

Libby Wesley Park



City of Delray Beach, Florida

Comprehensive Annual Financial Report

For Year Ended

September 30, 2013

Libby Wesley Park
SW 5th Avenue and Atlantic Avenue
Delray Beach, FL 33444

The park, originally developed by the CRA, is a result of the 2002 Downtown Master Plan. Since its 2010 completion, it has become a popular venue for community events and performances. The City Commission adopted a resolution in July 2012 to officially name it the “Ida Elizabeth ‘Libby’ Jackson Wesley Plaza”, in honor of the prominent retired Palm Beach County School District educator and co-founder of the Roots Cultural Festival, a celebration of black heritage.

The park is operated by the City and includes a covered stage, benches, a trellis and other landscaping features, as well as a colorful terrazzo and brick plaza area. A CRA-funded public art component was installed at the plaza in June 2013. The 12-foot tall aluminum and glass sculpture, entitled “Endurance” was designed by visual artist Cheryl Foster and incorporates imagery meant to portray the strength of Delray’s original African American settlers.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2013
with Report of Independent Certified Public Accountants

Comprehensive Annual Financial Report

City of Delray Beach, Florida

Year Ended September 30, 2013
with Report of Independent Certified Public Accountants

Prepared by the

Finance Department

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Milena Walinski, CGFO, Assistant Finance Director

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Maureen Owens
Yvonne Walker
Bobby Jenkins, Jr.
Sherry Dungey

City of Delray Beach, Florida
 Comprehensive Annual Financial Report
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Introductory Section



April 30, 2014

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, 2013. This report was prepared by the Finance Department and responsibility for the accuracy, completeness and 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, 2013. **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 61,801 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 34th 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 is abating. The City has maintained a good financial condition based on planning and fiscal actions to reduce or maintain costs. During the downturn, the City had seen a decrease of 29% in taxable assessed value, but the decline has stabilized and the tax base is slowly growing. The current year (tax roll 2012) had a slight increase of 1% which reflects stabilization in the real estate markets. Building permit activity is an indicator of the confidence businesses and residents have in investing in the City. Although the building activity in 2013 was down from 2012, the activity has increased substantially from the beginning of the recession. The forecast for the upcoming year is an increase in the taxable value of approximately 6%.

During the past year, Standard and Poor's upgraded the City's General Obligation Bond rating from AA to AAA. Moody's upgraded the Utility Tax Bonds from A1 to Aa3.

CURRENT MAJOR INITIATIVES

World Class Beach

The City of Delray Beach, in cooperation with the Delray Beach Community Redevelopment Agency and the Beach Property Owners' Association, in 2009 conducted a citywide charrette to develop a Beach Area Master Plan. At the end of 2013, phase I of the Master Plan was completed. The pavilion was rebuilt to the exact replica of the original 1929 pavilion that was destroyed by a hurricane in 1947. The new pavilion includes new north and south gazebos, landscaping, updated showers, signage and trash containers.

Phase II will follow with the replacement of existing parking meters, dual paths for walkers and ocean viewing and welcoming pergolas at each end of the public beach.

Neighborhood Enhancement Programs

Atlantic Community High School Eagle Nest Construction Academy – Eagle's Nest, our local high school construction academy, recently completed their second housing project. The three bedroom, two bath "green" house was designed and built by local high school students. The profits from the sale of this house will be donated to the school in an effort to make Eagle Nest a fiscally self-sustaining program.

The property was donated by the City of Delray Beach and the Delray Beach Community Redevelopment Agency provided the loan to fund the project. The community, including local contractors, architects, business owners and companies, donated their services and/or materials. All labor was performed by students under the direction of experienced craftsmen. The Eagle Nest Construction Academy prepares students for college and/or employment in the construction industry by providing the skills necessary to enter home building, general contracting and related industries.

Curb Appeal by the Block – This program, formerly known as Paint Up Delray, has been in existence for over 18 years. The City of Delray Beach Community Improvement Department teams up with volunteers from the City and community to help beautify homes within the community. The projects include exterior pressure washing and painting, mailboxes and minor landscaping. All supplies are provided by the City and community service hours are provided to the volunteers.

Economic Development

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 is bringing in new businesses and expanding existing businesses to increase the number of jobs and increase the demand for real estate. The first year of this program was successful with over 300 jobs being either recruited or retained along the Innovation Corridor. The City's incentive package drew companies to the area even if the company didn't participate in the incentive package.

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. Last 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. The City was recognized as a 2013 Community Pacesetter by the Campaign for Grade level Reading, an honor that reflects the energy, mobilization and creativity that the local community has brought to this important work. Some highlights are: inclusion of summer academics in 5 summer camps, distribution of books to over 500 children and the initiation of an attendance program that will reduce the number of children that are chronically absent or tardy.

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. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. 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, 2013 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, 2012. This was the 30th 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.

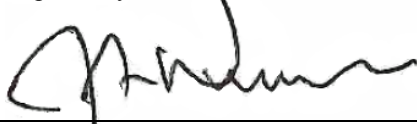
ACKNOWLEDGMENTS

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,



Jack Warner
Chief Financial Officer



Milena Walinski, M.B.A., CGFO
Assistant Finance Director

The Government Finance Officers Association (GFOA) 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 (CAFR) for the fiscal year ended September 30, 2012.

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 GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

**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, 2012

Executive Director/CEO

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2013

CITY COMMISSION

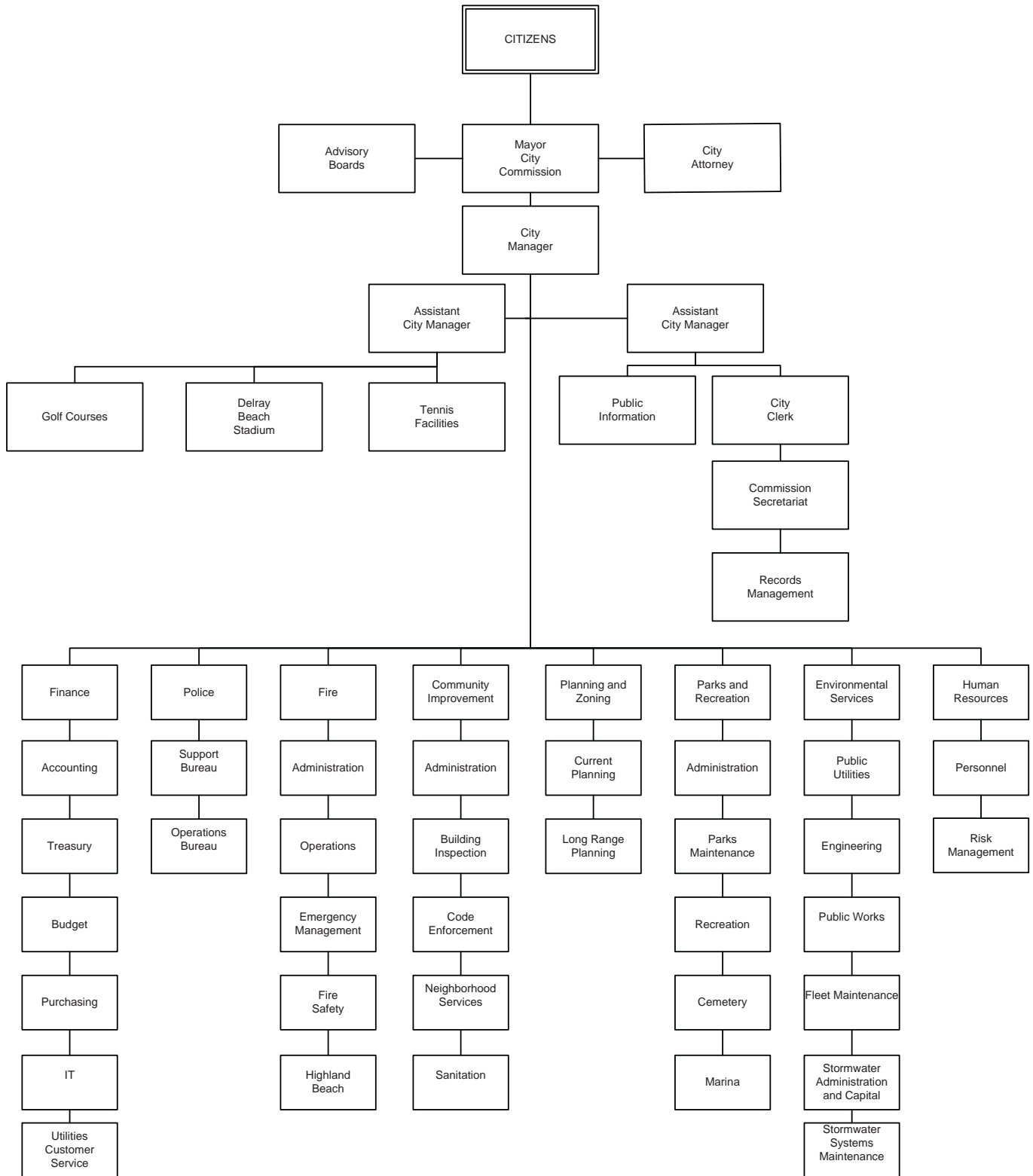
Mayor Cary Glickstein
Vice-Mayor Shelly Petrolia
Deputy Vice-Mayor (1) Jordana L. Jarjura
Commissioner Al Jacquet
Commissioner Adam Frankel

CITY STAFF

City Manager Louie Chapman, Jr.
Interim City Attorney (1)..... Terrill C. Pyburn, Esq.
Assistant City Manager..... Robert A. Barcinski
City Clerk..... Chevelle D. Nubin
Community Improvement DirectorLula C. Butler
Environmental Services Director (1)Randal L. Krejcarek
Chief Financial Officer (1).....Jack Warner
Fire Chief Danielle Connor
Human Resources Director Shirley McKennon
Parks and Recreation Director (1).....Suzanne F. Davis
Planning and Zoning Director (1).....Mark McDonnell
Police ChiefAnthony Strianese

(1) Official changed after September 30, 2013 and current official as of April 1, 2014 is listed.

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
THOMAS A PENCE, JR, CPA
SCOTT L PORTER, CPA
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 43%, respectively, of the assets, net position/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 5.4%, respectively, of the assets, net position and revenues of the City's discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Police and Firefighters' Retirement System Fund and Delray Beach Downtown Development Authority, are 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports 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, 2013, 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.

Change in Accounting Principle

During the year ended September 30, 2013, the City of Delray Beach, Florida, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As more fully described in Note 2 to the financial statements, the implementation of GASB Statements No. 63 and No. 65 resulted in changes to certain classifications in the presentation of the financial statements and a restatement of the beginning net position/fund balances for the year ended September 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 74 through 78 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 and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's, basic financial statements. The introductory section, the 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the financial statements.

The combining and individual fund financial statements and schedules, the other supplementary information, and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund financial statements and schedules, the other supplementary information, and the Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the internal control over financial reporting of the City of Delray Beach, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance of the City of Delray Beach, Florida.

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

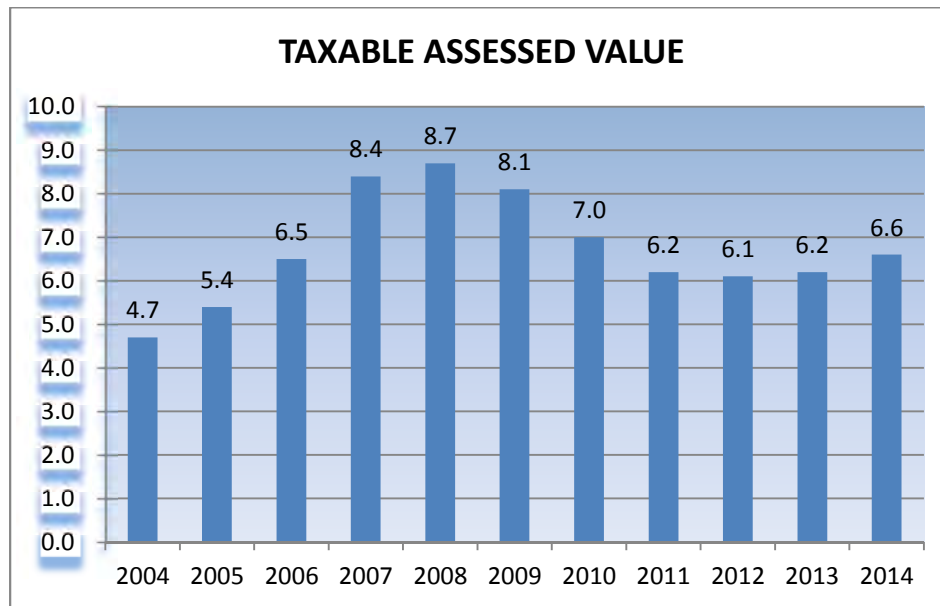
West Palm Beach, Florida
April 15, 2014

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, 2013. 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 values has stopped and the trend is now reversing. Fiscal year 2013 increased from \$6.1 billion to \$6.2 billion, or 2.2%, in taxable assessed value. The assessed value for 2014 increased 6.5% to \$6.6 billion.
- The assets of the City (Primary Government) exceeded its liabilities at September 30, 2013, by \$246,077,479 (Total Net Position). Of this amount, \$90,707,441 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position, including the City's discretely presented component units increased by \$4,661,227. Of this amount, governmental activities (including the CRA and DDA) decreased by \$1,536,451 and business-type funds increased

by \$6,197,678. The increase in governmental activities is largely attributed to a gain on the sale of capital assets (Library site).

- The total net position of the City (Primary Government) increased by \$6,960,592, comprised of an increase of \$762,914 in the governmental activities and an increase of \$6,197,678 in the business-type activities. The City's net position was reduced by \$453,290 in 2013 by the adoption of new accounting standards. The change in net position is shown on the table entitled Statement of Activities.
- At September 30, 2013, the City's governmental funds reported combined ending fund balances of \$44,008,907 which increased \$5,037,325 from the prior year. The increase is due primarily to debt proceeds. A total of \$36,688,609 or 83% of the combined ending fund balance is available for spending (Unassigned Fund Balance and Assigned Fund Balance). Of this amount, \$23,074,359 is in the General Fund, \$9,655,118 is in Capital Projects Funds and \$3,959,132 is in Special Revenue Funds.
- At September 30, 2013, Unassigned Fund Balance for the General Fund was \$22,864,687 or 23.9% of total General Fund expenditures of \$95,574,007. This is an increase of \$3,123,320 from the prior year or 15.8%. The General Fund had a very good year, revenue increased by 1.9% and expenditures increased by 7.4%. The City's financial policy is to strive to maintain an Unassigned Fund Balance of between 15% to 25% of the expenditure budget as an acceptable reserve for first quarter cash flow (there are no tax remittances during the first two to three months of the 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 Position presents information on all of the City's assets, liabilities, deferred inflows/outflows of resources, with the differences presented as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 13 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 74 through 78 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 79 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 Position** in Table A-1 below and the **Condensed Statement of Activities** in Table A-2 on the next page, report information about the City's activities in a way that will help answer this question. These two tables report the net position of the City and the changes in net position during the year. You can think of the City's net position - the difference between assets, liabilities, and deferred inflows/outflows - as one way to measure the financial health or financial condition. Over time, increases or decreases in the City's net position 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 position is presented in Table A-1.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 69.4	\$ 58.2	\$ 61.6	\$ 60.9	\$ 131.0	\$ 119.1
Capital assets	135.5	136.3	99.8	99.6	235.3	235.9
Total Assets	204.9	194.5	161.4	160.5	366.3	355.0
Deferred outflows	0.1	-	0.1	-	0.2	-
Liabilities:						
Current liabilities	8.1	7.6	5.9	5.6	14.2	13.2
Noncurrent liabilities	81.3	71.7	25.1	30.6	106.2	102.3
Total Liabilities	89.4	79.3	31.0	36.2	120.4	115.5
Net Position:						
Net investment in capital assets	70.1	78.3	79.2	76.0	149.3	154.3
Restricted	1.6	1.8	4.5	4.6	6.1	6.4
Unrestricted	43.9	35.1	46.8	43.7	90.7	78.8
Total Net Position	\$ 115.6	\$ 115.2	\$ 130.5	\$ 124.3	\$ 246.1	\$ 239.5

During the current year the total net position of the City increased by \$7.0 million or approximately 2.9% from \$239.5 million to \$246.1 million. The increase in net position was primarily a result of operations in the business-type activities. Accordingly, based on this measure, the overall financial condition of the City improved slightly in 2013.

A significant portion of the City's net position (\$149.3 million or 61% of the Total Net Position) reflects its net 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 position (2.4%) represents resources that are subject to restrictions on how they may be used. The restricted net position reflects a decrease of \$300,000 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 position represents resources that may be used to meet the City's ongoing obligations to its citizens and creditors. The 2013 balance increased \$11.9 million primarily due to results of operations in the business-type activities (primarily the Water and Sewer Fund which increased \$5.6 million) and a decrease in the net investment in capital assets of \$5.0 million for depreciation expense.

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

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

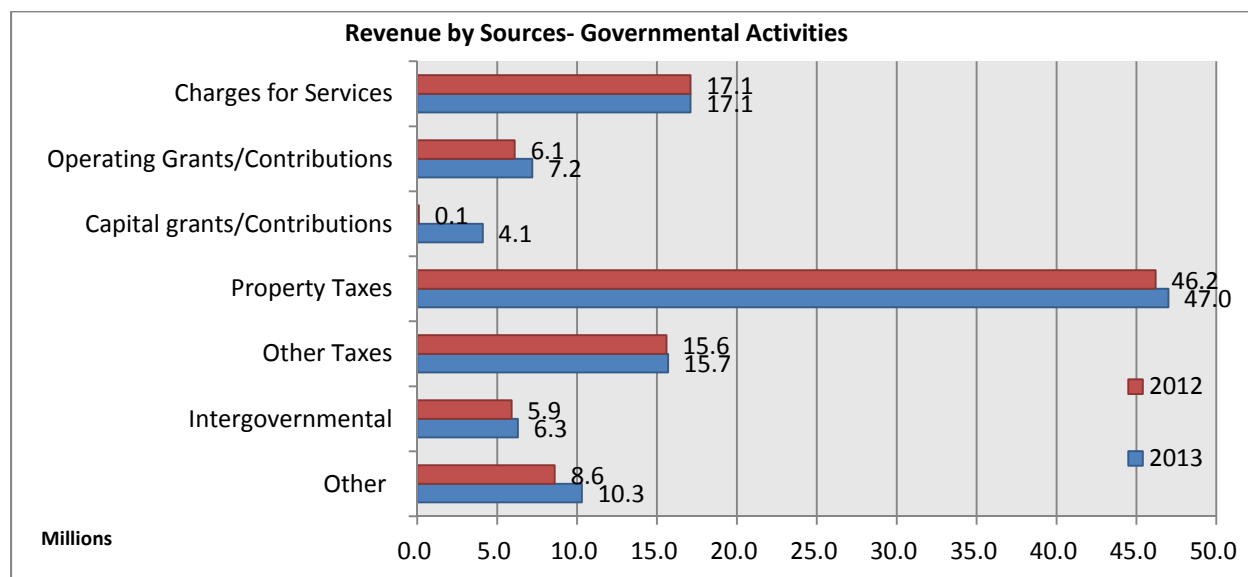
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for services	\$ 17.1	\$ 17.1	\$ 41.9	\$ 41.7	\$ 59.0	\$ 58.8
Operating grants, contributions	7.2	6.1	.9	.7	8.1	6.8
Capital grants, contributions	4.1	.1	1.9	.9	6.0	1.0
General Revenues:						
Property Taxes	47.0	46.2	.0	.0	47.0	46.2
Other taxes	15.7	15.6	.0	.0	15.7	15.6
Intergovernmental	6.3	5.9	.0	.0	6.3	5.9
Other	10.3	8.6	.1	.1	10.4	8.7
Total Revenues	107.7	99.6	44.8	43.4	152.5	143.0
Expenses						
General government	18.5	19.1	.0	.0	18.5	19.1
Public safety	57.2	54.7	.0	.0	57.2	54.7
Physical environment	8.1	7.6	.0	.0	8.1	7.6
Parks and recreation	24.4	15.2	.0	.0	24.4	15.2
Interest on long-term debt	2.4	2.6	.0	.0	2.4	2.6

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Expenses (continued)						
Water and sewer	\$.0	\$.0	\$ 24.8	\$ 26.0	\$ 24.8	\$ 26.0
Municipal golf course	.0	.0	3.0	3.0	3.0	3.0
Lakeview golf course	.0	.0	.6	.6	.6	.6
City marina	.0	.0	.1	.1	.1	.1
Sanitation	.0	.0	4.7	4.6	4.7	4.6
Stormwater utility	.0	.0	1.7	1.7	1.7	1.7
Total Expenses	110.6	99.2	34.9	36.0	145.5	135.2
Change in Net Position Before Transfers	(2.9)	.4	9.9	7.4	7.0	7.8
Transfers	3.7	3.3	(3.7)	(3.3)	.0	.0
Increase in Net Position	.8	3.7	6.2	4.1	7.0	7.8
Beginning Net Position, Originally Reported	115.2	111.5	124.4	120.2	239.6	231.7
Restatement for implementation of GASB Statements	(.4)	.0	(.1)	.0	(.5)	.0
Beginning Net Position, as Restated	114.8	111.5	124.3	120.2	239.1	231.7
Ending Net Position	\$ 115.6	\$ 115.2	\$ 130.5	\$ 124.3	\$ 246.1	\$ 239.5

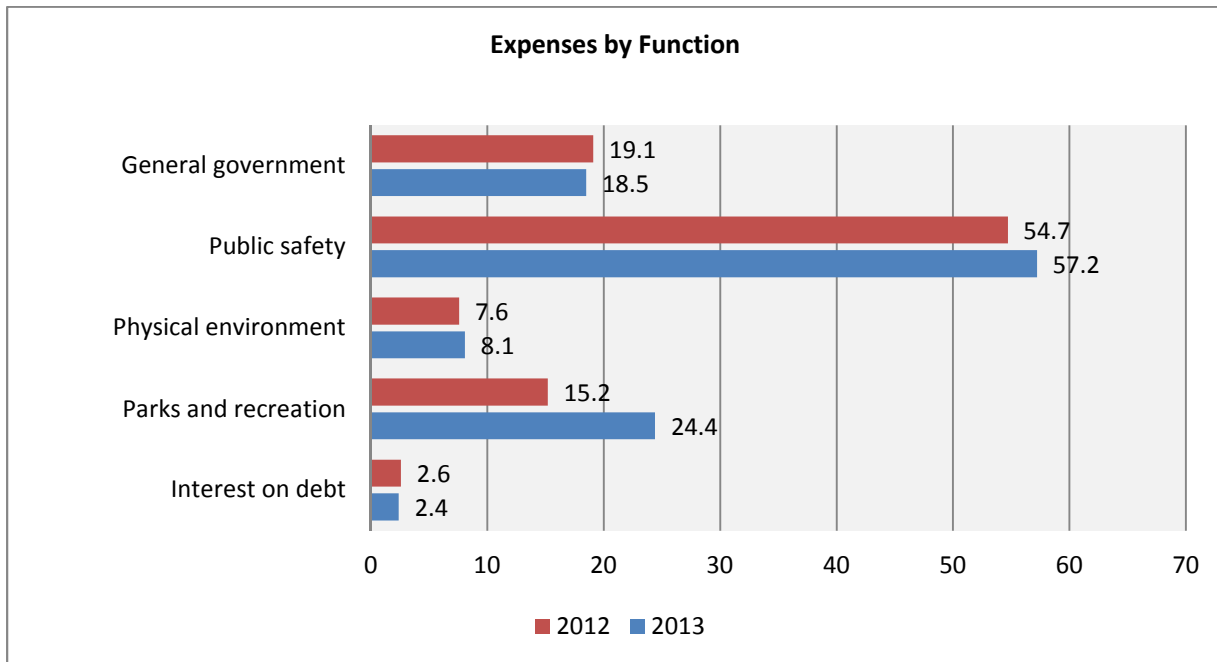
Governmental activities increased the City's net position by \$800,000. The increase in net position is driven primarily from the increase in operating grants which was due to various roadway projects. Parks and Recreation expenses increased by \$9.2 million due to the beach renourishment project.

Business-type activities net position had an increase of \$6.2 million which was due primarily to water and sewer activities.

Revenues by sources for 2013 and 2012 are summarized as follows:



Expenses by function for 2013 and 2012 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	2013	2012
Revenues	\$ 93.6	\$ 91.8
Expenditures	(95.6)	(89.0)
Other financing sources (uses)	3.5	1.0
Increase in Fund Balance	\$ 1.5	\$ 3.8

General Fund

The General Fund, which is the primary operating fund of the City and is not supported by user fees, recognized \$93,610,031 in total revenues offset with \$95,574,007 in expenditures and \$3,484,093 in net other financing sources. This resulted in an increase in fund balance of \$1,520,117. The Fund Balance increased from \$26,528,057 in 2012 to \$28,048,174 in 2013. Of this amount, \$22,831,187 is in Unassigned Fund Balance which represents 23.9% of our present expenditure levels. This represents an increase of 15.7% from the prior year. Our internal financial policy is to maintain 15 to 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 (Loss)</u>		<u>Changes in Net Position</u>	
	2013	2012	2013	2012
Enterprise Funds				
Water/Sewer	\$ 9.1	\$ 8.1	\$ 5.6	\$ 3.3
Municipal Golf Course	.0	.0	.0	(.1)
Lakeview Golf Course	.0	.1	.0	.0
City Marina	.1	.1	.1	.0
Sanitation	.6	.6	.5	.5
Stormwater Utility	.6	.5	.2	.3
Internal Service Funds				
Insurance	(1.2)	(.1)	(1.2)	.0
Central Garage	.1	.2	.9	.3

Water and Sewer Fund

Operating revenues were approximately \$155,000 more in 2013 and operating expenses were approximately \$869,000 less than 2012. However, lower interest expense and transfers out combined with higher capital contributions resulted in the change in net position increasing from 2012 to 2013.

Other Enterprise Funds

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

The **Municipal Golf Course** has an operating income this year of \$40,520 compared to (\$3,766) last year. The improvement in the economy helped increase the rounds of golf played this year.

The **Lakeview Golf Course** has an operating income of \$40,525 versus \$87,478 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 \$130,913 compared to \$77,670 last year.

The **Sanitation Fund** generated an operating income of \$594,638 this year compared to \$582,750 last year.

The **Stormwater Utility Fund** has an operating income this year of \$585,970 compared to \$518,598 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 \$4,159,088 to \$5,163,785 for property, health and worker's compensation claims. All required reserves are determined by outside actuaries. The Insurance Fund has \$2,576,949 in Unrestricted Net Position.

