



City of Delray Beach Municipal Marina

City of Delray Beach, Florida
Comprehensive Annual Financial Report
For Year Ended
September 30, 2012

The City Marina was formed as part of the dredging of the Intracoastal Waterway in 1934 and is the focal point of the Marina Historic District. This district displays a variety of architectural styles such as Streamline Moderne, Colonial Revival, Mediterranean Revival and Bungalows which blend with the distinctive sub-tropical landscape. This is the City's most pedestrian oriented neighborhood with its narrow and shaded streets.

The City Marina has 24 slips with live aboard capabilities, overnight wet slip docking and can accommodate boats up to 55 feet in length. With easy access from the Atlantic Ocean, the picturesque Marina is conveniently located on the Intracoastal and within comfortable walking distance of the downtown areas with shopping, restaurants and parks. Marina residents are provided with an air conditioned facility containing restrooms, showers, washer and dryer, an ice machine and an open sitting/reading room. A coin operated pump-out station is available for the convenience of marina residents and passing boaters.

The City Marina has been recognized for its participation in the Clean Marina and Clean Boating Partnership for the past two years 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 for protecting the environment during the marina's daily operations as well as in emergency situations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2012
with Report of Independent Certified Public Accountants

Comprehensive Annual Financial Report

City of Delray Beach, Florida

Year Ended September 30, 2012
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, 2012

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Introductory Section

CITY OF DELRAY BEACH



March 22, 2013

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

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, 2012. 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, the aggregate discretely presented component units, 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, 2012. **The MD&A 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.**

THE CITY OF DELRAY BEACH

Profile

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 61,495 with another estimated 12,600 seasonal residents.

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. A charter amendment was passed in March 2013 which changed the terms to two three (3) year from two (2) year. 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.

Services Provided

The City of Delray Beach provides a full range of services. Public safety program includes police, fire protection and rescue services, parks and recreation program includes beaches, pools, marina, boat ramps, parks and multiple recreation centers, and public works includes essential traffic, street maintenance and parking. Other recreational amenities are golf courses, tennis courts and the tennis stadium.

The Environmental Services Department provides water and sewer, stormwater, engineering and construction services. The Community Improvement Department provides building permits, inspection, code enforcement, garbage and trash and administers the City's Community Development Block Grants. The City also provides general administrative services and financial support services. The City provides services to unincorporated areas and adjacent municipalities for water, fire protection, emergency medical services, 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 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.

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 Delray Affair, Green Market in the Park, Art and Jazz on the Avenue, Garlic Fest, Roots Cultural Festival, the Annual ATP International Tennis Championships (ITC) and, the 20th Annual Chris Evert Pro-Celebrity Tennis Classic charity tournament. The 50th 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 of Delray Beach is the only city in Florida to have received this prestigious honor twice. In 2012 the City was a finalist for the All-America City award with its commitment to develop a *Campaign for Grade Level Reading Community Network*. This year the City received top honors as "Most Fun Small Town in the United States" in Rand McNally/USA Today's 2012 Best of the Road contest. Delray Beach was recognized as a great place for all ages with its vibrant downtown, gourmet restaurants, cultural opportunities, world-class sporting events, beautiful beach area and exciting night life.

The City of Delray Beach celebrated its 33rd year in the Sister's Cities Program relationship with Miyazu, Japan, and a later relationship with Moshi, Tanzania, Africa.

Reporting Entity

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: Community Redevelopment Agency, Downtown Development Authority and South Central Regional Wastewater Treatment and Disposal Board (SCRWTDB) which was established as a joint venture with equity interests between the cities of Delray Beach and Boynton Beach.

Economic Conditions and Outlook

The lengthy economic downturn had a negative impact on the City's tax base and jobs, but this impact seems to be abating. The City has maintained a good financial condition based on planning and fiscal actions to reduce or maintain costs. During the past five years, the City has seen a decrease of 29% in taxable assessed value, but the decline is slowing. The current year (tax roll 2011) had a decrease of 1.6% which reflects stabilization in the real estate markets. This year building permit activity for residential construction has increased dramatically from 53 units in the prior year to 741 with an increase in valuation over \$56.8 million and commercial permits have remained consistent.

Some examples of new ventures within the City are the Hyatt Place and the Arts Garage. The Hyatt Place opened in the Arts District this year. It was the first new hotel constructed in Palm Beach County since 2008. The Arts Garage opened in mid-2011 as a multi-disciplinary cultural hub for artists. It is located in the ground floor of the Old School Square Garage in the Arts District. It allows an exchange of arts and ideas and presents cutting edge performances and exhibitions. Since its inception, all performances have been well attended.

This year the City established by resolution an Economic Development Fund to support citywide economic opportunities to attract and/or retain jobs and to increase the tax base. By having designated development funds available, the City has the opportunity to actively compete with other communities within Florida. The City's economic development initiatives were featured on "Today in America" hosted by Terry Bradshaw and broadcast in selected regional locations. The video highlights the new development in the City and emphasizes the collaborative partnerships with the business communities, CRA, DDA, and citizens.

CURRENT MAJOR INITIATIVES

Green Initiatives

The City has made a commitment to position itself as a leader in preserving our environment and reducing costs. This year the City became a member of the Florida Green Energy Works Property Assessed Clean Energy (PACE) program by entering into an Interlocal Agreement with the Town of Lantana and the Florida Green Finance Authority. This program will serve as a sustainability incentive within the Delray Beach Economic Development Fund. At present financial incentives are only being offered to commercial properties, and residential properties may be included at a later date.

Neighborhood Stabilization Program

As with a number of cities in Florida, property foreclosures have been a 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 and disposition of foreclosed homes and homeownership assistance. This is the last year of the grant and to date 23 homes have been rehabilitated or are in the process. This program benefits low, moderate and median income households and funds from all sales are reinvested back into the program for community redevelopment.

Economic Development

As referenced above, the City formally established an Economic Development Fund during the year with up to \$1 million in funding from the City's unassigned General Fund reserves to provide the local funding match for state and county financial incentive programs. One of the City's economic development projects is the implementation of the marketing plan for Congress Avenue as the *Delray Beach Innovation Corridor*. The focus will be bringing in new businesses and expanding existing businesses to increase the number of jobs and increase the demand for real estate. The vision is to expand redevelopment opportunities within underutilized land parcels along the corridor.

The Delray Beach Economic Development Action Team comprised of City officials, is able to immediately respond to prospective companies regarding questions on site selection or expansion. Another focus area for economic development in the City is the West Atlantic Avenue area located between I-95 and the downtown core area of the City.

Education Initiatives

One of the keys to economic development is quality schools. The City has a long term relationship with the School District to improve schools within the City. In addition to other education related projects, this year the City committed to developing a *Campaign for Grade Level Reading Community Network*, a national program that engages communities to better support low-income children, from birth through third grade, to learn to read. The focus is to ensure children arriving in kindergarten are prepared to succeed, improve attendance levels and to increase educational opportunities during the summer months.

FINANCIAL INFORMATION

Internal Accounting Controls

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

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

Single Audit

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

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

The results of the City's single audit for the fiscal year ended September 30, 2012 disclosed no instances of material weaknesses in the internal control structure and disclosed no significant violation of applicable laws and regulations.

Budgetary Control

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

As part of the budgetary control system, an encumbrance system is utilized. An encumbrance is a commitment to acquire goods or services (purchase order) which have not been paid for at a particular point in time. For operating purposes, outstanding encumbrances lapse at year-end and are then reappropriated as part of the new year 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, Cohen, 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 Auditor General for the State of Florida, the Federal Single Audit Act and related OMB Circular A-133. The auditors' reports related to Compliance requirements and the Single Audit are included in the Compliance 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, 2011. This was the 29th 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 U.S. 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.

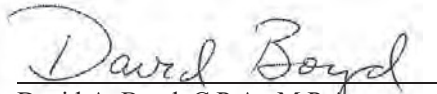
ACKNOWLEDGMENTS

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.

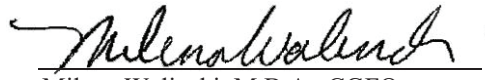
We believe this report clearly illustrates that the City of Delray Beach has developed and continues to maintain a strong financial condition and we wish to thank the City Commission, City Manager and the citizens of the City of Delray Beach for their continued support for fiscal responsibility.

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, 2011.

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 requirements, 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, 2011

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.



Christopher P. Moirice

President

Jeffrey R. Emer

Executive Director

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2012

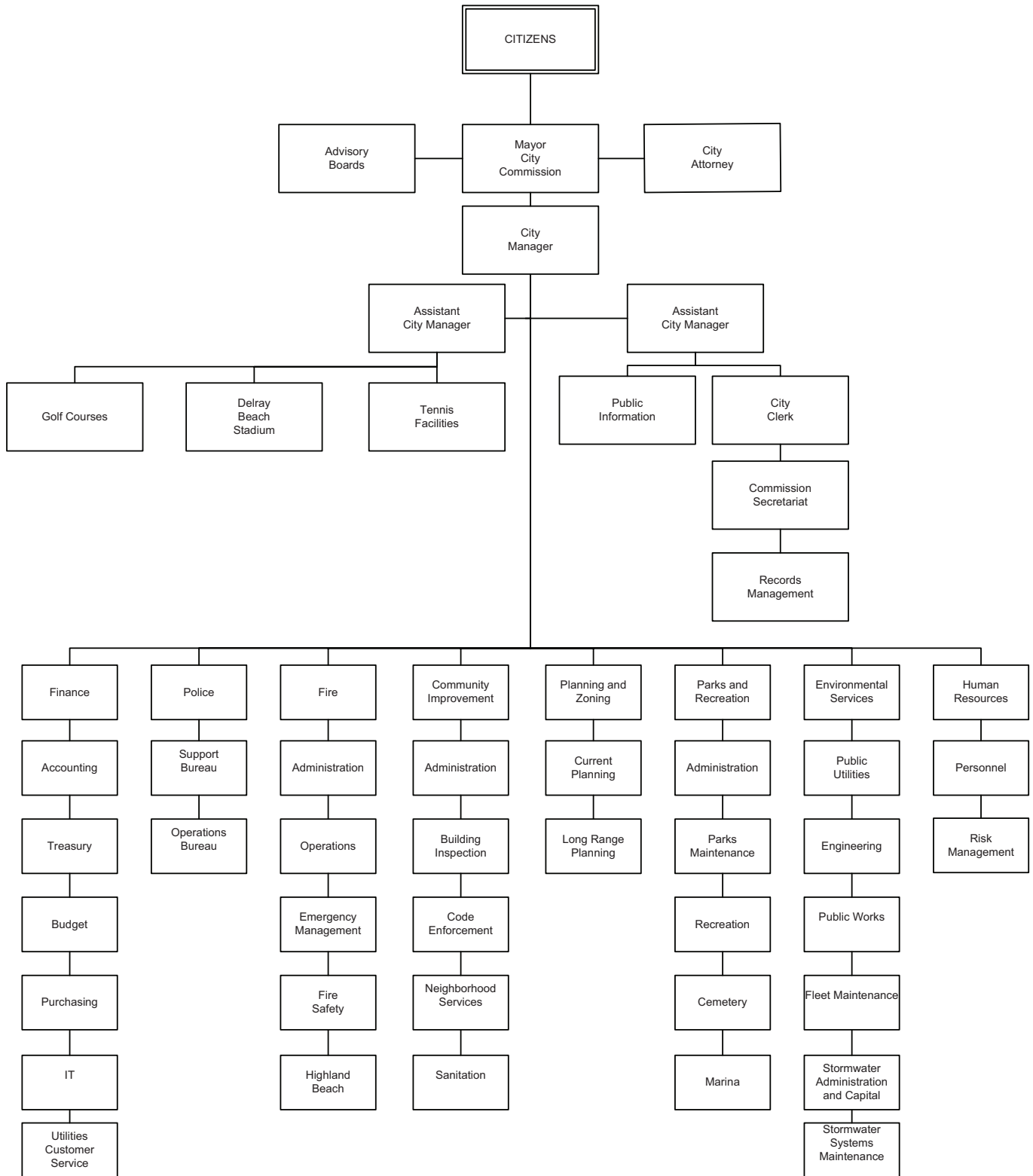
CITY COMMISSION

Mayor Nelson “Woodie” McDuffie
Vice-Mayor.....Thomas Carney
Deputy Vice-Mayor Adam Frankel
Commissioner Al Jacquet
Commissioner Angeleta Gray

CITY STAFF

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

City Organizational Chart



Financial Section



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
JAMES F. MULLEN, IV, CPA
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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Delray Beach, Florida, as of and for the year ended September 30, 2012, 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 52%, 53% and 45%, 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 5.0%, 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 21, 2013, on our consideration of the City of Delray Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 schedule, pension information and other postemployment benefits information on pages 69 through 73 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 U.S. generally accepted auditing standards, 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 City of Delray Beach, Florida's basic financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, the other supplementary information and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 is also not a required part of the financial statements. The combining and individual fund financial statements and schedules, the Schedule of Expenditures of Federal Awards, 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.

*Cale, Douten, Levine,
Cohen, Porter & Veil, P.A.*

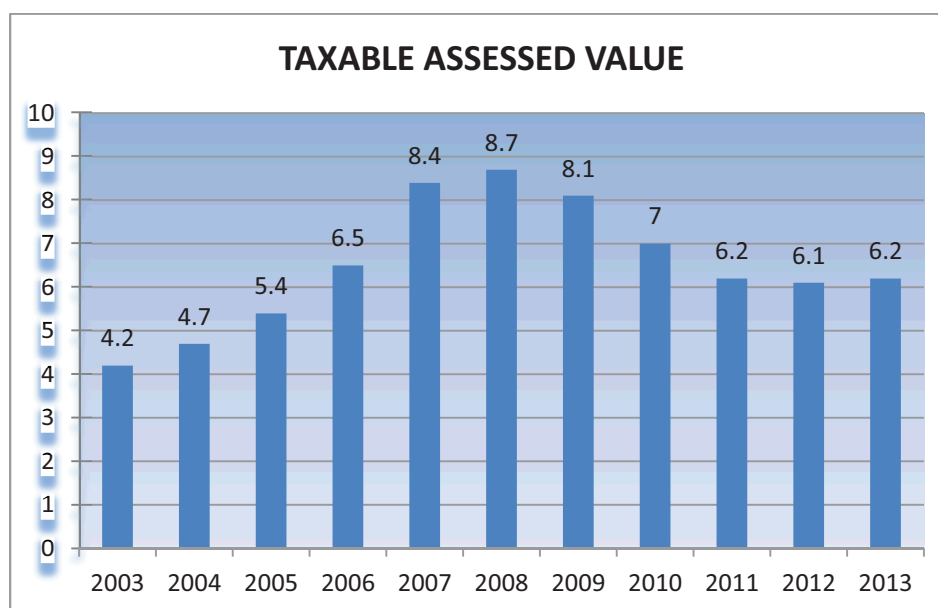
March 21, 2013

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, 2012. 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 decline in real estate value appears to have slowed. Fiscal year 2012 decreased from \$6.2 billion to \$6.1 billion, or 1.6%, in taxable assessed value. Assessed value for 2013 has increased 1.6% to \$6.2 billion which is the first increase in valuation since 2008.
- The assets of the City (Primary Government) exceeded its liabilities at September 30, 2012 by \$239,570,177 (Total Net Assets). Of this amount, \$78,778,547 (Unrestricted Net Assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net assets, including the City's discretely presented component units increased by \$9,100,782. Of this amount, governmental activities (including the CRA and DDA) increased by \$4,959,021 and business-type funds increased by \$4,141,761. The increase in governmental funds is largely attributed to an increase in building permit activity and contracted services performed for other cities.
- The total net assets of the City (Primary Government) increased by \$7,799,343 comprised of an increase of \$3,657,582 in the governmental activities and an increase of \$4,141,761 in the business-type activities. This change in net assets is shown on the table entitled Statement of Activities.
- At September 30, 2012, the City's governmental funds reported combined ending fund balances of \$38,971,579 which increased \$4,247,290 from the prior year. The increase is due primarily to an increase in General Fund revenues and increased grant funding in the Capital Improvement Fund. A total of \$32,141,160 or 82% of the combined ending fund balance is available for spending (Unassigned Fund Balance and Assigned Fund Balance). Of this amount, \$21,492,671 is in the General Fund, \$5,784,287 is in Capital Projects Funds and \$4,864,202 is in Special Revenue Funds. These balances are shown on the table entitled "Balance Sheet - Governmental Funds".
- At September 30, 2012, Unassigned Fund Balance for the General Fund was \$19,741,367 or 22.2% of total General Fund expenditures of \$89,025,576. This is an increase of \$1,058,544 from the prior year or 5.7%. The General Fund had a very good year, revenue increased by 2.3% and expenditures decreased by 1.7%. The City's financial policy is to strive to maintain between 15%-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 a 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 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 an accounting basis that is similar to the basis used to prepare the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility, the municipal golf course, the Lakeview golf course, the marina, sanitation operations and stormwater utility.

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility system which is considered to be a major fund of the City. Conversely, the remaining enterprise funds are considered non-major funds and the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the individual internal service funds are provided in the form of *combining statements* elsewhere in this report. The City's proprietary fund financial statements can be found on pages 23 to 25 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held in trust for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. The accounting methods used for fiduciary funds are similar to that used for proprietary funds. Individual fund data for each of the fiduciary funds is provided in the form of *combining statements* elsewhere in this report. The City's fiduciary fund financial statements can be found on pages 26 to 27 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information and clarification that are essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

Other Information

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

Required supplementary information can be found on pages 69 through 73 of this report.

The *combining statements* for non-major governmental, non-major proprietary and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 74 of this report.

Government-Wide Financial Analysis

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

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

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$58.2	\$51.2	\$60.9	\$60.1	\$119.1	\$111.3
Capital assets	136.3	139.7	99.6	101.1	235.9	240.8
Total Assets	194.5	190.9	160.5	161.2	355.0	352.1
Current liabilities	7.6	7.4	5.6	8.5	13.2	15.9
Noncurrent liabilities	71.7	72.0	30.6	32.5	102.3	104.5
Total Liabilities	79.3	79.4	36.2	41.0	115.5	120.4

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Net Assets:						
Invested in capital assets, net of related debt	78.3	78.8	76.0	74.9	154.3	153.7
Restricted	1.8	6.5	4.6	4.1	6.4	10.6
Unrestricted	35.1	26.2	43.7	41.2	78.8	67.4
Total Net Assets	\$115.2	\$111.5	\$124.3	\$120.2	\$239.5	\$231.7

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

During the current year the total net assets of the City increased by \$7.8 million or approximately 3.4% from \$231.7 million to \$239.5 million. The increase in net assets was primarily a result of operations in the governmental activities.

A significant portion of the City's net assets (\$154.3 million or 64.4% 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 (2.7%) represents resources that are subject to restrictions on how they may be used. The balance in restricted assets reflects a decrease of \$4.2 million from the prior year. The decrease is primarily due to reduction in 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 2012 balance increased \$11.4 million due to certain Special Revenue Fund net assets being categorized as unrestricted on the statement of net assets.

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

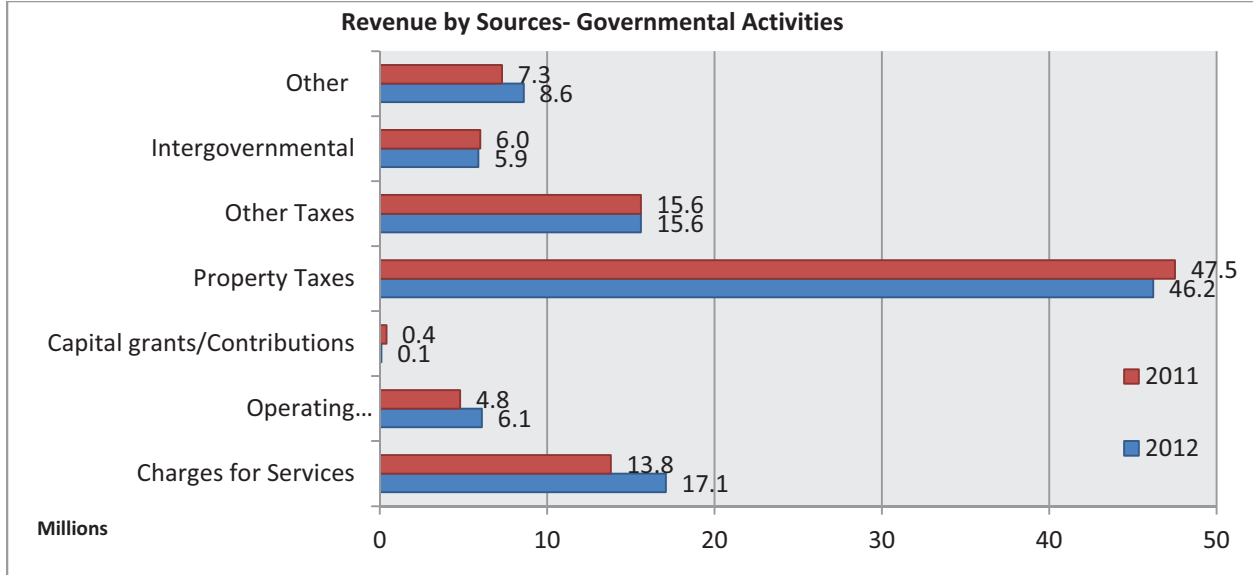
Table A-2
Changes in Net Assets
Condensed Statement of Activities (\$ in millions)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for services	\$17.1	\$13.8	\$41.7	\$42.5	\$58.8	\$56.3
Operating grants, contributions	6.1	4.8	.7	.9	6.8	5.7
Capital grants, contributions	.1	.4	.9	.8	1.0	1.2
General Revenues:						
Property Taxes	46.2	47.5	.0	.0	46.2	47.5
Other taxes	15.6	15.6	.0	.0	15.6	15.6
Intergovernmental	5.9	6.0	.0	.0	5.9	6.0
Other	8.6	7.3	.1	.0	8.7	7.3
Total Revenues	99.6	95.4	43.4	44.2	143.0	139.6
Expenses						
General government	19.1	18.3	.0	.0	19.1	18.3
Public safety	54.7	56.6	.0	.0	54.7	56.6
Physical environment	7.6	7.6	.0	.0	7.6	7.6
Parks and recreation	15.2	15.6	.0	.0	15.2	15.6
Interest on long-term debt	2.6	2.7	.0	.0	2.6	2.7
Water and sewer	.0	.0	26.0	26.6	26.0	26.6
Municipal golf course	.0	.0	3.0	3.0	3.0	3.0
Lakeview golf course	.0	.0	.6	.7	.6	.7
City marina	.0	.0	.1	.1	.1	.1
Sanitation	.0	.0	4.6	4.3	4.6	4.3
Stormwater utility	.0	.0	1.7	1.7	1.7	1.7
Total Expenses	99.2	100.8	36.0	36.4	135.2	137.2
Change in Net Assets Before Transfers	.4	(5.4)	7.4	7.8	7.8	2.4
Transfers	3.3	3.7	(3.3)	(3.7)	.0	.0
Increase in Net Assets	3.7	(1.7)	4.1	4.1	7.8	2.4
Beginning Net Assets (restated)	111.5	113.2	120.2	116.1	231.7	229.3
Ending Net Assets	\$115.2	\$111.5	\$124.3	\$120.2	\$239.5	\$231.7

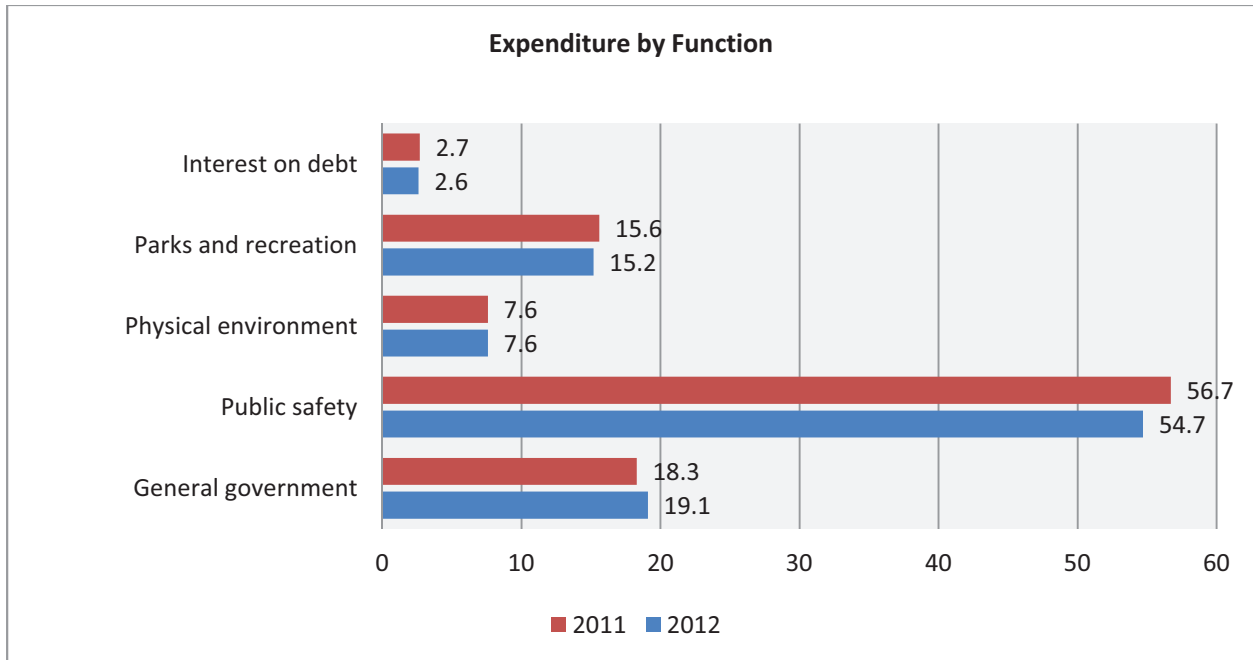
Governmental activities increased the City's net assets by \$3.7 million. The increase in net assets is driven primarily from the increase in charges for services which was due to the substantial increase in the number of permits issued. The City also provides contract services to neighboring communities. The slight increase in general government expenses was offset by a decrease in public safety expenses.

