



City of Delray Beach, Florida
Comprehensive Annual Financial Report
For Year Ended
September 30, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2011
with Report of Independent Certified Public Accountants

Comprehensive Annual Financial Report

City of Delray Beach, Florida

Year Ended September 30, 2011
with Report of Independent Certified Public Accountants

Prepared by the

Finance Department

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City of Delray Beach, Florida
 Comprehensive Annual Financial Report
 Year Ended September 30, 2011

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Introductory Section



March 14, 2012

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

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, 2011. 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 their 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, 2011. **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 a 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 will 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 on 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 60,831 (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 provides 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 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 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.

Delray Beach is known locally, regionally and nationally for its special events and vibrant downtown activities. Over the past year, there were over 40 special events including the Green Market in the Park, Art and Jazz on the Avenue, Garlic Fest, Roots Cultural Festival, the 11th Annual ATP International Tennis Championships (ITC) and, the 19th Annual Chris Evert Pro-Celebrity Tennis Classic charity tournament. The 48th 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 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 32nd year in Sister's Cities Program relationship with Miyazu, Japan and a later relationship with Moshi, Tanzania, Africa.

CURRENT MAJOR INITIATIVES

Annexation of Marketplace of Delray

In December 2010, the City annexed the Marketplace of Delray, a commercial area, which expands the City's boundaries by 30.26 acres and includes an existing shopping center and several out parcels. The annexation is expected to contribute additional tax revenue for the City.

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. Last year fourteen foreclosed properties were acquired. During this current fiscal year, three more properties were acquired. Of the rehabilitated properties, three properties have been sold for single-family homeownership, three properties were donated to the Delray Beach Housing Authority for rentals to very low income residents, two properties are being marketed for resale and pending transfer to the Delray Beach Community Land Trust. This program benefits low, moderate and median income households and funds from all sales are reinvested back into the program for community redevelopment.

Green Initiatives

The City Commissioners have made a commitment to position the City as a leader in preserving our environment. Several sustainability initiatives were implemented this year to serve as a road map for other communities throughout the state to follow.

In May, Delray Beach became the first city in Palm Beach County and one of the first in the state to install public electric car charging stations. The charging station was installed in the downtown area at the Banker's Row parking lot. The entire cost of the charging stations of approximately \$15,000, and \$500 for electricity usage was donated by the Executive Director of Plug-In Florida. The response has been so favorable; there are plans to install additional stations throughout the downtown area.

Conserving water is a priority in South Florida and Delray Beach is doing its part by reducing its own water usage. A landscaping project for the West Atlantic Avenue medians was completed that replaced plants that required a lot of water to more drought resistant plants. In addition, the sprinkler system was changed from the traditional overhead spraying to drip irrigation which saves 50% to 70% more water than with the traditional spray heads. The cost of this project was covered by a \$200,000 state grant and a \$70,000 grant from the Delray Beach Community Redevelopment Agency (CRA).

Delray Beach became the first City in Palm County to install solar-powered trash compactors in three of its parks. The compactors need to be emptied only once every two weeks as opposed to multiple times during the week. This not only saves on staff time, but also keeps the parks much neater. The cost of the trash compactors was fully funded by the City's solid waste agreement. Again, the response has been so favorable, the compactors are now located in the beach area as well as downtown. There is an estimated savings of \$40,000 annually.

The Delray Beach Municipal Marina has been designated as a “Clean Marina” by the Florida Department of Environmental Protection’s Clean Marina Program and the Clean Boating Partnership. This prestigious honor recognizes the City’s utilization of innovative solutions to protect the environment during daily marine operations as well as in emergency situations. Delray Beach will be the 228th Clean Marina in the state.

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. Last year the municipal golf course and barrier island residents were connected to the reclaimed water system. This year homes east of the waterway and north of Atlantic Avenue were provided reclaimed water. 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.

FINANCIAL POLICIES

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. The City has adopted comprehensive financial policies that enhance and supplement its system of internal accounting controls to safeguard the assets of this City and provides reasonable assurance of the proper recording of financial transactions.

Financial Review Board

The City Commission has established a Financial Review Board as a continuation of the City’s prior Budget Task Force. The Financial Review Board is a seven (7) member citizen review board with two (2) alternate members, all appointed by the City Commission. Alternate members participate in all discussions but may vote only upon the absence of a regular Board member. The Mission of the Financial Review Board is *to examine the income and expenditures (broadly defined) of the City of Delray Beach, and make recommendations to the City Commission on various ways to favorably impact the City’s budget and overall financial condition.* The Financial Review Board continuously reviews the City’s existing financial plans and budget to improve current policies and the efficient use of available resources.

Budget Policies

The City Charter requires the adoption of an annual appropriated budget for the General Fund by the City Commission. Nonappropriated budgets, which are not legally required to be adopted, are also prepared by management as an annual financial plan for Special Revenue Funds, Enterprise Funds and Internal Service Funds. The City Commission has adopted policies requiring changes to the budget at the division and departmental level to be approved by the City Commission. Budget amendments within divisions and departments may be approved by the City Manager.

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 budget. Blanket purchase orders are closed at year-end and are not reappropriated.

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 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, as well as the Florida Single Audit Act. The auditors' 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, 2010. This was the 28th 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.

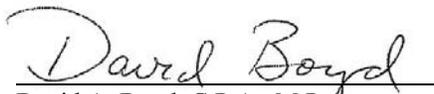
ACKNOWLEDGMENTS

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.

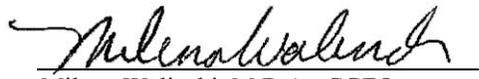
We believe this report clearly illustrates that the City of Delray Beach has developed and continues to maintain a strong financial condition and we wish to thank the City Commission, City Manager and the citizens of the City of Delray Beach for their continued support for fiscal responsibility.

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, M.B.A., 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, 2010.

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, 2010

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.



Linda C. Sandson

President

Jeffrey R. Enev

Executive Director

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2011

CITY COMMISSION

Mayor.....Nelson “Woodie” McDuffie
Vice-Mayor.....Thomas Carney
Deputy Vice-Mayor.....Adam Frankel
Commissioner.....Jay Alperin
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
Acting Fire Chief.....Danielle Connor
Human Resources Director.....Bruce J. Koeser
Parks and Recreation Director.....Linda Karch
Planning and Zoning Director.....Paul Dorling
Police Chief.....Anthony Strianese

Financial Section



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

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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, 2011, 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 51%, 53% and 38%, 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%, .3% and 4.5%, 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, 2011, 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 March 12, 2012 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 68 through 71 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, Dauten, Levine,
Porter & Veil, P.A.*

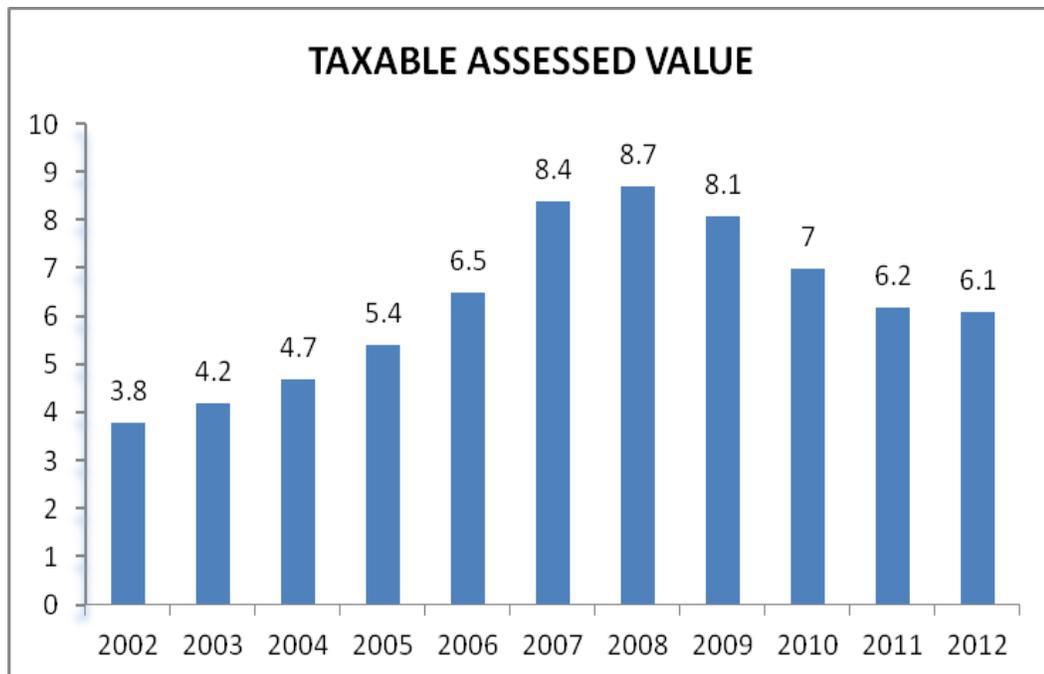
March 12, 2012

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, 2011. 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 v 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 with 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 11% decrease in taxable assessed property values, from \$7 billion in 2010 to \$6.2 billion in 2011, or a decrease of \$.8 billion. This is the third decrease in the City's taxable assessed value since 1994. Projected fiscal year 2012 also shows a decrease of 2%, from \$6.2 billion to \$6.1 billion in taxable assessed value.

- The assets of the City (Primary Government) exceeded its liabilities at September 30, 2011 by \$228,871,571 (Total Net Assets). Of this amount, \$64,539,699 is Unrestricted Net Assets that may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's financial statements also include the Delray Beach Community Redevelopment Agency (CRA) and the Delray Beach Downtown Development Authority (DDA) as two discretely presented component units. These separate agencies are included because the City appoints the governing body of each agency. Together the CRA and DDA had net assets of \$26,010,623 at September 30, 2011.
- The City's total net assets, including the City's discretely presented component units, increased by \$1,916,498. Of this amount, governmental activities (including the CRA and DDA) increased by \$713,170 and business-type activities increased by \$1,203,328. The increase in governmental activities is attributed to the CRA.
- The total net assets of the City (Primary Government) decreased by \$453,999, comprised of a decrease of \$1,657,327 in the governmental activities and an increase \$1,203,328 in the business-type activities. This change in net assets is shown on the Statement of Activities.
- At September 30, 2011, the City's governmental funds reported combined ending fund balances of \$34,724,289 which decreased \$2,926,501 from the prior year. The decrease is due primarily to the General Construction Fund using fund balance to complete projects and a decline in General Fund revenues. Approximately \$28,272,000 or 81% of the combined ending fund balance is available for spending (Unassigned Fund Balance and Assigned Fund Balance). Of this amount, \$18,833,836 is in the General Fund, \$5,716,280 is in the Capital Projects Funds and \$3,724,592 is in the Special Revenue Funds. These balances are shown on the statement entitled "Balance Sheet - Governmental Funds".
- At September 30, 2011, Unassigned Fund Balance for the General Fund was \$18,682,823 or 20.6% of total 2011 General Fund expenditures of \$90,549,314. This is a decrease of \$1,696,744 from the prior year or 8.3%. Although expenditures decreased by 3.6%, revenues decreased even more, 4.7%, resulting in the overall decrease to fund balance. The City's financial policy is to strive to maintain between 15% to 25% of Unassigned 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 management discussion and analysis report 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 (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 event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected 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 the legally separate CRA and 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. Data for the other 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, enterprise funds and internal service funds.

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 the accrual accounting basis that is the same as 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 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. The remaining

enterprise funds are considered non-major funds and are combined with the internal service funds 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 is 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 and 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, including a budgetary comparison schedule for the General Fund and schedules providing information on the City's progress in funding its obligation to provide pension benefits to its employees. The budgetary comparison schedule for the General Fund has been provided as required supplementary information to demonstrate compliance with the appropriated budget the City is required to adopt under Florida Statutes. The City is not legally required to adopt budgets for other funds and therefore those budgets are not included as required supplementary information. Required supplementary information can be found on pages 68 through 71 of this report.

The *combining fund financial statements* for non-major governmental, non-major proprietary and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found beginning on page 72 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

“whether the City of Delray Beach, as a whole, is better off or worse off as a result of this year's activities?” The following Condensed Statement of Net Assets and Condensed Statement of Activities report summarized 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$51.2	\$58.6	\$60.1	\$61.1	\$111.3	\$119.7
Capital assets	139.7	141.7	101.1	101.6	240.8	243.3
Total Assets	190.9	200.3	161.2	162.7	352.1	363.0
Current liabilities	7.4	10.9	8.5	9.2	15.9	20.1
Non-current liabilities	72.0	76.2	35.4	37.4	107.4	113.6
Total Liabilities	79.4	87.1	43.9	46.6	123.3	133.7
Net Assets:						
Invested in capital assets, net of related debt	78.8	77.7	74.9	69.5	153.7	147.2
Restricted	6.5	13.6	4.1	7.1	10.6	20.7
Unrestricted	26.2	21.9	38.3	39.5	64.5	61.4
Total Net Assets	\$111.5	\$113.2	\$117.3	\$116.1	\$228.8	\$229.3

The total net assets of the City decreased by \$.5 million or approximately .2% from \$229.3 million to \$228.8 million. The decrease in net assets was primarily a result of operations in the governmental activities. A significant portion of the City's net assets (\$153.7 million or 67.2% of the Total Net Assets) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any related debt that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4.6%) represents resources that are subject to restrictions on how they may be used. The balance in restricted assets reflects a decrease of \$10.1 million from the prior year. This decrease is primarily due to debt service in both business-type and governmental activities.

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 2011 balance increased \$3.1 million due to increases in certain Special Revenue Fund net assets categorized as unrestricted on the statement of net assets.

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

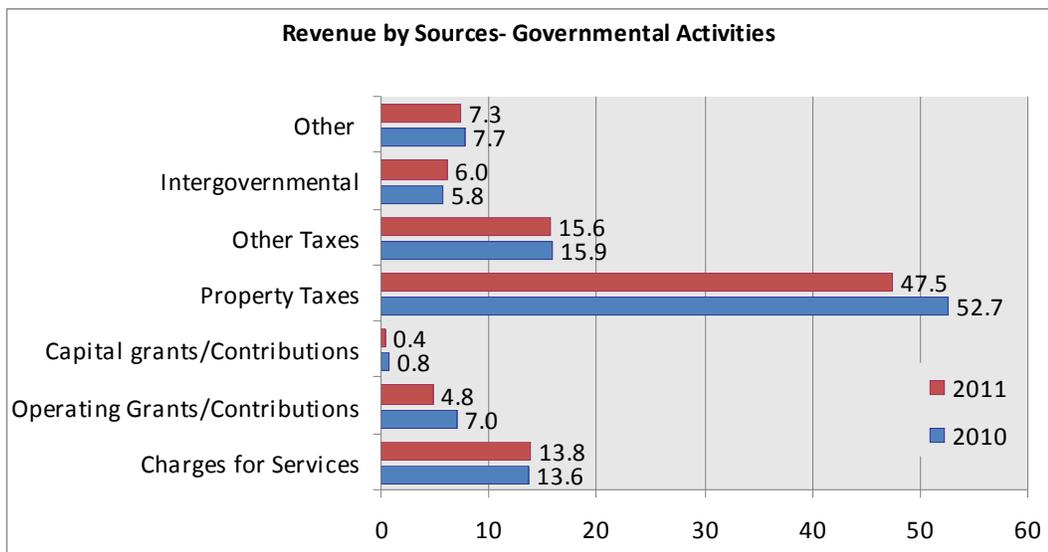
While the statement of net assets shows the changes in financial position and net assets, the Condensed Statement of Activities provides answers as to the nature and the sources of these changes. This is shown below in Table A-2.

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

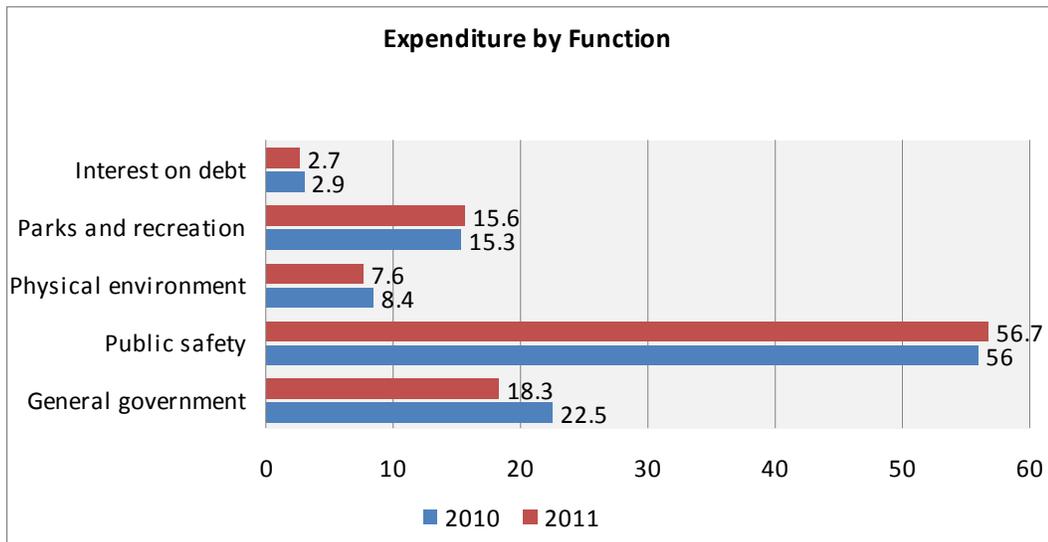
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for services	\$13.8	\$13.6	\$42.5	\$42.6	\$56.3	\$56.2
Operating grants, contributions	4.8	7.0	.9	1.2	5.7	8.2
Capital grants, contributions	.4	.8	.8	.9	1.2	1.7
General Revenues:						
Property Taxes	47.5	52.7	.0	.0	47.5	52.7
Other taxes	15.6	15.9	.0	.0	15.6	15.9
Intergovernmental	6.0	5.8	.0	.0	6.0	5.8
Other	7.3	7.7	.0	.0	7.3	7.7
Total Revenues	95.4	103.5	44.2	44.7	139.6	148.2
Expenses						
General government	18.3	22.5	.0	.0	18.3	22.5
Public safety	56.6	56.0	.0	.0	56.6	56.0
Physical environment	7.6	8.4	.0	.0	7.6	8.4
Parks and recreation	15.6	15.3	.0	.0	15.6	15.3
Interest on long-term debt	2.7	2.9	.0	.0	2.7	2.9
Water and sewer	.0	.0	29.5	26.2	29.5	26.2
Municipal golf course	.0	.0	3.0	3.0	3.0	3.0
Lakeview golf course	.0	.0	.7	.7	.7	.7
City marina	.0	.0	.1	.1	.1	.1
Sanitation	.0	.0	4.3	4.4	4.3	4.4
Stormwater utility	.0	.0	1.7	1.5	1.7	1.5
Total Expenses	100.8	105.1	39.3	35.9	140.1	141.0
Change in Net Assets Before Transfers	(5.4)	(1.6)	4.9	8.8	(.5)	7.2
Transfers	3.7	3.6	(3.7)	(3.6)	.0	.0
Increase (Decrease) in Net Assets	(1.7)	2.0	1.2	5.2	(.5)	7.2
Beginning Net Assets	113.2	111.2	116.1	110.9	229.3	222.1
Ending Net Assets	\$111.5	\$113.2	\$117.3	\$116.1	228.8	\$229.3

Governmental activities decreased the City's net assets by approximately \$1.7 million. The decrease in net assets is a result of variances in revenues and expenses with the most notable being:

- The revenues in most categories remained constant from the prior year as noted in the table below, except property taxes and operating grants and contributions. The property tax decrease is a reflection of the continued decline in taxable assessed value. Both 2011 and 2010 reflected double digit decreases in taxable assessed value, although for 2012, the decline appears to be slowing. The decrease of \$2.2 million in operating grants and contribution is directly related to the completion of American Recovery and Reinvestment Act (ARRA) projects.



Expenditures by function for 2011 and 2010 are summarized as follows:



- Most departmental expenses decreased except for a slight increase in public safety and parks and recreation. The increase in Parks and Recreation was directly attributable to the Tennis Stadium operations. This year was the first time the City hosted the Champions Tour. The cost of the tournament was \$.5 million.

Business-type activities net assets had an increase of \$1.2 million for the year, but this was a decrease of \$4 million from the previous year. All business-type funds remained fairly consistent with the previous year, except for the Water and Sewer Fund, where interest expense increased 139.5% from fiscal year 2010 due to the interest associated with the Capital Appreciation bonds.

Financial Analysis of the City of Delray Beach Funds

Governmental Funds

The fund financial statements for the governmental funds are provided on pages 19-22. The only major governmental fund of the City is the General Fund.

Major Governmental Fund Information (\$ in Millions)

General Fund	2011	2010
Revenues	\$89.7	\$94.2
Expenditures	(90.5)	(93.9)
Other financing sources (uses)	(.5)	0
Increase (Decrease) in Fund Balance	\$(1.3)	\$.3

General Fund

The General Fund is the primary operating fund of the City and is not supported by user fees. The General Fund recognized \$89,761,392 in total revenues, \$90,549,314 in expenditures and (\$521,601) in net other financing uses. This resulted in a decrease in fund balance of \$1,309,523. The Fund Balance decreased from \$24,061,578 in 2010 to \$22,752,055 in 2011. Of this amount, \$18,682,823 is in Unassigned Fund Balance which represents 20.6% of the 2011 expenditure level. This represents a decrease of 8.3% from the prior year. The City's informal guideline is to maintain Unassigned Fund Balance at a level of 15% to 25% of the City's expenditures to compensate for first quarter cash flow, uninsured legal claims and other emergency purposes.

Proprietary Funds

Proprietary Fund Information (\$ in Millions)

	<u>Operating Income</u>		<u>Change in Net Assets</u>	
	2011	2010	2011	2010
Enterprise Funds				
Water/Sewer	\$9.8	\$9.5	\$.4	\$3.7
Municipal Golf Course	.0	.1	(.1)	.0
Lakeview Golf Course	.0	.0	.0	.0
City Marina	.1	.1	.0	.0
Sanitation	.6	1.0	.6	1.0
Stormwater Utility	.5	.7	.4	.4
Internal Service Funds				
Insurance	(.3)	1.2	(.3)	.6
Central Garage	.1	.0	.3	.6

Water and Sewer Fund

The increase of \$300,000 in operating income reflects increased sales of reclaimed water and a slight reduction in operating expenses. The Water and Sewer Fund is encouraging customers to use reclaimed water as opposed to potable water for irrigation purposes. To meet the need of the customers, reclaimed water lines are being installed in multiple areas of the City. Although the reduction in operating expense was slight, the Fund is continuing the trend of reducing expenses.

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 loss this year of (\$34,881) compared to \$125,280 last year. The economy has had a negative impact on the rounds of golf played this year.

The **Lakeview Golf Course** has an operating income of \$46,113 versus \$57,340 last fiscal year. This is an executive golf course and is not as sensitive to the economy as the Municipal Golf Course.

The **Marina Fund** has an operating income this year of \$73,708 compared to \$65,808 last year, reflecting a slight increase in slip rentals for 2011.

The **Sanitation Fund** generated an operating income of \$642,950 this year compared to \$1,036,911 last year. The difference from the prior year was due to a settlement with the debris hauler for work following Hurricane Frances.

The **Stormwater Utility Fund** has an operating income this year of \$521,135 compared to \$688,556 last fiscal year. This year, a portion of the engineering division and Sustainability Officer's costs were transferred to the Stormwater Utility Fund reflecting the work performed by those functions. Stormwater fees are billed and received as part of the annual 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 \$4,265,219 to \$3,996,911 for property, health and worker's 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 independent actuaries. The Insurance Fund had \$3,812,889 in Unrestricted Net Assets at September 30, 2011.

The **Central Garage Fund** has an operating income of \$117,115 compared to \$26,998 last year. The increase in operating income is due primarily to an increase in the labor rate charged for Garage services.

General Fund Budgetary Highlights

The original budget for 2011 reflected an increase of \$2.9 million in fund balance, while the final amended budget was a decrease of \$3.3 million. There was a positive variance between the final adopted budget and actual results of operations of \$2.1 million. Actual revenues exceeded the final budget by \$220,000 and actual expenditures were less than final budget by \$1.9 million. Current year revenues were greatly impacted by a slow economy, and a decline in private and commercial construction. Most revenue categories were close to budgeted amounts, except for Taxes which exceeded the budget by \$502,000 and Charges for Services which were under budget by \$565,000.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2011, the City had \$240.7 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net decrease of \$2.6 million from the previous fiscal year. Infrastructure assets are included in the Governmental Activities category "Improvements Other". Additional information can be found in Note 9 Capital Assets pages 41-43.