The **Central Garage Fund** has an operating income of \$126,278 compared to \$196,383 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 2013 was an increase of \$3,518,573. There was a positive variance between the final adopted budget and actual results of operations of \$1,461,749. Actual revenues less than the final budget by approximately \$793,000 and actual expenditures were less than final budget by approximately \$2.3 million. The increase in current year revenues was primarily attributable to improving property values and an increase in residential construction. All revenue categories exceeded their budget except for Fines and Forfeitures, Transfers In and 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, 2013, the City had \$235.3 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net decrease of \$.7 million from the previous fiscal year. Additional information can be found in Note 9 Capital Assets on pages 45-46. Capital asset activity for 2013 is summarized below:

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

	Beginning Balance 10/01/2012	Increases	Decreases	Ending Balance 9/30/2013
Governmental Activities:				
Land	\$ 38.6	\$ 0.1	\$.0	\$ 38.7
Construction in Progress	4.0	1.8	(2.5)	3.3
Non-Depreciable Assets	42.6	1.9	(2.5)	42.0

	Beginning Balance 10/01/2012	Increases	Decreases	Ending Balance 9/30/2013
Buildings	39.0	.6	.0	39.6
Improvements Other	117.9	2.7	.0	120.6
Equipment	39.7	5.0	(1.5)	43.2
Less: Accumulated Depreciation	(102.9)	(8.4)	1.4	(109.9)
Depreciable Assets- Net	93.7	(0.1)	(.1)	93.5
Capital Assets- Governmental	\$ 136.3	\$ 1.8	\$ (2.6)	\$ 135.5
Business-Type Activities:				
Land	\$ 5.7	\$.0	\$.0	\$ 5.7
Construction in Progress	1.2	2.4	(.5)	3.1
Non-Depreciable Assets	6.9	2.4	(.5)	8.8
Buildings	13.7	.1	.0	13.8
Improvements Other	162.4	1.9	.0	164.3
Equipment	14.4	.3	(.1)	14.6
Less: Accumulated Depreciation	(97.8)	(4.0)	.1	(101.7)
Depreciable Assets- Net	92.7	(1.7)	.0	91.0
Capital Assets- Business-Type	\$ 99.6	\$.7	\$ (.5)	\$ 99.8

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

Major capital assets changes during the fiscal year 2013 were primarily in the Water and Sewer Fund. There were 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, 2013, the City had total debt outstanding of \$105,570,115 compared to \$102,962,511 as of September 30, 2012. Of the \$105.6 million amount, and gross of any related unamortized premium or discounts:

- \$19.3 million is general obligation bond debt which is debt backed by the full faith and credit of the City,
- \$33.2 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,
- \$11.8 million is a bond anticipation note that is expected to be refinanced with revenue bonds secured by other governmental revenue sources.
- \$20.6 million is revenue bonds that are backed by a pledge of the water and sewer system met revenues,
- \$8.3 million is for compensated absences,
- \$5.2 million is for insurance claims reserves, and

- \$0.6 million is for installment agreements that are secured by the promise to budget and appropriate sufficient revenues to pay the debt.

Noncurrent liabilities activity for 2013 is summarized below:

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

	Beginning Balance 10/01/2012	Increases	Decreases	Ending Balance 9/30/2013
Governmental Activities:				
Revenue Bonds	\$ 34.6	\$ 2.6	\$ (4.0)	\$ 33.2
Bond Anticipation Note	.0	11.8	.0	11.8
General Obligation Bonds	22.0	.0	(2.7)	19.3
Unamortized Premium	.7	.0	(.1)	.6
Total Bonds Payable	57.3	14.4	(6.8)	64.9
Installment Agreements	.8	.0	(.2)	.6
Compensated Absences	7.4	.6	(.8)	7.2
Insurance Claims Payable	4.2	9.1	(8.1)	5.2
Governmental Activities	\$ 69.7	\$ 24.1	\$ (15.9)	\$ 77.9
Business-Type Activities:				
Revenue Bonds	\$ 23.7	\$.0	\$ (3.1)	\$ 20.6
Unamortized Premium	.0	.0	.0	.0
Total Bonds Payable	23.7	.0	(3.1)	20.6
Accrued interest on capital appreciation bonds	8.5	.5	(3.0)	6.0
Installment Agreements	.0	.0	.0	.0
Compensated Absences	1.0	.1	(.1)	1.0
Business Type Activities	33.2	0.6	(6.2)	27.6
Total Debt Outstanding	\$ 102.9	\$ 24.7	\$ (22.1)	\$ 105.5

The City entered into a \$22.5 million line of credit on April 30, 2013 as a Bond Anticipation Note and drew \$11,799,612 during 2013 to finance capital projects. The City also issued \$2,629,000 Revenue Refunding Bonds on August 27, 2013, (Series 2013) to refund the Series 2008 Revenue Improvement Bonds. All other long-term debt activity for 2013 was related to repayments of bonds, installment agreements and amortization of bond premiums.

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 50-57.

Economic Factors and FY 2013-14 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 (\$1 per \$1,000 of taxable value), although the operations portion increased .0092 mills (.1%) to 7.1992 mills and the debt service portion decreased .0092 mills (1.5%) to .6041 mills.
- ❖ The governmental funds budget has kept operational spending fairly flat, but the Capital Improvement budget decreased by 47% to \$17,183,850. The prior year included a beach renourishment project as well as planned enhancements along US 1 – Federal Highway.

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 POSITION
September 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency (CRA)	Downtown Development Authority (DDA)
ASSETS					
Cash and cash equivalents	\$ 25,531,345	\$ 396,357	\$ 25,927,702	\$ 11,017,870	\$ 57,556
Investments	27,906,695	18,717,178	46,623,873	-	-
Receivables:					
Accounts, net	2,003,785	3,689,454	5,693,239	199,801	16,460
Unbilled accounts	-	753,229	753,229	-	-
Notes receivable	5,499,343	-	5,499,343	921,861	-
Notes receivable from component unit	5,885,060	-	5,885,060	-	-
Interest receivable	1,170,701	76,814	1,247,515	-	-
Due from component unit	100,000	-	100,000	-	-
Due from primary government	-	-	-	50,000	-
Due from other governments	4,392,118	205,945	4,598,063	-	-
Internal balances	(4,760,269)	4,760,269	-	-	-
Inventories	79,730	413,518	493,248	-	-
Prepaid expenses	1,232,510	58,872	1,291,382	17,670	22,450
Assets acquired for sale	363,543	-	363,543	-	-
Deposits	-	-	-	19,491	2,250
Net pension asset	18,078	-	18,078	-	-
Restricted assets	-	7,738,811	7,738,811	-	-
Investment in regional plant (joint venture)	-	24,874,456	24,874,456	-	-
Capital assets:					
Non-depreciable capital assets	42,032,343	8,820,035	50,852,378	26,774,624	-
Depreciable capital assets, net	93,482,535	90,954,967	184,437,502	3,012,977	-
Total Assets	<u>204,937,517</u>	<u>161,459,905</u>	<u>366,397,422</u>	<u>42,014,294</u>	<u>98,716</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refundings	76,082	93,081	169,163	-	-
LIABILITIES					
Accounts payable and accrued expenses	3,455,904	1,252,668	4,708,572	605,611	15,476
Contracts payable and retainages	-	79,373	79,373	64,396	-
Deposits payable	1,303,674	1,173,131	2,476,805	1,923	-
Unearned revenue	3,226,438	82,670	3,309,108	8,857	-
Accrued interest on long-term debt	272,701	3,310,216	3,582,917	-	-
Due to component unit	50,000	-	50,000	-	-
Due to primary government	-	-	-	100,000	-
Noncurrent liabilities:					
Due within one year					
Bonds and note payable	2,512,824	2,971,400	5,484,224	1,948,089	-
Installment agreements	115,079	-	115,079	-	-
Compensated absences	742,876	41,112	783,988	-	-
Insurance claims payable	1,451,785	-	1,451,785	-	-
Due in more than one year					
Bonds and note payable	62,381,738	20,562,913	82,944,651	14,396,196	-
Installment agreements	504,086	-	504,086	-	-
Compensated absences	6,492,536	998,491	7,491,027	-	-
Insurance claims payable	3,712,000	-	3,712,000	-	-
Net pension obligation	-	42,566	42,566	-	-
Net OPEB obligation	3,237,364	515,561	3,752,925	-	-
Total Liabilities	<u>89,459,005</u>	<u>31,030,101</u>	<u>120,489,106</u>	<u>17,125,072</u>	<u>15,476</u>
NET POSITION					
Net investment in capital assets	70,077,233	79,245,276	149,322,509	17,057,506	-
Restricted for:					
Debt service	520,914	2,868,217	3,389,131	-	-
Law enforcement	815,232	-	815,232	-	-
Capital improvements	282,788	1,560,378	1,843,166	7,831,716	-
Unrestricted	43,858,427	46,849,014	90,707,441	-	83,240
Total Net Position	<u>\$ 115,554,594</u>	<u>\$ 130,522,885</u>	<u>\$ 246,077,479</u>	<u>\$ 24,889,222</u>	<u>\$ 83,240</u>

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Community Redevelopment Agency (CRA)	Downtown Development Authority (DDA)
PRIMARY GOVERNMENT									
Governmental Activities:									
General Government	\$ 18,456,193	\$ 5,566,254	\$ 3,035,452	\$ 136,689	\$ (9,717,798)	\$ -	\$ (9,717,798)	\$ -	\$ -
Public Safety	57,249,952	8,046,157	2,280,986	-	(46,922,809)	-	(46,922,809)	-	-
Physical Environment	8,110,979	1,753,619	10,000	3,963,421	(2,383,939)	-	(2,383,939)	-	-
Parks and Recreation	24,399,517	1,766,249	1,864,383	-	(20,768,885)	-	(20,768,885)	-	-
Interest on Long-term Debt	2,414,349	-	-	-	(2,414,349)	-	(2,414,349)	-	-
Total Governmental Activities	110,630,990	17,132,279	7,190,821	4,100,110	(82,207,780)	-	(82,207,780)	-	-
Business-type Activities:									
Water and Sewer	24,799,536	30,771,956	590,080	1,808,752	-	8,371,252	8,371,252	-	-
Municipal Golf Course	3,060,771	2,998,040	57,160	-	-	(5,571)	(5,571)	-	-
Lakeview Golf Course	605,393	610,313	5,118	-	-	10,038	10,038	-	-
City Marina	80,426	209,625	1,914	-	-	131,113	131,113	-	-
Sanitation	4,686,520	5,183,866	229,518	-	-	726,864	726,864	-	-
Stormwater Utility	1,660,899	2,158,887	388	60,101	-	558,477	558,477	-	-
Total Business-type Activities	34,893,545	41,932,687	884,178	1,868,853	-	9,792,173	9,792,173	-	-
Total Primary Government	\$ 145,524,535	\$ 59,064,966	\$ 8,074,999	\$ 5,968,963	(82,207,780)	9,792,173	(72,415,607)	-	-
COMPONENT UNITS									
Community Redevelopment Agency (CRA)	\$ 13,307,025	\$ 83,017	\$ 178,073	\$ -				(13,045,935)	-
Downtown Development Authority (DDA)	602,085	-	-	-				-	(602,085)
Total Component Units	\$ 13,909,110	\$ 83,017	\$ 178,073	\$ -				(13,045,935)	(602,085)
General Revenues:									
Taxes:									
Property Taxes					47,036,144	-	47,036,144	10,715,866	504,311
Franchise Fees					4,640,568	-	4,640,568	-	-
Utility Service Taxes					8,958,647	-	8,958,647	-	-
Sales Taxes					1,310,488	-	1,310,488	-	-
Local Business Tax					748,768	-	748,768	-	-
Intergovernmental Not Restricted to Specific Programs					6,261,001	-	6,261,001	-	-
Investment Earnings					363,285	90,795	454,080	21,237	1,006
Gain on disposal of capital assets					2,240,888	-	2,240,888	-	106,235
Miscellaneous					7,725,615	-	7,725,615	-	-
Transfers					3,685,290	(3,685,290)	-	-	-
Total General Revenues and Transfers					82,970,694	(3,594,495)	79,376,199	10,737,103	611,552
Change in Net Position					762,914	6,197,678	6,960,592	(2,308,832)	9,467
Net Position - October 1, 2012, as originally reported					115,200,166	124,370,011	239,570,177	27,238,289	73,773
Restatement for implementation of GASB Statements					(408,486)	(44,804)	(453,290)	(40,235)	-
Net Position - October 1, 2012, as restated					114,791,680	124,325,207	239,116,887	27,198,054	73,773
Net Position - September 30, 2013					\$ 115,554,594	\$ 130,522,885	\$ 246,077,479	\$ 24,889,222	\$ 83,240

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 25,233,868	\$ 79,938	\$ 25,313,806
Investments	14,053,736	6,123,411	20,177,147
Accounts receivable, net	1,746,803	117,404	1,864,207
Notes receivable	3,227,789	2,271,554	5,499,343
Notes receivable from component unit	5,885,060	-	5,885,060
Interest receivable	1,118,095	23,197	1,141,292
Due from component unit	100,000	-	100,000
Due from other governments	902,903	3,489,215	4,392,118
Due from other funds	-	7,211,121	7,211,121
Inventories	31,810	-	31,810
Prepaid items	796,362	-	796,362
Assets acquired for sale	-	363,543	363,543
Total Assets	<u>\$ 53,096,426</u>	<u>\$ 19,679,383</u>	<u>\$ 72,775,809</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued items	\$ 1,360,939	\$ 594,586	\$ 1,955,525
Due to other governments	-	165,031	165,031
Deposits payable	1,303,674	-	1,303,674
Due to other funds	14,468,041	379,787	14,847,828
Due to component unit	-	50,000	50,000
Total Liabilities	<u>17,132,654</u>	<u>1,189,404</u>	<u>18,322,058</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>7,915,598</u>	<u>2,529,246</u>	<u>10,444,844</u>
FUND BALANCES			
Nonspendable:			
Inventories	31,810	-	31,810
Prepaid items	796,362	-	796,362
Long-term notes receivable	3,139,659	-	3,139,659
Restricted for:			
Debt service	-	520,914	520,914
Law enforcement	-	815,232	815,232
Capital improvements	5,984	276,804	282,788
Community development	-	733,533	733,533
Committed for:			
Economic development	1,000,000	-	1,000,000
Assigned to:			
Encumbrances	209,672	-	209,672
Public safety	-	126,383	126,383
Parks and recreation	-	1,328,551	1,328,551
Capital improvements	-	12,170,799	12,170,799
Unassigned (deficit)	22,864,687	(11,483)	22,853,204
Total Fund Balances	<u>28,048,174</u>	<u>15,960,733</u>	<u>44,008,907</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 53,096,426</u>	<u>\$ 19,679,383</u>	<u>\$ 72,775,809</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 POSITION
September 30, 2013

Total Fund Balances - Governmental Funds \$ 44,008,907

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

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

Capital assets	\$ 223,456,854	
Less accumulated depreciation	<u>(95,515,336)</u>	127,941,518

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

Interest receivable	1,064,483	
Rent receivable	100,000	
Long-term receivables	168,863	
Notes receivable from component unit	<u>5,885,060</u>	7,218,406

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

23,627

Premiums, discounts, gains and losses on refundings are reported as "Other Financing Sources and Uses" in the governmental funds. These items, however, are deferred and amortized over the life of the bonds in the government-wide statements.

Loss on refunding	76,082	
Bond premium	<u>(636,267)</u>	(560,185)

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	(272,701)	
Bonds and installment agreements payable	(64,877,460)	
Compensated absences	(7,114,235)	
Net OPEB obligation	<u>(3,167,457)</u>	(75,431,853)

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

Net position	13,416,535	
Less amount allocated to business-type activities	<u>(1,062,361)</u>	<u>12,354,174</u>

Total Net Position - Governmental Activities \$ 115,554,594

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, 2013

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Taxes	\$ 58,054,047	\$ -	\$ 58,054,047
Licenses and permits	9,281,304	-	9,281,304
Intergovernmental	8,738,155	4,713,667	13,451,822
Charges for services	10,819,815	480,662	11,300,477
Fines and forfeitures	1,022,052	169,018	1,191,070
Miscellaneous	5,694,658	2,436,218	8,130,876
Total Revenues	<u>93,610,031</u>	<u>7,799,565</u>	<u>101,409,596</u>
EXPENDITURES			
Current:			
General government	15,669,333	1,970,564	17,639,897
Public safety	54,524,413	360,676	54,885,089
Physical environment	4,448,582	979,156	5,427,738
Parks and recreation	12,313,708	9,445,041	21,758,749
Capital outlay	470,225	4,897,362	5,367,587
Debt service:			
Principal retirement	6,913,716	19,188	6,932,904
Interest and fiscal charges	1,234,030	1,189,754	2,423,784
Bond issuance costs	-	18,574	18,574
Total Expenditures	<u>95,574,007</u>	<u>18,880,315</u>	<u>114,454,322</u>
Excess of revenues over (under) expenditures	(1,963,976)	(11,080,750)	(13,044,726)
OTHER FINANCING SOURCES (USES)			
Revenue bonds issued	2,629,000	-	2,629,000
Bond anticipation note issued	-	11,799,612	11,799,612
Proceeds from the sale of capital assets	889	-	889
Transfers in	4,355,110	3,693,936	8,049,046
Transfers out	(3,500,906)	(895,590)	(4,396,496)
Total Other Financing Sources (Uses)	<u>3,484,093</u>	<u>14,597,958</u>	<u>18,082,051</u>
Net change in fund balances	1,520,117	3,517,208	5,037,325
Fund balances - October 1, 2012	26,528,057	12,443,525	38,971,582
Fund balances - September 30, 2013	<u>\$ 28,048,174</u>	<u>\$ 15,960,733</u>	<u>\$ 44,008,907</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 5,037,325

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

Governmental funds report capital outlay 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 outlay	\$ 5,367,587	
Depreciation expense	<u>(6,665,249)</u>	(1,297,662)

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 position differs from the change in fund balance by the net book value of the assets retired. (30,872)

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	485,919	
Capital grant financed by note receivable from component unit	3,614,190	
Sale of capital asset financed by note receivable from component unit	2,270,870	
Change in long-term receivables	<u>(79,965)</u>	6,291,014

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 obligation (asset)	(105,077)	
Change in net OPEB obligation	(1,055,624)	
Compensated absences	176,536	
Change in accrued interest payable	<u>328</u>	(983,837)

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

Debt Issuance		
Revenue bonds		(14,428,612)
Debt Retirement		
Principal paid	6,932,904	
Amortization of debt premiums and deferred charges on refundings	<u>27,681</u>	6,960,585

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	(367,177)	
Less allocation to business type activities	<u>190,648</u>	
Net revenue reported with governmental activities	(176,529)	
Reassignment of governmental capital assets to internal service funds	<u>(608,498)</u>	<u>(785,027)</u>

Change in Net Position of Governmental Activities \$ 762,914

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	Business-Type Activities			Governmental
	Major Fund	Non-Major	Total	Internal
	Water and Sewer Fund	Enterprise Funds	Enterprise Funds	Service Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 374,847	\$ 21,510	\$ 396,357	\$ 217,539
Investments	11,489,547	7,227,631	18,717,178	7,729,548
Accounts receivable, net	2,771,010	918,444	3,689,454	139,578
Unbilled accounts receivable	753,229	-	753,229	-
Interest receivable	49,435	27,379	76,814	29,409
Due from other governments	205,945	-	205,945	-
Due from other funds	4,549,626	1,757,388	6,307,014	3,938,799
Inventories	322,861	90,657	413,518	47,920
Prepaid expenses	-	58,872	58,872	436,148
Restricted assets:				
Cash and cash equivalents	5,583,037	595,396	6,178,433	-
Investments	1,560,378	-	1,560,378	-
Total Current Assets	<u>27,659,915</u>	<u>10,697,277</u>	<u>38,357,192</u>	<u>12,538,941</u>
Noncurrent Assets				
Property, land and equipment:				
Land	974,755	4,694,067	5,668,822	-
Buildings	9,419,364	4,354,980	13,774,344	88,185
Improvements other than buildings	148,266,515	16,092,422	164,358,937	-
Equipment	11,798,708	2,827,593	14,626,301	21,845,150
Construction in progress	2,797,929	353,284	3,151,213	-
Accumulated depreciation	(90,355,124)	(11,449,491)	(101,804,615)	(14,359,975)
Other assets:				
Investment in regional plant joint venture	24,874,456	-	24,874,456	-
Total Noncurrent Assets	<u>107,776,603</u>	<u>16,872,855</u>	<u>124,649,458</u>	<u>7,573,360</u>
Total Assets	<u>135,436,518</u>	<u>27,570,132</u>	<u>163,006,650</u>	<u>20,112,301</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refundings	-	93,081	93,081	-
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	749,612	503,056	1,252,668	1,335,348
Contracts payable and retainages	79,373	-	79,373	-
Unearned revenue	15,435	67,235	82,670	-
Compensated absences payable	41,112	-	41,112	-
Insurance claims payable	-	-	-	1,451,785
Due to other funds	-	2,609,106	2,609,106	-
Refundable deposits payable	1,037,278	135,853	1,173,131	-
	<u>1,922,810</u>	<u>3,315,250</u>	<u>5,238,060</u>	<u>2,787,133</u>
Current Liabilities Payable from Restricted Assets				
Accrued interest on long-term debt	3,267,469	42,747	3,310,216	-
Current maturities of revenue bonds	2,418,754	552,646	2,971,400	-
	<u>5,686,223</u>	<u>595,393</u>	<u>6,281,616</u>	<u>-</u>
Total Current Liabilities	<u>7,609,033</u>	<u>3,910,643</u>	<u>11,519,676</u>	<u>2,787,133</u>
Noncurrent Liabilities				
Net pension obligation	38,969	3,597	42,566	5,549
Net other postemployment benefits obligation	471,869	43,692	515,561	69,907
Long-term portion of compensated absences payable	942,522	55,969	998,491	121,177
Long term portion of insurance claims payable	-	-	-	3,712,000
Accrued interest on capital appreciation bonds	2,911,506	-	2,911,506	-
Revenue bonds payable, net	15,314,831	2,336,576	17,651,407	-
Total Noncurrent Liabilities	<u>19,679,697</u>	<u>2,439,834</u>	<u>22,119,531</u>	<u>3,908,633</u>
Total Liabilities	<u>27,288,730</u>	<u>6,350,477</u>	<u>33,639,207</u>	<u>6,695,766</u>
NET POSITION				
Net investment in capital assets	65,168,562	14,076,714	79,245,276	7,573,360
Restricted for:				
Debt service	2,315,568	552,649	2,868,217	-
Renewal and replacement	1,560,378	-	1,560,378	-
Unrestricted	39,103,280	6,683,373	45,786,653	5,843,175
Total Net Position	<u>\$ 108,147,788</u>	<u>\$ 21,312,736</u>	<u>129,460,524</u>	<u>\$ 13,416,535</u>
Adjustment for the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds			1,253,009	
Cumulative prior year adjustments			(190,648)	
Current year adjustment			<u>1,443,657</u>	
Net Assets of Business-Type Activities, Statement of Net Position			<u>\$ 130,522,885</u>	

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2013

	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	\$ 13,388,606	\$ -	\$ 13,388,606	\$ -
Sewer and stormwater fees	17,383,350	2,158,887	19,542,237	-
Golf fees	-	3,608,353	3,608,353	-
Marina fees	-	209,625	209,625	-
Sanitation fees	-	5,183,866	5,183,866	-
Risk management	-	-	-	12,320,106
Fleet management	-	-	-	3,183,293
Other operating revenue	590,080	135,122	725,202	2,425,914
Total Operating Revenues	<u>31,362,036</u>	<u>11,295,853</u>	<u>42,657,889</u>	<u>17,929,313</u>
OPERATING EXPENSES				
Personal services	7,506,235	731,719	8,237,954	1,194,716
Other operating expenses	11,300,205	8,489,076	19,789,281	16,055,725
Depreciation	3,394,821	682,492	4,077,313	1,800,335
Total Operating Expenses	<u>22,201,261</u>	<u>9,903,287</u>	<u>32,104,548</u>	<u>19,050,776</u>
Operating Income (Loss)	9,160,775	1,392,566	10,553,341	(1,121,463)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	56,691	34,104	90,795	37,989
Rent revenue	-	158,976	158,976	-
Share of regional plant joint venture net loss	(1,544,669)	-	(1,544,669)	-
Interest expense	(872,056)	(167,888)	(1,039,944)	-
Gain (loss) on disposal of equipment	(4,220)	(405)	(4,625)	75,059
Investment expense	(9,111)	-	(9,111)	-
Total Nonoperating Revenues (Expenses)	<u>(2,373,365)</u>	<u>24,787</u>	<u>(2,348,578)</u>	<u>113,048</u>
Income (Loss) Before Capital Contributions and Transfers	6,787,410	1,417,353	8,204,763	(1,008,415)
Capital contributions	1,808,752	60,101	1,868,853	608,498
Transfers in	103,000	-	103,000	32,740
Transfers out	(3,148,810)	(639,480)	(3,788,290)	-
Change In Net Position	5,550,352	837,974	6,388,326	(367,177)
Net Position - October 1, 2012, as originally reported	102,609,529	20,507,473		13,783,712
Restatement for implementation of GASB Statements	(12,093)	(32,711)		-
Net Position - October 1, 2012, as restated	<u>102,597,436</u>	<u>20,474,762</u>		<u>13,783,712</u>
Net Position - September 30, 2013	<u>\$ 108,147,788</u>	<u>\$ 21,312,736</u>		<u>\$ 13,416,535</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds			(190,648)	
Change In Net Assets as reported on the Statement of Activities for Business-type Activities			<u>\$ 6,197,678</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, 2013