Business-type activities net assets had an increase of \$4.1 million which was due primarily to the correction of the duplicate entry for accrued interest (\$2.9 million) for the capital appreciation bond.

Revenues by sources for 2012 and 2011 are summarized as follows:



Expenditures by function for 2012 and 2011 are summarized as follows:



Financial Analysis of the City of Delray Beach Major Fund

Governmental Funds

The fund financial statements for the governmental funds are provided on pages 19-22.

Major Fund Information
(\$ in Millions)

General Fund	2012	2011
Revenues	\$91.8	\$89.7
Expenditures	(89.0)	(90.5)
Other financing sources (uses)	1.0	(.05)
Increase (decrease) in Fund Balance	\$3.8	\$(1.3)

General Fund

The General Fund, which is the primary operating fund of the City and is not supported by user fees, recognized \$91,836,020 in total revenues offset with \$89,025,576 in expenditures and \$965,558 in net other financing sources. This resulted in an increase in fund balance of \$3,776,002. The Fund Balance increased from \$22,752,055 in 2011 to \$26,528,057 in 2012. Of this amount, \$19,741,367 is in Unassigned Fund Balance which represents 22.2% of our present expenditure levels. This represents an increase of 7.8% from the prior year, even though an additional \$2.6 million was reflected in the assigned classification (\$1.6 million for subsequent budget and \$1 million for the Economic Development Fund). Our internal financial policy is to maintain 15-25% of our expenditures in Unassigned Fund Balance for first quarter cash flow, uninsured legal claims and other emergency purposes.

Proprietary Funds

\$ in Millions	<u>Operating Income</u>		<u>Change in Net Assets</u>	
	2012	2011	2012	2011
Enterprise Funds				
Water/Sewer	\$8.1	\$9.8	\$3.3	\$3.3
Municipal Golf Course	.0	.0	(.1)	(.1)
Lakeview Golf Course	.1	.0	.0	.0
City Marina	.1	.1	.0	.0
Sanitation	.6	.6	.5	.6
Stormwater Utility	.5	.5	.3	.4
Internal Service Funds				
Insurance	(.1)	(.3)	.0	(.3)
Central Garage	.2	.1	.3	.3

Water and Sewer Fund

Operating revenues were approximately \$1.3 million less in 2012 and operating expenses were approximately \$400,000 higher than 2011. However, lower interest expense and transfers out combined with higher capital contributions resulted in the change in net assets being relatively unchanged from 2011 to 2012.

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 (\$3,766) compared to (\$34,881) last year. The economy continues to have a negative impact on the rounds of golf played this year.

The **Lakeview Golf Course** has an operating income of \$87,478 versus \$46,113 last fiscal year. This is an executive golf course and is not as sensitive to the economy as the Municipal Golf Course.

The **City Marina Fund** has an operating income this year of \$77,670 compared to \$73,708 last year.

The **Sanitation Fund** generated an operating income of \$582,750 this year compared to \$642,950 last year.

The **Stormwater Utility Fund** has an operating income this year of \$518,598 compared to \$521,135 last fiscal year. Stormwater fees are billed and received on the property tax bills.

Internal Service Funds

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

The **Insurance Fund** recorded an increase in our required self-insured "Incurred but Not Reported" (IBNR) claims liability from \$3,996,911 to \$4,159,088 for property, health and worker's compensation claims. All required reserves are determined by outside actuaries. The Insurance Fund has \$3,782,312 in Unrestricted Net Assets.

The **Central Garage Fund** has an operating income of \$196,383 compared to \$117,115 last year. The increase in operating income is due primarily to an increase in the labor rate.

General Fund Budgetary Highlights

The difference between the original and final amended budget for 2012 was an increase of approximately \$200,000. There was a positive variance between the final adopted budget and actual results of operations of \$3.8 million. Actual revenues exceeded the final budget by approximately \$300,000 and actual expenditures were less than final budget by \$3.5 million. Primarily the increase in current year revenues was attributable to an increase in residential construction. All revenue categories

exceeded their budget except for Recovery of Administrative Costs which is in the miscellaneous category. All expenditure categories were under budget.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2012, the City had \$235.9 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net decrease of \$4.8 million from the previous fiscal year. Additional information can be found in Note 9 Capital Assets on pages 42-43.

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

	Beginning Balance 10/01/2011	Increases	Decreases	Ending Balance 9/30/2012
Governmental Activities:				
Land	\$38.5	\$0.1	(\$0.0)	\$38.6
Construction in Progress	4.7	2.0	(2.7)	4.0
Non-Depreciable Assets	43.2	2.1	(2.7)	42.6
Buildings	38.1	.9	(.0)	39.0
Improvements Other	116.9	2.9	(1.9)	117.9
Equipment	38.4	2.3	(1.0)	39.7
Less: Accumulated Depreciation	(96.9)	(8.8)	2.8	(102.9)
Depreciable Assets- Net	96.5	(2.7)	(.1)	93.7
Capital Assets- Governmental	\$139.7	\$(.6)	\$(2.8)	\$136.3
Business-Type Activities:				
Land	\$5.7	\$0.0	\$0.0	\$5.7
Construction in Progress	3.2	.9	(2.9)	1.2
Non-Depreciable Assets	8.9	.9	(2.9)	6.9
Buildings	13.7	.0	.0	13.7
Improvements Other	158.2	4.3	(.1)	162.4
Equipment	14.1	.4	(.2)	14.3
Less: Accumulated Depreciation	(93.9)	(4.1)	.3	(97.7)
Depreciable Assets- Net	92.1	.6	(.0)	92.7
Capital Assets- Business-Type	\$101.0	\$1.5	\$(2.9)	\$99.6

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

Major capital assets changes during the fiscal year 2012 were primarily in the Water and Sewer Fund. There was a variety of water and sewer projects completed this year including expansion of reclaimed water lines. Roadway and beautification projects in the Governmental funds are still in the planning stages.

Debt Administration

As of September 30, 2012, the City had total debt outstanding of \$102,703,269 compared to \$109,906,095 as of September 30, 2011. Of this \$102.7 million amount, and gross of any related unamortized premium, discounts or losses on refunding:

- \$22.0 million is general obligation bond debt which is debt backed by the full faith and credit of the City,
- \$34.6 million is revenue bond debt which is secured by other specified revenue sources or the promise to budget and appropriate sufficient revenues to pay for the debt service,
- \$23.7 million is revenue bonds that are backed by a pledge of the water and sewer system,
- \$8.4 million is for compensated absences,
- \$4.2 million is for insurance claims reserves, and
- \$.8 million is for installment agreements that are secured by the promise to budget and appropriate sufficient revenues to pay the debt.

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

	Beginning Balance 10/01/2011	Increases	Decreases	Ending Balance 9/30/2012
Governmental Activities:				
Revenue Bonds	\$35.6	\$0.0	(\$1.0)	\$34.6
General Obligation Bonds	24.6	0.0	(2.6)	22.0
Unamortized Premium	.8	0.0	(.1)	.7
Unamortized Loss on Refinancing	(.2)	0.0	.1	(0.1)
Total Bonds Payable	60.8	0.0	(3.6)	57.2
Installment Agreements	.1	.8	(.1)	.8
Compensated Absences	7.1	.8	(.5)	7.4
Insurance Claims Payable	4.0	8.2	(8.0)	4.2
Governmental Activities	\$72.0	\$9.8	\$(12.2)	\$69.6

	Beginning Balance 10/01/2011	Increases	Decreases	Ending Balance 9/30/2012
Business-Type Activities:				
Revenue Bonds	\$26.3	\$8.2	\$(10.8)	\$23.7
Unamortized Premium	0.0	0.0	(0.0)	0.0
Unamortized Loss on Refinancing	(.1)	0.0	0.0	(0.1)
Total Bonds Payable	26.2	8.2	(10.8)	23.6
Accrued interest on capital appreciation bonds	10.7	0.7	(2.9)	8.5
Compensated Absences	0.9	0.1	(0.0)	1.0
Installment Agreements	0.1	0.0	(0.0)	0.1
Business Type Activities	37.9	9.0	(13.7)	33.2
Total Debt Outstanding	\$109.9	\$18.8	\$(25.9)	\$102.8

The City issued \$8,160,000 Water and Sewer Revenue Bonds on October 18, 2011 (Series 2011B) to refund the Series 2007 Water and Sewer Revenue Bonds. In the Capital Improvement Fund an installment agreement for \$825,000 was issued for software purchase. All other long-term debt activity for 2012 was related to repayments of bonds, installment agreements and amortization of bond premiums and discounts.

The general obligation bonds of the City maintain an underlying rating of AA from Standard & Poor's. For more detailed information regarding the City's debt and debt financing activity, refer to Note 12 - Noncurrent Liabilities on pages 46-53.

Economic Factors and FY 2012-13 Budget and Rates

- ❖ The Florida legislature is considering various proposals which could have a significant impact on local government's revenue 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.
- ❖ Current millage has remained the same at 7.8033 mills, although the operations portion increased .13% to 7.1992 mills and the debt service portion decreased 1.51% to .6041 mills.
- ❖ The governmental funds budget has kept operational spending fairly flat, but the Capital Improvement budget increased by \$8.4 million (35.1%) to reflect a planned beach renourishment project. The City is in discussion with the federal government and U.S. Army Corp of Engineers to identify potential funding opportunities.
- ❖ The City's Tennis Center has been selected to host the 2013 Fed Cup World Group Playoff. The playoff is between the United States and Sweden and will be held in April 2013.

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, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency (CRA)	Downtown Development Authority (DDA)
ASSETS					
Cash and cash equivalents	\$ 12,757,982	\$ 98,057	\$ 12,856,039	\$ 9,793,684	\$ 45,456
Investments	34,271,456	18,555,525	52,826,981	-	-
Receivables:					
Accounts, net	1,769,835	3,301,989	5,071,824	525,233	7,439
Unbilled accounts	-	1,029,806	1,029,806	418,504	-
Notes receivable	5,443,527	-	5,443,527	-	-
Interest receivable	1,157,893	90,173	1,248,066	-	-
Due from component unit	100,000	-	100,000	-	-
Due from primary government	-	-	-	50,000	-
Due from other governments	2,261,091	78,648	2,339,739	-	-
Internal balances	(1,989,615)	1,989,615	-	-	-
Inventories	75,131	348,595	423,726	-	-
Prepaid expenses	1,234,282	88,452	1,322,734	17,850	25,660
Assets acquired for sale	579,441	-	579,441	-	-
Deposits	-	-	-	4,041	2,250
Net pension asset	128,704	-	128,704	-	-
Bond issuance costs, net	408,486	44,804	453,290	40,235	-
Restricted assets	-	7,855,173	7,855,173	-	-
Investment in regional plant (joint venture)	-	27,382,606	27,382,606	-	-
Capital assets:					
Non-depreciable capital assets	42,639,957	6,926,821	49,566,778	24,494,433	-
Depreciable capital assets, net	93,656,105	92,738,699	186,394,804	3,153,118	-
Total Assets	194,494,275	160,528,963	355,023,238	38,497,098	80,805
LIABILITIES					
Accounts payable and accrued expenses	3,047,471	1,121,454	4,168,925	279,756	7,032
Contracts payable and retainages	-	51,976	51,976	-	-
Deposits payable	1,161,836	1,077,990	2,239,826	10,954	-
Unearned revenue	3,045,916	109,199	3,155,115	6,374	-
Accrued interest on long-term debt	273,029	3,234,342	3,507,371	-	-
Due to component unit	50,000	-	50,000	-	-
Due to primary government	-	-	-	100,000	-
Noncurrent liabilities:					
Due within one year					
Bonds and notes payable	6,737,285	3,085,061	9,822,346	1,670,000	-
Installment agreements	175,251	31,410	206,661	-	-
Compensated absences	662,121	23,677	685,798	-	-
Insurance claims payable	1,554,025	-	1,554,025	-	-
Due in more than one year					
Bonds and notes payable	50,428,409	26,014,948	76,443,357	9,191,725	-
Installment agreements	628,673	-	628,673	-	-
Compensated absences	6,764,818	1,005,738	7,770,556	-	-
Insurance claims payable	2,605,063	-	2,605,063	-	-
Net OPEB obligation	2,160,212	403,157	2,563,369	-	-
Total Liabilities	79,294,109	36,158,952	115,453,061	11,258,809	7,032
NET ASSETS					
Invested in capital assets, net of related debt	78,326,444	76,043,338	154,369,782	16,785,898	-
Restricted for:					
Debt service	505,178	2,997,106	3,502,284	-	-
Law enforcement	1,000,591	-	1,000,591	-	-
Capital improvements	295,248	1,623,725	1,918,973	-	-
Unrestricted	35,072,705	43,705,842	78,778,547	10,452,391	73,773
Total Net Assets	\$ 115,200,166	\$ 124,370,011	\$ 239,570,177	\$ 27,238,289	\$ 73,773

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, 2012

	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	\$ 19,076,155	\$ 5,651,807	\$ 3,432,599	\$ 119,652	\$ (9,872,097)	\$ -	\$ (9,872,097)	\$ -	\$ -
Public Safety	54,742,173	7,842,116	2,362,428	-	(44,537,629)	-	(44,537,629)	-	-
Physical Environment	7,638,881	1,605,704	-	37,408	(5,995,769)	-	(5,995,769)	-	-
Parks and Recreation	15,241,008	2,011,941	281,651	-	(12,947,416)	-	(12,947,416)	-	-
Interest on Long-term Debt	2,551,029	-	-	-	(2,551,029)	-	(2,551,029)	-	-
Total Governmental Activities	99,249,246	17,111,568	6,076,678	157,060	(75,903,940)	-	(75,903,940)	-	-
Business-type Activities:									
Water and Sewer	25,957,121	30,855,031	351,852	913,308	-	6,163,070	6,163,070	-	-
Municipal Golf Course	2,932,249	2,807,593	53,799	545	-	(70,312)	(70,312)	-	-
Lakeview Golf Course	614,895	655,175	5,443	-	-	45,723	45,723	-	-
City Marina	122,499	195,627	4,682	-	-	77,810	77,810	-	-
Sanitation	4,640,061	5,046,386	305,901	-	-	712,226	712,226	-	-
Stormwater Utility	1,694,769	2,135,445	12,859	-	-	453,535	453,535	-	-
Total Business-type Activities	35,961,594	41,695,257	734,536	913,853	-	7,382,052	7,382,052	-	-
Total Primary Government	\$ 135,210,840	\$ 58,806,825	\$ 6,811,214	\$ 1,070,913	(75,903,940)	7,382,052	(68,521,888)	-	-
COMPONENT UNITS									
Community Redevelopment Agency (CRA)	\$ 9,733,187	\$ 60,126	\$ 155,904	\$ -				(9,517,157)	-
Downtown Development Authority (DDA)	575,675	-	-	-				-	(575,675)
Total Component Units	\$ 10,308,862	\$ 60,126	\$ 155,904	\$ -				(9,517,157)	(575,675)
General Revenues:									
Taxes:									
Property Taxes					46,224,759	-	46,224,759	10,604,414	482,336
Franchise Fees					4,758,027	-	4,758,027	-	-
Utility Service Taxes					8,805,643	-	8,805,643	-	-
Sales Taxes					1,307,897	-	1,307,897	-	-
Local Business Tax					700,100	-	700,100	-	-
Intergovernmental Not Restricted to Specific Programs					5,864,142	-	5,864,142	-	-
Investment Earnings					275,451	77,359	352,810	213,450	781
Miscellaneous					8,307,853	-	8,307,853	-	93,290
Transfers					3,317,650	(3,317,650)	-	-	-
Total General Revenues and Transfers					79,561,522	(3,240,291)	76,321,231	10,817,864	576,407
Change in Net Assets					3,657,582	4,141,761	7,799,343	1,300,707	732
Net Assets - October 1, 2011, as restated					111,542,584	120,228,250	231,770,834	25,937,582	73,041
Net Assets - September 30, 2012					\$ 115,200,166	\$ 124,370,011	\$ 239,570,177	\$ 27,238,289	\$ 73,773

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	<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	\$ 12,439,398	\$ 35,862	\$ 12,475,260
Investments	18,985,627	6,093,735	25,079,362
Accounts receivable, net	1,654,680	90,607	1,745,287
Notes receivable	3,261,289	2,182,238	5,443,527
Interest receivable	1,096,162	27,230	1,123,392
Due from component unit	100,000	-	100,000
Due from other governments	916,320	1,344,771	2,261,091
Due from other funds	-	5,182,216	5,182,216
Inventories	27,688	-	27,688
Prepaid items	828,555	-	828,555
Assets acquired for sale	-	579,441	579,441
Total Assets	<u>\$ 39,309,719</u>	<u>\$ 15,536,100</u>	<u>\$ 54,845,819</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued items	\$ 1,618,560	\$ 380,075	\$ 1,998,635
Deposits payable	1,161,836	-	1,161,836
Due to other funds	7,983,154	221,388	8,204,542
Unearned revenue	2,018,112	2,441,115	4,459,227
Due to component unit	-	50,000	50,000
Total Liabilities	<u>12,781,662</u>	<u>3,092,578</u>	<u>15,874,240</u>
FUND BALANCES			
Nonspendable:			
Inventories	27,688	-	27,688
Prepaid items	828,555	-	828,555
Long-term notes receivable	3,173,159	-	3,173,159
Restricted for:			
Debt service	-	505,178	505,178
Law enforcement	-	1,000,591	1,000,591
Capital improvements	5,984	289,264	295,248
Committed for:			
Economic development	1,000,000	-	1,000,000
Assigned to:			
Encumbrances	151,304	-	151,304
Subsequent year's budget	1,600,000	-	1,600,000
Public safety	-	121,420	121,420
Parks and recreation	-	1,385,951	1,385,951
Capital improvements	-	8,155,302	8,155,302
Unassigned (deficit)	19,741,367	985,816	20,727,183
Total Fund Balances	<u>26,528,057</u>	<u>12,443,522</u>	<u>38,971,579</u>
Total Liabilities and Fund Balances	<u>\$ 39,309,719</u>	<u>\$ 15,536,100</u>	<u>\$ 54,845,819</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, 2012

Total Fund Balances - Governmental Funds \$ 38,971,579

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	\$ 218,954,743	
Less accumulated depreciation	<u>(89,562,109)</u>	129,392,634

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

Interest receivable	1,033,479	
Rent receivable	100,000	
Long-term receivables	<u>279,832</u>	1,413,311

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.

