 | \$ 38,501,356 |
| 2012 | 2,355,737 | 3,568,896 | 5,924,633 | 32,576,723 |
| 2013 | 2,303,206 | 3,623,132 | 5,926,338 | 26,650,385 |
| 2014 | 2,241,725 | 3,684,854 | 5,926,579 | 20,723,806 |
| 2015 | 2,198,726 | 3,726,630 | 5,925,356 | 14,798,450 |
| 2016 | 1,605,000 | 512,568 | 2,117,568 | 12,680,882 |
| 2017 | 1,670,000 | 442,554 | 2,112,554 | 10,568,328 |
| 2018 | 1,740,000 | 369,653 | 2,109,653 | 8,458,675 |
| 2019 | 1,815,000 | 293,659 | 2,108,659 | 6,350,016 |
| 2020 | 1,895,000 | 214,353 | 2,109,353 | 4,240,663 |
| 2021 | 1,990,000 | 131,292 | 2,121,292 | 2,119,371 |
| 2022 | 2,075,000 | 44,371 | 2,119,371 | - |
| | <u>\$ 26,734,029</u> | <u>\$ 17,588,422</u> | <u>\$ 44,322,451</u> | |

City of Delray Beach, Florida

Schedule of Water and Sewer Revenue Bonds (Series 1993)

| Fiscal Year Ending September 30 | Serial Bond | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|------------------------|----------------------|-------------|-------------|----------------------|--|------------------|
| | Principal October 1 | October 1 | April 1 | | | | |
| 2011 | \$ 99,635 | \$ 165,365 | \$ - | \$ - | \$ 265,000 | \$ 17,900,000 | 5.75% |
| 2012 | 1,575,737 | 2,899,263 | - | - | 4,475,000 | 13,425,000 | 5.80 |
| 2013 | 1,488,206 | 2,986,794 | - | - | 4,475,000 | 8,950,000 | 5.80 |
| 2014 | 1,391,725 | 3,083,275 | - | - | 4,475,000 | 4,475,000 | 5.80 |
| 2015 | 1,313,726 | 3,161,274 | - | - | 4,475,000 | - | 5.85 |
| | <u>\$ 5,869,029</u> | <u>\$ 12,295,971</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,165,000</u> | | |

- Original Authorization – \$28,104,475
- Issued – \$28,104,475
- Date of Issue – June 1, 1993
- Maturity Range – Capital Appreciation Bonds, Serially October 1, 1999 through October 1, 2014
- Principal Payment Date – October 1 of each year
- Interest Payment Dates – October 1 of each year
- Pledged Revenue – Utility system net revenues
- Denomination – \$5,000
- Call Features – No optional or mandatory redemption.
- Paying Agent/Registrar – Wachovia National Bank
Jacksonville, Florida
- Ratings at Date of Issue – Moody's Aaa (AMBAC insured)
Standard and Poor's AAA (AMBAC insured)

Projects: The bonds were issued for financing the cost of refunding a portion of the Water and Sewer Revenue Bonds (Series 1988) and (Series 1991), and to provide funds for the acquisition and construction of certain additions, extensions and improvements to the City's combined utility.

City of Delray Beach, Florida

Schedule of Water and Sewer Revenue Bonds (Series 1997)

| Fiscal Year Ending September 30 | Serial Bond | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|---------------------|-------------------|-------------|-------------|---------------------|--|------------------|
| | Principal | October 1 | October 1 | April 1 | | | |
| 2011 | \$ 3,945,000 | \$ 108,488 | \$ - | \$ - | \$ 4,053,488 | \$ - | 5.50% |
| | <u>\$ 3,945,000</u> | <u>\$ 108,488</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,053,488</u> | | |

- Original Authorization – \$15,030,000
- Issued – \$15,030,000
- Date of Issue – December 4, 1997
- Maturity Range – Serially October 1, 2003 through October 1, 2010
- Principal Payment Date – October 1 of each year beginning October 1, 2003
- Interest Payment Dates – October 1 and April 1
- Pledged Revenue – Utility system net revenues
- Denomination – \$5,000
- Paying Agent/Registrar – The Bank of New York
Jacksonville, Florida
- Call Features – Bonds are not subject to optional or mandatory redemption prior to their stated dates of maturity.
- Ratings at Date of Issue – Moody’s Aaa (AMBAC insured)
Standard and Poor’s AAA (AMBAC insured)

Projects: The bonds were issued for financing the cost of refunding a portion of the Water and Sewer Revenue Bonds, Series 1991.

City of Delray Beach, Florida

Schedule of Water and Sewer Revenue Bonds (Series 2006A)

| Fiscal Year Ending September 30 | Serial Bond | | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|------------------------|-------------------|-------------------|---------------------|--|------------------|
| | Principal October 1 | Interest | | | | |
| | October 1 | October 1 | April 1 | | | |
| 2011 | \$ 460,000 | \$ 130,398 | \$ 120,922 | \$ 711,320 | \$ 7,290,782 | 4.12% |
| 2012 | 440,000 | 120,922 | 111,858 | 672,780 | 6,618,002 | 4.12 |
| 2013 | 460,000 | 111,858 | 102,382 | 674,240 | 5,943,762 | 4.12 |
| 2014 | 480,000 | 102,382 | 92,494 | 674,876 | 5,268,886 | 4.12 |
| 2015 | 500,000 | 92,494 | 82,194 | 674,688 | 4,594,198 | 4.12 |
| 2016 | 500,000 | 82,194 | 71,894 | 654,088 | 3,940,110 | 4.12 |
| 2017 | 520,000 | 71,894 | 61,182 | 653,076 | 3,287,034 | 4.12 |
| 2018 | 540,000 | 61,182 | 50,058 | 651,240 | 2,635,794 | 4.12 |
| 2019 | 570,000 | 50,058 | 38,316 | 658,374 | 1,977,420 | 4.12 |
| 2020 | 590,000 | 38,316 | 26,162 | 654,478 | 1,322,942 | 4.12 |
| 2021 | 620,000 | 26,162 | 13,390 | 659,552 | 663,390 | 4.12 |
| 2022 | 650,000 | 13,390 | - | 663,390 | - | 4.12 |
| | <u>\$ 6,330,000</u> | <u>\$ 901,250</u> | <u>\$ 770,852</u> | <u>\$ 8,002,102</u> | | |

- Original Authorization – \$7,000,000
- Issued – \$7,000,000
- Date of Issue – May 6, 2006
- Maturity Range – Serial Bonds: October 1, 2007 through October 1, 2021
- Principal Payment Date – October 1 of each year
- Interest Payment Dates – October 1 and April 1 of each year
- Pledged Revenue – Utility system net revenues
- Denomination – N/A
- Call Features – Penalty for early payment
- Paying Agent – Branch Banking and Trust Company
- Ratings – N/A

Projects: The bonds were issued to finance the cost of a new Environmental Services Building and for funding the City's share of the back-up redundant Centrifuge Project, Sludge Pelletization Facility Project and the Reclaimed Water Treatment Project at the South Central Regional Wastewater Treatment Facility.

City of Delray Beach, Florida

Schedule of Water and Sewer Revenue Bonds (Series 2006B)

| Fiscal Year Ending September 30 | Serial Bond | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|------------------------|-------------------|-------------------|---------------------|--------------|--|------------------|
| | Principal October 1 | October 1 | April 1 | | | | |
| 2011 | \$ 130,000 | \$ 39,402 | \$ 36,815 | \$ 206,217 | \$ 2,290,593 | 3.98% | |
| 2012 | 130,000 | 36,815 | 34,228 | 201,043 | 2,089,550 | 3.98 | |
| 2013 | 135,000 | 34,228 | 31,542 | 200,770 | 1,888,780 | 3.98 | |
| 2014 | 140,000 | 31,542 | 28,756 | 200,298 | 1,688,482 | 3.98 | |
| 2015 | 145,000 | 28,756 | 25,870 | 199,626 | 1,488,856 | 3.98 | |
| 2016 | 165,000 | 25,870 | 22,587 | 213,457 | 1,275,399 | 3.98 | |
| 2017 | 170,000 | 22,587 | 19,204 | 211,791 | 1,063,608 | 3.98 | |
| 2018 | 180,000 | 19,204 | 15,622 | 214,826 | 848,782 | 3.98 | |
| 2019 | 185,000 | 15,622 | 11,940 | 212,562 | 636,220 | 3.98 | |
| 2020 | 195,000 | 11,940 | 8,060 | 215,000 | 421,220 | 3.98 | |
| 2021 | 200,000 | 8,060 | 4,080 | 212,140 | 209,080 | 3.98 | |
| 2022 | 205,000 | 4,080 | - | 209,080 | - | 3.98 | |
| | <u>\$ 1,980,000</u> | <u>\$ 278,106</u> | <u>\$ 238,704</u> | <u>\$ 2,496,810</u> | | | |

| | |
|------------------------|---|
| Original Authorization | - \$2,350,000 |
| Issued | - \$2,350,000 |
| Date of Issue | - November 17, 2006 |
| Maturity Range | - Serial Bonds: October 1, 2007 through October 1, 2021 |
| Principal Payment Date | - October 1 of each year |
| Interest Payment Dates | - October 1 and April 1 of each year |
| Pledged Revenue | - Utility system net revenues |
| Denomination | - N/A |
| Call Features | - Penalty for early payment |
| Paying Agent | - SunTrust Bank |
| Ratings | - N/A |

Projects: The bonds were issued to finance the City's share of the Reclaimed Water Treatment Project at the South Central Regional Wastewater Treatment Facility.

City of Delray Beach, Florida

Schedule of Water and Sewer Revenue Bonds (Series 2007)

| Fiscal Year Ending September 30 | Serial Bond | | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|------------------------|---------------------|---------------------|----------------------|--|------------------|
| | Principal October 1 | Interest | | | | |
| | October 1 | October 1 | April 1 | | | |
| 2011 | \$ 210,000 | \$ 189,850 | \$ 185,220 | \$ 585,070 | \$ 11,019,981 | 4.41% |
| 2012 | 210,000 | 185,220 | 180,590 | 575,810 | 10,444,171 | 4.41 |
| 2013 | 220,000 | 180,589 | 175,739 | 576,328 | 9,867,843 | 4.41 |
| 2014 | 230,000 | 175,738 | 170,667 | 576,405 | 9,291,438 | 4.41 |
| 2015 | 240,000 | 170,667 | 165,375 | 576,042 | 8,715,396 | 4.41 |
| 2016 | 940,000 | 165,375 | 144,648 | 1,250,023 | 7,465,373 | 4.41 |
| 2017 | 980,000 | 144,648 | 123,039 | 1,247,687 | 6,217,686 | 4.41 |
| 2018 | 1,020,000 | 123,039 | 100,548 | 1,243,587 | 4,974,099 | 4.41 |
| 2019 | 1,060,000 | 100,548 | 77,175 | 1,237,723 | 3,736,376 | 4.41 |
| 2020 | 1,110,000 | 77,175 | 52,700 | 1,239,875 | 2,496,501 | 4.41 |
| 2021 | 1,170,000 | 52,699 | 26,901 | 1,249,600 | 1,246,901 | 4.41 |
| 2022 | 1,220,000 | 26,901 | - | 1,246,901 | - | 4.41 |
| | <u>\$ 8,610,000</u> | <u>\$ 1,592,449</u> | <u>\$ 1,402,602</u> | <u>\$ 11,605,051</u> | | |

| | |
|------------------------|---|
| Original Authorization | - \$9,000,000 |
| Issued | - \$9,000,000 |
| Date of Issue | - September 18, 2007 |
| Maturity Range | - Serial Bonds: October 1, 2008 through October 1, 2021 |
| Principal Payment Date | - October 1 of each year |
| Interest Payment Dates | - October 1 and April 1 of each year |
| Pledged Revenue | - Utility system net revenues |
| Denomination | - N/A |
| Call Features | - Penalty for early payment |
| Paying Agent | - Branch Banking and Trust Company |
| Ratings | - N/A |

Projects: The bonds were issued to finance the City's share of the Reclaimed Water and Deepwell Project at the South Central Regional Wastewater Treatment Facility.

City of Delray Beach, Florida

Schedule of Installment Agreements (Capital Leases)

| Fiscal Year Ending September 30 | Principal | Interest | Total | Balance Outstanding at End of Fiscal Year |
|------------------------------------|-------------------|------------------|-------------------|---|
| 2011 | \$ 96,839 | \$ 6,787 | \$ 103,626 | \$ 198,620 |
| 2012 | 99,547 | 4,081 | 103,628 | 94,992 |
| 2013 | 93,694 | 1,298 | 94,992 | - |
| | <u>\$ 290,080</u> | <u>\$ 12,166</u> | <u>\$ 302,246</u> | |

Schedule of installment agreements consists of the following:

- Sun Trust Leasing – Original amount of principal—\$260,600, 48-month term, 2.7600% interest, dates September 18, 2009 through August 18, 2013—parking meters.
- Sun Trust Leasing – Original amount of principal—\$131,420, 48-month term, 2.7600% interest, dates September 18, 2009 through August 18, 2013—golf carts at Delray Beach Golf Course.