	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	\$ 28,429,518	\$ 11,331,497	\$ 39,761,015	\$ 16,161,204
Receipts from others	462,783	158,976	621,759	-
Payments to suppliers	(11,253,887)	(8,458,674)	(19,712,561)	(14,795,414)
Payments to employees	(7,362,549)	(710,247)	(8,072,796)	(1,182,630)
Net cash provided by operating activities	<u>10,275,865</u>	<u>2,321,552</u>	<u>12,597,417</u>	<u>183,160</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	103,000	-	103,000	32,740
Transfers to other funds	(3,148,810)	(639,480)	(3,788,290)	-
Net cash provided by (used in) noncapital financing activities	<u>(3,045,810)</u>	<u>(639,480)</u>	<u>(3,685,290)</u>	<u>32,740</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(2,796,597)	(285,812)	(3,082,409)	(1,884,993)
Proceeds from the sale of capital assets	-	-	-	98,283
Capital contributions	1,808,752	-	1,808,752	-
Principal paid on capital debt	(2,496,186)	(620,281)	(3,116,467)	-
Interest paid on capital debt	(3,386,208)	(151,582)	(3,537,790)	-
Net cash used in capital and related financing activities	<u>(6,870,239)</u>	<u>(1,057,675)</u>	<u>(7,927,914)</u>	<u>(1,786,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(200,382)	(783,543)	(983,925)	(41,186)
Sale of investments	-	-	-	1,449,929
Interest and gains and losses on investments	135,242	109,749	244,991	96,884
Net cash provided by (used in) investing activities	<u>(65,140)</u>	<u>(673,794)</u>	<u>(738,934)</u>	<u>1,505,627</u>
Net increase (decrease) in cash and cash equivalents	294,676	(49,397)	245,279	(65,183)
Cash and cash equivalents - October 1, 2012	5,663,208	666,303	6,329,511	282,722
Cash and cash equivalents - September 30, 2013	<u>\$ 5,957,884</u>	<u>\$ 616,906</u>	<u>\$ 6,574,790</u>	<u>\$ 217,539</u>
Reconciliation of cash and cash equivalents to statement of net position:				
Unrestricted cash and cash equivalents	\$ 374,847	\$ 21,510	\$ 396,357	\$ 217,539
Restricted cash and cash equivalents	5,583,037	595,396	6,178,433	-
Cash and cash equivalents - September 30, 2013	<u>\$ 5,957,884</u>	<u>\$ 616,906</u>	<u>\$ 6,574,790</u>	<u>\$ 217,539</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 9,160,775	1,392,566	\$ 10,553,341	\$ (1,121,463)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	3,394,821	682,492	4,077,313	1,800,335
Provision for doubtful accounts	(68,801)	-	(68,801)	-
Miscellaneous revenue	-	158,976	158,976	-
Change in assets and liabilities:				
Accounts receivable	(71,921)	29,834	(42,087)	(115,030)
Due from other governments	(127,297)	-	(127,297)	-
Due from other funds	(2,260,370)	-	(2,260,370)	(1,653,079)
Inventories	(60,775)	(4,148)	(64,923)	(477)
Prepaid expenses	9,640	19,940	29,580	(30,421)
Accounts payable and accrued expenses	97,453	33,761	131,214	286,512
Unearned revenue	(7,500)	(19,029)	(26,529)	-
Compensated absences payable	3,753	6,435	10,188	(14,991)
Net pension obligation	38,969	3,597	42,566	5,549
Net OPEB obligation	100,964	11,440	112,404	21,528
Insurance claims payable	-	-	-	1,004,697
Due to other funds	-	(23,299)	(23,299)	-
Refundable deposits	66,154	28,987	95,141	-
Total adjustments	<u>1,115,090</u>	<u>928,986</u>	<u>2,044,076</u>	<u>1,304,623</u>
Net cash provided by operating activities	<u>\$ 10,275,865</u>	<u>\$ 2,321,552</u>	<u>\$ 12,597,417</u>	<u>\$ 183,160</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization of bond premiums	\$ -	\$ (9,834)	\$ (9,834)	\$ -
Amortization of deferred charges on refundings	-	33,849	33,849	-
Capital contributions	-	60,101	60,101	608,498
Loss on sale of investments	\$ (127,986)	\$ (70,883)	\$ (198,869)	\$ (75,805)

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2013

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 7,173,766
Investments:	
U.S. Government securities	5,651,952
U.S. Government Agency securities	11,752,769
Municipal obligations	243,775
Domestic and international fixed income investment funds	14,988,263
Domestic and international corporate bonds	29,944,861
Domestic and international equity securities and mutual funds	98,904,088
Alternative investments	71,500,336
DROP participant directed mutual funds	17,150,569
Due from broker for securities sold	484,667
Employee contributions receivable	54,219
Prepaid expenses	6,182
Interest and dividends receivable	462,055
Total Assets	<u>258,317,502</u>
LIABILITIES	
Accounts payable	175,670
Due to broker for securities purchased	566,911
Total Liabilities	<u>742,581</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 257,574,921</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 POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended September 30, 2013

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 9,644,144
State	1,813,590
Plan members	<u>2,267,270</u>
Total contributions	13,725,004
Investment earnings	
Net appreciation in fair value of investments	22,829,033
Interest and dividends	<u>4,442,167</u>
	27,271,200
Less investment expenses - custodian fees	<u>785,014</u>
Net investment earnings	26,486,186
Other income	
Total additions	<u>185,122</u> 40,396,312
DEDUCTIONS	
Benefits	14,521,977
Refunds of contributions	122,097
Administrative expenses	<u>262,593</u>
Total deductions	<u>14,906,667</u>
Change In Plan Net Position	25,489,645
Net Position Restricted for Pension Benefits - October 1, 2012	<u>232,085,276</u>
Net Position Restricted for Pension Benefits - September 30, 2013	<u>\$ 257,574,921</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, 2013

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 Government Accounting Standards Board (GASB).

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position 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.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

periods to which they relate are recorded as unavailable revenues, a deferred inflow of resources. 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.

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

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 position, 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.

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

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

Unavailable / Unearned Revenue

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

Compensated Absences

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

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, 8- hour days for all other full-time personnel. 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:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

<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

Noncurrent Obligations

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other noncurrent obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt discounts, premiums and deferred charges on refunding, are deferred and amortized over the term of the related financing using a method that approximates the effective interest method. Long-term debt is reported net of applicable premium or discount. Issuance costs are reported as a period expense.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the government-wide statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows or deferred inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item, deferred charges on refundings, which qualifies for reporting as deferred outflows of resources on the government-wide statement of net position. The deferred charges on refundings were losses resulting from the difference in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has one item, unavailable revenues, which arises only under the modified accrual basis of accounting and is reported as a deferred inflow of resources on the governmental funds balance sheet. The unavailable revenues include amounts received in advance for business licenses, grants and long-term receivables for various housing assistance programs provided by the City. These amounts are deferred and recognized as an inflow of resources in the year that the amounts become available.

Fund Balance / Net Position

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

Restricted - Restricted fund balances include amounts that are restricted to specific purposes either by 1) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or, 2) imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance and remains in place until action is taken by the City Commission to remove or revise the limitation.

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 the City Manager or Finance Director based upon direction by the City Commission. Assignments are generally temporary and do not require action by the City Commission for removal.

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 unassigned fund balance of 19% of budgeted General Fund expenditures to provide for cash flow and emergency purposes.

Net Position – The government-wide and proprietary fund utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of *Net Investment in Capital Assets*. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports governmental activities net position of \$1,618,934 restricted for debt service, law enforcement and capital improvements and business-type activities net position of \$4,428,595 restricted for debt service and capital improvements.

Unrestricted – This component of net position consists of net position that does not meet the definition of *Net Investment in Capital Assets* or *Restricted Net Position*.

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. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10.00 for each \$1,000 of assessed valuation).

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

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, 2013, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage change applied to the prior year (2011/2012) property tax revenue. The percentage change 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 voter referendum. For the fiscal year ended September 30, 2013, the City adopted an operating millage rate of 7.1992 and a debt service millage of 0.6041. This millage rate resulted in a net tax levy of \$47,610,690 for 2013, representing an increase of approximately 2.29% from the property tax levy for 2012. Future property tax growth is generally limited to the annual growth rate of per capita personal income plus the value of new construction.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year-end of \$209,672 are reported as fund balances assigned to 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 \$1,813,590 for the fiscal year ended September 30, 2013.

Implementation of GASB Statements

The City implemented the following GASB Statements during the fiscal year ended September 30, 2013:

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

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship would need to be met under Statement No. 61 for the organization to be a component unit. Statement No. 61 also amended the criteria for blending component units. This Statement had no effect on reporting the component units of the City.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

Statement No. 62 codifies all sources of GAAP for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

financial statement users. The City elected to include all pre-November 30, 1989 FASB pronouncements, which are now codified in GASB Statement No. 62.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Statement No. 63 provides guidance for deferred outflows and deferred inflows of resources and identifies *net position* as the residual of all other elements presented in a statement of financial position. This Statement re-defines certain assets and liabilities as deferred outflows / inflows of resources and requires the financial statement line items “Investment in capital assets, net of related debt” and “Net Assets” to be re-titled as “Net investment in capital assets” and “Net Position”, respectively.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Statement No. 65 provides additional guidance for the accounting and financial reporting for deferred outflows / inflows of resources and certain items that were previously reported as assets, as set forth in GASB Statement No. 63. This Statement specifically addresses the calculation of a deferred outflow or inflow related to the refunding of debt and requires that debt issuance costs be expensed in the period the debt was issued. This Statement also requires that taxes and lease revenues received prior to the period to which they relate, are to be classified as *unavailable revenues* (a deferred inflow of resources).

Restatement for Implementation of GASB Statements: The implementation of these GASB Statements resulted in the restatement of the beginning net position of the Governmental Activities, Business-type Activities and Proprietary Funds of the City at October 1, 2012 for the unamortized balance of debt issuance costs. The restatement of beginning net position is summarized as follows:

	Governmental Activities	Business-type Activities	Water and Sewer Fund	Nonmajor Enterprise Funds
Net position, as originally reported	\$ 115,200,166	\$ 124,370,011	\$ 102,609,529	\$ 20,507,473
Restatement for unamortized debt issue costs	(408,486)	(44,804)	(12,093)	(32,711)
Net position at October 1, 2012, as restated	<u>\$ 114,791,680</u>	<u>\$ 124,325,207</u>	<u>\$ 102,597,436</u>	<u>\$ 20,474,762</u>

New GASB Statements: The Governmental Accounting Standards Board has also issued new Statements effective in future years. Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the City:

- 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 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

2. Significant Accounting Policies (Continued)

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.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, provides accounting and financial reporting standards related to nonexchange financial guarantees. The Statement establishes guidance on when a nonexchange financial guarantee is required to be recognized as a liability by the government. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2014.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 regarding the reporting of contributions as deferred outflows upon adoption of Statement No. 68. The requirements of this statement will be effective for the City upon adoption of Statement No. 68 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, 2013, including unrestricted and restricted assets, are summarized as follows:

	Primary Government	Fiduciary Funds Pension Trust	Total
Deposits with financial institutions and cash on hand	\$ 20,003,484	\$ 235,042	\$ 20,238,526
Money market mutual funds and investments	60,286,902	257,075,337	317,362,239
Total cash, cash equivalents and investments	<u>\$ 80,290,386</u>	<u>\$ 257,310,379</u>	<u>\$ 337,600,765</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

	Primary Government	Fiduciary Funds Pension Trust	Total
Cash and cash equivalents	\$ 25,927,702	\$ 7,173,766	\$ 33,101,468
Investments	46,623,873	250,136,613	296,760,486
Restricted cash and cash equivalents	6,178,433	-	6,178,433
Restricted investments	1,560,378	-	1,560,378
Total cash, cash equivalents and investments	<u>\$ 80,290,386</u>	<u>\$ 257,310,379</u>	<u>\$ 337,600,765</u>

Cash and cash equivalents included deposits with financial institutions of \$20,217,220 and petty cash of \$21,306. At September 30, 2013, the City's deposits with financial institutions were entirely covered by federal deposit 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 *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 carrying value (fair value) of the City's investments at September 30, 2013, consists of the following:

	Primary Government	Fiduciary Funds Pension Trust	Total
Cash equivalents - money market mutual funds	\$ 12,404,809	\$ 6,938,724	\$ 19,343,533
Investments			
U.S. Government securities	20,242,602	5,651,952	25,894,554
U.S. Government Agency securities	17,055,523	11,752,769	28,808,292
Municipal obligations	-	243,775	243,775
Domestic and international fixed income investment funds	-	14,988,263	14,988,263
Domestic and international corporate bonds	9,285,649	29,944,861	39,230,510
Commercial paper	1,298,319	-	1,298,319
Domestic and international equity securities and mutual funds	-	98,904,088	98,904,088
DROP participant directed mutual funds	-	71,500,336	71,500,336
Alternative investments	-	17,150,569	17,150,569
Total investments	<u>47,882,093</u>	<u>250,136,613</u>	<u>298,018,706</u>
Total money market mutual funds and investments	<u>\$ 60,286,902</u>	<u>\$ 257,075,337</u>	<u>\$ 317,362,239</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

At September 30, 2013, approximately 28% of City pension fund investments were invested in alternative investments. These alternative investments consist of pooled funds and funds of funds that are not publicly traded and invest in fixed income securities, equity securities, timberlands and real estate. These alternative investments are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets, if available, or by valuations of a fund's underlying assets as provided by the general partner or investment manager, since the assets are not publicly traded. The funds may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair values of alternative investment funds have been estimated by the management of the pension funds and their investment advisors in the absence of readily ascertainable market values. Therefore, the values of such funds may not necessarily be indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the differences could be material. The alternative investments may also have restrictions for liquidating positions in the funds and future funding commitments. Future confirming events will affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material. The alternative investment funds expose the pension funds to additional investment risks, including liquidity risks; counterparty and custody risks; foreign political, economic and governmental risks; and, market risk.

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, 2013, 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, 2013 are summarized as follows.

	NRSRO Rating	Fair Value
Primary Government		
U.S. Government and Agency securities	AA	\$ 37,298,125
Corporate bonds	A – AA	9,285,649
Commercial paper	A	1,298,319
Money market mutual funds	Unrated	12,404,809
Pension Trust Funds		
Money market mutual funds	Unrated	\$ 6,938,724
U.S. Government and Agency securities	AA	17,404,721
Municipal obligations	A – AA	243,775
Domestic and international fixed income investment funds	Unrated	14,988,263
Domestic and international corporate bonds	A – AA	29,944,861
Alternative investment fixed income fund	Unrated	71,500,336

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, 2013 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

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 position 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 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	\$ 20,242,602
U.S. Government Agency securities	2.2	17,055,523
Corporate bonds	0.8	9,285,649
Commercial paper	0.3	1,298,319
Pension Trust Funds		
U.S. Government securities	2.8	\$ 5,651,952
U.S. Government Agency securities	15.1	11,752,769
Municipal obligations	10.4	243,775
Domestic and international fixed income investment funds	Not Available	14,988,263
Domestic and international corporate bonds	10.9	29,944,861
Alternative investment fixed income fund	Not Available	71,500,273

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

Discretely Presented Component Units

Cash: The CRA's cash at September 30, 2013, includes deposits with financial institutions with a bank balance of \$11,724,723, a book balance of \$11,017,620 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, 2013, includes deposits with financial institutions that were fully covered by federal depository insurance.

4. Receivables

Current receivables and the allowance for doubtful accounts at September 30, 2013, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes receivable:		
General Fund	\$ 1,462,980	\$ -
Stormwater Utility Fund	-	23,813
Accounts receivable:		
General Fund	2,290,227	-
Water and Sewer Fund	-	3,664,865
Non-Major Funds	117,404	918,444
Internal Service Funds	139,578	-
Allowance for doubtful accounts	(2,006,404)	(917,668)
	<u>\$ 2,003,785</u>	<u>\$ 3,689,454</u>

5. Due from Other Governments

The total amount due from other governments of \$4,598,063 at September 30, 2013, 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, 2013, 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.	14,000
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>60,000</u>
Total General Fund	<u>3,227,789</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

6. Notes Receivable (Continued)

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>2,271,554</u>
Total Governmental Activities	<u>\$ 5,499,343</u>

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, 2013, was \$3,153,789. At September 30, 2013, interest of \$1,064,483 has been accrued and deferred on the City's books in compliance with the repayment provisions of the UDAG loan.

Component Unit Notes Receivable

The City's outstanding notes receivable from the CRA at September 30, 2013, consisted of the following:

US Highway 1 Improvements: The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the US Highway 1 Improvements planned by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The City initially financed the project with a line of credit and plans to obtain permanent financing after the project was completed. (See Note 12 – Noncurrent Liabilities for further detail). The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. 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 twelve years. Principal on the loan is payable by the CRA annually on June 1st in amounts ranging from \$250,000 to \$374,190, commencing June 1, 2015. Interest is payable semi-annually on April 1st and December 1st at 3.25% on the outstanding principal balance, commencing December 1, 2014. The note receivable balance was \$3,614,190 as of September 30, 2013.

Library Property Acquisition: In connection with the planned redevelopment by the CRA of the former site of the Delray Beach Public Library, the City entered into a tri-party interlocal agreement in March 2013, with the CRA and the Chamber to relocate the Chamber's offices and purchase the City's reversionary rights in the property. The CRA agreed to purchase the City's property rights for a total of \$2,270,870, payable to the City in equal annual installments of \$266,215, including interest at 3.0%, commencing March 8, 2014. In the event the CRA sells or conveys any portion of the property during the term of the loan, the CRA agreed to pay the City a lump sum principal payment on the loan equal to 50% of the sales proceeds received by the CRA, in addition to the annual installment payments due on the loan, but not in excess of the total loan amount (See Note 12 – Noncurrent Liabilities for further detail). The CRA granted a reservation of rights to the City to maintain 50 public parking spaces on the property in perpetuity. The note receivable balance was \$2,270,870 as of September 30, 2013.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

6. Notes Receivable (Continued)

Discretely Presented Component Units

The CRA's outstanding notes receivable at September 30, 2013 consist of the following:

Notes Receivable from Delray Beach Community Land Trust

Construction Mortgages: The CRA provides advances to the Delray Beach Community Land Trust, Inc. (CLT) to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2013, the total advances receivable from the CLT were \$325,249, all of which is considered collectible by the CRA.

Land Acquisition Mortgage: In April 2013, the CRA loaned \$116,000 to the CLT for the purchase of suitable building lots in the City for the CLT's affordable housing program. Interest only payments are due quarterly on the loan at 2.1% commencing April 1, 2014 and continuing through maturity of the loan on April 12, 2018, at which time the outstanding principal is due and payable to the CRA. In the event the CLT's interest in the property is sold or otherwise transferred prior to the maturity date of the loan, all outstanding principal and accrued interest is immediately due. The loan is collateralized by a first purchase money mortgage on the property acquired by the CLT. The note receivable balance was \$116,000 as of September 30, 2013.

Land Acquisition Grants: The CRA also advanced funds to the CLT for land acquisition for the development of affordable housing units in the City of Delray Beach. The funds provided by the CRA for land acquisition are recorded as non-interest bearing mortgages on the properties and are to be repaid by the CLT if the property is sold, but only to the extent that the value of the land sold in conjunction with the single-family residence constructed on the property and related closing costs are less than the funds provided by the CRA to purchase the land. The land acquisition mortgage is forgiven by the CRA when the property is sold by the CLT. Generally, the CRA considers the land acquisition loans to be grants to the CLT and records the amounts as grant expenditures in the year payment is made to the CLT because repayment is not expected and the amount of repayment cannot be determined at the time of the loan.

Note Receivable from Delray Beach Chamber of Commerce

In February 2013, the CRA entered into an agreement with The Greater Delray Beach Chamber of Commerce, Inc. (the "Chamber") to provide funding for the relocation of the Chamber's offices to the Old School Square Parking Garage retail office space in order to facilitate redevelopment by the CRA of the property then occupied by the Chamber (the "Chamber property"). The agreement provides that the CRA will fund up to \$459,675 of the cost to build out the Chamber's new office space, of which the Chamber agreed to repay \$250,000 to the CRA over 15 years. The Chamber executed a promissory note to the CRA for \$250,000 payable in 180 equal monthly installments of \$1,849, including interest at 4.0%, through maturity. The first payment on the note is due 180 days after issuance of the certificate of occupancy for the Chamber's new office space or April 1, 2014, whichever is earlier. Within 30 days following occupancy of the new office space by the Chamber, the Chamber agreed to execute a release and termination of its existing lease on the Chamber property, thereby allowing the CRA to redevelop the property. The note receivable balance was \$62,108 as of September 30, 2013.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

6. Notes Receivable (Continued)

Second Mortgage Loans Receivable

The CRA provided home mortgage loan assistance to eligible low income individuals who qualified under the CLT or CRA home subsidy program for the purchase of a home or the rehabilitation of an existing home within the City. The home purchase or rehabilitation subsidy provided by the CRA is secured by a second mortgage on the property. The second mortgage is non-interest bearing and requires no principal payments to the CRA until the occurrence of a specified event, generally related to the sale of the property, a default on the first mortgage on the property or a default on the obligations of the second mortgage to maintain the property, provide insurance, pay all taxes and generally not permit any impairment or deterioration of the property. The CRA expects the full amount of the mortgage to be recoverable at some future, undetermined date when the property is sold or transferred to a new owner. At September 30, 2013, the amount of the individual second mortgages originated in 2008 through 2013, ranged from \$15,000 to \$85,000 and all borrowers were in compliance with the terms of the second mortgage. The loans receivable totaled \$418,504 as of September 30, 2013.

7. Due from/Due to Component Units

The amount due from component units in the General Fund at September 30, 2013, 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, 2013, have been met for outstanding bond issues. Restricted assets are not reported for governmental activities on the statement of net position 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 position are available.

Net position of the Enterprise Funds are restricted to the extent that restricted assets exceed liabilities payable from restricted assets at September 30, 2013. Restricted assets, liabilities payable from restricted assets and restricted net position of the Enterprise Funds at September 30, 2013, are summarized as follows:

	Restricted for		
	Debt Service	Renewal and Replacement	Total
Restricted Assets			
Water and Sewer Fund:			
Cash and cash equivalents	\$ 5,583,037	\$ -	\$ 5,583,037
Investments	-	1,560,378	1,560,378
Non-Major Enterprise Funds:			
Cash and cash equivalents	595,396	-	595,396
Total Restricted Assets	6,178,433	1,560,378	7,738,811
Liabilities Payable from Restricted Assets			
Water and Sewer Fund	3,267,469	-	3,267,469
Non-Major Enterprise Funds	42,747	-	42,749
Total Liabilities Payable from Restricted Assets	3,310,216	-	3,310,216
Restricted Net Position	\$ 2,868,217	\$ 1,560,378	\$ 4,428,595

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

9. Capital Assets

The major components of capital assets for the City at September 30, 2013, are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Non-depreciable Assets:</u>				
Land	\$ 38,592,699	\$ 136,689	\$ -	\$ 38,729,388
Construction in Progress	4,047,258	1,758,999	(2,503,302)	3,302,955
Total Non-depreciable Assets	<u>42,639,957</u>	<u>1,895,688</u>	<u>(2,503,302)</u>	<u>42,032,343</u>
<u>Depreciable Assets:</u>				
Buildings	38,925,298	638,714	-	39,564,012
Improvements Other Than Buildings	117,886,336	2,688,992	-	120,575,328
Equipment	39,731,292	5,018,404	(1,531,190)	43,218,506
Total Depreciable Assets	<u>196,542,926</u>	<u>8,346,110</u>	<u>(1,531,190)</u>	<u>203,357,846</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	(16,272,015)	(1,237,890)	-	(17,509,905)
Improvements Other Than Buildings	(57,611,147)	(4,265,246)	-	(61,876,393)
Equipment	(29,003,659)	(2,962,448)	1,477,094	(30,489,013)
Total Accumulated Depreciation	<u>(102,886,821)</u>	<u>(8,465,584)</u>	<u>1,477,094</u>	<u>(109,875,311)</u>
Total Depreciable Assets, net	<u>93,656,105</u>	<u>(119,474)</u>	<u>(54,096)</u>	<u>93,482,535</u>
Governmental Activities				
Capital Assets, net	<u>\$ 136,296,062</u>	<u>\$ 1,776,214</u>	<u>\$ (2,557,398)</u>	<u>\$ 135,514,878</u>
Business-Type Activities:				
<u>Non-depreciable Assets:</u>				
Land	\$ 5,668,824	\$ -	\$ -	\$ 5,668,824
Construction in Progress	1,257,997	2,458,549	(565,335)	3,151,211
Total Non-depreciable Assets	<u>6,926,821</u>	<u>2,458,549</u>	<u>(565,335)</u>	<u>8,820,035</u>
<u>Depreciable Assets:</u>				
Buildings	13,662,855	111,493	-	13,774,348
Improvements Other Than Buildings	162,518,135	1,840,806	-	164,358,941
Equipment	14,376,158	345,907	(95,770)	14,626,295
Total Depreciable Assets	<u>190,557,148</u>	<u>2,298,206</u>	<u>(95,770)</u>	<u>192,759,584</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	(8,338,380)	(413,975)	-	(8,752,355)
Improvements Other Than Buildings	(77,834,912)	(3,032,427)	-	(80,867,339)
Equipment	(11,645,157)	(630,911)	91,145	(12,184,923)
Total Accumulated Depreciation	<u>(97,818,449)</u>	<u>(4,077,313)</u>	<u>91,145</u>	<u>(101,804,617)</u>
Total Depreciable Assets, net	<u>92,738,699</u>	<u>(1,779,107)</u>	<u>(4,625)</u>	<u>90,954,967</u>
Business-Type Activities				
Capital Assets, net	<u>\$ 99,665,520</u>	<u>\$ 679,442</u>	<u>\$ (569,960)</u>	<u>\$ 99,775,002</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

9. Capital Assets (Continued)

Depreciation expense for the fiscal year ended September 30, 2013, was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 683,652
Public Safety	1,074,181
Physical Environment	2,627,133
Parks and Recreation	2,280,283
Internal Service Funds	1,800,335

Total depreciation expense - Governmental Activities	\$ 8,465,584
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Business-Type Activities:

Water and Sewer	\$ 3,394,821
Municipal Golf Course	244,685
Lakeview Golf Course	42,798
City Marina	10,898
Sanitation	837
Stormwater Utility	383,274

Total depreciation expense - Business-Type Activities	\$ 4,077,313
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Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency (CRA)

Changes in capital assets of the Delray Beach Community Redevelopment Agency for the fiscal year ended September 30, 2013, are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Non-depreciable Assets:</u>				
Land and Land Improvements	\$ 24,494,433	\$ 2,634,976	\$ (354,785)	\$ 26,774,624
Total Non-depreciable Assets	24,494,433	2,634,976	(354,785)	26,774,624
<u>Depreciable Assets:</u>				
Buildings and Improvements	3,808,566	-	-	3,808,566
Equipment, Furniture, and Fixtures	121,993	761	-	122,754
Total Depreciable Assets	3,930,559	761	-	3,931,320
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(668,069)	(135,293)	-	(803,362)
Equipment, Furniture, and Fixtures	(109,372)	(5,609)	-	(114,981)
Total Accumulated Depreciation	(777,441)	(140,902)	-	(918,343)
Total Depreciable Assets, net	3,153,118	(140,141)	-	3,012,977
Capital Assets, net	\$ 27,647,551	\$ 2,494,835	\$ (354,785)	\$ 29,787,601

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

10. Investment in Regional Plant Joint Venture

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

Ownership of the regional wastewater treatment and disposal plant is vested proportionately with the cities in accordance with the capital investments of each city, which to date are approximately 50% each. The Board charges each city for its share of the Board's operating expenses based on the percentage of flow of wastewater from each city. At September 30, 2013, accounts receivable of the Water and Sewer Fund and business-type activities included \$206,675 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities included \$247,975 due to the Board. For the year ended September 30, 2013, the City paid \$3,101,918 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, 2013. 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, 2013, is as follows:

Net Position	
Current and other assets	\$ 5,123,524
Capital assets, net	45,601,049
	<u>50,724,573</u>
	Total assets
Current liabilities	745,387
Noncurrent liabilities	119,649
	<u>865,036</u>
	Total liabilities
Deferred inflows of resources	110,625
Net position	<u>\$ 49,748,912</u>

Change in Net Position	
Charges for services	\$ 8,358,535
Capital grants and contributions	673,964
	<u>9,032,499</u>
	Total program revenues
Program expenses	11,729,758
	<u>(2,697,259)</u>
	Net program expenses
Investment income	6,754
Miscellaneous	98,804
Gain on disposal of capital assets	114,264
Transfers to joint venture participants	(2,538,862)
	<u>\$ (5,016,299)</u>
	Change in net position

The City accounts for its investment in the Board as a joint venture recorded on the equity method of accounting. At September 30, 2013, the City's 50% equity interest in the net position of the Board totaled \$24,874,456 and has been reported as "Investment in regional plant joint venture" in the City's financial statements.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

10. Investment in Regional Plant Joint Venture (Continued)

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, 2013, commitments totaling \$1,923,008 were remaining on such contracts.