128,704

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	408,486	
Loss on refunding	132,312	
Bond premium	<u>(720,178)</u>	(179,380)

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	(273,029)	
Bonds and installment agreements payable	(57,381,752)	
Compensated absences	(7,290,771)	
Net OPEB obligation	<u>(2,111,833)</u>	(67,057,385)

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	13,783,712	
Less amount allocated to business-type activities	<u>(1,253,009)</u>	<u>12,530,703</u>

Total Net Assets - Governmental Activities \$ 115,200,166

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, 2012

	<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	\$ 57,038,399	\$ -	\$ 57,038,399
Licenses and permits	9,534,404	-	9,534,404
Intergovernmental	8,274,204	3,666,616	11,940,820
Charges for services	10,391,250	741,027	11,132,277
Fines and forfeitures	1,031,444	171,470	1,202,914
Miscellaneous	5,566,319	2,984,488	8,550,807
Total Revenues	<u>91,836,020</u>	<u>7,563,601</u>	<u>99,399,621</u>
EXPENDITURES			
Current:			
General government	15,401,590	2,498,658	17,900,248
Public safety	52,343,780	674,213	53,017,993
Physical environment	3,962,123	988,094	4,950,217
Parks and recreation	12,048,764	710,883	12,759,647
Capital outlay	156,106	4,204,082	4,360,188
Debt service:			
Principal retirement	3,715,736	19,188	3,734,924
Interest and fiscal charges	1,397,477	1,176,714	2,574,191
Total Expenditures	<u>89,025,576</u>	<u>10,271,832</u>	<u>99,297,408</u>
Excess of revenues over (under) expenditures	2,810,444	(2,708,231)	102,213
OTHER FINANCING SOURCES (USES)			
Installment agreement debt issued	-	825,000	825,000
Sale of general capital assets	1,727	-	1,727
Transfers in	3,821,063	2,902,772	6,723,835
Transfers out	(2,857,232)	(548,253)	(3,405,485)
Total Other Financing Sources (Uses)	<u>965,558</u>	<u>3,179,519</u>	<u>4,145,077</u>
Net change in fund balances	3,776,002	471,288	4,247,290
Fund balances - October 1, 2011	22,752,055	11,972,234	34,724,289
Fund balances - September 30, 2012	<u>\$ 26,528,057</u>	<u>\$ 12,443,522</u>	<u>\$ 38,971,579</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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 4,247,290

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	\$ 4,360,188	
Depreciation expense	<u>(6,985,861)</u>	(2,625,673)

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. (108,877)

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	118,516	
Change in long-term receivables	<u>(5,103)</u>	113,413

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	(5,090)	
Change in net OPEB obligation	(794,407)	
Compensated absences	(286,578)	
Change in accrued interest payable	<u>33,912</u>	(1,052,163)

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 Issuance		
Installment agreements	<u>(825,000)</u>	(825,000)
Debt Retirement and Issue Costs		
Principal paid	3,734,924	
Amortization of bond issuance costs	(50,670)	
Amortization of debt costs	<u>39,920</u>	3,724,174

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	205,181	
Less allocation to business type activities	<u>(20,763)</u>	184,418

Change in Net Assets of Governmental Activities \$ 3,657,582

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, 2012

	Business-Type Activities			Governmental Activities
	Major Fund	Non-Major	Total	Internal
	Water and Sewer Fund	Enterprise Funds	Enterprise Funds	Service Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 71,081	\$ 26,976	\$ 98,057	\$ 282,722
Investments	11,362,921	7,192,604	18,555,525	9,192,094
Accounts receivable, net	2,353,711	948,278	3,301,989	24,548
Unbilled accounts receivable	1,029,806	-	1,029,806	-
Interest receivable	58,032	32,141	90,173	34,501
Due from other governments	78,648	-	78,648	-
Due from other funds	2,289,256	1,079,755	3,369,011	2,285,720
Inventories	262,086	86,509	348,595	47,443
Prepaid expenses	9,640	78,812	88,452	405,727
Restricted assets:				
Cash and cash equivalents	5,592,127	639,327	6,231,454	-
Investments	1,623,719	-	1,623,719	-
Total Current Assets	<u>24,731,027</u>	<u>10,084,402</u>	<u>34,815,429</u>	<u>12,272,755</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	146,637,485	15,880,650	162,518,135	-
Equipment	11,605,487	2,770,671	14,376,158	20,139,955
Construction in progress	959,467	298,530	1,257,997	-
Accumulated depreciation	(87,029,384)	(10,789,065)	(97,818,449)	(13,324,712)
Other assets:				
Bond issue costs, net	12,093	32,711	44,804	-
Investment in regional plant joint venture	27,382,606	-	27,382,606	-
Total Noncurrent Assets	<u>109,850,380</u>	<u>17,242,550</u>	<u>127,092,930</u>	<u>6,903,428</u>
Total Assets	<u>134,581,407</u>	<u>27,326,952</u>	<u>161,908,359</u>	<u>19,176,183</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	652,159	469,295	1,121,454	1,048,836
Contracts payable and retainages	51,976	-	51,976	-
Unearned revenue	22,935	86,264	109,199	-
Current maturities of installment agreements	-	31,410	31,410	-
Compensated absences payable	23,677	-	23,677	-
Insurance claims payable	-	-	-	1,554,025
Due to other funds	-	2,632,405	2,632,405	-
Refundable deposits payable	971,124	106,866	1,077,990	-
Total Current Liabilities	<u>1,721,871</u>	<u>3,326,240</u>	<u>5,048,111</u>	<u>2,602,861</u>
Current Liabilities Payable from Restricted Assets:				
Accrued interest on long-term debt	3,183,886	50,456	3,234,342	-
Current maturities of revenue bonds	2,496,190	588,871	3,085,061	-
Total Current Liabilities	<u>5,680,076</u>	<u>639,327</u>	<u>6,319,403</u>	<u>-</u>
Total Current Liabilities	<u>7,401,947</u>	<u>3,965,567</u>	<u>11,367,514</u>	<u>2,602,861</u>
Noncurrent Liabilities:				
Net other postemployment benefits obligation	370,905	32,252	403,157	48,379
Long-term portion of compensated absences payable	956,204	49,534	1,005,738	136,168
Long term portion of insurance claims payable	-	-	-	2,605,063
Accrued interest on capital appreciation bonds	5,509,237	-	5,509,237	-
Revenue bonds payable, net	17,733,585	2,772,126	20,505,711	-
Total Noncurrent Liabilities	<u>24,569,931</u>	<u>2,853,912</u>	<u>27,423,843</u>	<u>2,789,610</u>
Total Liabilities	<u>31,971,878</u>	<u>6,819,479</u>	<u>38,791,357</u>	<u>5,392,471</u>
NET ASSETS				
Invested in capital assets, net of related debt	62,225,906	13,817,432	76,043,338	6,903,428
Restricted for:				
Debt service	2,408,235	588,871	2,997,106	-
Renewal and replacement	1,623,725	-	1,623,725	-
Unrestricted	36,351,663	6,101,170	42,452,833	6,880,284
Total Net Assets	<u>\$ 102,609,529</u>	<u>\$ 20,507,473</u>	<u>123,117,002</u>	<u>\$ 13,783,712</u>
Adjustment for the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds.			1,232,246	
Cummulative prior year adjustments			20,763	
Current year adjustment			<u>\$ 124,370,011</u>	
Net Assets of Business-Type Activities, Statement of Net Assets				

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, 2012

	Business-Type Activities			Governmental Activities
	Major Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund			
OPERATING REVENUES				
Charges for services				
Water sales	\$ 13,429,671	-	\$ 13,429,671	\$ -
Sewer and stormwater fees	17,425,360	2,135,445	19,560,805	-
Golf fees	-	3,462,768	3,462,768	-
Marina fees	-	195,627	195,627	-
Sanitation fees	-	5,046,386	5,046,386	-
Risk management	-	-	-	12,516,490
Fleet management	-	-	-	3,238,208
Other operating revenue	351,852	227,152	579,004	2,427,381
Total Operating Revenues	<u>31,206,883</u>	<u>11,067,378</u>	<u>42,274,261</u>	<u>18,182,079</u>
OPERATING EXPENSES				
Personal services	7,790,114	885,859	8,675,973	1,184,688
Other operating expenses	11,916,064	8,131,093	20,047,157	15,091,794
Depreciation	3,364,322	787,696	4,152,018	1,783,462
Total Operating Expenses	<u>23,070,500</u>	<u>9,804,648</u>	<u>32,875,148</u>	<u>18,059,944</u>
Operating Income	8,136,383	1,262,730	9,399,113	122,135
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	52,615	24,744	77,359	37,600
Rent revenue	-	155,532	155,532	-
Share of regional plant joint venture net loss	(1,738,356)	-	(1,738,356)	-
Interest expense	(1,163,376)	(199,903)	(1,363,279)	-
Gain (loss) on disposal of equipment	324	(2,365)	(2,041)	7,602
Investment expense	(3,533)	-	(3,533)	-
Total Nonoperating Revenues (Expenses)	<u>(2,852,326)</u>	<u>(21,992)</u>	<u>(2,874,318)</u>	<u>45,202</u>
Income Before Capital Contributions and Transfers	5,284,057	1,240,738	6,524,795	167,337
Capital contributions	913,308	545	913,853	38,544
Transfers in	103,000	-	103,000	-
Transfers out	(3,013,260)	(407,390)	(3,420,650)	(700)
Change In Net Assets	3,287,105	833,893	4,120,998	205,181
Net Assets - October 1, 2011, as restated	99,322,424	19,673,580		13,578,531
Net Assets - September 30, 2012	<u>\$ 102,609,529</u>	<u>\$ 20,507,473</u>		<u>\$ 13,783,712</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds			<u>20,763</u>	
Change In Net Assets as reported on the Statement of Activities for Business-type Activities			<u>\$ 4,141,761</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, 2012

	Business-Type Activities			Governmental Activities
	Major Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund			
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 41,144,957	\$ 11,112,936	\$ 52,257,893	\$ 23,195,254
Receipts from others	273,204	155,532	428,736	-
Payments to suppliers	(11,577,219)	(7,441,899)	(19,019,118)	(14,853,830)
Payments to employees	(7,617,519)	(879,784)	(8,497,303)	(1,159,943)
Net cash provided by operating activities	<u>22,223,423</u>	<u>2,946,785</u>	<u>25,170,208</u>	<u>7,181,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	103,000	-	103,000	-
Transfers to other funds	(3,013,260)	(407,390)	(3,420,650)	(700)
Net cash used in noncapital financing activities	<u>(2,910,260)</u>	<u>(407,390)</u>	<u>(3,317,650)</u>	<u>(700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(2,953,340)	(379,587)	(3,332,927)	(994,473)
Proceeds from the sale of capital assets	324	-	324	44,058
Capital contributions	913,308	-	913,308	-
Bond proceeds	8,160,000	-	8,160,000	-
Payment to escrow agent for advance refunding	(8,207,056)	-	(8,207,056)	-
Principal paid on capital debt	(1,998,667)	(595,054)	(2,593,721)	-
Interest paid on capital debt	(3,352,382)	(174,273)	(3,526,655)	-
Net cash used in capital and related financing activities	<u>(7,437,813)</u>	<u>(1,148,914)</u>	<u>(8,586,727)</u>	<u>(950,415)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(13,022,584)	(1,375,767)	(14,398,351)	(7,711,292)
Interest received	26,994	10,553	37,547	22,297
Net cash used in investing activities	<u>(12,995,590)</u>	<u>(1,365,214)</u>	<u>(14,360,804)</u>	<u>(7,688,995)</u>
Net increase (decrease) in cash and cash equivalents	(1,120,240)	25,267	(1,094,973)	(1,458,629)
Cash and cash equivalents - October 1, 2011	6,783,448	641,036	7,424,484	1,741,351
Cash and cash equivalents - September 30, 2012	<u>\$ 5,663,208</u>	<u>\$ 666,303</u>	<u>\$ 6,329,511</u>	<u>\$ 282,722</u>
Reconciliation of cash and cash equivalents to balance sheet:				
Unrestricted cash and cash equivalents	\$ 71,081	\$ 26,976	\$ 98,057	\$ 282,722
Restricted cash and cash equivalents	5,592,127	639,327	6,231,454	-
Cash and cash equivalents - September 30, 2012	<u>\$ 5,663,208</u>	<u>\$ 666,303</u>	<u>\$ 6,329,511</u>	<u>\$ 282,722</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 8,136,383	1,262,730	\$ 9,399,113	\$ 122,135
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	3,364,322	787,696	4,152,018	1,783,462
Provision for doubtful accounts	(85,694)	-	(85,694)	-
Miscellaneous revenue	-	155,532	155,532	-
Change in assets and liabilities:				
Accounts receivable	(88,466)	23,388	(65,078)	4,303
Due from other governments	(78,648)	-	(78,648)	-
Due from other funds	10,490,313	-	10,490,313	5,008,872
Inventories	(30,403)	7,248	(23,155)	2,284
Prepaid expenses	(9,640)	(4,329)	(13,969)	(13,075)
Accounts payable and accrued expenses	378,888	17,374	396,262	86,578
Unearned revenue	(48,078)	37,171	(10,907)	-
Compensated absences payable	78,419	(2,114)	76,305	14,867
Net OPEB obligation	94,176	8,189	102,365	9,878
Insurance claims payable	-	-	-	162,177
Due to other funds	-	676,149	676,149	-
Refundable deposits	21,851	(22,249)	(398)	-
Total adjustments	<u>14,087,040</u>	<u>1,684,055</u>	<u>15,771,095</u>	<u>7,059,346</u>
Net cash provided by operating activities	<u>\$ 22,223,423</u>	<u>\$ 2,946,785</u>	<u>\$ 25,170,208</u>	<u>\$ 7,181,481</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of bond premiums	\$ -	\$ (9,834)	\$ (9,834)	\$ -
Amortization of bond 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	\$ -	\$ 545	\$ 545	\$ 38,544
Loss on sale of investments	<u>\$ (32,411)</u>	<u>\$ (17,951)</u>	<u>\$ (50,362)</u>	<u>\$ (19,198)</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, 2012

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,151,820
Investments:	
U.S. Government securities	4,530,645
U.S. Government agency securities	8,083,442
Municipal obligations	260,192
Domestic and international fixed income investment funds	13,767,982
Domestic and international corporate bonds	21,886,566
Domestic and international equity securities and mutual funds	70,341,847
Alternative investments	92,754,095
DROP participant directed mutual funds	14,528,080
Due from broker for securities sold	2,106,452
Employee contributions receivable	140,673
Chapter 175 state excise tax rebate supplement	33,480
Prepaid expenses	357,013
Interest and dividends receivable	382,384
Total Assets	<u>232,324,671</u>
LIABILITIES	
Accounts payable	188,288
Due to broker for securities purchased	51,107
Total Liabilities	<u>239,395</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 232,085,276</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, 2012

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 8,982,356
State	1,840,208
Plan members	<u>2,263,996</u>
Total contributions	13,086,560
Investment earnings	
Net appreciation in fair value of investments	30,571,907
Interest and dividends	<u>3,762,740</u>
	34,334,647
Less investment expenses - custodian fees	<u>769,529</u>
Net investment earnings	33,565,118
Other income	<u>42,611</u>
Total additions	46,694,289
DEDUCTIONS	
Benefits	13,647,512
Refunds of contributions	151,293
Administrative expenses	<u>317,887</u>
Total deductions	<u>14,116,692</u>
Change In Net Assets	32,577,597
Net Assets - October 1, 2011	<u>199,507,679</u>
Net Assets - September 30, 2012	<u><u>\$ 232,085,276</u></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, 2012

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 (the “CRA”) and the Delray Beach Downtown Development Authority (the “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.

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 in U.S. generally accepted accounting principles (“GAAP”), including certain

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

2. Significant Accounting Policies (Continued)

pronouncements of 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 60 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 forfeitures and miscellaneous revenue are recorded as revenue when received in cash, because they are generally not measurable until actually received.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

2. Significant Accounting Policies (Continued)

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental fund:

General Fund – This 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 - These 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, money market mutual funds and permitted securities. Investments are stated at fair value. Investment purchases and sales are recorded on the trade date. 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. 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, 2012

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 Acquired for Sale

Assets acquired for sale consist of residential properties purchased by the City through its Neighborhood Stabilization Program ("NSP"). The NSP rehabilitates and resells properties in the City 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, 2012

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 Revenue

Unearned revenue in the Governmental Activities and 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, 2012

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 Continuous 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

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.
- ❖ **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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

2. Significant Accounting Policies (Continued)

- ❖ 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 - The City Commission established a policy for a minimum of 19% of budgeted expenditures in unassigned fund balance to provide for first quarter cash flow and 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 government-wide statement of net assets reports governmental activities net assets of \$1,801,017 restricted for debt service, law enforcement and capital improvements and business-type activities net assets of \$4,620,831 restricted for debt service and capital improvements. 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, 2012, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage reduction applied to the prior year (2010/2011) 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, 2012, the City adopted an operating millage rate of 7.1900 and a debt service millage of 0.6133. This millage rate resulted in a net tax levy of \$45,460,725 for 2012, representing a reduction of approximately 4% from the property tax levy for 2011. Future property tax growth is generally limited to the annual growth rate of per capita personal income plus the value of new construction.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

2. Significant Accounting Policies (Continued)

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 \$151,304 are reported as fund balances assigned for encumbrances 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 \$1,840,208 for the fiscal year ended September 30, 2012.

Recent Accounting Pronouncements

GASB has issued new Statements effective in future years. Management has not completed its analysis of the effects, if any, of the following GASB Statements on the financial statements of the City:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements 14 and 34*, 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*, 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.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and certain items that were previously reported as assets and liabilities and recognizes these items as outflows of resources or inflows of resources that were previously reported as assets and liabilities. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

2. Significant Accounting Policies (Continued)

significantly from a current (normal) servicing fee rate. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes standards of financial reporting for separately issued financial reports of pension plans and specifies the required approach to measuring the pension liability of employers for benefits provided through the pension plan (the net pension liability). The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement distinguishes between a government merger and a government acquisition and also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2015.

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

Cash, cash equivalents and investments of the primary government at September 30, 2012, including unrestricted and restricted assets, are summarized as follows:

	Primary Government	Fiduciary Funds Pension Trust	Total
Deposits with financial institutions and cash on hand	\$ 19,087,493	\$ 6,896	\$ 19,094,389
Money market mutual funds and investments	54,450,700	229,297,773	283,748,473
Total cash, cash equivalents and investments	<u>\$ 73,538,193</u>	<u>\$ 229,304,669</u>	<u>\$ 302,842,862</u>
Cash and cash equivalents	\$ 12,856,039	\$ 3,151,820	\$ 16,007,859
Investments	52,826,981	226,152,849	278,979,830
Restricted cash and cash equivalents	6,231,454	-	6,231,454
Restricted investments	1,623,719	-	1,623,719
Total cash, cash equivalents and investments	<u>\$ 73,538,193</u>	<u>\$ 229,304,669</u>	<u>\$ 302,842,862</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

3. Cash, Cash Equivalents and Investments (Continued)

Cash and cash equivalents included deposits with financial institutions of \$19,059,643 and petty cash of \$27,850. At September 30, 2012, 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.

Florida Statutes and City policy authorize the City and its pension trust funds to invest in Florida PRIME (a State investment pool); 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; 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, including those that are not publicly traded.

The City's investments at September 30, 2012 consist of the following:

	Carrying Amount (Fair Value)		
	Primary Government	Fiduciary Funds Pension Trust	Total
Cash equivalents - money market mutual funds	\$ 47,826	\$ 3,144,924	\$ 3,192,750
Investments			
Time deposits with financial institutions	6,500,000	-	6,500,000
U.S. Government securities	29,654,616	4,530,645	34,185,261
U.S. Government Agency securities	12,559,370	8,083,442	20,642,812
Municipal obligations	-	260,192	260,192
Domestic and international fixed income investment funds	-	13,767,982	13,767,982
Domestic and international corporate obligations	4,390,665	21,886,566	26,277,231
Commercial paper	1,298,223	-	1,298,223
Domestic and international equity securities and mutual funds	-	70,341,847	70,341,847
Alternative investments	-	92,754,095	92,754,095
DROP participant directed mutual funds	-	14,528,080	14,528,080
Total investments	<u>54,402,874</u>	<u>226,152,849</u>	<u>280,555,723</u>
Total money market mutual funds and investments	<u>\$ 54,450,700</u>	<u>\$ 229,297,773</u>	<u>\$ 283,748,473</u>

At September 30, 2012, approximately 40% 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

3. Cash, Cash Equivalents and Investments (Continued)

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.

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, 2012, the rating for the City's investment portfolio ranged from A to AA. Pension investments in debt securities must be rated in one of the top three investment grades by a NRSRO. The NRSRO ratings for the fixed income investments of the primary government and pension funds at September 30, 2012 are summarized as follows.

	NRSRO Rating	Fair Value
Primary Government		
U.S. Government and Agency securities	AA	\$ 42,213,986
Corporate obligations	A – AA	4,390,665
Commercial paper	A – 1	1,298,223
Money market mutual funds	Unrated	47,826
Pension Trust Funds		
Money market mutual funds	Unrated	\$ 3,144,924
U.S. Government and Agency securities	AA	12,614,087
Municipal obligations	A – AA	260,192
Domestic and international fixed income investment funds	Unrated	13,767,982
Alternative investment fixed income fund	Unrated	28,063,535
Corporate bonds	A – AA	21,886,566

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, 2012 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.

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 the investment of operating funds in shorter term securities and structuring of the investment portfolio so that securities mature to meet cash requirements. The policy further limits investments to

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

3. Cash, Cash Equivalents and Investments (Continued)

securities maturing in five years or less, except in certain limited situations requiring approval by the City Commission. Time deposits include certificates of deposit maturing one year from the date of purchase.

The table below summarizes the average effective duration in years of the fixed income investments.

	Average Duration (in years)	Fair Value
Primary Government		
U.S. Government securities	1.8	\$ 29,654,616
U.S. Government Agency securities	2.2	12,559,370
Corporate bonds and notes	0.8	4,390,665
Commercial paper	0.3	1,298,223
Pension Trust Funds		
U.S. Government securities	6.2	\$ 4,530,645
U.S. Government Agency securities	15.2	8,083,442
Municipal obligations	10.4	260,192
Domestic and international fixed income investment funds	Not Available	13,767,982
Alternative investment fixed income fund	Not Available	28,063,535
Corporate bonds and mutual funds	3.4	21,886,566

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 and investment 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. 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.

Risks and Uncertainties: 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. 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 real estate funds or pooled funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, 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.

Discretely Presented Component Units

Cash: The CRA's cash at September 30, 2012, includes deposits with financial institutions with a bank balance of \$9,861,454, a book balance of \$9,793,434 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, 2012, includes deposits with financial institutions that were fully covered by federal depository insurance.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

4. Receivables

Current receivables and the allowance for doubtful accounts at September 30, 2012 were as follows:

	Governmental Activities	Business-Type Activities
Property taxes receivable:		
General Fund	\$ 1,462,980	\$ -
Stormwater Utility Fund	-	23,813
Accounts receivable:		
General Fund	2,119,984	-
Water and Sewer Fund	-	3,230,673
Non-Major Funds	90,607	948,278
Internal Service Funds	24,548	-
Allowance for doubtful accounts	(1,928,284)	(900,775)
	<u>\$ 1,769,835</u>	<u>\$ 3,301,989</u>

5. Due from Other Governments

The total amount due from other governments of \$2,339,739 at September 30, 2012 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, 2012 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).	\$ 3,153,789
Non-interest-bearing note receivable from EPOCH, a local not-for-profit organization, to assist in funding of a museum project. Payments of \$3,500 are due on December 31 of each year, with full payment by December 31, 2017.	17,500
Non-interest-bearing note receivable from CRC Recovery Foundation, Inc. for the sale of land, payable in annual installments of \$30,000 through 2015.	<u>90,000</u>
Total General Fund	<u>3,261,289</u>

Non-Major Governmental Funds:

Non-interest-bearing notes receivable from individual property owners for rehabilitation, enhancement and preservation of affordable housing properties. Principal payments are amortized over 5-20 years. Repayment of the loans is contingent upon the sale of real estate prior to the required time frame or release date. Loan repayments are restricted under terms of federal and state grant programs to reinvestment in affordable housing properties	<u>2,182,238</u>
Total Governmental Activities	<u>\$ 5,443,527</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

6. Notes Receivable (Continued)

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 of 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, 2012 was \$3,153,789. At September 30, 2012, interest of \$1,033,479 has been accrued and deferred on the City's books in compliance with the repayment provisions of the UDAG loan. See Note 18 – Subsequent Events.

7. Due from/Due to Component Units

The amount due from component units in the General Fund at September 30, 2012 represents rent due from the CRA in the amount of \$100,000. The amount due to component unit in the non-major governmental funds represents a \$50,000 payable to the CRA for a construction advance.