City of Delray Beach, Florida

Combined Schedule of Community Redevelopment Agency Tax Increment
Redevelopment Revenue Bonds (Series 2004 and Series 1999)

| Fiscal Year Ending September 30 | Principal | | Interest | | Total | Balance Outstanding at End of Fiscal Year | Interest Rate |
|------------------------------------|----------------------|---------------------|----------------------|----------------|-------------------|---|------------------|
| | September 1 | September 1 | Sept. 1/Mar. 1 | Sept. 1/Mar. 1 | | | |
| 2011 | \$ 1,670,000 | \$ 584,076 | \$ 2,254,076 | \$ 15,311,200 | 4.2982% - 5.9095% | | |
| 2012 | 1,595,000 | 512,558 | 2,107,558 | 13,203,642 | 4.2982 - 5.9095 | | |
| 2013 | 1,670,000 | 437,454 | 2,107,454 | 11,096,188 | 4.2982 - 5.9095 | | |
| 2014 | 1,750,000 | 358,764 | 2,108,764 | 8,987,424 | 4.2982 - 5.9095 | | |
| 2015 | 1,420,000 | 276,274 | 1,696,274 | 7,291,150 | 4.2982 - 5.9095 | | |
| 2016 | 1,250,000 | 209,746 | 1,459,746 | 5,831,404 | 4.2982 - 5.9095 | | |
| 2017 | 1,090,000 | 151,440 | 1,241,440 | 4,589,964 | 4.2982 - 5.9095 | | |
| 2018 | 1,140,000 | 103,184 | 1,243,184 | 3,346,780 | 4.2982 - 4.8000 | | |
| 2019 | 1,190,000 | 52,704 | 1,242,704 | 2,104,076 | 4.2982 - 4.8000 | | |
| | <u>\$ 12,775,000</u> | <u>\$ 2,686,200</u> | <u>\$ 15,461,200</u> | | | | |

- Original Authorization – \$10,000,000 (Series 2004A - Tax-exempt)
- \$1,925,000 (Series 2004B - Taxable)
- \$9,715,000 (Series 1999A - Tax-exempt)
- Issued – \$10,000,000 (\$5,000,000 issued before September 30, 2004 and \$5,000,000 issued from October 1, 2004 to December 31, 2004 - Series 2004A - Tax-exempt)
- \$1,925,000 (Series 2004B - Taxable)
- \$9,715,000 (Series 1999A - Tax-exempt)
- Date of Issue – May 19, 2004 (2004 Series), and June 25, 1999 (1999 Series)
- Maturity Range – Serially September 1, 2001 through September 1, 2019 (Series 2004A&B, & 1999)
- Principal Payment Date – Series 2004A: September 1 of each year, commencing September 1, 2005
- Series 2004B: September 1 of each year, commencing September 1, 2005
- Series 1999A: September 1 of each year, commencing September 1, 2001
- Interest Rate – Series 2004A: 4.2982% until September 1, 2019
- Series 2004B: 5.9095% until September 1, 2016
- Series 1999A: 4.80% until September 1, 2019
- Pledged Revenue – Tax increment revenues
- Denomination – N/A
- Call Features – No penalty for early payment for taxable debt only
- Paying Agent/Registrar – Bank of America (Series 2004A & B, & 1999)
- Ratings – Not rated

Project: The Series 2004A and 1999A proceeds were issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. Proceeds of the Series 2004B Bonds were used to refund the 1999B Series Bonds.

The CRA issued a \$7,000,000 variable rate taxable line of credit with Regions Bank on October 5, 2006 for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. There were no borrowings on the line of credit during 2010 and the line of credit was canceled at September 30, 2010.

Statistical Section

STATISTICAL SECTION

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

| Contents | Page |
|---|-------------|
| Financial Trends | 108 |
| <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 116 |
| <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i> | |
| Debt Capacity | 119 |
| <i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 123 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i> | |
| Operating Information | 125 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City of Delray Beach provides and the activities it performs.</i> | |

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

CITY OF DELRAY BEACH, FLORIDA

*Net Assets by Component
Last Eight Fiscal Years
Accrual Basis of Accounting*

| | Fiscal Year | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Governmental activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 25,996,353 | \$ 15,130,555 | \$ 24,817,964 | \$ 55,464,989 | \$ 51,049,876 | \$ 70,521,186 | \$ 76,546,448 | \$ 77,727,858 |
| Restricted | 5,992,593 | 24,530,625 | 22,855,797 | 8,014,482 | 20,850,170 | 12,644,718 | 10,728,740 | 13,592,226 |
| Unrestricted | 8,359,365 | 13,393,763 | 20,185,194 | 22,245,386 | 23,371,450 | 23,694,418 | 23,962,095 | 21,879,827 |
| Total governmental activities net assets | \$ 40,348,311 | \$ 53,054,943 | \$ 67,858,955 | \$ 85,724,857 | \$ 95,271,496 | \$ 106,860,322 | \$ 111,237,283 | \$ 113,199,911 |
| Business-type activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 53,818,297 | \$ 54,347,706 | \$ 59,315,335 | \$ 59,024,376 | \$ 54,782,750 | \$ 65,505,859 | \$ 66,198,545 | \$ 69,465,739 |
| Restricted | 5,387,916 | 4,859,275 | 4,469,621 | 1,338,263 | 7,038,221 | 6,658,262 | 1,592,060 | 7,116,700 |
| Unrestricted | 20,023,794 | 23,182,592 | 23,565,069 | 34,032,926 | 40,529,960 | 38,161,102 | 43,117,847 | 39,543,220 |
| Total business-type activities net assets | \$ 79,230,007 | \$ 82,389,573 | \$ 87,350,025 | \$ 94,395,565 | \$ 102,350,931 | \$ 110,325,223 | \$ 110,908,452 | \$ 116,125,659 |
| Primary government | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 79,814,650 | \$ 69,478,261 | \$ 84,133,299 | \$ 114,489,365 | \$ 105,832,626 | \$ 136,027,045 | \$ 73,839,610 | \$ 147,193,597 |
| Restricted | 11,380,509 | 29,389,900 | 27,325,418 | 9,352,745 | 27,888,391 | 19,302,980 | 12,320,800 | 20,708,926 |
| Unrestricted | 28,383,159 | 36,576,355 | 43,750,263 | 56,278,312 | 63,901,410 | 61,855,520 | 74,121,398 | 61,423,047 |
| Total primary government net assets | \$ 119,578,318 | \$ 135,444,516 | \$ 155,208,980 | \$ 180,120,422 | \$ 197,622,427 | \$ 217,185,545 | \$ 160,281,808 | \$ 229,325,570 |

Information prior to the adoption of GASB Statement No. 34 in fiscal year 2003 is not available.

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Assets
Last Eight Fiscal Years
Accrual Basis of Accounting

| | Fiscal Year | | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Expenses | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 12,615,732 | \$ 13,504,963 | \$ 16,634,186 | \$ 20,944,239 | \$ 25,304,576 | \$ 25,137,520 | \$ 22,331,793 | \$ 22,451,901 |
| Public safety | 41,494,100 | 42,413,760 | 44,818,400 | 49,389,129 | 55,930,194 | 56,742,719 | 54,234,648 | 56,042,835 |
| Physical environment | 4,129,748 | 4,154,255 | 4,569,904 | 5,931,521 | 7,194,134 | 8,130,445 | 9,859,520 | 8,378,489 |
| Parks and recreation | 10,804,249 | 10,608,918 | 11,164,817 | 12,428,343 | 14,723,853 | 14,457,336 | 14,790,100 | 15,334,070 |
| Interest on long-term debt | 1,715,063 | 2,476,264 | 2,078,244 | 2,755,249 | 1,389,786 | 2,832,011 | 3,278,142 | 2,863,293 |
| Total governmental activities expenses | 70,758,892 | 73,158,160 | 79,265,551 | 91,448,481 | 104,542,543 | 107,300,031 | 104,494,203 | 105,070,588 |
| Business-type activities: | | | | | | | | |
| Water/Sewer Utility | 18,865,811 | 22,835,889 | 19,975,077 | 20,432,143 | 22,407,194 | 23,932,410 | 25,636,462 | 26,196,959 |
| Municipal Golf Course | 2,942,377 | 3,381,336 | 3,382,942 | 3,467,334 | 3,440,617 | 3,265,478 | 2,952,315 | 3,006,373 |
| Lakeview Golf Course | 700,932 | 696,573 | 709,142 | 653,116 | 748,549 | 704,782 | 744,544 | 669,681 |
| City Marina | 103,101 | 104,143 | 109,026 | 114,222 | 120,146 | 121,004 | 131,235 | 137,095 |
| Sanitation | 2,354,354 | 4,338,426 | 3,788,232 | 9,053,052 | 2,897,768 | 3,476,663 | 4,443,701 | 4,391,569 |
| Stormwater Utility | 1,429,557 | 1,078,343 | 1,111,291 | 1,050,275 | 1,331,003 | 1,506,764 | 1,390,004 | 1,490,446 |
| Total business-type activities expenses | 26,396,132 | 32,434,710 | 29,075,710 | 34,770,142 | 30,945,277 | 33,007,101 | 35,298,261 | 35,892,123 |
| Total primary government expenses | \$ 97,155,024 | \$ 105,592,870 | \$ 108,341,261 | \$ 126,218,623 | \$ 135,487,820 | \$ 140,307,132 | \$ 139,792,464 | \$ 140,962,711 |
| Program Revenues | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| General government | \$ 3,826,407 | \$ 3,623,697 | \$ 4,367,332 | \$ 4,986,337 | \$ 4,521,285 | \$ 4,622,167 | \$ 3,216,555 | \$ 3,279,505 |
| Public safety | 6,041,301 | 5,481,990 | 5,823,023 | 5,310,373 | 6,033,201 | 6,543,112 | 6,739,002 | 7,346,627 |
| Physical environment | 615,657 | 633,729 | 598,019 | 641,251 | 626,974 | 649,216 | 971,381 | 1,371,036 |
| Parks and recreation | 1,264,769 | 1,092,586 | 1,157,013 | 1,143,867 | 1,236,660 | 1,282,353 | 1,465,722 | 1,578,023 |
| Operating grants and contributions: | | | | | | | | |
| General government | 1,326,703 | 1,975,397 | 1,829,154 | 3,260,394 | 3,165,420 | 3,945,992 | 4,645,288 | 4,930,159 |
| Public safety | 784,980 | 1,868,212 | 2,006,827 | 1,825,883 | 2,033,988 | 2,292,523 | 1,986,484 | 1,921,898 |
| Physical environment | 238,877 | 360,352 | 427,188 | 1,226,975 | 547,284 | 103,357 | 24,979 | 92,887 |
| Parks and recreation | 97,473 | 57,955 | 398,307 | 3,137,386 | 1,345,900 | 997,425 | 143,090 | 89,883 |
| Capital grants and contributions: | | | | | | | | |
| General government | - | 1,611,519 | 1,184,058 | 342,025 | 1,383,440 | 622,993 | 848,436 | 598,366 |
| Public safety | - | - | - | - | - | 749,250 | 200,900 | - |
| Physical environment | 202,031 | 152,477 | 470,063 | - | - | 8,250,000 | 40,977 | 160,346 |
| Parks and recreation | 150,000 | 1,641,635 | 479,116 | - | - | - | - | - |
| Total governmental activities program revenues | 14,548,198 | 18,499,549 | 18,740,100 | 21,874,491 | 20,894,152 | 30,058,388 | 20,282,814 | 21,368,730 |
| Business-type activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| Water/Sewer | 22,716,982 | 23,635,054 | 24,426,939 | 25,748,645 | 29,162,001 | 29,245,949 | 33,445,652 | 31,861,348 |
| Municipal Golf Course | 2,475,728 | 3,294,989 | 3,300,439 | 3,437,934 | 3,467,778 | 3,459,044 | 3,303,511 | 2,995,351 |
| Lakeview Golf Course | 828,116 | 827,397 | 823,777 | 768,299 | 853,654 | 681,561 | 749,367 | 666,964 |
| City Marina | 109,352 | 150,644 | 155,200 | 149,294 | 160,605 | 208,598 | 204,467 | 185,435 |
| Sanitation | 2,521,938 | 2,602,241 | 2,538,402 | 2,615,981 | 3,094,658 | 3,383,499 | 4,942,922 | 4,770,585 |
| Stormwater Utility | 1,629,589 | 1,661,505 | 1,672,635 | 1,702,322 | 2,097,527 | 2,090,146 | 2,095,636 | 2,105,069 |
| Operating Capital grants and contributions: | | | | | | | | |
| Water/Sewer | 323,978 | 2,038,967 | 786,217 | 1,913,869 | 951,487 | 2,595,258 | 1,092,926 | 386,822 |
| Municipal Golf Course | 92,298 | 113,720 | 130,408 | 131,171 | 182,796 | 43,969 | 37,040 | 43,671 |
| Lakeview Golf Course | 4,336 | 17,165 | 35,502 | 55,415 | 6,171 | 5,410 | 5,985 | 5,643 |
| City Marina | 205 | 56,912 | 2,177 | 273 | 491 | 884 | 35,653 | 9,997 |
| Sanitation | 103,703 | 1,790,775 | 1,237,680 | 5,663,671 | 115,040 | 417,250 | 130,030 | 780,500 |
| Stormwater Utility | 260,465 | 30,435 | 20,552 | 45,157 | 362,325 | 17,509 | 17,366 | 13,260 |
| Capital grants and contributions: | | | | | | | | |
| Water/Sewer | 1,909,473 | 1,968,840 | 1,290,786 | 967,462 | 1,424,878 | 996,447 | 1,102,611 | 872,684 |
| Municipal Golf Course | 10,508 | - | - | - | - | - | - | - |
| Stormwater Utility | - | - | - | 146,026 | - | - | - | - |
| Total business-type activities program revenues | 32,986,671 | 38,188,644 | 36,420,714 | 43,345,519 | 41,879,411 | 43,145,524 | 47,163,166 | 44,697,329 |
| Total primary government program revenues | \$ 47,534,869 | \$ 56,688,193 | \$ 55,160,814 | \$ 65,220,010 | \$ 62,773,563 | \$ 73,203,912 | \$ 67,445,980 | \$ 66,066,059 |
| Net (expense)/revenue | | | | | | | | |
| Governmental activities | \$ (56,210,694) | \$ (54,658,611) | \$ (60,525,451) | \$ (69,573,990) | \$ (83,648,391) | \$ (77,241,643) | \$ (84,211,389) | \$ (83,701,858) |
| Business-type activities | 6,590,539 | 5,753,934 | 7,345,004 | 8,575,377 | 10,934,134 | 10,138,423 | 11,864,905 | 8,805,206 |
| Total primary government net expense | \$ (49,620,155) | \$ (48,904,677) | \$ (53,180,447) | \$ (60,998,613) | \$ (72,714,257) | \$ (67,103,220) | \$ (72,346,484) | \$ (74,896,652) |