Agreement with Solid Waste Authority

The Board entered into an agreement with Palm Beach County, City of Boca Raton, Loxahatchee River Environmental Control District, Village of Royal Palm Beach, Solid Waste Authority, and East Coast Regional Wastewater Treatment Facilities and formed a partnership to participate in the development and operation of the Biosolids Processing Facility. This facility will assist in eliminating tons of phosphorus discharges per year to land areas that drain into Lake Okeechobee. On July 18, 2013, Solid Waste Authority (“SWA”) amended the Interlocal Government Agreement for Biosolids Processing and Recycling and executed the sale of 7% of the capacity to East Central Regional Wastewater (ECR). The Board received a check for the capital rebate portion of the sale of capacity in the amount of \$2,037,588. The Board repaid the City of Delray Beach \$964,482 and the City of Boynton Beach \$964,482 for their share of proceeds, less \$110,624 that was paid for the Board’s share of the SWA gas blender capital project. The \$964,482 payment is included in the City’s Share of Investment in Joint Venture in the statement of revenues, expenses and changes in net position.

11. Interfund Transactions and Balances

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

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

11. Interfund Transactions and Balances

Total interfund receivables/payables and transfers as of and for the year ended September 30, 2013, were as follows:

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Governmental Fund				
General Fund	\$ -	\$ 14,468,041	\$ 4,355,110	\$ 3,500,906
Non-Major Governmental Funds				
Special Revenue Funds:				
Law Enforcement Trust	327,408	-	-	-
Developers Land Contribution	761,535	-	73,000	82,500
ARRA Economic Stimulus	-	11,483	-	-
Neighborhood Services	406,358	-	149,430	-
Beautification	488,638	-	902,712	-
Special Projects	-	368,304	32,340	697,500
Cemetery Perpetual Care	414,451	-	-	-
Debt Service Fund:				
Utilities Tax	440,976	-	1,210,870	1,360
Capital Projects Funds:				
Capital Improvement	3,066,049	-	1,104,234	114,230
2004 GO Bond	276,804	-	-	-
Beach Restoration	1,028,902	-	221,350	-
Total Governmental Funds	<u>7,211,121</u>	<u>14,847,828</u>	<u>8,049,046</u>	<u>4,396,496</u>
Major Proprietary Fund				
Water and Sewer Fund	4,549,626	-	103,000	3,148,810
Non-Major Proprietary Funds				
Municipal Golf Course	-	1,514,880	-	18,000
Lakeview Golf Course	-	1,094,226	-	5,000
City Marina	280,872	-	-	51,800
Sanitation	1,472,026	-	-	188,510
Stormwater Utility	4,490	-	-	376,170
Internal Service Funds:				
Insurance	3,215,658	-	-	-
Central Garage	723,141	-	32,740	-
Total Proprietary Funds	<u>10,245,813</u>	<u>2,609,106</u>	<u>135,740</u>	<u>3,788,290</u>
Total Primary Government	<u>\$ 17,456,934</u>	<u>\$ 17,456,934</u>	<u>\$ 8,184,786</u>	<u>\$ 8,184,786</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

12. Noncurrent Liabilities

The changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 34,572,828	\$ 2,629,000	\$ (4,028,145)	\$ 33,173,683	\$ 1,102,824
Bond anticipation note	-	11,799,612	-	11,799,612	-
General obligation bonds	22,005,000	-	(2,720,000)	19,285,000	1,410,000
Unamortized bond premium	720,178	-	(83,911)	636,267	-
Total bonds payable, net	57,298,006	14,428,612	(6,832,056)	64,894,562	2,512,824
Installment agreements	803,924	-	(184,759)	619,165	115,079
Compensated absences	7,426,939	636,497	(828,024)	7,235,412	742,876
Insurance claims payable	4,159,088	9,083,574	(8,078,877)	5,163,785	1,451,785
Total Governmental Activities	\$ 69,687,957	\$ 24,148,683	\$ (15,923,716)	\$ 77,912,924	\$ 4,822,561
Business-Type Activities:					
Revenue bonds	\$ 23,680,825	\$ -	\$ (3,085,057)	\$ 20,595,768	\$ 2,971,400
Unamortized bond premium	36,873	-	(9,834)	27,039	-
Total bonds payable, net	23,717,698	-	(3,094,891)	20,622,807	2,971,400
Accrued interest on capital appreciation bonds	8,496,031	485,544	(2,986,794)	5,994,781	3,083,275
Installment agreements	31,410	-	(31,410)	-	-
Compensated absences	1,029,415	140,740	(130,552)	1,039,603	41,112
Total Business-Type Activities	\$ 33,274,554	\$ 626,284	\$ (6,243,647)	\$ 27,657,191	\$ 6,095,787

Debt service on revenue bonds, notes 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 and by the applicable proprietary fund for business-type activities. Noncurrent liabilities, including current maturities, at September 30, 2013, consisted of the following:

Revenue Bonds and Note:	Governmental Activities	Business-Type Activities
\$28,104,475 Water and Sewer Revenue Bonds issued on June 1, 1993 (Series 1993) with interest at 5.85%. Capital appreciation bonds of \$4,475,000 are due on October 1, 2012 through 2014.	\$ -	\$ 2,705,451
\$10,000,000 Revenue Bonds issued February 25, 2000 (Series 2000), due in principal amounts of \$545,000 to \$600,000 through June 1, 2019, with semi-annual interest payments at 5.245%, due June 1 and December 1, through June 1, 2019. The bonds were issued to finance the costs of certain roadway improvements including water, sewer and drainage work, and a portion of the costs of a tri-party radio system.	2,430,826	914,174

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2013

12. Noncurrent Liabilities (Continued)

Revenue Bonds and Note (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<p>\$15,020,000 Utility Tax Revenue Bonds issued December 19, 2002 (Series 2002) due in principal amounts of \$420,000 to \$460,000 through June 1, 2016, with semi-annual interest payments at 4.00% to 4.20%, due 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.</p>	\$ -	\$ 1,320,000
<p>\$9,685,000 Revenue Refunding and Improvement Bonds issued December 2, 2003 (Series 2003) due in principal amounts of \$675,000 to \$920,000 through June 1, 2019, with semi-annual interest payments at 3.66%, due June 1 and December 1, through June 1, 2019. The bonds were issued to currently refund Series 1999 and Series 2002 Tax Exempt Bonds, in whole, and Series 2002 Taxable Bonds in part.</p>	4,570,000	270,000
<p>\$2,350,000 Water and Sewer Revenue Bonds issued November 17, 2006 (Series 2006B), with principal amounts of \$140,000 to \$205,000 due through October 1, 2021, with semi-annual interest payments at 3.98%, due October 1 and April 1, through October 1, 2021. The bonds were issued to finance the City's share of the Reclaimed Water Treatment Project at the South Central Regional Wastewater Treatment Facility.</p>	-	1,585,000
<p>\$24,635,000 Utility Tax Revenue Bonds issued September 26, 2007 (Series 2007) due in principal amounts of \$70,000 to \$2,465,000 through June 1, 2032 with semi-annual interest payments at 4% to 5%, due June 1 and December 1, through June 1, 2032. The bonds were issued to finance various parks and recreation projects, Fire Station #4, Environmental Services Building (in part), and to refund the City's 2005 Line of Credit (which was used to fund the Old School Square Parking Garage Project).</p>	23,543,857	996,143
<p>\$5,430,000 Water and Sewer Refunding Revenue Bonds issued September 29, 2011 (Series 2011A), with principal amounts of \$515,000 to \$600,000 due through October 1, 2021, with semi-annual interest payments at 2.21%, due October 1 and April 1, through October 1, 2021. The bonds were issued to currently refund the Series 2006A Water and Sewer Revenue Bonds.</p>	-	4,930,000
<p>\$8,160,000 Water and Sewer Refunding Revenue Bonds issued October 18, 2011 (Series 2011B), with principal amounts of \$280,000 to \$1,120,000 due through October 1, 2021, with semi-annual interest payments at 2.21%, due October 1 and April 1, through October 1, 2021. The bonds were issued to currently refund the Series 2007 Water and Sewer Revenue Bonds.</p>	-	7,875,000

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2013

12. Noncurrent Liabilities (Continued)

	Governmental Activities	Business-Type Activities
Revenue Bonds and Note (Continued):		
\$22,500,000 Bond Anticipation Revenue Improvement Note issued April 30, 2013 (Series 2013) is a closed-end line of credit and note for purposes of financing all or a portion of a beach renourishment project and a highway beautification project up to \$22,500,000. Interest is due in semi-annual interest payments on June 1 and December 1, commencing June 1, 2013. Interest is at a variable rate equal to 75% of the LIBOR rate plus 64 basis points (0.81% at September 30, 2013). Principal is due at maturity on June 1, 2016. The note is collateralized by a pledge of certain revenues as defined in the agreement.	\$ 11,799,612	\$ -
\$2,629,000 Revenue Refunding Bonds, issued August 27, 2013 (Series 2013) (Taxable), with interest due in semi-annual payments on June 1 and December 1 commencing on December 1, 2013. Interest is at a variable rate equal to 75% of LIBOR rate plus 64 basis points (0.81% at September 30, 2013). Principal is due at maturity on April 15, 2016. The Bonds were issued to repay the Revenue Improvement Bonds, Series 2008 at maturity on September 1, 2013.	2,629,000	-
Total Revenue Bonds and Note	44,973,295	20,595,768
Unamortized bond premium	600,237	27,039
Total Revenue Bonds and Note, Net	45,573,532	20,622,807
General Obligation Bonds:		
\$14,000,000 General Obligation Bonds issued September 30, 2004 (Series 2004), due in annual principal installments of \$690,000 to \$1,025,000 through February 1, 2024, with semi-annual interest payments at 3.75% to 4.30%, 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.	9,285,000	-
\$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 at 4.15%, 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	19,285,000	-
Unamortized bond premium	36,030	-
Total General Obligation Bonds, Net	19,321,030	-
Other Noncurrent Liabilities:		
Installment agreement for equipment, 2.8546% interest maturing in 2019	619,165	-
Compensated absences payable	7,235,412	1,039,603
Insurance claims payable (see Note 15)	5,163,785	-
Accrued interest on capital appreciation bonds	-	5,994,781
Total Noncurrent Liabilities, including current portion	\$ 77,912,924	\$ 27,657,191

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

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.

The installment agreement consists of an agreement with a vendor for the purchase of equipment used in governmental activities. At September 30, 2013, the gross amount of the equipment held under these agreements was \$825,000 and the accumulated amortization totaled \$206,250. Amortization expense related to equipment purchased under the installment agreement is included in depreciation in the accompanying financial statements. The agreement calls 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 the governmental activities installment agreement as of September 30, 2013, is as follows:

Fiscal year ending September 30:		
2014	\$	125,763
2015		125,764
2016		125,764
2017		125,763
2018		125,764
2019		21,934
Total minimum payments		<u>650,752</u>
Less amount representing interest		<u>(31,587)</u>
Outstanding balance at September 30, 2013	\$	<u><u>619,165</u></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 activities/funds at September 30, 2013, is \$42,626,640. Principal and interest paid during the current year was \$530,000 and \$1,299,496, 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 Series 2000 and 2003 bonds, which is allocated to both the governmental activities/funds and business-type activities/funds at September 30, 2013, is \$9,459,220. Non-ad valorem revenues received for the current year were approximately \$54.6 million. Principal and interest paid for the current year was \$4,175,000 and \$428,501, respectively.

Legal Debt Margin: The City has no 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

12. Noncurrent Liabilities (Continued)

exceed 2% of the assessed value of taxable property within the City. The City also strives to ensure that its net bonded debt per capita does not exceed \$700 and that the combined total of its direct net bonded debt and its share of overlapping debt issued by Palm Beach County does not exceed \$2,000 per capita.

Debt Maturities: The annual requirements to pay principal and interest to maturity on the governmental activities bonds outstanding as of September 30, 2013, are as follows:

Fiscal Year Ending September 30	Revenue Bonds and Note		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2014	\$ 1,102,824	\$ 1,570,421	\$ 1,410,000	\$ 758,937	\$ 4,859,182
2015	1,147,288	1,537,690	1,465,000	702,092	4,852,070
2016	15,642,767	1,480,121	1,530,000	641,935	19,294,823
2017	1,197,249	1,324,460	1,595,000	579,200	4,695,909
2018	1,247,501	1,274,548	1,665,000	514,513	4,701,562
2019-2023	6,972,978	5,484,856	9,460,000	1,473,317	23,391,151
2024-2028	8,855,330	3,575,520	2,160,000	45,589	14,636,439
2029-2032	8,807,358	1,128,480	-	-	9,935,838
Total	\$ 44,973,295	\$ 17,393,096	\$ 19,285,000	\$ 4,715,583	\$ 86,366,974

Interest Expense: Total interest costs incurred on governmental activities debt for the year ended September 30, 2013 were \$2,414,349, 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. Bonds are subject to a penalty for early redemption.
5. Investing 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.

Pledged Utility Revenues: The City has pledged the future net revenues (generally customer revenues, net of operating expenses other than depreciation) of the water and sewer utility to repay the outstanding water and sewer revenue bonds issued from 1993 through 2011 to finance improvements to the system. The water and sewer 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 \$25,063,765. Principal and interest paid and utility net revenues for the current year were \$5,882,394 and \$12,612,287, respectively.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

12. Noncurrent Liabilities (Continued)

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 operations of the golf courses and stormwater utility.

Debt Maturities: The annual requirements to pay principal and interest to maturity on the business-type activities bonds outstanding as of September 30, 2013, are as follows:

Fiscal Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2014	\$ 2,933,901	\$ 3,578,932	\$ 6,512,833
2015	2,906,438	3,607,413	6,513,851
2016	2,305,845	386,605	2,692,450
2017	1,892,751	318,059	2,210,810
2018	1,942,499	267,436	2,209,935
2019-2023	7,867,022	597,859	8,464,881
2024-2028	374,670	148,980	523,650
2029-2033	372,642	47,020	419,662
Total	\$ 20,595,768	\$ 8,952,304	\$ 29,548,072

Interest Expense: Total interest costs incurred on business-type activities debt for the year ended September 30, 2013, were \$1,039,944, all of which was expensed.

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency (CRA)

Changes in the noncurrent liabilities of the Delray Beach Community Redevelopment Agency for the year ended September 30, 2013, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 10,861,725	\$ 1,267,500	\$ (1,670,000)	\$ 10,459,225	\$ 1,750,000
Loans Payable to the City	-	5,885,060	-	5,885,060	198,089
Total Noncurrent Liabilities	\$ 10,861,725	\$ 7,152,560	\$ (1,670,000)	\$ 16,344,285	\$ 1,948,089

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2013

12. Noncurrent Liabilities (Continued)

The CRA's outstanding revenue bonds at September 30, 2013, consist of the following:

4.80% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), maturity date September 1, 2019.	\$ 2,495,000
4.2982% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 2004A Tax Exempt), maturity date September 1, 2019.	4,770,000
5.9095% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bonds (Series 2004B Taxable), maturity date September 1, 2016.	575,000
2.10% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bond (Series 2012), issued as a draw-down bond to a financial institution with a maximum aggregate principal amount of \$4,000,000 available through March 30, 2015. Principal will be payable in equal installments on April 1 st and October 1 st , commencing April 1, 2015 and continuing through maturity on October 1, 2017	2,619,225
Total Revenue Bonds	\$ 10,459,225

Loans Payable to the City of Delray Beach: The outstanding loans payable to the City by the CRA at September 30, 2013, consisted of the following (also see Note 6 – Component Unit Notes Receivable):

US Highway 1 Improvements: The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the US Highway 1 Improvements planned by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The City initially financed the project with a line of credit and plans to obtain permanent financing after the project is completed. The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. 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 twelve years. Principal on the loan is payable by the CRA annually on June 1st in amounts ranging from \$250,000 to \$374,190, commencing June 1, 2015. Interest is payable semi-annually on April 1st and December 1st at 3.25% on the outstanding principal balance, commencing December 1, 2014.

Library Property Acquisition: In connection with the planned redevelopment by the CRA of the former site of the Delray Beach Public Library, the CRA entered into a triparty interlocal agreement in March 2013, with the City and the Chamber to relocate the Chamber's offices and purchase the City's reversionary rights in the property. The CRA agreed to purchase the City's property rights for a total of \$2,270,870, payable to the City in equal annual installments of \$266,215, including interest at 3.0%, commencing March 8, 2014. In the event the CRA sells or conveys any portion of the property during the term of the loan, the CRA agreed to pay the City a lump sum principal payment on the loan equal to 50% of the sales proceeds received by the CRA, in addition to the annual installment payments due on the loan, but not in excess of the total loan amount. In addition, the CRA granted a reservation of rights to the City to maintain 50 public parking spaces on the property in perpetuity.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

12. Noncurrent Liabilities (Continued)

The annual debt service requirements on the loans payable to the City are summarized as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	\$ 198,089	\$ 77,126	\$ 275,215
2015	454,032	177,471	631,503
2016	460,153	162,787	622,940
2017	486,457	147,914	634,371
2018	492,951	132,524	625,475
2019-2023	2,729,188	415,500	3,144,688
2024-2026	1,064,190	53,777	1,117,967
	<u>\$ 5,885,060</u>	<u>\$ 1,167,099</u>	<u>\$ 7,052,159</u>

Pledged Revenues: The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 1999, 2004, and 2012 to finance various redevelopment projects. 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 the bonds at September 30, 2013, was \$11,831,352, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$2,125,705 and \$10,715,866, respectively.

Interest Expense: Total interest costs incurred and paid on all CRA debt for the year ended September 30, 2013, were \$512,766 and \$455,705, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2013, for the CRA's outstanding noncurrent liabilities with scheduled maturities (excluding the Series 2012 Bonds on which the principal repayment schedule will not be determined until after the final draw date), are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	\$ 1,948,089	\$ 435,890	\$ 2,383,979
2015	1,874,032	453,745	2,327,777
2016	1,710,153	372,533	2,082,686
2017	1,576,457	299,354	1,875,811
2018	1,632,951	235,708	1,868,659
2019-2023	3,919,188	468,204	4,387,392
2024-2026	1,064,190	53,777	1,117,967
	<u>\$ 13,725,060</u>	<u>\$ 2,319,211</u>	<u>\$ 16,044,271</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

13. Pension Plans

Description of the Plans

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

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 were 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% of average monthly compensation. 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 were 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 of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

13. Pension Plans (Continued)

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 members appointed by the City Commission, the police/fire 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.

Annual Retirement Benefit—Normal retirement benefits are based upon 2.5% of average monthly earnings times years of service up to 20 years, with a maximum benefit of 75% of average monthly compensation. 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% of average monthly compensation. 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.

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2013

13. Pension Plans (Continued)

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 as of or during the year ended September 30, 2013.

Membership

Membership data of the City's pension plans as of October 1, 2012, 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	264	214
Terminated employees entitled to benefits but not receiving them	47	2
Active members	372	238

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, 2012	October 1, 2012
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post-retirement benefit increases	None	Annual increase of 1% plus what 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 Smoothed 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	None	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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

13. Pension Plans (Continued)

Contribution Requirements and Contributions Made

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

Year Ended September 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)
General Employees' Pension Fund			
2013	\$ 2,522,126	93.8%	\$ 156,506
2012	2,365,620	100.0	-
2011	2,305,292	100.0	-
Police and Firefighters' Retirement System Fund			
2013	\$ 6,599,523	100.0%	\$ (132,018)
2012	7,968,408	100.0	(128,704)
2011	6,986,348	100.0	(133,794)

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

	General Employees' Pension Fund	Police and Firefighters' Retirement System Fund	Total
Annual required contribution	\$ 2,522,126	\$ 6,602,837	\$ 9,124,963
Interest on net pension obligation (asset)	-	(10,425)	(10,425)
Adjustment to annual required contribution	-	7,111	7,111
Annual pension cost	2,522,126	6,599,523	9,121,649
Contributions made	(2,365,620)	(6,602,837)	(8,968,457)
Change in net pension obligation (asset)	156,506	(3,314)	153,192
Net pension obligation (asset) at October 1, 2012	-	(128,704)	(128,704)
Net pension obligation (asset) at September 30, 2013	\$ 156,506	\$ (132,018)	\$ 24,488

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

13. Pension Plans (Continued)

Funded Status and Funding Progress

The funded status of the plans as of October 1, 2012, 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'	10/1/2012	\$ 94,654,819	\$ 98,232,171	\$ 3,668,352	96.3%	\$ 16,937,526	21.7%
Police and Firefighters'	10/1/2012	123,483,089	212,151,586	88,668,497	58.2%	16,936,295	523.5%

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, 2013, are as follows:

Statement of Plan Net Position	
ASSETS	
Investments	
U.S. Government securities	\$ 3,480,541
U.S. Government Agency securities	3,877,041
Domestic and international corporate bonds	11,407,299
Domestic and international equity securities and mutual funds	50,621,983
Alternative investments	30,795,255
Due from broker	268,679
Employee contributions receivable	14,700
Interest and dividends receivable	197,453
Total assets	<u>100,662,951</u>
LIABILITIES	
Accounts payable	54,055
Due to broker	218,476
Total liabilities	<u>272,531</u>
NET POSITION restricted for pension benefits	<u><u>\$ 100,390,420</u></u>

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2013

13. Pension Plans (Continued)

Statement of Changes in Plan Net Position	
ADDITIONS	
Contributions:	
Employer	\$ 2,128,666
Plan members	815,493
Total contributions	<u>2,944,159</u>
Investment earnings	
Net appreciation in fair value of investments	10,895,724
Interest and dividends	1,028,115
	<u>11,923,839</u>
Less investment expenses – custodian fees	228,685
Net investment earnings	<u>11,695,154</u>
Other income	174,750
Total additions	<u>14,814,063</u>
DEDUCTIONS	
Benefits	4,825,033
Refunds of contributions	76,893
Administrative expenses	68,900
Total deductions	<u>4,970,826</u>
Change in plan net position	9,843,237
Net position restricted for pension benefits at October 1, 2012	<u>90,547,183</u>
Net position restricted for pension benefits at September 30, 2013	<u>\$ 100,390,420</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.

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 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, 2013, is summarized as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

13. Pension Plans (Continued)

Balance at October 1, 2012	\$ 792,829
Employer contributions	31,826
Employee contributions	76,419
Investment gain	102,359
Distributions	(228,685)
Balance at September 30, 2013	<u>\$ 774,748</u>

The City has also implemented a VantageCare Retirement Health Savings Plan (the “VantageCare Plan”) effective August 2002, which allows employees in the calendar year prior to retirement, to make an election to deposit tax free part or all of their accumulated sick and vacation pay into the Plan. The Plan provides for tax free withdrawals if the funds are used for qualified medical expenses. In March 2007, the City was notified by ICMA, the administrator of the VantageCare Plan that voluntary contributions were no longer allowed, except that employees in the plan prior to December 31, 2006 were allowed to contribute until December 31, 2007. Activity in the VantageCare Plan for the year ended September 30, 2013, is summarized as follows:

Balance at October 1, 2012	\$ 416,852
Net investment gains	53,168
Service fees	(1,673)
Distributions	(17,210)
Balance at September 30, 2013	<u>\$ 451,137</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 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 retired) are charged an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires actuarial calculations of OPEB liabilities 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

14. Other Postemployment Benefits (OPEB) (Continued)

1842, IAFF, five union representatives (three PBA, two Local 1842, IAFF) and a non-bargaining unit active firefighter elected by non-bargaining unit participants. The City is neither the trustee nor the administrator of the Retiree Benefit Fund. Accordingly, since the City does not control, have access to or hold any assets of the Trust and has no reversionary rights in the assets of the Trust, the Retiree Benefit Fund is not reported as a fiduciary fund of the City. The Retiree Benefit Fund does not issue a publicly available financial report.

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

Actuarial Methods and Significant Assumptions

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

	OPEB Plan	Retiree Benefit Fund
Valuation date	October 1, 2012	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, 2012, 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

14. Other Postemployment Benefits (OPEB) (Continued)

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:

Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
OPEB Plan			
2013	\$ 1,383,330	30%	\$ 3,569,827
2012	1,283,914	47	2,605,995
2011	1,230,663	42	1,925,071
Retiree Benefit Fund			
2013	\$ 684,128	67%	\$ 183,098
2012	684,128	67	(42,626)
2011	572,664	115	(268,352)

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, 2013 were as follows:

	OPEB Plan	Retiree Benefit Fund	Total
Annual required contribution	\$ 1,372,414	\$ 689,143	\$ 2,061,557
Interest on net OPEB obligation (asset)	117,271	(21,468)	95,803
Adjustment to annual required contribution	(106,355)	16,453	(89,902)
Annual OPEB cost	1,383,330	684,128	2,067,458
Contributions made	(419,498)	(458,404)	(877,902)
Change in net OPEB obligation (asset)	963,832	225,724	1,189,556
Net OPEB obligation (asset) at October 1, 2012	2,605,995	(42,626)	2,563,369
Net OPEB obligation at September 30, 2013	\$ 3,569,827	\$ 183,098	\$ 3,752,925

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

14. Other Postemployment Benefits (OPEB) (Continued)

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	10/1/2012	\$ -	\$ 15,636,209	\$ 15,636,209	0.0%	\$ 39,412,194	39.67%
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.

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 internal service Insurance 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, 2013, charges of \$12,320,106 were made by the Insurance Fund to other funds and are reflected as interfund charges for services in the accompanying financial statements. The City has recorded a claims liability of \$5,163,785 (\$1,451,785 current and \$3,712,000 noncurrent) at September 30, 2013, which is an increase of approximately \$1 million from the prior year. The increase reflects claims development for all lines of insurance and an accrual for legal claims. The liability falls within the actuarially determined range, from an actuarial valuation for all claims based upon the date the loss was incurred and includes a provision for claims incurred but not yet reported (IBNR).

The 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

15. Risk Management (Continued)

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 expenses 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, 2011	\$ 3,996,911
Claims incurred	8,172,490
Claims paid	<u>(8,010,313)</u>
Balance at September 30, 2012	4,159,088
Claims incurred	9,083,574
Claims paid	<u>(8,078,877)</u>
Balance at September 30, 2013	<u><u>\$ 5,163,785</u></u>

The claims liability at September 30, 2013 and 2012, is summarized as follows:

	<u>2013</u>	<u>2012</u>
Current	\$ 1,451,785	\$ 1,554,025
Non-current	3,712,000	2,605,063
	<u><u>\$ 5,163,785</u></u>	<u><u>\$ 4,159,088</u></u>

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, 2013, the CRA's tax increment revenues include \$6,442,131 received from the City. CRA expenditures for the year ended September 30, 2013, include charges of \$1,578,663 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities and \$553,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$135,000 in reimbursements from the City for various projects. At September 30, 2013, the CRA had a payable to the City of \$100,000 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$5,885,060.