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

	Beginning Balance 10/01/2010	Increases	Decreases	Ending Balance 9/30/2011
Governmental Activities:				
Land	\$38.1	\$0.4	(\$0.0)	\$38.5
Construction in Progress	1.4	3.6	(.3)	4.7
Non-Depreciable Assets	39.5	4.0	(.3)	43.2
Buildings	37.8	.3	(.0)	38.1
Improvements Other	116.1	.9	(.1)	116.9
Equipment	37.7	2.2	(1.5)	38.4
Less: Accumulated Depreciation	(89.4)	(9.1)	1.6	(96.9)
Depreciable Assets- Net	102.2	(5.7)	(.0)	96.5
Capital Assets- Governmental	\$141.7	\$(1.7)	\$(.3)	\$139.7
Business-Type Activities:				
Land	\$5.7	\$0.0	\$0.0	\$5.7
Construction in Progress	.4	2.9	(.1)	3.2
Non-Depreciable Assets	6.1	2.9	(.1)	8.9
Buildings	13.6	.1	.0	13.7
Improvements Other	158.0	.5	(.3)	158.2
Equipment	14.1	.5	(.5)	14.1
Less: Accumulated Depreciation	(90.2)	(4.2)	.5	(93.9)
Depreciable Assets- Net	95.5	(3.1)	(.3)	92.1
Capital Assets- Business-Type	\$101.6	\$(.2)	\$(.4)	\$101.0

Major capital assets changes during fiscal year 2011 were minimal due to slow economic conditions. Projects city-wide have either been downsized or deferred in fiscal year 2011, although there are several large projects that are in the planning stage for 2012. In the upcoming year, the beautification of Federal Highway is being planned with a budgeted cost of \$9.2 million with the majority of the funding to come from federal, state and local grants. A new financial system is in the planning stages with a budget of \$1.4 million, including hardware. The Water and Sewer Fund has reclaimed water projects totaling in excess of \$1.2 million.

Debt Administration

As of September 30, 2011, the City had total debt outstanding of \$113.0 million compared to \$119.1 million as of September 30, 2010. The \$113.0 million, net of related unamortized premium, discount and losses on refunding, includes the following:

- General obligation bonds of \$24.6 million (gross), which is debt backed by the full faith and credit of the City.

- Revenue bonds of \$35.6 million (gross), which are secured by pledged revenue sources or the promise to budget and appropriate sufficient revenues to pay for the debt service.
- Revenue bonds of \$26.2 million (gross) that are backed by a pledge of the net revenue of the water and sewer system.
- Accrued interest on capital appreciation bonds of \$10.7 million.
- Compensated absences of \$8.1 million.
- Insurance claims reserves of \$4 million.
- Installment agreements of \$.2 million that are secured by the promise to budget and appropriate sufficient revenues to pay the debt.

Table A-4
Noncurrent Liabilities
(\$ in Millions)

	Beginning Balance 10/01/2010	Increases	Decreases	Ending Balance 9/30/2011
Governmental Activities:				
Revenue Bonds	\$36.5	\$.0	(\$.9)	\$35.6
General Obligation Bonds	27.1	.0	(2.5)	24.6
Unamortized Premium	1.0	.0	(.1)	.9
Unamortized Loss on Refinancing	(0.3)	.0	0.1	(.2)
Total Bonds Payable	64.3	.0	(3.4)	60.9
Installment Agreements	.2	.0	(.1)	.1
Compensated Absences	7.5	.3	(.7)	7.1
Insurance Claims Payable	4.2	7.9	(8.1)	4.0
Governmental Activities	76.2	8.2	(12.3)	72.1
Business-Type Activities:				
Revenue Bonds	32.1	5.4	(11.3)	26.2
Unamortized Premium	0.1	0.0	(0.0)	0.1
Unamortized Loss on Refinancing	(0.2)	0.0	0.0	(0.2)
Total Bonds Payable	32.0	5.4	(11.3)	26.1
Accrued interest on capital appreciation bonds	9.9	3.8	(3.0)	10.7
Compensated Absences	.9	.1	(.0)	1.0
Installment Agreements	0.1	0.0	0.0	0.1
Business Type Activities	42.9	9.3	(14.3)	37.9
Total Debt Outstanding	\$119.1	\$17.5	\$(26.6)	\$110.0

The City issued \$5,430,000 of Water and Sewer Revenue Bonds on September 29, 2011 (Series 2011A) to currently refund the Series 2006A Water and Sewer Revenue Bonds. All other long-term debt activity for 2011 was related to payments on outstanding debt and amortization of bond premium, discount and prior refunding losses.

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. There was no change in the City's bond ratings from the prior year. For more detailed

information regarding the City's debt and debt financing activity, refer to Note 12, Noncurrent Liabilities pages 46-53.

Economic Factors and FY 2012-13 Budget and Rates

- ❖ At the end of September 2011 the City authorized the refunding of the outstanding Water and Sewer Bonds, Series 2006 (with Series 2011A) resulting in a present value savings of \$555,000.
- ❖ In October 2011, the City authorized a second refunding of \$8,160,000 (with Series 2011B) for outstanding Water and Sewer Bonds, Series 2007, resulting in a present value savings of \$1,105,000.
- ❖ In an effort to enhance collection of ambulance fees, the City brought the function of billing and collections "in house". The anticipated revenue was not realized this year due to staffing issues, but collections in the current year are on track to meet the original budget projections.
- ❖ The City is participating in a Priority Based Budget process for the upcoming budget (FY 2012/13). Community goals and values have been established and functions are in the process of being ranked.
- ❖ The Florida legislature is considering various proposals which could have a significant impact on local government's revenues and expenditures, as well as the government's 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 the:

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, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency (CRA)	Downtown Development Authority (DDA)
ASSETS					
Cash and cash equivalents	\$ 40,144,528	\$ 155,702	\$ 40,300,230	\$ 8,306,105	\$ 51,525
Investments	16,500,000	-	16,500,000	-	-
Receivables:					
Accounts, net	1,717,869	3,128,095	4,845,964	974,058	7,452
Unbilled accounts	-	1,052,928	1,052,928	-	-
Notes receivable	5,074,816	-	5,074,816	-	-
Interest receivable	1,041,048	-	1,041,048	-	-
Due from primary government	-	-	-	50,000	-
Due from other governments	2,215,823	-	2,215,823	-	-
Internal balances	(18,970,102)	18,970,102	-	-	-
Inventory	76,905	325,440	402,345	-	-
Prepaid expenses	1,112,914	74,483	1,187,397	-	16,912
Net pension asset	133,794	-	133,794	-	-
Deposits	-	-	-	4,041	2,250
Due from component units	623,625	-	623,625	-	-
Bond issuance costs, net	459,156	65,605	524,761	17,250	-
Restricted assets	-	7,268,782	7,268,782	-	-
Investment in regional plant (joint venture)	-	29,120,961	29,120,961	-	-
Assets held for resale	1,127,774	-	1,127,774	-	-
Capital assets:					
Non-depreciable capital assets	43,190,937	8,919,791	52,110,728	25,674,467	-
Depreciable capital assets, net	96,508,060	92,161,218	188,669,278	3,285,485	-
Total Assets	<u>190,957,147</u>	<u>161,243,107</u>	<u>352,200,254</u>	<u>38,311,406</u>	<u>78,139</u>
LIABILITIES					
Accounts payable and accrued expenses	2,789,512	725,192	3,514,704	428,665	5,098
Contracts payable and retainages	-	646,553	646,553	24,724	-
Deposits	181,174	1,078,388	1,259,562	15,904	-
Unearned revenue	2,689,142	120,106	2,809,248	6,154	-
Accrued interest on long-term debt	306,941	-	306,941	-	-
Due to component units	50,000	-	50,000	-	-
Due to primary government	-	-	-	623,625	-
Payable from restricted assets	-	5,656,280	5,656,280	-	-
Net OPEB obligation	1,355,927	300,792	1,656,719	-	-
Noncurrent liabilities:					
Due within one year	5,788,961	3,045,221	8,834,182	1,764,752	-
Due in more than one year	66,252,906	32,341,588	98,594,494	9,510,000	-
Total Liabilities	<u>79,414,563</u>	<u>43,914,120</u>	<u>123,328,683</u>	<u>12,373,824</u>	<u>5,098</u>
NET ASSETS					
Invested in capital assets, net of related debt	78,779,535	74,942,051	153,721,586	17,688,421	-
Restricted for:					
Debt service	505,430	2,477,419	2,982,849	-	-
Capital projects	5,716,280	1,612,502	7,328,782	-	-
Specific purposes	298,655	-	298,655	-	-
Unrestricted	26,242,684	38,297,015	64,539,699	8,249,161	73,041
Total Net Assets	<u>\$ 111,542,584</u>	<u>\$ 117,328,987</u>	<u>\$ 228,871,571</u>	<u>\$ 25,937,582</u>	<u>\$ 73,041</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, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Community Redevelopment Agency (CRA)	Downtown Development Authority (DDA)
PRIMARY GOVERNMENT									
Governmental Activities:									
General Government	\$ 18,350,964	\$ 3,623,718	\$ 2,529,998	\$ 414,403	\$ (11,782,845)	\$ -	\$ (11,782,845)	\$	\$
Public Safety	56,586,070	7,022,063	1,844,661	-	(47,719,346)	-	(47,719,346)		
Physical Environment	7,559,512	1,419,279	-	18,424	(6,121,809)	-	(6,121,809)		
Parks and Recreation	15,647,602	1,726,011	466,706	-	(13,454,885)	-	(13,454,885)		
Interest on Long-term Debt	2,701,776	-	-	-	(2,701,776)	-	(2,701,776)		
Total Governmental Activities	100,845,924	13,791,071	4,841,365	432,827	(81,780,661)	-	(81,780,661)		
Business-type Activities:									
Water and Sewer	29,558,007	31,962,663	511,829	713,526	-	3,630,011	3,630,011		
Municipal Golf Course	2,976,846	2,820,197	51,769	2,762	-	(102,118)	(102,118)		
Lakeview Golf Course	676,158	666,591	5,855	-	-	(3,712)	(3,712)		
City Marina	136,955	209,145	1,628	-	-	73,818	73,818		
Sanitation	4,293,784	4,739,150	322,010	-	-	767,376	767,376		
Stormwater Utility	1,677,612	2,112,375	12,757	72,644	-	520,164	520,164		
Total Business-type Activities	39,319,362	42,510,121	905,848	788,932	-	4,885,539	4,885,539		
Total Primary Government	\$ 140,165,286	\$ 56,301,192	\$ 5,747,213	\$ 1,221,759	(81,780,661)	4,885,539	(76,895,122)		
COMPONENT UNITS									
Community Redevelopment Agency (CRA)	\$ 8,759,442	\$ 301,643	\$ 169,908	\$ -				(8,287,891)	-
Downtown Development Authority (DDA)	526,980	-	-	-				-	(526,980)
Total Component Units	\$ 9,286,422	\$ 301,643	\$ 169,908	\$ -				(8,287,891)	(526,980)
General Revenues:									
Taxes:									
Property Taxes					47,467,480	-	47,467,480	10,645,402	449,112
Franchise Fees					4,857,533	-	4,857,533	-	-
Utility Service Taxes					8,777,975	-	8,777,975	-	-
Sales Taxes					1,293,963	-	1,293,963	-	-
Local Business Tax					702,394	-	702,394	-	-
Intergovernmental not restricted to specific programs					5,983,120	-	5,983,120	-	-
Investment earnings					306,887	29,609	336,496	19,978	1,576
Miscellaneous					7,022,162	-	7,022,162	-	69,300
Transfers					3,711,820	(3,711,820)	-	-	-
Total General Revenues and Transfers					80,123,334	(3,682,211)	76,441,123	10,665,380	519,988
Change in Net Assets					(1,657,327)	1,203,328	(453,999)	2,377,489	(6,992)
Net Assets - October 1, 2010					113,199,911	116,125,659	229,325,570	23,560,093	80,033
Net Assets - September 30, 2011					\$ 111,542,584	\$ 117,328,987	\$ 228,871,571	\$ 25,937,582	\$ 73,041

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	<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	\$ 38,348,527	\$ 54,650	\$ 38,403,177
Investments	15,000,000	-	15,000,000
Accounts receivable, net	1,645,796	43,222	1,689,018
Notes receivable	3,347,828	1,726,988	5,074,816
Interest receivable	1,041,048	-	1,041,048
Due from other governments	758,660	1,457,163	2,215,823
Due from other funds	-	10,501,909	10,501,909
Inventory	27,178	-	27,178
Prepaid items	719,973	289	720,262
Due from component units	481,222	142,403	623,625
Assets held for resale	-	1,127,774	1,127,774
Total Assets	<u>\$ 61,370,232</u>	<u>\$ 15,054,398</u>	<u>\$ 76,424,630</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued items	\$ 1,146,839	\$ 680,415	\$ 1,827,254
Deposits	181,174	-	181,174
Due to other funds	35,204,769	329,588	35,534,357
Deferred revenue	2,085,395	2,022,161	4,107,556
Due to component units	-	50,000	50,000
Total Liabilities	<u>38,618,177</u>	<u>3,082,164</u>	<u>41,700,341</u>
FUND BALANCES			
Nonspendable:			
Inventory	27,178	-	27,178
Prepaid items	719,973	289	720,262
Long-term notes receivable	3,165,084	1,726,988	4,892,072
Restricted for:			
Debt service	-	505,430	505,430
Law enforcement	-	298,655	298,655
Capital projects	5,984	-	5,984
Assigned to:			
Special purposes	151,013	-	151,013
Capital Projects Funds	-	5,716,280	5,716,280
Special Revenue Funds	-	4,364,956	4,364,956
Unassigned:			
General Fund	18,682,823	-	18,682,823
Special Revenue Funds (deficit)	-	(640,364)	(640,364)
Total Fund Balances	<u>22,752,055</u>	<u>11,972,234</u>	<u>34,724,289</u>
Total Liabilities and Fund Balances	<u>\$ 61,370,232</u>	<u>\$ 15,054,398</u>	<u>\$ 76,424,630</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, 2011

Total Fund Balances - Governmental Funds \$ 34,724,289

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	\$ 217,009,987	
Less accumulated depreciation	<u>(85,001,319)</u>	132,008,668

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

Interest receivable	1,003,373	
Rent receivable	100,000	
Long-term receivables	<u>315,041</u>	1,418,414

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.

133,794

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	459,156	
Loss on refunding	228,534	
Bond premium	<u>(856,320)</u>	(168,630)

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	(306,941)	
Bonds and installment agreements payable	(60,291,676)	
Compensated absences	(7,004,193)	
Net OPEB obligation	<u>(1,317,426)</u>	(68,920,236)

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	13,578,531	
Less amount allocated to business-type activities	<u>(1,232,246)</u>	<u>12,346,285</u>

Total Net Assets - Governmental Activities \$ 111,542,584

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, 2011

	<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	\$ 58,241,812	\$ -	\$ 58,241,812
Licenses and permits	7,957,960	-	7,957,960
Intergovernmental	7,802,879	3,021,606	10,824,485
Charges for services	8,857,080	561,491	9,418,571
Fines and forfeitures	1,072,260	199,813	1,272,073
Miscellaneous	5,829,401	1,455,697	7,285,098
Total Revenues	<u>89,761,392</u>	<u>5,238,607</u>	<u>94,999,999</u>
EXPENDITURES			
Current:			
General government	15,379,327	2,469,048	17,848,375
Public safety	54,105,663	989,644	55,095,307
Physical environment	3,811,954	1,037,897	4,849,851
Parks and recreation	12,055,056	819,323	12,874,379
Capital outlay	184,748	4,573,340	4,758,088
Debt service:			
Principal retirement	3,466,375	23,985	3,490,360
Interest and fiscal charges	1,546,191	1,177,672	2,723,863
Total Expenditures	<u>90,549,314</u>	<u>11,090,909</u>	<u>101,640,223</u>
Excess of revenues over (under) expenditures	(787,922)	(5,852,302)	(6,640,224)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	1,903	-	1,903
Transfers in	3,720,390	4,262,734	7,983,124
Transfers out	(4,243,894)	(27,410)	(4,271,304)
Total Other Financing Sources (Uses)	<u>(521,601)</u>	<u>4,235,324</u>	<u>3,713,723</u>
Net change in fund balances	(1,309,523)	(1,616,978)	(2,926,501)
Fund balances - October 1, 2010	24,061,578	13,589,212	37,650,790
Fund balances - September 30, 2011	<u>\$ 22,752,055</u>	<u>\$ 11,972,234</u>	<u>\$ 34,724,289</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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (2,926,501)

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	\$ 4,758,088	
Depreciation expense	<u>(7,267,950)</u>	(2,509,862)

In the statement of activities, only the gain or loss on the sale 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. (58,476)

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	380,505	
Change in long-term receivables	<u>(10,142)</u>	370,363

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	75,382	
Change in net OPEB obligation	(500,265)	
Compensated absences	338,335	
Change in accrued interest payable	<u>32,837</u>	(53,711)

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	3,490,360	
Amortization of bond issuance costs	(50,670)	
Amortization of debt costs	<u>39,920</u>	3,479,610

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

Fund statement net income	4,666	
Less allocation to business type activities	<u>36,584</u>	41,250

Change in Net Assets of Governmental Activities \$ (1,657,327)

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, 2011

	<u>Major Fund</u> <u>Water and</u> <u>Sewer 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>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 133,911	\$ 21,791	\$ 155,702	\$ 1,741,351
Investments	-	-	-	1,500,000
Accounts receivable, net	2,156,429	971,666	3,128,095	28,851
Unbilled accounts receivable	1,052,928	-	1,052,928	-
Due from other funds	12,779,569	6,914,543	19,694,112	7,294,592
Inventories	231,683	93,757	325,440	49,727
Prepaid expenses	-	74,483	74,483	392,652
Restricted assets:				
Cash and cash equivalents	6,649,537	619,245	7,268,782	-
Total Current Assets	<u>23,004,057</u>	<u>8,695,485</u>	<u>31,699,542</u>	<u>11,007,173</u>
Noncurrent Assets:				
Property, land and equipment:				
Land	974,754	4,694,070	5,668,824	-
Buildings	9,307,872	4,354,983	13,662,855	88,185
Improvements other than buildings	142,603,609	15,675,652	158,279,261	-
Equipment	11,288,750	2,871,007	14,159,757	18,912,084
Construction in progress	3,048,205	202,762	3,250,967	569,887
Accumulated depreciation	(83,761,948)	(10,178,707)	(93,940,655)	(11,879,827)
Other assets:				
Bond issue costs, net	24,172	41,433	65,605	-
Investment in regional plant joint venture	29,120,961	-	29,120,961	-
Total Noncurrent Assets	<u>112,606,375</u>	<u>17,661,200</u>	<u>130,267,575</u>	<u>7,690,329</u>
Total Assets	<u>135,610,432</u>	<u>26,356,685</u>	<u>161,967,117</u>	<u>18,697,502</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	273,271	451,921	725,192	962,258
Contracts payable and retainages	646,553	-	646,553	-
Unearned revenue	71,013	49,093	120,106	-
Accrued interest on capital appreciation bonds	2,899,264	-	2,899,264	-
Current maturities of installment agreements	-	33,372	33,372	-
Current maturities of revenue bonds	82,930	-	82,930	-
Compensated absences payable	29,655	-	29,655	1,270
Insurance claims payable	-	-	-	1,471,930
Due to other funds	-	1,956,256	1,956,256	-
Refundable deposits	949,273	129,115	1,078,388	-
	<u>4,951,959</u>	<u>2,619,757</u>	<u>7,571,716</u>	<u>2,435,458</u>
Current Liabilities Payable from Restricted Assets:				
Accrued interest on long-term debt	3,121,298	57,563	3,178,861	-
Current maturities of revenue bonds	1,915,737	561,682	2,477,419	-
	<u>5,037,035</u>	<u>619,245</u>	<u>5,656,280</u>	<u>-</u>
Total Current Liabilities	<u>9,988,994</u>	<u>3,239,002</u>	<u>13,227,996</u>	<u>2,435,458</u>
Noncurrent Liabilities:				
Net other postemployment benefits obligation	276,729	24,063	300,792	38,501
Long-term portion of compensated absences payable	871,807	51,648	923,455	120,031
Long term portion of insurance claims payable	-	-	-	2,524,981
Accrued interest on capital appreciation bonds	7,789,966	-	7,789,966	-
Revenue bonds payable, net	20,259,775	3,336,982	23,596,757	-
Installment agreements	-	31,410	31,410	-
Total Noncurrent Liabilities	<u>29,198,277</u>	<u>3,444,103</u>	<u>32,642,380</u>	<u>2,683,513</u>
Total Liabilities	<u>39,187,271</u>	<u>6,683,105</u>	<u>45,870,376</u>	<u>5,118,971</u>
NET ASSETS				
Invested in capital assets, net of related debt	61,285,730	13,656,321	74,942,051	7,690,329
Restricted for:				
Debt service	1,915,737	561,682	2,477,419	-
Renewal and replacement	1,612,502	-	1,612,502	-
Unrestricted	31,609,192	5,455,577	37,064,769	5,888,202
Total Net Assets	<u>\$ 96,423,161</u>	<u>\$ 19,673,580</u>	<u>116,096,741</u>	<u>\$ 13,578,531</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				
Cumulative prior year adjustments			1,268,830	
Current year adjustment			(36,584)	
Net Assets of Business-Type Activities, Statement of Net Assets			<u>\$ 117,328,987</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, 2011

	<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	\$ 31,962,663	\$ 10,547,458	\$ 42,510,121	\$ 14,894,236
Other operating revenue	511,829	236,075	747,904	2,435,523
Total Operating Revenues	<u>32,474,492</u>	<u>10,783,533</u>	<u>43,258,025</u>	<u>17,329,759</u>
OPERATING EXPENSES				
Personal services	7,612,548	860,369	8,472,917	1,193,703
Other operating expenses	11,600,605	7,874,337	19,474,942	14,556,632
Depreciation	3,448,186	799,802	4,247,988	1,794,622
Total Operating Expenses	<u>22,661,339</u>	<u>9,534,508</u>	<u>32,195,847</u>	<u>17,544,957</u>
Operating Income (Loss)	9,813,153	1,249,025	11,062,178	(215,198)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	21,388	8,221	29,609	17,020
Rent revenue	-	157,944	157,944	-
Share of regional plant joint venture net loss	(1,997,357)	-	(1,997,357)	-
Insurance recoveries	-	-	-	37,073
Interest expense	(4,545,317)	(221,957)	(4,767,274)	-
Gain (loss) on disposal of equipment	(321,714)	(586)	(322,300)	113,449
Total Nonoperating Revenues (Expenses)	<u>(6,843,000)</u>	<u>(56,378)</u>	<u>(6,899,378)</u>	<u>167,542</u>
Income (Loss) Before Capital Contributions and Transfers	2,970,153	1,192,647	4,162,800	(47,656)
Capital contributions	713,526	75,406	788,932	52,322
Transfers in	97,000	-	97,000	-
Transfers out	<u>(3,380,810)</u>	<u>(428,010)</u>	<u>(3,808,820)</u>	<u>-</u>
Change In Net Assets	399,869	840,043	1,239,912	4,666
Net Assets - October 1, 2010	96,023,292	18,833,537	114,856,829	13,573,865
Net Assets - September 30, 2011	<u>\$ 96,423,161</u>	<u>\$ 19,673,580</u>	116,096,741	<u>\$ 13,578,531</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				
Cumulative prior year adjustments			1,268,830	
Current year adjustment			(36,584)	
Net Assets of Business-Type Activities, Statement of Net Assets			<u>\$ 117,328,987</u>	
Reconciliation of Change in Net Assets to the Statement of Activities				
Change In Net Assets as reported above			\$ 1,239,912	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
Current year adjustment			(36,584)	
Change In Net Assets as reported on the Statement of Activities for Business-type Activities			<u>\$ 1,203,328</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, 2011