Note: Pg 1 of 2

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Assets
Last Eight Fiscal Years
Accrual Basis of Accounting

| | Fiscal Year | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | \$ 32,069,034 | \$ 36,055,993 | \$ 41,581,718 | \$ 49,825,341 | \$ 59,091,002 | \$ 55,302,837 | \$ 53,984,307 | \$ 52,656,596 |
| Franchise fees | 3,467,379 | 3,817,080 | 3,989,989 | 4,879,168 | 5,257,560 | 5,247,442 | 5,333,561 | 4,986,589 |
| Utility service taxes | 8,093,064 | 7,704,692 | 8,088,142 | 8,678,710 | 8,222,944 | 8,338,282 | 8,958,175 | 9,038,143 |
| Sales taxes | 1,715,268 | 1,806,689 | 1,895,507 | 1,488,936 | 1,438,613 | 1,365,552 | 1,308,213 | 1,301,502 |
| Local business tax | - | - | - | - | - | - | 789,705 | 616,861 |
| Intergovernmental, unrestricted | 5,827,651 | 6,443,433 | 6,928,194 | 7,393,652 | 6,927,534 | 6,532,854 | 5,917,818 | 5,763,694 |
| Investment earnings | 460,913 | 462,340 | 1,543,167 | 2,561,044 | 2,816,429 | 2,064,705 | 322,165 | 227,535 |
| Gain on disposal of capital assets | (4,872,674) | 36,514 | 1,112,107 | 19,532 | - | - | - | - |
| Miscellaneous | 3,490,308 | 7,273,876 | 7,612,229 | 10,616,990 | 5,724,228 | 7,320,429 | 8,425,515 | 7,479,767 |
| Transfers | 2,586,058 | 2,672,550 | 2,575,410 | 1,976,519 | 3,716,720 | 2,659,368 | 3,547,891 | 3,593,799 |
| Total governmental activities | <u>52,837,001</u> | <u>66,273,167</u> | <u>75,326,463</u> | <u>87,439,892</u> | <u>93,195,030</u> | <u>88,831,469</u> | <u>88,587,350</u> | <u>85,664,486</u> |
| Business-type activities | | | | | | | | |
| Investment earnings | 128,491 | 78,182 | 190,858 | 446,682 | 737,952 | 495,237 | 6,897 | 5,800 |
| Transfers | (2,586,058) | (2,672,550) | (2,575,410) | (1,976,519) | (3,716,720) | (2,659,368) | (3,547,891) | (3,593,799) |
| Total business-type activities | <u>(2,457,567)</u> | <u>(2,594,368)</u> | <u>(2,384,552)</u> | <u>(1,529,837)</u> | <u>(2,978,768)</u> | <u>(2,164,131)</u> | <u>(3,540,994)</u> | <u>(3,587,999)</u> |
| Total primary government | <u>\$ 50,379,434</u> | <u>\$ 63,678,799</u> | <u>\$ 72,941,911</u> | <u>\$ 85,910,055</u> | <u>\$ 90,216,262</u> | <u>\$ 86,667,338</u> | <u>\$ 85,046,356</u> | <u>\$ 82,076,487</u> |
| Changes in Net Assets | | | | | | | | |
| Governmental activities | \$ (3,373,694) | \$ 11,914,556 | \$ 14,804,012 | \$ 17,865,902 | \$ 9,546,639 | \$ 11,589,826 | \$ 11,833,506 | \$ 1,962,628 |
| Business-type activities | 4,132,972 | 3,159,566 | 4,960,452 | 7,045,540 | 7,955,366 | 7,974,292 | 8,323,911 | 5,217,207 |
| Total primary government | <u>\$ 759,278</u> | <u>\$ 15,074,122</u> | <u>\$ 19,764,464</u> | <u>\$ 24,911,442</u> | <u>\$ 17,502,005</u> | <u>\$ 19,564,118</u> | <u>\$ 20,157,417</u> | <u>\$ 7,179,835</u> |

Note: Pg 2 of 2

Information prior to the adoption of GASB Statement No 34 in fiscal year 2003 is not available

CITY OF DELRAY BEACH, FLORIDA

Governmental Activities Tax Revenues by Source

Last Eight Fiscal Years

Accrual Basis of Accounting

| Fiscal Year | Property Taxes | Franchise Fees ⁽¹⁾ | Local Business Tax ⁽²⁾ | Utility Service Taxes | Sales and Use Taxes | Total |
|--------------------|-----------------------|--------------------------------------|--|------------------------------|----------------------------|---------------|
| 2003 | \$ 32,069,034 | \$ 3,467,379 | \$ - | \$ 8,093,064 | \$ 1,715,268 | \$ 45,344,745 |
| 2004 | 36,355,993 | 3,817,080 | - | 7,704,692 | 1,806,689 | 49,684,454 |
| 2005 | 41,584,718 | 3,989,989 | - | 8,088,142 | 1,895,507 | 55,558,356 |
| 2006 | 49,825,341 | 4,879,168 | - | 8,678,710 | 1,488,936 | 64,872,155 |
| 2007 | 59,091,002 | 5,257,560 | - | 8,222,944 | 1,438,613 | 74,010,119 |
| 2008 | 55,302,837 | - | - | 8,338,282 | 1,365,552 | 65,006,671 |
| 2009 | 53,984,307 | - | 789,705 | 8,958,175 | 1,308,213 | 65,040,400 |
| 2010 | 52,656,596 | - | 616,861 | 9,038,143 | 1,301,502 | 63,613,102 |

Information prior to the adoption of GASB Statement No. 34 in fiscal year 2003 is not available.

(1) Effective with the 2008 fiscal year, franchise fees are categorized as revenue from Fees and Permits.

(2) Effective with the 2009 fiscal year, local business tax receipts (formerly occupational licenses) are no longer categorized as revenue from Fees and Permits.

CITY OF DELRAY BEACH, FLORIDA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| General fund | | | | | | | | | | |
| Reserved | \$ 5,448,234 | \$ 5,124,437 | \$ 4,947,799 | \$ 4,967,938 | \$ 4,966,646 | \$ 4,678,873 | \$ 4,557,940 | \$ 4,328,761 | \$ 3,992,760 | \$ 3,723,755 |
| Unreserved | 9,927,500 | 9,063,157 | 9,833,986 | 9,755,423 | 12,760,913 | 15,897,538 | 18,828,235 | 18,593,915 | 19,747,589 | 20,337,823 |
| Total General Fund | <u>\$ 15,375,734</u> | <u>\$ 14,187,594</u> | <u>\$ 14,781,785</u> | <u>\$ 14,723,361</u> | <u>\$ 17,727,559</u> | <u>\$20,576,411</u> | <u>\$ 23,386,175</u> | <u>\$22,922,676</u> | <u>\$ 23,740,349</u> | <u>\$ 24,061,578</u> |
| | | | | | | | | | | |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 137,163,690 | \$ 126,308,825 | \$ 1,054,524 | \$ 691,647 | \$ 685,255 | \$ 686,909 | \$ 744,096 | \$ 2,563,856 | \$ 767,398 | \$ 789,940 |
| Unreserved, reported in: | | | | | | | | | | |
| Capital Project Funds | - | - | 1,034,344 | 23,844,943 | 22,170,982 | 7,327,573 | 20,161,989 | 11,584,321 | 9,962,213 | 7,421,960 |
| Fiduciary Funds | 845,185 | 1,071,679 | - | - | - | - | - | - | - | - |
| Special Revenue Funds | 462,148 | 990,931 | 3,903,725 | 4,069,657 | 5,027,645 | 3,764,814 | 3,488,365 | 3,389,886 | 3,500,989 | 5,377,312 |
| Total all other governmental funds | <u>\$ 138,471,023</u> | <u>\$ 128,371,435</u> | <u>\$ 5,992,593</u> | <u>\$ 28,606,247</u> | <u>\$ 27,883,882</u> | <u>\$11,779,296</u> | <u>\$ 24,394,450</u> | <u>\$17,538,063</u> | <u>\$ 14,230,600</u> | <u>\$ 13,589,212</u> |