The CRA and the City routinely contract with each other for funding of certain administrative functions, projects and programs (see Note 18 - Commitments and Contingencies for further discussion of these commitments).

17. Deficit Fund Equity

The ARRA Economic Stimulus Fund, a nonmajor governmental fund of the City, had a deficit fund balance of \$11,483 at September 30, 2013. The deficit will be eliminated by a future transfer from the General Fund.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

18. Commitments and Contingencies

Contract Commitments

The City has various long-term contractual obligations for construction projects on which work has not been completed. The remaining commitments on these obligations at September 30, 2013, were as follows:

Capital Projects Funds	\$ 13,506,910
Water and Sewer Fund	3,135,935
Stormwater Utility Fund	976,278
	<hr/>
	\$ 17,619,123
	<hr/>

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.

Lease Commitment as Lessor

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 each January 11th. The CRA is subletting the space to not-for-profit organizations for arts related uses.

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. At September 30, 2013, the City accrued \$650,000 for specific claims liabilities in excess of actuarially determined amounts. Although the ultimate outcome of the lawsuits cannot be determined, the management of the City in consultation with legal counsel, believes all claims are fully accrued, covered by insurance or limited under sovereign immunity and does not expect any claims will have a significant impact on the City's financial condition.

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, 2013, 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. 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, 2013. The Bonds outstanding at September 30, 2013, have a credit rating no lower than the City's underlying rating of AA- from S&P.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

18. Commitments and Contingencies (Continued)

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency (CRA)

CRA Contract Commitments: At September 30, 2013, the CRA had outstanding construction commitments consisting of the following:

	<u>Total Project Authorization</u>	<u>Expended Through September 30, 2013</u>	<u>Retainage Payable at September 30, 2013</u>	<u>Remaining Commitment at September 30, 2013</u>
Delray Beach Chamber office buildout	\$ 459,675	\$ 56,983	\$ -	\$ 402,692
SW 12 th Avenue	582,949	492,759	54,751	35,439
Housing Rehabilitation	<u>273,472</u>	<u>106,044</u>	<u>9,645</u>	<u>157,783</u>
Total contract commitment	<u>\$ 1,316,096</u>	<u>\$ 655,786</u>	<u>\$ 64,396</u>	<u>\$ 595,914</u>

The CRA also contracted with the City for various administrative services and budgeted approximately \$274,000 for those services for the year ending September 30, 2014.

CRA Lease Commitments: The CRA had the following lease commitments as lessor at September 30, 2013:

Puppetry Arts Center - On August 26, 2010, the CRA entered into an agreement to sublease approximately 5,000 square feet of commercial space at the Old School Square parking garage to the Puppetry Arts Center of the Palm Beaches, Inc. for \$400 per month. In April 2013, the sublease was extended for a one year period, through May 4, 2014, and includes the option to extend the lease through January 31, 2015.

Creative City Collaborative - On June 28, 2012, the CRA entered into an agreement to sublease approximately 5,600 square feet of commercial space at the Old School Square parking garage 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.

Schuler's Memorial Chapel - 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 extended through December 15, 2013. The carrying value of the leased property was \$1,895,000 at September 30, 2013.

Delray Beach Housing Group - 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 CLT 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 \$5,696,000 at September 30, 2013.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

18. Commitments and Contingencies (Continued)

Prime Delray Hotel - 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 at September 30, 2013 was approximately \$2,418,000.

CRA 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, 2013, 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.

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.

CRA Operating Grants: The CRA entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2014:

City of Delray Beach – International Tennis Championships	\$	550,000
City of Delray Beach – Shuttle Bus		300,000
City of Delray Beach – Microenterprise Program		50,000
City of Delray Beach – Curb Appeal Program		35,000
City of Delray Beach – Irrigation and Landscape Maintenance		23,000
Delray Beach Community Land Trust, Inc.		200,000
Delray Beach Public Library Association, Inc.		308,000
Creative City Collaborative		275,000
Delray Beach Center for the Arts, Inc.		285,000
EPOCH, Inc.		86,216
Puppetry Arts Center of the Palm Beach, Inc.		<u>17,775</u>
Total Grant Commitments	\$	<u>2,129,991</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2013

18. Commitments and Contingencies (Continued)

The CRA contracts with the City for various administrative services each fiscal year and budgeted approximately \$274,000 for those services for the year ending September 30, 2014.

CRA 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, 2013, 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, 20 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 ten years and for years eleven through twenty, the loan will accrue interest at 3.0%. Payments of principal only shall commence on the first anniversary date of the loan and are due annually thereafter until the tenth anniversary date of 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 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 twenty 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 April 30, 2014. Should the loan not close by April 30, 2014, 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 3.0% 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.

19. Subsequent Events

Note Receivable: The City has a \$3,153,789 note receivable 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 accrued interest. The total currently owed to the City by the developer is \$3,153,789 plus accrued interest of \$1,064,483. The City is negotiating 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 of this note receivable has been made in the accompanying financial statements.

Bond Issuance: On November 21, 2013, the City issued \$8,810,000 General Obligation Refunding Bonds, Series 2013 (Recreation and Cultural), (the "Series 2013 Bond") to redeem/retire and defease the General Obligation Bonds, Series 2004. The refunding resulted in an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$811,110 and reduced the total debt service payments by \$908,228. The Series 2013 Bond is payable from and secured by ad valorem tax revenues. Interest at 2.17% is payable on February 1 and August 1, beginning on February 1, 2014 through February 1, 2024. Principal is due annually beginning February 1, 2014 through maturity on February 1, 2024.

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2013

19. Subsequent Events (Continued)

The future debt service requirements of the Series 2013 Bond are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2014	\$ 120,000
2015	785,000
2016	805,000
2017	820,000
2018	840,000
2019-2023	4,480,000
2024	<u>960,000</u>
	<u>\$ 8,810,000</u>

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 57,450,210	\$ 57,450,210	\$ 58,054,047	\$ 603,837
Fees and permits	8,859,370	8,859,370	9,281,304	421,934
Intergovernmental	6,538,380	6,746,185	6,924,565	178,380
Charges for services	10,282,500	10,286,425	10,819,815	533,390
Fines and forfeitures	1,097,500	1,097,500	1,022,052	(75,448)
Miscellaneous	5,871,980	5,951,979	5,695,547	(256,432)
Transfers in	4,355,550	4,355,550	4,355,110	(440)
Revenue note proceeds	-	2,629,000	2,629,000	-
Prior year surplus	1,600,000	2,197,844	-	(2,197,844)
Total Revenues	<u>96,055,490</u>	<u>99,574,063</u>	<u>98,781,440</u>	<u>(792,623)</u>
EXPENDITURES				
General government				
City commission	218,210	327,792	323,263	4,529
City manager	645,950	829,143	763,344	65,799
Human resources	517,990	508,690	495,260	13,430
Public information office	76,430	76,430	75,646	784
City clerk	530,080	548,775	548,774	1
Finance	1,586,560	1,644,768	1,637,114	7,654
Information technology	1,565,690	1,557,673	1,555,897	1,776
City attorney	779,060	820,281	820,281	-
Administrative services administration	647,980	645,480	628,938	16,542
Clean and Safe	218,620	204,961	196,894	8,067
Cemetery	378,970	376,865	349,475	27,390
Nondepartmental	1,953,690	1,912,874	1,911,785	1,089
Transfers to component units	6,648,440	6,442,131	6,442,131	-
Public safety				
Law enforcement	27,670,830	27,620,231	27,142,470	477,761
Fire control	22,814,400	22,805,712	21,973,133	832,579
Community improvement administration	454,400	471,959	471,959	-
Planning and zoning	1,169,980	1,169,760	1,147,372	22,388
Building inspection	1,229,270	1,313,664	1,313,664	-
Code compliance	1,052,580	1,078,874	1,078,768	106
Physical environment				
Engineering	673,480	678,930	665,524	13,406
Parking facilities	1,171,720	1,261,023	1,004,973	256,050
Public works	2,802,440	2,837,274	2,747,926	89,348
Parks and recreation	12,290,610	12,511,141	12,376,448	134,693
Debt service	5,365,330	8,365,330	8,147,746	217,584
Transfers out	3,592,780	3,564,302	3,500,906	63,396
Total Expenditures	<u>96,055,490</u>	<u>99,574,063</u>	<u>97,319,691</u>	<u>2,254,372</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1,461,749</u>	<u>\$ 1,461,749</u>
Fund balance - October 1, 2012			26,528,057	
Difference between GAAP and budgetary basis			58,368	
Fund balance - September 30, 2013			<u>\$ 28,048,174</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, 2013

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 \$3,518,573 during the year ended September 30, 2013, which increased the original General Fund appropriations (expenditures and transfers out) from \$96,055,490 to a revised total of \$99,574,063.

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 debt and the sale of capital assets are included in budgeted revenues, but are considered "other financing sources" 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:

	<u>Revenues</u>	<u>Expenditures</u>
Current year encumbrances outstanding at year end	\$ -	\$ 209,672
Prior year encumbrances paid in the current year	-	(151,304)
Net encumbered expenditures	-	58,368
Transfers	4,355,110	3,500,906
On-behalf payments for pension benefits	(1,813,590)	(1,813,590)
Revenue bond proceeds	2,629,000	-
Proceeds from sale of capital assets	889	-
Net differences - GAAP and budgetary basis	5,171,409	1,745,684
GAAP basis	93,610,031	95,574,007
Budgetary basis	<u>\$ 98,781,440</u>	<u>\$ 97,319,691</u>

City of Delray Beach, Florida

Required Supplementary Information—
Schedules of Pension Funding Progress

September 30, 2013

General Employees' Pension Plan							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — (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]	
10/1/2007	\$ 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	
10/1/2012	94,654,819	98,323,171	3,668,352	96.3	16,937,526	21.7	

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) — (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]	
10/1/2007	\$ 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	
10/1/2012	123,483,089	212,151,586	88,668,497	58.2	16,936,295	523.5	

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

City of Delray Beach, Florida

Required Supplementary Information—
Schedules of Employer and State Pension Contributions

For the Fiscal Year Ended September 30, 2013

General Employees' Pension Fund

Fiscal Year Ended September 30,	Annual Required Employer Contribution	Percentage Contribution
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	94.0
2013	2,128,666	93.0

Police and Firefighters' Retirement System Fund

Fiscal Year Ended September 30,	Annual State Contribution	Annual Required Employer Contribution	Total Annual Required Contribution	Percentage Contribution
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
2013	504,922	8,151,202	8,656,124	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, 2013

OPEB Plan								
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Age (b)	Entry	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	
10/1/2012	-	15,227,499		15,227,499	0.0	39,412,194	39.7	

Retiree Benefit Fund								
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Age (b)	Entry	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, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,938	\$ -	\$ -	\$ -	\$ 79,938
Investments	-	-	-	-	-	-	2,509,594	602,303	-	3,011,514	-	-	6,123,411
Accounts receivable, net	-	-	-	-	-	-	99,391	18,013	-	-	-	-	117,404
Notes receivable	-	-	-	1,594,563	676,991	-	-	-	-	-	-	-	2,271,554
Interest receivable	-	-	-	-	-	-	9,507	2,282	-	11,408	-	-	23,197
Due from other governments	-	-	-	116,122	-	-	-	-	-	1,352,098	-	2,020,995	3,489,215
Due from other funds	327,408	761,535	-	406,358	-	488,638	-	414,451	440,976	3,066,049	276,804	1,028,902	7,211,121
Assets acquired for sale	-	-	-	363,543	-	-	-	-	-	-	-	-	363,543
Total Assets	\$ 327,408	\$ 761,535	\$ -	\$ 2,480,586	\$ 676,991	\$ 488,638	\$ 2,618,492	\$ 1,037,049	\$ 520,914	\$ 7,441,069	\$ 276,804	\$ 3,049,897	\$ 19,679,383
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES													
LIABILITIES													
Accounts payable and accrued items	\$ -	\$ 207	\$ -	\$ 43,403	\$ -	\$ 13,274	\$ 2,885	\$ -	\$ -	\$ 534,817	\$ -	\$ -	\$ 594,586
Due to other governments	-	-	-	-	-	-	-	-	-	165,031	-	-	165,031
Due to other funds	-	-	11,483	-	-	-	368,304	-	-	-	-	-	379,787
Due to component units	-	-	-	-	-	-	50,000	-	-	-	-	-	50,000
Total Liabilities	-	207	11,483	43,403	-	13,274	421,189	-	-	699,848	-	-	1,189,404
DEFERRED INFLOWS OF RESOURCES													
Unavailable revenue	-	-	-	1,703,650	676,991	-	12,605	-	-	136,000	-	-	2,529,246
FUND BALANCES													
Restricted for:													
Debt service	-	-	-	-	-	-	-	-	520,914	-	-	-	520,914
Law enforcement	327,408	-	-	-	-	-	487,824	-	-	-	-	-	815,232
Capital improvements	-	-	-	-	-	-	-	-	-	-	276,804	-	276,804
Community development	-	-	-	733,533	-	-	-	-	-	-	-	-	733,533
Assigned to:													
Public safety	-	-	-	-	-	-	126,383	-	-	-	-	-	126,383
Parks and recreation	-	-	-	-	-	-	291,502	1,037,049	-	-	-	-	1,328,551
Capital improvements	-	761,328	-	-	-	475,364	1,278,989	-	-	6,605,221	-	3,049,897	12,170,799
Unassigned (deficit)	-	-	(11,483)	-	-	-	-	-	-	-	-	-	(11,483)
Total Fund Balances	327,408	761,328	(11,483)	733,533	-	475,364	2,184,698	1,037,049	520,914	6,605,221	276,804	3,049,897	15,960,733
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 327,408	\$ 761,535	\$ -	\$ 2,480,586	\$ 676,991	\$ 488,638	\$ 2,618,492	\$ 1,037,049	\$ 520,914	\$ 7,441,069	\$ 276,804	\$ 3,049,897	\$ 19,679,383

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, 2013

	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	\$ -	\$ -	\$ 14,484	\$ 1,573,855	\$ 2,223	\$ 10,000	\$ -	\$ -	\$ -	\$ 1,286,722	\$ -	\$ 1,826,383	\$ 4,713,667
Charges for services	-	-	-	-	-	-	471,547	9,115	-	-	-	-	480,662
Fines and forfeitures	77,180	-	-	-	-	-	91,838	-	-	-	-	-	169,018
Miscellaneous	-	155,000	-	180,992	49	10,259	80,539	87,728	1,360	1,920,291	-	-	2,436,218
Total Revenues	77,180	155,000	14,484	1,754,847	2,272	20,259	643,924	96,843	1,360	3,207,013	-	1,826,383	7,799,565
EXPENDITURES													
Current:													
General government	-	-	25,967	1,563,194	2,272	-	101,450	480	-	277,201	-	-	1,970,564
Public safety	80,102	-	-	-	-	-	44,921	-	-	235,653	-	-	360,676
Physical environment	-	-	-	-	-	746,903	-	-	-	232,253	-	-	979,156
Parks and recreation	-	-	-	-	-	-	288,992	-	-	66,467	1,450	9,088,132	9,445,041
Capital outlay	-	7,702	-	593,366	-	39,388	4,453	-	-	4,252,453	-	-	4,897,362
Debt service:													
Principal retirement	-	-	-	-	-	-	-	-	19,188	-	-	-	19,188
Interest and fiscal charges	-	-	-	-	-	-	-	-	1,175,946	34	-	13,774	1,189,754
Bond issuance costs	-	-	-	-	-	-	-	-	-	7,564	11,010	-	18,574
Total Expenditures	80,102	7,702	25,967	2,156,560	2,272	786,291	439,816	480	1,195,134	5,071,625	12,460	9,101,906	18,880,315
Excess of revenues over (under) expenditures	(2,922)	147,298	(11,483)	(401,713)	-	(766,032)	204,108	96,363	(1,193,774)	(1,864,612)	(12,460)	(7,275,523)	(11,080,750)
OTHER FINANCING SOURCES (USES)													
Bond anticipation note issued	-	-	-	-	-	-	-	-	-	2,349,612	-	9,450,000	11,799,612
Transfers in	-	73,000	-	149,430	-	902,712	32,340	-	1,210,870	1,104,234	-	221,350	3,693,936
Transfers out	-	(82,500)	-	-	-	-	(697,500)	-	(1,360)	(114,230)	-	-	(895,590)
Total Other Financing Sources (Uses)	-	(9,500)	-	149,430	-	902,712	(665,160)	-	1,209,510	3,339,616	-	9,671,350	14,597,958
Net change in fund balance	(2,922)	137,798	(11,483)	(252,283)	-	136,680	(461,052)	96,363	15,736	1,475,004	(12,460)	2,395,827	3,517,208
Fund balances - October 1, 2012	330,330	623,530	-	985,816	-	338,684	2,645,750	940,686	505,178	5,130,217	289,264	654,070	12,443,525
Fund balances (deficit) - September 30, 2013	\$ 327,408	\$ 761,328	\$ (11,483)	\$ 733,533	\$ -	\$ 475,364	\$ 2,184,698	\$ 1,037,049	\$ 520,914	\$ 6,605,221	\$ 276,804	\$ 3,049,897	\$ 15,960,733

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 POSITION
 NON-MAJOR ENTERPRISE FUNDS
 September 30, 2013

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 17,650	\$ 3,860	\$ -	\$ -	\$ -	21,510
Investments	-	-	903,454	2,007,676	4,316,501	7,227,631
Accounts receivable, net	11,680	40	1,344	905,380	-	918,444
Interest receivable	-	-	3,422	7,605	16,352	27,379
Due from other funds	-	-	280,872	1,472,026	4,490	1,757,388
Inventories	78,690	11,967	-	-	-	90,657
Prepaid expenses	46,160	12,712	-	-	-	58,872
Restricted assets						
Cash and cash equivalents	380,250	151,097	-	-	64,049	595,396
Total Current Assets	<u>534,430</u>	<u>179,676</u>	<u>1,189,092</u>	<u>4,392,687</u>	<u>4,401,392</u>	<u>10,697,277</u>
Noncurrent Assets:						
Property, land and equipment						
Land	1,415,480	1,963,894	42,840	-	1,271,853	4,694,067
Buildings	2,309,540	140,718	-	-	1,904,722	4,354,980
Improvements other than buildings	1,200,970	899,663	1,134,822	11,958	12,845,009	16,092,422
Equipment	1,543,743	401,711	87,653	24,633	769,853	2,827,593
Construction in progress	-	-	-	-	353,284	353,284
Accumulated depreciation	(3,258,398)	(835,558)	(1,128,446)	(34,803)	(6,192,286)	(11,449,491)
Total Noncurrent Assets	<u>3,211,335</u>	<u>2,570,428</u>	<u>136,869</u>	<u>1,788</u>	<u>10,952,435</u>	<u>16,872,855</u>
Total Assets	<u>3,745,765</u>	<u>2,750,104</u>	<u>1,325,961</u>	<u>4,394,475</u>	<u>15,353,827</u>	<u>27,570,132</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refundings	68,337	24,744	-	-	-	93,081
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	128,370	7,406	222	326,511	40,547	503,056
Unearned revenue	-	-	67,235	-	-	67,235
Due to other funds	1,514,880	1,094,226	-	-	-	2,609,106
Refundable deposits	114,940	-	20,913	-	-	135,853
	<u>1,758,190</u>	<u>1,101,632</u>	<u>88,370</u>	<u>326,511</u>	<u>40,547</u>	<u>3,315,250</u>
Current Liabilities Payable from Restricted Assets:						
Accrued interest on long-term debt	15,120	6,227	-	-	21,400	42,747
Current maturities of revenue bonds	365,130	144,867	-	-	42,649	552,646
	<u>380,250</u>	<u>151,094</u>	<u>-</u>	<u>-</u>	<u>64,049</u>	<u>595,393</u>
Total Current Liabilities	<u>2,138,440</u>	<u>1,252,726</u>	<u>88,370</u>	<u>326,511</u>	<u>104,596</u>	<u>3,910,643</u>
Noncurrent Liabilities:						
Net pension obligation	-	-	-	1,612	1,985	3,597
Net OPEB obligation	-	-	-	17,477	26,215	43,692
Compensated absences payable	-	-	-	26,696	29,273	55,969
Revenue bonds payable, net	787,788	319,254	-	-	1,229,534	2,336,576
Total Noncurrent Liabilities	<u>787,788</u>	<u>319,254</u>	<u>-</u>	<u>45,785</u>	<u>1,287,007</u>	<u>2,439,834</u>
Total Liabilities	<u>2,926,228</u>	<u>1,571,980</u>	<u>88,370</u>	<u>372,296</u>	<u>1,391,603</u>	<u>6,350,477</u>
NET POSITION						
Net investment in capital assets	2,126,754	2,131,051	136,869	1,788	9,680,252	14,076,714
Restricted for debt service	365,130	144,870	-	-	42,649	552,649
Unrestricted (deficit)	(1,604,010)	(1,073,053)	1,100,722	4,020,391	4,239,323	6,683,373
Total Net Position	<u>\$ 887,874</u>	<u>\$ 1,202,868</u>	<u>\$ 1,237,591</u>	<u>\$ 4,022,179</u>	<u>\$ 13,962,224</u>	<u>\$ 21,312,736</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2013

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
OPERATING REVENUES						
Charges for services	\$ 2,998,040	\$ 610,313	\$ 209,625	\$ 5,183,866	\$ 2,158,887	\$ 11,160,731
Other operating revenue	30,610	5,118	1,714	97,292	388	135,122
Total Operating Revenues	<u>3,028,650</u>	<u>615,431</u>	<u>211,339</u>	<u>5,281,158</u>	<u>2,159,275</u>	<u>11,295,853</u>
OPERATING EXPENSES						
Personal services	-	-	-	305,156	426,563	731,719
Other operating expenses	2,743,445	532,108	69,528	4,380,527	763,468	8,489,076
Depreciation	244,685	42,798	10,898	837	383,274	682,492
Total Operating Expenses	<u>2,988,130</u>	<u>574,906</u>	<u>80,426</u>	<u>4,686,520</u>	<u>1,573,305</u>	<u>9,903,287</u>
Operating Income	40,520	40,525	130,913	594,638	585,970	1,392,566
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	-	-	3,654	8,120	22,330	34,104
Rent revenue	26,550	-	200	132,226	-	158,976
Interest expense	(72,236)	(30,487)	-	-	(65,165)	(167,888)
Loss on disposal of equipment	(405)	-	-	-	-	(405)
Total Nonoperating Revenues (Expenses)	<u>(46,091)</u>	<u>(30,487)</u>	<u>3,854</u>	<u>140,346</u>	<u>(42,835)</u>	<u>24,787</u>
Income (Loss) Before Capital Contributions and Transfers	(5,571)	10,038	134,767	734,984	543,135	1,417,353
Capital Contributions	-	-	-	-	60,101	60,101
Transfers out	(18,000)	(5,000)	(51,800)	(188,510)	(376,170)	(639,480)
Change In Net Position	(23,571)	5,038	82,967	546,474	227,066	837,974
Net Position - October 1, 2012, as originally reported	931,730	1,210,256	1,154,624	3,475,705	13,735,158	20,507,473
Restatement for GASB Statements	(20,285)	(12,426)	-	-	-	(32,711)
Net Position - October 1, 2012, as restated	<u>911,445</u>	<u>1,197,830</u>	<u>1,154,624</u>	<u>3,475,705</u>	<u>13,735,158</u>	<u>20,474,762</u>
Net Position - September 30, 2013	<u>\$ 887,874</u>	<u>\$ 1,202,868</u>	<u>\$ 1,237,591</u>	<u>\$ 4,022,179</u>	<u>\$ 13,962,224</u>	<u>\$ 21,312,736</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2013

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,044,857	\$ 615,223	\$ 192,171	\$ 5,319,971	\$ 2,159,275	\$ 11,331,497
Receipts from others	26,550	-	200	132,226	-	158,976
Payments to suppliers	(2,570,177)	(417,951)	(67,157)	(4,366,021)	(1,037,368)	(8,458,674)
Payments to employees	-	-	-	(297,522)	(412,725)	(710,247)
Net cash provided by operating activities	501,230	197,272	125,214	788,654	709,182	2,321,552
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY						
Transfers to other funds	(18,000)	(5,000)	(51,800)	(188,510)	(376,170)	(639,480)
Net cash used in noncapital financing activity	(18,000)	(5,000)	(51,800)	(188,510)	(376,170)	(639,480)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(38,875)	(21,975)	-	-	(224,962)	(285,812)
Principal paid on capital debt	(384,511)	(196,899)	-	-	(38,871)	(620,281)
Interest paid on capital debt	(57,249)	(28,492)	-	-	(65,841)	(151,582)
Net cash used in capital and related financing activities	(480,635)	(247,366)	-	-	(329,674)	(1,057,675)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	-	(86,525)	(629,277)	(67,741)	(783,543)
Interest and gains and losses on investments	-	-	13,111	29,133	67,505	109,749
Net cash used in investing activities	-	-	(73,414)	(600,144)	(236)	(673,794)
Net change in cash and cash equivalents	2,595	(55,094)	-	-	3,102	(49,397)
Cash and cash equivalents - October 1, 2012	395,305	210,051	-	-	60,947	666,303
Cash and cash equivalents - September 30, 2013	\$ 397,900	\$ 154,957	\$ -	\$ -	\$ 64,049	\$ 616,906
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 40,520	\$ 40,525	\$ 130,913	\$ 594,638	\$ 585,970	\$ 1,392,566
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	244,685	42,798	10,898	837	383,274	682,492
Rent revenue	26,550	-	200	132,226	-	158,976
Change in assets and liabilities:						
Accounts receivable	(7,595)	(40)	(1,344)	38,813	-	29,834
Inventories	(3,980)	(168)	-	-	-	(4,148)
Prepaid expenses	2,095	13,250	2,149	-	2,446	19,940
Accounts payable and accrued expenses	21,886	(3,096)	222	14,506	243	33,761
Unearned revenue	-	-	(19,029)	-	-	(19,029)
Compensated absences payable	-	-	-	1,446	4,989	6,435
Net pension obligation	-	-	-	1,612	1,985	3,597
Net OPEB obligation	-	-	-	4,576	6,864	11,440
Due to other funds	149,287	104,003	-	-	(276,589)	(23,299)
Refundable deposits	27,782	-	1,205	-	-	28,987
Total adjustments	460,710	156,747	(5,699)	194,016	123,212	928,986
Net cash provided by operating activities	\$ 501,230	\$ 197,272	\$ 125,214	\$ 788,654	\$ 709,182	\$ 2,321,552
Non-cash capital and related financing activities						
Amortization of bond premiums	\$ (6,099)	\$ (3,735)	\$ -	\$ -	\$ -	\$ (9,834)
Amortization of deferred charges on refundings	\$ 24,849	\$ 9,000	\$ -	\$ -	\$ -	\$ 33,849
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ 60,101	\$ 60,101
Loss on sale of investments	\$ -	\$ -	\$ (8,861)	\$ (19,690)	\$ (42,332)	\$ (70,883)