	<u>Major Fund</u> Water and Sewer Fund	Non-Major Enterprise Funds	Total Business-Type Activities- Enterprise Funds	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 29,997,726	\$ 10,510,729	\$ 40,508,455	\$ 18,528,126
Receipts from others	511,829	157,944	669,773	37,073
Payments to suppliers	(12,099,535)	(8,229,175)	(20,328,710)	(15,510,930)
Payments to employees	(7,418,564)	(847,494)	(8,266,058)	(1,169,801)
Net cash provided by operating activities	<u>10,991,456</u>	<u>1,592,004</u>	<u>12,583,460</u>	<u>1,884,468</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	97,000	-	97,000	-
Transfers to other funds	(3,380,810)	(428,010)	(3,808,820)	-
Net cash used in noncapital financing activities	<u>(3,283,810)</u>	<u>(428,010)</u>	<u>(3,711,820)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,024,164)	(396,416)	(3,420,580)	(1,982,326)
Proceeds from the sale of capital assets	873	8,936	9,809	134,416
Capital contributions	713,526	-	713,526	-
Bond proceeds	5,430,000	-	5,430,000	-
Payment to escrow agent for advance refunding	(5,989,579)	-	(5,989,579)	-
Principal paid on capital debt	(4,923,515)	(577,594)	(5,501,109)	-
Interest paid on capital debt	(1,027,048)	(195,958)	(1,223,006)	-
Net cash used in capital and related financing activities	<u>(8,819,907)</u>	<u>(1,161,032)</u>	<u>(9,980,939)</u>	<u>(1,847,910)</u>
CASH FLOWS FROM INVESTING ACTIVITY				
Interest received	21,388	8,221	29,609	17,023
Net cash provided by investing activity	<u>21,388</u>	<u>8,221</u>	<u>29,609</u>	<u>17,023</u>
Net change in cash and cash equivalents	(1,090,873)	11,183	(1,079,690)	53,581
Cash and cash equivalents - October 1, 2010	7,874,321	629,853	8,504,174	1,687,770
Cash and cash equivalents - September 30, 2011	<u>\$ 6,783,448</u>	<u>\$ 641,036</u>	<u>\$ 7,424,484</u>	<u>\$ 1,741,351</u>
Reconciliation of cash and cash equivalents to balance sheet:				
Unrestricted cash and cash equivalents	\$ 133,911	\$ 21,791	\$ 155,702	\$ 1,741,351
Restricted cash and cash equivalents	6,649,537	619,245	7,268,782	-
Cash and cash equivalents - September 30, 2011	<u>\$ 6,783,448</u>	<u>\$ 641,036</u>	<u>\$ 7,424,484</u>	<u>\$ 1,741,351</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 9,813,153	1,249,025	\$ 11,062,178	\$ (215,198)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	3,448,186	799,802	4,247,988	1,794,622
Provision for doubtful accounts	220,407	-	220,407	-
Miscellaneous revenue	-	157,944	157,944	37,073
Change in assets and liabilities:				
Accounts receivable	156,382	68,093	224,475	(737)
Due from other funds	(2,308,198)	(6,914,543)	(9,222,741)	1,199,104
Inventory	(15,251)	9,050	(6,201)	(798)
Prepaid expenses	10,900	(6,240)	4,660	(371,101)
Accounts payable and accrued expenses	(494,579)	(362,970)	(857,549)	(314,091)
Unearned revenue	7,500	(6,030)	1,470	-
Compensated absences payable	86,918	3,565	90,483	9,006
Net OPEB obligation	107,066	9,310	116,376	14,896
Insurance claims payable	-	-	-	(268,308)
Due to other funds	-	6,576,053	6,576,053	-
Refundable deposits	(41,028)	8,945	(32,083)	-
Total adjustments	<u>1,178,303</u>	<u>342,979</u>	<u>1,521,282</u>	<u>2,099,666</u>
Net cash provided by operating activities	<u>\$ 10,991,456</u>	<u>\$ 1,592,004</u>	<u>\$ 12,583,460</u>	<u>\$ 1,884,468</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of bond premiums	\$ -	\$ (9,834)	\$ (9,834)	\$ -
Amortization of debt issue costs	<u>\$ 12,079</u>	<u>\$ 8,722</u>	<u>\$ 20,801</u>	<u>\$ -</u>
Amortization of deferred loss on refundings	\$ -	\$ 33,849	\$ 33,849	\$ -
Capital contributions	<u>\$ -</u>	<u>\$ 75,406</u>	<u>\$ 75,406</u>	<u>\$ 52,322</u>

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, 2011

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,919,335
Investments:	
U.S. Government securities and mutual funds	2,966,260
U.S. Government agency securities	7,403,586
Municipal obligations	253,251
Domestic fixed income investment fund	5,480,664
Corporate bonds and mutual funds	17,184,563
Equity securities and mutual funds	57,510,972
Alternative investments	93,158,713
DROP participant directed mutual funds	11,918,742
Due from broker for securities sold	5,558
Employee contributions receivable	119,026
Due from other governments	291,641
Prepaid expenses	300,039
Interest and dividends receivable	307,577
Total Assets	<u>199,819,927</u>
LIABILITIES	
Accounts payable	183,076
Due to broker for securities purchased	129,172
Total Liabilities	<u>312,248</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 199,507,679</u>

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, 2011

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 10,312,438
State	1,614,377
Plan members	<u>1,978,147</u>
Total contributions	<u>13,904,962</u>
Investment earnings	
Net depreciation in fair value of investments	(392,741)
Interest and dividends	<u>3,233,522</u>
	2,840,781
Less investment expenses - custodian fees	<u>634,032</u>
Net investment earnings	2,206,749
Other income	<u>150,331</u>
Total additions	16,262,042
DEDUCTIONS	
Benefits	12,681,575
Refunds of contributions	106,755
Other operating expenses	<u>362,425</u>
Total deductions	<u>13,150,755</u>
Change In Net Assets	3,111,287
Net Assets - October 1, 2010	<u>196,396,392</u>
Net Assets - September 30, 2011	<u>\$ 199,507,679</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, 2011

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, 2011

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, 2011

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 utility 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, 2011

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 are 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, 2011

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, 2011

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

Change in Accounting - The GASB 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 City implemented Statement No. 54 for the fiscal year ended September 30, 2011.

Nature and Purpose of Fund Equity Classifications - In the fund financial statements, governmental funds report fund equity classifications that comprise a hierarchy based primarily on the extent to which the City is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

- ❖ **Nonspendable** - Nonspendable fund balances include amounts that cannot be spent because they are either 1) not in spendable form; or, 2) legally or contractually required to be maintained intact.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

2. Significant Accounting Policies (Continued)

- ❖ Restricted - Restricted fund balances include amounts that are restricted to specific purposes either by 1) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or, 2) imposed by law through constitutional provisions or enabling legislation.
- ❖ Committed - Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance or resolution. The City had no committed fund balances.
- ❖ Assigned - Assigned fund balances include amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance are made by City management based upon direction by the City Commission.
- ❖ Unassigned - Unassigned fund balances include amounts that are not assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the General Fund.

The City considers restricted fund balances to be spent when an expenditure is incurred for the restricted purpose. The City considers committed, assigned or unassigned fund balances to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

Minimum Fund Balance Policy - Generally, the City strives to maintain 15% to 25% of expenditures in unassigned fund balance to provide for first quarter cash flow and other emergency purposes.

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 \$6,520,365 restricted for debt service, capital projects and other purposes and business-type activities net assets of \$4,089,921 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, 2011, the maximum tax levy allowed by a majority vote of the governing body is

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

2. Significant Accounting Policies (Continued)

generally based on a percentage reduction applied to the prior year (2009/2010) 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, 2011, the City adopted an operating millage rate of 7.1900 and a debt service millage of 0.6002. This millage rate resulted in a net tax levy of \$46,416,830 for 2011, representing a reduction of approximately 12% from the property tax levy for 2010. 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 of \$151,013 are reported as fund balances assigned for special purposes in the General Fund. 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 \$1,614,377 for the fiscal year ended September 30, 2011.

Recent Accounting Pronouncements

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.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into GASB authoritative literature certain accounting and financial reporting guidance included in pronouncements of the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA). The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and deferred inflows of resources, which relate to the consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

2. Significant Accounting Policies (Continued)

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, 2011, cash and cash equivalents included deposits with financial institutions of \$21,479,386, money market accounts of \$26,067,017, petty cash of \$20,850 and deposits with Florida PRIME of \$1,786. 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	\$ 21,500,209
Money market mutual funds	26,067,017
Time deposits	16,500,000
Florida PRIME	1,786
Total cash, cash equivalents and investments - primary government	<u>\$ 64,069,012</u>
Cash and cash equivalents	\$ 40,300,230
Investments	16,500,000
Restricted cash and cash equivalents	7,268,782
Total primary government	<u>64,069,012</u>
Cash, cash equivalents and investments - pension trust funds	2,919,335
Total cash, cash equivalents and investments	<u>\$ 66,988,347</u>

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

3. Cash, Cash Equivalents and Investments (Continued)

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, 2011 consist of the following:

	Carrying Amount (Fair Value)		
	Primary Government	Fiduciary Funds Pension Trust	Total
Investments:			
Time deposits with financial institutions	\$ 16,500,000	\$ -	\$ 16,500,000
U.S. Government securities and mutual funds	-	2,966,260	2,966,260
U.S. Government agency securities	-	7,403,586	7,403,586
Municipal obligations	-	253,251	253,251
Domestic fixed income investment fund	-	5,480,664	5,480,664
Corporate bonds and mutual funds	-	17,184,563	17,184,563
Equity securities and mutual funds	-	57,510,972	57,510,972
Alternative investments	-	93,158,713	93,158,713
DROP participant directed mutual funds	-	11,918,742	11,918,742
Total investments	<u>\$ 16,500,000</u>	<u>\$ 195,876,751</u>	<u>\$ 212,376,751</u>

At September 30, 2011, approximately 47% 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 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 \$26,067,107 invested in money market mutual funds and \$1,786 invested in Florida PRIME. 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

3. Cash, Cash Equivalents and Investments (Continued)

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	5.1	\$ 2,966,260
U.S. Government agency securities	4.2	7,403,586
Municipal obligations	4.1	253,251
Domestic fixed income investment fund	6.0	5,480,664
Corporate bonds and mutual funds	3.9	17,184,563

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, 2011, the City's money market mutual fund and Florida PRIME 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, 2011 are summarized as follows. All other securities are not rated.

	NRSRO Rating	Fair Value
Pension Trust Funds		
Money market mutual funds	Unrated	\$ 2,918,252
U.S. Government and agency securities and mutual funds	AA	10,369,846
Municipal obligations	A – AA	253,251
Corporate bonds and mutual funds	A – AAA	17,184,563

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, 2011 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.

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: Foreign currency risk includes the risk of revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

3. Cash, Cash Equivalents and Investments (Continued)

Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized and unrealized gains, and their price may be more volatile than those of comparable securities in U.S. Companies.

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, 2011, includes deposits with financial institutions with a bank balance of approximately \$8,607,165, a book balance of \$8,305,855, 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, 2011, 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, 2011 were as follows:

	Governmental Activities	Business-Type Activities
Property Taxes Receivable:		
General Fund	\$ 1,462,979	\$ -
Stormwater Utility Fund	-	23,812
Accounts Receivable:		
General Fund	2,382,733	-
Water and Sewer Fund	-	3,119,085
Non-Major Funds	43,222	971,666
Internal Service Funds	28,851	-
Allowance for doubtful accounts	(2,199,916)	(986,468)
	<u>\$ 1,717,869</u>	<u>\$ 3,128,095</u>

5. Due from Other Governments

The total amount due from other governments of \$2,215,823 at September 30, 2011 represents the amount due from federal and state sources for intergovernmental revenues and grant reimbursements within various funds.

6. Notes Receivable

Notes receivable at September 30, 2011 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). \$ 3,206,828

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

6. Notes Receivable (Continued)

General Fund:

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. \$ 21,000

Non-interest-bearing note receivable from CRC for the sale of land, payable in annual installments of \$30,000 through 2015. 120,000

Total General Fund 3,347,828

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. 1,726,988

Total Governmental Activities \$ 5,074,816

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, 2011 was \$3,206,828. At September 30, 2011, interest of \$1,003,373 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, 2011 include the following amounts due from the Delray Beach Community Redevelopment Agency:

General Fund:

Reimbursement for Plan Reviewer II	\$ 18,828
Reimbursement for Project Management	22,937
Reimbursement for Clean and Safe Program	279,179
Reimbursement for Parking Management	27,500
Rent for Parking Garage	100,000
Reimbursement Hilltopper Stadium	32,778

Neighborhood Services Fund:

Reimbursement for Curb Appeal Program	9,188
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Capital Improvement Fund:

Reimbursement for Atlantic Avenue Gateway	58,530
Reimbursement for Other Projects	74,685

Total Due from Component Units \$ 623,625

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

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, 2011 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, 2011. Restricted assets, liabilities payable from restricted assets and restricted net assets of the Enterprise Funds at September 30, 2011 are summarized as follows:

Restricted Assets	Restricted for		
	Debt Service	Renewal and Replacement	Total
Water and Sewer Fund:			
Cash and cash equivalents	\$ 5,037,035	\$ 1,612,502	\$ 6,649,537
Non-Major Enterprise Funds:			
Cash and cash equivalents	619,245	-	619,245
Total Restricted Assets	\$ 5,656,280	\$ 1,612,502	\$ 7,268,782
Liabilities Payable from Restricted Assets			
Water and Sewer Fund	3,121,298	-	3,121,298
Non-Major Enterprise Funds	57,563	-	57,563
Total Liabilities Payable from Restricted Assets	3,178,861	-	3,178,861
Restricted Net Assets	\$ 2,477,419	\$ 1,612,502	\$ 4,089,921

9. Capital Assets

The major components of capital assets for the City at September 30, 2011 are summarized as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets:</u>				
Land	\$ 38,158,510	\$ 353,081	\$ -	\$ 38,511,591
Construction in Progress	1,367,494	3,583,787	(271,935)	4,679,346
Total Non-depreciable Assets	39,526,004	3,936,868	(271,935)	43,190,937
<u>Depreciable Assets:</u>				
Buildings	37,787,007	268,588	-	38,055,595
Improvements Other Than Buildings	116,098,163	951,880	(119,130)	116,930,913
Equipment	37,670,574	2,256,459	(1,524,335)	38,402,698
Total Depreciable Assets	191,555,744	3,476,927	(1,643,465)	193,389,206

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

9. Capital Assets (Continued)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Less Accumulated Depreciation for:</u>				
Buildings	\$ (13,838,645)	\$ (1,224,384)	\$ -	\$ (15,063,029)
Improvements Other Than Buildings	(50,734,112)	(4,460,356)	122,880	(55,071,588)
Equipment	(24,841,217)	(3,377,832)	1,472,520	(26,746,529)
Total Accumulated Depreciation	(89,413,974)	(9,062,572)	1,595,400	(96,881,146)
Total Depreciable Assets, net	102,141,770	(5,585,645)	(48,065)	96,508,060
Governmental Activities				
Capital Assets, net	\$ 141,667,774	\$ (1,648,777)	\$ (320,000)	\$ 139,698,997
Business-Type Activities:				
<u>Non-depreciable Assets:</u>				
Land	\$ 5,663,615	\$ 5,209	\$ -	\$ 5,668,824
Construction in Progress	367,382	2,932,955	(49,370)	3,250,967
Total Non-depreciable Assets	6,030,997	2,938,164	(49,370)	8,919,791
<u>Depreciable Assets:</u>				
Buildings	13,614,491	63,485	(15,121)	13,662,855
Improvements Other Than Buildings	158,032,579	568,168	(321,486)	158,279,261
Equipment	14,128,411	535,936	(504,590)	14,159,757
Total Depreciable Assets	185,775,481	1,167,589	(841,197)	186,101,873
<u>Less Accumulated Depreciation for:</u>				
Buildings	(7,527,262)	(412,678)	15,210	(7,924,820)
Improvements Other Than Buildings	(71,733,130)	(3,121,146)	7,841	(74,846,435)
Equipment	(10,941,361)	(714,164)	486,125	(11,169,400)
Total Accumulated Depreciation	(90,201,753)	(4,247,988)	509,086	(93,940,655)
Total Depreciable Assets, net	95,573,728	(3,080,399)	(332,111)	92,161,218
Business-Type Activities				
Capital Assets, net	\$ 101,604,725	\$ (142,235)	\$ (381,481)	\$ 101,081,009

Depreciation expense for the fiscal year ended September 30, 2011 was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 803,180
Public Safety	1,177,770
Physical Environment	2,684,585
Parks and Recreation	2,602,415
Internal Service Funds	1,794,622
Total depreciation expense - Governmental Activities	<u>\$ 9,062,572</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

9. Capital Assets (Continued)

Business-Type Activities:

Water and Sewer	\$ 3,448,186
Municipal Golf Course	256,920
Lakeview Golf Course	41,014
City Marina	72,967
Sanitation	1,569
Stormwater Utility	427,332
Total depreciation expense - Business-Type Activities	<u>\$ 4,247,988</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, 2011 are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Non-depreciable Assets:</u>				
Land and Land Improvements	\$ 25,723,472	\$ 1,137,505	\$ (1,186,510)	\$ 25,674,467
Construction in progress	884,823	-	(884,823)	-
Total Non-depreciable Assets	<u>26,608,295</u>	<u>1,137,505</u>	<u>(2,071,333)</u>	<u>25,674,467</u>
<u>Depreciable Assets:</u>				
Buildings	2,817,240	991,326	-	3,808,566
Equipment, Furniture, and Fixtures	114,362	-	-	114,362
Total Depreciable Assets	<u>2,931,602</u>	<u>991,326</u>	<u>-</u>	<u>3,922,928</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	(414,005)	(118,771)	-	(532,776)
Equipment, Furniture, and Fixtures	(100,789)	(3,878)	-	(104,667)
Total Accumulated Depreciation	<u>(514,794)</u>	<u>(122,649)</u>	<u>-</u>	<u>(637,443)</u>
Total Depreciable Assets, net	<u>2,416,808</u>	<u>868,677</u>	<u>-</u>	<u>3,285,485</u>
Capital Assets, net	<u>\$ 29,025,103</u>	<u>\$ 2,006,182</u>	<u>\$ (2,071,333)</u>	<u>\$ 28,959,952</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. At September 30, 2011, accounts receivable of the Water and Sewer Fund and business-type activities included \$101,138 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

10. Investment in Regional Plant Joint Venture (Continued)

included \$308,912 due to the Board. For the year ended September 30, 2011, the City paid \$2,909,635 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, 2011. 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, 2011 is as follows:

<u>Net Assets</u>		
Current and other assets		\$ 4,532,451
Capital assets, net		<u>55,480,555</u>
	Total assets	60,013,006
Current liabilities		821,667
Noncurrent liabilities		<u>949,416</u>
	Total liabilities	<u>1,771,083</u>
Net assets		<u>\$ 58,241,923</u>

<u>Change in Net Assets</u>		
Charges for services		<u>\$ 7,789,877</u>
	Total program revenues	7,789,877
Program expenses		<u>11,401,602</u>
	Net program expenses	(3,602,725)
Investment income		36,747
Loss on disposal of capital assets		(187,931)
Transfers to joint venture participants		<u>(240,804)</u>
	Change in net assets	<u>\$ (3,994,713)</u>

The City accounts for its investment in the Board as a joint venture recorded on the equity method of accounting. At September 30, 2011, the City's 50% equity interest in the net assets of the Board totaled \$29,120,961 and has been reported as "Investment in regional plant joint venture" in the City's financial statements.

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, 2011, commitments totaling \$928,200 were remaining on such contracts.

11. Interfund Transactions and Balances

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, community development and other grant programs.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

11. Interfund Transactions and Balances (Continued)

Total interfund receivables/payables and transfers as of and for the year ended September 30, 2011 were as follows:

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Governmental Fund				
General Fund	\$ -	\$ 35,204,769	\$ 3,720,390	\$ 4,243,894
Other Governmental Funds				
Special Revenue Funds:				
Law Enforcement Trust	298,655	-	-	-
Developers Land Contribution	313,264	-	-	3,000
ARRA Economic Stimulus	-	329,588	-	-
Neighborhood Services	149	-	149,430	-
SHIP	36,822	-	-	-
Beautification	313,973	-	884,756	-
Special Projects	2,603,745	-	13,808	12,000
Cemetery Perpetual Care	833,283	-	-	-
Debt Service Fund:				
Utilities Tax	451,050	-	1,199,740	1,760
Capital Projects Funds:				
Capital Improvement	4,858,400	-	2,000,000	10,650
2004 GO Bond	670,191	-	-	-
Beach Restoration	122,377	-	15,000	-
Total Governmental Funds	<u>10,501,909</u>	<u>35,534,357</u>	<u>7,983,124</u>	<u>4,271,304</u>
Major Proprietary Fund				
Water and Sewer Fund	12,779,569	-	97,000	3,380,810
Other Proprietary Funds				
Municipal Golf Course	-	1,104,828	-	33,000
Lakeview Golf Course	-	851,428	-	15,000
City Marina	976,523	-	-	50,620
Sanitation	2,313,175	-	-	182,270
Stormwater Utility	3,624,845	-	-	147,120
Internal Service Funds:				
Insurance	5,140,907	-	-	-
Central Garage	2,153,685	-	-	-
Total Proprietary Funds	<u>26,988,704</u>	<u>1,956,256</u>	<u>97,000</u>	<u>3,808,820</u>
Total Primary Government	<u>\$ 37,490,613</u>	<u>\$ 37,490,613</u>	<u>\$ 8,080,124</u>	<u>\$ 8,080,124</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

12. Noncurrent Liabilities

The changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 36,499,201	\$ -	\$ (940,985)	\$ 35,558,216	\$ 985,388
General obligation bonds	27,090,000	-	(2,485,000)	24,605,000	2,600,000
Unamortized bond premium	992,462	-	(136,142)	856,320	-
Unamortized loss on bond refinancing	(324,756)	-	96,222	(228,534)	-
Total bonds payable, net	64,256,907	-	(3,465,905)	60,791,002	3,585,388
Installment agreements	192,835	-	(64,375)	128,460	66,175
Compensated absences	7,454,823	315,434	(644,763)	7,125,494	665,468
Insurance claims payable	4,265,219	7,889,430	(8,115,738)	3,996,911	1,471,930
Total Governmental Activities	\$ 76,169,784	\$ 8,204,864	\$ (12,332,781)	\$ 72,041,867	\$ 5,788,961
Business-Type Activities:					
Revenue bonds	\$ 32,179,828	\$ 5,430,000	\$ (11,338,650)	\$ 26,271,178	\$ 2,560,349
Unamortized bond premium	56,541	-	(9,834)	46,707	-
Unamortized loss on bond refinancing	(194,628)	-	33,849	(160,779)	-
Total bonds payable, net	32,041,741	5,430,000	(11,314,635)	26,157,106	2,560,349
Accrued interest on capital appreciation bonds	9,940,252	3,813,606	(3,064,628)	10,689,230	2,899,264
Installment agreements	97,245	-	(32,463)	64,782	33,372
Compensated absences	862,627	93,848	(3,365)	953,110	29,655
Total Business-Type Activities	\$ 42,941,865	\$ 9,337,454	\$ (14,415,091)	\$ 37,864,228	\$ 5,522,640

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, 2011 consisted of the following:

Revenue Bonds:	Governmental Activities	Business-Type Activities
5.80% to 5.85%, \$28,104,475 Water and Sewer Revenue Bonds issued on June 1, 1993 (Series 1993). Capital appreciation bonds are due in the amount of \$4,475,000 on October 1, 2011 through 2014.	\$ -	\$ 5,769,394
5.245%, \$10,000,000 Revenue Bonds issued February 25, 2000 (Series 2000) due in principal amounts of \$495,000 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.	3,200,983	1,159,017

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2011

12. Noncurrent Liabilities (Continued)

Revenue Bonds:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<p>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 Bonds, Series 1992, advance refund the Utilities Tax Revenue 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.</p>	\$ -	\$ 2,315,000
<p>3.66%, \$9,685,000 Revenue Refunding and Improvement Bonds issued December 2, 2003 (Series 2003) due in principal amounts of \$630,000 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.</p>	5,775,000	350,000
<p>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 Facility.</p>	-	1,850,000
<p>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 Facility.</p>	-	8,400,000
<p>4% - 5%, \$24,635,000 Utility Tax Revenue Bonds issued September 26, 2007 (Series 2007) due in principal amounts of \$20,000 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).</p>	23,582,233	997,767