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, 2012 have been met for outstanding bond issues. Restricted assets are not reported for governmental activities on the statement of net assets or 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 of the Enterprise Funds are restricted to the extent that restricted assets exceed liabilities payable from restricted assets at September 30, 2012. Restricted assets, liabilities payable from restricted assets and restricted net assets of the Enterprise Funds at September 30, 2012 are summarized as follows:

	Restricted for		
	Debt Service	Renewal and Replacement	Total
Restricted Assets			
Water and Sewer Fund:			
Cash and cash equivalents	\$ 5,592,121	\$ 6	\$ 5,592,127
Investments	-	1,623,719	1,623,719
Non-Major Enterprise Funds:			
Cash and cash equivalents	639,327	-	639,327
Total Restricted Assets	6,231,448	1,623,725	7,855,173
Liabilities Payable from Restricted Assets			
Water and Sewer Fund	3,183,886	-	3,183,886
Non-Major Enterprise Funds	50,456	-	50,456
Total Liabilities Payable from Restricted Assets	3,234,342	-	3,234,342
Restricted Net Assets	\$ 2,997,106	\$ 1,623,725	\$ 4,620,831

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

9. Capital Assets

The major components of capital assets for the City at September 30, 2012 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Non-depreciable Assets:</u>				
Land	\$ 38,511,591	\$ 81,108	\$ -	\$ 38,592,699
Construction in Progress	4,679,346	2,038,300	(2,670,388)	4,047,258
Total Non-depreciable Assets	<u>43,190,937</u>	<u>2,119,408</u>	<u>(2,670,388)</u>	<u>42,639,957</u>
<u>Depreciable Assets:</u>				
Buildings	38,055,595	885,673	(15,970)	38,925,298
Improvements Other Than Buildings	116,930,913	2,885,084	(1,929,661)	117,886,336
Equipment	38,402,698	2,291,945	(963,351)	39,731,292
Total Depreciable Assets	<u>193,389,206</u>	<u>6,062,702</u>	<u>(2,908,982)</u>	<u>196,542,926</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	(15,063,029)	(1,224,956)	15,970	(16,272,015)
Improvements Other Than Buildings	(55,071,588)	(4,403,632)	1,864,073	(57,611,147)
Equipment	(26,746,529)	(3,140,735)	883,605	(29,003,659)
Total Accumulated Depreciation	<u>(96,881,146)</u>	<u>(8,769,323)</u>	<u>2,763,648</u>	<u>(102,886,821)</u>
Total Depreciable Assets, net	<u>96,508,060</u>	<u>(2,706,621)</u>	<u>(145,334)</u>	<u>93,656,105</u>
Governmental Activities				
Capital Assets, net	<u>\$ 139,698,997</u>	<u>\$ (587,213)</u>	<u>\$ (2,815,722)</u>	<u>\$ 136,296,062</u>
Business-Type Activities:				
<u>Non-depreciable Assets:</u>				
Land	\$ 5,668,824	\$ -	\$ -	\$ 5,668,824
Construction in Progress	3,250,967	949,013	(2,941,983)	1,257,997
Total Non-depreciable Assets	<u>8,919,791</u>	<u>949,013</u>	<u>(2,941,983)</u>	<u>6,926,821</u>
<u>Depreciable Assets:</u>				
Buildings	13,662,855	-	-	13,662,855
Improvements Other Than Buildings	158,279,261	4,304,623	(65,749)	162,518,135
Equipment	14,159,757	429,401	(213,000)	14,376,158
Total Depreciable Assets	<u>186,101,873</u>	<u>4,734,024</u>	<u>(278,749)</u>	<u>190,557,148</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	(7,924,820)	(413,560)	-	(8,338,380)
Improvements Other Than Buildings	(74,846,435)	(3,052,390)	63,913	(77,834,912)
Equipment	(11,169,400)	(686,068)	210,311	(11,645,157)
Total Accumulated Depreciation	<u>(93,940,655)</u>	<u>(4,152,018)</u>	<u>274,224</u>	<u>(97,818,449)</u>
Total Depreciable Assets, net	<u>92,161,218</u>	<u>582,006</u>	<u>(4,525)</u>	<u>92,738,699</u>
Business-Type Activities				
Capital Assets, net	<u>\$ 101,081,009</u>	<u>\$ 1,531,019</u>	<u>\$ (2,946,508)</u>	<u>\$ 99,665,520</u>

Depreciation expense for the fiscal year ended September 30, 2012 was charged to functions/programs of the primary government as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

9. Capital Assets (Continued)

Governmental Activities:

General Government	\$ 738,436
Public Safety	1,214,066
Physical Environment	2,669,500
Parks and Recreation	2,363,859
Internal Service Funds	1,783,462

Total depreciation expense - Governmental Activities	\$ 8,769,323
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Business-Type Activities:

Water and Sewer	\$ 3,364,322
Municipal Golf Course	252,284
Lakeview Golf Course	41,120
City Marina	67,808
Sanitation	1,210
Stormwater Utility	425,274

Total depreciation expense - Business-Type Activities	\$ 4,152,018
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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, 2012 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets:</u>				
Land and Land Improvements	\$ 25,674,467	\$ 685,489	\$ (1,865,523)	\$ 24,494,433
Total Non-depreciable Assets	25,674,467	685,489	(1,865,523)	24,494,433
<u>Depreciable Assets:</u>				
Buildings and Improvements	3,808,566	-	-	3,808,566
Equipment, Furniture, and Fixtures	114,362	7,631	-	121,993
Total Depreciable Assets	3,922,928	7,631	-	3,930,559
<u>Less Accumulated Depreciation for:</u>				
Buildings	(532,776)	(135,293)	-	(668,069)
Equipment, Furniture, and Fixtures	(104,667)	(4,705)	-	(109,372)
Total Accumulated Depreciation	(637,443)	(139,998)	-	(777,441)
Total Depreciable Assets, net	3,285,485	(132,367)	-	3,153,118
Capital Assets, net	\$ 28,959,952	\$ 553,122	\$ (1,865,523)	\$ 27,647,551

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

10. Investment in Regional Plant Joint Venture (Continued)

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, 2012, accounts receivable of the Water and Sewer Fund and business-type activities included \$358,731 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities included \$278,129 due to the Board. For the year ended September 30, 2012, the City paid \$3,298,883 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, 2012. 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, 2012 is as follows:

Net Assets	
Current and other assets	\$ 5,079,719
Capital assets, net	51,892,836
	<u>56,972,555</u>
	Total assets
Current liabilities	1,420,171
Noncurrent liabilities	787,173
	<u>2,207,344</u>
	Total liabilities
Net assets	<u>\$ 54,765,211</u>

Change in Net Assets	
Charges for services	\$ 8,709,529
	<u>8,709,529</u>
	Total program revenues
Program expenses	11,352,068
	<u>(2,642,539)</u>
	Net program expenses
Investment income	10,980
Miscellaneous	111,727
Loss on disposal of capital assets	(102,758)
Transfers to joint venture participants	(854,122)
	<u>(3,476,712)</u>
	Change in net assets
	<u>\$ (3,476,712)</u>

The City accounts for its investment in the Board as a joint venture recorded on the equity method of accounting. At September 30, 2012, the City's 50% equity interest in the net assets of the Board totaled \$27,382,606 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, 2012, commitments totaling \$844,139 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

11. Interfund Transactions and Balances (Continued)

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.

Total interfund receivables/payables and transfers as of and for the year ended September 30, 2012 were as follows:

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Governmental Fund				
General Fund	\$ -	\$ 7,983,154	\$ 3,821,063	\$ 2,857,232
Non-Major Governmental Funds				
Special Revenue Funds:				
Law Enforcement Trust	330,330	-	-	-
Developers Land Contribution	623,530	-	-	-
ARRA Economic Stimulus	-	198,554	-	-
Neighborhood Services	314,901	-	149,430	-
SHIP	-	-	-	-
Beautification	346,126	-	886,952	-
Special Projects	119,338	-	10,800	170,980
Cemetery Perpetual Care	319,551	-	-	-
Debt Service Fund:				
Utilities Tax	469,428	-	1,195,650	1,773
Capital Projects Funds:				
Capital Improvement	2,369,748	-	644,940	4,500
2004 GO Bond	289,264	-	-	371,000
Beach Restoration	-	22,834	15,000	-
Total Governmental Funds	<u>5,182,216</u>	<u>8,204,542</u>	<u>6,723,835</u>	<u>3,405,485</u>
Major Proprietary Fund				
Water and Sewer Fund	2,289,256	-	103,000	3,013,260
Non-Major Proprietary Funds				
Municipal Golf Course	-	1,365,593	-	33,000
Lakeview Golf Course	-	990,223	-	15,000
City Marina	207,586	-	-	50,880
Sanitation	872,169	-	-	188,510
Stormwater Utility	-	276,589	-	120,000
Internal Service Funds:				
Insurance	1,846,979	-	-	700
Central Garage	438,741	-	-	-
Total Proprietary Funds	<u>5,654,731</u>	<u>2,632,405</u>	<u>103,000</u>	<u>3,421,350</u>
Total Primary Government	<u>\$ 10,836,947</u>	<u>\$ 10,836,947</u>	<u>\$ 6,826,835</u>	<u>\$ 6,826,835</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

12. Noncurrent Liabilities

The changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 35,558,216	\$ -	\$ (985,388)	\$ 34,572,828	\$ 4,017,285
General obligation bonds	24,605,000	-	(2,600,000)	22,005,000	2,720,000
Unamortized bond premium	856,320	-	(136,142)	720,178	-
Unamortized loss on bond refinancing	(228,534)	-	96,222	(132,312)	-
Total bonds payable, net	60,791,002	-	(3,625,308)	57,165,694	6,737,285
Installment agreements	128,460	825,000	(149,536)	803,924	175,251
Compensated absences	7,125,494	839,574	(538,129)	7,426,939	662,121
Insurance claims payable	3,996,911	8,172,490	(8,010,313)	4,159,088	1,554,025
Total Governmental Activities	\$ 72,041,867	\$ 9,837,064	\$ (12,323,286)	\$ 69,555,645	\$ 9,128,682
Business-Type Activities:					
Revenue bonds	\$ 26,271,178	\$ 8,160,000	\$ (10,750,353)	\$ 23,680,825	\$ 3,085,061
Unamortized bond premium	46,707	-	(9,834)	36,873	-
Unamortized loss on bond refinancing	(160,779)	-	33,849	(126,930)	-
Total bonds payable, net	26,157,106	8,160,000	(10,726,338)	23,590,768	3,085,061
Accrued interest on capital appreciation bonds	10,689,230	706,064	(2,889,263)	8,496,031	2,986,790
Installment agreements	64,782	-	(33,372)	31,410	31,410
Compensated absences	953,110	105,960	(29,655)	1,029,415	23,677
Total Business-Type Activities	\$ 37,864,228	\$ 8,972,024	\$ (13,688,628)	\$ 33,147,624	\$ 6,126,938

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 for governmental activities. Noncurrent liabilities, including current maturities, at September 30, 2012 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, 2012 through 2014.	\$ -	\$ 4,193,655
5.245%, \$10,000,000 Revenue Bonds issued February 25, 2000 (Series 2000) due in principal amounts of \$520,000 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.	2,824,783	1,040,215

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2012

12. Noncurrent Liabilities (Continued)

Revenue Bonds (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
3.85% to 4.20%, \$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 Utility Tax Revenue Bonds, Series 1992, advance refund the Utility Tax Revenue Bonds, Series 1994, advance refund the Utility Tax Revenue Bonds, Series 1995, current refund the Utility Tax Revenue Bonds, Subordinate Series 1996 and current refund the Utility Tax Revenue Bonds, Subordinate Series 1998.	\$ -	\$ 1,830,000
3.66%, \$9,685,000 Revenue Refunding and Improvement Bonds issued December 2, 2003 (Series 2003) due in principal amounts of \$655,000 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.	5,185,000	310,000
3.98%, \$2,350,000 Water and Sewer Revenue Bonds issued November 17, 2006 (Series 2006B), with principal amounts of \$135,000 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.	-	1,720,000
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).	23,563,045	996,955
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 (.839% at September 30, 2012) 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

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2012

12. Noncurrent Liabilities (Continued)

	Governmental Activities	Business-Type Activities
Revenue Bonds:		
2.21%, \$8,160,000 Water and Sewer Refunding Revenue Bonds issued October 18, 2011 (Series 2011B), with principal amounts of \$285,000 to \$1,120,000 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 2007 Water and Sewer Revenue Bonds.	\$ -	\$ 8,160,000
Total Revenue Bonds	34,572,828	23,680,825
Unamortized bond premium	643,344	36,873
Unamortized loss on bond refunding	(103,750)	(126,930)
Total Revenue Bonds, Net	35,112,422	23,590,768
General Obligation Bonds:		
5.00%, \$15,685,000 General Obligation Bonds issued December 19, 2002 (Series 2002), due in an annual principal installment of \$2,055,000 on February 1, 2013, with a semi-annual interest payment due on February 1, 2013. The bonds were issued to partially refund, on a current basis, General Obligation Bonds, Series 1993A and Series 1993B.	2,055,000	-
3.50%-4.30%, \$14,000,000 General Obligation Bonds issued September 30, 2004 (Series 2004), due in annual principal installments of \$665,000 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.	9,950,000	-
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	22,005,000	-
Unamortized bond premium	76,834	-
Unamortized loss on bond refunding	(28,562)	-
Total General Obligation Bonds, Net	22,053,272	-
Other Noncurrent Liabilities:		
Long-term installment agreements for equipment:		
2.76% installment purchase agreements maturing in 2013	62,286	31,410
2.8546% installment purchase agreement maturing in 2018	741,638	-
Compensated absences payable	7,426,939	1,029,415
Insurance claims payable (see Note 15)	4,159,088	-
Accrued interest on capital appreciation bonds	-	8,496,031
Total Noncurrent Liabilities, including current portion	\$ 69,555,645	\$ 33,147,624

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

12. Noncurrent Liabilities (Continued)

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, 2012, the gross amount of the equipment held under these agreements was \$1,085,600 and the accumulated amortization totaled \$288,810. 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 for governmental activities long-term installment agreements as of September 30, 2012 are as follows:

Fiscal year ending September 30:		
2013	\$	188,911
2014		125,763
2015		125,764
2016		125,764
2017		125,763
2018-2019		157,206
Total minimum payments		849,171
Less amount representing interest		(45,247)
Outstanding balance at September 30, 2012	\$	<u>803,924</u>

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 which is allocated to both governmental activities funds and business-type funds at September 30, 2012 is \$44,456,136. Principal and interest paid during the current year was \$505,000 and \$1,318,240, 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 which is allocated to both the governmental activities funds and business-type activities funds at September 30, 2012 is \$14,062,721. Non-ad valorem revenues received for the current year were \$47,532,509. Principal and interest paid for the current year was \$1,125,000 and \$477,912, 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

12. Noncurrent Liabilities (Continued)

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, 2012 are as follows:

Fiscal Year Ending September 30	Revenue Bonds		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2013	\$ 4,017,285	\$ 1,538,375	\$ 2,720,000	\$ 849,827	\$ 9,125,487
2014	1,102,398	1,470,450	1,410,000	758,937	4,741,785
2015	1,146,850	1,423,678	1,465,000	702,092	4,737,620
2016	1,213,638	1,374,878	1,530,000	641,935	4,760,451
2017	1,196,713	1,324,460	1,595,000	579,200	4,695,373
2018-2022	6,707,796	5,799,403	9,065,000	1,853,417	23,425,616
2023-2027	8,433,191	3,997,440	4,220,000	180,002	16,830,633
2028-2032	10,754,957	16,666,560	-	-	27,421,517
Total	\$ 34,572,828	\$ 33,595,244	\$ 22,005,000	\$ 5,565,410	\$ 95,738,482

Interest Expense: Total interest costs incurred on governmental activities debt for the year ended September 30, 2012 were \$2,551,029, 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.
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, 2012, the gross amount of the equipment held under these agreements was \$131,420 and the accumulated amortization totaled \$101,303. 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, 2012 are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

12. Noncurrent Liabilities (Continued)

Payments due for fiscal year ending September 30, 2013	\$ 31,845
Less amount representing interest	(435)
Outstanding balance at September 30, 2012	<u>\$ 31,410</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 \$30,816,197. Principal and interest paid and utility net revenues for the current year were \$4,945,845 and \$11,290,764, respectively.

Prior Period Adjustment: At September 30, 2011, the City over-accrued interest in the amount of \$2,899,263 on the capital appreciation bonds. The net assets at October 1, 2011 as originally reported for the business-type activities and Water and Sewer Fund was \$117,328,987 and \$96,423,161, respectively, were restated to \$120,228,250 and \$99,322,424, respectively. Had the error not been made, the change in net assets of the business-type activities and Water and Sewer Fund in the prior year would have been \$2,899,263 more than the amounts reported.

Debt Extinguishment: On October 18, 2011, the City issued \$8,160,000 of Water and Sewer Refunding Revenue Bonds, Series 2011B, the proceeds of which, together with \$47,056 from the City's debt service accounts, was deposited with an escrow agent to currently refund the outstanding balance of the \$9,000,000 Water and Sewer Revenue Bonds, Series 2007. Accordingly, the Series 2007 Bonds were fully paid at September 30, 2012. The refunding reduced the City's debt service payments by \$1,290,485 and resulted in an economic gain of \$1,105,443. There was no accounting gain or loss on the refunding.

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

Debt Maturities: The annual requirements to pay principal and interest to maturity on the business-type activities bonds outstanding as of September 30, 2012 are as follows:

Fiscal Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2013	\$ 3,085,061	\$ 3,533,850	\$ 6,629,771
2014	2,934,327	3,578,932	6,513,259
2015	2,906,876	3,607,410	6,514,286
2016	2,306,362	386,604	2,692,966
2017	1,893,287	318,059	2,211,346
2018-2022	9,732,204	825,294	10,557,498
2023-2027	356,809	166,560	523,369
2028-2032	465,899	69,444	524,483
Total	<u>\$ 23,680,825</u>	<u>\$ 12,486,153</u>	<u>\$ 36,166,978</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

12. Noncurrent Liabilities (Continued)

Interest Expense: Total interest costs incurred on business-type activities debt for the year ended September 30, 2012 were \$1,363,279, 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, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 11,105,000	\$1,351,725	\$ (1,595,000)	\$ 10,861,725	\$ 1,670,000
Note payable	166,531	-	(166,531)	-	-
Pollution remediation obligation	3,221	-	(3,221)	-	-
Total noncurrent liabilities	\$ 11,274,752	\$1,351,725	\$ (1,764,752)	\$ 10,861,725	\$ 1,670,000

The CRA's outstanding revenue bonds at September 30, 2012 consist of the following:

4.80% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), maturity date September 1, 2019.	\$ 3,310,000
4.2982% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 2004A Tax Exempt), maturity date September 1, 2019.	5,450,000
5.9095% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bonds (Series 2004B Taxable), maturity date September 1, 2016.	750,000
2.10% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bonds (Series 2012), maturity date October 1, 2017	1,351,725
Total Revenue Bonds	\$ 10,861,725

Note Payable: The note payable to the South Florida Regional Planning Council (the "Council") was 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. Principal and interest at 3.0% was due in equal installments of \$87,763 on June 2nd and December 2nd, through maturity. The note was fully paid in June 2012.

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. The CRA was required to perform pollution remediation after the property was acquired and 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 CRA accounts for the pollution remediation 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. As of September 30, 2012, all remediation and monitoring efforts were completed and no further expenses are expected to occur, however, additional liabilities could arise over time if further remediation or monitoring is required by regulatory authorities.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

12. Noncurrent Liabilities (Continued)

Pledged Revenues: The CRA has pledged a portion of future tax increment revenues to repay its outstanding revenue bonds issued in 1999, 2004 and 2012 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 500 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on all debt at September 30, 2012 was \$11,099,566, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$2,286,883 and \$10,604,414, respectively.

Interest Expense: Total interest costs incurred and paid on all CRA debt for the year ended September 30, 2012, were \$522,995 and \$525,352, respectively. All interest costs were expensed.

Annual Debt Service: The annual debt service requirements at September 30, 2012 for all CRA debt (excluding the Series 2012 Bonds which will not have a fixed payment until the final draw date of March 30, 2015) are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
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	1,090,000	151,440	1,241,440
2018-2019	2,330,000	155,888	2,485,888
	\$ 9,510,000	\$ 1,589,566	\$ 11,099,566

13. Pension Plans

Description of the Plans

The City contributes to two single-employer defined benefit pension plans covering substantially all full-time City employees. The General Employees' Pension Fund is for employees who have completed one year of credited service excluding the City Commission, the City Manager (and assistants), City Attorney (and assistants) and department heads if they elect 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

13. Pension Plans (Continued)

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.

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, the chief(s) or their designees, one member of each department elected by the membership and the Mayor of the City or the Mayor's designee.

Vesting—Benefits fully vest after 10 years of service.

Eligibility for Normal Retirement—Normal retirement eligibility is the earlier of age 55 and 10 years of service or upon completion of 20 years of service regardless of age.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

13. Pension Plans (Continued)

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 benefit 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 42-11 effective October 4, 2011, increased the contribution amount for police officers to 6% of annual compensation. Ordinance No. 15-11 effective May 3, 2011, changed the contribution amount for firefighters to 6% of annual compensation. Members 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.

Membership

Membership data of the City’s pension plans as of October 1, 2011, 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	246	214
Terminated employees entitled to benefits but not receiving them	46	2
Active members	389	238

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

13. Pension Plans (Continued)

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, 2011	October 1, 2011
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%	8.00%
Projected salary increases*	4.4% -7.2% based on service (2% for each of the next three years)	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 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			
2012	\$ 2,365,620	100%	\$ 0
2011	2,305,292	100	0
2010	2,996,262	100	0

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

13. Pension Plans (Continued)

<u>Year Ended September 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Police and Firefighters' Retirement System Fund			
2012	\$ 7,968,408	100%	\$ (128,704)
2011	6,986,348	100	(133,794)
2010	5,385,422	100	(58,412)

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

Annual required contribution (ARC)	\$ 7,963,318
Interest on net pension obligation (NPO)	(10,971)
Adjustment to ARC	16,061
Annual pension cost	<u>7,968,408</u>
Contributions made	<u>7,963,318</u>
Decrease in NPO asset	(5,090)
NPO (asset) at October 1, 2011	<u>(133,794)</u>
NPO (asset) at September 30, 2012	<u><u>\$ (128,704)</u></u>

Funded Status and Funding Progress

The funded status of the plans as of October 1, 2011, the most recent actuarial valuation date, is as follows:

Plan	Actuarial Valuation Date	Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
General Employees	10/1/2011	\$ 90,513,860	\$ 93,546,778	\$ 3,032,918	96.8%	\$ 17,817,131	17.0%
Police & Firefighters	10/1/2011	118,807,990	210,308,202	91,500,212	56.5%	17,789,167	514.4%

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

Pension Plan Financial Statements

The General Employees' Pension Fund does not issue a publicly available financial report. The financial statements for the General Employees' Pension Fund as of and for the year ended September 30, 2012 are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

13. Pension Plans (Continued)

Statement of Plan Net Assets	
ASSETS	
Cash and cash equivalents	\$ 575,051
Investments:	
U.S. Government securities	1,131,173
U.S. Government Agency securities	692,500
Domestic and international corporate bonds	4,417,117
Domestic and international equity securities and mutual funds	22,756,754
Alternative investments	59,155,415
Due from broker	1,622,785
Employee contributions receivable	38,138
Prepaid expenses	97,101
Interest and dividends receivable	105,834
Total assets	<u>90,591,868</u>
LIABILITIES	
Accounts payable	44,685
Total liabilities	<u>44,685</u>
NET ASSETS held in trust for pension benefits	<u>\$ 90,547,183</u>
Statement of Changes in Plan Net Assets	
ADDITIONS	
Contributions:	
Employer	\$ 2,365,620
Plan members	751,748
Total contributions	<u>3,117,368</u>
Investment earnings	
Net appreciation in fair value of investments	13,733,610
Interest and dividends	616,453
	<u>14,350,063</u>
Less investment expenses – custodian fees	202,969
Net investment earnings	14,147,094
Other income	4,553
Total additions	<u>17,269,015</u>
DEDUCTIONS	
Benefits	4,408,265
Refunds of contributions	99,280
Administrative expenses	116,186
Total deductions	<u>4,623,731</u>
Change in net assets	12,645,284
Net Assets at October 1, 2011	<u>77,901,899</u>
Net Assets at September 30, 2012	<u>\$ 90,547,183</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, 2012

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, 2012 is summarized as follows:

Balance at October 1, 2011	\$ 603,023
Employer contributions	36,933
Employee contributions	36,933
Investment gain	115,922
Fees	18
Balance at September 30, 2012	<u>\$ 792,829</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, 2011	\$ 387,884
Investment gain	65,597
Service fees	(1,611)
Distributions	(35,018)
Balance at September 30, 2012	<u>\$ 416,852</u>

14. Other Postemployment Benefits (OPEB)

Description of the Plans

The City administers two other postemployment benefit (OPEB) plans 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, 2012

14. Other Postemployment Benefits (OPEB) (Continued)

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 \$1,781 for medical/prescription coverage and at a rate of \$.18 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:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

14. Other Postemployment Benefits (OPEB) (Continued)

	OPEB Plan	Retiree Benefit Fund
Valuation date	October 1, 2010	October 1, 2011
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post retirement benefit increases	None	None
Health care cost trend rates	9% per year initially, reduced annually by .5% to an ultimate rate of 5% in 2019	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	28 years	25 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*	2.0 – 7.2%	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 GASB 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:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

14. Other Postemployment Benefits (OPEB) (Continued)

Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
OPEB Plan			
2012	\$ 1,283,914	47%	\$ 2,605,995
2011	1,230,663	42	1,925,071
2010	999,504	74	1,205,343
Retiree Benefit Fund			
2012	\$ 684,128	67%	\$ (42,626)
2011	572,664	115	(268,352)
2010	574,563	115	(180,161)

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, 2012 were as follows:

	OPEB Plan	Retiree Benefit Fund	Total
Annual required contribution	\$ 1,270,582	\$ 689,143	\$ 1,959,725
Interest on net OPEB obligation (asset)	86,628	(21,468)	65,160
Adjustment to annual required contribution	(73,296)	16,453	(56,843)
Annual OPEB cost	1,283,914	684,128	1,968,042
Contributions made	(602,990)	(458,402)	(1,061,392)
Increase in net OPEB obligation (asset)	680,924	225,726	906,650
Net OPEB obligation (asset) at October 1, 2011	1,925,071	(268,352)	1,656,719
Net OPEB obligation (asset) at September 30, 2012	\$ 2,605,995	\$ (42,626)	\$ 2,563,369

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:

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	10/1/2011	3,155,585	9,581,135	6,425,550	32.9	20,647,352	31.10

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, 2012

15. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City is also subject to risk of loss arising in the ordinary course of business, including, but not limited to, claims for damages for personal injuries, employment-related claims, and breach of contract. Commercial insurance is purchased for certain specialized insurance coverages, including, but not limited to, flood insurance, railroad crossing liability, skate park liability and environmental liabilities. The City uses the Insurance Internal Service Fund to account for and finance all commercial insurance and retained risks of loss.