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 POSITION
 INTERNAL SERVICE FUNDS
 September 30, 2013

	Insurance	Central Garage	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 217,439	\$ 100	\$ 217,539
Investments	4,918,804	2,810,744	7,729,548
Accounts receivable, net	139,578	-	139,578
Interest receivable	18,761	10,648	29,409
Due from other funds	3,215,658	723,141	3,938,799
Inventories	-	47,920	47,920
Prepaid expenses	436,148	-	436,148
Total Current Assets	8,946,388	3,592,553	12,538,941
Noncurrent Assets:			
Property, land and equipment			
Buildings	-	88,185	88,185
Equipment	136,032	21,709,118	21,845,150
Accumulated depreciation	(66,654)	(14,293,321)	(14,359,975)
Total Noncurrent Assets	69,378	7,503,982	7,573,360
Total Assets	9,015,766	11,096,535	20,112,301
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	1,161,595	173,753	1,335,348
Insurance claims payable	1,451,785	-	1,451,785
Total Current Liabilities	2,613,380	173,753	2,787,133
Noncurrent Liabilities:			
Net pension obligation	1,351	4,198	5,549
Net OPEB obligation	17,477	52,430	69,907
Long-term portion of compensated absences payable	25,231	95,946	121,177
Long-term portion of insurance claims payable	3,712,000	-	3,712,000
Total Noncurrent Liabilities	3,756,059	152,574	3,908,633
Total Liabilities	6,369,439	326,327	6,695,766
NET POSITION			
Net investment in capital assets	69,378	7,503,982	7,573,360
Unrestricted	2,576,949	3,266,226	5,843,175
Total Net Position	\$ 2,646,327	\$ 10,770,208	\$ 13,416,535

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2013

	Insurance	Central Garage	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 12,320,106	\$ 3,183,293	\$ 15,503,399
Other operating revenue	546,597	1,879,317	2,425,914
Total Operating Revenues	<u>12,866,703</u>	<u>5,062,610</u>	<u>17,929,313</u>
OPERATING EXPENSES			
Personal services	331,591	863,125	1,194,716
Other operating expenses	13,767,096	2,288,629	16,055,725
Depreciation	15,757	1,784,578	1,800,335
Total Operating Expenses	<u>14,114,444</u>	<u>4,936,332</u>	<u>19,050,776</u>
Operating Income (Loss)	(1,247,741)	126,278	(1,121,463)
NONOPERATING REVENUES			
Interest revenue	26,621	11,368	37,989
Gain on disposal of equipment	-	75,059	75,059
Total Nonoperating Revenues	<u>26,621</u>	<u>86,427</u>	<u>113,048</u>
Income (Loss) Before Capital Contributions and Transfers	(1,221,120)	212,705	(1,008,415)
Capital contributions	-	608,498	608,498
Transfers in	-	32,740	32,740
Change In Net Position	(1,221,120)	853,943	(367,177)
Net Position - October 1, 2012	3,867,447	9,916,265	13,783,712
Net Position - September 30, 2013	<u>\$ 2,646,327</u>	<u>\$ 10,770,208</u>	<u>\$ 13,416,535</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2013

	Insurance	Central Garage	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 11,382,994	\$ 4,778,210	\$ 16,161,204
Payments to suppliers	(12,604,606)	(2,190,808)	(14,795,414)
Payments to employees	(349,600)	(833,030)	(1,182,630)
Net cash provided by (used in) operating activities	(1,571,212)	1,754,372	183,160
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY			
Transfers from other funds	-	32,740	32,740
Net cash provided by noncapital financing activity	-	32,740	32,740
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(1,884,993)	(1,884,993)
Proceeds from the sale of capital assets	-	98,283	98,283
Net cash used in capital and related financing activities	-	(1,786,710)	(1,786,710)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	-	(41,186)	(41,186)
Sale of investments	1,449,929	-	1,449,929
Interest and gains and losses on investments	56,100	40,784	96,884
Net cash provided by (used in) investing activities	1,506,029	(402)	1,505,627
Net change in cash and cash equivalents	(65,183)	-	(65,183)
Cash and cash equivalents - October 1, 2012	282,622	100	282,722
Cash and cash equivalents - September 30, 2013	\$ 217,439	\$ 100	\$ 217,539
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,247,741)	\$ 126,278	\$ (1,121,463)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	15,757	1,784,578	1,800,335
Change in assets and liabilities:			
Accounts receivable	(115,030)	-	(115,030)
Due from other funds	(1,368,679)	(284,400)	(1,653,079)
Inventories	-	(477)	(477)
Prepaid expenses	(31,330)	909	(30,421)
Accounts payable and accrued expenses	189,123	97,389	286,512
Compensated absences payable	(23,936)	8,945	(14,991)
Net pension obligation	1,351	4,198	5,549
Net OPEB obligation	4,576	16,952	21,528
Insurance claims payable	1,004,697	-	1,004,697
Total adjustments	(323,471)	1,628,094	1,304,623
Net cash provided by (used in) operating activities	\$ (1,571,212)	\$ 1,754,372	\$ 183,160
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY			
Equipment contributed from governmental capital assets	\$ -	\$ 608,498	\$ 608,498
Loss on sale of investments	\$ (48,240)	\$ (27,565)	\$ (75,805)

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 POSITION
 PENSION TRUST FUNDS
 September 30, 2013

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 7,173,766	\$ 7,173,766
Investments:			
U.S. Government securities	3,480,541	2,171,411	5,651,952
U.S. Government Agency securities	3,877,041	7,875,728	11,752,769
Municipal obligations	-	243,775	243,775
Domestic and international fixed income investment funds	-	14,988,263	14,988,263
Domestic and international corporate bonds	11,407,299	18,537,562	29,944,861
Domestic and international equity securities and mutual funds	50,621,983	48,282,105	98,904,088
Alternative investments	30,795,255	40,705,081	71,500,336
DROP participant directed mutual funds	-	17,150,569	17,150,569
Due from broker for securities sold	268,679	215,988	484,667
Employee contributions receivable	14,700	39,519	54,219
Prepaid expenses	-	6,182	6,182
Interest and dividends receivable	197,453	264,602	462,055
Total Assets	100,662,951	157,654,551	258,317,502
LIABILITIES			
Accounts payable	54,055	121,615	175,670
Due to broker for securities purchased	218,476	348,435	566,911
Total Liabilities	272,531	470,050	742,581
NET POSITION			
Restricted for pension benefits	\$ 100,390,420	\$ 157,184,501	\$ 257,574,921

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2013

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 2,128,666	\$ 7,515,478	\$ 9,644,144
State	-	1,813,590	1,813,590
Plan members	815,493	1,451,777	2,267,270
Total contributions	2,944,159	10,780,845	13,725,004
Investment earnings			
Net appreciation in fair value of investments	10,895,724	11,933,309	22,829,033
Interest and dividends	1,028,115	3,414,052	4,442,167
	11,923,839	15,347,361	27,271,200
Less investment expenses - custodian fees	228,685	556,329	785,014
Net investment earnings	11,695,154	14,791,032	26,486,186
Other income	174,750	10,372	185,122
Total additions	14,814,063	25,582,249	40,396,312
DEDUCTIONS			
Benefits	4,825,033	9,696,944	14,521,977
Refunds of contributions	76,893	45,204	122,097
Administrative expenses	68,900	193,693	262,593
Total deductions	4,970,826	9,935,841	14,906,667
Change In Plan Net Position	9,843,237	15,646,408	25,489,645
Net Position Restricted for Pension Benefits - October 1, 2012	90,547,183	141,538,093	232,085,276
Net Position Restricted for Pension Benefits - September 30, 2013	<u>\$ 100,390,420</u>	<u>\$ 157,184,501</u>	<u>\$ 257,574,921</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, 2013

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Ad valorem	\$ 46,600,210	\$ 47,036,144	\$ 435,934
Sales and use	1,310,000	1,310,488	488
Utility	5,150,000	5,419,285	269,285
Communications Services Tax	3,675,000	3,539,362	(135,638)
Business tax receipts	715,000	748,768	33,768
Total taxes	<u>57,450,210</u>	<u>58,054,047</u>	<u>603,837</u>
Fees and permits:			
Building permits	2,788,880	3,197,628	408,748
Franchise fees	4,850,290	4,640,568	(209,722)
Miscellaneous	1,111,200	1,331,454	220,254
License fees	109,000	111,654	2,654
Total fees and permits	<u>8,859,370</u>	<u>9,281,304</u>	<u>421,934</u>
Intergovernmental:			
Federal shared revenue:			
Hazmat Sustainment	82,800	58,715	(24,085)
Trolley Route Improvement Grant	-	115,956	115,956
Safer Grant	304,980	302,201	(2,779)
Bulletproof Vest Grant	16,800	-	(16,800)
Justice Assistance Grants	42,212	42,212	-
Total federal shared revenue	<u>446,792</u>	<u>519,084</u>	<u>72,292</u>
State shared revenue:			
State revenue sharing	1,650,000	1,722,347	72,347
Local government sales tax	3,960,000	4,189,768	229,768
Alcoholic beverage licenses tax	72,000	93,772	21,772
Municipal fuel tax refund	50,000	49,542	(458)
Mobile home licenses tax	750	465	(285)
Fire incentive	57,120	62,323	5,203
State grants	351,523	142,784	(208,739)
Total state shared revenue	<u>6,141,393</u>	<u>6,261,001</u>	<u>119,608</u>
Shared revenue from local units:			
County occupational licenses	120,000	106,480	(13,520)
PBC Grants	38,000	38,000	-
Total shared revenue from local units	<u>158,000</u>	<u>144,480</u>	<u>(13,520)</u>
Total intergovernmental	<u>6,746,185</u>	<u>6,924,565</u>	<u>178,380</u>

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, 2013

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue (continued):			
Charges for services:			
General government	\$ 679,570	\$ 925,518	\$ 245,948
Public safety	6,589,160	6,855,091	265,931
Physical environment	87,500	96,383	8,883
Parking	1,647,720	1,648,121	401
Culture and recreation	1,282,475	1,294,702	12,227
Total charges for services	10,286,425	10,819,815	533,390
Fines and forfeitures:			
Court	861,000	731,104	(129,896)
Penalties on licenses and permits	55,000	119,534	64,534
Violations of local ordinances	181,500	171,414	(10,086)
Total fines and forfeitures	1,097,500	1,022,052	(75,448)
Miscellaneous:			
Interest	158,900	134,069	(24,831)
Rents and special assessments	276,080	291,551	15,471
Sale of capital assets	3,000	889	(2,111)
Contributions and donations	2,762,049	2,673,225	(88,824)
Recovery of administrative costs	2,689,610	2,423,000	(266,610)
Other	62,340	172,813	110,473
Total miscellaneous	5,951,979	5,695,547	(256,432)
Total revenue	90,391,669	91,797,330	1,405,661
Other financing sources:			
Prior year surplus	2,197,844	-	(2,197,844)
Revenue Note proceeds	2,629,000	2,629,000	-
Transfers in:			
Water and Sewer Fund	3,143,620	3,143,620	-
Delray Beach Municipal and Lakeview Golf Course Funds	23,000	23,000	-
City Marina Fund	51,800	51,800	-
Utilities Tax Fund	1,800	1,360	(440)
Sanitation Fund	85,510	85,510	-
Stormwater Utility Fund	376,170	376,170	-
Special Projects Fund	673,650	673,650	-
Total transfers in	4,355,550	4,355,110	(440)
Total other financing sources	9,182,394	6,984,110	(2,198,284)
Total revenue and other financing sources	<u>\$ 99,574,063</u>	<u>98,781,440</u>	<u>\$ (792,623)</u>
Reconciliation to GAAP basis statements:			
On-behalf payments		1,813,590	
Revenue and other financing sources - GAAP basis		<u>\$ 100,595,030</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, 2013

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
General government:						
City commission	\$ 218,210	\$ 327,792	\$ 302,721	\$ 20,542	\$ 323,263	\$ 4,529
City manager	645,950	829,143	740,641	22,703	763,344	65,799
Human resources	517,990	508,690	495,260	-	495,260	13,430
Public information office	76,430	76,430	75,646	-	75,646	784
City clerk	530,080	548,775	546,425	2,349	548,774	1
Finance	1,586,560	1,644,768	1,637,114	-	1,637,114	7,654
Information technology	1,565,690	1,557,673	1,542,487	13,410	1,555,897	1,776
City attorney	779,060	820,281	820,281	-	820,281	-
Administrative services	647,980	645,480	628,938	-	628,938	16,542
Clean and Safe	218,620	204,961	196,894	-	196,894	8,067
Cemetery	378,970	376,865	349,475	-	349,475	27,390
Nondepartmental:						
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	204,750	204,750	204,750	-	204,750	-
Miscellaneous and contingency	100,690	59,874	58,785	-	58,785	1,089
Transfers to component units	6,648,440	6,442,131	6,442,131	-	6,442,131	-
Total general government	15,767,670	15,895,863	15,689,798	59,004	15,748,802	147,061
Public safety:						
Law enforcement	27,670,830	27,620,231	27,051,972	90,498	27,142,470	477,761
Fire control	22,814,400	22,805,712	21,934,953	38,180	21,973,133	832,579
Community improvement administration	454,400	471,959	471,959	-	471,959	-
Planning and zoning	1,169,980	1,169,760	1,141,272	6,100	1,147,372	22,388
Building inspection	1,229,270	1,313,664	1,313,664	-	1,313,664	-
Code compliance	1,052,580	1,078,874	1,078,768	-	1,078,768	106
Total public safety	54,391,460	54,460,200	52,992,588	134,778	53,127,366	1,332,834
Physical environment:						
Engineering	673,480	678,930	660,849	4,675	665,524	13,406
Parking facilities	1,171,720	1,261,023	1,004,973	-	1,004,973	256,050
Public works:						
Traffic operations	421,220	431,329	430,804	-	430,804	525
Administration	182,000	184,105	184,105	-	184,105	-
Street lighting	811,360	833,980	760,998	665	761,663	72,317
Street maintenance	797,210	797,210	786,955	-	786,955	10,255
Building maintenance	590,650	590,650	582,923	1,476	584,399	6,251
Total physical environment	4,647,640	4,777,227	4,411,607	6,816	4,418,423	358,804

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, 2013

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
Parks and recreation:						
Administration	\$ 524,390	\$ 544,260	\$ 544,258	\$ -	\$ 544,258	\$ 2
After school program	471,930	447,723	447,725	-	447,725	(2)
Teen center	243,580	244,998	244,997	-	244,997	1
Beach operations	1,450,470	1,431,923	1,430,880	-	1,430,880	1,043
Catherine Strong Park	198,460	220,478	209,236	-	209,236	11,242
Community center	281,440	304,310	304,309	-	304,309	1
Veteran's park	131,710	120,067	116,521	-	116,521	3,546
C. Spencer Pompey Park	817,560	821,326	806,386	-	806,386	14,940
Parks maintenance	3,837,290	3,808,226	3,798,053	-	3,798,053	10,173
Special events	126,190	132,350	130,673	-	130,673	1,677
Tennis centers	1,196,370	1,198,170	1,144,704	7,087	1,151,791	46,379
Stadium	2,276,260	2,477,275	2,438,932	-	2,438,932	38,343
Aquatics	284,140	291,440	284,595	-	284,595	6,845
Athletics	450,820	468,595	466,105	1,987	468,092	503
Total parks and recreation	12,290,610	12,511,141	12,367,374	9,074	12,376,448	134,693
Debt service:						
Principal retirement	4,129,380	7,129,380	6,913,716	-	6,913,716	215,664
Interest and fiscal charges	1,235,950	1,235,950	1,234,030	-	1,234,030	1,920
Total debt service	5,365,330	8,365,330	8,147,746	-	8,147,746	217,584
Total expenditures and encumbrances	92,462,710	96,009,761	93,609,113	209,672	93,818,785	2,190,976
Other financing uses:						
Transfers out to other funds:						
Neighborhood Services Fund	149,430	149,430	149,430	-	149,430	-
Beautification Fund	870,000	897,522	897,522	-	897,522	-
Utilities Tax Fund	1,210,870	1,210,870	1,210,870	-	1,210,870	-
Capital Improvement Fund	1,141,130	1,085,130	1,021,734	-	1,021,734	63,396
Beach Restoration Fund	221,350	221,350	221,350	-	221,350	-
Total other financing uses	3,592,780	3,564,302	3,500,906	-	3,500,906	63,396
Total expenditures, encumbrances and other financing uses	\$ 96,055,490	\$ 99,574,063	\$ 97,110,019	\$ 209,672	97,319,691	\$ 2,254,372
Reconciliation to GAAP basis statements:						
Current year encumbrances outstanding					(209,672)	
Prior year encumbrances paid in current year					151,304	
On-behalf payments					1,813,590	
Expenditures and other financing uses - GAAP basis					\$ 99,074,913	

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
2014	\$ 2,168,937	\$ 2,690,245	\$ 6,512,833	\$ 125,763	\$ 11,497,778
2015	2,167,092	2,684,978	6,513,851	125,764	11,491,685
2016	2,171,935	17,122,888	2,692,450	125,764	22,113,037
2017	2,174,200	2,521,709	2,210,810	125,763	7,032,482
2018	2,179,513	2,522,049	2,209,935	125,764	7,037,261
2019	2,176,519	2,515,742	2,217,074	21,934	6,931,269
2020	2,184,761	2,487,025	2,037,572	-	6,709,358
2021	2,188,864	2,483,387	2,053,079	-	6,725,330
2022	2,188,760	2,486,222	2,052,614	-	6,727,596
2023	2,194,413	2,485,458	104,542	-	4,784,413
2024	2,205,589	2,485,890	104,610	-	4,796,089
2025	-	2,487,280	104,720	-	2,592,000
2026	-	2,484,590	104,660	-	2,589,250
2027	-	2,487,413	104,837	-	2,592,250
2028	-	2,485,677	104,823	-	2,590,500
2029	-	2,484,178	104,822	-	2,589,000
2030	-	2,482,675	104,825	-	2,587,500
2031	-	2,485,727	105,023	-	2,590,750
2032	-	2,483,258	104,992	-	2,588,250
	<u>\$ 24,000,583</u>	<u>\$ 62,366,391</u>	<u>\$ 29,548,072</u>	<u>\$ 650,752</u>	<u>\$ 116,565,798</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
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>\$ 19,285,000</u>	<u>\$ 4,715,583</u>	<u>\$ 24,000,583</u>	

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			
2014	\$ 690,000	\$ 185,907	\$ 172,970	\$ 1,048,877	\$ 10,480,792	3.75%	
2015	715,000	172,970	159,564	1,047,534	9,433,258	3.75	
2016	745,000	159,564	144,664	1,049,228	8,384,030	4.00	
2017	775,000	144,664	130,133	1,049,797	7,334,233	3.75	
2018	805,000	130,133	114,837	1,049,970	6,284,263	3.80	
2019	835,000	114,837	98,555	1,048,392	5,235,871	3.90	
2020	870,000	98,555	81,155	1,049,710	4,186,161	4.00	
2021	905,000	81,155	62,602	1,048,757	3,137,404	4.10	
2022	940,000	62,602	42,863	1,045,465	2,091,939	4.20	
2023	980,000	42,863	22,038	1,044,901	1,047,038	4.25	
2024	1,025,000	22,038	-	1,047,038	-	4.30	
	<u>\$ 9,285,000</u>	<u>\$ 1,215,288</u>	<u>\$ 1,029,381</u>	<u>\$ 11,529,669</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 – Redeem anytime after February 1, 2014 at par
- 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			
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>\$ 1,339,207</u>	<u>\$ 1,131,707</u>	<u>\$ 12,470,914</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 and Note
Debt Service Requirements (Principal and Interest)

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2014	\$ 1,102,824	\$ 1,587,421	\$ 2,690,245	\$ 59,676,146
2015	1,147,288	1,537,690	2,684,978	56,991,168
2016	15,642,767	1,480,121	17,122,888	39,868,280
2017	1,197,249	1,324,460	2,521,709	37,346,571
2018	1,247,501	1,274,548	2,522,049	34,824,522
2019	1,293,286	1,222,456	2,515,742	32,308,780
2020	1,319,185	1,167,840	2,487,025	29,821,755
2021	1,381,547	1,101,840	2,483,387	27,338,368
2022	1,453,502	1,032,720	2,486,222	24,852,146
2023	1,525,458	960,000	2,485,458	22,366,688
2024	1,602,210	883,680	2,485,890	19,880,798
2025	1,683,760	803,520	2,487,280	17,393,518
2026	1,765,310	719,280	2,484,590	14,908,928
2027	1,856,453	630,960	2,487,413	12,421,515
2028	1,947,597	538,080	2,485,677	9,935,838
2029	2,043,538	440,640	2,484,178	7,451,660
2030	2,144,275	338,400	2,482,675	4,968,985
2031	2,254,607	231,120	2,485,727	2,483,258
2032	2,364,938	118,320	2,483,258	-
	<u>\$ 44,973,295</u>	<u>\$ 17,393,096</u>	<u>\$ 62,366,391</u>	

Note: Excludes allocable portion of business-type debt from the Revenue Bonds (Series 2000), Utility Tax Revenue Bonds (Series 2002), Revenue Refunding and Improvement Bonds (Series 2003) and Utility Tax Revenue Bonds (Series 2007).

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				
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>\$ 3,345,000</u>	<u>\$ 310,635</u>	<u>\$ 310,635</u>	<u>\$ 3,966,270</u>			

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

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

City of Delray Beach, Florida

Schedule of Utility Tax Revenue Bonds (Series 2002)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal June 1	December 1	June 1				
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>\$ 1,320,000</u>	<u>\$ 55,420</u>	<u>\$ 55,420</u>	<u>\$ 1,430,840</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. All the remaining outstanding 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				
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>\$ 4,840,000</u>	<u>\$ 326,475</u>	<u>\$ 326,475</u>	<u>\$ 5,492,950</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	December 1	June 1	June 1			
2014	\$ 70,000	\$ 612,450	\$ 612,450	\$ 612,450	\$ 1,294,900	\$ 39,900,900	4.00%
2015	70,000	611,050	611,050	611,050	1,292,100	38,608,800	4.00
2016	70,000	609,650	609,650	609,650	1,289,300	37,319,500	4.00
2017	-	608,250	608,250	608,250	1,216,500	36,103,000	-
2018	-	608,250	608,250	608,250	1,216,500	34,886,500	-
2019	-	608,250	608,250	608,250	1,216,500	33,670,000	-
2020	1,375,000	608,250	608,250	608,250	2,591,500	31,078,500	5.00
2021	1,440,000	573,875	573,875	573,875	2,587,750	28,490,750	5.00
2022	1,515,000	537,875	537,875	537,875	2,590,750	25,900,000	5.00
2023	1,590,000	500,000	500,000	500,000	2,590,000	23,310,000	5.00
2024	1,670,000	460,250	460,250	460,250	2,590,500	20,719,500	5.00
2025	1,755,000	418,500	418,500	418,500	2,592,000	18,127,500	5.00
2026	1,840,000	374,625	374,625	374,625	2,589,250	15,538,250	5.00
2027	1,935,000	328,625	328,625	328,625	2,592,250	12,946,000	5.00
2028	2,030,000	280,250	280,250	280,250	2,590,500	10,355,500	5.00
2029	2,130,000	229,500	229,500	229,500	2,589,000	7,766,500	5.00
2030	2,235,000	176,250	176,250	176,250	2,587,500	5,179,000	5.00
2031	2,350,000	120,375	120,375	120,375	2,590,750	2,588,250	5.00
2032	2,465,000	61,625	61,625	61,625	2,588,250	-	5.00
	<u>\$ 24,540,000</u>	<u>\$ 8,327,900</u>	<u>\$ 8,327,900</u>	<u>\$ 8,327,900</u>	<u>\$ 41,195,800</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 – Optional redemption for bonds maturing on June 1, 2020 - callable after June 1, 2017 at 100%
- 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 Refunding Bonds (Series 2013)
(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			
2014	\$ -	\$ 5,662	\$ 10,733	\$ 16,395	2,669,338	0.81%	
2015	-	10,792	10,733	21,525	2,647,813	0.81%	
2016	2,629,000	10,792	8,021	2,647,813	-		
	<u>\$ 2,629,000</u>	<u>\$ 27,246</u>	<u>\$ 29,487</u>	<u>\$ 2,685,733</u>			

- Original Authorization – \$2,629,000
- Issued – \$2,629,000
- Date of Issue – August 27, 2013
- Maturity – April 15, 2016
- 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 equal to 75% of the LIBOR rate (London Inter Bank Offered Rate) plus sixty four basis points (.64). Rate at September 30, 2013 was .81%.

Projects: The bonds were issued to refund the Revenue Improvement Bonds, Series 2008.

(1) Rate at year end.

City of Delray Beach, Florida

Schedule of Bond Anticipation Revenue Improvement Note - LOC (Series 2013)

Fiscal Year Ending September 30	Principal		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate (1)
	June 1	December 1	June 1	December 1			
2014	\$ -	\$ 59,329	\$ 41,247		\$ 100,576	11,978,529	0.81%
2015	-	42,398	50,089		92,487	11,886,042	0.81%
2016	11,799,612	43,215	43,215		11,886,042	-	
	<u>\$ 11,799,612</u>	<u>\$ 144,942</u>	<u>\$ 134,551</u>		<u>\$ 12,079,105</u>		

Original Authorization	- \$22,250,000
Issued	- \$11,799,612
Date of Issue	- April 30, 2013
Maturity	- June 1, 2016
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 75% of the LIBOR rate (London Inter Bank Offered Rate) plus sixty four (.64) basis points. Rate at September 30, 2013 was .81%.

Projects: The note was issued to finance a beach renourishment project and a highway beautification project up to \$22,500,000. The note is expected to be refinanced with long-term bonds on or before its final maturity.

(1) Rate at year end.

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
2014	\$ 2,933,901	\$ 3,578,932	\$ 6,512,833	\$ 23,035,239
2015	2,906,438	3,607,413	6,513,851	16,521,388
2016	2,305,845	386,605	2,692,450	13,828,938
2017	1,892,751	318,059	2,210,810	11,618,128
2018	1,942,499	267,436	2,209,935	9,408,193
2019	2,001,714	215,360	2,217,074	7,191,119
2020	1,875,815	161,757	2,037,572	5,153,547
2021	1,938,453	114,626	2,053,079	3,100,468
2022	1,986,498	66,116	2,052,614	1,047,854
2023	64,542	40,000	104,542	943,312
2024	67,790	36,820	104,610	838,702
2025	71,240	33,480	104,720	733,982
2026	74,690	29,970	104,660	629,322
2027	78,547	26,290	104,837	524,485
2028	82,403	22,420	104,823	419,662
2029	86,462	18,360	104,822	314,840
2030	90,725	14,100	104,825	210,015
2031	95,393	9,630	105,023	104,992
2032	100,062	4,930	104,992	-
	<u>\$ 20,595,768</u>	<u>\$ 8,952,304</u>	<u>\$ 29,548,072</u>	

Note: Includes allocable portion of business-type debt from the Revenue Bonds (Series 2000), Utility Tax Revenue Bonds (Series 2002), Revenue Refunding and Improvement Bonds (Series 2003) and Utility Tax Revenue Bonds (Series 2007).