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2011

12. Noncurrent Liabilities (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenue Bonds:		
4% - 5%, \$24,635,000 Utility Tax Revenue Bonds issued September 26, 2007 (Series 2007) due in principal amounts of \$20,000 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).	\$ 23,582,233	\$ 997,767
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, 2011) 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	-
2.21%, \$5,430,000 Water and Sewer Refunding Revenue Bonds issued September 29, 2011 (Series 2011A), with principal amounts of \$500,000 to \$600,000 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 currently refund the Series 2006A Water and Sewer Revenue Bonds.	-	5,430,000
Total Revenue Bonds	35,558,216	26,271,178
Unamortized bond premium	686,451	46,707
Unamortized loss on bond refunding	(131,418)	(160,779)
Total Revenue Bonds, Net	36,113,249	26,157,106

General Obligation Bonds:

5.00%, \$15,685,000 General Obligation Bonds issued December 19, 2002 (Series 2002), due in annual principal installments of \$1,960,000 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.	4,015,000	-
3.75%-4.30%, \$14,000,000 General Obligation Bonds issued September 30, 2004 (Series 2004), due in annual principal installments of \$640,000 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.	10,590,000	-

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

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	24,605,000	-
Unamortized bond premium	169,869	-
Unamortized loss on bond refunding	(97,116)	-
Total General Obligation Bonds, Net	<u>24,677,753</u>	<u>-</u>

Other Noncurrent Liabilities:

Long-term installment agreements for equipment:		
2.76% installment purchase agreements maturing in 2013	128,460	64,782
Compensated absences payable	7,125,494	953,110
Insurance claims payable (see Note 15)	3,996,911	-
Accrued interest on capital appreciation bonds	-	10,689,230
Total Noncurrent Liabilities, including current portion	<u>\$ 72,041,867</u>	<u>\$ 37,864,228</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, 2011, the gross amount of the equipment held under these agreements was \$260,600 and the accumulated amortization totaled \$135,417. 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, 2011 are as follows:

Fiscal year ending September 30:	
2012	\$ 68,888
2013	<u>63,148</u>
Total minimum payments	132,036
Less amount representing interest	<u>(3,576)</u>
Outstanding balance at September 30, 2011	<u><u>\$ 128,460</u></u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

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 \$46,279,376 at September 30, 2011. Principal and interest paid and utility tax revenues received for the current year were \$1,829,243 and \$8,777,975, 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 5 percent of non ad-valorem revenues. Total principal and interest remaining to be paid on the revenue bonds is \$15,928,301 at September 30, 2011. Principal and interest paid and non-ad valorem revenues received for the current year were \$1,597,589 and \$47,532,509, 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, 2011 are as follows:

Fiscal Year Ending September 30	Revenue Bonds		General Obligation Bonds		
	Principal	Interest	Principal	Interest	Total
2012	\$ 976,603	\$ 1,711,511	\$ 2,600,000	\$ 973,840	\$ 6,261,954
2013	4,018,528	1,669,693	2,720,000	849,827	9,258,048
2014	1,103,710	1,470,450	1,410,000	758,937	4,743,097
2015	1,148,263	1,423,678	1,465,000	702,092	4,739,033
2016	1,214,728	1,374,878	1,530,000	641,935	4,761,541
2017-2021	6,454,735	6,091,143	8,690,000	2,213,857	23,449,734
2022-2026	8,030,240	4,399,200	6,190,000	398,762	19,018,202
2027-2031	10,246,471	2,179,200	-	-	12,425,671
2032	2,364,939	118,320	-	-	2,483,259
Total	\$ 35,558,216	\$ 20,438,072	\$ 24,605,000	\$ 6,539,250	\$ 87,140,538

Interest Expense: Total interest costs incurred on governmental activities debt for the year ended September 30, 2011 were \$2,701,776, 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.
2. Maintenance of a renewal and replacement cash reserve set at 5% of the previous year's gross revenue.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

12. Noncurrent Liabilities (Continued)

3. 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.
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, 2011, the gross amount of the equipment held under these agreements was \$131,420 and the accumulated amortization totaled \$68,448. 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, 2011 are as follows:

Fiscal year ending September 30:	
2012	\$ 34,740
2013	31,844
Total minimum payments	<u>66,584</u>
Less amount representing interest	<u>(1,802)</u>
Outstanding balance at September 30, 2011	<u>\$ 64,782</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 2011 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 \$37,320,263. Principal and interest paid and utility net revenues for the current year were \$5,950,563 and \$13,282,727, respectively.

Debt Extinguishment: On September 29, 2011 the City issued \$5,430,000 of Water and Sewer Refunding Revenue Bonds, Series 2011A, the proceeds of which, together with \$559,579 from the City's debt service accounts, was deposited with an escrow agent to currently refund \$5,870,000 Water and Sewer Revenue Bonds, Series 2006 on October 1, 2011. Accordingly, the Series 2006 Bonds are considered defeased at September 30, 2011 and the liability for those bonds has been removed from the City's financial statements. The reacquisition price of the 2006 Bonds was the same as the net carrying amount of the 2006 Bonds and there was no loss on the refunding. The refunding reduced the City's debt service payments by \$621,514 and resulted in an economic gain of \$554,880. At September 30, 2011 there were no other outstanding bonds considered to be defeased.

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

12. Noncurrent Liabilities (Continued)

Debt Maturities: The annual requirements to pay principal and interest to maturity on the business-type activities bonds outstanding as of September 30, 2011 are as follows:

Fiscal Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2012	\$ 2,569,134	\$ 3,612,775	\$ 6,181,909
2013	3,029,678	3,712,991	6,742,669
2014	2,883,015	3,754,393	6,637,408
2015	2,860,463	3,778,752	6,639,215
2016	2,265,272	545,906	2,811,178
2017-2021	9,765,265	1,539,015	11,304,281
2022-2026	2,364,760	220,911	2,585,671
2027-2031	433,529	90,800	524,329
2032	100,061	4,930	104,991
Total	<u>\$ 26,271,178</u>	<u>\$ 17,260,474</u>	<u>\$ 43,531,652</u>

Interest Expense: Total interest costs incurred on business-type activities debt for the year ended September 30, 2011 were \$4,767,274, 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, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 12,775,000	\$ -	\$ (630,000)	\$ 11,105,000	\$ 1,595,000
Note payable	332,534	-	(166,003)	166,531	166,531
Pollution remediation obligation	10,165	-	(6,944)	3,221	3,221
Total noncurrent liabilities	<u>\$ 13,117,699</u>	<u>\$ -</u>	<u>\$ (1,842,947)</u>	<u>\$ 11,274,752</u>	<u>\$ 1,764,752</u>

The CRA outstanding Revenue Bonds at September 30, 2011 consist of the following:

4.80% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), maturity date September 1, 2019.	\$ 4,085,000
4.2982% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 2004A Tax Exempt), maturity date September 1, 2019.	915,000
5.9095% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bonds (Series 2004B Taxable), maturity date September 1, 2016.	<u>6,105,000</u>
Total Revenue Bonds	<u>\$ 11,105,000</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

12. Noncurrent Liabilities (Continued)

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. 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, 2011 was \$13,377,396, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$2,254,076 and \$10,645,402, respectively.

Interest Expense: Total interest costs incurred and paid on all CRA debt for the year ended September 30, 2011, were \$593,598 and \$658,813, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Annual Debt Service: The annual debt service requirements at September 30, 2011 for all CRA debt, excluding the pollution remediation obligation, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
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	1,250,000	209,746	1,459,746
2017-2019	3,420,000	307,328	3,727,328
	\$ 11,271,531	\$ 2,105,865	\$ 13,377,396

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

13. Pension Plans (Continued)

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— Ordinance No. 33-10 effective October 5, 2010, changed the normal retirement eligibility from the earlier of age 60 with ten years of service or 30 years of service regardless of age to the earlier of age 62 with ten years of service or 30 years of service regardless of age. This change does not apply to members who are within ten years of normal retirement eligibility as of October 5, 2010. Normal retirement eligibility for members hired after October 5, 2010 is age 65 with ten years of service.

Annual Retirement Benefit—2.5% of the average monthly compensation times years of service with a maximum benefit of 75%. Ordinance No. 33-10 effective October 5, 2010, changed the normal form of benefit from a 60% joint and survivor annuity to a life annuity. This change does not apply to members who are within ten years of normal retirement eligibility as of October 5, 2010. 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—Ordinance No. 33-10 effective October 5, 2010, changed the contribution amount from 2.5% of the employee's basic annual compensation to 3.05%. If the employee chooses the 3% multiplier, there is an additional contribution of 3.45% for a total of 6.5%. 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, 2011

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—Ordinance No. 15-11 effective May 3, 2011, changed the contribution amount for firefighters to 6% of annual compensation. Firefighters who select a 3.5% multiplier will contribute 9%. 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.

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.

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2011

13. Pension Plans (Continued)

Membership

Membership data of the City's pension plans as of October 1, 2010, the date of the most recent actuarial valuations, is summarized as follows:

	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

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, 2010	October 1, 2010
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post retirement benefit increases	None	Annual increase of 1% plus that which can be funded by State revenue
Amortization method	Level Dollar, Closed	Level Percent of Payroll – Closed
Remaining amortization period	25 years	30 years
Asset valuation method	Recognition of 20% of difference between market value of assets and expected actuarial asset value	4 year Smooth Market
Actuarial assumptions:		
Investment rate of return*	7.25%	8.10%
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%	3.00%

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

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

13. Pension Plans (Continued)

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			
2011	\$ 2,305,392	100%	\$ 0
2010	2,996,262	100	0
2009	2,502,936	100	0
Police and Firefighters' Retirement System Fund			
2011	\$ 6,986,348	100%	\$ (133,794)
2010	5,385,422	100	(58,412)
2009	5,612,311	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)	\$ 6,982,946
Interest on net pension obligation (NPO)	(4,965)
Adjustment to ARC	8,367
Annual pension cost	6,986,348
Contributions made	7,061,730
Increase (decrease) in NPO	(75,382)
NPO (asset) at October 1, 2010	(58,412)
NPO (asset) at September 30, 2011	\$ (133,794)

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	10/1/2010	\$ 87,826,931	\$91,096,027	\$ 3,269,096	96.4%	\$18,988,947	17.2%
Police & Firefighters	10/1/2010	121,589,339	196,961,908	75,372,569	61.7%	19,165,228	393.3%

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

13. Pension Plans (Continued)

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, 2011 are as follows:

Statement of Plan Net Assets	
ASSETS	
Cash and cash equivalents	\$ 503,414
Investments:	
Equity securities and mutual funds	14,852,313
Alternative investments	62,437,784
Employee contributions receivable	38,580
Prepaid expenses	75,678
Interest and dividends receivable	30,296
Total assets	<u>77,938,065</u>
LIABILITIES	
Accounts payable	36,166
Total liabilities	<u>36,166</u>
NET ASSETS held in trust for pension benefits	<u>\$ 77,901,899</u>
Statement of Changes in Plan Net Assets	
ADDITIONS	
Contributions:	
Employer	\$ 2,305,392
Plan members	679,141
Total contributions	<u>2,984,533</u>
Investment earnings	
Net appreciation in fair value of investments	722,257
Interest and dividends	288,906
	<u>1,011,163</u>
Less investment expenses – custodian fees	134,188
Net investment income	876,975
Other income	40,783
Total additions	<u>3,902,291</u>
DEDUCTIONS	
Benefits	3,859,290
Refunds of contributions	44,546
Other operating expenses	137,967
Total deductions	<u>4,041,803</u>
Change in net assets	(139,512)
Net Assets at October 1, 2010	<u>78,041,411</u>
Net Assets at September 30, 2011	<u>\$ 77,901,899</u>

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

13. Pension Plans (Continued)

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, 2011 is summarized as follows:

Balance at October 1, 2010	\$ 565,498
Employer contributions	34,741
Employee contributions	34,741
Investment loss	(8,599)
Distributions	(23,358)
Balance at September 30, 2011	<u>\$ 603,023</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, 2010	\$ 466,049
Investment loss	(5,534)
Service fees	(1,861)
Distributions	(70,770)
Balance as of September 30, 2011	<u>\$ 387,884</u>

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

14. Other Postemployment Benefits (OPEB)

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 \$423 to a maximum of \$848 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 & Paramedics 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:

	OPEB Plan	Retiree Benefit Fund
Valuation date	October 1, 2010	October 1, 2008
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post retirement benefit increases	None	None

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

14. Other Postemployment Benefits (OPEB) (Continued)

	OPEB Plan	Retiree Benefit Fund
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, 2010, 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 three fiscal years are as follows:

Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
OPEB Plan			
2011	\$ 1,230,663	42%	\$ 1,925,071
2010	999,504	74	1,205,343
2009	949,409	0	949,409

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

14. Other Postemployment Benefits (OPEB) (Continued)

Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
Retiree Benefit Fund			
2011	\$ 572,664	115%	\$ (268,352)
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, 2011 were as follows:

	OPEB Plan	Retiree Benefit Fund	Total
Annual required contribution	\$ 1,222,316	\$ 576,584	\$ 1,798,900
Interest on net OPEB obligation (asset)	54,240	(14,413)	39,827
Adjustment to annual required contribution	(45,893)	10,493	(35,400)
Annual OPEB cost	1,230,663	572,664	1,803,327
Contributions made	(510,935)	(660,855)	(1,171,790)
Increase in net OPEB obligation (asset)	719,728	(88,191)	631,537
Net OPEB obligation at October 1, 2010	1,205,343	(180,161)	1,025,182
Net OPEB obligation (asset) at September 30, 2011	\$ 1,925,071	\$ (268,352)	\$ 1,656,719

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	10/1/2010	\$ 0	\$ 15,472,507	\$ 15,472,507	0.0%	\$ 43,370,206	35.68%
Retiree Benefit Fund	10/1/2008	2,057	7,970	5,913	25.8	20,257	29.20

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.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

15. Self-Insurance Program (Continued)

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, 2011, contributions of \$11,807,702 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 \$3,996,911 (\$1,471,930 current and \$2,524,981 long-term) at September 30, 2011, which is a decrease of \$268,308 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, 2009	\$ 4,714,863
Claims incurred	8,229,290
Claims paid	<u>(8,678,934)</u>
Balance at September 30, 2010	4,265,219
Claims incurred	7,889,430
Claims paid	<u>(8,157,738)</u>
Balance at September 30, 2011	<u>\$ 3,996,911</u>

The claims liability at September 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Current	\$ 1,471,930	\$ 1,603,342
Non-current	<u>2,524,981</u>	<u>2,661,877</u>
	<u>\$ 3,996,911</u>	<u>\$ 4,265,219</u>

16. Related Party Transactions

The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2011 the CRA's tax increment revenues include \$6,418,010 received from the City. CRA expenditures for the year ended September 30, 2011, include charges of approximately \$1,439,617 for contractual services provided by the City to the CRA in connection with various administrative and development activities and a \$595,400 sponsorship of City tennis tournaments. The CRA also received \$128,000 in reimbursements from the City for completed projects. At September 30, 2011, the CRA had a payable to the City of \$623,625 for reimbursement of certain administrative and redevelopment expenditures and a receivable of \$50,000 from the City for a construction advance.

17. Expenditures in Excess of Appropriations

For the year ended September 30, 2011 expenditures exceeded the budgeted appropriations for the following General Fund departments:

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2011

17. Expenditures in Excess of Appropriations (Continued)

General Government		
City manager	\$	646
Cemetery		10,677
Miscellaneous grants		5,302
Miscellaneous (nondepartmental)		4,068

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, 2011 expenditures exceeded the final budgeted appropriations for the following General Fund functions:

Economic Development:		
Redevelopment Projects	\$	50,522
Community Improvement and Economic Development		51

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, 2011 were as follows:

Capital Projects funds	\$	2,291,112
Water and Sewer Fund		2,512,709
Stormwater Utility Fund		278,678
	\$	<u>5,082,499</u>

Payments from the Water and Sewer Fund and Stormwater Utility Fund for work in progress have been capitalized as construction in progress in the respective 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

18. Commitments and Contingencies (Continued)

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, 2011 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, 2011. The Bonds outstanding at September 30, 2011 have a credit rating no lower than the City's underlying rating of AA- from S&P.

Operating Lease

The City entered into a lease agreement with the Delray Beach Community Redevelopment Agency on January 11, 2010 for 10,289 square feet of commercial space on the first floor of the City's Old School Square parking garage. The term of the lease is 5 years from February 1, 2010 through January 31, 2015 and rent is \$150,000 payable annually in arrears on the anniversary date of the lease. The CRA was responsible for the build out of the leased space. The aggregate remaining payments due to the City on the lease at September 30, 2011 were \$600,000.

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency

CRA Contract Commitments: At September 30, 2011 the CRA had outstanding construction commitments consisting of the following:

	Total Project <u>Authorization</u>	Expended Through September 30, 2011	Retainage Payable at September 30, 2011	Remaining Commitment at September 30, 2011
NE 3 rd Avenue Parking Lot	\$ 151,391	\$ 46,024	\$ 2,714	\$ 105,367
SW 5 th Avenue Parking Lot	257,510	86,562	6,597	170,948
Spady	160,420	138,725	15,413	21,695
Other projects	1,375	-	-	1,375
	<u>\$ 570,696</u>	<u>\$ 271,311</u>	<u>\$ 24,724</u>	<u>\$ 299,385</u>

In addition, the CRA entered into an interlocal agreement with the City to provide funding of \$3,897,500 to the City for various City construction projects planned for the year ending September 30, 2012. The CRA also contracted with the City for various administrative services and budgeted approximately \$300,000 for those services for the year ending September 30, 2012.

Lease Commitments: On August 26, 2010 the CRA entered into an agreement to sublease 5,000 square feet of commercial space on the first floor the Old School Square parking garage to the Puppetry Arts Center of the Palm Beaches, Inc. for \$400 per month for a two year term commencing December 1, 2010 (or upon the issuance of a certificate of occupancy). The sublease includes two options to extend the lease through January 31, 2015. The subleased property is a portion of 10,289 square feet of commercial space leased by the CRA from the City through January 31, 2015.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

18. Commitments and Contingencies (Continued)

The CRA lease with the City provides for rent of \$150,000 payable annually in arrears on the anniversary date of the lease. The CRA is responsible for the build out of the leased space. The CRA plans to build out the remaining space and sublet portions of the space to not-for-profit organizations for arts related uses. The aggregate remaining payments on the lease owed by the CRA to the City at September 30, 2011 were \$600,000.

Operating Grants: The CRA entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2012:

City of Delray Beach – Clean and Safe Program	\$ 1,144,795
City of Delray Beach – International Tennis Championships	535,000
City of Delray Beach – Irrigation and Landscape Maintenance	23,000
Delray Beach Community Land Trust, Inc.	250,000
Delray Beach Public Library Association, Inc.	308,000
Downtown Marketing Cooperative	280,000
Old School Square, Inc.	285,000
EPOCH, Inc.	<u>118,180</u>
Total Grant Commitments	<u>\$ 2,943,975</u>

The CRA also entered into a grant agreement with Village Square Family, LTD to provide \$100,000 of assistance with the funding for the development of a site formerly known as Carver Estates. The grant is contingent upon Village Square Family, LTD obtaining tax exempt financing in conjunction with the issuance of tax exempt bonds.

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 its current location on West Atlantic Avenue. Under the terms of the agreement, the CRA in 2005 exchanged the parcel of property owned by the CRA on West Atlantic Avenue with a carrying value of approximately \$509,000 for the former library site owned by the City. The CRA also agreed that in the event it disposes of the former 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. The CRA also assumed the City’s lease agreement with the Greater Delray Beach Chamber of Commerce (the “Chamber”) for the former library site. The lease requires no payment from the Chamber and expires on January 31, 2060.

In February 2008, the CRA entered into a Purchase and Sale Agreement (the “Agreement”) to sell the former library property to a private developer for \$3 million. In connection with the Agreement, the CRA entered into a Relocation Agreement with the Chamber whereby the Chamber will cancel its lease and vacate the former library site and move to new commercial space on the first floor of the Old School Square parking garage. At the time of closing on the Agreement, the CRA will pay the City \$315,450 to purchase the commercial space to be occupied by the Chamber. Closing on the Agreement will occur after completion of the development project as outlined in the Agreement, which has a termination date of September 1, 2012. The carrying value of the property is approximately \$700,000 at September 30, 2011.

Property Acquisition: At September 30, 2011 the CRA had a contract to purchase redevelopment property for \$96,000. The property purchase was completed in October 2011.

19. Subsequent Events

Installment Agreement: On December 6, 2011 the City approved an installment agreement for the purchase of public safety communications equipment for \$825,000 with interest at 1.855% for 84 months.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2011

19. Subsequent Events (Continued)

Bond Issuance: On October 18, 2011, the City issued \$8,160,000 Water and Sewer Revenue Refunding Bonds, Series 2011B (the "Series 2011B Bonds") to refund the outstanding principal balance of \$9,000,000 on the Water and Sewer Revenue Bonds - Series 2007. The refunding resulted in an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$1,105,443 and reduced the total debt service payments by \$1,290,485.

The Series 2011B Bonds are payable from and secured by the proceeds from pledged net revenues of the system (as defined in the bond agreement). Interest on the Series 2011B Bonds is payable at 2.21% on April 1st and October 1st beginning on April 1, 2012. Principal payments on the Series 2011B Bonds are due October 1st, beginning on October 1, 2012 through maturity on October 1, 2021 and are summarized as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2012	\$ -
2013	285,000
2014	280,000
2015	285,000
2016	980,000
2017-2021	5,210,000
2022	<u>1,120,000</u>
	<u>\$ 8,160,000</u>

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 62,100,190	\$ 57,739,830	\$ 58,241,812	\$ 501,982
Fees and permits	9,905,210	7,762,320	7,957,960	195,640
Intergovernmental	5,814,220	6,195,349	6,188,502	(6,847)
Charges for services	8,565,380	9,422,240	8,857,080	(565,160)
Fines and forfeitures	821,700	940,500	1,072,260	131,760
Miscellaneous	5,363,720	5,868,287	5,831,304	(36,983)
Total Revenues	<u>92,570,420</u>	<u>87,928,526</u>	<u>88,148,918</u>	<u>220,392</u>
EXPENDITURES				
General government				
City commission	229,210	244,889	222,816	22,073
City manager	516,560	529,742	530,388	(646)
Human resources	514,230	520,340	518,549	1,791
Public information office	94,190	108,160	104,535	3,625
City clerk	562,850	539,310	519,935	19,375
Finance	1,611,500	1,638,530	1,580,070	58,460
Information technology	1,575,560	1,592,810	1,548,853	43,957
City attorney	851,380	896,494	790,389	106,105
Administrative services administration	636,380	641,890	620,809	21,081
Clean and Safe	225,900	201,420	201,056	364
Cemetery	360,980	362,960	373,637	(10,677)
Old School Square	194,750	194,750	194,750	-
Library	1,453,500	1,453,500	1,453,500	-
Miscellaneous grants	158,250	208,250	213,552	(5,302)
Transfers to component units	6,456,030	6,446,350	6,418,010	28,340
Miscellaneous (nondepartmental)	27,700	38,233	42,301	(4,068)
Public safety				
Law enforcement	26,241,690	27,271,391	26,553,512	717,879
Fire control	22,145,020	22,450,235	22,262,414	187,821
Community improvement administration	449,450	452,020	445,512	6,508
Planning and zoning	1,123,050	1,142,216	1,116,306	25,910
Building inspection	1,292,800	1,288,620	1,256,552	32,068
Code compliance	938,220	963,320	953,191	10,129
Physical environment				
Engineering	208,020	277,520	247,720	29,800
Parking facilities	982,730	978,190	881,957	96,233
Public works:	2,794,290	2,817,890	2,687,072	130,818
Parks and recreation	12,309,780	12,383,000	12,076,715	306,285
Debt service	5,136,520	5,048,520	5,012,566	35,954
Total Expenditures	<u>89,090,540</u>	<u>90,690,550</u>	<u>88,826,667</u>	<u>1,863,883</u>
Excess of Revenues Over (Under) Expenditures	3,479,880	(2,762,024)	(677,749)	2,084,275
OTHER FINANCING SOURCES (USES)				
Transfers in	3,722,130	3,720,390	3,720,390	-
Transfers out	(4,264,170)	(4,264,328)	(4,243,894)	20,434
Total Other Financing Sources (Uses)	<u>(542,040)</u>	<u>(543,938)</u>	<u>(523,504)</u>	<u>20,434</u>
Net change in fund balance	<u>\$ 2,937,840</u>	<u>\$ (3,305,962)</u>	<u>(1,201,253)</u>	<u>\$ 2,104,709</u>
Fund balance - October 1, 2010			24,061,578	
Difference between GAAP and budgetary basis			(108,270)	
Fund balance - September 30, 2011			<u>\$ 22,752,055</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, 2011

1. Budgetary Accounting

State of Florida Statutes require that all municipal governments establish budgetary systems and approve an annual operating budget. The City Commission annually adopts an operating budget and appropriates funds for the General Fund. Other funds are not legally required to adopt a budget. The budget procedures are generally as follows:

- ❖ Prior to September 1, the City Manager submits to the City Commission a proposed operating budget prepared for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- ❖ Public hearings are conducted to obtain taxpayer comments.
- ❖ The City advises the County Property Appraiser of the proposed millage rate and the date, time and place of the public hearing for budget acceptance.
- ❖ The budget and related millage rate are legally enacted by resolution.
- ❖ Changes or amendments to the budget of the City or a department must be approved by the City Commission; however, changes within a department which do not affect the total departmental expenditures may be approved at the administrative level by the City Manager. Accordingly, the legal level of control is at the department level.