The City has a Managed Retention, Protected Self-Insurance Program whereby the City is substantially self-insured for general and auto liability coverage. Workers' compensation, fidelity and property coverage are insured with large deductible self-insured retentions. There were no significant changes in insurance coverage from the prior year and the amounts of settlements did not exceed insurance coverage for any of the past three years. A loss fund of \$1,950,000 maximum applies per year over which an aggregate coverage of \$1,000,000 of commercial insurance would apply should the loss fund be exhausted in a given year. The City also maintains a self-insured health plan with Cigna as the third-party administrator. The City is self-insured up to a stop loss of \$200,000 per claim and has purchased excess insurance for claims exceeding the stop loss for individual and aggregate claims.

The City's Insurance Internal Service Fund is funded by charges to the City's other funds based on the contributing funds' claims experience and as needed to meet the estimated payments resulting from purchased and self-insurance programs, and operating expenses. For the year ended September 30, 2012, charges of \$12,516,490 were made by the Insurance Fund to other funds and are reflected as interfund services provided and used in the accompanying financial statements. The City has recorded a claims liability of \$4,159,088 (\$1,554,025 current and \$2,605,063 noncurrent) at September 30, 2012, which is an increase of \$162,177 from the prior year. The small increase reflects stable claims development for all lines of insurance. 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 result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated annually to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims. Estimated recoveries, such as those from salvage or subrogation, are also considered in the claims liability estimate.

The following summarizes the claims liability activity for the current and prior year:

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	3,996,911
Claims incurred	8,172,490
Claims paid	<u>(8,010,313)</u>
Balance at September 30, 2012	<u><u>\$ 4,159,088</u></u>

The claims liability at September 30, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Current	\$ 1,554,025	\$ 1,471,930
Non-current	<u>2,605,063</u>	<u>2,524,981</u>
	<u><u>\$ 4,159,088</u></u>	<u><u>\$ 3,996,911</u></u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

15. Risk Management (Continued)

As a political subdivision of the State of Florida, the City has sovereign immunity under the Florida Constitution for tort actions. Therefore, in accordance with Chapter 768.28 Laws of Florida, the City is not liable to pay a claim or judgment, or any portions thereof, which when totaled with all other claims or judgments paid by the State or its agencies or subdivisions arising out of the same incident or occurrence, exceeds the aggregate sum of \$300,000. Chapter 768.28 also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to and approved by the Florida Legislature. In April 2010, the Governor approved Chapter 2010-26, Laws of Florida, which raised the limits of sovereign immunity from \$100,000 to \$200,000 per claim and from \$200,000 to \$300,000 in the aggregate, effective for claims arising on or after October 1, 2011. Sovereign immunity limits were considered in the actuarial development of claims liabilities.

16. Related Party Transactions

The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2012 the CRA's tax increment revenues include \$6,376,396 received from the City. CRA expenditures for the year ended September 30, 2012, include charges of \$1,420,325 for contractual services provided by the City to the CRA in connection with various administrative and development activities and a \$535,000 sponsorship of City tennis tournaments. The CRA also received approximately \$69,000 in reimbursements from the City for various projects. At September 30, 2012, the CRA had a payable to the City of \$100,000 for reimbursement of certain administrative and redevelopment expenditures and a receivable of \$50,000 from the City for a construction advance.

The CRA and the City routinely contract with each other for funding of certain administrative functions, projects and programs. See Note 17 - Commitments and Contingencies for further discussion of these commitments.

17. 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, 2012 were as follows:

Capital Projects Funds	\$ 1,386,381
Water and Sewer Fund	939,781
Stormwater Utility Fund	98,338
	<u>\$ 2,424,500</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.

Operating Lease

The City entered into a lease agreement with the Delray Beach Community Redevelopment Agency on January 11, 2010 for 10,600 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 CRA plans to build out the space and then sublet portions of the space to not-for-profit organizations for arts related uses. The aggregate remaining payments due to the City on the lease at September 30, 2012 were \$450,000.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

17. Commitments and Contingencies (Continued)

Litigation, Claims and Assessments

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

Grants

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

Debt Service Reserve Surety Bond

The City's Utility Tax Revenue Bonds (Series 2002 and 2007) and Water and Sewer Revenue Bonds (Series 1993), 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, 2012 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, 2012. The Bonds outstanding at September 30, 2012 have a credit rating no lower than the City's underlying rating of AA- from S&P.

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency

CRA Contract Commitments: At September 30, 2012 the CRA had outstanding construction commitments consisting of the following:

	Total Project Authorization	Expended Through September 30, 2012	Retainage Payable at September 30, 2012	Remaining Commitment at September 30, 2012
SW 9th Avenue Parking Lot	\$ 38,263	\$ 10,688	\$ -	\$ 27,575
SW 12 th Avenue Duplexes	129,234	108,155	-	21,079
133 SW 12 th Ave NRC	37,000	16,754	-	20,246
182 & 186 NE 5 th Ave	23,500	19,900	-	3,600
Arts Warehouse	123,800	56,674	-	67,126
	<u>\$ 351,797</u>	<u>\$ 212,171</u>	<u>\$ -</u>	<u>\$ 139,626</u>

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, 2013.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

17. Commitments and Contingencies (Continued)

Lease Commitments: The CRA entered into agreements to sublease commercial space on the first floor of the City's Old School Square parking garage that is leased from the City by the CRA. The subleases are summarized as follows:

Agreement to sublease approximately 5,000 square feet to the Puppetry Arts Center of the Palm Beaches, Inc. for \$400 per month for a two year term commencing October 1, 2010. The sublease was extended for a one year period, through September 30, 2013 and includes the option to extend the lease through January 31, 2015.

Agreement to sublease approximately 5,600 square feet to the Creative City Collaborative of Delray Beach, Inc. for \$467 per month for a period of 31 months commencing on July 1, 2012 and expiring on January 31, 2015.

The CRA entered into an agreement to lease the property located at 606 West Atlantic Avenue to Schuler's Memorial Chapel for \$500 per month for a two year period commencing December 15, 2010. In 2012 the lease was subsequently extended through December 15, 2013. The carrying value of the leased property was \$1,895,000 at September 30, 2012.

On September 11, 2011 the CRA entered into a ground lease and property management agreement with the Delray Beach Housing Group, Inc. (a Florida not-for-profit organization) to lease, manage, maintain and operate the existing rental units owned by the CRA known as the Carolyn Quince Court and La France Apartments. The CRA also entered into a similar ground lease and property management agreement with the Delray Beach Community Land Trust, Inc. for the Palm Manor apartments. The agreements provide for an annual rental payment to the CRA of \$1 and that the lessors will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the leased apartments. The term of the agreements is for five years with one renewal option for an additional five year period. The apartments were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$2,876,000 at September 30, 2012.

On April 2, 2012, the CRA entered into a Ground Lease Agreement with Prime Delray Hotel, LLC (the "Company") for a 40 year term. The Company will develop, construct and operate a 4-story business class hotel on the property. The lease agreement provides for the Company to pay the CRA an annual base rent of \$1 for years 1 through 5 and thereafter a contingent rental of 2% of gross room sales for years 6 through 10 and increasing by 1% for each five year period thereafter until reaching 5% for years 21 to 40. For years 5 through 25, the Company has the right to purchase the property from the CRA at a price based on the average of two independent appraisals; one obtained by the CRA and the second by the Company. The carrying value of the leased property was \$2,417,627 at September 30, 2012.

Funding Commitments: The CRA entered into grant agreements to provide future funding for various economic redevelopment purposes. The grant funding commitments of the CRA at September 30, 2012 are summarized as follows:

Prime Delray Hotel, LLC - Development Infrastructure Grant for the development and construction of a 4-story business class hotel on Atlantic Avenue. The grant is for an amount not to exceed \$332,349 and will be paid in five equal annual payments, not to exceed fifty percent of the actual tax increment revenues attributed to the project for any such year.

KCMCL Pineapple Grove, LLC ("Kolter") - Development Infrastructure Grant for the development and construction of a 134-room limited service Hyatt Place Hotel in the Pineapple Grove Arts District. The grant is for an amount not to exceed the lesser of 50% of the project costs or \$431,000. The CRA will reimburse the developer 50% of the eligible project costs over a ten year period. Payments will be made by the CRA on February 1st of each year after the completed project is added to the tax rolls.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

17. Commitments and Contingencies (Continued)

Village Square Family, LTD – Grant for \$100,000 of funding assistance for development of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse. The grant is contingent upon Village Square Family, LTD obtaining permanent financing through issuance of tax exempt bonds.

Law Offices of Kanner and Pinaluga, P.A. - Job Creation Bonus Program grant awarded in an amount equal to five percent of all certifiable annual wages for the establishment of between five and sixteen qualifying jobs, up to a maximum annual grant of \$13,236 and \$66,180 over a five year period commencing November 9, 2012.

Operating Grants: The CRA entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2013:

City of Delray Beach – Clean and Safe Program	\$ 1,294,795
City of Delray Beach – International Tennis Championships	535,000
City of Delray Beach – Shuttle Bus	550,000
City of Delray Beach – Irrigation and Landscape Maintenance	33,000
Delray Beach Community Land Trust, Inc.	220,000
Delray Beach Public Library Association, Inc.	308,000
Downtown Marketing Cooperative	368,825
Creative City Collaborative	285,000
Delray Beach Center for the Arts, Inc.	310,753
EPOCH, Inc.	<u>92,895</u>
Total Grant Commitments	<u>\$ 3,998,268</u>

The CRA contracts with the City for various administrative services each fiscal year and budgeted approximately \$300,000 for those services for the year ending September 30, 2013.

The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the U.S. Highway One Corridor Improvements by the City. The total project cost is estimated to be approximately \$12.5 million, of which the CRA will fund approximately \$3.6 million, plus financing costs. The CRA will pay the City interest only on the amount financed by the City during the year ending September 30, 2013. Thereafter, the CRA will pay the City an amount equal to the principal and interest on the CRA’s share of the funding for a period of ten years, at an interest rate comparable to the rate paid by the City on the financed amount. The final term and interest rate will be determined based on the City’s financing arrangements for the project.

Loan Commitments: The CRA entered into two loan commitments to provide future financing for economic redevelopment projects in the CRA district. The loan commitments of the CRA at September 30, 2012 are summarized as follows:

Village Square Elderly, Ltd. - On November 8, 2011 the CRA issued a Loan Commitment to Village Square Elderly, Ltd. (Village Square) for a \$2.7 million, 15 year term loan for the redevelopment of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse (the “Property”). The loan will be non-interest bearing for the first nine years and for years ten through fifteen, the loan will accrue interest at the higher of 3.0% or the rate charged to the CRA for the funds borrowed by the CRA to fund the loan. Commencing on the tenth anniversary date of the loan and annually thereafter, principal and interest will be payable to the CRA in an amount equal to the

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2012

17. Commitments and Contingencies (Continued)

remaining cash flow from the Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan will mature fifteen years from the loan closing date, at which time all outstanding principal and accrued interest will be due to the CRA. The loan will be collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The closing date for the loan is scheduled to occur on or before May 31, 2013. Should the loan not close by May 31, 2013 the CRA may terminate the loan commitment.

Prime Delray Hotel, LLC - On April 2, 2012, the CRA issued a Loan Commitment to Prime Delray Hotel, LLC for a \$1.5 million term loan for development and construction of a 4-story business class hotel on Atlantic Avenue (the "Hotel Property"). The loan will accrue interest at a rate of 3% per annum. Payments of interest only on the outstanding loan balance are payable to the CRA for 60 months after the loan closing date, at which time all outstanding principal and accrued interest will be due to the CRA. The loan will be collateralized by a second mortgage lien and security interest in the Hotel Property and all improvements, fixtures, and appurtenances thereto.

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.

18. Subsequent Event

Note Receivable: The City has a \$3,153,789 note receivable due from a developer for the construction of an urban development project (See Note 6). Principal and interest payments are due in annual installments of \$149,244 with a balloon payment due in 2022 for the remaining principal and interest, including deferred interest. The developer has not paid the \$149,244 installment payment on the note receivable that was due on December 31, 2012. The total currently due to the City from the developer is \$4,187,455. The City is in discussion with the developer on options for restructuring this note. While the ultimate outcome of this matter cannot be determined at this time, in the opinion of the City and its management, the note receivable will be fully collected and no allowance for uncollectibility has been made in the accompanying financial statements for this note receivable.

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 56,485,730	\$ 57,011,000	\$ 57,038,399	\$ 27,399
Fees and permits	10,723,100	8,451,650	9,534,404	1,082,754
Intergovernmental	6,257,210	6,588,628	6,433,996	(154,632)
Charges for services	9,941,170	9,814,480	10,391,250	576,770
Fines and forfeitures	933,500	1,024,500	1,031,444	6,944
Miscellaneous	5,687,600	5,598,885	5,568,046	(30,839)
Transfers in	3,327,960	3,818,590	3,821,063	2,473
Prior year surplus	-	1,225,549	-	(1,225,549)
Total Revenues	<u>93,356,270</u>	<u>93,533,282</u>	<u>93,818,602</u>	<u>285,320</u>
EXPENDITURES				
General government				
City commission	211,650	202,830	201,304	1,526
City manager	542,470	530,880	526,476	4,404
Human resources	519,120	518,360	512,121	6,239
Public information office	90,720	84,960	84,260	700
City clerk	526,810	526,810	512,019	14,791
Finance	1,629,040	1,671,079	1,649,985	21,094
Information technology	1,541,910	1,662,070	1,634,047	28,023
City attorney	866,510	895,580	758,788	136,792
Administrative services administration	639,140	638,140	616,697	21,443
Clean and Safe	198,240	198,240	179,444	18,796
Cemetery	383,160	383,263	350,271	32,992
Nondepartmental	1,971,430	2,406,193	1,992,331	413,862
Transfers to component units	6,427,480	6,427,480	6,376,396	51,084
Public safety				
Law enforcement	26,936,680	26,389,798	25,452,495	937,303
Fire control	22,172,530	22,285,739	21,404,616	881,123
Community improvement administration	420,900	434,900	432,286	2,614
Planning and zoning	1,160,630	1,172,130	1,135,590	36,540
Building inspection	1,244,230	1,242,880	1,227,170	15,710
Code compliance	905,630	975,160	949,554	25,606
Physical environment				
Engineering	273,710	281,990	280,487	1,503
Parking facilities	857,520	985,520	884,108	101,412
Public works	2,763,260	2,807,805	2,807,803	2
Parks and recreation	12,390,540	12,309,060	12,104,198	204,862
Debt service	5,312,880	5,645,180	5,113,213	531,967
Transfers out	3,370,080	2,857,235	2,857,232	3
Total Expenditures	<u>93,356,270</u>	<u>93,533,282</u>	<u>90,042,891</u>	<u>3,490,391</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	3,775,711	<u>\$ 3,775,711</u>
Fund balance - October 1, 2011			22,752,055	
Difference between GAAP and budgetary basis			291	
Fund balance - September 30, 2012			<u>\$ 26,528,057</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, 2012

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 \$177,012 during the year ended September 30, 2012, which increased the original General Fund appropriations (expenditures and transfers out) from \$93,356,270 to a revised total of \$93,533,282.

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, transfers and the proceeds from the sale of capital assets are included in budgeted 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	\$ -	\$ 151,304
Prior year encumbrances paid in the current year	-	(151,013)
Net encumbered expenditures	-	291
Transfers	3,821,063	2,857,232
On-behalf payments for pension benefits	(1,840,208)	(1,840,208)
Proceeds from sale of capital assets	1,727	-
Net differences - GAAP and budgetary basis	1,982,582	1,017,315
GAAP basis	91,836,020	89,025,576
Budgetary basis	\$ 93,818,602	\$ 90,042,891

City of Delray Beach, Florida

Required Supplementary Information—
Schedules of Pension Funding Progress

September 30, 2012

General Employees' Pension Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll [(b-a)/c]
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
10/1/2011	90,513,860	93,546,778	3,032,918	96.8	17,817,131	17.0

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 Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll [(b-a)/c]
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
10/1/2011	118,807,990	210,308,202	91,500,212	56.5	17,789,167	514.4

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, 2012

General Employees' Pension Fund

Fiscal Year Ended September 30,	Annual Required Employer Contribution	Percentage Contribution
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	2,305,292	100.0
2012	2,365,620	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
2007	\$ 504,922	\$ 5,174,531	\$ 5,679,453	100.0 %
2008	504,922	5,608,475	6,113,397	100.0
2009	504,922	5,381,809	6,900,364	100.0
2010	504,922	6,982,946	7,566,652	101.1
2011	504,922	7,963,318	8,468,240	100.0
2012	504,922	7,458,396	7,963,318	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.

City of Delray Beach, Florida

Required Supplementary Information—
Schedules of Other Postemployment Benefits (OPEB) Funding Progress

September 30, 2012

OPEB 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]	
10/1/2008	\$ -	\$ 11,436,441	\$ 11,436,441	0.0 %	\$ 42,430,788	27.0 %	
10/1/2010	-	15,472,507	15,472,507	0.0	43,370,206	35.7	

Retiree Benefit 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]	
10/1/2008	\$ 2,056,798	\$ 7,969,855	\$ 5,913,057	25.8 %	\$ 20,256,898	29.2 %	
10/1/2011	3,155,585	9,581,135	6,425,550	32.9	20,647,352	31.1	

Note: The information for October 1, 2008 is from the first actuarial valuation performed for each plan.

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, 2012

	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	\$ -	\$ -	\$ -	\$ 112	\$ -	\$ -	\$ -	\$ -	\$ 35,750	\$ -	\$ -	\$ -	\$ 35,862
Investments	-	-	-	-	-	-	2,497,432	599,384.00	-	2,996,919	-	-	6,093,735
Accounts receivable, net	-	-	-	-	-	-	71,534	19,073	-	-	-	-	90,607
Notes receivable	-	-	-	1,507,131	675,107	-	-	-	-	-	-	-	2,182,238
Interest receivable	-	-	-	-	-	-	11,160	2,678	-	13,392	-	-	27,230
Due from other governments	-	-	220,145	119,372	-	-	-	-	-	323,360	-	681,894	1,344,771
Due from other funds	330,330	623,530	-	314,901	-	346,126	119,338	319,551	469,428	2,369,748	289,264	-	5,182,216
Assets acquired for sale	-	-	-	579,441	-	-	-	-	-	-	-	-	579,441
Total Assets	\$ 330,330	\$ 623,530	\$ 220,145	\$ 2,520,957	\$ 675,107	\$ 346,126	\$ 2,699,464	\$ 940,686	\$ 505,178	\$ 5,703,419	\$ 289,264	\$ 681,894	\$ 15,536,100
LIABILITIES AND FUND BALANCES													
LIABILITIES													
Accounts payable and accrued items	\$ -	\$ -	\$ 21,591	\$ 28,010	\$ -	\$ 7,442	\$ 497	\$ -	\$ -	\$ 317,545	\$ -	\$ 4,990	\$ 380,075
Due to other funds	-	-	198,554	-	-	-	-	-	-	-	-	22,834	221,388
Unearned revenue	-	-	-	1,507,131	675,107	-	3,220	-	-	255,657	-	-	2,441,115
Due to component units	-	-	-	-	-	-	50,000	-	-	-	-	-	50,000
Total Liabilities	-	-	220,145	1,535,141	675,107	7,442	53,717	-	-	573,202	-	27,824	3,092,578
FUND BALANCES													
Nonspendable:													
Long-term notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted for:													
Debt service	-	-	-	-	-	-	-	-	505,178	-	-	-	505,178
Law enforcement	330,330	-	-	-	-	-	670,261	-	-	-	-	-	1,000,591
Capital improvements	-	-	-	-	-	-	-	-	-	-	289,264	-	289,264
Assigned to:													
Public safety	-	-	-	-	-	-	121,420	-	-	-	-	-	121,420
Parks and recreation	-	-	-	-	-	-	445,265	940,686	-	-	-	-	1,385,951
Capital improvements	-	623,530	-	-	-	338,684	1,408,801	-	-	5,130,217	-	654,070	8,155,302
Unassigned (deficit)	-	-	-	985,816	-	-	-	-	-	-	-	-	985,816
Total Fund Balances	330,330	623,530	-	985,816	-	338,684	2,645,747	940,686	505,178	5,130,217	289,264	654,070	12,443,522
Total Liabilities and Fund Balances	\$ 330,330	\$ 623,530	\$ 220,145	\$ 2,520,957	\$ 675,107	\$ 346,126	\$ 2,699,464	\$ 940,686	\$ 505,178	\$ 5,703,419	\$ 289,264	\$ 681,894	\$ 15,536,100

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, 2012

	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	\$ -	\$ -	\$ 771,762	\$ 792,182	\$ 39,504	\$ -	\$ 5,869	\$ -	\$ -	\$ 1,775,648	\$ -	\$ 281,651	\$ 3,666,616
Charges for services	-	-	-	-	-	-	729,390	11,637	-	-	-	-	741,027
Fines and forfeitures	100,393	-	-	-	-	-	71,077	-	-	-	-	-	171,470
Miscellaneous	33	522,500	-	580,661	-	2,220	76,760	74,944	1,773	1,725,597	-	-	2,984,488
Total Revenues	100,426	522,500	771,762	1,372,843	39,504	2,220	883,096	86,581	1,773	3,501,245	-	281,651	7,563,601
EXPENDITURES													
Current:													
General government	-	-	215,779	1,929,120	36,822	-	133,969	185	-	182,783	-	-	2,498,658
Public safety	62,191	-	517,654	-	-	-	52,918	-	-	41,450	-	-	674,213
Physical environment	-	-	-	-	-	796,809	-	-	-	191,285	-	-	988,094
Parks and recreation	-	-	-	-	-	-	243,123	-	-	232,636	2,501	232,623	710,883
Capital outlay	6,560	212,234	38,329	18,892	-	49,890	226,390	-	-	3,651,350	437	-	4,204,082
Debt service:													
Principal retirement	-	-	-	-	-	-	-	-	19,188	-	-	-	19,188
Interest and fiscal charges	-	-	-	-	-	-	-	-	1,176,714	-	-	-	1,176,714
Total Expenditures	68,751	212,234	771,762	1,948,012	36,822	846,699	656,400	185	1,195,902	4,299,504	2,938	232,623	10,271,832
Excess of revenues over (under) expenditures	31,675	310,266	-	(575,169)	2,682	(844,479)	226,696	86,396	(1,194,129)	(798,259)	(2,938)	49,028	(2,708,231)
OTHER FINANCING SOURCES (USES)													
Installment agreement debt issued	-	-	-	-	-	-	-	-	-	825,000	-	-	825,000
Transfers in	-	-	-	149,430	-	886,952	10,800	-	1,195,650	644,940	-	15,000	2,902,772
Transfers out	-	-	-	-	-	-	(170,980)	-	(1,773)	(4,500)	(371,000)	-	(548,253)
Total Other Financing Sources (Uses)	-	-	-	149,430	-	886,952	(160,180)	-	1,193,877	1,465,440	(371,000)	15,000	3,179,519
Net change in fund balance	31,675	310,266	-	(425,739)	2,682	42,473	66,516	86,396	(252)	667,181	(373,938)	64,028	471,288
Fund balances - October 1, 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
Fund balances - September 30, 2012	\$ 330,330	\$ 623,530	\$ -	\$ 985,816	\$ -	\$ 338,684	\$ 2,645,747	\$ 940,686	\$ 505,178	\$ 5,130,217	\$ 289,264	\$ 654,070	\$ 12,443,522