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				
2014	\$ 1,391,725	\$ 3,083,275	\$ -	\$ 4,475,000	\$ 4,475,002	5.85%	
2015	1,313,726	3,161,276	-	4,475,002	-	5.85	
	<u>\$ 2,705,451</u>	<u>\$ 6,244,551</u>	<u>\$ -</u>	<u>\$ 8,950,002</u>			

- Original Authorization – \$28,104,475
- Issued – \$28,104,475
- Date of Issue – June 1, 1993
- Maturity Range – Capital Appreciation Bonds, Serially October 1, 1999 through October 1, 2014
- Principal Payment Date – October 1 of each year
- Interest Payment Dates – October 1 of each year
- Pledged Revenue – Utility system net revenues
- Denomination – \$5,000
- Call Features – No optional or mandatory redemption.
- Paying Agent/Registrar – Wachovia National Bank
Jacksonville, Florida
- Ratings – 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				
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>\$ 1,585,000</u>	<u>\$ 167,661</u>	<u>\$ 136,119</u>	<u>\$ 1,888,780</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 Bonds (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				
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>\$ 4,930,000</u>	<u>\$ 279,511</u>	<u>\$ 225,033</u>	<u>\$ 5,434,544</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				
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>\$ 7,875,000</u>	<u>\$ 501,227</u>	<u>\$ 414,212</u>	<u>\$ 8,790,439</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
2014	\$ 115,079	\$ 10,684	\$ 125,763	\$ 524,989
2015	117,232	8,532	125,764	399,225
2016	119,425	6,339	125,764	273,461
2017	121,658	4,105	125,763	147,698
2018	123,934	1,830	125,764	21,934
2019	21,837	97	21,934	-
	<u>\$ 619,165</u>	<u>\$ 31,587</u>	<u>\$ 650,752</u>	

Schedule of installment agreements consists of the following:

- SunTrust 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	September 1	Sept. 1/Mar. 1	September 1			
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>7,840,000</u>	\$	<u>1,152,112</u>	\$	<u>8,992,112</u>		
Series 2012 draw down bond no fixed maturity	<u>2,619,225</u>						
	<u>\$ 10,459,225</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)
– \$2,619,225 draws to September 30, 2013 (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 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 – Tax increment revenues
- Denomination – N/A
- Call Features – No penalty for early payment for taxable debt only
- Paying Agent/Registrar – Bank of America (Series 2004A & B, & 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.

Contents	Page
Financial Trends.....	116
<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.....	130
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	133
<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	137
<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.....	139
<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 Position by Component

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 15,130,555	\$ 24,817,964	\$ 55,464,989	\$ 51,049,876
Restricted	24,530,625	22,855,797	8,014,482	20,850,170
Unrestricted	13,393,763	20,185,194	22,245,386	23,371,450
Total governmental activities net assets	\$ 53,054,943	\$ 67,858,955	\$ 85,724,857	\$ 95,271,496
Business-type activities				
Net investment in capital assets	\$ 54,347,706	\$ 59,315,335	\$ 59,024,376	\$ 54,782,750
Restricted	4,859,275	4,469,621	1,338,263	7,038,221
Unrestricted	23,182,592	23,565,069	34,032,926	40,529,960
Total business-type activities net assets	\$ 82,389,573	\$ 87,350,025	\$ 94,395,565	\$ 102,350,931
Primary government				
Net investment in capital assets	\$ 69,478,261	\$ 84,133,299	\$ 114,489,365	\$ 105,832,626
Restricted	29,389,900	27,325,418	9,352,745	27,888,391
Unrestricted	36,576,355	43,750,263	56,278,312	63,901,410
Total primary government net assets	\$ 135,444,516	\$ 155,208,980	\$ 180,120,422	\$ 197,622,427

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 70,521,186	\$ 76,546,448	\$ 77,727,858	\$ 78,779,535	\$ 78,326,444	\$ 70,077,233
12,644,718	10,728,740	13,592,226	6,520,365	1,801,017	1,618,934
23,694,418	23,962,095	21,879,827	26,242,684	35,072,705	43,858,427
<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>	<u>\$ 115,554,594</u>
\$ 65,505,859	\$ 66,198,545	\$ 69,465,739	\$ 69,465,739	\$ 76,043,338	\$ 79,245,276
6,658,262	1,592,060	7,116,700	7,116,700	4,620,831	4,428,595
38,161,102	43,117,847	39,543,220	39,543,220	43,705,842	46,849,014
<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>	<u>\$ 130,522,885</u>
\$ 136,027,045	\$ 142,744,993	\$ 147,193,597	\$ 147,193,597	\$ 154,369,782	\$ 149,322,509
19,302,980	12,320,800	20,708,926	20,708,926	6,421,848	6,047,529
61,855,520	67,079,942	61,423,047	61,423,047	78,778,547	90,707,441
<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>	<u>\$ 246,077,479</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Position
Last Ten Fiscal Years
Accrual Basis of Accounting

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 13,504,963	\$ 16,634,186	\$ 20,944,239	\$ 25,304,576
Public safety	42,413,760	44,818,400	49,389,129	55,930,194
Physical environment	4,154,255	4,569,904	5,931,521	7,194,134
Parks and recreation	10,608,918	11,164,817	12,428,343	14,723,853
Interest on long-term debt	2,476,264	2,078,244	2,755,249	1,389,786
Total governmental activities expense	<u>73,158,160</u>	<u>79,265,551</u>	<u>91,448,481</u>	<u>104,542,543</u>
Business-type activities:				
Water and Sewer	22,835,889	19,975,077	20,432,143	22,407,194
Municipal Golf Course	3,381,336	3,382,942	3,467,334	3,440,617
Lakeview Golf Course	696,573	709,142	653,116	748,549
City Marina	104,143	109,026	114,222	120,146
Sanitation	4,338,426	3,788,232	9,053,052	2,897,768
Stormwater Utility	1,078,343	1,111,291	1,050,275	1,331,003
Total business-type activities expense:	<u>32,434,710</u>	<u>29,075,710</u>	<u>34,770,142</u>	<u>30,945,277</u>
Total primary government expense	<u>\$ 105,592,870</u>	<u>\$ 108,341,261</u>	<u>\$ 126,218,623</u>	<u>\$ 135,487,820</u>
Program Revenue:				
Governmental activities:				
Charges for services:				
General government	\$ 3,623,697	\$ 4,367,332	\$ 4,986,337	\$ 4,521,285
Public safety	5,481,990	5,823,023	5,310,373	6,033,201
Physical environment	633,729	598,019	641,251	626,974
Parks and recreation	1,092,586	1,157,013	1,143,867	1,236,660
Operating grants and contributions:				
General government	1,975,397	1,829,154	3,260,394	3,165,420
Public safety	1,868,212	2,006,827	1,825,883	2,033,988
Physical environment	360,352	427,188	1,226,975	547,284
Parks and recreation	57,955	398,307	3,137,386	1,345,900
Capital grants and contributions:				
General government	1,611,519	1,184,058	342,025	1,383,440
Public safety	-	-	-	-
Physical environment	152,477	470,063	-	-
Parks and recreation	1,641,635	479,116	-	-
Total governmental activities program revenue	<u>18,499,549</u>	<u>18,740,100</u>	<u>21,874,491</u>	<u>20,894,152</u>
Business-type activities:				
Charges for services:				
Water and Sewer	23,635,054	24,426,939	25,748,645	29,162,001
Municipal Golf Course	3,294,989	3,300,439	3,437,934	3,467,778
Lakeview Golf Course	827,397	823,777	768,299	853,654
City Marina	150,644	155,200	149,294	160,605
Sanitation	2,602,241	2,538,402	2,615,981	3,094,658
Stormwater Utility	1,661,505	1,672,635	1,702,322	2,097,527
Operating Capital grants and contributions:				
Water and Sewer	2,038,967	786,217	1,913,869	951,487
Municipal Golf Course	113,720	130,408	131,171	182,796
Lakeview Golf Course	17,165	35,502	55,415	6,171
City Marina	56,912	2,177	273	491
Sanitation	1,790,775	1,237,680	5,663,671	115,040
Stormwater Utility	30,435	20,552	45,157	362,325
Capital grants and contributions:				
Water and Sewer	1,968,840	1,290,786	967,462	1,424,878
Municipal Golf Course	-	-	-	-
Stormwater Utility	-	-	146,026	-
Total business-type activities program revenue	<u>38,188,644</u>	<u>36,420,714</u>	<u>43,345,519</u>	<u>41,879,411</u>
Total primary government program revenue	<u>\$ 56,688,193</u>	<u>\$ 55,160,814</u>	<u>\$ 65,220,010</u>	<u>\$ 62,773,563</u>
Net (expense)/revenue				
Governmental activities	\$ (54,658,611)	\$ (60,525,451)	\$ (69,573,990)	\$ (83,648,391)
Business-type activities	5,753,934	7,345,004	8,575,377	10,934,134
Total primary government net expense	<u>\$ (48,904,677)</u>	<u>\$ (53,180,447)</u>	<u>\$ (60,998,613)</u>	<u>\$ (72,714,257)</u>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 25,137,520	\$ 22,331,793	\$ 22,451,901	\$ 18,350,964	\$ 19,076,155	\$ 18,456,193
56,742,719	54,234,648	56,042,835	56,586,070	54,742,173	57,249,952
8,130,445	9,859,520	8,378,489	7,559,512	7,638,881	8,110,979
14,457,336	14,790,100	15,334,070	15,647,602	15,241,008	24,399,517
2,832,011	3,278,142	2,863,293	2,701,776	2,551,029	2,414,349
<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>	<u>110,630,990</u>
23,932,410	25,636,462	26,196,959	29,558,007	25,957,121	24,799,536
3,265,478	2,952,315	3,006,373	2,976,846	2,932,249	3,060,771
704,782	744,544	669,681	676,158	614,895	605,393
121,004	131,235	137,095	136,955	122,499	80,426
3,476,663	4,443,701	4,391,569	4,293,784	4,640,061	4,686,520
1,506,764	1,390,004	1,490,446	1,677,612	1,694,769	1,660,899
<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>34,893,545</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>	<u>\$ 145,524,535</u>
\$ 4,622,167	\$ 3,216,555	\$ 3,279,505	\$ 3,623,718	\$ 5,651,807	\$ 5,566,254
6,543,112	6,739,002	7,346,627	7,022,063	7,842,116	8,046,157
649,216	971,381	1,371,036	1,419,279	1,605,704	1,753,619
1,282,353	1,465,722	1,578,023	1,726,011	2,011,941	1,766,249
3,945,992	4,645,288	4,930,159	2,529,998	3,432,599	3,035,452
2,292,523	1,986,484	1,921,898	1,844,661	2,362,428	2,280,986
103,357	24,979	92,887	-	-	10,000
997,425	143,090	89,883	466,706	281,651	1,864,383
622,993	848,436	598,366	414,403	119,652	136,689
749,250	200,900	-	-	-	-
8,250,000	40,977	160,346	18,424	37,408	3,963,421
-	-	-	-	-	-
<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>	<u>28,423,210</u>
29,245,949	33,445,652	31,861,348	31,962,663	30,855,031	30,771,956
3,459,044	3,303,511	2,995,351	2,820,197	2,807,593	2,998,040
681,561	749,367	666,964	666,591	655,175	610,313
208,598	204,467	185,435	209,145	195,627	209,625
3,383,499	4,942,922	4,770,585	4,739,150	5,046,386	5,183,866
2,090,146	2,095,636	2,105,069	2,112,375	2,135,445	2,158,887
2,595,258	1,092,926	386,822	511,829	351,852	590,080
43,969	37,040	43,671	51,769	53,799	57,160
5,410	5,985	5,643	5,855	5,443	5,118
884	35,653	9,997	1,628	4,682	1,914
417,250	130,030	780,500	322,010	305,901	229,518
17,509	17,366	13,260	12,757	12,859	388
996,447	1,102,611	872,684	713,526	913,308	1,808,752
-	-	-	2,762	545	-
-	-	-	72,644	-	60,101
<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>44,685,718</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>	<u>\$ 73,108,928</u>
\$ (77,241,643)	\$ (84,211,389)	\$ (83,701,858)	\$ (81,780,661)	\$ (75,903,940)	\$ (82,207,780)
10,138,423	11,864,905	8,805,206	4,885,539	7,382,052	9,792,173
<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>	<u>\$ (72,415,607)</u>

Note: Pg 2 of 2

CITY OF DELRAY BEACH, FLORIDA

*Changes in Net Position
Last Ten Fiscal Years
Accrual Basis of Accounting*

	Fiscal Year			
	2004	2005	2006	2007
General Revenues and Other Changes in				
Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 36,055,993	\$ 41,581,718	\$ 49,825,341	\$ 59,091,002
Franchise fees	3,817,080	3,989,989	4,879,168	5,257,560
Utility service taxes	7,704,692	8,088,142	8,678,710	8,222,944
Sales taxes	1,806,689	1,895,507	1,488,936	1,438,613
Local business tax	-	-	-	-
Intergovernmental, unrestricted	6,443,433	6,928,194	7,393,652	6,927,534
Investment earnings	462,340	1,543,167	2,561,044	2,816,429
Gain on disposal of capital assets	36,514	1,112,107	19,532	-
Miscellaneous	7,273,876	7,612,229	10,616,990	5,724,228
Transfers	2,672,550	2,575,410	1,976,519	3,716,720
Total governmental activities	<u>66,273,167</u>	<u>75,326,463</u>	<u>87,439,892</u>	<u>93,195,030</u>
Business-type activities				
Investment earnings	78,182	190,858	446,682	737,952
Transfers	(2,672,550)	(2,575,410)	(1,976,519)	(3,716,720)
Total business-type activities	<u>(2,594,368)</u>	<u>(2,384,552)</u>	<u>(1,529,837)</u>	<u>(2,978,768)</u>
Total primary government	<u>\$ 63,678,799</u>	<u>\$ 72,941,911</u>	<u>\$ 85,910,055</u>	<u>\$ 90,216,262</u>
Changes in Net Position				
Governmental activities	\$ 11,914,556	\$ 14,804,012	\$ 17,865,902	\$ 9,546,639
Business-type activities	3,159,566	4,960,452	7,045,540	7,955,366
Total primary government	<u>\$ 15,074,122</u>	<u>\$ 19,764,464</u>	<u>\$ 24,911,442</u>	<u>\$ 17,502,005</u>

Note: Pg 1 of 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 55,302,837	\$ 53,984,307	\$ 56,656,596	\$ 47,467,480	\$ 46,224,759	\$ 47,036,144
5,247,442	5,333,561	4,986,589	4,857,533	4,758,027	4,640,568
8,338,282	8,958,175	9,038,143	8,777,975	8,805,643	8,958,647
1,365,552	1,308,213	1,301,502	1,293,963	1,307,897	1,310,488
-	789,705	616,861	702,394	700,100	748,768
6,532,854	5,917,818	5,763,694	5,983,120	5,864,142	6,261,001
2,064,705	322,165	227,535	306,887	275,451	363,285
-	-	-	-	-	2,240,888
7,320,429	8,425,515	7,479,767	7,022,162	8,307,853	7,725,615
2,659,368	3,547,891	3,593,799	3,711,820	3,317,650	3,685,290
<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>	<u>82,970,694</u>
495,237	6,897	5,800	29,609	77,359	90,795
<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>(3,685,290)</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>(3,594,495)</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>	<u>\$ 79,376,199</u>
\$ 11,589,826	\$ 11,833,506	\$ 1,962,628	\$ (1,657,327)	\$ 3,657,582	\$ 762,914
7,974,292	8,323,911	5,217,207	1,203,328	4,141,761	6,197,678
<u>\$ 19,564,118</u>	<u>\$ 20,157,417</u>	<u>\$ 7,179,835</u>	<u>\$ (453,999)</u>	<u>\$ 7,799,343</u>	<u>\$ 6,960,592</u>

Note: Pg 2 of 2

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
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
2013	47,036,144	4,640,568	8,958,647	1,310,488	748,768	62,694,615

(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

	2004	2005	2006	2007
General fund				
Reserved	\$ 4,967,938	\$ 4,966,646	\$ 4,678,873	\$ 4,557,940
Unreserved	9,755,423	12,760,913	15,897,538	18,828,235
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>\$ 14,723,361</u>	<u>\$ 17,727,559</u>	<u>\$ 20,576,411</u>	<u>\$ 23,386,175</u>
All other governmental funds				
Reserved	\$ 691,647	\$ 685,255	\$ 686,909	\$ 744,096
Unreserved, reported in:				
Capital Project Funds	23,844,943	22,170,982	7,327,573	20,161,989
Fiduciary Funds	-	-	-	-
Special revenue funds	4,069,657	5,027,645	3,764,814	3,488,365
Nonspendable:				
Prepaid items	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Law enforcement	-	-	-	-
Capital improvements	-	-	-	-
Community development	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
Special Revenue Funds (deficit)	-	-	-	-
Total all other governmental funds	<u>\$ 28,606,247</u>	<u>\$ 27,883,882</u>	<u>\$ 11,779,296</u>	<u>\$ 24,394,450</u>

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

	2008	2009	2010	2011	2012	2013
\$	4,328,761	\$ 3,992,760	\$ 3,723,755	\$ -	\$ -	\$ -
	18,593,915	19,747,589	20,337,823	-	-	-
	-	-	-	27,178	27,688	31,810
	-	-	-	719,973	828,555	796,362
	-	-	-	3,165,084	3,173,159	3,139,659
	-	-	-	5,984	5,984	5,984
	-	-	-	-	1,000,000	1,000,000
	-	-	-	151,013	151,304	209,672
	-	-	-	-	1,600,000	-
	-	-	-	18,682,823	19,741,367	22,864,687
\$	22,922,676	\$ 23,740,349	\$ 24,061,578	\$ 22,752,055	\$ 26,528,057	\$ 28,048,174

\$	2,563,856	\$ 767,398	\$ 789,940	\$ -	\$ -	\$ -
	11,584,321	9,962,213	7,421,960	-	-	-
	-	-	-	-	-	-
	3,389,886	3,500,989	5,377,312	-	-	-
	-	-	-	289	-	-
	-	-	-	1,726,988	-	-
	-	-	-	505,430	505,178	520,914
	-	-	-	1,066,733	1,000,591	815,232
	-	-	-	-	289,264	276,804
	-	-	-	322,144	985,816	733,533
	-	-	-	130,456	121,420	126,383
	-	-	-	1,230,965	1,385,951	1,328,551
	-	-	-	7,629,593	8,155,302	12,170,799
	-	-	-	(640,364)	-	(11,483)
\$	17,538,063	\$ 14,230,600	\$ 13,589,212	\$ 11,972,234	\$ 12,443,522	\$ 15,960,733

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2004	2005	2006	2007
Revenues				
Taxes	\$ 49,684,454	\$ 55,558,356	\$ 64,872,155	\$ 74,010,119
Licenses and permits	3,382,038	4,089,257	4,716,040	4,325,079
Intergovernmental	11,018,541	12,538,849	16,844,290	14,020,126
Charges for services	6,307,636	6,788,919	6,578,078	7,020,582
Fines and forfeitures	1,142,328	1,067,211	787,710	1,072,459
Miscellaneous	7,669,984	9,608,131	13,246,356	8,132,308
Total revenues	79,204,981	89,650,723	107,044,629	108,580,673
Expenditures				
Current				
General government	12,311,018	15,298,763	19,346,064	22,952,680
Public safety	42,399,400	45,841,687	49,739,465	53,662,961
Physical environment	2,743,039	3,158,099	4,550,030	5,355,092
Parks and recreation	9,484,527	10,197,131	11,208,994	12,460,242
Capital Outlay	4,280,554	20,826,381	31,840,070	21,042,901
Debt service				
Principal retirement	10,973,807	4,159,139	4,102,788	11,345,356
Interest and other fiscal charges	1,793,518	2,011,900	2,360,879	2,373,627
Bond issue costs	102,520	22,000	-	353,104
Total expenditures	84,088,383	101,515,100	123,148,290	129,545,963
Excess of revenues over (under) expenditures	(4,883,402)	(11,864,377)	(16,103,661)	(20,965,290)
Other financing sources (uses)				
Installment agreement issued	-	-	-	-
Bonds issued	23,723,914	10,050,000	575,000	30,770,787
Bond anticipation note issued	-	-	-	-
Proceeds from sale of capital assets	7,998,210	1,133,170	96,835	62,471
Proceeds of refunding note	581,420	487,977	199,573	-
Redemption of bonds	(7,372,000)	-	-	-
Premium on bond debt	67,413	-	-	-
Transfers in	10,795,139	9,580,467	10,337,375	13,086,133
Transfers out	(8,355,464)	(7,105,404)	(8,360,856)	(7,381,327)
Total other financing sources (uses)	27,438,632	14,146,210	2,847,927	36,538,064
Net change in fund balances	\$ 22,555,230	\$ 2,281,833	\$ (13,255,734)	\$ 15,572,774
Debt service as a percentage of non-capital expenditures	16.13%	7.68%	7.08%	12.97%

	2008	2009	2010	2011	2012	2013
\$	65,006,671	\$ 65,040,400	\$ 63,613,102	\$ 58,241,812	\$ 57,038,399	\$ 58,054,047
	9,693,973	8,393,462	7,848,364	7,957,960	9,534,404	9,281,304
	13,872,151	12,717,659	12,798,521	10,824,485	11,940,820	13,451,822
	7,985,973	8,579,286	9,122,062	9,418,571	11,132,277	11,300,477
	664,344	753,473	1,591,354	1,272,073	1,202,914	1,191,070
	9,171,109	8,683,421	7,624,308	7,285,098	8,550,807	8,130,876
	106,394,221	104,167,701	102,597,711	94,999,999	99,399,621	101,409,596
	22,856,837	21,001,014	20,223,169	17,848,375	17,900,248	17,639,897
	55,274,605	54,034,021	55,750,747	55,095,307	53,017,993	54,885,089
	5,981,177	7,253,871	5,695,353	4,849,851	4,950,217	5,427,738
	12,302,491	12,491,281	13,044,535	12,874,379	12,759,647	21,758,749
	15,406,527	8,021,386	6,056,493	4,758,088	4,360,188	5,367,587
	4,543,545	4,553,835	3,357,533	3,490,360	3,734,924	6,932,904
	2,987,110	3,134,074	2,873,815	2,723,863	2,574,191	2,423,784
	25,365	-	-	-	-	18,574
	119,377,657	110,489,482	107,001,645	101,640,223	99,297,408	114,454,322
	(12,983,436)	(6,321,781)	(4,403,934)	(6,640,224)	102,213	(13,044,726)
	-	260,600	-	-	825,000	-
	3,000,000	-	-	-	-	2,629,000
	-	-	-	-	-	11,799,612
	2,590	49,802	22,161	1,903	1,727	889
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	9,707,274	9,214,199	7,548,409	7,983,124	6,723,835	8,049,046
	(7,046,314)	(5,692,610)	(3,486,795)	(4,271,304)	(3,405,485)	(4,396,496)
	5,663,550	3,831,991	4,083,775	3,713,723	4,145,077	18,082,051
\$	(7,319,886)	\$ (2,489,790)	\$ (320,159)	\$ (2,926,501)	\$ 4,247,290	\$ 5,037,325
	7.27%	7.50%	6.17%	6.41%	6.65%	8.59%

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
2004	\$ 36,379,891	\$ 3,817,080	\$ 7,704,692	\$ 1,806,689	\$ -	\$ 49,708,352
2005	41,581,058	3,989,989	8,088,142	1,895,507	-	55,554,696
2006	49,827,320	4,879,168	8,678,710	1,488,936	-	64,874,134
2007	59,021,614	5,257,560	8,222,944	1,438,613	-	73,940,731
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
2013	47,036,144	-	8,958,647	1,310,488	748,768	58,054,047

(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	
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
2013	2012	7,694,442,624	300,188,574	3,534,871	7,998,166,069

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
\$ 1,560,635,598	\$ 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%
1,791,146,696	6,207,019,373	7.8033	7,432,751,782	83.51%

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
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	4.9928	2.3436	23.3197
2013	7.1992	0.6041	7.8033	7.7780	4.9902	2.3154	22.8869

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, 2013

	2013				2004			
	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	\$ 77,319,339	\$ 603,346	1	1.27%	\$ -	\$ -	-	-
Fairfield Spring Harbors LLC	52,832,263	412,266	2	0.87%	-	-	-	-
Granite Worthing LLC	49,055,015	382,791	3	0.80%	-	-	-	-
Citation Club Investors	42,925,429	334,960	4	0.70%	34,308,125	274,465	2	0.75%
Tenet Healthcare Group	37,383,927	291,718	5	0.61%	-	-	-	-
Ocean Properties Ltd.	36,541,848	285,147	6	0.60%	19,920,250	159,362	9	0.44%
Linton Delray LLC	35,323,389	275,639	7	0.58%	43,500,000	348,000	1	0.96%
Morse Operations Inc.	30,098,164	234,865	8	0.49%	-	-	-	-
Lifespace Communities Inc.	29,948,099	233,694	9	0.49%	-	-	-	-
Investors Warranty of America, Inc.	22,413,466	174,899	10	0.37%	-	-	-	-
Office Depot Inc.	-	-	-	-	28,874,000	230,992	3	0.63%
Delray Intracoastal	-	-	-	-	27,687,000	221,496	4	0.61%
Palm Beach County Health Facility	-	-	-	-	24,443,875	195,551	5	0.54%
125 Via Deste Apartments Investors	-	-	-	-	24,000,000	192,000	6	0.53%
Realty Associates Fund V	-	-	-	-	21,300,000	170,400	7	0.47%
Minto Builders Florida, Inc.	-	-	-	-	20,256,000	162,048	8	0.45%
Depot Realty	-	-	-	-	19,807,000	158,456	10	0.44%
Totals	\$ 413,840,939	\$ 3,229,325		6.78%	\$ 264,096,250	\$ 2,112,770		5.82%

Source: Palm Beach County Property Appraiser's Office

Total taxes levied:

Fiscal Year 2013	\$ 47,610,690
Fiscal Year 2004	\$ 36,399,203

City Millage Rate:

Fiscal Year 2013	7.8033
Fiscal Year 2004	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
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%
2013	47,610,690	46,571,308	97.82%	464,836	47,036,144	98.79%