The appropriated budget legally adopted for the General Fund is 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 \$1,600,168 during the year ended September 30, 2011, which increased the original General Fund appropriations (expenditures and transfers out) from \$93,354,710 to a revised total of \$94,954,878.

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	\$ -	\$ 151,013
Prior year encumbrances paid in the current year	-	(259,283)
Net encumbered expenditures	-	(108,270)
On-behalf payments for pension benefits	(1,614,377)	(1,614,377)
Proceeds from sale of capital assets	1,903	-
Net differences - GAAP and budgetary basis	(1,612,474)	(1,722,647)
GAAP basis	89,761,392	90,549,314
Budgetary basis	\$ 88,148,918	\$ 88,826,667

City of Delray Beach, Florida

Required Supplementary Information—
Schedules of Pension Funding Progress

September 30, 2011

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]
10/1/2005	\$ 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
10/1/2010	87,826,931	91,096,027	3,269,096	96.4	18,988,947	17.2

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 Fund						
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]
10/1/2005	\$ 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	64,718,480	64.5	17,901,995	361.5
10/1/2010	121,589,339	196,961,908	75,372,569	61.7	19,165,228	393.3

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, 2011

General Employees' Pension Fund

Fiscal Year Ended September 30,	Annual Required Employer Contribution	Percentage Contribution
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
2011	2,305,392	100.0

Police and Firefighters' Retirement System Fund

Fiscal Year Ended September 30,	Annual State Contribution	Annual Required Employer Contribution	Total Annual Required Contribution	Percentage Contribution
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	6,395,442	6,900,364	100.0
2010	504,922	7,061,730	7,566,652	100.0
2011	504,922	6,982,946	7,487,868	100.0

Note: During the 2009 fiscal year, the asset valuation method was changed to Actuarial Value of Assets (AVA) from a five year smoothed market. 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.

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, 2011

	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	\$ -	\$ -	\$ -	\$ 224	\$ -	\$ -	\$ -	\$ -	\$ 54,380	\$ 46	\$ -	\$ -	\$ 54,650
Accounts receivable, net	-	-	-	-	-	-	22,215	21,007	-	-	-	-	43,222
Notes receivable	-	-	-	1,089,306	637,682	-	-	-	-	-	-	-	1,726,988
Due from other governments	-	-	388,414	309,487	-	-	11,499	-	-	280,068	-	467,695	1,457,163
Due from other funds	298,655	313,264	-	149	36,822	313,973	2,603,745	833,283	451,050	4,858,400	670,191	122,377	10,501,909
Prepaid items	-	-	-	105	-	-	184	-	-	-	-	-	289
Due from component units	-	-	-	9,188	-	-	-	-	-	133,215	-	-	142,403
Assets held for resale	-	-	-	1,127,774	-	-	-	-	-	-	-	-	1,127,774
Total Assets	\$ 298,655	\$ 313,264	\$ 388,414	\$ 2,536,233	\$ 674,504	\$ 313,973	\$ 2,637,643	\$ 854,290	\$ 505,430	\$ 5,271,729	\$ 670,191	\$ 590,072	\$ 15,054,398
LIABILITIES AND FUND BALANCES													
LIABILITIES													
Accounts payable and accrued items	\$ -	\$ -	\$ 58,826	\$ 35,360	\$ -	\$ 17,762	\$ 8,412	\$ -	\$ -	\$ 553,036	\$ 6,989	\$ 30	\$ 680,415
Due to other funds	-	-	329,588	-	-	-	-	-	-	-	-	-	329,588
Deferred revenue	-	-	-	1,089,318	677,186	-	-	-	-	255,657	-	-	2,022,161
Due to component units	-	-	-	-	-	-	50,000	-	-	-	-	-	50,000
Total Liabilities	-	-	388,414	1,124,678	677,186	17,762	58,412	-	-	808,693	6,989	30	3,082,164
FUND BALANCES													
Nonspendable:													
Prepaid items	-	-	-	105	-	-	184	-	-	-	-	-	289
Long-term notes receivable	-	-	-	1,089,306	637,682	-	-	-	-	-	-	-	1,726,988
Restricted for:													
Debt Service	-	-	-	-	-	-	-	-	505,430	-	-	-	505,430
Law enforcement	298,655	-	-	-	-	-	-	-	-	-	-	-	298,655
Assigned to:													
Capital Projects Funds	-	-	-	-	-	-	-	-	-	4,463,036	663,202	590,042	5,716,280
Special Revenue Funds	-	313,264	-	322,144	-	296,211	2,579,047	854,290	-	-	-	-	4,364,956
Unassigned (deficit):													
Special Revenue Funds	-	-	-	-	(640,364)	-	-	-	-	-	-	-	(640,364)
Total Fund Balances	298,655	313,264	-	1,411,555	(2,682)	296,211	2,579,231	854,290	505,430	4,463,036	663,202	590,042	11,972,234
Total Liabilities and Fund Balances	\$ 298,655	\$ 313,264	\$ 388,414	\$ 2,536,233	\$ 674,504	\$ 313,973	\$ 2,637,643	\$ 854,290	\$ 505,430	\$ 5,271,729	\$ 670,191	\$ 590,072	\$ 15,054,398

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, 2011

	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	\$ -	\$ -	\$ 926,131	\$ 918,790	\$ 209,296	\$ -	\$ 78,059	\$ -	\$ -	\$ 422,624	\$ -	\$ 466,706	\$ 3,021,606
Charges for services	-	-	-	-	-	-	556,776	4,715	-	-	-	-	561,491
Fines and forfeitures	126,208	-	-	-	-	-	73,605	-	-	-	-	-	199,813
Miscellaneous	218	43,283	-	818,238	2,662	349	57,614	80,687	1,760	450,026	648	212	1,455,697
Total Revenues	126,426	43,283	926,131	1,737,028	211,958	349	766,054	85,402	1,760	872,650	648	466,918	5,238,607
EXPENDITURES													
Current:													
General government	-	-	72,454	1,869,190	214,640	-	100,284	850	-	211,630	-	-	2,469,048
Public safety	77,860	-	547,324	-	-	-	213,847	-	-	150,613	-	-	989,644
Physical environment	-	-	-	-	-	965,321	-	-	-	72,576	-	-	1,037,897
Parks and recreation	-	-	-	-	-	-	161,979	-	-	296,596	10,583	350,165	819,323
Capital outlay	30,532	48,292	306,353	90,206	-	52,396	87,181	-	-	3,651,692	306,688	-	4,573,340
Debt service:													
Principal retirement	-	-	-	-	-	-	-	-	23,985	-	-	-	23,985
Interest and fiscal charges	-	-	-	-	-	-	-	-	1,177,672	-	-	-	1,177,672
Total Expenditures	108,392	48,292	926,131	1,959,396	214,640	1,017,717	563,291	850	1,201,657	4,383,107	317,271	350,165	11,090,909
Excess of revenues over (under) expenditures	18,034	(5,009)	-	(222,368)	(2,682)	(1,017,368)	202,763	84,552	(1,199,897)	(3,510,457)	(316,623)	116,753	(5,852,302)
OTHER FINANCING SOURCES (USES)													
Transfers in	-	-	-	149,430	-	884,756	13,808	-	1,199,740	2,000,000	-	15,000	4,262,734
Transfers out	-	(3,000)	-	-	-	-	(12,000)	-	(1,760)	(10,650)	-	-	(27,410)
Total Other Financing Sources (Uses)	-	(3,000)	-	149,430	-	884,756	1,808	-	1,197,980	1,989,350	-	15,000	4,235,324
Net change in fund balance	18,034	(8,009)	-	(72,938)	(2,682)	(132,612)	204,571	84,552	(1,917)	(1,521,107)	(316,623)	131,753	(1,616,978)
Fund balances - October 1, 2010	280,621	321,273	-	1,484,493	-	428,823	2,374,660	769,738	507,347	5,984,143	979,825	458,289	13,589,212
Fund balances - September 30, 2011	\$ 298,655	\$ 313,264	\$ -	\$ 1,411,555	\$ (2,682)	\$ 296,211	\$ 2,579,231	\$ 854,290	\$ 505,430	\$ 4,463,036	\$ 663,202	\$ 590,042	\$ 11,972,234

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, 2011

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 20,043	\$ 1,748	\$ -	\$ -	\$ -	\$ 21,791
Accounts receivable, net	1,256	-	-	970,410	-	971,666
Due from other funds	-	-	976,523	2,313,175	3,624,845	6,914,543
Inventory	80,463	13,294	-	-	-	93,757
Prepaid expenses	57,796	16,687	-	-	-	74,483
Restricted assets						
Cash and cash equivalents	360,240	199,609	-	-	59,396	619,245
Total Current Assets	<u>519,798</u>	<u>231,338</u>	<u>976,523</u>	<u>3,283,585</u>	<u>3,684,241</u>	<u>8,695,485</u>
Noncurrent Assets:						
Property, land and equipment						
Land	1,415,483	1,963,894	42,840	-	1,271,853	4,694,070
Buildings	2,309,543	140,718	-	-	1,904,722	4,354,983
Improvements other than buildings	1,201,362	899,663	1,135,794	11,958	12,426,875	15,675,652
Equipment	1,561,624	381,187	87,652	25,949	814,595	2,871,007
Construction in progress	-	-	-	-	202,762	202,762
Accumulated depreciation	(2,880,318)	(766,591)	(1,050,712)	(34,072)	(5,447,014)	(10,178,707)
Other asset						
Bond issue costs, net	25,695	15,738	-	-	-	41,433
Total Noncurrent Assets	<u>3,633,389</u>	<u>2,634,609</u>	<u>215,574</u>	<u>3,835</u>	<u>11,173,793</u>	<u>17,661,200</u>
Total Assets	<u>4,153,187</u>	<u>2,865,947</u>	<u>1,192,097</u>	<u>3,287,420</u>	<u>14,858,034</u>	<u>26,356,685</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	76,971	9,628	433	306,167	58,722	451,921
Unearned revenue	-	-	49,093	-	-	49,093
Current maturities of installment agreements	33,372	-	-	-	-	33,372
Due to other funds	1,104,828	851,428	-	-	-	1,956,256
Refundable deposits	111,145	-	17,970	-	-	129,115
	<u>1,326,316</u>	<u>861,056</u>	<u>67,496</u>	<u>306,167</u>	<u>58,722</u>	<u>2,619,757</u>
Current Liabilities Payable from Restricted Assets:						
Accrued interest on long-term debt	23,010	11,839	-	-	22,714	57,563
Current maturities of revenue bonds	337,230	187,770	-	-	36,682	561,682
	<u>360,240</u>	<u>199,609</u>	<u>-</u>	<u>-</u>	<u>59,396</u>	<u>619,245</u>
Total Current Liabilities	<u>1,686,556</u>	<u>1,060,665</u>	<u>67,496</u>	<u>306,167</u>	<u>118,118</u>	<u>3,239,002</u>
Noncurrent Liabilities:						
Compensated absences payable	-	-	-	26,513	25,135	51,648
Net OPEB obligation	-	-	-	9,625	14,438	24,063
Revenue bonds payable, net	1,400,179	625,749	-	-	1,311,054	3,336,982
Installment agreements	31,410	-	-	-	-	31,410
Total Noncurrent Liabilities	<u>1,431,589</u>	<u>625,749</u>	<u>-</u>	<u>36,138</u>	<u>1,350,627</u>	<u>3,444,103</u>
Total Liabilities	<u>3,118,145</u>	<u>1,686,414</u>	<u>67,496</u>	<u>342,305</u>	<u>1,468,745</u>	<u>6,683,105</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,805,503	1,805,352	215,574	3,835	9,826,057	13,656,321
Restricted for debt service	337,230	187,770	-	-	36,682	561,682
Unrestricted	(1,107,691)	(813,589)	909,027	2,941,280	3,526,550	5,455,577
Total Net Assets	<u>\$ 1,035,042</u>	<u>\$ 1,179,533</u>	<u>\$ 1,124,601</u>	<u>\$ 2,945,115</u>	<u>\$ 13,389,289</u>	<u>\$ 19,673,580</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, 2011

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
OPERATING REVENUES						
Charges for services	\$ 2,820,197	\$ 666,591	\$ 209,145	\$ 4,739,150	\$ 2,112,375	\$ 10,547,458
Other operating revenue	18,361	5,855	1,518	197,584	12,757	236,075
Total Operating Revenues	<u>2,838,558</u>	<u>672,446</u>	<u>210,663</u>	<u>4,936,734</u>	<u>2,125,132</u>	<u>10,783,533</u>
OPERATING EXPENSES						
Personal services	-	-	-	270,515	589,854	860,369
Other operating expenses	2,616,519	585,319	63,988	4,021,700	586,811	7,874,337
Depreciation	256,920	41,014	72,967	1,569	427,332	799,802
Total Operating Expenses	<u>2,873,439</u>	<u>626,333</u>	<u>136,955</u>	<u>4,293,784</u>	<u>1,603,997</u>	<u>9,534,508</u>
Operating Income (Loss)	(34,881)	46,113	73,708	642,950	521,135	1,249,025
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	-	-	707	1,573	5,941	8,221
Rent revenue	33,408	-	110	124,426	-	157,944
Interest expense	(103,939)	(48,707)	-	-	(69,311)	(221,957)
Gain (loss) on disposal of equipment	532	(1,118)	-	-	-	(586)
Total Nonoperating Revenues (Expenses)	<u>(69,999)</u>	<u>(49,825)</u>	<u>817</u>	<u>125,999</u>	<u>(63,370)</u>	<u>(56,378)</u>
Income (Loss) Before Capital Contributions and Transfers	(104,880)	(3,712)	74,525	768,949	457,765	1,192,647
Capital Contributions	2,762	-	-	-	72,644	75,406
Transfers out	(33,000)	(15,000)	(50,620)	(182,270)	(147,120)	(428,010)
Change In Net Assets	(135,118)	(18,712)	23,905	586,679	383,289	840,043
Net Assets - October 1, 2010	1,170,160	1,198,245	1,100,696	2,358,436	13,006,000	18,833,537
Net Assets - September 30, 2011	<u>\$ 1,035,042</u>	<u>\$ 1,179,533</u>	<u>\$ 1,124,601</u>	<u>\$ 2,945,115</u>	<u>\$ 13,389,289</u>	<u>\$ 19,673,580</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2011

	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	\$ 2,846,950	\$ 672,446	\$ 205,387	\$ 5,004,626	\$ 1,781,320	\$ 10,510,729
Receipts from others	33,408	-	110	124,426	-	157,944
Payments to suppliers	(2,351,325)	(409,771)	(155,584)	(4,686,171)	(626,324)	(8,229,175)
Payments to employees	-	-	-	(262,184)	(585,310)	(847,494)
Net cash provided by operating activities	<u>529,033</u>	<u>262,675</u>	<u>49,913</u>	<u>180,697</u>	<u>569,686</u>	<u>1,592,004</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY						
Transfers to other funds	(33,000)	(15,000)	(50,620)	(182,270)	(147,120)	(428,010)
Net cash used in noncapital financing activity	<u>(33,000)</u>	<u>(15,000)</u>	<u>(50,620)</u>	<u>(182,270)</u>	<u>(147,120)</u>	<u>(428,010)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(53,917)	(19,983)	-	-	(322,516)	(396,416)
Proceeds from the sale of capital assets	8,936	-	-	-	-	8,936
Principal paid on capital debt	(360,753)	(181,708)	-	-	(35,133)	(577,594)
Interest paid on capital debt	(83,743)	(42,294)	-	-	(69,921)	(195,958)
Net cash used in capital and related financing activities	<u>(489,477)</u>	<u>(243,985)</u>	<u>-</u>	<u>-</u>	<u>(427,570)</u>	<u>(1,161,032)</u>
CASH FLOWS FROM INVESTING ACTIVITY						
Interest received	-	-	707	1,573	5,941	8,221
Net cash provided by investing activity	<u>-</u>	<u>-</u>	<u>707</u>	<u>1,573</u>	<u>5,941</u>	<u>8,221</u>
Net change in cash and cash equivalents	6,556	3,690	-	-	937	11,183
Cash and cash equivalents - October 1, 2010	373,727	197,667	-	-	58,459	629,853
Cash and cash equivalents - September 30, 2011	<u>\$ 380,283</u>	<u>\$ 201,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,396</u>	<u>\$ 641,036</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (34,881)	\$ 46,113	\$ 73,708	\$ 642,950	\$ 521,135	\$ 1,249,025
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	256,920	41,014	72,967	1,569	427,332	799,802
Rent revenue	33,408	-	110	124,426	-	157,944
Change in assets and liabilities:						
Accounts receivable	201	-	-	67,892	-	68,093
Due from other funds	-	-	(976,523)	(2,313,175)	(3,624,845)	(6,914,543)
Inventory	3,338	5,712	-	-	-	9,050
Prepaid expenses	(6,522)	(880)	687	-	475	(6,240)
Accounts payable and accrued expenses	(10,283)	(2,297)	433	(310,835)	(39,988)	(362,970)
Unearned revenue	-	-	(6,030)	-	-	(6,030)
Compensated absences payable	-	-	-	4,607	(1,042)	3,565
Net OPEB obligation	-	-	-	3,724	5,586	9,310
Due to other funds	278,661	173,013	883,807	1,959,539	3,281,033	6,576,053
Refundable deposits	8,191	-	754	-	-	8,945
Total adjustments	<u>563,914</u>	<u>216,562</u>	<u>(23,795)</u>	<u>(462,253)</u>	<u>48,551</u>	<u>342,979</u>
Net cash provided by operating activities	<u>\$ 529,033</u>	<u>\$ 262,675</u>	<u>\$ 49,913</u>	<u>\$ 180,697</u>	<u>\$ 569,686</u>	<u>\$ 1,592,004</u>
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	\$ 2,762	\$ -	\$ -	\$ -	\$ 72,644	\$ 75,406

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, 2011

	Insurance	Central Garage	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,741,251	\$ 100	\$ 1,741,351
Investments	1,500,000	-	1,500,000
Accounts receivable, net	28,851	-	28,851
Due from other funds	5,140,907	2,153,685	7,294,592
Inventory	-	49,727	49,727
Prepaid expenses	392,452	200	392,652
Total Current Assets	<u>8,803,461</u>	<u>2,203,712</u>	<u>11,007,173</u>
Noncurrent Assets:			
Property, land and equipment			
Buildings	-	88,185	88,185
Equipment	137,265	18,774,819	18,912,084
Construction in progress	-	569,887	569,887
Accumulated depreciation	(34,792)	(11,845,035)	(11,879,827)
Total Noncurrent Assets	<u>102,473</u>	<u>7,587,856</u>	<u>7,690,329</u>
Total Assets	<u>8,905,934</u>	<u>9,791,568</u>	<u>18,697,502</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	933,445	28,813	962,258
Compensated absences payable	1,270	-	1,270
Insurance claims payable	1,471,930	-	1,471,930
Total Current Liabilities	<u>2,406,645</u>	<u>28,813</u>	<u>2,435,458</u>
Noncurrent Liabilities:			
Long-term portion of compensated absences payable	49,321	70,710	120,031
Net OPEB obligation	9,625	28,876	38,501
Long-term portion of insurance claims payable	2,524,981	-	2,524,981
Total Noncurrent Liabilities	<u>2,583,927</u>	<u>99,586</u>	<u>2,683,513</u>
Total Liabilities	<u>4,990,572</u>	<u>128,399</u>	<u>5,118,971</u>
NET ASSETS			
Invested in capital assets	102,473	7,587,856	7,690,329
Unrestricted	3,812,889	2,075,313	5,888,202
Total Net Assets	<u>\$ 3,915,362</u>	<u>\$ 9,663,169</u>	<u>\$ 13,578,531</u>

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, 2011

	Insurance	Central Garage	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 11,807,702	\$ 3,086,534	\$ 14,894,236
Other operating revenue	567,990	1,867,533	2,435,523
Total Operating Revenues	<u>12,375,692</u>	<u>4,954,067</u>	<u>17,329,759</u>
OPERATING EXPENSES			
Personal services	319,444	874,259	1,193,703
Other operating expenses	12,371,549	2,185,083	14,556,632
Depreciation	17,012	1,777,610	1,794,622
Total Operating Expenses	<u>12,708,005</u>	<u>4,836,952</u>	<u>17,544,957</u>
Operating Income (Loss)	(332,313)	117,115	(215,198)
NONOPERATING REVENUES			
Interest revenue	15,304	1,716	17,020
Insurance recoveries	-	37,073	37,073
Gain on disposal of equipment	-	113,449	113,449
Total Nonoperating Revenues	<u>15,304</u>	<u>152,238</u>	<u>167,542</u>
Income (Loss) Before Capital Contributions	(317,009)	269,353	(47,656)
Capital contributions	-	52,322	52,322
Change In Net Assets	(317,009)	321,675	4,666
Net Assets - October 1, 2010	4,232,371	9,341,494	13,573,865
Net Assets - September 30, 2011	<u>\$ 3,915,362</u>	<u>\$ 9,663,169</u>	<u>\$ 13,578,531</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2011

	Insurance	Central Garage	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 13,492,079	\$ 5,036,047	\$ 18,528,126
Receipts from others	-	37,073	37,073
Payments to suppliers	(13,142,272)	(2,368,658)	(15,510,930)
Payments to employees	(310,226)	(859,575)	(1,169,801)
Net cash provided by operating activities	<u>39,581</u>	<u>1,844,887</u>	<u>1,884,468</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,304)	(1,981,022)	(1,982,326)
Proceeds from the sale of capital assets	-	134,416	134,416
Net cash used in capital and related financing activities	<u>(1,304)</u>	<u>(1,846,606)</u>	<u>(1,847,910)</u>
CASH FLOWS FROM INVESTING ACTIVITY			
Interest received	15,304	1,719	17,023
Net cash provided by investing activity	<u>15,304</u>	<u>1,719</u>	<u>17,023</u>
Net change in cash and cash equivalents	53,581	-	53,581
Cash and cash equivalents - October 1, 2010	1,687,670	100	1,687,770
Cash and cash equivalents - September 30, 2011	<u>\$ 1,741,251</u>	<u>\$ 100</u>	<u>\$ 1,741,351</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (332,313)	\$ 117,115	\$ (215,198)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	17,012	1,777,610	1,794,622
Insurance recoveries	-	37,073	37,073
Change in assets and liabilities:			
Accounts receivable	(737)	-	(737)
Due from other funds	1,117,124	81,980	1,199,104
Inventory	-	(798)	(798)
Prepaid expenses	(371,101)	-	(371,101)
Accounts payable and accrued expenses	(131,314)	(182,777)	(314,091)
Compensated absences payable	5,494	3,512	9,006
Insurance claims payable	(268,308)	-	(268,308)
Net OPEB obligation	3,724	11,172	14,896
Total adjustments	<u>371,894</u>	<u>1,727,772</u>	<u>2,099,666</u>
Net cash provided by operating activities	<u>\$ 39,581</u>	<u>\$ 1,844,887</u>	<u>\$ 1,884,468</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY			
Equipment contributed from governmental capital assets	\$ -	\$ 52,322	\$ 52,322