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, 2012

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 23,318	\$ 3,658	\$ -	\$ -	\$ -	26,976
Investments	-	-	899,076	1,997,946	4,295,582	7,192,604
Accounts receivable, net	4,085	-	-	944,193	-	948,278
Interest receivable	-	-	4,018	8,928	19,195	32,141
Due from other funds	-	-	207,586	872,169	-	1,079,755
Inventories	74,710	11,799	-	-	-	86,509
Prepaid expenses	48,255	25,962	2,149	-	2,446	78,812
Restricted assets						
Cash and cash equivalents	371,987	206,393	-	-	60,947	639,327
Total Current Assets	<u>522,355</u>	<u>247,812</u>	<u>1,112,829</u>	<u>3,823,236</u>	<u>4,378,170</u>	<u>10,084,402</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	1,200,973	899,663	1,134,822	11,958	12,633,234	15,880,650
Equipment	1,522,792	379,736	87,653	25,949	754,541	2,770,671
Construction in progress	-	-	-	-	298,530	298,530
Accumulated depreciation	(3,031,241)	(792,760)	(1,117,548)	(35,282)	(5,812,234)	(10,789,065)
Other asset						
Bond issue costs, net	20,285	12,426	-	-	-	32,711
Total Noncurrent Assets	<u>3,437,835</u>	<u>2,603,677</u>	<u>147,767</u>	<u>2,625</u>	<u>11,050,646</u>	<u>17,242,550</u>
Total Assets	<u>3,960,190</u>	<u>2,851,489</u>	<u>1,260,596</u>	<u>3,825,861</u>	<u>15,428,816</u>	<u>27,326,952</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	106,484	10,502	-	312,005	40,304	469,295
Unearned revenue	-	-	86,264	-	-	86,264
Current maturities of installment agreements	31,410	-	-	-	-	31,410
Due to other funds	1,365,593	990,223	-	-	276,589	2,632,405
Refundable deposits	87,158	-	19,708	-	-	106,866
	<u>1,590,645</u>	<u>1,000,725</u>	<u>105,972</u>	<u>312,005</u>	<u>316,893</u>	<u>3,326,240</u>
Current Liabilities Payable from Restricted Assets:						
Accrued interest on long-term debt	18,883	9,497	-	-	22,076	50,456
Current maturities of revenue bonds	353,104	196,896	-	-	38,871	588,871
	<u>371,987</u>	<u>206,393</u>	<u>-</u>	<u>-</u>	<u>60,947</u>	<u>639,327</u>
Total Current Liabilities	<u>1,962,632</u>	<u>1,207,118</u>	<u>105,972</u>	<u>312,005</u>	<u>377,840</u>	<u>3,965,567</u>
Noncurrent Liabilities:						
Net OPEB obligation	-	-	-	12,901	19,351	32,252
Compensated absences payable	-	-	-	25,250	24,284	49,534
Revenue bonds payable, net	1,065,828	434,115	-	-	1,272,183	2,772,126
Total Noncurrent Liabilities	<u>1,065,828</u>	<u>434,115</u>	<u>-</u>	<u>38,151</u>	<u>1,315,818</u>	<u>2,853,912</u>
Total Liabilities	<u>3,028,460</u>	<u>1,641,233</u>	<u>105,972</u>	<u>350,156</u>	<u>1,693,658</u>	<u>6,819,479</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,967,208	1,960,240	147,767	2,625	9,739,592	13,817,432
Restricted for debt service	353,104	196,896	-	-	38,871	588,871
Unrestricted	(1,388,582)	(946,880)	1,006,857	3,473,080	3,956,695	6,101,170
Total Net Assets	<u>\$ 931,730</u>	<u>\$ 1,210,256</u>	<u>\$ 1,154,624</u>	<u>\$ 3,475,705</u>	<u>\$ 13,735,158</u>	<u>\$ 20,507,473</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, 2012

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
OPERATING REVENUES						
Charges for services	\$ 2,807,593	\$ 655,175	\$ 195,627	\$ 5,046,386	\$ 2,135,445	\$ 10,840,226
Other operating revenue	27,883	5,443	4,542	176,425	12,859	227,152
Total Operating Revenues	<u>2,835,476</u>	<u>660,618</u>	<u>200,169</u>	<u>5,222,811</u>	<u>2,148,304</u>	<u>11,067,378</u>
OPERATING EXPENSES						
Personal services	-	-	-	300,369	585,490	885,859
Other operating expenses	2,586,958	532,020	54,691	4,338,482	618,942	8,131,093
Depreciation	252,284	41,120	67,808	1,210	425,274	787,696
Total Operating Expenses	<u>2,839,242</u>	<u>573,140</u>	<u>122,499</u>	<u>4,640,061</u>	<u>1,629,706</u>	<u>9,804,648</u>
Operating Income (Loss)	(3,766)	87,478	77,670	582,750	518,598	1,262,730
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	-	-	3,093	6,874	14,777	24,744
Rent revenue	25,916	-	140	129,476	-	155,532
Interest expense	(90,642)	(41,755)	-	-	(67,506)	(199,903)
Loss on disposal of equipment	(2,365)	-	-	-	-	(2,365)
Total Nonoperating Revenues (Expenses)	<u>(67,091)</u>	<u>(41,755)</u>	<u>3,233</u>	<u>136,350</u>	<u>(52,729)</u>	<u>(21,992)</u>
Income (Loss) Before Capital Contributions and Transfers	(70,857)	45,723	80,903	719,100	465,869	1,240,738
Capital Contributions	545	-	-	-	-	545
Transfers out	(33,000)	(15,000)	(50,880)	(188,510)	(120,000)	(407,390)
Change In Net Assets	(103,312)	30,723	30,023	530,590	345,869	833,893
Net Assets - October 1, 2011	1,035,042	1,179,533	1,124,601	2,945,115	13,389,289	19,673,580
Net Assets - September 30, 2012	<u>\$ 931,730</u>	<u>\$ 1,210,256</u>	<u>\$ 1,154,624</u>	<u>\$ 3,475,705</u>	<u>\$ 13,735,158</u>	<u>\$ 20,507,473</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2012

	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	\$ 2,814,413	\$ 662,113	\$ 239,078	\$ 5,249,028	\$ 2,148,304	\$ 11,112,936
Receipts from others	25,916	-	140	129,476	-	155,532
Payments to suppliers	(2,287,139)	(401,626)	(57,273)	(4,332,644)	(363,217)	(7,441,899)
Payments to employees	-	-	-	(298,356)	(581,428)	(879,784)
Net cash provided by operating activities	553,190	260,487	181,945	747,504	1,203,659	2,946,785
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY						
Transfers to other funds	(33,000)	(15,000)	(50,880)	(188,510)	(120,000)	(407,390)
Net cash used in noncapital financing activity	(33,000)	(15,000)	(50,880)	(188,510)	(120,000)	(407,390)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(63,960)	(13,500)	-	-	(302,127)	(379,587)
Principal paid on capital debt	(370,599)	(187,773)	-	-	(36,682)	(595,054)
Interest paid on capital debt	(70,609)	(35,520)	-	-	(68,144)	(174,273)
Net cash used in capital and related financing activities	(505,168)	(236,793)	-	-	(406,953)	(1,148,914)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	-	(132,383)	(561,926)	(681,458)	(1,375,767)
Interest received	-	-	1,318	2,932	6,303	10,553
Net cash used in investing activities	-	-	(131,065)	(558,994)	(675,155)	(1,365,214)
Net change in cash and cash equivalents	15,022	8,694	-	-	1,551	25,267
Cash and cash equivalents - October 1, 2011	380,283	201,357	-	-	59,396	641,036
Cash and cash equivalents - September 30, 2012	\$ 395,305	\$ 210,051	\$ -	\$ -	\$ 60,947	\$ 666,303
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (3,766)	\$ 87,478	\$ 77,670	\$ 582,750	\$ 518,598	\$ 1,262,730
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	252,284	41,120	67,808	1,210	425,274	787,696
Provision for doubtful accounts	-	-	-	-	-	-
Rent revenue	25,916	-	140	129,476	-	155,532
Change in assets and liabilities:						
Accounts receivable	(2,829)	-	-	26,217	-	23,388
Inventories	5,753	1,495	-	-	-	7,248
Prepaid expenses	9,541	(9,275)	(2,149)	-	(2,446)	(4,329)
Accounts payable and accrued expenses	29,513	874	(433)	5,838	(18,418)	17,374
Unearned revenue	-	-	37,171	-	-	37,171
Compensated absences payable	-	-	-	(1,263)	(851)	(2,114)
Net OPEB obligation	-	-	-	3,276	4,913	8,189
Due to other funds	260,765	138,795	-	-	276,589	676,149
Refundable deposits	(23,987)	-	1,738	-	-	(22,249)
Total adjustments	556,956	173,009	104,275	164,754	685,061	1,684,055
Net cash provided by operating activities	\$ 553,190	\$ 260,487	\$ 181,945	\$ 747,504	\$ 1,203,659	\$ 2,946,785
Non-cash capital and related financing activities						
Amortization of bond premiums	\$ (6,099)	\$ (3,735)	\$ -	\$ -	\$ -	\$ (9,834)
Amortization of bond issue costs	\$ 5,410	\$ 3,312	\$ -	\$ -	\$ -	\$ 8,722
Amortization of deferred loss on refundings	\$ 24,849	\$ 9,000	\$ -	\$ -	\$ -	\$ 33,849
Capital contributions	\$ 545	\$ -	\$ -	\$ -	\$ -	\$ 545
Loss on sale of investments	\$ -	\$ -	\$ (2,244)	\$ (4,986)	\$ (10,721)	\$ (17,951)

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, 2012

	<u>Insurance</u>	<u>Central Garage</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 282,622	\$ 100	\$ 282,722
Investments	6,394,971	2,797,123	9,192,094
Accounts receivable, net	24,548	-	24,548
Interest receivable	22,002	12,499	34,501
Due from other funds	1,846,979	438,741	2,285,720
Inventories	-	47,443	47,443
Prepaid expenses	404,818	909	405,727
Total Current Assets	<u>8,975,940</u>	<u>3,296,815</u>	<u>12,272,755</u>
Noncurrent Assets:			
Property, land and equipment			
Buildings	-	88,185	88,185
Equipment	136,032	20,003,923	20,139,955
Accumulated depreciation	(50,897)	(13,273,815)	(13,324,712)
Total Noncurrent Assets	<u>85,135</u>	<u>6,818,293</u>	<u>6,903,428</u>
Total Assets	<u>9,061,075</u>	<u>10,115,108</u>	<u>19,176,183</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	972,472	76,364	1,048,836
Insurance claims payable	1,554,025	-	1,554,025
Total Current Liabilities	<u>2,526,497</u>	<u>76,364</u>	<u>2,602,861</u>
Noncurrent Liabilities:			
Net OPEB obligation	12,901	35,478	48,379
Long-term portion of compensated absences payable	49,167	87,001	136,168
Long-term portion of insurance claims payable	2,605,063	-	2,605,063
Total Noncurrent Liabilities	<u>2,667,131</u>	<u>122,479</u>	<u>2,789,610</u>
Total Liabilities	<u>5,193,628</u>	<u>198,843</u>	<u>5,392,471</u>
NET ASSETS			
Invested in capital assets	85,135	6,818,293	6,903,428
Unrestricted	3,782,312	3,097,972	6,880,284
Total Net Assets	<u>\$ 3,867,447</u>	<u>\$ 9,916,265</u>	<u>\$ 13,783,712</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, 2012

	Insurance	Central Garage	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 12,516,490	\$ 3,238,208	\$ 15,754,698
Other operating revenue	543,362	1,884,019	2,427,381
Total Operating Revenues	<u>13,059,852</u>	<u>5,122,227</u>	<u>18,182,079</u>
OPERATING EXPENSES			
Personal services	301,630	883,058	1,184,688
Other operating expenses	12,816,077	2,275,717	15,091,794
Depreciation	16,393	1,767,069	1,783,462
Total Operating Expenses	<u>13,134,100</u>	<u>4,925,844</u>	<u>18,059,944</u>
Operating Income (Loss)	(74,248)	196,383	122,135
NONOPERATING REVENUES			
Interest revenue	27,978	9,622	37,600
Gain (loss) on disposal of equipment	(945)	8,547	7,602
Total Nonoperating Revenues	<u>27,033</u>	<u>18,169</u>	<u>45,202</u>
Income (Loss) Before Capital Contributions	(47,215)	214,552	167,337
Capital contributions	-	38,544	38,544
Transfers out	(700)	-	(700)
Change In Net Assets	(47,915)	253,096	205,181
Net Assets - October 1, 2011	3,915,362	9,663,169	13,578,531
Net Assets - September 30, 2012	<u>\$ 3,867,447</u>	<u>\$ 9,916,265</u>	<u>\$ 13,783,712</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2012

	Insurance	Central Garage	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 16,358,083	\$ 6,837,171	\$ 23,195,254
Payments to suppliers	(12,627,239)	(2,226,591)	(14,853,830)
Payments to employees	(299,778)	(860,165)	(1,159,943)
Net cash provided by operating activities	<u>3,431,066</u>	<u>3,750,415</u>	<u>7,181,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY			
Transfers to other funds	(700)	-	(700)
Net cash used in noncapital financing activity	<u>(700)</u>	<u>-</u>	<u>(700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(994,473)	(994,473)
Proceeds from the sale of capital assets	-	44,058	44,058
Net cash used in capital and related financing activities	<u>-</u>	<u>(950,415)</u>	<u>(950,415)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(4,907,188)	(2,804,104)	(7,711,292)
Interest received	18,193	4,104	22,297
Net cash used in investing activities	<u>(4,888,995)</u>	<u>(2,800,000)</u>	<u>(7,688,995)</u>
Net change in cash and cash equivalents	(1,458,629)	-	(1,458,629)
Cash and cash equivalents - October 1, 2011	1,741,251	100	1,741,351
Cash and cash equivalents - September 30, 2012	<u>\$ 282,622</u>	<u>\$ 100</u>	<u>\$ 282,722</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (74,248)	\$ 196,383	\$ 122,135
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	16,393	1,767,069	1,783,462
Change in assets and liabilities:			
Accounts receivable	4,303	-	4,303
Due from other funds	3,293,928	1,714,944	5,008,872
Inventories	-	2,284	2,284
Prepaid expenses	(12,366)	(709)	(13,075)
Accounts payable and accrued expenses	39,027	47,551	86,578
Compensated absences payable	(1,424)	16,291	14,867
Net OPEB obligation	3,276	6,602	9,878
Insurance claims payable	162,177	-	162,177
Total adjustments	<u>3,505,314</u>	<u>3,554,032</u>	<u>7,059,346</u>
Net cash provided by operating activities	<u>\$ 3,431,066</u>	<u>\$ 3,750,415</u>	<u>\$ 7,181,481</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY			
Equipment contributed from governmental capital assets	\$ -	\$ 38,544	\$ 38,544
Loss on sale of investments	<u>\$ (12,217)</u>	<u>\$ (6,981)</u>	<u>\$ (19,198)</u>

Fiduciary Funds

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

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

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

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF PLAN NET ASSETS
 PENSION TRUST FUNDS
 September 30, 2012

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ASSETS			
Cash and cash equivalents	\$ 575,051	\$ 2,576,769	\$ 3,151,820
Investments:			
U.S. Government securities	1,131,173	3,399,472	4,530,645
U.S. Government agency securities	692,500	7,390,942	8,083,442
Municipal obligations	-	260,192	260,192
Domestic and international fixed income investment funds	-	13,767,982	13,767,982
Domestic and international corporate bonds	4,417,117	17,469,449	21,886,566
Domestic and international equity securities and mutual funds	22,756,754	47,585,093	70,341,847
Alternative investments	59,155,415	33,598,680	92,754,095
DROP participant directed mutual funds	-	14,528,080	14,528,080
Due from broker for securities sold	1,622,785	483,667	2,106,452
Employee contributions receivable	38,138	102,535	140,673
Chapter 175 state excise tax rebate supplement	-	33,480	33,480
Prepaid expenses	97,101	259,912	357,013
Interest and dividends receivable	105,834	276,550	382,384
Total Assets	<u>90,591,868</u>	<u>141,732,803</u>	<u>232,324,671</u>
LIABILITIES			
Accounts payable	44,685	143,603	188,288
Due to broker for securities purchased	-	51,107	51,107
Total Liabilities	<u>44,685</u>	<u>194,710</u>	<u>239,395</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 90,547,183</u>	<u>\$ 141,538,093</u>	<u>\$ 232,085,276</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2012

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 2,365,620	\$ 6,616,736	\$ 8,982,356
State	-	1,840,208	1,840,208
Plan members	751,748	1,512,248	2,263,996
Total contributions	<u>3,117,368</u>	<u>9,969,192</u>	<u>13,086,560</u>
Investment earnings			
Net appreciation in fair value of investments	13,733,610	16,838,297	30,571,907
Interest and dividends	616,453	3,146,287	3,762,740
	<u>14,350,063</u>	<u>19,984,584</u>	<u>34,334,647</u>
Less investment expenses - custodian fees	202,969	566,560	769,529
Net investment earnings	<u>14,147,094</u>	<u>19,418,024</u>	<u>33,565,118</u>
Other income	<u>4,553</u>	<u>38,058</u>	<u>42,611</u>
Total additions	<u>17,269,015</u>	<u>29,425,274</u>	<u>46,694,289</u>
DEDUCTIONS			
Benefits	4,408,265	9,239,247	13,647,512
Refunds of contributions	99,280	52,013	151,293
Administrative expenses	116,186	201,701	317,887
Total deductions	<u>4,623,731</u>	<u>9,492,961</u>	<u>14,116,692</u>
Change In Net Assets	12,645,284	19,932,313	32,577,597
Net Assets - October 1, 2011	77,901,899	121,605,780	199,507,679
Net Assets - September 30, 2012	<u>\$ 90,547,183</u>	<u>\$ 141,538,093</u>	<u>\$ 232,085,276</u>

Other Supplementary Information

City of Delray Beach, Florida

Schedule of Revenue and Other Financing Sources—
Budget and Actual—General Fund

For the Fiscal Year Ended September 30, 2012

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Ad valorem	\$ 46,346,000	\$ 46,224,759	\$ (121,241)
Sales and use	1,295,000	1,307,897	12,897
Utility	4,980,000	5,149,785	169,785
Communications Services Tax	3,700,000	3,655,858	(44,142)
Business tax receipts	690,000	700,100	10,100
Total taxes	57,011,000	57,038,399	27,399
Fees and permits:			
Building permits	2,620,000	3,535,624	915,624
Franchise fees	4,705,150	4,758,027	52,877
Miscellaneous	1,046,500	1,131,637	85,137
License fees	80,000	109,116	29,116
Total fees and permits	8,451,650	9,534,404	1,082,754
Intergovernmental:			
Federal shared revenue:			
Hazmat Sustainment	177,915	80,590	(97,325)
Speed Enforcement Program	291,010	19,367	(271,643)
Safer Grant	22,350	293,781	271,431
Justice Assistance Grants	53,503	53,503	-
Total federal shared revenue	544,778	447,241	(97,537)
State shared revenue:			
State revenue sharing	1,595,000	1,604,807	9,807
Local government sales tax	3,950,000	3,960,561	10,561
Alcoholic beverage licenses tax	72,000	70,475	(1,525)
Municipal fuel tax refund	46,000	50,525	4,525
Mobile home licenses tax	750	430	(320)
Fire incentive	60,100	60,352	252
State grants	200,000	116,992	(83,008)
Total state shared revenue	5,923,850	5,864,142	(59,708)
Shared revenue from local units:			
County occupational licenses	120,000	122,613	2,613
Total shared revenue from local units	120,000	122,613	2,613
Total intergovernmental	6,588,628	6,433,996	(154,632)

Continued on next page.

City of Delray Beach, Florida

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

For the Fiscal Year Ended September 30, 2012

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue (continued):			
Charges for services:			
General government	\$ 815,260	\$ 875,430	\$ 60,170
Public safety	6,219,120	6,639,202	420,082
Physical environment	84,500	93,931	9,431
Parking	1,542,300	1,500,136	(42,164)
Culture and recreation	1,153,300	1,282,551	129,251
Total charges for services	9,814,480	10,391,250	576,770
Fines and forfeitures:			
Court	825,000	786,319	(38,681)
Penalties on licenses and permits	68,000	64,356	(3,644)
Violations of local ordinances	131,500	180,769	49,269
Total fines and forfeitures	1,024,500	1,031,444	6,944
Miscellaneous:			
Interest	132,900	169,798	36,898
Rents and special assessments	272,220	297,121	24,901
Sale of capital assets	3,000	1,727	(1,273)
Contributions and donations	2,397,310	2,428,878	31,568
Recovery of administrative costs	2,731,825	2,502,000	(229,825)
Other	61,630	168,522	106,892
Total miscellaneous	5,598,885	5,568,046	(30,839)
Total revenue	88,489,143	89,997,539	1,508,396
Other financing sources:			
Prior year surplus	1,225,549	-	(1,225,549)
Transfers in:			
Water and Sewer Fund	3,008,070	3,008,070	-
Delray Beach Municipal and Lakeview Golf Course Funds	48,000	48,000	-
City Marina Fund	50,880	50,880	-
Utilities Tax Fund	-	1,773	1,773
Sanitation Fund	85,510	85,510	-
Stormwater Utility Fund	120,000	120,000	-
2004 GO Bond	371,000	371,000	-
Special Projects Fund	135,130	135,130	-
Insurance Fund	-	700	700
Total transfers in	3,818,590	3,821,063	2,473
Total other financing sources	5,044,139	3,821,063	(1,223,076)
Total revenue and other financing sources	<u>\$ 93,533,282</u>	<u>93,818,602</u>	<u>\$ 285,320</u>
Reconciliation to GAAP basis statements:			
On-behalf payments		1,840,208	
Revenue and other financing sources - GAAP basis		<u>\$ 95,658,810</u>	

City of Delray Beach, Florida

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

For the Fiscal Year Ended September 30, 2012

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
General government:						
City commission	\$ 211,650	\$ 202,830	\$ 201,304	\$ -	\$ 201,304	\$ 1,526
City manager	542,470	530,880	526,476	-	526,476	4,404
Human resources	519,120	518,360	512,121	-	512,121	6,239
Public information office	90,720	84,960	84,260	-	84,260	700
City clerk	526,810	526,810	512,019	-	512,019	14,791
Finance	1,629,040	1,671,079	1,642,332	7,653	1,649,985	21,094
Information technology	1,541,910	1,662,070	1,634,047	-	1,634,047	28,023
City attorney	866,510	895,580	758,788	-	758,788	136,792
Administrative services	639,140	638,140	616,697	-	616,697	21,443
Clean and Safe	198,240	198,240	179,444	-	179,444	18,796
Cemetery	383,160	383,263	350,271	-	350,271	32,992
Nondepartmental:						
Downtown business area	-	38,765	37,941	-	37,941	824
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	215,250	219,750	222,630	-	222,630	(2,880)
Miscellaneous and contingency	107,930	499,428	83,510	-	83,510	415,918
Transfers to component units	6,427,480	6,427,480	6,376,396	-	6,376,396	51,084
Total general government	15,547,680	16,145,885	15,386,486	7,653	15,394,139	751,746
Public safety:						
Law enforcement	26,936,680	26,389,798	25,431,331	21,164	25,452,495	937,303
Fire control	22,172,530	22,285,739	21,345,270	59,346	21,404,616	881,123
Community improvement administration	420,900	434,900	432,286	-	432,286	2,614
Planning and zoning	1,160,630	1,172,130	1,128,940	6,650	1,135,590	36,540
Building inspection	1,244,230	1,242,880	1,227,170	-	1,227,170	15,710
Code compliance	905,630	975,160	949,554	-	949,554	25,606
Total public safety	52,840,600	52,500,607	50,514,551	87,160	50,601,711	1,898,896
Physical environment:						
Engineering	273,710	281,990	275,037	5,450	280,487	1,503
Parking facilities	857,520	985,520	883,608	500	884,108	101,412
Public works:						
Traffic operations	423,640	422,690	423,165	525	423,690	(1,000)
Administration	182,680	182,440	181,217	-	181,217	1,223
Street lighting	773,030	822,195	824,274	30,500	854,774	(32,579)
Street maintenance	798,170	795,840	785,178	-	785,178	10,662
Building maintenance	585,740	584,640	562,944	-	562,944	21,696
Total physical environment	3,894,490	4,075,315	3,935,423	36,975	3,972,398	102,917

Continued on next page.