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	Capital Appreciation Bonds	Obligation Under Installment Agreements			
2004	\$ 29,620,000	\$ 21,032,245	\$ 608,837	\$ 40,950,104	\$ 5,445,803	\$ 71,691	\$ 97,728,680	3.51%	\$ 1,541
2005	37,925,000	18,804,696	910,224	36,909,770	6,117,250	38,071	100,705,011	3.58%	1,576
2006	36,045,000	17,491,783	774,922	39,647,694	6,828,176	99,774	100,887,349	3.54%	1,574
2007	33,980,000	38,550,798	445,551	47,533,675	7,580,901	173,843	128,264,768	4.27%	1,993
2008	31,760,000	39,524,722	148,082	42,654,753	8,377,883	112,203	122,577,643	3.45%	1,909
2009	29,465,000	37,405,774	268,795	37,398,701	9,062,171	136,681	113,737,122	3.01%	1,783
2010	27,090,000	36,499,201	192,835	32,179,828	9,774,887	97,245	105,833,996	3.00%	1,749
2011	24,605,000	35,558,216	128,460	26,271,178	7,789,967	64,782	94,417,603	4.62%	1,552
2012	22,081,834	35,216,172	803,924	23,717,698	8,496,031	31,410	90,347,069	2.64%	1,469
2013	19,321,030	45,573,532	619,165	20,622,807	5,994,781	-	92,131,315	2.69%	1,491

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
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
2013	19,285,000	-	19,285,000	6,207,019,373	0.31%	61,801	312.05

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, 2013*

	Total Outstanding	Percentage Applicable to City of Delray Beach⁽¹⁾	Amount Applicable to City of Delray Beach
Direct:			
City of Delray Beach	\$ 65,513,727	100.00%	\$ 65,513,727
Overlapping:			
Palm Beach County	187,210,000	5.00%	9,360,500
Palm Beach County School District	1,797,703,000	5.00%	89,885,150
Total overlapping debt	1,984,913,000		99,245,650
Total direct and overlapping debt payable from ad valorem taxes	\$ 2,050,426,727		\$ 164,759,377
Population			61,801
Total direct and overlapping debt per capita			\$ 2,665.97

⁽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
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 (3)	28,040,630	19,288,632	8,751,998	4,845,913	1.81
2007 (3)	30,747,711	20,432,772	10,314,939	5,338,475	1.93
2008 (3)	30,315,366	17,953,965	12,361,401	5,584,116	2.21
2009 (3)	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
2013	31,418,727	18,806,440	12,612,287	5,882,394	2.14

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

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

(3) 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, 2013

	Fiscal Year 2013		
Employer	Employees	Rank	Percentage of Total City Employment
Tenet Healthcare Corp/dba Delray Medical	1,520	1	N/A
Palm Beach County School District	990	2	N/A
Publix Supermarkets	586	3	N/A
Palm Beach County	520	4	N/A
JET Flite, Inc.	425	5	N/A
Ancco Services	400	6	N/A
Target	350	7	N/A
Ed Morse Delray Toyota & Scion	350	7	N/A
Home Depot, Inc.	318	9	N/A
Delray Motors	300	10	N/A
Totals	<u>5,759</u>		

Source: Florida Agency for Workforce Innovation (AWI)

Note: Data is not available for 2004

Note: Total City Employees - 803

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⁾
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	55,628	3,420,843,860	45.5	7,745	8.7%
2013	61,801	1,372,171	N/A	N/A	45.5	7,743	7.0%

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	68	66	69	71	71	69	68	68	67	67
Public Safety										
Community Improvement	4	4	5	5	4.5	5	5	5	5	5
Planning & Zoning	15	15	15	17	16	16	16	16	16	16
Building Inspection	20	21	21	23	21	20	20	20	20	20
Code Compliance	17	17	17	17	17	18	17	17	17	17
Law Enforcement	233	234	236	238	238	236	242	242	239	229
Fire Control	148	149	154	154	154	154	154	156	155	160
Community Development										
Block Grant	6	6	5	7	7.5	7	7	7	7	7
Insurance	4	4	4	4	4	4	4	4	4	4
City Garage	12	12	12	12	12	12	12	12	12	12
Physical Environment										
Public Works	27	25	25	25	25.5	25.5	25.5	25.5	25.5	25.5
Engineering	7	7	8	8	7	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	6.5	6.5
Parks and Recreation	98	108	108	114	115	113	113	112	110	105
Water & Sewer Utility	110	114	115	117	117.5	117.5	117	116.5	118	118
Total	779	792	804	822	820	814	817	818	813	803

CITY OF DELRAY BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Stations	3	3	3	3	2	3	3	3	3	3
Patrol units	136	144	151	159	163	219	219	217	208	181
Fire										
Fire stations ⁽¹⁾	6	6	6	6	6	6	6	6	6	6
Fire trucks	15	15	15	16	16	16	15	16	12	10
ALS rescue vehicles	8	8	8	9	9	9	9	9	17	9
Leisure Services										
Ballfields - lighted	23	22	22	15	15	15	16	16	16	15
Basketball courts	2	4	4	5	5	5	5	5	5	5
Football/Soccer fields ⁽²⁾	0	0	0	7	7	7	7	7	7	7
Tennis courts	28	47	47	47	47	47	48	48	48	48
Parks	17	17	17	17	17	17	17	22	22	22
Roads and Streets										
Lane miles ⁽³⁾	299	299	299	299	305	305	305	314	314	321

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Physical arrests	2,476	2,444	2,875	3,108	3,161	2,534	2,331	2,620	2,342	2,068
Traffic violations	14,471	12,040	13,928	10,962	10,882	11,249	11,443	11,314	12,393	10,135
Fire										
Number of calls	11,960	11,591	12,024	11,772	12,410	11,905	11,960	12,008	12,282	13,171
Parks and Recreation										
Library										
Circulation	233,106	227,820	228,871	257,656	270,590	274,611	257,950	252,179	237,755	234,029
Programs offered	642	650	910	1,112	1,287	1,224	1,284	1,145	1,194	975
Program attendance	22,742	20,056	32,873	32,852	35,116	33,770	29,237	24,021	25,905	25,052
Leisure Services										
Youth athletic participants	1,904	2,343	2,655	10,597	19,537	20,965	18,125	17,837	24,389	20,238
Camp program participants	365	358	322	625	561	699	395	352	384	4,360
Class participants	14,007	11,090	10,634	15,093	19,662	24,700	22,756	28,328	36,556	54,839
Water/Sewer Utility										
Water customers	19,760	20,135	20,437	20,963	21,056	21,156	21,320	21,407	21,596	21,795
Water main breaks	None	None	None	None	434	442	476	408	442	401
Sewer customers	19,600	20,000	20,400	20,900	21,006	21,088	21,225	21,093	20,935	20,950
Sewer main breaks	N/A	N/A	N/A	N/A	4	3	2	-	3	-
Avg daily water consumption (thousands of gallons)	10,963	12,746	12,348	11,602	10,040	10,944	11,643	11,356	10,953	11,029

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, 2013*

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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Delray Beach, Florida, and have issued our report thereon dated April 15, 2014. Our report includes a reference to other auditors who 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 auditor's testing of internal control over financial reporting or compliance and other matters for the Delray Beach Downtown Development Authority that are reported on separately by the other auditor. The financial statements of the Police and Firefighters' Retirement System Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) of the City of Delray Beach, Florida, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the City of Delray Beach, Florida. Accordingly, we do not express an opinion on the effectiveness of the internal control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Delray Beach, Florida, are free from 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 April 15, 2014.

City of Delray Beach, Florida's Responses to Findings

The responses by the City of Delray Beach, Florida, to the findings identified in our audit are described in the accompanying City's response to our management letter. The responses by the City of Delray Beach, Florida, were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on those responses.

Purpose of this Report

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

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

West Palm Beach, Florida
April 15, 2014

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Fiscal Year Ended September 30, 2013

Grantor/ Program Title	CFDA Number	Contract/Grantor Number	2013 Program Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Housing and Urban Development				
Direct Award				
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-12-0033	\$ 5,921	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-12-0033	457,067	61,970
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	517,501	-
Pass-through Award from Palm Beach County Department of Community Affairs				
Community Development Block Grants/State's Program and Nonentitlement Grants in Hawaii	14.228	08DB-D3-10-60-01-A07	625,350	-
Total U.S. Department of Housing and Urban Development			1,605,839	61,970
U.S. Department of Justice				
Bureau of Justice Assistance				
Direct Awards				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0118	42,212	-
Total U.S. Department of Justice			42,212	-
U.S. Department of Transportation				
Pass-through Award from the State of Florida Department of Transportation Highway Planning and Construction				
	20.205	AQM - 22	744,677	-
Total U.S. Department of Transportation			744,677	-
U.S. Department of Energy				
Direct Awards				
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	DE-OE000415	20,000	-
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002536	5,938	-
Total U.S. Department of Energy			25,938	-
U.S. Department of Homeland Security				
Direct Award				
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2010-FH-00256	302,201	-
Pass-through Award from the State of Florida Department of Financial Services				
Homeland Security Grant Program	97.067	11DS-9Z-13-00-16-436	58,715	-
Total U.S. Department of Homeland Security			360,916	-
Total Federal Awards			\$ 2,779,582	\$ 61,970

Continued on next page.

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (Continued)

For the Fiscal Year Ended September 30, 2013

Grantor/ State Project Title	CSFA Number	Contract/Grantor Number	2013 Program Expenditures	Transfers to Subrecipients
State Financial Assistance				
Florida Department of Environmental Protection				
Direct Awards				
Beach Management Funding Assistance Program	37.003	12PBI	\$ 1,826,383	\$ -
Total Florida Department of Environmental Protection			1,826,383	-
Florida Housing Finance Corporation				
Direct Award				
State Housing Initiatives Partnership Program	52 901	19.10	2,272	-
Total Florida Housing Finance Corporation			2,272	-
Florida Department of Transportation				
Direct Awards				
Public Transit Service Development Program	55.012	AQJ59	183,008	-
Transit Corridor Program	55.013	AQN52	265,956	-
State Highway Project Reimbursement	55.023	APX75	209,760	-
Total Florida Department of Transportation			658,724	-
Total State Financial Assistance			\$ 2,487,379	\$ -

See notes to Schedule of Federal Awards and State Financial Assistance.

City of Delray Beach, Florida

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

September 30, 2013

1. Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the Federal and State grant activity of the City of Delray Beach, Florida (the "City"), under programs of the Federal government and State of Florida for the year ended September 30, 2013. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General of the State of Florida. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position, or cash flows of the City.

2. Summary of Significant Accounting Policies

- (a) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (b) The City made subrecipient payments totaling \$61,970 from Federal awards to a local non-profit organization.

3. Matching Requirements

- (a) Florida Department of Environmental Protection
Beach Management Funding Assistance Program (CSFA 37.003)

Contract 12PBI with the Florida Department of Environmental Protection (FDEP) provides for a Federal, State and Local funding share representing 56.330%, 21.835% and 21.835% respectively, of eligible total project costs. The FDEP funding is limited to the lesser of \$2,279,537 or 50% of the non-federal share of eligible total project costs. Eligible project costs from inception through September 30, 2013 are summarized as follows:

	Federal	FDEP	Local	Total Eligible Project Costs
Year ended September 30, 2013	\$ 4,711,684	\$ 1,826,383	\$ 1,826,383	\$ 8,364,450
Prior years	402,281	155,935	155,935	714,151
Total	\$ 5,113,965	\$ 1,982,318	\$ 1,982,318	\$ 9,078,601

Through September 30, 2013 the City had not received Federal funding for the project and the eligible project costs paid by the City totaled \$7,096,283.

4. 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 for Each Major Federal Program
and State Project and on Internal Control Over Compliance Required by
OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of the City of Delray Beach, Florida (the "City"), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the major Federal programs and State projects of the City for the year ended September 30, 2013. The major Federal programs and State projects of the City are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs and State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major Federal programs and State projects based on our audit of the types of compliance requirements referred to above. 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*, and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about the City's compliance 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 on compliance for each major Federal program and State project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City of Delray Beach, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and State projects for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001. Our opinion on each major Federal program and State project is not modified with respect to that matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Delray Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program and State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and State project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

West Palm Beach, Florida
April 15, 2014

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

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

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Award Programs and State Financial Assistance Projects

Internal control over major Federal Award Programs and
State Financial Assistance Projects:

Material weakness(es) identified?

___ Yes X No

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

___ Yes X None reported

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

Unmodified Opinion

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

___ Yes X No

Any audit findings disclosed that are required to be reported in
accordance with Chapter 10.550, Rules of the Auditor General?

X Yes ___ No

Identification of Major Programs:

Major Federal Award Programs

CFDA No.

U.S. Department of Housing and Urban Development

Direct Award

Community Development Block Grants/Entitlement Grants

14.218

Pass through Awards from State of Florida Department of
Community Affairs through Palm Beach County, Florida
Community Development Block Grants/State's Program
and Nonentitlement Grants in Hawaii

14.228

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2013

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

<u>Major Federal Award Programs (Continued)</u>	<u>CFDA No.</u>
U.S. Department of Transportation Pass through Award from the State of Florida Department of Transportation Highway Planning and Construction	20.205
U.S Department of Homeland Security Direct Award Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083
Dollar threshold used to distinguish between Type A and Type B Federal award programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> Yes <u> </u> No

<u>Major State Financial Assistance Project</u>	<u>State CSFA No.</u>
Florida Department of Environmental Protection Direct Award Beach Management Funding Assistance Program	37.003
Dollar threshold used to distinguish between Type A and Type B State financial assistance projects:	<u>\$ 300,000</u>

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

None

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2013

**SECTION IV - STATE FINANCIAL ASSISTANCE PROJECTS FINDINGS
 AND QUESTIONED COSTS**

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION	
2013-001	<p>Beach Management Funding Assistance Program CSFA # 37.003 (Reporting) Grant No. 12PBI</p> <p><i>Criteria:</i> The grant agreement and Compliance Supplement (CSFA #37.003) requires the City to submit Quarterly Project Progress and Quarterly Financial Reports (paragraph 14 through 16 of the grant agreement; and Attachment PARTS I – III to grant agreement/amendment).</p> <p><i>Condition:</i> The City was not able to provide copies of the Quarterly Project Progress or Quarterly Financial Reports for this program or provide documentation that the reports were filed as required.</p> <p><i>Effect:</i> The City was not in compliance with the reporting requirements of this program.</p> <p><i>Cause:</i> It appears that the Quarterly Project Progress or Quarterly Financial Reports were not prepared and filed due to employee turnover.</p> <p><i>Population and Items Tested:</i> Auditor noted that there are four quarterly reports required (Project Progress Reports and Financial Reports). Auditor selected two quarters of the four quarters for each type of report for testing.</p> <p><i>Recommendation:</i> We recommend that staff prepare Quarterly Project Progress and Quarterly Financial Reports and retain copies of these reports as required by the grant agreement and Compliance Supplement.</p>	None



CORRECTIVE ACTION PLAN

The City of Delray Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2013. The finding from the Schedule of Findings and Questioned Costs for the year ended September 30, 2013, 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 – STATE FINANCIAL ASSISTANCE PROJECT

Finding Number	Finding
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FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

**2013-001 Beach Management Funding Assistance Program
CSFA # 37.003 (Reporting)
Grant No. 12PBI**

Criteria: The grant agreement and Compliance Supplement (CSFA #37.003) requires the City to submit Quarterly Project Progress and Quarterly Financial Reports (see paragraph 14 through 16 of grant agreement; and Attachment PARTS I – III to grant agreement/amendment).

Condition: The City was not able to provide evidence or support for the Quarterly Project Progress or Quarterly Financial Reports for this program.

Effect: The City was not in compliance with the reporting requirements of this program.

Cause: It appears that the reports were not completed or submitted due to employee turnover.

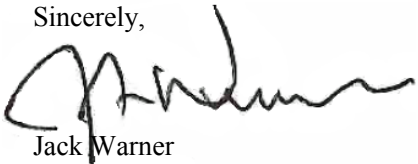
Population and Items Tested: Auditor noted that there are four quarterly reports required (Project Progress Reports and Financial Reports). Auditor selected two quarters of the four quarters for each type of report.

Recommendation: We recommend that staff prepare Quarterly Project Progress and Quarterly Financial Reports and retain copies of these reports as required by the grant agreement and Compliance Supplement.

Action Taken: Responsibility for the grant reports has been assigned to a new employee and the reports will be filed timely in the future.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Warner". The signature is fluid and cursive, with a large initial "J" and "W".

Jack Warner
Chief Financial Officer

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2013

**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	
2012-1	<p>Community Development Block Grant CFDA # 14.218 (Allowable Activities) Grant No. B-10-MC-12-0033</p> <p><i>Condition:</i> 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 report.</p> <p><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).</p> <p><i>Current Status:</i> Payroll expenses for the current year were allocated to different programs within the Community Development Block Grant based on fixed allocation percentages, but all allocations were in accordance with Section A-87, Attachment B (8)(h)(4) for employees working only on one Federal award. This finding is resolved.</p>	Unknown

Management Letter



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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, 2013, and have issued our report thereon dated April 15, 2014. 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 Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General; Schedule of Findings and Questioned Costs; and, Summary Schedule of Prior Audit Findings. Disclosures in those reports and schedules, which are dated April 15, 2014, should be considered in conjunction with this management letter.

Additionally, Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida, requires certain additional information to be reported. This management letter includes the following additional information required by Chapter 10.550, Rules of the Auditor General, which is not included in the aforementioned auditor's reports or schedules:

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.

As noted in the Summary Schedule of Prior Audit Findings, the item reported as finding 2012-1 in the prior year Schedule of Findings and Questioned Costs dated March 21, 2013, was resolved by the City and no longer applies.

Our prior year finding 2012-2 *Information Technology Systems*, reported in our prior year management letter dated March 21, 2013, was partially addressed and resolved as to *Accounting Server* and default administrator account and logoff screensavers under *User Accounts*. The following matter was not addressed and requires further attention.

2012-2 Information Technology Systems

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

Condition/Current Status: Our review of the City's Information Technology Systems (ITS) identified the following area where existing practices could be improved:

User Accounts

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.

Recommendation: We recommend that the City prepare a list periodically (at least annually) of authorized users for review and approval by each department head to further enhance the access security of computer data.

Management Response: The IT department will print an annual listing of authorized IT users for each department and request department head approval and investigation of any unauthorized users that are identified.

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 to improve financial management:

2013-002 Pension Liabilities

Criteria: The Governmental Accounting Standards Board (GASB) has issued two statements changing the accounting, financial reporting and disclosures for governmental pension plans. GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, will require additional disclosures to be presented in the City's financial statements and is 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*, is effective for the City for the fiscal year ending September 30, 2015 and will require the City to report a liability and expense in the government-wide statement of net position and statement of activities for the total amount of pension related liabilities, net of accumulated assets for the payment of those pension liabilities.

Condition: Generally, the net pension liability to be reported in the City's government-wide financial statements beginning in fiscal year 2014-2015 will approximate the unfunded actuarial accrued liability (UAAL) calculated by the actuaries for the City's pension plans. At September 30, 2012 the UAAL for the General Employees' Pension Plan was \$3,668,352 and the UAAL for the Police and Firefighters' Retirement System was \$88,668,497. Accordingly, the City can expect to report an increase in liabilities and a reduction in unrestricted net position of approximately \$92 million based on the current actuarial values. At September 30, 2013, the City's total unrestricted net position was approximately \$91 million and if the liability were recorded in the current year, the City would report a deficit net position (liabilities in excess of assets) of approximately \$1 million.

Effect: Adoption of the new GASB pension standards in the fiscal year ending September 30, 2015, may cause the City to report a deficit net position.

Recommendation: We recommend that the City plan for the implementation of the new pension standards and evaluate the potential impacts and risks to the City's future operations, financial condition and borrowing capacity.

Management Response: Management agrees that the new GASB standards related to pensions will have a significant impact on the financial statements of the City and is reviewing its options for controlling future pension costs.

2013-003 Grant Revenue

Criteria: Internal controls should provide for the proper recording of grant revenue and related receivables, generally based upon the eligible expenditures incurred for the purpose of the grant. Federal and State grants generally should be based upon a *notice of award* issued by the grantor agency and a signed grant agreement approved by the City Commission.

Condition: In connection with the City's beach renourishment project during the current year, receivables and grant revenue of approximately \$7.2 million were recorded; however, the City did not have a notice of award, signed grant agreement or other documentation to substantiate that the grantors, primarily the Federal government, had approved the City's request for the grant funds.

Effect: Approximately \$7.2 million of grant revenue was reversed from the revenue and receivables recorded by the City for the year ended September 30, 2013. The adjusted grant revenue for the beach renourishment project for 2013 was approximately \$2.3 million.

Cause: Staff turnover resulted in recording journal entries for grant activity that was not substantiated or approved.

Recommendation: We recommend that all grant documentation be provided to the City's Finance department and evaluated to determine if a funding commitment exists before amounts are recorded in the City's financial records. The Finance department staff should also maintain a summary schedule for all grants, documenting the grant award, term, reporting requirements, restrictions and other pertinent information. The schedule should be periodically reconciled with the general ledger and a supervisor should review and approve the schedule as changes are made.

Management Response: Management agrees that grant revenue should be monitored and recorded based on approved notice of award documentation received from grantor agencies and will require such documentation to accompany all future grant activity recorded by the City.

2013-004 Parking Ticket Revenue

Criteria: Parking ticket revenue should be recorded accurately based on timely and reliable information.

Condition: The Police department issues hand-written parking tickets which often lead to illegible tickets or incorrect information that results in uncollectible parking fines. Each year-end the Finance department staff attempts to evaluate the recorded receivables related to valid parking tickets and estimate how much of the recorded balance might not be collectible in order to adjust the annual parking ticket revenue and receivable accounts.

Effect: Effort and resources are expended to issue and record parking ticket amounts that cannot be collected, resulting in additional efforts to estimate and adjust the accounting records for the uncollectible amounts.

Cause: Manual parking ticket processes lead to illegible and incorrect information that results in uncollectible parking fines.

Recommendation: The City should evaluate the cost/benefit of upgrading to an automated ticketing system which could streamline the parking ticket process for the Police department and enhance the collection and total revenues for parking fines.

Management Response: Management agrees that the current parking ticket process requires regular accounting review and adjustment to maintain accurate balances and can result in uncollectible parking fines. Management will consider the options for implementing a more modern electronic parking ticket system.

2013-005 Payroll

Criteria: Certain documents, such as W-4 forms and direct deposit forms, should be signed by the employee and maintained on file for recordkeeping purposes. Timesheets should be properly approved by an appropriate administrator/supervisor to attest to the hours actually worked. Payroll activity should be processed, paid and recorded within the payroll system in accordance with what is listed on the timesheets /timecards.

Condition: During our testing of the payroll cycle, we noted the following exceptions in our sample of 40 employees selected for testing:

- 1) Four hours were incorrectly coded as “regular pay” rather than “away pay” (training). Although the rate of pay is the same for both categories, classification of hours worked was not accurate.
- 2) One employee was paid for 8 regular hours; however, the timecard/timesheet indicated the employee utilized a vacation day, but was not charged for a vacation day in the payroll system.
- 3) The overtime sheet for one employee indicates that a total of 4.75 hours of overtime was worked; however, the employee was only paid for 3.75 hours.
- 4) The City does not consistently document when a lunch period is going to be docked (deducted) from the hours worked for various employees. Some employees are paid for the total number of hours shown on the timecard while others are docked a half hour lunch from their total time worked. Additionally, the timecard for certain employees indicated that overtime hours had been reached; however, the individual did not receive any overtime pay. The reason for the differences in the treatment of whether a lunch period is deducted or not deducted was not documented in the City’s payroll files.
- 5) Three timesheets for two different employees were not approved by an appropriate administrator/supervisor.
- 6) One direct deposit form was not signed by the employee.

Effect: Employees could potentially be paid incorrectly or payroll data may not be accurately processed in accordance with City policies.

Cause: The current payroll system is automated for processing information once inputted into the system, but still includes substantial manual processes that allow human error in the data input or a lack of documentation for adjustments made to some employee timesheets/timecards.

Recommendation: The City should consider upgrading to a modern, fully automated time-keeping system. In the meantime, internal controls over payroll processing should be reviewed and improved to ensure that timesheets are signed by appropriate administrators/supervisors, approved documents (W-4 and direct deposit forms) are maintained on file, and payroll is processed in accordance with City policies with all payroll adjustments properly documented in the payroll records. The Finance department should also review and clarify the procedures for reporting employees' lunch periods to ensure consistency.

Management Response: Management agrees that the current payroll process is a manually intensive process and will consider the options for new timekeeping software for the future.

2013-006 Policies and Procedures

Criteria: Policies and procedures should be documented and updated on a regular basis to ensure City operations are administered in a proper and consistent manner.

Condition: We noted various City policy manuals that have not been updated for several years. For instance, the Purchasing Manual is dated 1991, the Grant Administration Policy is dated 2006, and the Accounting Policy Manual is dated 2011. The current policy manuals appear to have changes in personnel, assigned positions and duties that are not accurately reflected in the manuals.

Effect: Policies and procedures may be outdated or inconsistent with current practice.

Cause: Policies and procedures are not updated on a regular basis as changes are made.

Recommendation: We recommend the City review and update all policies and procedures to reflect current operations. Each manual should document the approved policies and procedures to be followed by employees and serve as an aid in training new employees, monitoring performance and improving internal communications.

Management Response: Management agrees that the City's current policy manuals should be updated on a regular basis and will review and prioritize the policies for updating in the future.

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, 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.
6. Section 10.554(1)(i)6.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, as of and for the year ended September 30, 2013.
7. Section 10.554(1)(i)6.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, 2013, 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, 2013. 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, 2013.

8. Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2013. 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 management. 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.*

West Palm Beach, Florida
April 15, 2014



April 30, 2014

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, 2013

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

2012-2 Information Technology Systems - Management agrees and will have the IT division print an annual listing of authorized IT users for each department and request department head approval and investigation of any unauthorized users that are identified.

2013-001 Beach Management Funding Assistance Program - Management agrees and will ensure that future required grant reports are filed on a timely basis.

2013-002 Pension Liabilities - Management agrees that the new GASB standards related to pensions will have a significant impact on the financial statements of the City and is reviewing its options for controlling future pension costs.

2013-003 Grant Revenue - Management agrees that grant revenue should be monitored and recorded based on approved notice of award documentation received from grantor agencies and will require such documentation to accompany all future grant activity recorded by the City.

2013-004 Parking Ticket Revenue - Management agrees that the current parking ticket process requires regular accounting review and adjustment to maintain accurate balances and can result in uncollectible parking fines. Management will consider the options for implementing a more modern electronic parking ticket system.

2013-005 Payroll - Management agrees that the current payroll process is manually intensive and will consider the options for new timekeeping software.

2013-006 Policies and Procedures - Management agrees that the City's current policy manuals should be updated on a regular basis and will review and prioritize the policies for updating.

Sincerely,

Jack Warner
Chief Financial Officer

Milena L. Walinski CGFO
Chief Accounting Officer

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