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, 2011

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ASSETS			
Cash and cash equivalents	\$ 503,414	\$ 2,415,921	\$ 2,919,335
Investments:			
U.S. Government securities and mutual funds	-	2,966,260	2,966,260
U.S. Government agency securities	-	7,403,586	7,403,586
Municipal obligations	-	253,251	253,251
Domestic fixed income investment fund	-	5,480,664	5,480,664
Corporate bonds and mutual funds	-	17,184,563	17,184,563
Equity securities and mutual funds	14,852,313	42,658,659	57,510,972
Alternative investments	62,437,784	30,720,929	93,158,713
DROP participant directed mutual funds	-	11,918,742	11,918,742
Due from broker for securities sold	-	5,558	5,558
Employee contributions receivable	38,580	80,446	119,026
Employer contributions receivable	-	291,641	291,641
Prepaid expenses	75,678	224,361	300,039
Interest and dividends receivable	30,296	277,281	307,577
Total Assets	<u>77,938,065</u>	<u>121,881,862</u>	<u>199,819,927</u>
LIABILITIES			
Accounts payable	36,166	146,910	183,076
Due to broker for securities purchased	-	129,172	129,172
Total Liabilities	<u>36,166</u>	<u>276,082</u>	<u>312,248</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 77,901,899</u>	<u>\$ 121,605,780</u>	<u>\$ 199,507,679</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2011

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 2,305,392	\$ 8,007,046	\$ 10,312,438
State	-	1,614,377	1,614,377
Plan members	679,141	1,299,006	1,978,147
Total contributions	<u>2,984,533</u>	<u>10,920,429</u>	<u>13,904,962</u>
Investment earnings			
Net appreciation (depreciation) in fair value of investments	722,257	(1,114,998)	(392,741)
Interest and dividends	288,906	2,944,616	3,233,522
	<u>1,011,163</u>	<u>1,829,618</u>	<u>2,840,781</u>
Less investment expenses - custodian fees	134,188	499,844	634,032
Net investment earnings	<u>876,975</u>	<u>1,329,774</u>	<u>2,206,749</u>
Other income	<u>40,783</u>	<u>109,548</u>	<u>150,331</u>
Total additions	<u>3,902,291</u>	<u>12,359,751</u>	<u>16,262,042</u>
DEDUCTIONS			
Benefits	3,859,290	8,822,285	12,681,575
Refunds of contributions	44,546	62,209	106,755
Other operating expenses	137,967	224,458	362,425
Total deductions	<u>4,041,803</u>	<u>9,108,952</u>	<u>13,150,755</u>
Change In Net Assets	(139,512)	3,250,799	3,111,287
Net Assets - October 1, 2010	78,041,411	118,354,981	196,396,392
Net Assets - September 30, 2011	<u>\$ 77,901,899</u>	<u>\$ 121,605,780</u>	<u>\$ 199,507,679</u>

Other Supplementary Information

City of Delray Beach, Florida
Schedules of Revenue and Other Financing Sources—
Budget and Actual—General Fund
For the Fiscal Year Ended September 30, 2011

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Ad valorem	\$ 47,139,830	\$ 47,467,480	\$ 327,650
Sales and use	1,310,000	1,293,963	(16,037)
Utility	4,850,000	5,066,109	216,109
Communications Services Tax	3,750,000	3,711,866	(38,134)
Business tax receipts	690,000	702,394	12,394
Total taxes	57,739,830	58,241,812	501,982
Fees and permits:			
Building permits	2,025,500	2,166,252	140,752
Franchise fees	4,665,020	4,857,533	192,513
Miscellaneous	999,800	834,050	(165,750)
License fees	72,000	100,125	28,125
Total fees and permits	7,762,320	7,957,960	195,640
Intergovernmental:			
Federal shared revenue:			
Hazmat Sustainment	151,588	7,785	(143,803)
Speed Enforcement Program	33,523	28,768	(4,755)
Justice Assistance Grants	67,570	53,157	(14,413)
Total federal shared revenue	252,681	89,710	(162,971)
State shared revenue:			
State revenue sharing	1,595,000	1,701,690	106,690
Local government sales tax	4,025,000	4,068,929	43,929
Alcoholic beverage licenses tax	72,000	72,789	789
Municipal fuel tax refund	48,000	50,715	2,715
Mobile home licenses tax	1,000	531	(469)
Fire incentive	51,960	58,758	6,798
State grants	29,708	29,708	-
Total state shared revenue	5,822,668	5,983,120	160,452
Shared revenue from local units:			
County occupational licenses	120,000	115,672	(4,328)
Total shared revenue from local units	120,000	115,672	(4,328)
Total intergovernmental	6,195,349	6,188,502	(6,847)

Continued on next page.

City of Delray Beach, Florida

Schedules of Revenue and Other Financing Sources—
Budget and Actual—General Fund (Continued)

For the Fiscal Year Ended September 30, 2011

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue (continued):			
Charges for services:			
General government	\$ 622,910	\$ 523,291	\$ (99,619)
Public safety	6,392,330	5,749,990	(642,340)
Physical environment	91,000	84,504	(6,496)
Parking	1,264,400	1,330,060	65,660
Culture and recreation	1,051,600	1,169,235	117,635
Total charges for services	9,422,240	8,857,080	(565,160)
Fines and forfeitures:			
Court	734,000	904,381	170,381
Penalties on licenses and permits	70,000	50,360	(19,640)
Violations of local ordinances	136,500	117,519	(18,981)
Total fines and forfeitures	940,500	1,072,260	131,760
Miscellaneous:			
Interest	166,500	178,323	11,823
Rents and special assessments	270,100	276,019	5,919
Sale of capital assets	2,000	1,903	(97)
Contributions and donations	2,542,883	2,539,163	(3,720)
Recovery of administrative costs	2,628,750	2,446,000	(182,750)
Other	258,054	389,896	131,842
Total miscellaneous	5,868,287	5,831,304	(36,983)
Total revenue	87,928,526	88,148,918	220,392
Other financing sources:			
Transfers in:			
Water and Sewer Fund	1,811,020	1,811,020	-
Delray Beach Municipal Golf Course Fund	48,000	48,000	-
City Marina Fund	50,620	50,620	-
Utilities Tax Fund	1,568,100	1,566,360	(1,740)
Sanitation Fund	85,270	85,270	-
Stormwater Utility Fund	147,120	147,120	-
Special Projects Fund	12,000	12,000	-
Total other financing sources	3,722,130	3,720,390	(1,740)
Total revenue and other financing sources	<u>\$ 91,650,656</u>	<u>91,869,308</u>	<u>\$ 218,652</u>
Reconciliation to GAAP basis statements:			
On-behalf payments		1,614,377	
Revenue and other financing sources - GAAP basis		<u>\$ 93,483,685</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, 2011

	Original	Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
General government:							
City commission	\$	229,210	\$ 244,889	\$ 213,816	\$ 9,000	\$ 222,816	\$ 22,073
City manager		516,560	529,742	530,388	-	530,388	(646)
Human resources		514,230	520,340	518,549	-	518,549	1,791
Public information office		94,190	108,160	104,535	-	104,535	3,625
City clerk		562,850	539,310	519,935	-	519,935	19,375
Finance		1,611,500	1,638,530	1,565,204	14,866	1,580,070	58,460
Information technology		1,575,560	1,592,810	1,548,853	-	1,548,853	43,957
City attorney		851,380	896,494	790,389	-	790,389	106,105
Administrative services administration		636,380	641,890	620,809	-	620,809	21,081
Clean and Safe		225,900	201,420	201,056	-	201,056	364
Cemetery		360,980	362,960	373,534	103	373,637	(10,677)
Old School Square		194,750	194,750	194,750	-	194,750	-
Library		1,453,500	1,453,500	1,453,500	-	1,453,500	-
Miscellaneous grants		158,250	208,250	213,552	-	213,552	(5,302)
Transfers to component units		6,456,030	6,446,350	6,418,010	-	6,418,010	28,340
Miscellaneous (nondepartmental)		27,700	38,233	42,301	-	42,301	(4,068)
Total general government		15,468,970	15,617,628	15,309,181	23,969	15,333,150	284,478
Public safety:							
Law enforcement		26,241,690	27,271,391	26,506,501	47,011	26,553,512	717,879
Fire control		22,145,020	22,450,235	22,222,530	39,884	22,262,414	187,821
Community improvement administration		449,450	452,020	445,512	-	445,512	6,508
Planning and zoning		1,123,050	1,142,216	1,116,306	-	1,116,306	25,910
Building inspection		1,292,800	1,288,620	1,256,552	-	1,256,552	32,068
Code compliance		938,220	963,320	949,991	3,200	953,191	10,129
Total public safety		52,190,230	53,567,802	52,497,392	90,095	52,587,487	980,315
Physical environment:							
Engineering		208,020	277,520	242,270	5,450	247,720	29,800
Parking facilities		982,730	978,190	881,957	-	881,957	96,233
Public works:							
Traffic operations		419,450	420,460	435,056	750	435,806	(15,346)
Administration		179,680	181,210	178,548	-	178,548	2,662
Street lighting		814,560	832,840	703,253	30,000	733,253	99,587
Street maintenance		801,180	802,010	784,016	-	784,016	17,994
Building maintenance		579,420	581,370	555,449	-	555,449	25,921
Total physical environment		3,985,040	4,073,600	3,780,549	36,200	3,816,749	256,851

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, 2011

	Original	Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
Parks and recreation:							
Administration	\$	605,070	\$ 606,076	\$ 587,640	\$ -	\$ 587,640	\$ 18,436
After school program		499,000	474,516	434,871	-	434,871	39,645
Teen center		246,730	247,170	233,287	-	233,287	13,883
Beach operations		1,418,810	1,440,457	1,415,658	-	1,415,658	24,799
Catherine Strong Park		172,770	167,870	154,846	-	154,846	13,024
Community center		278,540	272,086	264,162	-	264,162	7,924
Veteran's park		140,570	141,129	139,696	-	139,696	1,433
C. Spencer Pompey Park		879,120	821,840	784,936	-	784,936	36,904
Parks maintenance		3,824,990	3,916,659	3,879,666	-	3,879,666	36,993
Special events		126,120	127,030	128,990	-	128,990	(1,960)
Tennis centers		1,130,350	1,176,415	1,144,856	499	1,145,355	31,060
Stadium		2,154,390	2,132,240	2,091,098	-	2,091,098	41,142
Aquatics		356,310	381,430	364,016	-	364,016	17,414
Athletics		477,010	478,082	452,244	250	452,494	25,588
Total parks and recreation		12,309,780	12,383,000	12,075,966	749	12,076,715	306,285
Debt service:							
Principal retirement		3,587,380	3,501,380	3,466,375	-	3,466,375	35,005
Interest and fiscal charges		1,549,140	1,547,140	1,546,191	-	1,546,191	949
Total debt service		5,136,520	5,048,520	5,012,566	-	5,012,566	35,954
Total expenditures and encumbrances		89,090,540	90,690,550	88,675,654	151,013	88,826,667	1,863,883
Other financing uses:							
Transfers out to other funds:							
Community Development Fund		149,430	149,430	149,430	-	149,430	-
Beautification Fund		900,000	900,000	879,566	-	879,566	20,434
Utilities Tax Fund		1,199,740	1,199,740	1,199,740	-	1,199,740	-
Capital Improvement Fund		2,000,000	2,000,000	2,000,000	-	2,000,000	-
Special Project Fund		-	158	158	-	158	-
Beach Restoration Fund		15,000	15,000	15,000	-	15,000	-
Total other financing uses		4,264,170	4,264,328	4,243,894	-	4,243,894	20,434
Total expenditures, encumbrances and other financing uses	\$	93,354,710	\$ 94,954,878	\$ 92,919,548	\$ 151,013	93,070,561	\$ 1,884,317
Reconciliation to GAAP basis statements:							
Current year encumbrances outstanding						(151,013)	
Prior year encumbrances paid in current year						259,283	
On-behalf payments						1,614,377	
Expenditures and other financing uses - GAAP basis						\$ 94,793,208	

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
2012	\$ 3,573,840	\$ 3,557,502	\$ 5,312,521	\$ 103,628	\$ 12,547,491
2013	3,569,827	6,564,315	5,866,575	94,992	16,095,709
2014	2,168,937	3,341,602	5,869,966	-	11,380,505
2015	2,167,092	3,343,718	5,867,438	-	11,378,248
2016	2,171,935	3,342,026	2,058,758	-	7,572,719
2017	2,174,200	2,793,154	2,058,209	-	7,025,563
2018	2,179,513	2,793,728	2,055,321	-	7,028,562
2019	2,176,519	2,801,632	2,050,093	-	7,028,244
2020	2,184,761	2,591,500	2,052,307	-	6,828,568
2021	2,188,864	2,587,750	2,066,464	-	6,843,078
2022	2,188,760	2,590,750	2,062,611	-	6,842,121
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
	<u>\$ 31,144,250</u>	<u>\$ 62,207,677</u>	<u>\$ 37,320,263</u>	<u>\$ 198,620</u>	<u>\$ 130,870,810</u>

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
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>\$ 24,605,000</u>	<u>\$ 6,539,250</u>	<u>\$ 31,144,250</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			
2012	\$ 1,960,000	\$ 100,375	\$ 51,375	\$ 51,375	\$ 2,111,750	\$ 2,106,375	5.00%
2013	2,055,000	51,375	-	-	2,106,375	-	5.00
	<u>\$ 4,015,000</u>	<u>\$ 151,750</u>	<u>\$ 51,375</u>	<u>\$ 51,375</u>	<u>\$ 4,218,125</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 – 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			
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>\$ 10,590,000</u>	<u>\$ 1,622,378</u>	<u>\$ 1,412,833</u>	<u>\$ 13,625,211</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 – Moody's Aaa (FSA insured)
Standard & Poor's AAA (FSA insured)

Projects: The bonds were issued for the purpose of acquiring land and constructing and developing parks and recreation facilities 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			
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	-	4.15	
	<u>\$ 10,000,000</u>	<u>\$ 1,754,207</u>	<u>\$ 1,546,707</u>	<u>\$ 13,300,914</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 and constructing and developing parks and recreation facilities 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
2012	\$ 1,630,000	\$ 1,927,502	\$ 3,557,502	\$ 58,650,175
2013	4,705,000	1,859,315	6,564,315	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>\$ 40,380,000</u>	<u>\$ 21,827,677</u>	<u>\$ 62,207,677</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	June 1			
2012	\$ 495,000	\$ 114,341	\$ 114,341	\$ 114,341	\$ 723,682	\$ 4,688,989	5.245%
2013	520,000	101,360	101,359	101,359	722,719	3,966,270	5.245
2014	545,000	87,723	87,723	87,723	720,446	3,245,824	5.245
2015	580,000	73,430	73,430	73,430	726,860	2,518,964	5.245
2016	510,000	58,219	58,219	58,219	626,438	1,892,526	5.245
2017	540,000	44,845	44,845	44,845	629,690	1,262,836	5.245
2018	570,000	30,683	30,683	30,683	631,366	631,470	5.245
2019	600,000	15,735	15,735	15,735	631,470	-	5.245
	<u>\$ 4,360,000</u>	<u>\$ 526,336</u>	<u>\$ 526,335</u>	<u>\$ 526,335</u>	<u>\$ 5,412,671</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	December 1	June 1	June 1			
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>\$ 2,315,000</u>	<u>\$ 138,188</u>	<u>\$ 138,188</u>	<u>\$ 2,591,376</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 – 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 bonds are governmental activities debt and approximately 81% of the bonds are 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	June 1			
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>\$ 6,125,000</u>	<u>\$ 539,063</u>	<u>\$ 539,063</u>	<u>\$ 7,203,126</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 95% of the bonds are governmental activities debt and approximately 5% 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			
	June 1	December 1	June 1				
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	0.00	
2018	-	608,250	608,250	1,216,500	34,886,500	0.00	
2019	-	608,250	608,250	1,216,500	33,670,000	0.00	
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>\$ 24,580,000</u>	<u>\$ 9,554,000</u>	<u>\$ 9,554,000</u>	<u>\$ 43,688,000</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 Bonds: June 1, 2028 through 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 – Utilities service tax revenues
- Denomination – N/A
- Call Features – Penalty for early payment
- Paying Agent – Commerce Bank
- Ratings – 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	December 1			
2012	\$ -	\$ 78,233	\$ 78,233		\$ 156,466	\$ 3,156,038	(1)
2013	3,000,000	78,233	77,805		3,156,038	-	(1)
	<u>\$ 3,000,000</u>	<u>\$ 156,466</u>	<u>\$ 156,038</u>		<u>\$ 3,312,504</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 (London Inter Bank Offered Rate) plus sixty two and one half basis points (.625). Rate at September 30, 2011 was .88125%.

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
2012	\$ 1,915,737	\$ 3,396,784	\$ 5,312,521	\$ 32,007,742
2013	2,343,206	3,523,369	5,866,575	26,141,167
2014	2,276,725	3,593,241	5,869,966	20,271,201
2015	2,223,726	3,643,712	5,867,438	14,403,763
2016	1,620,000	438,758	2,058,758	12,345,005
2017	1,680,000	378,209	2,058,209	10,286,796
2018	1,740,000	315,321	2,055,321	8,231,475
2019	1,800,000	250,093	2,050,093	6,181,382
2020	1,870,000	182,307	2,052,307	4,129,075
2021	1,955,000	111,464	2,066,464	2,062,611
2022	2,025,000	37,611	2,062,611	-
	<u>\$ 21,449,394</u>	<u>\$ 15,870,869</u>	<u>\$ 37,320,263</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				
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	5.85
2015	1,313,726	3,161,274	-	-	4,475,000	-	5.85
	<u>\$ 5,769,394</u>	<u>\$ 12,130,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,900,000</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 and April 1
- 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 – 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 2006B)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal October 1	October 1	October 1	April 1			
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>\$ 1,850,000</u>	<u>\$ 238,704</u>	<u>\$ 201,889</u>	<u>\$ 2,290,593</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		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal October 1	October 1	April 1				
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>\$ 8,400,000</u>	<u>\$ 1,402,599</u>	<u>\$ 1,217,382</u>	<u>\$ 11,019,981</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 Treatment and Deepwell Project at the South Central Regional Wastewater Treatment Facility.

City of Delray Beach, Florida

Schedule of Water and Sewer Refunding Revenue Bond (Series 2011A)

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				
2012	\$ -	\$ -	\$ 60,668	\$ 60,668	\$ 6,049,021	2.21%	
2013	500,000	60,001	54,476	614,477	5,434,544	2.21	
2014	515,000	54,477	48,786	618,263	4,816,281	2.21	
2015	525,000	48,786	42,984	616,770	4,199,511	2.21	
2016	515,000	42,984	37,294	595,278	3,604,233	2.21	
2017	530,000	37,294	31,437	598,731	3,005,502	2.21	
2018	540,000	31,437	25,471	596,908	2,408,594	2.21	
2019	555,000	25,471	19,337	599,808	1,808,786	2.21	
2020	565,000	19,338	13,094	597,432	1,211,354	2.21	
2021	585,000	13,094	6,630	604,724	606,630	2.21	
2022	600,000	6,630	-	606,630	-	2.21	
	<u>\$ 5,430,000</u>	<u>\$ 339,512</u>	<u>\$ 340,177</u>	<u>\$ 6,109,689</u>			

- Original Authorization – \$5,430,000
- Issued – \$5,430,000
- Date of Issue – September 29, 2011
- Maturity Range – Serial Bonds: October 1, 2012 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 – None
- Call Features – 1% penalty for early payment
- Paying Agent – Branch Banking and Trust Company
- Ratings – N/A

Projects: The bonds were issued to finance the cost of refunding the Series 2006A Water and Sewer Revenue Bonds.

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
2012	\$ 99,548	\$ 4,080	\$ 103,628	\$ 94,992
2013	93,694	1,298	94,992	-
	<u>\$ 193,242</u>	<u>\$ 5,378</u>	<u>\$ 198,620</u>	

Schedule of installment agreements consists of the following:

- SunTrust Leasing – Original amount of principal—\$260,600, 48-month term, 2.760% interest, dates September 18, 2009 through August 18, 2013—parking meters.

- SunTrust Leasing – Original amount of principal—\$131,420, 48-month term, 2.760% 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			
2012	\$ 1,595,000	\$	512,558	\$	2,107,558	\$ 11,099,566	4.2982 - 5.9095 %
2013	1,670,000		437,454		2,107,454	8,992,112	4.2982 - 5.9095
2014	1,750,000		358,764		2,108,764	6,883,348	4.2982 - 5.9095
2015	1,420,000		276,274		1,696,274	5,187,074	4.2982 - 5.9095
2016	1,250,000		209,746		1,459,746	3,727,328	4.2982 - 5.9095
2017	1,090,000		151,440		1,241,440	2,485,888	4.2982 - 4.8000
2018	1,140,000		103,184		1,243,184	1,242,704	4.2982 - 4.8000
2019	1,190,000		52,704		1,242,704	-	4.2982 - 4.8000
	<u>\$ 11,105,000</u>	<u>\$</u>	<u>2,102,124</u>	<u>\$</u>	<u>13,207,124</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.