City of Delray Beach, Florida

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

For the Fiscal Year Ended September 30, 2012

	Original	Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
Parks and recreation:							
Administration	\$	555,730	\$ 585,032	\$ 571,701	\$ -	\$ 571,701	\$ 13,331
After school program		474,440	468,144	464,136	-	464,136	4,008
Teen center		250,700	250,800	244,599	-	244,599	6,201
Beach operations		1,408,840	1,408,611	1,383,456	-	1,383,456	25,155
Catherine Strong Park		176,600	194,553	190,733	-	190,733	3,820
Community center		277,860	295,785	305,465	-	305,465	(9,680)
Veteran's park		139,360	146,117	138,745	-	138,745	7,372
C. Spencer Pompey Park		877,160	825,490	788,511	14,941	803,452	22,038
Parks maintenance		3,935,960	3,844,091	3,728,010	100	3,728,110	115,981
Special events		124,660	130,683	130,699	1,675	132,374	(1,691)
Tennis centers		1,214,480	1,204,480	1,193,815	1,800	1,195,615	8,865
Stadium		2,170,980	2,164,480	2,145,096	-	2,145,096	19,384
Aquatics		351,680	348,188	325,533	500	326,033	22,155
Athletics		432,090	442,606	474,183	500	474,683	(32,077)
Total parks and recreation		12,390,540	12,309,060	12,084,682	19,516	12,104,198	204,862
Debt service:							
Principal retirement		3,922,380	4,247,700	3,715,736	-	3,715,736	531,964
Interest and fiscal charges		1,390,500	1,397,480	1,397,477	-	1,397,477	3
Total debt service		5,312,880	5,645,180	5,113,213	-	5,113,213	531,967
Total expenditures and encumbrances		89,986,190	90,676,047	87,034,355	151,304	87,185,659	3,490,388
Other financing uses:							
Transfers out to other funds:							
Neighborhood Services Fund		149,430	149,430	149,430	-	149,430	-
Beautification Fund		860,000	881,765	881,762	-	881,762	3
Utilities Tax Fund		1,195,650	1,195,650	1,195,650	-	1,195,650	-
Capital Improvement Fund		1,150,000	609,090	609,090	-	609,090	-
Special Projects Fund		-	6,300	6,300	-	6,300	-
Beach Restoration Fund		15,000	15,000	15,000	-	15,000	-
Total other financing uses		3,370,080	2,857,235	2,857,232	-	2,857,232	3
Total expenditures, encumbrances and other financing uses	\$	93,356,270	\$ 93,533,282	\$ 89,891,587	\$ 151,304	90,042,891	\$ 3,490,391
Reconciliation to GAAP basis statements:							
Current year encumbrances outstanding						(151,304)	
Prior year encumbrances paid in current year						151,013	
On-behalf payments						1,840,208	
Expenditures and other financing uses - GAAP basis						\$ 91,882,808	

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
2013	\$ 3,569,827	\$ 6,432,997	\$ 5,752,434	\$ 220,756	\$ 15,976,014
2014	2,168,937	3,341,602	5,744,505	125,763	11,380,807
2015	2,167,092	3,343,718	5,741,097	125,764	11,377,671
2016	2,171,935	3,342,026	1,939,457	125,764	7,579,182
2017	2,174,200	2,793,154	1,939,365	125,763	7,032,482
2018	2,179,513	2,793,728	1,938,256	125,764	7,037,261
2019	2,176,519	2,801,632	1,931,184	31,442	6,940,777
2020	2,184,761	2,591,500	1,933,097	-	6,709,358
2021	2,188,864	2,587,750	1,948,716	-	6,725,330
2022	2,188,760	2,590,750	1,948,086	-	6,727,596
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>\$ 27,570,410</u>	<u>\$ 58,518,857</u>	<u>\$ 30,816,197</u>	<u>\$ 881,016</u>	<u>\$ 117,786,480</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
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>\$ 22,005,000</u>	<u>\$ 5,565,410</u>	<u>\$ 27,570,410</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			
2013	\$ 2,055,000	\$ 51,375	\$ -	\$ -	\$ 2,106,375	\$ -	5%
	\$ 2,055,000	\$ 51,375	\$ -	\$ -	\$ 2,106,375		

- 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			
2013	\$ 665,000	\$ 197,545	\$ 185,907	\$ 185,907	\$ 1,048,452	\$ 11,529,669	3.50%
2014	690,000	185,907	172,970	172,970	1,048,877	10,480,792	3.75
2015	715,000	172,970	159,564	159,564	1,047,534	9,433,258	3.75
2016	745,000	159,564	144,664	144,664	1,049,228	8,384,030	4.00
2017	775,000	144,664	130,133	130,133	1,049,797	7,334,233	3.75
2018	805,000	130,133	114,837	114,837	1,049,970	6,284,263	3.80
2019	835,000	114,837	98,555	98,555	1,048,392	5,235,871	3.90
2020	870,000	98,555	81,155	81,155	1,049,710	4,186,161	4.00
2021	905,000	81,155	62,602	62,602	1,048,757	3,137,404	4.10
2022	940,000	62,602	42,863	42,863	1,045,465	2,091,939	4.20
2023	980,000	42,863	22,038	22,038	1,044,901	1,047,038	4.25
2024	1,025,000	22,038	-	-	1,047,038	-	4.30
	<u>\$ 9,950,000</u>	<u>\$ 1,412,833</u>	<u>\$ 1,215,288</u>	<u>\$ 1,215,288</u>	<u>\$ 12,578,121</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			
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>\$ 1,546,707</u>	<u>\$ 1,339,207</u>	<u>\$ 12,885,914</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
2013	\$ 4,705,000	\$ 1,727,997	\$ 6,432,997	\$ 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>\$ 38,750,000</u>	<u>\$ 19,768,857</u>	<u>\$ 58,518,857</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				
2013	\$ 520,000	\$ 101,360	\$ 101,359	\$ 722,719	\$ 3,966,270	5.245%	
2014	545,000	87,723	87,723	720,446	3,245,824	5.245	
2015	580,000	73,430	73,430	726,860	2,518,964	5.245	
2016	510,000	58,219	58,219	626,438	1,892,526	5.245	
2017	540,000	44,845	44,845	629,690	1,262,836	5.245	
2018	570,000	30,683	30,683	631,366	631,470	5.245	
2019	600,000	15,735	15,735	631,470	-	5.245	
	<u>\$ 3,865,000</u>	<u>\$ 411,995</u>	<u>\$ 411,994</u>	<u>\$ 4,688,989</u>			

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

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

City of Delray Beach, Florida

Schedule of Utility Tax Revenue Bonds (Series 2002)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal			June 1			
	June 1	December 1	June 1	June 1			
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>\$ 1,830,000</u>	<u>\$ 92,318</u>	<u>\$ 92,318</u>	<u>\$ 2,014,636</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				
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>\$ 5,495,000</u>	<u>\$ 427,006</u>	<u>\$ 427,006</u>	<u>\$ 6,349,012</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	December 1	June 1				
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	-	
2018	-	608,250	608,250	1,216,500	34,886,500	-	
2019	-	608,250	608,250	1,216,500	33,670,000	-	
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>\$ 24,560,000</u>	<u>\$ 8,940,750</u>	<u>\$ 8,940,750</u>	<u>\$ 42,441,500</u>			

- Original Authorization – \$27,000,000
- Issued – \$24,635,000 Serial Bonds
- Date of Issue – September 26, 2007
- Maturity Range – Serial Bonds: June 1, 2010 through June 1, 2027; Term 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	June 1			
2013	\$ 3,000,000	\$ 12,394	\$ 12,326	\$ 12,326	\$ 3,024,720	-	(1)
	\$ 3,000,000	\$ 12,394	\$ 12,326	\$ 12,326	\$ 3,024,720		

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, 2012 was .839%.

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
2013	\$ 2,408,206	\$ 3,344,228	\$ 5,752,434	\$ 25,063,763
2014	2,326,725	3,417,780	5,744,505	19,319,258
2015	2,268,724	3,472,373	5,741,097	13,578,161
2016	1,660,000	279,457	1,939,457	11,638,704
2017	1,700,000	239,365	1,939,365	9,699,339
2018	1,740,000	198,256	1,938,256	7,761,083
2019	1,775,000	156,184	1,931,184	5,829,899
2020	1,820,000	113,097	1,933,097	3,896,802
2021	1,880,000	68,716	1,948,716	1,948,086
2022	1,925,000	23,086	1,948,086	-
	<u>\$ 19,503,655</u>	<u>\$ 11,312,542</u>	<u>\$ 30,816,197</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			
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	1,313,724	3,161,276	-	-	4,475,000	-	5.85
	<u>\$ 4,193,655</u>	<u>\$ 9,231,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,425,000</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	April 1				
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>\$ 1,720,000</u>	<u>\$ 201,889</u>	<u>\$ 167,661</u>	<u>\$ 2,089,550</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 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				
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>\$ 279,509</u>	<u>\$ 6,049,021</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 Water and Sewer Revenue Refunding Bonds (Series 2011B)

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				
2013	\$ 285,000	\$ 90,168	\$ 87,019	\$ 462,187	\$ 8,790,439	2.21%	
2014	280,000	87,019	83,925	450,944	8,339,495	2.21	
2015	285,000	83,925	80,776	449,701	7,889,794	2.21	
2016	980,000	80,775	69,947	1,130,722	6,759,072	2.21	
2017	1,000,000	69,946	58,897	1,128,843	5,630,229	2.21	
2018	1,020,000	58,896	47,626	1,126,522	4,503,707	2.21	
2019	1,035,000	47,625	36,189	1,118,814	3,384,893	2.21	
2020	1,060,000	36,189	24,476	1,120,665	2,264,228	2.21	
2021	1,095,000	24,476	12,376	1,131,852	1,132,376	2.21	
2022	1,120,000	12,376	-	1,132,376	-	2.21	
	<u>\$ 8,160,000</u>	<u>\$ 591,395</u>	<u>\$ 501,231</u>	<u>\$ 9,252,626</u>			

- Original Authorization – \$8,160,000
- Issued – \$8,160,000
- Date of Issue – October 18, 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 – N/A
- Call Features – 1% penalty for early payment
- Paying Agent – Branch Banking and Trust Company
- Ratings – N/A

Projects: The bonds were issued to refund the 2007 Water and Sewer Bond Issue. The 2007 Water and Sewer Bonds were issued for the purpose of funding the City's share of the Reclaimed Water Treatment Project and the Deepwell Project at the South Central Regional Wastewater Treatment Facility.

City of Delray Beach, Florida

Schedule of Installment Agreements (Capital Leases)

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2013	\$ 206,661	\$ 14,095	\$ 220,756	\$ 660,260
2014	115,079	10,684	125,763	534,497
2015	117,232	8,532	125,764	408,733
2016	119,425	6,339	125,764	282,969
2017	121,658	4,105	125,763	157,206
2018	123,934	1,830	125,764	31,442
2019	31,345	97	31,442	-
	<u>\$ 835,334</u>	<u>\$ 45,682</u>	<u>\$ 881,016</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.

- Sun Trust Leasing – Original amount of principal—\$825,000, 84-month term, 2.8546% interest, dates December 6, 2012 through December 6, 2018—public safety hardware and software.

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	Sept. 1/Mar. 1	Sept. 1/Mar. 1	Sept. 1/Mar. 1			
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>9,510,000</u>	<u>\$ 1,589,566</u>	<u>\$ 11,099,566</u>				
Series 2012 draw down bond no fixed maturity	1,351,725						
	<u>\$ 10,861,725</u>						

- Original Authorization – \$10,000,000 (Series 2004A - Tax-exempt)
– \$1,925,000 (Series 2004B - Taxable)
– \$9,715,000 (Series 1999A - Tax-exempt)
– \$4,000,000 (Series 2012 - Tax-exempt draw down bond)
- 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)
– \$1,351,725 draws to September 30, 2012 (Series 2012 - 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, & 1999A)
- 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
– Series 2012: September 1 and April 1 of each year, commencing the first September 1, 2001 or April 1 after final draw
- 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
– Series 2012: 2.10% on outstanding balance commencing October 1, 2012
- Pledged Revenue Denomination – Tax increment revenues
– N/A
- Call Features – No penalty for early payment for taxable debt only
- Paying Agent/Registrar – Bank of America (Series 2004A & B, & 1999A)
– City National Bank of Florida (Series 2012)
- Ratings – Not rated

Project: The Series 2012, 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.

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<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.....	125
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	128
<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	132
<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.....	134
<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 Ten 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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 51,049,876	\$ 70,521,186	\$ 76,546,448	\$ 77,727,858	\$ 78,779,535	\$ 78,326,444
20,850,170	12,644,718	10,728,740	13,592,226	6,520,365	1,801,017
23,371,450	23,694,418	23,962,095	21,879,827	26,242,684	35,072,705
<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>	<u>\$ 115,200,166</u>
\$ 54,782,750	\$ 65,505,859	\$ 66,198,545	\$ 69,465,739	\$ 69,465,739	\$ 76,043,338
7,038,221	6,658,262	1,592,060	7,116,700	7,116,700	4,620,831
40,529,960	38,161,102	43,117,847	39,543,220	39,543,220	43,705,842
<u>\$ 102,350,931</u>	<u>\$ 110,325,223</u>	<u>\$ 110,908,452</u>	<u>\$ 116,125,659</u>	<u>\$ 116,125,659</u>	<u>\$ 124,370,011</u>
\$ 105,832,626	\$ 136,027,045	\$ 142,744,993	\$ 147,193,597	\$ 147,193,597	\$ 154,369,782
27,888,391	19,302,980	12,320,800	20,708,926	20,708,926	6,421,848
63,901,410	61,855,520	67,079,942	61,423,047	61,423,047	78,778,547
<u>\$ 197,622,427</u>	<u>\$ 217,185,545</u>	<u>\$ 222,145,735</u>	<u>\$ 229,325,570</u>	<u>\$ 229,325,570</u>	<u>\$ 239,570,177</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Assets

Last Ten 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	2,353,354	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>26,395,132</u>	<u>32,434,710</u>	<u>29,075,710</u>	<u>34,770,142</u>
Total primary government expenses	<u>\$ 97,154,024</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	6,591,539	5,753,934	7,345,004	8,575,377
Total primary government net expense	<u>\$ (49,619,155)</u>	<u>\$ (48,904,677)</u>	<u>\$ (53,180,447)</u>	<u>\$ (60,998,613)</u>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 25,304,576	\$ 25,137,520	\$ 22,331,793	\$ 22,451,901	\$ 18,350,964	\$ 19,076,155
55,930,194	56,742,719	54,234,648	56,042,835	56,586,070	54,742,173
7,194,134	8,130,445	9,859,520	8,378,489	7,559,512	7,638,881
14,723,853	14,457,336	14,790,100	15,334,070	15,647,602	15,241,008
1,389,786	2,832,011	3,278,142	2,863,293	2,701,776	2,551,029
<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>	<u>99,249,246</u>
22,407,194	23,932,410	25,636,462	26,196,959	29,558,007	25,957,121
3,440,617	3,265,478	2,952,315	3,006,373	2,976,846	2,932,249
748,549	704,782	744,544	669,681	676,158	614,895
120,146	121,004	131,235	137,095	136,955	122,499
2,897,768	3,476,663	4,443,701	4,391,569	4,293,784	4,640,061
1,331,003	1,506,764	1,390,004	1,490,446	1,677,612	1,694,769
<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>35,961,594</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>	<u>\$ 135,210,840</u>
\$ 4,521,285	\$ 4,622,167	\$ 3,216,555	\$ 3,279,505	\$ 3,623,718	\$ 5,651,807
6,033,201	6,543,112	6,739,002	7,346,627	7,022,063	7,842,116
626,974	649,216	971,381	1,371,036	1,419,279	1,605,704
1,236,660	1,282,353	1,465,722	1,578,023	1,726,011	2,011,941
3,165,420	3,945,992	4,645,288	4,930,159	2,529,998	3,432,599
2,033,988	2,292,523	1,986,484	1,921,898	1,844,661	2,362,428
547,284	103,357	24,979	92,887	-	-
1,345,900	997,425	143,090	89,883	466,706	281,651
1,383,440	622,993	848,436	598,366	414,403	119,652
-	749,250	200,900	-	-	-
-	8,250,000	40,977	160,346	18,424	37,408
-	-	-	-	-	-
<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>	<u>23,345,306</u>
29,162,001	29,245,949	33,445,652	31,861,348	31,962,663	30,855,031
3,467,778	3,459,044	3,303,511	2,995,351	2,820,197	2,807,593
853,654	681,561	749,367	666,964	666,591	655,175
160,605	208,598	204,467	185,435	209,145	195,627
3,094,658	3,383,499	4,942,922	4,770,585	4,739,150	5,046,386
2,097,527	2,090,146	2,095,636	2,105,069	2,112,375	2,135,445
951,487	2,595,258	1,092,926	386,822	511,829	351,852
182,796	43,969	37,040	43,671	51,769	53,799
6,171	5,410	5,985	5,643	5,855	5,443
491	884	35,653	9,997	1,628	4,682
115,040	417,250	130,030	780,500	322,010	305,901
362,325	17,509	17,366	13,260	12,757	12,859
1,424,878	996,447	1,102,611	872,684	713,526	913,308
-	-	-	-	2,762	545
-	-	-	-	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>43,343,646</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>	<u>\$ 66,688,952</u>
\$ (83,648,391)	\$ (77,241,643)	\$ (84,211,389)	\$ (83,701,858)	\$ (81,780,661)	\$ (75,903,940)
10,934,134	10,138,423	11,864,905	8,805,206	4,885,539	7,382,052
<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>	<u>\$ (68,521,888)</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Assets

Last Ten 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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 59,091,002	\$ 55,302,837	\$ 53,984,307	\$ 56,656,596	\$ 47,467,480	\$ 46,224,759
5,257,560	5,247,442	5,333,561	4,986,589	4,857,533	4,758,027
8,222,944	8,338,282	8,958,175	9,038,143	8,777,975	8,805,643
1,438,613	1,365,552	1,308,213	1,301,502	1,293,963	1,307,897
-	-	789,705	616,861	702,394	700,100
6,927,534	6,532,854	5,917,818	5,763,694	5,983,120	5,864,142
2,816,429	2,064,705	322,165	227,535	306,887	275,451
-	-	-	-	-	-
5,724,228	7,320,429	8,425,515	7,479,767	7,022,162	8,307,853
3,716,720	2,659,368	3,547,891	3,593,799	3,711,820	3,317,650
<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>	<u>79,561,522</u>
737,952	495,237	6,897	5,800	29,609	77,359
<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>(3,317,650)</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>(3,240,291)</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>	<u>\$ 76,321,231</u>
\$ 9,546,639	\$ 11,589,826	\$ 11,833,506	\$ 1,962,628	\$ (1,657,327)	\$ 3,657,582
7,955,366	7,974,292	8,323,911	5,217,207	1,203,328	4,141,761
<u>\$ 17,502,005</u>	<u>\$ 19,564,118</u>	<u>\$ 20,157,417</u>	<u>\$ 7,179,835</u>	<u>\$ (453,999)</u>	<u>\$ 7,799,343</u>

CITY OF DELRAY BEACH, FLORIDA*Governmental Activities Tax Revenues by Source**Last Ten Fiscal Years**Accrual Basis of Accounting*

Fiscal Year	Property Taxes	Franchise Fees	Utility Service Tax	Sales and Use Tax	Local Business Tax ⁽¹⁾	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	5,247,442	8,338,282	1,365,552	-	70,254,113
2009	53,984,307	5,333,561	8,958,175	1,308,213	789,705	70,373,961
2010	52,656,596	1,986,589	9,038,143	1,301,502	616,861	65,599,691
2011	47,467,480	4,857,533	8,777,975	1,293,963	702,394	63,099,345
2012	46,224,759	4,758,027	8,805,643	1,307,897	700,100	61,796,426

(1) 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

	2003	2004	2005	2006
General fund				
Reserved	\$ 4,947,799	\$ 4,967,938	\$ 4,966,646	\$ 4,678,873
Unreserved	9,833,986	9,755,423	12,760,913	15,897,538
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted for:				
Capital improvements	-	-	-	-
Committed for:				
Economic development	-	-	-	-
Assigned to:				
Encumbrances	-	-	-	-
Subsequent year's budget	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 14,781,785</u>	<u>\$ 14,723,361</u>	<u>\$ 17,727,559</u>	<u>\$ 20,576,411</u>
All other governmental funds				
Reserved	\$ 1,054,524	\$ 691,647	\$ 685,255	\$ 686,909
Unreserved, reported in:				
Capital Project Funds	1,034,344	23,844,943	22,170,982	7,327,573
Fiduciary Funds	-	-	-	-
Special revenue funds	3,903,725	4,069,657	5,027,645	3,764,814
Nonspendable:				
Prepaid items	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Law enforcement	-	-	-	-
Capital improvements	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Community redevelopment	-	-	-	-
Parks and recreation	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
Special Revenue Funds (deficit)	-	-	-	-
Total all other governmental funds	<u>\$ 5,992,593</u>	<u>\$ 28,606,247</u>	<u>\$ 27,883,882</u>	<u>\$ 11,779,296</u>

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

	2007	2008	2009	2010	2011	2012
\$	4,557,940	\$ 4,328,761	\$ 3,992,760	\$ 3,723,755	\$ -	\$ -
	18,828,235	18,593,915	19,747,589	20,337,823	-	-
	-	-	-	-	27,178	27,688
	-	-	-	-	719,973	828,555
	-	-	-	-	3,165,084	3,173,159
	-	-	-	-	5,984	5,984
	-	-	-	-	-	1,000,000
	-	-	-	-	151,013	151,304
	-	-	-	-	-	1,600,000
	-	-	-	-	18,682,823	19,741,367
\$	23,386,175	\$ 22,922,676	\$ 23,740,349	\$ 24,061,578	\$ 22,752,055	\$ 26,528,057

\$	744,096	\$ 2,563,856	\$ 767,398	\$ 789,940	\$ -	\$ -
	20,161,989	11,584,321	9,962,213	7,421,960	-	-
	-	-	-	-	-	-
	3,488,365	3,389,886	3,500,989	5,377,312	-	-
	-	-	-	-	289	-
	-	-	-	-	1,726,988	-
	-	-	-	-	505,430	505,178
	-	-	-	-	1,066,733	1,000,591
	-	-	-	-	-	289,264
	-	-	-	-	130,456	121,420
	-	-	-	-	322,144	-
	-	-	-	-	1,230,965	1,385,951
	-	-	-	-	7,629,593	8,155,302
	-	-	-	-	(640,364)	985,816
\$	24,394,450	\$ 17,538,063	\$ 14,230,600	\$ 13,589,212	\$ 11,972,234	\$ 12,443,522