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

| | Fiscal Year | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 37,901,604 | \$ 41,875,982 | \$ 45,344,745 | \$ 49,684,454 | \$ 55,558,356 | \$ 64,872,155 | \$ 74,010,119 | \$ 65,006,671 | \$ 65,040,400 | \$ 63,613,102 |
| Fees and permits | 2,689,644 | 2,596,400 | 3,325,436 | 3,382,038 | 4,089,257 | 4,716,040 | 4,325,079 | 9,693,973 | 8,393,462 | 7,848,364 |
| Intergovernmental | 8,594,786 | 13,660,832 | 8,627,715 | 11,018,541 | 12,538,849 | 16,844,290 | 14,020,126 | 13,872,151 | 12,717,659 | 12,798,521 |
| Charges for services | 5,384,744 | 5,365,513 | 6,373,274 | 6,307,636 | 6,788,919 | 6,578,078 | 7,020,582 | 7,985,973 | 8,579,286 | 9,122,062 |
| Fines and forfeitures | 743,651 | 1,551,790 | 2,049,424 | 1,142,328 | 1,067,211 | 787,710 | 1,072,459 | 664,344 | 753,473 | 1,591,354 |
| Miscellaneous | 5,113,771 | 4,043,066 | 3,555,725 | 7,669,984 | 9,608,131 | 13,246,356 | 8,132,308 | 9,171,109 | 8,683,421 | 7,624,308 |
| Total revenues | 60,428,200 | 69,093,583 | 69,276,319 | 79,204,981 | 89,650,723 | 107,044,629 | 108,580,673 | 106,394,221 | 104,167,701 | 102,597,711 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 6,579,953 | 8,465,083 | 10,999,876 | 12,311,018 | 15,298,763 | 19,346,064 | 22,952,680 | 22,856,837 | 21,001,014 | 20,223,169 |
| Public safety | 32,959,058 | 36,784,874 | 39,212,634 | 42,399,400 | 45,841,687 | 49,739,465 | 53,662,961 | 55,274,605 | 54,034,021 | 55,750,747 |
| Physical environment | 2,216,914 | 2,439,392 | 2,844,727 | 2,743,039 | 3,158,099 | 4,550,030 | 5,355,092 | 5,981,177 | 7,253,871 | 5,695,353 |
| Parks and recreation | 7,383,700 | 7,889,455 | 9,315,681 | 9,484,527 | 10,197,131 | 11,208,994 | 12,460,242 | 12,302,491 | 12,491,281 | 13,044,535 |
| Grants | 1,471,684 | 1,600,243 | - | - | - | - | - | - | - | - |
| Capital Outlay | 8,881,668 | 32,425,089 | 5,457,998 | 4,280,554 | 20,826,381 | 31,840,070 | 21,042,901 | 15,406,527 | 8,021,386 | 6,056,493 |
| Debt service | | | | | | | | | | |
| Principal retirement | 2,772,413 | 2,818,783 | 16,588,754 | 10,973,807 | 4,159,139 | 4,102,788 | 11,345,356 | 4,543,545 | 4,553,835 | 3,357,533 |
| Interest and other fiscal charges | 2,271,475 | 2,086,935 | 1,767,662 | 1,793,518 | 2,011,900 | 2,360,879 | 2,373,627 | 2,987,110 | 3,134,074 | 2,873,815 |
| Bond issue costs | - | - | 316,194 | 102,520 | 22,000 | - | 353,104 | 25,365 | - | - |
| Total expenditures | 64,536,865 | 94,509,854 | 86,503,526 | 84,088,383 | 101,515,100 | 123,148,290 | 129,545,963 | 119,377,657 | 110,489,482 | 107,001,645 |
| Excess of revenues over (under) expenditures | (4,108,665) | (25,416,271) | (17,227,207) | (4,883,402) | (11,864,377) | (16,103,661) | (20,965,290) | (12,983,436) | (6,321,781) | (4,403,934) |
| Other financing sources (uses) | | | | | | | | | | |
| Installment agreement issued | - | - | - | - | - | - | - | - | 260,600 | - |
| Bonds issued | - | 26,098,902 | 26,694,728 | 23,723,914 | 10,050,000 | 575,000 | 30,770,787 | 3,000,000 | - | - |
| Proceeds from sale of capital assets | - | - | 11,462,000 | 7,998,210 | 1,133,170 | 96,835 | 62,471 | 2,590 | 49,802 | 22,161 |
| Proceeds of refunding note | - | - | - | 581,420 | 487,977 | 199,573 | - | - | - | - |
| Redemption of bonds | - | - | (27,245,147) | (7,372,000) | - | - | - | - | - | - |
| Premium on bond debt | - | - | - | 67,413 | - | - | - | - | - | - |
| Transfers in | 8,240,447 | 7,686,084 | 8,763,402 | 10,795,139 | 9,580,467 | 10,337,375 | 13,086,133 | 9,707,274 | 9,214,199 | 7,548,409 |
| Transfers out | (7,876,795) | (7,448,036) | (5,889,224) | (8,355,464) | (7,105,404) | (8,360,856) | (7,381,327) | (7,046,314) | (5,692,610) | (3,486,795) |
| Total other financing sources (uses) | 363,652 | 26,336,950 | 13,785,759 | 27,438,632 | 14,146,210 | 2,847,927 | 36,538,064 | 5,663,550 | 3,831,991 | 4,083,775 |
| Net change in fund balances | \$ (3,745,013) | \$ 920,679 | \$ (3,441,448) | \$ 22,555,230 | \$ 2,281,833 | ##### | \$ 15,572,774 | \$ (7,319,886) | \$ (2,489,790) | \$ (320,159) |
| Debt service as a percentage of non-capital expenditures | 9.06% | 7.90% | 23.04% | 16.13% | 7.68% | 7.08% | 12.97% | 7.27% | 7.50% | 6.17% |

CITY OF DELRAY BEACH, FLORIDA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

| Fiscal Year | Property Taxes | Franchise Fees ⁽¹⁾ | Local Business Tax ⁽²⁾ | Utility Service Taxes | Sales Tax | Total |
|--------------------|-----------------------|--------------------------------------|--|------------------------------|------------------|---------------|
| 2001 | \$ 26,042,931 | \$ 3,663,331 | \$ - | \$ 6,671,200 | \$ 1,524,142 | \$ 37,901,604 |
| 2002 | 29,011,246 | 3,426,725 | - | 7,875,835 | 1,562,176 | 41,875,982 |
| 2003 | 32,069,034 | 3,467,379 | - | 8,093,064 | 1,715,268 | 45,344,745 |
| 2004 | 36,355,993 | 3,817,080 | - | 7,704,692 | 1,806,689 | 49,684,454 |
| 2005 | 41,584,718 | 3,989,989 | - | 8,088,142 | 1,895,507 | 55,558,356 |
| 2006 | 49,825,341 | 4,879,168 | - | 8,678,710 | 1,488,936 | 64,872,155 |
| 2007 | 59,091,002 | 5,257,560 | - | 8,222,944 | 1,438,613 | 74,010,119 |
| 2008 | 55,302,837 | - | - | 8,338,282 | 1,365,552 | 65,006,671 |
| 2009 | 53,984,307 | - | 789,705 | 8,958,175 | 1,308,213 | 65,040,400 |
| 2010 | 52,656,596 | - | 616,861 | 9,038,143 | 1,301,502 | 63,613,102 |

(1) Effective with the 2008 fiscal year, franchise fees are categorized as revenue from Fees and Permits.

(2) Effective with the 2009 fiscal year, local business tax receipts (formerly occupational licenses) are no longer categorized as revenue from Fees and Permits.

CITY OF DELRAY BEACH, FLORIDA

*Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years*

| Fiscal Year Ending September 30, | Tax Roll Year | Just Value | | | | Total | Less | | | Estimated Actual Value | Total Taxable Assessed Value as a % of Estimated Actual Value |
|--|---------------------|------------------|----------------------|----------------------|------------------|----------------|------------------------|---------------------------------|--------------------------|------------------------------|---|
| | | Real Property | Personal Property | Assessed Property | | | Tax Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate | | |
| 2001 | 2000 | \$ 3,932,322,945 | \$ 298,959,219 | \$ 1,622,853 | \$ 4,232,905,017 | \$ 839,331,381 | \$ 3,393,573,636 | 7.9500 | \$ 3,963,289,121 | 85.63% | |
| 2002 | 2001 | 4,514,242,147 | 308,721,797 | 1,589,665 | 4,824,553,609 | 1,064,952,700 | 3,759,600,909 | 8.0000 | 3,760,079,452 | 99.99% | |
| 2003 | 2002 | 5,132,464,519 | 304,048,307 | 1,623,001 | 5,438,135,827 | 1,286,673,169 | 4,151,462,658 | 8.0000 | 5,127,441,633 | 80.97% | |
| 2004 | 2003 | 5,976,557,462 | 287,867,486 | 2,013,779 | 6,266,438,727 | 1,560,635,598 | 4,705,803,129 | 8.0000 | 5,911,220,501 | 79.61% | |
| 2005 | 2004 | 6,954,954,190 | 291,470,970 | 2,159,862 | 7,248,585,022 | 1,870,893,294 | 5,377,691,728 | 8.0000 | 6,884,493,821 | 78.11% | |
| 2006 | 2005 | 8,530,762,079 | 292,523,818 | 1,929,130 | 8,825,215,027 | 2,373,715,664 | 6,451,499,363 | 8.0000 | 8,411,930,488 | 76.69% | |
| 2007 | 2006 | 11,615,147,721 | 319,788,615 | 2,135,457 | 11,937,071,793 | 3,574,481,397 | 8,362,590,396 | 7.3000 | 11,380,589,015 | 73.48% | |
| 2008 | 2007 | 11,599,199,337 | 333,985,825 | 2,755,227 | 11,935,940,389 | 3,243,881,789 | 8,692,058,600 | 6.5783 | 11,374,426,933 | 76.42% | |
| 2009 | 2008 | 10,881,842,880 | 339,398,773 | 2,954,529 | 11,224,196,182 | 3,074,589,654 | 8,149,606,528 | 6.8504 | 10,634,938,238 | 76.63% | |
| 2010 | 2009 | 8,948,585,352 | 328,007,736 | 3,991,739 | 9,280,584,827 | 2,270,466,355 | 7,010,118,472 | 7.7216 | 8,714,452,876 | 80.44% | |

Note: The basis of just value is approximately one hundred percent (100%) of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

Source: Palm Beach County Property Appraiser-Form DR-403 (Revised Recapitulation of the Ad Valorem Assessment Rolls of Delray Beach, Palm Beach County, Florida).

CITY OF DELRAY BEACH, FLORIDA

*Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years*

| Fiscal Year Ending September 30, | General Fund | Debt Service | Total City of Delray Beach | School District | Palm Beach County | Special Taxing Districts | Total All |
|---|-------------------------|-------------------------|---|----------------------------|----------------------------------|---|----------------------|
| 2001 | 7.2600 | 0.6900 | 7.9500 | 8.9180 | 4.6000 | 1.7170 | 23.1850 |
| 2002 | 7.3700 | 0.6300 | 8.0000 | 8.9480 | 4.5500 | 1.8470 | 23.3450 |
| 2003 | 7.4400 | 0.5600 | 8.0000 | 8.7790 | 4.5000 | 1.8230 | 23.1020 |
| 2004 | 7.5200 | 0.4800 | 8.0000 | 8.5710 | 4.7910 | 1.8270 | 23.1890 |
| 2005 | 7.4500 | 0.5500 | 8.0000 | 8.4320 | 4.7677 | 1.7970 | 22.9967 |
| 2006 | 7.4500 | 0.5500 | 8.0000 | 8.1060 | 5.4464 | 1.7770 | 23.3294 |
| 2007 | 6.8600 | 0.4400 | 7.3000 | 7.8720 | 4.2800 | 1.6670 | 21.1190 |
| 2008 | 6.1449 | 0.4334 | 6.5783 | 7.3560 | 3.9813 | 1.5140 | 19.4296 |
| 2009 | 6.3900 | 0.4604 | 6.8504 | 7.2510 | 3.9656 | 1.6215 | 19.6885 |
| 2010 | 7.1900 | 0.5316 | 7.7216 | 7.9830 | 4.5614 | 1.7691 | 22.0351 |

| | |
|----------------------------|--|
| Tax rate limits | - Ten mills per Florida Statute 200.081 (one mill equals \$1 per \$1,000 of assessed valuation). |
| Scope of tax rate limit | - No municipality shall levy ad valorem taxes for real and tangible personal property in excess of ten mills of the assessed value, except for special benefits and debt service on obligations issued with the approval of those taxpayers subject to ad valorem taxes. |
| Taxes assessed | - January 1 |
| Taxes due | - March 31 |
| Taxes delinquent | - April 1 |
| Discount allowed | - 4% November; 3% December; 2% January; 1% February |
| Penalties for delinquent | - 2.5% after April 1, increase .5% each ten days; maximum 5% |
| Tax collector | - Palm Beach County |
| Tax collector's commission | - None |

CITY OF DELRAY BEACH, FLORIDA

Principal Property Taxpayers

Current Year and Nine Years Ago

September 30, 2010

| | 2009** | | | | 2001 | | | |
|---|----------------------------|---------------------|------|----------------------------------|----------------------------|---------------------|------|----------------------------------|
| | Taxable Assessed Valuation | Taxes Levied | Rank | Percentage of Total Taxes Levied | Taxable Assessed Valuation | Taxes Levied | Rank | Percentage of Total Taxes Levied |
| MS LPC South Congress Holdings LLC | \$ 82,307,311 | \$ 563,838 | 1 | 1.07% | \$ - | \$ - | - | - |
| Palm Beach County Health Facilities Auth. | 61,046,946 | 418,196 | 2 | 0.80% | 60,325,490 | 474,603 | 7 | 1.82% |
| RREEF | 60,071,383 | 411,513 | 3 | 0.78% | 48,844,575 | 392,555 | 10 | 1.50% |
| Linton Delray LLC | 56,358,753 | 386,080 | 4 | 0.74% | - | - | - | - |
| Tenet Healthcare Corp. | 51,311,894 | 351,507 | 5 | 0.67% | - | - | - | - |
| Life Care Retirement Communities Inc. | 46,252,628 | 316,849 | 6 | 0.60% | - | - | - | - |
| Citation Club Investors | 45,527,268 | 311,880 | 7 | 0.59% | 100,952,810 | 780,016 | 2 | 2.99% |
| Ocean Properties Ltd. | 38,323,893 | 262,534 | 8 | 0.50% | 68,674,510 | 533,173 | 5 | 2.04% |
| Morse Operations Inc. | 31,538,888 | 216,054 | 9 | 0.41% | 58,942,092 | 416,173 | 9 | 1.59% |
| Realty Associates Fund V | 28,114,709 | 192,597 | 10 | 0.37% | 61,735,425 | 489,052 | 6 | 1.87% |
| St. Stephen Limited Partnership | - | - | - | - | 103,598,693 | 796,979 | 1 | 3.05% |
| Delray Intracoastal | - | - | - | - | 75,334,902 | 607,053 | 4 | 2.33% |
| Office Depot Inc. | - | - | - | - | 88,871,373 | 749,562 | 3 | 2.87% |
| Depot Realty | - | - | - | - | 59,878,693 | 472,209 | 8 | 1.81% |
| Totals | <u>\$ 500,853,673</u> | <u>\$ 3,431,048</u> | | <u>6.54%</u> | <u>\$ 727,158,563</u> | <u>\$ 5,711,375</u> | | <u>18.56%</u> |

*Source: Palm Beach County Property Appraiser's Office

*Total taxes levied:

Fiscal Year 2010 \$ 52,477,859

Fiscal Year 2001 \$ 26,105,220

*City Millage Rate:

Fiscal Year 2010 7.7216

Fiscal Year 2001 7.9500

** 2010 Principal Property Taxpayers information was not available, therefore, 2009 information was provided.

CITY OF DELRAY BEACH, FLORIDA

Property Tax Levies and Collections

Last Ten Fiscal Years

| Fiscal Year Ending September 30, | Net Tax Levy* | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Property Tax Collections | Collections as a Percent of Current Levy |
|---|--------------------------|--|--|---|---|---|
| 2001 | \$26,105,220 | \$25,968,855 | 99.48% | \$ 73,040 | \$26,041,895 | 99.76% |
| 2002 | 29,084,111 | 28,938,206 | 99.50% | 115,526 | 29,053,732 | 99.90% |
| 2003 | 32,099,240 | 31,953,508 | 99.55% | 46,171 | 31,999,679 | 99.69% |
| 2004 | 36,399,203 | 36,309,822 | 99.75% | 70,069 | 36,379,891 | 99.95% |
| 2005 | 41,606,999 | 41,514,649 | 99.78% | 66,409 | 41,581,058 | 99.94% |
| 2006 | 49,828,444 | 49,758,932 | 99.86% | 68,388 | 49,827,320 | 100.00% |
| 2007 | 59,150,165 | 59,021,614 | 99.78% | - | 59,021,614 | 99.78% |
| 2008 | 55,452,218 | 55,213,846 | 99.57% | 88,991 | 55,302,837 | 99.73% |
| 2009 | 54,234,643 | 53,745,390 | 99.10% | 238,917 | 53,984,307 | 99.54% |
| 2010 | 52,477,859 | 52,183,869 | 99.44% | 472,727 | 52,656,596 | 100.34% |

Note: All property taxes are assessed and collected by Palm Beach County without charge to the City. Collections are distributed in full as collected.