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.....	109
<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.....	123
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	126
<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	130
<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.....	132
<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 Nine Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 25,996,353	\$ 15,130,555	\$ 24,817,964	\$ 55,464,989
Restricted	5,992,593	24,530,625	22,855,797	8,014,482
Unrestricted	8,359,365	13,393,763	20,185,194	22,245,386
Total governmental activities net assets	\$ 40,348,311	\$ 53,054,943	\$ 67,858,955	\$ 85,724,857
Business-type activities				
Invested in capital assets, net of related debt	\$ 53,818,297	\$ 54,347,706	\$ 59,315,335	\$ 59,024,376
Restricted	5,387,916	4,859,275	4,469,621	1,338,263
Unrestricted	20,023,794	23,182,592	23,565,069	34,032,926
Total business-type activities net assets	\$ 79,230,007	\$ 82,389,573	\$ 87,350,025	\$ 94,395,565
Primary government				
Invested in capital assets, net of related debt	\$ 79,814,650	\$ 69,478,261	\$ 84,133,299	\$ 114,489,365
Restricted	11,380,509	29,389,900	27,325,418	9,352,745
Unrestricted	28,383,159	36,576,355	43,750,263	56,278,312
Total primary government net assets	\$ 119,578,318	\$ 135,444,516	\$ 155,208,980	\$ 180,120,422

Information prior to the adoption of GASB Statement 34 in fiscal year 2003 is not available.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 51,049,876	\$ 70,521,186	\$ 76,546,448	\$ 77,727,858	\$ 78,779,535
20,850,170	12,644,718	10,728,740	13,592,226	6,520,365
23,371,450	23,694,418	23,962,095	21,879,827	26,242,684
<u>\$ 95,271,496</u>	<u>\$ 106,860,322</u>	<u>\$ 111,237,283</u>	<u>\$ 113,199,911</u>	<u>\$ 111,542,584</u>
\$ 54,782,750	\$ 65,505,859	\$ 66,198,545	\$ 69,465,739	\$ 74,942,051
7,038,221	6,658,262	1,592,060	7,116,700	4,089,921
40,529,960	38,161,102	43,117,847	39,543,220	38,297,015
<u>\$ 102,350,931</u>	<u>\$ 110,325,223</u>	<u>\$ 110,908,452</u>	<u>\$ 116,125,659</u>	<u>\$ 117,328,987</u>
\$ 105,832,626	\$ 136,027,045	\$ 142,744,993	\$ 147,193,597	\$ 153,721,586
27,888,391	19,302,980	12,320,800	20,708,926	10,610,286
63,901,410	61,855,520	67,079,942	61,423,047	64,539,699
<u>\$ 197,622,427</u>	<u>\$ 217,185,545</u>	<u>\$ 222,145,735</u>	<u>\$ 229,325,570</u>	<u>\$ 228,871,571</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Assets

Last Nine Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 12,615,732	\$ 13,504,963	\$ 16,634,186	\$ 20,944,239
Public safety	41,494,100	42,413,760	44,818,400	49,389,129
Physical environment	4,129,748	4,154,255	4,569,904	5,931,521
Parks and recreation	10,804,249	10,608,918	11,164,817	12,428,343
Interest on long-term debt	1,715,063	2,476,264	2,078,244	2,755,249
Total governmental activities expenses	<u>70,758,892</u>	<u>73,158,160</u>	<u>79,265,551</u>	<u>91,448,481</u>
Business-type activities:				
Water/Sewer Utility	18,865,811	22,835,889	19,975,077	20,432,143
Municipal Golf Course	2,942,377	3,381,336	3,382,942	3,467,334
Lakeview Golf Course	700,932	696,573	709,142	653,116
City Marina	103,101	104,143	109,026	114,222
Sanitation	2,354,354	4,338,426	3,788,232	9,053,052
Stormwater Utility	1,429,557	1,078,343	1,111,291	1,050,275
Total business-type activities expenses	<u>26,396,132</u>	<u>32,434,710</u>	<u>29,075,710</u>	<u>34,770,142</u>
Total primary government expenses	<u>\$ 97,155,024</u>	<u>\$ 105,592,870</u>	<u>\$ 108,341,261</u>	<u>\$ 126,218,623</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 3,826,407	\$ 3,623,697	\$ 4,367,332	\$ 4,986,337
Public safety	6,041,301	5,481,990	5,823,023	5,310,373
Physical environment	615,657	633,729	598,019	641,251
Parks and recreation	1,264,769	1,092,586	1,157,013	1,143,867
Operating grants and contributions:				
General government	1,326,703	1,975,397	1,829,154	3,260,394
Public safety	784,980	1,868,212	2,006,827	1,825,883
Physical environment	238,877	360,352	427,188	1,226,975
Parks and recreation	97,473	57,955	398,307	3,137,386
Capital grants and contributions:				
General government	-	1,611,519	1,184,058	342,025
Public safety	-	-	-	-
Physical environment	202,031	152,477	470,063	-
Parks and recreation	150,000	1,641,635	479,116	-
Total governmental activities program revenues	<u>14,548,198</u>	<u>18,499,549</u>	<u>18,740,100</u>	<u>21,874,491</u>
Business-type activities:				
Charges for services:				
Water/Sewer	22,716,982	23,635,054	24,426,939	25,748,645
Municipal Golf Course	2,475,728	3,294,989	3,300,439	3,437,934
Lakeview Golf Course	828,116	827,397	823,777	768,299
City Marina	109,352	150,644	155,200	149,294
Sanitation	2,521,938	2,602,241	2,538,402	2,615,981
Stormwater Utility	1,629,589	1,661,505	1,672,635	1,702,322
Operating Capital grants and contributions:				
Water/Sewer	323,978	2,038,967	786,217	1,913,869
Municipal Golf Course	92,298	113,720	130,408	131,171
Lakeview Golf Course	4,336	17,165	35,502	55,415
City Marina	205	56,912	2,177	273
Sanitation	103,703	1,790,775	1,237,680	5,663,671
Stormwater Utility	260,465	30,435	20,552	45,157
Capital grants and contributions:				
Water/Sewer	1,909,473	1,968,840	1,290,786	967,462
Municipal Golf Course	10,508	-	-	-
Stormwater Utility	-	-	-	146,026
Total business-type activities program revenues	<u>32,986,671</u>	<u>38,188,644</u>	<u>36,420,714</u>	<u>43,345,519</u>
Total primary government program revenues	<u>\$ 47,534,869</u>	<u>\$ 56,688,193</u>	<u>\$ 55,160,814</u>	<u>\$ 65,220,010</u>
Net (expense)/revenue				
Governmental activities	\$ (56,210,694)	\$ (54,658,611)	\$ (60,525,451)	\$ (69,573,990)
Business-type activities	6,590,539	5,753,934	7,345,004	8,575,377
Total primary government net expense	<u>\$ (49,620,155)</u>	<u>\$ (48,904,677)</u>	<u>\$ (53,180,447)</u>	<u>\$ (60,998,613)</u>

Note: Pg 1 of 2

Fiscal Year				
2007	2008	2009	2010	2011
\$ 25,304,576	\$ 25,137,520	\$ 22,331,793	\$ 22,451,901	\$ 18,350,964
55,930,194	56,742,719	54,234,648	56,042,835	56,586,070
7,194,134	8,130,445	9,859,520	8,378,489	7,559,512
14,723,853	14,457,336	14,790,100	15,334,070	15,647,602
1,389,786	2,832,011	3,278,142	2,863,293	2,701,776
<u>104,542,543</u>	<u>107,300,031</u>	<u>104,494,203</u>	<u>105,070,588</u>	<u>100,845,924</u>
22,407,194	23,932,410	25,636,462	26,196,959	29,558,007
3,440,617	3,265,478	2,952,315	3,006,373	2,976,846
748,549	704,782	744,544	669,681	676,158
120,146	121,004	131,235	137,095	136,955
2,897,768	3,476,663	4,443,701	4,391,569	4,293,784
1,331,003	1,506,764	1,390,004	1,490,446	1,677,612
<u>30,945,277</u>	<u>33,007,101</u>	<u>35,298,261</u>	<u>35,892,123</u>	<u>39,319,362</u>
<u>\$ 135,487,820</u>	<u>\$ 140,307,132</u>	<u>\$ 139,792,464</u>	<u>\$ 140,962,711</u>	<u>\$ 140,165,286</u>
\$ 4,521,285	\$ 4,622,167	\$ 3,216,555	\$ 3,279,505	\$ 3,623,718
6,033,201	6,543,112	6,739,002	7,346,627	7,022,063
626,974	649,216	971,381	1,371,036	1,419,279
1,236,660	1,282,353	1,465,722	1,578,023	1,726,011
3,165,420	3,945,992	4,645,288	4,930,159	2,529,998
2,033,988	2,292,523	1,986,484	1,921,898	1,844,661
547,284	103,357	24,979	92,887	-
1,345,900	997,425	143,090	89,883	466,706
1,383,440	622,993	848,436	598,366	414,403
-	749,250	200,900	-	-
-	8,250,000	40,977	160,346	18,424
-	-	-	-	-
<u>20,894,152</u>	<u>30,058,388</u>	<u>20,282,814</u>	<u>21,368,730</u>	<u>19,065,263</u>
29,162,001	29,245,949	33,445,652	31,861,348	31,962,663
3,467,778	3,459,044	3,303,511	2,995,351	2,820,197
853,654	681,561	749,367	666,964	666,591
160,605	208,598	204,467	185,435	209,145
3,094,658	3,383,499	4,942,922	4,770,585	4,739,150
2,097,527	2,090,146	2,095,636	2,105,069	2,112,375
951,487	2,595,258	1,092,926	386,822	511,829
182,796	43,969	37,040	43,671	51,769
6,171	5,410	5,985	5,643	5,855
491	884	35,653	9,997	1,628
115,040	417,250	130,030	780,500	322,010
362,325	17,509	17,366	13,260	12,757
1,424,878	996,447	1,102,611	872,684	713,526
-	-	-	-	2,762
-	-	-	-	72,644
<u>41,879,411</u>	<u>43,145,524</u>	<u>47,163,166</u>	<u>44,697,329</u>	<u>44,204,901</u>
<u>\$ 62,773,563</u>	<u>\$ 73,203,912</u>	<u>\$ 67,445,980</u>	<u>\$ 66,066,059</u>	<u>\$ 63,270,164</u>
\$ (83,648,391)	\$ (77,241,643)	\$ (84,211,389)	\$ (83,701,858)	\$ (81,780,661)
10,934,134	10,138,423	11,864,905	8,805,206	4,885,539
<u>\$ (72,714,257)</u>	<u>\$ (67,103,220)</u>	<u>\$ (72,346,484)</u>	<u>\$ (74,896,652)</u>	<u>\$ (76,895,122)</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Assets

Last Nine Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2003	2004	2005	2006
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
Franchise fees	3,467,379	3,817,080	3,989,989	4,879,168
Utility service taxes	8,093,064	7,704,692	8,088,142	8,678,710
Sales taxes	1,715,268	1,806,689	1,895,507	1,488,936
Local business tax	-	-	-	-
Intergovernmental, unrestricted	5,827,651	6,443,433	6,928,194	7,393,652
Investment earnings	460,913	462,340	1,543,167	2,561,044
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
Transfers	2,586,058	2,672,550	2,575,410	1,976,519
Total governmental activities	<u>52,837,001</u>	<u>66,273,167</u>	<u>75,326,463</u>	<u>87,439,892</u>
Business-type activities				
Investment earnings	128,491	78,182	190,858	446,682
Transfers	(2,586,058)	(2,672,550)	(2,575,410)	(1,976,519)
Total business-type activities	<u>(2,457,567)</u>	<u>(2,594,368)</u>	<u>(2,384,552)</u>	<u>(1,529,837)</u>
Total primary government	<u>\$ 50,379,434</u>	<u>\$ 63,678,799</u>	<u>\$ 72,941,911</u>	<u>\$ 85,910,055</u>
Changes in Net Assets				
Governmental activities	\$ (3,373,694)	\$ 11,914,556	\$ 14,804,012	\$ 17,865,902
Business-type activities	4,132,972	3,159,566	4,960,452	7,045,540
Total primary government	<u>\$ 759,278</u>	<u>\$ 15,074,122</u>	<u>\$ 19,764,464</u>	<u>\$ 24,911,442</u>

Note: Pg 2 of 2

Information prior to the adoption of GASB Statement 34 in fiscal year 2003 is not available

Fiscal Year				
2007	2008	2009	2010	2011
\$ 59,091,002	\$ 55,302,837	\$ 53,984,307	\$ 56,656,596	\$ 47,467,480
5,257,560	5,247,442	5,333,561	4,986,589	4,857,533
8,222,944	8,338,282	8,958,175	9,038,143	8,777,975
1,438,613	1,365,552	1,308,213	1,301,502	1,293,963
-	-	789,705	616,861	702,394
6,927,534	6,532,854	5,917,818	5,763,694	5,983,120
2,816,429	2,064,705	322,165	227,535	306,887
-	-	-	-	-
5,724,228	7,320,429	8,425,515	7,479,767	7,022,162
3,716,720	2,659,368	3,547,891	3,593,799	3,711,820
<u>93,195,030</u>	<u>88,831,469</u>	<u>88,587,350</u>	<u>89,664,486</u>	<u>80,123,334</u>
737,952	495,237	6,897	5,800	29,609
<u>(3,716,720)</u>	<u>(2,659,368)</u>	<u>(3,547,891)</u>	<u>(3,593,799)</u>	<u>(3,711,820)</u>
<u>(2,978,768)</u>	<u>(2,164,131)</u>	<u>(3,540,994)</u>	<u>(3,587,999)</u>	<u>(3,682,211)</u>
<u>\$ 90,216,262</u>	<u>\$ 86,667,338</u>	<u>\$ 85,046,356</u>	<u>\$ 86,076,487</u>	<u>\$ 76,441,123</u>
\$ 9,546,639	\$ 11,589,826	\$ 11,833,506	\$ 1,962,628	\$ (1,657,327)
7,955,366	7,974,292	8,323,911	5,217,207	1,203,328
<u>\$ 17,502,005</u>	<u>\$ 19,564,118</u>	<u>\$ 20,157,417</u>	<u>\$ 7,179,835</u>	<u>\$ (453,999)</u>

CITY OF DELRAY BEACH, FLORIDA

Governmental Activities Tax Revenues by Source

Last Nine Fiscal Years

Accrual Basis of Accounting

Fiscal Year	Property Taxes	Franchise Fees ⁽¹⁾	Utility Service Tax	Sales and Use Tax	Local Business Tax ⁽²⁾	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	-	8,958,175	1,308,213	789,705	64,250,695
2010	52,656,596	-	9,038,143	1,301,502	616,861	62,996,241
2011	47,467,480	-	8,777,975	1,293,963	702,394	57,539,418

Information prior to the adoption of GASB Statement 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

	2002	2003	2004	2005
General fund				
Reserved	\$ 5,124,437	\$ 4,947,799	\$ 4,967,938	\$ 4,966,646
Unreserved	9,063,157	9,833,986	9,755,423	12,760,913
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Assigned to:				
Special purposes	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 14,187,594</u>	<u>\$ 14,781,785</u>	<u>\$ 14,723,361</u>	<u>\$ 17,727,559</u>
 All other governmental funds				
Reserved	\$ 126,308,825	\$ 1,054,524	\$ 691,647	\$ 685,255
Unreserved, reported in:				
Capital Project Funds	-	1,034,344	23,844,943	22,170,982
Fiduciary Funds	1,071,679	-	-	-
Special revenue funds	990,931	3,903,725	4,069,657	5,027,645
Nonspendable:				
Prepaid items	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Law enforcement	-	-	-	-
Assigned to:				
Capital Projects Funds	-	-	-	-
Special Revenue Funds	-	-	-	-
Unassigned				
Special Revenue Funds (deficit)	-	-	-	-
Total all other governmental funds	<u>\$ 128,371,435</u>	<u>\$ 5,992,593</u>	<u>\$ 28,606,247</u>	<u>\$ 27,883,882</u>

Note: GASB Statement No. 54 was adopted for 2011 resulting in the reclassification of the Governmental Funds fund balances.

	2006	2007	2008	2009	2010	2011
\$	4,678,873	\$ 4,557,940	\$ 4,328,761	\$ 3,992,760	\$ 3,723,755	\$ -
	15,897,538	18,828,235	18,593,915	19,747,589	20,337,823	-
	-	-	-	-	-	27,178
	-	-	-	-	-	719,973
	-	-	-	-	-	3,165,084
	-	-	-	-	-	5,984
	-	-	-	-	-	151,013
	-	-	-	-	-	18,682,823
\$	20,576,411	\$ 23,386,175	\$ 22,922,676	\$ 23,740,349	\$ 24,061,578	\$ 22,752,055

\$	686,909	\$ 744,096	\$ 2,563,856	\$ 767,398	\$ 789,940	\$ -
	7,327,573	20,161,989	11,584,321	9,962,213	7,421,960	-
	-	-	-	-	-	-
	3,764,814	3,488,365	3,389,886	3,500,989	5,377,312	-
	-	-	-	-	-	289
	-	-	-	-	-	1,726,988
	-	-	-	-	-	505,430
	-	-	-	-	-	298,655
	-	-	-	-	-	5,716,280
	-	-	-	-	-	4,364,956
	-	-	-	-	-	(640,364)
\$	11,779,296	\$ 24,394,450	\$ 17,538,063	\$ 14,230,600	\$ 13,589,212	\$ 11,972,234

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2002	2003	2004	2005
Revenues				
Taxes	\$ 41,875,982	\$ 45,344,745	\$ 49,684,454	\$ 55,558,356
Licenses and permits	2,596,400	3,325,436	3,382,038	4,089,257
Intergovernmental	13,660,832	8,627,715	11,018,541	12,538,849
Charges for services	5,365,513	6,373,274	6,307,636	6,788,919
Fines and forfeitures	1,551,790	2,049,424	1,142,328	1,067,211
Miscellaneous	4,043,066	3,555,725	7,669,984	9,608,131
Total revenues	69,093,583	69,276,319	79,204,981	89,650,723
Expenditures				
Current				
General government	8,465,083	10,999,876	12,311,018	15,298,763
Public safety	36,784,874	39,212,634	42,399,400	45,841,687
Physical environment	2,439,392	2,844,727	2,743,039	3,158,099
Parks and recreation	7,889,455	9,315,681	9,484,527	10,197,131
Grants	1,600,243	-	-	-
Capital Outlay	32,425,089	5,457,998	4,280,554	20,826,381
Debt service				
Principal retirement	2,818,783	16,588,754	10,973,807	4,159,139
Interest and other fiscal charges	2,086,935	1,767,662	1,793,518	2,011,900
Bond issue costs	-	316,194	102,520	22,000
Total expenditures	94,509,854	86,503,526	84,088,383	101,515,100
Excess of revenues over (under) expenditures	(25,416,271)	(17,227,207)	(4,883,402)	(11,864,377)
Other financing sources (uses)				
Installment agreement issued	-	-	-	-
Bonds issued	26,098,902	26,694,728	23,723,914	10,050,000
Proceeds from sale of capital assets	-	11,462,000	7,998,210	1,133,170
Proceeds of refunding note	-	-	581,420	487,977
Redemption of bonds	-	(27,245,147)	(7,372,000)	-
Premium on bond debt	-	-	67,413	-
Transfers in	7,686,084	8,763,402	10,795,139	9,580,467
Transfers out	(7,448,036)	(5,889,224)	(8,355,464)	(7,105,404)
Total other financing sources (uses)	26,336,950	13,785,759	27,438,632	14,146,210
Net change in fund balances	\$ 920,679	\$ (3,441,448)	\$ 22,555,230	\$ 2,281,833
Debt service as a percentage of non-capital expenditures	7.90%	23.04%	16.13%	7.68%

	2006	2007	2008	2009	2010	2011
\$	64,872,155	\$ 74,010,119	\$ 65,006,671	\$ 65,040,400	\$ 63,613,102	\$ 58,241,812
	4,716,040	4,325,079	9,693,973	8,393,462	7,848,364	7,957,960
	16,844,290	14,020,126	13,872,151	12,717,659	12,798,521	10,824,485
	6,578,078	7,020,582	7,985,973	8,579,286	9,122,062	9,418,571
	787,710	1,072,459	664,344	753,473	1,591,354	1,272,073
	13,246,356	8,132,308	9,171,109	8,683,421	7,624,308	7,285,098
	107,044,629	108,580,673	106,394,221	104,167,701	102,597,711	94,999,999
	19,346,064	22,952,680	22,856,837	21,001,014	20,223,169	17,848,375
	49,739,465	53,662,961	55,274,605	54,034,021	55,750,747	55,095,307
	4,550,030	5,355,092	5,981,177	7,253,871	5,695,353	4,849,851
	11,208,994	12,460,242	12,302,491	12,491,281	13,044,535	12,874,379
	-	-	-	-	-	-
	31,840,070	21,042,901	15,406,527	8,021,386	6,056,493	4,758,088
	4,102,788	11,345,356	4,543,545	4,553,835	3,357,533	3,490,360
	2,360,879	2,373,627	2,987,110	3,134,074	2,873,815	2,723,863
	-	353,104	25,365	-	-	-
	123,148,290	129,545,963	119,377,657	110,489,482	107,001,645	101,640,223
	(16,103,661)	(20,965,290)	(12,983,436)	(6,321,781)	(4,403,934)	(6,640,224)
	-	-	-	260,600	-	-
	575,000	30,770,787	3,000,000	-	-	-
	96,835	62,471	2,590	49,802	22,161	1,903
	199,573	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	10,337,375	13,086,133	9,707,274	9,214,199	7,548,409	7,983,124
	(8,360,856)	(7,381,327)	(7,046,314)	(5,692,610)	(3,486,795)	(4,271,304)
	2,847,927	36,538,064	5,663,550	3,831,991	4,083,775	3,713,723
\$	(13,255,734)	\$ 15,572,774	\$ (7,319,886)	\$ (2,489,790)	\$ (320,159)	\$ (2,926,501)
	7.08%	12.97%	7.27%	7.50%	6.17%	6.41%

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⁾	Utility Service Tax	Sales Tax	Local Business Tax ⁽²⁾	Total
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	-	8,958,175	1,308,213	789,705	65,040,400
2010	52,656,596	-	9,038,143	1,301,502	616,861	63,613,102
2011	47,467,480	-	8,777,975	1,293,963	702,394	58,241,812

(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 30,	Tax Roll Year	Just Value			Total
		Real Property	Personal Property	Assessed Property	
2002	2001	\$ 4,514,242,147	\$ 308,721,797	\$ 1,589,665	\$ 4,824,553,609
2003	2002	5,132,464,519	304,048,307	1,623,001	5,438,135,827
2004	2003	5,976,557,462	287,867,486	2,013,779	6,266,438,727
2005	2004	6,954,954,190	291,470,970	2,159,862	7,248,585,022
2006	2005	8,530,762,079	292,523,818	1,929,130	8,825,215,027
2007	2006	11,615,147,721	319,788,615	2,135,457	11,937,071,793
2008	2007	11,599,199,337	333,985,825	2,755,227	11,935,940,389
2009	2008	10,881,842,880	339,398,773	2,954,529	11,224,196,182
2010	2009	8,948,585,352	328,007,736	3,991,739	9,280,584,827
2011	2010	7,780,872,856	334,936,255	3,739,563	8,119,548,674

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).

Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Total Taxable Assessed Value as a % of Estimated Actual Value
\$ 1,064,952,700	\$ 3,759,600,909	8.0000	\$ 3,760,079,452	99.99%
1,286,673,169	4,151,462,658	8.0000	5,127,441,633	80.97%
1,560,635,598	4,705,803,129	8.0000	5,911,220,501	79.61%
1,870,893,294	5,377,691,728	8.0000	6,884,493,821	78.11%
2,373,715,664	6,451,499,363	8.0000	8,411,930,488	76.69%
3,574,481,397	8,362,590,396	7.3000	11,380,589,015	73.48%
3,243,881,789	8,692,058,600	6.5783	11,374,426,933	76.42%
3,074,589,654	8,149,606,528	6.8504	10,634,938,238	76.63%
2,270,466,355	7,010,118,472	7.7216	8,714,452,876	80.44%
1,869,880,655	6,249,668,019	7.7902	7,541,945,805	82.87%

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
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
2011	7.1900	0.6002	7.7902	8.1539	4.9960	2.5552	23.4953

Tax rate limits	- Ten mills per Florida Statute 200.81 (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, 2011*

	2011				2002			
	Taxable Assessed Valuation	Taxes Levied	Rank	Percentage of Total Taxes Levied	Taxable Assessed Valuation	Taxes Levied	Rank	Percentage of Total Taxes Levied
Florida Power and Light	\$ 74,334,805	\$ 579,083	1	1.25%	\$ -	\$ -	-	-
Tenet Healthcare Corp.	38,165,644	297,318	2	0.64%	-	-	-	-
Citation Club Investors	37,479,654	291,974	3	0.63%	100,094,125	800,753	1	2.75%
RREEF	37,408,796	291,422	4	0.63%	-	-	-	-
Linton Delray LLC	34,916,048	272,003	5	0.59%	-	-	-	-
Ocean Properties Ltd.	34,057,149	265,312	6	0.57%	65,903,625	527,229	6	1.81%
HHC Seagate Inc.	34,057,149	265,312	7	0.57%	-	-	-	-
Delray Community Hospital	29,484,481	229,690	8	0.49%	-	-	-	-
Lifespan Communities Inc.	28,060,769	218,599	9	0.47%	-	-	-	-
MS LPC South Congress Holdings LLC	25,763,909	200,706	10	0.43%	-	-	-	-
St. Stephen Limited Partnership	-	-	-	-	97,864,000	782,912	2	2.69%
Office Depot Inc.	-	-	-	-	92,133,125	737,065	3	2.53%
Delray Intracoastal	-	-	-	-	74,978,375	599,827	4	2.06%
Realty Associates Fund V	-	-	-	-	70,436,125	563,489	5	1.94%
Depot Realty	-	-	-	-	58,462,375	467,699	7	1.61%
Palm Beach County Health Facility	-	-	-	-	56,739,000	453,912	8	1.56%
Morse Operations Inc.	-	-	-	-	52,039,250	416,314	9	1.43%
Minto Builders Florida, Inc.	-	-	-	-	51,682,375	413,459	10	1.42%
Totals	\$ 373,728,402	\$ 2,911,419		6.27%	\$ 720,332,375	\$ 5,762,659		19.81%

Source: Palm Beach County Property Appraiser's Office

Total taxes levied:

Fiscal Year 2011	\$ 46,416,830
Fiscal Year 2002	\$ 29,084,111

City Millage Rate:

Fiscal Year 2011	7.7902
Fiscal Year 2002	8.0000

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
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%
2011	46,416,830	46,950,920	101.15%	516,560	47,467,480	102.26%

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	Total 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			
2002	\$ 18,705,000	\$ 43,540,238	\$ 192,215	\$ 44,212,490	\$ 53,228	\$ 106,703,171	4.09%	\$ 1,734
2003	17,035,000	28,099,770	166,785	41,568,665	103,940	86,974,160	3.19%	1,390
2004	29,620,000	21,032,245	608,837	40,950,104	71,691	92,282,877	3.32%	1,455
2005	37,925,000	18,804,696	910,224	36,909,770	38,071	94,587,761	3.36%	1,481
2006	36,045,000	17,491,783	774,922	39,647,694	99,774	94,059,173	3.30%	1,467
2007	33,980,000	38,550,798	445,551	47,533,675	173,843	120,683,867	4.02%	1,875
2008	31,760,000	39,524,722	148,082	42,654,753	112,203	114,199,760	3.22%	1,778
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	2.72%	1,587
2011	24,605,000	35,558,216	128,460	26,271,178	64,782	86,627,636	4.24%	1,424