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2003	2004	2005	2006
Revenues				
Taxes	\$ 45,344,745	\$ 49,684,454	\$ 55,558,356	\$ 64,872,155
Licenses and permits	3,325,436	3,382,038	4,089,257	4,716,040
Intergovernmental	8,627,715	11,018,541	12,538,849	16,844,290
Charges for services	6,373,274	6,307,636	6,788,919	6,578,078
Fines and forfeitures	2,049,424	1,142,328	1,067,211	787,710
Miscellaneous	3,555,725	7,669,984	9,608,131	13,246,356
Total revenues	69,276,319	79,204,981	89,650,723	107,044,629
Expenditures				
Current				
General government	10,999,876	12,311,018	15,298,763	19,346,064
Public safety	39,212,634	42,399,400	45,841,687	49,739,465
Physical environment	2,844,727	2,743,039	3,158,099	4,550,030
Parks and recreation	9,315,681	9,484,527	10,197,131	11,208,994
Capital Outlay	5,457,998	4,280,554	20,826,381	31,840,070
Debt service				
Principal retirement	16,588,754	10,973,807	4,159,139	4,102,788
Interest and other fiscal charges	1,767,662	1,793,518	2,011,900	2,360,879
Bond issue costs	316,194	102,520	22,000	-
Total expenditures	86,503,526	84,088,383	101,515,100	123,148,290
Excess of revenues over (under) expenditures	(17,227,207)	(4,883,402)	(11,864,377)	(16,103,661)
Other financing sources (uses)				
Installment agreement issued	-	-	-	-
Bonds issued	26,694,728	23,723,914	10,050,000	575,000
Proceeds from sale of capital assets	11,462,000	7,998,210	1,133,170	96,835
Proceeds of refunding note	-	581,420	487,977	199,573
Redemption of bonds	(27,245,147)	(7,372,000)	-	-
Premium on bond debt	-	67,413	-	-
Transfers in	8,763,402	10,795,139	9,580,467	10,337,375
Transfers out	(5,889,224)	(8,355,464)	(7,105,404)	(8,360,856)
Total other financing sources (uses)	13,785,759	27,438,632	14,146,210	2,847,927
Net change in fund balances	\$ (3,441,448)	\$ 22,555,230	\$ 2,281,833	\$ (13,255,734)
Debt service as a percentage of non-capital expenditures	23.04%	16.13%	7.68%	7.08%

	2007	2008	2009	2010	2011	2012
\$	74,010,119	\$ 65,006,671	\$ 65,040,400	\$ 63,613,102	\$ 58,241,812	\$ 57,038,399
	4,325,079	9,693,973	8,393,462	7,848,364	7,957,960	9,534,404
	14,020,126	13,872,151	12,717,659	12,798,521	10,824,485	11,940,820
	7,020,582	7,985,973	8,579,286	9,122,062	9,418,571	11,132,277
	1,072,459	664,344	753,473	1,591,354	1,272,073	1,202,914
	8,132,308	9,171,109	8,683,421	7,624,308	7,285,098	8,550,807
	108,580,673	106,394,221	104,167,701	102,597,711	94,999,999	99,399,621
	22,952,680	22,856,837	21,001,014	20,223,169	17,848,375	17,900,248
	53,662,961	55,274,605	54,034,021	55,750,747	55,095,307	53,017,993
	5,355,092	5,981,177	7,253,871	5,695,353	4,849,851	4,950,217
	12,460,242	12,302,491	12,491,281	13,044,535	12,874,379	12,759,647
	21,042,901	15,406,527	8,021,386	6,056,493	4,758,088	4,360,188
	11,345,356	4,543,545	4,553,835	3,357,533	3,490,360	3,734,924
	2,373,627	2,987,110	3,134,074	2,873,815	2,723,863	2,574,191
	353,104	25,365	-	-	-	-
	129,545,963	119,377,657	110,489,482	107,001,645	101,640,223	99,297,408
	(20,965,290)	(12,983,436)	(6,321,781)	(4,403,934)	(6,640,224)	102,213
	-	-	260,600	-	-	825,000
	30,770,787	3,000,000	-	-	-	-
	62,471	2,590	49,802	22,161	1,903	1,727
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	13,086,133	9,707,274	9,214,199	7,548,409	7,983,124	6,723,835
	(7,381,327)	(7,046,314)	(5,692,610)	(3,486,795)	(4,271,304)	(3,405,485)
	36,538,064	5,663,550	3,831,991	4,083,775	3,713,723	4,145,077
\$	15,572,774	\$ (7,319,886)	\$ (2,489,790)	\$ (320,159)	\$ (2,926,501)	\$ 4,247,290
	12.97%	7.27%	7.50%	6.17%	6.41%	6.65%

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
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
2012	46,224,759	-	8,805,643	1,307,897	700,100	57,038,399

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

(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	
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
2012	2011	7,629,495,267	309,196,114	3,817,341	7,942,508,722

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
\$ 1,286,673,169	\$ 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%
1,793,453,521	6,149,055,201	7.8033	7,400,391,321	83.09%

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
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
2012	7.1900	0.6133	7.8033	8.1800	4.9925	2.3088	23.2846

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 0.5% 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, 2012*

	2012				2003			
	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	\$ 74,210,014	\$ 579,083	1	1.24%	\$ -	\$ -	-	-
Tenet Healthcare Corp.	38,101,572	297,318	2	0.64%	-	-	-	-
Citation Club Investors	37,416,734	291,974	3	0.63%	32,066,875	256,535	1	0.80%
RREEF	37,345,995	291,422	4	0.63%	-	-	-	-
Linton Delray LLC	34,857,432	272,003	5	0.58%	-	-	-	-
Ocean Properties Ltd.	33,999,974	265,312	6	0.57%	19,946,625	159,573	6	0.50%
HHC Seagate Inc.	33,999,974	265,312	7	0.57%	-	-	-	-
Delray Community Hospital	29,434,983	229,690	8	0.49%	-	-	-	-
Lifespan Communities Inc.	28,013,661	218,599	9	0.47%	-	-	-	-
MS LPC South Congress Holdings LLC	25,720,657	200,706	10	0.43%	-	-	-	-
St. Stephen Limited Partnership	-	-	-	-	29,500,000	236,000	2	0.74%
Office Depot Inc.	-	-	-	-	28,900,500	231,204	3	0.72%
Delray Intracoastal	-	-	-	-	23,895,000	191,160	4	0.60%
Realty Associates Fund V	-	-	-	-	22,300,000	178,400	5	0.56%
Depot Realty	-	-	-	-	18,475,750	147,806	7	0.46%
Palm Beach County Health Facility	-	-	-	-	18,242,750	145,942	8	0.45%
Morse Operations Inc.	-	-	-	-	16,166,000	129,328	9	0.40%
Minto Builders Florida, Inc.	-	-	-	-	15,979,250	127,834	10	0.40%
Totals	\$ 373,100,996	\$ 2,911,419		6.25%	\$ 225,472,750	\$ 1,803,782		5.63%

Source: Palm Beach County Property Appraiser's Office

Total taxes levied:

Fiscal Year 2012	\$ 46,543,434
Fiscal Year 2003	\$ 32,099,240

City Millage Rate:

Fiscal Year 2012	7.8033
Fiscal Year 2003	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
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%
2012	46,543,434	46,080,286	99.00%	144,473	46,224,759	99.32%

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			
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
2012	22,005,000	34,572,828	803,924	23,680,825	31,410	81,093,987	3.97%	1,319

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	Debt as a Percentage of Assessed Value of Taxable Property	Population	General Bonded Debt Per Capita
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
2012	22,005,000	-	22,005,000	6,149,055,201	0.36%	61,495	357.83

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, 2012*

	Total Outstanding	Percentage Applicable to City of Delray Beach⁽¹⁾	Amount Applicable to City of Delray Beach
Direct:			
City of Delray Beach	\$ 57,381,752	100.00%	\$ 57,381,752
Overlapping:			
Palm Beach County	207,340,000	5.00%	10,367,000
Palm Beach County School District	30,650,000	5.00%	1,532,500
Total overlapping debt	237,990,000		11,899,500
Total direct and overlapping debt payable from ad valorem taxes	\$ 295,371,752		\$ 69,281,252
Population			61,495
Total direct and overlapping debt per capita			\$ 1,126.62

⁽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
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
2012		31,259,498	19,706,178	11,553,320	5,351,049	2.16

(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, 2012

<u>Employer</u>	<u>Fiscal Year 2012</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Tenet Healthcare Corp/dba Delray Medical	1,520	1	N/A
Publix Supermarkets	586	2	N/A
JET Flite, Inc.	425	3	N/A
Anncos Services	400	4	N/A
Target	350	5	N/A
Ed Morse Delray Toyota & Scion	350	5	N/A
Home Depot, Inc.	318	7	N/A
Delray Motors	300	8	N/A
Pinecrest Rehabilitation Hospital	300	9	N/A
Auto Nation, Inc.	298	10	N/A
Totals	<u>4,847</u>		

Source: Florida Agency for Workforce Innovation (AWI)

Note: Data is not available for 2003

Note: Total City Employees - 813

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⁾
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	10.9%
2012	61,495	1,335,415	N/A	N/A	N/A	7,745	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.

CITY OF DELRAY BEACH, FLORIDA

*Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years*

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	65	68	66	69	71	71	69	68	68	67
Public Safety										
Community Improvement	4	4	4	5	5	4.5	5	5	5	5
Planning & Zoning	15	15	15	15	17	16	16	16	16	16
Building Inspection	20	20	21	21	23	21	20	20	20	20
Code Compliance	16	17	17	17	17	17	18	17	17	17
Law Enforcement	237	233	234	236	238	238	236	242	242	239
Fire Control	144	148	149	154	154	154	154	154	156	155
Community Development										
Block Grant	6	6	6	5	7	7.5	7	7	7	7
Insurance	4	4	4	4	4	4	4	4	4	4
City Garage	11	12	12	12	12	12	12	12	12	12
Physical Environment										
Public Works	24	27	25	25	25	25.5	25.5	25.5	25.5	25.5
Engineering	7	7	7	8	8	7	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	6.5
Parks and Recreation	98	98	108	108	114	115	113	113	112	110
Water & Sewer Utility	108	110	114	115	117	117.5	118	116.5	116.5	118
Total	769	779	792	804	822	820	814	817	818	813

CITY OF DELRAY BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Stations	4	3	3	3	3	2	3	3	3	3
Patrol units	123	136	144	151	159	163	219	219	217	208
Fire										
Fire stations ⁽¹⁾	6	6	6	6	6	6	6	6	6	6
Fire trucks	15	15	15	15	16	16	16	15	16	12
ALS rescue vehicles	8	8	8	8	9	9	9	9	9	17
Leisure Services										
Ballfields - lighted	23	23	22	22	15	15	15	16	16	16
Basketball courts	2	2	4	4	5	5	5	5	5	5
Football/Soccer fields ⁽²⁾	0	0	0	0	7	7	7	7	7	7
Tennis courts	28	28	47	47	47	47	47	48	48	48
Parks	17	17	17	17	17	17	17	17	22	22
Roads and Streets										
Lane miles ⁽³⁾	299	299	299	299	299	305	305	305	314	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 Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Physical arrests	2,486	2,476	2,444	2,875	3,108	3,161	2,534	2,331	2,620	2,342
Traffic violations	12,880	14,471	12,040	13,928	10,962	10,882	11,249	11,443	11,314	12,393
Fire										
Number of calls	10,744	11,960	11,591	12,024	11,772	12,410	11,905	11,960	12,008	12,282
Parks and Recreation										
Library										
Circulation	253,835	233,106	227,820	228,871	257,656	270,590	274,611	257,950	252,179	237,755
Programs offered	625	642	650	910	1,112	1,287	1,224	1,284	1,145	1,194
Program attendance	20,818	22,742	20,056	32,873	32,852	35,116	33,770	29,237	24,021	25,905
Leisure Services										
Youth athletic participants	927	1,904	2,343	2,655	10,597	19,537	20,965	18,125	17,837	24,389
Camp program participants	670	365	358	322	625	561	699	395	352	384
Class participants	14,376	14,007	11,090	10,634	15,093	19,662	24,700	22,756	28,328	36,556
Water/Sewer Utility										
Water customers	19,436	19,760	20,135	20,437	20,963	21,056	21,156	21,320	21,407	21,596
Water main breaks	None	None	None	None	None	434	442	476	408	442
Sewer customers	19,300	19,600	20,000	20,400	20,900	21,006	21,088	21,225	21,093	20,935
Sewer main breaks	N/A	N/A	N/A	N/A	N/A	4	3	2	-	3
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	10,953

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 & Streets | - Street Resurfacing (miles)/Pot holes Repairs |

CITY OF DELRAY BEACH, FLORIDA

Schedule of Insurance in Force

September 30, 2012

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, includes 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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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, 2012, which collectively comprise the basic financial statements of the City of Delray Beach, Florida, and have issued our report thereon dated March 21, 2013. 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

Management of the City of Delray Beach, Florida, is responsible for establishing and maintaining effective 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 21, 2013.

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 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.

*Cale, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

March 21, 2013

CITY OF DELRAY BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2012

Grantor/ Program Title	CFDA Number	Contract/Grantor Number	2012 Program Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Defense				
Direct Award				
Beach Erosion Control Projects	12.101	R92-1283D	\$ 121,607	\$ 0
Total U.S. Department of Defense			121,607	0
U.S. Department of Housing and Urban Development				
Direct Award				
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-12-0033	542,374	78,540
Pass-through Awards from Palm Beach County, Florida				
Community Development Block Grants/State's Program and Nonentitlement Grants in Hawaii	14.228	07DB-3V-10-60-01-Z07	52,614	0
Community Development Block Grants/State's Program and Nonentitlement Grants in Hawaii	14.228	08DB-D3-10-60-01-A07	925,298	0
Pass-through Award from State of Florida Department of Community Affairs				
Community Development Block Grants/State's Program and Nonentitlement Grants in Hawaii	14.228	10DB-4X-10-60-02-F10	317,988	0
Total U.S. Department of Housing and Urban Development			1,838,274	78,540
U.S. Department of Interior				
Direct Award				
Sport Fish Restoration Program	15.605	10217	74,982	0
Total U.S. Department of Interior			74,982	0
U.S. Department of Justice				
Bureau of Justice Assistance				
Direct Awards				
Bulletproof Vest Partnership Program	16.607	2009-BUBX08042999	2,709	0
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009-RKWX0237	517,656	0
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-0031	53,503	0
Total U.S. Department of Justice			573,868	0
U.S. Department of Transportation				
Pass-through Award from Palm Beach County, Florida				
Federal Transit Formula Grant	20.507	FX-96-X026-01	42,065	0
Pass-through Award from the State of Florida Department of Transportation				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-11-06-13	19,367	0
Total U.S. Department of Transportation			61,432	0
U.S. Department of Energy				
Direct Awards				
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	DE-OE000415	46,498	0
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002536	165,542	0
Total U.S. Department of Energy			212,040	0
U.S. Department of Homeland Security				
Direct Award				
Assistance to Firefighters Grant	97.044	EMW-2010-FH-00256	293,781	0
Pass-through Award from the State of Florida Department of Financial Services				
Homeland Security Grant Program	97.067	09DS-51-13-00-16-409	80,590	0
Total U.S. Department of Homeland Security			374,371	0
Total Federal Awards			\$ 3,256,574	\$ 78,540

See notes to schedule of federal awards.

City of Delray Beach, Florida

Notes to Schedule of Expenditures of Federal Awards

September 30, 2012

1. Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133. The Schedule of Expenditures of Federal Awards presents the federal awards expended by the City of Delray Beach, Florida, for the year ended September 30, 2012 on the modified accrual basis of accounting. Because the schedule presents only a selected portion of the operations of the City of Delray Beach, Florida, it is not intended to and does not present the financial position or changes in net assets of the City of Delray Beach, Florida.

2. Contingency

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



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Independent Auditor's Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major Federal Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

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*, that could have a direct and material effect on each of the major federal programs of the City of Delray Beach, Florida, for the year ended September 30, 2012. The major federal programs 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 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; and, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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 for the year ended September 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

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. 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 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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 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.

*Cale, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

March 21, 2013

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2012

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

Internal control over major Federal Award Programs:

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:

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

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

Pass through Awards from State of Florida Department of

Community Affairs and Palm Beach County, Florida

Community Development Block Grants/State's Program and

Nonentitlement Grants in Hawaii

14.228

U.S. Department of Justice

Direct Award

ARRA – Public Safety Partnership and Community

Policing Grants

16.710

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2012

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

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

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

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2012-1

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

Unknown

Criteria: 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) establishes standards regarding time distribution and requires that salaries and wages for employees working on multiple activities be supported by personal activity reports (time reports) or equivalent documentation.

Section A-87, Attachment B(8)(h)(4) requires such documentation when employees work on (a) more than one federal award, (b) a federal and non-federal award, or (c) indirect cost activity and direct cost activity. Attachment B(8)(h)(5) states personnel activity reports or equivalent documentation must reflect an after the fact distribution of the actual activity of each employee.

Condition: For salaries and wages charged to different grant programs, our review of the signed and approved timesheets indicated that the salaries and wages charged to the grant program were not supported by the employee's actual timesheet. The expenses charged to the grant were calculated based on a fixed allocation percentage set up in the payroll computer system that differed from the actual employee activity reported on employees' time reports.

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2012

SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2012-1 (Continued)	Community Development Block Grant (Continued) CFDA # 14.218 (Allowable Activities) Grant No. B-10-MC-12-0033 <i>Effect:</i> The City may not be charging the grant the correct amount for salaries and benefits based on actual employee activity from supporting time reports. <i>Cause:</i> Employee salaries and wages are charged to different grants based on an allocation percentage set up in the payroll computer system at the beginning of the fiscal year which did not match the actual employee activity from supporting time reports. <i>Population and Items Tested:</i> Auditor received an expenditure listing for the grant and selected seven payroll charges to examine the supporting employees' timesheets. <i>Recommendation:</i> We recommend that salaries and wages for employees working on multiple grant activities be supported by personal activity reports (time reports) or equivalent documentation as required by Section A-87, Attachment B (8)(h).	



CORRECTIVE ACTION PLAN

The City of Delray Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2012. The finding from the Schedule of Findings and Questioned Costs for the year ended September 30, 2012 is discussed below. The finding is numbered consistently with the number assigned in the schedule of findings and questioned costs.

A. FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS

**Finding
Number**

Finding

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**2012-1 Community Development Block Grant
CFDA # 14.218 (Allowable Activities)
Grant No. B-10-MC-12-0033**

Criteria: 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) states the standards regarding time distribution and requires that salaries and wages for employees working on multiple activities be supported by personal activity reports (time reports) or equivalent documentation.

Section A-87, Attachment B(8)(h)(4) requires such documentation when employees work on (a) more than one federal award, (b) a federal and non-federal award, or (c) indirect cost activity and direct cost activity. Attachment B(8)(h)(5) states personnel activity reports or equivalent documentation must reflect an after the fact distribution of the actual activity of each employee.

Condition: For salaries and wages charged to different grant programs, our review of the signed and approved timesheets indicated that the salaries and wages charged to the grant program were not supported by the employee’s actual timesheet. The expenses charged to the grant were calculated based on a fixed allocation percentage set up in the payroll computer system that differed from the actual employee activity reported on employees’ time reports.

Effect: The City may not be charging the grant the correct amount for salaries and benefits based on actual employee activity from supporting time reports.

Cause: Employee salaries and wages are charged to different grants based on an allocation percentage set up in the payroll computer system at the beginning of the fiscal year which did not match the actual employee activity from supporting time reports.

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

Finding Number	Finding
2012-1 (Continued)	Community Development Block Grant (Continued) CFDA # 14.218 (Allowable Activities) Grant No. B-10-MC-12-0033

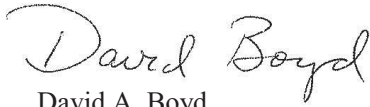
Population and Items Tested: Auditor received an expenditure listing for the grant and selected seven payroll charges to examine the supporting employees' timesheets.

Recommendation: We recommend that salaries and wages for employees working on multiple grant activities be supported by personal activity reports (time reports) or equivalent documentation as required by Section A-87, Attachment B (8)(h).

Action Taken: The Neighborhood Services Division will ensure that future salaries and wages expenses charged to the grants are supported by the actual employee activity from supporting time reports.

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

For the Fiscal Year Ended September 30, 2012

**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> For 2012 employees worked exclusively on the housing rehabilitation program and, accordingly, all salaries and benefits were considered an activity delivery cost under 24 CFR 570.202(a)(1) and the finding is considered to be resolved.</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> The administrative expenses did not exceed 20% of the total grant expenditures for 2012 and the finding is considered to be resolved.</p>	Unknown

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2012

**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> For 2012 employees worked exclusively on the housing rehabilitation program and, accordingly, all salaries and benefits were considered an activity delivery cost under 24 CFR 570.202(a)(1) and the finding is considered to be resolved.</p>	Unknown
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>	\$38,555

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2012

**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 (Continued) 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.</p> <p><i>Current Status:</i> The administrative expenses did not exceed 20% of the total grant expenditures for 2012 and the finding is considered to be resolved.</p>	
	<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>	
2011-1	<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>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> <p><i>Current Status:</i> For 2012 employees worked exclusively on the housing rehabilitation program and, accordingly, all salaries and benefits were considered an activity delivery cost under 24 CFR 570.202(a)(1) and the finding is considered to be resolved.</p>	Unknown

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2012

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

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2011-2	<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 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 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>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>Current Status:</i> The administrative expenses did not exceed 20% of the total grant expenditures for 2012 and the finding is considered to be resolved.</p>	\$20,924

Management Letter



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COHEN, PORTER & VEIL, P.A.

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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, 2012, and have issued our report thereon dated March 21, 2013. 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 Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133; and, Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 21, 2013, 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 2011-3 Cash Account and 2011-4 Expenditures Over Appropriations reported in our management letter dated March 12, 2012 have been adequately addressed or no longer apply. Findings 2009-1, 2009-3, 2010-1, 2010-2, 2011-1 and 2011-2 related to the City's Community Development Block Grants, as previously reported in the Schedule of Findings and Questioned Costs were also resolved 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:

2012-2 Information Technology Systems

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

Condition: Our review of the City's Information Technology Systems (ITS) identified certain areas where existing practices could be improved, which are as follows:

Accounting Server

A full test restore at an offsite facility should be performed for the accounting server using an entirely separate server. The City has performed restores on both the network server and the finance server, but these restores were performed on existing hardware. An offsite test restore was performed last year. Due to the increased expense associated with the offsite test restore, consideration should be given to establishing a formal policy for performing the offsite test restores every second or third year.

User Accounts

The default administrator account name should be changed to a fictitious account and the administrator account that is created should be completely locked down.

A list of all active user accounts should regularly be provided to each department head to be reviewed, signed off and returned to the IT department. Any user accounts found to be active for individuals who no longer work for the City, should be formally documented, inactivated and reviewed to determine why they were not previously identified.

The City currently provides logoff screensavers to lock a workstation after a certain period of inactivity, but the logoff screensaver may be turned off by the user. We recommend that a forced policy of logoff screensavers be implemented to improve security over unattended workstations.

Effect: The security and stability of the City's information technology systems could be compromised.

Cause: Certain controls and/or procedures surrounding information technology systems have not been implemented by the City.

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

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. The results of our procedures disclosed no such matters, except as reported in the Schedule of Findings and Questioned Costs.
5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
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, 2012, 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, 2012. 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, 2012. 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 and the accompanying Schedule of Findings and Questioned Costs 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.

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

*Caleb, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

March 21, 2013

CITY OF DELRAY BEACH



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



® March 22, 2013

1993
2001

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

Subject: Responses to the Management Letter Comments
Comprehensive Annual Financial Report – September 30, 2012

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

2012-1 Community Development Block Grant - Management concurs and will ensure that future salaries and wages charged to the grants are supported by the actual employee activity from supporting time reports.

2012-2 Information Technology Systems - Management will review the recommendations and consider possible improvements to the system.

Sincerely,

David A. Boyd
Finance Director

mls/dab
doc: audgen