* Tax levy, net of allowance for discounts.

CITY OF DELRAY BEACH, FLORIDA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | Business-type Activities | | Total Primary Government | Debt as a Percentage of Personal Income | Debt Per Capita |
|-------------|--------------------------|---------------|---|--------------------------|---|--------------------------|---|-----------------|
| | General Obligation Bonds | Revenue Bonds | Obligation Under Installment Agreements | Revenue Bonds | Obligation Under Installment Agreements | | | |
| 2001 | \$ 19,950,000 | \$ 18,886,017 | \$ 316,318 | \$ 48,527,126 | \$ 112,540 | \$ 87,792,001 | 3.36% | \$ 1,427 |
| 2002 | 18,705,000 | 43,540,238 | 192,215 | 44,212,490 | 53,228 | 106,703,171 | 3.91% | 1,705 |
| 2003 | 17,035,000 | 28,099,770 | 166,785 | 41,568,665 | 103,940 | 86,974,160 | 3.13% | 1,371 |
| 2004 | 29,620,000 | 21,032,245 | 608,837 | 40,950,104 | 71,691 | 92,282,877 | 3.28% | 1,444 |
| 2005 | 37,925,000 | 18,804,696 | 910,224 | 36,909,770 | 38,071 | 94,587,761 | 3.31% | 1,476 |
| 2006 | 36,045,000 | 17,491,783 | 774,922 | 39,647,694 | 99,774 | 94,059,173 | 3.13% | 1,461 |
| 2007 | 33,980,000 | 38,550,798 | 445,551 | 47,533,675 | 173,843 | 120,683,867 | 3.40% | 1,879 |
| 2008 | 31,760,000 | 39,524,722 | 148,082 | 42,654,753 | 112,203 | 114,199,760 | 3.03% | 1,790 |
| 2009 | 29,465,000 | 37,405,774 | 268,795 | 37,398,701 | 136,681 | 104,674,951 | 2.77% | 1,641 |
| 2010 | 27,090,000 | 36,499,201 | 192,835 | 32,179,828 | 97,245 | 96,059,109 | 2.56% | 1,496 |

CITY OF DELRAY BEACH, FLORIDA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Total | Assessed Value of Taxable Property | Percentage of Assessed Value of Taxable Property | Population | General Bonded Debt Per Capita |
|--------------------|---------------------------------|---|---------------|---|---|-------------------|---------------------------------------|
| 2001 | \$ 19,950,000 | \$ - | \$ 19,950,000 | \$ 3,393,573,636 | 0.59% | 61,527 | \$ 324.25 |
| 2002 | 18,705,000 | - | 18,705,000 | 3,759,600,909 | 0.50% | 62,578 | 298.91 |
| 2003 | 17,035,000 | - | 17,035,000 | 4,151,462,658 | 0.41% | 63,439 | 268.53 |
| 2004 | 29,620,000 | - | 29,620,000 | 4,705,803,129 | 0.63% | 63,888 | 463.62 |
| 2005 | 37,925,000 | - | 37,925,000 | 5,377,691,728 | 0.71% | 64,095 | 591.70 |
| 2006 | 36,045,000 | - | 36,045,000 | 6,451,499,363 | 0.56% | 64,360 | 560.05 |
| 2007 | 33,980,000 | - | 33,980,000 | 8,362,590,396 | 0.41% | 64,220 | 529.12 |
| 2008 | 31,760,000 | - | 31,760,000 | 8,692,058,600 | 0.37% | 64,220 | 494.55 |
| 2009 | 29,465,000 | - | 29,465,000 | 8,149,606,528 | 0.36% | 63,789 | 461.91 |
| 2010 | 27,090,000 | - | 27,090,000 | 7,010,118,472 | 0.39% | 64,218 | 421.84 |

Note: The basis of assessed value is approximately one hundred percent (100%) of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

CITY OF DELRAY BEACH, FLORIDA

Direct and Overlapping Governmental Activities Debt
September 30, 2010

| | Total Outstanding | Percentage Applicable to City of Delray Beach ⁽¹⁾ | Amount Applicable to City of Delray Beach |
|--|-----------------------|---|--|
| Direct: | | | |
| City of Delray Beach | \$ 27,090,000 | 100.00% | \$ 27,090,000 |
| Overlapping: | | | |
| Palm Beach County | 250,470,000 | 5.00% | 12,523,500 |
| Palm Beach County School District | 29,555,000 | 5.00% | 1,477,750 |
| Total overlapping debt | 280,025,000 | | 14,001,250 |
| Total direct and overlapping debt payable from ad valorem taxes | \$ 307,115,000 | | \$ 41,091,250 |
| Population | | | 64,218 |
| Total direct and overlapping debt per capita | | | \$ 639.87 |

⁽¹⁾ Estimates based on 2000 ratio of assessed taxable values.

Note: The City of Delray Beach has no legal debt margin.

Source: Finance Department, City of Delray Beach, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

CITY OF DELRAY BEACH, FLORIDA

Water and Sewer Pledged Revenue Coverage

Last Ten Fiscal Years

| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Revenue Available for Debt Coverage | Current Debt Service | Current Coverage |
|--------------------|--------------------------|-------------------------------|--|-----------------------------|-------------------------|
| 2001 | \$ 20,698,190 | \$ 10,254,472 | \$ 10,443,718 | \$ 4,153,440 | 2.51 |
| 2002 | 21,432,405 | 12,244,207 | 9,188,198 | 4,823,090 | 1.91 |
| 2003 (3) | 23,105,173 | 12,812,339 | 10,292,834 | 1,430,379 | 7.20 |
| 2004 | 25,726,277 | 15,443,253 | 10,283,024 | 4,745,800 | 2.17 |
| 2005 | 25,365,483 | 15,553,998 | 9,811,485 | 4,742,560 | 2.07 |
| 2006 (4) | 28,040,630 | 19,288,632 | 8,751,998 | 4,845,913 | 1.81 |
| 2007 (4) | 30,747,711 | 20,432,772 | 10,314,939 | 5,338,475 | 1.93 |
| 2008 (4) | 30,315,366 | 17,953,965 | 12,361,401 | 5,584,116 | 2.21 |
| 2009 (4) | 34,538,578 | 18,981,078 | 15,557,500 | 5,945,074 | 2.62 |
| 2010 | 32,248,170 | 19,324,309 | 12,923,861 | 5,936,276 | 2.18 |

(1) Includes interest revenue and rents (does not include capital contributions).

(2) Excludes depreciation expense, interest expense and amortization expense.

(3) The reduction of debt service is due to the partial refunding of the 1993 Water and Sewer Revenue Bonds.

(4) Excludes expenses totaling \$3,316,740, \$3,437,756, \$8,053,985 and \$3,085,995 in Fiscal Years 2006 through 2009, respectively. These amounts reflect expenses for the South Central Regional Wastewater Treatment and Disposal Board (SCRWTBD), a joint venture between the City and Boynton Beach, which relate to projects funded by bond proceeds.

CITY OF DELRAY BEACH, FLORIDA

Principal Employers

September 30, 2010

| <u>Employer</u> | <u>Fiscal Year 2010</u> | | |
|--|-------------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Tenet Healthcare Corp/dba Delray Medical | 1,250 | 1 | N/A |
| Publix Supermarkets | 425 | 2 | N/A |
| JET Flite Inc. | 425 | 3 | N/A |
| Amnoco Services | 400 | 4 | N/A |
| Ed Morse Delray Toyota Kia | 350 | 5 | N/A |
| Home Depot | 330 | 6 | N/A |
| Delray Motors | 301 | 7 | N/A |
| Alcohol Treatment Center | 300 | 8 | N/A |
| Delray Lincoln Mercury | 300 | 9 | N/A |
| Mitsubishi of Delray | 300 | 10 | N/A |
| Totals | <u>4,381</u> | | |

Source: Florida Agency for Workforce Innovation (AWI)

Note: Data is not available for 2001

Note: Total City Employees - 817

N/A: Information is not available.

CITY OF DELRAY BEACH, FLORIDA

Demographic and Economic Statistics

Last Ten Fiscal Years

| Fiscal Year | City Population ⁽¹⁾ | County Population ⁽¹⁾ | County Per Capita Personal Income ⁽²⁾ | Estimated Total Personal Income ⁽³⁾ | Median Age ⁽²⁾ | School Enrollment ⁽⁴⁾ | Unemployment Rate ⁽⁵⁾ |
|-------------|--------------------------------|----------------------------------|--|--|---------------------------|----------------------------------|----------------------------------|
| 2001 | 60,645 | 1,154,464 | \$ 41,907 | \$2,541,450,015 | N/A | 8,950 | 6.3% |
| 2002 | 61,527 | 1,183,197 | 42,430 | 2,610,590,610 | N/A | 8,321 | 7.6% |
| 2003 | 62,578 | 1,211,448 | 43,626 | 2,730,027,828 | 41.8 | 8,186 | 7.1% |
| 2004 | 63,439 | 1,242,270 | 43,830 | 2,780,531,370 | 41.8 | 7,852 | 6.3% |
| 2005 | 63,888 | 1,265,900 | 44,050 | 2,814,266,400 | 41.8 | 8,652 | 3.8% |
| 2006 | 64,095 | 1,287,967 | 44,518 | 2,853,381,210 | 41.7 | 8,100 | 3.1% |
| 2007 | 64,360 | 1,295,033 | 46,630 | 3,001,106,800 | 38.1 | 7,839 | 3.6% |
| 2008 | 64,220 | 1,294,654 | 55,311 | 3,552,072,420 | 42.5 | 7,807 | 5.8% |
| 2009 | 63,789 | 1,287,344 | 59,147 | 3,772,927,983 | 43.2 | 7,945 | 11.5% |
| 2010 | 64,218 | 1,286,461 | 58,358 | 3,747,634,044 | 43.5 | 7,945 | 12.3% |

Data Sources:

- (1) The population data is from the U.S. Bureau of Census as of April for the year 2000 & the University of Florida, Bureau of Economic Business for all other years.
- (2) Business Development Board of Palm Beach County. Data is for Palm Beach County, Florida. Information is not available for the City.
- (3) Estimated based on County per capita personal income and City population.
- (4) The School Enrollment is from the Palm Beach County School Board.
- (5) The Unemployment Rate data is from the U.S. Department of Labor, Bureau of Labor Statistics.

N/A: Information is not available for these years.