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
2002	\$ 18,705,000	\$ -	\$ 18,705,000	\$ 3,759,600,909	0.50%	61,527	\$ 304.01
2003	17,035,000	-	17,035,000	4,151,462,658	0.41%	62,578	272.22
2004	29,620,000	-	29,620,000	4,705,803,129	0.63%	63,439	466.91
2005	37,925,000	-	37,925,000	5,377,691,728	0.71%	63,888	593.62
2006	36,045,000	-	36,045,000	6,451,499,363	0.56%	64,095	562.37
2007	33,980,000	-	33,980,000	8,362,590,396	0.41%	64,360	527.97
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%	60,522	447.61
2011	24,605,000	-	24,605,000	6,249,668,019	0.39%	60,831	404.48

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, 2011*

	Total Outstanding	Percentage Applicable to City of Delray Beach⁽¹⁾	Amount Applicable to City of Delray Beach
Direct:			
City of Delray Beach	\$ 60,291,676	100.00%	\$ 60,291,676
Overlapping:			
Palm Beach County	226,545,000	5.00%	11,327,250
Palm Beach County School District	37,215,000	5.00%	1,860,750
Total overlapping debt	263,760,000		13,188,000
Total direct and overlapping debt payable from ad valorem taxes	\$ 324,051,676		\$ 73,479,676
Population			60,831
Total direct and overlapping debt per capita			\$ 1,207.93

⁽¹⁾ Estimates based on 2011 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
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
2011	32,495,880	19,213,153	13,282,727	5,950,563	2.23

(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, 2011

	Fiscal Year 2011		
Employer	Employees	Rank	Percentage of Total City Employment
Tenet Healthcare Corp/dba Delray Medical	1,520	1	N/A
Publix Supermarkets	496	2	N/A
JET Flite, Inc.	425	3	N/A
Amnoco Services	400	4	N/A
Target	350	5	N/A
Ed Morse Delray Toyota Kia	350	5	N/A
Delray Lincoln Mercury	300	7	N/A
Hardrives of Delray, Inc.	280	8	N/A
Marriot Hotels	275	9	N/A
Glen Eagles County Club	250	10	N/A
Totals	<u>4,646</u>		

Source: Florida Agency for Workforce Innovation (AWI)

Note: Data is not available for 2002

Note: Total City Employees - 818

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⁾	Per Capita Personal Income ⁽²⁾	Estimated Total Personal Income ⁽³⁾	Median Age ⁽²⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
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	60,522	1,286,461	58,358	3,531,942,876	43.5	7,945	12.3%
2011	60,831	1,325,743	33,610	2,044,529,910	45.4	7,893	10.2%

Data Sources:

- (1) The Population data is from the University of Florida, Bureau of Economic Business.
- (2) Business Development Board of Palm Beach County. Data is for Palm Beach County, Florida for 2010 and prior years. Data for 2011 is for the City of Delray Beach, Florida.
- (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									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government	66	65	68	66	69	71	71	69	68	68
Public Safety										
Community Improvement	4	4	4	4	5	5	4.5	5	5	5
Planning & Zoning	15	15	15	15	15	17	16	16	16	16
Building Inspection	20	20	20	21	21	23	21	20	20	20
Code Compliance	16	16	17	17	17	17	17	18	17	17
Law Enforcement	234	237	233	234	236	238	238	236	242	242
Fire Control	144	144	148	149	154	154	154	154	154	156
Community Development										
Block Grant	9	6	6	6	5	7	7.5	7	7	7
Insurance	4	4	4	4	4	4	4	4	4	4
City Garage	10	11	12	12	12	12	12	12	12	12
Physical Environment										
Public Works	22	24	24	25	25	25	25.5	25.5	25.5	25.5
Engineering	7	7	7	7	8	8	7	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	94	98	98	108	108	114	115	113	113	112
Water & Sewer Utility	<u>107</u>	<u>108</u>	<u>110</u>	<u>114</u>	<u>115</u>	<u>117</u>	<u>117.5</u>	<u>118</u>	<u>116.5</u>	<u>116.5</u>
Total	<u>762</u>	<u>769</u>	<u>776</u>	<u>792</u>	<u>804</u>	<u>822</u>	<u>820</u>	<u>814</u>	<u>817</u>	<u>818</u>

CITY OF DELRAY BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Stations	4	4	3	3	3	3	2	3	3	3
Patrol Units	90	123	136	144	151	159	163	219	219	217
Fire										
Fire Stations ⁽¹⁾	6	6	6	6	6	6	6	6	6	6
Fire trucks	13	15	15	15	15	16	16	16	15	16
ALS Rescue Vehicles	8	8	8	8	8	9	9	9	9	9
Leisure Services										
Ballfields - lighted	23	23	23	22	22	15	15	15	16	16
Basketball courts	2	2	2	4	4	5	5	5	5	5
Football/Soccer fields ⁽²⁾	0	0	0	0	0	7	7	7	7	7
Tennis courts	28	28	28	47	47	47	47	47	48	48
Parks	17	17	17	17	17	17	17	17	17	22
Roads and Streets										
Lane miles ⁽³⁾	N/A	299	299	299	299	299	305	305	305	314

Sources: City departments

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

N/A Information is not available

- (1) The total number of Fire Stations includes Highland Beach where the City provides Fire and EMS Service.
- (2) Soccer is played on the football fields. There are no separate soccer fields.
- (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.

CITY OF DELRAY BEACH, FLORIDA

Operating Indicators by Function

Last Nine Fiscal Years

Function	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety									
Police									
Physical arrests	2,486	2,476	2,444	2,875	3,108	3,161	2,534	2,331	2,620
Traffic violations	12,880	14,471	12,040	13,928	10,962	10,882	11,249	11,443	11,314
Fire									
Number of calls	10,744	11,960	11,591	12,024	11,772	12,410	11,905	11,960	12,008
Parks and Recreation									
Library									
Circulation	253,835	233,106	227,820	228,871	257,656	270,590	274,611	257,950	252,179
Programs offered	625	642	650	910	1,112	1,287	1,224	1,284	1,145
Program attendance	20,818	22,742	20,056	32,873	32,852	35,116	33,770	29,237	24,021
Leisure Services									
Youth athletic participants	927	1,904	2,343	2,655	10,597	19,537	20,965	18,125	17,837
Camp program participants	670	365	358	322	625	561	699	395	352
Class participants	14,376	14,007	11,090	10,634	15,093	19,662	24,700	22,756	28,328
Water/Sewer Utility									
Water customers	19,436	19,760	20,135	20,437	20,963	21,056	21,156	21,320	21,407
Water main breaks	None	None	None	None	None	434	442	476	408
Sewer customers	19,300	19,600	20,000	20,400	20,900	21,006	21,088	21,225	21,093
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	11,356

Sources: City departments/Delray Beach Public Library

N/A The following data is not available:

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

Information prior to fiscal year 2003 is not available.

CITY OF DELRAY BEACH, FLORIDA

Schedule of Insurance in Force

September 30, 2011

Company	Type of Coverage	Property/Risk Covered	Amount of Coverage
Fla Municipal Insurance Trust	Workers' Compensation General/Auto Liability Property Damage/Auto Physical Damage, Crime Pollution	On-the-job injury Legal Liabilities All Risk, include Wind (hurricane) Pollution (non Storage Tanks)	Statutory/\$1,000,000 \$3 million/occurrence Building-\$145 million/ Contents-\$38 million \$1 million/loss
AIG (National Union)	Fiduciary Liability	General Employee Pension	\$1 million/aggregate
Illinois Union	Pollution (Storage Tanks)	Pollution (Storage Tanks)	\$1 million occurrence/ \$2 million aggregate
Burlington Insurance	Skate Park Liability-Primary	Primary Liability	\$1 million occurrence/ \$2 million aggregate
James River	Skate Park Liability-Excess	Excess Liability	\$4 million/occurrence
Travelers	Fiduciary Liability	Police & Fire Pension	\$1 million/claim/aggregate
Hartford Life	Life Insurance	Fire & Police Department	Statutory
Colony Insurance	Women's Club Liability	Legal Liabilities	\$1 million/occurrence/ \$2 million/aggregate
American Bankers	Flood Insurance-Fire Station # 2 Flood Insurance-Delray Swim & Tennis Club Flood Insurance-City Marina	Flood Insurance Flood Insurance Flood Insurance	\$500,000 \$500,000 \$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 Essex	EMS Director Liability (FD contract) General Liability	Director Liability City flags on FPL poles & parking lot use (as required)	\$1 million/\$3 million \$1 million/occurrence \$2 million/ aggregate
Aspen Specialty	Railroad Liability	Railroad crossings and easement legal liability	\$2 million/occurrence \$4 million/ aggregate
American Bankers	Flood (2 specific locations)	Flood	\$500,000
Ace American	Property Liability	Water Treatment Plant/Environmental Services & Utilities	\$25 million

Compliance Section



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CERTIFIED PUBLIC ACCOUNTANTS

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, 2011, which collectively comprise the basic financial statements of the City of Delray Beach, Florida, and have issued our report thereon dated March 12, 2012. 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 March 12, 2012.

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.

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

March 12, 2012

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

For the Fiscal Year Ended September 30, 2011

Grantor/ Program Title	CFDA Number	Contract/Grantor Number	2011 Program Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Defense				
Direct Award				
Beach Erosion Control Projects	12 101	R92-1283D	\$ 275,460	\$ 0
Total U.S. Department of Defense			275,460	0
U.S. Department of Housing and Urban Development				
Direct Awards				
Community Development Block Grants/Entitlement Grants	14 218	B-08-MC-12-0033	64,009	0
Community Development Block Grants/Entitlement Grants	14 218	B-09-MC-12-0033	581,155	101,000
Community Development Block Grants/Entitlement Grants	14 218	B-10-MC-12-0033	78,666	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	90,976	0
Pass-through Award from State of Florida Department of Community Affairs				
Community Development Block Grants - State's Programs and Nonentitlement Grants	14 228	10DB-4X-10-60-02-F10	135,094	0
Total U.S. Department of Housing and Urban Development			949,900	101,000
U.S. Department of Justice				
Bureau of Justice Assistance				
Direct Awards				
Bulletproof Vest Partnership Program	16 607	2009-BUBX08042999	9,329	0
Bulletproof Vest Partnership Program	16 607	2009-BUBX09047354	2,170	0
ARRA - Public Safety Partnership and Community Policing Grant	16 710	2009-RKWX0237	488,404	0
Justice Assistance Grant (JAG) Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program	16 738	2009-DJ-BX-0855	17,568	0
Edward Byrne Memorial Justice Assistance Grant Program	16 738	2010-DJ-BX-1555	66,560	0
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16 738	2010-ARRC-PALM-2-W7-350	59,294	0
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16 804	2009-SB-B9-2668	811	0
Total Justice Assistance Grant (JAG) Program Cluster			144,233	0
Pass-through Award from Palm Beach County, Florida				
Edward Byrne Memorial Justice Assistance Grant Program	16 738	R2011-1071	35,589	0
Total U.S. Department of Justice			679,725	0
U.S. Department of Transportation				
Pass-through Award from Palm Beach County, Florida				
ARRA - Federal Transit Formula Grant	20 507	FX-96-X026-01	305,169	0
Pass-through Award from the State of Florida Department of Transportation				
Alcohol Impaired Driving Countermeasures Grant	20 601	K8-11-06-13	28,803	0
Total U.S. Department of Transportation			333,972	0
U.S. Department of Energy				
Direct Awards				
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81 122	DE-OE000415	331	0
ARRA - Energy Efficiency and Conservation Block Grant	81 128	DE-SC0002536	72,123	0
Total U.S. Department of Energy			72,454	0
U.S. Department of Homeland Security				
Direct Award				
Hazard Mitigation Grant Program	97 039	09HM-12-10-60-02-003	93,486	0
Pass-through Awards from the State of Florida Department of Financial Services				
Homeland Security Grant Program	97 067	08DS-60-13-00-16-373	4,554	0
Homeland Security Grant Program	97 067	09DS-51-13-00-16-409	3,231	0
Total U.S. Department of Homeland Security			101,271	0
Total Federal Awards			\$ 2,412,782	\$ 101,000

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

For the Fiscal Year Ended September 30, 2011

Grantor/ State Project Title	CSFA Number	Contract/Grantor Number	2011 Program Expenditures	Transfers to Subrecipients
State Financial Assistance				
Florida Department of Environmental Protection				
Direct Awards				
Beach Erosion Control Program	37 003	99-PB2	\$ 75,913	\$ 0
Florida Recreation Development Assistance	37 017	A9135	61,025	0
Water Protection and Sustainability Program	37 066	4600002307	130,600	0
Total Florida Department of Environmental Protection			267,538	0
Florida Department of Community Affairs				
Direct Award				
Residential Construction Mitigation Project	52 016	12RC-5S-10-60-02-172	850	0
Total Florida Department of Community Affairs			850	0
Florida Housing Finance Corporation				
Direct Award				
State Housing Initiatives Partnership Program	52 901	19 10	214,640	0
Total Florida Housing Finance Corporation			214,640	0
Florida Department of Transportation				
Direct Awards				
Public Transit Service Development Program	55 012	AP367	29,708	0
State Highway Project Reimbursement	55 023	426012-1-58-01	47,307	0
Total Florida Department of Transportation			77,015	0
Total State Financial Assistance			\$ 560,043	\$ 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, 2011

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, 2011 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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AMERICAN INSTITUTE OF
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FLORIDA INSTITUTE OF
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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 the major federal programs and state projects of the City of Delray Beach, Florida, for the year ended September 30, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*; 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, 2011. 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 2011-1 and 2011-2.

Internal Control Over Compliance

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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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.

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

March 12, 2012

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, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiency (ies) identified that are not
considered to be material weaknesses?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X 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 X No

Significant deficiency (ies) identified that are not
considered to be material weaknesses?

___ Yes X None reported

Type of auditor's report issued on compliance for major Federal
Award Programs and major State Financial Assistance Projects:

Unqualified Opinion

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133?

X Yes ___ No

Any audit findings disclosed that are required to be reported in
accordance with Rule 10.557, Rules of the Auditor General?

X Yes ___ No

Identification of Major Programs:

Major Federal Award Programs

CFDA No.

U.S. Department of Housing and Urban Development

Direct Award

Community Development Block Grants/Entitlement Grants

14.218

U.S. Department of Justice

Direct Award

ARRA – Public Safety Partnership and Community
Policing Grant

16.710

U.S. Department of Transportation

Pass through Award from Palm Beach County, Florida
ARRA – Federal Transit Formula Grant

20.507

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, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Major Federal Award Programs (Continued)

Dollar threshold used to distinguish between Type A and
Type B Federal award programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Major State Financial Assistance Projects

State CSFA No.

Florida Department of Environmental Protection

Direct Award
Water Protection and Sustainability Program 37.066

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: \$ 168,013

SECTION II - FINANCIAL STATEMENT FINDINGS

None

**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	
2011-1	Community Development Block Grant CFDA # 14.218 (Allowable Activities) Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-MC-12-0033	Unknown
	<i>Criteria:</i> 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.	

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, 2011

**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>
2011-1 Continued	<p>Community Development Block Grant CFDA # 14.218 (Allowable Activities) Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-MC-12-0033</p> <p>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.</p> <p><i>Condition:</i> The City's expenditures for housing rehabilitation recorded in Division 1963 totaled \$434,659 for the year ended September 30, 2011. Of this amount \$166,574 was expended for salaries and benefits for two City building inspectors and a secretary, and \$13,781 was expended for overhead costs. The remaining balance of \$254,304 was expended for contractor costs for housing rehabilitation.</p> <p><i>Effect:</i> The grant funds expended for contract and direct costs to rehabilitate housing were 59% of the total housing rehabilitation expenditures while salary, benefits and overhead costs reimbursed to the City were 41% of the total housing rehabilitation expenditures.</p> <p><i>Cause:</i> The City is allocating 100% of the time for two inspectors and a secretary to the housing rehabilitation program expenditures.</p> <p><i>Population and Items Tested:</i> Auditor received an expenditure listing for this grant and summarized the total administrative expenses and compared to what was budgeted by the City.</p> <p><i>Recommendation:</i> We recommend that the City assess the amount of each employee's time charged to the housing rehabilitation program in relation to the actual rehabilitation contract work performed on client homes. We also recommend that the City establish a time reporting system to support the salaries and wages chargeable to each Federal program as required by 24 CFR 85.20(a)(6).</p>	

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, 2011

**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>
2011-1 Continued	<p>Community Development Block Grant CFDA # 14.218 (Allowable Activities) Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-MC-12-0033</p> <p><i>Grantee Response:</i> With respect to the findings, the Neighborhood Services Division adheres stringently to the CDBG guidelines set forth by HUD for the CDBG program.</p>	
2011-2	<p>Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-MC-12-0033</p> <p><i>Criteria:</i> 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 Action Plan for 2010-2011 expenditures for <i>CD Objective 1</i> had \$111,310 budgeted for administration.</p> <p>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.</p> <p><i>Condition:</i> The City's Action Plan for 2010-2011 expenditures budgeted \$111,310 for <i>CD Objective 1</i> for administration. The City's expenditures for administration for the year ended September 30, 2011 included \$105,689 in Division 1961 for salaries, benefits and overhead for the Department Coordinator; \$46,444 in Division 1963 for salaries and benefits for a secretary; and, \$13,557 of other administrative costs. Total administrative expenditures were \$165,690, which exceeded the allowable \$144,766 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</p>	\$20,924

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, 2011

**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>
2011-2 (Continued)	<p>Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-MC-12-0033</p> <p>salaries or wages were 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.</p> <p><i>Effect:</i> The total administrative expenditures were \$165,690 which exceeded the 20% limitation on administration expenditures by \$20,924 and exceeded budgeted expenditures by \$54,380. Without proper documentation of time, the proper salaries and wages chargeable to the CDBG program and other programs cannot be determined.</p> <p><i>Cause:</i> The City’s Neighborhood Services Division maintains that the secretary spends 100% of her time on housing rehabilitation program activities and that this cost was not considered administrative expenses. The Neighborhood Services Division did not prepare certifications or personnel activity reports or equivalent documentation for employees who worked on multiple programs during the year.</p> <p><i>Population and Items Tested:</i> Auditor received an expenditure listing for this grant and summarized the amount of administrative expenses.</p> <p><i>Recommendation:</i> 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 as required by 24 CFR 85.20(a)(6).</p> <p><i>Grantee Response:</i> Detailed timesheets of task breakdown are not kept since 100% of work performed is for housing rehabilitation program activities.</p>	<hr/> <hr/> <p>\$20,924</p>
Total Questioned Costs		\$20,924



CORRECTIVE ACTION PLAN

The City of Delray Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2011. The findings from the Schedule of Findings and Questioned Costs for the year ended September 30, 2011 are 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

**2011-1 Community Development Block Grant
CFDA # 14.218 (Allowable Activities)
Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-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.

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 expenditures for housing rehabilitation which are recorded in Division 1963 totaled \$434,659 for the year ended September 30, 2011. Of this amount \$166,574 was expended for salaries and benefits for two City building inspectors and a secretary and \$13,781 was expended for overhead costs. The remaining balance of \$254,304 was expended for contractor costs for housing rehabilitation.

Effect: The grant funds expended for contract and direct costs to rehabilitate housing were 59% of the total housing rehabilitation expenditures while salary, benefits and overhead costs reimbursed to the City were 41% 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.

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

**Finding
Number**

Finding

**2011-1
Continued**

**Community Development Block Grant
CFDA # 14.218 (Allowable Activities)
Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-MC-12-0033**

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 employee's time charged to the housing rehabilitation program in relation to the actual rehabilitation contract work performed on client homes. We also recommend that the City establish a time reporting system to support the salaries and wages chargeable to each Federal program as required by 24 CFR 85.20(a)(6).

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

2011-2

**Community Development Block Grant
CFDA # 14.218 (Earmarking/Allowable Costs)
Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-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 Action Plan for 2010-2011 expenditures for *CD Objective 1* had \$111,310 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 Action Plan for 2010-2011 expenditures budgeted \$111,310 for *CD Objective 1* for administration. The City's expenditures for administration for the year ended September 30, 2011 included \$105,689 in Division 1961 for salaries, benefits and overhead for the Department Coordinator and \$46,444 in Division 1963 for salaries and benefits for a secretary and \$13,557 of other administrative costs. Total administrative expenditures were \$165,690, which exceeded the allowable \$144,766 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 \$165,690 which exceeded the 20% limitation on administration expenditures by \$20,924 and exceeded budgeted expenditures by \$54,380. Without proper documentation of time, the proper salaries and wages chargeable to the CDBG program and other programs cannot be determined.

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

<u>Finding Number</u>	<u>Finding</u>
2011-2 (Continued)	Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. B-08-MC-12-0033; B-09-MC-12-0033; B-10-MC-12-0033

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

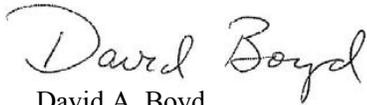
Population and Items Tested: Auditor received an expenditure listing for this grant and summarized the amount of administrative expenses.

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 as required by 24 CFR 85.20(a)(6).

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,



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, 2011

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD 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-06-MC-12-0033; 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 employee’s 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 the current year finding 2011-1 and grantee response in the Schedule of Findings and Questioned Costs.</p>	Unknown
2009-3	<p>Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. B-06-MC-12-0033; B-07-MC-12-0033</p> <p><i>Condition:</i> The City’s 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 the current year finding 2011-2 and grantee response in the Schedule of Findings and Questioned Costs.</p>	Unknown

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, 2011

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

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2010-1	<p>Community Development Block Grant CFDA # 14.218 (Allowable Activities) Grant No. B-07-MC-12-0033; B-08-MC-12-0033; B-09-MC-12-0033</p> <p><i>Condition:</i> 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.</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 the current year finding 2011-1 and grantee response in the Schedule of Findings and Questioned Costs.</p>	<p>Unknown</p>
2010-2	<p>Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. B-07-MC-12-0033; B-08-MC-12-0033; B-09-MC-12-0033</p> <p><i>Condition:</i> The City’s Action Plan for 2009-2010 expenditures budgeted \$111,445 for <i>CD Objective 1</i> 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.</p>	<p>\$38,555</p>

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, 2011

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

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2010-2 (Continued)	<p>Community Development Block Grant CFDA # 14.218 (Earmarking/Allowable Costs) Grant No. B-07-MC-12-0033; B-08-MC-12-0033; B-09-MC-12-0033</p> <p><i>Recommendation:</i> 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. 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.</p> <p><i>Current Status:</i> See the current year finding 2011-2 and grantee response in the Schedule of Findings and Questioned Costs.</p>	

Management Letter



CALER, DONTEN, LEVINE,
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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, 2011, and have issued our report thereon dated March 12, 2012. 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 March 12, 2012, 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 2008-5 Information Systems; 2010-3 Codification of Accounting Policies; 2010-4 Documentation of Control Procedures; and, 2010-5 Expenditures Over Appropriations reported in our management letter dated May 4, 2011 have been adequately addressed or no longer apply. Findings 2009-1, 2009-3, 2010-1 and 2010-2, all related to the City's Community Development Block Grants previously reported in the Schedule of Findings and Questioned Costs have not been corrected as reported in the Summary of Prior Audit Findings.
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:

2011-3 Cash Account

Criteria: All cash accounts owned by the City should be tracked and recorded in the City's accounting records.

Condition: We noted that the City maintained one cash account with Citibank which was not recorded on the City's books.

Effect: Understatement of cash and possible lack of recording accounting activity in the general ledger.

Cause: Although the City prepares a reconciliation for this account, the reconciliation details all activity for each month and reconciles the beginning and ending balances as indicated on the bank statement, but does not reconcile the bank statement balance to the general ledger. This oversight possibly occurred due to the confusion between the City's imprest cash balance held by CIGNA and Citibank account.

Recommendation: We recommend that the City review all cash accounts held by the City and perform reconciliations for all accounts between the bank statement balance and the general ledger balance.

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:

2011-4 Expenditures Over Appropriations

We noted that the City's expenditures exceeded the final budgeted appropriations for the year ended September 30, 2011 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, 2011, 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, 2011. 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, 2011. 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, 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, Dauten, Levine,
Porter & Veil, P.A.*

March 12, 2012

CITY OF DELRAY BEACH



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

March 14, 2012

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, 2011

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

2011-3 Cash Account - Management concurs that all cash accounts need to be recorded in the general ledger and reconciled with the bank statement.

2011-4 Expenditures Over Appropriations - Although there were various departments that were over budget, the functions were all under budget. Management concurs the budget needs to be amended to prevent over-expenditure of budgeted categories.

Sincerely,

David A. Boyd
Finance Director

mls/dab
doc: audgen