CITY OF DELRAY BEACH, FLORIDA

Full-time Equivalent Government Employees by Function

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|-----------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Government | 66 | 66 | 65 | 68 | 66 | 69 | 71 | 71 | 69 | 68 |
| Public Safety | | | | | | | | | | |
| Community Improvement | 3 | 4 | 4 | 4 | 4 | 5 | 5 | 4.5 | 5 | 5 |
| Planning & Zoning | 15 | 15 | 15 | 15 | 15 | 15 | 17 | 16 | 16 | 16 |
| Building Inspection | 20 | 20 | 20 | 20 | 21 | 21 | 23 | 21 | 20 | 20 |
| Code Compliance | 16 | 16 | 16 | 17 | 17 | 17 | 17 | 17 | 18 | 17 |
| Law Enforcement | 234 | 234 | 237 | 233 | 234 | 236 | 238 | 238 | 236 | 242 |
| Fire Control | 139 | 144 | 144 | 148 | 149 | 154 | 154 | 154 | 154 | 154 |
| Community Development | | | | | | | | | | |
| Block Grant | 9 | 9 | 6 | 6 | 6 | 5 | 7 | 7.5 | 7 | 7 |
| Insurance | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| City Garage | 10 | 10 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Physical Environment | | | | | | | | | | |
| Public Works | 22 | 22 | 24 | 24 | 25 | 25 | 25 | 25.5 | 25.5 | 25.5 |
| Engineering | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 7 | 7 | 7 |
| Sanitation | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Stormwater Utility | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Parks and Recreation | 93 | 94 | 98 | 98 | 108 | 108 | 114 | 115 | 113 | 113 |
| Water & Sewer Utility | 107 | 107 | 108 | 110 | 114 | 115 | 117 | 117.5 | 117.5 | 116.5 |
| Total | 755 | 762 | 769 | 776 | 792 | 804 | 822 | 820 | 814 | 817 |

CITY OF DELRAY BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 2 | 3 | 3 |
| Patrol Units | N/A | 90 | 123 | 136 | 144 | 151 | 159 | 163 | 219 | 219 |
| Fire | | | | | | | | | | |
| Fire Stations ⁽¹⁾ | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Fire trucks | 12 | 13 | 15 | 15 | 15 | 15 | 16 | 16 | 16 | 15 |
| ALS Rescue Vehicles | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 9 |
| Leisure Services | | | | | | | | | | |
| Ballfields - lighted | 23 | 23 | 23 | 23 | 22 | 22 | 15 | 15 | 15 | 16 |
| Basketball courts | 2 | 2 | 2 | 2 | 4 | 4 | 5 | 5 | 5 | 5 |
| Soccer fields (2) | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 7 | 7 | 7 |
| Tennis courts | 28 | 28 | 28 | 28 | 47 | 47 | 47 | 47 | 47 | 48 |
| Parks | 13 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Roads and Streets | | | | | | | | | | |
| Lane miles ⁽³⁾ | N/A | N/A | 299 | 299 | 299 | 299 | 299 | 305 | 305 | 305 |

Sources: City departments

Note: The following data is not available

- Sanitation - Garbage/Trash trucks
- Roads & Streets - Street lights
- Water/Sewer Utility - Water mains/Sanitary sewers/Storm sewers (all by miles)
- Fire hydrants

(1) Fire - The total number of Fire Stations include Highland Beach where the City provides Fire and EMS Service

(2) There are no separate soccer fields, but use football fields for games

(3) The number of lane miles was provided by the City's Engineering Department for 2007 and later years based on the newly installed GIS system which provides a more accurate figure for reporting purposes. Prior years have been restated.

N/A - Information not available

CITY OF DELRAY BEACH, FLORIDA

Operating Indicators by Function

Last Eight Fiscal Years

| Function | Fiscal Year | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Public Safety | | | | | | | | |
| Police | | | | | | | | |
| Physical arrests | 2,486 | 2,476 | 2,444 | 2,875 | 3,108 | 3,161 | 2,534 | 2,331 |
| Traffic violations | 12,880 | 14,471 | 12,040 | 13,928 | 10,962 | 10,882 | 11,249 | 11,443 |
| Fire | | | | | | | | |
| Number of calls | 10,744 | 11,960 | 11,591 | 12,024 | 11,772 | 12,410 | 11,905 | 11,960 |
| Parks and Recreation | | | | | | | | |
| Library | | | | | | | | |
| Circulation | 253,835 | 233,106 | 227,820 | 228,871 | 257,656 | 270,590 | 274,611 | 257,950 |
| Programs offered | 625 | 642 | 650 | 910 | 1,112 | 1,287 | 1,224 | 1,284 |
| Program attendance | 20,818 | 22,742 | 20,056 | 32,873 | 32,852 | 35,116 | 33,770 | 29,237 |
| Leisure Services | | | | | | | | |
| Youth athletic participants | 927 | 1,904 | 2,343 | 2,655 | 10,597 | 19,537 | 20,965 | 18,125 |
| Camp program participants | 670 | 365 | 358 | 322 | 625 | 561 | 699 | 395 |
| Class participants | 14,376 | 14,007 | 11,090 | 10,634 | 15,093 | 19,662 | 24,700 | 22,756 |
| Water/Sewer Utility | | | | | | | | |
| Water customers | 19,436 | 19,760 | 20,135 | 20,437 | 20,963 | 21,056 | 21,156 | 21,320 |
| Water main breaks | N/A | N/A | N/A | N/A | N/A | 434 | 442 | 476 |
| Sewer customers | 19,300 | 19,600 | 20,000 | 20,400 | 20,900 | 21,006 | 21,088 | 21,225 |
| Sewer main breaks | N/A | N/A | N/A | N/A | N/A | 4 | 3 | 2 |
| Avg daily water consumption (thousands of gallons) | 11,930 | 10,963 | 12,746 | 12,348 | 11,602 | 10,040 | 10,944 | 11,643 |

Sources: City departments/Delray Beach Public Library

Note: The following data is not available:

- Public Safety - Parking violations
- Sanitation - Refuse & Recyclables collected (tons)
- Roads & Streets - Street Resurfacing (miles)/Pot holes Repairs

Information prior to fiscal year 2003 is not available.

N/A - Information not available.

CITY OF DELRAY BEACH, FLORIDA

Schedule of Insurance in Force

September 30, 2010

| Company | Type of Coverage | Property/Risk Covered | Amount of Coverage |
|-----------------------------------|---|--------------------------------------|---|
| Florida Municipal Insurance Trust | Workers' Compensation | On the job injury | Statutory/\$1,000,000 |
| | General/Auto Liability | Legal liabilities | \$5 million/occurrence |
| | Property Damage/Auto Physical Damage, Crime | All risk, including wind (hurricane) | Bldg. \$149 Million/Contents \$30 Million |
| | Boiler & Machinery | Boiler & Machinery | \$5 million/occurrence |
| | Pollution | Pollution (excluding storage tanks) | \$1 million/loss |
| AIG (National Union) | Fiduciary Liability | General Employee Pension | \$1 million/claim/\$2 million aggregate |
| Illinois Union | Pollution (excluding storage tanks) | Pollution (excluding storage tanks) | \$1 million/loss |
| Burlington Insurance | Skate Park Liability-Primary | Primary Liability | \$1 million/occurrence; \$2 million aggregate |
| | Skate Park Liability-Excess | Excess Liability | \$4 million/occurrence |
| Travelers | Fiduciary Liability | Police & Firefighters Pension | \$1 million/claim/aggregate |
| Colony Insurance | Women's Club Liability | Legal liabilities | \$1 million/occurrence; \$2 million aggregate |
| American Bankers | Flood Insurance-Fire Station #2 | Flood insurance | \$500,000 |
| | Flood Insurance-Delray Swim & Tennis | Flood insurance | \$500,000 |
| | Flood Insurance - City Marina | Flood insurance | \$500,000 |
| Aspen Specialty | RR Crossing & Sidetrack | RR Crossing & Sidetrack | \$2 million/occurrence; \$4 million aggregate |
| Essex Insurance | General Liability | FPL banners & parking lots | \$1 million/occurrence; \$2 million aggregate |
| Admiral Insurance Company | EMS Director Liability (FD contract) | Director liability | \$1 million/\$3 million |
| Hartford Life | Life Insurance | Police & Fire Department | Statutory |

Compliance Section



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Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

To the Honorable Mayor and
City Commission
City of Delray Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Delray Beach, Florida, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the City of Delray Beach, Florida, and have issued our report thereon dated May 4, 2011. Our report was modified to include references to other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Police and Firefighters' Retirement System Fund, a fiduciary fund of the City, and the Delray Beach Downtown Development Authority, a discretely presented component unit of the City, as described in our report on the financial statements of the City of Delray Beach, Florida. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting of the City of Delray Beach, Florida, as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting of the City of Delray Beach, Florida. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting of the City of Delray Beach, Florida.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain additional matters that we reported to management in a separate management letter dated May 4, 2011.

This report is intended solely for the information and use of the City Commission, management and others within the City of Delray Beach, Florida, federal and state awarding agencies and pass-through entities, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Caler, Donten, Levine,
Porter & Veil, P.A.*

May 4, 2011

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

For the Fiscal Year Ended September 30, 2010

| Grantor/ Program Title | CFDA Number | Contract/Grantor Number | 2010 Program Expenditures | Transfers to Subrecipients |
|---|----------------|----------------------------|------------------------------|-------------------------------|
| Federal Awards | | | | |
| U.S. Department of Housing and Urban Development | | | | |
| Direct Awards | | | | |
| Community Development Block Grants/Entitlement Grants | 14 218 | B-07-MC-12-0033 | \$ 512,625 | \$ 159,632 |
| Community Development Block Grants/Entitlement Grants | 14 218 | B-08-MC-12-0033 | 167,929 | |
| ARRA - Community Development Block Grant ARRA Entitlement Grants | 14 253 | B-09-MY-12-0033 | 156,617 | 0 |
| Pass-through Award from Palm Beach County, Florida | | | | |
| Community Development Block Grants - State's Programs and Nonentitlement Grants | 14 228 | 07DB-3V-10-60-01-Z07 | 231,310 | 0 |
| Pass-through Award from State of Florida Department of Community Affairs | | | | |
| Community Development Block Grants - State's Programs and Nonentitlement Grants | 14 228 | 10DX-4X-10-60-02-F10 | 1,468,714 | 0 |
| Total U.S. Department of Housing and Urban Development | | | 2,537,195 | 159,632 |
| U.S. Department of Interior | | | | |
| Direct Award | | | | |
| Clean Vessel Act | 15 516 | F0958 | 9,000 | 0 |
| Pass-through Award from State of Florida Department of Historical Resources | | | | |
| Historical Preservation Fund Grants-In-Aid | 15 904 | F0906 | 14,295 | 0 |
| Total U.S. Department of Interior | | | 23,295 | 0 |
| U.S. Department of Justice | | | | |
| Bureau of Justice Assistance | | | | |
| Direct Awards | | | | |
| Bulletproof Vest Partnership Program | 16 607 | 2006-BUBX06132740 | 9,333 | 0 |
| Bulletproof Vest Partnership Program | 16 607 | 2009-BUBX08042999 | 1,237 | 0 |
| ARRA - Public Safety Partnership and Community Policing Grant | 16 710 | 2009-RKWX0237 | 354,104 | 0 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16 738 | 2009-DJ-BX-0855 | 52,807 | 0 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16 738 | 2008-DJ-BX-0118 | 9,694 | 0 |
| ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program | 16 804 | 2009-SB-B9-2668 | 288,771 | 0 |
| Total U.S. Department of Justice | | | 715,946 | 0 |
| U.S. Department of Transportation | | | | |
| Pass-through Award from the State of Florida Department of Transportation | | | | |
| State and Community Highway Safety | 20 600 | SC-10-13-07 | 22,508 | 0 |
| Alcohol Impaired Driving Countermeasures Grant | 20 601 | K8-10-06-13 | 78,592 | 0 |
| Total U.S. Department of Transportation | | | 101,100 | 0 |
| U.S. Department of Energy | | | | |
| Direct Award | | | | |
| ARRA - Energy Efficiency and Conservation Block Grant | 81 128 | DE-SC0002536 | 394,898 | 0 |
| Total U.S. Department of Energy | | | 394,898 | 0 |
| U.S. Department of Homeland Security | | | | |
| Direct Award | | | | |
| Hazard Mitigation Grant Program | 97 039 | 09HM-12-10-60-02-003 | 357,838 | 0 |
| Pass-through Award from the State of Florida Department of Financial Services | | | | |
| Homeland Security Grant Program | 97 067 | 08DS-60-13-00-16-373 | 9,761 | 0 |
| Total U.S. Department of Homeland Security | | | 367,599 | 0 |
| Total Federal Awards | | | \$ 4,140,033 | \$ 159,632 |

CITY OF DELRAY BEACH, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE (Continued)

For the Fiscal Year Ended September 30, 2010

| Grantor/ State Project Title | CSFA Number | Contract/Grantor Number | 2010 Program Expenditures | Transfers to Subrecipients |
|---|----------------|----------------------------|------------------------------|-------------------------------|
| State Financial Assistance | | | | |
| Florida Department of Environmental Protection | | | | |
| Direct Award | | | | |
| Beach Erosion Control Program | 37 003 | 99-PB2 | \$ 36,263 | \$ 0 |
| Total Florida Department of Environmental Protection | | | 36,263 | 0 |
| Florida Housing Finance Corporation | | | | |
| Direct Award | | | | |
| State Housing Initiatives Partnership Program | 52 901 | 28 07 | 535,926 | 0 |
| Total Florida Housing Finance Corporation | | | 535,926 | 0 |
| Florida Department of Transportation | | | | |
| Direct Awards | | | | |
| Florida Highway Beautification Council Grant | 55 003 | AOQ54 | 65,172 | 0 |
| Public Transit Service Development Program | 55 012 | AP367 | 62,861 | 0 |
| Public Transit Service Development Program | 55 012 | APD52 | 15,227 | 0 |
| Total Florida Department of Transportation | | | 143,260 | 0 |
| Total State Financial Assistance | | | \$ 715,449 | \$ 0 |

See notes to schedule of expenditures of federal awards and state financial assistance

City of Delray Beach, Florida

Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance

September 30, 2010

1. Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General. The Schedule of Expenditures of Federal Awards and State Financial Assistance presents the federal awards and state financial assistance expended by the City of Delray Beach, Florida, for the year ended September 30, 2010 on the modified accrual basis of accounting. Because the schedule presents only a selected portion of the operations of the City of Delray Beach, Florida, it is not intended to and does not present the financial position or changes in net assets of the City of Delray Beach, Florida.

2. Contingency

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the City for the return of those funds. In the opinion of management, all grant expenditures were in substantial compliance with the terms of the grant agreements and applicable federal and state laws and regulations.



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Independent Auditor's Report on Compliance With Requirements That
Could Have a Direct and Material Effect on Each Major Federal Program
and State Project and on Internal Control Over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General

To the Honorable Mayor and
City Commission
City of Delray Beach, Florida

Compliance

We have audited the compliance of the City of Delray Beach, Florida, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2010. The major federal programs and state projects of the City of Delray Beach, Florida, are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of the management of the City of Delray Beach, Florida. Our responsibility is to express an opinion on compliance by the City of Delray Beach, Florida, based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; and, Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about compliance by the City of Delray Beach, Florida, with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on compliance by the City of Delray Beach, Florida, with those requirements.

In our opinion, the City of Delray Beach, Florida, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2.

Internal Control Over Compliance

The management of the City of Delray Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Commission, management and others within the City of Delray Beach, Florida, federal and state awarding agencies and pass-through entities, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Caler, Dauter, Levine,
Porter & Veil, P.A.*

May 4, 2011

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS

For the Fiscal Year Ended September 30, 2010

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

| | |
|--|--------------------------------------|
| Type of auditor’s report issued: | <i>Unqualified Opinion</i> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | _____ Yes <u> X </u> No |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | _____ Yes <u> X </u> None reported |
| Noncompliance material to financial statements noted? | _____ Yes <u> X </u> No |

Federal Award Programs and State Financial Assistance Projects

| | |
|---|--------------------------------------|
| Internal control over major Federal Award Programs and State Financial Assistance Projects: | |
| Material weakness(es) identified? | _____ Yes <u> X </u> No |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | _____ Yes <u> X </u> None reported |

| | |
|---|----------------------------|
| Type of auditor’s report issued on compliance for major Federal Award Programs and major State Financial Assistance Projects: | <i>Unqualified Opinion</i> |
|---|----------------------------|

| | |
|--|---------------------------|
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | <u> X </u> Yes _____ No |
|--|---------------------------|

| | |
|---|---------------------------|
| Any audit findings disclosed that are required to be reported in accordance with Rule 10.557, Rules of the Auditor General? | <u> X </u> Yes _____ No |
|---|---------------------------|

Identification of Major Programs:

| | |
|--|------------------------|
| <u>Major Federal Award Programs</u> | <u>CFDA No.</u> |
|--|------------------------|

| | |
|---|--------|
| U.S. Department of Housing and Urban Development | |
| Direct Awards | |
| Community Development Block Grants/Entitlement Grants | 14.218 |
| ARRA - Community Development Block Grant ARRA | 14.253 |
| Entitlement Grants | |
| Pass through Award from Palm Beach County, Florida | |
| Community Development Block Grants – State’s Programs and Nonentitlement Grants | 14.228 |
| Pass through Award from Florida Department of Community Affairs | |
| Community Development Block Grants – State’s Programs and Nonentitlement Grants | 14.228 |

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

For the Fiscal Year Ended September 30, 2010

SECTION I – SUMMARY OF AUDITOR’S RESULTS (Continued)

Identification of Major Programs (continued):

| <u>Major Federal Award Programs</u> | <u>CFDA No.</u> |
|--|-------------------------|
| U.S. Department of Justice | |
| Direct Awards | |
| ARRA – Public Safety Partnership and Community Policing Grant | 16.710 |
| ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program | 16.804 |
| | |
| U.S. Department of Energy | |
| Direct Award | |
| ARRA – Energy Efficiency and Conservation Block Grant | 81.128 |
| | |
| U.S. Department of Homeland Security | |
| Direct Award | |
| Hazard Mitigation Grant Program | 97.039 |
| | |
| Dollar threshold used to distinguish between Type A and Type B Federal award programs: | <u>\$ 300,000</u> |
| Auditee qualified as low-risk auditee? | _____ Yes <u> X </u> No |

| <u>Major State Financial Assistance Project</u> | <u>State CSFA No.</u> |
|---|------------------------------|
| Florida Housing Finance Corporation | |
| Direct Award | |
| State Housing Initiatives Partnership Program | 52.901 |
| | |
| Dollar threshold used to distinguish between Type A and Type B State financial assistance projects: | <u>\$ 300,000</u> |

SECTION II - FINANCIAL STATEMENT FINDINGS

None

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL AWARD PROGRAMS AND
 STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

For the Fiscal Year Ended September 30, 2010

**SECTION III - FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
 PROJECTS FINDINGS AND QUESTIONED COSTS**

| <u>Finding Number</u> | <u>Finding</u> | <u>Questioned Costs</u> |
|---------------------------|----------------|-----------------------------|
|---------------------------|----------------|-----------------------------|

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

| | | |
|---------------|---|----------------|
| 2010-1 | Community Development Block Grant CFDA # 14.218 (Allowable Activities) Grant No. B-07-MC-12-0033 | Unknown |
|---------------|---|----------------|

Criteria: The City develops an annual Action Plan which is approved by the grantor and prescribes how the grant funds will be spent and allocated to the various types of programs.

Condition: The City's expenditures for housing rehabilitation totaled \$258,141 for the year ended September 30, 2010. Of this amount \$178,916 was expended for salaries and benefits for two City building inspectors and a secretary and \$8,198 was expended for overhead costs. The remaining balance of \$71,027 was expended for contractor costs for housing rehabilitation.

Effect: The grant funds expended for contract and direct costs to rehabilitate housing were 28% of the total housing rehabilitation expenditures while salary, benefits and overhead costs reimbursed to the City were 72% of the total housing rehabilitation expenditures.

Cause: The City is allocating 100% of the time for two inspectors and a secretary to the housing rehabilitation program expenditures.

Population and Items Tested: Auditor received an expenditure listing for this grant and summarized the total administrative expenses and compared to what was budgeted by the City.

Recommendation: We recommend that the City assess the amount of each employees' time charged to the housing rehabilitation program in relation to the actual rehabilitation contract work performed on client homes.

Grantee Response: With respect to the findings, the Neighborhood Services Division adheres stringently to the CDBG guidelines set forth by HUD for the CDBG program.

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL AWARD PROGRAMS AND
 STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

For the Fiscal Year Ended September 30, 2010

**SECTION III - FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
 PROJECTS FINDINGS AND QUESTIONED COSTS (Continued)**

| <u>Finding Number</u> | <u>Finding</u> | <u>Questioned Costs</u> |
|---------------------------|---|-----------------------------|
| 2010-2 | Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. UOG 120732-0001 and B-08-MC-12-0033 | \$38,555 |

Criteria: The grant agreement and Action Plan requires that no more than 20% of the overall grant funds can be used for administration. The City's Program Year 5 Action Plan for 2009-2010 expenditures for *CD Objective 1* had \$111,445 budgeted for administration.

24 CFR 85.20(a)(6) states that accounting records must be supported by source documentation, such as payrolls and time and attendance records. Section A-87, attachment B(8)(h)(3) states the standards regarding time distribution and requires salaries and wages for employees working solely on a single Federal award to be supported by periodic certifications that the employee worked solely on the program for the period covered by the certification. Section A-87, attachment B(8)(h)(4) requires salaries and wages for employees working on multiple Federal award programs to be supported by personnel activity reports or equivalent documentation.

Condition: The City's Program Year 5 Action Plan for 2009-2010 expenditures budgeted \$111,445 for *CD Objective 1* for administration. The City's expenditures for administration for the year ended September 30, 2010 included \$98,489 in Division 1961 for salaries, benefits and overhead for the Department Coordinator and \$51,511 in Division 1963 for salaries, benefits and overhead for a secretary. Total administrative expenditures were \$150,000, which exceeded the allowable \$111,445 administrative expense threshold. The City also allocates 100% of the cost of two inspectors to this program. The City has other housing rehabilitative programs and other grants, but no salaries or wages allocated to these other programs. The City does not have time allocations or activity reports to support the salaries and wages charged to this CDBG program and other programs for employees who worked on multiple programs during the year.

Effect: The total administrative expenditures were \$150,000 which exceeded the 20% limitation on administration expenditures by \$38,555. Without proper documentation of time, the proper salaries and wages chargeable to the CDBG program and other programs cannot be determined.

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

For the Fiscal Year Ended September 30, 2010

**SECTION III - FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE
PROJECTS FINDINGS AND QUESTIONED COSTS (Continued)**

**2010-2 Community Development Block Grant
(Continued)**

Cause: The City contends that the secretary spends 100% of her time on housing rehabilitation program activities and that this cost was not considered administrative expenses. The City did not prepare certifications or personnel activity reports or equivalent documentation for employees who worked on multiple programs during the year.

Population and Items Tested: Auditor received an expenditure listing for this grant and summarized the amount of administrative expenses.

Recommendation: We recommend that the City limit administrative expenses to no more than 20% of the total grant expenditures. We also recommend that the City establish a time reporting system to support the salaries and wages chargeable to each Federal program.

Grantee Response: Detailed timesheets of task breakdown are not kept since 100% of work performed is housing rehabilitation program activities.



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CORRECTIVE ACTION PLAN

The City of Delray Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2010. The findings from the schedule of findings and questioned costs for the year ended September 30, 2010 is discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

A. FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS

| <u>Finding Number</u> | <u>Finding</u> |
|-----------------------|----------------|
|-----------------------|----------------|

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**2010-1 Community Development Block Grant
CFDA # 14.218 (Allowable Activities)
Grant No. B-07-MC-12-0033**

Criteria: The City develops an annual Action Plan which is approved by the grantor and prescribes how the grant funds will be spent and allocated to the various types of programs.

Condition: The City's expenditures for housing rehabilitation totaled \$258,141 for the year ended September 30, 2010. Of this amount \$178,916 was expended for salaries and benefits for two City building inspectors and a secretary and \$8,198 was expended for overhead costs. The remaining balance of \$71,027 was expended for contractor costs for housing rehabilitation.

Effect: The grant funds expended for contract and direct costs to rehabilitate housing were 28% of the total housing rehabilitation expenditures while salary, benefits and overhead costs reimbursed to the City were 72% of the total housing rehabilitation expenditures.

Cause: The City is allocating 100% of the time for two inspectors and a secretary to the housing rehabilitation program expenditures.

Population and Items Tested: Auditor received an expenditure listing for this grant and summarized the total administrative expenses and compared to what was budgeted by the City.

Recommendation: We recommend that the City assess the amount of each employees' time charged to the housing rehabilitation program in relation to the actual rehabilitation contract work performed on client homes.

Action Taken: The Neighborhood Services Division believes they are in compliance with no further action needed.

A. FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS (Continued)

**Finding
Number**

Finding

2010-2

**Community Development Block Grant
CFDA # 14.218 (Earmarking/Allowable Costs)
Grant No. UOG 120732-0001 and B-08-MC-12-0033**

Criteria: The grant agreement and Action Plan requires that no more than 20% of the overall grant funds can be used for administration. The City's Program Year 5 Action Plan for 2009-2010 expenditures for *CD Objective 1* had \$111,445 budgeted for administration.

24 CFR 85.20(a)(6) states that accounting records must be supported by source documentation, such as payrolls and time and attendance records. Section A-87, attachment B(8)(h)(3) states the standards regarding time distribution and requires salaries and wages for employees working solely on a single Federal award to be supported by periodic certifications that the employee worked solely on the program for the period covered by the certification. Section A-87, attachment B(8)(h)(4) requires salaries and wages for employees working on multiple Federal award programs to be supported by personnel activity reports or equivalent documentation.

Condition: The City's Program Year 5 Action Plan for 2009-2010 expenditures budgeted \$111,445 for *CD Objective 1* for administration. The City's expenditures for administration for the year ended September 30, 2010 included \$98,489 in Division 1961 for salaries, benefits and overhead for the Department Coordinator and \$51,511 in Division 1963 for salaries, benefits and overhead for a secretary. Total administrative expenditures were \$150,000, which exceeded the allowable \$111,445 administrative expense threshold. The City also allocates 100% of the cost of two inspectors to this program. The City has other housing rehabilitative programs and other grants, but no salaries or wages allocated to these other programs. The City does not have time allocations or activity reports to support the salaries and wages charged this CDBG program and other programs for employees who worked on multiple programs during the year.

Effect: The total administrative expenditures were \$150,000 which exceeded the 20% limitation on administration expenditures. Without proper documentation of time, the proper salaries and wages chargeable to the CDBG program and other programs cannot be determined. The salaries are subject to being disallowed.

Cause: The City was unaware that secretarial costs for housing rehabilitation were considered administrative expenses nor aware of the requirement to maintain time allocations for employees who work on multiple programs.

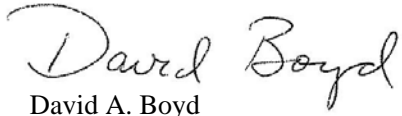
Population and Items Tested: Auditor received an expenditure listing for this grant and summarized the amount of administrative expenses.

Recommendation: We recommend that the City limit administrative expenses to no more than 20% of the total grant expenditures. We recommend that the City establish a time reporting system to support the salaries and wages chargeable to each Federal program.

Action Taken: The Neighborhood Services Division believes they are in compliance with no further action needed.

If you have any additional questions concerning this corrective action plan adopted by the City, please call me at (561) 243-7000

Sincerely,

A handwritten signature in black ink that reads "David Boyd". The letters are cursive and fluid, with a large initial "D" and "B".

David A. Boyd
Finance Director

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS

For the Fiscal Year Ended September 30, 2010

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL PROGRAMS**

| <u>Finding Number</u> | <u>Finding</u> | <u>Questioned Costs</u> |
|-----------------------|---|-------------------------|
| | U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | |
| 2009-1 | <p>Community Development Block Grant CFDA # 14.218 (Allowable Activities) Grant No. B-07-MC-12-0033</p> <p><i>Condition:</i> The City’s expenditures for housing rehabilitation totaled \$264,621 for the year ended September 30, 2009. Of this amount \$182,805 or 71% was expended for administration costs, including salaries and benefits for two City building inspectors and a secretary and \$4,274 for overhead costs. The remaining balance of \$77,542 or 29% was expended for contractor costs for housing rehabilitation.</p> <p><i>Recommendation:</i> We recommend that the City assess the amount of each employees’ time charged to the housing rehabilitation program in relation to the actual rehabilitation contract work performed on client homes.</p> <p><i>Current Status:</i> See current year’s observation and management response at 2010-1.</p> | Unknown |
| 2009-2 | <p>Community Development Block Grant CFDA # 14.218 (Allowable Costs) Grant No. B-07-MC-12-0033</p> <p><i>Condition:</i> The City’s Program Year 4 Action Plan for 2008-2009 expenditures for <i>CD Objective 5</i> states that the City will “Utilize CDBG funds to install sidewalk improvements within the northwest/southwest neighborhoods...” Expenditures for the year ended September 30, 2009 charged to <i>CD Objective 5</i> totaled \$66,223. Of this amount, \$60,911 was paid to a contractor for road improvements. The expenditures charged to <i>CD Objective 5</i> for sidewalks also included \$1,266 for maintenance expenditures for a vehicle that was used by the City’s Building Inspector. The City did not provide any supporting documentation for the vehicle maintenance expenditures.</p> <p><i>Recommendation:</i> We recommend that the City request approval from the grantor for the expenditures related to road improvements and vehicle maintenance. If not approved, the City should reimburse the program for the unallowable costs.</p> | \$62,177 |

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

For the Fiscal Year Ended September 30, 2010

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL PROGRAMS (Continued)**

| <u>Finding Number</u> | <u>Finding</u> | <u>Questioned Costs</u> |
|-----------------------|--|-------------------------|
| | <i>Current Status:</i> No similar finding was noted during the 2010 audit. | |
| 2009-3 | <p>Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. B-07-MC-12-0033</p> <p><i>Condition:</i> The City’s Program Year 4 Action Plan for 2008-2009 expenditures budgeted \$104,980 for <i>CD Objective 1</i> for administration. The grant agreement and Action Plan requires that no more than 20% of the overall grant funds can be used for administration. The City’s 2008-2009 expenditures for <i>CD Objective 1</i> for administration were \$147,058 or 26% of the total grant expenditures.</p> <p><i>Recommendation:</i> We recommend that the City limit administrative expenses to no more than 20% of the total grant expenditures.</p> <p><i>Current Status:</i> See current year’s finding and management response at 2010-2.</p> <p>U.S. DEPARTMENT OF TRANSPORTATION</p> | Unknown |
| 2009-4 | <p>Highway Planning and Construction – Homewood Blvd. Bicycle Lane Project CFDA # 20.205 (Davis Bacon) Grant No. AP806</p> <p><i>Condition:</i> Auditor requested a copy of the contractor’s certified payrolls. The City could not initially produce the certified payrolls. The City was able to provide copies of the payroll certifications from the contractor, but the certifications were sent/dated December 2009, during audit field work rather than dated in April through June 2009 when the contractor work was performed.</p> <p><i>Recommendation:</i> We recommend that the City request a copy of the certified payrolls when the contractor submits for reimbursement and review the certified payrolls for compliance with the applicable Davis-Bacon and DOL requirements.</p> <p><i>Current Status:</i> The recommendation was adopted and no similar finding was noted during the 2010 audit.</p> | None |

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

For the Fiscal Year Ended September 30, 2010

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR STATE FINANCIAL ASSISTANCE PROJECTS**

| <u>Finding Number</u> | <u>Finding</u> | <u>Questioned Costs</u> |
|---------------------------|--|-----------------------------|
| | FLORIDA HOUSING FINANCE CORPORATION | |
| 2009-5 | State Housing Initiative Partnership (SHIP) Program CSFA # 52.901 (Allowable Activities) | \$ 2,604 |
| | <i>Condition:</i> The City budgeted and was allowed \$57,601 for administrative expenses of the program, but spent \$60,205 for administrative expenses, or \$2,604 over the allowed amount. | |
| | <i>Recommendation:</i> We recommend that the City limit administrative expenses to no more than 10% of the total grant expenditures. | |
| | <i>Current Status:</i> The recommendation was adopted and no similar finding was noted during the 2010 audit. | |
| | FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION | |
| 2009-6 | Water Protection and Sustainability Program CSFA # 37.066 (Reporting) Grant No. 4600001677 | None |
| | <i>Condition:</i> The City did not timely submit the report for the quarter ended December 31, 2008, which was due December 31, 2008, but was not submitted until February 9, 2009. | |
| | <i>Recommendation:</i> We recommend that the City timely file the progress reports as prescribed by the grant agreement. | |
| | <i>Current Status:</i> The recommendation was adopted and no similar finding was noted during the 2010 audit. | |

Management Letter



CALER, DONTEN, LEVINE,
PORTER & VEIL, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

Management Letter

To the Honorable Mayor and
City Commission
City of Delray Beach, Florida

We have audited the financial statements of the City of Delray Beach, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 4, 2011. Our report was modified to include references to other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 4, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

1. 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. We noted that our recommendations related to comments (2009-4) Highway Planning and Construction - Homewood Blvd. Bicycle Lane Project; (2009-5) State Housing Initiative Partnership (SHIP) Program; (2009-6) Water Protection and Sustainability Program; and, (2009-7) Bank Reconciliations reported in the Schedule of Findings and Questioned Costs or our management letter dated March 24, 2010 have been adequately addressed or no longer apply. Comments (2009-1) Community Development Block Grant; (2009-2) Community Development Block Grant; and, (2009-3) Community Development Block Grant reported in the Schedule of Findings and Questioned Costs have not been corrected as reported in the Summary of Prior Audit Findings. Comment (2008-5) Information Systems was partially addressed and requires further consideration as reported in item 3 below.
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Delray Beach, Florida complied with Section 218.415, Florida Statutes.

3. Section 10.554(1)(i)3., 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 have the following recommendations:

2010-3 Codification of Accounting Policies and Procedures

Criteria: Key financial reporting responsibilities should be formally documented and available to those in roles affecting financial reporting.

Condition: The City has adopted various accounting policies and procedures but does not have a formal comprehensive accounting policies and procedures manual that codifies the policies and procedures into a single source.

Effect: There is no formal written, authoritative source of information for personnel in roles affecting financial reporting who require guidance in the performance of their daily tasks. A written manual could provide guidance to existing employees as well as serve as a useful tool in the successful training and transition of future employees into new financial reporting roles.

Cause: Various policies and procedures have not been codified into a single manual for easy reference.

Recommendation: We recommend that the City codify a formal, written accounting policies and procedures manual defining the responsibilities of employees in roles affecting financial reporting. The manual should also document the flow of information for the City's significant transaction cycles. The manual should be approved by an appropriate level of management and/or City Commission and should be reviewed and updated periodically to reflect any changes.

2010-4 Documentation of Control Procedures

Criteria: Accounting records should include documentation of control procedures such as reconciliations, reviews and approvals.

Condition: With respect to utility billing, we were informed that the Meter Supervisor reviews exception reports, performs rereads on all unusual exceptions or misreads, and reviews the general ledger posting report for corrections; however, there were no sign offs or other documentation indicating that such procedures had been performed.

Effect: We were unable to rely on the controls described in the preceding paragraph as part of our audit because there was no evidence that the control procedures had been performed.

Cause: Control procedures are not documented in writing.

Recommendation: We recommend that the key control procedures noted above be documented by signing or initialing and dating the reports when they are reviewed and approved.

2008-5 Information Systems

Criteria: Internal controls should provide for access security, protection and recovery of computer data.

Condition: Our review of the City's information systems identified certain areas where the existing practices could be improved, as follows:

Access and Security:

- Failed logons should be thoroughly reviewed on a scheduled basis to look for repeated attempts to gain access to an account. Additionally, logons after hours should be reviewed for suspicious activity. The person reviewing the report or activity logs should sign and date it to document their approval and retain it for verification as part of the audit.

Data Protection and Recovery:

- Changes rolled out to the iSeries production environment should be documented in a simple but formal manner. The person preparing the report or logs of any changes should sign and date it to document their approval and retain it for verification as part of the audit.

Recommendation: We recommend that the City consider the above changes to further enhance the access security, protection and recovery of computer data.

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. The results of our procedures disclosed no such matters, except as reported in the Schedule of Findings and Questioned Costs.
5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we noted the following matter:

2010-5 Expenditures Over Appropriations

We noted that the City's expenditures exceeded the final budgeted appropriations for the year ended September 30, 2010 for several General Fund functions as indicated in Note 17 to the financial statements. We recommend that the City review expenditures in relation to budgeted amounts during the year and amend the budget as necessary to prevent over-expenditure of budgeted categories.

6. Section 10.554(1)(i)6., 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. This information is disclosed in Note 1 to the financial statements.
7. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
8. Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. We noted that the amounts reported in the Annual Financial Report were in substantial agreement with the audited financial statements for the year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. 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 the review of financial information provided by same. The results of our procedures disclosed no matters that are required to be reported.

The responses by the City's management to matters identified in our management letter are described in the accompanying Response to Management Letter. We did not audit the responses of the City and, accordingly, we express no opinion on them.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. U.S. generally accepted auditing standards require us to indicate that this report is intended solely for the information and use of the City Commission and management of the City of Delray Beach, Florida, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Calder, Dauter, Levine,
Porter & Veil, P.A.*

May 4, 2011

CITY OF DELRAY BEACH



100 N.W. 1st AVENUE • DELRAY BEACH, FLORIDA 33444 • 561/243-7000

May 9, 2011

1993
2001

Auditor General's Office
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Subject: Response to the Management Letter Comments
Comprehensive Annual Financial Report – September 30, 2010

Our response to current year comments and recommendations are listed below:

2010-3 Codification of Accounting Policies and Procedures – Management concurs that a formalized policy is desirable. It should be noted that procedures are updated to reflect any changes.

2010-4 Documentation of Control Procedures – The comment references control procedures in the Utility Billing area. Although reviews were performed, there was no written documentation such as a signature or date. The division has included this step for all key control procedures.

2008-5 – Information Systems –In Access and Security there was a comment regarding failed logons. The City uses a software program that automatically locks out a user after three failed logons. The user must then contact the IT division to have their sign on reset. In Data Protection and Recovery there was a comment regarding changes to the iSeries production environment. The City's work environment has changed in that "programs" that would affect the program code are not being used, but instead queries are being used for the extraction of data, therefore, no changes are being made to the production environment of the iSeries.

2010-5 – Expenditures Over Appropriations- Although there were various departments that were over budget, the functions were all under budget except for general government. Management concurs the budget needs to be amended to prevent over-expenditure of budgeted categories.

Sincerely,

A handwritten signature in cursive script that reads "David Boyd".

David A. Boyd
Finance Director

mls/dab
doc: audgen